STRATEGIC MATCH AND EFFECTS OF COMPETITIVE STRATEGY, MARKET ORIENTATION AND INNOVATION STRATEGY ON HOTELS' PERFORMANCE: THE CATALYST FOR ECONOMIC GROWTH OF A NATION

NARENTHEREN KALIAPPEN

DOCTOR OF PHILOSOPHY
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By

NARENTHEREN KALIAPPEN

Thesis Submitted to the Othman Yeop Abdullah, Graduate School of Business, Universiti Utara Malaysia in Fulfilment of the Requirement for the Degree of Doctor of Philosophy

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Abstract

This research investigated the causal relationship of competitive strategy, market orientation and innovation strategy on organizational performance of hotels in Malaysia. Specifically, this research considered competitive strategy (business strategy) as an independent variable, market orientation and innovation strategy (functional strategies) as mediating variables and their causal implication on performance. The theoretical framework of this study used dynamic capabilities, strategic implementation, hierarchy of organizational strategies and synthesis of the similar characteristics of each strategy. Out of a total 475 set of questionnaires which were distributed to top and middle managers of three- to five- star hotels' in Malaysia only 114 or 24% were usable. The data were analysed through simple linear regression, multiple regression, the Sobel test and the bootstrapping test. Specifically, this research analysed the hypotheses based on a sample size of 54 for cost leadership strategy, competitor orientation and process innovation while, a sample size of 60 was used for differentiation strategy, customer orientation and service innovation. The causal relationship among competitive strategy, market orientation and innovation strategy was found significant in both sample sizes. The causal relationship among competitive strategy, market orientation and innovation strategy on organizational performance was found significant when tested with specific sample sizes of 54 and 60 but was found insignificant with a combined sample size of 114. Importantly, competitor orientation and process innovation mediated cost leadership and performance nexus, while customer orientation and service innovation mediated the differentiation and performance nexus. This study shows the specific strategic match of competitive strategy, market orientation and innovation strategy on performance. It also provides some theoretical contribution to the strategic management theory by expanding the strategy and performance nexus. Moreover, this research provides pertinent information to top and middle management to make better strategic decisions and strategy execution, especially in shaping specific competitive strategy, market orientation and innovation strategy.

Keywords: Competitive strategy, Market orientation, Innovation strategy, Organizational performance and Malaysian hotel industry

Abstrak

Kajian ini meneliti hubungan sebab-akibat strategi persaingan, orientasi pasaran dan strategi inovasi terhadap prestasi hotel di Malaysia. Secara khususnya, kajian ini menilai kesan strategi persaingan (strategi perniagaan) sebagai pemboleh ubah bebas, orientasi pasaran dan strategi inovasi (strategi fungsian) sebagai pemboleh ubah perantara dan kesan terhadap prestasi. Kerangka teoritik kajian ini menggunakan keupayaan dinamik, pelaksanaan strategi, penjajaran strategi organisasi dan sintesis ciri-ciri yang sama bagi setiap strategi berkaitan. Sebanyak 475 soal selidik telah diedarkan kepada pengurus atasan dan pertengahan hotel bertaraf tiga hingga lima bintang di Malaysia dan hanya 24% iaitu 114 soal selidik yang boleh digunakan. Daripada jumlah 114 responden ini, didapati hanya 54 hotel melaksanakan strategi kepimpinan kos manakala 60 hotel melaksanakan strategi perbezaan. Data telah dianalisis dengan menggunakan regresi mudah, regresi berganda, *Sobel test* dan *bootstrapping test*. Secara khususnya, kajian ini menganalisis hipotesis berdasarkan kepada saiz sampel sebanyak 54 untuk strategi kepimpinan kos, orientasi pesaing dan proses inovasi. Manakala, saiz sampel 60 untuk strategi perbezaan, orientasi pelanggan dan servis inovasi. Hubungan sebab-akibat antara strategi persaingan, orientasi pasaran dan strategi inovasi didapati signifikan dalam kedua-dua saiz sampel. Kesemua hubungan sebab-akibat strategi persaingan, orientasi pasaran dan strategi inovasi terhadap prestasi organisasi didapati signifikan apabila diuji dengan saiz sampel 54 dan 60 tetapi tidak signifikan untuk saiz sampel 114. Orientasi pesaing dan proses inovasi adalah pengantara kepada kepimpinan kos dan prestasi organisasi, manakala orientasi pelanggan dan servis inovasi adalah pengantara antara strategi perbezaan dan prestasi organisasi. Kajian ini turut menunjukkan hubung kait yang strategik antara strategi persaingan, orientasi pasaran dan strategi inovasi terhadap prestasi organisasi. Kajian ini turut memberi beberapa sumbangan dalam aspek teori pengurusan strategik dengan mengembangkan hubungan antara strategi dan prestasi. Selain itu, kajian ini menyediakan maklumat penting untuk pengurusan pihak atasan dan pertengahan dalam membuat keputusan dan strategi yang lebih baik terutama dalam membentuk strategi persaingan, orientasi pasaran dan strategi inovasi.

Katakunci: Strategi persaingan, Orientasi pasaran, Strategi inovasi, Prestasi organisasi dan Industri hotel Malaysia

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Narentheren Kaliappen
93697
Othman Yeop Abdullah,
Graduate School of Business,
Universiti Utara Malaysia.

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CHAPTER ONE
INTRODUCTION

1.1 Background of Study

Hoteliers today face multiple challenges in their regular business operation due to intense competition, higher customer preference changes and rapid technological advancement (Tavitiyaman, Qu & Zhang, 2011). These difficulties pushed the hoteliers into a very demanding situation when developing their hotel's entire strategic direction. In response to these challenging situations, hoteliers should rethink about their implementation of business strategies, organizational resources, capabilities, structures and functional competencies that could propel their performance along with achieving competitive advantage.

Prior studies have addressed several aspects of competitive strategy (Koseoglu, Topaloglu, Parnell & Lester, 2013; Sohail and Al.Ghamdi, 2012; Nandakumar, Ghobadian & Regan, 2011; Parnell, 2011; Hilman, 2009; Porter, 1985), market orientation (Ramayah, Samat & Lo, 2011; Sorenson, 2009; Zhou, Brown & Dev, 2009; Frambach, Prabhu & Verhallen, 2003; Narver and Slater, 1990) and innovation strategy (Fernandes, Ferreira & Raposo, 2013; Tajeddini and Trueman, 2012; Jimenez-Jimenez and Sanz-Valle, 2011; Grawe, Chen & Daugherty, 2009; Frohwein and Hansjrgens, 2005; Wang and Ahmed, 2004) that produce better organizational performance. Mutually, researchers and practitioners admitted that well-organized competitive strategy, market orientation and innovation strategy could lead to sustainable competitive advantage and superior organizational

performance (Koseoglu et al., 2013; Julian, Mohamad, Ahmed & Sefnedi, 2014; Sandvik, Duhan & Sandvik, 2014).

However, very limited empirical evidences and conceptual frameworks were accessible relating to the integration of these three strategic factors on organizational performance. Present highly dynamic business environment requires the hoteliers to give resilient emphasis on developing an effective strategy implementation, which could well synchronize with the changing environment (Okumus, 2003).

Therefore, this study attempted to investigate the integration of these three strategic factors; competitive strategy, market orientation and innovation strategy on organizational performance from the strategic implementation viewpoint. An investigation from more holistic approach on these issues is pivotal because it could address several inadequacies in turn to bridge the existing research gap in prior literatures.

1.1.1 **Overview of Global Hotel Industry**

The outlook of the global hotel industry continues to be in unrest due to global political and economic uncertainties (Ernst & Young, 2013). Although, the industry is operating in a volatile environment, but overall it shows gradual growth. For instance, the US hospitality sector recorded 2.1 % increase in occupancy rate to 58 %, 2.3 % increase in average daily rate (ADR) and 4.4 % increase in revenue per available room (RevPAR) in November 2013 (STR Global, 2013).

The economic uncertainties also affected the Asia Pacific region countries. Although, the overall economy has slowed down but the regional demands still remain strong. Countries like Australia, China, India, Japan, Hong Kong, Thailand and Singapore anticipated strong demands because of the increase in both leisure and business purpose travels (Ernst & Young, 2013). In the month of November 2013, the Asia Pacific regions reported 1.1% increase in occupancy rate to 72.4%, 4.9% drop in ADR and 3.8% fall in RevPAR (STR Global, 2013).

The instability from various conflicts has produced mixed results in Middle East (Egypt, Libya and Syria) and Africa's hotel industry. But, places like Dubai, Abu Dhabi, Qatar and Maldives remain as popular destinations for travellers. In the month of November 2013, the hotel industry of Middle East and Africa recorded 1.7% decrease in occupancy rate to 64.6%, 6.8% increase in ADR and 4.9% increase in RevPAR (STR Global, 2013).

European countries such as Greece, Spain, Portugal and Italy were also affected from economic challenges. Even, UK also faced lower demand and room rates in the short term. However, Germany and France indicated positive growth in overall hospitality demand. The Russian and Brazilian hotel industry anticipate having strong growth in upcoming years due to world mega events (Ernst & Young, 2013). In the month of November 2013, the European hotel industry recorded 3.9% increase of occupancy rate to 67.3%, 5.7% increase in ADR and 9.8% increase in RevPAR (STR Global, 2013).

The Deloitte Hospitality 2015 Report highlighted several key drivers such as focus on emerging markets, demographics, brand, talent management, technology, sustainability and crisis management in shaping the success of global hotel industry. Thus, the hotel industry across the global continues to face constant economic, political and technological fluxes. Even though, it's operated in the unpredictable business environment but hotel industry still shows gradual growing.

1.1.2 **Overview of Hotel Industry in Malaysia**

In today's business environment, the service sector plays a pivotal role to drive the nation's economic transformation agenda. The Malaysian government in particular has identified service sector as one of the important pillars for nation economic building. Malaysia government's comprehensive plan, which converted economic perspective from production based to knowledge based, had enabled the service industry to experience steady growth (Razalli, 2008; Awang, Ishak, Radzi & Taha, 2008).

The Productivity Report 2013/2014 shows that the service sector contributed 46.9% to the Gross Domestic Product (GDP) and 5.5% of productivity growth in the year of 2013 that remains one of the largest contributors to GDP growth. In particular, accommodation and food service registered a productivity growth of 5.29% and GDP of 2.48% in year 2013 (Productivity Report 2013/2014). The figure keeps on increasing from year to year.

One of the crucial components of service sector is tourism, which is also one of the 12 National Key Economic Area (NKEAs) identified under Economic Transformation Programme. Tourism and Culture Minister, Datuk Seri Nazri Aziz said tourism is considered as key economic driver which contributed RM 47.2 billion for Gross National Income (GNI) in 2012 (Aruna, 2013).

In 2012, Malaysia received global recognition for the tourism sector by ranking tenth best place in the world's most visited destinations given by United Nation World Tourism Organization (UNWTO) (Isabelle, 2013).

One of the key drivers of tourism sector is hotel industry. Hotel industry is playing a dynamic role in the tourism business worldwide. In Malaysia, the hotel industry is being catalyst for advancement, which contribute to the nation's economy as well as creating capacity for additional job opportunities (NKEA report, 2011). Hotel industry consists of accommodation, transportation, restaurant and entertainment sectors which facing tremendous competition nowadays (Bordean, Borza, Nistor & Mitra, 2010).

The Malaysian government under Tourism and Culture Ministry in specific plays imperative role in boosting the progress of hospitality industry by mapping out numerous constructive policies, procedures and initiatives that have been introduced since last few years. As a result, Malaysia recorded expansion of tourist arrivals with 25.7 million tourists in the year of 2013 as compared to 24.3 million in 2012. Furthermore, the total receipts by tourists also increased to RM 65.44 billion in 2013 as compared to RM 60.6 billion in 2012 (Tourism Malaysia, 2013).

The number of tourist arrivals significantly increases from year to year. In contrast, the increase of tourist arrivals could significantly raise the power of bargain among the customers in hotel industry.

The Malaysia government under Malaysia Tourism Transformation Plan (MTTP) is targeting RM 168 billion revenue growth and increase the number of tourists from 24 million to 36 million by the year 2020 (Aruna, 2013). Recently, Ministry of Tourism and Culture launched the Visit Malaysia Year 2014 themed 'Celebrating 1 Malaysia, Truly Asia' which expecting to generate RM 76 billion revenue through 28 million tourist arrivals.

In response to that, the government is encouraging reinvestments in the hotel industry for constructing or refurbishes the four and five star rated hotels by providing investment tax allowance and pioneer status to generate higher quality of service and sufficient space to accommodate all the tourists and in turn increase the income (NKEA report, 2011). Even though, it's a good effort from Malaysia government to boost the hotel industry, but oppositely it could create high threat of new entrants in Malaysia hotel industry.

Based on the report by Ministry of Tourism and Culture Malaysia, currently there are 988 registered hotels and 138,237 total rooms available with one to five star rating in Malaysia (Ministry of Tourism and Culture Malaysia, 2013). Specifically, there are 288 hotels with three to five star rating in Peninsular Malaysia, 108 hotels with three to five star rating in Sabah and Sarawak and 79 hotels with three to five star rating in Federal Territories.

Presently, there are 475 hotels with three to five star rating in Malaysia. The average occupancy rate of the hotels shows increase, ranging from 59.3% to 62.6% for the year 2010 to 2013 (Tourism Malaysia, 2013).

The number of hotels keeps on increasing every year. Although, the rise of hotels is a good sign but conversely it could create strong rivalry among existing hotels like Marriot, Intercontinental, Sheraton, E&O, The Westin, Hyatt, Le Meridian, The Ritz Carlton, Hilton, Shangri-La, Berjaya, Sunway, Holiday Villa, Holiday Inn, Equatorial and so on. Moreover, the hotels are facing alternate pressures from homestay program. At present, there are 219 homestay in Malaysia which were registered under Ministry of Tourism and Culture, Malaysia, which only require low capital investment and maintenance cost. Apart from this, hotels need huge number of suppliers and most of them offer similar offerings so; they build several partnerships, collaborations and supplier code of conduct agreements.

The overview of global and Malaysian hotel industry provided useful insight about several opportunities to take as advantages and some threats which need to be overcome by hoteliers. Based on this overview, the researcher found that, Malaysia hotel industry operates in intense competition, frequent customers' preference changes and swift technological advancement. In order to survive in this hyper competitive situation, Malaysian hoteliers should be capable to match their best internal competencies; organizational strategies, structures, resources and capabilities with external environment to create strategic fit to experience better profitability, performance and sustainable competitive advantage.

1.2 Problem Statement

Based on the above overview, hoteliers today face various challenges from the rapid technological turbulences, frequent changes in customers' needs and expectations, external environmental complexity and volatility (Wang, Chen & Chen, 2012; Auzair, 2011; Awang et al., 2008; Razalli, 2008). The hyper competitive environment force the organization to determine the best competitive strategy, market orientation and innovation strategy which best fits into organization's overall strategic direction (Nandakumar et al., 2011; Zhou et al., 2009; Hilman, 2009; O' Sullivan and Dooley, 2009; Mokhtar and Yusoff, 2007; Homburg, Krohmer & Workman, 2004; Frambach et al., 2003; Agarwal, Erramilli & Dev, 2003). These three factors really affect the organizational performance and competitiveness (Rosenbusch, Brinckmann & Bausch, 2011; Gunday, Ulusoy, Kilic & Alpkan, 2011; Kumar, Subramanian & Stradholm, 2011; Hilman, 2009; Bordean et al., 2010; Ottenbacher, 2007).

However, very limited empirical studies have investigated the alignment that considers the competitive strategy (business strategy) as independent variable and market orientation (functional strategy) and innovation strategy (functional strategy) as mediating variables and their effects on organizational performance. This study intended to examine the dual mediating effects in the business strategy and performance nexus. Significantly, more studies are needed on in what manner the marketing and innovation activities are able to facilitate the implementation of business strategies in the organization (Parnell, 2011; Voola and O'Cass, 2010; Homburg et al., 2004; Barney, 2001; Slater and Olsen, 2001).

Kaplan and Norton (1992) presented the Balanced Scorecard (BSC), which is a useful tool for performance measurement of hotel industry (Evans, 2005; Kaplan and Norton, 1996). The previous literature reviews revealed that researchers have been using financial and non-financial method to measure organizational performances (Wang et al., 2012; Wadongo, Odhuno, Kambona & Othuon, 2010; Hilman, 2009).

Crucially, there were several researchers who have been using the BSC measurement to measure the hotel's performance (Denton and White, 2000; Frigo, 2002; Evans, 2005; Kim and Lee, 2007; Razalli, 2008; Chen, Hsu & Tzeng, 2011). However, there were very limited study conducted using the BSC method to measure performance of hotels in the context of Malaysia (Razalli, 2008; Razalli, Dahlan & Ramayah., 2007). Thus, this study utilised the BSC method to assess the performance of hotels in Malaysia.

Indeed, it has been a very common practice to study the integrating issues from a wide range of perspectives. However, conducting a research involving various strategic issues in one particular theoretical framework is still considered as newest (Hilman, 2009; Yang and Huang, 2000). Briefly, the previous literatures show that the researchers have conducted various studies on the above mentioned variables separately. Therefore, this could be the key inadequacy in prior researches where each study conducted on a particular basis.

Even though, the past studies contributing valuable information to the existing knowledge but studies which integrating these four constructs in one theoretical framework is still insufficient. Thus, in order to bridge the existing gap this study investigated the issue from more holistic and strategic perspective by considering the importance of matching these three strategic factors; competitive strategy, market orientation, innovation strategy and their causal implications towards performance of hotels in Malaysia.

1.3 Research Questions

Based on the problem statement, the main question in this research was about the consequences of these factors on the organization's performance. The following research questions were used as fundamental guidance in conducting the research.

1. Is there a causal relationship between competitive strategy and market orientation?

2. Is there a causal relationship between competitive strategy and innovation strategy?

3. Is there any mediation effect of market orientation on the causal relationship between competitive strategy and organizational performance?

4. Is there any mediation effect of innovation strategy on the causal relationship between competitive strategy and organizational performance?

5. Is there a causal relationship between market orientation and innovation strategy?

1.4 Research Objectives

The general objective of the study was to examine the casual link of competitive strategy, market orientation and innovation strategy on organizational performance. The specific objectives were as follow:

1. To investigate the causal relationship between competitive strategy and market orientation.

2. To investigate the causal relationship between competitive strategy and innovation strategy.

3. To investigate the effect of market orientation as a mediating variable on the causal relationship between competitive strategy and organizational performance.

4. To investigate the effect of innovation strategy as a mediating variable on the causal relationship between competitive strategy and organizational performance.

5. To investigate the causal relationship between market orientation and innovation strategy.

1.5 Overview of Proposed Theoretical Framework

Based on the research gaps identified from the literature review, this study investigated four constructs in the context of competition among hotels in Malaysia. Figure 1.1 illustrates the theoretical framework and hypotheses relationship in an endeavour to address the research objectives as mentioned before.

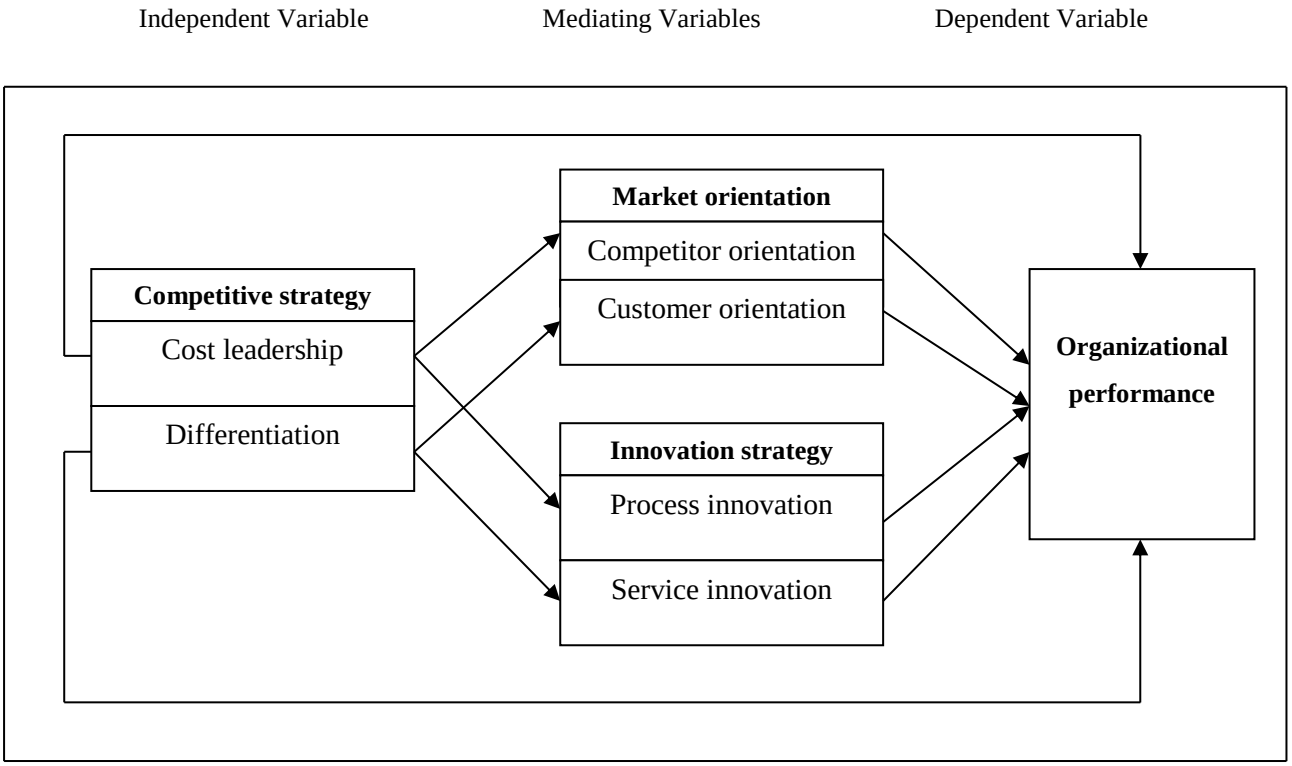

Figure 1.1

Effects of Competitive Strategy, Market Orientation and Innovation Strategy on Organizational Performance

1.6 Contribution of Study

This study accentuated the importance of competitive strategy, market orientation, innovation strategy and their causal relationships towards organizational performance. Specifically, it predicted that the adaptability of these combined factors would contribute major impact to the organizational performance. The contribution of the study can be viewed from three perspectives: practical, theoretical and national economic growth. Below is a brief elaboration on how this study could contribute to the body of knowledge particularly in the process of decision making.

Practical contribution: This study determined some imperative issues and the gaps in the literature related to the strategic match of competitive strategy, market orientation and innovation strategy on organizational performance, especially in the hotel industry of Malaysia. The findings could enable the managers to formulate better strategic decisions in order to gain competitive advantage. For that, this study generated a framework, which could enhance the confidence level and potential of top executives and managers for making very concrete decisions as well as mitigate the hoteliers from the intense competition, market turbulence and technological turbulence.

Theoretical contribution: This study contributed to the competitiveness theory development or strategic management theory and it envisaged being further input to the process of decision making. This study also adds some insight to the literatures and showing the importance of competitive strategy, market orientation and innovation strategy on organizational performance.

Contribution to national economic growth: In order to tap the growth potential of hotel industry and to realise Malaysia's aspiration of becoming a high-income nation by 2020, this study provided best strategic practices, planning and decisions that boost the overall industry's competitiveness, quality and performance. The development of the hotel industry will increase the employment generation, Gross Domestic Product (GDP) and productivity growth.

1.7 Definition of Strategic Factors

Competitive strategy: Competitive strategy is defined as the direction and scope of an organization over the long-term to acquire superior competitive advantage (Porter, 1980, 1985).

Cost leadership strategy: Cost leadership strategy is about lowering the cost to gain the cost advantage and internal efficiency in the industry (Porter, 1980, 1985).

Differentiation strategy: Differentiation strategy is about offering superior, different and unique product or service to fulfil the customers' needs and wants (Porter, 1980, 1985).

Market orientation: Market orientation is organizational culture that effectively created an essential behaviour for superior value to the customers and superior performance (Narver and Slater, 1990).

Competitor orientation: Competitor orientation observes the competitors closely; recognise strengths, weaknesses, capabilities and strategies (Narver and Slater, 1990).

Customer orientation: Customer orientation recognises the customers adequately to create greater value for them (Narver and Slater, 1990).

Innovation strategy: Innovation strategy is considered as developing new product / service, creation approaches, finding new market, source of supply and managerial structure (Wang and Ahmed, 2004).

Process innovation: Process innovation is considered as introducing new production methods, management approaches and technologies to improve the production and managerial process (Wang and Ahmed, 2004).

Service innovation: Service innovation is considered as making beneficial changes in the service that provided to end customers (Wang and Ahmed, 2004).

Organizational performance: Organizational performance is a sort of performance measurement based on financial and non-financial indicators to benchmark themselves to perform right thing with right approach (Punniyamoorthy and Murali, 2008; Kaplan and Norton, 1996).

1.8 Scope of Study

This study only focused on the strategic match of competitive strategy, market orientation and innovation strategy on the organizational performance of hotels in Malaysia. For that reason, the scope of the study was on the hotel industry, with a particular focus on three to five star rated hotels in Malaysia. So, other aspects or factors were excluded from the scope of the study. It is undeniable that contribution from other factors or issues may perhaps affect or provide valuable information for the managerial decision making process; if such situation occurred, that would have been considered as limitations of the study.

1.9 Organization of Thesis

This thesis consists of five chapters. Chapter 1 contains background of the study, overview of hotel industry, the statement of problem, research questions and objectives, an overview of the theoretical framework, the contributions of the study, definitions of strategic factors and the scope of the study.

Chapter 2 explains the related literature reviews and strong justifications, which critically scrutinize the various issues of competitive strategy, market orientation, innovation strategy and organizational performance.

Chapter 3 describes the research methodology, which highlights the theoretical framework, hypotheses, research design and the statistical methods used in the study.

Chapter 4 presents the analysis of data and findings of the research.

Finally, Chapter 5 presents the discussion of the study and followed by implications, conclusion and suggestions for the further research.

1.10 Summary

In this chapter, a brief overview of the entire research process was provided through clearly stating the issues and problems. The objectives to be achieved were stated with research questions and theoretical framework where the answer of the questions signifies the achievement of a particular objective. Finally, contributions and scope of the study were discussed.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

Based on discussion in chapter one, it is found that hotels need some enhancement in managerial activities to gain superior performance. This study proposes that performance of hotels could be advanced by applying strategic practices in strategic implementation process. Integration of strategic factors such as competitive strategy, market orientation and innovation strategy in one framework could lead to better organizational performance and competitive advantage.

Thus, this chapter extensively reviews the literatures pertaining to the current research which consists of competitive strategy, market orientation, innovation strategy and organizational performance. Essentially, this chapter discusses about the underpinning theories to support the theoretical framework. As well, discusses about strategic relationships between these variables, which later turned into the basis for constructing the theoretical framework and hypotheses.

2.1.1 **Underpinning Theories**

Over the years, various theories were used in discussing the relationship of strategy, structure and performance. Among them are contingency theory, industrial organization theory (IO), transaction cost theory, agency theory, game theory, resource based view (RBV) and dynamic capabilities (DC).

The researcher described about few theories and its limitations in the context of organizational adaptation and change from the perspective and scope of current research. Then, the researcher described about dynamic capabilities perspective, strategic implementation perspective, level of organizational strategies and strategic alignment from the perspective of current research.

2.1.1.1 Contingency Theory and Limitations

The early literatures examined the relationship between organization design and performance in the notion of contingency theory (Burns and Stalker, 1961; Lawrence and Lorsch, 1967). The contingency theory claims that the efficiency of an organizational structure be contingent on the context of the environment. Briefly, it explains the relation between the internal organizations with the external environment to achieve goodness of fit (Lawrence and Lorsch, 1967). This refers to the capability of decision makers to effectively interpret external conditions to implement the suitable organizational design (Lewin and Volberda, 1999).

Mitzberg (1979) stated contingency factors determine the designing of organizational structure. Thus, this highlights that environment functions as direct source of variation in an organization. Therefore, contingency theory limited the organizational flexibility by reactive adaptation capacity to handle the turbulent environment. Moreover, this theory neglects the ability of organizations to actively influence the environmental conditions in order to create and sustain flexible organizational design (May, 2011).

2.1.1.2 Industrial Organization Theory (IO) and Limitations

Previously, strategic management researchers widely used IO theory to test the association between market structure, firm conduct and performance. The IO theory explained that organizations should adapt to the industry structure in order to gain better performance (Parnell, 2006). IO theory is protecting valuable position against the competitors and new entrants within an industry (May, 2011; Porter, 1985). However, the static framework within IO theory was questionable in context of rapid environmental change (Tidd, Bessant & Pavitt, 2005). Due to this shortcoming; researchers looked for better approach to sustain competitive advantage.

2.1.1.3 Resource Based View (RBV) and Limitations

Barney (1991) provided resource based view (RBV) approach to study the relationship of strategy, structure and performance. This approach emphasized on unique competencies and resources in strategy formulation instead of overall industry attributes (Parnell, 2011; Kim and Mahoney, 2005). In addition, RBV emphasized competitive advantage for firm level efficiency based on resources and capabilities against potential competitors (May, 2011; Barney, 1991). This RBV emphasized on valuable, rare, imitable and non-substitutable resources (VRIN) which led firms generate superior performance and competitive advantage (Ambrosini, Bowman & Collier, 2009; Barney, 1991).

However, the literatures indicate that having resources that met VRIN criteria does not guarantee the superior performance and competitive advantage. This is because RBV failed to explain the way the resources are transformed in creating the value for a firm (Simon, Hitt & Ireland, 2007).

Kraaijenbrink, Spender & Groen (2010) and Henderson and Mitchell (1997) critiqued that RBV was insufficient to achieve competitive advantage due to organizational capabilities, competition, strategy and performance primarily endogenous. Moreover, IO and RBV neglected the difficulty in making the strategic dynamic and management process (Hedman and Kalling, 2003). Chan, Shaffer & Snape (2004) and Wang and Ahmed (2007) critiqued that both theories contained an assumption of static stability, vague and tautological. The main difference between IO and RBV is relatively about the influence of industry basis and firm factors basis on business performance (Parnell, 2011). In short, RBV has limited value in clarifying the occurrences and sources of sustainable competitive advantage particularly in rapid environmental change.

2.1.1.4 Dynamic Capabilities (DC)

2.1.1.4.1 **Definitions**

This study utilizes Dynamic Capabilities (DC) introduced by Teece, Pisano and Shuen (1997). The adoption and exploitation of the environment and opportunities involve strategizing process (Menon and Mohanty, 2008; Teece et al., 1997). DC are

an extension of RBV which explain how firms can grow their capabilities to adapt and capitalize in the fast changing business environment (Teece et al., 1997).

According to Teece et al. (1997) dynamic referred as ability to renew competencies to make synchronization with the fluctuating business environment. Meanwhile, capabilities referred as the crucial part of strategic management for suitable adaptation, integration and reconfiguration of internal or external organizational expertise, resources and functional competencies to match the requisite of changing environment (Teece et al., 1997; Teece, 2009). Essentially, Teece et al. (1997) mentioned that DC explains how the organization can leverage their strategies and change the valuable resources to enable them confront and overcome multiple challenges.

Wang and Ahmed (2007) explained DC were crucial organizational abilities that helpful for long-term superior performance. Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece & Winter (2007) mentioned that DC as organization's ability that consistently generate and adjust the resource base. Moreover, Augier and Teece (2009) stated that DC referred as non-imitable capacity of firm which possessed to reshape and reconfigure the resources in order to react towards rapid technologies changes and market situation so as to avoid losses. Ambrosini et al. (2009) stated that to understand the DC, the organization should consider the managerial perceptions of the need for change towards the environment. According to Jin and Shi (2010), DC are mainly about the adaptation and linking of firms' internal environment in response to the external environmental transformation.

In addition, Arend and Bromiley (2009) stated that DC answered why certain firms succeed in a dynamic competitive environment while rest fails. Eisenhardt and Martin (2000) stated DC as process of product expansion and strategic choice creation inside the firm by adjusting the resource structure.

DC emphasized managerial decisions regarding resource allocation for capacity development and innovation activities (May, 2011). Furthermore, it is allowed to switch the costs for certain resources by making coordination method. Besides, DC emphasised the transitory nature of both organizational resources and external influences (Parnell, 2011; Ambrosini et al., 2009). Crucially, DC have some insight from the behaviour theory, transaction cost theory, agency theory, incentives, property rights theory and evolutionary theory (Parnell, 2011; Augier and Teece, 2009; Teece, 2010).

2.1.1.4.2 **Importance of Dynamic Capabilities**

Porter (1991) mentioned a theory must deal with both environment and firm simultaneously to shift the constraints through creative strategy choice, innovative activities, skills and capabilities. DC emphasised the capability of firms to sense, seize and adapt the internal and external competencies in changing environment. Teece (2007) and Day (2004) explained sensing capabilities as collecting relevant information regarding current market to achieve competitive advantage. Previous studies reported that firms used market orientation as their sensing capacity to collect the market information (Voola and O'Cass, 2010; Kohli and Jaworski, 1990). Seizing capability referred as implementing changes in structure, process and system

to grab the opportunities. This seizing capability assists the firm to determine the business model, understand the resources needs, make decisions to invest in technologies or other resources (Teece, 2007).

In this matter, innovation facilitates the firms to seize the opportunities quickly. Next, reconfiguring capability involves with readjustment of resources to upsurge the value. Reconfiguration can be achieved by altering organizational structure, handling strategic fit and attaining alignment (Teece, 2007). The managers use integration and coordination skills to handle the resources to enhance the overall value and attain strategic fit.

Alternatively, Wang and Ahmad (2007) suggested three components of DC namely adaptive capability, absorptive capability and innovative capability. Adaptive capability explains the ability to identify and capitalise the chances in emerging market (Wang and Ahmed, 2007). This adaptive capability assist the firm to react to external market opportunities, investment in marketing activities and speed response to market changes (Chakravarthy, 1982). Recently, Grinstein (2008) found market orientation as a crucial adaptive factor that relates with innovation in highly competitive environment.

Meanwhile, absorptive capability is referred as organization's capability to diagnose the value of new knowledge which assists to enhance organizational performance through knowledge acquisition, assimilation, transformation and exploitation (Lane, Salk & Lyles, 2001; Zahra and George, 2002). The innovative capability referred as firm's ability to develop new offerings by aligning strategy with pioneering method

and behaviour. It incorporates development of new offerings, production method, new market and organizational form. Sher and Yang (2005) found positive effects of innovative capabilities on firm performance. Biedenbach and Muller (2012) found that absorptive, adaptive and innovative capabilities have significant impact on performance outcome. Recently, Pavlou and El Sawy (2011) introduced four new process of DC; sensing, learning, integrating and coordinating.

2.1.1.4.3 **Application of Dynamic Capabilities**

Even if, this study did not directly applied the dynamic capabilities perspective but it did so indirectly. This study used DC as a basis for the selected strategies. The strategies required application and development of capabilities to link each other. This is because DC achieves competitive advantage by combining and renewing functional competences with business strategy which in turn affect the performance (Eisenhardt and Martin, 2000). Thus, this study used marketing and innovation competences that enable the hoteliers to transmit the benefits of competitive strategy towards organizational performance.

Marketing competences (marketing orientation) help the hoteliers to understand their customers and competitors while, innovation competences (innovation strategy) assist the hoteliers to create new management approach and different offerings that create added value and better performance.

Briefly, DC provides valuable practices in the rapidly changing environment, encourage identifying new opportunities and reconfiguring organization's internal operations process to gain sustainable competitive advantage.

The researcher found that DC could underpin the theoretical framework which consists of competitive strategy, market orientation, innovation strategy and organizational performance.

To put it differently, the internal managerial strategic competencies and capabilities namely competitive strategy, market orientation and innovation strategy assist to gain optimal performance in a changing environment. By applying dynamic capabilities perspective, this study matched strategies with capabilities towards performance.

2.1.1.5 Strategic Implementation Perspective

Strategic management emphasises on matching right strategic direction and operational processes of an organization towards its strategy (Placet and Branch, 2002). Arguments on either organizational dimension (strategy formulation) affects competitive strategy (strategy implementation) or competitive strategy (strategy implementation) affects the organizational dimension (strategy formulation) still continues (Voola and O'Cass, 2010). Essentially, the literatures showed that marketing scholars and researchers gave more importance and attention to the strategy formulation perspective rather than strategy implementation perspective (Noble and Mokwa, 1999).

Hence, marketing scholars should give more importance to strategy implementation perspective (Voola and O'Cass, 2010). Homburg et al. (2004) stated that strategy formulation perspective as organizational dimensions; belief, behaviour, cultural and structure influence the strategy. Meanwhile, strategy implementation perspective explained that strategy affects the organizational dimensions towards performance (Homburg et al., 2004).

Previously, Chandler (1962) stated 'structure follows strategy' which explains the link of strategy and organizational dimensions or structure. In order to implement a particular strategy, the organization should develop and deploy the capabilities of organizational dimensions effectively (Voola and O'Cass, 2010).

This study adopted strategy implementation perspective which emphasises that strategy has a stronger effect on structure rather than structure influencing strategy (Homburg et al., 2004). In other word, this study examined the effect of competitive strategy (strategy) market orientation and innovation strategy which considered as organizational dimensions (structure) on performance.

This approach is distinguished from other studies where several prior studies examined the relationship of market orientation and innovation (structure) influences the competitive strategy (strategy) from strategic formulation perspective (Kumar et al., 2011; Ge and Ding, 2005; Vazquez, Santos & Alvarez, 2001). The researcher also discussed about studies which conducted on the basis of strategy, structure and performance nexus. The following subsection explains about the level of organizational strategies.

2.1.1.6 Level of Organizational Strategies

Prior literatures showed that organizational strategies were classified into three levels; corporate, business and functional level strategies. The corporate strategies are determining the exact competition for the organization simultaneously developing and integrating all the portfolio of businesses.

For instance, diversification strategy, acquisition, merger, joint venture, horizontal and vertical integration strategy (Nandakumar et al., 2011). Corporate strategies enable organizations to identify the key goals and appropriate businesses that organizations should involve. Moreover, it assists organizations to seek synergies by sharing and coordinating the resources and human capital effectively. The main focus of corporate strategies is to secure long-term growth (Nandakumar et al., 2011).

However, the researcher didn't use corporate strategy to conduct this study because this research mainly investigates the performances of hotels business operation. Business strategies concerned about competitiveness of organization in current business environment within its industry (Parnell, 2011). The business strategies are concern on formulating and implementing vital strategies against competitors to shape the competitive advantage. Most of the strategy researches have given particular consideration for business level strategy due to its importance on performance (Nandakumar et al., 2011; Parnell, 2011).

Hence, the researcher also gave importance for business level strategy by examining Porter's Generic competitive strategies as business level strategy (independent variable) in this study.

In order to obtain effective outcome from business level strategy, organizations should implement appropriate functional level strategies. Organizations should align their business level strategies with functional level strategies to achieve superior organizational performance (Slater and Olsen, 2001).

Nandakumar et al. (2011) stated that functional strategies concern about maximising resource productivity of functions in organizations. Among them are marketing strategies, purchasing strategy, research and development strategy, financial strategy, operation strategy and so on. Generally, functional strategies focused on developing products / services based on geographical area, type of customer and competitors. Functional strategies will support the business strategies by providing information regarding resources and capabilities in a short time period.

Hence, organizations should give importance for functional strategy because it assists to align overall organizational strategy in order to achieve greater performance. Therefore, this study investigated market orientation and innovation strategy as functional level strategies (mediating variables) to produce better performance. Briefly, this study only investigated business level strategy (competitive strategy) and functional level strategies (market orientation and innovation strategy) towards organizational performance.

2.1.1.7 Strategic Match

The researcher discussed the level of organizational strategies to accentuate the issue of strategic match for effective strategy execution in hotel industry. This study used strategic match concept that links various level of organizational strategies to securing better performance. The literature indicates that strategic match as a process of coordinating, fitting or aligning different level of strategies in order to create consistency in performance (Rashidirad, Syed & Soltani, 2012).

Therefore, this study examined the match of business strategy with functional strategies (vertical match) towards organizational performance. It is expected that, specific competitive strategy (cost leadership & differentiation) that is well supported by specific market orientation (competitor orientation & customer orientation) and specific innovation strategy (process innovation & service innovation) would lead to better performance.

This is due to marketing and innovation choices are organized in the way that competitive strategy would be achieved. Mismatching between specific business strategy and functional strategies may lead to poor outcome. Furthermore, this study took a step forward by examining the alignment between two functional strategies; market orientation and innovation strategy (horizontal match).

2.1.1.8 Summary of Theoretical Background

Overall this research used dynamic capabilities perspective, strategic implementation perspective and level of organizational strategies to match all the strategic factors in one theoretical framework. By applying dynamic capabilities, this study attempted to align competitive strategy (strategies), market orientation and innovation strategy (capabilities) and performance. Furthermore, this study used strategy implementation perspective which emphasised on strategy (competitive strategy) influencing organizational structure / dimensions (market orientation and innovation) towards performance (Voola and O'Cass, 2010; Homburg et al., 2004). Besides that, this study considered the match of competitive strategy (business level strategy), market orientation, innovation strategy (functional level strategies), and their effects on organizational performance.

2.2 Background of Strategy and Strategic Management

In strategic management literatures and textbooks, many scholars defined the term of strategy and strategic management in a different manner. There is no specific or generally accepted definition about strategic management, it depends on the scholar's interpretation and approach about strategy. Table 2.1 shows definitions of strategy and strategic management.

Table 2.1

Definitions of Strategy and Strategic Management

Prominent Scholars	Definition
Chandler (1962)	Long term goal and objective, adopt the right actions and necessary resources to achieve the goal.
Igor Ansoff (1965)	Formulating, designing the capabilities and managing implementation of strategies.
Porter (1980)	Choosing to execute activities which differ from the competitions.
Greenly (1989)	Concern on future direction and operational management of overall organization.
Rumelt, Schendel and Teece (1990)	Concerning on direction of the organization and business by the senior management.
Pearce and Robinson (1991)	Decision and action of formulation, implementation, and control of strategies to obtain objectives and goals.
D'Aveni (1994)	Not only creating advantages for own but also creating destructions for the competitor's advantages.
Mintzberg and Quinn (1996)	A pattern or plan which integrates organizational major goals, policies and actions based on internal competencies and changes in the environment.
David (2001)	Process of formulating, implementing and evaluating cross functional decisions to obtain the organizational objectives.
Hunger and Wheelen (2002)	Managerial decisions and actions which establish for the long term performance growth.
Thompson and Strickland (2003)	The process of establishing long term direction, specific performance objectives, develops strategies and action plan overcome internal and external circumstances by managers.
Sanchez and Heene (2004)	Consist of major organizational goal for value creation and distribution.
Chaudhuri (2006)	Adopting a strategic intent, this formulates best strategic fit business model and unique right planning for an organization to outperform than rivals
Carpenter and Sanders (2007)	Process of integrated tools and frameworks for formulating and implementing strategy.
Hashim, M.K. (2007)	The entrepreneurial process of firm to achieve the objectives via formulation and implementation of effective strategies by unique capabilities and business environment.

Source: Adapted from Hashim, M.K. (2007). Strategic Management Text & Cases (2nd ed). Kuala Lumpur: Thomson Learning.

Table 2.1 shows different range of ideas, approaches and applications of strategy and strategic management by prominent scholars and researchers. These differences of opinion occurred due to the existence of ten schools of thought (Hashim, 2007). Recently, Mohamed, Ann & Yee (2014) defined strategic management as drafting, implementing and evaluating cross-functional decisions that will enable to achieve its long term objectives. Even though, there were various concepts and applications about strategy and strategic management, but scholars predominantly classify strategy and strategic management as a process, pattern, plan, perspective, formulation and implementation for achieving long-term objectives, goals and purposes.

Hence, the researcher understood that strategy and strategic management as a systematic approach to achieve anticipating objectives with capabilities by overcoming the difficulties in specific structured time frame. The following subsection discusses on generic business strategies.

2.2.1 **Generic Business Strategies**

Generic business strategy can be classified into two categories; typology and taxonomy. Typologies are relatively about the strategic behaviour of business organization (Nandakumar et al., 2011). For instance, Miles and Snow (1978) and Porter (1980) are popular typologies used by the strategic researchers. Meanwhile, taxonomies are evaluating few indicators of strategic behaviour of an organization which represent the existence of an internally consistent arrangement (Nandakumar

et al., 2011). For example, Miller and Friesen (1978) and Galbraith and Schendel (1983) are prominent taxonomies (Nandakumar et al., 2011).

The literatures showed that typologies derived from the theoretical dimension that identified and measured the key traits of managerial strategy. Additionally, typologies facilitate organizations to access the similarities and dissimilarities of particular strategies. As a result, typologies gained more attention among the researchers, scholars and practitioners (Nandakumar et al., 2011).

2.2.2 **Porter's Generic Strategy Model**

The researcher used Porter's generic strategy as a key typology to conduct this study. Albeit, the Porter's generic typology has been more than three decades but it is still utilized to manoeuvre the business strategy by researchers and practitioners (Parnell, 2011). Therefore, Porter's generic strategy is still relevant and effective in explaining the business level strategy to achieve greater organizational performance.

Porter's generic strategy model (1980) enables the practitioners to use analytical technique for seeking better understanding about their competitors, customers and industry. In order to gain long-term sustainability, organizations should accurately formulate their business strategies. Porter (1980) proposed cost leadership, differentiation and focus strategy as three fundamental strategic choices for organizations. Cost leadership strategy and differentiation strategy were the two main generic strategies which emphasise on creating competitive advantage and

focus strategy is a subset of the above two strategies (Hilman, 2009; Seedee, Sulaiman & Ismail, 2009; Porter, 1980, 1985).

Porter (1980) mentioned that strategies are mutually exclusive and organizations will "stuck in middle" if pursuing more than one generic strategy simultaneously. This is because, there were different requirements needed to execute these strategies in organizations namely different types of resources, skills, organization arrangement, control procedures, incentive system and management system (Hilman, Mohamed, Othman & Uli, 2009).

Overall, Porter's generic strategy facilitates organizations to formulate efficient decisions to maximise the performance and competitiveness as well as gaining profitability in competitive business environment (Porter, 1996). Next subsection discusses about the importance of implementing competitive strategy.

2.2.3 **Importance of Competitive Strategy**

Porter (1980) stated that competitive strategy is a framework which enables competitive positioning decisions in order to obtain superior competitive advantage. The strategy is created to ensure the management derives a better decision to attain sustainable competitive advantage and greater performance than rivals. In order to develop an effective competitive strategy, organizations should define their current and future business situation. Competitive strategy assists to identify the competitive intensity and potential competitors in the industry (Porter, 1980, 1985, 2004). Furthermore, implementation of finest competitive strategy assists organizations to

mitigate from the effects of the five competitive forces in the industry (Nandakumar et al., 2011; Hilman, 2009; Allen, Helms, Jones, Takeda and White, 2008; Hilman, 2006; Porter, 1985, 2004).

Briefly, competitive strategy assists to focus on the organizational growth in order to achieve better performance. The following subsection discusses about cost leadership strategy, differentiation strategy and focus strategy.

2.2.3.1 Cost Leadership Strategy

Porter (1980, 1985) stated cost leadership strategy is about organizing and managing business activities in order to be the low cost producer of products or service in the entire business. Even though, the objective is to produce low cost products or services but organizations still stress on the quality and value as well. Porter mentioned that, to achieve cost leadership position an organization requires efficient scale facilities and cost reduction through experience, tight cost, overhead cost control and cost minimization in service, marketing, operation and research and development activities (Hilman, 2009; Hlavacka, Bacharova, Rusnakova & Wagner, 2001; Porter, 1980). The literatures indicate that hoteliers could achieve lower cost of services by making overall managerial procedures more cost efficient, coordinating various services and utilizing available equipment, services and facilities in hotel (Auzair, 2011).

Porter suggested that the lowest cost position in the industry facilitates the organization to defend against their competitors, powerful buyers, and suppliers. Besides that, low cost position gives the organization to achieve the economies of scale and cost advantage. The cost advantage and economies of scale enhance the value of business and at the same time enable to mitigate from the Porter's five forces threats (Nandakumar et al., 2011; Hilman, 2009; Hilman, 2006; Porter, 1980). Organizations which pursue cost leadership strategy required strong competitor orientation instead of customer orientation (Frambach et al., 2003; Day and Wensley, 1988). This enables organizations to possess a strong emphasis on supply side and assesses their relative cost position in the industry (Baroto and Abdullah, 2011). The core objective of cost leaders is to produce the products or services at lowest cost.

Generally, cost leadership strategy enables the organization to grasp overall cost position and larger market share in the industry (Qin, 2007, Hyatt, 2001). Organizations which pursuing a cost leadership strategy experience precise demand prediction, great capacity consumption, economies of scale, technological advancement, outsourcing, process innovation and learning curve effects (Bordean et al., 2010; Allen et al., 2008; Allen and Helms, 2006; Hilman, 2006; Davidson, 2001; Malburg, 2000).

Significantly, Porter urged organization to think about common requirements before implementing cost leadership strategy. For example, sustained capital investment, reengineering skills, labour supervision, low cost distribution systems, tight cost control, efficient organizational structure and responsibilities, incentives and strict target meeting (Minarik, 2007).

This is because the organizational arrangements and operation tools not only just fit with the strategy but simultaneously it should strengthen the strategy all over the time (Porter, 1980). The following subsection discusses about differentiation strategy.

2.2.3.2 Differentiation Strategy

Differentiation is another key competitive strategy that relatively about offering superior, different and unique product or service to the customer by an organization (Porter, 1980; Hyatt, 2001). The differentiators consider customers as their first priority (Hilman, 2009; Hyatt, 2001; Porter, 1980, 1985). Specifically, organizations which pursuing a differentiation strategy put emphasis on customer orientation (Frambach et al., 2003). Organizations seek to create a good insight among customers about products and services offered possess superior characteristics (Baroto and Abdullah, 2011; Acquaah and Yasai Ardekani, 2006). So, organizations create products or services, which contain unique value and relatively charge higher price due to the exclusivity and quality features (Hilman, 2009; Venu, 2001; Porter, 1980). Therefore, customers are required to pay higher prices willingly to purchase the unique offerings.

Organizations should take several efforts to attain the uniqueness by creating service innovation, product differentiation, new design development, attractive brand image, high technology practices, creative marketing advertisements, superior customer service and dealer network (Bordean et al., 2010; Hutchinson, Karise, Alexander, Quiin & Doherty, 2007; Frambach et al., 2003; Porter, 1980, 1985).

The literatures clarified that differentiation focused on attributes and features of offerings, customization and sharing the expertise or distribution channels with other organization (Seedee et al., 2009; Allen et al., 2008).

Additionally, strong customer loyalty, brand loyalty, exclusivity and lower price sensitivity will improve the overall profitability, performance plus achieve sustainable competitive advantage (Hilman, 2009; Allen et al., 2008; Allen and Helms, 2006). Crucially, differentiation strategy boosts the customers' interest to buy unique and quality offerings (Allen and Helms, 2006; Hlavacka et al., 2001; Venu, 2001). Auzair (2011) indicated that hoteliers could implement differentiation strategy by introducing new services quickly, providing different services, offering broader range of services, improving serving time, providing high quality services, customizing the services based on customers' need and providing after sales service and customer support.

Therefore, differentiators always build uniqueness and satisfy the customers' quicker than other rivals in the industry. In order to implement a differentiation strategy the organization should consider particular requirements such as organizational structure, strong coordination among the functions and knowledge of customer orientation (Minarik, 2007). Furthermore, Porter (1985) suggested some imperative requirements which cautiously need to be managed by the organization namely marketing, product or service operation management, technology management, skills and resource capabilities to gain better performance through differentiation strategy. Next subsection discusses about focus strategy.

2.2.3.3 Focus Strategy

Focus strategy mainly concentrated on a particular segment of the market rather than focusing the whole market (Bordean et al., 2010; Allen and Helms, 2006; Hlavacka et al., 2001; Hyatt, 2001; Porter, 1985). In other word, this strategy is focusing on niche of the market. Organizations which pursuing a focus strategy could identify the target market segment. This will assist the organization to fulfil the customers' needs and wants efficiently. Actually, focus strategy is a subset and an issue of the two main generic strategies (Hilman, 2009; Seedee et al., 2009). Therefore, the researcher only investigated cost leadership and differentiation as business strategies in this study.

There are continuous urgings on, could an organization follow both generic strategies simultaneously (Allen and Helms, 2006; Helms, Dibrell & Wright, 1997). Regarding this matter, Porter mentioned that organization could "stuck in middle" if undertook both generic strategies simultaneously (Porter, 1985). Thus, the following subsection briefly discusses about the arguments on "stuck in middle" and hybrid strategy concept.

2.2.3.4 Stuck in Middle and Hybrid Strategy

Porter (1980, 1985) stated that generic strategies were mutually exclusive, so if an organization attempts to pursue more than one generic strategy is in hazard of being "stuck in middle". Porter emphasised that an organization is only able to pursue a single generic strategy due to different requirements of organizational capabilities.

Nevertheless, some researchers' critique generic strategies are not mutually exclusive (Gopalakrishna and Subramanian, 2001; Murray, 1988). Thus, cost leadership and differentiation could be combined together. Hybrid strategy is about combining the elements of low cost strategy and differentiation strategy (Baroto and Abdullah, 2011; Acquaah and Yasai-Ardekani, 2006; Gopalakrishna and Subramanian, 2001). Many researchers suggested that hybrid strategy is viable, profitable and offers competitive position to the organization (Kim, Nam & Stimpert, 2004). The main objective of pursuing a hybrid strategy is to seek low cost and differentiation simultaneously than potential rivals. Organizations should able to offer low cost products or service simultaneously make adequate reinvestment to develop a differentiated product or services to succeed the hybrid strategy (Baroto and Abdullah, 2011).

However, there were several researches found a significant relationship between pure generic strategies and organizational performance (Yan, 2010; Hilman, 2009). Likewise, Wagner and Digman (1997) found that no significant differences in the performance of organizations which pursuing hybrid strategies and organizations which pursuing a single strategy. Some studies found single generic strategies are better than pursuing hybrid strategy (Nandakumar et al., 2011; Thornhill and White, 2007). Even though, many conflicting issues remain in the strategic research on pure generic strategies or hybrid strategies but the researcher used pure generic strategies to conduct this study. Hence, the following section discuss about generic strategies and performance link.

2.2.4 **Competitive Strategy and Organizational Performance**

Previous strategic literatures provide various issues, methodologies and findings on strategy and performance nexus. Many researchers and practitioners used Porter's pure generic strategies in various industries to advance the performance (Hambrick, 1983; Dess and Davis, 1984; Kumar, Subramanian and Yanger, 1997; Powers and Hahn, 2004; Seedee et al., 2009; Spencer, Joiner and Salmon, 2009; Hilman, 2009; Yan, 2010; Nandakumar et al., 2011; Koseoglu et al., 2013; Teeratansirikool, Siengthai, Badir & Charoenngam, 2013).

For instance, Seedee et al. (2009) found that ceramic manufacturing firms in Thailand implementing cost leadership and differentiation which highly associated with financial performance. Hilman (2009) found a significant relationship between pure generic strategies towards organizational performance of manufacturing industry in Malaysia.

Yan (2010) indicated that both generic strategies had a positive significant relationship towards the overall performance of Chinese SMEs. Spencer et al. (2009) found that differentiation strategy has a relationship with performance measures which enhance the organization's effectiveness.

Furthermore, Nandakumar et al. (2011) found that firms which adopted a single strategy achieved better than "stuck in middle" in both objective and subjective performance. Meanwhile, Teeratansirikool et al. (2013) found that cost leadership strategy was not significantly associated with performance while differentiation strategy significantly associated with organizational performance.

On the contrary, several researchers found combination strategies to be best and linked with superior performance (Wright, Kroll, Tu & Helms, 1991; Parker and Helms, 1992; Chan and Wong, 1999; Hlavacka et al., 2001; Kim et al., 2004; Phongpetra and Johri, 2011). For instance, Hlavacka et al. (2001) found that hospitals which pursued combination strategies have superior performance, while hospitals which pursued a single strategy have modest performance. Kim et al. (2004) stated firm pursuing cost leadership strategy alone performed at lowest level but firms pursuing combination strategy performed at highest level. Additionally, Phongpetra and Johri (2011) found cost leadership, cost focus and integrated cost and differentiation strategies positively effects the financial and marketing performance of Thailand automobile manufactures.

Amran, Radzi, Aziz & Supardi (2003) and Radzi, Jamaluddin, Zahari, Amran & Othman (2007) found that Porter's generic strategies not related to the structure and performance measurement of hotels in Malaysia. Moreover, they stated that Porter's generic strategies may not be applicable in service industry due to fundamental differences between service and manufacturing industry. Nevertheless, Porter (1980) mentioned that generic strategies are applicable in any industries, supported by several research findings from service industries (Auzair, 2011; Bordean et al., 2010; Powers and Hahn, 2004; Hlavacka et al., 2001; Kumar et al., 1997; Dess and Davis, 1984). Crucially, Jennings and Betts (1996) cited as Abidin, Yusof, Hassan & Adros (2011) stated that Porter's generic strategies are applicable for service firms even though it was originally based on the manufacturing sector.

