THE MODERATING EFFECTS OF ENVIRONMENTAL MUNIFICENCE ON THE RELATIONSHIP BETWEEN BUSINESS LEVEL STRATEGY AND PERFORMANCE OF HOTELS IN NIGERIA

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ABSTRACT

The study aims to examine an association between business level strategy (cost leadership strategy and differentiation strategy) on the performance of Nigerian hotels, with the moderating variable of environmental munificence. Hotels industry is a vital tool for the economic growth in Nigeria and it constitutes an important basis of the economic development of the country. As a result of a thorough review of literature, a model was proposed to examine these relationships. This research applied census sampling to gather data from owners/managers of Hotels in Kano State North-West of Nigeria using questionnaire survey design. The study employed descriptive and inferential statistics to analyze the data collected using SPSS statistical package software and smart partial least squares software. The findings of this study indicate that cost leadership strategy have direct significant positive relationship with hotels performance, and surprisingly differentiation strategy was not statistical significance to hotels performance, whereas environmental munificence was found to moderates the relationship between cost leadership strategy, differentiation strategy and performance among hotels. These clearly show the need for sound business level strategy activities, as well as the need for effective environmental munificence ideas among the hotels managers and emphasis should be given to differentiation strategy. The result signifies the appropriateness of PLS in analysis and has contributed better understanding on effect of business level strategy on hotels performance. Similarly, finding of this study can assist practitioners and policy makers in hotels industry support in designing strategic decisions for superior performance. Finally, study implications for theory and practice, limitations, conclusions as well as direction for future research were provided and discussed.

Keywords: cost leadership, differentiation strategy, environmental munificence, hotels performance
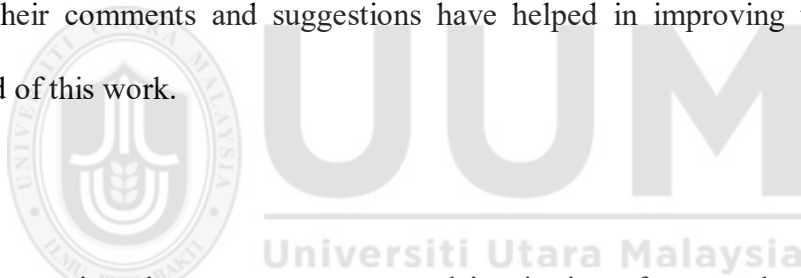
ABSTRAK

Kajian ini bertujuan untuk menyelidik perkaitan antara strategi tahap perniagaan (strategi kepimpinan kos dan strategi pembezaan) terhadap prestasi hotel di Nigeria, dengan pemboleh ubah pengantaraan anugerah alam sekitar. Industri perhotelan merupakan medium yang penting untuk pertumbuhan ekonomi di Nigeria dan menjadi asas penting dalam pembangunan ekonominya. Hasil daripada penelitian literatur secara menyeluruh, sebuah model dicadangkan untuk menyelidik hubungan ini. Kajian ini menggunakan persampelan bancian untuk mengumpul data daripada pemilik / pengurus hotel di Kano State Utara-Barat Nigeria menggunakan reka bentuk soal selidik tinjauan. Kajian turut mengguna pakai statistik deskriptif dan inferensi untuk menganalisis data yang dikumpul menggunakan perisian pakej statistik SPSS dan perisian pintar kuasa dua terkecil separa. Dapatan kajian menunjukkan bahawa strategi kepimpinan kos mempunyai hubungan positif yang signifikan secara langsung dengan prestasi hotel, tetapi strategi pembezaan pula didapati tidak signifikan secara statistik dengan prestasi hotel. Sementara itu, anugerah alam sekitar didapati menjadi pengantara dalam hubungan antara strategi kepimpinan kos dan strategi pembezaan dengan prestasi hotel. Ini jelas menunjukkan keperluan aktiviti strategi tahap perniagaan yang baik, serta keperluan idea bagi anugerah alam sekitar dalam kalangan pengurus hotel, dan penekanan perlu diberikan kepada strategi pembezaan. Dapatan kajian menggambarkan kesesuaian penggunaan PLS dalam analisis dan menyumbang pemahaman yang lebih baik terhadap kesan daripada strategi tahap perniagaan ke atas prestasi hotel. Selain itu, dapatan kajian ini dapat membantu pengamal dan pembuat dasar untuk menyokong industri perhotelan dalam mereka bentuk keputusan strategik bagi prestasi yang tinggi. Akhir sekali, implikasi kajian bagi teori dan amalan, batasan, kesimpulan dan juga hala tuju untuk kajian pada masa akan datang turut disediakan dan dibincangkan.

Kata kunci: kepimpinan kos, strategi pembezaan, anugerah alam sekitar, prestasi hotel

ACKNOWLEDMENTS

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LIST OF ABBREVIATIONS

ADR	Average Daily Rate
AVE	Average Variance Extracted
CL	Cost Leadership
CR	Composite Reliability
DC	Dynamic Capability
DS	Differentiation Strategy
EM	Environmental Munificence
FP	Financial Performance
GDP	Gross Domestic Product
NBS	Nigerian Bureau of Statistic
PLS	Partial Least Square
RBV	Resource Based View
ROA	Return on Asset
ROI	Return on Investment
ROS	Return on Sale
SEM	Structural Equation Modeling
SME	Small And Medium Enterprises
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
SPSS	Statistical Package for Social Science
USA	United State of America
VRIN	Valuable Rare Inimitable Non-Substitutable
YTD	Year To Date

CHAPTER ONE

INTRODUCTION

1.1 Background and Motivation of Study

In global businesses the most imperative determinants of achievement in the market place is competitive advantage (Valipour, Birjandi & Honarbakhsh, 2012; Pehrsson, 2016). For any organization to operate successfully, it must establish itself and match itself with the environment in which it is operates. The environmental forces could either be the internal versatile activities, a firm"s immediate external environment, or even the remote external environment, which contribute to making the business environment complex. Therefore all the environmental factors must be anticipated, monitored, assessed, and incorporated during decisions making process. This complexity and sophistication of the environment make it necessary for business to use the strategic management concept (Pearce and Robinson, 2002; Pehrsson, 2016; Valipour et al., 2012). Therefore, the success and survival of any organization depends on how well it positions itself in the environment.

The saturation in many markets and the changes created by the information age has endangered the quest by organizations to differentiate themselves from their competitors within the same markets through the exploitation of tangible and intangible assets so as to attain core competencies and achieve sustainable business success. Researchers like Banker et al., (2014); Back & Boogs, (2008); Grant, (1996); Spender & Grant, (1996); Davenport & Prusak, (1998); Foss & Pedersen, (2002); and

Valipour et al., (2012) have made it clear on the importance to understand business level strategy. Strategic orientations are organizational decisions in terms of taking proactive actions aimed at understanding market needs and actions of their competitors. This can be achieved by considering the environmental changes able provide superior value to the market and balance between the organizations and consumer needs. Therefore, firms" decision and activities is considered as the means ingredient with significant affects for effective administration of business (Aragon Sanchez & Sanchez, Marín, 2005).

The connection between business level strategy that is (cost leadership and differentiation) and business success has been widely discussed. Researches reveal mixed findings on the effects of the strategies on firm performance (Musa et al. 2014; Porter, 1980). However, Porter (1980) had deliberated clearly that both business level strategy (cost leadership strategy and differentiation strategy) would enable firms to compete competitively in the market. Business that is able to clearly consider and pursue one of the two strategies at time on has a better chance to accomplish greater performance (Musa et al., 2014; Porte, 1980). However, there were researchers that found successful firms whom exercised both strategies simultaneously (Musa et al., 2014). Therefore, there is need to investigate further the relationship between business level strategy (cost leadership and differentiation), and performance (Banker et al., 2014; Back & Boogs, 2008; Gonza´ lez-Benito & Sua´ rez-Gonza´ lez, 2010; Valipour et al., 2012).

Performance is a relative concept/term used in many areas to describe how processes/actions realize its objectives (Gronum, Verneye & Katselle, 2012; Penrose, 1959). Neely, Gregory, and Platts (1995) suggested that firm performance is the quantified action of business activities, such as quantifying customer satisfaction. Therefore, firm performance is seen as the procedure of knowing the effectiveness and usefulness of action. From entrepreneurial point of view, business performance can be seen as how well the firm is managed and what the firm provides for its customers and owners (Gorondutse & Hilman, 2016; Moullin, 2007).

Researchers globally undergo several studies on the relation in respect to strategy and performance; previous studies stated that only used "pure" cost leadership or differentiation strategies were related with higher performance, on the other hand others found that having all combination of business level strategy that is (cost leadership strategy and differentiation strategy) could be most favorable for some businesses (Banker et al., 2014; Valipour et al., 2012).

Business environment is associated to the achievement of SMEs, favorable business environment and healthy overall economic setting as a whole is a good predictor for enterprise performance (Smith & Watkins, 2012). In line with SMEDAN (2012; 2013) report that unfavorable business environment such as lack of infrastructure and support from government, community and other environmental issues poses another reason for poor SMEs development in Nigeria, lack of basic social services and amenities such as electricity and roads, are among major obstacles that hinder the

development of hotel sector in Nigeria (Atawodi & Ojeka, 2012; Ong, Ismail, & Yeap, 2010).

Bangudu (2013a) described the environmental situation for businesses in Nigeria as complicated, the economy is repressed by sober issues of social amenities insufficient, particularly with regards to power supply, transportation, technology; logistics, the quality of institutions, cost and access to funds (Bangudu, 2013). All these have obstructed competitiveness of hotel in Nigeria and consequently the circumstance has made the expansion of the economy very difficult (Bangudu, 2013).

Many of previous researches supported Porter's view (O'Farrell, Hitchens; Gonza´ lez-Benito & Sua´ rez-Gonza´ lez, 2010 & Parnell, 1997) some other researchers deliberated that Porters view strategies can be well-matched (Hill, 1988; Murray, 1988) and, in many cases, led to superior business success (Gonza´ lez-Benito & Sua´ rez-Gonza´ lez, 2010; Miller & Friesen, 1986b; Wright, Droll & Helms, 1991; Valipour et al., 2012).

However, in the context of Nigeria, the hotels industry face number of difficulties such as strategic information, insufficient of credit, poor market research, technology; and poor market demand for products/services (Fishbin, 2013; Ngandu, 2014). Inspite of these difficulties, they continue to act as a major role in employment for youth (Ngandu, 2014). To adds, Fishbin, (2013); Ngandu (2014) reported that Nigeria as oil

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production based economy has contributed significantly to the development of hotel sector especially for business travelers (Fishbin, 2013; Ngandu, 2014).

In addition, the report also stated that from 2008 to 2012 Nigerian have received average annual GDP growth of 7% (Ngandu, 2014). Ngandu, (2014), state that Lagos, the former capital city of Nigeria presently recorded the highest hotel rates among African continents, which receiving an average daily rate of USD$277; such rate was primarily due to inadequate hotel room supply that due to significant influx of business travelers that mainly on country˝s natural resources (Fishbin, 2013; Ngandu, 2014). Therefore, in 2013, Nigeria stand as the strongest market in sub-Saharan Africa for hotel growth with almost 7,500 rooms under development and the amount was an increase by 10% from 2012 (Fishbin, 2013; Ngandu, 2014).

Furthermore, the Daily Trust, one of the leading newspapers in Nigeria on September, 2015 reported that hotels in Nigeria provide poor range of services, facilities, lack technical know-how and amenities. Oki (2014) found that Nigerian hotels provide poor level of customer services below expectation; and this suggest on the need to identify strategic approach as to enhance their performance.

Above all, in spite of the importance to identify appropriate business level strategy (cost leadership and differentiation strategy) and its environment, there have been very few studies done in the context of Nigeria. Apart from that, very little

information is available on how hotels industry deals with environment in building business success. Therefore, to tackle this research gap as mentioned above, this study examined the effect of business level strategies (cost leadership and differentiation strategy) on viable business success of Nigerian hotels with environmental munificence as moderator, and in particular from an emergent economy of sub-Saharan Africa - Nigeria and in particular (Kano state). The following subsection discusses hotel sector in Nigeria.

1.2 An Overview of Hotel Sector in Nigeria

Tourism and hospitality industry has become a very viable business. For this reason, it is essential for the hotels managers to find ways to increase their guest patronage (Awaritefe, 2004). Hospitality industry has been identify as an important sector in Nigeria as the Federal government give concern about it, and that is due to the declined oil revenue (Tourist Report, 2012). Specifically, indicated that international tourist that arrived in Nigeria had improved steadily from 1, 031, 000 in 2005 to 1, 186,800 in 2009, which shows about 15.1% increase (Tourist Report, 2012). Meanwhile, the amount of business tourists had increased by 17.2% or from 618 600 to 725 200 over similar period of times (Tourist Report, 2012).

Furthermore, the industry continues to progress because of numerous of business activities, conferences, and investors that flow in to Nigeria as well as local travel segment (Tourist Report, 2012). In addition, number of new hotels of an international standard has been built as to cater business travelers, especially in Lagos, Kano, and

Abuja (Oki, 2014; Tourist Report, 2012). A part from that, the growth from of local tourism market had made Nigerian federal and several state government worked close by as to develop tourism industry further (SMEDAN,2013; Tourist Report, 2012),

In line with the above, there is a pressing issue in the context of identifying the best business level strategies that match well with the environment which could further enhance the growth of tourism sector in Nigeria. In other words customer nowadays is unlike in the previous decades which customer had brand loyalty. This have made business investors in hotel sector in particular focus more on cost or being different constraints (Tourist Report, 2012). Consequently, in order to add value to the guest's experience, hotel managers, and marketers must know what services should be offered (Tourist Report, 2012). The following subtopic discusses the problem statements of this study.

1.3 Problem Statements

It has become necessary to understand the relevance of cost leadership strategy and differentiation strategy in developing a business. Therefore, it is imperative to re-examine its role in today's business environment. However, most of the outcomes of previous studies are varied. Several studies discovered firms that blend both strategies produced better organizational performance (Gopalakrishna and Subramanian, 2001; Svatopluk et al., 2001; Yuliansyah et al., 2016)), however many studies found concentration on one particular strategy either cost leadership or differentiation is
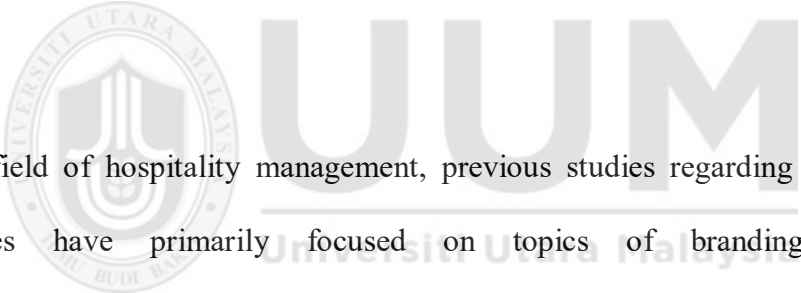
better (Green et al., 1993; Kim and Lim, 1988; Porter, 1980; Pehrsson, 2016; Yuliansyah et al., 2016). Therefore such findings led to numerous gaps in the literature that include firms in growing nation like Nigeria.

There were studies that suggested business strategy must be positively associated with its business environment (Dess & Keat, 1987; Aminu & Sheriff, 2015). Appropriately match between environment and strategy leads to better overall performance and vice versa (Lenz, 1980; Wheelen & Hunger, 2015). Past studies have also established that the relation between business strategy and firm performance was tapering by control variables such as a concentrate on manufacturing and effectiveness (Davis & Schul, 1993; Zahra, 1993). However studies by McGee and Thomas (1986, 1992), found no relationship between cost leadership and differentiation on performance.

In line with the above, hospitality industry in Nigeria, particularly in Kano State, has enormous potential. However, to achieve business advantage, investors must recognize the connection of success factors in the industry. In addition, hotel industry in Nigeria is facing unfavorable business environment. Among them lack of infrastructural, community, technology, and government support (SMEDAN, 2013). Lack of provision of essential services, such as electricity, access to roads, and water supply also constituted as the greatest constraints to hotels development (SMEDAN, 2013). Most hotels in Nigeria choose to use things like generators for electricity supply which result to huge business cost. Furthermore, low product/service and low

purchasing power were due the poor economic condition of the country (SMEDAN, 2013).

There are calls for hotel owners and managers to find the best blend of strategic moves as to compete competitively. Hotels basically offer very indispensable services to all different of people: men, women, and children (Oki, 2014; Ngamdu, 2014). Demand for these services are even increasing as the society becomes engaged in other economic activities and thus seeks for ready quality foods/services, cost efficient and services delivery, which create opportunity for hotels (Oki, 2014; Ngamdu, 2014).

In the field of hospitality management, previous studies regarding corporate-level strategies have primarily focused on topics of branding, franchising, internationalization, and leadership. Partially due to the lack of available industry-wide hotel performance data, little hospitality strategy research has been conducted on one of the most important dependent variables of strategic management particularly business level strategy – financial performance relationships (Xiao et al., 2012). Most of the researches on business level strategy revealed inconsistent results, for instance studies found conflicting or mixed findings (Anwar & Hasnu, 2016; Zahra and Pearce, 1990; Parnell & Wright, 1993). These studies found that the performance of viable strategies varies with the variation in performance measures, environments, and industries.

In the study conducted by Hingle, Sodan & Lindgree, (2008) found differentiation strategy benefit the performance of UK retailers, but Pehrsson (2016) study show how a foreign subsidiary's differentiation strategy is bounded by competitive dynamics and the value-adding mandate assigned to the subsidiary. Whereas Yuliansyah et al., (2016) study findings reveal that Indonesian financial institutions apply the joint strategy (cost leadership and differentiation strategy), but only the differential strategy improves performance directly and indirectly through strategy alignment. Anwar and Hasnu (2016) reveals different result using Miles and Snow typology found mixed results and vary from industry to industry

Oki (2014) found significant link between different component of competitive strategies and firm performance. Meanwhile Al-Swidi and Al-Hosam (2012) suggested considering environment as a moderating variable between competitive advantage and performance. Suliyanto and Rahab (2012) also suggested the introduction of environment as moderating variable in the link between learning orientation, market orientations, and performance. Deshpande, Grinstein, Kim, and Ofek (2013) suggested an empirical study on how combination of different strategic orientations can affects performance, and suggested the inclusion of specific moderating role of business environment.

Many studies revealed positive relationship between competitive strategies and performance (Al-Swidi and Al-Hosam (2012; Nandakumar et al., 2011). Study on Porter generics strategies has been conducted widely by United State of America,

Europe, and Canada (Egbetokun et al., 2007; Scherer, 1980). However, they did not examine the effect of these strategies on the performance of hotels industry with moderating effect of environment particularly in the context of Nigeria. Nevertheless others were done elsewhere but revealed mixed conclusions without interaction effect. Hence, in line with the available literature reviewed not any of the previous studies integrate and investigate the effect of business level strategies (cost leadership strategy and differentiation strategy) on hotels performance with moderating of environmental munificence and performance hotels industry particularly in developing country like Nigeria. This therefore justifies the need for further research in this area of economic development. The following sub section discusses on research questions.

1.4 Research Questions

Based on the above problem statement, this study tried to address the following research questions:

1. Is there any effect of cost leadership strategy on performance of Nigerian hotels?

2. Is there any effect of differentiation strategy on performance of Nigerian hotels?

3. Is there any effect of environmental munificence on performances of Nigerian hotels?

4. Does environmental munificence moderates the relationship between cost leadership strategy and performances of Nigerian hotels?

