



## The effect of applied resources on competitive advantage in hotels: Mediation and moderation analysis



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### ABSTRACT

**Purpose:** This study aims to consider the effects of organizational human and physical resources on customer relationship quality. It also investigates the effect of market and environmental dynamism as external factors in these associations. Furthermore, this study evaluates the mediation effect of customer relationship quality between applied resources and competitive advantage.

**Methodology:** This research was implemented in North Cyprus. The number of hotel employees who participated was 297 with response rate of 85%. Convenience sampling method was considered for data collection of this study. Questionnaire was prepared in English and subjected to back-translation process afterwards. Nine employees were considered for the pilot study. Psychological separation and Harman's single factor test were conducted as procedural and statistical potential remedies of common method bias. Exploratory factor analysis and Cronbach's alpha were applied to check existence of validity and reliability of questionnaire. Correlation and regression analysis were used to evaluate the relationship between variables and the method of Baron and Kenny (1986) was considered to evaluate mediation effects.

**Results:** Findings indicated that managerial competence, employees' trait competitiveness and physical resources affect customer relationship quality positively. There is also a positive relationship between customer relationship quality and competitive advantage. Results showed that customer relationship quality fully mediates the relationship between managerial competence and competitive advantage; it also partially mediates the relationship between trait competitiveness and competitive advantage and also between physical resources and competitive advantage. Findings showed that environmental dynamism doesn't moderate the relationship between predictors and customer relationship quality, whereas market dynamism moderates the association between managerial competence and customer relationship quality as well as the relationship between trait competitiveness and customer relationship quality. However, market dynamism doesn't moderate the relationship between physical resources and customer relationship quality.

**The theoretical contribution:** While several studies have focused the effect of various factors on customer behavior and organizational performance; there is still a paucity of empirical study to consider the effects of human and physical factors at the same time on organizational outcomes. This study evaluates this issue with a broader view and considers both internal and external factors to better understand which environment is more affective of organizational performance. Furthermore, North Cyprus is an island destination (Katircioglu et al., 2007) and they differ in notion of tourism image (Tasci et al., 2007). Therefore, there is still a need to study about success and failure factors in this kind of tourism destination.

**Practical implications:** As the role of managers and employees are important in building a high quality relationship with customers, it is critical to hire competent managers and employees with a competitive spirit in the organization. To make new recruitments, motivation and personality of the applicants need to be considered. To enhance competition among employees, managers can apply different strategies such as setting an award and promotion system. Furthermore, for an organization to adapt to the market dynamism, managers have to understand the market and their competitors, make a plan, and hire qualified staff and so on. Participation in training courses is necessary to understand and learn more about employees, competitors and the market environment.

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## 1. Introduction

In the 20th century, tourism and hospitality industry became an outstanding instrument for economic growth (Katircioglu, Arasli, & Ekiz, 2007). It is a leading and the most critical industry for many tourism destinations (Goh & Law, 2002) and specifically in North Cyprus where the headmost sector to generate income is tourism (Katircioglu et al., 2007). Various determinants affect the performance of hotels, which apply various resources to achieve competitive advantage and improve their performance. Hotels hire human and physical resources to meet their goals. However, despite spending exorbitant costs, some of them may fail in their businesses. Hotels need to keep themselves at such a level that enables them to compete with their competitors, such that they can continue to survive. To achieve these purposes, they should pay careful consideration to the strategies, and apply instruments to deal with them. Hiring competent personnel, qualified supervisors, creating comfortable and accessible resources are critical issues for hotels to succeed. Hotels are also affected by some external factors that force them to adapt themselves to the dynamic environment around. Therefore; organizations need to pay particular attention to applying human and physical resources as well as managing those resources which are affected by external factors.

