

## Learning Strategic Orientation and Sustained Competitive Advantage in Four- and Five-Star Hotels in Kenya

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### Abstract

*Four- and five-star hotels face intense competition from lower-rated hotels, international chains and the more recent vacation home rentals, often threatening their competitive advantage. This study explored the influence of learning strategic orientation on sustained competitive advantage in four- and five-star hotels in Kenya. The target population was 640 senior hotel managers from 80 four- and five-star hotels and a five-point Likert scale survey instrument which was completed by 247 respondents. Data was analyzed using Structural Equation Modelling and the analysis indicated that learning strategic orientation had a positive and significant influence ( $p < 0.05$ ) on sustained competitive advantage in four- and five-star hotels in Kenya. The study recommends considering training as an investment and budgeting resources for continuous staff training. Hotel management should share the organizational vision across all levels and constantly share information about competitors. Policymakers should support hospitality institutions, training of interns and exposure of local hoteliers to the international market.*

**Keywords:** Four- and Five-Star Hotels, Learning Strategic Orientation, Sustained Competitive Advantage

### Introduction

Barney (1991) posits that firms need to gain and sustain competitive advantage to succeed in the increasingly competitive and complex operating environment. In such cases, internal resources and capabilities that are valuable and difficult for rivals to match or replace provide a longer-term competitive edge. According to Valos and Bednall (2010), strategy is the backbone that supports an organization's structure, investments, actions, contacts with the market and achievements. A business's strategy leads to competitive advantage when firms are able to create higher economic value than the competitors in their product markets (Peteraf & Barney, 2003). In the volatile hotel industry, a company must differentiate itself from the competition, offer exclusive and valuable products and leverage assets it has amassed from experience that cannot be easily replicated (González-Rodríguez et al., 2018).

The responses to the business environment can be categorised in relation to the strategic orientation of the organizations. Hakala (2011) views strategic orientation as a set of management principles that influence the operations of an organization so as to enhance performance. Strategic orientation also refers to the directions that firms take to achieve improved profitability, financial performance or competitive advantage (O'Regan &

Ghobadian, 2005). Grounded on resource-based view (RBV), strategic orientations have also been viewed as cultural attributes that influence the ability of firms to focus on strategic direction and to build or sustain the proper strategic fit for superior firm performance (Gatignon & Xuereb, 1997).

One of the essential strategic orientations that is crucial for sustained competitive advantage is learning strategic orientation. Learning is a cognitive process that involves observation, demonstration and replication of actions that are being absorbed through social interactions (Bandura, 1977). Learning is a critical operational resource since it enables organizations to maintain competitive advantage through continuously improving its ability to process market knowledge ahead of its rivals (Dickson, 1996). Learning orientation is a set of values exhibited by an organization and that demonstrate that the organization is likely to develop a learning culture (Sinkula et al., 1997). It also refers to employees' preference to master and become better at their work-related skills and abilities (Hamzah et al., 2020).

According to Tajeddini (2009), learning orientation in the hotel industry provides a significant advantage in an organization in terms of innovation, but is often lacking or disorganized in many hotels. In addition, there are serious differences in organizational learning among staff in hotels of different categories and sizes and also between managers and employees (Fernandes et al., 2018). Studies indicate that the hotel industry is experiencing an increasing dynamic, global and turbulent business environment, with stiff competition coming from various directions (Israel et al., 2011). According to Enz and Thompson (2011), hotels with distinctive resources can differentiate themselves from other industry players and endure in a competitive atmosphere. At the same time, the accomplishment of superior performance can be an unmanageable task if hoteliers do not consider internal resources to create competitive advantage. The aim of this paper is to analyze the direct effects of each construct of learning strategic orientation on sustained competitive advantage. The paper focuses on commitment to learning, open mindedness, shared vision and intra-organization knowledge sharing constructs (Sinkula et al., 1997), in order to determine how these constructs of learning strategic orientation could lead to sustained competitive advantage.

