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

ABDULLAHI HASSAN GORONDUTSE

MASTER OF SCIENCE MANAGEMENT
UNIVERSITI UTARA MALAYSIA
2016
EFFECTS OF ENVIRONMENTAL MUNIFICENCE ON THE RELATIONSHIP BETWEEN BUSINESS LEVEL STRATEGY AND PERFORMANCE OF HOTELS IN NIGERIA

By

ABDULLAHI HASSAN GORONDUTSE

Thesis Submitted to
School of Business Management, College of Business,
Universiti Utara Malaysia,
inPartial Fulfillment of the Requirement for the Master of Science
(Management)
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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


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

I wish to first of all thank almighty Allah SWT for sparing my life, sustaining me and enabling me to realize this objectives. I wish to express my acknowledgement to many people whom I am indebted to for being instrumental to the successful completion of my Msc programme. My special thanks go to my supervisor; Associate Professor Dr. Haim Hilman for teaching me the art of research and scholarly writing.

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I also appreciate the support, prayers and inspiration of my mother Hajiya Halima Muhammad Sani, brothers, sisters and my grateful thanks also go to all of the respondents for their assistances and contribution in this study. This study would not complete without their participations. Finally, I appreciated the contribution and assistance of all faculty members and staff of UUM. I also will not be able to complete this study without the support, patience, and perseverance of my family members Ummah Tukur Usman, Khadijah (Nana), Zainab, Ismail, Amina and Hafsat. And last but not the list all gratitude be to Almighty Allah, the most beneficent and merciful.
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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>ADR</td>
<td>Average Daily Rate</td>
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<tr>
<td>AVE</td>
<td>Average Variance Extracted</td>
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<tr>
<td>CL</td>
<td>Cost Leadership</td>
</tr>
<tr>
<td>CR</td>
<td>Composite Reliability</td>
</tr>
<tr>
<td>DC</td>
<td>Dynamic Capability</td>
</tr>
<tr>
<td>DS</td>
<td>Differentiation Strategy</td>
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<tr>
<td>EM</td>
<td>Environmental Munificence</td>
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<tr>
<td>FP</td>
<td>Financial Performance</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>NBS</td>
<td>Nigerian Bureau of Statistic</td>
</tr>
<tr>
<td>PLS</td>
<td>Partial Least Square</td>
</tr>
<tr>
<td>RBV</td>
<td>Resource Based View</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Asset</td>
</tr>
<tr>
<td>ROI</td>
<td>Return on Investment</td>
</tr>
<tr>
<td>ROS</td>
<td>Return on Sale</td>
</tr>
<tr>
<td>SEM</td>
<td>Structural Equation Modeling</td>
</tr>
<tr>
<td>SME</td>
<td>Small And Medium Enterprises</td>
</tr>
<tr>
<td>SMEDAN</td>
<td>Small and Medium Enterprises Development Agency of Nigeria</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Science</td>
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<tr>
<td>USA</td>
<td>United State of America</td>
</tr>
<tr>
<td>VRIN</td>
<td>Valuable Rare Inimitable Non-Substitutable</td>
</tr>
<tr>
<td>YTD</td>
<td>Year To Date</td>
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</tbody>
</table>
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
The contents of the thesis is for internal user only
REFERENCES


Byrne, B.M. (2010). *Structural equation modeling with Amos: Basic concepts, applications and programming* (2nd ed.). New York: Taylor and Francis group.


Duncan, R. G. (1972). Characteristics of organizational environments and perceived environmental uncertainty. *Administrative Science Quarterly,* 17, 313-


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

Mobile +2348068075309

Mobile +601136656423

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- 15 years [ ]
  - 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.

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

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

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
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<tr>
<td>BE01</td>
<td>The infrastructure encourages us to be independent within the business area</td>
<td>1 2 3 4 5 6 7</td>
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<tr>
<td>BE02</td>
<td>Government provides good support for hotels owner.</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>BE03</td>
<td>Bankers and other investors help hotels owner.</td>
<td>1 2 3 4 5 6 7</td>
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<tr>
<td>BE04</td>
<td>Other community groups provide good support for business enterprises.</td>
<td>1 2 3 4 5 6 7</td>
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<td>BE05</td>
<td>There are many examples of well respected people who succeed through hotels.</td>
<td>1 2 3 4 5 6 7</td>
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<tr>
<td>BE06</td>
<td>Many of my friends are hotels owners.</td>
<td>1 2 3 4 5 6 7</td>
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<tr>
<td>BE07</td>
<td>Many of my family and kin are into hotels.</td>
<td>1 2 3 4 5 6 7</td>
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<td>BE08</td>
<td>The local media does a good job of covering local business news.</td>
<td>1 2 3 4 5 6 7</td>
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**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

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**Strongly**

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**Disagree**

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**Strongly Agree**

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**NFP05**

**Innovation and Learning Perspectives:** My hotel considers, improve and learn increase new markets, revenue and margin in its bid to promote customers.

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**NFP06**

**Customer Perspective:** My hotel considers the customer on time, quality, performance, services and cost in order to pursue success.

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**NFP07**

**Internal Business Perspectives:** My hotel considered the business processes that have the greatest impact on customer satisfaction.

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Thank you for your cooperation