5. Does environmental munificence moderates the relationship between differentiation strategy and performances of Nigerian hotels?

1.5 Research Objectives

In relation to the above research questions, the main objective of this study is to investigate the moderating effect of environmental munificence on the relationship between business level strategy (Cost leadership and differentiation) and the performance of hotels in Nigeria. The specific objectives are as follows:

1. To examines the effect of cost leadership strategy on performance of hotels in Nigeria.

2. To determines the effect of differentiation strategy on performance of hotels in Nigeria.

3. To examine the relationship between environmental munificence and performance of hotels in Nigeria.

4. To determines whether environmental munificence moderates the relationship between cost leadership strategy and performance of hotels in Nigeria.

5. To examine whether environmental munificence moderates the relationship between differentiation strategy and performance of hotels in Nigeria.

1.6 Significance of the Study

Having discussed on the research questions above, this section explained the significance of the study. The study provides more understanding on the effect of

business level strategy (cost leadership & differentiation) on performance of hotels in Nigeria. To be specific the study provides clarity on the moderation effect of environmental munificence on the relationship between cost leadership, differentiation, and business performance of hotels.

Theoretical significance

The study is expected to add value theoretically, by statistically testing the relationship between the most important business level strategies to performance. The study further adds value to the existing literature that based on the four variables as in the research framework. Additionally this study contributes to the advancement of the body of academic literature relating to business level strategy and hotel performance.

Practical significance

Hoteliers, and government agencies, would find the result of this study very relevant to their policy and decisions making process. Finally, the findings are expected to provide important insight for growth, development, and performance of hotels in Nigeria. The following section discuss on scope (coverage) of the study.

1.7 Scope of the Study

The study focused on effect of business level strategy (cost leadership strategy & differentiation strategy) on hotels performance in Nigeria. Thus, the cost leadership and differentiation strategy as independent variables while hotels performance as dependent variable. Also this study focused on the moderation influence of

environmental munificence on the relationship between the cost leadership, differentiation, and the hotel performance in Nigeria.

Therefore, the study used survey research. Particularly, questionnaires were administered to the owner-manager of the hotels. The study was restricted to hotels that fall within hotels in the state of Kano, Nigeria. In addition, Kano state has the highest number of population in the country and is center of commerce that attract both local and internationals investors (NPC, 2006).

1.8 Operational Definition for Important Key Words

The definitions of terms used are as below:

Cost leadership strategy:

The extent to which hotels focus on cost, which cost of services provided are carefully monitored and effort to reduce cost is constantly endeavored (Birjandi e al., 2014).

Differentiation strategy:

The extents to which hotels focus on uniqueness, which uniqueness that lead to differentiation are strongly persuaded (Hyatt, 2001; Nandakumar et al., 2011).

Environmental munificence

The extent to which hotels used scarce or abundance resource needed in charting their operation and growth (Aldrich, 1979; Tang, 2008)

Performance:

The extent to which hotels measure success at given period of time (Hilman, 2009; Kaplan &Norton, 1996).

1.9 Organization of the Thesis

The present study is outlined in a sequence of five chapters. Chapter one elaborate on the introduction of the study, which outlined in order of issues related to general background and motivation, a statement of the problem, research questions, research objectives, significance of the study, and the scope which is the area to cover during the study.

Chapter two concerned with issues related to literature review, which discussed the definitions of concepts of all the dependent, independent, and moderating variables under the study. It also investigated the relationship between the variables in a broader context that includes development of hypotheses and discussion of underpinning theories.

Chapter three discussed about research methodology for the study. Here research design, population of the study, sample size and sampling design, unit of analysis, operationalization and measurement of variables, questionnaire design, data collection procedure, technique for data analysis, reliability and validity as well the outcome of the pilot study were explained.

Chapter four reported the findings of the study. Here, survey responses were discussed as well as the issue of non-response bias. Data screening is also carried mainly for the checking of missing value, and outliers. Equally, descriptive statistics is presented and interpreted. It also discussed issues relating to smart PLS software such as measurement and structural model is presented and discussed for hypothesis testing.

Chapter five focused on the summary, discussions, conclusion, and recommendations of the study. In the chapter, implications and constraint of the study as well as direction for upcoming research were discussed.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The aim of this chapter is to provide a details understanding on each variable in this study where highlighted. Specifically, literature related to firm performance measurement, business level strategy (cost leadership and differentiation strategy) and environmental munificence were also reviewed. This is to give an idea of specific areas of the study that require new or additional research work. Additionally this chapter discusses the underpinning theories of the study.

2.1 Performance Measurement

Several definitions have been given by many scholars as to what performance is all about. In general, performance is measured to be the outcome of an organization's activity which measured along with its input. A well consideration of performance measurement would let companies to focus on focal point area that need enhancement by appraising the stage of work growth in relation to cost, worth and period with other useful variables and maintenance in areas with higher productivity (Abd Aziz, & Mahmood, 2010; Shehu, 2014; Tomlinson, 2011).

Similarly many organizations are using different methods to evaluate their performances. Performance can be evaluated from financial and non-financial perspective (Bakar and Ahmad, 2010; Bagorogoza and Waal; Darroch, 2005; Hilman & Kaliappen, 2014, 2015). Most organizations select financial indicators to evaluate

their performances; such as return on assets, average annual occupancy rate, net profit, and return on investment (ROI). However, there were some flaws in financial measures; such as limited precision, objectivity, abridged and unrelated because of book-keeping period impediment (Hilman & Kaliappen, 2014, 2015; Wadongo et al., 2010).

Moreover, performance measures offer a set of reciprocal reinforcement position that directs managers" consideration to the imperative strategic areas that interpret organizational performance results (Dixon et al., 1990; Teeratansirikool, et al., 2013; Wadongo et al., 2010). Assessing the performance of an organization either short or long term goals require a critical look at globalization and competition (Shehu & Mahmood, 2014; Gleason, Mathur & Mathur, 2000). The determining factors in measuring organizational performance include factors such as; productivity, liquidity, market share, innovation, goods, service quality, and human resource management (Shehu & Mahmood, 2014; Gleason, Mathur & Mathur, 2000; Jabeen et al., 2014). Anyhow Balanced Scorecard (BSC) was introduced by Kaplan and Norton (1996), the BSC offer balanced performance measures for financial and non-financial assumptions in evaluating the firm performance. Specifically, BSC emphasize financial and non-financial view; customer, internal process and learning and growth (Hilman, 2009; Kaplan and Norton, 1996; Gorondutse & Hilman, 2016). Therefore, this study focuses on both measurements (financial and non-financial). The following subsection discusses the business level strategy which is the independent variables of the study.

2.2 Business Level Strategy

Business strategy usually entails strategic moves used by company as to achieve goals (Pehrsson, 2016; Nandakumar, et al., 2011; Teeratansirikool, et al., 2013). Business strategy is a combination of thoughts and measures that managers make and take to accomplish greater business performance as relate to its competitors (Pehrsson, 2016; Teeratansirikool, et al., 2013). Literature reveals that corporate-level strategy concerns with the product/market choice(s) of a firm, and business-level strategy refers to a situation where business can position its resources in a given product/market area vis-a` -vis its rivals (Hatten et al., 1978; Teeratansirikool, et al., 2013).

Moreover, business-level strategy is an influential forecaster of other managerial phenomena and possibly the most positive flow of research, for practitioners are the most widely investigated and its relationship with organizational performance (Teeratansirikool, et al., 2013). Nandakumar, et al. (2011) stated that previous literature in strategic management found that a victorious business strategy and organization must be constructively integrated with the environment (Dess and Keats, 1987; Teeratansirikool, et al., 2013). The associations between business-level strategy and environment have been extensively discussed in wider literature (Pehrsson, 2016; Nandakumar et al., 2011; Teeratansirikool, et al., 2013).

Further, business-level strategy is important in clarifying the different aspect of firm effectiveness and long-term performance (Beard and Dess, 1981; Teeratansirikool, et al., 2013). Porter"s model of competitive strategy is well thought-out in this study for the reason of its popularity, structural clarity, unfussiness and generalizations, and looking at how it explain and support two other method for analysis at comprehensive level (Ormanidhi and Stringa, 2008; Pehrsson, 2016; Teeratansirikool, et al., 2013).

Porter (1980) proposed three „generic" competitive strategy for outperforming other corporation in a particular industry, such as cost leadership, differentiation and focus strategy (Wheelen & Hunger, 2015). There are other dimensions of these strategies: cost focus and differentiation focus, cost focus is a low –cost competitive that focus on a particular buyer group or geographical market and attempt to serve only this niche area, whereas, differentiation focus concentrates on a particular buyer group, product line segment or geographical area (Wheelen & Hunger, 2015). however previous research uses cost leadership and differentiation strategy (Barjandi, Jahromi, Darasi & Birjandi, 2014; Christopher, 2011; Pehrsson, 2016; Valipour, Brijandi & Honarbakhsh, 2012; Nandakumar et al., 2011 Teeratansirikool, et al., 2013), this study like others focused on cost leadership and differentiation strategy due to the context and objectives of the research. The two most important aspects of Porter"s generic strategy are cost leadership strategy, and differentiation strategy as discussed below.

2.2.1 Cost leadership

Most businesses seek for a high imperative competitive advantage; Porter''s generic strategies are suitable and capable to lead firms accomplish its goals and desired performance (Barjandi, Jahromi, Darasi & Birjandi, 2014; Christopher, 2011; Valipour, Brijandi & Honarbakhsh, 2012; Teeratansirikool, et al., 2013). The motivation of cost leadership strategy is the extent to which firms compete by offering lower price of good/services

The main reason for using the cost leadership strategy is to gain benefit from lowest costs advantage over competitors (Baack & Boogs, 2014; Barney, 2002; Barjandi et al., 2014). Previous available literature exhibit a number of deliberations as to how and what are the level of connection between cost leadership strategy and business performance, this all relate to an organization''s preference policy and strategic implementation (Banker & Tripathy, 2014; Srivastara & Boogs, 2008; Teeratansirikool, et al., 2013).

Therefore, business pursuing a business level strategy of cost leadership will have advantage more in terms of the improved administrative competence (Jermias, 2008; Barjandi et al., 2014). In addition, Porter generic strategy (1985) recommended that companies that employs cost leadership strategy reduce and monitor costs strongly, which preventing them from having much expenditure for creativity or advertising (Valipour et al., 2012). The cost leadership indicates that the business can maintain and make profits from low cost advantage and at the same time out compete

competitors with poor capital (Barjandi et al., 2014; Valipour et al., 2012; Teeratansirikool, et al., 2013).

To enhance the advantage of cost leadership strategy firm may opt for forward or backward integration on strategies (Hilman, Mohamed, Othman, & Uli; 2009). Frohwein & Hansjurgens (2005) recommended that in order to achieve cost leadership strategy benefit, the business must stress on cost reduction and engage with process innovation actions.

In order to accomplish a cost leadership strategy benefit, companies must encompass on cost reduction in their business activities (Allen & Helms, 2006). Consequently, the business must be prepared to end any activity with no cost benefit and consider them to be outsourced (Allen & Helms, 2006; Barjandi et al., 2014). Therefore businesses need to think about numerous areas as to realize cost leadership strategy. Allen & Helms, (2006) stated that businesses may engage in economies of scale through mass production, technology mass distribution, product design, input cost, capacity utilization of resources, and access to raw materials (Allen & Helms, 2006; Nandakumar, Ghobadian & Regan, 2011).

Firms that succeed in cost leadership strategy usually have adequate capital, skills, experiences, and efficient distribution channels (Banker et al., 2014). The cost advantage protects a firm from threat of new entrants which provide less competition

and consequently will increase performance (Banker et al., 2014). Statistical studies on the association involving cost leadership and performance appeared to be mixed (Banker et al., 2014). Numbers of researches have been carried out in relation to cost leadership strategy and performance.

Parrell, (2010) in his survey of retail business in the USA found that business level strategy is significantly related to performance of retail business. Banker et al. (2014) in their study on firms with intangible assets also found the two business level strategy (cost leadership and differentiation strategies) have a significant effect on performance. Nandakumar et al. (2011) revealed that business that employ only one of the strategies, specifically cost-leadership or differentiation, are likely to perform or give good result than stuck-in-the-middle firms which do not have a prevailing strategic point of reference (Nandakumar et al., 2011).

Dess and Davis (1984) also found that considering both differentiation and cost leadership can give a superior sales increase and ROA (Banker et al., 2014). Hoque (2004) found there was an association between strategy type and organizational performance. However, some others were unable to reveal such link (Banker et al., 2014; McGee and Thomas, 1986, 1992), and some found that the association is not as higher due to some situational variables (Banker et al., 2014; Davis and Schul, 1993; Zahra, 1993; Nandakumar et al., 2011).

Further, low price lead to higher demand of good/services and will result to a target market share within the environment (David, 2008; Hilman, 2009). This means with cost leadership position, a business can actually have a barrier against new market entrance that may need large amount of capital to make an entry (David, 2008; Hilman, 2009). Moreover, cost leadership strategy is related to cost reduction on facilities, operation; overheads, and cost saving due to experiences in areas like R&D, services, sale force, training and development, and advertising (Hilman, 2009). Considering the Porter's generic strategy only one firm in a business can be the cost leader (Davilson, 2001; Hilman, 2009). If this is the only difference between a firm and its competitor, the best choice is certainly to secure the cost leadership role (David, 2008; Hilman, 2009). Though, the cost leadership strategy does have disadvantages because it creates little customer loyalty, and if competitors offer lower prices than customer may switch to them and this may lead a firm to lose revenue (David, 2008; Hilman, 2009). This is one of the main reason why firm opted combined generic strategy (Hilman, 2009).

There are few researches in rising or developing markets and among them were: Gopalakrishna and Subramanian, 2001 (India); Hilman and Kalippaen, 2014 (Malaysia); Green et al., 1993 (Portugal), Jacome et al., 1993 (Portugal); Kim and Lim, 1988 (South Korea); Svatopluk, Bacharova, Rusnakova & Wagner, 2001 (Slovakia) and their findings of these studies mentioned above have revealed inconsistent results. While others have found that a mixture of cost leadership and differentiation is most efficient (Svatopluk et al., 2001; Gopalakrishna &

Subramanian, 2001) at the same time others maintain the focal point on one particular strategy will yield better results (Baack & Boogs, 2008; Nandakumar et al., 2011). In the context of Nigeria, studies like Agbin and Idris, (2015); Musa et al. (2014); and Okin, (2015) had reported different findings due to varied construct and this include the hotels industry (Agbin and Idris, 2015; Musa et al. 2014).

Thus, based on previous study, it shows there are paucity and conflicting on the competitive strategy researches that examines the association between business level strategy and firms performance. Similarly, the main issue that remains unresolved are – what strategic place (component) will result to constant improvement in business performance over long period of time (Banker et al., 2014). Based on these arguments, this study seeks to propose the following hypothesis:

H1: There is a significant effect of cost leadership on performance of hotels in Nigeria

The following sub section discusses another business level strategy known as differentiation strategy.

2.2.2 Differentiation Strategy

Competitive strategy is an indispensable component of any successful business preparation, in securing competitive advantage (Allen & Helms, 2006; Nandakumar, 2011; Porter, 1980). Differentiation is one of Porter‟s business level strategies (Porters, 1996; Allen & Helms, 2006; Reilly, 2002; Teeratansirikool, et al., 2013). Business with this strategy is focusing on uniqueness of a product or service (Allen &

Helms, 2006; Bauer & Colgan, 2001 Hyatt, 2001; Nandakumar, 2011; Porter, 1996). This strategy is capable to enhance high degree of customer loyalty (Allen & Helms, 2006; Porter, 1985).

Porter‟s differentiation strategy gives respective firm to charge higher and at the same time retaining better market share (Allen & Helms, 2006). The differentiation strategy as part of business level strategy can create competitive advantage through product quality, features, or follow up support (Allen & Helms, 2006; Porter, 1985). Hence, business adopting differentiation strategy can allege higher price for goods or services based on features, allocation system, quality of service, or delivery channels (Allen & Helms, 2006; Porter, 1985; Nandakumar, et al., 2011; Teeratansirikool, et al., 2013). The value possibly will be valid or apparent in line with fashion, brand name, or imaged (Porter, 1985; Nandakumar et al., 2010).

The assumption does not mean production expenditure is not important but rather only it is not the main focus (Allen & Helms, 2006, Teeratansirikool et al., 2013). Competitive advantage from differentiation strategy can be achieved through state of the art of technology, quality of product/service or distinctive of product/service (Bright, 2002, Nandakumar et al., 2011).

Innovativeness and customer responsiveness are complementary differentiation strategies, as both rely on knowledge of the market. Innovativeness represents a way

to create a market and differentiate from competitors once the firm identifies a market opportunity (Boso *et al.*, 2012; Pehrsson, 2016). Efficient handling of market information will result in an appropriate responsiveness to customers" established needs and, thus, a differentiation advantage (Kirca *et al.*, 2005; Pehrsson, 2016). However, research on relationships between differentiation strategy and performance of foreign units does not pay attention to contingency effects based on competitive dynamics. This is surprising, as a firm needs to evaluate its competition when trying to find a sustainable strategy (Porter, 1980). For example, Chen and Miller (2012) show that research is oriented more towards static patterns than towards capturing competitive dynamics in terms of inter-firm rivalry based on the competitive actions and reactions of competing firms (Pehrsson, 2016).

There are number of researches that found differentiation as competitive strategy can produce better performance than rivals (Allen & Helms, 2006; Teeratansirikool, 2013). Number of previous literatures has elaborated that differentiation strategy as one of competitive strategies which could improve performance (Alsiwidi & Al-Hosan, 2012; Birjandi et al., 2014; Hilman & Narentheren, 2015). Allen and Helms (2006) described differentiation strategy as significant and vital strategy for better performance. Hingley et al., (2013) argues that all depends on several factors (environment). Conversely, the finding is different with research done by Verbeeten and Boons (2009) that reveals no proof for the assertion between differentiation strategy and performance (Nandakumar et al., 2011). Thus, the literature shows no uniformity concerning the trend on the association between business level strategy and business performance (Allen & Helms, 2006; Banker et al., 2014). Thus, in line

with RBV and DC that recommends firm's reliable competitive advantage certainly results from a matching bundle of precious internal and external resources, thus RBV in this study explain how hotels can used cost leadership and differentiation in achieving greater performance, this study hypothesizes the following:

H2: There is a significant effect of differentiation strategy on performance of hotels in Nigeria

The following subtopic discuss on business environment
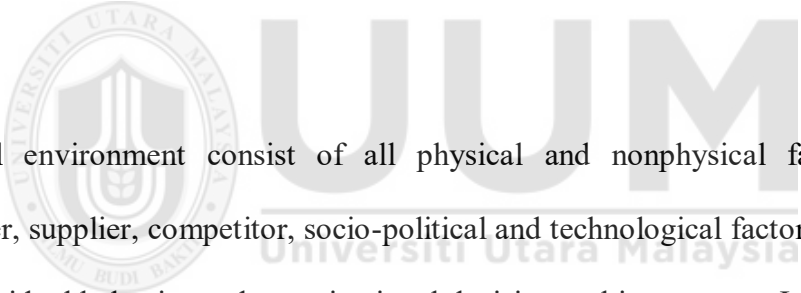
2.3 Business Environment

Previous studies on business performance stress the need for business organizations to study and adapt to their environment (Abd Aziz & Mahmood, 2010). Therefore, business organization must align their strategies and actions in accordance with environmental changes (Abd aziz & Mahmood, 2010; Shehu & Mahmood, 2014). There is no universally accepted strategic choice, that an organization needed to match their strategies with corresponding environmental changes (Abd aziz& Mahmood, 2010; Shehu & Mahmood, 2014; Peng, 2003).

