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Assessing the strategic relevance of organisational capabilities: evidence from Turkish hotels

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Abstract: This study identified capabilities with links to strategic behaviour and performance in Turkish hotels. Executives in 111 Turkish hotels attached greater importance to market and market-linking capabilities than other capabilities. The generic strategy employed per the Miles and Snow typology was associated with differences in all the capabilities, with the greatest disparities seen among defenders. Although hotels tend to adopt the cost-leadership approach, differentiation was also associated with capability development, particularly in marketing, technology, management, and market-linking capabilities. A significant and positive relationship was found between environmental uncertainties and capabilities, and between capabilities and both financial and non-financial performance. Results demonstrated no differences between each of strategic capabilities and hotel characteristics such as star rating, hotel scale, work time, global alliances, and ownership. Implications for managers and future research are discussed.

Keywords: capabilities; strategy; performance; Turkey; hotels; hospitality; strategy; generic strategy.

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1 Introduction

Links between organisational capabilities and business strategies have been suggested in a number of studies, including a prospective moderating role played by strategic capabilities (Bowman and Ambrosini, 2003; Campbell-Hunt, 2000; Hoque, 2004; Hussey, 2002; Lopez, 2005; Pandza and Thorpe, 2009). This study aims to identify capabilities with strategic links to environmental uncertainty, strategic behaviour and performance in Turkish hotels.

The link between business strategy and organisational capabilities is receiving increased scholarly attention. There are two primary approaches that address differences observed in organisational success. The position approach supports the idea that organisations should determine their position according to market conditions (Porter, 1980), whereas the resource-based view (RBV) emphasises the development of idiosyncratic capabilities (Wernerfelt, 1984; Day, 1994). A number of studies have attempted to justify the validity of these two approaches (Furrer et al., 2008; Nerur et al., 2008).

Scholarship in this domain generally focuses on strategy-performance, capability-performance, strategy-capability or strategy-capability-performance links. Miles and Snow's and Porter's typologies are often employed, occasionally simultaneously (Segev, 1989). With regard to capabilities, scholars have generally preferred in-depth rather than comprehensive evaluation of the effects of one or two categories, and no consensus has been reached (Lee et al., 2001; Barney, 1991). Moreover, the assessment of performance in most of these studies has been restricted to financial outcomes (Zajac and Shortell, 1989; Conant et al., 1990), with a limited number of exceptions (Avci et al., 2011). The influence of environmental uncertainty has been overlooked in most instances as well (DeSarbo et al., 2005; Hrebiniak and Snow, 1980). Indeed, there is a paucity of research evaluating environmental uncertainty, strategy, capabilities and performance in concert. Most of the extant literature has been restricted to developed nations as well, leaving a sizeable gap in developing countries (Parnell et al., 2012; Falshaw et al., 2006). The present study aims to fill in this gap.

The present study employs hotel organisations from a developing country. Turkey was selected because of its strategic geopolitical position (Eraslan and Iç, 2011; Benzing, et al., 2009; Kirca, 2011), its emerging economic status, (Efendioglu and Karabulut, 2010), economic life (Gunduz and Tatoglu, 2003), and cultural differences in social life and management, and business life (Keles and Aycan, 2011; Alpay et al., 2008; Altinay, 2008; Çakmakçi and Karabati, 2008; Wasti et al., 2007; Metcalf et al., 2006; Hisrich et al., 2003). Hotels were selected because they are particularly susceptible to endogenous or exogenous threats (Evans and Elphick, 2005), particularly in Turkey (Akkemik, 2011; Uyar and Bilgin, 2011; Goymen, 2000; Okumus and Karamustafa, 2005).

The following sections overview the capabilities literature and propose hypotheses for this study. Methods are then discussed and hypotheses are analysed. Suggestions for managers are offered, followed by opportunities for additional research.

2 Organisational capabilities

The field of strategic management is rooted in industrial organisation (IO) microeconomics, a perspective that views profitability primarily as a function of industry structure (Seth and Thomas, 1994). A number of scholars have questioned the ability of IO to explain substantial intra-industry performance differences, however. As a result, attention turned to the strategic group level of analysis, and ultimately to the firm (Barney, 1991; Collis and Montgomery, 2008). This alternative paradigm – the RBV – emphasises unique firm competencies and resources in strategy formulation instead of industry characteristics (Kim and Mahoney, 2005; Pitelis, 2004; Wernerfelt, 1984). A revitalised interest in organisational economics built on both the RBV and IO, addressing such issues as transaction costs, incentives, decentralisation, and property rights theory (Fulghieri and Hodrick, 2006; Gibbons, 2003; Kim and Mahoney, 2005; Sheehan and Foss, 2007; Tywoniak et al., 2007; Whinston, 2003). The concept of strategic capabilities represents a key component of this approach (DeSarbo et al., 2005). Because an organisation's resources represent the source of its foundation for sustainable competitive advantage (Atoche, 2007; Bowman and Ambrosini, 2003), strategists should attempt to shape, leverage, and combine them into strategic capabilities, thereby promoting strategic success (Hussey, 2002; Lopez, 2005; Pandza and Thorpe, 2009).