Hotels are closely intertwined with the wider tourism industry. Kenya's tourism industry is a major contributor to the country's economy and is defined by three primary product lines: safari, coastal, and business and conference tourism. The focus of the study was on the four- and five-star hotels in Kenya, which are commonly categorized as luxury hotels (Ekizet al., 2012; Chu et al., 2016). Four- and five-star hotels signify persistent quality service offering, leading to achievement of competitive advantage and over time, sustained competitive advantage. Moreover, the four- and five-star hotels are the market leaders in the industry and are critical in the contribution of the hospitality sector to the country's economy. They also influence the generation and maintenance of competitive advantage in the hotel industry. Further, Kenya's Vision 2030 focuses on growing the high-end tourism that has a greater impact on the country's revenues and sustainable management of the tourism resources than lower rated hotels (Government of Kenya, 2007).

### ***Statement of the Problem***

The travel and tourism industry is one of the largest economic sectors globally and accounted for 10.4% (US 8.8 trillion) of the global Gross Domestic Product in 2018 (World Travel and Tourism Council, 2019). The hotel industry makes up one of the most important elements of

tourism destination and brings out the competitiveness in the sector (Attila, 2016). Globally, hotels face a dynamic competitive and turbulent business environment and have been particularly hard hit by the COVID-19 pandemic. While four- and five-star hotels are the market leaders in the hotel industry, they face diverse challenges in sustaining their competitive advantage, leading to loss of market share, low profits, low customer satisfaction and eventual closure for a number of them.

Kenyan hotels have a low occupancy rate at 34% in 2019 (KNBS, 2021), compared to Spain's 86% or Italy's 72% (Lock, 2021). Available data indicates that four- and five-star hotels in Europe, Middle-East and United States require an occupancy rate of 30-40% to breakeven (Eisen & Resco, 2020). Moreover, 10 percent of the four- and five-star hotels in Kenya closed down between 2019 and 2022 for at least two years (Wachira & Kandie, 2021; observations). In addition, many four- and five-star hotels in Kenya are in distress due to huge debts, with many hotels resorting to change of ownership to prevent foreclosure (Onyango & Ngahu, 2018).

Learning orientation accelerates innovation and performance (Lestari et al., 2018) and thus, the four- and five-star hotels should consider it as a means towards attaining and sustaining a competitive edge. Besides, various studies have considered commitment to learning, shared vision, open-mindedness and intra-organization knowledge sharing as key constructs comprising learning orientation variable (Hussain et al., 2017; Bakar et al., 2016). This study sought to explore the influence of learning strategic orientation on sustained competitive advantage in four- and five-star hotels in Kenya.

### ***Study Hypothesis***

The study tested the following null hypothesis:

H<sub>0</sub>: Learning strategic orientation has no significant influence on sustained competitive advantage in four- and five-star hotels in Kenya.

### **Literature Review**

#### ***Theoretical Review***

This study was anchored on the Resource Based View (RBV) theory of the firm (Wernerfelt, 1984; Barney, 1991) which focuses on the internal analysis of the differences in firm resources and explains how those differences can be a source of sustained competitive advantage. Thus, RBV views firms as holding tangible assets such as cash, land and equipment or intangible assets such as brand recognition, skills, licences, company logos and goodwill (Caves, 1980). Further, Barney (1991) argues that performance is a function of the bundle of unique resources and capabilities owned and controlled by the firm. Capabilities are defined as the abilities of firms to organize and reconfigure resources in unique and successful ways in order to establish a competitive advantage over competitors. Dynamic capabilities are the prevailing organizational and strategic routines through which managers modify their resource base by acquiring, shedding, integrating and recombining to generate new value-creating strategies (Teece et al., 1997). According to Barney (1991), an important precept of RBV is that for a resource to become a factor of sustained competitive advantage, it should be valuable; rare or scarce, inimitable or imperfectly tradable and non-substitutable or difficult to imitate (VRIN). This study considers learning strategic orientation as comprising commitment to learning, open mindedness, shared vision and intra-organization knowledge sharing, that are intangible VRIN resources which lead to attaining and sustaining a competitive advantage.

