

Influence of Dynamic Competitive Capability on Strategic Performance of Classified Tourism Enterprises in Nakuru County, Kenya

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Abstract: *The hotel industry environment has become more complex due to increased competition, innovations and rapid advances in technology. The hotel industry in Kenya contributes substantially to the GDP of the country. The industry players have faced several challenges including stiff competition, unfavourable government regulation, shortage of qualified staff, poor infrastructure, insecurity, lack of strategic planning and poor organizational processes among others. These factors have affected the performance of classified tourism enterprises and the hotel industry at large. As result, some tourism enterprises have resorted to developing various competitive capabilities to enhance their strategic performance. It is in this view that this study assessed the influence of dynamic competitive capabilities on strategic performance of classified tourism enterprises in Nakuru County. The study involved a representative sample of the said enterprises selected randomly using a simple random sampling method. The study was based on three theories; knowledge based theory of the firm, agency theory and diffusion of innovations theory. In addition, the study used a descriptive research design with a population consisting of 52 employees from classified tourism enterprises out of which a sample of 33 respondents was drawn. The researcher used structured questionnaires and did a pilot study prior to the actual data collection in order to test the validity and reliability of the measuring instrument. The actual research data was then collected cleaned for completeness and then analyzed using SPSS version 20. The researcher conducted both a descriptive analysis and an inferential analysis to explain the relationships between the independent variables and the dependent variable. Also, a linear regression analysis and a Pearson correlation analysis were done and the findings presented in tables. The findings of the study were important to classified tourism enterprises, hotel managers, management consultants and the academia as it provides important literature on leveraging competitive dynamic capabilities to enhance strategic performance of tourism enterprises.*

Keywords: Dynamic competitive capability, value-to-customer quality, product innovation, operational efficiency, dependable deliveries and classified tourism enterprises.

1. Introduction

1.1 Background of the Study

The contemporary business environment is characterized by unending competition which is necessitated by among other factors, internal and external forces that influence business activities. For hotels to stay abreast with the inevitable business competition they should capitalize on their competitive capabilities in order to deliver value and satisfaction to their customers. In the hospitality industry, it is imperative for firms to identify their competitive capabilities, set competitive priorities in line with customer expectations and demands and hence be at a position to gain a competitive edge in the market. In fact, by focusing on their competitive capabilities to deliver unmatched customer value and satisfaction, the customer-focused hotels get to gain competitive advantage over the firms they compete with. Competitive advantage is the extent to which an organization is able to create a defensible position over its competitors (McGinnis & Vallopra, 1999). It comprises capabilities that allow an organization to differentiate itself from its competitors and is an outcome of critical management decisions (Tracey & Vonerembse, 1999). For example, the available empirical literature consistently identifies price, cost, quality, delivery, and flexibility as important competitive capabilities. Recent studies explain time-based competition as an important competitive priority. Stalk, Evans & Shulman (1992) identify time as the next source of competitive advantage. On the basis of prior literature, Koufteros et al (1997) describe a research

framework for competitive capabilities and define the following five dimensions: competitive pricing, premium pricing, value-to-customer quality, dependable delivery, and production innovation.

1.1.1 Dynamic Competitive Capability

Intense global competition and dynamic markets are creating a complex and uncertain business environment prompting the customers to expect the new, high value, and high quality products and services. To remain competitive, firms should focus on competitive capabilities that have external-customer orientation and manifest its relative strength against its competitors (Koufteros et al., 2002). According to Porter (1980), competitive capability is the extent to which an organization is able to create a defensible position over its competitors. Dynamic competitive capabilities entail a set of capacities, resources and skills that enable an organization to undertake activities that it can do better than its competitors in an effort to deliver value to the customers (Schilke, 2014). Companies concentrate their efforts on one or more of their capabilities in competition in order to turn them into competitive advantage (Hosseini, & Sheikhi, 2012). For a company to outsmart the competition, it has to ensure its selection of competitive capabilities reflect the strategic business objectives. Schilke (2014) is of the view that dynamic competitive capabilities can give the firm competitive advantage except that the capabilities may be contingent upon the firm's external environment. He asserts that dynamic capabilities associate more strongly with the firm's competitive advantage in a moderately dynamic business environment.

Volume 5 Issue 10, October 2016

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According to Stalk, Evans & Shuman (1992), in their study of capability based competition defined capabilities as set of collective and cross-functional business processes strategically understood and managed. In addition, various studies suggest many different dimensions of competitive capabilities (White, 1996). Marinagi, Trivellas & Sakas, (2014) examined dimensions of competitive capabilities with focus on metrics including low price, high product performance, high durability, high product reliability, short delivery time, delivery on due date, product customization, number of features, product cost, conformance to design specifications, improved manufacturing quality, on-time delivery, quality consistency, quality perceived by customer, and product price. White (1996) suggests a list of production competence indicators including product flexibility, volume flexibility, process flexibility, low product cost, delivery speed, delivery dependability, production lead time, product reliability, durability, quality, competitive pricing, and low price. In these studies, several similar items offer opportunity for combination. For instance, production lead time can be categorized as the sub-dimension of delivery. Also, it seems reasonable to combine product cost, low price, and competitive pricing under the dimension of cost. As a critical part of an organization's strategic objective, manufacturing strategy has an impact on the development of competitive capabilities. Driven by business strategy, firms set competitive priorities and develop realistic action plans. As action plans are implemented, competencies are developed to enable the firms build inimitable competitive capabilities (Koufteros et al., 2002). According to Corbett and Wassenhove (1993) competitive capability largely represents the product, place, and price dimensions.

Product refers to the physical dimension such as quality. Place includes delivery issues and the availability of products. Price refers to the amount a customer pays for the product or service. Additionally, they state that these measures of capabilities have their counterpart in terms of competencies in the sense that capabilities are outward looking while competencies are inward looking. As an example, the counterpart of price is cost. Whereas Hayes & Wheelwright (1984) define dynamic competitive capability in terms of price (cost), quality, delivery dependability, and flexibility, Ferdows & DeMeyer (1990) identify four dimensions: cost, quality, dependability, and flexibility. These dimensions are also described by Cleveland et al. (1989), White (1996), Bowyer & Lewis (2002). Moreover, Ward et al (1997) extended the number of capabilities to five dimensions including innovativeness. This classification is consistent with the study done by Noble (1997). Further studied by Koufteros (1995), five dimensions of competitive capabilities are also viewed as: 1) competitive pricing, 2) premium pricing, 3) value-to-customer quality, 4) dependable delivery, and 5) production innovation.

1.1.2 Strategic Performance

Competitive advantage refers to the extent to which companies are able to create a defensible position over its competitors (Batic, 2011). It exists when a particular company consistently outperforms other companies in the same industry. A company is considered to be outperforming others if profits are higher than the competition's profits. Competitive advantage is thought to be stronger when it lasts

for relatively longer period of time and those companies which are able to maintain a competitive advantage for many years are thought to have a sustainable competitive advantage (Mintzberg, 1994). However, firm performance can be tied to a particular competitive advantage for only a certain period. This is because the rival firms imitate and copy the successful firms' strategies leading to the original firm losing its source of competitive advantage over the longer term.

According to Aaker (2001) four factors are critical for the creation of sustainable competitive advantage for achievement strategic performance by an organization: the product strategy, the positioning and production strategies with which the organization competes; the assets and capabilities of the organization that forms the basis for competition; the markets where the organization competes and the competition with which it has to contend. Kim & Oh (2004) explain an organization's competitive advantage as the result of the resources that the organization has developed internally. A chain of hotels might gain competitive advantage through a flawless reservations system developed for the chain. Given the current business landscape, it is necessary for organizations to keep ahead of competitors by utilizing strategies that enhance better performance. Management experts opine that firms can enhance their performance by adapting to the dynamic business landscape, matching internal strengths and capabilities to external opportunities and channeling resources and competencies in a fluid manner (Vorhies & Morgan, 2005). Competitiveness and strategic performance can also be achieved through market-based organizational learning and benchmarking with the industry's leaders through agility and responsiveness to the dynamic market conditions. This requires formulating, implementing and evaluating strategies in an effective manner with a focus on making entry barriers, building powerful brands that the competition cannot imitate, controlling the pricing and differentiating the firm's portfolio (Stalk, Evans & Shulman, 1992).