Surprisingly, Harrison and Enz (2005) stated that hotels did not follow cost leadership strategy. In line with that, Bordean et al. (2010) found that Romanian hotels pursued differentiation, focus differentiation, training strategy and hybrid strategies but not pursuing cost leadership strategy. However, several hotels in the US and Canada; Marriot International, Hilton hotel and Intercontinental hotel pursued cost leadership strategy (Cunill, 2006). Recently, Koseoglu et al. (2013) found cost leadership strategy as a best choice for Turkish hotels. Significantly, Auzair (2011) found that Malaysia hotels which pursuing cost leadership and differentiation strategies positively associated with less bureaucracy. So, this revealed that hotels in Malaysia are surely pursuing Porter's generic strategies.

Abidin et al. (2011) explained that competitive strategy should be implemented and the effectiveness of that particular competitive strategy should be taken into consideration due to globalization and rapid development of information technology. Significantly, Parnell (2011) found that Porter's generic strategies linked with capabilities (management, technology, and marketing) for better performance and indicates an expansion of the association between competitive strategies and performance with specific organizational strategic capabilities. Previously, Allen and Helms (2006) stated that top management should align the strategic practices with a particular business strategy to attain optimal performance.

In general the literatures reveal mix findings on the generic strategy and performance nexus. To put it differently, potential mediator or moderator may advance the strategic relation of business strategy and organizational performance (Hilman, 2009; Allen and Helms, 2006).

Albeit, the competitive strategy and performance association extensively documented for more than 3 decades, it is still not proven yet which strategy brings superior performance (Parnell, 2011; Allen and Helms, 2006; Cambell-hunt, 2000).

The researcher furthered the discussion on market orientation which was utilized as one of the functional level strategies in this research to expand the strategy and performance nexus. In addition, the researcher discussed about the strategic linkage between competitive strategy and market orientation towards organizational performance. Crucially, the researcher justified the role of market orientation as a mediator in this study.

2.3 Market Orientation

In today's highly competitive business environment, managers seek to advance the organizational effectiveness and performance growth by implementing market orientation as a prominent strategic factor which has capacity to anticipate, react and capitalize the environmental fluctuations (Razghandi, Hashim & Mohammadi, 2012; Shoham, Rose & Kropp, 2005). Basically, market orientation is considered as an implementation of marketing concept which originated from management philosophy (Ramayah, Samat & Lo, 2011; Raaij and Stoelhorst, 2008; Martin-Consuegra and Esteban, 2007; Pitt, Caruana and Berthon, 1996). Organizations should recognize the conception of market orientation as marketing and strategic management application to compete successfully in modern business era (Greeley, 1995; Johnson and Huizenga, 2001).

2.3.1 **Definition of Market Orientation**

Literatures highlighted several established definitions of market orientation from prominent marketing scholars namely Shapiro (1988), Kohli and Jaworski (1990), Narver and Slater (1990), Ruekert (1992), Despande, Farley & Webster (1993) and Day (1994). Shapiro (1988) defined market orientation as a managerial decision making practice with a commitment to share facts inter-departmentally and inter-divisionally. Kohli and Jaworski (1990) defined market orientation as a creation of market intelligence relating to present and upcoming requests of customer, spreading the market intellect inside the organization and intelligence openness.

Narver and Slater (1990) explained market orientation as organizational culture which effectually creates an essential behaviour for superior value to the customer. Customer orientation, competitor orientation and inter-functional coordination were the three behavioural components of market orientation.

Ruekert (1992) explained market orientation as the degree of obtaining and using the facts from customers, develop an approach to fulfil the customers' requirements by being reactive to them. Meanwhile, Despande et al. (1993) used the term customer orientation as a replacement for market orientation because customer orientation is a belief which emphasises customers' interest and give importance to other stakeholders to advance earnings abilities. Day (1994) defined market orientation as a great expertise of considering and filling the customers' requirements.

2.3.2 **Perspectives of Market Orientation**

Each scholar defined market orientation in a particular perspective, specifically Shapiro (1988) emphasised market orientation from decision-making perspective, whereas Kohli and Jaworski (1990) emphasised from market intellectual perception. Narver and Slater (1990) emphasised from culturally based behavioural perception. Ruekert (1992) explained from a strategic focus perception. Despande et al. (1993) stated from customer orientation perception. Meanwhile, Day (1994) emphasised from organizational capability perception. Hence, organizations could adopt any of market orientation perspective to implement marketing concept so as to compete and sustain in the marketplace (Gray, Matear, Boshoft & Matheson, 1998).

This study used market orientation from culturally based behavioural perception which defined by Narver and Slater (1990) because has strong reliability and validity along with being able to adequately conceptualise the construct (Julian et al., 2014). Next subsection discusses about the justification of market orientation as a potential mediator.

2.3.3 **Justification of Market Orientation as Mediator**

The business strategy and market orientation nexus built on consideration of market orientation as a functional level strategy (Frambach et al., 2003; Hunt and Lambe, 2000). Slater and Olsen (2001) stated that functional level strategies are influenced by business level strategies as well as contribute to the strategic implementation process in the organization. Thus, appropriate functional level strategies could enhance the effectiveness of business strategies (Slater and Olsen, 2001; Porter, 1980, 1985).

Although, Narver and Slater (1990) mentioned market orientation as culture but the measurement used to assess the market orientation is behavioural oriented scale (Homburg and Pflesser, 2000). As mentioned earlier, this study considered market orientation as culturally based behavioural perception (Hou, 2008; Homburg and Pflesser, 2000; Slater and Narver, 1994, 1995). The behavioural view of competitor and customer orientation reflects organizational culture within the organizational value and norms (Narver and Slater, 1990). Crucially, the extent of behavioural components of market orientation depends over the organization's business strategy (Frambach et al., 2003).

In line, Lukas (1999) discovered that market orientated behaviour changed systematically when organizations implemented various types of strategies. Furthermore, organizations implementing marketing concept based on their organizational structure, strategy, management factors and system (Harris, 2000). Therefore, this study investigated the causal relationship between business strategy and components of market orientated behaviour as mediators towards organizational performance. Next subsection discusses about components of market orientation.

2.3.4 **Components of Market Orientation**

The components of market orientation namely customer orientation and competitor orientation focus on understanding the potential customers and the strength, weaknesses, abilities and tactics of existing and potential rivals (Zhou et al., 2009; Sorenson, 2009). Meanwhile, the third component, inter-functional coordination emphasised on synchronization of resources and actions in the organization (Narver and Slater, 1990).

Several prior researchers admitted that inter-functional coordination was difficult for reacting towards market intellectual (Zhou et al., 2009; Sorenson, 2009; Lafferty and Hult, 2001; Hunt and Morgan, 1995). Generally, the argument occurs concerning over the effects of customer orientation and competitor orientation towards organizational performance (Zhou et al., 2009). Moreover, customer and competitor orientation considered as two vital components which an organization utilizes to interact with the environment (Day and Wensley, 1988).

Therefore, this study investigated the effects of competitor orientation and customer orientation only. Competitor orientation and customer orientation seem to be reliant on the competitive environment because they provide vital understanding of the current market to formulate better decisions.

Thus, the following subsections discuss about the importance of competitor and customer orientation as well as explain the cost leadership strategy - competitor orientation and differentiation strategy - customer orientation nexus.

2.3.4.1 Importance of Competitor Orientation

The literatures showed that, competitor orientation observes the present and potential competitors closely, understands strengths, weaknesses, abilities and approaches for executive actions (Narver and Slater, 1990). Zhou et al. (2009) stated that competitor orientated organization used the competitors as a reference to identify their advantage and disadvantage. Additionally, competitor orientated firms emphasised on cost reduction by simply imitating their competitors rather than developing innovative products and services which could lead to industry equilibrium (V. Kumar, Jones, Venkatesan & Leone, 2011; Zhou et al., 2009). Previous findings indicated that competitor orientated firms are not as much of involved in product or service innovation because they concentrate to increase the market share and producing similar types of offerings (Sorenson, 2009; Lukas and Ferrell, 2000).

Competitor orientation assisted the organization to understand the characteristic of competitive market and sequences by providing information about competitor's activities, offerings and market potentials (Chin, Lo & Ramayah, 2013; Sorenson, 2009; Mueller, Walter & Gemuenden, 2001). Competitor oriented firms emphasised on 'meet and beat the competition', this enables organizations to compare their capabilities and offerings with competitors (Safarnia, Akbari & Abbasi, 2011).

Thus, organizations possibly streamline the cost and enhance organizations' dominant position in the market (Sorenson, 2009; Porter, 1985). The literatures indicate that hoteliers implement competitor orientation through regularly collecting information about competitors, regularly discussing about competitors' actions, tracking competitors' market performance, assessing competitors' strengths and recognizing competitors' strategies (Grawe, Chen & Daugherty, 2009).

Frambach et al. (2003) said cost leadership strategy required firms to focus on the supply side than demand side of the market. Therefore, they mentioned organizations pursuing cost leadership strategy tend to make themselves equivalent standard against the competitors to lower their cost. Several prior empirical and conceptual findings showed link between cost leadership and competitor orientation due to similar intention to acquire larger market share and obtain new ideas for greater efficiency (V. Kumar et al., 2011; Sorenson, 2009; Frambach et al., 2003).

The discussions on competitor orientation show that objective of competitor orientation are to reduce the cost than their competitors and increase the market share. Thus, the researcher found that similar characteristics between cost leadership strategy and competitor orientation where both emphases on cost reduction and larger market share for better efficiency than competitors. The following subsection discusses about the importance of customer orientation.

2.3.4.2 Importance of Customer Orientation

The literatures indicated that, customer orientation emphasised on collecting, analysing and disseminating information about the current and future customers' to assist the organization foresee the customers' desires in line with creating value for them (Taleghani, Gilaninia & Talab, 2013; Zhou et al ., 2009; Sorenson, 2009).

Based on Homburg (1998) as cited in Mueller et al. (2001) a close relationship between organizations and customers could enhance the flexible dealing and effective interaction. Customer orientation makes additional appealing offerings by adjusting the marketing mix with the customers' desire (Safarnia et al., 2011; Porter, 1985). Besides that, customer orientation also enables the organization to develop a better performance and competitive advantage through market differentiation and value creation (Lewrick, Omar & Williams, 2011; Kai and Fan, 2010; Zhou et al., 2009).

In addition, if an organization clearly recognises the gap between customer's desire and market offerings, it can efficiently bridge the gap with capabilities and resource through successful differentiation or innovation to meet target customers' needs (Zhou et al., 2009; Slater and Narver, 1998; Day, 1994).

Grawe et al. (2009) stated that firms might implement customer orientation through focusing on customer satisfaction, communicating information about customers' experience, understanding the customers' needs, measuring customers' satisfaction and surveying end customers' to judge the quality of offerings provided. Generally, the intent of customer orientation is to offer unique and valuable products or services to target customers to fulfil their desire. Empirical finding of Frambach et al. (2003) indicated a higher value of differentiation strategy positively related to customer orientation.

The literatures showed that differentiation strategy and customer orientation have similarities in characteristic where both emphases on creating unique and valuable products or services to achieve customer satisfaction and competitive advantage. Therefore, the researcher suggested that there is a linkage between differentiation strategy and customer orientation. Hence, the following subsection discusses about market orientation and organizational performance nexus.

2.3.5 **Market Orientation and Performance Link**

The market orientation and performance nexus is a matter of extensive research nowadays (Chin et al., 2013; Razghandi et al., 2012). Even though, predominant view showed a positive link between market orientation and performance, conversely several market orientation literatures reported mixed findings of this relationship (Ellis, 2006; Kirca, Jayachandran & Bearden, 2005). The literatures show that several researchers indicated a positive and significant association on market orientation and performance (Slater and Narver, 1994; Mueller et al., 2001; Sin, Tse, Yau, Chow & Lee, 2003; Sin, Tse, Heung & Yim, 2005; Dev, Agarwal & Erramilli, 2008; Sorenson, 2009; Aziz and Yasin, 2010; Safarnia et al., 2011; Kumar et al., 2011; Ramayah et al., 2011).

For instance, Slater and Narver (1994) found market orientation positively associated with profitability and sales growth. Mueller et al. (2001) found both customer orientation and competitor orientation improved the organizational performance of new software ventures in Germany. Sin et al. (2005) and Dev et al. (2008) found positive relation between market orientation and performance in hotel industry. Sorenson (2009) found that competitor orientation and customer orientation have positive and significant effects on performance of manufacturing firms in Danish. Aziz and Yassin (2010) found that customer – competitor orientation and information dissemination positively related to business performance of SMEs of Agri- food sector in Malaysia. Kumar et al. (2011) found market orientation has positively influence the performance of American hospitals.

Furthermore, Ramayah et al. (2011) found positive impact of market orientation on organizational performance of service industries in northern region, Malaysia.

However, other researchers found an insignificant relationship between market orientation and performance (Lin, 2011; Majid, 2010; Johnson, Dibrell & Hansen, 2009; Lonial, Tarim, Tatoglu, Zaim & Zaim, 2008). For example, Majid (2010) found that market orientation does not affect the business performance (ROA, sales growth, gross profit, profitability and overall perceived business success). However, the study showed that the mediation effect of innovation made the market orientation indirectly affect the performance. Lonial et al. (2008) found an insignificant link between market orientation and financial performance of private and general hospital in Istanbul, Turkey.

Johnson et al. (2009) found that no direct and significant association of orientation and organizational performance (financial) among food companies. Furthermore, Lin (2011) also found no direct impact of market orientation on the financial performance of travel agencies in Taiwan. The researcher found that these studies used financial aspects alone to measure the performance which may be the insignificant findings. So, suggesting that both measures to be used in assessing the performance.

Alternatively, some researchers found significant consequence of customer orientation on performance but an insignificant relationship between competitor orientation on performance of global hotel industry (Zhou et al., 2009; Zhou, Brown, Dev & Agarwal, 2007).

Recently, Chin et al. (2013) found insignificant impact of competitor orientation and significant impact of customer orientation on organizational performance of hotels in Malaysia.

Overall most of the findings showed positive impact of market orientation and performance link. Therefore, this study investigates market orientation as a mediator in competitive strategy and organizational performance nexus.

The researcher furthers the discussion on innovation strategy (functional level strategy) which is used as another mediator in this study. Thus, the following section discusses the match between competitive strategy and innovation strategy on organizational performance.

2.4 Innovation Strategy

Previous literatures indicated that many scholars have shown their interest in investigating innovation strategy towards performance (Vincent, Bharadwaj & Challagall, 2004). Present competitive environment, rapid market and technology changes forced the organization necessary to adopt the innovative approach to outperform than competitors (Suriati, Mokhtar & Yusoff, 2011; Doloreux and Melancon, 2008; Drucker, 1998). Innovation is classified into two categories namely radical and incremental. Radical innovation is making major changes in the process, product or service by the organization. While, incremental innovation is making minor changes in the process, product, or service by the organization (O'Sullivan and Dooley, 2009).

The organization not necessarily should create something new but it must possess the capacity and capability to adopt the externally created innovations that fitted to improve the organizational performance (Baker, 2002). The quality and quantity of innovation depend on the ability of organizations to respond and adapt to internal and external environments (Baker, 2002; Tang, 1998; Hamel, 1996). In particular, service firms embark on the innovation in three ways namely innovate the service, process and organizational or managerial structure (Riddle, 2008).

2.4.1 **Definition of Innovation**

Earlier, Schumpter (1934) was developed the theory of innovation. According to Schumpter (1934) as cited in Babaita, Sipos, Ispas & Nagy (2010) innovation is defined as new ways of doing thing by emphasising on a unique combination of

production method, new source of supply, exploiting new market and organizing the business. Meanwhile, Drucker (1998) said innovation should be viewed as a process of creating a new product or service. He added it could be in the form of an idea, practice, process, product or service in creating a new problem solving method which may transform into action to improvise the organizational capabilities and assumed as a novel by the customers. Based on Oxford Advanced Learners Dictionary (2010) innovation is defined as the introduction of novel things, thinking, or method of doing something.

Ram, Cui & Wu (2010) defined innovation as a process which created an idea, object, practice, technology for reinventing, develop and adopt internally or externally to improve the value of the offerings. O'Sullivan and Dooley (2009) defined innovation as the method of creating changes on the process, product or service to produce something new which increases value for the customers and contribute to the knowledge base. Walker (2006) said innovation is a complex process where the new idea and practices generated or reinvented that perceived as novel. Innovation also defined as the ability to generate new ideas or adopt the existing idea (Damanpour and Wischnevsky, 2006). Meanwhile, Von Stamm (2003) defined innovation as a conscious decision making process where the idea transformed into output. Hult, Hurley & Knight (2004) clarified innovation as a new product or service, production process, new structure or administrative system.

Overall, the literatures showed that innovation as a process of new idea generation by organizations to enhance the quality and quantity of existing process, product or service possibly creating market cost leadership, added value for stakeholders and performance growth.

In this study, the researcher examines the innovation strategy of process innovation and service innovation as one of the functional level strategy. Hence, the following subsection discusses about the importance of process innovation and service innovation.

2.4.1.1 Importance of Process Innovation

Process innovation is defined as making beneficial changes in process of producing the product or service for value added purpose (O'Sullivan and Dooley, 2009). Process innovation is an implementation of newly upgraded production or distribution process with substantial modifications in the practices and equipment to reduce the unit cost as well as rise the quality level (Gunday et al., 2011; Schilling and Werr, 2009; Baker, 2002). In addition, process innovation is considered as introducing new creation systems, new management strategies and new technology to improvise the production, managing process and quality of product or service (Schilling and Werr, 2009; Wang and Ahmed, 2004; Baker, 2002). Hilmi, Ramayah, Mustapha & Pawanchik (2010) stated that firms may implement process innovation through improving business process, developing new management approaches, improvising problem solving method and having fast service creation method.

Process innovation strongly emphasised on how the work is done internally in organizations (Davenport, 1992 as cited in O'Sullivan and Dooley, 2009). It relates to all operational activities to provide an advanced quality product or service, fast delivering and wider value chain (O'Sullivan and Dooley, 2009; Oke, Burke & Myers, 2007).

They added that outsourcing activities could be classified under process innovation because it aims to reduce the cost and improves the quality in turn increase the economic growth by providing cost competitiveness to the organization (O'Sullivan and Dooley, 2009).

Current sophisticated technologies assist organizations to advance the quality and reduce the cost, processing time and overall complexity with greater flexibility (O'Sullivan and Dooley, 2009). Process innovation facilitates cost leadership firms to achieve economies of scale and reduce the cost in process flow, logistics, and management (Qin, 2007). Moreover, organizations pursuing a cost leadership strategy and process innovation capable to manage the price competition by acquiring a larger market share in dynamic competition (Qin, 2007).

In order to gain competitive advantage from cost leadership strategy, organizations should accentuate on cost minimization and increase the process innovation (Qin, 2007; Frohwein and Hansjurgens, 2005). Previously, Porter (1980) said cost leadership strategy may lead organizations to perform process innovation to a certain level. In hotel industry, the business process is divided into three categories; management process, core process and support process (Drljaca, 2006).

These three processes have series of interaction with each other. Table 2.2 clearly illustrates types of business processes in hotel industry.

Table 2.2

Business Processes in Hotel Industry

Department	**Process**	**Activities**
Administration Security	Management process	Hotel planning management, Marketing and Sales , Information system, Security and Surveillance
Front Office Food and Beverage Housekeeping	Core process	Reception, online reservation, Kitchen, Bar and Restaurant operation, Laundry, Room cleaning and Common areas cleaning
Human Resources Finance and Accounts Purchasing Engineering	Support process	Staff recruiting, training, Payroll, financial management, purchasing materials and maintenance

Source: Adapted from Drljaca (2006). Methodology of Business Process Development in a Hotel. *Creating Customer Value in Tourism and Hospitality Industry.*

These business processes are vital aspects of hotel which require closer supervision of cost and quality (Drljaca, 2006). Therefore, the researcher found that these are the important processes may assist hoteliers to make cost minimization. The discussion shows similar characteristics between cost leadership strategy and process innovation because both intent to perform cost reduction and internal efficiency. Therefore, the researcher suggests that hotels pursuing process innovation as a functional level strategy could practice cost leadership as a business strategy to obtain better organizational performance.

2.4.1.2 Importance of Service Innovation

Literatures defined service innovation as making beneficial changes in the service that customers use (O'Sullivan and Dooley, 2009; Schilling and Werr, 2009). Based on Chen (2011) service innovation is considered as the development of novel and useful ideas to improvise the service effectively. Meanwhile, Ooncharoen and Ussahawanitchakit (2011) mentioned that service innovation is classified as a strategic tool for the economic success and survival of hotel businesses. Crucially, service innovation has also identified as product innovation (Damanpour and Gopalakrishnan, 2001). Service innovation happened due to a higher degree of customer interaction and demand. In order to meet the customers demand organizations need to continuously perform service innovation (O'Sullivan and Dooley, 2009).

Therefore, service innovation emphasises more on creating services with unique characteristics to gain attention and fulfil the customers demand as well as increase profitability (O'Sullivan and Dooley, 2009; Riddle, 2008). Today's latest technologies enable organizations to make effective service innovation to respond towards customer necessities which strengthens the relationship between organizations and potential customers in turn advances the business performance (V.Kumar et al., 2011; O'Sullivan and Dooley, 2009).

The literature indicates that firms could utilise service innovation through accepting service innovation in organization's project management, giving special emphasis to service innovation, seeking innovative features in offerings, changing offerings to

meet special requirements and approaching new service offerings to customer (Grawe et al., 2009). Organizations not only emphasised on developing new service but also maintaining and improvising the existing service through service innovation to reach the customers quicker than the competitors (Baker, 2002).

In hospitality industry, it is beneficial to implement service innovation because customers simply could discover substitutable service offers in other hotels, therefore in order to avoid this challenge hoteliers should offer new and innovative service to the customers based on their preferences, quality and technological interface (Victorino, Verma, Plaschka & Dev, 2005).

Significantly, service innovation build ups the operational efficiency, market recognition, customer satisfaction and customer loyalty towards organizations (Riddle, 2008). Organizations which implementing differentiation strategy tend to focus on product or service innovation because it offers temporary monopoly profit by having 'knowledge advantage' over customers and competitions (Frohwein and Hansjurgens, 2005). Empirical findings of Projogo and Sohal (2006) indicated that product or service innovation has a positive link with differentiation strategy due to both strategies incline to create a unique product or service to gain competitive advantage. Findings of study conducted by Grawe et al. (2009) indicated insignificant relationship between cost orientation and service innovation. This indirectly shows that organizations which focus on cost reduction not involve in service innovation instead it might involve in process innovation (Grawe et al., 2009). Table 2.3 clearly illustrates service innovation activities in hotel industry.

Table 2.3

Service Innovation in Hotels

Service Innovations
The quality of food and beverage, tasty and delicious, diverse menu. Speed internet service in room, WI-Fi facilities. Customization of room decoration, unique room facilities such as flat screen television, comfortable bed, stylish shelving, air condition, ironing facilities smart card door locking system, in room kitchenettes and bathroom facilities. Creative design and architectural practice of hotel. Creative website and brochure of hotel.

Source: Adapted from Victorina et al. (2005). Service Innovation and Customer Choices in the Hospitality Industry. *Managing Service Quality*, 15 (6)

Hence, the discussion shows that organizations which pursuing service innovation may tend to be a differentiator in order to create better performance. The researcher found similar characteristics between differentiation strategy and service innovation where both aim to provide unique offerings to satisfy the customers. Thus, the following subsection discusses about the justification of innovation strategy as a mediator.

2.4.2 **Justification of Innovation Strategy as Mediator**

The relationship between competitive strategy and innovation strategy is built on consideration of innovation strategy as a functional level strategy. Additionally, from strategy implementation perspective, this study highlights strategy (competitive strategy) affecting the organizational dimension or structure (innovation) towards performance. Innovation considered as a function of internal resources and specific

behaviour of firms (Ros and Sintes, 2009). From the dynamic capabilities, this study attempts to integrate and reconfigure the innovation capability in competitive strategy and performance nexus. As mentioned earlier, the similarities in the features of cost leadership - process innovation and differentiation - service innovation lead innovation strategy as a mediator. The following subsection discusses about innovation strategy and performance link.

2.4.3 **Innovation Strategy and Performance Link**

The innovation strategy and organizational performance link has been well established by several researchers (Lopes and Dodinho, 2005; Cainelli and Savona, 2006; Mansury and Love, 2008; Grawe et al., 2009; Sdiri, Ayadi and Elj, 2010; Hilmi et al., 2010; Lopez and Sanchez, 2011; Ooncharoen and Usshawatichakit, 2011; Gunday et al., 2011; Tajeddini and Trueman, 2012; Rosli and Sidek, 2013).

For instance, Cainelli and Savona (2006) found positive link on innovation and performance in Italian service industry. Mansury and Love (2008) discovered positive influence of service innovation on sales growth of US service firms. Grawe et al. (2009) showed positive association between service innovation and market performance on Chinese electronics industry. Hilmi et al. (2010) found that process innovativeness has a significant relationship with the performance while, product innovativeness found non-significant relationship towards performance of 92 Malaysian Small and Medium Enterprises.

Previously, Sandvik and Sandvik (2003) found that product innovativeness has a positive relationship with performance. Gunday et al. (2011) found that innovation (organizational, process, product and marketing) has positive effects on performance of Turkish's manufacturing industries. Additionally, there were several researches found positive and significant connection of innovation strategy on organizational performance (Rosli and Sidek, 2013; Ar and Baki, 2011; Donate and Guadanillas, 2010; Oltra and Flor, 2010; Gelende, 2006).

Lopez and Sanchez (2011, 2013) found that proper innovation management positively influenced the organizational performance and competitive advantage in the Spanish hotel industry. In particular, hotel industry should manage the innovation effectively and efficiently to experience a positive impact on organizational performance (Lopez and Sanchez, 2011, 2013). Furthermore, management should give more importance on innovation by treating innovation as an organizational strategy which empowering to compete with potential competitors as well as fulfil the customer's requirements (Lopez and Sanchez, 2011, 2013).

Ooncharoen and Usshawatichakit (2011) found that service innovation lead organizations toward sustainable competitive advantage and superior performance in Thailand hotel business. Therefore, the researcher considered service innovation possibly employed in Malaysia hotel industry to enhance the industry's competitiveness to meet NKEA agenda. Recently, Tajeddini and Trueman (2012) found that innovativeness in the Swiss hospitality industry has significant affect over both financial and marketing performance.

The discussions clearly indicate that hospitality industry necessitate to make transformations in a portfolio based on target market to achieve sustainable competitive benefits (Ottenbacher, 2007). Thus, innovation should consider as strategic issue rather than just treat as operational issue (Lopez and Sanchez, 2013; Harison and Koski, 2010).

Most of the findings show a positive association between innovation and performance. Generally, the authors highlight innovation as a crucial determinant of the performance. However, some of the studies used innovation in general dimension, not specifically stated whether it is process innovation, product or service innovation or technological innovation. Moreover, Prajogo (2006) stated that studies on innovation in service sector still demands additional investigation.

Up to researcher's knowledge, studies examining the linkage of competitive strategy and innovation strategy on performance of the hotel industry in Malaysia are still limited. Therefore, the researcher utilized innovation strategy as one of the functional level strategy in this study. The investigation on competitive strategy and innovation strategy could expand and strengthen the organizational strategies to achieve greater performance.

To this point, the researcher reviewed prior literatures regarding competitive strategy, market orientation and innovation strategy. Thus, the following section discusses additional causal relation between specific market orientation and innovation strategy.

2.4.4 **Market Orientation and Innovation Strategy Link**

This study tested the link of specific market orientation and innovation strategies on consideration of both are functional level strategies. Thus, this study investigated the strategic link between two functional strategies based on similarities in characteristics and findings of prior studies.

As mentioned before, market orientation is an important element that has positive link with organizational performance. Whitehall, Lukas & Doyle (2003) stated that market orientation as a desirable strategy that assists the firms to satisfy the customers' needs, matching firm competencies and outperform competitors that lead to better performance. The objective of competitor orientation is to reduce the cost than their competitors and increase the market share and customer orientation is to offer unique and valuable products or services to target customers to fulfil their desire.

Meanwhile, literatures indicate that innovation has positive impact on overall performance. Specifically, successful process and service innovation has positive link with firm performance. The objective of process innovation is to make cost reduction by improving the processing method and service innovation is providing unique offerings to satisfy the customers. Therefore, this study suggested association between competitor orientation – process innovation and customer orientation – service innovation based on similarities in objective and characteristics.

Apart from that, there were previous literatures found positive linkage between market orientation and innovation strategy (Low, Chapman & Sloan, 2005, 2007; Dev et al., 2008; Erdil, Erdil & Keskin, 2004; Han, Kim & Srivastava, 1998). Berthon, MacHulbert & Pitt (2004) stated that firms should ensure the present orientation is apt for the market that it operates and found the link between customer orientation and innovation. Although, there were previous studies examining the relation between market orientation and innovation strategy but the link between specific market orientations with specific innovations hasn't been investigated much yet.

Thus, the following section discusses about organizational performance measurement of this study. This study utilised Balanced Scorecard (BSC) setting to assess the performance of hotels in Malaysia.

2.5 Organizational Performance Measurement

In last 20 years numerous researchers and scholars showed remarkable attention on the issue of performance measurement and management (Valmohammadi and Servati, 2010). Current dynamic and complex business environment made the performance measurement as one of the necessary elements for organizations (Neely, 1999). The real ability of organizations can be identified based on the results obtained from the performance measurement (Sainaghi, 2010). Therefore, organizations should use any sort of performance measurement to benchmark themselves to perform right thing with right approach (Punniyamoorthy and Murali, 2008).

In 1995, Neely, Mike & Platts defined performance measurement as a process of quantifying the efficiency of strategies or action implemented by organizations. Moreover, it also measures the progress of organization's objectives and allows the managers to make necessary improvement on the current performance (Neely et al., 1995). In addition, performance measurement assists organizations to remain competitive and outperform than competitors in term of quality, flexibility, customization, innovation and quick response (Neely, 1999).

A good performance measurement tool should be well balanced, matched with strategies, values, and persistent with business objectives (Jusoh and Parnell, 2008; Folen and Browne, 2005; Kennerly and Neely, 2003).

The staple aim of this research is to produce superior organizational performance among hotels in Malaysia. As mentioned in the problem statement, integration of several strategic factors could lead to superior performance in Malaysian hotel industry. Many researchers and scholars have extensively studied the organizational performance as a dependent variable.

The following subsection discusses on financial and non-financial measures along with the advantage and disadvantage of both measurements in assessing the organizational performance.

2.5.1 **Financial Performance Indicators**

Traditionally, performance of organizations is measured based on short term financial and accounting measures; return on asset (ROA), return on sales (ROS), return on equity (ROE), and return on investment (ROI), sales growth and revenue per share (Wadongo et al., 2010; Jusoh and Parnell, 2008). Later, Vengkataraman and Ramanujam (1986) established 3 performance measurement dimensions namely financial performance, business performance and organizational effectiveness.

Studies indicated that majority of hotels give priority for financial performance measures only and very few hotels considering the non-financial measures (Atkinson and Brander-Brown, 2001). Although, financial measures are important for organizations but it is not sufficient to be a leading element in making vital decision regarding performance improvisation (Harris and Mongiello, 2001).

Crucially, financial measures have several shortcomings such as inadequate accuracy, neutrality, summarized and irrelevant because accounting period delay (Wadongo et al., 2010).

In addition, financial measures only concerned short term basis, unbalanced and failed to reflect the strategic issues and performance (Wadongo et al., 2010; Taticchi, Tonell & Cagnazzo, 2010; Kaplan and Norton, 1992, 1996). Therefore, the researcher found that financial measures alone are insufficient for decision making process in current challenging business environment. Hence, to remain competitive, hoteliers should think about non-financial indicators in assessing the overall performance. Consequently, the following subsection discusses about non-financial performance indicators.

2.5.2 **Non-Financial Performance Indicators**

The insufficiency in financial measures made the researchers evaluate the performance using both financial and non-financial indicators (Wadongo et al., 2010; Hilman, 2009; Razalli, 2008; Evans, 2005; Hoque and James, 2000). The literatures showed that a good performance measurement should relate to organization's strategy, competitive business environment, competitiveness, organization flexibility, resource utilization, market orientation, innovation, technology, employee performance, customer satisfaction and service quality (Wadongo et al., 2010; Haktanir and Harris, 2005).

Prior literatures indicated that non-financial performance measures were necessary for hospitality industry because they improved the performance by identifying managerial activities and dealing with causes instead of effects within a service environment which cannot be obtained from financial measurement alone (Razalli, 2008; Arias-Aranda, 2003). Furthermore, hotel encompasses with diverse activities so it is necessary to possess non-financial measurement that could advance the performance in various key areas (Harris and Mongiello, 2001).

There are several popular performance measurement frameworks such as Balanced Scorecard, Skandia's Navigator, Hotel Performance Model, Strategy Maps, Performance Prism and Success and Risk Maps, Highly Plausible Concept of Third Generation Performance Measurement as cited in Paranjape, Rossiter & Pantano (2006). Among them, Balanced Scorecard (BSC) is the most famous, least critiqued, extensively accepted and applied performance measurement by researchers and practitioners (Paranjape et al., 2006; Evans, 2005). Hence, the following subsection discusses on balanced scorecard method.

2.5.3 **Balanced Scorecard (BSC) Concept and Model**

Robert Kaplan and David Norton (1992) developed a Balanced Scorecard (BSC) for performance measurement. BSC is considered as a set of integrated and holistic measurement tool to measure the organizational performance (Perkin, Grey & Remmers, 2013; Punniyamoorthy and Murali, 2008). Financial measures are considered as lagging indicators so that balanced scorecard balanced these lagging indicators with several imperative non-financial measures (Paranjape et al., 2006;

Niven, 2002; Kaplan and Norton, 1992, 1996). Therefore, BSC retained the financial perspective and added three non-financial perspectives; customer, internal process and learning and growth (Kaplan and Norton, 1992, 1996).

In particular, financial perspective focused on traditionally returned based on efficiency and effectiveness of organizations. While, customer perspective focused on customer satisfaction, business potential and unit growth. Internal process perspective focused on internal efficiencies of operation and output.

Finally, learning and growth perspective focused on the capabilities of the organization in creating greater value for stakeholders (Razalli, 2008; Kaplan and Norton, 1996). In short, each perspective in BSC is synchronized to make the organization's objectives and strategies are achieved (Punniyamoorthy and Murali, 2008).

Kaplan and Norton (1992, 1996, 2001) stated BSC as a comprehensive managing structure which integrates financial and non-financial measures for long and short term strategies (Punniyamoorthy and Murali, 2008; Atkinson, 2006; Paranjape et al., 2006). Balanced Scorecard enables organizations to translate the vision and strategies into specific and comprehensive action by providing more affluent and pertinent information (Chavan, 2009; Puniyamoorthy and Murali, 2008; Niven, 2002; Kaplan and Norton, 1992, 1996).

Besides, BSC facilitates organizations to manage, evaluate, and aligns implementation strategies, operational efficiency, communication process and organizational capacity in competitive environment (Jusoh and Parnell, 2008; Niven, 2002; Kaplan and Norton, 1992, 1996). In addition, it allows organizations to capitalize on customer, supplier, employee, technology and innovation (Chavan, 2009).

Even though, there are numerous benefits of BSC but still several authors and researchers criticised the concept and implementation of BSC. Some authors condemned that BSC ignored people, suppliers, regulators, competitors, environmental and social aspects (Paranjape et al., 2006; Bourne, 2002). Moreover, they mentioned BSC is static in nature and it requires lengthy time and complex process to monitor the resources (Neely, Marr, Roos, Pike & Gupta, 2003; Doran, Haddad & Chow, 2002).

Although, BSC was criticised but prior literatures revealed that it is the utmost prominent and extensively recognized performance measurement tool (Paranjape et al, 2006; Atkinson, 2006). Hence, Balanced Scorecard facilitates the managers to measure the organizational performance from financial and non-financial perspectives (Kaplan and Norton, 1996). The following subsection discusses objective and subjective approach in measuring the performance.

2.5.4 **Objective and Subjective Approaches**

Prior literatures showed that researchers used objective and subjective approach in measuring the performance (Liu and Fu, 2011; Razalli, 2008). In 2001, Harris explained that objective measures used real figures from secondary sources while subjective measures used perception of respondents to measure the performance. Previous literatures provide strong support for subjective approach (Nandakumar et al., 2011; Aziz and Yassin, 2010; Hilman, 2009).

A subjective approach usually utilized in research when difficult to find the data (Dess and Robinson, 1984). Importantly, Nandakumar et al. (2011) said subjective performance measures had been widely utilized in investigating the impact of generic strategies and performance.

Therefore, this study used the subjective approach to assess the organizational performance of hotels in Malaysia. There are several reasons for using subjective approach in this study; some managers may be reluctant to disclose the actual performance data due to issues of private and confidential (Dess and Robinson, 1984). Secondly, subjective approach is more consistent because allows the managers to take the relative performance of their industry. Thirdly, several studies showed strong correlation between objective and subjective approach (Dawes, 1999). Subjective approach shows a proper way to gain greater effectiveness in long term basis for organizations (Pizam and Ellis, 1999). Previously, Razalli (2008) used subjective approach to investigate the performance of hotels in Malaysia.

The following subsection discusses on the implementation of BSC to measure the performance of hospitality industry.

2.5.5 **Implementation of BSC in Hospitality Industry**

Several researchers utilised BSC to assess the performance of hotels (Chen et al., 2011; Razalli, 2008; Kim and Lee, 2007; Evans, 2005; Denton and White, 2000). BSC enables decision makers to focus on short and long term objectives and emphasis on rewarding teamwork, objective performance appraisals, sharing information and identifying negative trends in their organization (Denton and White, 2000). Frigo (2002) said BSC assisted the Hilton hotels to obtain 5 % increase in customer loyalty and boost the annual revenue to 1.1 %.

BSC is really useful for hospitality industry because it strengthens the relationship between hotel and stakeholders (Sainaghi, 2010). In addition, balanced scorecard is an applicable measurement tool for hotel industry because hotel consists of diverse activities and cost structure (Evans, 2005). So, it needs to have both financial and non-financial methods to assess the performance.

Recently, Mohammad, Rashid & Tahir (2013) used BSC measurement to evaluate the organizational performance of three to five star hotels in Malaysia. In 2008, Razalli investigated the performance of hotels in Malaysia with BSC method which adapted from Evans (2005) because both studies examined the performance of hotel industry. Kim and Lee (2007) used BSC and fuzzy analytic hierarchy process (AHP) to measure the performance of hotel industry.

The study found that financial attribute is the most important attribute to measure the hotel performance and followed by customer, learning and growth and internal process. Chen et al. (2011) utilized BSC and hybrid multiple criteria decision making (MCDM) model to measure the performance of hot spring hotels. Findings indicated customer, internal process and learning and growth perspectives have positive influence on financial performance. Therefore, BSC is really a useful instrument to assess the performance of hotels.

Further researches on business strategies and balanced scorecard performance metrics are highly needed in hospitality context (Evans, 2005). As a result, this study used BSC dimensions; financial, customer, internal process and learning and growth perspectives to measure the performance of hotels in Malaysia.

2.6 Summary

This chapter discussed about theoretical aspects and prior literatures on competitive strategy (independent variable), market orientation and innovation strategy (mediating variables) and organizational performance (dependent variable) relevant to the research objectives and research questions of this study. Additionally, the researcher justified the match between these strategic factors towards organizational performance. These justifications used as a basis to develop a theoretical framework and hypotheses in following chapter. Thus, next chapter discusses about the methodology of this study.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

Following sections discuss about theoretical framework, hypotheses development, research design, instrumentation, data collection and data analysis and pre-test findings.

3.2 Proposed Theoretical Framework

Based on the research gaps identified from the literature review, this study investigated four constructs in the context of competition among hotels in Malaysia.

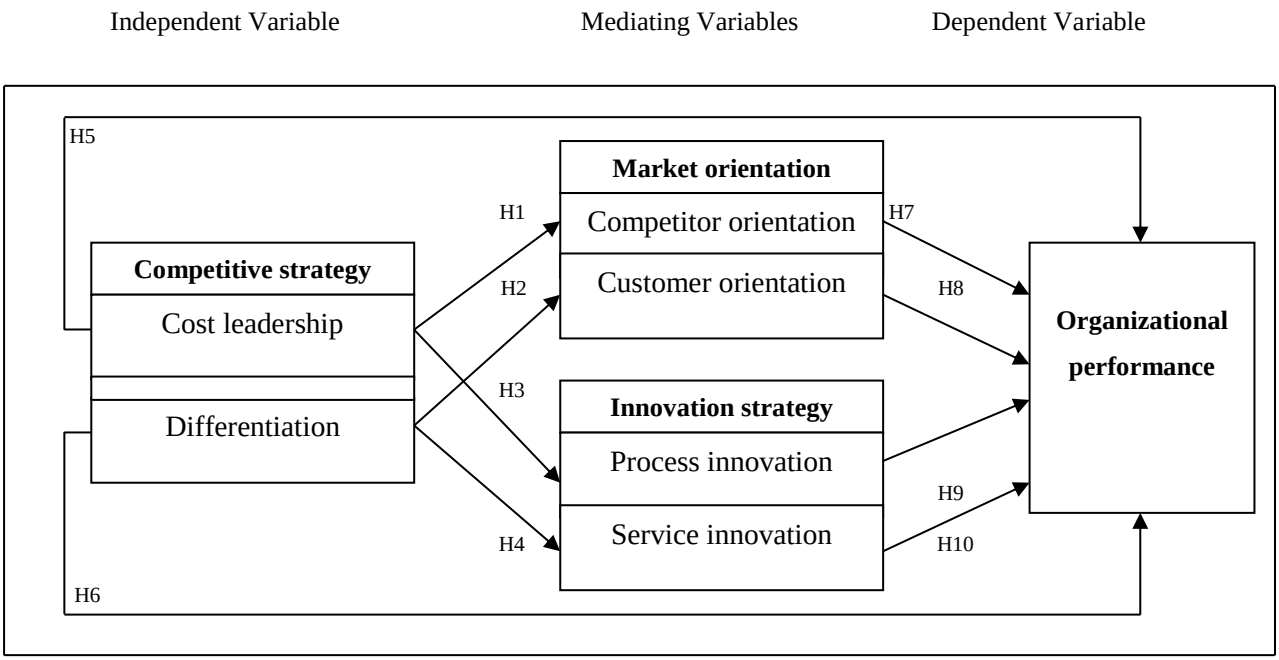

Figure 3.1

Proposed Theoretical Framework

Proposed theoretical framework in Figure 3.1 is underpinned by the dynamic capabilities (Teece et al., 1997) which explain how the organization can achieve greater performance and competitive advantage. Dynamic refers to the responsiveness of an organization to react towards external competitive environmental changes. Meanwhile, capabilities refer to an organization's resources, skills and competences to react towards the fluctuating environment (Teece et al., 1997).

By applying dynamic capabilities, this study attempted to match competitive strategy (strategies), market orientation and innovation strategy (capabilities) and performance. Furthermore, this theoretical framework was also derived from the strategy implementation perspective which emphasised on strategy (competitive strategy) influencing organizational structure/dimensions (market orientation and innovation) towards performance (Voola and O'Cass, 2010; Homburg et al., 2004).

Besides that, this framework considers competitive strategy (business level strategy), market orientation, innovation strategy (functional level strategies), and their effects on organizational performance. As discussed earlier in chapter two, this study used dynamic capabilities, strategy implementation perspective, level of organizational strategy approach and strategic match concept to strengthen the interrelationship among the variables in the theoretical framework. The following subsection discuss about the matching among the strategic factors.

3.3 Matching among the Strategic Factors

In order to enhance the organizational performance and sustainable competitive advantage, hoteliers should possess adequate knowledge to strategically utilize their existing strategic factors. Therefore, this study gave a particular focus to establish the key alignments between key strategic factors; competitive strategy, market orientation and innovation strategy which could assist the hoteliers to make precise decisions to achieve greater performance and remain competitive. Specifically, hotel that pursues competitive strategy, market orientation and innovation strategy could experience various benefits and mitigate from environmental instabilities. For that reason, this study investigated the combined effects of these three strategic factors on organizational performance in one theoretical framework.

Due to limited existing literature which investigates the role of competitor orientation as a mediator in the nexus of cost leadership strategy and performance, this study used the similarities of characteristics existing in these two strategic factors. For instance, the literature indicates that both strategic factors have similar characteristic, which are monitoring the competitors' strengths, weaknesses, capabilities and strategies (Prajogo and Sohal, 2006; Frambach et al., 2003; Day and Wensley, 1988), vigorous pursuing cost reductions and focus on supply side (Baroto and Abdullah, 2011, Porter, 1980,1985), involving in outsourcing activities, increase asset utilization, acquiring larger market share (Baroto and Abdullah, 2011; Allen and Helms, 2006; Frambach et al.,2003).

Furthermore, both strategic factors are embedded in the same theoretical underpinnings such as dynamic capabilities, strategic implementation perspective, level of organizational strategy and strategic match concept (Parnell, 2011, Voola and O'Cass, 2010, Homburg et al., 2004; Frambach et al., 2003).

Similar problem occurred in investigating the relationship of differentiation strategy, customer orientation and organizational performance. Hence, this study used similarities in characteristics of both strategic factors as a basis of investigation. Both strategic factors have similar characteristics such as focusing on customers' needs and wants (Frambach et al., 2003), creating superior customer value and unique / different / superior features to satisfy the customers (Baroto and Abdullah, 2011), greater customer interaction and loyalty (Allen and Helms, 2006). These characteristics indicated that differentiation strategy seemed to be more customer oriented (Frambach et al., 2003). Furthermore, both strategic factors were embedded in the same theoretical background; dynamic capabilities perspective (Parnell, 2011; Voola and O'Cass, 2010) and strategic implementation perspective (Voola and O'Cass, 2010; Frambach et al., 2003; Homburg and Pflesser, 2000).

Same approach was used to examine the association of cost leadership strategy, process innovation and organizational performance. Based on the literature, both strategic factors possess similar attributes such as emphasising on achieving economies of scale, making changes in management approach / service creation method, vigorously pursuing cost reduction or minimization (Allen and Helms, 2006) and attaining larger market share (Qin, 2007).

Additionally, both strategic factors embedded in the same theoretical underpinnings; dynamic capabilities and strategic implementation perspective (Qin, 2007; Frohwein and Hansjurgens, 2005).

This study came across same complications due to limited facts regarding the link of differentiation strategy, service innovation and organizational performance. However, the literatures indicate that both dimensions have similar characteristics namely offering unique / different products and service, fulfilling the customer satisfaction by meeting the customers' requirement, requiring high customer loyalty and interaction, charging high price and possessing high skills and new technology developments (O'Sullivan and Dooley, 2009; Wang and Ahmad, 2007; Porter, 1985). Furthermore, the relationship between differentiation strategy and service innovation could be embedded in the same theoretical background; dynamic capabilities, strategic implementation perspective and level of organizational strategies (business and functional level).

Based on the problem statement, hoteliers need to make strategic match between specific competitive strategy, market orientation and innovation strategy towards organizational performance. Therefore, this study examined the link of these issues simultaneously to bridge the existing knowledge gap.

3.4 Development of Hypotheses

After considering the research questions, research objectives and theoretical framework, this study developed eighteen hypotheses to analyse. The researcher had discussed the link between the strategic factors and justified the role of each variable in the framework. So, the prior discussion was used as a basis to construct the hypotheses of this study.

The literature review shows that the cost leadership strategy is endeavouring to achieve the above average return on investment than their rivals and capitalize on economies of scale, experience curve effect as well as cost reduction in all aspects in their business (Porter, 1980, 1985). For instance, an organization tends to probe for outsourcing activities, controlling production cost, increase asset capacity utilization, minimizing cost in R&D and advertisement activities (Baroto and Abdullah, 2011). Specifically, cost leaders focus on the supply side and assess their relative cost position in the industry (Baroto and Abdullah, 2011). Importantly, cost leadership strategy allows the organization to set a standard compared to their potential competitors, so it needs competitor orientation (Prajogo and Sohal, 2006; Frambach et al., 2003; Day and Wensley, 1988). The aforementioned discussions hypothesise that:

H1: Cost Leadership strategy has causal relationship on Competitor Orientation.

The literature review indicated that the features of differentiation strategy are to offer superior, different, and unique product or service to the customer. In differentiation strategy, organizations consider the customers as their first priority (Hilman et al., 2009; Hyatt, 2001; Porter, 1980). Importantly, differentiators have a tendency to be more customers oriented through high value offerings at premium charges (Frambach et al., 2003). The organization seeks to create a good insight among customers about products and services which they offer possess superior characteristics compared to their rivals (Sash and Stern, 1995; Dean and Evans, 1994 as cited in Baroto and Abdullah, 2011; Acquaah and Yasai Ardekani, 2006). In short, differentiation strategy enhances the customers' interest in buying unique and quality products or services (Allen and Helms, 2006; Hlavacka et al., 2001; Venu, 2001). This leads to the following hypothesis:

H2: Differentiation strategy has causal relationship on Customer Orientation.

As discussed earlier, cost leadership strategy focuses on achieving the lowest cost, economies of scale, capacity utilization, and experience curve (Porter, 1980, 1985). Porter (1980) stated that cost leadership strategy may lead to process innovation for the organization to a certain extent. Meanwhile, Frohwein and Hansjurgens (2005) suggested that to gain competitive advantage of cost, organizations should emphasise on cost minimization and engage with process innovation. Hence, the literatures showed that the characteristic of process innovation is making valuable changes in the process of producing service / product to diminish the cost (Gunday et al., 2011). The process innovation strategy allows the organization to attain economies of scale and market share (Qin, 2007).

Therefore, the researcher found that cost leadership strategy has linkage with process innovation because both strategies emphases on cost reduction, economies of scale and market share. It is therefore, posited that:

H3: Cost Leadership strategy has causal relationship on Process Innovation.

As mentioned before, the differentiation strategy offers unique product or service to the customers (Porter, 1980). The differentiator is charges high price for the offerings due to the uniqueness and quality features (Hilman, 2009; Venu, 2001; Porter, 1980). Frohwein and Hansjrgens (2005) stated that the organization which implementing differentiation strategy tends to focus on product/service innovation. In particular, service innovation is the process of making beneficial changes in the service offered to customers (O'Sullivan and Dooley, 2009). The purpose of implementing service innovation is to enhance the quality of service and meet the customers' requirements or desire. Therefore, both differentiation and service innovation emphasise on creating the unique characteristics of service to attain customers demand (Projogo and Sohal, 2006). The following hypothesis is thus stated:

H4: Differentiation strategy has causal relationship on Service Innovation.

Prior empirical studies examined the link between competitive strategies and organizational performance. Specifically, there were numerous empirical studies found significant and insignificant relationship of cost leadership and differentiation on organizational performance in various sectors; manufacturing, service and SMEs

(Nandakumar et al., 2011; Parnell, 2011; Yan, 2010; Seedee et al., 2009; Hilman, 2009; Spencer et al., 2009; Allen and Helms, 2006). Hence, predominantly the literatures indicate positive association among cost leadership and differentiation on organizational performance. Aforementioned discussions hypothesise that:

H5: Cost Leadership strategy has causal relationship on Organizational performance.

H6: Differentiation strategy has causal relationship on Organizational performance.

The literature review shows a well-established association in market orientation and organizational performance connection (Kirca et al., 2005). Specifically, there were numerous empirical evidences showed positive linkage between market orientation (competitor orientation, customer orientation and inter-functional coordination) and organizational performance in different sectors and countries (Ramayah et al., 2011; Kumar et al., 2011; Aziz and Yassin, 2010; Zhou et al., 2007, 2009; Sin et al., 2003; Mueller et al., 2001). It is therefore, posited that:

H7: Competitor Orientation has causal relationship on Organizational performance.

H8: Customer Orientation has causal relationship on Organizational performance.

The connection among innovation strategy and organizational performance has been stressed by several researchers. Several empirical evidences showed positive association between innovation strategy (process innovation and service innovation) and performance in various sectors (Rosli and Sidek, 2013; Tajeddini and Trueman, 2012; Gunday et al., 2011; Ar and Baki, 2011; Ooncharoen and Ussahawatichakit,

2011; Hilmi et al., 2010; Sdiri et al., 2010; Grawe et al., 2009; Mansury and Love, 2008; Cainelli and Savona, 2006). This leads to the subsequent hypotheses:

H9: Process Innovation has causal relationship on Organizational performance.

H10: Service Innovation has causal relationship on Organizational performance.

In this study, the researcher utilized dual mediators; market orientation and innovation strategy facilitating the competitive strategy and organizational performance nexus. Figure 3.2a and Figure 3.2b indicates the mediated model in relationship of cost leadership and differentiation strategy (initial variables) on organizational performance (outcome).

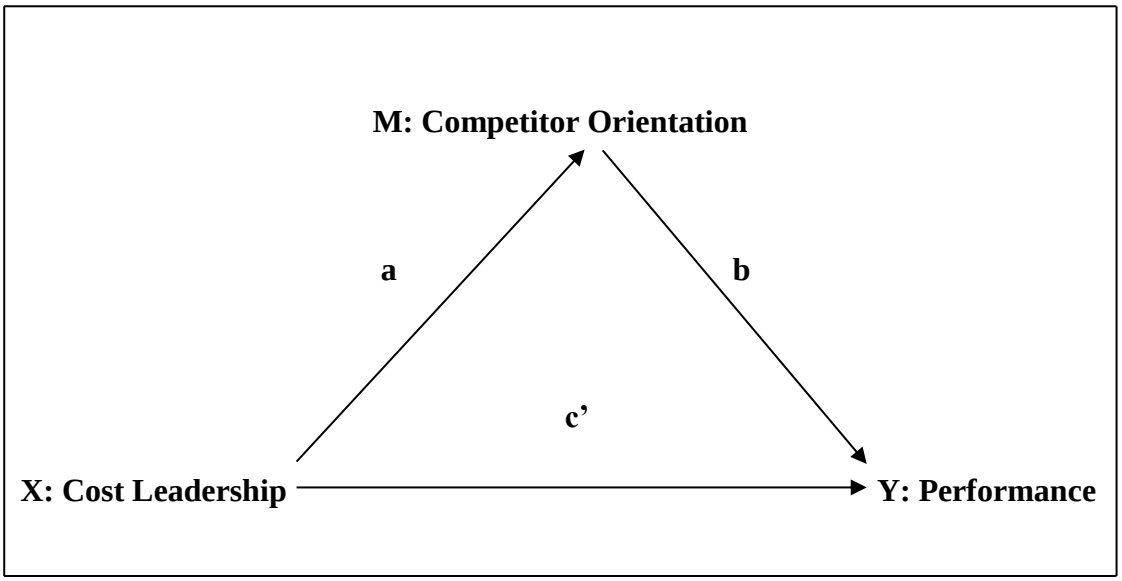

Figure 3.2a

Mediated Model of Cost Leadership Strategy and Performance

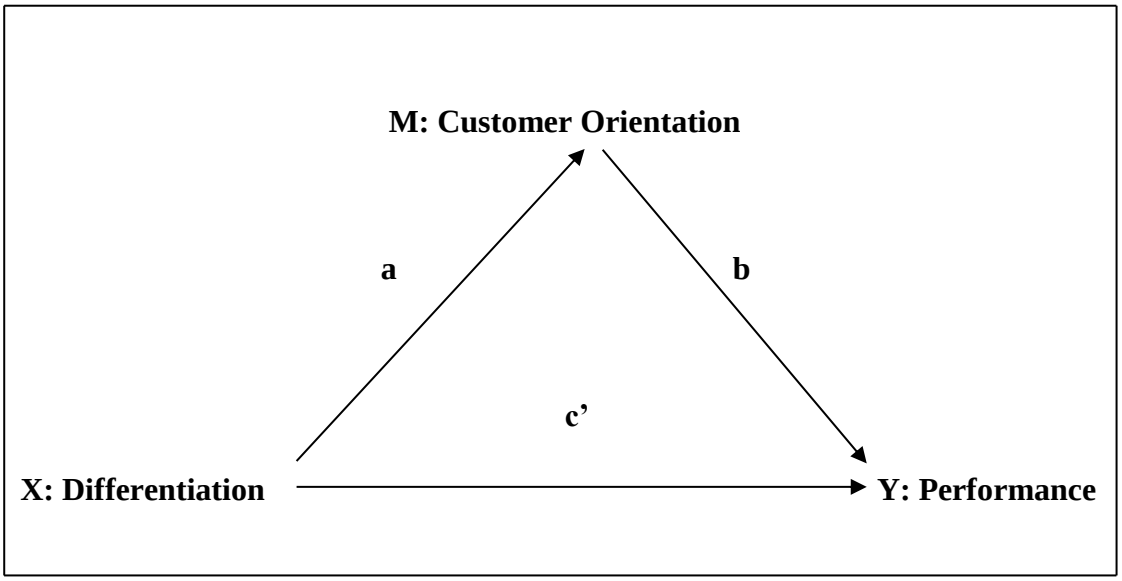

Figure 3.2b

Mediated Model of Differentiation Strategy and Performance

To justify the mediation roles of market orientation and innovation strategy, the researcher employed dynamic capabilities perspective, strategic implementation perspective and level of organizational strategy approach, which were discussed earlier. Particularly, Frambach et al. (2003) found that cost leadership strategy has a relationship with competitor orientation, whilst differentiation strategy has relationship with customer orientation.

Additionally, Voola and O'Cass (2010) used strategic implementation standpoint to assess influenced of competitive strategies (cost leadership and differentiation) and market orientation (responsive and proactive) on firm performance. Importantly, the researcher has explained the similarities in the characteristics of competitive strategies and market orientation as well as the effects on organizational performance which leads to following hypotheses:

H11: Hotel pursuing Cost Leadership strategy mediated by Competitor Orientation produces better Organizational performance.