Both strategic capabilities and the RBV emphasise the development of idiosyncratic characteristics that cannot be easily imitated by rivals. Scholars following the dynamic resource-based view (DRBV) or dynamic capabilities approach (DCA) reject the permanence of resources, however. Instead, they suggest that resources progress through life cycle stages including growth, renewal, and eventual dissolution (Helfat and Peteraf, 2003). The DCA invokes the strategic capabilities perspective and expands it by emphasising the transitory nature of both organisational resources and external factors (Ambrosini and Bowman, 2009; Augier and Teece, 2009; McGuinness and Morgan, 2000).

An organisation requires a wide range of capabilities in many areas to create economic value. Capabilities are generally scarce (i.e., different firms in an industry will not all have the same capabilities), they are relatively immobile (i.e., they are more useful to the possessing firm than to others), and are not easily copied by competitors (Di Benedetto and Song, 2003). Capabilities represent complex bundles of skills and accumulated knowledge that enable organisations to coordinate activities and utilise their assets (Assudani, 2008; Day, 1990; Teece et al., 1990).

Following these conceptualisations, a number of categories of capabilities can be identified (Day, 1994). This paper includes four such categories: marketing, market-linking, technology, and management. Marketing capabilities, including skills in segmentation, targeting, pricing, and advertising, enable a business to leverage its market sensing and technological capabilities and to execute effective marketing programmes (Desarbo et al., 2005).

3 Turkey

Scholars have addressed general management tendencies in Turkey, but research linking generic strategic or strategic capabilities with performance remains limited (Barca and Hızıroğlu, 2009). The link between organisational goals and strategy in Turkey is an interesting one. Eren et al. (1997, 2000) found a preference for strategic objectives in Turkish organisations to include growth, increasing market share, improving efficiency, enhancing the prestige in the market, innovation and market diversification. However, profitability, decreasing production costs with external factors, technologic innovation and increasing competitive power are not as commonly included as strategic objectives. Barca et al. (2006) found focusing on activities that enhance competitive advantage, exploiting differences in resources and capabilities, being innovative, defending current competitive positions and maximising profit as common strategic goals, in that order.

Both innovation and cost leadership approaches have received considerable attention from young Turkish firms, although many have experienced problems executing such approaches (Glaister et al., 2008). Turkish conglomerates tend to prefer innovation that decreases costs, enhances competitive advantage and increases market share (Tuzcu, 2008). Moreover, global firms in Turkey tend to emphasise innovation more than cost containment (Yeşil and Akben, 2008).

Cost leadership strategies in Turkey remain pervasive, and cost alone is the primary consideration in many supplier selection decisions (Gürpınar and Barca, 2007; İrmış and Akça, 2003; Leny Koh et al., 2007). Kisacik (2005) found that most businesses emphasise a cost leadership approach, perceiving a link between low costs and growth. More than half of the managers also employed differentiation approaches, however.

Some incorporate elements of a focus strategy as well, while mimicking the strategic moves of rivals – especially in terms of pricing – is common. Demirbag and Tatoglu (2008) studied IOs, revealing a different set of strategic priorities, including product standardisation, access to efficient process technologies, concentric diversification, extending product lines and technology sharing. Information technology has also played an important role in competitive strategies in Turkish organisations (Yildiz, 2008). Overall, Turkish firms are reactive rather than proactive (Iseri and Demirbag, 1999).

Examinations of capabilities in Turkish firms suggest that various competencies influence both innovation and financial performance. Quality and flexibility in production competences, and market research and price in marketing competences affect the innovation performance. Quality and flexibility in production competences, and marketing management and promotional activity in marketing competences affect financial performance (Eren et al., 2005). Extant research is not always consistent, however. In one key study, Korkmaz et al. (2009) found no significant differences in innovation capabilities of firms in terms of export frequencies, export behaviours (export/sales revenue) and innovation frequencies. A significant difference in R&D innovation capabilities was demonstrated, however.

The hotel industry in Turkey is particularly intriguing. Tourism is a key contributor to the Turkish economy and has been growing since the early 1980s. Tourist arrivals and receipts grew from 1.3 million and \$326 million in 1980 to 26.3 million and \$16.7 billion in 2008 respectively (Avci et al., 2011). The industry employs over 2.5 million individuals and includes 2,514 hotels with operational licenses and 776 hotels with investment licenses. There are many resort hotels in major destinations such as Antalya and Muğla. Tourism in Turkey is seasonal and hotels experience a number of challenges, including low occupancy rates, a high dependency on foreign tour operators, transportation and logistics problems, inadequate infrastructure, a lack of qualified staff, a lack of sound marketing strategies, and crises due to terrorism and international conflicts (Tosun et al., 2008; Okumus and Kilic, 2004).

A study of hotels in North Cyprus demonstrated that while staff recruitment and training, meeting guest expectations, and service quality are the key drivers of productivity, crises, technology, marketing, and forecasting ranked relatively low (Kilic and Okumus, 2005). Managers appear to have a narrow view of productivity and follow a more input-oriented approach to managing productivity. In an analysis of 155 small hotels throughout Turkey, critical success factors (CSFs) included the efficient use of the internet, service quality, financial performance, and marketing, with the internet being the most important. Perceptions of CSFs varied according to work experience and education, however (Avcikurt et al., 2011). Based on this prior work, the following four-part hypothesis is proposed:

Strategic capabilities in Turkish hotels:

H1a marketing

H1b market linking

H1c technology

H1d management – are significantly related to hotel star rating, hotel scale, work time, global strategic alliance, and ownership.