**Empirical Review**

The concept of learning strategic orientation describes the activities of the organization that add to or utilize knowledge to enhance competitiveness. Knowledge gained through organizational learning is an inimitable resource that enhances the achievement of other resources and plans, resulting in competitive advantage (Kiyabo & Isaga, 2019). Learning strategic orientation reinforces learning customs in a firm and promotes the acquisition of new knowledge that is required to increase organizational capabilities and superior performance. In dynamic environments where customers and their preferences are constantly changing, learning orientation is a crucial operational resource as it enhances sustained competitive advantage by enabling firms to continuously employ market information faster than competitors (Vij & Farooq, 2015).

Four constructs of learning that are advanced in most empirical strategic orientation studies are commitment to learning, shared vision, open mindedness and intra-organization knowledge sharing (Senge, 1992, Sinkula et al., 1997; Calantone et al., 2002). However, a few studies have addressed other constructs. Makabila et al. (2017) focused on learning culture, learning processes and systems thinking constructs. Mak'Anyengo and Maina (2019) studied the influence of organization learning on hotel performance in Whitesands Beach Hotel and Spa, Kenya. The study focused on shared vision, team learning, personal learning and mental models.

Most studies on learning strategic orientation have found a positive relationship between influence of learning orientation and firm outcome. Tajeddini (2016) studied the effect of learning orientation on firm performance in public organizations in Iran. The research found that both learning orientation and innovativeness led to improved performance. Hussain, Shah and Khan (2017) investigated the role of learning orientation in business performance in 213 SMEs in Sialkot, Pakistan. The regression study found that learning orientation was positively and significantly associated with the organizational performance of SMEs. A study by Lestari et al. (2018) researched the influence of learning orientation and innovation on firm performance in Batu, Indonesia. The study found that learning orientation had a positive and significant influence on both innovation and performance.

A number of studies on learning strategic orientation have employed SEM in their analysis. Nair (2019) used SEM to investigate the dynamics of learning orientation and innovation in the performance of the hotel industry in Qatar. Bakar et al., (2016) used SEM to analyze the interaction of learning orientation, entrepreneurial orientation and strategic improvisation on the performance of SMEs in Malaysia. Harlina et al. (2020) carried out a SEM study on the relationship between learning orientation and innovation and customer relationship in the hotel sector in Lombok Island, Indonesia.

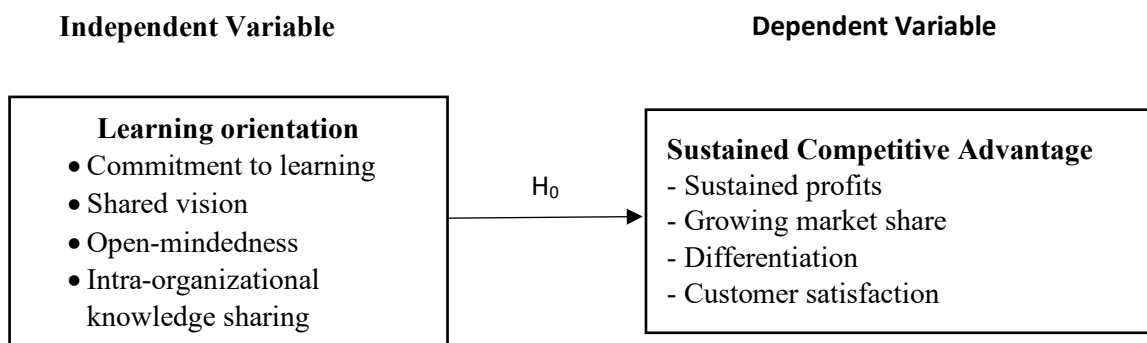
A number of studies have highlighted the importance of learning orientation in the services sector. Kalmuk and Acar (2015) examined the impact of learning orientation and quality orientation on firm performance through a study of 85 hospitals in Istanbul, Turkey. Likewise, Fernandes et al. (2018) studied intra-organizational learning among different categories of workers in star rated hotels of Brazil and Portugal. Alonso-Almeida, Celemin-Pedroche, Rubio-Andrada and Rodríguez-Antón (2016) carried out a survey in 147 Spanish hotels to establish the level of organizational learning. The studies determined a positive relation between learning orientation and performance.