H12: Hotel pursuing Differentiation strategy mediated by Customer Orientation produces better Organizational performance.

As mentioned earlier, innovation strategy was used as another mediator in this study. Figure 3.3a and Figure 3.3b indicate the mediated model in relationship of cost leadership and differentiation strategy (initial variable) and organizational performance (outcome).

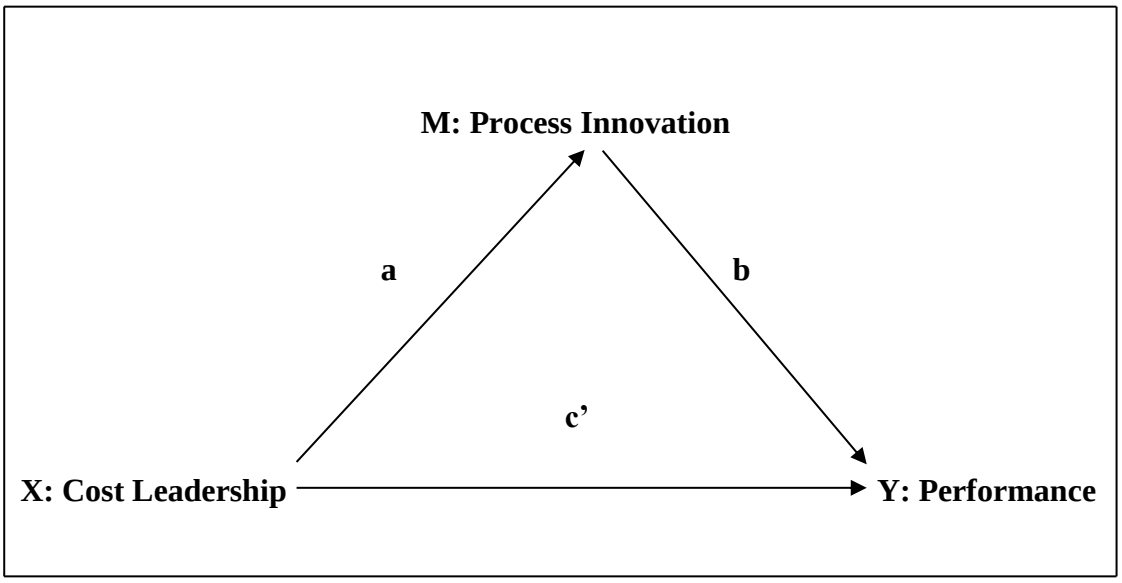

Figure 3.3a

Mediated Model of Cost Leadership Strategy and Performance

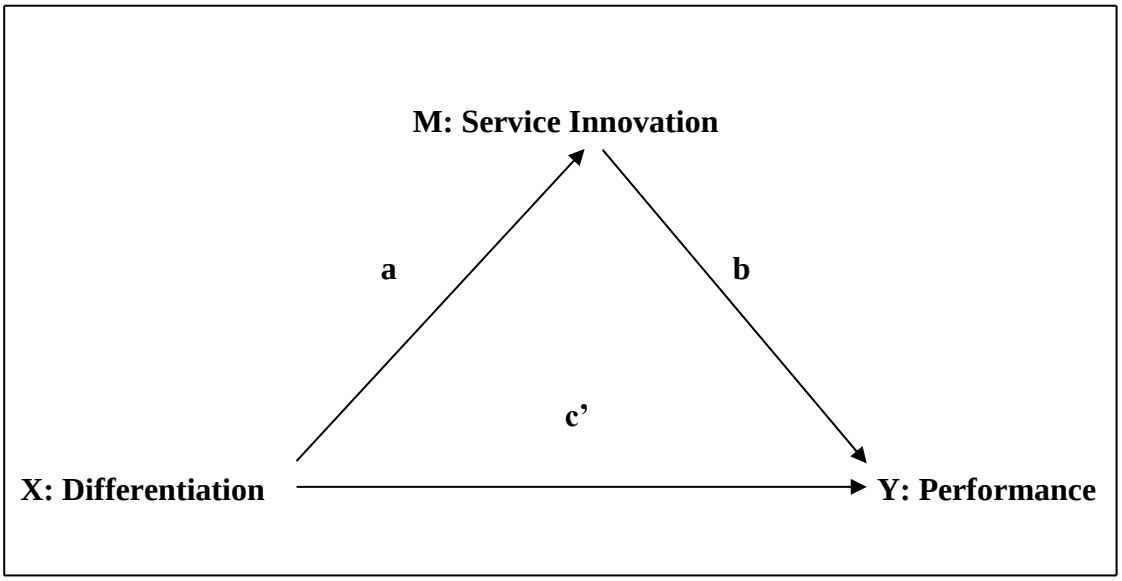

Figure 3.3b

Mediated Model of Differentiation Strategy and Performance

The cost leadership strategy could lead an organization to involve in process innovation to a certain extent (Porter, 1980). Particularly, to gain competitive advantage of cost leadership strategy, organizations should emphasise on cost minimization and involve in process innovation (Frohwein and Hansjurgens, 2005). In addition, process innovation strategy allows the organization to attain economies of scale and market share (Qin, 2007). Besides that, Frohwein and Hansjrgens (2005) stated that an organization which implementing differentiation strategy tends to focus on product or service innovation to advance the quality of service and fulfil customers' needs.

Accordingly, both differentiation and service innovation emphasise on creating the unique characteristics of service to attain customers demand (Projogo and Sohal, 2006). Previously, the researcher discussed about the link between competitive strategy and innovation strategy along with the influence of both strategies on organizational performance. The aforementioned discussion hypothesises that:

H13: Hotel pursuing Cost Leadership strategy mediated by Process Innovation produces better Organizational performance.

H14: Hotel pursuing Differentiation strategy mediated by Service Innovation produces better Organizational performance.

The literatures display that competitor orientation is undertaking to reduce the cost and enhance market share by frequently monitor their rivals action (Frambach et al., 2003). Meanwhile, process innovation is endeavoring to make the cost reduction by improving the processing method, techniques and system (Oke et al., 2007). The objective of customer orientation is to offer unique offerings to fulfil the customers' desire (Voola and O'Cass, 2010). While, service innovation is providing exclusive offerings to satisfy the customers by using sophisticated technologies (O'Sullivan and Dooley, 2009). The connection between competitor orientation – process innovation and customer orientation – service innovation built based on similarities in both characteristics. Furthermore, association of market orientation and innovation could be established through match between functional strategies (horizontal match).

Previous studies also found positive association between market orientation and innovation strategy (Dev et al., 2008; Low et al., 2007). This leads to the subsequent additional hypotheses:

H15: Competitor Orientation has causal relationship on Process Innovation.

H16: Customer Orientation has causal relationship on Service Innovation.

In addition, the researcher investigated the causal effects of dual mediators; market orientation and innovation strategy facilitating the competitive strategy and organizational performance nexus. Specifically, this study examined causal relationship of cost leadership strategy, competitor orientation, process innovation and organizational performance in one equation, while differentiation strategy, customer orientation, service innovation and organizational performance in another equation. Figure 3.4a and Figure 3.4b indicates the mediated model in link of cost leadership strategy and differentiation strategy (initial variables) on organizational performance (outcome).

To justify the mediation roles of market orientation and innovation strategy, the researcher utilised dynamic capabilities, strategic implementation perspectives, level of organizational strategies and synthesised the similar characteristics of every strategies. Previously, the researcher discussed about the causal relationship of competitive strategy, market orientation and innovation strategy along with the effects on organizational performance. The aforementioned discussion hypothesises that:

H17: Competitor Orientation and Process Innovation mediated the Cost Leadership strategy and Organizational performance.

H18: Customer Orientation and Service Innovation mediated the Differentiation strategy and Organizational performance.

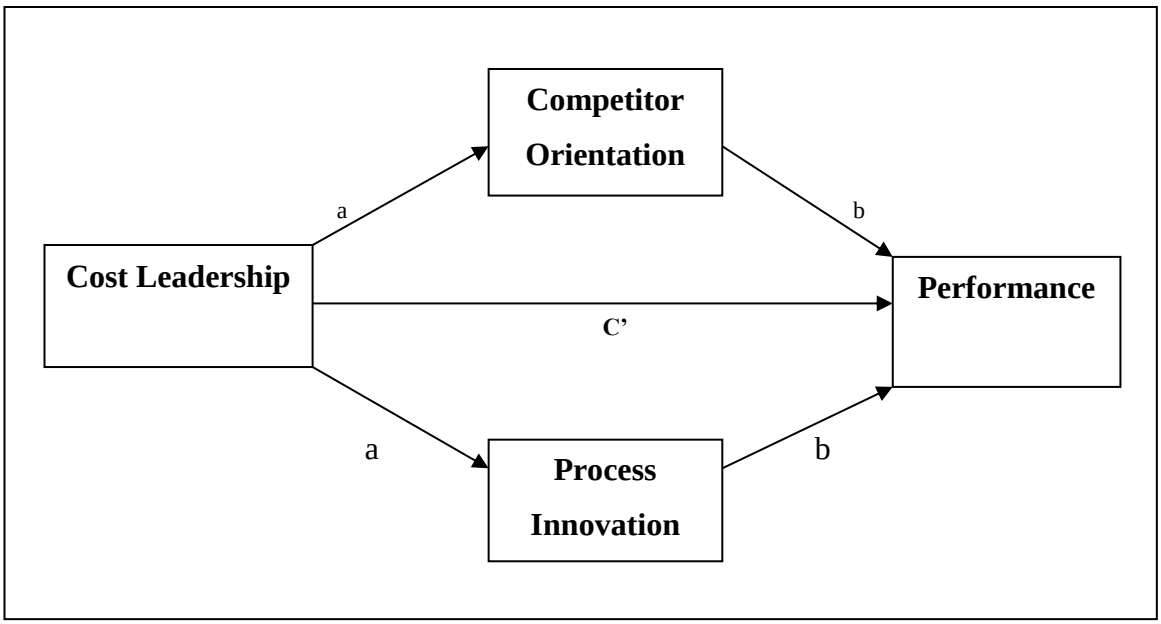

Figure 3.4a

Mediated Model of Cost Leadership Strategy and Performance

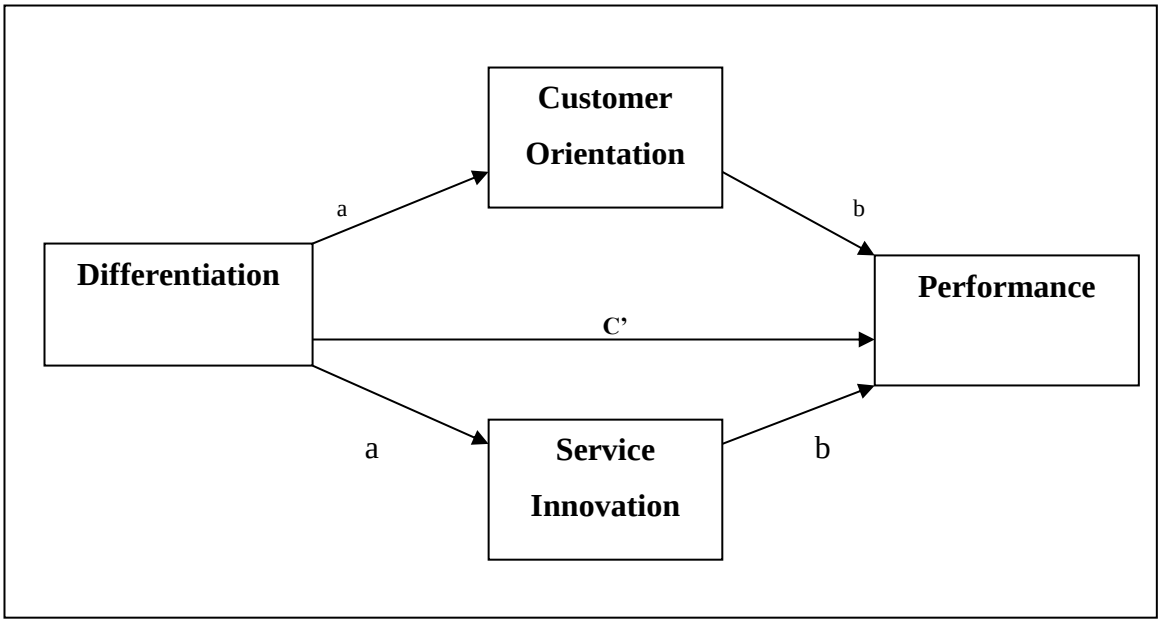

Figure 3.4b

Mediated Model of Differentiation Strategy and Performance

3.5 Research Design

With the intention to choose an appropriate research design, the researcher discussed with several hotel managers and lecturers in the University. Additionally, the researcher had conducted an extensive literature review to identify the research gap in the prior studies, so that this study could contribute beneficial value to the research community and the nation.

3.5.1 **Purpose of Study**

The foremost aim of present research was to scrutinize the match amongst the strategic factors on organizational performance. It included competitive strategy as an independent variable, market orientation and innovation strategy as mediators. Precisely, this study examined the direct link between competitive strategy and organizational performance and the mediating effects on both relationships.

3.5.2 **Time Dimension of Study**

This study chose a quantitative cross - sectional survey method. So, the data gathered only once and represented the issue at a specific time. Even though, several literatures mentioned longitudinal method could enrich the quality of collected data but it is time-consuming and expensive (Sekaran, 2005).

3.5.3 **Unit of Analysis of Study**

The unit of analysis of this study was organization. This study involved hotels with three to five star rating in Malaysia including Sabah and Sarawak. Therefore, the data was collected using a survey method from the target respondents. The top managers (Hotel Manager, Assistant Hotel Manager, Department Heads or Directors and Financial Controller), and middle managers (Executives and Officers) were preferred respondents because they are involved in hotel's strategic decision making process and possess sufficient understanding regarding the organization's strategy to fill up the survey correctly.

3.5.4 **Population of Respondents**

This study examined the hotels with a three star rating and above in Malaysia which were registered with Ministry of Tourism and Culture Malaysia in the year 2013. So, the current population is 475 hotels with three to five star rating in Peninsular Malaysia, Sabah, Sarawak and Federal Territories. Particularly, the star rating signifies universally accepted standard of luxury which is generally used for hotels (Kasim and Minai, 2009). Ministry of Tourism and Culture Malaysia classified five star rating as larger sized hotel, three and four star rating as medium sized hotels, while one and two star as small sized hotels (Razalli, 2008). It is expected that hotels with rating three star and above have greater implementations of these three strategic factors because have better design, arrangements, facilities and services.

3.5.5 **Sample Size**

At first, this study used table produced by Krejcie and Morgan (1970), where the sample size for given population of 475 was 210. Nevertheless, Malhotra (2008) stated that nature of study, importance of the decision, number of variable, nature of analysis, size of sample and resource constraint are important factors which need to consider before selecting proper sample size.

By considering the nature of this study, the researcher selected the whole population as samples of this study. Therefore, this study used census method of data collection. The census method provide more reliability, accurate result and less biased through extensive information and in-depth analysis (Aggarwal and Khurana, 2009). The website directory of Ministry of Tourism and Culture, Malaysia was used as a sampling frame of this study to collect the information about registered three to five star hotels in the year 2013.

The questionnaires were sent to all 475 hotels (population), 144 responded but only 114 were valid for the analysis which represents hotels in Peninsular Malaysia, Sabah, Sarawak and Federal Territories. Although, it did not meet the recommended sample size, but still accepted for the analysis as it lies within the range of 100 to 200, without considering the original sample size needed (Hoetler, 1983). Table 3.1 clearly indicates number of questionnaires sent, received and usable based on states and hotel ratings.

Table 3.1

Number of Questionnaires Sent, Received and Usable by States and Hotel Ratings

States/Questionnaire	**Sent**				**Received**				**Usable**			
Hotel ratings	**3**	**4**	**5**	**Total**	**3**	**4**	**5**	**Total**	**3**	**4**	**5**	**Total**
Perlis	1	1	0	2	1	1	0	2	1	1	0	2
Kedah	17	11	9	37	9	9	4	22	7	7	4	18
Penang	9	18	8	35	6	8	2	16	5	6	1	12
Perak	14	7	1	22	7	4	0	11	6	3	0	9
Selangor	19	12	13	44	6	4	3	13	4	3	2	9
N. Sembilan	8	9	2	19	3	3	1	7	2	3	1	6
Melaka	13	7	3	23	4	2	1	7	3	2	1	6
Johor	21	10	4	35	6	3	2	11	5	3	2	10
Pahang	25	16	4	45	4	4	2	10	3	3	1	7
Kelantan	6	2	1	9	3	1	0	4	2	1	0	3
Terengganu	10	3	4	17	4	1	1	6	3	1	1	5
Sabah	36	16	9	61	3	2	2	7	2	1	1	4
Sarawak	26	14	7	47	2	1	2	5	1	1	1	3
K. Lumpur	28	19	24	71	6	6	7	19	5	5	6	16
Putrajaya	1	1	2	4	1	1	1	3	1	1	1	3
Labuan	1	1	2	4	0	0	1	1	0	0	1	1
Total	**235**	**147**	**93**	**475**	**65**	**50**	**29**	**144**	**50**	**41**	**23**	**114**

3.6 Research Instruments and Construction

The data for this research was collected through survey by utilising standardized self- structured questionnaire. All constructs in this study were examined using an established measurement and scale which were drawn from previous studies. The instrument was developed according to the following constructs.

First, questions were asked about the demographic factors. Secondly, questions were asked about the competitive strategy, market orientation, innovation strategy and organizational performance. Therefore, the questionnaire had 5 sections. An example of the questionnaire is shown in Appendix C.

3.6.1 **Demographic Profiles**

It contained statements asking about the respondent's position, hotel ratings, number of rooms, hotel location, occupancy rate, number of employees and years of operation. The items were adapted from Auzair (2011) and Kasim and Minai (2009). This study used nominal and ordinal scale to measure the demographic factor of respondents.

3.6.2 **Competitive Strategy Measurement**

The competitive strategy measures consisted of four items for cost leadership strategy; (1) achieving lower cost of service, (2) making services more cost efficient, (3) improving cost required for coordination of various services, (4) improving utilization of available equipment, service and facilities and seven items for differentiation strategy; (1) introducing new services quickly, (2) providing different

services, (3) offering broader ranges services, (4) improving time taken to provide services, (5) providing high quality services, (6) customizing the services and (7) providing after sales service and customer support which were adapted questionnaire developed and tested by Auzair (2011) specifically in Malaysia hotel industry. Previously, this instrument was developed and tested by Chenhall and Langfield-Smith (1998), Kumar and Subramaniam (1997) and Porter (1980). The respondents determined the degree of each items based on their current business strategy.

3.6.3 **Market Orientation Measurement**

The market orientation measures consisted of five items for competitor orientation; (1) collecting information regarding competitor, (2) discussing competitors' action, (3) tracking market performance of competitors, (4) evaluating competitors' strength and (5) identifying competitors' strategies and five items for customer orientation; (1) emphasising customers' satisfaction, (2) communicating information across all business functions, (3) understanding customers' needs, (4) measuring customers' satisfaction regularly and (5) surveying end customers' to assess the quality of service which adapted questionnaire from Grawe et al. (2009). Previously, this instrument was developed and tested by Narver and Slater (1990), Olson, Slater & Hult (2005), Despande and Farley (1998) and Porter (1980). The respondents determined the degree of each items based on their current marketing strategy.

3.6.4 **Innovation Strategy Measurement**

The innovation strategy measures consisted of four items for process innovation; (1) improving business process, (2) developing new management approaches, (3) solving problems with new methods and (4) service creation method with great speed and five items for service innovation; (1) service innovation readily accepted in project management, (2) giving emphasis to service innovation, (3) seeking innovative features, (4) change the current offerings to meet special requirement and (5) come up with new services which adapted instruments from Hilmi et al. (2010) and Grawe et al. (2009). Previously, this instrument was developed and tested by Wang and Ahmed (2004). The respondents determined the degree of each items based on their current operation strategy.

3.6.5 **Organizational Performance Measurement**

The final part of questionnaire measured the organizational performance by using six items for performance evaluation in balanced scorecard setting such as return on investment (ROI), market share, sales growth, customer perspective, internal process perspective and learning and growth perspective. For measuring these dimensions, the researcher adapted questions from Hilman (2009), Kaplan and Norton (1996) and Venkatraman and Ramanujam (1986).

The respondents were asked regarding their perception of the performance of their hotel over the past five years by determined the degree of each items were ‘decrease significantly’ or ‘increase significantly’.

The instrument used interval scale continuum from 1 to 7 since it was well recognised in academic and industry research setting studies besides providing wider distribution of score and easier to establish the covariance between two variables (Allen and Rao, 2000).

3.7 Data Collection Procedures

This study used mail questionnaire for data collection. Sekaran (2005) stated that the mail questionnaire has detailed look into the wording of the questions, arrangement of variables and the appearance of questionnaires. Importantly, mail questionnaires allow the respondents to give thoughtful responses because have an ample time for feedback. Thus, the respondents were sent a set of questionnaire together with an introduction letter and pre-paid postage addressed envelope. The introduction letter explained the intention of this research and the significance of respondents' feedback. The stamped envelope was provided to encourage a higher response rate. A token of appreciation was given to the respondents once they replied the questionnaire. The questionnaires were sent to the respondents based on the information gathered from the directory of Ministry of Tourism and Culture, Malaysia in the year 2013.

3.7.1 **Administration of Questionnaires**

The researcher took several steps in administrating the questionnaires to the potential respondents. First, to ensure the attractiveness of the questionnaire it was printed as a booklet. After that, the totals of 475 questionnaires were sent out in the beginning of July, 2013.

The researcher kept the record of the name of the hotel, date of the questionnaire sent and the date for follow-up in case required. Data were collected from July to September, 2013. Initially, the researcher collected 67 feedbacks, then follow-up letters were sent to those who did not respond within the specified time, resulting in 42 additional feedbacks were returned. Some of the respondents who received follow-up letter requested the researcher to email the questionnaire to them again.

Thus, the researcher emailed the questionnaires to respective respondents. Finally, the researcher contacted the non-responding hotels to kindly request for their feedback to be sent as soon as possible. As a result, an additional 35 feedbacks were received. Several respondents graciously declined their participation in this research due to their hotel's strict policy on private and confidentiality of hotel's strategic information. So, a total of 144 responses were collected out of the total 475 questionnaires distributed through mail and email. Of these, 30 responses were discarded due to incomplete and out of the scope of the research. Thus, only 114 questionnaires were used for data analysis, thereby yielding a response rate of 24%.

3.8 Data Analysis Procedures

This study used SPSS 21 and Amos 20 to analyse the data. This study used several methods to analyse the data. First, the researcher performed data cleaning and screening to check any abnormalities. The data were analysed using descriptive statistics for all variables in this study. Furthermore, data were analysed to check the outliers. The inferential statistical analysis was used to achieve the objective of this study. Thus, simple linear regression and multiple regressions were utilized to

analyse the data. Simple linear regression was used to analyse the causal relationship of competitive strategy, market orientation, innovation strategy and organizational performance.

The mediating effects of competitor orientation, customer orientation, process innovation and service innovation were tested with multiple linear regression which is recommended by Baron and Kenny (1986). The researcher also used the Sobel, Aroin and Goodman Test (Sobel test) to ensure whether the mediators carried the influence of the independent variable to the dependent variable.

Additionally, bootstrap test introduced by Preacher and Hayes (2004) was used to reconfirm the findings of Baron and Kenny's mediation test and Sobel test. Bootstrapping process was repeated 1000 times in this research, where the mean of path a and b was computed with 1000 samples and estimated standard error was the standard deviation of 1000 path a and b estimates. The confidence interval with lower and upper limits was generated.

The researcher also used Multiple Mediation Procedure introduced by Preacher and Hayes (2008) to investigate the dual mediating effects of market orientation and innovation strategy on competitive strategy and performance nexus simultaneously. This SPSS macro is very much useful in testing more than one mediator in one equation. The results indicate the beta coefficient, standard error, t-value, p-value and overall R^2 of summary model.

3.9 Findings of Pre-test

Pre-test was conducted to identify flaws of the operationalization of the variables and dimensions in the study. The researcher gathered information from the respondents in order to improvise the format of the instrument (Sekaran, 2005). Nunnally (1978) and Sekaran (2005) stated that pilot study is highly required for the subjective assessment to be made on the survey instrument to ensure that the questions are not ambiguity, understandable and appropriate items measuring the constructs. Therefore, a few samples of Malaysian hotels with ratings three to five star which were registered under directory of Ministry of Tourism Malaysia were randomly selected. So, a total of 60 questionnaires distributed through postal mail and 28 responses were received.

Of these, 8 responses were discarded due to incomplete and out of the scope of the research. Hence, only 20 responses were used to make certain that the instrument was valid and reliable. Importantly, experts assessments and recommendations, added the face and content validity of the instrument. This assisted to improvise the instrument that was used for the pre-test.

The pre-test shows all the items posted a Cronbach's alpha value of as low as 0.89 to as high as 0.98. These showed that, the items of each construct in the instrument were reliable and acceptable. In conclusion, findings of the pilot test showed that the instrument that was utilised to assess the strategic relationship of competitive strategy, market orientation and innovation strategy on organizational performance was reliable and valid.

3.10 Summary

Chapter three explained about the methodology of this study. First, the proposed theoretical framework and hypotheses development were discussed. This study utilised quantitative cross sectional survey method. The respondents from the hotels managerial level were selected to respond to the survey. A census technique was used to make the selection. Then, mail questionnaires were sent to respondents to give their feedback. This chapter discussed about descriptive and inferential statistical analysis procedures of the study. Pre-test was conducted to improvise the questionnaire.

CHAPTER FOUR
FINDINGS AND DISCUSSIONS

4.1 Introduction

Current chapter describes the outcomes of the study. This covers issues related to the preliminary examination of data namely data screening and cleaning, goodness of measures, descriptive analysis and hypothesis testing.

4.2 Data Screening and Cleaning

Data were screened before computing the statistical analysis. So, preliminary testing had been done for the preparation and screening of data, which transformed the raw data to useable data. Therefore, the researcher assessed the missing values, outliers and data normalities which recommended by Cavana, Delahaye & Sekaran (2001) and Hair, Black, Babin & Anderson (2010). This enables the researcher to correct any errors before starting the statistical analysis.

4.2.1 **Assessment of Missing Value**

Missing data or value is common phenomenon in any research. Sekaran and Bougie (2010) said missing value occurred when respondents failed to answer some of the items in the questionnaire due to lack of understanding of question, ignorance of the answer and unwillingness to answer. In order to effectively deal with the missing value occurrence, Hair et al. (2006) suggested few steps; (1) determine the type of missing value, (2) determine the extent of missing value, (3) diagnose the randomness of missing data processes and (4) select imputation method.

Additionally, missing data under 10% generally can be ignored but the number of cases with no missing data must be sufficient for selected analysis technique (Hair et al., 2006). Thus, screening of data conducted through an examination of basic descriptive analysis and frequency distribution. First, the data were analysed through descriptive statistic to explore the missing value. The finding shows no missing value for any variables in the study. Additionally, the findings of frequency test show that there was no data entry error. There was no extreme lowest and highest value greater than the range and the mean was within the specified range. These findings indicated the data was clean.

4.2.2 **Assessment of Outliers**

Outlier is considered as any observation that is numerically distant once compared with the rest of the dataset (Byrne, 2001). The literatures show different methods to detect the outliers (Hair et al., 2006). In this study, the issue of measuring the multivariate outliers conducted with the Mahalanobis distance test. This can be an effective way to detect outliers in some predetermined threshold parameters, which assist to define whether a point can be considered as outlier or not. A critical χ 2 (Chi Square) values 67.99 with degree of freedom and probability of $p < 0.001$ was compared. The result shows all the 114 cases can be used for the purpose of analysis.

4.2.3 **Assessment of Normality**

Normality denotes to the shape of the data distribution of variables (Hair et al., 2006). The univariate and multivariate normality tested by examining the skewness and kurtosis.

The skewness and kurtosis must be within the +2 and -2 range when the data are normally distributed (Chou and Bentler, 1995; Pallant, 2001). The central limit theorem explains that the distribution of samples and proportions are normal if the samples size is large (Hair et al., 2006). There are various methods suggested to observe the normality such as histogram, stem and leaf, plots, skewness and kurtosis (Sekaran and Bougie, 2010). The literatures suggested that value of skewness and kurtosis is equal to zero if the distribution of variables is normal. While, the skewness greater than 3 is considered extremely skewed and the value of kurtosis greater than 10 is considered as problematic (Kline, 2005; Tabachnick and Fidell, 2007; Chou and Bentler, 1995).

Based on the result, which used the test of normality Kolgomorov-Smirnov statistic, the distribution of variables of this study fall within the normal range +2 to -2, and the significant value is 0.000 for each group. Refer to Appendixes D, E and F.

4.3 Goodness of Measures

4.3.1 **Validity**

4.3.1.1 Face and Content Validity

Face validity is about whether the contents really measure the construct or not (Sekaran, 2005). In order to have strong face validity all the questions in the questionnaire were taken from the prior studies. Furthermore, the researcher consulted with experts of research method to assess the fit of the items.

Content validity refers to experts' judgment on the suitability of the items selected to measure a construct (Hair, Money, Samouel & Page, 2007; Sekaran and Bougie, 2010). In this study, the researcher ensured the content validity of the questionnaire measurement related competitive strategy, market orientation, innovation strategy and organizational performance based on steps suggested by Sekaran and Bougie (2010) such as judgment of experts, conceptualization of behavioral domain of interest and high internal consistency reliability. Additionally, content validity also established through the systematic literature reviews. Crucially, experts' opinions, suggestions and feedbacks assisted the researcher to improvise the instrument's suitability, content, layout and adequacy of items.

4.3.1.2 Construct Validity

Factor analysis is performed for the purpose of decreasing the several variables to a lesser number, constructing the summary of the pattern of correlation between the dimensions and making the variables easily manageable. Moreover, it also assists in checking the validity of the questionnaire by ensuring whether the questions are in the right construct.

4.3.1.3 Exploratory Factor Analysis (EFA)

This study used exploratory factor analysis (EFA) to check the construct validity of the questionnaire. Furthermore, this study used principal component analysis (PCA) which is a factor extraction process that relates to the formation of uncorrelated linear combination of the variable (Everitt and Dunn, 1983).

Coakes and Steed (2007) suggested that an individual factor analysis was carried out on each of the scales as the ratio of five subjects per item is 5:5. The ratio of 5 subjects per item (1:5) is capable of running a single factor analysis, but in this situation, it is not (Hair, Black, Babin, Anderson & Tatham, 1998). It is clear that the required sample size to carry out the factor analysis for the items are 180 subjects (36 interval scale x 5 = 180), but the subjects only totaled 114. Hence, a separate factor analysis had to be conducted. Several procedures were carried out to delete the items individually (Hair et al., 2006; Sekaran, 2005). Factor analysis is suitable to be carried out on metric variable and the 7 likert scale as in the current study.

EFA was conducted on competitive strategy included two aspects: cost leadership and differentiation. For cost leadership, this research used four items and differentiation used seven items. Market orientation included two aspects: competitor orientation and customer orientation, which used five items each respectively. Innovation strategy included two aspects: process innovation and service innovation, where four items used for process innovation and five items used for service innovation. Lastly, the organizational performance which considered as one variable used six items.

Every item measured via the sampling adequacy (MSA) above 0.50. The Kaiser-Meyer-Olkin (KMO) indicated the range of 0.727 to 0.891. The Bartlett's test of sphericity is significant with a value of 0.00. All items loaded greater than 0.50. So, no item was deleted. Seven factors met the selection of eigenvalues in the range of 2.665 to 4.315, which exceeding 1.0 and describing a total of variance in the range of 56.67% to 71.86%. All the individual communalities were greater than the minimum of 0.50. Items were sorted by size. The result of factor analysis is illustrated in Table 4.1.

Table 4.1

Findings of Factor Analysis (Exploratory Factor Analysis)

Variables	Factor loading	KMO	Eigenvalue	Variance %
Cost leadership Strategy				
CSCL1	0.828			
CSCL2	0.827			
CSCL3	0.805	0.808	2.665	66.61
CSCL4	0.804			
Differentiation Strategy				
CSDIFF3	0.835			
CSDIFF2	0.800			
CSDIFF1	0.795			
CSDIFF7	0.787	0.891	4.315	61.64
CSDIFF6	0.780			
CSDIFF4	0.772			
CSDIFF5	0.722			
Competitor Orientation				
MOCOMO5	0.827			
MOCOMO2	0.825			
MOCOMO4	0.814	0.802	3.069	61.39
MOCOMO3	0.780			
MOCOMO1	0.660			
Customer Orientation				
MOCUSO3	0.899			
MOCUSO2	0.841			
MOCUSO5	0.825	0.826	3.306	66.13
MOCUSO4	0.776			
MOCUSO1	0.725			
Process Innovation				
ISPI1	0.884			
ISPI3	0.847	0.825	2.874	71.86
ISPI4	0.844			
ISPI2	0.814			
Service innovation				
ISSI2	0.859			
ISSI4	0.859	0.839	3.455	69.10
ISSI1	0.827			
ISSI3	0.825			
ISSI5	0.784			
Organizational performance				
OP4	0.824			
OP2	0.772			
OP3	0.767	0.727	3.400	56.67
OP5	0.763			
OP6	0.734			
OP1	0.645			

4.3.1.4 Confirmatory Factor Analysis (CFA)

This study used AMOS version 20 to perform the confirmatory factor analysis (CFA) on all the items retained by EFA. Thus, the measurement model assessed based on the measures recommended by Hair et al. (2010). The scholar suggested several goodness of fit indices such as Chi-square ($\chi 2$), degree of freedom (df), comparative fit index (CFI), goodness of fit index (GFI), root mean square error of approximation (RMSEA), CMIN/df ratio, p-value and Tucker Lewis index (TLI).

The measurement model of this study was calculated based on chi-square, degree of freedom, CMIN/df ratio, goodness of fit index (GFI), comparative fit index (CFI) and root mean square error of approximation (RMSEA). The threshold value for every fit indices were considered while assessing the dimensions in the measurement model. For instance, cut off values were > 0.90 for GFI and CFI, < 0.08 for RMSEA, > 2 for CMIN/df ratio (Hair et al., 2010). All the CFA initial and revised models were attached in the Appendix G.

4.3.1.4.1 **Dimensionality of Competitive Strategy**

CFA used in validating the dimensionality of competitive strategy which consist of cost leadership strategy; (1) achieving lower cost of service, (2) making services more cost efficient, (3) improving cost required for coordination of various services, (4) improving utilization of available equipment, service and facilities. And differentiation strategy; (1) introducing new services quickly, (2) providing different services, (3) offering broader ranges services, (4) improving time taken to provide services, (5) providing high quality services, (6) customizing the services and (7)

providing after sales service and customer support. The findings of goodness of fit indices indicated good fit model. Refer to table 4.2.

Table 4.2

Goodness of Fit Indices for Competitive Strategy

Fit indices	**Initial model (n=114)**
Chi-square	63.722
df	43
ratio	1.482
GFI	0.914
CFI	0.970
RMSEA	0.065

4.3.1.4.2 **Dimensionality of Market Orientation**

CFA used in validating the dimensionality of market orientation which consist of competitor orientation; (1) collecting information regarding competitor, (2) discussing competitors' action, (3) tracking market performance of competitors, (4) evaluating competitors' strength and (5) identifying competitors' strategies. And customer orientation; (1) emphasising customers' satisfaction, (2) communicating information across all business functions, (3) understanding customers' needs, (4) measuring customers' satisfaction regularly and (5) surveying end customers' to assess the quality of service. The findings of goodness of fit indices indicated good fit model. Refer to table 4.3.

Table 4.3

Goodness of Fit Indices for Market Orientation

Fit indices	**Initial model (n=114)**
Chi-square	59.433
df	34
ratio	1.748
GFI	0.912
CFI	0.960
RMSEA	0.081

4.3.1.4.3 **Dimensionality of Innovation Strategy**

CFA used in validating the dimensionality of innovation strategy which consists of process innovation; (1) improving business process, (2) developing new management approaches, (3) solving problems with new methods and (4) service creation method with great speed. And service innovation (1) service innovation readily accepted in project management, (2) giving emphasis to service innovation, (3) seeking innovative features, (4) change the current offerings to meet special requirement and (5) come up with new services. The findings indicated good fit model. Refer to table 4.4.

Table 4.4

Goodness of Fit Indices for Innovation Strategy

Fit indices	Initial model (n=114)
Chi-square	43.550
df	26
ratio	1.675
GFI	0.919
CFI	0.975
RMSEA	0.077

4.3.1.4.4 **Dimensionality of Organizational Performance**

CFA used in validating the dimensionality of organizational performance which consist of (1) return on investment (ROI), (2) market share, (3) sales growth, (4) customer perspective, (5) internal process perspective and (6) learning and growth perspective. The initial model indicated poor goodness of fit. Thus, the model was revised based on the MI recommendations. So, item (1) return on investment (ROI) correlated with item (3) sales growth. The revised model indicated better goodness of fit. Refer to table 4.5.

Table 4.5

Goodness of Fit Indices for Organizational Performance

Fit indices	Initial model (n=114)	Revised model (n=114)
Chi-square	42.767	9.445
df	7	6
ratio	6.110	1.574
GFI	0.913	0.973
CFI	0.880	0.988
RMSEA	0.213	0.071

4.3.2 **Reliability**

Reliability is to check the internal consistency of the instrument used. So, the reliability test was carried out for cost leadership strategy, differentiation strategy, competitor orientation, customer orientation, process innovation, service innovation and organizational performance. The reliability coefficient of Cronbach's alpha is used to assess the internal consistency (Sekaran, 2005).

Hair et al. (2006) said the alpha value should be at least 0.60 above. Meanwhile, George and Mallery (2006) provided rule of thumb to assess the internal consistency which shows the alpha value greater than 0.70 is considered acceptable, 0.80 above is good and 0.90 above is excellent. The findings showed all the items for each construct possessed a Cronbach's alpha value as low as 0.83 to as high as 0.90.

Thus, the items of each construct in the questionnaire were reliable and had high internal consistency. Based on the rule of thumb by George and Mallery (2006), the internal consistency of items of this study ranged from good to excellent. Table 4.6 indicates findings of reliability analyses of pre-test and post-test.

Table 4.6

Findings of Reliability Test

Constructs	No. of Items Pre-test	No. of Items Post-test	Reliability Pre-test (n:20)	Reliability Post-test (n:114)
Competitive Strategy:				
Cost Leadership	4	4	0.98	0.83
Differentiation	7	7	0.97	0.90
Market Orientation:				
Competitor Orientation	5	5	0.98	0.84
Customer Orientation	5	5	0.96	0.87
Innovation Strategy:				
Process Innovation	4	4	0.97	0.87
Service Innovation	5	5	0.98	0.89
Organizational Performance:				
BSC	6	6	0.89	0.84

4.4 Profile of Individual Respondents

The respondents were among top and middle level management from three to five star hotels registered in directory of Ministry of Tourism and Culture, Malaysia. The questionnaires addressed to top and middle managers to gather accurate information on competitive strategy, market orientation, innovation strategy and organizational performance. Table 4.7 indicates respondents' position / designation.

Table 4.7

Respondent's Level

No.	Respondents	Frequency	Percentage (%)
1.	Top management	61	53.5
2.	Middle management	53	46.5
	Total	**114**	**100.00**

The findings show that majority of respondents were from top management (53.5%), whereas 46.5% respondents were from middle management. Both management levels possess adequate knowledge to answer the survey because they were involved in strategic decision-making process. Figure 4.1 shows the details.

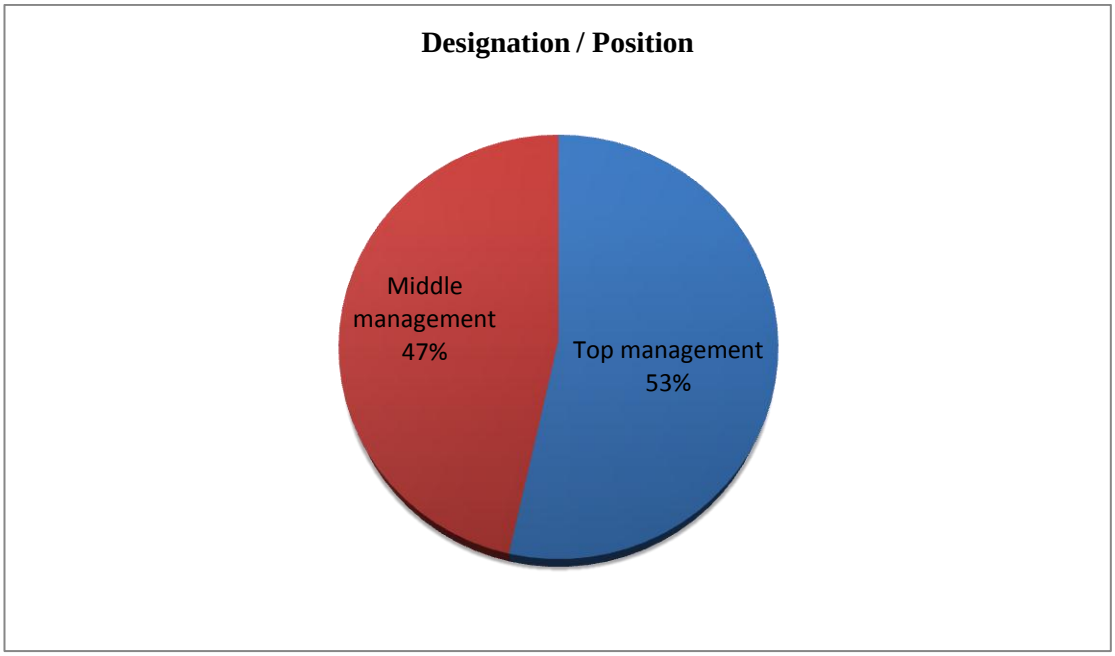

Figure 4.1

Respondents' Level

4.5 Profile of Organizational Respondents

Out of 475 questionnaires submitted to respondents, only 144 were returned. However, only 114 were usable responses. The response rate is 24%. Table 4.8 indicates the distribution of hotels by ratings.

Table 4.8

Distribution of Hotels by Ratings

No.	Hotel ratings	Frequency	Percentage (%)
1.	Three star	50	43.9
2.	Four star	41	36.0
3.	Five star	23	20.2
	Total	**114**	**100.00**

The three star rating hotels consist of 43.9% respondents, followed by four star hotels recorded 36.0% and five star hotels with 20.2%. This shows that majority of respondents were from three star hotels. Figure 4.2 shows the details.

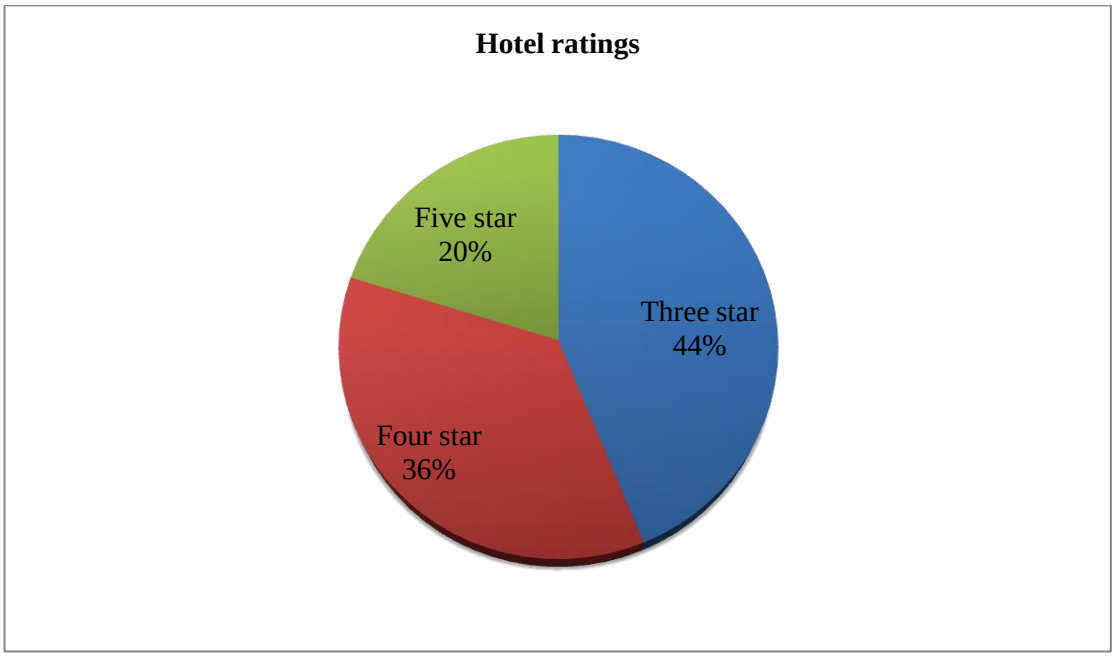

Figure 4.2

Hotel Ratings

4.5.1 **Distribution of Hotel by Number of Rooms**

From the total, 31.6% of the hotels have 201-300 rooms. Next, 30.7% with 101 to 200 rooms, 14.9% with 401 and above rooms, 14% with 100 rooms and 8.8% with 301 to 400 rooms. Table 4.9 and Figure 4.3 indicate the distribution of hotels by number of rooms.

Table 4.9

Distribution of Hotels by Number of Rooms

No.	Number of rooms	Frequency	Percentage (%)
1.	Below 100	16	14.0
2.	101-200	35	30.7
3.	201-300	36	31.6
4.	301-400	10	8.8
5.	401 and above	17	14.9
	Total	**114**	**100.00**

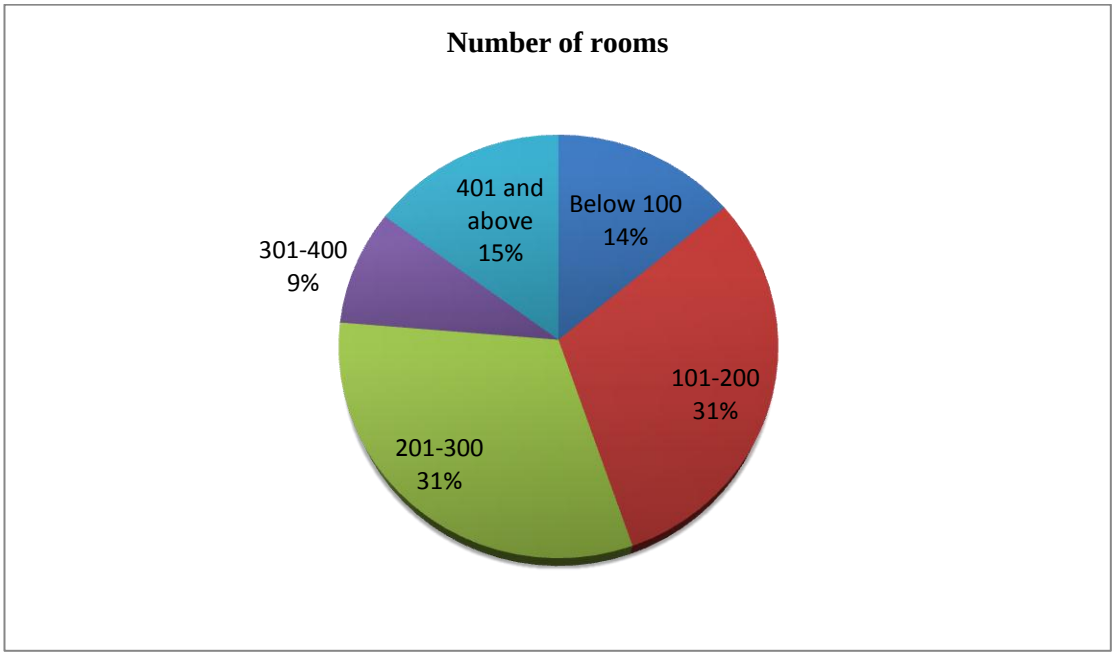

Figure 4.3

Number of Rooms

4.5.2 **Distribution of Hotel by Location**

The majority respondents (83.3%) were of city/town hotels, whereas 14.9% were of beach hotels and only 1.8% of hill hotels. The detail information is shown in Table 4.10 and Figure 4.4.

Table 4.10

Distribution of Hotels by Location

No.	Hotel location	Frequency	Percentage (%)
1.	City/Town	95	83.3
2.	Beach	17	14.9
3.	Hill	2	1.8
	Total	**114**	**100.00**

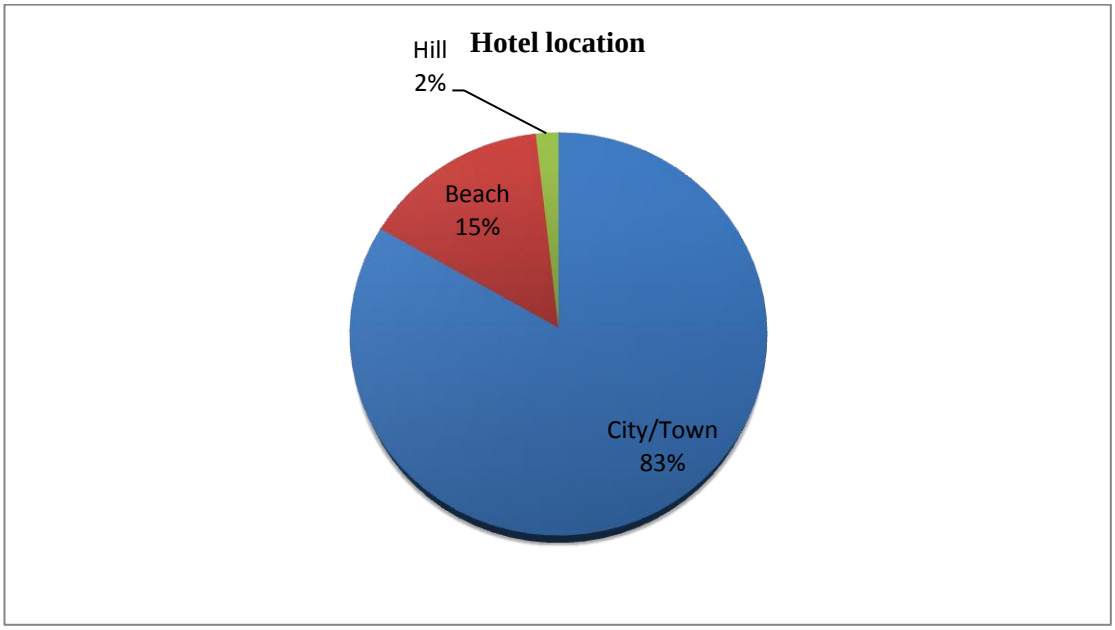

Figure 4.4

Hotels by Location

4.5.3 **Distribution of Hotel by Average Occupancy Rates**

Meanwhile, 31.6% hotels recorded average occupancy rate about 61% to 70%. Next, 23.7% hotels recorded average occupancy rates of 71% to 80%, 18.4% hotels recorded more than 80% of average occupancy, 17.5% hotels recorded 51% to 60% and 8.8% hotels recorded average occupancy rates of 50% and below. Overall, the majority of average occupancy rates recorded approximately 61% to 70%. Table 4.11 and Figure 4.5 indicate the distribution of hotels by average occupancy rates.

Table 4.11

Distribution of Hotels by Average Occupancy Rates

No.	Average occupancy rates	Frequency	Percentage (%)
1.	50% and below	10	8.8
2.	51%- 60%	20	17.5
3.	61%-70%	36	31.6
4.	71%-80%	27	23.7
5.	More than 80%	21	18.4
	Total	**114**	**100.00**

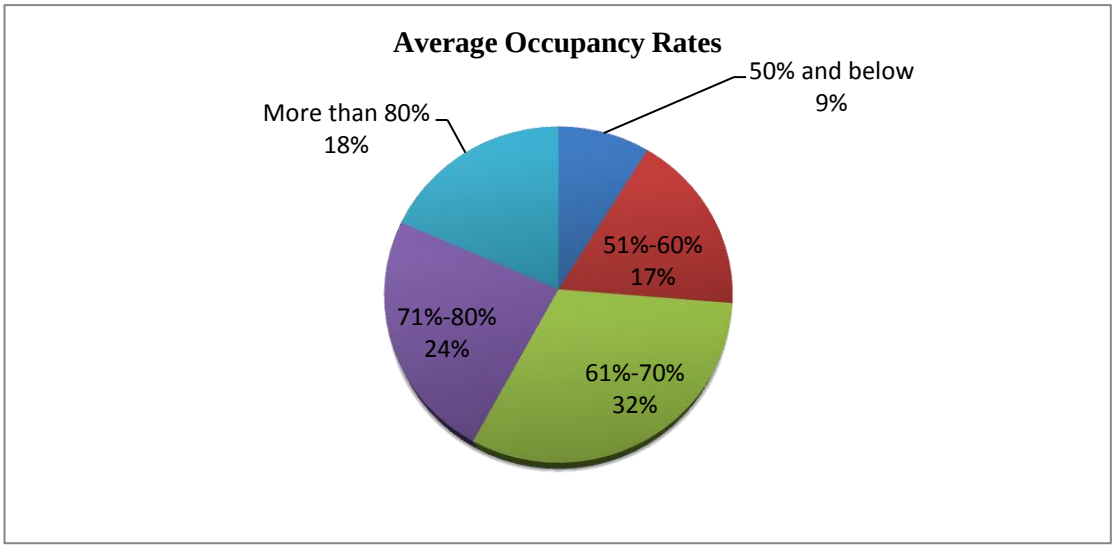

Figure 4.5

Average Occupancy Rates

4.5.4 **Distribution of Hotel by Number of Employees**

The findings show that, 38.6% of hotels have employee size about 101 to 200. Next, the employee size below 100 is 28.1%, 500 and above is 7.9%, 401 to 500 is 7.9%, 401 to 500 is 7.0% and 301 to 400 employees is 5.3%. Refer to Table 4.12.

Table 4.12

Distribution of Hotels by Number of Employees

No.	Number of employees	Frequency	Percentage (%)
1.	Below 100	32	28.1
2.	101-200	44	38.6
3.	201-300	15	13.2
4.	301-400	6	5.3
5.	401-500	8	7.0
6.	500 and above	9	7.9
	Total	**114**	**100.00**

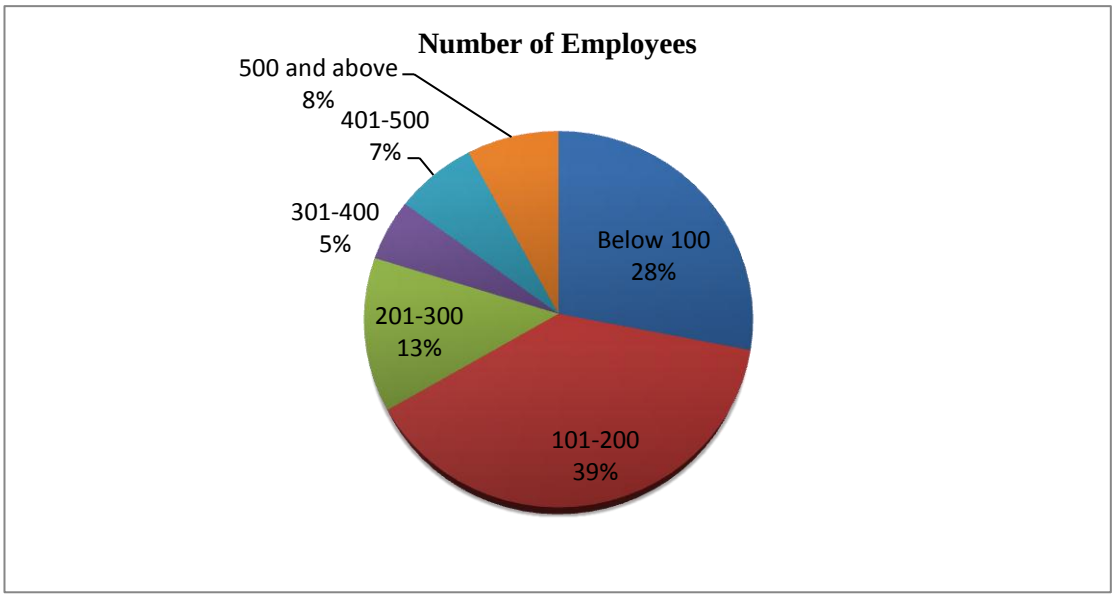

Figure 4.6

Number of Employees

4.5.5 **Distribution of Hotel by Years of Operation**

10 to 15 years made up the majority (30.7%) of those responding. The second biggest group is hotels operating more than 15 years (26.3%). This followed by 5 to

9 years (25.4%) and under 5 years (17.5%) of operation. Table 4.13 and Figure 4.7 indicate the distribution off hotels by years of operations.