4 Capabilities and strategy typologies

Various strategy typologies have emerged at the business level of analysis (see Hitt et al., 1982; Huber, 1984; Miller, 1986; Courtney et al., 1997; Narasimha, 2001), but those proposed by Miles and Snow (1978, 1986) and Porter (1980) have endured. Much of the published work invoking the strategic group level of analysis applies one of these typologies (Govindarajan, 1986; Segev, 1989; Shortell and Zajac, 1990; Ginn and Young, 1992; O'Regan and Ghobadian, 2006; Nerur et al., 2008; Acquaah and Yasai-Ardekani, 2008). Both typologies are utilised in the present study to assess strategy conceptualisations among hotel managers with specific regard to organisational capabilities.

Miles and Snow (1978, 1986) evaluated organisations with regard to entrepreneurial, engineering, and administration functions; they proposed four strategic approaches to account for the various combinations of functions and activities typically seen at the business level. *Prospectors* are highly proactive and innovative, and attach great importance to flexibility. Internal complexity is quite high and decentralised structures are common. *Defenders* are the opposite of prospectors; they focus on present strategic challenges rather than discovering new markets. They prefer security in a comparatively stable product or service area and fight to protect their positions. The breadth of their product lines is typically less developed and defenders sometimes seek to protect their territories by presenting higher quality and better service. In general, however, they are not market and product development leaders. They avoid risks whenever possible, preferring to follow successful rivals instead.

Analyzers can be viewed as hybrids of defenders and prospectors. They seek a stable and limited product and service range, but they depart from their product or service range to pursue a promising product or service group resulting from new developments in the sector. When a new product or service is introduced to the market, analyzers are not usually in the forefront, but they monitor the activities of their rivals closely and remain poised to act under the appropriate circumstances. Analyzers attempt to obtain information from their rivals and technology rather than their market; they exhibit less confidence about markets and tend to enter new ones only after prospectors demonstrate some degree of success and potential. *Reactors* lack a consistent product-market orientation. They seek to comply with environmental pressures and they are generally unsuccessful (Miles and Snow, 1978; Reeve, 1994; Snow and Hrebiniak, 1980; Jennings et al., 2003; DeSarbo et al., 2005; Moore, 2005; O'Regan and Ghobadian, 2006; Slater and Olson, 2001; Brunk, 2003). Hence, the following hypotheses are proposed:

- H2 Hotels in Turkey emphasising a defender orientation will report high strategic capability levels in the areas of:
 - H2a marketing
 - H2b market linking.
- H3 Hotels in Turkey emphasising a prospector orientation will report high strategic capability levels in the area of technology.
- H4 Hotels in Turkey emphasising an analyzer orientation will report high strategic capability levels in the area of management.

- H5 In Turkish hotels there is a differences association between each of strategic capabilities:
- H5a marketing
 - H5b market linking
 - H5c technology
 - H5d management – and strategy according to Miles and Snow’s typology.

Porter (1980) proposed the positioning approach to explain how organisations gain competitive advantage and attempt to outperform their rivals. According to Porter, organisations can choose a cost leadership or a differentiation strategy, although either approach can be employed for the entire market or focused on a distinct segment. Porter insisted that businesses much choose *either* cost leadership *or* differentiation because of inherent trade-offs; combining the two leaves an organisation ‘stuck in the middle’ [Porter, (1980), p.41].

According to Porter (1980), both market structure and economic situation greatly influence strategy selection. Put another way, there is a correlation between the environment where an organisation operates and the firm’s choice of strategy (Homburg et al., 1999). While the cost leadership strategy tends to be associated with stable environments, differentiation and focus strategies relate to dynamic markets (Lee and Miller, 1996; Lamont et al., 1993; Marlin et al., 1994). In this respect the following hypothesis is proposed:

- H6 Hotels in Turkey emphasising a focus orientation will report high strategic capability levels in the areas of:
- H6a marketing
 - H6b market linking.
- H7 Hotels in Turkey emphasising a differentiation orientation will report high strategic capability levels in the area of technology.
- H8 Hotels in Turkey emphasising a cost leadership orientation will report high strategic capability levels in the area of management.
- H9 In Turkish hotels there is a positive and significant association between each of strategic capabilities:
- H9a marketing
 - H9b market linking
 - H9c technology
 - H9d management – and strategies along Porter’s typology.

5 Capabilities and environmental uncertainties

The management of uncertainty is a key challenge of top management (Thompson, 1967). Environmental uncertainty has been conceptualised in both objective and subjective contexts. Perceived environmental uncertainty (PEU) is high when a manager perceives the organisation’s environment to be unpredictable (Milliken, 1987). Uncertainty perceptions often vary over time because environmental complexity and

dynamism limit one's ability to develop a reliable assessment of the environment at any given time (Buchko, 1994). PEU remains a critical issue because it forms part of the interpretive basis on which strategies are formulated and executed (Chong and Chong, 1997). The present study invokes a subjective or perceived perspective on environmental uncertainty.

Strategic managers cope with uncertainty by shaping the competitive environment (Jauch and Kraft, 1986). Comprehending the direction and scale of industry changes is one of the most intractable problems executives face (Warren, 1995). Broadly speaking, the generic strategy selected by each organisation determines the appropriate means by which it intends to successfully meet competitive challenges (Porter, 1980).