**Conceptualization of the Study**

The dependent variable in this study was sustained competitive advantage which refers to the benefit gained when an organization is implementing an enriching strategy that is not being concurrently implemented by any current or possible competitors (Barney, 1991). The indicators for sustained competitive advantage were sustained profits, growth in market share, differentiation and customer satisfaction. Profit is defined as an organization’s total revenue less its total expenses per given time period in the hospitality industry and the financial dimension is the most widespread component of performance in hotel studies (Wadongo et al., 2010; Han, 2012). Hotel market share is the percentage of a market accounted for by a hotel establishment within the hotel market in which it operates (Landman, 2017). Differentiation is the strategy where a firm creates something tangible or intangible that is perceived as unique by at least one set of customers (Porter, 1980). Customer satisfaction is defined as the feeling clients get when their expectations regarding specific products or services are met and exceeded (Baranovskaia, 2019).

The independent variable is learning strategic orientation. Learning orientation is a principle that underscores higher order or generative learning and is important in creating innovative ideas and actions (Baker & Sinkula, 1999). Learning strategic orientation was measured through four constructs: commitment to learning, shared vision, open mindedness and intra-organization knowledge sharing that were obtained from earlier studies.

Commitment to learning denotes an organizational attribute that encourages firms to acquire knowledge while facilitating superior or multiplicative learning (Baker & Sinkula, 1999). Shared vision indicates strong sharing of goals and objectives, thereby uniting members of an organisation in regard to identity and purpose (Claycomb & Miller, 1999). Open mindedness represents attitudes that allow firms to be anticipatory in assessing long standing views, expectations and procedures, as well as involving themselves in disregarding earlier learning (Sinkula et al., 1997). Intra-organizational knowledge sharing refers to the process of obtaining and sharing information about market changes and competitor actions (Calantone et al., 2002). The conceptual framework that guided the study is provided in Figure 1.



**Figure 1: Influence of Learning Strategic Orientation on Sustained Competitive Advantage**

**Methodology**

This study followed the positivism philosophy that involves working with an observable social reality to produce law-like generalizations (Saunders et al., 2016). The research focused on senior managers from various hotel establishments as the target respondents and made

inferences based on the sample. Thus, this research was a statistical and cross-sectional study that applied a descriptive correlational design. The target population for the study was 640 senior managers from 80 four- and five-star operational hotels that are classified by the Tourism Regulatory Authority in Kenya (TRA, 2020).

This study used multi-stage sampling where the first stage was a census of all the operational four- and five-star hotels in Kenya. In the second stage, stratified sampling technique was used to select a proportional number of senior managers from each of the two strata (four-star and five-star hotels). A sample size of 283 respondents was computed using the Yamane (1967) formula. A structured questionnaire was constructed and pretested for reliability, validity and ambiguity. Questionnaires were dropped and picked and data was analysed using descriptive statistics and structural equation modelling (SEM). The Analysis of Moment Structures (AMOS) software version 26 and SPSS Version 24 were used for data analysis and testing hypothesis.

### Results and Discussion

A total of 247 (87%) respondents from 62 hotels responded to the questionnaire adequately. About 59% of the respondents were male while 41% were female. In addition, 50% of the respondents were between the ages of 31 and 40 years, 77% had attained a degree level of education and 51% had worked in their specific hotels for 6 to 10 years.

#### *Descriptive Analysis for Learning Strategic Orientation*

Each of the four study constructs had three items that were scored by hotel managers on a five-point Likert scale that ranged from strongly disagree to strongly agree (1-5). The descriptive analysis was accomplished by computing the means and standard deviations of the indicators. Mean scores of 3.41-4.20 represented agree while mean scores between 4.21-5.0 represented strongly agree and are shown on Table 1.