However, firms that align their strategies and policy based on environmental context may attain superior performance (Khaldi & Khatib, 2014; Venkatraman & Prescott, 1990). Business environment refer to environment that shaped by factors like environmental/ecological, political, socio-cultural, technological, economic, and legal besides many others (Daft, 2009; Khaldi & Khatib, 2014; Walsh, 2005). This refers to

a more general definition of business environment or task environment that is most widely used in literature (Dess & Beard, 1984; Khalid & Khatib, 2014).

Business environment can be seen as all the physical and non-physical things that influence decision making process of an organization (Duncan, 1972). Therefore, Duncan (1972) divided the environmental factors as internal and external environmental factors. Internal environment are physical and nonphysical factors within an organization such as management, employee, functional and staff units that have influence on individual behavior and organizational decision making process.

External environment consist of all physical and nonphysical factors such as customer, supplier, competitor, socio-political and technological factors that influence the individual behavior and organizational decision making process. In this definition, physical refer to all factors that are tangible while nonphysical refers to intangible factors such as social factors (Anderson & Paine, 1975; Duncan, 1972). Specifically, Duncan (1972) conceptualized environment in two dimensions known as simple complex dimension and static dynamic dimension.

Similarly, Dess and Beard (1984) viewed business environment as organizations" internal and external factors that influence organizational activities (Dess & Beard, 1984). Internal environments refer to the firm"s internal stakeholders, such as the

management and employees. While the external environment referred to the operating environment, such as government, socio cultural, customers, and suppliers (Khaldi & Khatib, 2014). Another perspective of business environment as factors affects business organization such as dynamism, hostility, and complexity (Miller & Friese, 1983).

Environmental dynamism referred to the level/degree of change of modernization in an industry, change in market, and ambiguity of competition and consumers (Dess & Beard, 1984; Khaldi & Khatib, 2014). The second element is hostility, which is degree of environmental threat on business organization (Dess & Beard, 1984; Khaldi & Khatib, 2014). Thus, hostile environment serves as threat to firm, such as extreme competition, beyond control business climate, lack of business opportunities and unsafe business setting (Dess & Beard, 1984; Khaldi & Khatib, 2014). On the other hand, non hostile/benign or favourable environment referred to environmental factors that provide harmless and supportive business setting (Dess & Beard, 1984; Khaldi & Khatib, 2014). Lastly, complexity or heterogeneity referred to the rate of variations among business organizations that need diversity in product and markets (Dess & Beard, 1984; Khaldi & Khatib, 2014).

Organizational task environment referred to three elements of business environment that affect business organization that are munificence, dynamism, and complexity (Aldrich, 1979; Aminu & Shariff, 2015). However, this study focused on environmental munificence as operationalize by Aldrich, (1979); and Jaiyeoba, (2013) it is referring to resources availability and the extent to which community support and

business can acquire it; this is considering the nature and the context of the study which resources availability can influence strategic decisions as well as business performance (Jaiyeoba, 2013; Mar Fuentes-Fuentes et al. 2004 & Tang, 2008). The following subsection discussed on environmental munificence.

2.3.1 Environmental Munificence

Aldrich and Pfeffer (1976); Aminu and Shariff (2015) defined environmental munificence as availability or insufficiency of resources provided by the business environment. Similarly, Dess and Beard (1984) stated that munificence is the capability of the environment to sustain growth and development of business organization. Thus, munificent environment refer to the availability of resource while scarce environment refer to the scarcity of resource provided by the environment. Moreover, Castrogiovanni (1991) defined munificence as the insufficiency or profusion of key organizational resources to be used by working in the same environment. In other word environmental munificence is the scarce or abundance of critical resource needed by firms operating within environment.

Similarly, Mar Fuentes-Fuentes et al. (2004) defined munificence as the level to which an environment can properly support the growth of firms within it through provision of sufficient resources. Environmental munificence is the degree of abundance or shortage of resources needed by business organizations operating within an environment. Availability of resource within an environment affects the survival and performance of firms operating within it (Randolph & Dess, 1984).

Environmental munificence is similar to environmental capacity, businesses operating in munificent environments have more access to raw materials, finance, and customer markets compared to firm operating in scarce environment (Daft, 2009).

A munificent environment may imply funding by the government, tax reduction, and lower cost of capital, availability of new technologies, good infrastructure, and substantial market (Rueda Manzanares, Aragon Correa, & Sharma, 2008). Thus, enterprises would get more opportunities to utilize their resources and explore more resources. Similarly, environmental munificence refers to the accessibility of help and sustains services that can improve the performance of business organization. Furthermore, government's rules and actions, entrepreneurial, socioeconomic conditions, and business skills, maintain financial and non-financial sustain to businesses were grouped as the environmental munificence that relate to the entrepreneurs (Gnyawali & Fogel, 1994; Jaiyeoba, 2013).

There were theoretical assessment on munificence Castrogiovani, (1991); Goll and Rasheed, (2004) which distinguished three different kinds of munificence: capacity, growth/decline, and opportunities/threat. Therefore capacity means the level of resources available to the business, while growth/decline means changes in capacity and lastly, opportunities/threat means extent of unexploited capacity (Goll and Rasheed, 2004). Empirical researches over the years suggest that munificence has a great influence on organizational process, structure and strategic performance (Goll and Rasheed, 2004). Business that found not to consider environmental munificence

is likely to entrust to behave against the ethical act which may cause change in structure and administrative system (Goll and Rasheed, 2004). McArtthur and Nystry (1991) revealed that environmental munificence relate with strategy and consequently affect business performance which means that environmental munificence change the connection between strategy and performance (Goll and Rasheed, 2004).

Goll and Rashhed (2004) reveal that low environmental munificence lead to several issues /challenges to the business; and recommend that widespread decision process may be more applicable in environment that are little in munificence. Non-munificence environment business devoted to analytical effort such as to understand master threat.

Therefore, this study define environmental munificence as the extent to which business adequately use scarce or abundance to sustain the growth of enterprises operating within it by providing resources, assistance and support services that may enhance the performance of the enterprise. In a study conducted by Korunka, Kessler, Frank and Lueger (2010) reported significant relation between the individual features, resources and business environment and firm performance (Shehu & Mahmoud, 2014).

Lee (2010) in China stated that business environment and other variable have significant effect on performance (Shehu & Mahmoud, 2014). In South Africa Rogerson and Rogerson (2010) examined the effect of environment on performance and reveals a related finding obtained from the previous research of the World Bank.

In addition, Aziz and Yasin (2010) reported different conclusion as external environment did not moderate the association between strategic orientation and firm performance (Shehu & Mahmoud, 2014). However, Shehu and Mahmoud (2014) report that environment has positive effect on performance.

Additionally, Sheng, Zhou and Li (2010) discovered political ties do not have strong effect on performance, Yang, Wang, Zhu and Wu (2012) discovered similar findings among senior administers of manufacturing firms in China. Babatude and Adebisi (2012) also examined strategic environmental scanning on performance and found strong effect between the two variables. Jalali (2012) found environmental determinants are the most influential effect of export performance. Aminu and Shafiff (2015) stated that business either used cost-leadership or differentiation strategy in emerging industries needs to examine external environment and investigate information concerning their own resources and their ability to enhance performance.

Al-Swidi and Al-Hosam (2012) also suggested an inclusion of business environment as moderating variable between competitive advantage and performance. Deshpande, Grinstein, Kim, and Ofek (2013) suggested an empirical study on how combination of different strategic orientations affects performance, and the specific moderating role of business environment. This is in line with contingency theory that suggests the need for business organization to adapt to their dynamic nature of business environment and exploit potential opportunities Based on those arguments, the following hypotheses are proposed to be empirically tested:

H3a: Environmental munificence significantly affects performance of hotels in Nigeria.

H4: Does environmental munificence moderates the relationship between cost leadership strategy and financial performance of hotels in Nigeria.

H5: Does environmental munificence moderates the relationship between differentiation strategy and performance of hotels in Nigeria.

The following subsection discuss on underpinning theories that explain the relationship among the constructs of the study.

2.4 Underpinning Theories

2.4.1 Resource Based View (RBV) Theory

The Resource Based View (RBV) is one of the widely known theories related to firm performance. Following the work of Wernerfelt (1984), RBV became an influential theory within the field of strategic management. The foundation of the RBV can be traced back to earlier works that emphasized on the significance of resources in enhancing firm performance (Chandler, 1962; Penrose, 1959). The RBV postulated that the basis for competitive advantage of a firm depends on the organization"s ability to utilize the bundle of valuable intangible and tangible resources available for the organization (Barney, 1991; Rumelt, 1984; Wernerfelt, 1984).

Furthermore, there is argument that these resources must be valuable, rare, inimitable, and non-substitutable (VRIN) resources (Barney, 1991). To be specific RBV emerged as the theory that explains firm performance, which is driven by resources that are

heterogeneous rather than market power. According to Penrose (1959), business organizations are bundle of resources that give the organization a competitive advantage. For example Tangible assets (plant, equipment, finance and location/ human assets: employees, skills and motivation) Intangible assets (technology, culture and reputations); (Wheelen & Hunger, 2015).

RBV originated from the effort of Penrose (1959) described firm as combination of resources. Therefore, firm performance largely relies on its capability to best utilize the available resources. Barney (1991) further defined RBV as firm resources that refers to assets, capabilities, procedures, characteristics and knowledge that can be used to formulate and implement competitive strategies. Organizational resources are assets which can be used by organization in creating competitive advantage (Daft, 2009). This is in line with Peteraf (1993) which described RBV can create competitive advantage through (heterogeneity inside an industry), retroactive competition, imperfect resource mobility and proactive to competition. Specifically, those resources contributed to competitive advantage such resources cannot easily replicated by competitors.

Generally, RBV has several classifications of firm resources. Godfrey and Hill (1995) classified resources as physical, human, or organizational routines. Physical are tangible resources that are physical or property based. While human and organizational routines are intangible resources that are knowledge or process based. Another classification sees firm resources as distinct or systematic. The former have

significance inside or outer surface of the firm while the later have worth for the reason that of the context inside which they work (Balgobin, 2003).

Barney (1991) gave more detailed classification of firm resources, physical resources, human and organizational resources. Physical resources are substantial resources of the firm while human and organizational resources are intangible resources of the firm. Human resources are person specific which include experience, training, judgment skill, and implementation abilities of individuals within the firm. Organizational resources on the other hand are firm specific resources which include structure, environmental scanning routines, cultural, and informal relationships between groups in the firm and its environment (Aminu & Shariff, 2015; Barney, 1991). Most RBV researches pay attention on insubstantial assets, which include information, (Sampler, 1998), dynamic capabilities (Ambrosini & Bowman, 2009; Teece & Pisano, 1994; Teece, Pisano, & Shuen, 1997) and knowledge (Grant, 1996; Liebeskind & Zack, 1996; Spender, 1996).

Therefore, based on the VRIN nature of these resources, this study used RBV (Barney, 1991) that recommends firm"s reliable competitive advantage certainly results from a matching bundle of precious internal and external resources, thus RBV in this study explain how hotels can used cost leadership and differentiation in achieving greater performance. The next subsection discusses on dynamic capabilities perspective which is an extension of RBV.

2.4.2 Dynamic Capabilities Perspective (DCP)

Teece et al. (1997) described that a Dynamic Capability as a capability of a firm to assimilate its internal resources, that in line with changes at external environment (Singh et al., 2013; Hilman & Kaliappen, 2015). In other word DCP focused on re-adjustment of obtainable resources into new proficiency in response to demands from sustained environmental change (Wang and Ahmed, 2007). Dynamic Capability is more precise in certain context such as cultural diverse situation stressing on the importance on timely responsiveness and reconfiguration of internal and external competence that are congruent with changing business environment (Singh et al., 2013).

Eisenhardt and Martin (2000) stated that DCP is a precise procedure which involves product improvement, strategic choice creation, and alliance. Singh et al. (2013) mentioned that capability must be something that could be made repeatedly, which mostly used by top management to organize resources in proper mode. Wang and Ahmed (2007) identified absorptive capability, adaptive capability, and innovative capability as part of DCP. Olsson et al. (2010) described innovative capability as referring to act of nurturing innovation which constantly corresponds with fluctuating environment. This means capability to create innovation has been recognized as a pivotal matter for its overall success, (e.g., specialized equipment, geographic location), and organizational (e.g., superior sales force), human (e.g., expertise in chemistry) which can be used to value creation strategies (Eisenhardt & Martin, 2000; Wang & Ahmad, 2007).
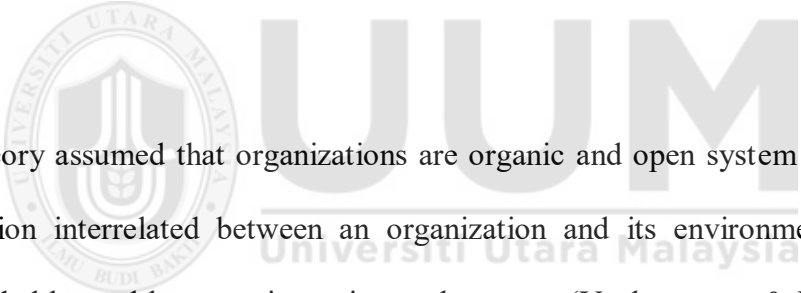
In similar view Dynamic Capabilities are the antecedent of organizational and strategic routines by which managers alter their resource base-acquire and shed resources, integrate them together, and recombine them-to generate new value-creation strategies (Eisenhardt & Martin, 2000; Wang & Ahmad, 2007). As such, they are the drivers behind the creation, evolution, and recombination of other resources into new sources of competitive advantage (Eisenhardt & Martin (2000; Teece et al., 1997). Similar to Teece et al. (1997), this study defined dynamic capabilities as the firm's processes that use resources-specifically to integrate, reconfigure, gain and release resources-to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die. Eisenhardt and Martin (2000) used the term 'combinative capabilities' to describe organizational processes by which firms synthesize and acquire knowledge resources, and generate new applications from those resources. Therefore this study used dynamic capability considering the variables in this study that business can identify their ability to integrate, build, and reconfigure internal and external (cost leadership and differentiation) competences as to address rapidly changing situation. The next subsection discusses on contingency theory

2.4.3 Contingency Theory

The environment in which business organizations operate may have an important effect on how organizations" activities are implemented. Several studies have shown the role played by business environment in providing opportunities or threats to

organizations operating within it (Ensley, et al., 2006; Frank, et al., 2010; Goll & Rasheed, 2004; Tang, et al., 2008; Ullah, 2011).

However, the limitation of other management theories to integrate business environment as a factor that affect the survival of a firm gave birth to contingency theory. For instance the two fundamental assumption of heterogeneity and resources immobility of RBV which explain the firm ability to achieve competitive advantage is static (Barney, 1991). As a result, the ability of the firm to create future valuable resources or how the business environment can shape the resource of the firm remain ignored (Balgobin, 2003).

This theory assumed that organizations are organic and open system and there is an association interrelated between an organization and its environment, as well as surrounded by and between its various subsystems (Venkatraman & Prescott, 1990). A contingency theory is a behavioral theory that described the most excellent means to administer organization, to guide a company, or to make decisions (Scott, 2002). The ability to perform depends on the nature of the environment and to some extent at which the organization consider the environment (Scott, 2002).

Lawrence, Lorsch, & Garrison (1967) described the significance of environment was stressed in shaping and affecting the organizations" actions and decisions. They argued that organizations which match their activities and decisions with the demands

of their environments would achieve the best performance. Several interpretation of contingency approaches were developed such as business strategy (Hofer, 1975), leadership (Fiedler, 1965), individual behaviour (Skinner, 1969), organization design (Lawrence & Lorsch, 1969; Woodward, 1965, 2003) and decision making (Vroom & Yetton, 1973).

Contingency theory rejected the notion of management universality, it holds that organizations should plan, define the goals and objectives, and formulate policies according to prevailing environmental conditions. In other words, managerial activities, decision and policies must respond to changes in the environment (Fiedler, 1965; Ginsberg & Venkatraman, 1985). It is theorized that the bundle of resources is not the only thing that matter to achieve competitive advantage. Firms must learn about their environment and build up processes and procedures, new skills, and capabilities based on the demand of the environment (Donaldson, 2006).

Contingency theory posits that for each strategic orientation there is a setting of business environment affecting it. Therefore, if organizations match the strategy with the environment, they can achieve better performance (Drazin & Van de Ven, 1985). As the function of strategic management is keep changing in terms of combining and reconfiguring both internal and external organizational competencies, and resources in the direction of the business environment. It is important for firms to study their internal and external environment and address the rapid changes of the business

environments (Lee & Miller, 1996). Therefore, if firm possess VRIN resources but does not consider environmental factors then competitive advantage may not be prolonged.

Finally, based on these theoretical basis, it can be concluded that organizations that manage environmental influence by developing, re-organizing and reconfiguring their VRIN resources can achieve better competitive advantage (Aminu & Shariff; 2015; Farrell, et al., 2008). Based on the above, this study used contingency theory that suggests the need for business organization to adapt to their dynamic nature of business environment and exploit potential opportunities. Business organization can achieve this through appropriate changes, integration, and reconfiguration of organizational resources to match the requirements of the environment.

Thus, based on this 3 theories this study can conclude that RBV, DC and contingency theory explain the theoretical model of the research meaning that organization that integrate tangible and intangible resources re-configures looking at their goals and policies in line with prevailing environment as to addressee rapidly changing situation and subsequently will enhance their performance

2.5 Chapter Summary

The chapter provided general issues concerning literature review. It equally provided related definitions of concepts for the entire study variables, such as cost leadership, differentiation, environmental munificence, and performance. Empirical studies

relating to each of the predicting variables to the criterion variable were fully discussed; hence, the study hypotheses were developed. Similarly, the relationships between independent variable with moderating to dependent variables are provided. Theoretical underpinning of the study which are the RBV, dynamic capability, and contingency theory were fully explained with their possible relationship among the constructs.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter discusses the methodology of the study such as theoretical framework, and hypotheses development. The research methodology which refers to philosophical framework within which data is gathered and analyzed for a research project Brown, (2006), the operationalization of the variables and source of the survey items are reported too. Consequently, the chapter discusses the research design, population, and sample, data collection instruments, sources and procedures for data analysis. It also explains the various methods and techniques which have been used for data collection and analysis. These include location, time, and the unit of analysis as well as the sampling technique and size being used.

3.2 Philosophy of this Study

Researchers have their precise global views concerning the natural history of tough social realism, or information based on their own philosophical pattern. Hence, involving research and philosophical directions assist to clarify a researcher"s theoretize framework (Cohen & Vigoda, 2000). Positivism, subjectivism, or realism postulates that research is anticipated to come across an obtainable reality or reality in the social environment (Creswell, 1994).

