

**RESOURCE BASED COMPETITIVE STRATEGIES
AND PERFORMANCE: THE IMPACT OF
MANAGERS' PERCEPTIONS OF CUSTOMER
VALUE HETEROGENEITY AND
COMPETITIVE FORCES**

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ABSTRACT

Many theoretical perspectives have been put to shape our understanding of how firms can compete and obtain a competitive advantage in a competitive environment, but not one particular theory has been acknowledged as the means of gaining this competitive advantage. This study aims to integrate three perspectives to build a theoretical model of the hotel competitive advantage to measure hotel performance based on customer value, industry force factors and resource-based approaches.

Introduction

With the increasing intensity of competitions and sophisticated consumers, achieving a competitive advantage became a big concern for many firms that compete in such environments. Researchers have determined to view companies as autonomous entities, striving for competitive advantage from either external sources, or from internal resources and capabilities (Gulati et al., 2000).

A key issue that arouses a great debate and attention in the strategy literature is how a firm can achieve and maintain its competitive advantage (Zhou et al., 2009). Managers are also most concerned of why differences in performance levels exist between different firms and what possible factors may justify those differences (Claver-Cortés et al., 2007).

Many theories have been put forward in an effort to solve this matter, but not one particular theory has been acknowledged as the means of gaining this competitive advantage (Cockburn, Henderson and Stern, 2000).

The strategy literature demonstrates the dominance of two competing perspectives to achieve competitive advantage (Zhou et al., 2009): Porter's competitive forces perspective (Porter, 1985) and the resource-based view (RBV) (Barney, 1991).

Strategy within the 1980s mainly focused on the management of external factors as the source of competitive advantage (Porter, 1985). This model is frequently used in the management literature to assess the competitive environment (Song, et al., 2002). The industry forces approach is based on an assumption that firms within an industry possess identical or similar resources. As a result, a firm's success depends on how to react to market signals and accurately predict the evolution of the industry structure (Kim & Oh, 2004).

However, in the early nineties strategists began to recognize that competitive advantage came from resources within the firm (Mahoney and Pandian, 1992; Barney, 1991; Grant, 1991). The firm must have competitive resource attributes in order to have any potential for competitive advantage (Barney, 1991).

A firm needs to respond to the changes in its environment, and by developing business strategies that give the firm a competitive position, defend themselves against industry structures. Surely, the objective of a company's strategy is to achieve competitive advantage, but additionally, the strategy itself is a source of competitive advantage (Luffman et al., 1996).

But before developing business strategies, environment factors come into the consideration. The firm's competitive environment influences its ability to successfully carry out a chosen strategy (Hibbets, Albright, & Funk, 2003). External environment establishes the context evaluating the importance of various relationships between strategy and performance (Chacko, 1998).

The Hotel Competitive Strategy

In a recent web-based survey administered in 2008, in cooperation with the Center for Hospitality Research at Cornell University, which included 243 individuals from over sixty countries from United States, Europe, and Asia, *strategy and competition was one of the* key issues of concern that worry managers in the Lodging Industry. They asserted that

maintaining a competitive edge is more challenging than ever according to all respondents, because the industry continues to add supply in local markets and new brands proliferate (Enz, 2009).

Due to the special characteristics of the hotel industry and the dynamic competitive environment, hoteliers are challenged with advantages over the industry environmental factors and choose the competitive strategies leading to superior performance. For example, the hotel business will succeed only if hoteliers are able to see opportunities in the environment of the business, invest in adding competitive strategies, and allocate resources to these strategies, which add the greatest profitability to the firm (Olsen et al., 1998). Neither environment nor strategy nor organization structure acting alone is sufficient to explain the differences in performance (Lenz, 1980). Hotel firms should adapt themselves to the rapidly changing industry environments (industry five force factors approach), and continually develop new resources (resource-based approach) to achieve long-term growth and profitability (Kim & Oh, 2004). If hotel firms would like to be competitive in the business, they need to understand the links among environment, strategy, and performance (Olsen et al., 1998; Philips, Davies, & Moutinho, 2002). Without the appropriate form between external environment factors, organization structure, and competitive strategies, hotel firms may experience difficulty in achieving long-term success (Olsen, 1993)

Problem Statement

The relation between environment, strategy, organization structure and performance occurs in the hotel business (Olsen et al., 1998). If hotel firms would like to be competitive in the business, they need to understand the links among environment, strategy, and performance (Olsen et al., 1998; Philips, Davies, & Moutinho, 2002). Therefore the approaches that the hotel firms take in making strategic choices need careful consideration if they are to gain or retain competitive advantage.