1.1.3 The Hotel Industry in Kenya

The hotel industry and the tourism industry are closely related as they are key stakeholders in the two industries combined and depend on each other. According to Okombo (2013), in his study of the benchmarking practices in the hotel industry in Nairobi, Kenya, he notes that the hotel industry has recorded substantial growth over the years. The Kenya Economic Survey cited in Okombo (2013) indicates that by the year 2011, the hotel industry recorded a 5% growth compared to 4.2% of the previous year. Such growth is attributed to a number of factors; innovations, technological advancements that have revolutionized operations in the industry. The hotel industry in Kenya developed from the Kenyan Coast due to the presence of the early Arab traders and the construction of the Kenya-Uganda Railway line. The first hotel to be built was the Grand Hotel which later became the Manor Hotel and has since been closed down. In the 1960's Utalii College was developed to cater for the training needs of hotel staff. Hotels have hence forth continued to develop out of tourism efforts and this has brought a lot of challenges related to the performance of these hotels in order to meet international standards.

According to Midy (2015), in his analysis of the Kenyan tourism report for the year 2015, he identifies Kenya among the world's top-ten preferred tourism destinations since the country has over five hundred customer-focused tourist hotels all competing for both local and foreign tourists among other customers.

As a matter of fact, the hotel industry has been identified as one of the most important sectors that have appositive correlation to tourism industry and therefore no country or region can expect to attract tourists unless it has hotels. The general pressures which have been brought about by globalization and internationalization coupled with Star Ratings and membership to International Hotel Associations, have also challenged hotels to improve their overall productivity and performance (Kieti, & Akama, 2007). The Kenya National Bureau of Statistics (2012) highlight that the costs for hotel services are expected to increase globally because of the current unstable world economic situations. The hotel industry in Kenya is facing several challenges which have been affecting their performance. These challenges include shortage of skilled staff, poor infrastructure, political issues, insecurity, lack of strategic plans and poor organizational processes among other challenges (Kieti & Akama, 2007). In fact, Kenya has been experiencing turbulent times with regard to its organizational practices in the last two decades. This has resulted in generally low profits across the economy and this picture is fairly well replicated in the Hotel Industry (Shikuri, & Chepkwony, 2013). The decline in world tourism grossly affects hotels sales and poses a threat to hotel operators because Kenyan hotels industry depends on the International Market. Kenya is considered all over the world as a great tourist destination but recently the hotel industry has been hit hard by the recent post-election violence, Ebola outbreaks in West Africa, Insecurity alerts and terrorism attacks in different parts of the country (Midy, 2015). Many hotels have been closed and this has caused staff to be laid off. There has also been a low bed occupancy capacity of 10%-20% and the situation is headed for worse if something is not done (Keiti, & Akama, 2007). Similarly, Kenyan hotels have become more complex to manage because of the demands of the dynamic business environment. Hotels are finding it difficult to meet the challenge of customer demands as well as complicated service technologies and production processes.

According to Kamau (2008) the tourism sector in Kenya faces numerous challenges which pose threats to the hotels in Kenya. These challenges include competition, socio-cultural changes, technological changes and economic challenges. Hotels like other businesses are turning to strategic management performance drivers so that they can qualify for international recognition for standardization certificates, company of the year awards and saturating as well as membership to professional bodies (Ongore & Kobonyo, 2011). The Kenya Institute of Management (KIM) developed a model called the Organizational Performance Index (OPI) which drives organizations in Africa towards excellent performance and competitiveness (Kenya Law Report, 2012). In its wholesome approach, the Kenya Institute of Management's OPI seeks to measure performance of organizations against global standards and

benchmarks that the Kenyan hotels have to watch in order to stay relevantly in business and hence remain competitive. The key parameters, in this case, include systems thinking, competitiveness, standards and continuous improvement.

1.2 Statement of the Problem

Recently, the hotel industry environment became more and more complex due to increased competition, innovations and rapid advances in technology. In Kenya, the industry contributes substantially to the GDP of the country courtesy of the over 500 tourism enterprises competing against each other in serving the needs of various market segments. Some of these enterprises are locally owned while others belong to foreign investors who have seen the potential in Kenya's hospitality industry evidenced by 5.1% annual increase in GDP. However, tourism enterprises in Kenya face several challenges which affect their performance including stiff competition, unfavourable government regulation, shortage of qualified staff, poor infrastructure, insecurity, lack of strategic planning and poor organizational processes among others. Recently, Kenya's hotel industry has been hit hard by the 2007-2008 post-election violence, Ebola outbreaks in West Africa, Insecurity alerts and terrorism attacks in different parts of the country. As a result, many hotels have been closed and staff laid off due to a low industry activity and low hotel occupancy capacity ranging between 10%-20% (Keiti & Akama, 2007). As a matter of fact, the terrain of competition among players in the industry is very rough and keeps on changing with the turbulent market conditions. Tourism enterprises have to not only attain competitive advantages but constantly build on their competitive capabilities to stay ahead of competition by thinking and strategizing on capability-based competition instead of merely competing on product portfolios and related package prices. According to Porter (2001), in his study of strategy and the internet, a firm that does not attain competitive advantage is bound experience low market visibility, low profitability, low growth potential, can perform poorly and cannot thrive in the turbulent and competitive market. Hence, the success of tourism enterprises is hinged on delivering quality services and products to enhance customer satisfaction by capitalizing on their unique capabilities and thus the need for this study.

1.3 Objectives of the Study

The general objective of the study was to analyze the influence of dynamic competitive capabilities on strategic performance of classified tourism enterprises in Nakuru county, Kenya.

The specific objectives of the study were:

- 1) To assess the effect of operational efficiency on strategic performance of classified tourism enterprises in Nakuru county, Kenya.
- 2) To determine the effect of product innovation on strategic performance of classified tourism enterprises in Nakuru county, Kenya.
- 3) To establish the effect of value-to-customer quality on strategic performance of classified tourism enterprises in Nakuru county, Kenya.

- 4) To evaluate the effect of dependable deliveries on strategic performance of classified tourism enterprises in Nakuru county, Kenya.

1.4 Research Hypotheses

H₀₁: There is no statistically significant effect of operational efficiency on strategic performance of classified tourism enterprises in Nakuru county, Kenya.

H₀₂: There is no statistically significant effect of product innovation on strategic performance of classified tourism enterprises in Nakuru county, Kenya.

H₀₃: Value-to-customer quality has no statistically significant effect on strategic performance of classified tourism enterprises in Nakuru county, Kenya.

H₀₄: Dependable deliveries have no statistically significant effect on strategic performance of classified tourism enterprises in Nakuru county, Kenya.

1.5 Significance of the Study

The study was of great significance to the government of Kenya as it provided crucial information that will help in building on capabilities for the country to stand out as a global tourism and hospitality hub. The study helped the hospitality industry practitioners in understanding the influence of dynamic competitive capabilities on strategic performance. This study also provided information to managers of tourism enterprises to maintain a competitive advantage by possessing strength and capacities for quick transformation of production on services offered. This study was equally important to the academic fraternity as it sought to provide information necessary for developing research papers and policy instruments for the hospitality industry players. Finally, the study sought to add to the body of knowledge with literature and give areas of future study which is very critical for scholars in the areas of competitive capabilities and strategic performance.

1.6. Scope of the Study

This study was based on the hotel industry and in particular limited to classified tourism enterprises in Nakuru county, Kenya. The study focused on examining the influence of dynamic competitive capabilities on strategic performance of classified tourism enterprises in Nakuru county. In particular, the study targeted 13 classified tourism enterprises that offer restaurant, accommodation, entertainment as well as other tour services. The researcher collected data from 33 respondents involved in management, marketing and hotel operations. The study was guided by a dependent variable (Strategic performance) and four independent variables (operational efficiency, product innovation, value-to-customer quality and dependable deliveries).

1.7 Limitations of the Study

The study was a bit sensitive as it touched on the profitability and general performance of the classified tourism enterprises and so not all entities could be honest in

providing the true performance-related information. The researcher encouraged the respondents to provide information without identifying their enterprises in the questionnaire. As such, the interpretation of the study findings was confined to the data provided by the respondents and the findings were generalized to entail all the classified tourism enterprises in Nakuru County.