Table 4.13

Distribution of Hotels by Years of Operations

No.	Years of operations	Frequency	Percentage (%)
1.	Under 5 years	20	17.5
2.	5-9 years	29	25.4
3.	10-15 years	35	30.7
4.	More than 15 years	30	26.3
	Total	**114**	**100.00**

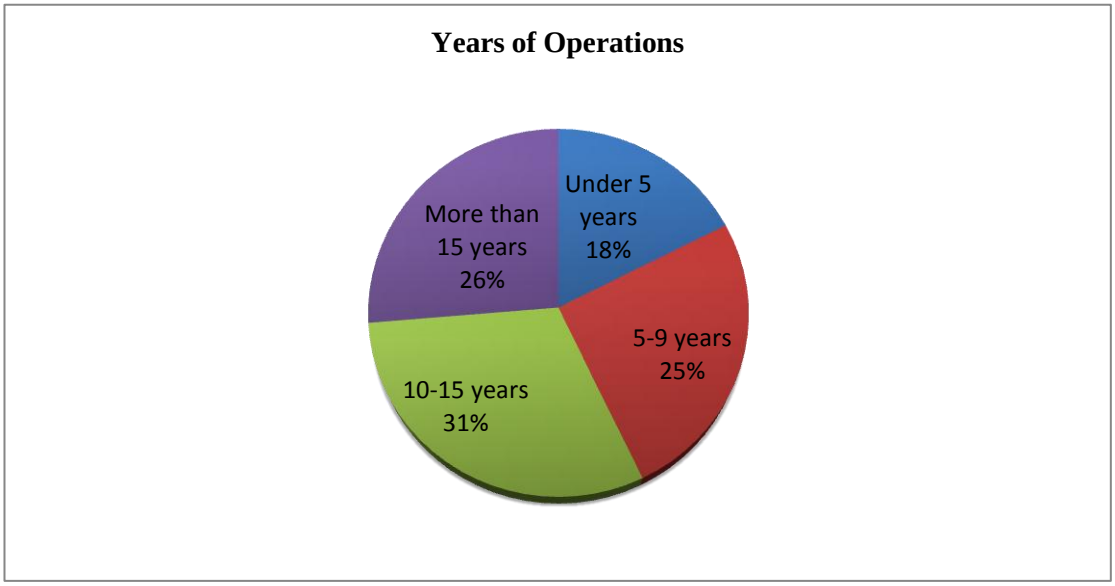

Figure 4.7

Years of Operations

4.6 Competitive Strategy Typology of Respondents

Table 4.14 indicates the frequency of competitive strategy types, which consist of cost leadership and differentiation. The answer to each question is based on 7 likert scale (strongly disagree to strongly agree) and the classification procedure for the strategy type is based on mean score and 'majority-rule' decision structure. The adopted strategy typology among the respondents is cost leadership strategy (47.4%) and differentiation strategy (52.6%). Specifically, 10 items with seven answer options indicated the competitive strategy. This indicated minimum score of 2.64 and maximum score of 5. The mean score of competitive strategy is 4.07, indicating that 114 hotels of the 475 hotels have a rather high awareness of competitive strategy.

Table 4.14

Frequency of Competitive Strategy Types

No.	Competitive Strategy	Frequency	Percentage %
1.	Cost Leadership	54	47.4
2.	Differentiation	60	52.6
	Total	**114**	**100.00**

4.7 Market orientation of Respondents

For the market Orientation, 47.4% of respondents chose to implement the competitor orientation and 52.6% respondents were implementing customer orientation. Refer to

Table 4.15. The mean score of market orientation is 4.31, indicating that 114 hotels of the 475 hotels have awareness on market orientation.

Table 4.15

Frequency of Market Orientation Respondents

No.	Market Orientation	Frequency	Percentage %
1.	Competitor Orientation	54	47.4
2.	Customer Orientation	60	52.6
	Total	**114**	**100.00**

4.8 Innovation strategy of Respondents

The findings show that, hotels implementing service innovation as 52.6% and the remaining respondents, which represent 47.4%, prefer process innovation. The mean score of innovation strategy is 4.34, indicating that 114 hotels of the 475 hotels have awareness on innovation strategy. Table 4.16 indicates the frequency of innovation strategy respondents.

Table 4.16

Frequency of Innovation Strategy Respondents

No.	Innovation Strategy	Frequency	Percentage %
1.	Process Innovation	54	47.4
2.	Service Innovation	60	52.6
	Total	**114**	**100.00**

4.9 Organizational Performance

Six items measured the organizational performance. The mean score for performance is 6.27, indicates that respondents were rather high in their organizational performance levels.

4.10 Testing of Hypotheses

4.10.1 **Assessing Cost Leadership Strategy and Competitor Orientation Nexus**

This nexus is proposed due to common features. The cost leadership strategy intends to turn the internal efficiency with economies of scale, technology development, outsourcing, capacity utilization and cost reduction (Frambach et al., 2003), while competitor orientation intends to monitor the competitors closely to reduce the price (Narver and Slater, 1990; Frambach et al., 2003).

Moreover, both of them are supported by similar theoretical backgrounds; dynamic capabilities perspective, strategic implementation perspective and level of organizational strategy.

Hypothesis 1:

Cost Leadership strategy has causal relationship on Competitor Orientation.

Based on 54 samples selecting Cost Leadership strategy, the following findings were recorded. Simple linear regression used to analyse the effect of Cost Leadership and Competitor Orientation. Table 4.17 shows that both the variables have positive link,

$R^2 = 0.965$, Adj. $R^2 = 0.965$, and $F(1, 52) = 3073.582$, $p < 0.01$. This shows 97% rise of the variance in the Competitor Orientation is described through the Cost Leadership strategy. Below is the regression equation of the Competitor Orientation:

Competitor Orientation = 0.041 + 1.009 (Cost Leadership Strategy) + e

Table 4.17

Assessing Degree of Cost Leadership and Competitor Orientation Nexus

	***F* (1,52)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Competitor Orientation	3073.582					
Predictor: Cost Leadership Strategy		1.009	0.018	0.982	55.440	0.00**

Note: $R = 0.98$, $R^2 = 0.97$, Adj. $R^2 = 0.97$, ** $p < 0.01$

Bootstrap test used further strengthen the findings of simple linear regression. The findings in Table 4.18 shows that above causal relationship was significant due to the 95% confidence interval lied between 0.969 and 1.056.

Table 4.18

Utilizing Bootstrap Test to Assess Degree of Cost Leadership and Competitor Orientation Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Cost Leadership					

Strategy	1.009	0.021	0.969	1.056	0.001

Assessing Cost Leadership and Competitor Orientation Nexus (114 sample size)

Based on 114 samples, the following result was recorded. Table 4.19 shows that both the variables has positive link, $R^2 = 0.720$, Adj. $R^2 = 0.717$, and F (1, 112) = 287.823, $p < 0.01$. This indicates that 72% rise of variance in Competitor Orientation is described by the Cost Leadership strategy. Below is the regression equation for the Competitor Orientation:

Competitor Orientation = 1.410 + 0.716 (Cost Leadership Strategy) + e

Table 4.19

Assessing Degree of Cost Leadership and Competitor Orientation Nexus

	***F* (1,112)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Competitor Orientation	287.823					
Predictor: Cost Leadership Strategy		0.716	0.042	0.848	16.965	0.00**

Note: R= 0.84, $R^2 = 0.72$, Adj. $R^2 = 0.72$, ** $p < 0.01$

The bootstrap findings in Table 4.20 shows that above causal relationship was significant due to the 95% confidence interval lied between 0.644 and 0.799.

Table 4.20

Utilizing Bootstrap Test to Assess Degree of Cost Leadership and Competitor Orientation Nexus (1000 bootstrap resamples)

Predictor	B	Std. Error	LL95CI	UL95CI	Sig.
Cost Leadership Strategy	0.716	0.040	0.644	0.799	0.001

Both samples supported Hypothesis 1: Cost Leadership strategy has causal relationship on Competitor Orientation.

4.10.2 **Assessing Differentiation Strategy and Customer Orientation Nexus**

This hypothesis was proposed due to common attributes of both dimensions which have almost similar characteristics such as focusing on customers' needs, creating superior customer value, interaction and loyalty by offering unique products or services to satisfy them (Baroto and Abdullah, 2011; Allen and Helms, 2006; Frambach et al., 2003). Both strategies embedded in same theoretical background; dynamic capabilities perspective, strategic implementation perspective and level of organizational strategy.

Hypothesis 2:

Differentiation strategy has causal relationship on Customer Orientation.

Based on 60 samples selecting Differentiation strategy, the following findings were recorded. Simple linear regression analysis was used to analyse the effect of Differentiation Strategy and Customer Orientation. Findings in Table 4.21 shows that both the variables have positive link, $R^2 = 0.951$, Adj. $R^2 = 0.950$, and $F(1, 58) = 2170.507$, $p < 0.01$. This indicates 95% rise of the variance in the Customer Orientation is described by Differentiation strategy. Below is the regression equation for the Customer Orientation:

$$\text{Customer Orientation} = 0.017 + 1.040\ (\text{Differentiation Strategy}) + e$$

Table 4.21

Assessing the Degree of Differentiation Strategy and Customer Orientation Nexus

	***F* (1,58)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Customer Orientation	2170.507					
Predictor: Differentiation Strategy		1.040	0.022	0.975	46.589	0.00**

Note: $R = 0.98$, $R^2 = 0.95$, Adj. $R^2 = 0.95$, ** $p < 0.01$

Bootstrap test used further strengthen the findings of simple linear regression. The findings in Table 4.22 shows that above causal relationship was significant due to the 95% confidence interval lied between 0.999 and 1.084.

Table 4.22

Utilizing Bootstrap Test to Assess Degree of Differentiation Strategy and Customer Orientation Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Differentiation Strategy	1.040	0.021	0.999	1.084	0.001

Assessing Differentiation Strategy and Customer Orientation Nexus (114 sample size)

Based on 114 samples the following findings were recorded. Simple linear regression analysis was used to analyse the effect of Differentiation strategy and Customer Orientation.

Findings in Table 4.23 shows that both the variables have positive link, $R^2 = 0.674$, Adj. $R^2 = 0.671$, and $F(1,112) = 231.257$, $p < 0.01$. This indicates 67% rise of the variance in the Customer Orientation is described by Differentiation strategy. Below is the regression equation for the Customer Orientation:

$$\text{Customer Orientation} = 0.947 + 0.828\ (\text{Differentiation Strategy}) + e$$

Table 4.23

Assessing the Degree of Differentiation Strategy and Customer Orientation Nexus

	***F* (1,112)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Customer Orientation	231.257					
Predictor: Differentiation Strategy		0.828	0.054	0.821	15.207	0.00**

Note: R= 0.82, R^2 = 0.67, Adj. R^2 = 0.67, ** $p < 0.01$

The bootstrap outcomes in Table 4.24 shows that above causal relationship was significant due to the 95% confidence interval lied between 0.739 and 0.944.

Table 4.24

Utilizing Bootstrap Test to Assess Degree of Differentiation Strategy and Customer Orientation Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Differentiation Strategy	0.828	0.049	0.739	0.944	0.001

Both sample groups supported Hypothesis 2: Differentiation strategy has causal relationship on Customer Orientation.

4.10.3 **Assessing Cost Leadership Strategy and Process Innovation Nexus**

This hypothesis was proposed due to similar attributes of both strategies (cost leadership and process innovation) such as achieving economies of scales, pursuit

changes in internal managerial approach and service creation method for greater efficiency, involves in cost reduction (Allen and Helms, 2006; Frohwein and Hansjurgens, 2005), acquire larger market share (Qin, 2007). Both strategies embedded in same theoretical background; dynamic capabilities perspective, strategic implementation perspective and level of organizational strategy (Prajogo and Sohal, 2006; Frohwein and Hansjurgens, 2005; Yasai and Ardekani, 2000).

Hypothesis 3:

Cost Leadership has causal relationship on Process Innovation.

Based on 54 samples selecting Cost Leadership strategy and Process Innovation, the subsequent outcomes were recorded. Simple linear regression analysis was used to analyse the effect of Cost Leadership and Process Innovation. Findings in Table 4.25 shows that both the variables have positive link, $R^2 = 0.955$, Adj. $R^2 = 0.955$, and $F(1, 52) = 2393.296$, $p < 0.01$. This indicates 96% rise of the variance in the Process Innovation is described by the Cost Leadership strategy. Below is the regression equation for Process Innovation:

$$\text{Process Innovation} = 0.008 + 1.052\ (\text{Cost Leadership Strategy}) + e$$

Table 4.25

Assessing the Degree of Cost Leadership Strategy and Process Innovation Nexus

	F (1,52)	B	SE B	Beta	t	*p*
Outcome: Process Innovation	2393.296					
Predictor: Cost Leadership Strategy		1.052	0.022	0.977	48.921	0.00**

Note: R= 0.98, R^2 = 0.96, Adj. R^2 = 0.96, ** $p < 0.01$

Bootstrap test used further strengthen the findings of simple linear regression. The findings in Table 4.26 shows that above causal relationship was significant due to the 95% confidence interval lied between 1.003 and 1.105.

Table 4.26

Utilizing Bootstrap Test to Assess Degree of Cost Leadership Strategy and Process Innovation Nexus (1000 bootstrap resamples)

Predictor	B	Std. Error	LL95CI	UL95CI	Sig.
Cost Leadership Strategy	1.052	0.025	1.003	1.105	0.001

Assessing Cost Leadership Strategy and Process Innovation Nexus (114 sample size)

Based on 114 samples the following findings were recorded. Simple linear regression analysis was used to analyse the effect of Cost Leadership and Process Innovation. Findings in Table 4.27 shows that both the variables have positive association, R^2 = 0.695, Adj. R^2 = 0.693, and F (1, 112) = 255.700, $p < 0.01$. This

indicates 70% rise of the variance in the Process Innovation is described by the Cost Leadership strategy. Below is the regression equation for Process Innovation:

Process Innovation = 1.147 + 0.797 (Cost Leadership Strategy) + e

Table 4.27

Assessing the Degree of Cost Leadership Strategy and Process Innovation Nexus

	***F* (1,112)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Process Innovation	255.700					
Predictor: Cost Leadership Strategy		0.797	0.050	0.834	15.991	0.00**

Note: R= 0.83, R^2 = 0.70, Adj. R^2 = 0.69, ** $p < 0.01$

The bootstrap findings in Table 4.28 shows that above causal relationship was significant due to the 95% confidence interval lied between 0.707 and 0.897.

Table 4.28

Utilizing Bootstrap Test to Assess Degree of Cost Leadership Strategy and Process Innovation Nexus (1000 bootstrap resamples)

Predictor	B	Std. Error	LL95CI	UL95CI	Sig.
Cost Leadership Strategy	0.797	0.046	0.707	0.897	0.001

Hypothesis 3 is supported: Cost Leadership strategy has causal relationship on Process Innovation. Both sample groups of respondents supported the hypothesis.

4.10.4 **Assessing Differentiation Strategy and Service Innovation Nexus**

The proposed hypothesis was developed due to similarity of attributes of both strategic factors such as providing unique offerings, fulfil customers' satisfaction, require high customer loyalty and interaction, charging high price (O'Sullivan and Dooley, 2009; Wang and Ahmed, 2007; Porter, 1985). Both strategies embedded in the same theoretical background; dynamic capabilities perspective, strategic implementation perspective and level of organizational strategy.

Hypothesis 4:

Differentiation strategy has causal relationship on Service Innovation.

Based on 60 samples selecting Differentiation strategy and Service Innovation, the following findings were recorded. Simple linear regression analysis was used to analyse the effect of Differentiation Strategy and Service Innovation.

Findings in Table 4.29 shows that both the variables have positive association, $R^2 = 0.963$, Adj. $R^2 = 0.963$, and $F(1, 58) = 2904.577$, $p < 0.01$. This indicates 96% rise

of the variance in the Service Innovation is described by Differentiation strategy. Below is the regression equation for Service Innovation:

Service Innovation = -0.002 + 1.054 (Differentiation Strategy) + e

Table 4.29

Assessing Degree of Differentiation Strategy and Service Innovation Nexus

	***F* (1,58)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Service Innovation	2904.577					
Predictor: Differentiation Strategy		1.054	0.020	0.981	53.894	0.00**

Note: R= 0.98, R^2 = 0.96, Adj. R^2 = 0.96, ** $p < 0.01$

Bootstrap test used to confirm the findings of simple linear regression. The findings in Table 4.30 shows that above causal relationship was significant due to the 95% confidence interval lied between 1.022 and 1.089.

Table 4.30

Utilizing Bootstrap Test to Assess Degree of Differentiation Strategy and Service Innovation Nexus (1000 bootstrap resamples)

Predictor	B	Std. Error	LL95CI	UL95CI	Sig.
Differentiation Strategy	1.054	0.017	1.022	1.089	0.001

Assessing Differentiation Strategy and Service Innovation Nexus (114 sample size)

Based on 114 respondents the following findings were recorded. Simple linear regression analysis was used to analyse the effect of Differentiation strategy and Service Innovation. Findings in Table 4.31 shows that both the variables have positive link, $R^2 = 0.745$, Adj. $R^2 = 0.743$, and $F(1, 112) = 327.660$, $p < 0.01$.

This indicates 75% rise of the variance in the Service Innovation is described by Differentiation strategy. Below is the regression equation for Service Innovation:

Service Innovation = 0.678 + 0.894 (Differentiation Strategy) + e

Table 4.31

Assessing the Degree of Differentiation Strategy and Service Innovation Nexus

	***F* (1,112)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Service innovation	327.660					
Predictor: Differentiation Strategy		0.894	0.049	0.863	18.107	0.00**

Note: $R = 0.87$, $R^2 = 0.75$, Adj. $R^2 = 0.74$, ** $p < 0.01$

The bootstrap outcomes in Table 4.32 show that above causal relationship was significant due to the 95% confidence interval lied between 0.792 and 1.003.

Table 4.32

Utilizing Bootstrap Test to Assess Degree of Differentiation Strategy and Service Innovation Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Differentiation Strategy	0.894	0.050	0.792	1.003	0.001

Both sample groups supported Hypothesis 4: Differentiation strategy has causal relationship on Service Innovation.

4.10.5 **Assessing Cost Leadership Strategy and Organizational Performance Nexus**

Hypothesis 5 was proposed due to the well documented cost leadership which is positively related to organizational performance. The literatures show that the cost leadership strategy of Porter's generic competitive strategy is influential in determining the superior organizational performance (Nandakumar et al., 2011; Hilman, 2009; Seedee et al., 2009).

Hypothesis 5:

Cost Leadership has causal relationship on Organizational Performance.

Based on 54 samples selecting Cost Leadership strategy, the following findings were recorded. Simple linear regression analysis was used to analyse the effect of Cost Leadership and Organizational performance. Findings in Table 4.33 shows that both the variables have positive link, $R^2 = 0.969$, Adj. $R^2 = 0.969$, and $F(1, 52) = 3488.984$, $p < 0.01$. This indicates 97% rise of the variance in the Organizational performance is described by the Cost Leadership strategy. Below is the regression equation for Organizational performance:

Organizational Performance = -0.188 + 1.245 (Cost Leadership Strategy) + e

Table 4.33

Assessing the Cost Leadership Strategy and Organizational Performance Nexus

	***F* (1,52)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Organizational Performance	3488.984					
Predictor: Cost Leadership Strategy		1.245	0.021	0.984	59.068	0.00**

Note: $R = 0.98$, $R^2 = 0.97$, Adj. $R^2 = 0.97$, ** $p < 0.01$

The bootstrap outcomes in Table 4.34 shows that above causal relationship was significant due to the 95% confidence interval lied between 1.199 and 1.292.

Table 4.34

Utilizing Bootstrap Test to Assess Degree of Cost Leadership Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Cost Leadership Strategy	1.245	0.023	1.199	1.292	0.001

Hypothesis 5 is supported: The Cost Leadership strategy has causal relationship on Organizational performance in context of 54 sample size.

Assessing Cost Leadership Strategy and Organizational Performance Nexus (114 sample size)

The similar analyses used in investigating 114 samples, the following findings were recorded. Findings in Table 4.35 shows that $R^2 = 0.009$, Adj. $R^2 = 0.000$, and $F(1, 112) = 1.017$, $p > 0.05$. This indicates that when both the groups of respondents were combined, the effect was not significant. Therefore, no regression equation developed in this context, so Hypothesis 5 is rejected.

Table 4.35

Assessing the Cost Leadership Strategy and Organizational Performance Nexus

	***F* (1,112)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Organizational Performance	1.017					
Predictor: Cost Leadership Strategy		0.038	0.038	0.095	1.008	0.315

Note: R= 0.10, R^2 = 0.01, Adj. R^2 = 0.00, $p > 0.05$

The bootstrap outcomes in Table 4.36 shows that above causal relationship was insignificant due to the 95% confidence interval lied between -0.035 and 0.108.

Table 4.36

Utilizing Bootstrap Test to Assess Degree of Cost Leadership Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Cost Leadership Strategy	0.038	0.036	-0.035	0.108	0.284

The Cost Leadership strategy and Organizational performance nexus is not supported, in context of 114 sample size.

4.10.6 **Assessing Differentiation Strategy and Organizational Performance Nexus**

Based on the literature review, hypothesis 6 was proposed. The basis of this relationship is embedded in various researches that indicate differentiation strategy generates better organizational performance (Parnell, 2011; Nandakumar et al., 2011; Hilman, 2009).

Hypothesis 6:

Differentiation has causal relationship on Organizational performance.

Based on 60 samples selecting Differentiation strategy, the following findings were recorded. Simple linear regression analysis was used to analyse the effect of Differentiation and Organizational performance. Findings in Table 4.37 shows that both the variables have positive association, $R^2 = 0.960$, Adj. $R^2 = 0.960$, and $F(1, 58) = 2698.974$, $p < 0.01$. This indicates 96% rise of the variance in the Organizational performance is described by the Differentiation strategy. Below is the regression equation for Organizational Performance:

$$\text{Organizational Performance} = -0.192 + 1.261\ (\text{Differentiation Strategy}) + e$$

Table 4.37

Assessing the Differentiation Strategy and Organizational Performance Nexus

	***F* (1,58)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Organizational Performance	2698.974					
Predictor: Differentiation Strategy		1.261	0.024	0.998	51.952	0.00**

Note: R= 0.98, R^2 = 0.96, Adj. R^2 = 0.96, ** $p < 0.01$

The bootstrap outcomes in Table 4.38 shows that above causal relationship was significant due to the 95% confidence interval lied between 1.214 and 1.307.

Table 4.38

Utilizing Bootstrap Test to Assess Degree of Differentiation Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Differentiation Strategy	1.261	0.024	1.214	1.307	0.001

Hypothesis 6 is supported: The Differentiation strategy has causal relationship on Organizational performance in context of 60 sample size.

Assessing Differentiation Strategy and Organizational Performance Nexus (114 sample size)

Same analyses used in investigating 114 samples in similar context, the following findings were recorded. Findings in Table 4.39 shows that $R^2 = 0.012$, Adj. $R^2 = 0.003$, and $F(1, 112) = 1.394$, $p > 0.05$.

This indicates that when both the groups of respondents were combined, the effect is not significant. Therefore, no regression equation developed in this context, so Hypothesis 6 is rejected.

Table 4.39

Assessing the Differentiation Strategy and Organizational Performance Nexus

	***F* (1,112)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Organizational Performance	1.394					
Predictor: Differentiation Strategy		-0.049	0.041	- 0.111	-1.181	0.240

Note: $R = 0.11$, $R^2 = 0.012$, Adj. $R^2 = 0.003$, $p > 0.05$

The bootstrap outcomes in Table 4.40 shows that above causal relationship was insignificant due to the 95% confidence interval lied between -0.125 and 0.032.

Table 4.40

Utilizing Bootstrap Test to Assess Degree of Differentiation Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Predictor	B	Std. Error	LL95CI	UL95CI	Sig.
Differentiation Strategy	-0.049	0.038	-0.125	0.032	0.184

The causal link of Differentiation strategy and Organizational performance is not supported in the context of 114 sample size.

4.10.7 **Assessing Competitor Orientation and Organizational Performance Nexus**

The proposed hypothesis 7 was based on the literature, which clearly indicates the Competitor Orientation influence the Organizational performance by visibly observe the strength and capabilities of competitors (Safarnia et al., 2011; increase market share and greater efficiency (Kumar et al., 2011; Sorenson, 2009; Slater and Narver, 1994).

Hypothesis 7:

Competitor Orientation has causal relationship on Organizational Performance.

Based on 54 samples selecting Competitor Orientation, the following findings were recorded. Simple linear regression analysis was used to analyse the effect of Competitor Orientation and Organizational performance.

Findings in Table 4.41 shows both the variables have positive link, $R^2 = 0.971$, Adj. $R^2 = 0.970$, and $F(1, 52) = 3703.363$, $p < 0.01$. This indicates 97% rise of the variance in the Organizational performance is described by the Competitor Orientation. Below is the regression equation for Organizational Performance:

Organizational Performance = -0.175 + 1.213 (Competitor Orientation) + e

Table 4.41

Assessing the Competitor Orientation and Organizational Performance Nexus

	***F* (1,52)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Organizational Performance	3703.363					
Predictor: Competitor Orientation		1.213	0.020	0.985	60.855	0.00**

Note: $R = 0.99$, $R^2 = 0.97$, Adj. $R^2 = 0.97$, ** $p < 0.01$

The bootstrap outcomes in Table 4.42 shows that above causal relationship was significant due to the 95% confidence interval lied between 1.170 and 1.255.

Table 4.42

Utilizing Bootstrap Test to Assess Degree of Competitor Orientation and Organizational Performance Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Competitor Orientation	1.213	0.021	1.170	1.255	0.001

Hypothesis 7 is supported: The Competitor Orientation has causal relationship on Organizational performance in context of 54 sample size.

Assessing Competitor Orientation and Organizational Performance Nexus (114 sample size)

The same analyses used in investigating 114 sample size in similar context, the following findings were recorded. Findings in Table 4.43 shows that $R^2 = 0.005$, Adj. $R^2 = -0.003$, and $F(1, 112) = 0.610$, $p > 0.05$. This indicates that when this group of respondents were tested with overall performance, the effect was not significant. Therefore, no regression equation developed in this context, so Hypothesis 7 is rejected.

Table 4.43

Assessing the Competitor Orientation and Organizational Performance Nexus

	***F* (1,112)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Organizational Performance	0.610					
Predictor: Competitor Orientation		0.035	0.045	0.074	0.781	0.436

Note: $R = 0.074$, $R^2 = 0.005$, Adj. $R^2 = -0.003$, $p > 0.05$

The bootstrap outcomes in Table 4.44 shows that above causal relationship was insignificant due to the 95% confidence interval lied between -0.060 and 0.123.

Table 4.44

Utilizing Bootstrap Test to Assess Degree of Competitor Orientation and Organizational Performance Nexus (1000 bootstrap resamples)

Predictor	B	Std. Error	LL95CI	UL95CI	Sig.
Competitor Orientation	0.035	0.045	-0.060	0.123	0.442

The causal association of Competitor Orientation and Organizational performance is not supported, in context of 114 sample size.

4.10.8 **Assessing Customer Orientation and Organizational Performance Nexus**

Hypothesis 8 was developed in view of the literature that clearly indicates the Customer Orientation boost the Organizational performance. Specifically, the customer orientation observed and understands the target customers to serve them adequately in turn increase the profitability, sales growth and performance (Kumar et al., 2011; Zhou et al., 2009; Slater and Narver, 1994).

Hypothesis 8:

Customer Orientation has causal relationship on Organizational performance.

Based on 60 samples selecting Customer Orientation, the following findings were recorded. Simple linear regression analysis was used to analyse the effect of Customer Orientation and Organizational performance.

Findings in Table 4.45 shows that both the variables have positive association, R^2 = 0.942, Adj. R^2 = 0.942, and F (1, 58) = 1834.132, p < 0.01. This indicates 94% rise of the variance in the Organizational performance is described by the Customer Orientation. Below is the regression equation for the Organizational Performance:

Organizational Performance = -0.078 + 1.171 (Customer Orientation) + e

Table 4.45

Assessing the Customer Orientation and Organizational Performance Nexus

	F (1,58)	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Organizational Performance	1834.132					
Predictor: Customer Orientation		1.171	0.027	0.971	42.827	0.00**

Note: *R*= 0.971, R^2 = 0.94, Adj. R^2 = 0.94, ** *p* < 0.01

The bootstrap outcomes in Table 4.46 shows that above causal relationship was significant due to the 95% confidence interval lied between 1.115 and 1.229.

Table 4.46

Utilizing Bootstrap Test to Assess Degree of Customer Orientation and Organizational Performance Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Customer Orientation	1.171	0.029	1.115	1.229	0.001

Hypothesis 8 is supported: The Customer Orientation has causal relationship on Organizational performance, in context of 60 sample size.

Assessing Customer Orientation and Organizational Performance Nexus (114 sample size)

The same analyses used in investigating 114 samples in similar context, the following findings were recorded. Findings in Table 4.47 shows that $R^2 = 0.015$, Adj. $R^2 = 0.006$, and $F(1, 112) = 1.738$, $p > 0.05$. This indicates that when this group of respondents were tested with overall performance, the effect was not significant. Therefore, no regression equation developed in this context, so Hypothesis 8 is rejected.

Table 4.47

Assessing the Customer Orientation and Organizational Performance Nexus

	***F* (1,112)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Organizational Performance	1.738					
Predictor: Customer Orientation		-0.054	0.041	-0.124	-1.318	0.190

Note: $R = 0.124$, $R^2 = 0.015$, Adj. $R^2 = 0.006$, $p > 0.05$

The bootstrap outcomes in Table 4.48 shows that above causal relationship was insignificant due to the 95% confidence interval lied between -0.145 and 0.041.

Table 4.48

Utilizing Bootstrap Test to Assess Degree of Customer Orientation and Organizational Performance Nexus (1000 bootstrap resamples)

Predictor	B	Std. Error	LL95CI	UL95CI	Sig.
Customer Orientation	-0.054	0.049	-0.145	0.041	0.293

The causal association of Customer Orientation and Organizational performance is not supported, in context of 114 sample size.

4.10.9 **Assessing Process Innovation and Organizational Performance Nexus**

The proposed hypothesis 9 was based on the literature, which clearly indicates the Process Innovation influence the Organizational performance by perform cost reduction, reducing processing time, improving the quality and internal efficiency, greater flexibility, economies of scale, greater logistic or distribution management, larger market share and better organizational performance (Gunday et al., 2011; Hilmi et al., 2010; O'Sullivan and Dooley, 2009; Qin, 2007; Frohwein and Hanjurgens, 2005).

Hypothesis 9:

Process Innovation has causal relationship on Organizational performance.

Based on 54 samples selecting Process Innovation, the following findings were recorded. Simple linear regression analysis was used to analyse the effect of Process Innovation and Organizational performance. Findings in Table 4.49 shows that both the variables have positive link, $R^2 = 0.967$, Adj. $R^2 = 0.966$, and $F(1, 52) = 3246.335$, $p < 0.01$. This indicates 97% rise of the variance in the Organizational performance is described by the Process Innovation. Below is the regression equation for Organizational Performance:

Organizational Performance = -0.109 + 1.155 (Process Innovation) + e

Table 4.49

Assessing the Process Innovation and Organizational Performance Nexus

	F (1,52)	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Organizational Performance	3246.335					
Predictor: Process Innovation		1.155	0.020	0.983	56.977	0.00**

Note: $R = 0.98$, $R^2 = 0.97$, Adj. $R^2 = 0.97$, ** $p < 0.01$

The bootstrap outcomes in Table 4.50 shows that above causal relationship was significant due to the 95% confidence interval lied between 1.112 and 1.199.

Table 4.50

Utilizing Bootstrap Test to Assess Degree of Process Innovation and Organizational Performance Nexus (1000 bootstrap resamples)

Predictor	B	Std. Error	LL95CI	UL95CI	Sig.
Process Innovation	1.155	0.022	1.112	1.199	0.001

Hypothesis 9 is supported: The Process Innovation has causal relationship on Organizational performance, in context of 54 sample size.

Assessing Process Innovation and Organizational Performance Nexus (114 sample size)

The same analyses used in investigating 114 samples in similar context, the following findings were recorded. Findings in Table 4.51 shows that, $R^2 = 0.001$, Adj. $R^2 = -0.008$, and $F(1, 112) = 0.098$, $p > 0.05$. This indicates that when this group of respondents were tested with overall performance, the effect was not significant. Therefore, no regression equation developed in this context, so Hypothesis 9 is rejected.

Table 4.51

Assessing the Process Innovation and Organizational Performance Nexus

	***F* (1,112)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Organizational Performance	0.098					
Predictor: Process Innovation		0.012	0.040	0.030	0.313	0.755

Note: R= 0.030, R^2 = 0.001, Adj. R^2 = -0.008, $p > 0.05$

The bootstrap outcomes in Table 4.52 shows that above causal relationship was insignificant due to the 95% confidence interval lied between -0.067 and 0.093.

Table 4.52

Utilizing Bootstrap Test to Assess Degree of Process Innovation and Organizational Performance Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Process Innovation	0.012	0.039	-0.067	0.093	0.768

The causal association between Process Innovation and Organizational performance not supported, in context of 114 sample size.

4.10.10 **Assessing Service Innovation and Organizational Performance Nexus**

Hypothesis 10 was developed in view of the literature that clearly indicates the Service Innovation boost the Organizational performance. Specifically, the service innovation make beneficial changes in the service that provided to end customers by creating unique features that could deliver greater market recognition, fulfill customers' satisfaction and enhance customer loyalty as well as performance (Grawe et al., 2009; O'Sullivan and Dooley, 2009; Riddle, 2008; Victorina et al., 2005).

Hypothesis 10:

Service Innovation has causal relationship on Organizational performance.

Based on 60 samples selecting Service Innovation, the following findings were recorded. Simple linear regression was used to analyse the effect of Service Innovation and Organizational performance. Findings in Table 4.53 shows that both the variables have positive link, $R^2 = 0.971$, Adj. $R^2 = 0.971$, and $F(1, 58) = 3791.063$, $p < 0.01$. This indicates 97% rise of the variance in the Organizational performance is described by the Service Innovation. Below is the regression equation for the Organizational Performance:

$$\text{Organizational Performance} = -0.138 + 1.181\ (\text{Service Innovation}) + e$$

Table 4.53

Assessing the Service Innovation and Organizational Performance Nexus

	***F* (1,58)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Organizational Performance	3791.063					
Predictor: Service Innovation		1.181	0.019	0.986	61.572	0.00**

Note: R= 0.986, R^2 = 0.971, Adj. R^2 = 0.971, ** $p < 0.01$

The bootstrap outcomes in Table 4.54 shows that above causal relationship was significant due to the 95% confidence interval lied between 1.149 and 1.215.

Table 4.54

Utilizing Bootstrap Test to Assess Degree of Service Innovation and Organizational Performance Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Service Innovation	1.181	0.017	1.149	1.215	0.001

Hypothesis 10 is supported: The Service Innovation has causal relationship on Organizational performance, in context of 60 sample size.

Assessing Service Innovation and Organizational Performance Nexus (114 sample size)

The same analyses used in investigating 114 samples in similar context, the following findings were recorded. Findings in Table 4.55 shows that $R^2 = 0.002$, Adj. $R^2 = -0.006$, and $F(1, 112) = 0.280$, $p > 0.05$. This indicates that when this group of respondents were tested with overall performance, the effect was not significant. Therefore, no regression equation developed in this context, so Hypothesis 10 is rejected.

Table 4.55

Assessing the Service Innovation and Organizational Performance Nexus

	***F* (1,112)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Organizational Performance	0.280					
Predictor: Service Innovation		-0.021	0.040	-0.050	-0.529	0.598

Note: $R = 0.050$, $R^2 = 0.002$, Adj. $R^2 = -0.006$, $p > 0.05$

The bootstrap outcomes in Table 4.56 shows that above causal relationship was insignificant due to the 95% confidence interval lied between -0.095 and 0.054.

Table 4.56

Utilizing Bootstrap Test to Assess Degree of Service Innovation and Organizational Performance Nexus (1000 bootstrap resamples)

Predictor	B	Std. Error	LL95CI	UL95CI	Sig.
Service Innovation	-0.021	0.038	-0.095	0.054	0.580

The causal link of Service Innovation and Organizational performance not supported, in context of 114 sample size.

The subsequent hypotheses investigate the role of Competitor Orientation, Customer Orientation, Process Innovation and Service Innovation as mediators in Cost Leadership strategy, Differentiation strategy and Organizational performance nexus.

4.10.11 **Assessing Competitor Orientation as Mediating Variable in Cost Leadership Strategy and Organizational Performance Nexus**

Hypothesis 11:

Hotel pursuing Cost Leadership mediated by Competitor Orientation produces better Organizational performance. This indicates the Competitor Orientation is a mediator that transmits the effect of stated business strategy to the performance. Due to limited literature on this perception, this hypothesis is expected to add to the body of knowledge. Figure 4.8a and 4.8b illustrates the unmediated and mediated models.

Figure 4.8a

Competitor Orientation is Mediator in Cost Leadership and Organizational Performance Nexus

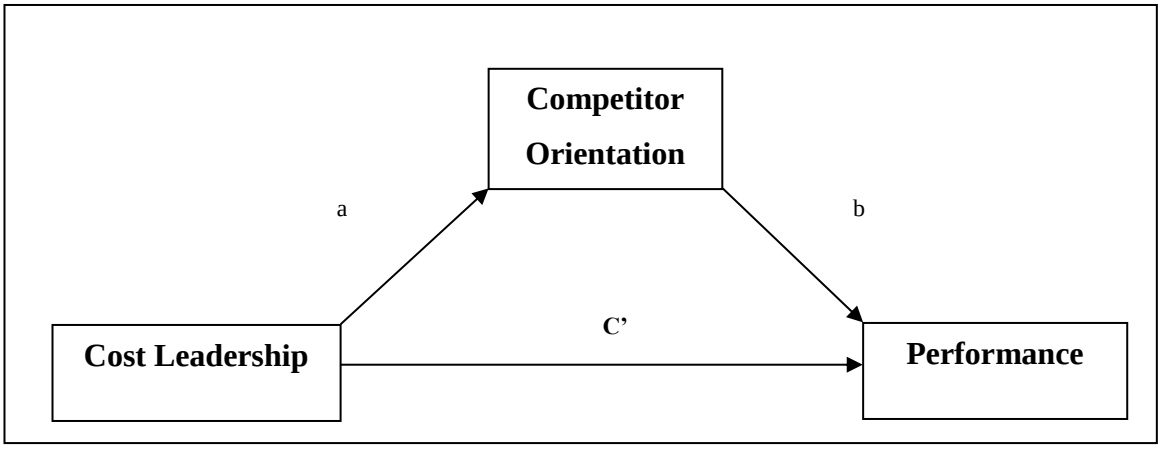

Figure 4.8b

Competitor Orientation is Mediator in Cost Leadership and Organizational Performance Nexus

The role of Competitor Orientation as a mediator was tested with multiple regression that used four step approach recommended by Baron and Kenny (1986). Table 4.57 contains necessary analyses to investigate the mediation proposition.

First step: Test whether Cost Leadership strategy (Predictor) is linked to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient (B = 1.245) indicated the Cost Leadership strategy affect the

Organizational performance significantly ($p < 0.01$). Therefore, the condition for mediation analysis in first step, as recommended by Baron and Kenny (1986) was met.

Second step: Examine whether Cost Leadership strategy (Predictor) is linked to the Competitor Orientation (Outcome). The outcome of unstandardized regression coefficient ($B = 1.009$) indicated the Cost Leadership strategy affect the Competitor Orientation significantly ($p < 0.01$). Hence, the condition for mediation analysis in second step was also met.

Third & Fourth Step: Investigate whether Cost Leadership strategy (Predictor) is associated to the Competitor Orientation (Mediator) and the Organizational performance (Outcome). The outcome of unstandardized regression coefficient linked with the Competitor Orientation and Organizational performance, controlling Cost Leadership strategy were significant ($B = 0.643$, $p < 0.01$). This regression also provided an estimation of connection between Cost Leadership strategy and Organizational performance, controlling Competitor Orientation ($B = 0.597$, $p < 0.01$). Thus, the condition for mediation analysis in third & fourth step was met. Refer to Table 4.57.

Table 4.57

Assessing the Competitor Orientation as a Mediator in Cost Leadership Strategy and Organizational Performance Nexus (54 sample size)

	***F* (1,52)**	***R*²**	**B**	**SE B**	**Beta**	**t**
First Step						
Outcome: Performance	3488.984**					
Predictor: Cost Leadership		0.969	1.245	0.021	0.984	59.068**
Second Step						
Outcome: Competitor Orientation	3073.582**					
Predictor: Cost Leadership		0.965	1.009	0.018	0.982	55.440**
Third & Fourth Step						
Outcome: Performance	3703.363**					
Mediator: Competitor Orientation		0.971	0.643	0.091	0.522	7.025**
Predictor: Cost Leadership		0.978	0.597	0.094	0.472	6.352**

**$p < 0.01$, *$p < 0.05$

Sobel test used further strengthen the findings of Baron and Kenny's mediation test. The findings in Table 4.58 show the result of Z score, 7.01 was significant, $p < 0.01$. Additionally, the results show the indirect effect and Sobel's SE value was 0.6487 and 0.093. Figure 4.8c indicates the Competitor Orientation partially mediated the Cost Leadership strategy and Organizational performance nexus.

Table 4.58

Utilizing Sobel Test to Measure the Competitor Orientation as a Mediator in Cost Leadership Strategy and Organizational Performance Nexus (54 sample size)

	Input		**Test statistic:**	***p*-value:**
A: Cost Leadership	1.009	Sobel test:	7.01	0.000
B: Competitor Orientation	0.643	Aroian test:	7.01	0.000
Sa: Cost Leadership	0.018	Goodman test:	7.01	0.000
Sb: Competitor Orientation	0.091			

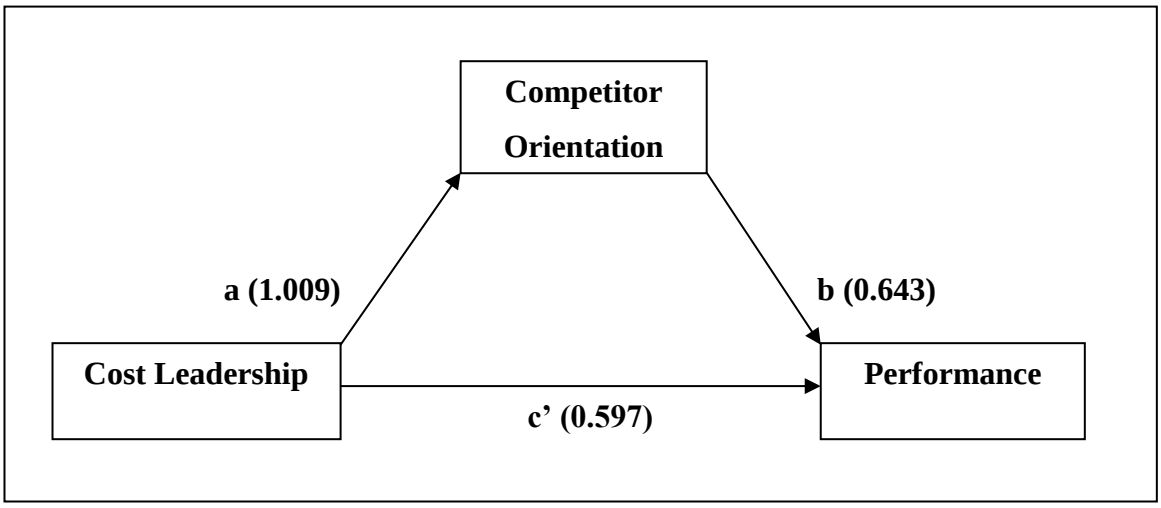

Figure 4.8c

Competitor Orientation Mediator in the Cost Leadership and Organizational Performance Nexus

Bootstrap test used to confirm the findings of Baron and Kenny's mediation test and Sobel test. Findings in table 4.59 show critical values of bootstrap test based on SPSS macro for simple mediation of Preacher and Hayes (2004).

Table 4.59

Utilizing Bootstrap Test to Measure the Competitor Orientation as a Mediator in Cost Leadership Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Indirect effect	**Mean**	**S.E**	**LL95CI**	**UL95CI**
0.6481	0.6441	0.1191	0.4082	0.8726

The findings show above relationship lied between 0.4082 and 0.8726 with 95% confidence interval. Due to zero is not in the 95% confidence interval so; the mediation effect of Competitor Orientation between Cost Leadership and Organizational performance is significant at significance level of 0.05.

Therefore, Hypothesis 11 is supported: The Competitor Orientation partially mediated the Cost Leadership strategy and Organizational performance nexus in context of 54 sample size.

The reason is full mediation only happened when variable X did not affect the Y after M controlled for path c'. Meanwhile, partial mediation happened when the paths X to Y decrease in absolute size but it is still different from zero when mediator is controlled (Baron and Kenny, 1986).

Assessing Competitor Orientation as Mediating Variable in Cost Leadership Strategy and Organizational Performance Nexus (114 sample size)

However, when the same process conducted on all the 114 samples, the result was different. The same steps were used and the detail of the findings as follows.

First step: Test whether Cost Leadership strategy (Predictor) is linked to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient (B = 0.038) indicated the Cost Leadership strategy affect the Organizational performance insignificantly ($p > 0.05$). Therefore, the condition for mediation analysis in first step was not met.

Second step: Examine whether Cost Leadership strategy (Predictor) is linked to the Competitor Orientation (Outcome). The result of unstandardized regression coefficient (B = 0.716) indicated the Cost Leadership strategy affect the Competitor Orientation significantly ($p < 0.01$). Hence, the condition for mediation analysis in second step was met.

Third & Fourth step: Investigate whether Cost Leadership strategy (Predictor) is connected to the Competitor Orientation (Mediator) and the Organizational performance (Outcome). The outcome of unstandardized regression coefficient linked with the connection between the Competitor Orientation and Organizational performance, controlling Cost Leadership strategy were insignificant (B = -0.012, $p > 0.05$). This regression provided an estimation of link between Cost Leadership strategy and Organizational performance, controlling Competitor Orientation (B = -

0.046, p > 0.05). So, the condition for mediation analysis in third & fourth step was not met. Refer to Table 4.60.

Table 4.60

Assessing the Competitor Orientation as a Mediator in Cost Leadership Strategy and Organizational Performance Nexus (114 sample size)

	***F*(1,112)**	***R*²**	**B**	**SE B**	**Beta**	**t**
First Step						
Outcome: Performance	1.017					
Predictor: Cost Leadership		0.009	0.038	0.038	0.095	1.008
Second Step						
Outcome: Competitor Orientation	287.823**					
Predictor: Cost Leadership		0.720	0.716	0.041	0.848	16.965**
Third & Fourth Step						
Outcome: Performance	0.610					
Mediator: Competitor Orientation		0.005	-0.012	0.085	-0.025	-0.138
Predictor: Cost Leadership		0.009	0.046	0.071	0.116	0.648

**$p < 0.01$, $p > 0.05$

Sobel test used further strengthen the findings of Baron and Kenny's mediation test. The finding shows insignificant, $p > 0.05$. This indicates Competitor Orientation did not mediate the Cost Leadership strategy and Organizational performance nexus in context of 114 sample size. Refer to Table 4.61.

Table 4.61

Utilizing Sobel Test to Measure the Competitor Orientation as a Mediator in Cost Leadership Strategy and Organizational Performance Nexus (114 sample size)

	Input		**Test statistic:**	***p*-value:**
A: Cost Leadership	0.716	Sobel test:	-0.14	0.89
B: Competitor Orientation	-0.012	Aroian test:	-0.14	0.89
Sa: Cost Leadership	0.041	Goodman test:	-0.14	0.89
Sb: Competitor Orientation	0.085			

Bootstrap test used to reconfirm the findings of Baron and Kenny's mediation test and Sobel test. The findings in table 4.62 show critical values for the bootstrap test.

Table 4.62

Utilizing Bootstrap Test to Measure the Competitor Orientation as a Mediator in Cost Leadership Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Indirect effect	**Mean**	**S.E**	**LL95CI**	**UL95CI**
-0.0083	-0.0078	0.0601	-0.1251	0.1089

The findings show above relationship lied between -0.1251 and 0.1089 with 95% confidence interval. Due to zero occur in the 95% confidence interval; the

conclusion is that the indirect effect of Competitor Orientation between Cost Leadership and Organizational performance is insignificant.

Therefore, Hypothesis 11 is rejected: The Competitor Orientation that based on 114 sample size did not mediate partially or fully the Cost Leadership and Organizational performance nexus.

4.10.12 **Assessing Customer Orientation as Mediating Variable in Differentiation Strategy and Organizational Performance Nexus**

Hypothesis 12:

Hotel pursuing Differentiation strategy mediated by Customer Orientation produces better Organizational performance. This indicates the Customer Orientation mediates by transmitting the effect of stated business strategy to the performance. Due to limited literatures on this perception, this hypothesis expected to add to the body of knowledge. Figure 4.9a and 4.9b illustrates the unmediated and mediated models.

Figure 4.9a

Customer Orientation Mediator in the Differentiation and Organizational Performance Nexus

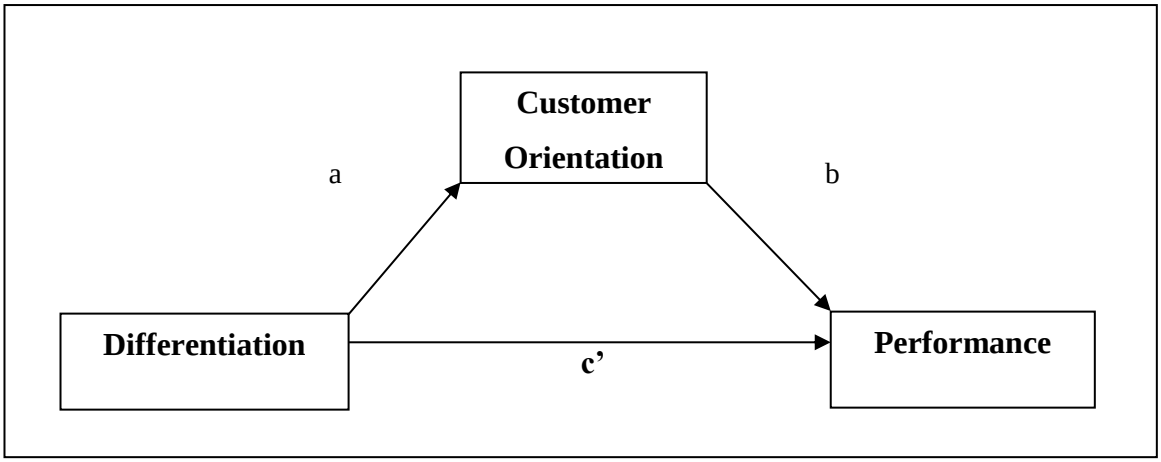

Figure 4.9b

Customer Orientation Mediator in the Differentiation and Organizational Performance Nexus

The role of Customer Orientation as a mediator tested based on multiple regression that used four step approach recommended by Baron and Kenny (1986). Table 4.63 contains necessary analyses to examine the mediation proposition.

First step: Test whether Differentiation strategy (Predictor) is linked to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient (B = 1.261) indicated the Differentiation strategy affected the Organizational performance significantly ($p < 0.01$). Therefore, the condition for mediation analysis in first step was met.

Second step: Examine whether Differentiation strategy (Predictor) is linked to the Customer Orientation (Outcome). The outcome of unstandardized regression coefficient (B = 1.040) indicated the Differentiation strategy affected the Customer

Orientation significantly ($p < 0.01$). Consequently, the condition for mediation analysis in second step was also met.

Third & Fourth step: Investigate whether Differentiation strategy (Predictor) is associated to the Customer Orientation (Mediator) and the Organizational performance (Outcome). The outcome of unstandardized regression coefficient linked with the Customer Orientation and Organizational performance, controlling Differentiation strategy were significant ($B = 0.375$, $p < 0.01$). This regression also provided an estimation of connection between Differentiation strategy and Organizational performance, controlling Customer Orientation ($B = 0.870$, $p < 0.01$). Therefore, the condition for mediation analysis in third & fourth step was met. Refer to Table 4.63.

Table 4.63

Assessing the Customer Orientation as a Mediator in Differentiation Strategy and Organizational Performance Nexus

	***F*(1,58)**	***R*²**	**B**	**SE B**	**Beta**	**t**
First Step						
Outcome: Performance	2698.974**					
Predictor: Differentiation Strategy		0.960	1.261	0.024	0.980	51.952**
Second Step						
Outcome: Customer Orientation	2170.507**					
Predictor: Differentiation Strategy		0.951	1.040	0.022	0.975	46.589**
Third & Fourth Step						
Outcome: Performance	1834.132**					
Mediator: Customer Orientation		0.942	0.375	0.097	0.311	3.876**
Predictor: Differentiation Strategy		0.965	0.870	0.103	0.676	8.428**

**$p < 0.01$, *$p < 0.05$

Sobel test used further strengthen the findings of Baron and Kenny's mediation test. The findings in Table 4.64 show the result of Z score, 3.853 was significant, $p < 0.01$. Additionally, the result show the indirect effect and Sobel's SE was 0.390 and 0.101. Figure 4.9c shows the Customer Orientation partially mediated the Differentiation strategy and Organizational performance nexus.

Table 4.64

Utilizing Sobel Test as to measure the Customer Orientation as a Mediator in Differentiation Strategy and Organizational Performance Nexus

	Input		**Test statistic:**	***p*-value:**
A: Differentiation Strategy	1.040	Sobel test:	3.85	0.000
B: Customer Orientation	0.375	Aroian test:	3.85	0.000
Sa: Differentiation Strategy	0.022	Goodman test:	3.85	0.000
Sb: Customer Orientation	0.097			

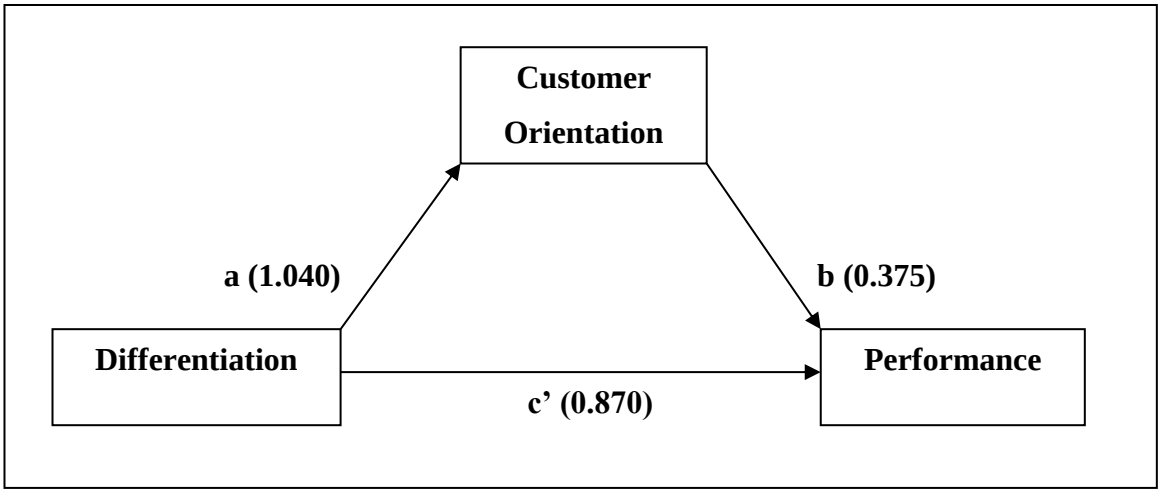

Figure 4.9c

Customer Orientation Mediator in Differentiation and Organizational Performance Nexus

The bootstrap test findings in table 4.65 shows critical values based on SPSS macro for simple mediation of Preacher and Hayes (2004).

Table 4.65

Utilizing Bootstrap Test to Measure the Customer Orientation as a Mediator in Differentiation Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Indirect effect	**Mean**	**S.E**	**LL95CI**	**UL95CI**
0.3904	0.3941	0.1317	0.1320	0.6474

The findings show above relationship lied between 0.1320 and 0.6474 with 95% confidence interval. Due to zero is not in the 95% confidence interval; the conclusion is that the mediation effect of Customer Orientation between Differentiation strategy and Organizational performance is significant at significance level of 0.05.

As a result, Hypothesis 12 is supported: The Customer Orientation partially mediated the Differentiation strategy and Organizational performance nexus in context of 60 sample size.

Assessing Customer Orientation as Mediating Variable in Differentiation Strategy and Organizational Performance Nexus (114 sample size)

However, when the same process conducted on all the 114 samples, the result was different. The same steps were used and the detail of the findings as follows.

First step: Test whether Differentiation strategy (Predictor) is linked to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient (B = -0.049) indicated the Differentiation strategy affected the

Organizational performance insignificantly ($p > 0.05$). Therefore, the condition for mediation analysis in first step did not met.

Second step: Examine whether Differentiation strategy (Predictor) is linked to the Customer Orientation (Outcome). The outcome of unstandardized regression coefficient ($B = 0.828$) indicated the Differentiation strategy affected the Customer Orientation significantly ($p < 0.01$). Hence, the condition for mediation analysis in second step was met.

Third & Fourth step: Investigate whether Differentiation strategy (Predictor) is associated to the Customer Orientation (Mediator) and the Organizational performance (Outcome). The outcome of unstandardized regression coefficient linked with the Customer Orientation and Organizational performance, controlling Differentiation strategy were insignificant ($B = -0.043$, $p > 0.05$). This regression provided an estimation of link between Differentiation strategy and Organizational performance, controlling Customer Orientation ($B = -0.013$, $p > 0.05$). Therefore, the condition for mediation analysis in third & fourth step did not met. Refer to Table 4.66.

Table 4.66

Assessing the Customer Orientation as a Mediator in Differentiation Strategy and Organizational Performance Nexus (114 sample size)

	***F*(1,112)**	***R*²**	**B**	**SE B**	**Beta**	**t**
First Step						
Outcome: Performance	1.394					
Predictor: Differentiation Strategy		0.012	-0.049	0.041	-0.111	-1.181
Second Step						
Outcome: Customer Orientation	231.257**					
Predictor: Differentiation Strategy		0.674	0.828	0.054	0.821	15.207**
Third & Fourth Step						
Outcome: Performance	1.738					
Mediator: Customer Orientation		0.015	-0.043	0.072	-0.100	-0.606
Predictor: Differentiation Strategy		0.016	-0.013	0.072	-0.029	-0.175

**$p < 0.01$, $p > 0.05$

Sobel test used further strengthen the findings of Baron and Kenny's mediation test. The finding was not significant, $p > 0.05$. This indicates the Customer Orientation did not mediate the Differentiation strategy and Organizational performance nexus in context of 114 sample size. Refer to Table 4.67.