Although identification of the sources of competitive advantage has become an increasingly important priority in the fields of strategic management and marketing, hoteliers have made little effort to comprehend how a hotel's success can be achieved (Kim & Oh, 2004).

There are many important factors to create the hotel competitive advantage: both external and internal environmental factors. Most researches tend to emphasize one single factor only, either external or

internal environment factor (Yang & Fu, 2007). Research has not adequately addressed the issue of whether industry forces are independently related to resource competitive strategies, which lead to firm performance. The extent of literature of this area is hardly developing (Taylor & Edgar, 1996; Olsen & Roper, 1998).

On the other hand, although these two views differ sharply on how competitive advantage is achieved, they both “focus primarily on firms supply-side interactions *and largely neglect the demand environment in which these interactions take place*” (Adner and Zemsky, 2006: 215).

A number of theoretical issues arise as a result of overlooking demand-side factors (Zhou et al., 2009). On the one hand, the tautology critique of the RBV is precisely due to the value of resources being defined in terms of their ability to improve a firm’s efficiency and effectiveness, but not from the understanding of the demand context in which a firm is operating (Barney, 2001:52; Priem and Butler, 2001). On the other hand, although the competitive forces perspective recognizes demand heterogeneity, its research agenda focus mostly on inter-firms competition in terms of erecting entry barriers and excluding rivals from opportunities (Adner and Zemsky, 2006).

Under research area is how demand diversity such as customer value heterogeneity affects firms’ strategies (Zhou et al., 2009). In this context Adner and Zemsky, (2006) indicate particularly that there is a need to explore how firms adjust their strategies in response to heterogeneous customer values and the implications of those adjustments for achieving competitive advantage. This view requires firms to learn extensively about their customers and then translate customer preferences to firm strategies and orientations that are in line with what customers’ value. This emphasizes the importance of incorporating a demand based perspective (customer-focused perspective) to competitive advantage analysis. Without doing so, a firm can have distinctive competencies without gaining a competitive advantage, because what it does best is relatively unimportant to the customer, or if the customers are not able or willing to pay the price charged for these competencies (Jensen, 2001).

The customer-focused perspective ought to be used as the ultimate yardstick for competitor analyses and the assessment of resource-based strategies (Jensen, 2001). In this context Adner and Zemsky, (2006) emphasizes the importance of focusing attention not just on firm resources and competition, but on the demand environment as well if we want to create a fit between a firm and its environment which has been a fundamental concern in strategy since its inception .

Given the above discussion, this study aims to fill the void in previous research by integrating a demand based perspective (customer value) to competitive forces perspective and resource-based approaches to measure hotel performance. In particular the study aims to examine how managers' perceptions of customer value heterogeneity and competitive forces affect a firm resource bases competitive strategy.

Research Questions

1. How do manager's perceptions of customer value affect the hotel recourse based strategies?
2. How do managers' perceptions of competitive forces affect the hotel recourse based strategies?

Objectives of the Study

1. Build a theoretical model of the hotel competitive advantage to measure hotel performance based on, customer value the industry force factors and resource-based approaches.
2. Assess the structural relationships among customer value dimensions, industry forces, resource competitive strategies, and hotel performance.
3. Make recommendations to hotel firms to improve resource competitive strategies for achieving superior performance and to sustain competitive advantage in the hotel business.

Theoretical Contribution

This study will examine the impact of managers' perception of customer value on the resource based strategies. It will establish a model that explains the achievement of hotel superior performance by integrating the external factors (customer value and Industry Five Forces Approach) and internal factors (Resources-Based Theory).

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