2. Literature Review

2.1 Theoretical Review

This study was guided by three theories: Resource-based theory, Porter's Theory of Competitive Advantage and Capability-based Theory. These theories seek to enhance a thorough understanding of the influence of dynamic competitive capabilities on the strategic performance of classified tourism enterprises in Nakuru County, Kenya.

The Resource Based Theory

The resource-based view of the firm (RBV) draws attention to the firm's internal environment as a driver for competitive advantage. Researchers such as Ansoff (1965) and Chandler (1962) made important contributions towards developing the Resource-Based View of strategy. The origins of the RBV go back to Penrose (1959), who suggests that the resources possessed, deployed and used by the organization are really more important than the industry structure. The RBV was coined much later by Wernerfelt (1984), who viewed the firm as a bundle of assets or resources which are tied semi-permanently to the firm. The notion of core competencies focuses attention on a critical category of resources (a firm's capabilities). Shafeey & Trott (2014) also argue that the resources of a firm are its primary source of competitive advantage. Ramos-Rodríguez & Ruíz-Navarro's (2004) in their bibliometric study of the Strategic Management Journal over the years 1980–2000, observe that the most prominent contribution to the discipline of strategic management was the Resource-Based View of strategy. With regards to the hospitality industry in Kenya, key players such as hotels compete against each other in order to gain competitive edge. According to the RBV, organizations develop and capitalize on their competitive capabilities and unique resources in order to stand out from the rest of the industry players and perform better. This theory applies to this study as it forms basis for the application of resource-related capabilities to the realization of strategic performance of classified tourism enterprises.

Porter's Theory of Sustainable Competitive Advantage

Michael Porter's theory of the competitive advantage of nations provides a sophisticated tool for analyzing competitiveness with all its implications. Porter's theory contributes to understanding the competitive advantage of nations in international trade and production. Its core, however, focuses upon individual industries, or clusters of industries, in which the principles of competitive advantage are applied. The theory begins from individual industries and builds up to the economy as a whole. Since firms, not nations compete in international markets, understanding the way firms create and sustain competitive advantage is the key to explaining what role the nation plays in the process. Therefore, the essence of his argument is that "the home

nation influences the ability of its firms to succeed in particular industries". Given this interdependence, competitiveness of the medium-sized town hotels draws from different aspects of the competitive advantage. This theory helps demystify the role of the government in enhancing strategic performance of hotels. This theory applies to the cluster of tourism enterprises in this study as it takes into account the implications of various competitive capabilities of the said enterprises on the strategic performance of each. Then the theory was used to explain how classified tourism enterprises can achieve strategic performance by focusing on competitive capabilities.

Capability Based Theory

Amit and Shoemaker (1993,) defined capabilities in contrast to resources, as a firm's capacity to deploy resources, usually in combination using organizational processes, and effect a desired end. They are information-based, tangible or intangible processes that are firm-specific and developed over time through complex interactions among the firm's resources'. Sirmon et al. (2003) stressed the importance of organizational learning. They suggest that capabilities and organizational learning implicitly and explicitly are a part of any strategy within a firm. It has been argued (Zack 1999) that the ability to learn and create new knowledge is essential for gaining competitive advantage. Teece et al. (1997) as cited in Grant (1996) define dynamic capabilities as the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. Grant (1996) defines organizational capability as, a firm's ability to perform repeatedly a productive task which relates to a firm's capacity for creating value through effecting the transformation of inputs to outputs. Grant (1996) also divides capability into four categories: cross-functional capabilities, broad-functional capabilities, activity-related capabilities and specialized capabilities all of which are critical for creating an entity's competitive advantage over the competition. Based on the relevance of this theory, it follows then that the theory will be used to explain how competitive capabilities relate with strategic performance of tourism enterprises in Nakuru county.

2.2. Empirical Review

During difficult business cycles, innovation is sought for value creation in part because firms that implement innovations are often more prepared to rebound when times get better. However, as Robinson (2009) asserts, implementing innovations is not easy in good times or bad times except when an organization understands and capitalizes on its competitive capabilities in order to outsmart the competition. As a result, it is necessary to have an elaborate innovation strategy based on the firm's competitive capabilities. According to Enz's (2012) assertions in his study of the strategies for implementing service innovations it is imperative for an organization seeking competitive advantage to introduce novel ideas that focus on systems and process services that provide new sophisticated means for exceptional service delivery. This study is based on influencing strategic performance by strategically focusing on competitive capabilities such as cost leadership, product innovation, technological

innovation, value-to-customer quality and dependable deliveries.

2.2.1. Operational Efficiency and Strategic Performance

Operational efficiency refers to a firm's ability to deliver products and services in a very cost effective manner without ever compromising the product/service quality. Any entity can achieve operational efficiency by streamlining its core processes and activities so as to respond to the dynamic market forces appropriately in a cost-effective manner. As Mutunga, Minja & Gachanja (2014) opine, successful achievement of operational efficiency requires an entity to minimize redundancy, wastes and unnecessary costs while leveraging the resources at its disposal, utilizing the workforce, technology and process innovations to reduce costs.

Attaining strategic performance requires efficient and effective utilization of the competitive capabilities of the entity's human capital. This is because the exceptional talents, skills and experiences of the company's human resources cannot be easily imitated by the competition. This makes it possible to gain competitive advantage. In addition, Bilgihan & Wang (2016) opine that information technology can be used to achieve operational efficiency and hence competitiveness. However, if Information technology is integrated in business operations in a way that competitors cannot imitate, the hotel can gain a competitive edge over its competition. To create IT- induced competitive advantage, it is imperative for organizations to allocate human, knowledge and capital resources effectively while investing in innovative and sophisticated technologies so as to operate efficiently at minimum cost.

According to Hilman, Mohamed, Othman & Uli (2009), organizations should pursue forward, backward and horizontal integration strategies to minimize operational costs. They achieve cost leadership through operational efficiencies by employing activities such as accurate demand forecasting, high capacity utilization, economies of scale, technology advancement, outsourcing and learning/experience curve (Bordeanet al.,2010 and Porter,1985). Through operational efficiency, firms can achieve low cost, but high quality performance within the industry (Schilke, 2014). According to Molina-Azorin, Tari, Pereira-Moliner, Lopez-Gmero & Pertusa-Ortega (2015) hotels could successfully pursue a cost leadership strategy through efficient operations in product/service designs and operations. Quality management and environmental management are critical for improvement of such organization's competitiveness in terms of both costs and differentiation (Schilke, 2014).

Organizations can follow cost leadership strategy, when the customers don't attach much importance for brand, price sensitivity and buyers have significant bargaining power (Molina-Azorin et al., & Porter, 1980). Porter (1980) explained that cost leadership may lead to process innovation to a certain extent. Inline, Frohwein & Hansjurgens (2005) suggested that to gain cost leadership advantage the organization should emphasize on cost minimization and involve with process innovation activities.

2.2.2. Product Innovation and Strategic Performance

The hotel industry is considered to be the most important branch of tourism and the most significant type of accommodation because of its ability to provide revenue and satisfy the needs of the guests. There is huge competition in the hotel industry and so the industry players can always innovate to maintain or improve their market positions and reputations. The innovation of hotel and tourism products is receiving greater emphasis as a means for increasing customer satisfaction. These products are medical tourism, ecotourism and cultural tourism among others (Gyurácz-Németh & Raffay & Kovács, 2010). Schilke (2014) and Forsman (2013) identify several advantages attributable to the use of innovation in attaining strategic performance. In the context of business and hospitality, the major benefit of successful innovation is to be or become, more competitive (Schilke, 2014). Each product or service goes through a life cycle: from birth, it goes through several stages, eventually dies, and is replaced by newer and better products or services. Because every product or service declines once, companies develop new products and services to keep their product portfolio more competitive and hence achieve a long-term competitive advantage. The less quantifiable benefits of successful innovations include enhancement of a business's reputation and increased customer loyalty (Schilke, 2014).

a) Innovation management

To run a formal well-planned process and innovate successfully, an ideal leadership style and know-how should be critical points of focus. According to Johnne & Storey (1998) a well-planned and executed innovation processes are critical for the enhancement of competitive advantage for any organizations. The successful process is created from a clean, well communicated strategy and vision, by managers who support the project strongly (Forsman, 2013). In addition, the role of employees in any innovation process should never be ignored. It is essential to involve the employees since they have the ability to repair the quality of the service and they always are aware of customers' needs. Johnne & Storey (1998) support employee involvement arguing that the employees have the necessary knowledge and experience to develop new and unique services. As Schneider & Bowen (1995) explain, employees can analyze the customers' demands, and they know how it should be fulfilled. Furthermore, employee involvement helps the organization to focus more on the customer instead of focusing on process efficiencies (Forsman, 2013).