In addition, Creswell (1994) view is deliberated by diverse scholars including Gorondutse, (2014); Neuman, (2003); Marczyk, DeMatteo and Festinger, (2005), to facilitate (1) empirical information exist separately from public views, ideas or emotions, and the empirical details are collected in a significant free manner; (2) the analysis of social reality is statistical in nature; (3) statistical information are controlled by laws of cause and effect; (4) the adopted methodology is highly structured and, thus, allows for replication, whether by the same researcher, or others; and (5) the social reality patterns are stable and, therefore, knowledge is additive. Hence, the underpinning philosophy for this study is positivism. Therefore, this study is a quantitative in nature which refers to as social inquiry that adapts the use of statistical and empirical methods and empirical conclusion (Cohen, 1980). The following subsection discusses on research framework.

3.3 Research Framework

Based on the literature being reviewed and suggestions by several studies, this study developed a framework to investigate the moderating effect of environmental munificence on the relationship between business level strategies (cost leadership and differentiation) and performance of hotels in Nigeria.

The research framework has two independent variables (cost leadership and differentiation); firm performance is the dependent variable, while environment munificence as moderating variable.

INDEPENDENT VARIABLE   **DEPENDENT VARIABLE**
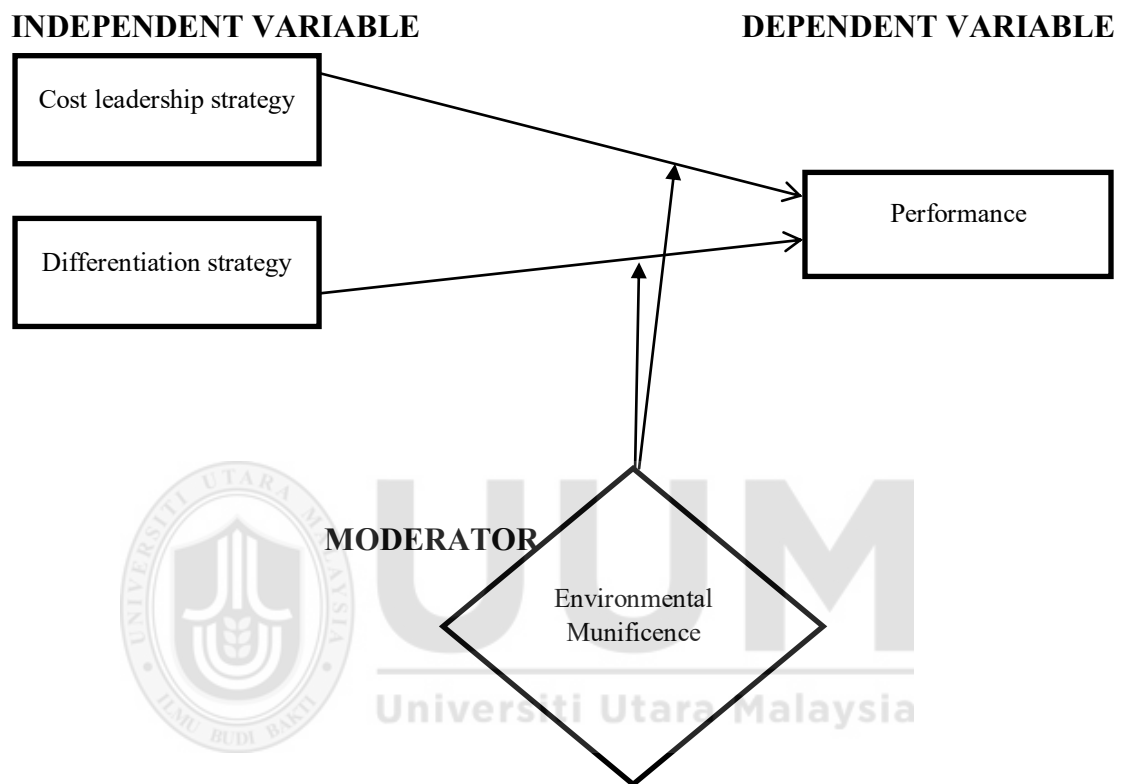
Figure 3.1

Theoretical Framework

3.4 Research Design

Research design is referred to the outline for the compilation and investigation of data (Bryman, 1988). Sekaran and Bougie (2011) explained that research design as a way of gathering and analyzing data. This study in particular used a quantitative methodology, which is a measurement where numerical are used to represent the phenomenon being studied, and survey research design is used. A survey method is adopted when study is trying to assess thoughts, feelings, and opinions about a given situation through collecting primary data from the respondents (Cresswell, 2008; Fisher, 2010). The survey method allows the researcher to gather quantitative data and analyze it quantitatively using normal inferential statistics and descriptive statistics. Then possible reasons for examining individual relationships between variables can be recommended as well as models (Cresswell, 2008; Saunders, Lewis, & Thornhill, 2011). The next sub section discusses on population of the study.

3.5 Population of the Study

Cavana, Delahaye, and Sekaran (2001), and Cresswell, (2012) described population as the complete group of citizens, things of concerned that the study tries to examine. Therefore, the populations in this study were hotels operating in Kano state of North Western Nigeria as registered under the Directory of Kano State Tourism Board, Nigeria. The North Western Nigeria has the highest number of National policy on Micro, Small, and Medium Enterprises (MSMEs) in the country. Additionally, the north western region has recorded to have the highest population as of the last census exercise in the country (NPC, 2006).

The region has a long history of commercial activities particularly the Kano state which is the country's centre of commerce. Kano state is like most progressive state in Nigeria and the economic catalyst for northern region and some part of Niger Republic like Chad, and Cameroon (KSEEDS, 2004). Despite the long history of commercial activities and high number of hotels, the region is reported to have the highest unemployment and poverty rate in the country (NBS, 2012). Most importantly the north western region is selected based on the availability of data, such as access to the respondents and the willingness of the respondents to participate in the study. For this study, the population comprised all the hotels listed in the Kano State Tourism Board. The following sub section discusses on sample size and sampling method.

3.6 Sample Size and Sampling Method

It is practically impossible for research that investigates large number of elements to collect data, test, or examine every element (Sekaran & Bougie, 2013). Therefore, a sample is selected for examination which is a subset of the population of the study (Cavana, et al., 2001). Similarly sample can be defined as a sub set or some part of the larger population of the study (Zikmund, Babin, Carr & Griffin, 2013). The study samples are hotels chosen from the entire population (83) of hotels operating in Kano state as at December, 2015 (See list attached).

The probability sampling design involves a selection in which each component in the population has a known, non-zero probability of being selected for inclusion in the study sample. Non-probability designs are those methods where the chances of each

element being selected are not known. More often, non-probability parts are chosen based on decision concerning the distinctiveness of the objective population and the desires of the investigation, or the selection made on the basis of ease or convenience.

Additionally, selecting between these (2) types of approaches is an issue of judging the requirement for validity and credibility alongside a realistic evaluation of the requirements for timeliness and effort of the alternative approaches (Henry, 1990). Furthermore, probability sampling designs would be more appropriate when the representativeness of the sample is of significance in the interest of wider generalizability (Sekaran & Bougie, 2013). Hence, to be able to generalize the listed hotels industry, this study adopted the census sampling where every unit in a population is being selected, and this known as complete census. The choosing census as sample size becomes necessary due to small number of population. In additions, the census provide a true measure of population no sampling error, and it also provide quit reliable and accurate result (Hilman & Kaliappen, 2014; Zikmund, Babin, Carr & Griffin, 2010). The next subsection discusses on unit of analysis.

3.7 Unit of Analysis

Unit of analysis stands for what is to be studied in a given research. Social science research has the following kinds of unit of analysis as individual, organization, and group. In this study the unit of analysis is the hotel (Creswell, 2012). Consequently, only one respondent represented each hotel. The survey was addressed to manager of

each hotel that registered under the Directory of Kano State Tourism Board, Nigeria. There are evidences that previous studies did use organizational as unit of analysis, these include Banker et al., (2014); Birjandi, Jahromi, Darasi, & Birjandi, (2014); Hilman & Narentheren, (2014, 2015) and Nandakumar, Ghobadian & Regan, (2010). The following subsection discusses on operationalization and measurement of variables.

3.8 Operationalization and Measurement of Variables

Operational definition is an arrangement on how the examiner wishes to refer and measure the study variables which are only peculiar to that study (Nunally & Bernstein, 1994; Creswell, 2012). Variables measurements of this study are adapted from the previous studies are explained as below:
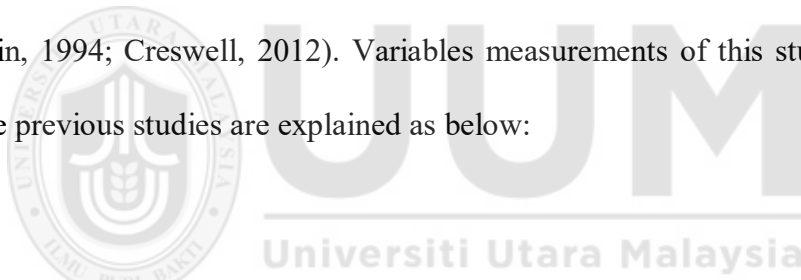
3.8.1 Cost leadership Strategy

Cost leadership strategy in this study measured the extent to which hotels industry with regards to experience, ventures in facilities, maintenance and cautious and control are driven by total working costs and drive to have lowest cost or in other words the strategy of cost leadership is to get the benefit of economic scale (Barney, 2002; Birjandi et al., 2014). Hence the cost leadership of this study has 6 items which is adapted from Nandakumar et al., (2011) and the internal consistency reliability Cronbach alpha was 0.825 (Nandakumar et al., 2011). All the 6 items were using seven point Likert-type scales (1 = Strongly Disagree - 7 = Strongly Agree). The samples of items are listed below:

1. Highlighting on efficiency of sourcing raw material or component (bargaining down price).

2. Highlighting on findings ways to reduce cost.

3. Stress on operating efficiency (e.g. efficiency on output and logistic).

4. Emphasis on service capacity utilization

5. Stress on price competition (i.e. offering competition price).

6. Highlighting on tight control of selling (general administrative expenses)

The following section discussed on measurement of differentiation strategy.

3.8.2 Differentiation Strategy

Differentiation in this study focuses on firm concerned on unique product or service (Hyatt, 2001). Hence, differentiation strategy is usually built around firm-specific, and product-specific creativity, and marketing effort that will find it difficult to be imitated. Business that used differentiation strategy, in many cases emphasizes the degree of service and support. The measurement scale in this study was adapted from Luo and Zhao (2004); Nandakumar et al. (2011) and internal consistency reliability Crobach alpha was 0.776 (Nandakumar et al., 2011). All the 6 items were using seven point Likert-type scales   (1 = Strongly Disagree - 7 = Strongly Agree). The samples of items are listed below: and are as follow:

1. Highlighting on new services development or existing services adaptation to better serve consumers.

2. Rate of new service introduction to market.

3. Emphasis on the number of new service offered to the market.

4. Intensify advertising and services marketing.

5. Emphasis on development and utilizing promotion activities.

6. Highlighting on building strong trademark identification.

The following section discussed on measurement of environmental munificence.

3.8.3 Environment Munificence

Environment munificence is referring to the availability or scarcity of significant resources needed by business operating inside the environment (Aminu & Shariff, 2015; Dess & Beard, 1984), Available resources in the environment usually influence the survival and growth of business (Dess & Beard, 1984; Jaiyeoba, 2013). The environmental munificence in this study is defined as extend to which an environment can provide resources, assistance and support for enterprise operate competitively.

Castrogiovanni (1991) argued that environmental munificence describes the capacity of environment to encourage organizations in the marketplace. Therefore, the study operationally measure environmental munificence as moderating variable specifically 8 items adapted from Tang (2008) were used. All the 8 items were using seven point Likert-type scales (1 = Strongly Disagree to 7 = Strongly Agree). The samples of items are listed below:

1. The infrastructure encourages us to be independent and business.

2. Government provides good support for hotel owners.

3. Bankers and other investors help hotel owners.

4. Other community groups provide good support for business enterprises.

5. There are many examples of well respected people who succeed through hotels.

6. Many of my friends are hotel owners.

7. Many of my family and kin are into hotels.

8. The local media does a good job of covering local business news.

The next sub section discusses on performance.

3.8.4 Performance

Performance is operationalized as extent to which business records a success or otherwise in a given period of time. The performance scale in this study uses both financial objectives and non- financial measures which items were adapted from Hilman (2009) and Kaplan and Norton (1996). Respondents were requested to specify the performance of their hotels in the past three years as compared to the performance of their key opponents in the industry (1= Significantly Decrease to 7= Significantly Increase). The samples of items are as follows:

A. **Financial Performance**

- Return on Sale (ROS)

- Return on Investment (ROI)

- Market share

- Sales Growth

B. **Non – Financial Performance**

1. Customer Perspective

My hotel considers the customer on time, quality, performance,

services, and cost in order to pursue success.

2. **Internal Business Perspectives**
   My hotel considered the business processes that have the greatest   impact

   on customer patronage.

3. **Innovation and Leaning Perspectives**
   My hotel considers, improve, and learn increase new markets, revenue,

   and margin in its bid to promote customers.

The next sub section discusses on data collection method.

3.9 Data Collection Method

The reliability and validity to gather data and the response rate depend largely on how

the questions in the questionnaire are design, the structure of the questionnaire, and

the rigor of the pilot testing (Saunders, et al., 2011). The closed ended have a lot of

check boxes for respondents to complete, while open ended questionnaires have a

number of questions that are open for respondents to comment (Fisher, 2010).

Closed ended questionnaire is among the reliable data collection instrument widely

used. It helps the respondents to make choice quickly and it is easy for the researcher

to code the information for further analysis (Sekaran & Bougie, 2013). Based on the

characteristics of the respondents this study employed closed ended questionnaire

with multiple choice questions for the survey and were administered personally.

Sekaran and Bougie (2013) stated that self-administered questionnaire helps the

researcher to establish a more understanding with the respondents while introducing

the survey. It also served as the way of making clarifications to the respondent immediately, and the response rate can be high since the collection of the questionnaires is immediate.

The survey in this study was carried out through self-administration of questionnaires. The chosen survey method is very expensive as related to a postal survey; despite, the researcher prefers to use this method due to its numerous advantage attached to it. One of such benefits is that the researcher can administer and collect it quickly. Another benefit is that, the researcher usually adds some explanation on items that need explanation by the respondents. Additionally, the researcher can induce the respondents in taking part in the survey (Sekaran & Bougie, 2013). The following sub section discusses on questionnaire design.

3.9.1 Questionnaire Design

This study employs structured questionnaire comprising of close - ended multiple choice questions. Despite some studies in the literature that used different Likert scales, the researcher prefers to use a seven point Likert scale. Studies in the past argued that using a scale with midpoint provides better and good result (Krosnic & Fabrigar, 1997; Zikmund et al., 2010; Cooper & Schindler; 2006; Rattray & Jones, 2007), and it enables respondents to comfortably show their stand. Also this scale stressed the need of having midpoints as they give spread chance for respondents to better articulate their stand (Schuman & Presser 1981).

In addition, Cavana et al., (2001); Churchill and Peter (1984); Hair, Black, Babin, & Anderson (2010) described seven point scale as preferable, and enhance in the number from five to whatever as the case may assures enhancement in the reliability of score. This is also in line with the argument of Cavana *et al.*, (2001); Churchill and Peter (1984) who viewed that seven point scales is the most suitable and offer superior outcome. Hence, seven point Likert scale was adopted for this research because of benefit mentioned above. Additionally, there is evidence that previous studies used a seven point Likert scale (Gorondutse & Hilman, 2014).

The questionnaire used in this study has 2 sections and 5 parts. Section A and part 1 consists of demographic information of respondents. It covers seven questions in nominal scale. Section B of part 2, has six questions regarding the independent variable which is the cost leadership strategy. In section B of part 3 has six questions in respect of differentiation strategy, which is also as an independent variable. There are eight questions in section B of part 4 which representing environmental munificence construct which is the moderating variable and lastly, Section B of part 5 has seven questions which related to dependent variable that is performance and comprise both (financial and non-financial measures). The next sub section discusses on method of data analysis.

3.10 Method of Data Analysis

Method of data analysis is procedure and statistical tools by which researchers analyze data, test research hypotheses, and subsequently refine theories. In this study descriptive and inferential statistics were employed to analyze the data. Therefore, after raw data are collected from the field, the entire usable questionnaires were coded and input in to well known Statistical Package for the Social Science software (SPSS v18).

This research also adopted Partial Least Squares Structural Equation Modelling (PLS-SEM) for the study due the complexity of the research model. This is in line with Haenlein & Kaplan, (2004); Hair, Sarstedt, Ringle, & Mena, (2012) that PLS-SEM is more suitable for model with many numerous of independent latent variables explaining small number of endogenous latent variables. Particularly, PLS-SEM is well enhanced to be used as a research instrument in many areas like marketing, and other social sciences. Additionally, compared to other covariance based techniques PLS-SEM has no restriction in terms of the interaction technique used in moderation test. Therefore is a sufficient alternative for statistical test of moderation effect (Chin, Marcolin, & Newsted, 2003; Esposito Vinzi, Chin, Henseler, & Wang, 2003).

This method of analysis (PLS-SEM) is a statistical methodology that many researchers adopted in a variety of research fields in social sciences, for instance organizational behaviour (Higgins, Duxbury, & Irving, 1992) marketing (Reinartz, Krafft, & Hoyer, 2004), and strategic management (Hulland, 1999). For the fact that

PLS-SEM have the capability to evaluate latent variables and their relationship with the items (outer model) and test the relationship between the latent variables (inner model) (Haenlein & Kaplan, 2004; Henseler, Ringle, & Sinkovics, 2009; Hair, et al., 2012). Similarly, PLS-SEM is more robust in handling non normal data because it has flexible assumptions about the normality of the distribution of variables (Henseler, et al., 2009). Therefore, this study used Smart PLS v2.0 to determine and test of the stated hypothesis, convergent validity, and discriminant validity. In addition, Smart PLS 2.0 M3 (Ringle, Wende & Will, *2005*) also has the capability for hypothesis testing, their assumptions about parameters and the variances and co - variances of all the observed variables can be factored ones, since the study intend to examines business level strategy (cost leadership strategy and differentiation strategy) on performance of hotels industry in Nigeria with moderating effect of environment munificence. The following sub section discusses on construct reliability and validity.

3.11 Construct Reliability and Validity

3.11.1 Construct Reliability

This section explained reliability, in research construct reliability analysis measures the extent to which a measuring instrument is error free and consistency of the adapted measurement in measuring the concept (Hair, et al., 2010; Sekaran & Bougie, 2013). In this study inter-item consistency reliability is used which is the most common method that is the Cronbach"s alpha coefficient. Hence, the Cronbach"s alpha coefficient was employed in this study to assess the internal consistency of the instrument adapted. Next sub section discusses on validity

3.11.2 Validity

Validity is referred to the extent to which the instruments, methods or measures used in a study actually measure what it is supposed to describe or measure (Hair et al., 2010; Lancaster, 2005). It concerns with the evidence that the instruments, technique, or process used in a study is appropriately measuring the intended concept (Hair, et al., 2010; Sekaran & Bougie, 2013) A face validity based on expert assessment is undertaken in this study in order to assess the validity of the instruments (Green, Tull & Albaum, 1988).

In line with above, a draft of this questionnaire is distributed to the expert at the college of business, Universiti Utara Malaysia, for observation, and correction. A sample of the instrument was equally given to industry experts that are hotels manager in Nigeria which they made valuable suggestions on how to make some improvement on the instrument. Therefore, the study conducted face validity to ensure the validity of the items on scale on the face of it is measuring the intended construct. Construct validity conducted to ensure the items are actual measure of what the study operationalized to measure, Greener (2008) stated that construct validity is one of the important aspects of data analysis. The next sub section discusses on pilot text.