Table 4.67

Utilizing Sobel Test as to Measure the Customer Orientation as a Mediator in Differentiation Strategy and Organizational Performance Nexus

	Input		**Test statistic:**	***p*-value:**
A: Differentiation Strategy	0.828	Sobel test:	-0.6	0.55
B: Customer Orientation	-0.043	Aroian test:	-0.6	0.55
Sa: Differentiation Strategy	0.054	Goodman test:	-0.6	0.55
Sb: Customer Orientation	0.072			

Table 4.68

Utilizing Bootstrap Test to Measure the Customer Orientation as a Mediator in Differentiation Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Indirect effect	**Mean**	**S.E**	**LL95CI**	**UL95CI**
-0.0359	-0.0361	0.0723	-0.1824	0.1082

The findings in table 4.68 show above relationship lied between -0.1824 and 0.1082 with 95% confidence interval. Due to zero occur in the 95% confidence interval; the conclusion is that the indirect effect of Customer Orientation between Differentiation strategy and Organizational performance is insignificant.

Therefore, Hypothesis 12 is rejected: The Customer Orientation based on 114 sample size did not mediate partially or fully the Differentiation and Organizational performance nexus.

4.10.13 **Assessing Process Innovation as Mediating Variable in Cost Leadership Strategy and Organizational Performance**

Hypothesis 13:

Hotel pursuing Cost Leadership mediated by Process Innovation produces better Organizational performance. This indicates the Process Innovation is mediator by carries the effect of business strategy to performance. Due to limited literatures on this perception, this hypothesis is expected to add to the body of knowledge.

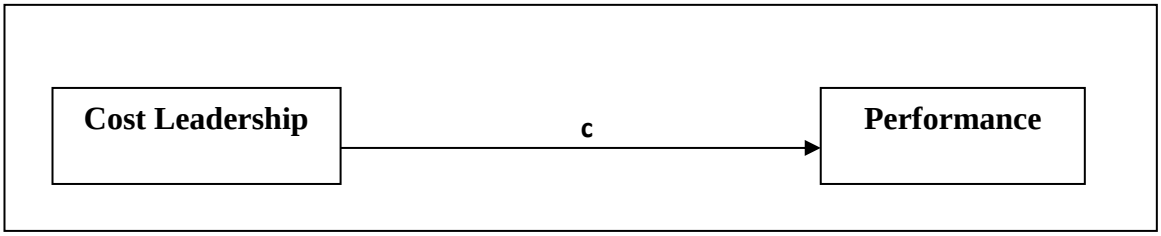

Figure 4.10a

Process Innovation Mediator in Cost Leadership and Organizational Performance Nexus

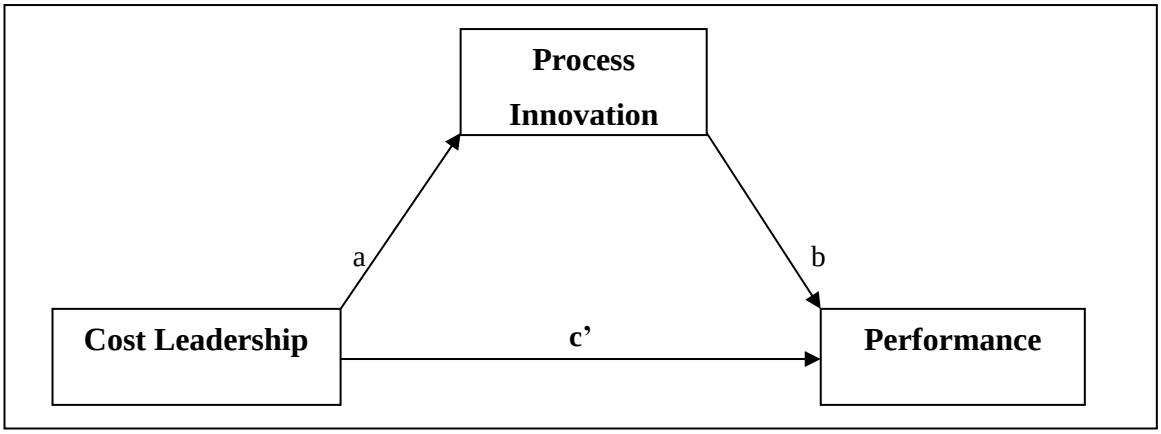

Figure 4.10b

Process Innovation Mediator in Cost Leadership and Organizational Performance Nexus

Figure 4.10a and 4.10b illustrates the unmediated and mediated models. The role of the Process Innovation as a mediator tested with multiple regression that used four step approach suggested by Baron and Kenny (1986). Table 4.69 contains necessary analyses to examine the mediation proposition.

First step: Test whether Cost Leadership strategy (Predictor) is linked to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient (B = 1.245) indicated the Cost Leadership strategy affected the Organizational performance significantly ($p < 0.01$). Therefore, the condition for mediation analysis in first step was met.

Second step: Examine whether Cost Leadership strategy (Predictor) is linked to the Process Innovation (Outcome). The outcome of unstandardized regression coefficient (B = 1.052) indicated the Cost Leadership strategy affected the Process

Innovation significantly ($p < 0.01$). So, the condition for mediation analysis in second step was also met.

Third and Fourth step: Investigate whether Cost Leadership strategy (Predictor) is associated to the Process Innovation (Mediator) and the Organizational performance (Outcome). The outcome of unstandardized regression coefficient linked with the Process Innovation and Organizational performance, controlling Cost Leadership strategy were significant ($B = 0.555$, $p < 0.01$). This regression provided an estimation of connection between Cost Leadership strategy and Organizational performance, controlling Process Innovation ($B = 0.661$, $p < 0.01$). Therefore, the condition for mediation analysis in third and fourth step was met. Refer to Table 4.69.

Table 4.69

Assessing the Process Innovation as a Mediator in Cost Leadership Strategy and Organizational Performance Nexus (54 sample size)

	***F*(1,52)**	***R*²**	**B**	**SE B**	**Beta**	**t**
First Step						
Outcome: Performance	3488.984**					
Predictor: Cost Leadership		0.969	1.245	0.021	0.984	59.068**
Second Step						
Outcome: Process Innovation	2393.296**					
Predictor: Cost Leadership		0.955	1.052	0.022	0.977	48.921**
Third & Fourth Step						
Outcome: Performance	3246.335**					
Mediator: Process Innovation		0.967	0.555	0.077	0.472	7.236**
Predictor: Cost Leadership		0.979	0.661	0.083	0.523	8.011**

**$p < 0.01$, *$p < 0.05$

Sobel test used further strengthen the findings of Baron and Kenny's mediation test. The findings in Table 4.70 show the result of Z score, 7.13 was significant, $p < 0.01$. Additionally, the result show the indirect effect and Sobel's SE was 0.58 and 0.08. Figure 4.10c indicates the Process Innovation partially mediated the Cost Leadership strategy and Organizational performance nexus.

Table 4.70

Utilizing Sobel Test as to Measure the Process Innovation as a Mediator in Cost Leadership Strategy and Organizational Performance Nexus

	Input		**Test statistic:**	***p*-value:**
A: Cost Leadership	1.052	Sobel test:	7.13	0.000
B: Process Innovation	0.555	Aroian test:	7.13	0.000
Sa: Cost Leadership	0.022	Goodman test:	7.13	0.000
Sb: Process Innovation	0.077			

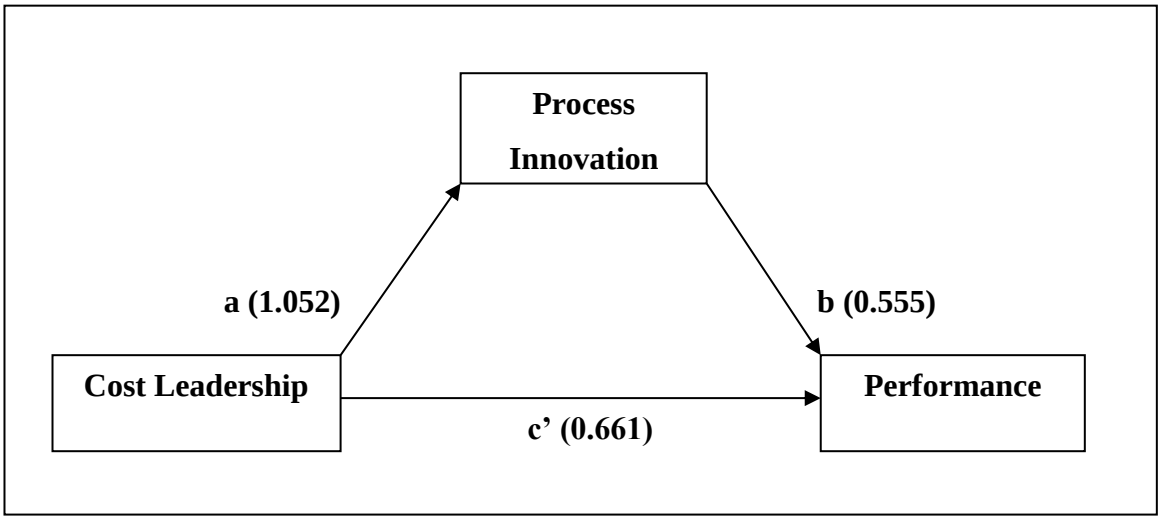

Figure 4.10c

Process Innovation Mediator in the Cost Leadership and Organizational Performance Nexus

A bootstrap test used to reconfirm the findings of Baron and Kenny's mediation test and Sobel test. The findings in table 4.71 show critical values for the bootstrap test based on SPSS macro for simple mediation of Preacher and Hayes (2004).

Table 4.71

Utilizing Bootstrap Test to Measure the Process Innovation as a Mediator in Cost Leadership Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Indirect effect	**Mean**	**S.E**	**LL95CI**	**UL95CI**
0.5837	0.5780	0.1007	0.3724	0.7863

The findings show above relationship lied between 0.3724 and 0.7863 with 95% confidence interval. Due to zero is not in the 95% confidence interval; the conclusion is that the mediation effect of Process Innovation between Cost Leadership strategy and Organizational performance is significant at significance level of 0.05.

Therefore, Hypothesis 13 is supported: The Process Innovation partially mediated the Cost Leadership strategy and Organizational performance nexus in context of 54 sample size.

Assessing Process Innovation as Mediating Variable in Cost Leadership Strategy and Organizational Performance Nexus (114 sample size)

However, when the same process conducted on all the 114 samples, the result was different. The same steps were used and the detail of the findings as follows.

First step: Test whether Cost Leadership strategy (Predictor) is linked to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient (B = 0.038) indicated the Cost Leadership strategy affected the

Organizational performance insignificantly ($p > 0.05$). Therefore, the condition for mediation analysis in first step did not met.

Second step: Examine whether Cost Leadership strategy (Predictor) is linked to the Process Innovation (Outcome). The outcome of unstandardized regression coefficient ($B = 0.797$) indicated the Cost Leadership strategy affected the Process Innovation significantly ($p < 0.01$). So, the condition for mediation analysis in second step was met.

Third & Fourth step: Investigate whether Cost Leadership strategy (Predictor) is connected to the Process Innovation (Mediator) and the Organizational performance (Outcome). The outcome of unstandardized regression coefficient linked with the Process Innovation and Organizational performance, controlling Cost Leadership strategy were insignificant ($B = -0.068$, $p > 0.05$). This regression provided an estimation of connection between Cost Leadership strategy and Organizational performance, controlling Process Innovation ($B = 0.092$, $p > 0.05$). Consequently, the condition for mediation analysis in third & fourth step did not met. Refer to Table 4.72.

Table 4.72

Assessing the Process Innovation as a Mediator in Cost Leadership Strategy and Organizational Performance Nexus (114 sample size)

	***F*(1,112)**	***R*²**	**B**	**SE B**	**Beta**	**t**
First Step						
Outcome: Performance	1.017					
Predictor: Cost Leadership		0.009	0.038	0.038	0.095	1.008
Second Step						
Outcome: Process Innovation	255.700**					
Predictor: Cost Leadership		0.695	0.797	0.050	0.834	15.991**
Third & Fourth Step						
Outcome: Performance	0.098					
Mediator: Process Innovation		0.001	-0.068	0.071	-0.163	-0.953
Predictor: Cost Leadership		0.017	0.092	0.068	0.230	1.351

**$p < 0.01$, $p > 0.05$

Sobel test used further strengthen the findings of Baron and Kenny's mediation test. The finding was not significant, $p > 0.05$. This indicates the Process Innovation did not mediate the Cost Leadership strategy and Organizational performance nexus in context of 114 sample size. Refer to Table 4.73.

Table 4.73

Utilizing Sobel Test as to Measure the Process Innovation as a Mediator in Cost Leadership Strategy and Organizational Performance Nexus (114 sample size)

	Input		**Test statistic:**	***p*-value:**
A: Cost Leadership	0.797	Sobel test:	-0.96	0.34
B: Process Innovation	-0.068	Aroian test:	-0.95	0.34
Sa: Cost Leadership	0.050	Goodman test:	-0.96	0.34
Sb: Process Innovation	0.071			

Bootstrap test used to reconfirm the findings of Baron and Kenny's mediation test and Sobel test. The findings in table 4.74 show critical values for the bootstrap test.

Table 4.74

Utilizing Bootstrap Test to Measure the Process Innovation as a Mediator in Cost Leadership Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Indirect effect	**Mean**	**S.E**	**LL95CI**	**UL95CI**
-0.0542	-0.0556	0.0595	-0.1741	0.0630

The findings show above relationship lied between -0.1741 and 0.0630 with 95% confidence interval. Due to zero occur in the 95% confidence interval; the conclusion is that the indirect effect of Process Innovation between Cost Leadership strategy and Organizational performance is insignificant.

Therefore, Hypothesis 13 is rejected: The Process Innovation that based on 114 sample size did not mediate partially or fully the Cost Leadership and Organizational performance nexus.

4.10.14 **Assessing Service Innovation as Mediating Variable in Differentiation Strategy and Organizational Performance Nexus**

Hypothesis 14:

Hotel pursuing Differentiation strategy mediated by Service Innovation produces better Organizational performance. This indicates the Service Innovation mediates by transmitting the effect of a stated business strategy to performance. Due to limited literatures on this perception, this hypothesis expected to add to the body of knowledge. Figure 4.11a and 4.11b illustrates the unmediated and mediated models.

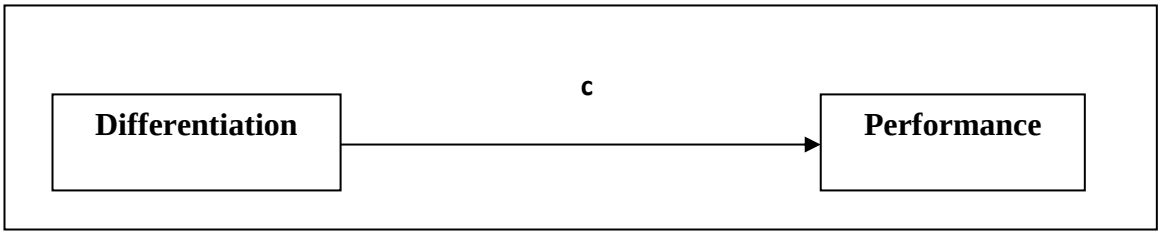

Figure 4.11a

Service Innovation Mediator in Differentiation and Organizational Performance Nexus

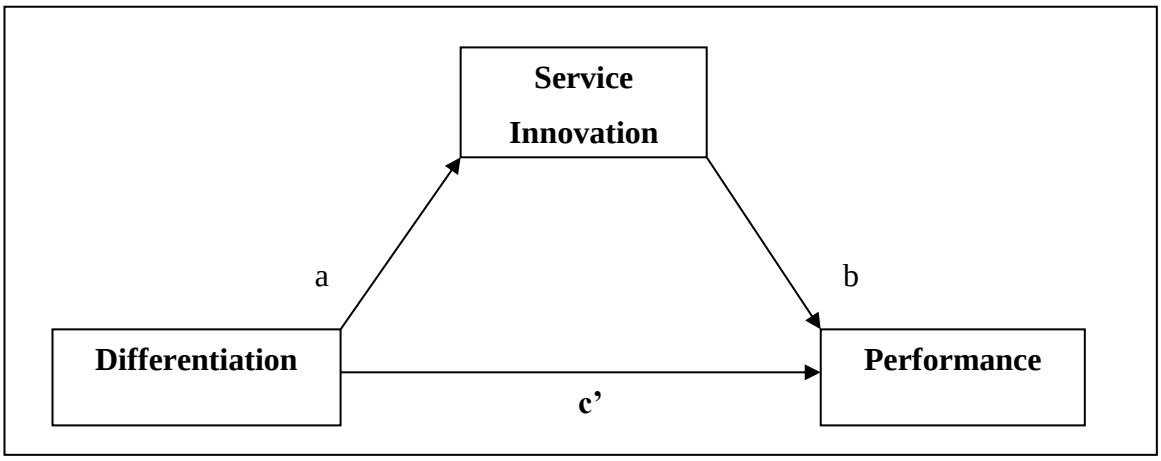

Figure 4.11b

Service Innovation Mediator in Differentiation and Organizational Performance Nexus

The role of Service Innovation as mediator tested with multiple regression that used four step approach suggested by Baron and Kenny (1986). Table 4.75 contains necessary analyses to investigate the mediation proposition.

First step: Test whether Differentiation strategy (Predictor) is linked to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient (B = 1.261) indicated the Differentiation strategy affected the Organizational performance significantly ($p < 0.01$). Therefore, the condition for mediation analysis in first step was met.

Second step: Examine whether Differentiation strategy (Predictor) is linked to the Service Innovation (Outcome). The outcome of unstandardized regression coefficient (B = 1.054) indicated the Differentiation strategy affected the Service

Innovation significantly ($p < 0.01$). Hence, the condition for mediation analysis in second step was also met.

Third & Fourth step: Investigate whether Differentiation strategy (Predictor) is associated to the Service Innovation (Mediator) and the Organizational performance (Outcome). The outcome of unstandardized regression coefficient linked with the Service Innovation and Organizational performance, controlling Differentiation strategy were significant ($B = 0.776$, $p < 0.01$). This regression provided an estimation of connection between Differentiation strategy and Organizational performance, controlling Service Innovation ($B = 0.443$, $p < 0.01$). Hence, the condition for mediation analysis in third & fourth step was met. Refer to Table 4.75.

Table 4.75

Assessing the Service Innovation as a Mediator in Differentiation Strategy and Organizational Performance Nexus (60 sample size)

	***F*(1,58)**	***R*²**	**B**	**SE B**	**Beta**	**t**
First Step						
Outcome: Performance	2698.974**					
Predictor: Differentiation Strategy		0.960	1.261	0.024	0.980	51.952**
Second Step						
Outcome: Service Innovation	2904.577**					
Predictor: Differentiation Strategy		0.963	1.054	0.020	0.981	53.894**
Third & Fourth Step						
Outcome: Performance	3791.063**					
Mediator: Service Innovation		0.971	0.776	0.092	0.647	8.433**
Predictor: Differentiation Strategy		0.976	0.443	0.099	0.345	4.490**

**$p < 0.01$, *$p < 0.05$

Sobel test used further strengthen the findings of Baron and Kenny's mediation test. The findings in Table 4.76 show the result of Z score, 8.33 was significant, $p < 0.01$. Additionally, the result show indirect effect and Sobel's SE was 0.82 and 0.098. Figure 4.11c indicates the Service Innovation partially mediates the Differentiation strategy and Organizational performance nexus.

Table 4.76

Utilizing Sobel Test as to Measure the Service Innovation as a Mediator in Differentiation Strategy and Organizational Performance Nexus

	Input		**Test statistic:**	***p*-value:**
A: Differentiation Strategy	1.054	Sobel test:	8.33	0.000
B: Service Innovation	0.776	Aroian test:	8.33	0.000
Sa: Differentiation Strategy	0.020	Goodman test:	8.33	0.000
Sb: Service Innovation	0.092			

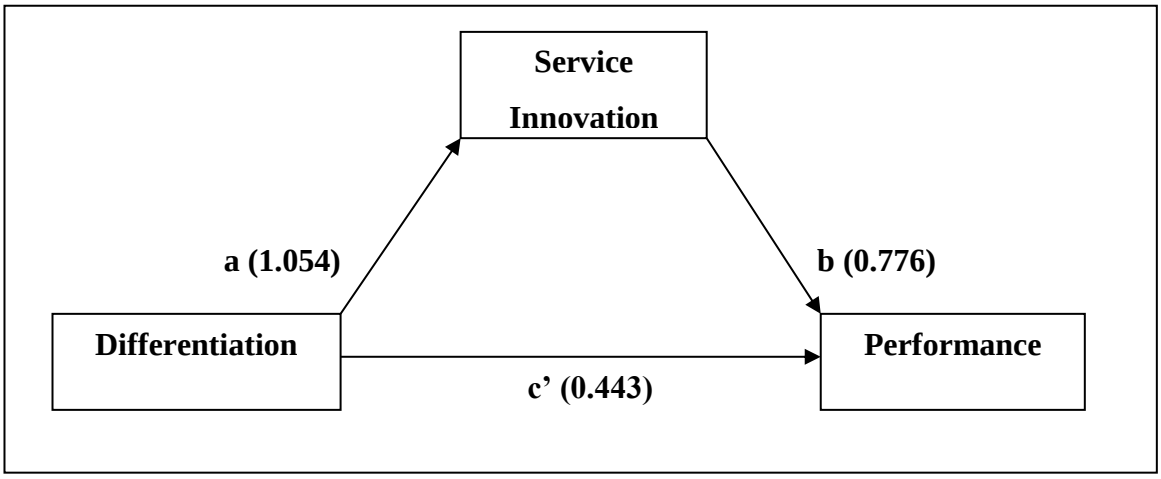

Figure 4.11c

Service Innovation Mediator in Differentiation and Organizational Performance Nexus

Bootstrap test used to reconfirm the findings of Baron and Kenny's mediation test and Sobel test. The findings in table 4.77 show critical values for the bootstrap test based on SPSS macro for simple mediation of Preacher and Hayes (2004).

Table 4.77

Utilizing Bootstrap Test to measure the Service Innovation as a Mediator in Differentiation Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Indirect effect	**Mean**	**S.E**	**LL95CI**	**UL95CI**
0.8173	0.8161	0.1262	0.5611	1.0574

The findings show above relationship lied between 0.5611 and 1.0574 with 95% confidence interval. Due to zero is not in the 95% confidence interval; the conclusion is that the mediation effect of Service Innovation between Differentiation strategy and Organizational performance is significant at significance level of 0.05.

As a result, Hypothesis 14 is supported: The Service Innovation partially mediated the Differentiation strategy and Organizational performance nexus in context of 60 sample size.

Assessing Service Innovation as Mediating Variable in Differentiation Strategy and Organizational Performance Nexus (114 sample size)

However, when the same process conducted on all the 114 samples, the result was different. The same steps were used and the detail of the findings as follows.

First step: Test whether Differentiation strategy (Predictor) is linked to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient (B = -0.049) indicated the Differentiation strategy affected the

Organizational performance insignificantly ($p > 0.05$). Therefore, the condition for mediation analysis in first step did not met.

Second step: Investigate whether Differentiation strategy (Predictor) is linked to the Service Innovation (Outcome). The outcome of unstandardized regression coefficient ($B = 0.894$) indicated the Differentiation strategy affected the Service Innovation significantly ($p < 0.01$). So, the condition for mediation analysis in second step was met.

Third & Fourth step: Examine whether Differentiation strategy (Predictor) connected to the Service Innovation (Mediator) and the Organizational performance (Outcome). The outcome of unstandardized regression coefficient linked with the Service Innovation and Organizational performance, controlling Differentiation strategy were insignificant ($B = 0.076$, $p > 0.05$). This regression provided an estimation of connection between Differentiation strategy and Organizational performance, controlling Service Innovation ($B = -0.117$, $p > 0.05$). Consequently, the condition for mediation analysis in third & fourth step did not met. Refer to Table 4.78.

Table 4.78

Assessing the Service Innovation as a Mediator in Differentiation Strategy and Organizational Performance Nexus (114 sample size)

	***F*(1,112)**	***R*²**	**B**	**SE B**	**Beta**	**t**
First Step						
Outcome: Performance	1.394					
Predictor: Differentiation Strategy		0.012	- 0.049	0.041	-0.111	-1.181
Second Step						
Outcome: Service Innovation	327.660**					
Predictor: Differentiation Strategy		0.745	0.894	0.049	0.863	18.101**
Third & Fourth Step						
Outcome: Performance	0.280					
Mediator: Service Innovation		0.002	0.076	0.079	0.180	0.966
Predictor: Differentiation Strategy		0.021	-0.117	0.082	- 0.266	-1.430

**$p < 0.01$, $p > 0.05$

Sobel test used further strengthen the findings of Baron and Kenny's mediation test. The finding was not significant, p > 0.05. This indicates the Service Innovation did not mediate the Differentiation strategy and Organizational performance nexus in context of 114 sample size. Refer to Table 4.79.

Table 4.79

Utilizing Sobel Test as to Measure the Service Innovation as a Mediator in Differentiation Strategy and Organizational Performance Nexus (114 sample size)

	Input		**Test statistic:**	***p*-value:**
A: Differentiation Strategy	0.894	Sobel test:	0.96	0.34
B: Service Innovation	0.076	Aroian test:	0.96	0.34
Sa: Differentiation Strategy	0.049	Goodman test:	0.96	0.34
Sb: Service Innovation	0.079			

Bootstrap test used to confirm the findings of Baron and Kenny's mediation test and Sobel test. The findings in table 4.80 show critical values for the bootstrap test.

Table 4.80

Utilizing Bootstrap Test to Measure the Service Innovation as a Mediator in Differentiation Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Indirect effect	**Mean**	**S.E**	**LL95CI**	**UL95CI**
0.0680	0.0671	0.0698	-0.0791	0.2083

The findings show above relationship lied between -0.0791 and 0.2083 with 95% confidence interval. Due to zero occur in the 95% confidence interval; the conclusion is that the indirect effect of Service Innovation between Differentiation strategy and Organizational performance is insignificant.

Therefore, Hypothesis 14 is rejected: The Service Innovation that based on 114 sample size did not mediate partially or fully the Differentiation and Organizational performance nexus.

4.10.15 **Assessing Competitor Orientation and Process Innovation Nexus**

Hypothesis 15 was proposed due to both the strategies possess similar characteristics like observing competitors closely, emphasising cost reduction, less involvement in product or service innovation, new production and management approach, reducing processing time, acquiring larger market share and economies of scale (Voola and O'Cass, 2010; O'Sullivan and Dooley, 2009; Frambach et al., 2003).

Hypothesis 15:

Competitor Orientation has causal relationship on Process Innovation.

Based on 54 samples selecting Competitor Orientation and Process Innovation, the following findings were recorded. Simple linear regression analysis was utilised to investigate the effect of Competitor Orientation and Process Innovation. Table 4.81 shows the outcome that both the variables have positive association, $R^2 = 0.975$, Adj. $R^2 = 0.975$, and $F(1, 52) = 4383.506$, $p < 0.01$. This indicates 98% rise of the variance in the Process Innovation is described by Competitor Orientation. Below is the regression equation for Process Innovation:

$$\text{Process Innovation} = -0.011 + 1.035\ (\text{Competitor Orientation}) + e$$

Table 4.81

Assessing the Competitor Orientation and Process Innovation Nexus (54 sample size)

	***F* (1,52)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Process Innovation	4383.506					
Predictor: Competitor Orientation		1.035	0.016	0.987	66.208	0.00**

Note: R= 0.987, R^2 = 0.975, Adj. R^2 = 0.975, ** $p < 0.01$

The bootstrap outcomes in Table 4.82 shows that above causal relationship was significant due to the 95% confidence interval lied between 1.005 and 1.067.

Table 4.82

Utilizing Bootstrap Test to Assess Degree of Competitor Orientation and Process Innovation Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Competitor Orientation	1.035	0.016	1.005	1.067	0.001

Hypothesis 15 is supported: Competitor Orientation has causal relationship on Process Innovation based on 54 sample size.

Assessing Competitor Orientation and Process Innovation Nexus (114 sample size)

Based on 114 samples, the following result was recorded. Table 4.83 shows that both the variables has positive link, $R^2 = 0.827$, Adj. $R^2 = 0.826$, and $F(1, 112) = 535.838$, $p < 0.01$. This indicates that 83% rise of variance in Process Innovation is described by the Competitor Orientation. Below is the regression equation for the Process Innovation:

Process Innovation = -0.066 + 1.030 (Competitor Orientation) + e

Table 4.83

Assessing degree of Competitor Orientation and Process Innovation Nexus

	***F* (1,112)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Process Innovation	535.838					
Predictor: Competitor Orientation		1.030	0.044	0.909	23.148	0.00**

Note: $R = 0.909$, $R^2 = 0.827$, Adj. $R^2 = 0.826$, ** $p < 0.01$

The bootstrap outcomes in Table 4.84 shows that above causal relationship was significant due to the 95% confidence interval lied between 0.947 and 1.126.

Table 4.84

Utilizing Bootstrap Test to Assess Degree of Competitor Orientation and Process Innovation Nexus (1000 bootstrap resamples)

Predictor	B	Std. Error	LL95CI	UL95CI	Sig.
Competitor Orientation	1.030	0.043	0.947	1.126	0.001

Both samples supported Hypothesis 15: Competitor Orientation has causal relationship on Process Innovation.

4.10.16 **Assessing Customer Orientation and Service Innovation Nexus**

Based on the literature review, hypothesis 16 was proposed due to both strategies or capabilities possess similar characteristics such as focus on customer's needs, wants and preference, produce unique service, fulfil customers' satisfaction and provide superior customer value, greater customers' loyalty and interaction (Riddle, 2008; Dev et al., 2008; Low et al., 2005, 2007; Frambach et al., 2003).

Hypothesis 16:

Customer Orientation has causal relationship on Service Innovation.

Based on 60 samples selecting Customer Orientation and Service Innovation, the subsequent outcomes were recorded. Simple linear regression analysis was utilised to investigate the link of Customer Orientation and Service Innovation.

Table 4.85 shows that both variables have positive association, $R^2 = 0.948$, Adj. $R^2 = 0.948$, and $F(1, 58) = 2052.430$, $p < 0.01$.

This indicates 95% rise of the variance in the Service Innovation is described by Customer Orientation. Below is the regression equation for the Service Innovation:

Service Innovation = 0.087 + 0.980 (Customer Orientation) + e

Table 4.85

Assessing the Customer Orientation and Service Innovation Nexus (60 sample size)

	***F* (1,58)**	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Service Innovation	2052.430					
Predictor: Customer Orientation		0.980	0.022	0.974	45.304	0.00**

Note: $R = 0.974$, $R^2 = 0.948$, Adj. $R^2 = 0.948$, ** $p < 0.01$

The bootstrap outcomes in Table 4.86 shows that above causal relationship was significant due to the 95% confidence interval lied between 0.941 and 1.022.

Table 4.86

Utilizing Bootstrap Test to Assess Degree of Customer Orientation and Service Innovation Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Customer Orientation	0.980	0.021	0.941	1.022	0.001

Hypothesis 16 is supported: Customer Orientation has causal relationship on Service Innovation based on 60 sample size.

Assessing Customer Orientation and Service Innovation Nexus (114 sample size)

Based on 114 samples, the following result was recorded. Table 4.87 shows that both the variables has positive link, $R^2 = 0.745$, Adj. $R^2 = 0.743$, and $F(1, 112) = 327.761$, $p < 0.01$. This indicates that 75% rise of variance in Service Innovation is described by the Customer Orientation. Below is the regression equation for the Service Innovation:

$$\text{Service Innovation} = 0.495 + 0.886\ (\text{Customer Orientation}) + e$$

Table 4.87

Assessing the Customer Orientation and Service Innovation Nexus (114 sample size)

	F (1,112)	**B**	**SE B**	**Beta**	**t**	***p***
Outcome: Service Innovation	327.761					
Predictor: Customer Orientation		0.886	0.049	0.863	28.104	0.00**

Note: R= 0.863, R^2 = 0.745, Adj. R^2 = 0.943, ** $p < 0.01$

The bootstrap outcomes in Table 4.88 shows that above causal relationship was significant due to the 95% confidence interval lied between 0.802 and 0.978.

Table 4.88

Utilizing Bootstrap Test to Assess Degree of Customer Orientation and Service Innovation Nexus (1000 bootstrap resamples)

Predictor	**B**	**Std. Error**	**LL95CI**	**UL95CI**	**Sig.**
Customer Orientation	0.886	0.044	0.802	0.978	0.001

Both samples supported Hypothesis 16: Customer Orientation has causal relationship on Service Innovation.

4.10.17 **Assessing Competitor Orientation and Process Innovation as Mediating Variables in Cost Leadership Strategy and Organizational Performance Nexus**

Hypothesis 17:

Hotel pursuing Cost Leadership mediated by Competitor Orientation and Process Innovation produces better Organizational performance. This indicates the Competitor orientation and Process Innovation are mediators that transmit the effect of stated business strategy to the performance. Due to limited literature on this perception, this hypothesis is expected to add to the body of knowledge. Furthermore, this analysis conducted to show the dual mediation effect in one equation. Figure 4.12a and 4.12b illustrates the unmediated and mediated models.

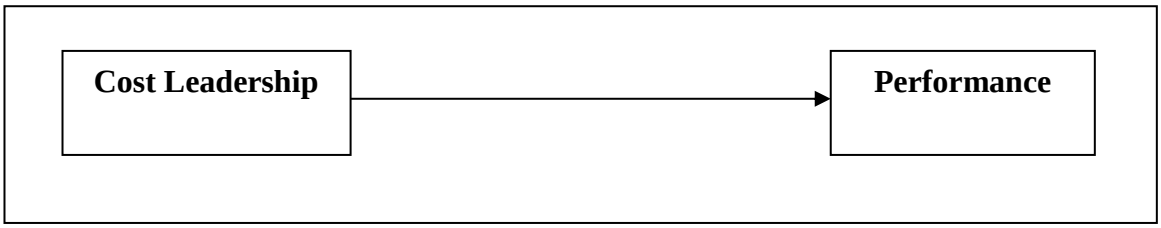

Figure 4.12a

Competitor Orientation and Process Innovation are mediators in Cost Leadership and Organizational Performance Nexus

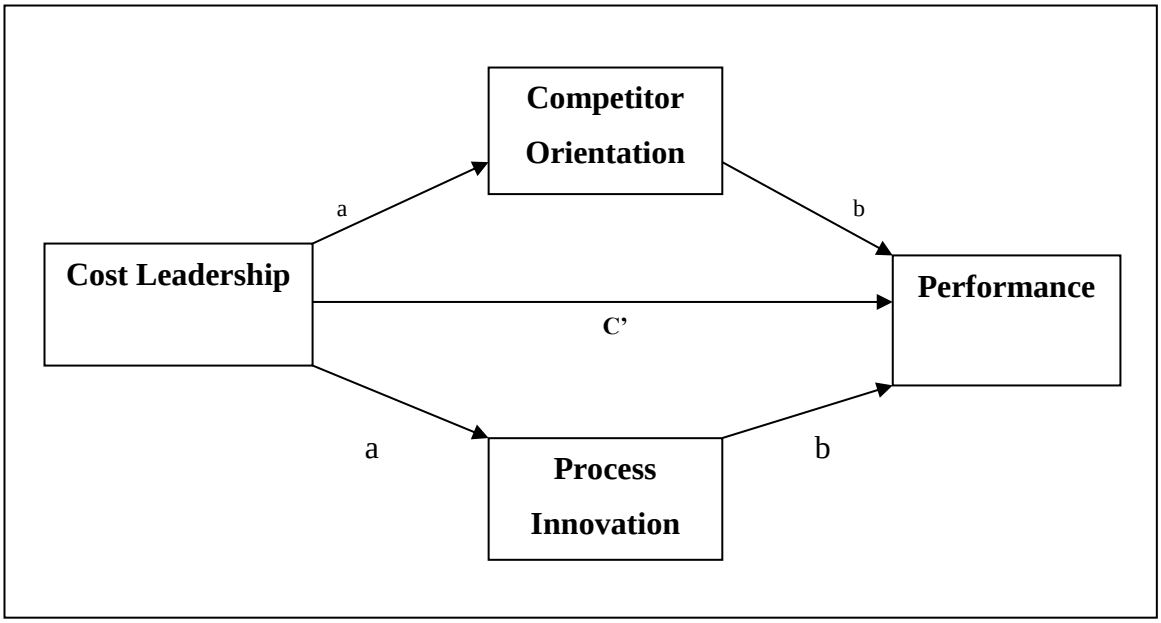

Figure 4.12b

Competitor Orientation and Process Innovation mediators in Cost Leadership and Organizational Performance Nexus

The role of Competitor Orientation and Process Innovation as mediators was tested with Multiple Mediation Procedure by Preacher and Hayes (2008). Table 4.89 contains necessary analyses to investigate the mediation proposition.

First step: Examine whether Cost Leadership strategy (Predictor) is linked to the Competitor Orientation and Process Innovation (Outcomes). The outcome of unstandardized regression coefficient (B = 1.008 and B = 1.052) indicated the Cost Leadership strategy affect the Competitor Orientation and Process Innovation significantly ($p < 0.01$).

Second step: Investigate whether Competitor Orientation and Process Innovation (Mediators) are associated to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient linked with the Competitor Orientation and Process Innovation on Organizational performance were significant ($B = 0.363$, $p < 0.01$ and $B = 0.343$, $p < 0.01$).

Third step: Test whether Cost Leadership strategy (Predictor) is linked to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient ($B = 1.245$) indicated the Cost Leadership strategy affect the Organizational performance significantly ($p < 0.01$).

Forth step: This regression also provided an estimation of connection between Cost Leadership strategy and Organizational performance in path c' ($B = 0.519$, $p < 0.01$). Overall, the model summary for dependent model is R^2 (0.981), Adj. R^2 (0.979) and $p < 0.01$. Refer to Table 4.89.

Table 4.89

Assessing the Competitor Orientation and Process Innovation as Mediators in Cost Leadership Strategy and Organizational Performance Nexus (54 sample size)

	B	**SE B**	**t**
First Step			
Outcome:			
Competitor Orientation			
Process Innovation	1.009	0.018	55.440**
Predictor:	1.052	0.022	48.921**
Cost Leadership			
Second Step			
Outcome:			
Performance			
Mediator:			
Competitor Orientation	0.363	0.121	2.992**
Process Innovation	0.343	0.103	3.344**
Third Step (path c)			
Outcome:			
Performance			
Predictor:			
Cost Leadership	1.245	0.021	59.068**
Forth Step (path c')			
Outcome:			
Performance			
Predictor:			
Cost Leadership	0.519	0.093	5.583**

**$p < 0.01$, *$p < 0.05$

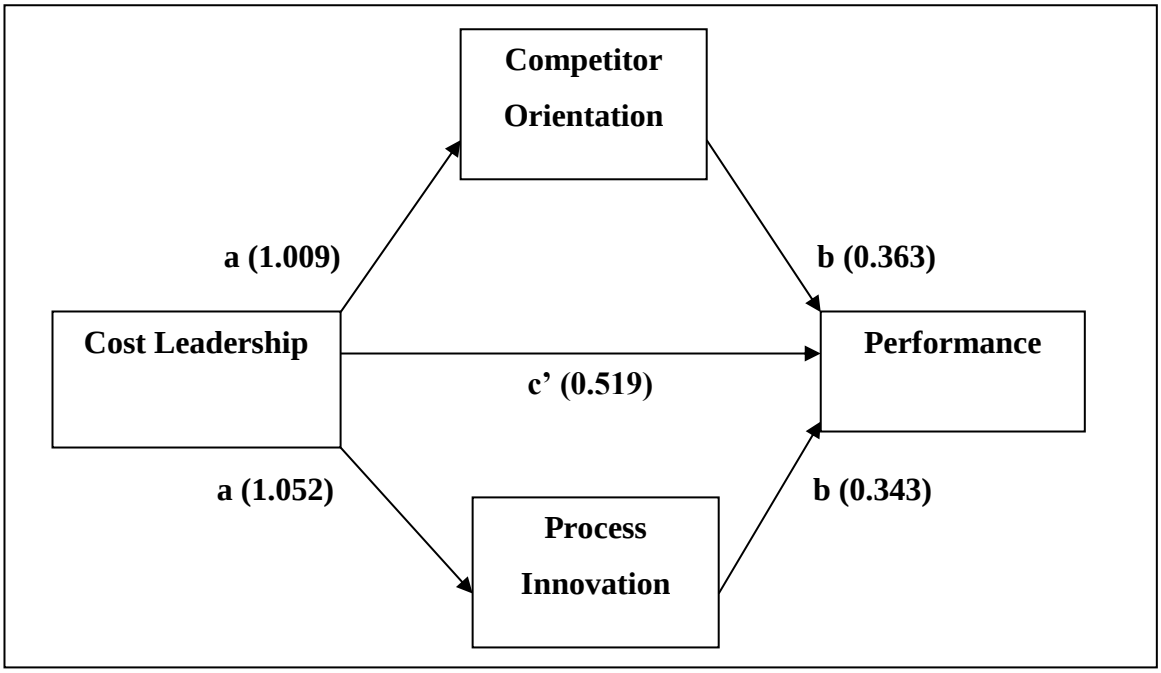

Figure 4.12c

Competitor Orientation and Process Innovation Mediators in the Cost Leadership and Organizational Performance Nexus

Findings in table 4.90 show critical values of bootstrap test based on SPSS macro of Preacher and Hayes (2008).

Table 4.90

Utilizing Bootstrap Test to Measure the Competitor Orientation and Process Innovation as Mediators in Cost Leadership Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Indirect effect	Mean	S.E	LL95CI	UL95CI
0.7262	0.7217	0.1126	0.4943	0.9606

The findings show above relationship lied between 0.4943 and 0.9606 with 95% confidence interval. Due to zero is not in the 95% confidence interval so; the mediation effect of Competitor Orientation and Process Innovation between Cost Leadership and Organizational performance are significant at significance level of 0.05.

Therefore, the Competitor Orientation and Process Innovation partially mediated the Cost Leadership strategy and Organizational performance nexus in context of 54 sample size.

Assessing Competitor Orientation and Process Innovation as Mediating Variables in Cost Leadership and Organizational Performance Nexus (114 sample size)

However, when the same process conducted on all the 114 samples, the result was different. The same steps were used and the detail of the findings as follows.

First step: Examine whether Cost Leadership strategy (Predictor) is linked to the Competitor Orientation and Process Innovation (Outcomes). The outcome of unstandardized regression coefficient (B = 0.716 and B = 0.797) indicated the Cost Leadership strategy affect the Competitor Orientation and Process Innovation significantly ($p < 0.01$).

Second step: Investigate whether Competitor Orientation and Process Innovation (Mediators) are associated to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient linked with the Competitor

Orientation and Process Innovation on Organizational performance were insignificant (B = 0.084, $p > 0.05$ and B = -0.117, $p > 0.05$).

Third step: Test whether Cost Leadership strategy (Predictor) is linked to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient (B = 0.038) indicated the Cost Leadership strategy affect the Organizational performance insignificantly ($p > 0.05$).

Forth step: This regression also provided an estimation of connection between Cost Leadership strategy and Organizational performance in path c' (B = 0.071, $p > 0.05$). Overall, the model summary for dependent model is R^2 (0.022), Adj. R^2 (-0.005) and $p > 0.05$. Refer to Table 4.91.

Table 4.91

Assessing the Competitor Orientation and Process Innovation as Mediators in Cost Leadership Strategy and Organizational Performance Nexus (114 sample size)

	B	SE B	t
First Step			
Outcome:			
Competitor Orientation			
Process Innovation	0.716	0.042	16.965**
Predictor:	0.797	0.050	15.991**
Cost Leadership			
Second Step			
Outcome:			
Performance			
Mediator:			
Competitor Orientation	0.084	0.117	0.719
Process Innovation	-0.117	0.098	-1.185
Third Step (path c)			
Outcome:			
Performance			
Predictor:			
Cost Leadership	0.038	0.038	1.008
Forth Step (path c')			
Outcome:			
Performance			
Predictor:			
Cost Leadership	0.071	0.074	0.958

**$p < 0.01$, $p > 0.05$

Findings in table 4.92 show critical values of bootstrap test based on SPSS macro of Preacher and Hayes (2008).

Table 4.92

Utilizing Bootstrap Test to Measure the Competitor Orientation and Process Innovation as Mediators in Cost Leadership Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Indirect effect	**Mean**	**S.E**	**LL95CI**	**UL95CI**
-0.033	-0.037	0.069	-0.1718	0.1012

The findings show above relationship lied between -0.1718 and 0.1012 with 95% confidence interval. Due to zero occur in the 95% confidence interval so; the mediation effect of Competitor Orientation and Process Innovation between Cost Leadership and Organizational performance are insignificant.

Therefore, Hypothesis 17 is rejected: The Competitor Orientation and Process Innovation that based on 114 sample size did not mediate partially or fully the Cost Leadership and Organizational performance nexus.

4.10.18 **Assessing Customer Orientation and Service Innovation as Mediating Variables in Differentiation Strategy and Organizational Performance Nexus**

Hypothesis 18:

Hotel pursuing Differentiation strategy mediated by Customer Orientation and Service Innovation produce better Organizational performance. This indicates the Customer Orientation and Service Innovation are mediators that transmit the effect of stated business strategy to the performance. Due to limited literature on this

perception, this hypothesis is expected to add to the body of knowledge. Furthermore, this analysis conducted to show the dual mediation effect in one equation. Figure 4.13a and 4.13b illustrates the unmediated and mediated models.

Figure 4.13a

Differentiation Strategy and Organizational Performance Nexus

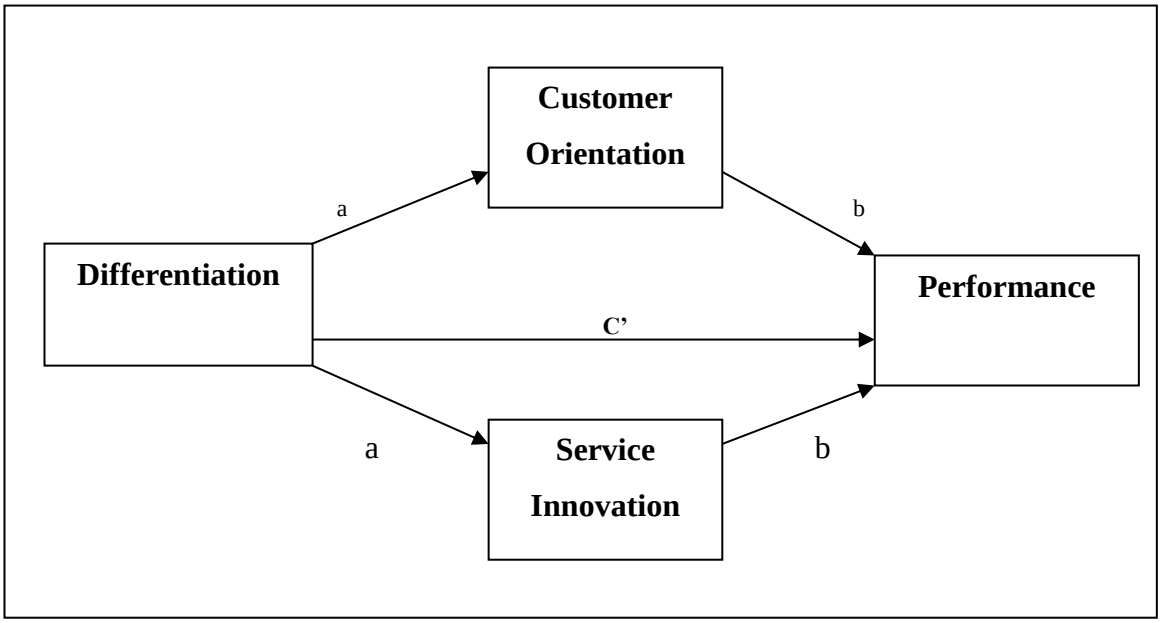

Figure 4.13b

Customer Orientation and Service Innovation Mediators in Differentiation and Organizational Performance Nexus

The role of Customer Orientation and Service Innovation as mediators was tested with Multiple Mediation Procedure by Preacher and Hayes (2008). Table 4.93 contains necessary analyses to investigate the mediation proposition.

First step: Examine whether Differentiation strategy (Predictor) is linked to the Customer Orientation and Service Innovation (Outcomes). The outcome of unstandardized regression coefficient (B = 1.040 and B = 1.054) indicated the Differentiation strategy affect the Customer Orientation and Service Innovation significantly ($p < 0.01$).

Second step: Investigate whether Customer Orientation and Service Innovation (Mediators) are associated to the Organizational Performance (Outcome). The outcome of unstandardized regression coefficient linked with the Customer Orientation and Service Innovation on Organizational performance were significant (B = 0.126, $p < 0.01$ and B = 0.719, $p < 0.01$).

Third step: Test whether Differentiation strategy (Predictor) is linked to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient (B = 1.261) indicated the Differentiation strategy affect the Organizational performance significantly ($p < 0.01$).

Forth step: This regression also provided an estimation of connection between Differentiation strategy and Organizational performance in path c' (B = 0.372, $p < 0.01$). Overall, the model summary for dependent model is R^2 (0.976), Adj. R^2 (0.976) and $p < 0.01$. Refer to Table 4.93.

Table 4.93

Assessing the Customer Orientation and Service Innovation as Mediators in Differentiation Strategy and Organizational Performance Nexus (60 sample size)

	B	**SE B**	**t**
First Step			
Outcome:			
Customer Orientation			
Service Innovation	1.040	0.022	46.589**
Predictor:	1.054	0.020	53.894**
Differentiation			
Second Step			
Outcome:			
Performance			
Mediator:			
Customer Orientation	0.126	0.076	1.658*
Service Innovation	0.719	0.100	7.210**
Third Step (path c)			
Outcome:			
Performance			
Predictor:			
Differentiation	1.261	0.024	51.952**
Forth Step (path c')			
Outcome:			
Performance			
Predictor:			
Differentiation	0.372	0.110	3.388**

**$p < 0.01$, *$p < 0.05$

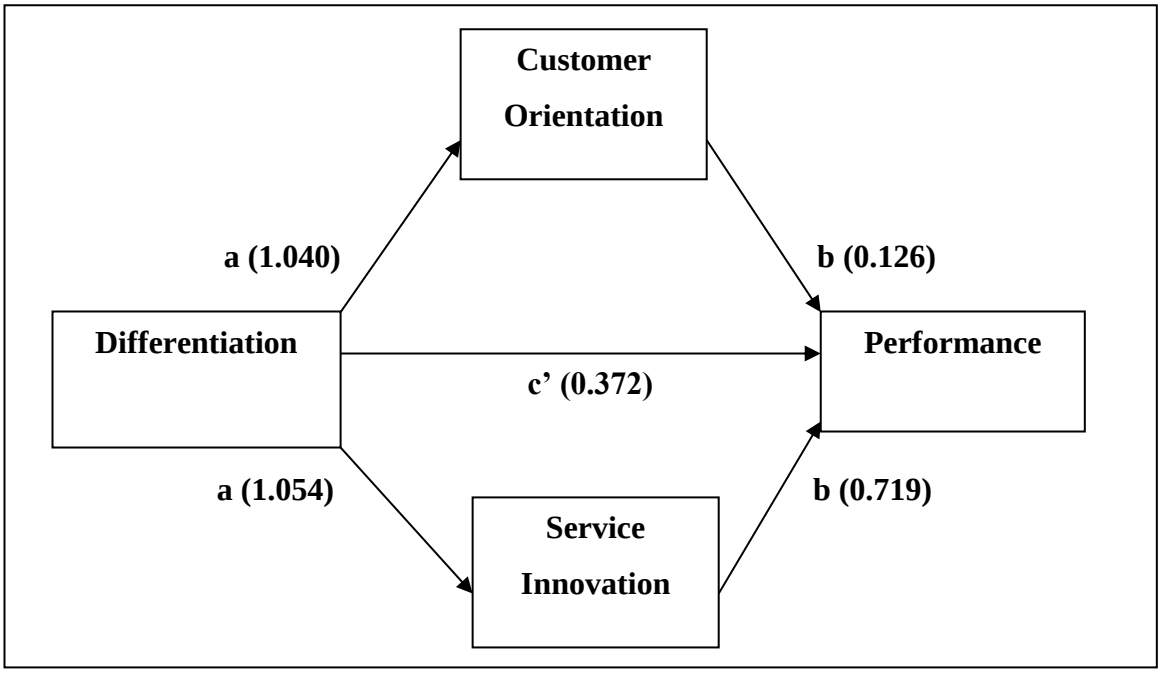

Figure 4.13c

Customer Orientation and Service Innovation Mediators in the Differentiation and Organizational Performance Nexus

Findings in table 4.94 show critical values of bootstrap test based on SPSS macro of Preacher and Hayes (2008).

Table 4.94

Utilizing Bootstrap Test to Measure the Customer Orientation and Service Innovation as Mediators in Differentiation Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Indirect effect	Mean	S.E	LL95CI	UL95CI
0.8884	0.8831	0.1475	0.6045	1.2034

The findings show above relationship lied between 0.6045 and 1.2034 with 95% confidence interval. Due to zero is not in the 95% confidence interval so; the mediation effect of Customer Orientation and Service Innovation between Differentiation and Organizational performance are significant at significance level of 0.05.

Therefore, the Customer Orientation and Service Innovation partially mediated the Differentiation strategy and Organizational performance nexus in context of 60 sample size.

Assessing Customer Orientation and Service Innovation as Mediating Variables in Differentiation and Organizational Performance Nexus (114 sample size)

However, when the same process conducted on all the 114 samples, the result was different. The same steps were used and the detail of the findings as follows.

First step: Examine whether Differentiation strategy (Predictor) is linked to the Customer Orientation and Service Innovation (Outcomes). The outcome of unstandardized regression coefficient (B = 0.828 and B = 0.894) indicated the Differentiation strategy affect the Customer Orientation and Service Innovation significantly ($p < 0.01$).

Second step: Investigate whether Customer Orientation and Service Innovation (Mediators) are associated to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient linked with the Customer

Orientation and Service Innovation on Organizational performance were insignificant (B = -0.1130, $p > 0.05$ and B = 0.143, $p > 0.05$).

Third step: Test whether Differentiation strategy (Predictor) is linked to the Organizational performance (Outcome). The outcome of unstandardized regression coefficient (B = -0.049) indicated the Differentiation strategy affect the Organizational performance insignificantly ($p > 0.05$).

Forth step: This regression also provided an estimation of connection between Differentiation strategy and Organizational performance in path c' (B = -0.083, $p > 0.05$). Overall, the model summary for dependent model is R^2 (0.036), Adj. R^2 (0.010) and $p > 0.05$. Refer to Table 4.95.

Table 4.95

Assessing the Customer Orientation and Service Innovation as Mediators in Differentiation Strategy and Organizational Performance Nexus (114 sample size)

	B	**SE B**	**t**
First Step			
Outcome:			
Customer Orientation			
Service Innovation	0.828	0.055	15.207**
Predictor:	0.894	0.049	18.101**
Differentiation			
Second Step			
Outcome:			
Performance			
Mediator:			
Customer Orientation	-0.113	0.084	-1.339
Service Innovation	0.143	0.093	1.537
Third Step (path c)			
Outcome:			
Performance			
Predictor:			
Differentiation	-0.049	0.041	-1.181
Forth Step (path c')			
Outcome:			
Performance			
Predictor:			
Differentiation	-0.083	0.085	-0.973

**$p < 0.01$, $p > 0.05$

Findings in table 4.96 show critical values of bootstrap test based on SPSS macro of Preacher and Hayes (2008).

Table 4.96

Utilizing Bootstrap Test to Measure the Customer Orientation and Service Innovation as Mediators in Differentiation Strategy and Organizational Performance Nexus (1000 bootstrap resamples)

Indirect effect	**Mean**	**S.E**	**LL95CI**	**UL95CI**
0.0342	0.0364	0.0795	-0.1152	0.1978

The findings show above relationship lied between -0.1152 and 0.1978 with 95% confidence interval. Due to zero occur in the 95% confidence interval so; the mediation effect of Customer Orientation and Service Innovation between Differentiation and Organizational performance are insignificant.

Therefore, Hypothesis 18 is rejected: The Customer Orientation and Service Innovation that based on 114 sample size did not mediate partially or fully the Differentiation strategy and Organizational performance nexus.