Dewar & Button as cited in Forsman (2013) distinguished innovations to be including new knowledge, taking the risk rate into account. They identify radical innovation as fundamental and revolutionary changes in the technology including new knowledge, which breaks up with the current practice and positively related to the risk that is associated with an attempted innovation. The incremental changes include all the innovation and those currently applied technologies, which are less costly and easier to predict (Forsman, 2013).

b) Technological Innovations

According to Sheldon (1983), these kinds of innovative

methods are capable to provide equipment and technologies (Tseng, Kuo & Chou, 2008) which offer new and improved equipment suitable for the production and enhance the effectiveness of management. This is very important for the hotel industry's profitability. The technological innovation is shown primarily in the improvement of communication and computer networks. This kind of change is the strongest modifying and re-shaping force in the market, so hotel CEOs know how important the innovation is, especially how important the innovation in the communication and how essential information technology's potential benefits can be, as deeply influenced by the relationship between the customer and the service (Tseng, Kuo & Chou, 2008).

c) Organizational Innovation

The organizational innovation shows the organizational capital changes. This kind of innovation refers to the efficiency and effectiveness of the innovation, and how to manage and develop the knowledge of the hotels' CEOs, when they confront a competitive environment. This mode includes the organizational processes and the organizational culture as well. (Tseng, Kuo & Chou, 2008)

d) Human Capital Innovation

According to Orfila-Sintesa et. al (2005), the human capital innovation advocates that the adjustment of human capital skills is mostly equal to efforts in successful innovation implementation. Updating these skills/capabilities emphasize the changing in training, in investment, and in the case of human resources and hence the success of the innovation (Bharwani, & Jauhari, 2013). To gain competitive advantage in the market, it is imperative for firms to exercise continuous development of human capital through trainings, workshops and refresher courses so as to improve the quality of services and employee productivity.

2.2.3. Value-to-customer Quality and Strategic Performance

The concept of quality gains is important only in the event that the product or services meet the needs and expectations of the guest. Indeed, this is the reason that all strategies are based on quality standards stemming from exceptional knowledge about the guest. Service quality can be defined as 'the customer's assessment of the overall excellence or superiority of the service. Determinants of service quality are tangibles, reliability, responsiveness, and assurance (Parasuraman, Zeithaml & Berry, 1988). Quality is the consumer's overall impression of the relative inferiority/superiority of the organization and its services (Bitner & Hubbert, 1994). According to Bitner & Hubbert (1994), quality is the consumer's overall impression of the relative inferiority/superiority of the organization. It is considered one of management's most competitive priorities and hence a prerequisite for firm sustenance and growth. The quest for quality improvement has become a highly desired objective in today's competitive markets (Johnes, Mark & Sim, 2007). However, it is apparent that service quality evaluations are highly complex processes that may operate at several levels of abstraction. Every new investigation reflects this complexity and the hierarchical nature of the construct. Based on the quoted definitions of quality, the aim of quality is to secure customer satisfaction. However, some authors deem that it is no longer sufficient

to only fulfill customers' requests; rather, it is also necessary to delight customers. Thus, quality is 'the ability of a product or services to continually fulfill, or even surpass the customer's expectations' (Stevenson, 1993). Schroeder (2000) also believes that quality means to fulfill or surpass customers' requests now and in the future.

Empirical studies have proven that perceived service quality should rather be considered as the evaluation of a particular service, not as a gap between the performance of service providers and some kind of norms or expectations (Suuroja, 2003). Amaoko-Gyampaa & Acquaa (2007) emphasize that the pursuit of cost leadership as a competitive capability should focus on the quality of service rendered to the customer for an entity to gain competitive advantage and realize more returns from the market. However, little debate has emerged regarding the negative aspects of quality such as dissatisfaction, dissonance, disconfirmation, and disaffection. As such, this framework can be used to better understand the relationship between the various approaches used to provide organizations with feedback on customers' perceptions of their service quality, such as complaints procedures, surveys, suggestion boxes, focus groups, and representation and consultation (Brady & Cronin, 2001; Dawes & Rowley, 1999).

According to Brady and Cronin (2001), qualitative research is used to identify the sub-dimensions customers consider when evaluating the quality of the interaction, physical environment and outcome dimensions of a service experience. The findings indicate that the valence of the service outcome can affect overall perceptions of service quality and indicate that the importance of the dimensions may vary according to industry characteristics. Holjevac (2002) is of the view that standards define the category of the hotel, and each customer must be provided with what the individual category implies. Service quality is reflected in every detail, including through the decoration and equipment of the facility, staff expertise, and their attitude toward guests. All these details must shape a single entity that presents its portfolio to a range of customers.

Hotel service quality is complex and consists of all individual services that a hotel provides for its customers (Holjevac, 2002). Furthermore, different approaches exist in regard to the elements that make up hotel service. Pizam & Ellis (1999) opine that a hotel service consists of material products, staff behavior and attitude, as well as the physical environment within which the entity operates. In other approaches, elements of hotel service are divided into direct (e.g., guest check-in and check-out) and indirect (e.g., parking) as well as key (e.g., food and drink at the restaurant) and secondary (e.g., service, environment). However, some believe that hotel service characteristics are specific; therefore, they cannot be universally classified through specific elements. This is also confirmed by various studies. For example, a study conducted by the Cornell University School of Hotel Administration demonstrated that several dimensions of quality affect the quality of services. The most important dimension is staff kindness, followed by the quality of food and drinks, hotel rooms' size, appearance, and comfort, cleanliness, consistency in

service provision, location, hotel image, and diversity of facilities (Dubé & Renaghan, 1999).

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2.2.4 Dependable Deliveries and Strategic Performance

The contemporary competitive business environment induced by globalization and advances in information and communication technologies drive companies to focus on managing customer relationships, and in particular customer satisfaction and customer loyalty in order to efficiently maximize revenues (Marinagis, Trivellas & Sakas, 2014). Competition in the hotel and hospitality industry intensifies amid internal and external challenges associated with getting a product or a service to the customer at the right place, time and at minimum cost. As a result, successful organizations that create sustainable competitive advantage have realized the need to improve efficiency of deliveries as well as wholesome competitiveness of the entire supply chain (Li, Bhanu, Ragu-Nathan., Ragu-Nathan & Rao, 2004).

The present hospitality requirements of the customer require delivering quality service that can be relied upon. As a result, dependable delivery is wholesomely considered an essential strategy for success and survival in today's competitive environment. According to Wang (1997), dependable delivery and relatively lower costs of production and delivery often provide greater potential for business entities to establish and maintain competitive advantages that can increase a firm's market share as well.

In addition, with the introduction of internet, ecommerce, social media platforms and other communication technologies, organizations can receive large numbers of orders at the same time and servicing such orders simultaneously can be challenging (Bidgoli, 2003). This necessitates the need for vibrant human capital to provide continuous interaction with the market as an essential element to the automated ordering and delivery procedures. To ensure dependable deliveries to the customers, it is imperative that organizations pursuing competitive edge create strategic alliances or partnerships with reliable delivery companies. The entities can as well establish

reliable delivery channels and processes using its internal resources. However, in the event that the establishment of reliable internal delivery systems proves expensive to the entities, in-sourcing of delivery services at low-cost can be viable (Bidgoli, 2003).

2.2.5 Strategic Performance

Business entities are said to have competitive advantage when customers perceive the products produced or offered by the entities to be of much higher quality than the alternatives available in the market (Gaya, Struwig, & Smith, 2013). This happens when the products and services offered by the entities are strategically customized to match the attributes that correspond to the needs and wants of the existing or potential customers. Some of these attributes include and are not limited to product price, specification, aesthetics, reliability, functionality, availability and image. With regards to sustainable competitive advantage, a company's product offerings should be so unique that the competition cannot imitate.