Environmental uncertainty influences manufacturing and business strategies, which in turn influence business performance (Swamidass and Newell, 1987). Hence, an organisation's success depends on the organisation's environment (Parnell et al., 2012; Pelham, 1999). However, findings vis-à-vis financial and non-financial perspectives on performance have not been consistent. Hoque's (2004) assessment of 59 manufacturing firms found no relationship between non-financial measures and environmental ambiguity. Hence, another hypothesis of the study can be stated as follows:

- H10 In Turkish hotels there is a positive and significant association between each of strategic capabilities:
 - H10a marketing
 - H10b market linking
 - H10c technology
 - H10d management – and each of environmental uncertainties.

6 Capabilities and performances

The literature explains that there is a relationship between capabilities and performance (Ruiz-Ortega and García-Villaverde, 2007; Nadler and Tushman, 1997; Mitchell, 1991; Shamsie et al., 2004; Boulding and Christen, 2001). Bowman and Gatignon (1995) highlighted the positive influence of marketing and technical capabilities on early followers' performance. Iansiti and Clark (1994) show that integration capability in the automobile and computer industries and discovered that knowledge integration capability in product development correlated positively with firm performance and performance improvements over time. The development of various strategic capabilities is also believed to have a positive influence on business performance (DeSarbo et al., 2005; Pandza and Thorpe, 2009; Wu, 2006). As with the previous hypothesis, a general link between capabilities and performance would inform the testing of the remaining hypotheses linking strategies and capabilities.

- H11 There is a positive and significant association between each of strategic capabilities:
 - H11a marketing
 - H11b market linking
 - H11c technology
 - H11d management – and financial performance.

- H12 There is a positive and significant association between each of strategic capabilities:
- H12a marketing
 - H12b market linking
 - H12c technology
 - H12d management – and non-financial performance.

7 Methods

All measures utilised in the present study were adopted from extant work and tailored to hotels. In order to assess the capabilities and levels of environmental uncertainty, scales developed by DeSarbo et al. (2005) were employed. Capabilities were considered within the context of four factors – marketing, market-link, technology and management – and environmental uncertainty was assessed within market, technological and competitive realms. A five-point Likert orientation was utilised (1 = strongly disagree to 5 = strongly agree). Strategy along Porter's typology was assessed via Zahra and Covin's (1993) scale, also with a five-point Likert orientation (1 = very low focus to 5 = very high focus). James and Hatten's (1995) generic strategy scale was used to categorise businesses along the Mile and Snow typology. Respondents were given descriptions for each strategy type and were asked to identify the one that corresponds most closely with their organisations.

Debates concerning the most appropriate performance measures abound in the literature. Some scholars argue that only financial measures should be used, while others argue that using only financial measures is insufficient. Moreover, depending on the type of the strategy employed, the appropriate performance measurement may change (Cavaliere et al., 2007; Jusoh and Parnell, 2008; Pongatichat and Johnston, 2008; Hillman and Keim, 2001; Van der Stede et al., 2006). In the present study, financial measures from Ramanujam and Venkatraman (1987) and non-financial performance measures from Avci et al. (2011) are utilised.

Respondents completed a version of the survey translated into Turkish following a double-blind approach with the two bilingual academics. Once the Turkish version was prepared, two translators met to finalise the Turkish version of the questionnaire to ensure the reliability of the translation from English to Turkish.

The sample included the managers of 3-, 4-, and 5-star hotels located in the Muğla region. This area represents an important tourism destination both in Turkey and in the world. With its two international airports, the region has an important hotel industry and plays a key role in both domestic and international tourism activities (Avci et al., 2011). According to the Ministry of Culture and Tourism (2011), there are 83 3-star hotels, 74 4-star hotels and 43 5-star hotels in Muğla with tourism certificates issued by the regional Ministry of Tourism. The present study includes hotels in these categories, as they are superior to 1- and 2-star hotels in terms of management quality, organisation and institutionalisation.

A pilot study was performed with managers from varying positions to identify unclear statements and make necessary corrections. Concerning capabilities, two items from marketing, one item from technology, and one item from management were reworded. Likewise, one item from market uncertainty concerning environmental uncertainty, two

items from technology uncertainty and two items from competitive uncertainty were reworded. Small corrections in meaning and content were made in Porter and Miles and Snow's typology before the data collection was initiated.

Copies of the survey were left with 200 hotels by a group of researchers. Instructions included a request that at least one senior manager participate in its completion, although other middle and senior managers could assist. At the end of the study, 152 questionnaires were collected from 61 hotels. One month after the study, additional questionnaires were sent to non-participating hotels. This attempt resulted in 43 additional questionnaires from 32 hotels. Two weeks after this last application, managers of non-participating hotels were called and implored to complete the survey. As a result of this final effort, an additional 27 questionnaires from 18 hotels were received. A total of 111 hotels were represented, including 222 respondents. Eight of the questionnaires were excluded from the study because they were not suitable for the analysis.

8 Findings

The demographic features of the participants and participating hotels are provided in Tables 1 and 2. Factor loadings, means and standard deviations for the capabilities, strategy, and uncertainty scales are presented in Tables 3 to 5. Coefficient alpha scores exceeded .70 in all instances.