3.11.3 Pilot Test

Pilot test is considered as an experiment in which a small number of scales of the study are carried out earlier than the real main scale study (Gay, *et al.,* 2006). A sample size for a pilot test is usually small, ranging from fifteen to thirty respondents, though it could be more than that if the study involves several stages (Malhotra, 2008). Hence, this study used a total of 20 copies of questionnaire out of sample of hotels owner/manager and 16 copies were duly completed and returned representing 80% response rate. The researcher individually distributed the questionnaires, and used some enlightenment to the respondents on each question that were not understood. The process took about four a weeks, which was conducted from December 2015 to January 2016.

The study used the most universal test of internal consistence reliability which is Cronbach alpha coefficient. Thus, the study measures the reliability of the instruments using SPSS version 18 window. The results revealed a significant reliability 0.70 and above, ranging from 0.703 to 0.882. This shows that the instrument adapted has achieved high reliability (Nunally, 1978; Sekaran & Bougie, 2013). The table is the summary of the pilot test results.

Table 3.1
Summary of Pilot results

Constructs	No. of items	Cronbach alpha
Cost Leadership	6	0.882
Differentiation	6	0.762
Business Environment	8	0.788
Financial Performance	7	0.789

The next sub section discusses on chapter summary.

3.12 Chapter Summary

The chapter explained the relationship between the variables in the theoretical framework of the study. The chapter discussed that the study adopted cross sectional survey research design with the population of all hotels industry operating in Kano, of North Western Nigeria. The study adopted simple random sampling method in selecting the sample from the population. Survey questionnaire was administered personally to the owner/manager of randomly selected hotels. Lastly, the study used SPSS v18 and Smart PLS to conduct descriptive statistics, reliability and validity tests, factor analysis, and hypothesis testing. However, organization's unit of analysis is used, with all the operationalization and measurement of all the variables in the study were explained. Issues concerning data collection procedure and technique for data analysis with the reliability and validity were stated in the chapter and process of pilot was equally highlighted.
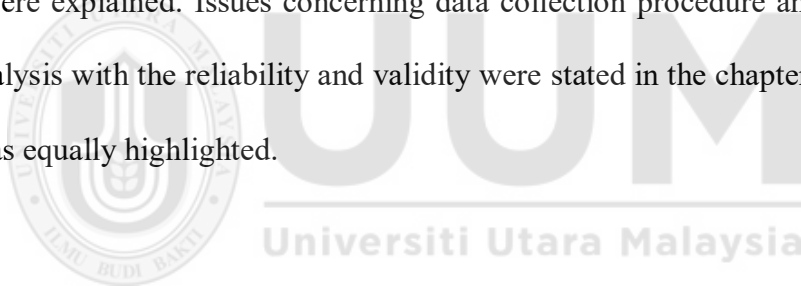
CHAPTER FOUR

RESEARCH FINDINGS

4.1 Introduction

The aims of this chapter is to discuss on the results of the study, issues of data collection process and survey responses, issues of non-response bias, data cleaning that basically concerns missing values and outliers. The chapter also discuss about goodness of measures, i.e the measurement model, in which issues regarding validation of measurement such as construct including convergent, discriminant validity were provided and discussed, reliability test; and the descriptive statistics. Additionally, it presents structured model for hypothesis testing for both direct and moderating effect relationships.

4.2 Survey Responses

Base on the population of this study as discuss in previous chapter, this study employ census sampling technique. Hence, to be able to generalize the listed hotels industry, this study adopted the census where every unit in a population is being selected, and this known as complete census. The choosing census as sample size becomes necessary due to small number of population. In additions, the census provides a true measure of population, and provides reliable and accurate result (Hilman & Kaliappen, 2014; Zikmund, Babin, Carr & Griffin, 2010).

The researcher used research assistants to distribute the questionnaire and some of the respondents answer the questionnaire instantly, others after few days, while some took few weeks before their responses retrieved.

The research assistance made follow up mainly through visitation of respondents and to some extent used phone calls during the periods; the data collection period took about two months, which was between May and July, 2016. A total of 67 questionnaires were returned and completed which indicate 81 percent of response rate. However, a total of 58 questionnaires were finally retained for analysis, which 9 responses were excluded from the analysis due to issues of both univariate and multivariate outliers as shown in Table 4.1. Removing such number of questionnaires is essential due to the fact that they did not represent the sample (Hair *et al.,* 1998).

Table 4.1
Questionnaire Distribution

Item	Frequency	Percentage %
Distributed Questionnaires	83	100
Returned Questionnaires	67	81
Deleted Questionnaires	9	10
Retained Questionnaires	58	69

Sum of 58 respondents represent the sample for this research indicates the actual response rate is 69 percent only. Therefore, the response rate is regarded adequate and in line with Sekaran‟s (2003) argument that a 30 percent response rate is suitable for the survey research. Therefore, 58 usable responses of 69 percent satisfied the

required sample size requirement for non – parametric statistics (Tabachinic & Fidell, 2014). In particular the information was coded into SPSS (version 18) for analysis. The following sub section discusses on non-response bias.

4.3 Non- Response Bias

Having discussed on response rate, this section discussed on non-response bias which described as the most regular error an examiner could anticipates in estimating the features of sample because some category of respondents are underrepresented due to non-response (Gorondutse & Hilman, 2014; Berg, 2002). Literature indicates that there is no minimum response rate below which a survey approximate is necessarily biased and, on the other hand, no response rate above which it is ever biased (Singer, 2006). On the other hand, no matter how little a non-response is, there is likelihood of bias which needs to be investigated (Gorondutse & Hilman, 2014; Pearl & Fairly, 1985). In order to test non – response bias, extrapolation procedure was conducted as suggested by Armstrong and Overton (1977). Normally, hotels managers in this study were categorized into two autonomous samples based on their response to survey questionnaire with respect to four main researches construct (cost leadership, differentiation strategy, environmental munificence, and performance).

One of the ways used to examine for non-response bias is to compare the answers of respondents to the instrument (questionnaire) circulated early May, 2016 and others, who responded to the questionnaired in July, 2016. However, the responses of respondents in late July, 2016 were, in reality, a sample of non-respondents to the first

questionnaire distributed. That is the act on behalf of the non-respondents group (Gorondutse & Hilman, 2014; Miller & Smith, 1983).

Table 4.2
Results of T- test Between Early Respondents (1) and Late Respondents (2)

Measure	Timeline	N	Mean	SD	t-value	Sign
Performance	Early	42	5.06	.947	1.45	.151
	Late	16	4.67	.744		
Cost leadership	Early	42	5.05	.651	1.219	.228
	Late	16	4.83	.498		
Differentiation	Early	42	4.71	1.02	1.371	.176
	Late	16	4.34	.563		
Environmental munificence	Early	42	4.06	1.12	.455	.651
	Late	16	3.92	.827		

From the independent sample t-test, the results above indicated that the category mean and standard deviation for the first early respondents and late respondents were not dissimilar. As shown in Table 4.2 above, the t-test result indicated that there was no considerable difference between early responses and late responses based on the items in performance (t= 1.45, p< 0.151); cost leadership (t= 1.219, p< 0.228); differentiation (t= 1.371, p< 0.176); and environmental munificence (t= .455, p< 0.651) respectively. Hence, the result indicates that there were no differences between early and late response on data collections. The next sub section discusses on data cleaning.

4.4 Data Cleaning

Pallant (2011) asserted the important of data cleaning in multivariate analysis. The quality of an outcome is heavily depending on data test and cleaning (Pallant, 2011, Gorondutse, 2014). Tabachnick and Fidell (2007) contended that data value could be safeguarded by ordinary proof reading. However, this method may be very tasking when dealing with large set of data. Hence, missing data and outliers were thoroughly checked and treated.

4.4.1 Missing Value

This sub section discusses on missing value, the value that refer to the unobtainability of suitable figure on one or more variables for data analysis (Gorondutse & Hilman, 2014; Hair, Hult, Ringle, & Sarstedt, 2013). Due to the harmful effects of missing data in the analysis, the researcher took all required steps as to ensure no mission value were detected. Specifically, the researcher followed the data entry step by step, with cushion and interest (Gorondutse, 2014). A first round descriptive statistics were analyzed to see whether there is the present of missing data or not (Gorondutse, 2014). Moreover, the statistics data reveals that two cases had inconsequential missing values of 1. For this reason, the value was treated in the course of SPSS SMEANS. Equally, going over and replacement of missing data is in the main crucial since PLS-SEM is very reactive to missing data, and as a result, it was adequately checked (Gorondutse & Hilman, 2014; Hair, Hult, Ringle, & Sarstedt, 2013). Additionally, PLS software does not run the data with missing values. Hair *et al.,* (2010) asserted that any case with more than 50 percent missing value should be

deleted as long as there is adequate sample, but Hair *et al.,* (2013) state that a situation where some percentage of missing data that is above 15%, the observation should be isolated from the data file. Similarly, Tabachnich and Fiddel (2014) and Babbie (2005) suggested dropping the case.

Hair et al.*,* (2013), Ringle, Wende, and Will, (2005) offer several ways in managing missing values, and one of them is through mean value replacement; the missing values of an indicator variable are replaced with the mean of valid values of that indicator. This mean value substitution reduces the inconsistency in the data and likely reduces the likelihood of resulting significant relationships. Therefore it should be used only when the data exhibit extremely low levels of missing data. Hence, this study used means replacement since the missing value is less than 5%. The next subsection discusses on outliers.

4.4.2 Outliers

According to Byrne (2010) outliers as those issues whose value are extensively dissimilar from all the others in a certain set of data. Tabachinich and Fidell (2007) suggested the detection of univariate outlier through observation of Z score. The Z score for each and every item must be within the range of ±3.29 (0.05 sig. level). In line with this research any values more than ±3.29 were due to some error of data entry. Therefore, total of only 6 cases of univariate outliers were reported in this study.

In addition, Mahanalobis distance was investigated to discover multivariate outliers. All cases with Mahalanobis distance over and above at a degree of freedom of 0.05 are automatically removed. Therefore, 6 cases were removed due to the fact that they were above the recommended yard stick of ±3. 29. Mahalanobis distance was further conducted and found that 3 more outlier of data with value. The method is to analyse Mahalanobis in the SPSS and then compare it with the values that of the Chi-square table as described by Gorondutse & Hilman, (2014); Tabachnick & Fidell, (2007).

As discussed in previous chapters, this study adapted 27 items from different source, had signified the degree of freedom in the X2 table with P < 0.001, so the benchmark is 54.45 based on table as described Gorondutse & Hilman, (2014); Tabachnick & Fidell, (2007). This means that any number with a Mahalanobis Distance of 54.45 and higher than is consider as multivariate outlier and must be isolated from remaining data. In this vein, 3 cases were establish to be above 54.45, and, consequently, representing multivariate outlier and were removed from continuation in the analysis as described by Gorondutse & Hilman, (2014). The remaining 58 cases were regarded as usable for further analysis.

4.5 Descriptive Statistics – Profile of Respondents

Table 4.3

Profile of Respondents

Demographic variables	Categories	Frequencies	Percentages
Gender	Male	52	89.7
	Female	6	10.3
Job Title	Chief Executive	4	6.9
	General Manager	21	36.2
	Manager	29	50
	Others	4	6.9
Location	Headquaters	44	75.9
	Branches	8	13.8
	Subsidiary	5	8.6
	Others	1	1.7
Education	SSCE/Undergraduate	0	0
	Diploma	11	19
	Degree/HND	27	46.6
	Master	17	29.3
	Others	3	5.1
Ownership	Individual	41	70.7
	Partneship	2	3.4
	Joint venture	11	19.0
	Other	4	6.9
Total asset	Lessthan 5 million	1	1.7
	Between 6 – 10 million	5	8.6
	Between 11 – 20 million	11	19.
	Between 21– 30 million	2	3.4
	30 million and above	40	69
Years of existence	Less than 1 Years	8	13.8
	1– 5 Years	7	12.1
	6 - 10 Years	13	22.4
	11-15 Years	26	44.8
	15 years and above	4	6.9

4.5.1 Mean and Standard Deviation

Mean is the common measure of central tendency, which is considered to be the average value of the data set (Hair et al., 2013; Sekaran & Bougie, 2013). Equally standard deviation is a measure of variability, or spread, which provides an index of dispersion in the data set and it's the square root of variance (Hair et al., 2013; Sekaran & Bougie, 2013). Mean and standard deviation are considered as important in descriptive statistics for interval and ratio scale (Sekaran & Bougie, 2013).

This study used seven point Likert scale, Table 4.4 below describes the mean and standard deviation of the entire variables used in this study. Cost leadership recorded the highest mean (M = 4.99, SD = 0.62) while environmental munificence has the lowest mean (M = 4.02, SD = 1.04). Therefore, the entire variables means were in the range of high level.

Table 4.4
Variables Mean and Standard Deviation of the Study

Items	Description	Mean	SD
1	Performance	4.95	0.91
2	Cost leadership	4.99	0.62
3	Differentiation	4.61	0.93
4	Environmental Munificence	4.02	1.04

Having discussed on the descriptive statistic, the following section highlights on some important assumptions of normal distribution of data.

4.5.2 Test of Normality

Normality is a situation where properties or characteristic of the population are commonly and normally distributed (Sekaran & Bougie, 2014). Tabachnick and Fidell (2007) asserted that one of the fundamental postulation of multivariate technique analysis is that each variable and all linear groupings of the variable should be on the whole distributed. The usual way in examining normality is either by statistical or graphical methods. Common basic approaches of statistically normality are skewness and kurtosis. Therefore if the data distribution is normal, the value of both skewness and kurtosis ought to be near zero. Mostly normality is shown graphically, and usually being determined through histogram residual plots diagrams (Tabachnick & Fidell, 2007), as shown in figure below.
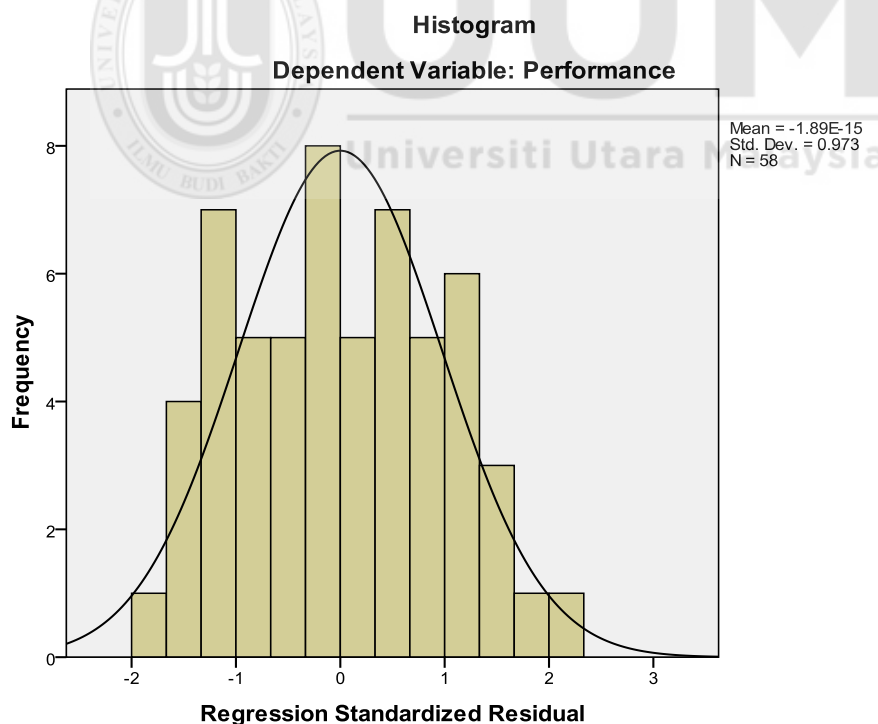
Figure 4.1:

Normality

The normality assumptions in this study were checked through skewness and kurtosis and histogram residual plots. The analysis shows that the residual depicts normal and the values of skewness and kurtosis were near to zero. This means the normality assumption of this study is met (Afifi & Clark, 1998).

4.5.3 Linearity

A part from normal distribution of attributes linearity is a significant statistical assumption in multivariate examination and it is one of fundamental expectations of the method that is the association between predicting and criterion of constructs which should be linear (Hair et al., 2010; Tabachnick & Fidell, 2007). Conversely, correlation can only capture linear association between variables (Tabachnick & Fidell, 2007).

Therefore, if substantial non-linear relationships exist, they will be ignored in the analysis, which will in turn underestimate the actual strength of the relationship (Sekarn & Bougie, 2014; Tabachnich & Fidell, 2007). For that reason, in this study base on plot of regression, it reveals that residual scores converged at the center along the zero point, thus indicating that the linearity statement is satisfied as described by Sekarn & Bougie, (2014);Tabachnich&Fidell, (2007). The following subsection discusses on Multicollinearity.

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Performance
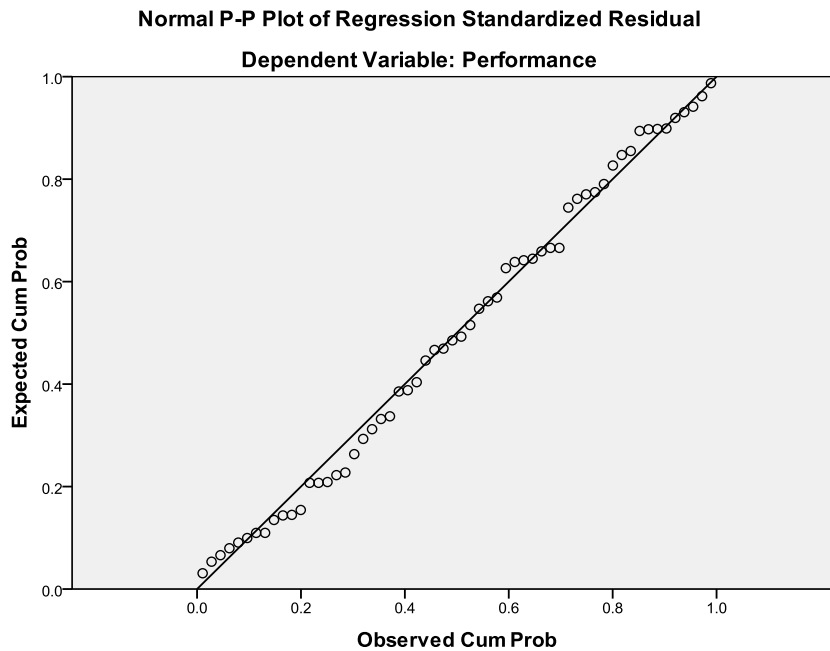
Figure 4.2:
Linearity

4.5.4 Multicollinearity

Sekaran and Bougie (2014) assert that multicollinearity as other statistical postulations in which two or more predictive constructs in a multiple regression are extremely interrelated. The easiest way of finding multicollinearity is through the checking of the correlation matrix of the predicting variables (Sekaran & Bougie, 2014). Most people consider correlation of 0.7 and above as high (Sekaran and Bougie, 2010), while to the others, intercorrelation of greater than 0.8 is regarded to be evidence of extreme multicollinearity (Sekaran and Bougie, 2010; Berry & Feldman, 1985). In addition, Hair *et al.,* (2010) defined the value of predicting variables are highly correlated among themselves at 0.9. The Pearson correlation can be used to find multicollinearity problem, a bivariate correlation of the entire

predicting variables of this study, using Pearson"s correlation. The Pearson"s correlation of this study indicated that there is no multicollinearity issue as all values were in range of 0.706 to 0.110.