Strategic performance achievement is hinged on how well an organization utilizes its competitiveness to gain competitive advantage in the dynamic market. Competitive advantage, therefore, refers to an entity's assets, attributes and capabilities that provide a superior position difficult for the competitors to duplicate or exceed (Gaya, Struwig, & Smith, 2013). For an entity to achieve its desired competitive performance, its product offerings and/or delivery system attributes must be significant to the customers. Such unique products and delivery systems must be built by the enduring competitive capabilities such as functional capabilities, cultural capabilities, positional capabilities and regulatory capabilities (Gaya, Struwig, & Smith, 2013; Defillippi & Reed, 1990).

However, Defillippi & Reed (1990), in their study of causal ambiguity, barriers to imitation and sustainable advantage have a contradicting view about the relationship between competitive capabilities and firm performance. The result of the study indicates that competitive capabilities do not necessarily contribute to competitive advantage for all firms except in cases where competitive capabilities are properly utilized and barriers to competitive imitation created. In addition, firms can gain sustainable competitive advantage by continuously accumulating and developing competitive capabilities.

Besides, Oliver (1997), in his study of attaining competitiveness by combining institutional and resource based views argues that competitive advantage is achieved by combining valued resources and capabilities. Such resources and capabilities can be acquired in factor markets or they can be built upon through accumulation of experiences and organizational learning. Based on these arguments, it is possible that an entity can enjoy strategic performance by establishing barriers to competitive imitation (Gaya, Struwig, & Smith, 2013).

2.3 Summary of Reviewed Literature

This section provides a summary of the literature that is reviewed in the context of the influence of dynamic

competitive capabilities on the strategic performance of medium-sized town hotels. Competitive advantage has its basis in competitive capabilities that distinguish an organization from its competitors. Competitive capabilities such as price, operational efficiency, quality, dependable delivery, product innovation and time to market are the most important sources of competitive advantage. These competitive capabilities are helpful in gaining operational efficiency and competitive advantage. Operational efficiency requires well-planned and coordinated pursuit of forward, backward and horizontal integration strategies. In sum, any firm that seeks to gain competitive advantage through operational efficiency has to do accurate demand forecasting, utilize its capacity fully and strategize to minimize its costs so as to benefit from economies of scale in its entire value chain. It should also invest sufficiently in advanced technology, innovate as often as the dynamic market conditions change, outsource where necessary and continuously develop its human resources.

As the competitive business environment becomes more uncertain, a focus on product innovation and efficient utilization of internal resources may be a more stabilizing and productive approach to gaining a competitive edge. In this regard, a number of competitive benefits result from continuous technological, organizational, operational and human resource innovations. In addition, competitive advantage is only achievable when an organization's cost leadership strategy does not compromise the quality of value offered to the customer. In fact, for the customer to be satisfied with the value offered by the firm, it is imperative for the firm to ensure it develops the employees' capability to provide timely and reliable services. Continuous quality improvement through the creation of innovative products, processes and maximum capability utilization at minimum cost possible are also imperative. A firm that pursues cost leadership strategy through operational efficiency and focuses on quality to customer gains competitive advantage and performs better in the market. Also, Pricing lower than competitors results into lower revenue per available room (RevPAR) and in unstable times a firm is likely to secure an advantage by focusing on a customer orientation and avoiding the trap of shifting strategy to fit competitor behavior. Therefore, competitive capabilities of an organization when clearly utilized can secure sustained advantage to an organization over its competing partners.

2.4 Research Gaps

The studies reviewed have brought to the fore key research gaps that, essentially, need to be addressed. The studies by Midy (2015), focused on the sub dimensions customers consider when evaluating the quality of the interaction, physical environment, and outcome dimensions of a service experience. The findings indicate that the valence of the service outcome can affect overall perceptions of service quality and indicate that the importance of the dimensions may vary according to industry characteristics. The study however did not analyze the effects of value-to-customer quality on sustained competitive advantage

According to Lo (2012) hotels could successfully pursue a cost leadership strategy through operational efficiency, cost

saving in hotel designs and operational activities. Organizations can follow cost leadership strategy when the customers are sensitive to price changes, do not like the brand, and buyers have significant bargaining power. However, the study does not explore the effects of comparative cost on strategic performance. According to Dewar & Button (1986) distinguished innovations include new knowledge, taking the risk rate into account. They identify radical innovation as fundamental and revolutionary changes in the technology including new knowledge, which breaks up with the current practice and positively related to the risk associated with an attempted innovation. The gaps left by these studies on establishing the effect of competitive capabilities on strategic performance in hotel industry are to be addressed by the study.

3. Methodology

3.1 Introduction

According to Rajasekar, Philominathan and Chinnathambi (2014) a research methodology is a systematic way employed to solve a particular research problem. The purpose of the methodology is to outline the step-by step procedure of doing research with the aim of arriving at findings that address study objectives. This chapter therefore focuses on research design, target population, sampling procedure, data reliability and validity, data collection and analysis as well as presentation of the findings.

3.2 Research Design

A research design is the general plan of how one goes about answering the research question (Saunders, Lewis & Thornhill, 2000). This study adopted a descriptive research design with a survey method and will be conducted between February to July, 2016. The study involved the managers of the classified tourism enterprises as well as sampled employees in a survey to find out their perspectives and experiences on the influence of dynamic competitive capabilities on strategic performance. Kothari (2004) asserts that a descriptive research design is the most suitable design for describing phenomena, events and situations as will be the case with this study. This approach was preferable for this research since it is the best research design for a research that is predominantly qualitative.

3.3 Target Population

Population can be defined as a set of people, services, elements, events, group of things or households that are being investigated (Kothari, 2012) The study targeted 52 respondents involved in management and operations of the 13 classified tourism enterprises in Nakuru County.

3.4 Sample Size and Sampling Procedure

3.4.1 Sample Size Determination

Cooper & Schindler (2000) explain a sample as the selected subset of the population to be studied. To ensure that the sample accurately represents the population, Cooper & Schindler (2000) further recommend that the researcher must clearly define the characteristic of the population, determine

the required sample size and choose the best method for selecting members of the sample from the larger population. In this regard, the sample size was determined using Nassiuma's formula since the entire population is large.

$$s = \frac{NC^2}{C^2 + (N-1)e^2}$$

Where: (N= Target Population of 52, C= Coefficient of variation of 30%, s= Sample size, e= 10% level of significance). Therefore,

$$s = \frac{52 \times 0.3^2}{0.3^2 + (52-1)0.1^2} = 33$$

3.4.2 Sampling Method

The researcher used a simple random sampling method to select respondents involved in management, marketing and operations of the classified hotels. In using this very widely used method, the sample size was 33. This method is convenient, economical and reduces costs concentrating surveys in selected areas of the limitations of the respondents (Kothari, 2012).

3.4.3 Sampling procedure

All the classified tourism enterprises in Nakuru county were coded using numbers and the researcher selected a sample of 33 respondents from the population. It is from these respondents in the said enterprises that the researcher administered the questionnaires.

3.5 Data Collection Instruments

A set of structured questionnaires were used to collect data from the respondents. According to Mugenda & Mugenda (2009), a questionnaire is the most appropriate tool for data collection in survey studies. Simple language was used to draft the questions to facilitate efficient collection of data on a five-point likert scale. The survey, using a structured questionnaire was administered on the selected sample to get opinions that are based on the closed questions. This method was considered to be more suitable with this kind of research design and sample.

3.6 Pilot Study

The research questionnaire was pilot tested prior to the main study. The researcher then carried out the pilot study at Kunste Hotel to test the research instruments and enhance the validity and reliability of the questionnaire. A few questionnaires were hand delivered to all the employees in the hotel. The pilot data was not used in the actual study and will not be used to influence the results of the study. Also, the participants in the pilot study were excluded from the main study.

3.6.1 Validity of Research Instruments

Validity refers to the ability of an instrument to measure what is intended to measure. According to Kimberlin & Winterstein (2008), the process of developing and validating a research instrument is largely focused on reducing error in the measurement process. To guarantee validity, the researcher conducted face validity test on the measuring instrument, and have the test reviewed by the supervisor and obtain feedback. Also, content validity was done to check the clarity of objectives and operationalization of the instrument.