Table 1 Sample characteristics-respondents

Employees		214
Mgt. experience (years)		7.98 (sd. 5.034)
Org. experience (years)		5.43 (sd. 3.464)
Sex	Male	129 (60.3%)
	Female	85 (39.7%)
Education	High school	32 (15.0%)
	Bachelor's degree	161 (75.2%)
	Post graduate	21 (9.8%)
Hotel education	High school	9 (4.2%)
	Two-year degree	6 (2.8%)
	Bachelor's degree	90 (42.1%)
	Post graduate	9 (4.2%)
Level	No hotel education	114 (46.7%)
	Middle	129 (60.3%)
	Upper	85 (39.7%)
Functional background	Acc./Fin.	27 (12.6%)
	Gen. Man./HR	92 (43.0%)
	Marketing/Sales	46 (21.5%)
	Prod/Eng.	49 (22.9%)

Table 2 Sample characteristics-hotels

<i>Variable</i>		<i>Hotels (111)</i>	<i>Hotels according to employees (214)</i>
Star-rating	3	39 (35.1%)	56 (26.2%)
	4	34 (30.6%)	67 (31.3%)
	5	38 (34.3%)	91 (42.5%)
Size based on number of employees	Small-scale	12 (10.8%)	14 (6.5%)
	Medium scale	67 (60.4%)	124 (57.9%)
	Large-scale	32 (28.8%)	76 (35.5%)
Membership of a chain	Not a chain	63 (56.8%)	105 (49.1%)
	Chain	48 (43.2%)	109 (50.9%)
Joint venture (from another country)	Yes	30 (27%)	56 (26.2%)
	No	81 (73%)	158 (33.8%)
Operation	Seasonal	67 (60.4%)	131 (61.2%)
	Annual	44 (39.6%)	83 (38.8%)
Miles and Snow typology	Defender		76 (35.6%)
	Prospector		87 (40.6%)
	Analyzer		26 (12.1%)
	Reactor		25 (11.7%)

Table 3 Capability scales

<i>Scale</i>	<i>Factor loads</i>	<i>Mean</i>	<i>Std. dev.</i>	<i>Rank</i>
<i>Marketing (alpha = .797)</i>				
Knowledge of customers	.577	3.63	1.026	5
Knowledge of competitors	.670	3.69	.959	2
Integration of marketing activities	.701	3.53	1.042	9
Skill to segment and target markets	.776	3.51	1.125	12
Effectiveness of pricing programs	.772	3.50	1.104	15
Effectiveness of advertising programs	.720	3.46	1.185	18
<i>Marketing link (alpha = .820)</i>				
Market sensing capabilities	.786	3.50	1.150	13
Customer-linking (i.e., creating and managing durable customer relationships) capabilities	.704	3.75	1.154	1
Capabilities of creating durable relationship with our suppliers	.822	3.68	1.180	3
Ability to retain customers	.711	3.68	1.119	4
Channel-bonding capabilities (i.e., creating durable relationship with channel members such as wholesalers and retailers)	.734	3.50	1.213	14
Relationships with channel members	.595	3.43	1.172	22

Table 3 Capability scales (continued)

<i>Scale</i>	<i>Factor loads</i>	<i>Mean</i>	<i>Std. dev.</i>	<i>Rank</i>
<i>Technology (alpha = .790)</i>				
New product development capabilities	.721	3.28	1.115	24
Manufacturing processes	.691	3.53	1.060	10
Technology development capabilities	.704	3.47	1.001	17
Ability of predicting technological changes in the industry	.677	3.36	1.124	23
Production facilities	.689	3.48	1.141	16
Quality control skills	.714	3.46	1.193	19
<i>Management (alpha = .806)</i>				
Integrated logistics systems	.671	3.43	1.115	21
Cost control capabilities	.685	3.59	1.060	7
Financial management skills	.680	3.52	1.001	11
Human resource management capabilities	.777	3.44	1.124	20
Accuracy of profitability and revenue forecasting	.701	3.58	1.141	8
Marketing planning process	.760	3.59	1.193	6

Table 4 Porter's generic strategies

<i>Scale</i>	<i>Factor loads</i>	<i>Mean</i>	<i>Std. dev.</i>	<i>Rank</i>	
<i>Cost leadership (alpha = .761)</i>					
COST1	Efficiency of securing raw materials or components	.751	3.73	1.075	4
COST2	Finding ways to reduce costs	.790	3.73	1.134	3
COST3	Level of operating efficiency	.723	3.84	1.131	1
COST4	Level of production capacity utilisation	.749	3.68	1.111	6
COST5	Price competition	.558	3.58	1.130	8
<i>Focus (alpha = .787)</i>					
FOCUS1	Uniqueness of products in function or design	.750	3.43	1.184	12
FOCUS2	Targeting a clearly identified segment	.787	3.56	1.132	9
FOCUS3	Offering products suitable for a high price segment	.844	3.36	1.280	13
FOCUS4	Offering specialty products tailored to a customer group	.741	3.44	1.196	11
<i>Differentiation (alpha = .846)</i>					
DIFF1	Using new methods and technologies to create superior products	.721	3.35	1.176	14
DIFF2	New product development	.738	3.68	1.094	5
DIFF3	Rate of new product introduction to market	.770	3.26	1.239	15
DIFF4	Number of new products offered to the market	.780	3.20	1.215	16
DIFF5	Intensity of advertising and marketing	.659	3.49	1.178	10
DIFF6	Developing and utilising sales force	.710	3.60	1.169	7
DIFF7	Building strong brand identification	.670	3.81	1.227	2