Table 4.97

Overall Hypotheses Findings

No	Hypotheses	Results
1	**Hypothesis 1 (sample size: 54 & 114)** Cost leadership strategy has causal relationship on Competitor Orientation.	**Supported**
2	**Hypothesis 2 (sample size: 60 & 114)** Differentiation strategy has causal relationship on Customer Orientation.	**Supported**
3	**Hypothesis 3 (sample size: 54 & 114)** Cost Leadership strategy has causal relationship on Process Innovation.	**Supported**
4	**Hypothesis 4 (sample size: 60 & 114)** Differentiation strategy has causal relationship on Service Innovation.	**Supported**
5	**Hypothesis 5 (sample size: 54)** Cost leadership strategy has causal relationship on Organizational performance. **Hypothesis 5 (sample size: 114)**	**Supported** **Not Supported**
6	**Hypothesis 6 (sample size: 60)** Differentiation strategy has causal relationship on Organizational performance. **Hypothesis 6 (sample size: 114)**	**Supported** **Not Supported**
7	**Hypothesis 7 (sample size: 54)** Competitor Orientation has causal relationship on Organizational performance. **Hypothesis 7 (sample size: 114)**	**Supported** **Not Supported**
8	**Hypothesis 8 (sample size: 60)** Customer Orientation has causal relationship on Organizational performance. **Hypothesis 8 (sample size: 114)**	**Supported** **Not Supported**
9	**Hypothesis 9 (sample size: 54)** Process Innovation has causal relationship on Organizational performance. **Hypothesis 9 (sample size: 114)**	**Supported** **Not Supported**
10	**Hypothesis 10 (sample size: 60)** Service Innovation has causal relationship on Organizational performance. **Hypothesis 10 (sample size: 114)**	**Supported** **Not Supported**
11	**Hypothesis 11 (sample size: 54)** Cost Leadership strategy mediated by Competitor Orientation produces better Organizational performance. **Hypothesis 11 (sample size: 114)**	**Supported** **Not Supported**
12	**Hypothesis 12 (sample size: 60)** Differentiation strategy mediated by Customer Orientation produces better Organizational performance. **Hypothesis 12 (sample size: 114)**	**Supported** **Not Supported**
13	**Hypothesis 13 (sample size: 54)** Cost Leadership strategy mediated by Process Innovation produces better Organizational performance. **Hypothesis 13 (sample size: 114)**	**Supported** **Not Supported**
14	**Hypothesis 14 (sample size: 60)** Differentiation strategy mediated by Service Innovation produces better Organizational performance. **Hypothesis 14 (sample size: 114)**	**Supported** **Not Supported**
15	**Hypothesis 15 (Sample size: 54 & 114)** Competitor Orientation has causal relationship on Process Innovation.	**Supported**
16	**Hypothesis 16 (Sample size: 60 & 114)** Customer Orientation has causal relationship on Service Innovation.	**Supported**
17	**Hypothesis 17 (Sample size:54)** Competitor orientation and Process innovation mediated the Cost Leadership and Organizational performance. **Hypothesis 17 (Sample size:114)**	**Supported** **Not supported**
18	**Hypothesis 18 (Sample size:60)** Customer Orientation and Service Innovation mediated the Differentiation and Organizational performance. **Hypothesis 18 (Sample size:114)**	**Supported** **Not supported**

4.11 Summary

This chapter presented the data analysis and findings accordingly. Firstly, preliminary examination of data was explained regarding the missing value, outliers, normality and goodness of measures. Subsequently, testing of hypotheses were explained which implemented through simple linear regression, multiple regression, Sobel test and bootstrap test.

The findings of hypothesis testing shows that, there were causal relationship between (1) Cost Leadership strategy and Competitor Orientation (both = 54 & 114 sample sizes), (2) Differentiation strategy and Customer Orientation (both = 60 & 114 sample sizes), (3) Cost Leadership & Process Innovation (both = 54 & 114 sample sizes), (4) Differentiation & Service Innovation (both = 60 & 114 sample sizes), (5) Cost Leadership strategy and Organizational performance (54 sample size only), (6) Differentiation strategy and Organizational performance (60 sample size only), (7) Competitor Orientation and Organizational performance (54 sample size only), (8) Customer Orientation and Organizational performance (60 sample size only), (9) Process Innovation and Organizational performance (54 sample size only), and (10) Service Innovation and Organizational performance (60 sample size only).

Moreover, the findings showed that (11) Competitor Orientation partially mediated the Cost Leadership strategy and Organizational performance nexus (54 sample size only), (12) Customer Orientation partially mediated the Differentiation strategy and Organizational performance nexus (60 sample size only), (13) Process Innovation partially mediated the Cost Leadership strategy and Organizational performance

nexus (54 sample size only) and (14) Service Innovation partially mediated the Differentiation strategy and Organizational performance nexus (60 sample size only).

Furthermore, hypothesis testing was also conducted to investigate the specific Market Orientation and Innovation Strategy nexus. The results showed (15) causal relationship of Competitor Orientation & Process Innovation (both = 54 & 114 sample sizes) and (16) causal relationship of Customer Orientation & Service Innovation (both = 60 & 114 sample sizes). Furthermore, additional hypothesis testing was also conducted to investigate the dual mediation effects on business strategy and performance. The results showed (17) Competitor Orientation and Process Innovation mediated the Cost Leadership and Organizational performance nexus (54 sample size only) and (18) Customer Orientation and Service Innovation mediated the Differentiation and Organizational performance nexus (60 sample size).

CHAPTER FIVE
CONCLUSIONS, IMPLICATIONS & RECOMMENDATIONS

5.1 Introduction

This chapter concludes the summary of the research findings based on the research questions and objectives. This chapter also seeks to identify the relevance of the research findings to the pertaining literatures in the discussions of the managerial and theoretical implications. Several key strategic matching and recommendations suggested for the hotel industry based on the research findings. The recommendations for future research also discussed in this chapter. Hence, next subsection presents an overview of the study.

5.2 Overview of Study

This study attempted to examine the strategic matching of competitive strategy, market orientation and innovation strategy on organizational performance of hotels in Malaysia. The theoretical framework investigated the dimensions of each construct and their consequences on organizational performance. The proposed constructs were competitive strategy (cost leadership strategy and differentiation strategy), market orientation (competitor orientation and customer orientation) and innovation strategy (process innovation and service innovation). Specifically, the market orientation and innovation strategy were tested as mediators on the competitive strategy and organizational performance nexus. Additionally, the link among market orientation and innovation strategy also investigated.

This study was conducted over specific group of respondents i.e. top and middle management from three to five star hotels that registered in directory of Ministry of Tourism and Culture, Malaysia were 475 hotels and the total responses which received was 144. However, only 114 responses were usable for data analysis. This indicated the response rate was 24%. Initially, the instruments were pre tested and resulted reliable and valid. The data were collected through mail and email questionnaires. Then, the data were analysed through simple linear regression and multiple regression using SPSS, Sobel test and bootstrapping test. Thus, this chapter focuses on the conclusions of the findings and their managerial and theoretical implications on organizational performance. Besides, the strategic recommendations also suggested to the hotel industry in order to lift the national economic growth.

5.3 Conclusions

In today's competitive business environment, hoteliers must constantly seek for better strategic choice to compete against potential rivals. In order to make right strategic choice hoteliers should be able to synchronize their strategy, resources and capabilities with internal and external environmental forces. The following subsections draw conclusions in detail for each variable in this study. The findings point out specific competitive strategy with specific market orientation and specific competitive strategy with specific innovation strategy created superior organizational performance. This explains that, sample size of 54 for Cost Leadership, Competitor Orientation and Process Innovation and sample size of 60 for Differentiation, Customer Orientation and Service Innovation generate better results than when all the 114 sample of respondents were combined.

5.3.1 **Conclusion on Distribution of Respondents**

This research only investigated three to five star ratings hotels, which were registered in directory of Ministry of Tourism and Culture, Malaysia. In particular, there are 235 three star hotels, 147 four star hotels and 93 five star hotels, totally there are 475 3 to 5 star rating hotels in Malaysia. The majority respondents were from top level management (53.5%) which consist of hotel general managers, assistant managers, financial controllers and department heads while, (46.5%) respondents were from middle level management which consist of executives and officers. Thus, majority of respondents were from top level management who possess adequate knowledge about hotel's competitive strategy, market orientation, innovation strategy and organizational performance. Thus, this confirmed that feedbacks were reliable.

Out of 114 respondents, the three star hotels consist of 43.9%, followed by four-star hotels with 36% and 20.2% of five star hotels. The findings show that, 38.6% of majority hotels have 101 to 200 employees. Majority of responded hotels were located in city / town area. Furthermore, 31.6% of majority hotels have 201 to 300 rooms and recorded 61% to 70% of occupancy rates. Finally, hotels that operate 10 to 15 years were the majority respondents, followed by hotels that operate more than 15 years.

5.3.2 **Conclusion on Distribution of Competitive Strategy**

The responding hotels were adopting the Differentiation strategy (52.6%) and Cost Leadership strategy (47.4%). This indicated that, 114 three to five star hotels in Malaysia practising Porter's pure generic strategies. As mentioned earlier, this study only focuses on pure generic strategies; Cost Leadership strategy and Differentiation strategy. These findings supported Porter's strong believe on generic strategies, where firms can pursue single generic strategy to achieve better performance than firms pursue combination strategy (Power and Hahn, 2004; Seedee et al., 2009; Spencer et al., 2009; Hilman, 2009; Nandakumar et al., 2011; Auzair, 2011; Koseoglu et al., 2013). Hotel could achieve the cost advantage through high capacity utilization, economies of scale, learning-curve effects, technological advances and outsourcing activities (Enz, 2011). Meanwhile, hotel could achieve the differentiation advantage through service features, complementary services, creative design, location, service innovation, creative advertisement and better dealer network (Enz, 2011).

Specifically, the findings show that 80% of three star rating hotels pursuing Cost Leadership and 20% were pursuing Differentiation strategy. Meanwhile, 22% of four-star and five star ratings hotels were pursuing Cost Leadership strategy and 78% pursuing Differentiation strategy. This clearly indicates that Cost Leadership strategy is widely pursued by three star hotels, while Differentiation strategy is pursued by four and five star rating hotels from these 114 respondents. Furthermore, from these 114 hoteliers, majority of them are emphasising Differentiation strategy as their business strategy to compete with rivals than Cost Leadership strategy.

5.3.3 **Conclusion on Distribution of Market Orientation as Mediator**

Market Orientation was tested as mediating variable between competitive strategy and organizational performance, due to its position as functional level strategy, organizational structure / culture / behaviour that could enhance the effectiveness of business strategy (Lukas, 1999; Homburg and Pflesser, 2000; Slater and Olsen, 2001; Frambach et al., 2003). For market orientation dimensions, 47.4% of hotels were practicing competitor orientation followed by customer orientation (52.6%) as their marketing strategy (functional level strategy) of these 114 respondents. Hotel pursue market orientation as their marketing strategy to understand the potential customers to create customer value and identify the strength, weaknesses, competencies and tactics of existing or possible rivals (Zhou et al., 2009; Sorenson, 2009). The predominant views show positive link on market orientation and organizational performance nexus (Slater and Narver, 1994; Sin, Tse, Heung & Yim, 2005; Dev et al., 2008; Sorenson, 2009; Aziz and Yasin, 2010; Kumar et al., 2011; Ramayah et al., 2011).

The findings indicated that both dimensions of market orientation partially mediate the competitive strategy and organizational performance nexus. Precisely, the Competitor Orientation partially mediates the association of Cost Leadership strategy and Organizational performance, while Customer Orientation partially mediates Differentiation strategy and Organizational performance relationship.

5.3.4 **Conclusion on Innovation Strategy as Mediator**

The innovation strategy of 114 hotels found 47.4% for Process Innovation and 52.6% for Service Innovation. The innovation strategy was tested as another mediating variable between competitive strategy and organizational performance nexus due to its position as functional level strategy. The findings indicated both dimensions of innovation strategy partially mediate the link of business strategy and performance. Specifically, the Process Innovation strategy partially mediates the connection between Cost Leadership strategies with Organizational performance. Meanwhile, Service Innovation partially mediates the connection of Differentiation strategy and Organizational performance. The main reason hotels pursued process innovation is to make beneficial changes in management approach / process of service creation methods while, service innovation was pursued to make changes in the service provided to end customers (Projogo and Sohal, 2006; Frohwein and Hansjurgens, 2005; O'Sullivan and Dooley, 2009; Tajeddini and Trueman, 2012; Fernandes et al., 2013).

5.3.5 **Conclusions on Hypothesis Findings: Measuring Cost Leadership Strategy and Competitor Orientation Nexus**

Based on findings discussed in Chapter 4, Hypothesis 1 was supported as the Cost Leadership strategy has causal relationship on Competitor Orientation. Although, very limited prior literatures researched this relationship (Narver and Slater, 1990; Day and Wensley, 1998; Frambach et al., 2003), but the similar characteristics of both strategic factors are adequate to establish their positive relationship.

Specifically, the Cost Leadership strategy intends to achieve the internal efficiencies through economies of scale, technology development, outsourcing activities, capacity utilization, learning curve effects and cost reduction in functional activities (Allen and Helms, 2006; Frambach et al., 2003; Prajogo and Sohal, 2006; Bordean et al., 2010).

These attributes are closely related to Competitor Orientation, which strongly monitoring the competitor's strength, weaknesses, capabilities and strategies. The main objective of cost leadership strategy is to produce lower offerings compared to their rivals. Therefore, it is very vital to monitor current and key potential competitors' pricing strategies, cost structure and promotion, management approach, service creation method / process, marketing and advertising strategies and technology practices to outperform competitors (Narver and Slater, 1990).

Moreover, both strategic factors are embedded in same theoretical background; dynamic capabilities perspective (Parnell, 2011; Voola and O'Cass, 2010) and strategic implementation perspective (Voola and O'Cass, 2010; Frambach et al., 2003; Homburg and Pflesser, 2000). From the levels of organizational strategy, the match between Cost Leadership strategy and Competitor Orientation was established based on relationship of business and functional level strategies. Specific and combined group of respondents (54 & 114) supported this hypothesis. However, strategic match based on 54 respondents produced better effects (R^2) than combined group of 114 respondents.

5.3.6 **Conclusions on Hypothesis Findings: Measuring Differentiation Strategy and Customer Orientation Nexus**

Hypothesis 2 stated that Differentiation strategy has causal relationship on Customer Orientation. The findings confirm the literatures that indicate both strategic factors have similar characteristics such as focusing on customers' needs and wants (Frambach et al., 2003), creating superior customer value and unique / different / superior features to satisfy the customers (Taleghani et al., 2009; Baroto and Abdullah, 2011), greater customer interaction and loyalty (Allen and Helms, 2006). These characteristics indicated that differentiation strategy seem to be more customer oriented (Frambach et al., 2003).

Furthermore, both strategic factors were embedded in the same theoretical background; dynamic capabilities perspective (Parnell, 2011; Voola and O'Cass, 2010) and strategic implementation perspective (Voola and O'Cass, 2010; Frambach et al., 2003; Homburg and Pflesser, 2000). Besides, the relationship between Differentiation strategy (business level) and Customer Orientation (functional level) built on consideration of level of organizational strategy (Frambach et al., 2003; Homburg and Pflesser, 2000). Specific and combined group of respondents (60 & 114) supported this hypothesis. However, strategic match based on 54 respondents produced better effects (R^2) than combined group of 114 respondents.

5.3.7 **Conclusions on Hypothesis Findings: Measuring Cost Leadership Strategy on Process Innovation Strategy Nexus**

Hypothesis 3 that indicates the Cost Leadership strategy has causal relationship on Process Innovation strategy. This relationship was based on similarities of both strategic factors emphasising on achieving economies of scale, making changes in management approach / service creation method, vigorously pursuing cost reduction or minimization (Allen and Helms, 2006), attaining larger market share (Qin, 2007). Additionally, both strategic factors embedded in the same theoretical underpinnings; dynamic capabilities, strategic implementation perspective (Qin, 2007; Frohwein and Hansjurgens, 2005). The result was also supported with level of organizational strategy that suggested strategic match between business level strategy (Cost Leadership) and functional level strategy (Process Innovation) which best fit for organizations' strategic direction (Lopez and Sanchez, 2013; Yasai and Ardekani, 2000). Specific and combined group of respondents (54 & 114) supported this hypothesis. However, strategic match based on 54 respondents produced better effects (R^2) than combined group of 114 respondents.

5.3.8 **Conclusions on Hypothesis Findings: Measuring Differentiation Strategy with Service Innovation Strategy Nexus**

Hypothesis 4 stated the Differentiation strategy has causal relationship on Service Innovation strategy. The result added body of knowledge on competitive strategy and innovation literature. The findings is similar to the literatures which indicates both strategic factors have almost same characteristics such as offering unique /

different products and service, fulfilling the customer satisfaction by meeting the customers' requirement, require high customer loyalty and interaction, charging high price and possessing high skills and new technology developments (Lopez and Sanchez, 2013; O'Sullivan and Dooley, 2009; Wang and Ahmad, 2004; Porter, 1985). Furthermore, the relationship between Differentiation strategy and Service Innovation could be embedded in same theoretical background; dynamic capabilities, strategic implementation perspective and level of organizational strategies (alignment of business and functional level). Specific and combined group of respondents (60 & 114) supported this hypothesis. However, strategic match based on 60 respondents produced better effects (R^2) than combined group of 114 respondents.

5.3.9 **Conclusion on Hypothesis Findings: Measuring Cost Leadership Strategy on Organizational Performance Nexus**

Hypothesis 5 stated the Cost Leadership strategy has causal relationship on Organizational performance. This finding goes along with the previous research findings in the literatures which show positive linkage between Cost Leadership strategy and Organizational performance (Koseoglu et al., 2013; Sohail and Al.Ghamdi, 2012; Phongpetra and Johri, 2011; Nandakumar et al., 2011; Hilman, 2009; Seedee et al., 2009; Powers and Hahn, 2004; Porter, 1985).

However, when all the 114 respondents were tested, the result rejected hypothesis 5. The reason was due to the characteristics of the respondents, which showed clear preference on the type of competitive strategy. This indicated hotels that opted for

the Cost Leadership strategy had low attentiveness in executing the Differentiation strategy simultaneously. Additionally, this finding is found due to the objective of this research which investigates the effect of implementation of Porter's pure generic strategies and not the combination strategy on performance. Thus, hotel that pursues Cost Leadership strategy nullified the effect of Differentiation strategy.

5.3.10 **Conclusion on Hypothesis Findings: Measuring Differentiation Strategy on Organizational Performance Nexus**

The result supported Hypothesis 6. The findings show the Differentiation strategy has causal relationship on Organizational performance as indicated in the prior literatures. This means the Differentiation strategy of the Porter's generic strategies is influential in determining superior organizational performance (Teeratansirikool et al., 2013; Sohail and Al.Ghamdi, 2012; Parnell, 2011; Nandakumar et al., 2011; Bordean et al., 2010; Hilman, 2009; Powers and Hahn, 2004; Porter, 1985).

Similar to Hypothesis 5, this Hypothesis 6 was rejected when all the 114 respondents taken for analysis. The findings were due to objective of this research and characteristics of the respondents, which clearly indicated their strategy preference. Hotel that pursues Differentiation strategy nullified the effect of Cost Leadership strategy.

5.3.11 **Conclusion on Hypothesis Findings: Measuring Competitor Orientation on Organizational Performance Nexus**

The result supported Hypothesis 7, which indicated the Competitor Orientation has causal relationship on Organizational performance. Specifically, hotels pursuing Competitor Orientation emphasised on "meet and beat the competition" by closely observing and comparing strength, capabilities and offerings of existing and potential competitors (Safarnia et al., 2011). This strategy also assist the hoteliers to reduce the overall cost (Frambach et al., 2003), increase market share (Sorenson, 2009), greater efficiency (V.Kumar et al., 2011) and recorded better organizational performance (Ramayah et al., 2011; Kumar et al., 2011; Sorenson, 2009; Sin et al., 2003; Mueller et al., 2001; Slater and Narver, 1994).

However, this study rejected the Hypothesis 7 when all the 114 samples considered for the analysis. This is mainly due to the nature of the questionnaire, where all the respondents were asked to answer questions about market orientation on competitor orientation 'and' customer orientation. They answered the questions based on their strategy inclination and significance. Hotel that pursues Competitor Orientation nullified the effect of Customer Orientation.

Thus, when analysed all the samples it includes the performance of hotels which pursuing Customer Orientation. This clearly shows the consequence of specific market orientation on organizational performance.

5.3.12 **Conclusion on Hypothesis Findings: Measuring Customer Orientation and Organizational Performance Nexus**

The result supported Hypothesis 8, which indicates the Customer Orientation has causal relationship on Organizational performance. Specifically, hoteliers that pursuing Customer Orientation emphasised on observing and understanding the target customers adequately to create superior customer value (Zhou et al., 2009; Sorenson, 2009; Slater and Narver, 1994). Furthermore, Customer Orientation plays a crucial role as a bridging strategy to access the critical information about the customers' needs, wants and preferences (Solomon, 2003). The literatures indicated better understanding of Customer Orientation turn into key determinant for greater profitability, sales growth and performance (Chin et al., 2013; Taleghani et al., 2013; Kumar et al., 2011; Lewrick et al., 2011; Zhou et al., 2009; Zhou et al., 2007; Slater and Narver, 1994). For the entire 114 sample, the result rejected Hypothesis 8 same as Hypothesis 7. The nature of questionnaire and the scope of the study shaped such findings. Hotel that pursues Customer Orientation nullified the effect of Competitor Orientation.

5.3.13 **Conclusion on Hypothesis Findings: Measuring Process Innovation on Organizational Performance Nexus**

The findings supported Hypothesis 9 as Process Innovation has causal relationship on Organizational performance. This confirmed that Process Innovation of the innovation strategies could assists to perform cost reduction, reducing processing time, improving the quality and internal efficiency, greater flexibility and cost

competitiveness (O'Sullivan and Dooley, 2009; Frohwein and Hanjurgens, 2005). Furthermore, this strategy also assist to achieve economies of scale, greater logistic or distribution management, larger market share and better organizational performance (Rosli and Sidek, 2013; Ar and Baki, 2011; Gunday et al., 2011; Hilmi et al., 2010; Qin, 2007; Oke et al., 2007).

However, this study rejected Hypothesis 9, when all the 114 samples taken to analyse simultaneously in the context of the Process Innovation and Organizational Performance nexus. The questionnaire's nature and the scope of the research had contributed to such outcome. Hotel that pursues Process Innovation strategy nullified the effect of Service Innovation strategy.

5.3.14 **Conclusion on Hypothesis Findings: Measuring Service Innovation on Organizational Performance Nexus**

Hypothesis 10 was supported as the findings show the Service Innovation has causal relationship on Organizational performance. This Service Innovation assists the hotels to make beneficial changes in the service that provided to end customers by creating unique or different features that could provide greater market recognition, fulfil customers' satisfaction and enhance customer loyalty (O'Sullivan and Dooley, 2009; Riddle, 2008). Furthermore, latest technology interface enables the hoteliers to make effective and efficient service innovation that could strengthen the hotel and customer relationship as well as advance the business performance (V.Kumar at al., 2011, Grawe et al., 2009; Victorina et al., 2005; Hult et al., 2004).

This study rejected Hypothesis 10, when all the 114 samples were analysed simultaneously. Once again, the nature of the research instrument and the scope of the research caused such result. Hotel that pursues Service Innovation nullified the effect of Process Innovation strategy.

5.3.15 **Conclusion on Hypothesis Findings: Competitor Orientation as a Mediator in the Cost Leadership Strategy and Organizational Performance Nexus**

Hypothesis 11 was supported and the results indicated the Competitor Orientation partially mediated the Cost Leadership strategy and Organizational performance nexus. This outcome goes along with the outcomes of hypothesis on the association between: (1) Cost Leadership strategy and Organizational performance, (2) Cost Leadership strategy and Competitor Orientation, (3) Competitor Orientation and Organizational performance. In other words, this finding has filled the research gap concerning the role of competitor orientation as a mediator in the Cost Leadership strategy and Organizational Performance nexus.

Nevertheless, Hypothesis 11 was rejected when all the 114 samples tested together. Such outcome was due to the nature of the questionnaire and the scope of the study, which investigates the strategic match of specific market orientation on Cost Leadership strategy and performance nexus. Hotel that pursues Cost Leadership strategy and Competitor Orientation nullified the effect of Differentiation Strategy and Customer Orientation.

5.3.16 **Conclusion on Hypothesis Findings: Customer Orientation as a Mediator in the Differentiation Strategy and Organizational Performance Nexus**

The result was supported Hypothesis 12. It explains that the Customer Orientation partially mediated the Differentiation strategy and Organizational performance nexus.

The outcome goes along with the results of hypothesis on the association between: (1) Differentiation strategy and Organizational performance, (2) Differentiation strategy and Customer Orientation, (3) Customer Orientation and Organizational performance. The outcomes added the body of knowledge regarding the strategic role of customer orientation as a mediator in the Differentiation strategy and Organizational performance nexus.

Nevertheless, in context of 114 samples, the result rejected Hypothesis 12, due to the nature of the research instrument and the scope of the research, which investigate specific effect of market orientation on Differentiation strategy and Organizational performance link. Hotel that pursues Differentiation strategy and Customer Orientation nullified the effect of Cost Leadership strategy and Competitor Orientation.

5.3.17 **Conclusion on Hypothesis Findings: Process Innovation as a Mediator in the Cost Leadership Strategy and Organizational Performance Nexus**

Hypothesis 13 was supported as the Process Innovation partially mediated the Cost Leadership strategy and Organizational performance nexus.

This result goes along with the results of hypothesis on the link between: (1) Cost Leadership strategy and Organizational performance, (2) Cost Leadership strategy and Process Innovation, (3) Process Innovation and Organizational performance.

This finding bridged the research gap concerning the strategic role of Process Innovation as a mediator in the Cost Leadership strategy and Organizational performance nexus.

However, the results rejected Hypothesis 13 in the context of 114 samples. As mentioned earlier, this outcome is due to the nature of the questionnaire and the scope of the research. Hotel that pursues Cost Leadership strategy and Process Innovation nullified the effect of Differentiation strategy and Service Innovation.

5.3.18 **Conclusion on Hypothesis Findings: Service Innovation as a Mediator in the Differentiation Strategy and Organizational Performance Nexus**

The results supported Hypothesis 14, which indicates the Service Innovation partially mediated the Differentiation strategy and Organizational performance association. This result goes along with the results of hypothesis on the link between: (1) Differentiation strategy and Organizational performance, (2) Differentiation

strategy and Service Innovation, (3) Service Innovation and Organizational performance. This finding added to the body of knowledge regarding the strategic role of Service Innovation as a mediator in the Differentiation strategy and Organizational performance nexus.

In the context of 114 samples, the result rejected Hypothesis 14. Once again, the scope of the research and the nature of the questionnaire shaped such outcome. Hotel that pursues Differentiation strategy and Service Innovation nullified the effect of Cost Leadership strategy and Process Innovation.

5.3.19 **Conclusion on Hypothesis Findings: Measuring Competitor Orientation on Process Innovation Nexus**

Hypothesis 15 stated that the Competitor Orientation has causal relationship on Process Innovation. The result added to the body of knowledge on market orientation and innovation strategy literature. The finding shows Competitor Orientation has positive effect on Process Innovation.

The literatures indicate both strategic factors have almost similar characteristics such as observing competitors closely, emphasising cost reduction, less involves in product / service innovation (Kumar et al., 2011; Sorenson, 2009; Zhou et al., 2009), new production and management approach, reducing processing time, acquiring larger market share and economies of scale (Gunday et al., 2011; Qin, 2007; Drljaca, 2006; Frohwein and Hansjurgens, 2005; Wang and Ahmed, 2004).

Moreover, both strategic factors could be embedded in the same theoretical background. This hypothesis was tested with both sample sizes and found significant casual effect. However, strategic match based on 54 respondents produced better effects (R^2) than combined group of 114 respondents.

5.3.20 **Conclusion on Hypothesis Findings: Measuring Customer Orientation and Service Innovation Nexus**

Hypothesis 16 stated that the Customer Orientation has causal relationship on Service Innovation strategy. The result added to the body of knowledge on market orientation and innovation strategy literature. The finding shows Customer Orientation has positive influence on Service Innovation. The literatures indicate both strategic factors have similar attributes such as focusing on customer's needs, wants and preference, producing unique service, fulfilling customers' satisfaction and providing superior customer value, greater customers' loyalty and interaction and normally the price is much expensive (Safarnia et al., 2011; Zhou et al., 2009; Grawe et al., 2009; Victorina et al., 2005). Furthermore, both strategic factors could be embedded in the same underpinning theories. This hypothesis was tested with both sample sizes and found significant causal effect. However, strategic match based on 60 respondents produced better effects (R^2) than combined group of 114 respondents.

5.3.21 **Conclusion on Hypothesis Findings: Competitor Orientation and Process Innovation as Mediators in the Cost Leadership Strategy and Organizational Performance Nexus**

Hypothesis 17 was supported and the results indicated the Competitor Orientation and Process Innovation partially mediated the Cost Leadership strategy and Organizational performance nexus. This outcome goes along with the outcomes of hypothesis on the association between: (1) Cost Leadership strategy, Competitor Orientation and Process Innovation, (2) Competitor Orientation, Process Innovation and Organizational performance (3) Cost Leadership strategy and Organizational performance. In other words, this finding has filled the research gap concerning the roles of Competitor Orientation and Process Innovation as mediators in the Cost Leadership strategy and Organizational performance nexus.

Nevertheless, Hypothesis 17 was rejected when all the 114 samples tested together. Such outcome was due to the nature of the questionnaire and the scope of the study, which investigates the strategic match of specific Market Orientation and Innovation strategy on Cost Leadership strategy and performance nexus. Hotel that pursues Cost Leadership strategy, Competitor Orientation and Process Innovation nullified the effect of Differentiation strategy, Customer Orientation and Service Innovation.

5.3.22 **Conclusion on Hypothesis Findings: Customer Orientation and Service Innovation as Mediators in the Differentiation Strategy and Organizational Performance Nexus**

The result was supported Hypothesis 18. It explains that the Customer Orientation and Service Innovation partially mediated the Differentiation strategy and Organizational performance nexus.

The outcome goes along with the results of hypothesis on the association between: (1) Differentiation strategy, Customer Orientation and Service Innovation, (2) Customer Orientation, Service Innovation and Organizational performance (3) Differentiation strategy and Organizational performance. The outcomes added the body of knowledge regarding the strategic role of Customer Orientation and Service Innovation as mediators in the Differentiation strategy and Organizational performance nexus.

Nevertheless, in context of 114 samples, the result rejected Hypothesis 12, due to the nature of the research instrument and the scope of the research, which investigate specific match of Market Orientation and Innovation Strategy on Differentiation strategy and Organizational performance link. Hotel that pursues Differentiation strategy, Customer Orientation and Service Innovation nullified the effect of Cost Leadership strategy, Competitor Orientation and Process Innovation.

5.4 Implications of Study

This study has several resilient implications for the practitioners as well as for the academicians or scholars. The dynamic competitive business environment, speedy technological development and frequent customers' preference changes pushed the hoteliers into very challenging situation. In response to these demands, hoteliers have to reshape and align their overall organizational strategic initiatives that could be synchronised with the changing environment. Therefore, the present study highlighted the right strategic match between specific competitive strategy, market orientation and innovation strategy, which could lead for better organizational performance. The following subsections discuss about the managerial and theoretical implications of the study.

5.4.1 **Managerial Implications**

The empirical findings of this study provide important message for the hotels' management to make right strategic decisions. The findings would assist hotel Managers, Department Heads and Executives to formulate and implement better decisions by match specific competitive strategy, market orientation and innovation strategy on organizational performance.

In addition, the model that derived from this study would enhance the confidence and potential level of decision makers to generate winning strategies in order to build competitiveness and superior performance.

5.4.1.1 Managerial Implications on the Cost Leadership Strategy and Competitor Orientation Nexus

Based on the results that supported Hypothesis 1 it should facilitate the hotels managers as in this study to make better market orientation (functional level strategy) once the business level strategy had been decided. The empirical finding of this study shows 97% rise of the variance in the Competitor Orientation is described through the Cost Leadership strategy. Both strategic factors possess similar characteristics; focusing on internal efficiency, monitoring the competitors, making cost reduction, acquiring larger market share and embed in the same theoretical background. This finding give an important message to the hoteliers for having right strategic match of Cost Leadership strategy (competitive strategy) with Competitor Orientation (market orientation) for efficiently building the competitive advantage and better performance. Specific and combined group of respondents (54 & 114) supported this hypothesis. However, strategic match based on 54 respondents produced better effects (R^2) than combined group of 114 respondents.

5.4.1.2 Managerial Implications on the Differentiation Strategy and Customer Orientation Nexus

The finding supported the Hypothesis 2 and provides better insight for the hotel managers to determine paramount market orientation. When, hotel pursuing Differentiation strategy as business level strategy, then the Customer Orientation seems to be the best strategic orientation to pursue as functional level strategy.

The empirical finding of this study shows 95% rise of the variance in the Customer Orientation is described through the Differentiation strategy. These strategic factors have similarities in attributes; focusing on creating superior / unique offerings, give preference for customers need and want, fulfil the customer satisfaction and high customer loyalty and interaction.

Furthermore, both strategic factors could be embedded in the same theories such as dynamic capabilities, strategic implementation perspective and level of organizational strategies to enhance the competitiveness as well as organizational performance. Both specific and combined group respondents (60 & 114) supported this hypothesis. However, strategic match based on 60 respondents produced better effects (R^2) than combined group of 114 respondents.

5.4.1.3 Managerial Implications on the Cost Leadership Strategy and Process Innovation Nexus

Based on the result that supported Hypothesis 3, the hoteliers were able to make better innovation strategy, which can match with their business level strategy. The empirical finding of this study shows 96% rise of the variance in the Process Innovation is described through the Cost Leadership strategy. Both Cost Leadership strategy and Process Innovation strategy have the same characteristics; achieving economies of scale, focusing on internal efficiency, cost minimization, acquiring larger market share. Additionally, both strategies could be embedded in the same theoretical background.

This hypothesis was supported by both specific and combined sample sizes (54 & 114). However, strategic match based on 54 respondents produced better effects (R^2) than combined group of 114 respondents.

5.4.1.4 Managerial Implications on the Differentiation Strategy and Service Innovation Nexus

The results supported the Hypothesis 4 and this enable the hoteliers to select best innovation strategy that could strategically match with Differentiation strategy. The findings showed that most appropriate innovation strategy for the Differentiation strategy is Service Innovation. The empirical finding of this study shows 96% rise of the variance in the Service Innovation is described through the Differentiation strategy. Particularly, Differentiation strategy and Service Innovation strategy have similar attributes such as offering unique / different products and services, fulfilling the customer satisfaction, requiring high customer loyalty and interaction, creating customer value, charging high price. Furthermore, both strategic factors could be embedded in the same underpinning theories. This hypothesis was also supported by both sample sizes (60 & 114). However, strategic match based on 60 respondents produced better effects (R^2) than combined group of 114 respondents.

5.4.1.5 Managerial Implications on the Cost Leadership Strategy, Differentiation Strategy, Competitor Orientation, Customer Orientation, Process Innovation and Service Innovation on Organizational Performance Nexus

The findings supported Hypothesis 5 to Hypothesis 10, and strengthen the effectiveness of strategic match of Cost Leadership strategy, Differentiation strategy, Competitor Orientation, Customer Orientation, Process Innovation and Service Innovation on hotels' performance when analysed based on respective group of respondents (54 & 60). The empirical finding of this study indicates 97% rise of the variance in the Organizational performance is described by Cost Leadership strategy. 96% rise of the variance in the performance is described by the Differentiation strategy. 97% rise of the variance in the performance is described by the Competitor Orientation. 94% rise of the variance in the performance is described by the Customer Orientation. 97% rise of the variance in the performance is described by the Process Innovation and 97% rise of the variance in the performance is described by Service Innovation. Furthermore, these findings enable the hoteliers to determine the best strategic matching from the competitive strategy, market orientation and innovation strategy that could enrich their business practice and performance.

Nevertheless, Hypothesis 5 to Hypothesis 10 was rejected when all the 114 samples analysed simultaneously. This is mainly due to the nature of the research and dissimilar characteristics that possessed by the two groups. Hotel that pursues Cost Leadership strategy, Competitor Orientation and Process Innovation nullified the effect of Differentiation strategy, Customer Orientation and Service Innovation.

5.4.1.6 Managerial Implications on the Competitor Orientation as a Mediator in the Cost Leadership Strategy and Organizational Performance Nexus

The results of Hypothesis 11 clearly indicated that Competitor Orientation partially mediated the link between Cost Leadership strategy and Organizational performance. This result shows best option for the hoteliers, who are implementing Cost Leadership strategy at business level, to make Competitor Orientation as functional level strategy. The empirical finding of this study indicates 98% rise of the variance in the Organizational performance is described by these two strategic factors. These two strategies possess similar attributes such as focusing on internal efficiency, monitoring the competitors, making cost reduction, acquiring larger market share, which make strategic fit between these strategies.

However, due to the nature of the research and contradicting attributes between two groups this study rejected the hypothesis when tested with 114 samples. This clearly indicates that specific group of respondents with similar characteristics could become better mediator and turn to produce better performance. Hotel that pursues Cost Leadership strategy and Competitor Orientation nullified the effect of Differentiation strategy and Customer Orientation.

5.4.1.7 Managerial Implications on the Customer Orientation as a Mediator in the Differentiation Strategy and Organizational Performance Nexus

The outcomes of Hypothesis 12 clearly indicated that Customer Orientation partially mediated the Differentiation strategy and Organizational performance linkage. The findings indicate best choice for the hoteliers, who executing Differentiation strategy

as business level strategy could make Customer Orientation as functional level strategy. The empirical finding of this study indicates 97% rise of the variance in the Organizational performance is described by these two strategic factors. These two strategies possess similar attributes such as focusing on creating superior / unique offerings, giving preference for customers need and want, fulfilling the customer satisfaction and higher customer loyalty and interaction that could create strategic fit between these two strategies.

Due to the nature of the study and dissimilar characteristics between these two groups, this study rejected the hypothesis when tested with 114 samples. This clearly indicates that specific group of respondents with similar characteristics could become better mediator and turn to produce better performance. Hotel that pursues Differentiation strategy and Customer Orientation nullified the effect of Cost Leadership strategy and Competitor Orientation.

5.4.1.8 Managerial Implications on the Process Innovation as a Mediator in the Cost Leadership Strategy and Organizational Performance Nexus

The findings supported Hypothesis 13 and clearly indicate that these two strategies were well matched. Specifically, the Process Innovation partially mediated the Cost Leadership strategy and Organizational performance association. The empirical finding of this study indicates 98% rise of the variance in the Organizational performance is described by these two strategic factors. Similar characteristics possessed by both strategies like achieving economies of scale, focusing on internal

efficiency, cost minimization, acquiring larger market share enable these strategies to create better performance and competitiveness.

However, the specific group of respondents (54) only supported this hypothesis while when tested with 114 samples this hypothesis was rejected due to the nature of the research and contradicting characteristics possess by two groups (54 and 60). Hotel that pursues Cost Leadership strategy and Process Innovation nullified the effect of Differentiation strategy and Service Innovation.

5.4.1.9 Managerial Implications on the Service Innovation as a Mediator in the Differentiation Strategy and Organizational Performance Nexus

The results supported Hypothesis 14 and, provided better insight for the hoteliers to determine best competitive strategy and innovation strategy that could improve the performance. Particularly, the result showed that Service Innovation partially mediated the relationship Differentiation strategy and Organizational performance. The empirical finding of this study indicates 98% rise of the variance in the Organizational performance is described by these two strategic factors. This clearly indicated Service Innovation (functional level strategy) is the best option for hotels which implementing Differentiation strategy as business level strategy in turn improves the Organizational performance. These two strategies were well matched because possessing similar attributes such as offering unique / different products and services, fulfilling the customer satisfaction, requiring high customer loyalty and interaction, creating customer value and charging high price.

Again, this hypothesis only supported by specific group of respondents (60) and was rejected when tested with 114 samples due to the same reason as mentioned before. This clearly indicated that specific group of respondents which implementing similar characteristic of organizational strategies in different levels could enhance their business performance growth. Hotel that pursues Differentiation strategy and Service Innovation nullified the effect of Cost Leadership strategy and Process Innovation.

5.4.1.10 Managerial Implications on the Competitor Orientation and Process Innovation Nexus

Based on the results that supported Hypothesis 15, the hoteliers should be able to make right specific market orientation and innovation strategy as functional level strategies. Specifically, the findings showed match between Competitor Orientation and Process Innovation strategy. The empirical finding of this study indicates that 98% rise of the variance in the Process Innovation is described by Competitor Orientation. Both strategies possess similar characteristics like observing competitors closely, emphasising cost reduction, less involve in product / service innovation, new production and management approach, reducing processing time, acquiring larger market share and economies of scale. This indicated specific match between marketing capabilities and innovation capabilities could assist to enhance the organizational performance of hotel. Specific and combined group of respondents (54 & 114) supported this hypothesis. However, strategic match based on 54 respondents produced better effects (R^2) than combined group of 114 respondents.

5.4.1.11 Managerial Implications on the Customer Orientation and Service Innovation Nexus

The outcome supported Hypothesis 16 and, this provides some valuable insight for hoteliers to determine best specific market orientation and innovation strategy. Precisely, the finding showed that matching between Customer Orientation and Service Innovation strategy. The empirical finding of this study indicates 95% rise of the variance in the Service Innovation is described by Customer Orientation. If the hotel exercising Customer Orientation then, Service Innovation strategy seems to be the best innovation strategy to pursue as another functional level strategy.

This is due to both strategies or capabilities possess similar characteristics such as focusing on customer's needs, wants and preference, producing unique service, fulfilling customers' satisfaction and providing superior customer value, greater customers' loyalty and interaction and normally the price is much expensive. Specific and combined group of respondents (60 & 114) supported this hypothesis. However, strategic match based on 60 respondents produced better effects (R^2) than combined group of 114 respondents.

5.4.1.12 Managerial Implications on the Competitor Orientation and Process Innovation as Mediators in the Cost Leadership Strategy and Organizational Performance Nexus

The results of Hypothesis 17 clearly indicated that Competitor Orientation and Process Innovation partially mediated the link between Cost Leadership strategy and Organizational performance.

The empirical finding of this study indicates 98% rise of the variance in the Organizational performance is described by these three strategic factors. This result shows best option for the hoteliers, who are implementing cost leadership strategy at business level, to make Competitor Orientation and Process Innovation as functional level strategies. These three strategies possess similar attributes such as focusing on internal efficiency, monitoring the competitors, making cost reduction, acquiring larger market share and achieving economies of scale which make strategic fit between these strategies.

However, due to the nature of the research and contradicting attributes between two groups this study rejected the hypothesis when tested with 114 samples. This clearly indicates that specific group of respondents with similar characteristics could become better mediators and turn to produce better performance. Hotel that pursues Cost Leadership strategy, Competitor Orientation and Process Innovation nullified the effect of Differentiation strategy, Customer Orientation and Service Innovation.

5.4.1.13 Managerial Implications on the Customer Orientation and Service Innovation as Mediators in the Differentiation Strategy and Organizational Performance Nexus

The outcomes of Hypothesis 18 clearly indicated that Customer Orientation and Service Innovation partially mediated the Differentiation strategy and Organizational performance linkage. The empirical finding of this study indicates 98% rise of the variance in the Organizational performance is described by these three strategic factors.

The findings indicate best choice for the hoteliers, who executing Differentiation strategy as business level strategy could make Customer Orientation and Service Innovation as functional level strategies. These three strategies possess similar attributes such as focusing on creating superior / unique offerings, giving preference for customers need and want, fulfilling the customer satisfaction, creating customer value, higher customer loyalty and interaction and charging high price that could create strategic fit between these two strategies.

Due to the nature of the study and dissimilar characteristics between these two groups, this study rejected the hypothesis when tested with 114 samples. This clearly indicates that specific group of respondents with similar characteristics could become better mediators and turn to produce better performance. Hotel that pursues Differentiation strategy, Customer Orientation and Service Innovation nullified the effect of Cost Leadership strategy, Competitor Orientation and Process Innovation.

5.4.1.14 Overall Conclusion on Managerial Implications

Overall, the findings suggested that competitive strategy, market orientation and innovation strategy were pivotal strategic factors for improving the organizational performance. Crucially, this study found that right matching of specific competitive strategy, market orientation and innovation strategy would transform the hotels' competitiveness and performance. The findings could provide valuable insights for hoteliers to make better strategic decisions, which best fits into organization's overall strategic direction. This study really offers vital implications for the best managerial practice through effective utilization of these strategic factors and provides support

and capability building to succeed in current hyper-competitive business environment, in context of Malaysia hotel industry.

The literatures suggested that organizations should be able to synchronise their overall organizational strategies and capabilities with changing business environment. Hence, this study suggests specific matching between strategic factors; Cost Leadership strategy, Competitor Orientation and Process Innovation strategy or Differentiation strategy, Customer Orientation and Service Innovation strategy to ensure the success of strategy implementation in order to produce better Organizational performance of hotels in Malaysia. Furthermore, this study encourages hotel managers to adopt a holistic approach by not only developing competitive strategies (business strategy) but simultaneously develops capabilities / structure / functional level strategies that act as mediators in strengthening the competitive strategy and performance nexus.

The findings showed that market orientation and innovation activities (functional level strategies) were well organised to enable the competitive strategy (business level strategy) to produce better organizational performance. Therefore, the findings of present study could advance the confidence and potential level of hoteliers to make better strategic decisions by appropriately match specific strategic factors to boost the performance as well as remain competitive.

5.4.2 **Theoretical Implications**

The present study strengthens and expands the existing competitiveness theory by providing better insight on the causal effect of strategic factors on organizational performance. This study shows that better organizational performance could be achieved through specific match of strategic factors such as competitive strategy, market orientation and innovation strategy.

These findings justified Porter's assumption that generic strategies play a significant role in creating superior performance. Porter (1980, 1985) stated that generic strategies were mutually exclusive, so if an organization attempts to pursue more than one generic strategy is in hazard of being "stuck in middle". Porter emphasised that an organization is only able to pursue a single generic strategy due to different requirements of organizational capabilities. A large number of studies like Power and Hahn (2004); Auzair and Langfield-Smith (2005); Hilman (2009); Auzair (2011); Nandakumar et al. (2011) have operationalized Porter's generic strategies using only cost leadership strategy and differentiation strategy.

Furthermore, this research proposed that market orientation (competitor orientation and customer orientation) and innovation strategy (process innovation and service innovation) act as mediator in the competitive strategy and organizational performance nexus. The findings of this study suggested that market orientation and innovation strategy played vital role and positively contribute to the organizational performance.

The result of the study also supported the notion that a specific matching of strategic factors improves the organizational performance. The prior empirical findings agreed that competitive strategy (Koseoglu et al., 2013; Nandakumar et al., 2011; Parnell, 2011; Voola and O'Cass, 2010; Hilman, 2009; Powers and Hahn, 2004; Frambach et al., 2003; Porter, 1985), market orientation (Chin et al., 2013; Ramayah et al., 2011; Kumar et al., 2011; Aziz and Yasin, 2010; Sorenson, 2009; Dev et al., 2008; Kirca et al., 2005; Narver and Slater, 1990) and innovation strategy (Rosli and Sidek, 2013; Lopez and Sanchez, 2013; Tajeddini and Trueman, 2012; Gunday et al., 2011; Hilmi et al., 2010; Grawe et al., 2009) lead to improved organizational performance (Wang et al., 2012; Wadongo et al., 2010; Kaplan and Norton, 1992, 1996, 2001).

Furthermore, these findings suggested that dynamic capabilities (Teece et al., 1997; Parnell, 2011; Ambrosini et al., 2009; Grinstein, 2008; Wang and Ahmed, 2007; Teece, 2007), strategic implementation perspective (Voola and O'Cass, 2010; Homburg et al., 2004; Frambach et al., 2003; Noble and Mokwa, 1999) and level of organizational strategies (Nandakumar et al., 2011; Parnell, 2011; Slater and Olsen, 2001) can be used in explaining the strategic matching of competitive strategy, market orientation, innovation strategy and organizational performance.

This study also adds some insight to the literatures by bridging the gap and showing the significance of competitive strategy, market orientation and innovation strategy on organizational performance. Specifically, it contributes to the understanding of the strategic matching of strategic factors; Cost Leadership strategy, Competitor Orientation, Process Innovation and Organizational performance or Differentiation strategy, Customer Orientation, Service Innovation and Organizational performance.

Crucially, this study confirmed that market orientation and innovation strategy play important role as mediators between competitive strategy and organizational performance. Therefore, this study fills the research gap by applying dynamic capabilities perspectives by adapting, integrating and reconfiguring the business strategies with marketing and innovation capabilities, skills and competencies towards performance.

Moreover, this study contributes to the strategic implementation literature by finding empirical support for this perspective. Indeed, the results strongly support the strategic implementation perspective by empirically showing that competitive strategy influenced market orientation and innovation (organizational structure / dimension) which enhanced the organizational performance. Vitally, this study also expands the relation between business level strategy and performance by adding two mediators; market orientation and innovation strategy (functional level strategies).

Prior literatures criticised that Porter's generic strategies used simple framework which is not effective enough to produce better performance in present business environment (Bowman, 2008), so this study expands the strategic management theory using specific match between organizational strategies to generate better performance.

5.4.3 **Implication to the National Economic Growth**

This study highlighted the specific alignment of best competitive strategy, market orientation and innovation strategy which could lead to superior organizational performance of hotels in Malaysia. The Malaysian government realizes the importance and challenges faced by hospitality sector and tourism industry. Currently, under the NKEA agenda, the government is targeting the tourism industry to contribute RM 168 billion in Gross Nation Incomes (GNI) through the increase in the number of tourists arrivals from 24.6 million to 36 million by the year 2020 and also targeting to create 64,000 jobs.

Thus, hotel industry is playing a vital role in achieving this aspiration. The hospitality sector is being one of the strongest pillars for the Malaysia economic growth. By creating best and fit business competitive strategy for the hotel industry, the competitive level of this industry as well as the profitability for the nation may be enhanced. The growth of the hospitality industry will hasten the job creation, revenue creation and advance the lifestyle of the community.

So that, the managerial activities require strategic practices in order to provide right strategic direction to the hotel industry to attain success in the future. Regarding this matter, matching of precise strategic factors; competitive strategy, market orientation and innovation strategy are very crucial to formulate and implement better strategic choices sequentially to gain the competitive advantage and superior organizational performance in Malaysia hotel industry.

5.5 Limitations of Study

The present study has some limits. First restraint is concerning the sample of the study. This study only focused on the three to five star rated hotels in Malaysia, which registered in Directory of Ministry of Tourism and Culture, Malaysia. Thus, this is a single industry study so the results cannot be generalized to other service industries.

Another limitation of this study is the problem of single respondent for each hotel. Moreover, this study used self-reporting measures in survey instrumentation, so there are possibilities for systematic bias to occur where the same respondent answered the independent and dependent variables at cross sectional survey. However, the top and middle managers are likely to have sufficient knowledge and could provide accurate information about the competitive strategy, market orientation, innovation strategy and organizational performance. This method widely utilised in strategic management research (Nandakumar et al., 2011). Furthermore, Harman's single factor test has been used by the researcher to report the issue of common method variance (Podsakoff, Mackenzie, Lee & Podsakoff, 2003). The result of exploratory factor analysis shows 48% of cumulative variance, which considered as no method bias in this study.

Furthermore, the response rate of the study was 24%, which is considered quite normal for hotel industry studies because the average response rate of the hotel industry research is from 10% to 29% (Auzair, 2011; Kasim and Minai, 2009; Razalli et al., 2007). The sample size is considered enough for a meaningful

statistical analysis. Nevertheless, the findings only can be generalized among the 475 hotels in Malaysia.

Another limitation of this study is the method of data collection, which solely based on mail and email questionnaire due to financial and time constraint. It is undeniable that contribution from other factors or issues may perhaps affect or provide valuable information for the managerial decision making; if such situation occurs that will be considered as limitations of the study as well.

5.6 Recommendations for Future Research

In response to the above-mentioned limitations, several opportunities proposed for further studies. The present study investigated the Porter's generic strategy in pure form, so future study could investigate the effect of combination strategy / hybrid strategy, focus competitive strategy or blue ocean strategy on organizational performance.

Furthermore, this study examines two important functional level strategies / capabilities / structure as mediators between competitive strategy and organizational performance. Thus, future studies should explore the strategic matching between competitive strategies with other capabilities / structure / functional strategies such as strategic leadership capability, management capability, technology capability, strategic flexibility and competitive priorities on organizational performance. Thus, multi-dimensional investigation required in this context of study.

Suggesting, future studies could use multiple data collection techniques to increase the response rate rather than solely depending on mail and email technique. Furthermore, the mix mode research approach, series of case studies and in-depth interview with hotel managers could provide greater understanding and better outcome regarding the strategy and performance nexus. This study used only hotel industry as target respondents, so future studies should examine the role of strategic factors on performance with different industries by using industry comparison approach that may possibly help to generalize.

Further studies could simultaneously examine the effect of environmental uncertainties as a moderator on the relationship of strategy, structure and performance. Additionally, subsequent studies could use archival performance measures to reduce the common variance errors. Furthermore, future studies could enrich the analysis of present study by examining the context of research with systematic longitudinal method rather than cross sectional method.

Whatsoever, the present study has aided to resolve some of unpredictability and bridged the gap in the prior literatures by adding to the body of knowledge regarding competitive strategy, market orientation, innovation strategy and organizational performance.

5.7 Conclusions

The intention of this research was to add to the body of knowledge concerning the specific strategic match of competitive strategy, market orientation and innovation strategy on organizational performance of hotels in Malaysia. Numerous of past researchers discovered that strategic factors; competitive strategy, market orientation and innovation strategy play pivotal role in determining superior organizational performance. While, previous studies investigated these strategic factors at business, functional, tactical and operational levels on performance, this study has gone a step further by investigating this context from more holistic and strategic perspective by integrating and examining the roles of market orientation and innovation strategy as mediating variables on strategy and performance nexus.

Thus, the findings indicated that specific competitive strategy with specific market orientation and specific innovation strategy would generate better organizational performance. Specifically, the Competitor Orientation and Process Innovation strategy partially mediates the Cost Leadership strategy and Organizational performance nexus. Meanwhile, the Customer Orientation and Service Innovation strategy partially mediates the Differentiation strategy and Organizational performance nexus. From this research, it can be empirically concluded that market orientation and innovation strategy play significant role in strategic implementation by transforming the benefits of competitive strategies to organizational performance.

It is hoped that the findings of this study contributes for strategic management theory building underpinning through dynamic capabilities, strategic implementation perspective and level of organizational strategies, that would assist the hoteliers to make strategic decisions regarding their competitive strategy, market orientation and innovation strategy in order to boost the performance. Certainly, the analysis and findings of present study will strengthen competitiveness and performance of Malaysia hotel industry that will assist to achieve the Malaysia's aspiration to become a high- income nation by 2020.

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Appendix A

Cover Letter

Date:

Dear Sir/Madam

RESEARCH ON COMPETITIVE STRATEGY, MARKET ORIENTATION AND INNOVATION STRATEGY

The purpose of this research is to investigate the strategic relationship of competitive strategy, market orientation and innovation strategy on performance. Essentially, this research is from a strategic management perspective on hotel industry of Malaysia. Thus, your hotel is selected randomly to participate in this research. The findings from this research will provide vital information to transform the performance of Malaysian hotel industry in line with achieving NKEA agenda.

I sincerely seek your kind assistance in completing the self-explanatory questionnaire (it should take less than 15 minutes of your precious time). I assure you on a complete confidentiality of the data given. The result of this questionnaire will be used solely for academic research purpose and will not be revealed to other hotels.

There is no right and wrong answer. Please return the completed questionnaire within 14 days from the date of this letter. I really appreciate on your cooperation to submit the questionnaire as soon as possible. I will send you a token of appreciation once I received your feedback.

Kindly help me in this vital research. Please do not hesitate to contact me, if you have any confusion about this research.

Thank you for your assistance and support.

Sincerely,

……..

Narentheren A/L Kaliappen
PhD Candidate
Student Metric : 93697
Universiti Utara Malaysia
HP: 016-4051599
Email: narentheren@hotmail.my or
s93697@student.uum.edu.my

Assoc. Prof. Dr. Haim Hilman Abdullah
PhD Supervisor
Corporate Planning Unit
Universiti Utara Malaysia
hilman@uum.edu.my

Appendix B

Follow-Up Letter

Date:

Dear Sir/Madam

RESEARCH ON COMPETITIVE STRATEGY, MARKET ORIENTATION AND INNOVATION STRATEGY

A few weeks ago, I sent you a copy of the above mentioned research questionnaire. The purpose of this research is to investigate the strategic relationship of competitive strategy, market orientation and innovation strategy on performance. Essentially, this research is from a strategic management perspective on hotel industry of Malaysia. The findings from this research will provide vital information to transform the performance of Malaysian hotel industry in line with achieving NKEA agenda. Thus, I would like to invite you to be a respondent to this research.

I would appreciate it very much if you could spend a little bit of your precious time to complete the questionnaire. I hope to get your reply within 14 days from this letter. Your answer is very crucial in ensuring the accomplishment of this research. Kindly help me in this vital research. If you did not receive the questionnaire or misplaced it, please email me as soon as possible, quoting your hotel name and email id so that I can send you the questionnaire immediately.

Your cooperation and support in this matter is highly appreciated.

Thank you.

Sincerely,

……..

Narentheren A/L Kaliappen
PhD Candidate
Student Metric : 93697
Universiti Utara Malaysia
HP: 016-4051599
Email: narentheren@hotmail.my or
s93697@student.uum.edu.my

Assoc. Prof. Dr. Haim Hilman Abdullah
PhD Supervisor
Corporate Planning Unit
Universiti Utara Malaysia
hilman@uum.edu.my

Appendix C

Survey Questionnaire

SECTION A: DEMOGRAPHIC PROFILES

INSTRUCTIONS:

This questionnaire consists of five sections. Please read the questions carefully before answering them. Where appropriate, please tick (√) in the box provided. Your honest and sincere response is highly appreciated.