3.6.2 Reliability of Research Instrument

Reliability of a research instrument explains the precision and consistency of the measuring tool (Kimberlin & Winterstein, 2008). Fundamentally, reliability estimates are employed to evaluate the stability of measure, and internal consistency. To ensure reliability of the measuring instrument, careful wording, format and content was used. Reliability coefficients range from 0.00 to 1.00, with higher coefficients indicating higher levels of reliability of research instrument. In this study Cronbach's alpha (α) was used to measure the reliability of the instrument a threshold of ($\alpha \geq 0.7$) was considered reliable.

Table 1: Reliability Statistics

Construct Alpha	Cronbach's	No of Items
Operational Efficiency	.792	7
Product Innovation	.790	7
Value-to-customer quality	.759	7
Dependable deliveries	.848	7

3.7 Data Collection procedures

Prior to data collection, obligatory permission was required from both the Jomo Kenyatta University of Agriculture and Technology and the general managers of the selected hotels where respondents were drawn from. The questionnaire was administered directly to the selected respondents via a drop and pick method and the filled questionnaires were then collected from the respondents for data processing.

3.8 Data Processing and Analysis

The primary data collected using the questionnaires was compiled, sorted, edited, classified and coded. The data collected was analyzed using both descriptive and inferential statistics. The analysis used a combination of various techniques of data analysis to determine an overall picture of the variables in the population. The study data was analyzed using the Statistical Package for Social Sciences (SPSS) version 21. Pearson's correlation analysis was run to determine the existence and significance of the relationship between cost leadership, product innovation, value-to-customer quality, dependable deliveries and sustained competitive advantage among the classified Hotels in Nakuru CBD. The effect of independent variables on the dependent variable was presented using the regression model: $Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \hat{\epsilon}$, Where: (Y=Strategic Performance; a=Constant; β =Coefficients to be estimated; X_1 =Operational efficiency; X_2 = Product innovation; X_3 =Value-to-customer quality; X_4 =Dependable deliveries and $\hat{\epsilon}$ =Error term)

4. Research Findings

4.1 Response Rate

Out of the 33 questionnaires that were issued to the respondents, 31 of them were filled and returned and only 30 questionnaires were used in the analysis. Therefore, all the used questionnaires represent a response rate of 93.9%.

4.2 Respondents' Experience in Hospitality Industry

Table 2 shows the distribution of respondents according to the number of years they have worked in the hospitality industry.

Table 2: Distribution of Respondents by years of experience in the industry

Industry Experience	Frequency	Percentage
Below 5 years	7	23.3
between 5-10 years	18	60
Over 10 years	5	16.7
Total	30	100

From Table 2, the study deduced that 23.3% of the respondents had worked with the hospitality industry for five years and below, 60% have worked for a period ranging between 5-10 years, and 16.7% have over 10 years experience in hotel industry. This implies that only a few of the hospitality workforce in Nakuru county's classified tourism enterprises have had prior industry experience. It is also possible that hotels have been acquiring and developing human resources over the last 10 years. This signals a significant growth in the industry as more new workers are employed.

4.3 Main Competitive Capability

Table 3 shows the distribution of the classified hotels according to the core competitive capability pursued.

Table 3: Distribution of the Classified Enterprises by their Main Competitive Capability

Competitive Capability	Frequency	Percent
Product Innovations	5	16.7
Customer Value	23	76.7
Cost Leadership	2	6.7
Total	30	100

From Table 3, the study established that of all the classified tourism enterprises, 5% of them focus on product innovations, 23% emphasize on providing top notch customer value while only 2% of the enterprises pursue cost leadership. None of the enterprises focused on price leadership to gain competitiveness.

4.5 Findings of the Study Variables

The researcher assessed the influence of four key dynamic competitive capability indicators on strategic performance of the classified hotels. The selected dynamic competitive capability indicators that comprised the independent variable were operational efficiency, product innovation, Value-to-customer quality and dependable deliveries while the dependent variable for the study was strategic performance.

4.5.1 Descriptive Analysis for Operational Efficiency

The analysis in this section is in line with the first objective of the study. This study sought to find out the perceptions held by the hotel managers regarding the influence of operational efficiency on strategic performance of the classified tourism enterprises in Nakuru County. Table 4 shows the findings.

Table 4: Descriptive Statistics for Operational Efficiency

	N	Min	Max	Mean	Std. Dev
Our hotel delivers products and services in a very cost effective manner without compromising product quality	30	1	5	4.60	.675
Through accurate demand forecasting, technology adoption and outsourcing, redundancies, wastes and costs are minimized	30	1	5	4.37	.615
Employees have exceptional talents, skills and experiences which cannot be imitated.	30	1	5	3.97	1.245
The management allocates all resources effectively	30	1	5	4.17	.699
The hotel invests in innovative technologies to reduce wastes and enhance quality.	30	1	5	4.53	.629
Our management supports dynamic technological capabilities to stand out and gain competitive edge	30	1	5	4.30	.702
The hotel has customized its core processes and activities to respond to the dynamic market forces cost-effectively.	30	1	5	4.40	.675

The study established that the respondents strongly agreed (mean=4.6; std dev=0.675) that their classified tourism enterprises deliver products and services very cost effectively without compromising the quality. The findings also indicate that the respondents concurred (mean=4.37; std dev=0.615) that they minimize redundancies wastes and cost through accurate demand forecasting, technology adoption and outsourcing. However, it was not, on average clear (mean=3.97; std dev=1.245) whether the hotel employees have exceptional talents, skills and experiences which the competitors cannot imitate. In addition, the surveyed managers also contended (mean=4.17; std dev=0.699) that their management team allocates resources effectively to various functions; and also strongly agreed (mean=4.53; std dev=0.629) that the classified tourism enterprises invest in innovative and sophisticated technologies to reduce wastes and enhance quality of output.

4.5.2 Descriptive analysis for Product Innovation

This study also sought to find out the perceptions held by the managers of the classified tourism enterprises regarding the influence of product innovation on strategic performance of their enterprises. The results of the descriptive analysis are shown in table 5.

Table 5: Descriptive Statistics for Product Innovation

	N	Min	Max	Mean	Std. Dev
Stiff competition necessitates innovativeness for continuously improved market positions and reputations	30	1	5	4.27	.828
Continuous product and process innovation enhances hotel competitiveness.	30	1	5	4.57	.626
Well communicated strategy and vision, supported by the management enhances the hotel's image and customer loyalty	30	1	5	4.67	.547
Effective stakeholder and employee involvement ensures support for customer-oriented innovations	30	1	5	4.33	.547
Technological innovations help improve our communication systems for understanding and managing customer relationships	30	1	5	4.60	.498
We prioritize process innovations and the organizational culture alignments with corporate vision and goals	30	1	5	4.27	.583
Our institution continuously invests in developing employees' skills and capabilities through trainings, workshops and seminars	30	1	5	4.27	.828

According to the study, the surveyed respondents agreed (mean=4.27; std dev=0.828) that stiff competition drives their innovativeness for continuously improved market positions and image; and also agreed (mean=4.57; std dev=0.626) they enhance their competitiveness through continuous product and process innovation. In addition, it was also strongly agreed (mean=4.67; std dev=0.547) that through a well communicated strategy and vision, supported by the management the classified tourism enterprises are able to enhance their image and customer loyalty. The findings further revealed that the surveyed respondents strongly agreed (mean=4.33; std dev=0.926) that the contemporary technological innovations enable the enterprises improve their communication systems so as to better understand and manage customer relationships.

4.5.3 Descriptive Analysis for Value-To-Customer Quality

The analysis in this section is in line with the third objective of the study. This study sought to find out the perceptions held by the hotel managers regarding the influence of value-to-customer quality on strategic performance of the classified tourism enterprises. The results of the descriptive analysis are shown in table 6.