Table 5 Environmental uncertainty

<i>Scale</i>		<i>Factor loads</i>	<i>Mean</i>	<i>Std. dev.</i>	<i>Rank</i>
<i>Market uncertainty (alpha = .769)</i>					
MU1	In our kind of business, customers' product preferences change quite a bit over time	.689	3.65	1.226	3
MU2	Our customers tend to look for new products all the time	.686	3.39	1.298	11
MU3	Sometimes our customers are very price-sensitive, but on other occasions, price is relatively unimportant	.684	3.50	1.303	8
MU4	New customers tend to have product-related needs that are different from those of our existing customers	.788	3.57	1.160	6
MU5	We cater too many of the same customers that we used to in the past	.736	3.75	1.234	1
MU16	It is very difficult to predict any changes in this marketplace	.505	3.13	1.244	17
<i>Technology uncertainty (alpha = .802)</i>					
TU1	The technology in our industry is changing rapidly	.801	3.26	1.243	14
TU2	Technological changes provide big opportunities in our industry	.795	3.51	1.174	7
TU3	It is very difficult to forecast where the technology in our industry will be in the next two to three years	.800	3.28	1.235	13
TU4	A large number of new product ideas have been made possible through technological breakthroughs in our industry	.750	3.43	1.207	10
TU5	Technological developments in our industry are rather minor	.479	3.24	1.269	16
TU6	The technological changes in this industry are frequent	.623	3.26	1.276	15
<i>Competitive uncertainty (alpha=.823)</i>					
CU1	Competition in our industry is cutthroat	.805	3.46	1.345	9
CU2	There are many 'promotion wars' in our industry	.770	3.67	1.259	2
CU3	Anything that one competitor can offer, others can match readily	.788	3.62	1.219	5
CU4	Price competition is a hallmark of our industry	.779	3.64	1.185	4
CU5	One hears of a new competitive move almost every day	.783	3.36	1.221	12
CU6	Our competitors are <i>relatively</i> weak	.443	3.02	1.323	18

Financial and non-financial performance criteria were employed to measure the performance. Factor loadings and other descriptive statistics of these criteria are presented in Table 6. The reliability and factors loading values are acceptable for further testing.

Table 6 Performance

<i>Scale</i>	<i>Factor loads</i>	<i>Mean</i>	<i>Std. dev.</i>	<i>Rank</i>
<i>Financial performance (alpha = .779)</i>				
Sales growth	.670	3.56	1.098	7
Growth in profit after tax	.583	3.45	1.055	9
Market share	.612	3.43	1.076	10
Return on assets (ROA)	.663	3.46	.912	8
Return on equity (ROE)	.586	3.43	.920	11
Return on sales (ROS)	.690	3.57	1.062	6
Overall firm performance and success	.670	3.66	1.030	3
Competitive position	.540	3.58	1.117	5
<i>Non-financial performance (alpha = .889)</i>				
Customer satisfaction	.783	3.67	1.197	2
Customer loyalty	.787	3.64	1.157	4
Employee satisfaction	.781	3.36	1.121	12
Employee turnover	.628	3.23	1.175	13
Company image	.771	3.72	1.216	1

The means of factor scores were compared to test the hypotheses proposed in this study. Moreover, these scores are used in analysis of variance (ANOVA), t-tests and correlation analysis as well. No significant differences were found between each of strategic capabilities-marketing, market linking, technology, and management – and hotels characteristics such as star rating, hotel scale, work time, the existence of a global strategic alliance, and ownership (see Table 7). Hence, *H1a*, *H1b*, *H1c*, and *H1d* are refuted.

Table 7 Factors scores along capability scales

<i>Hotel stars</i>	<i>Mktg.</i>	<i>Link</i>	<i>Tech.</i>	<i>Mgt.</i>
3-star	-.13 (sd = .98)	-.13 (sd = .90)	-.10 (sd = .93)	.02 (sd = .87)
4-star	-.03 (sd = 1.05)	-.03 (sd = 1.00)	.04 (sd = 1.01)	-.00 (sd = 1.03)
5-star	.11 (sd = .96)	.11 (sd = 1.05)	.03 (sd = 1.03)	-.01 (sd = 1.05)
<i>ANOVA significance</i>	.354	.356	.669	.979
<i>Hotel scale</i>				
Small-scale	-.04 (sd = 1.17)	-.19 (sd = 1.31)	.16 (sd = 1.06)	.30 (sd = .65)
Medium scale	.01 (sd = 1.04)	.02 (sd = .94)	.00 (sd = .99)	.00 (sd = 1.02)
Large-scale	-.01 (sd = .92)	-.00 (sd = 1.05)	-.03 (sd = 1.00)	-.07 (sd = 1.02)
<i>ANOVA significance</i>	.973	.757	.806	.435

Table 7 Factors scores along capability scales (continued)