1. Respondent position/designation

☐ Top management ☐ Middle management

2. Hotel ratings

☐ 3 star ☐ 4 star ☐ 5 star

3. Number of rooms

☐ Below 100 ☐ 101-200 ☐ 201-300 ☐ 301-400 ☐ 401 and above

4. Hotel location

☐ City/Town ☐ Beach ☐ Hill

5. Average Occupancy rate

☐ 50% and below ☐ 51%-60% ☐ 61%-70% ☐ 71%-80%

☐ More than 80%

6. Number of employees

☐ Below 100 ☐ 101-200 ☐ 201-300 ☐ 301-400 ☐ 401-500

☐ 500 and above

7. Years of operation

☐ Under 5 years ☐ 5-9 years ☐ 10-15 years ☐ More than 15 years

SECTION B: COMPETITIVE STRATEGY

INSTRUCTIONS:

Please indicate your answer by circling the appropriate number based on current business strategy of your hotel.

Strongly disagree	Disagree	Disagree somewhat	Undecided	Agree somewhat	Agree	Strongly agree
1	2	3	4	5	6	7

Cost Leadership Strategy	
1. Our hotel achieving lower cost of services than competitors.	1 2 3 4 5 6 7
2. Our hotel making services/procedures more cost efficient.	1 2 3 4 5 6 7
3. Our hotel improving the cost required for coordination of various services.	1 2 3 4 5 6 7
4. Our hotel improving the utilization of available equipment, services and facilities.	1 2 3 4 5 6 7

Differentiation Strategy	
5. Our hotel introducing new services quickly.	1 2 3 4 5 6 7
6. Our hotel provides services that are different from competitors.	1 2 3 4 5 6 7
7. Our hotel offers a broader range of services from competitors.	1 2 3 4 5 6 7
8. Our hotel improving the time it takes to provide services to customers.	1 2 3 4 5 6 7
9. Our hotel provides high quality service.	1 2 3 4 5 6 7
10. Our hotel customizing the services to customer need.	1 2 3 4 5 6 7
11. Our hotel provides after sales service and customer support.	1 2 3 4 5 6 7

SECTION C: MARKET ORIENTATION

INSTRUCTIONS:

Note: Please indicate your answer by circling the appropriate number against each item based on current functional level strategy of your hotel.

Competitor Orientation gives more importance on monitoring the competitors and **Customer Orientation** gives more importance on customers' value creation.

Strongly disagree	Disagree	Disagree somewhat	Undecided	Agree somewhat	Agree	Strongly agree
1	2	3	4	5	6	7

Competitor Orientation							
12. Our salespeople regularly collect information concerning competitor's activities.	1	2	3	4	5	6	7
13. Our hotel top management regularly discusses competitor's action.	1	2	3	4	5	6	7
14. We frequently track market performance of key competitors.	1	2	3	4	5	6	7
15. We frequently evaluate the strength of key competitors.	1	2	3	4	5	6	7
16. Our hotel attempts to identify competitor's strategies.	1	2	3	4	5	6	7

Customer Orientation							
17. Our business objectives are driven primarily by customer satisfaction.	1	2	3	4	5	6	7
18. We communicate information about our customer experience across all business functions.	1	2	3	4	5	6	7
19. Our strategy for gaining a competitive advantage is based on our understanding of customer needs.	1	2	3	4	5	6	7
20. We measure customer satisfaction regularly.	1	2	3	4	5	6	7
21. We regularly survey end customers to assess the quality of our services.	1	2	3	4	5	6	7

SECTION D: INNOVATION STRATEGY

INSTRUCTIONS:

Note: Please indicate your answer by circling the appropriate number against each item based on current functional strategy of your hotel.

Process Innovation gives more importance on making changes in the process of service creation method and **Service Innovation** gives more importance on making changes in the service provided to end customers.

Strongly disagree	Disagree	Disagree somewhat	Undecided	Agree somewhat	Agree	Strongly agree
1	2	3	4	5	6	7

Process Innovation							
22. We are constantly improving our business process.	1	2	3	4	5	6	7
23. During the past five years, our hotel has developed many new management approaches.	1	2	3	4	5	6	7
24. When we cannot solve a problem using conventional methods, we improvise on new methods.	1	2	3	4	5	6	7
25. Our hotel changes service creation methods at great speed in comparison with our competitors.	1	2	3	4	5	6	7

Service Innovation							
26. Service innovation readily accepted in our project management.	1	2	3	4	5	6	7
27. Our hotel top management gives special emphasis to service innovation.	1	2	3	4	5	6	7
28. Our hotel is constantly seeking new ways to give better service our customers.	1	2	3	4	5	6	7
29. Our hotel is able to change/modify our current service approaches to meet special requirements from customers.	1	2	3	4	5	6	7
30. Compared to our competition, our hotel is able to come up with new service offerings for customers.	1	2	3	4	5	6	7

SECTION E: ORGANIZATIONAL PERFORMANCE INDICATORS

INSTRUCTIONS:

Please indicate your perception on the performance of your hotel in the past five years by circling the appropriate number against each item.

Decrease significantly	Decrease	Decrease somewhat	Unchanged	Increase somewhat	Increase	Increase significantly
1	2	3	4	5	6	7

Organizational Performance							
31. Return on Investment (ROI)	1	2	3	4	5	6	7
32. Market share	1	2	3	4	5	6	7
33. Sales growth	1	2	3	4	5	6	7
34. Customer perspective: The hotel always considers the customer's concern on time, quality, performance, services and costs in order to pursue success.	1	2	3	4	5	6	7
35. Internal process perspective: The hotel always considers the business processes that have the greatest impact on stakeholder satisfaction such as factors that affect cycle time, quality, internal efficiencies of operation and output.	1	2	3	4	5	6	7
36. Learning and growth perspective: The hotel's capability to innovate, improve and learn increase new markets, skills, revenues and margins towards achieving the vision.	1	2	3	4	5	6	7

Your time and cooperation are highly valued, thank you

Appendix D

Case Processing Summary 1 (Competitor Oriented, Customer Oriented, Process Innovation & Service Innovation)

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
CSCL (Cost Leadership Strategy)	114	100.0%	0	.0%	114	100.0%
CSDIFF (Differentiation Strategy)	114	100.0%	0	.0%	114	100.0%
MOCOMO (Competitor Orientation)	114	100.0%	0	.0%	114	100.0%
MOCUSO (Customer Orientation)	114	100.0%	0	.0%	114	100.0%
ISPI (Process Innovation)	114	100.0%	0	.0%	114	100.0%
ISSI (Service Innovation)	114	100.0%	0	.0%	114	100.0%
OP (Organizational Performance)	114	100.0%	0	.0%	114	100.0%

Descriptives

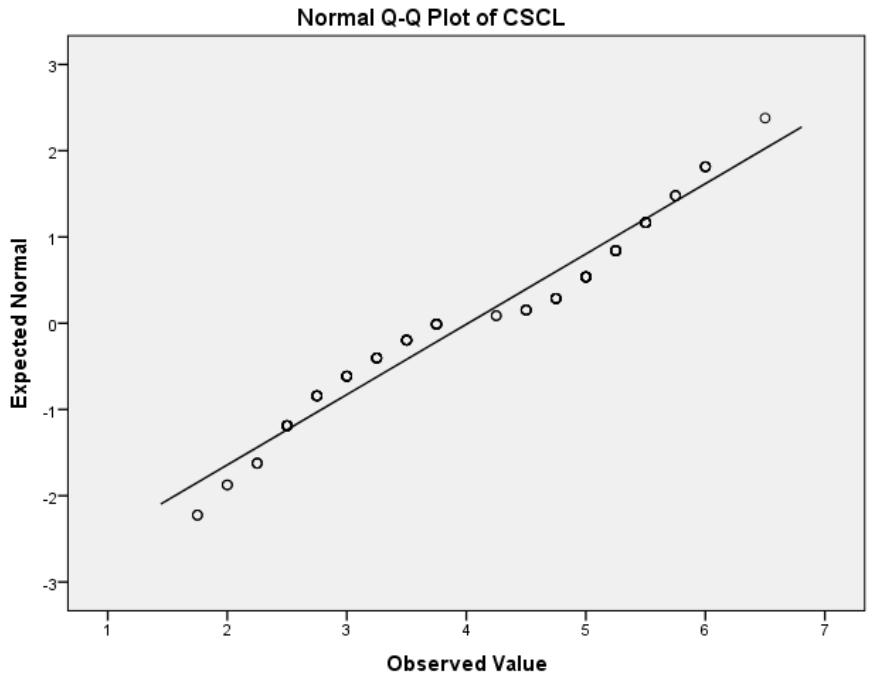
			Statistic	Std. Error
CSCL	Mean		4.0154	0.11489
	95% Confidence Interval for Mean	Lower Bound	3.7877	
		Upper Bound	4.2430	
	Skewness		0.029	0.226
	Kurtosis		-1.304	0.449
CSDIFF	Mean		4.099	0.10486
	95% Confidence Interval for Mean	Lower Bound	3.8913	
		Upper Bound	4.3067	
	Skewness		-0.220	0.226
	Kurtosis		-1.207	0.449
MOCOMO	Mean		4.2860	0.09700
	95% Confidence Interval for Mean	Lower Bound	4.0938	
		Upper Bound	4.4781	
	Skewness		0.059	0.226
	Kurtosis		-1.489	0.449
MOCUSO	Mean		4.3421	0.10581
	95% Confidence Interval for Mean	Lower Bound	4.1325	
		Upper Bound	4.5517	
	Skewness		-0.052	0.226
	Kurtosis		-1.369	0.449
ISPI	Mean		4.3487	0.10985
	95% Confidence Interval for Mean	Lower Bound	4.1310	
		Upper Bound	4.5663	
	Skewness		0.121	0.226

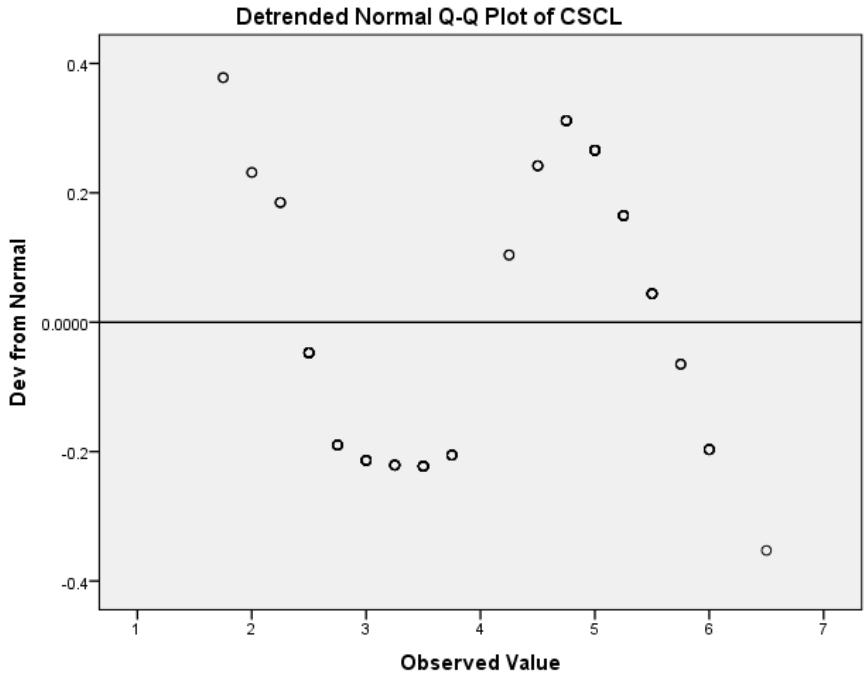
	Kurtosis		-1.519	0.449
ISSI	Mean		4.3421	0.10859
	95% Confidence Interval for Mean	Lower Bound	4.1270	
		Upper Bound	4.5572	
	Skewness		-0.108	0.226
	Kurtosis		-1.544	0.449
OP	Mean		6.2661	0.04596
	95% Confidence Interval for	Lower Bound	6.1750	
		Upper Bound	6.3571	
	Skewness		-0.972	0.226
	Kurtosis		0.486	0.449

Test of Normality

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
CSCL (Cost Leadership Strategy)	0.146	114	0.000	0.938	114	0.000
CSDIFF (Differentiation Strategy)	0.156	114	0.000	0.940	114	0.000
MOCOMO (Competitor Orientation)	0.211	114	0.000	0.892	114	0.000
MOCUSO (Customer Orientation)	0.165	114	0.000	0.927	114	0.000
ISPI (Process Innovation)	0.221	114	0.000	0.889	114	0.000
ISSI (Service Innovation)	0.183	114	0.000	0.891	114	0.000
OP (Organizational Performance)	0.160	114	0.000	0.895	114	0.000

a Lilliefors Significance Correction


Normal Q-Q Plot of CSCL
Expected Normal
Observed Value
3
2
1
0
-1
-2
-3
1
2
3
4
5
6
7


Detrended Normal Q-Q Plot of CSCL
Dev from Normal
Observed Value
0.4
0.2
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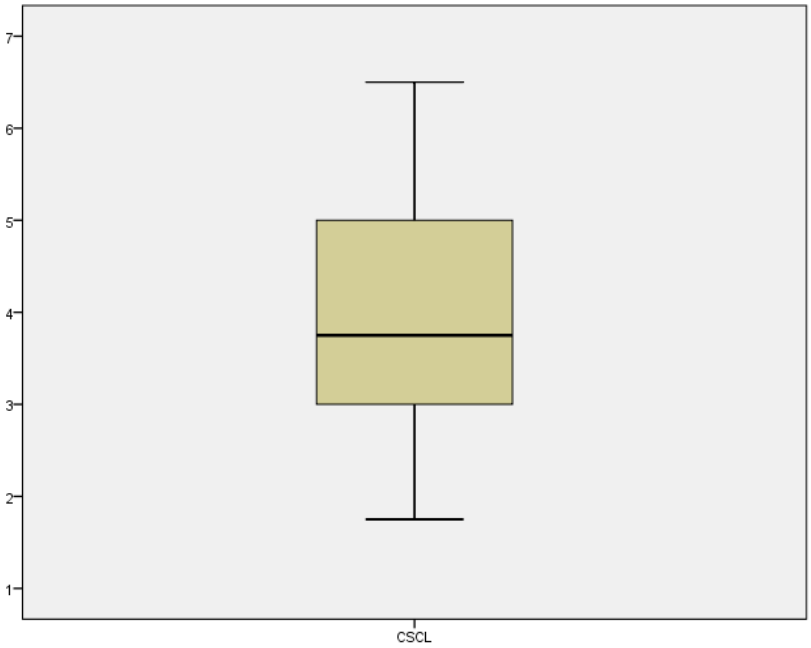
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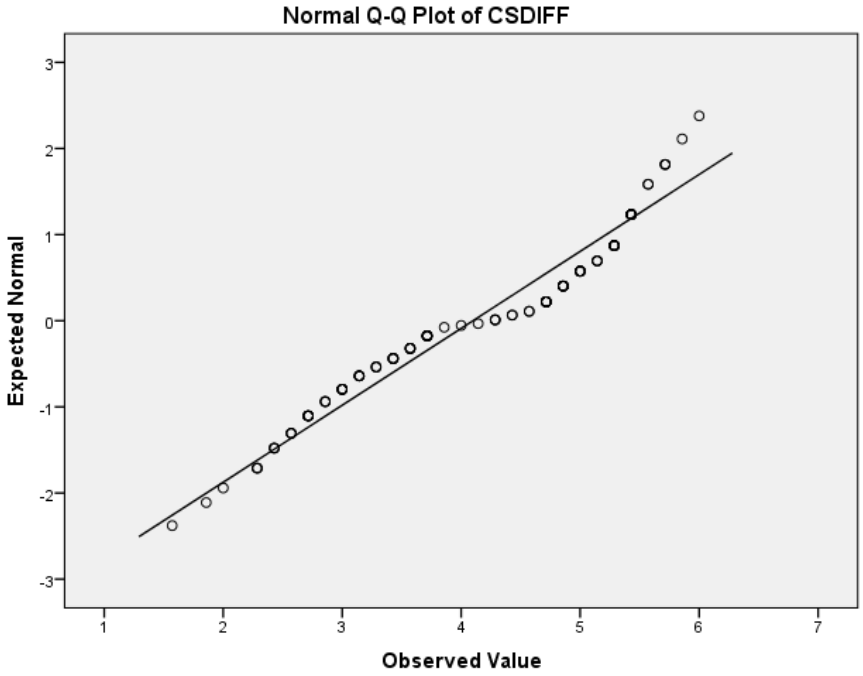
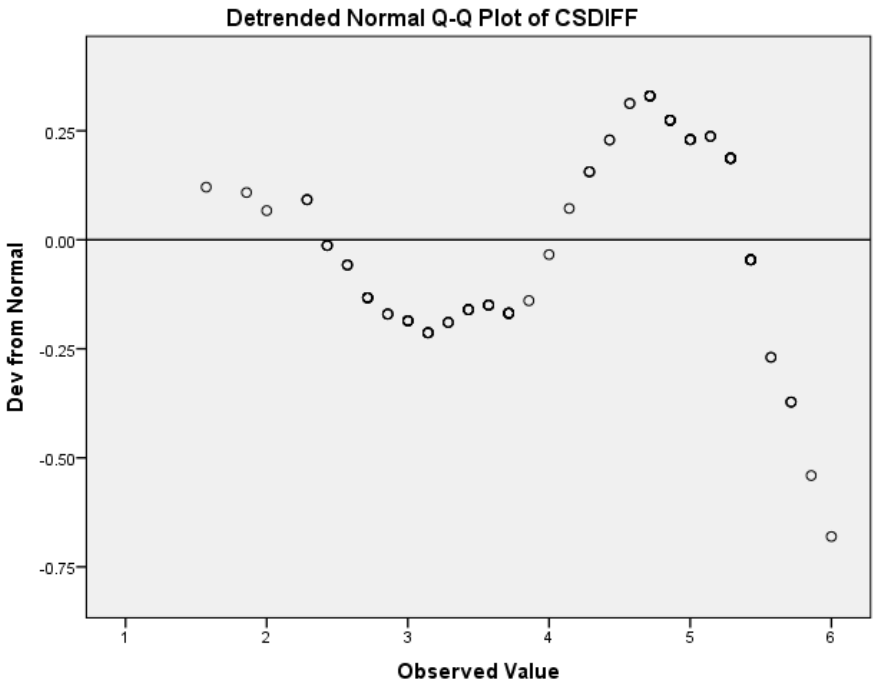
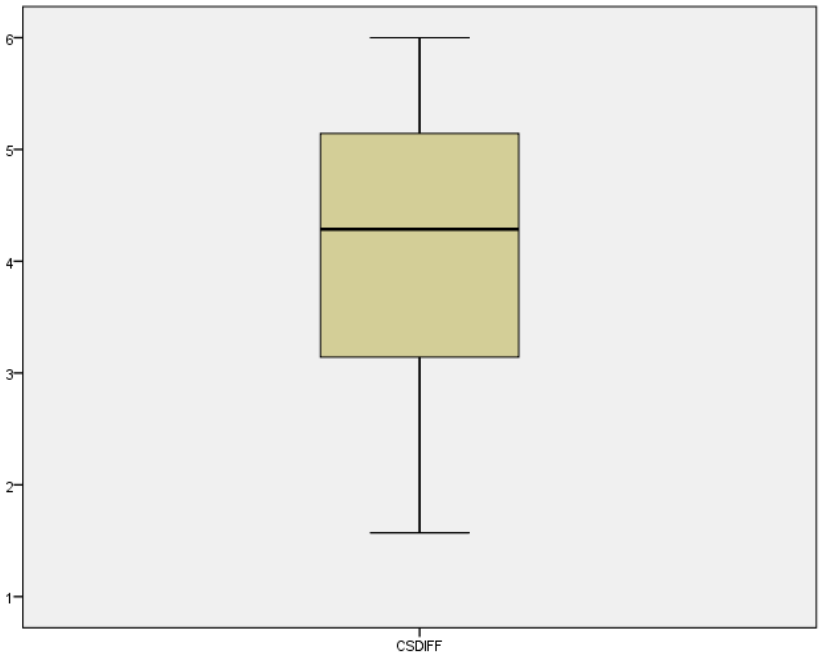
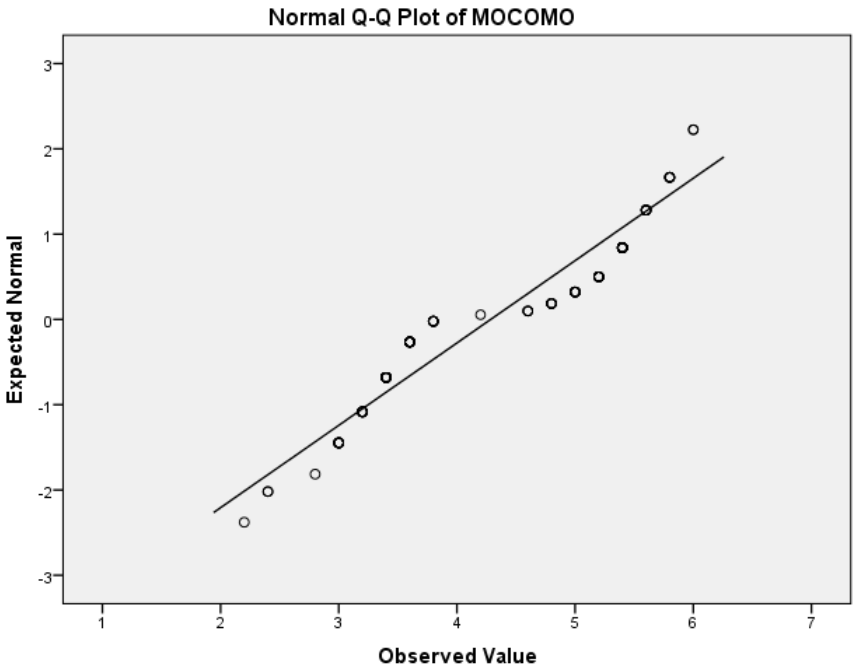
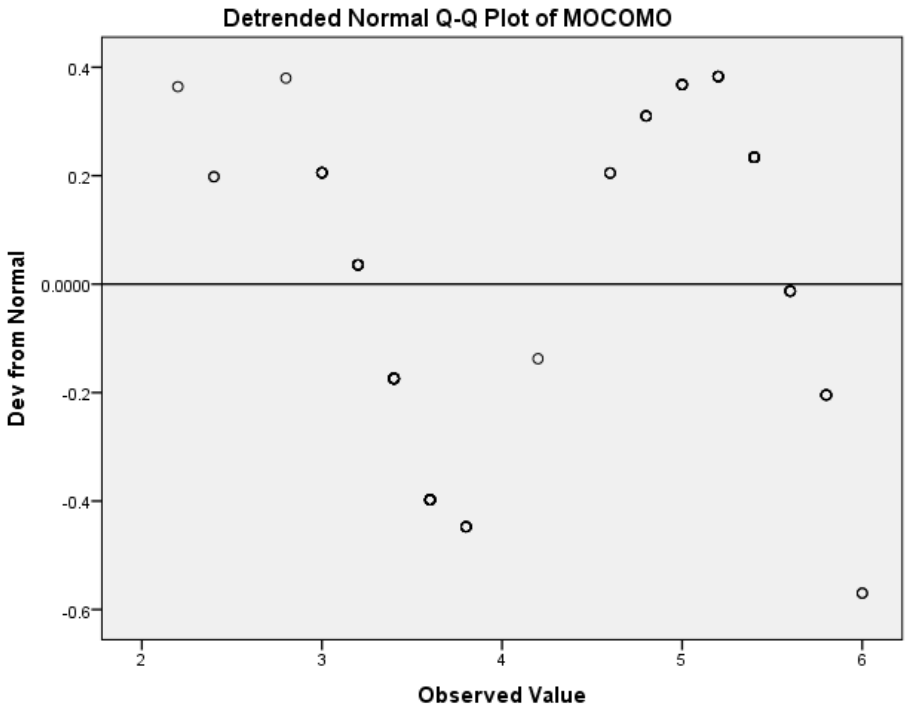
CSCL

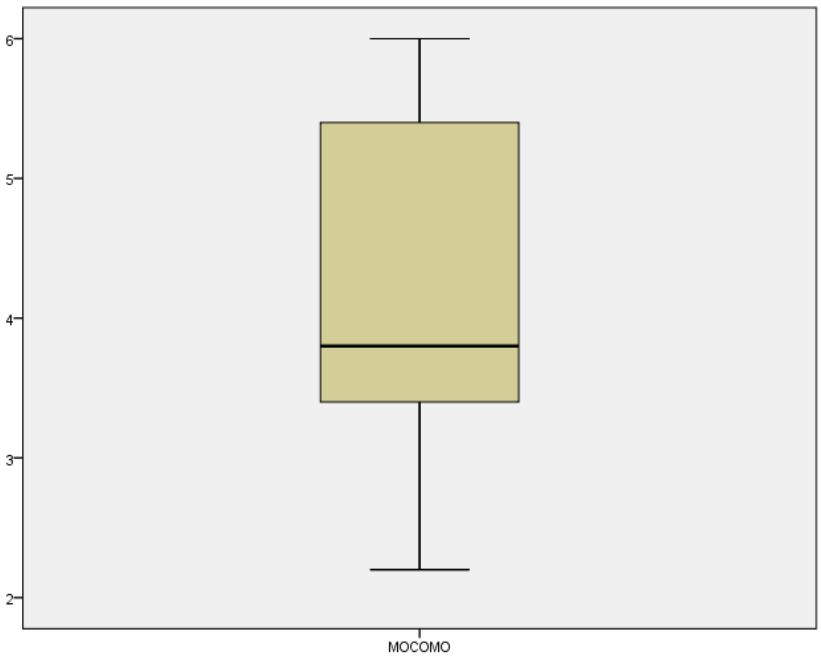

Normal Q-Q Plot of CSDIFF
Expected Normal
3
2
1
0
-1
-2
-3
1
2
3
4
5
6
7
Observed Value

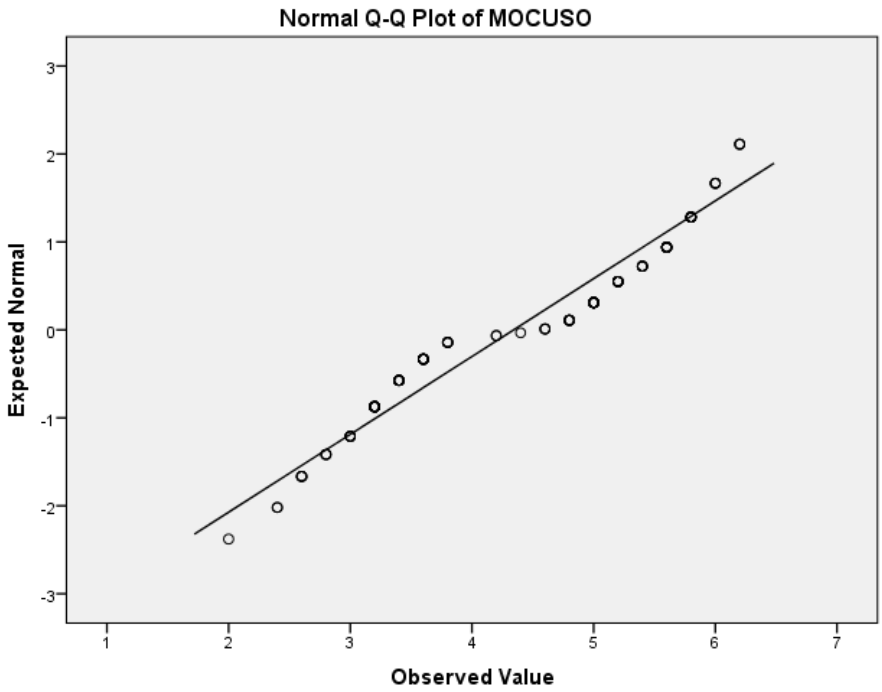

Detrended Normal Q-Q Plot of CSDIFF
Dev from Normal
0.25
0.00
-0.25
-0.50
-0.75
1
2
3
4
5
6
Observed Value

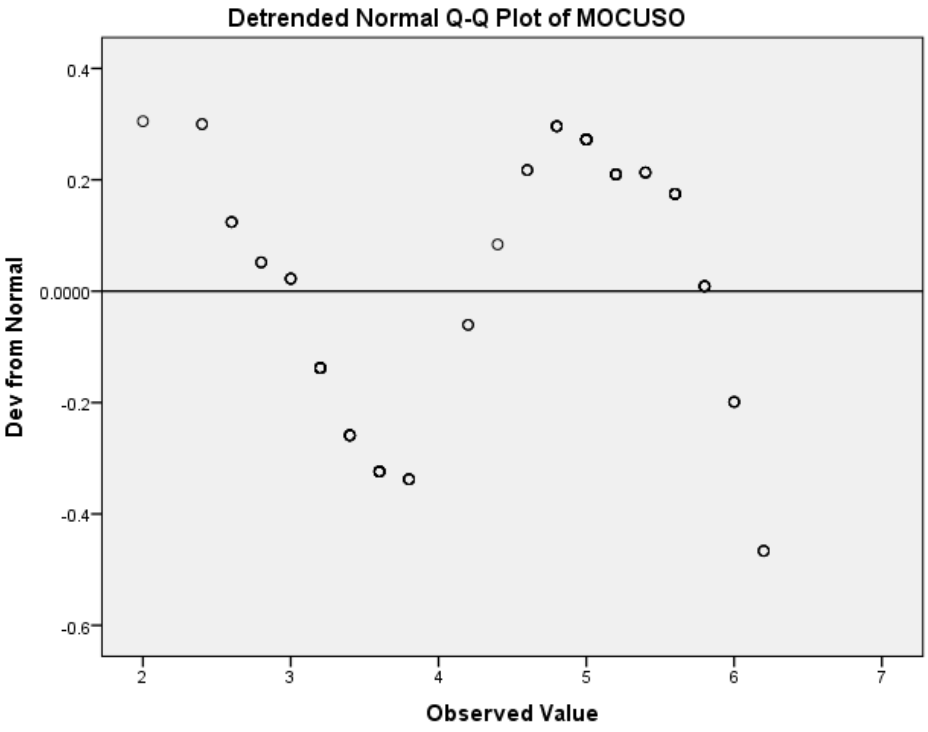

6
5
4
3
2
1
CSDIFF

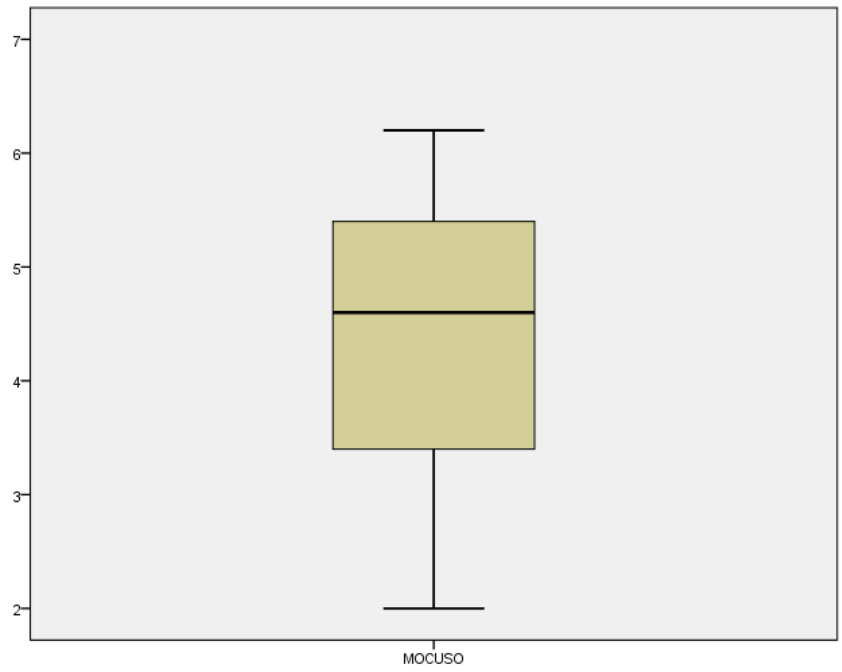

Normal Q-Q Plot of MOCOMO
Expected Normal
Observed Value
3
2
1
0
-1
-2
-3
1
2
3
4
5
6
7

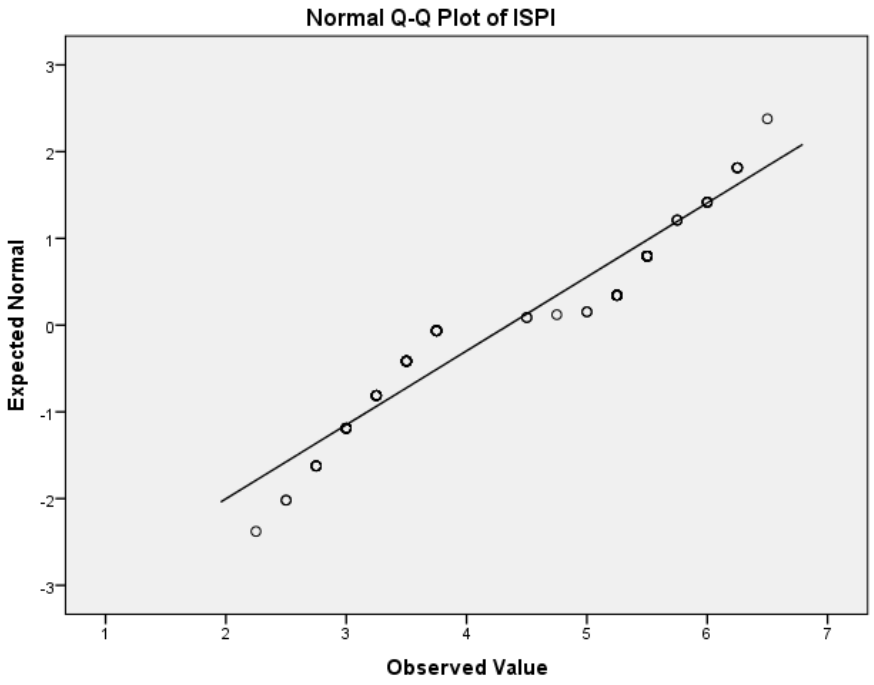

Detrended Normal Q-Q Plot of MOCOMO
Dev from Normal
Observed Value
0.4
0.2
0.0000
-0.2
-0.4
-0.6
2
3
4
5
6

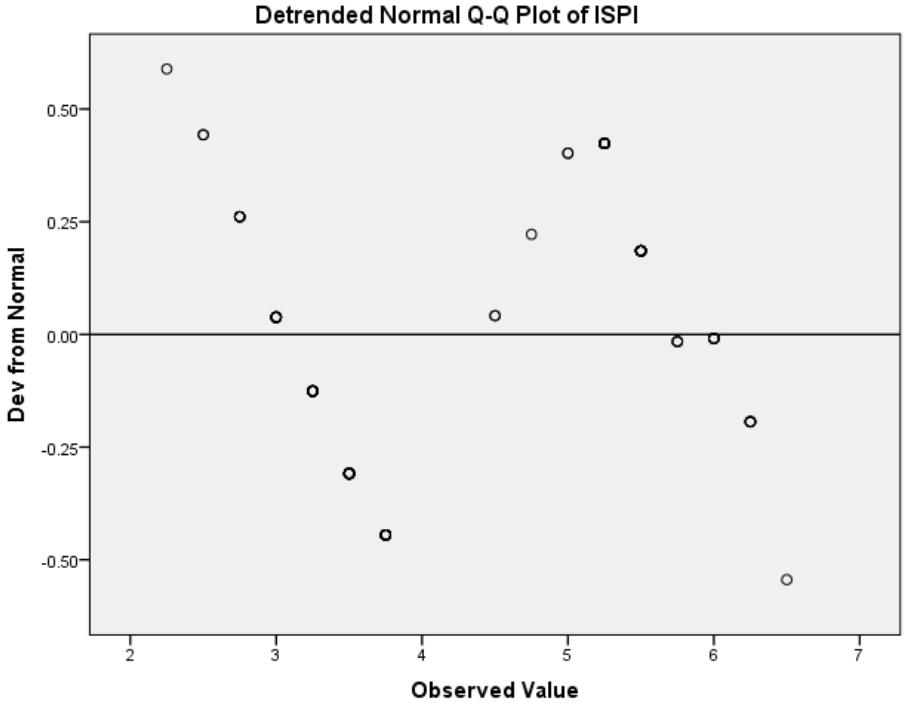

6
5
4
3
2
MOCOMO

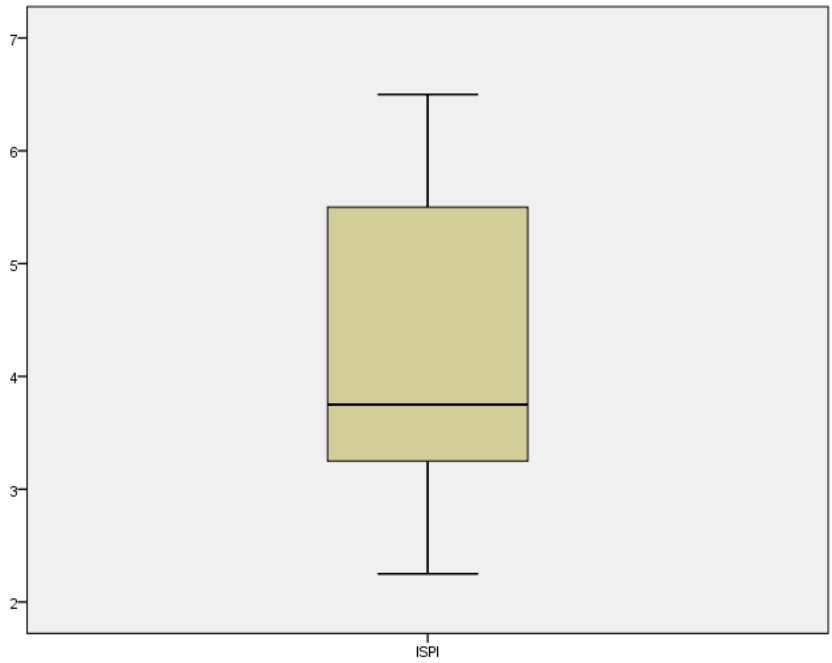

Normal Q-Q Plot of MOCUSO
Expected Normal
3
2
1
0
-1
-2
-3
1
2
3
4
5
6
7
Observed Value

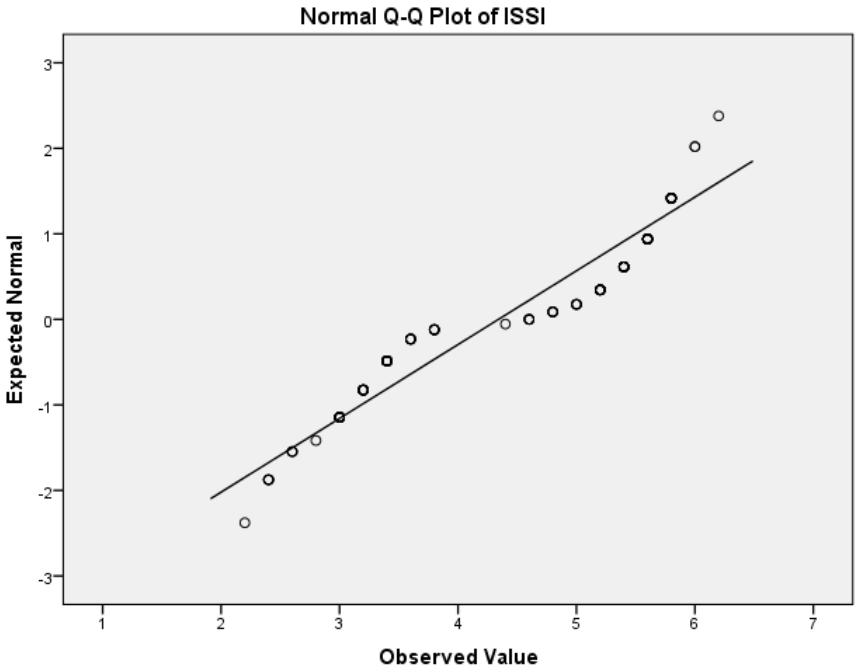

Detrended Normal Q-Q Plot of MOCUSO
Dev from Normal
0.4
0.2
0.0000
-0.2
-0.4
-0.6
2
3
4
5
6
7
Observed Value

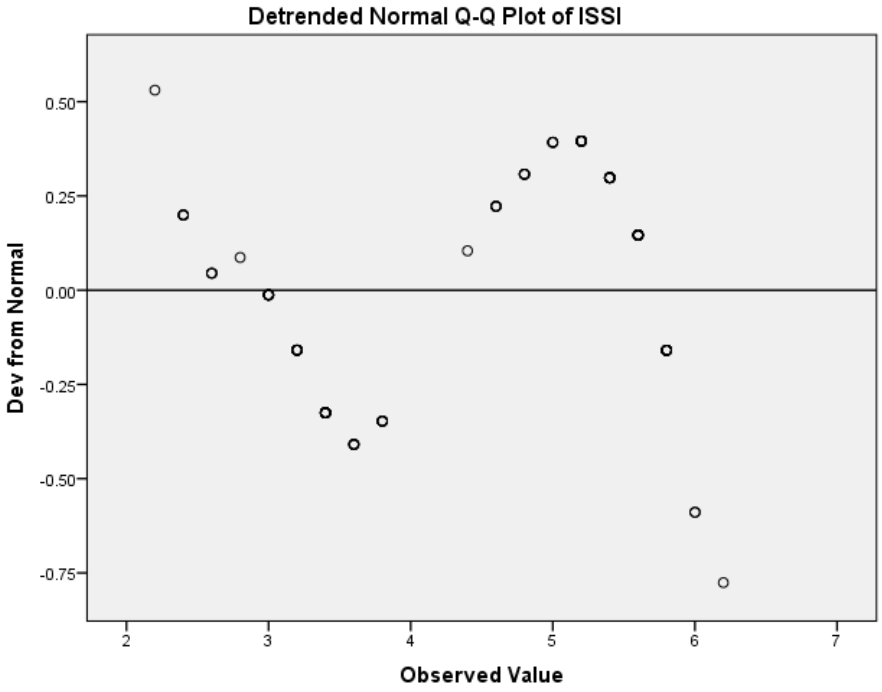

7
6
5
4
3
2
MOCUSO

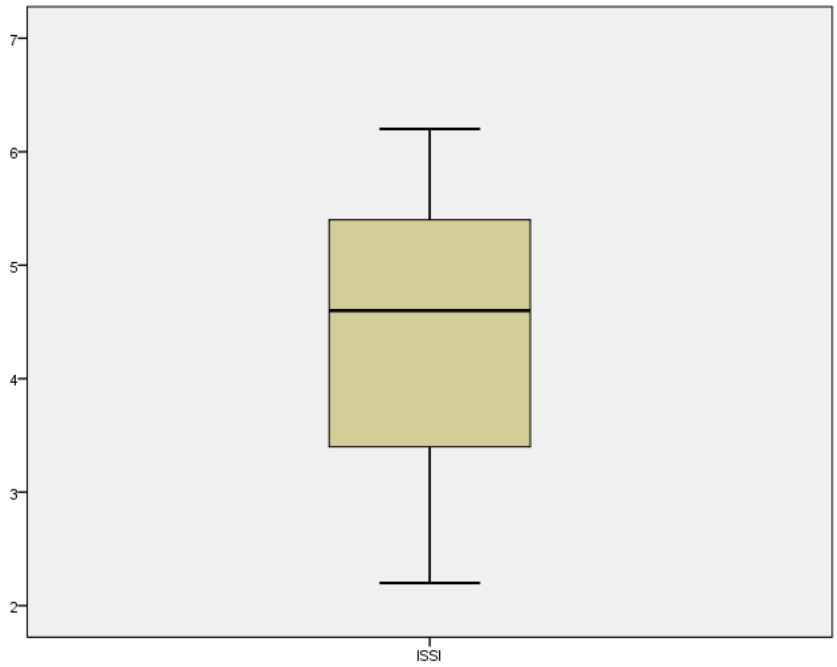

Normal Q-Q Plot of ISPI
Expected Normal
Observed Value
3
2
1
0
-1
-2
-3
1
2
3
4
5
6
7

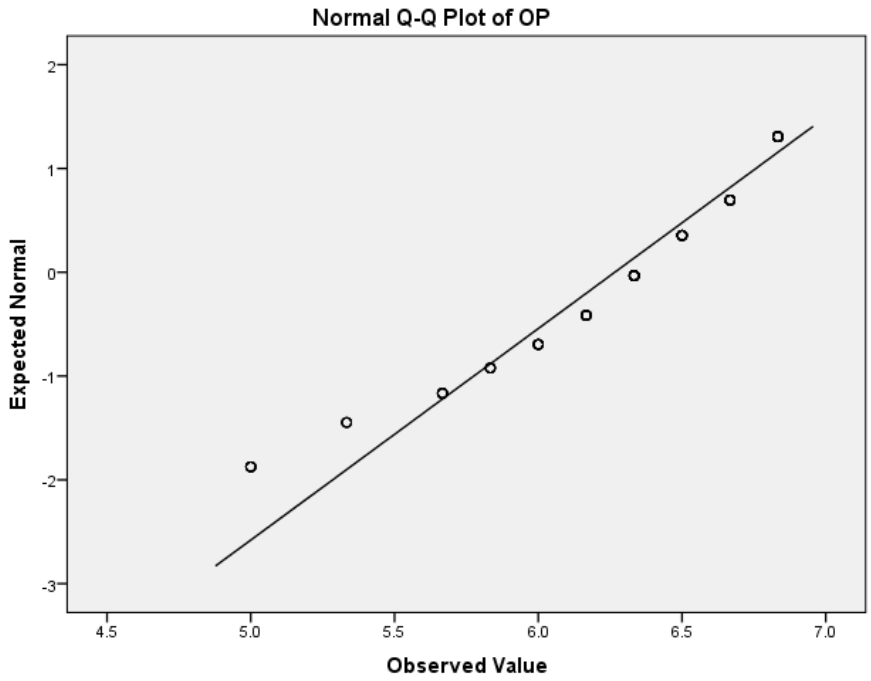

Detrended Normal Q-Q Plot of ISPI
Dev from Normal
Observed Value
0.50
0.25
0.00
-0.25
-0.50
2
3
4
5
6
7

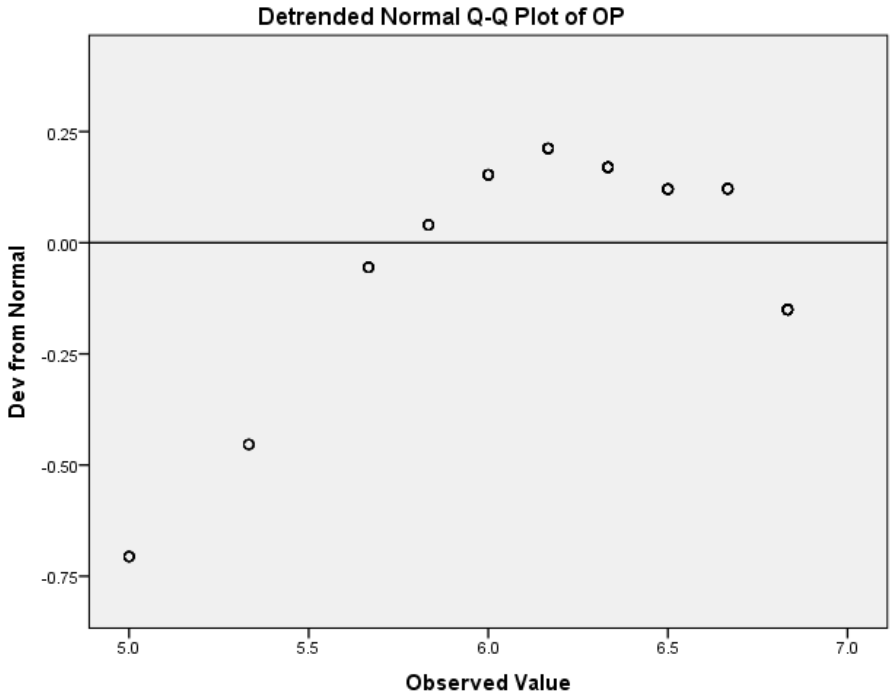

7
6
5
4
3
2
ISPI

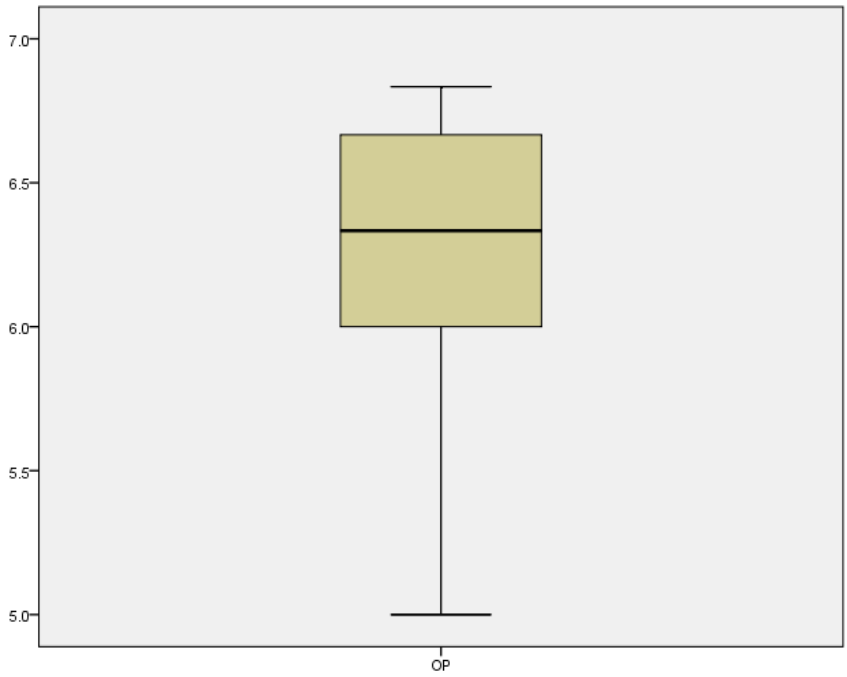

Normal Q-Q Plot of ISSI
Expected Normal
Observed Value
3
2
1
0
-1
-2
-3
1
2
3
4
5
6
7


Detrended Normal Q-Q Plot of ISSI
Dev from Normal
0.50
0.25
0.00
-0.25
-0.50
-0.75
2
3
4
5
6
7
Observed Value


7
6
5
4
3
2
ISSI


Normal Q-Q Plot of OP
Expected Normal
2
1
0
-1
-2
-3
4.5
5.0
5.5
6.0
6.5
7.0
Observed Value


Detrended Normal Q-Q Plot of OP
Dev from Normal
0.25
0.00
-0.25
-0.50
-0.75
5.0
5.5
6.0
6.5
7.0
Observed Value


7.0
6.5
6.0
5.5
5.0
OP

Appendix E

Case Processing Summary 2 (Competitor Oriented and Process Innovation)

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
CSCL (Cost Leadership Strategy)	54	100.0%	0	.0%	54	100.0%
MOCOMO (Competitor Orientation)	54	100.0%	0	.0%	54	100.0%
ISPI (Process Innovation)	54	100.0%	0	.0%	54	100.0%
OP (Organizational Performance)	54	100.0%	0	.0%	54	100.0%

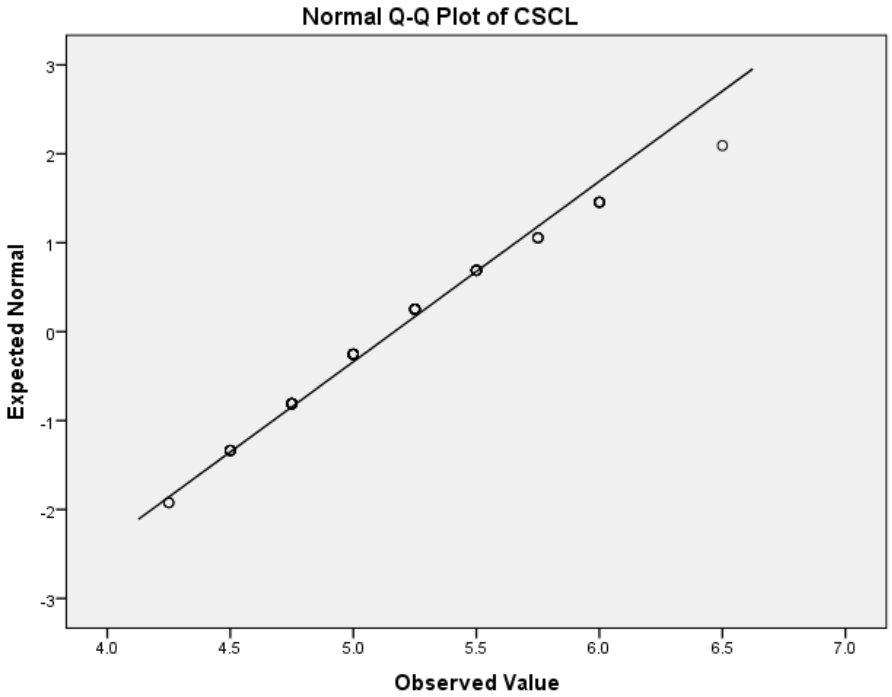
Descriptives

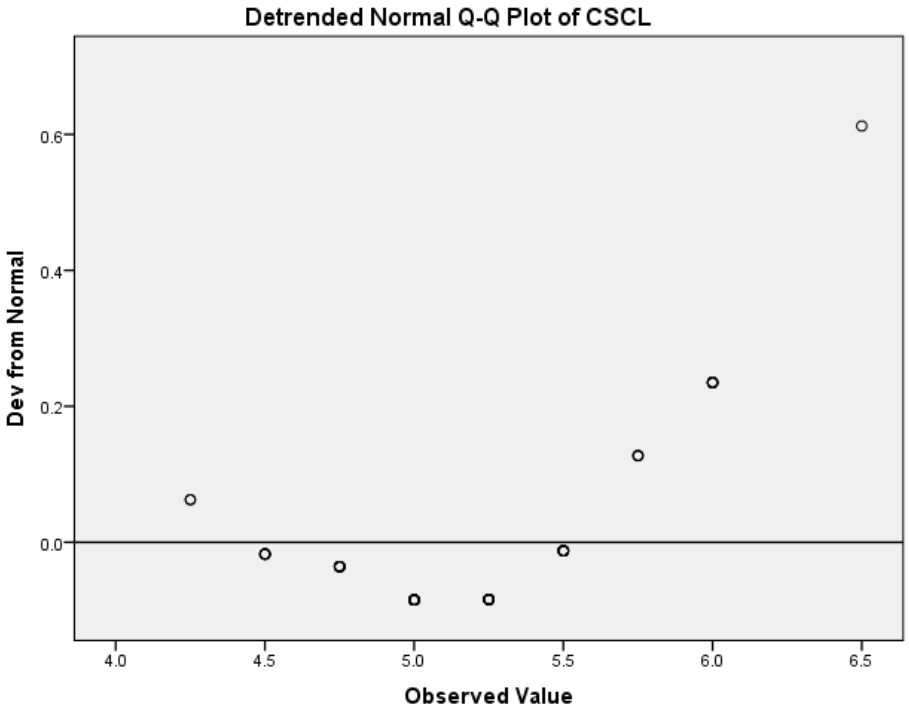
			Statistic	Std. Error
CSCL	Mean		5.1667	0.6707
	95% Confidence Interval for Mean	Lower Bound	5.0321	
		Upper Bound	5.3012	
	Skewness		0.409	0.325
	Kurtosis		-0.073	0.639
MOCOMO	Mean		5.3074	0.0481
	95% Confidence Interval for Mean	Lower Bound	5.2110	
		Upper Bound	5.4039	
	Skewness		-0.170	0.325
	Kurtosis		-0.460	0.639
ISPI	Mean		5.5093	0.5684
	95% Confidence Interval for Mean	Lower Bound	5.3953	
		Upper Bound	5.6233	
	Skewness		0.166	0.325
	Kurtosis		0.557	0.639
OP	Mean		6.3025	0.6580
	95% Confidence Interval for Mean	Lower Bound	6.1705	
		Upper Bound	6.4345	
	Skewness		-0.969	0.325
	Kurtosis		0.473	0.639