Table 6: Descriptive analysis of Value-To-Customer Quality

	N	Min	Max	Mean	Std. Dev
All our business strategies are based on quality standards derived from knowledge of the customer needs and expectations	30	1	5	4.60	.498
We undertake continuous service quality improvements to achieve sustenance, growth and success	30	1	5	4.67	.479
The management exercises constant service quality evaluation to understand the extent of customer satisfaction.	30	1	5	4.80	.407
Quality of products and services influences customer perception about the value they get and hence competitiveness of the enterprise	30	1	5	4.57	.626
The location, size, and appearance of hotel rooms influences choice and customer value for the enterprise	30	1	5	4.73	.450
The top management emphasizes consistency in service provision, hotel image, and diversity of facilities	30	1	5	4.63	.556
Our quality management and environmental management initiatives enable our hotel to differentiate from the competition	30	1	5	4.50	.820

According to the study findings, it was strongly agreed (mean=4.60; std dev=0.498) that the tourism enterprises customize their business strategies to quality standards based on knowledge of the customer needs and expectations. The respondents also strongly agreed (mean=4.67; std dev=0.479) that their enterprises undertake continuous service quality improvements to achieve sustenance and growth. The findings indicate that it was further strongly agreed (mean=4.80; std dev=0.407) that the management teams constantly do service quality evaluation to understand the extent of customer satisfaction. The respondents further concurred (mean=4.73; std dev=0.45) that the classified tourism enterprises capitalize on their strategic locations, size, appearance and cleanliness in order to influence customer choice and customer value for the enterprise.

4.5.4 Descriptive Analysis for Dependable Deliveries

The analysis in this section is in line with the third objective of the study. This study sought to find out the perceptions held by the respondents regarding the influence of dependable deliveries on strategic performance of the classified tourism enterprises. The results of the descriptive analysis are shown in Table 7.

Table 7: Descriptive Statistics for Dependable Deliveries

	N	Min	Max	Mean	Std. Dev
Efficient deliveries rely on internal processes, systems and efficient resource utilization	30	1	5	4.37	.718
Time-saving is key in the delivery of products and services	30	1	5	4.40	.498
More revenues accrue from the timely deliveries.	30	1	5	4.00	.947

Improved efficiency of deliveries in our entire supply chain enhances corporate image hence increases our market share	30	1	5	4.33	.661
Reliable service delivery enhances customer trust	30	1	5	4.23	.774
We have vibrant tech-savvy personnel who provide continuous interaction with the market through the Internet, ecommerce, social media platforms and other communication technologies	30	1	5	4.40	.814
Strategic partnerships with reliable delivery companies to enhance our product and service delivery.	30	1	5	4.33	.547

It is evident from the study findings that it was strongly agreed (mean=4.37; std dev=0.718) that the tourism enterprises rely on effective internal processes, systems and efficient resource utilization to make efficient product deliveries. The respondents also strongly agreed (mean=4.40; std dev=0.498) that their classified tourism enterprises observe time-saving as a key to delivery of products and services in a manner that enables clients to depend on the hotels. The findings indicate that it was further agreed (mean=4.33; std dev=0.661) that the enterprises enhance their corporate image and market share through efficient deliveries in their supply chain. The respondents further concurred (mean=4.40; std dev=0.814) that they leverage on technology to maintain 24-hour market presence.

4.5.5 Descriptive Analysis for Strategic Performance

Besides, the study considered the opinions of the respondents on strategic performance of medium-sized town hotels. Table 8 summarizes the descriptive findings as follows

Table 8: Descriptive Statistics for Strategic Performance

	N	Min	Max	Mean	Std. Dev
Customers perceive our products and services to be of much higher quality than the alternatives available in the market	30	1	5	4.13	1.074
The products and services are customized to match the attributes that correspond to the needs and wants of the existing or potential customers.	30	1	5	4.17	1.020
Our assets, capabilities and product attributes provide a superior value to customers that competitors cannot duplicate or exceed	30	1	5	4.53	.571
Our unique products and delivery systems are built by the enduring competitive capabilities	30	1	5	4.23	1.073
The enterprise implements barriers to competitive imitation	30	1	5	4.33	.661

The findings of the study revealed that the respondents agreed (mean=4.13; std dev=1.074) that the customers perceive their products to be of much higher quality than the

alternatives available in the market. The findings also show that the respondents agreed (mean=4.17; std dev=1.020) that their market offerings are customized to match the needs and wants of both the existing and potential customers. Besides, it was also strongly agreed (mean=4.53; std dev=0.571) that the tourism enterprises' assets, capabilities and product attributes provide superior value to customers that competitors cannot duplicate or exceed. In fact, it was further observed from the study that the respondents agreed (mean=3.44; std dev=1.050) that the classified tourism enterprises create and maintain barriers to competitive imitation to enjoy their strategic positioning.

4.6 Inferential Analysis of the Variables

The study focused on how dynamic competitive capabilities influence strategic performance of classified tourism enterprises. The dynamic competitive capabilities analyzed in this case included operational efficiency, product innovations, value-to-customer quality and dependable deliveries. Correlating each of the aforesaid dynamic competitive capabilities against the strategic performance of the classified enterprises enabled the researcher to determine their respective relationships. In order to assess the extent to which the dynamic competitive capabilities related with strategic performance, a multiple regression analysis was also done.

4.6.1 Relationship between Operational Efficiency and Strategic Performance

This section outlines the results of correlation analysis between operational efficiency and strategic performance (Table 9). The findings are interpreted and further discussed accordingly.

Table 9: Correlation between Operational Efficiency and Strategic Performance

		Strategic Performance
Operational Efficiency	Pearson Correlation	0.185
	Sig. (2-tailed)	0.329
	N	30
**. Correlation is significant at the 0.01 level (2-tailed).		

The study revealed that the relationship between operational efficiency and strategic performance was positive and statistically insignificant ($r = 0.185$; $p > 0.01$). The study observed that the classified tourism enterprises operate in a competitive and dynamic environment where they strive to serve the needs and interests of all customers and so it is necessary for hotels to target a specific market and reposition to enjoy strategic performance.

4.6.2 Relationship between Product Innovation and Strategic Performance

This section outlines the results of correlation analysis between Product Innovation and Strategic performance (Table 10). The findings are interpreted and discussed accordingly.

Table 10: Correlation between Product Innovation & Strategic Performance

		Strategic Performance
Product Innovation	Pearson Correlation	0.536
	Sig. (2-tailed)	0.007
	N	30
**. Correlation is significant at the 0.01 level (2-tailed).		

The study also revealed that the relationship between product innovation and strategic performance was positive, strong and statistically significant ($r=0.536$; $p<0.01$). The study observed that the hotel product and service innovations significantly influence the strategic performance of the classified tourism enterprises.

4.6.3 Relationship between Value-to-Customer Quality and Strategic Performance

This section outlines the results of correlation analysis between value-to-customer quality and competitive performance (Table 11). The findings on this section are interpreted and further discussed accordingly.

Table 11: Correlation between Value-to-Customer Quality & Strategic Performance

		Strategic Performance
Value-To-Customer Quality	Pearson Correlation	0.043
	Sig. (2-tailed)	0.822
	N	30
**. Correlation is significant at the 0.01 level (2-tailed).		

The study further indicated that the relationship between value-to-customer quality and strategic performance was positive weak and statistically insignificant ($r=0.043$; $p>0.01$). The study findings indicated that the tourism enterprises' value-to-customer quality insignificantly affects the performance of the said enterprises.

4.6.4 Relationship between Dependable Deliveries and Strategic Performance

This section outlines the results of correlation analysis between dependable deliveries and strategic performance (Table 12). The findings on this section are interpreted and further discussed accordingly.

Table 12: Correlation between Dependable Deliveries & Strategic Performance

		Strategic Performance
Dependable Deliveries	Pearson Correlation	0.028
	Sig. (2-tailed)	0.008
	N	30
**. Correlation is significant at the 0.01 level (2-tailed).		

The study further indicated that the relationship between dependable deliveries and strategic performance was positive weak and statistically significant ($r = 0.028$; $p < 0.01$). The study findings indicated that dependable deliveries significantly affect the strategic performance.

4.6.5 Relationship between Dynamic Competitive Capabilities and Strategic Performance

This study assessed how dynamic competitive capabilities influenced strategic performance of the classified hotels. Table 13 shows the results of the regression analysis.