This study investigates various factors that affect customer relationship quality and competitive advantage. It considers the several internal and external factors to understand better the issues influencing the success of the hotel industry. Various researches have been conducted to evaluate the effects of the determinants on customer preference and behavior (eg. Hernandez, Jimenez, and Martin, 2010; Choi & Kim, 2013; Park & Park, 2015) as well as organizational performance (eg. Neill & Rose, 2006; Chang, Park, & Chaiy, 2010). Especially, the study of Leonidou et al. (2013) has investigated the factors affecting competitive advantage and performance. But despite the researches that have been done, there is still a paucity of empirical study focused the effect of human and physical factors at the same time on organizational outcomes (eg. Beleska-Spasova, Glaister, & Stride, 2012; Leonidou et al., 2013). Furthermore, this study considers both internal and external factors for better understanding of which environment is more affective of organizational performance; and rare studies have incorporated previously in this matter (eg. Leonidou et al., 2013). Moreover, in many cases tourists differ between destinations taking into the account (Cai, 2002); therefore, there is still a need to work on the effects of internal and external factors on hotels' success and failure in the island destinations because they differ in notion of tourism image (Tasci, Gartner, & Cavusgil, 2007).

## 2. Theoretical background

### 2.1. Theories

#### 2.1.1. Resource-based view

This view describes elements that create abiding competitive advantage. According to this view, firm resources have extremely effect organizational performance and competitive advantage. Indeed, resources are considered as main drivers of business performance (Peteraf, 1993). According to Barney's (1991) unique, worth and non-sustainable resources lead to implementing strategies that generate competitive advantage. Leonidou et al. (2013) have indicated that organizations achieve competitive advantage by considering strategies that fit in to an organization's strengths and avoiding its weaknesses (Barney and Clark, 2007). Irrespective of the tangible or intangible nature of the resources, they must be managed and compiled because if the best resources are not managed effectively, they do not lead to generate competitive

advantage. In this study, it is assumed that hotels hire human and physical resources and these are the antecedents of competitive advantage. These resources lead to better performance if they interact and are managed effectively. Study of Leonidou et al. (2013) has considered the irritants and outcomes based on green marketing in the hotel industry. Their findings have shown that considering on the capabilities and resources enables organizations to improve the level of environmental marketing.

#### 2.1.2. Resource dependence theory (RDT)

To retain the available resources and organizational success, it is necessary to consider external as well as internal factors. RDT is about how an organization is affected by the external environment and factors. This theory is based on the notion that resources are essential to organizational prosperity; and control on and availability of resources are according to the "power" concept. Careful consideration is needed to protect accessibility of resources.

This study assumes that organizational resources are affected by the external environment. As external environment changes over time and does not remain stable for long, this study considers environmental and market dynamism as the two external factors that may affect on organizational performance. Study of Leonidou et al. (2013) has shown that by formulation and implementing the environmental marketing strategy, competitive advantage will be created.

### 2.2. The hypothesized relationships

Fig. 1 shows each of the relationships and conceptual constructs of this study. All hypothesized relationships are discussed next.

#### 2.2.1. Organizational resources and customer relationship quality

##### 2.2.1.1. Managerial competence and customer relationship quality.

According to Resource-based view, managerial competence is one of the resources that may help an organization to achieve higher performance. Based on study conducted by Omorede, Thorgren, and Wincent (2013), managers with low competence nurture a level of disappointment, indifference, confusion and anxiety in the work environment. Competency empowers individuals to perform better in their tasks and manage situations effectively (Wenden, 1995). Kaleka (2002) has investigated the effects of various elements on export competitive advantage. In his study, dimensions of sources and capabilities are examined to attain better understanding of their effects on cost, service and product advantage in export markets. Findings showed that against all odds, experimental resources do not seem to play an essential role in the success of cost, service and product export for competitive advantage. Lau (2011) has indicated that managerial competence is an instrument to expand market-strategy orientation and in turn by considering the strategies, costs can be managed and performance can be enhanced. Andreas (2004) has indicated the importance of managerial competence on operational and financial success of organization. He has mentioned that high quality management is the important predictor of organizational performance.

**H1.** There is a positive relationship between managerial competence and customer relationship quality.

##### 2.2.1.2. Trait competitiveness and customer relationship quality.

Trait competitiveness refers to the characteristic of enjoying competition with a tendency to win as well as perform better in comparison to others (Spence & Helmreich, 1983). Karatepe (2010) has worked on the effects of several antecedents in providing high quality service to customers. According to his research, trait competitiveness is one of the key talents that employees carry and

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