<i>Hotels work time</i>	<i>Mktg.</i>	<i>Link</i>	<i>Tech.</i>	<i>Mgt.</i>
Seasonal	-.00 (sd = 1.05)	.07 (sd = 1.00)	.00 (sd = 1.05)	.06 (sd = 1.00)
Annual	.01 (sd = .91)	-.11 (sd = .99)	-.00 (sd = .92)	-.10 (sd = .99)
<i>t-test significance</i>	.952	.180	.998	.267
<i>Joint adventure (from another country)</i>				
<i>Yes</i>	.03 (sd = 1.00)	.02 (sd = .99)	.20 (sd = .96)	.20 (sd = 1.04)
<i>No</i>	-.01 (sd = 1.00)	-.01 (sd = 1.00)	-.07 (sd = 1.00)	-.69 (sd = .98)
<i>t-test significance</i>	.842	.812	.083	.087
<i>Ownership</i>				
Not chain	.05 (sd = 1.02)	.04 (sd = 1.00)	-.03 (sd = 1.01)	.01 (sd = 1.01)
Chain	-.05 (sd = .98)	-.04 (sd = 1.00)	.02 (sd = 1.00)	-.01 (sd = 1.00)
<i>t-test significance</i>	.450	.593	.718	.888

When marketing and market-linking capabilities are examined (see Table 7), defenders have the highest value, followed by prospectors, reactors and analyzers. Hence, *H2a and 2b are accepted*. As the defenders exhibited the highest value in technology, *H3 is refuted*. As the defenders exhibited the highest value in management, *H4 is also refuted*.

ANOVA values for each dimension were applied to determine whether there are differences in the categories of capabilities. *H5 is accepted*. Duncan's test was employed to determine the sources of these differences and revealed that they are due to defenders (see also Table 8).

Table 8 Factors scores along capability scales

<i>Miles & Snow strategy</i>	<i>Mktg.</i>	<i>Link</i>	<i>Tech.</i>	<i>Mgt.</i>
Defenders (<i>n</i> = 76)	.21 (sd = .96)	.21 (sd = .91)	.16 (sd = .96)	.23 (sd = .84)
Prospectors (<i>n</i> = 87)	.07 (sd = .99)	.00 (sd = 1.10)	.12 (sd = .97)	.01 (sd = 1.09)
Analyzers (<i>n</i> = 26)	-.47 (sd = 1.07)	-.37 (sd = .91)	-.60 (sd = .89)	-.27 (sd = .80)
Reactors (<i>n</i> = 25)	-.40 (sd = .84)	-.24 (sd = .82)	-.28 (sd = 1.08)	-.49 (sd = 1.08)
<i>ANOVA significance</i>	.003	.029	.002	.006

Concerning Porter's typology, the strategy of differentiation exhibits the highest value in all realms of capabilities (see Table 8). Thus, *H6 and H8 are refuted, but H7 is supported*.

Correlation analysis was conducted to identify relationships among capabilities and strategy as defined by Porter's typology, uncertainty and performance criteria. Significant relationships were found among capabilities, strategy according to Porter typology, uncertainty and performance criteria. Therefore, *H9, H10, H11, and H12 are accepted*.

9 Discussion

A number of key findings warrant further elaboration. When the means of the participants' attitudes are examined, the first ten places are occupied by capabilities concerning the market-linking and management and marketing (see Table 3). Moreover,

as the values of the data concerning technology are low, technology receives relatively less attention. Hence, the tourism sector appears to be shaped predominantly by market-linking and marketing capabilities.

Hotels in the sample tend to prefer a cost leadership orientation, followed by differentiation and focus. Although non-financial criteria relating to customers are attractive, this was not the case with respect to human resources. While customers appear to be content and loyal, the shortcomings in financial performance can be attributed to issues associated with workers.

A number of additional findings are noteworthy as well. First, no differences were identified between the strategic capabilities and hotel characteristics such as star rating, hotel scale, work time, global strategic alliance, and ownership. Tourism firms in Turkey are mostly family businesses (Okumus and Karamustafa, 2005), creating an ongoing obstacle to the institutionalisation of hotels.

Second, Turkish hotel organisations appear to attach greater importance to market and market-linking capabilities than other capabilities. This finding concurs with earlier research, particularly that of Barca et al. (2008) and Koseoglu et al. (2011).

Third, defenders produced higher scores than prospectors, analyzers and reactors in relation to marketing, market-linking, technology and managerial capabilities. The Miles and Snow categories explained the differences in all of the capabilities, with defenders accounting for the most variance. When an evaluation was carried out among the capabilities, defenders demonstrated the highest score in managerial capabilities, prospectors had the highest score in technological capabilities, and analyzers had the highest score in management. Interestingly, reactors demonstrated the highest score in market-linking capabilities. These findings are similar to those reported in Di Benedetto and Song's (2003) assessment of Chinese firms.

Fourth, although hotels preferred cost leadership overall, those pursuing a differentiation strategy exhibited high scores in all the capabilities. Moreover, significant and positive relationships were found across all the capabilities and Porter's typology. Marketing capability revealed the highest score in cost-leadership, focus and differentiation respectively. While technology capability exhibited the lowest score in cost leadership, market-linking displayed the lowest score in both focus and differentiation. This finding is consistent with Parnell's (2011) assessment of retail firms from Peru, Argentina and the USA. He investigated the relationships between the firms' strategic capabilities and Porter's strategies and also found significant relationships among all the dimensions.