Table 13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.219 ^a	.048	.105	.71810

A. Predictors: (Constant), Dependable Deliveries, Operational Efficiency, Product Innovation, Value-To-Customer Quality,

Table 14 shows the results of coefficient of determination (r^2) and correlation coefficient (R). The results of ($r^2 = 0.048$) and ($R=0.219$) reflected a positive weak correlation between the dynamic competitive capabilities and strategic performance

Table 15: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	.646	4	.162	.313	.866 ^b
	Residual	12.892	25	.516		
	Total	13.538	29			

A. Dependent Variable: Strategic Performance
 B. Predictors: (Constant), Dependable Deliveries, Operational Efficiency, Value-To-Customer Quality, Product Innovation

Table 15 presents the findings of analysis of variance (ANOVA). The analysis indicated that the dynamic competitive capabilities had no significant effect on strategic performance of medium-sized town hotels ($F=0.313$; $p>0.01$ at 99% degree of confidence. These findings were based on the use of dynamic competitive capabilities for the hotels to enhance their strategic performance.

Table 4.20: Results of Regression Analysis Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.868	2.113		2.304	.030
	Operational Efficiency	.273	.401	.184	.681	.502
	Product Innovation	.319	.715	.163	.446	.659
	Value-To-Customer Quality	.334	.685	.144	.488	.630
	Dependable Deliveries	.102	.317	.078	.321	.751

a. Dependent Variable: Strategic Performance

The outcomes of the regression analysis (Table 4.20) were interpreted using the following regression function: $Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e$ where Y, X_1 , X_2 , X_3 and X_4 represented operational efficiency, product innovation, value-to-customer quality and dependable deliveries respectively. The results were interpreted as follows: $Y = 4.868 + 0.273X_1 + 0.319X_2 + 0.334X_3 + 0.102X_4$. The results of the study implied that the first null hypothesis was rejected ($t = 0.681$; $p>0.01$). The findings further indicated that the second null hypothesis was rejected ($t=0.446$; $p>0.01$). Also, the third null hypothesis was rejected ($t=0.488$; $p>0.01$) and the fourth null hypothesis also rejected ($t=0.321$; $p>0.01$). The study findings further indicated that the strategic performance of classified tourism enterprises was not significantly influenced by 0.273 operational efficiency, 0.319 product innovation, 0.488 value-to-customer quality and 0.321 dependable deliveries.

5. Summary, Conclusion and Recommendations

5.1 Summary of Findings

This section outlines the major findings of the study in tandem with the specific study each and every objective stated in chapter one. Based on the study findings, the surveyed hotel managers indicated, on average, that their hotels deliver hospitality products and services in a very cost effective manner without ever compromising on the product quality. The study also revealed that classified tourism enterprises reduce process redundancies, wastes and operational costs by undertaking thorough and accurate demand forecasting, adopting relevant technology and outsourcing operations and services that could hamper their competitiveness. It also emerged from the study that not all the tourism enterprises bring on board employees who have exceptional talents, skills and experiences which the competitors cannot imitate. Some of the enterprises do not have capacity to hire best performing employees in the industry. Besides, it was observed that the classified enterprise management teams allocate both financial, human, material and other economic resources effectively. In addition, the study found out that some of the classified tourism enterprises invest in innovative and sophisticated technologies to reduce wastes and enhance quality and further customize their core processes and activities to respond to the dynamic market forces very cost-effectively. According to the findings of the study, the surveyed institutions concurred that because of the market competition, they are driven to continuously enhance their innovativeness in order to continuously improve their market positioning and image. The respondents also agreed that they enhance the competitiveness of their classified tourism enterprises through continuous product and process innovation. In addition, it was also consented that the exceptional performance of the enterprises relies of the utilization of their effective communication systems. They concurred that through a well communicated strategy and vision, supported by the management the classified tourism enterprises are able to enhance their image and customer loyalty. The findings further revealed that the surveyed respondents strongly agreed that the contemporary technological innovations enable the town hotels improve their communication systems so as to better understand and manage customer relationships.

According to the study findings, it was observed that the hotels customize their business strategies to quality standards based on knowledge of the customer needs and expectations. The managers of some of the classified tourism enterprises also undertake continuous service quality improvements to achieve sustenance and growth. The study findings further reveal that the management teams of the said enterprises constantly do service quality evaluation to understand the extent of customer satisfaction. The respondents further concurred that the tourism enterprises capitalize on their strategic locations, size, appearance and cleanliness in order to influence customer choice and customer value for the hotel.

It emerged from the study findings that the classified tourism enterprises rely on effective internal processes, systems and

efficient resource utilization to make efficient product deliveries. The enterprises observe time-saving as a key strategy to delivery of hospitality products and services in a manner that enables clients to depend on the tourism enterprises. The findings further show that the enterprises enhance their corporate image and market share by ensuring efficient deliveries in their forward-looking and backward-looking supply chains. They also leverage on technology to maintain 24-hour market presence and thus maintain good contact with the customers all the time.

As per the study findings, it emerged that the customers perceive the product offerings of some tourism enterprises to be of much higher quality than the alternatives available in the market. This is because the products offered to the market by such enterprises are customized to match the needs and wants of both the existing and potential customers. Besides, it was also established that the assets, capabilities and product attributes of some classified tourism enterprises provide superior value to customers that competitors cannot duplicate or outperform. Such, it was observed that some of the classified tourism enterprises in Nakuru County create and maintain barriers to competitive imitation to enjoy their strategic positioning.

5.2 Conclusions

The conclusions made in this section were in context of the objectives of the study. The study revealed that the relationship between operational efficiency and strategic performance was negative, weak and statistically insignificant. In fact, the study further observed that the classified tourism enterprises in Nakuru County operate in a competitive and dynamic environment where they cannot serve the needs and interests of all customers. This is because the market is so wide with many classes of customers each with unique needs, demands and lifestyles. Also, the classified tourism enterprises in Nakuru county face a lot of competition from well established and the smaller industry players who offer even cheaper hospitality products. As such so it is necessary for the classified tourism enterprises to target a specific market segments and reposition to enjoy strategic performance.

The study also revealed that the relationship between product innovation and strategic performance was statistically insignificant. This could be because of the fact that not all the classified tourism enterprises innovate continuously and even if they do not all of them innovate their products and services in a timely manner. As such, some of these enterprises do not enjoy the fruits of timely adoption of innovations. The study also observed that the product and service innovations do not significantly influence the strategic performance of the classified tourism enterprises. This could be attributed to inappropriate use of innovations, resistance from staff and adoption of irrelevant innovations.

The study further indicated that the relationship between value-to-customer quality and strategic performance was negative weak and statistically insignificant. This is because most of the classified tourism enterprises, despite the fact that they focus on satisfying their customers, they also

pursue profit objectives so much that they also want to minimize costs related to value addition. The study findings further indicated that the value-to-customer quality does not significantly affect the performance of most of the enterprises. This is supported by the study findings on the competitive objectives pursued by the tourism enterprises which show that these enterprises have different pursuits. For example, the study findings reveals that the tourism enterprises pursue different objectives such as cost leadership, price leadership, and customer satisfaction yet the main and common objective is to enhance profitability and grow in the industry.

The study further indicated that the relationship between dependable deliveries and strategic performance was weak and statistically insignificant. Deliveries are inhibited by lapses in the backward facing side of the tourism enterprises' supply chain hence affecting the customer facing deliveries. However, this is not the case for all the classified tourism enterprises as some of them have very efficient systems in place that enhance the quality of their products in the market.

5.3 Recommendations

The recommendations made in this study were based on the study findings in relation to the existing literature. According to the findings presented in the previous chapter, the following recommendations were imperative: first, there is need for the classified tourism enterprises to invest more in technology and other infrastructure so as to enhance the efficiency of their operational. Secondly, it is necessary to undertake timely and profitable product and service innovations in a manner that the organizations can sustain and change if need be. It is also ideal for all the industry players to innovate ways of delivering higher order value so as to stand out from the competition.

5.4 Suggestions for further Studies

This study provided a detailed analysis of the influences of dynamic competitive capabilities on strategic performance of classified tourism enterprises in Nakuru County. The study only focused on operational efficiency, product innovation, value-to-customer quality and dependable deliveries. It is important that further research is carried out to assess implications of the dynamic competitive capabilities on the competitive performance of the major tourism enterprises with five star rating in Kenya.

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