Additionally, one other method used for detecting multicollinearity is to be checked through tolerance value and variance inflated factor (VIF). To add, Hair *et al.,* (2010) stated and recommended that any VIF more than 10 and tolerance value lesser than .10 shows a dilemma of multicollinearity. Table 4.5 below shows the tolerance value and VIF of the predicting constructs of this study.

Table 4.5
Multicollinearity Tolerance and VIF Values

Independent variables	Collinearity Statistics	
	Tolerance	VIF
Cost Leadership	.970	1.031
Differentiation Strategy	.988	1.012
Environmental Munificence	.980	1.021

The result in the Table 4.5 above clearly shows the absence of multicollinearity among the predicting variables due to the fact that the VIF values are less than 10 whereas the tolerance values are more than .10.

4.5.5 Homoscedasticity

Another important assumption of normality is Homoscedasticity it is a statistical assumptions in situation which discrepancy of the criterion variable is something like the same at different level of the predicting variables (Hair, *et al.,* 2010). Homoscedasticity is normally measured by diagram inspection of the scatter plot of the regression residuals (Hair, *et al.,* 2010). Homoscedasticity appear to be indicated when the width of the band of the residuals is approximately the same at dissimilar levels of the dependent variable and scatter plots shows a pattern of residuals normally disseminated around the mean (Berry & Feildman, 1985). In this study Homoscedasticity was assessed using regression in SPSS method and through the assessment of residual plots for all the independent variables shows that the assumption of homoscedasticity was not violated. The next sub section discusses on correlations among constructs.

Scatterplot

Dependent Variable: Performance
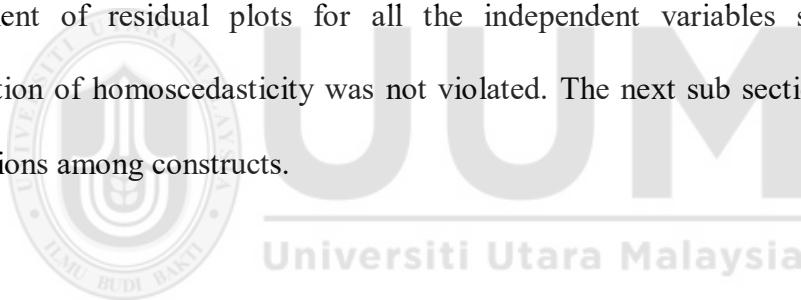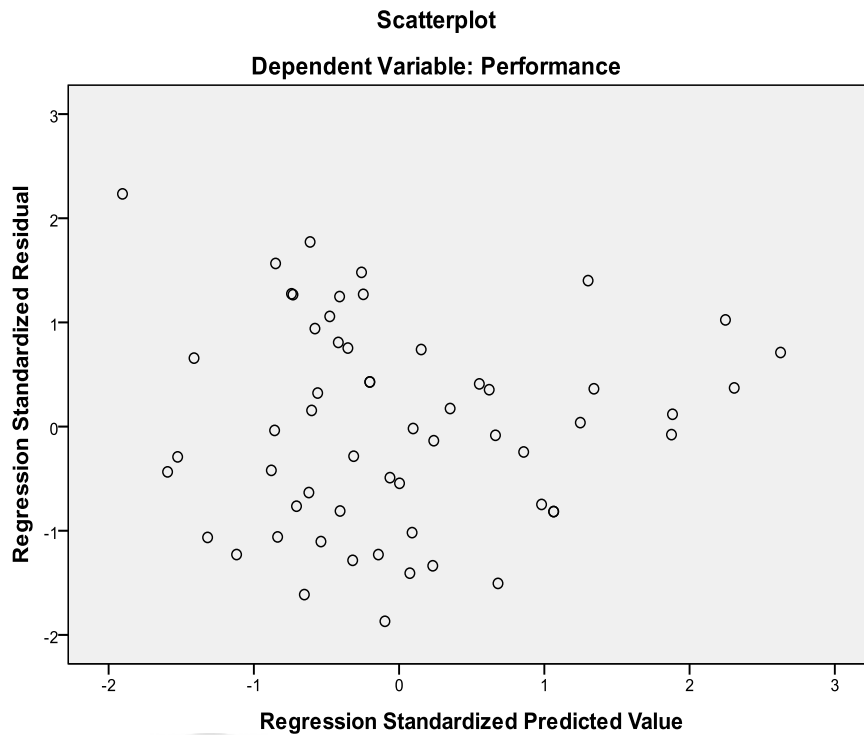
Figure 4.3
Residual Plots- CL, DS, EM, and Performance

4.6 Correlation among Constructs

Correlation analysis is employed in order to provide details on power and way of a linear association between two variables (Pallant, 2011). The method was used in Pearson correlation as it can assess the interrelationship between the under studied variables. The table below indicates the interrelations among performance, cost leadership, differentiation, and environmental munificence of hotels in Nigeria. Pallant (2011) argued that a correlation of value of -1 is a pointer of a perfect negative correlation, 0 is showing no relationship at all, and a correlation of 1.0 is an indication of positive correlation. In addition Cohen (1988) described and recommended the

correlation range as: r = 0.5 to 1.0 large r = 0.10 to 0.29 small; r = 0.30 to 0.49 medium (Cohen, 1988).

Table 4.6
Constructs Pearson's Correlation

		1	2	3	4
1	Cost leadership	1			
2	Differentiation	.110	1		
3	Environmental munificence	.202	.167	1	
4	Performance	.187	.340	.706	1

**Correlation is significant at the 0.01 level (2-tailed)

*. Correlation is significant at the 0.05 level (2-tailed).

The table above shows that there is an absent of multicollinearity and all constructs are significantly correlated as there is no variable with a value of 0.9. The following sub section discusses on confirmatory factor analysis.

4.7 Confirmatory Factor Analysis (CFA)

This section describes the results of confirmatory factor analysis which are presented in this study employ principal component analysis method. It is pertinent to note that questionnaire in this research were adapted from earlier studies; hence this study only undertook the CFA. Smart PLS 2.0 M3 (Ringle *et al.,* 2005) has an inbuilt features that takes care of the confirmatory factor analysis. The next sub section discusses on model evaluation.

4.8 Model Evaluation

Model evaluation is concerning about measurement of structural/hypothesized models are treated. The following subsection discussed about assessment of the measurement.

4.8.1 Measurement Model

Measurement model is intended at ensuring the model specification is valid and reliable. Esposito vinzi *et al.* (2010) argument clearly pointed out the rules of thumb which for an outer loading to be considered, a model should be 0.5 and higher than, and the time average variance extracted (AVE), must be greater than 0.5 also. Based on this argument, all the items with outer loading below 0.5 were deleted which begun with the one with the lowest value. This technique is in line with Hair *et al* (2012), which is very appropriate for improvement of data quality.

Additionally, this study also considered a detailed description of the modeling procedures as pointed out by Anderson and Gerbing (1998). Specifically, they provided a two-step modelling approach that is to determine the quality of items used for measurement, and to estimate the relationship between models. These two approaches are also known as measurement model and structural model (Hair *et al.,* 2012). Meanwhile, the use of partial least squares is done in accordance to suggestion made by Chin *et al.* (2003) Smart PLS software (Ringle *et al.,* 2005) was also used in this study as to assess the reliability and validity of the instruments as well as testing

the structural /hypothesized model. An examination of the loadings and cross loadings serve as a pre requisite for ascertaining the convergent validity is shown in Table 4.7.

Table 4.7

Factor Loading and Cross Loading

	FP	CL	DS	EM
FP01	**0.906**	0.505	0.455	0.432
FP02	**0.936**	0.610	0.529	0.454
FP03	**0.914**	0.610	0.536	0.538
FP04	**0.790**	0.589	0.434	0.499
FP06	**0.789**	0.590	0.553	0.375
CL02	0.529	**0.790**	0.519	0.348
CL03	0.601	**0.835**	0.537	0.463
CL04	0.526	**0.901**	0.463	0.345
CL05	0.573	**0.790**	0.560	0.443
CL06	0.530	**0.856**	0.520	0.548
DS01	0.552	0.564	**0.769**	0.389
DS02	0.524	0.580	**0.906**	0.303
DS03	0.524	0.607	**0.810**	0.290
DS04	0.466	0.533	**0.892**	0.340
DS05	0.471	0.547	**0.769**	0.374
DS06	0.553	0.565	**0.906**	0.489
EM01	0.388	0.287	0.241	**0.779**
EM02	0.453	0.320	0.289	**0.792**
EM03	0.525	0.473	0.391	**0.862**
EM04	0.523	0.508	0.348	**0.780**

4.8.2 Convergent Validity

Convergent validity is used with a view of ascertaining the construct validity of this research. Bagozzi, Yi and Philips (1991) and Hair *et al.,* (2010), viewed convergent validity as the degree to which a items of construct meets in measuring the concept on the construct (Bagozzi, *et al.,* 1991; Hair, *et al.,* 2010). This method has been recorded in previous literature particularly using benchmark of Average Variance Extracted (AVE), and Composite Reliability (CR). The result of this study indicated that they are higher as CR is recorded above 0.7, and AVE above 0.5 and this finding are in line with (Bagozzi, *et al.,* 1991; Hair, *et al.,* 2010).

Looking at the Table 4.8 the AVE values are between 0.647 - 0.756 and the CR values of the constructs are above the recommended assessment of 0.7, which ranges between 0.879 - 0.939. This means the measurement has sufficient degree of convergent validity.

Table 4.8

Construct Convergent Validity and Reliability

Variable	Items	Factor Loadings	Cronbachs Alpha	Composite Reliability	AVE
Performance	FP01	0.906	0.918	0.939	0.756
	FP02	0.936			
	FP03	0.914			
	FP04	0.790			
	FP06	0.789			
Cost Leadership	CL02	0.790	0.896	0.920	0.699
	CL03	0.835			
	CL04	0.901			
	CL05	0.790			
	CL06	0.856			
Differentitiation	DS01	0.769	0.920	0.936	0.713
	DS02	0.906			
	DS03	0.810			
	DS04	0.892			
	DS05	0.769			
	DS06	0.906			
Environmental munificence	BE01	0.779	0.819	0.879	0.647
	BE02	0.792			
	BE03	0.862			
	BE04	0.780			

4.8.3 Discriminant Validity

This section explained on discriminant validity. Discriminant validity refers to the level to which a set of construct can truly be different from other construct. In investigating discriminant validity of the measurement model, this study employed Fornell and a Lacker (1981) criterion. Table 4.9 indicates the correlation matrix in which the diagonal element represents the square root of the average variance extracted of the latent constructs. The result of the correlation matrix indicated in the table below ensures that the discriminant validity is confirmed.

Table 4.9

Discriminant Validity

		1	2	3	4
1	Cost leadership	**.836**			
2	Differentiation	.110	**.844**		
3	Environmental Munificence	.202	.167	**.804**	
4	Performance	.187	.340	.706	**.869**

Note: The bolded values in diagonals represent the square root of the AVE while those off the diagonals represent the latent variable correlations.
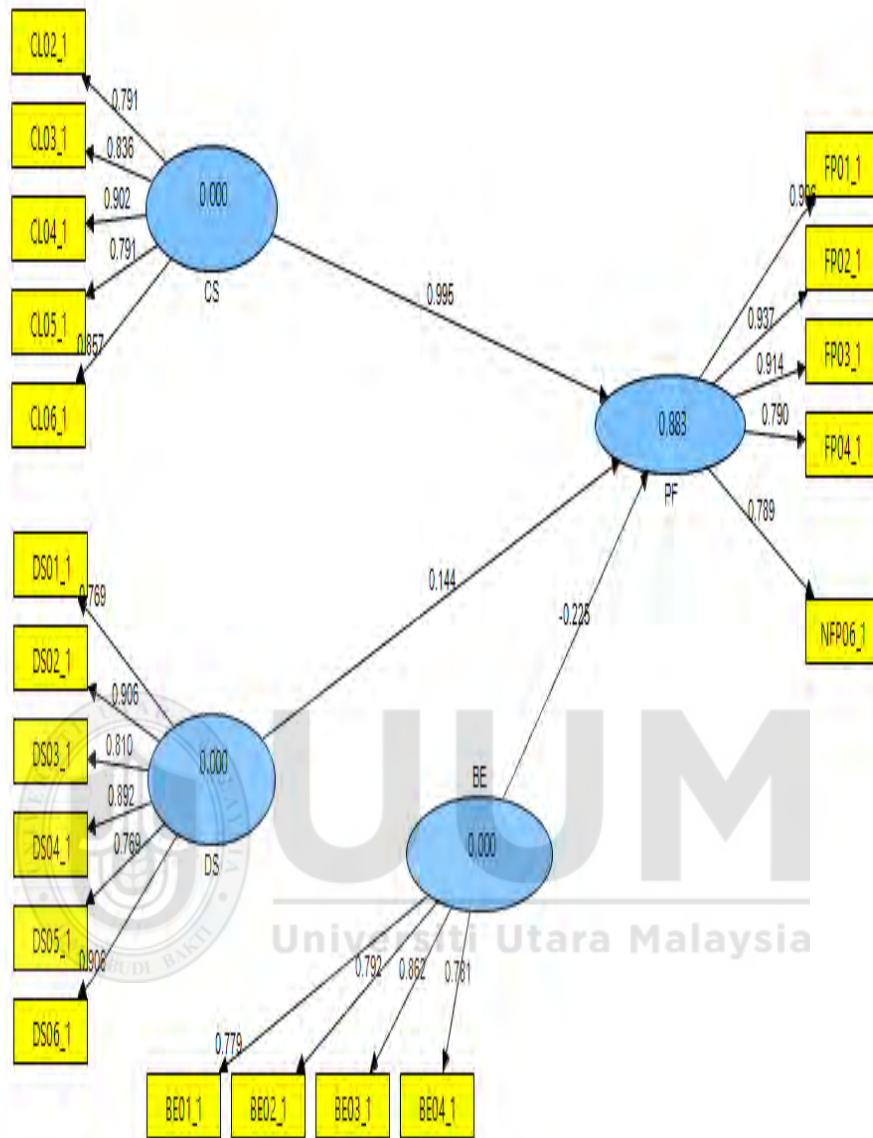
Figure 4.4
Revised Study Model

4.9 Structural/Hypothesized Model

After a careful assessment of the measurement model in Table 4.8 this section

examined the structural model for this study, Hair *et al.,* (2006) viewed structural

model as a model that expresses about the reliance of association in the hypothesized model. In partial least squares, structural model brings to forefront the directional association between the constructs and their t-values as well as the path co-efficient. In terms of path coefficient, partial least squares as argued by Argawal and Karahanna (2000), is just like the standardized beta coefficient in regression analysis. The fundamental objective of structural model is to test the hypothesized relationships among constructs. Initially, the study focused on model evaluation and secondly, assessed the assumption of regression and correlation of variables. The structural model evaluation continues with an examination of the direct relationships. Three hypotheses that posed a direct relationship in this study were tested out of which two of them were supported. The direct path relationship is shown in Figure 4.5 which described the direct effect of every latent variable on the dependent variable.
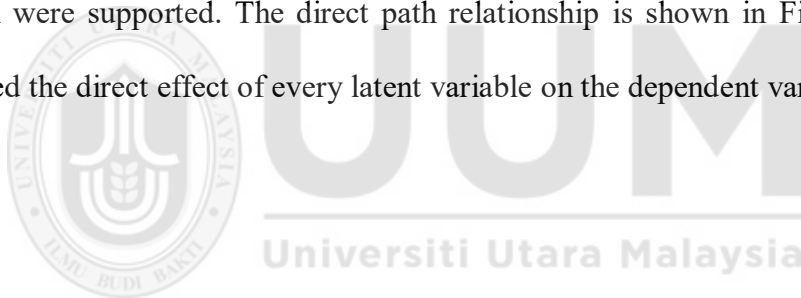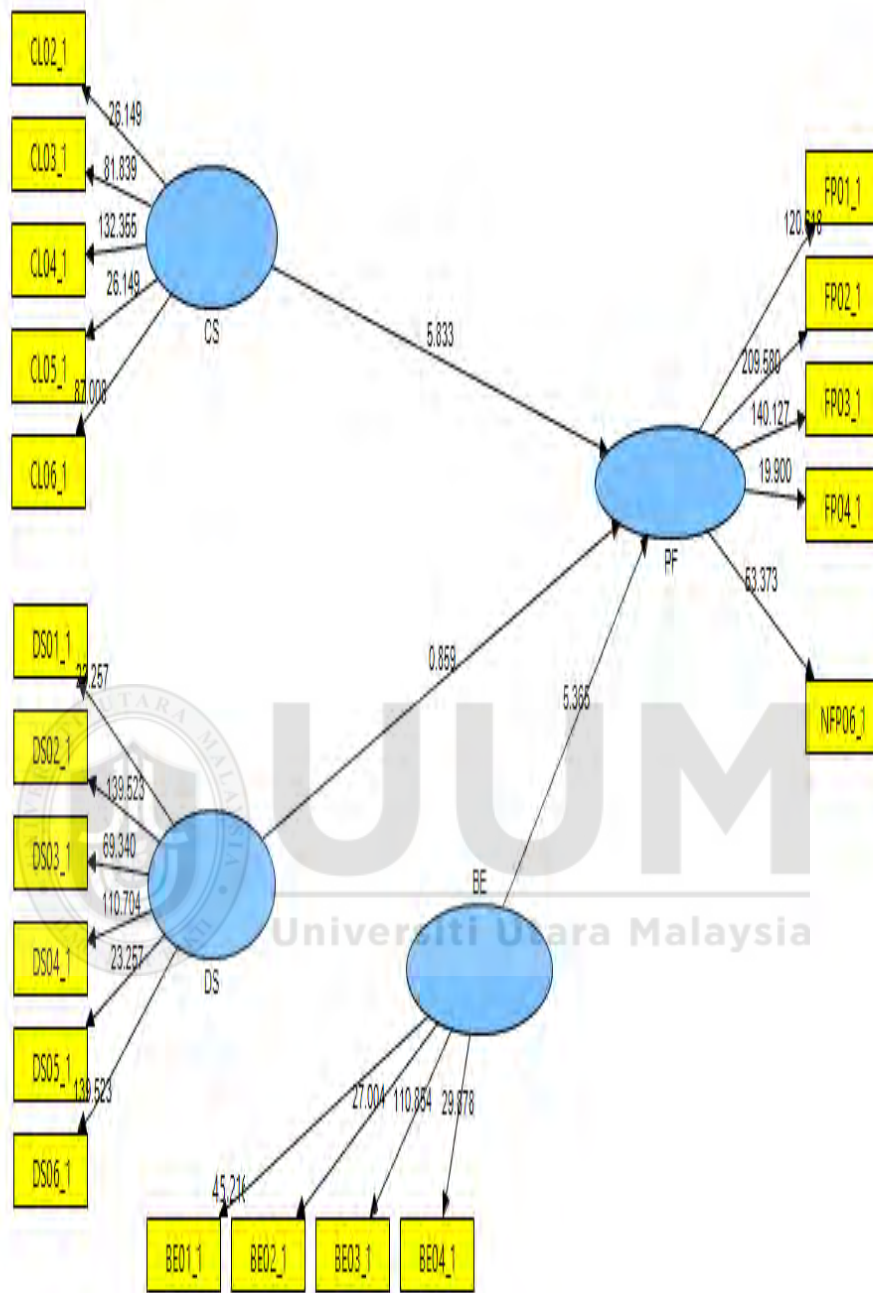
Figure 4.5

The Direct Effect

Figure 4.5 above was fully explained in Table 4.10 that indicated the path coefficients, t- values, and standard error at which they are used as a basis for testing the hypotheses. The t-values for this study is estimated using a 5000 re-sampling iterations in recurring bootstrapping as recommended by Hair *et al.,* (2014). It can equally be justified that chosen a 5000 sample is for ensuring that each model parameter has experimental sampling sharing and the standard deviation of the distribution will serve as proxy of the parameter for statistically standard error (Hair *et al.,* 2012).