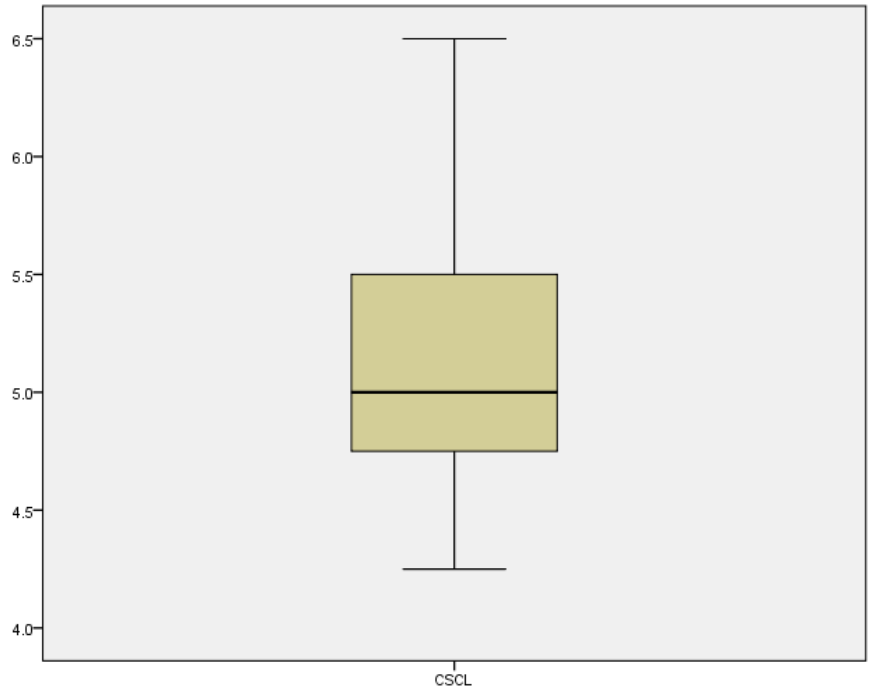
Test of Normality

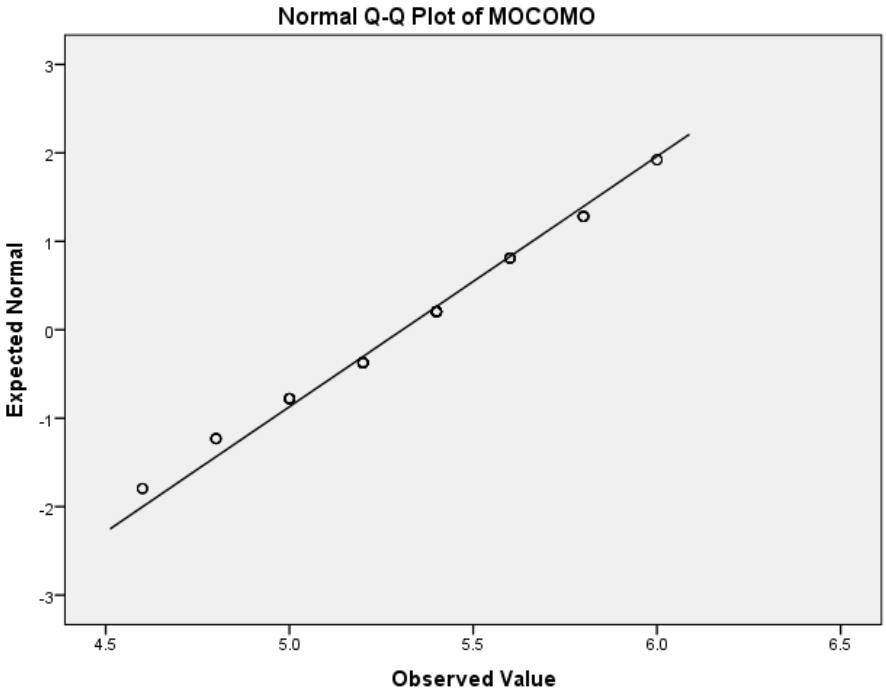
	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
CSCL (Cost Leadership Strategy)	0.151	54	0.004	0.961	54	0.049
MOCOMO (Competitor Orientation)	0.177	54	0.000	0.953	54	0.035
ISPI (Process Innovation)	0.250	54	0.000	0.914	54	0.001
OP (Organizational Performance)	0.174	54	0.000	0.891	54	0.000

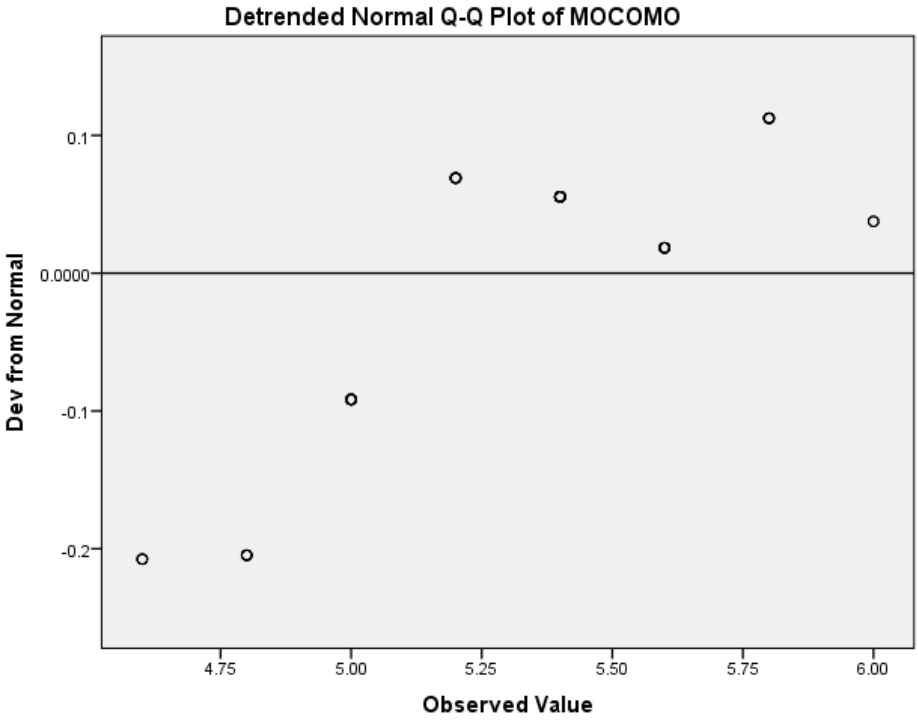
a Lilliefors Significance Correction

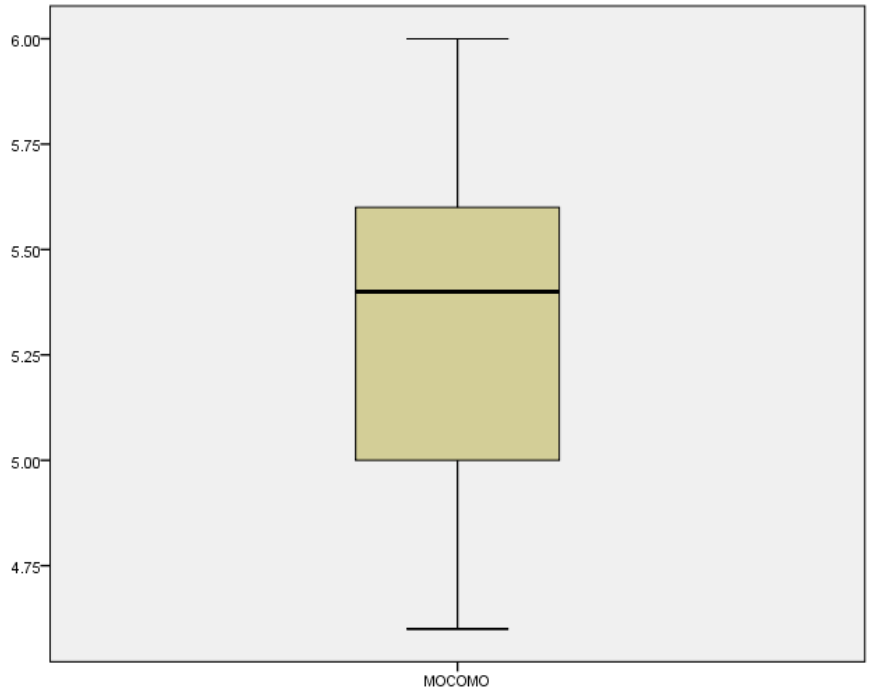


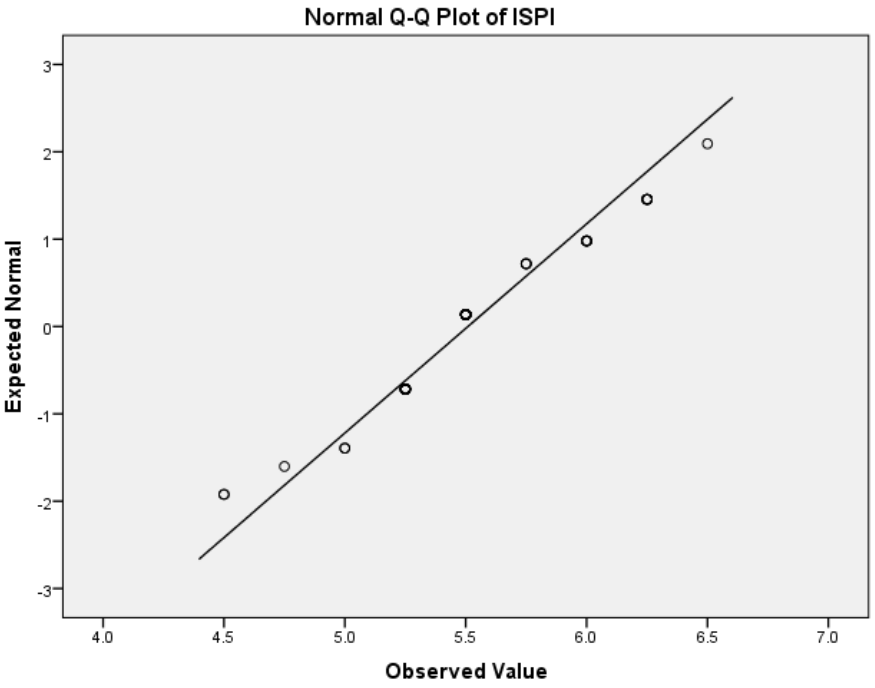

Detrended Normal Q-Q Plot of CSCL
Dev from Normal
0.6
0.4
0.2
0.0
4.0
4.5
5.0
5.5
6.0
6.5
Observed Value

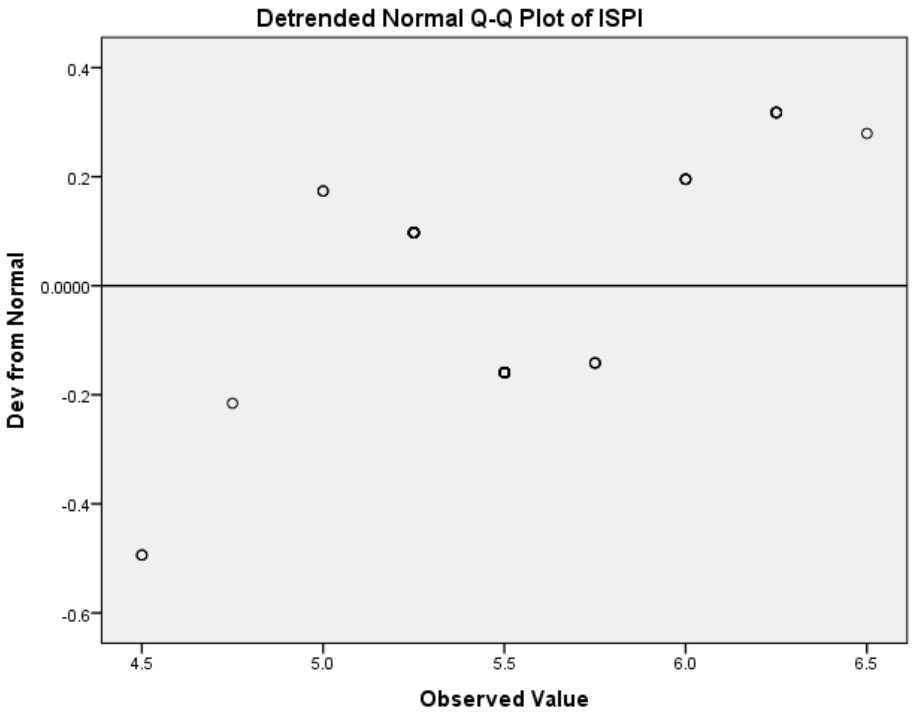

6.5
6.0
5.5
5.0
4.5
4.0
CSCL

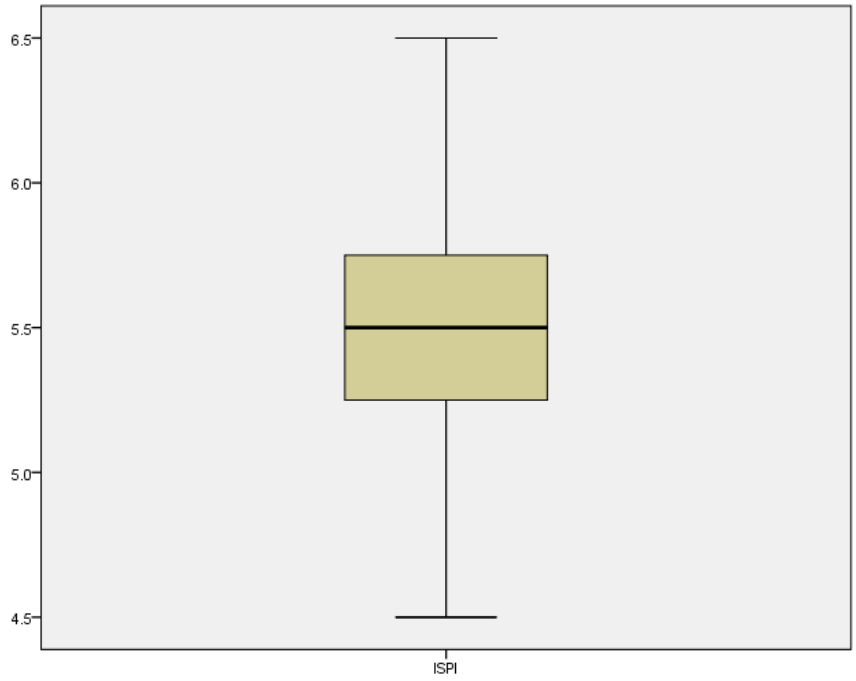

Normal Q-Q Plot of MOCOMO
Expected Normal
3
2
1
0
-1
-2
-3
4.5
5.0
5.5
6.0
6.5
Observed Value

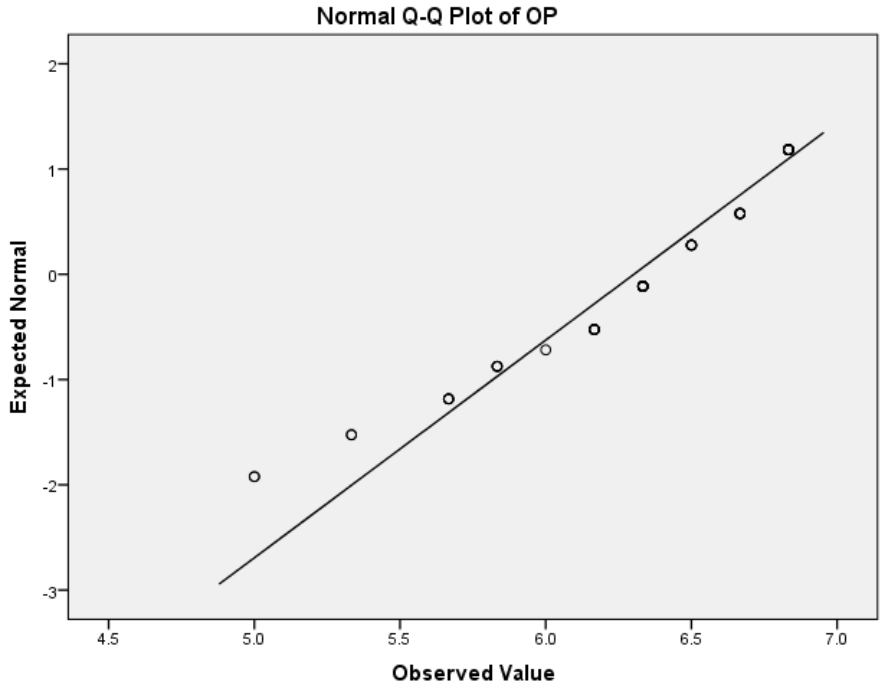

Detrended Normal Q-Q Plot of MOCOMO
Dev from Normal
0.1
0.0000
-0.1
-0.2
4.75
5.00
5.25
5.50
5.75
6.00
Observed Value

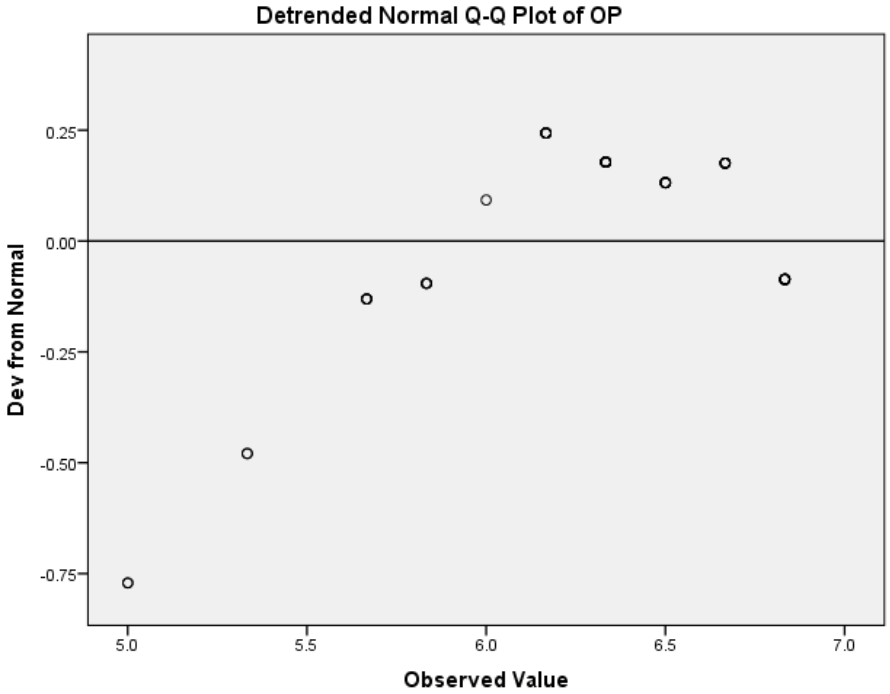

6.00
5.75
5.50
5.25
5.00
4.75
MOCOMO

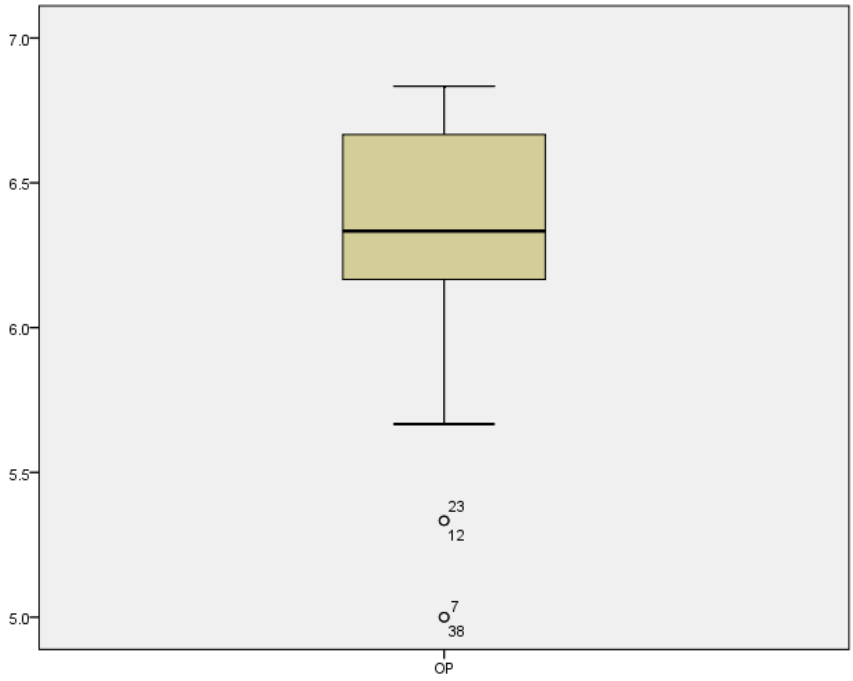

Normal Q-Q Plot of ISPI
Expected Normal
3
2
1
0
-1
-2
-3
4.0
4.5
5.0
5.5
6.0
6.5
7.0
Observed Value


Detrended Normal Q-Q Plot of ISPI
Dev from Normal
0.4
0.2
0.0000
-0.2
-0.4
-0.6
4.5
5.0
5.5
6.0
6.5
Observed Value


6.5
6.0
5.5
5.0
4.5
ISPI


Normal Q-Q Plot of OP
Expected Normal
2
1
0
-1
-2
-3
4.5
5.0
5.5
6.0
6.5
7.0
Observed Value


Detrended Normal Q-Q Plot of OP
Dev from Normal
0.25
0.00
-0.25
-0.50
-0.75
5.0
5.5
6.0
6.5
7.0
Observed Value


7.0
6.5
6.0
5.5
5.0
23
12
7
38
OP

Appendix F

Case Processing Summary 3 (Customer Oriented and Service Innovation)

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
CSDIFF (Differentiation Strategy)	60	100.0%	0	.0%	60	100.0%
MOCUSO (Customer Orientation)	60	100.0%	0	.0%	60	100.0%
ISSI (Service Innovation)	60	100.0%	0	.0%	60	100.0%
OP (Organizational Performance)	60	100.0%	0	.0%	60	100.0%

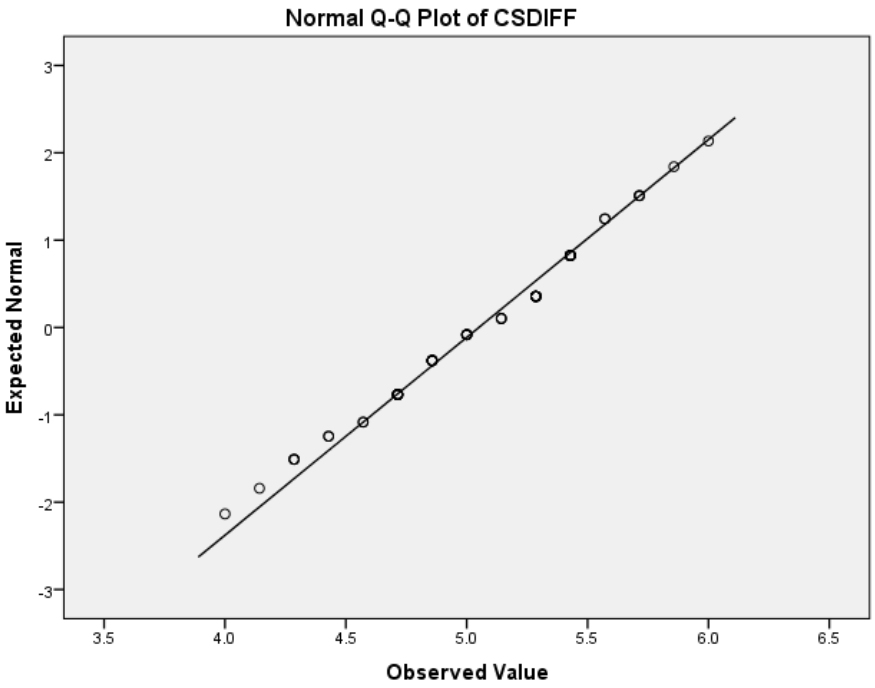
Descriptives

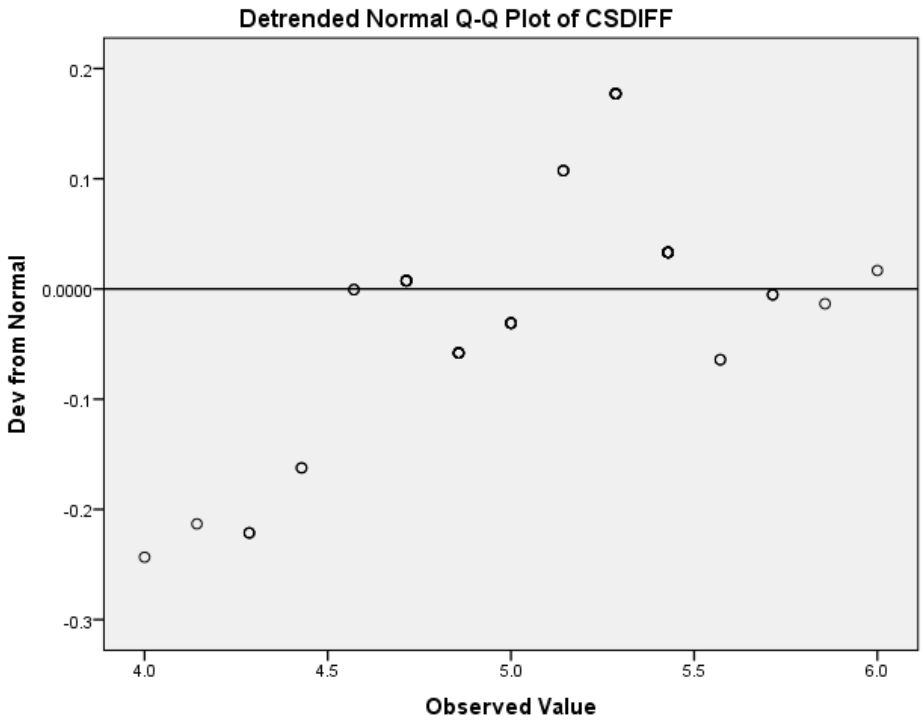
			Statistic	Std. Error
CSDIFF	Mean		5.0500	0.5700
	95% Confidence Interval for Mean	Lower Bound	4.9359	
		Upper Bound	5.1641	
	Skewness		-0.223	0.309
	Kurtosis		-0.376	0.608
MOCUSO	Mean		5.3200	0.6147
	95% Confidence Interval for Mean	Lower Bound	5.1970	
		Upper Bound	5.4430	
	Skewness		-0.027	0.309
	Kurtosis		-0.677	0.608
ISSI	Mean		5.3633	0.5325
	95% Confidence Interval for Mean	Lower Bound	5.2568	
		Upper Bound	5.4699	
	Skewness		-0.465	0.309
	Kurtosis		-0.388	0.608
OP	Mean		6.2333	0.0644
	95% Confidence Interval for Mean	Lower Bound	6.1045	
		Upper Bound	6.3622	
	Skewness		-0.998	0.309
	Kurtosis		0.603	0.608

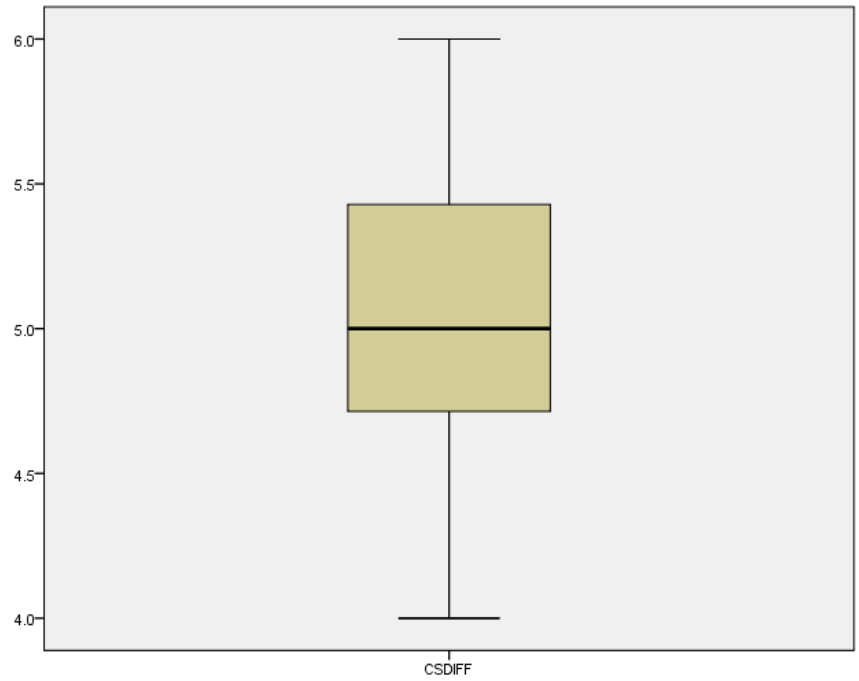
Test of Normality

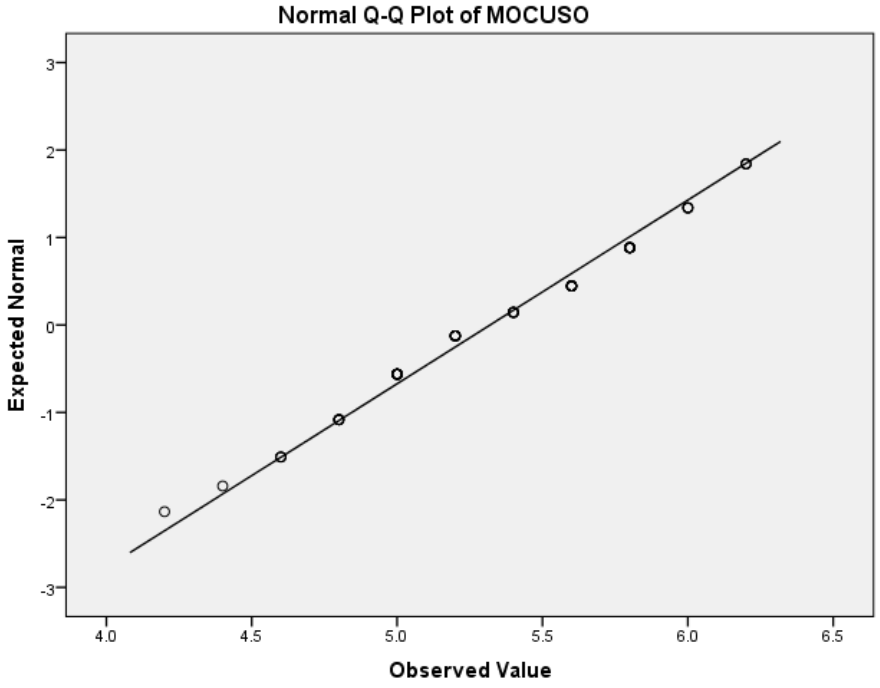
	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
CSDIFF (Differentiation Strategy)	0.137	60	0.007	0.976	60	0.048
MOCUSO (Customer Orientation)	0.133	60	0.010	0.967	60	0.032
ISSI (Service Innovation)	0.135	60	0.008	0.947	60	0.012
OP (Organizational Performance)	0.146	60	0.003	0.895	60	0.000

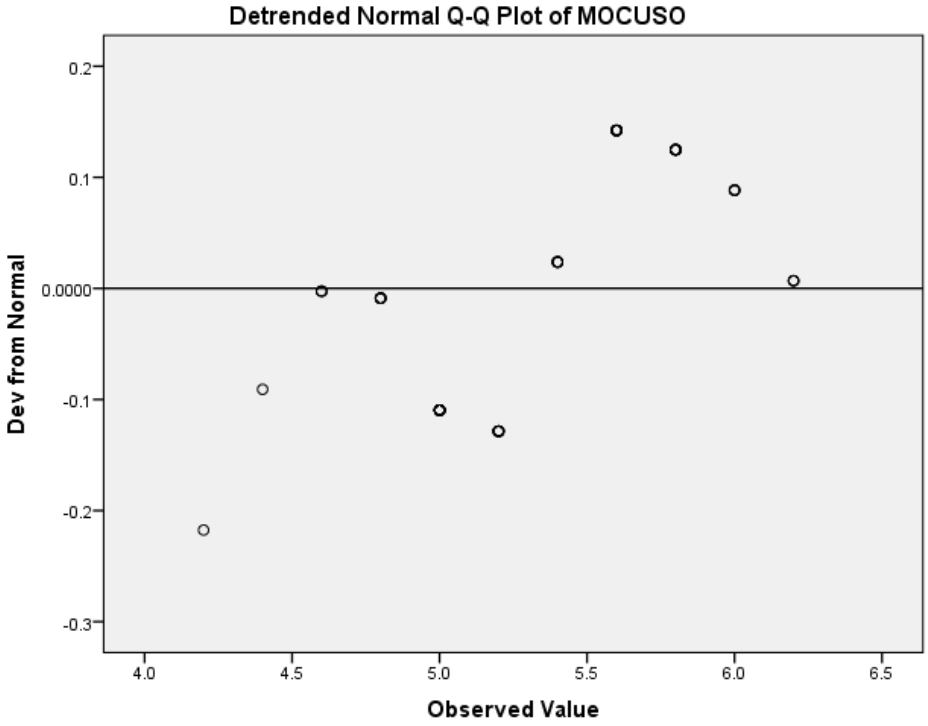
a Lilliefors Significance Correction

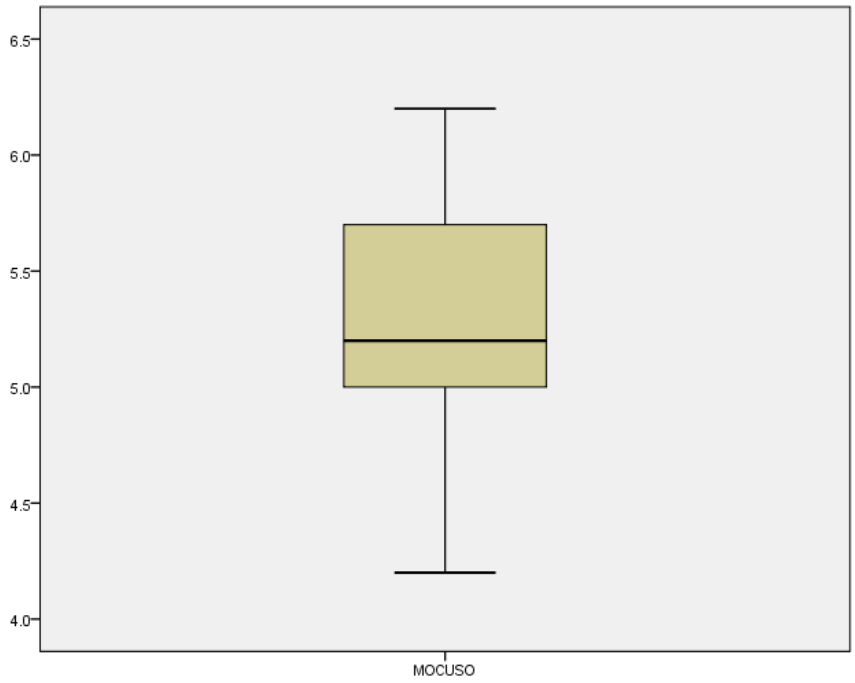

Normal Q-Q Plot of CSDIFF
Expected Normal
Observed Value
3
2
1
0
-1
-2
-3
3.5
4.0
4.5
5.0
5.5
6.0
6.5

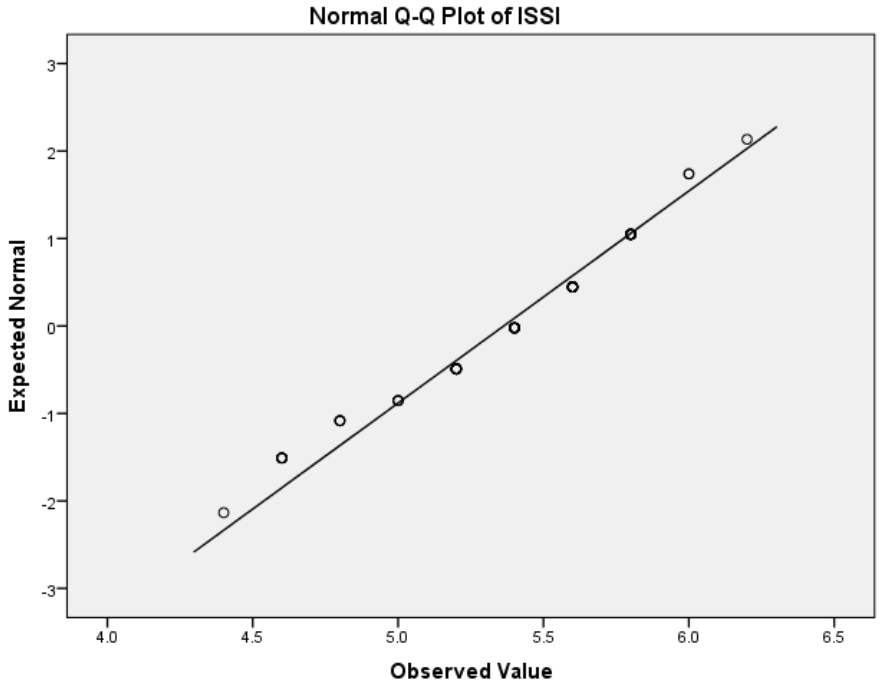

Detrended Normal Q-Q Plot of CSDIFF
Dev from Normal
Observed Value
0.2
0.1
0.0000
-0.1
-0.2
-0.3
4.0
4.5
5.0
5.5
6.0

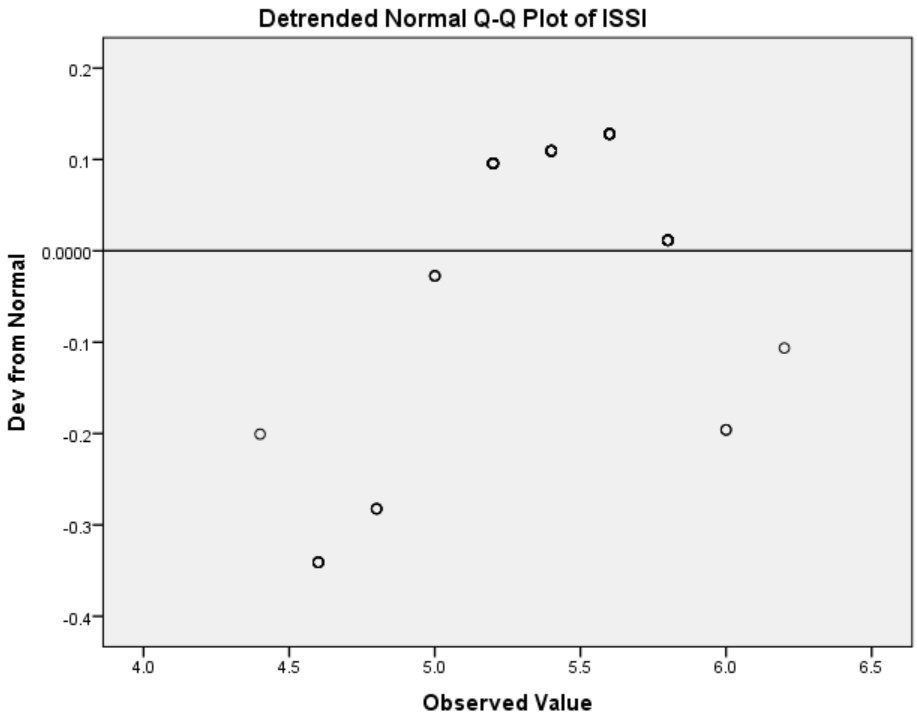

6.0
5.5
5.0
4.5
4.0
CSDIFF

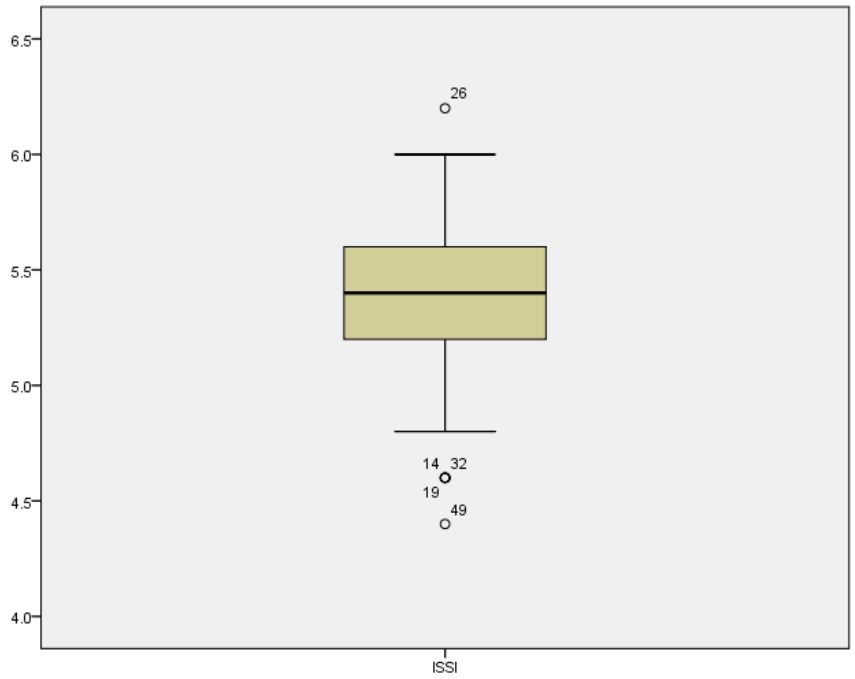

Normal Q-Q Plot of MOCUSO
Expected Normal
3
2
1
0
-1
-2
-3
4.0
4.5
5.0
5.5
6.0
6.5
Observed Value

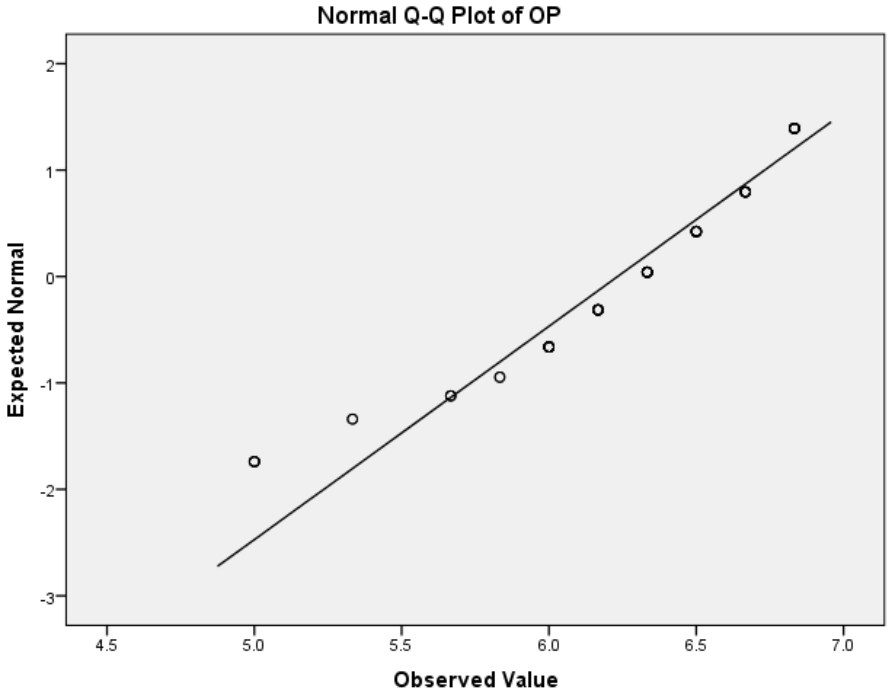

Detrended Normal Q-Q Plot of MOCUSO
Dev from Normal
0.2
0.1
0.0000
-0.1
-0.2
-0.3
4.0
4.5
5.0
5.5
6.0
6.5
Observed Value

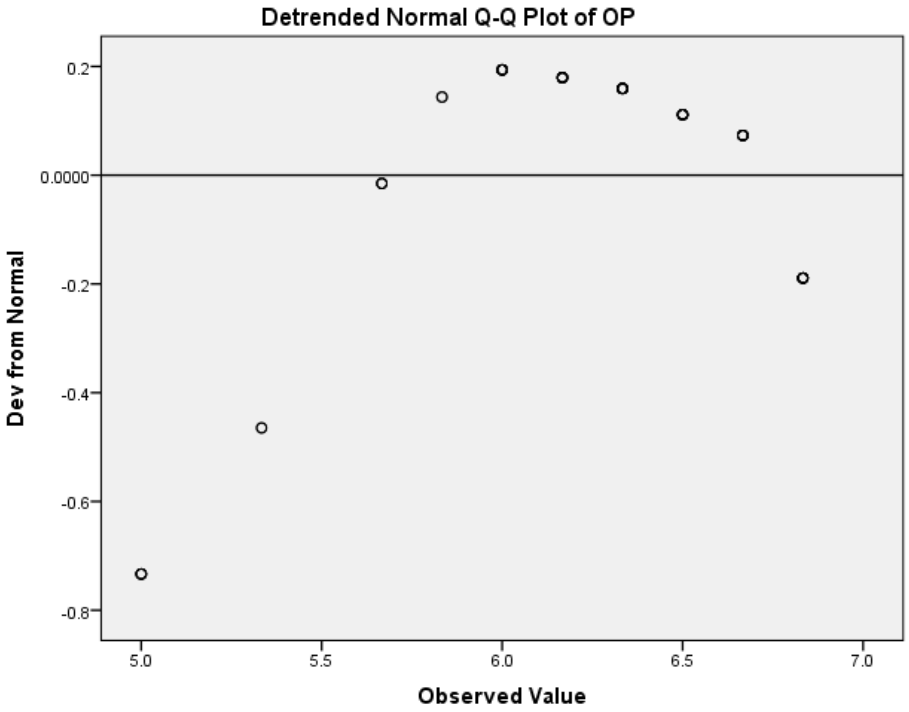

6.5
6.0
5.5
5.0
4.5
4.0
MOCUSO

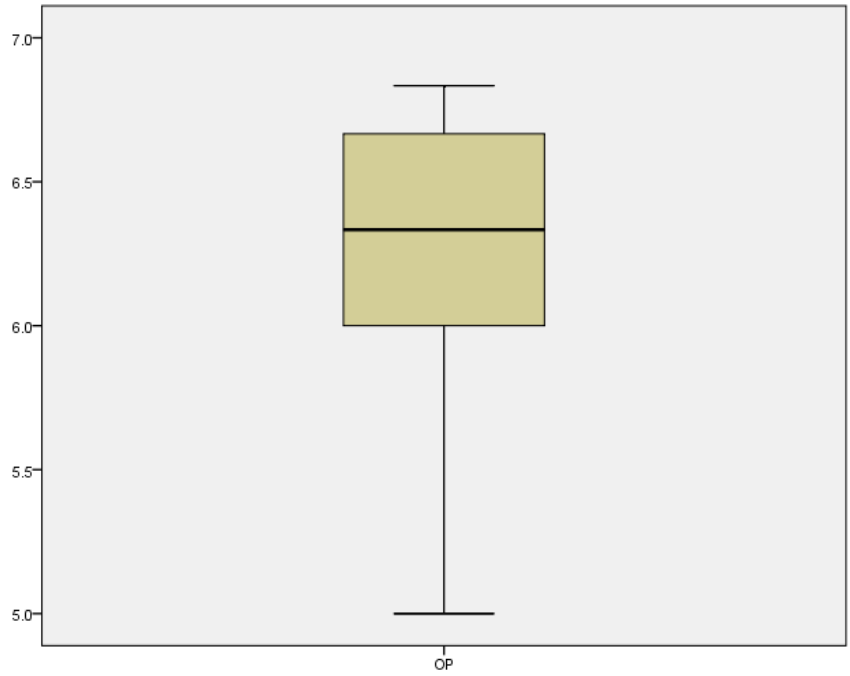

Normal Q-Q Plot of ISSI
Expected Normal
Observed Value
3
2
1
0
-1
-2
-3
4.0
4.5
5.0
5.5
6.0
6.5


Detrended Normal Q-Q Plot of ISSI
Dev from Normal
Observed Value
0.2
0.1
0.0000
-0.1
-0.2
-0.3
-0.4
4.0
4.5
5.0
5.5
6.0
6.5

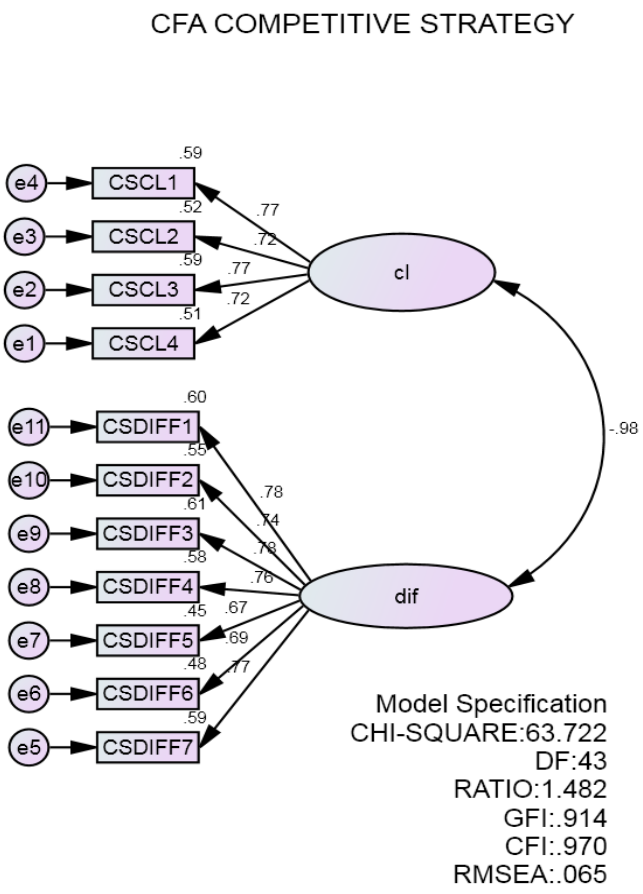

6.5
6.0
5.5
5.0
4.5
4.0
26
14
32
19
49
ISSI


Normal Q-Q Plot of OP
Expected Normal
2
1
0
-1
-2
-3
4.5
5.0
5.5
6.0
6.5
7.0
Observed Value

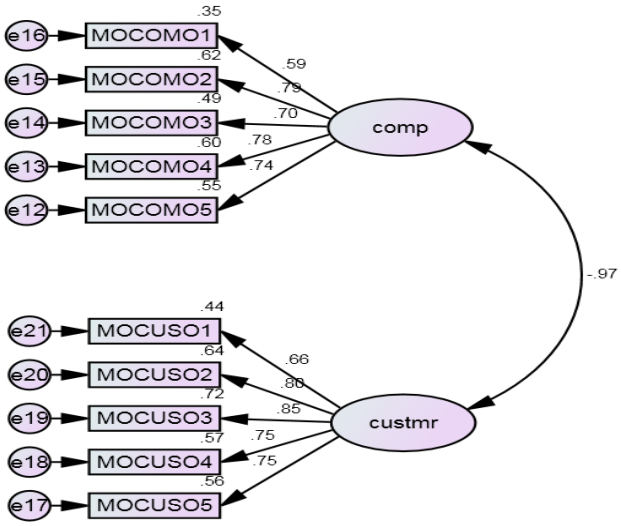

Detrended Normal Q-Q Plot of OP
Dev from Normal
0.2
0.0000
-0.2
-0.4
-0.6
-0.8
5.0
5.5
6.0
6.5
7.0
Observed Value


7.0
6.5
6.0
5.5
5.0
OP

Appendix G

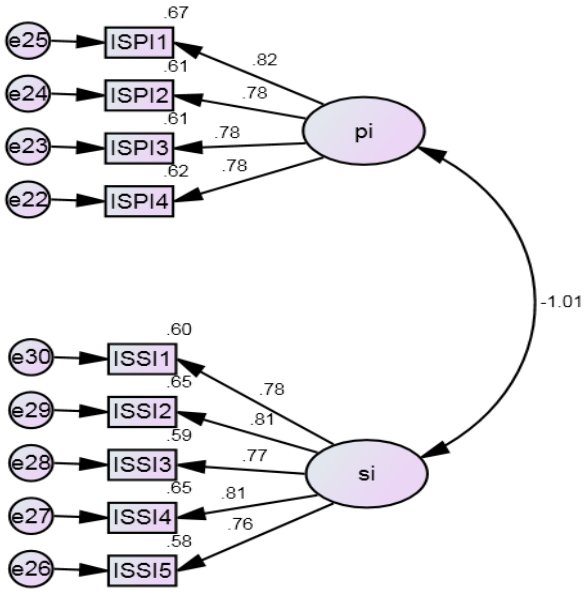

CFA COMPETITIVE STRATEGY
e4
e3
e2
e1
CSCL1
CSCL2
CSCL3
CSCL4
.59
.52
.59
.51
.77
.72
.77
.72
cl
-.98
e11
e10
e9
e8
e7
e6
e5
CSDIFF1
CSDIFF2
CSDIFF3
CSDIFF4
CSDIFF5
CSDIFF6
CSDIFF7
.60
.55
.61
.58
.45
.48
.59
.78
.74
.78
.76
.67
.69
.77
dif
Model Specification
CHI-SQUARE:63.722
DF:43
RATIO:1.482
GFI:.914
CFI:.970
RMSEA:.065

CFA MARKET ORIENTATION



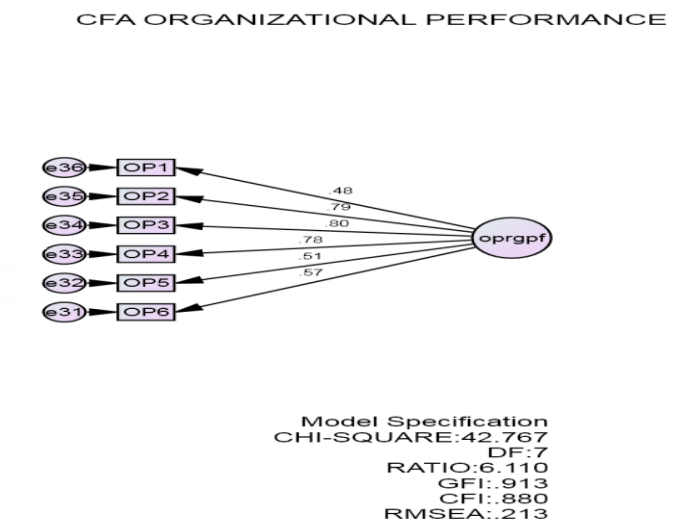
Model Specification
CHI-SQUARE:59.433
DF:34
RATIO:1.748
GFI:.912
CFI:.960
RMSEA:.081

CFA INNOVATION STRATEGY

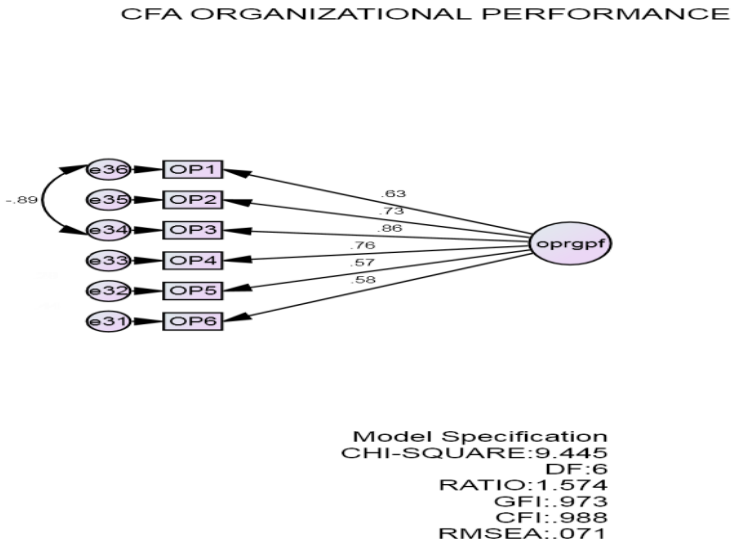


Model Specification
CHI-SQUARE:43.550
DF:26
RATIO:1.675
GFI:.919
CFI:.975
RMSEA:.077

Initial



Revised



LIST OF PUBLICATIONS

Journal articles

1. Kaliappen, N. and Hilman, H. (2013). Validity and reliability of the strategic factors and organizational performance scales. *Middle-East Journal of Scientific Research*, 16 (12), 1719-1724. (ISI/Scopus index)

2. Kaliappen, N. and Hilman, H. (2013). Enhancing organizational performance through strategic alignment of cost leadership strategy and competitor orientation. *Middle-East Journal of Scientific Research*, 18 (10), 1411-1416. (ISI/Scopus index).

3. Hilman, H. and Kaliappen, N. (2014). Construct validation on organizational strategies and performance dimensions using confirmatory factor analysis. *Asian Journal of Management Research*, 4 (3), 550-560. (EBSCOhost & Proquest).

4. Kaliappen, N. and Hilman, H. (2014). Building strategic business model through underpinning theories. *International Journal of Management Research and Review*, 4 (3), 327-333. (EBSCOhost & Proquest).

5. Hilman, H. and Kaliappen, N. (2014). Do cost leadership strategy and process innovation influence the performance of Malaysia hotel industry? *Asian Social Science*, 10 (10), 134-141. (Scopus index).

6. Hilman, H. and Kaliappen, N. (2014). Strategic role of customer orientation in differentiation strategy and organizational performance nexus: A Partial Least Square (PLS) approach. *Research Journal of Applied Sciences, Engineering and Technology*, Paper in Press, 7 (19). (ISI/Scopus index).

7. Kaliappen, N. and Hilman, H. (2014). Does service innovation act as a mediator in differentiation strategy and organizational performance nexus? An empirical study. *Asian Social Science*, Paper in Press, 10 (11). (Scopus index).

8. Kaliappen, N. and Hilman, H. (2014). Strategic roles of human capital in transforming hotel industry in Malaysia. *Journal of Global Business Advancement*, 7 (3). (Scopus index).

9. Hilman, H. and Kaliappen, N. (2014). Market orientation practices and effects on organizational performance. *SAGE Open*, 4 (4).

10. Hilman, H. and Kaliappen, N. (2015). Innovation strategies and performance: Are they truly linked? *World Journal of Entrepreneurship, Management and Sustainable Development*, Forthcoming issue.

Conference proceedings

1. Kaliappen, N. and Hilman, H. (2013). Reshaping the relationship of strategic factors through underpinning theories. 10th AGBA Conference Proceeding Bangkok, Thailand. 10 (1). ISSN: 1549-9332.

2. Hilman, H. and Kaliappen, N. (2013). Relationship of business strategy, strategic capabilities and environmental uncertainties on organization performance of Malaysian hotel industry. 10th AGBA Conference Proceeding Bangkok, Thailand. 10 (1). ISSN: 1549-9332.

3. Kaliappen, N. and Hilman, H. (2014). Improving hotel performance by strategically matching the cost leadership, competitor orientation and process innovation. i-QAM.

4. Hilman, H. and Kaliappen, N. (2014). Causal effect of differentiation strategy on organizational performance: The mediating effects of customer orientation and service innovation. i-QAM.