**Table 1: Descriptive Statistics for Learning Strategic Orientation**

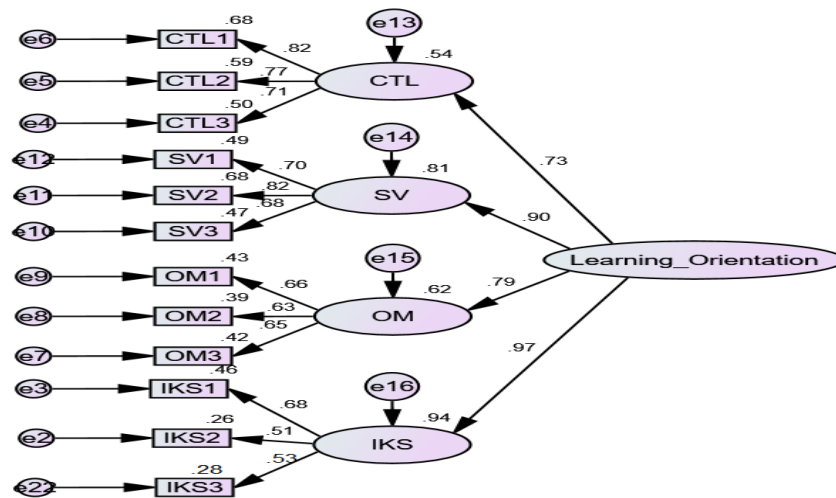
CODE	Indicators of learning strategic orientation (n=247)	Mean	Std. Deviation
CTL1	This hotel considers employee learning as an investment, not an expense.	4.03	.867
CTL2	This hotel considers an organization's ability to learn as the key to gaining sustained competitive advantage.	4.18	.833
CTL3	This hotel views learning as a key commodity to guaranteeing organizational survival	4.22	.729
SV1	This hotel has strong agreement about the organization's vision across all levels and divisions.	4.35	.812
SV2	Employees are committed to the goals of this hotel.	4.26	.836
SV3	Employees view themselves as partners in charting the direction of this hotel.	4.28	.763
OM1	We encourage employees to think outside the box.	4.15	.873
OM2	We encourage a good deal of organizational conversation that keeps alive the lessons learned from history.	4.30	.611
OM3	We regularly analyze unsuccessful organizational endeavors and communicate the lessons learned widely.	4.19	.667
IKS1	Top management repeatedly emphasizes the importance of sharing knowledge in this hotel	4.06	.545
IKS2	Our hotel is active in obtaining information regarding competitors	4.37	.616
IKS3	Our hotel is active in sharing information within the organization regarding competitors	4.26	.561

The results show that on average, the respondents strongly agreed with three constructs: shared vision, open mindedness and intra-organizational knowledge sharing in hotels. Respondents agreed with the construct on commitment to learning. The item with the highest score was “Our hotel is active in obtaining information regarding competitors” and “This hotel has strong agreement about the organization’s vision across all levels and divisions.” The item with the lowest score was “This hotel considers employee learning as an investment, not an expense.”

**Exploratory and Confirmatory Factor Analysis for Learning Strategic Orientation**

Exploratory factor analysis (EFA) for indicators measuring learning strategic orientation provided reliable and consistent factors. The KMO measure of sampling adequacy was 0.87 which was above the acceptable threshold of 0.5, while the Bartlett’s test of sphericity was significant (Chi-square = 1014.90, df = 66, p < 0.05). These findings demonstrate that the study sample and factors were adequate for further analysis. EFA extracted four components that were responsible for the variance in learning strategic orientation.

CFA model was fitted and the model fit indices indicated that the constructs described learning strategic orientation adequately (Figure 2), with no item requiring to be dropped. The resulting path diagram is shown in Figure 2, along with the model fit indices. The Chi-square value/df was 2.004 which indicates a good model fit as it falls below 3. At the same time, CFI was 0.948, GFI was 0.922 and RMSEA was 0.064, all indicating that the model fitted the data effectively. Inter-functional knowledge sharing had the highest influence on learning strategic orientation, followed by shared vision. Commitment to learning had the lowest influence on learning strategic orientation.