Table 4.10

Result of Hypothesis Testing

	Beta	Standard Error	t-value	P-Value	Decision
BE -> PF	0.225	0.042	5.364	0.000	Supported
CS -> PF	0.994	0.017	5.832	0.000	Supported
DS -> PF	0.144	0.168	0.858	0.392	Not supported

The above Table 4.10 indicated that all the study hypotheses were accepted and possess a t-value which are greater than 1.96, this shown an adequate support for the two direct hypotheses. The R^2 value indicated that, all the study variables of cost leadership, differentiation, and environmental munificence are capable of influencing 88.2% of the changes in the dependent variable which is the performance. According to Chin (1998b) described R^2 values for endogenous latent variables are assessed as follow:

1. 0. 67 substantial

2. 0.33 moderate

3. 0.19 weak

Therefore, based on the result, the R^2 value is substantial and in line with Chin (1998b).

Table 4.11

Effects of Cost leadership, Differentiation, Environmental Munificence on Performance

Constructs	R Square
Cost leadership	
Differentiation	
Environmental Munificence	0.882

Note: The study variables explain 88.2% variation in Performance

4.10 Moderating Effect Size and Rating

Table 4.11 above indicated the result of holistic effect of cost leadership, differentiation, and environmental munificence on performance, hence, the need for ascertaining change in R square from the main model through the calculation of the effect sizes of the predicting variables. Therefore, only the results of the effect size f^2 of the two (2) hypotheses that were statistically supported are reported. The effect size of f^2 is calculated base on formula developed by Cohen (1988):

Thus: $f^2 = $ **R² included – R² excluded.**

$$1 - \textbf{R}^2 \textbf{ included}$$

Where:

i = main effect model (without the moderator)

m = interaction effect model (with the moderator)

f^2 can be calculated by filling in the 2 R2 values as below

$$f^2 = \frac{0.882 - 0.874}{1 - 0.882}$$

$$f^2 = 0.067$$

The f^2 interpretation is based on guidelines made by Cohen (1988), as below:

0.02 Small

0.15 Medium

0.35 Large

Therefore, in line with the above f^2 is 0.067, which means the effect size is small as described by Cohen (1988). Based on this, Chin et al (2003) stated that small effect size f^2 does not necessarily mean that the underlying moderator effect is negligible, even a small interaction effect can be meaningful under extreme moderating circumstances. If the resulting beta changes are meaningful, then it is significant to take this situation into consideration as suggested by (Chin et al., 2003). The next sub section discusses on predictive relevance.

4.11 Predictive Relevance of the Model

PLS predictive relevance of the model is intended to evaluate the predictive capability of a particular model. Hair *et al.,* (2012) asserted that predictive relevance is represented by Q^2. The Q^2does not only evaluated how values are built around the model but also assesses the parameter estimates. The $Q^2$is calculated through blindfolding, and then the results were obtained through the variable score out of which cross validated redundancy is extracted. The cross validated redundancy assesses the capability of the model to predict the endogenous variables and hence demonstrates the quality of the model. The Table 4.12 shows the construct cross validated redundancy.

Table 4.12

Construct Cross Validated Redundancy

Total	SSO	SSE	1-SSE/SSO (Q^2)
PF	224	131.17	0.414

Table 4.12 above shows that the predictive relevance of the model remains outstanding, which is in line with the Hair et al., (2013), which argued that if $Q^2 > 0$, means the model has predictive relevance whilst if $Q^2 < 0$, the model does not poses any predictive ability. Hence, all the predictors possess values that are greater than Zero indicating sound predictive model relevance. Based on the Smart PLS 2.0 results, the obtained cross validated redundancy was established to be 0.414. Chin, (1988), set three criteria (i) if Q2 is 0.02, then the model has small predictive relevance, (ii) if Q2 is 0.15, then the model has medium predictive relevance, and (iii)

if Q2 is 0.35, then the model has large predictive relevance. Hence, this result is in line with Chin, (1988) who assert that the model has large and a sufficient prediction quality. The following sub section discusses on test of moderation.

4.12 Test of Moderation

Moderator is a construct that strength the relationship between two constructs, hence that the nature of the influence of independent variable on the criterion will differ in accordance to the degree or value of the moderator (Ramayah, 2014). In this study, a moderating variable of environmental munificence is introduced on the association between business level strategy and hotel performance. First, the study considers environmental munificence as a moderator on the relationship between cost leadership and performance, after the insertion of the interaction term the result of the path coefficient established that environmental munificence is found to moderate the relationship between leadership and hotel performance.
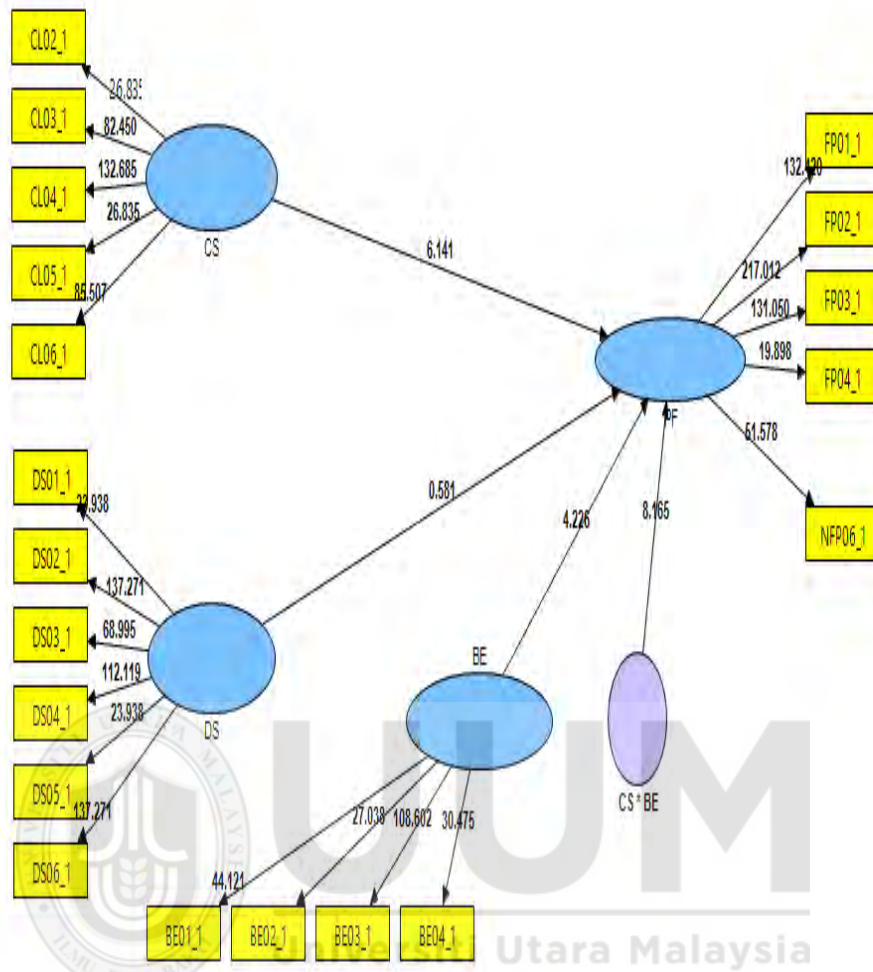
Figure 4.6

The moderating effect of EM on the relationship between CL and Performance

Table 4.13

Result of moderation Test of EM on the relationship between CS, and performance.

	Beta	Standard Error	t-value	P-Value	Decision
CS -> PF	1.108	0.180	6.140	0.000	Supported
CS * EM -> PF	0.169	0.020	8.164	0.000	Supported
DS -> PF	0.099	0.171	0.580	0.563	Not Supported

Secondly, the study considers environmental munificence as a moderator on the association between differentiation and hotel performance. After the insertion of the interaction term the result of the of the path coefficient established, the environmental munificence is found to moderate the relationship between differentiation and hotel performance.
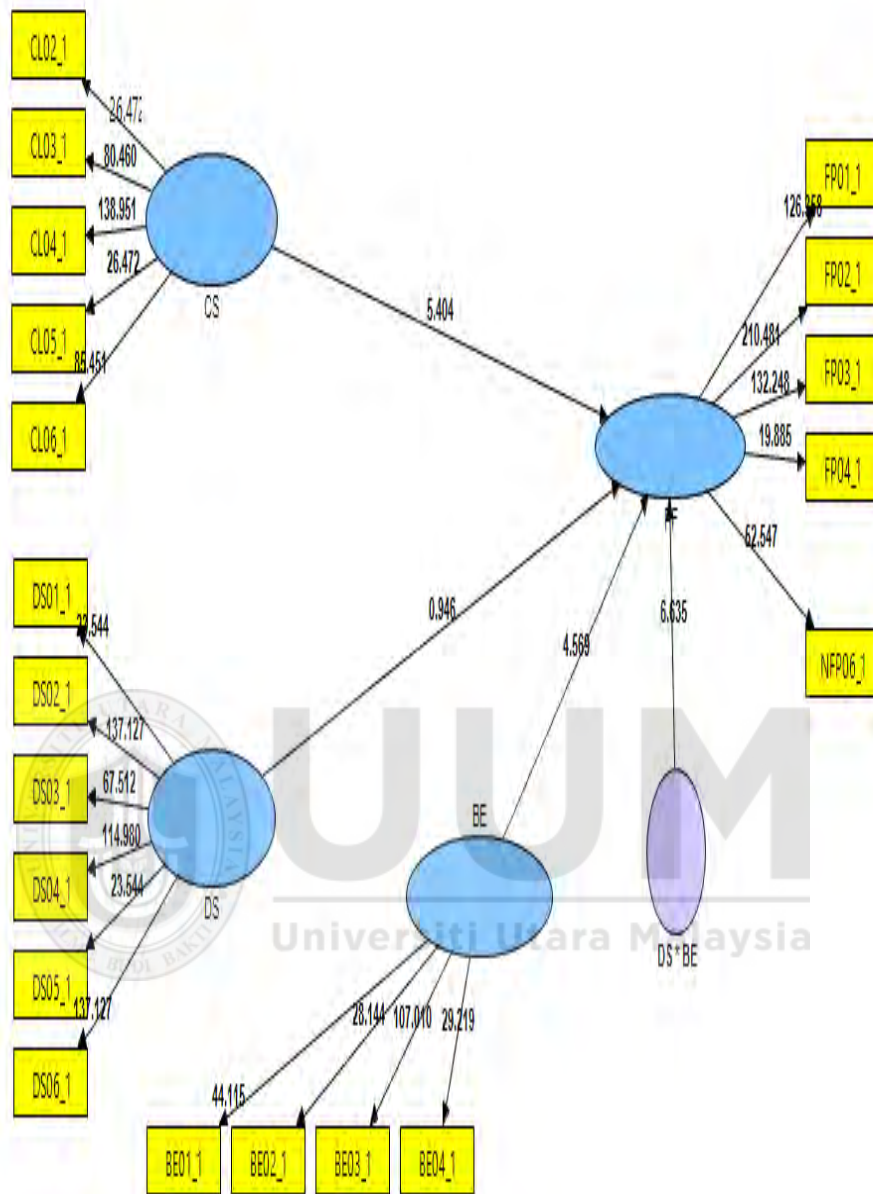
Figure 4.7

Moderating effect of EM on the relationship between DS and Performance

In order to confirm the PLS statistical output on moderation as recommended by

Dawson (2013) to pursue up for the significant interactions, an interaction plot can be

drawn. There are many new and some advances effort to study this effect. There are several templates and software available that make this procedure much easier. Among them is by Professor Jeremy Dawson which can be downloaded from this URL: www.jeremydawson.co.uk/slopes.htm. Base on the template the interaction can be divided into two first with cost leadership and the second one with differentiation.
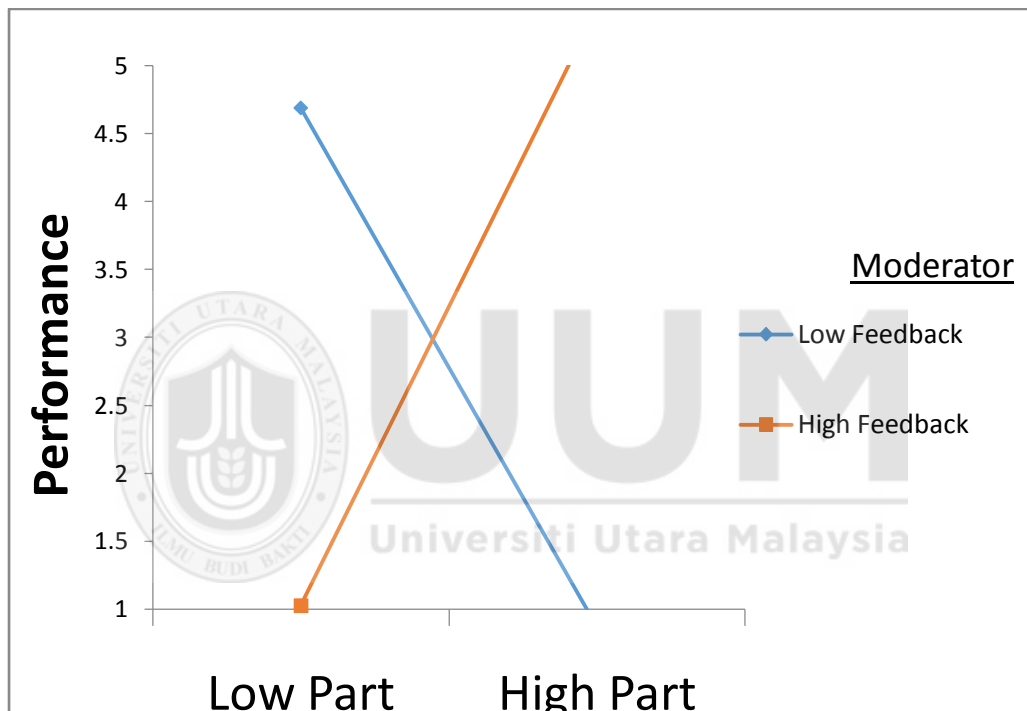
Figure 4.8

Interaction Plot Cost Leadership - Environment Munificence and Performance

The interpretation of Figure 4.8 is that the line labeled with high feedback indicates that the positive relationship is indeed stronger. This means the moderator is playing a vital role in the relationship between cost leadership and performance.
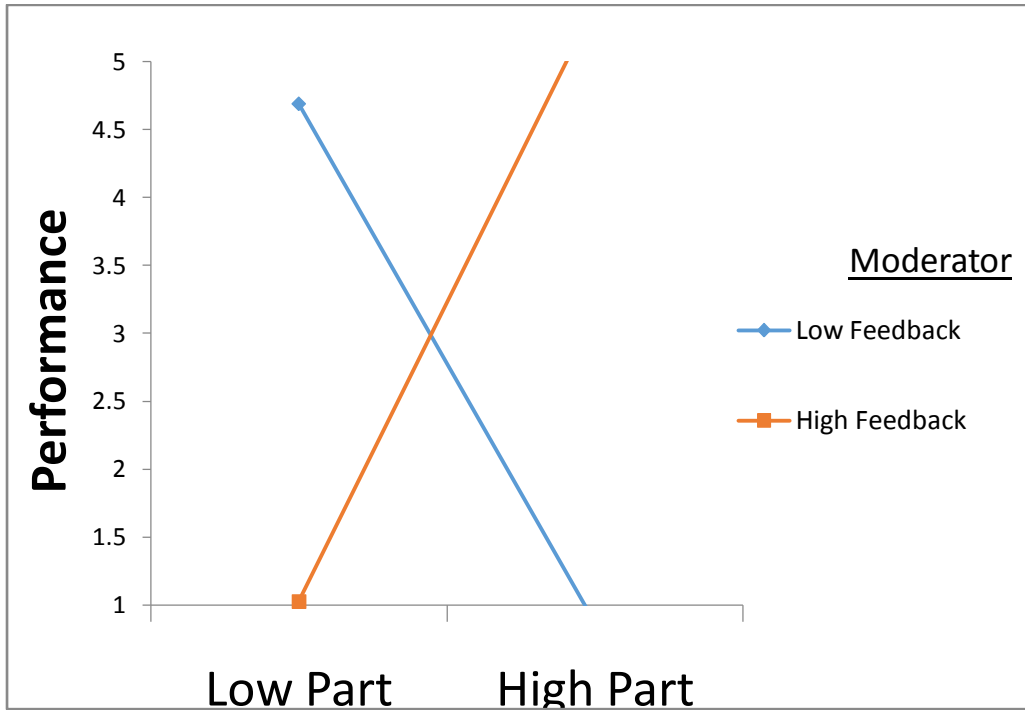
Figure 4.9

Interaction Plot Differentiation Strategy - Environment Munificence and Performance

The interpretation of Figure 4.9 is that the line labeled as high feedback is indicating that the positive relationship is indeed stronger, which means moderator is plays vital role in relationship between differentiation and performance.

Table 4.14

Result of moderation Test of EM on the relationship between DS and performance.

	Beta	Standard Error	t-value	P-Value	Decision
CS -> PF	1.035	0.191	5.404	0.000	Supported
DS -> PF	0.175	0.185	0.946	0.346	Not Supported
DS * EM -> PF	0.146	0.022	6.634	0.000	Supported

Based on the table above the result of moderation indicates that hypothesis testing, the moderation effect of EM on the relationship between DS and performance is supported with beta value 0.146, t-value 6.634, and p-value 0.000.

Table 4.15

Summary of Hypotheses Test

	Hypotheses	Results
H1	There is a significant and positive relationship between cost leadership and performance of Nigerian hotels	Supported
H2	There is a significant and positive relationship between differentiation and performance of Nigerian hotels	Not Supported
H3	Environmental munificence is significant relates to performance of Nigerian hotels	Supported
H4	Environmental munificence moderates the association between cost leadership and performance of Nigerian hotels	Supported
H5	Environmental munificence moderates the association between total quality management and performance of Nigerian hotels	Supported

Based on the table above out of five hypotheses, four hypotheses were supported only one hypothesis not statistically supported.

4.13 Chapter Summary

This chapter discusses issues relating to findings and the interpretation of the empirical result of the study. The chapter began with data collection process and responses, followed by non-response bias issue, where it was found that there were no evidences of significant difference between early and late respondents and tool used

was independent t-test analysis. Data cleaning was carried out where issues regarding missing data and outliers were considered. Both univariate (z-score) and multivariate (Mahanalobis) outlier treatment were carried in order to ensure good data. Descriptive statistics were followed mainly to provide the profile of respondents of hotels manager in Kano, Northwestern Nigeria, which give a go ahead in conducting the analysis.