Fifth, a significant and positive relationship was found between environmental uncertainties and capabilities. Competitive uncertainty was found to exhibit the highest score in market-linking, management, technology and marketing capabilities, respectively. Moreover, marketing revealed the highest score in market uncertainty and technology capabilities exhibited the highest score in technological uncertainties. Nonetheless, market-linking capabilities exhibited the lowest score in market uncertainty, management capabilities exhibited the lowest score in technological uncertainty, and marketing capabilities revealed the lowest score in competitive uncertainty. In light of these findings, perceived levels of market uncertainties may have important influence on organisational performance (Ortega, 2010).

Finally, a significant and positive relationship was found between capabilities and both financial and non-financial performance. In this relationship, non-financial performance criteria exhibited higher scores than financial performance criteria in all the

capabilities. Here, the highest score is exhibited by market-linking capabilities, followed by technology, marketing and management. In addition, management revealed the highest score in financial performance, followed by market-linking, marketing and technology. This is also consistent with Parnell's (2011) work.

10 Conclusions, limitations and future research

This study makes two key contributions to the literature. It identifies significant relationships between capabilities and performance, and strategies and performance (Barney, 2001; Barney et al., 2001), most notably within the context of Turkish hotels. It also supports the notion of significant relationships between capabilities and strategies; hence, resource-based approach and competitive strategies approach complementary rather than contradictory (Barca, 2002). In addition, it indicates that rather than using one capability, utilisation of a combination of capacities may be more conducive to success (Parnell, 2011).

The present study also revealed some important results for managers. First, multiple generic strategies can be associated with success, particularly in Turkish hotels. Given the significant relationships between strategies and capabilities, capabilities and performance, and capabilities and uncertainties, managers should consider fits among capabilities and environment when formulating strategies for their firms. For example, they can emphasise market capabilities in times of market uncertainty, technological capabilities in times of technological uncertainty, and market-linking capabilities in times of competitive uncertainty. Put another way, alignment among these variables appears to be more important than strategy content alone. Of course, regardless of strategy employed, organisations should improve their market capabilities. It should be highlighted that the present study was carried out in a developing country, and problems experienced in such nations can influence appropriate strategies. While developing countries often represent attractive markets, their environments are riskier and fundamentally different from developed ones (Bandoyopahyay, 2001). They lack many of the essential resources, infrastructures, demand features, governmental controls, and stability that are present in developed economies (Baack and Boggs, 2008). Hence, managers should formulate their strategies by analysing the relationships between capabilities and uncertainties well.

Following this logic, culture affects strategic preferences to a great extent (Saffold, 1998; Schein, 2004). The culture in prospector businesses is often characterised by a stronger emphasis on innovation and outcomes, whereas the culture in defender businesses is characterised by greater stability (Baird et al., 2007) and structure (Porter, 1980). Overall, Turkish management culture has a highly different structure when compared to those of other countries. Distinctions between the typologies in Turkey are apparent, given the cultural propensities of Turkish managers such as centralisation and autocracy (Iseri and Demirbag, 1999). In recent years, cultural changes resulting from foreign investment to Turkey have some direct and indirect influences on strategies and capabilities of organisations. In this respect, managers should attach greater importance to the capabilities and strategies more complying with organisational culture.

Finally, several key structural issues should be addressed. Hotel organisations are susceptible to endogenous and exogenous threats (Evans and Elphick, 2005). Indeed, tourism organisations in Turkey are mostly family businesses (Okumus and Karamustafa, 2005). The most common challenges in Turkish hotels include seasonality, low

occupancy rates, low average length of stay, high dependency on foreign tour operators, transportation/logistics challenges, inadequate infrastructure, a lack of qualified staff, a lack of sound marketing strategies, and a high percentage of lower-income tourists (Tosun et al., 2008; Okumus and Karamustafa, 2005; Okumus and Kilic, 2004). The market philosophy of Turkish hotels includes product-oriented and customer-oriented philosophies, and manufacturing, selling, and societal orientations respectively (Tosun et al., 2008). Managers should integrate capabilities and strategies accordingly.

Several shortcomings of the current study should be recognised, however. It only assessed a small region of Turkey in which tourism is a major industry. Moreover, about one-half of the managers participating in the present study graduated from schools that do not offer tourism training. These respondents are less knowledgeable about the fundamental dynamics of the hotel industry, which could result in differences in the formation of appropriate strategies or in perceptions of appropriate strategies. Accordingly, studies that include only those managers who have completed tourism training may yield more generalisable results.

Innovation capability – the ability to create new and useful knowledge based on previous knowledge (Kim, 1997) – has been proposed as a higher order capability that integrates others developed by the firm (Atoche, 2007). Studies suggest that innovation capabilities emerge from technology capabilities (Dutrénit, 2004; Figueiredo, 2001). Organisations in emerging economies often lack the technological base to develop innovation capabilities. The present study considered three primary strategic capabilities. Possibilities such as innovation capability were not assessed.

Future research can build on the findings presented herein, however. For instance, in the present study, capabilities are not addressed by considering the demographic features of managers the hypotheses tested can be assessed in other developing countries as well. Moreover, other managerial issues (e.g., human resources, legal, technical, political and business ethics) can be added to capabilities as well.

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