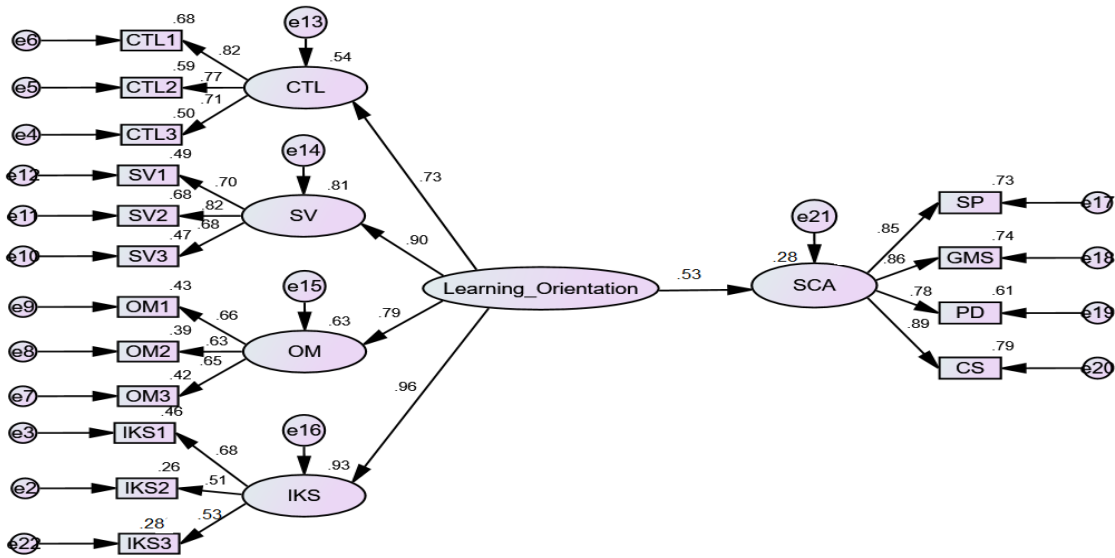
$\chi^2 = 100.222$ ;  $\chi^2/df = 2.004$ ;  $DF=50$ ;  $CFI=0.948$ ;  $GFI=0.922$ ;  $RMSEA=0.064$ . [Commitment to learning (CTL); shared values (SV); open-mindedness (OM); intra-organizational knowledge sharing (IKS)]

**Figure 2: CFA Model for Learning Strategic Orientation**

**SEM for the Influence of Learning Strategic Orientation on Sustained Competitive Advantage**

SEM was used to assess the influence of learning strategic orientation on sustained competitive advantage in four- and five-star rated hotels in Kenya. Various diagnostic tests were carried out before fitting the SEM model. The tests conducted included the test for outliers, the linearity

test, the test of normality of the residuals and the heteroscedasticity test. All the tests indicated that the data was suitable for SEM. The fitted model is shown in Figure 3.



[Commitment to learning (CTL); shared values (SV); open-mindedness (OM) and intra-organizational knowledge sharing (IKS)]

**Figure 3: SEM for Influence of Learning Strategic Orientation on Sustained Competitive Advantage**

According to the results in Figure 3, learning strategic orientation explains 28% ( $r^2 = 0.28$ ) of the variance in sustained competitive advantage among four- and five-star hotels in Kenya, which is a moderate explanatory power. Thus, 72% of the variance in sustainable competitive advantage was explained by factors not included in the model. The fitness of the SEM model was also investigated to determine the reliability and the efficiency of the findings. The fitness of the SEM model is usually indicated by the GFI, CFI and RMSEA fit indices. The indices are shown on Table 2.

**Table 2: Model Fit Indices for the Relationship between Learning Strategic Orientation and Sustained Competitive Advantage**

Measure	Result	Threshold	Interpretation
GFI	0.93	>0.90	Acceptable
CFI	0.94	>0.90	Acceptable
RMSEA	0.07	< 0.08	Good

The study results show that CFI value was 0.94 which is above the 0.90 threshold, indicating that the fit is acceptable. The GFI value was 0.93 which is greater than the required 0.90 threshold, indicating a good fit. The RMSEA value was 0.07, which was below the 0.08 threshold, indicating a close fit. These findings show that the model for assessing the influence of learning strategic orientation on sustained competitive advantage was reliable. The regression estimates from the SEM model are summarized on Table 3.