Goodness of measures on the entire constructs, as well as issues relating to construct reliability and validity were seen and all factors have good Cronbach's alpha with internal consistency of 0.7 and above and an average variance extracted of above 0.5. Pearson (r) bivariate correlation was performed and found that all the variables were significantly correlated. Both measurement and structural models were found to fit and the result of hypotheses testing indicated a support to all the direct and indirect hypotheses. The following chapter discusses on discussion and conclusion.

CHAPTER FIVE

DISCUSSION AND CONCLUSIONS

5.1 Introduction

This chapter discussed on the research findings and recommendations. The chapter also describes the theoretical and practical implications of the study; limitations and recommendations for future research.

5.2 Recapitalization of the Study

This study was conducted to examine the effect of environmental munificence on the relationship between cost leadership, and differentiation on performance of hotels in Nigeria. A quantitative method of data collection is used, which involved the use of structured questionnaire which were adapted from previous studies. A self-administration of questionnaire is used in which allows the researcher to have a face to face contact with the respondents. A total of 83 sets of questionnaire were distributed to all hotels in Kano state. Having distributed 83 questionnaires to respective hotel managers, which 67 questionnaires were completed and returned, however, 58 questionnaires were retained for further analysis. A total of 9 questionnaires were considered not suitable as a result of both univariate and multivariate outlier cases. The data were keyed into SPSS version 18, and the analysis started by checking for missing values and outliers. Missing value were treated according to literature in the data set, specifically, 81% response rate was achieved, and this is connected with the researcher‟s commitment that opted for census, which required all population to respond if possible.

Similarly, reliability test was conducted for the purpose of assessing Cronbach"s alpha of internal consistency of the measures. The hypotheses in this study of direct relationship were tested using smart PLS 2.0 software. Similarly, for hypotheses about indirect relationship (moderation) which also used the same software. Specifically, Cost Leadership, Differentiation, Environmental Munificence and Performance were all measured as one-dimensional, and their respective reliability coefficient, composite reliability stood above 0.7, which is the minimum benchmark. With regards to hypothesis testing for direct relationship, the result indicated that cost leadership and environmental munificence are significant to performance while surprisingly differentiation strategy reveals contrary results. The result of moderation test also indicated that the environmental munificence is a good moderator on the relationship between cost leadership and performance and on the relationship between differentiation and performance.

5.3 Discussions

Discussion of this study basically is based on research questions and objectives stated in chapter one of this study. The research questions were: 1) is there any effect of cost leadership on performance of Nigerian hotels? 2) Is there any effect of differentiation on performance of Nigerian hotels? 3) Is there any effect of environmental munificence on performance of Nigerian hotels? 4) Does environmental munificence moderates the relationship between cost leadership and performance of Nigerian hotels? 5) Does environmental munificence moderates the relationship between

differentiation and performance of Nigerian hotels? The next sub section discusses on cost leadership and performance.

5.3.1 Cost leadership and Performance

The first research question of the study was to measure the effect of cost leadership on performance. The aim of the question is to assess whether cost leadership can be a good predictor toward performance of the Nigerian hotels. This represents the first research hypothesis that, *there is a significant effect of cost leadership on performance of hotels in Nigeria.* Smart PLS 2.0 software is used to test the hypothesis. The result indicated that the two predicting variables were able to explain 88.2% of the model (R^2). The results indicated that cost leadership predicted the performance of Nigerian hotels with the following values ($\beta = 0.994$, t = 5.832, P<0.000). The finding support H1.

This result shows that cost leadership is a good predictor of hotels performance in Nigeria. The hypothesis H_1 is supported. The findings of this study on the effect between cost leadership and performance of hotels was in line with previous studies (Banker et al., 2014; Hilman & Kaliappen; 2014; Nandakumar, Ghobadian, & Regan, 2011; Hilman, 2009). This means cost leadership is a business strategy that helps the some hotels to lower down cost by rising internal efficiencies and refining the utilization of all the resources effectively than its competitors this is in line with Porter (1980, 1985), hotels that engaged in cost leadership strategy could give a

enhanced business performance. The next sub section discusses on differentiation and performance.

5.3.2 Differentiation and Performance

The second question of the study was to measure the effect of differentiation on performance. The aim of the question was to find out whether differentiation can be a good predictor toward performance of Nigerian hotels. This represents the second research hypothesis that, *there is significant effect of differentiation on performance of hotels in Nigeria*, Smart PLS 2.0 software was used to test this hypothesis. The result indicated that the two predicting variables were able to explain 88.2% of the model (R^2). The results indicated differentiation predicted the performance of Nigerian hotels with the following values ($\beta = 0.144$, $t = 0.858$, $P < .392$). The finding did not support to H_2.

This result shows that differentiation was a not good predictor of hotels performance in Nigeria. This finding indicated that hotels in Nigeria are focusing on cost rather than differentiation and this finding are inconsistence with previous study (Allen & Helms, 2006; Nandakumar et al., 2011; Teeratansirikool, 2013). This may be due to the fact Nigerian hotels do not give emphasis on categorizations on hotel rating, which very few of 3 stars or 5 stars in the country. In other words, differentiation is not the key strategy for competition among most hotels in Nigeria.

Therefore, base o this result for hotels mangers to achieve competitiveness, there should also be a fit between the differentiation strategy and performance. When it comes to a local competitive environment characterized by strong relations among competitors and other actors, a differentiation strategy is a suitable choice because there is less competition based on rivalry and accompanying (Pehrsson, 2016). Hence, while in many developed countries, the use information and other similar digital technology-based delivery platforms has helped transform some quality services to hard services, in Nigeria and many other emerging markets consumers continue to demand low-cost personalized "soft" service rather been uniqueness which may result to high cost, this could be reason for insignificant result.

5.3.3 Environmental Munificence and Performance

The third research question of the study was to measure the effect of environmental munificence on performance. The purpose of the question was to find out whether *there is a significant effect of environmental munificence on performance of Nigerian hotels*. Smart PLS 2.0 software was used to test this hypothesis. The result indicated that the predicting variables were able to explain 88.2% of the model (R^2). The result indicated environmental munificence predicted the performance of Nigerian hotels with the following values ($\beta = 0.225$, $t = 5.364$, $P < .000$), thus, the finding supported H_3.

The finding of this research is in line with previous finding (Goll & Rashid, 2004; Jaiyeoba, 2013; Reuda et al., 2008 & Tang, 2008). This indicates that hotels mangers create friendly environment that fosters and facilitate individual alertness to support its operations and service. Additionally, this result shows supportive environment improves hotels performance. The following sub section discusses on Moderating effect of environmental munificence.

5.3.4 The Moderating Effect of Environmental Munificence

The forth and five research questions of the study was about whether environmental munificence moderates the relationship between cost leadership, and performance, and differentiation, and performance of Nigerian hotels. The aim of these questions was to find out whether environmental munificence can strengthen the relationship between cost leadership and performance, and differentiation and performance of Nigerian hotels.

The result of the moderation test of environmental munificence on the relationship between cost leadership and performance indicated that the variable were able to explain 89.6% of the model. The results of product indicator approach indicated that cost leadership has the following values ($\beta = 0.169$, $t = 8.164$, $P = 0.000$). The finding supported H_4. The result of a moderation test of the environmental munificence on the relationship between differentiation strategy and performance indicated that the

variable is able to explain 89.2% of the model. The product indicator approach results indicated that differentiation has the following values (β = -0.146, t = 6.634, P = 0.000). The finding supported H_5.

The finding on the moderating effect of environmental munificence on the relationship between cost leadership and performance, and differentiation and performance have validated past study suggestion on this matter (Al-Swidi and Al-Hosam, 2012), Deshpande, Grinstein, Kim, and Ofek (2013) another research whom suggested an empirical study on how combination of different strategic orientations affects performance, and the specific moderating role of environment. Therefore, this study has confirmed that environmental munificence can strengthen the relationship between cost leadership and performance, and differentiation and performance of Nigerian hotels.

Similarly, if hotels manager in Nigeria particularly can use environmental munificence with regards to creating friendly environment will surely recorded better performance. In addition this is result is in line with Tang (2008) who reveals that high environmental munificence lead to higher performance. The following sub section discusses on implication of the study.

5.4 Implications of the Study

5.4.1 Theoretical Implication

Previous studies have shown how business level strategy (cost leadership, and differentiation associated to performance (Allen & Helms, 2006, Banker et al., 2014; Birjandi et al., 2014; David, 2008; Hilman, 2009; Hilman & Kaliappen, 2014; Nandakumar et al., 2011) Consequently, Al-Swidi and Al-Hosam (2012) had suggested an inclusion of environment as moderating variable between competitive advantage and performance, meanwhile, Deshpande, Grinstein, Kim, and Ofek (2013) who had suggested an empirical study on how combination of different strategic orientations may affects performance, which considering environment as moderating variable.

This research makes a significant contribution to the literature as it addressed the gap which is in the context of the research framework as proposed. The study presented suitable proof in the hotels‟ superiors for creating strategic tactics in determining best business level strategies as to enhance their chance to have superior performance.

Another contribution of this study is on methodology as the questionnaire were adapted from previous studies which were conducted in other part of the world, i.e cost leadership measures was adapted from Nandakumar *et al.,*(2011) who conducted a study in U.K; differentiation measures was from Hilman (2009) who conducted a study in Malaysia, and environmental munificence was adapted from Tang (2008) who conducted a study in USA. Therefore, this study has proven those items were

appropriate in an African context. The following sub section discusses on managerial implication.

5.4.2 Managerial and Policy Implication

The findings of this study support a significant relationship between some predictor of hotels performance in Nigeria. These findings indicated that cost leadership (predictor) provides support to performance. However differentiation (predictor) did not and environmental munificence did moderate the relationship between cost leadership, differentiation, and performance among Nigerian hotels.

The finding of this study would be of relevance to policy makers such hoteliers and Kano state tourism board and Nigerian ministry of tourism. In other words, the findings have provided empirically tested evidence on the role environmental munificence and business level strategy on hotels performance. The hotels managers will equally benefits from the study outcome, as it will guide and assist them in making strategic decisions. Thus, the increase of hotels profit and performance will help in increasing the Gross Domestic Product (GDP) and sustainable economic development of Nigeria. The outcome of the study would also serve as an input for future reference to academia, researchers, and other stakeholders. The next sub section will discuss on limitations of the study.

Furthermore, The Government and corporate management of a hotel operating in a competitive environment are advised to base on this result and in order to achieve global competitiveness, corporate management need to pay attention to differentiation strategy and its effects on performance. In addition to paying attention to the strategy effectiveness, corporate management needs to co-ordinate its creation of values for the global environment. Learning from efficient local routines for handling environment information and learning from local experiences in executing differentiation strategies are essential inputs into the corporation"s overall creation of competitiveness among the hotels development in Nigeria.

5.5 Limitations of the Study

In any research like present study have some limitations. The first limitation is that, even though there are so many variables that can measure organizational performance, this study is limited to cost leadership, differentiation, and environmental munificence only. One other limitation of this study is that, the data were collected in Kano state in North Western Nigeria only, which might not be appropriate to be used for generalization. Additionally, this study was a cross sectional in nature. It involves data collection within two to three months, which can be considered as short period. Sekaran (2003) asserted that one the short coming of cross – sectional study is the inability to prove cause and effect association among variables. The framework of this study only provides a relationship between the variables, but did not provide a deep understanding of the cause and effect of such a relationship.

The present study relies on the perception of mangers of hotels in Nigeria in regards to their hotel performance This scenario is quite common in social science research, but the response of managers may not provide a precise replication of reality. There is a tendency that the data collected may not reflect some degree of confidence of the respondents who might have their own perceptual biases and cognitive shortcomings in assessing their own hotels. The following sub section discusses on suggestion for future research.

5.6 Suggestions for Future Research

In order to addresses the limitations above, this study recommends that future studies be conducted on other variables and their effect on performance of Nigerian hotels. Additionally, there is a need for future empirical studies on other competitive strategic factors on performance which will cover the entire six geopolitical zones in Nigeria to allow for generalization. Specifically, functional strategy and performance relationship across different context and sectors, and using access to finance, as mediating or moderating variable

As the present study used cross - sectional in nature, therefore, future research may use longitudinal data. This will enable to access more details results and implications. The present study uses manager perception; but future studies should use other owners/managers perception in performance rating.

Furthermore, this study employs quantitative research design; it is good if future research use mixed methods/triangulation, which using both quantitative and qualitative research method. Finally, this study recommends using the structural equation modeling (SEM) for data analysis in the future studies.

5.7 Conclusions

The findings of this study established that, the first research objective was to examine the effect of cost leadership on performance of hotels in Nigeria. The result of Smart PLS 2.0 software indicated that the cost leadership effects performance of hotels in Nigeria. Hence, the need for hotels regulators put more effort in cost reduction strategies and also emphasize on partnering opportunities with third parties with view of creating new competitive advantage.

The second research objective was to examine the effect of differentiation on performance hotels in Nigeria. The finding of this study is not supported. This shows that differentiation strategy is not a good predictor of hotels performance in Nigeria. The third research objective was to examine the effect of environmental munificence on performance of hotels in Nigeria. The finding of this study is supported. This shows that environmental munificence is a good predictor of hotels performance in Nigeria. Therefore, all issues regarding environmental munificence are a very significant factor in determining performance.

The fourth and fifth research objective aim at examining whether environmental munificence can moderate the relationship between cost leadership, differentiation and hotel performance. The findings indicate that environmental munificence moderates the relationship between cost leadership and performance, and between differentiation and performance. This means, managers that able to make strategic decisions based on the above findings will have better chance to help the hotels secure better performance.

Finally, the underpinning theories (RBV, DCP, and Contingency) used in this study is proven to be useful in measuring the effect of cost leadership, and differentiation on performance as well as the role of environmental munificence as moderating variable.

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ACADEMIC RESEARCH QUESTIONNAIRE

Dear Respondents

I am currently conducting a survey title: *Moderating effect of Business Environment on the Relationship between Business Level Strategies and Performance of Hotels in Nigeria*. I would appreciate it very much if you will assist the researcher by providing **objective** and sincere answers to all the questions, as there is no right or wrong answer. Be assured that all the information given will be treated as confidential and it will be used only for the purpose of this study only.

In anticipation of your positive response, I would appreciate very much your kind assistance in completing the questionnaire. Any questions or suggestions please call or email: Abdullahi Hassan Gorondutse; +2348068075309 / ahgdutse@gmail.com. Thank you very much for your time and cooperation.

Yours faithfully,

Abdullahi Hassan Gorondutse

Researcher

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Email: ahgdutse@gmail.com

ACADEMIC RESEARCH QUESTIONNAIRE

SECTION A:

Demographic Characteristic of the Respondent's Sample

(Please *tick* as appropriate)

- **Gender:**
  Male   [   ]
  Female   [   ]
- **Your job title:**
  Chief Executive   [   ]
  General Manager   [   ]
  Manager   [   ]
  Others (Please specify)................... [   ]

- **Where is your organization location:**
  Head quarters   [   ]
  Branches   [   ]
  Subsidiary   [   ]
  Others (Please specify)................... [   ]
- **Education:**
  SSCE/ Undergraduate   [   ]
  Diploma   [   ]
  Degree/HND   [   ]
  Masters   [   ]
  Others (Please specify)................... [   ]

- **Ownership of the Organization:**
  Individual   [   ]
  Partnership   [   ]
  Joint ventures   [   ]
  Others (Please specify)................... [   ]

- **Total assets of my company at the end of years:**
  Less than 1 million naira   [   ]
  2-10 million naira   [   ]
  11-20 million naira   [   ]
  21-30 million naira   [   ]
  30-above   [   ]

- **How long has your organization been in existence?**
  < 1 years   [   ]
  1- 5 years   [   ]
  6- 10 years   [   ]
  11- 15years   [   ]
  15- Above   [   ]

Section B:

Part 1: The following statements describe on the business strategy of your organization, kindly rate the extent to which your organization focuses on the following. Please **circle ()** in the box between **1 = Strongly Disagree** and **7 = Strongly Agree** that matches your view or level of agreement most in each question

.

		Strongly Disagree			Strongly Agree			
CL01	Highlighting on efficiency of sourcing raw material or component (bargaining down price)	1	2	3	4	5	6	7
CL02	Emphasis on finding ways to reduce cost.	1	2	3	4	5	6	7
CL03	Stress on operating efficiency (e.g. efficiency on output and logistic)	1	2	3	4	5	6	7
CL04	Emphasis on product/service capacity utilization	1	2	3	4	5	6	7
CL05.	Stress on price competition (i.e. offering competition price).	1	2	3	4	5	6	7
CL06	Highlighting on tight control of selling (general administrative expenses)	1	2	3	4	5	6	7

Part 2: The following statements describe on the business strategy differentiation of your organization, kindly rate the extent to which your organization focuses on the following. Please **circle ()** in the box between **1 = Strongly Disagree** and **7 = Strongly Agree** that matches your view or level of agreement most in each question.

		Strongly Disagree						Strongly Agree
DS01	Emphasis on new service development or existing service adaptation to better serve consumers.	1	2	3	4	5	6	7
DS02	Rate of new product introduction to market.	1	2	3	4	5	6	7
DS03	Emphasis on the number of new service offered to the market.	1	2	3	4	5	6	7
DS04	Intensify of your advertising and marketing.	1	2	3	4	5	6	7
DS05.	Emphasis on developing and utilizing promotion activities.	1	2	3	4	5	6	7
DS06	Emphasis on building a strong trade mark identification.	1	2	3	4	5	6	7

Part 3: The following statements describe the extent to which a business environment can provide resources, assistance and support needed by your enterprise that may improve the sustainability, growth and performance of your enterprise. Please **circle** (**()**) in the box between **1 = Strongly Disagree** and **7 = Strongly Agree** that matches your view or level of agreement most in each question.

		Strongly Disagree						Strongly Agree
BEO1	The infrastructure encourages us to be independent within the business area	1	2	3	4	5	6	7
BE02	Government provides good support for hotels owner.	1	2	3	4	5	6	7
BE03	Bankers and other investors help hotels owner.	1	2	3	4	5	6	7
BE04	Other community groups provide good support for business enterprises.	1	2	3	4	5	6	7
BE05.	There are many examples of well respected people who succeed through hotels.	1	2	3	4	5	6	7
BE06	Many of my friends are hotels owners.	1	2	3	4	5	6	7
BE07	Many of my family and kin are into hotels.	1	2	3	4	5	6	7
BE08	The local media does a good job of covering local business news.	1	2	3	4	5	6	7

Part 4: Please indicate the range which best describes the average performance of your Hotels for the past three years (your responses will be kept strictly confidential):
Please **circle ()** in the box between **1 = Strongly Disagree** and **7 = Strongly Agree** that matches your view or level of agreement most in each question

		Strongly Disagree						Strongly Agree
FP01	Return on Sale (ROS)	1	2	3	4	5	6	7
FP02	Return on Investment (ROI)	1	2	3	4	5	6	7
FP03	Market share	1	2	3	4	5	6	7
FP04	Sales Growth	1	2	3	4	5	6	7
NFP05	**Innovation and Leaning Perspectives:** My hotel considers, improve and learn increase new markets, revenue and margin in its bid to promote customers.	1	2	3	4	5	6	7
NFP06	**Customer Perspective:** My hotel considers the customer on time, quality, performance, services and cost in order to pursue success.	1	2	3	4	5	6	7
NFP07	**Internal Business Perspectives:** My hotel considered the business processes that have the greatest impact on customer satisfaction.	1	2	3	4	5	6	7

Thank you for your cooperation