**Table 3: Regression Coefficients for Learning Strategic Orientation on Sustained Competitive Advantage**

Relationship	Estimate	Standardized Estimate (Beta)	S.E	CR	P
Intercept	.33		.17	1.91	0.05
CTL <---Learning strategic orientation	1.25	.73	.21	5.99	0.00
SV <--- Learning strategic orientation	1.55	.90	.25	6.24	0.00
OM <---Learning strategic orientation	1.14	.79	.20	5.82	0.00
IKS <---Learning strategic orientation	1.00	.96			
SCA <---Learning strategic orientation	1.12	.53	.19	5.87	0.00

The model below was derived from the analysis.

$$SCA = 0.33 + 0.53 \text{ Learning strategic orientation} + \varepsilon$$

The SEM output in Figure 3 and Table 3 implies that a unit change in learning strategic orientation has a corresponding 0.53 change in sustained competitive advantage. Furthermore, the regression coefficient results on Table 3 reveal that learning strategic orientation had a positive and statistically significant influence on sustained competitive advantage since the p value was below 0.05 (Beta = 0.532, CR=5.868,  $p < 0.05$ ). As a result, the null hypothesis,  $H_0$ : Learning strategic orientation has no significant influence on sustained competitive advantage in four- and five-star hotels in Kenya, was rejected and the alternative hypothesis supported. The study thus concludes that learning strategic orientation had a significant and positive influence on sustained competitive advantage.

### Discussion

This study found that learning strategic orientation had a positive and significant influence on sustained competitive advantage. The multiple correlations of the four constructs exhibited high correlations indicating that the constructs explained the variance in the learning orientation variable adequately. Intra-organizational knowledge sharing had the highest influence on learning orientation with a regression weight of 0.96. The associated factors include emphasis on knowledge sharing, actively obtaining information regarding competitors and actively sharing competitor information within the organization. Commitment to learning had the lowest regression weight at 0.73. The associated factors include considering employee learning as an investment and viewing learning as a key commodity guaranteeing organizational survival. Management should fortify the strong factors while also propping the factors that had lower weights to sustain their contribution to learning orientation.

Several studies have found positive and significant influence of learning strategic orientation on sustained competitive advantage. Bakar et al. (2016) found that learning orientation had a significant influence on the performance of SMEs in Malaysia. The study by Nikraftar and Momeni (2017) found a significant and positive relationship between learning orientation and business performance among ICT firms in Iran. Makabila et al. (2017) found that organizational learning had a positive and significant effect on competitive advantage in state corporations in Kenya. Several other studies found a positive relationship between learning orientation and firm performance (Hussain et al. 2017; Nair, 2019; Mak'Anyengo & Maina, 2019).

In contrast with these findings, the study by Beneke et al. (2016) found that learning orientation had no significant influence on organizational performance. Similarly, Wolff, Pett and Ring (2015) found no relationship between learning orientation and firm growth. A number of studies have found a negative association between learning orientation and organizational output (Martinez et al., 2020; Mlozi, 2017; Chenuos & Maru, 2015).

### **Conclusions and Recommendations**

This study concludes that learning strategic orientation is essential for sustained competitive advantage in four- and five-star hotels in Kenya. The results imply that learning strategic orientation creates benefits for star-rated hotels through the implementation of commitment to learning, shared vision, open-mindedness and intra-organizational knowledge sharing constructs, leading to increased efficiency and sustained competitive advantage in four- and five-star rated hotels in Kenya. Learning orientation was most enhanced by having a strong shared vision across all levels, learning from unsuccessful endeavours and actively obtaining and sharing information. Other key factors that enhanced learning orientation were supporting employee learning as an investment, facilitating employee commitment to the goals of the hotels, encouraging employees to think outside the box and emphasizing the importance of sharing knowledge across departments.

The study recommends that hotel stakeholders deliberately incorporate the four learning strategic orientation constructs into the hotels' strategic plans. The indicators with the lowest impact on learning strategic orientation included obtaining information regarding competitors and sharing competitor information within the hotels. These factors should receive special attention from the hotel operators and senior management. On their part, policymakers should support learning strategic orientation by paying attention to hospitality training in the country's training institutions, as well as incentivizing hotels that provide critical learning by enrolling interns.

This study recommends further research on learning strategic orientation in the lower rated hotels, along with the increasingly popular alternative vacation home rentals sector that are competing in the same environment. It also recommends similar studies in the East African countries that share the star rating criteria, as well as similar studies in the wider hospitality sector. The study recommends longitudinal studies to detect the changes in the dynamic hotel sector and it also recommends studies on other strategic orientations to investigate factors not addressed by this study.

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