

## **Competitive strategies adopted by firms in hospitality industry in Kashmir- Michael Porters Typology**

**Dr.Danish Khan**

*Department of Management Studies, Kashmir University (J&K),India*

### **ABSTRACT**

*The aim of this study is to investigate the competitive strategies adopted by the firms in Indian hospitality sector. The study is based on a sample size of 60 hotels within Kashmir division. Amongst the various typologies available to operationalize competitive strategy, this study has made use of Michael Porters typology of cost leadership, differentiation and focus to operationalize the same.*

**Key words:** *Competitive strategy, Cost leadership, Differentiation, Focus*

### **1. INTRODUCTION**

Michael Porter describes competitive strategy as the search for a favourable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. This involves identifying sources of competition then developing strategies that match organizational capabilities to the changes in the environment. Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Strickland, 2010). Porter (1980) outlined the three approaches to competitive strategy. These are; striving to be the overall low cost producer, that is, low cost leadership strategy, seeking to differentiate one's product offering from that of its rivals, that is, differentiation strategy and focus on a narrow portion of the market, that is, focus or niche strategy. Lester (2009) argued that competitive strategy enables a firm to define its business today and tomorrow, and determine the industries or markets to compete.

Hospitality is one of the most important and most competitive industrial sector. This sector today is facing stiff competition necessitating the design of competitive strategies to guarantee their performance. Increased competition threatens the attractiveness of the industry and reduces the profitability of the players in the sector. It exerts pressure on the companies to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment (Johnson & Scholes, 2002). Today firms are beginning to realize that they can't offer all products and be the best or leading firm for all its customers. Companies should therefore not only come up with strategies to counter the competition but also measure the effects of the strategies that they employ. It's in this context the study aims to examine the type of competitive strategies among hospitality firms

## 2. LITERATURE REVIEW

Competitive strategy followed by the firms under study has been measured using Michael E Porter's typology of cost leadership, differentiation and focus.

### 2.1 Cost Leadership Strategy

As Porter (1980, P35) puts it "Low cost relative to competitors becomes the central theme running through the entire organization". The focus here is on bringing down the costs in all aspects within the organization.

### 2.2 Differentiation Strategy

Differentiation strategy remains effective when differentiated products are demanded by the customers. The company tries to cater to the needs of such customers by offering products which are differentiated.

### 2.3 Stuck in the middle

Nandakumar, Ghobadin and O'Regan (2011, p.238) "such organizations do not give emphasis to cost leadership, differentiation or integrated strategy". According to Miller and Dess 1993 the firms that place an average importance on both cost leadership and differentiation strategic constructs are termed as those being stuck in the middle.

### 2.4 Integrated Strategy

Those firms that pursue an integrated strategy place a dual emphasis on both the generic strategies of cost leadership and differentiation (Wright et al. 1991).

## 3. RESEARCH OBJECTIVE

To examine the competitive strategy being used by the sample organizations to meet the growing demand of the competition.

## 4. RESEARCH INSTRUMENT

The instruments used in the present study were adopted from previously published works. The items were, however, modified so as to suit the current research context and purpose. To capture the responses of the sample elements, a five point Likert scale (ranging from 1→we do not use this strategy to 5→ being this strategy is very important for our organization) was used in the study. A brief explanation of the research instruments used to operationalize the constructs examined in the present study is given in the following sections.

To measure cost leadership strategy a six-item scale developed by (Zahra and Covin, 1993) has been used. The items of the scale were, however, adjusted both linguistically as well as contextually in order to appropriately capture the needs of the current research. All the six items of the scale have been adopted in the current research.

All the items measuring differentiation are based on the seven-item scale developed by (Zahra and Covin, 1993). In their study, Zahra and Covin, 1993 used seven items to measure differentiation strategy. The same scale is adopted for the current research also.

In order to measure focus strategy, four-item scale developed by Zahra and Covin, 1993 was taken. All the four-items of the scale have been adopted in the current research.

## 5. THE SAMPLE

For the purpose of conducting the present study, sixtyhotels within Kashmir division were selected. The respondents of the study are top level management. These are the strategy formulators and are in a good position to provide the necessary information. Thus keeping the above in mind top level management was considered as sample elements for collecting data. In order to collect the data from the organizations a judgmental approach to sampling was used. Ranjit Kumar (2009)explains that the primary consideration in judgmental sampling is the judgment of the researcher as to who can provide the best information to achieve the objectives of the study. The researcher only goes to those people who in his/her opinion are likely to have the required information and be willing to share it. All the firm in the sample frame were contacted to collect the data. In order to collect the data from the respondents, questionnaires was personally delivered to the respondents and in some cases sent through email as the same was desired by the respondents. Follow-up reminders were arranged to those who did not respond after the initial contact. Besides, the questionnaire has less items (17) and was closed ended (it required responding on a five-point Likert scale), and therefore, it did not require much time in filling.

## 6. DATA ANALYSIS

The insight of management regarding the existing competitive strategies in the sixty sample hospitality service providers is provided in detail in the present section.

Firm	Cost leadership	Differentiation	Focus
1.	1.21	<b>3.45</b>	1.41
<b>2.</b>	2.11	2.51	1.21
3.	<b>4.14</b>	<b>3.67</b>	2.21
4.	<b>3.85</b>	1.64	1.32
5.	1.79	2.43	1.11
6.	1.76	1.23	<b>4.23</b>
7.	1.26	<b>3.55</b>	1.47
8.	<b>3.51</b>	1.58	1.46
9.	<b>3.14</b>	1.33	2.40
10.	2.85	2.23	2.02

# 2nd International Conference on Latest Advancements & Future Trends in Engineering, Science & Management

Osmania University Centre for International Program, Osmania University Campus, Hyderabad (India)



14<sup>th</sup> July 2019

[www.conferenceworld.in](http://www.conferenceworld.in)

ISBN : 978-81-941721-0-9

11.	1.99	<b>4.10</b>	1.45
12.	<b>3.62</b>	2.02	1.78
13.	1.88	1.89	<b>4.47</b>
14.	2.51	2.58	1.46
15.	<b>3.23</b>	<b>3.91</b>	1.19
16.	1.17	<b>3.51</b>	1.22
17.	<b>4.12</b>	2.43	1.93
18.	1.76	1.91	<b>4.17</b>
19.	1.94	2.55	2.15
20.	1.18	2.00	2.61
21.	<b>3.75</b>	2.55	2.23
22.	<b>3.97</b>	1.08	1.32
23.	<b>3.66</b>	2.31	2.32
24.	<b>3.45</b>	<b>3.78</b>	1.54
25.	1.98	<b>3.19</b>	2.09
26.	2.12	1.28	<b>4.03</b>
27.	<b>4.04</b>	<b>3.90</b>	1.55
28.	2.82	2.32	1.34
29.	<b>4.79</b>	2.68	2.09
30.	1.41	<b>4.13</b>	2.10
31.	<b>3.82</b>	1.23	1.69
32.	<b>4.14</b>	<b>3.67</b>	2.23
33.	<b>3.85</b>	1.64	1.69
34.	1.75	2.56	2.41
35.	<b>3.76</b>	1.91	1.17
36.	1.44	<b>3.11</b>	2.12
37.	2.11	<b>3.58</b>	2.46
38.	1.14	<b>3.71</b>	2.33
39.	2.44	<b>4.22</b>	2.11
40.	1.21	2.49	1.34
41.	1.46	2.31	1.72
42.	<b>3.26</b>	1.55	2.41

43.	1.12	2.28	<b>3.46</b>
44.	<b>3.44</b>	<b>3.76</b>	2.11
45.	<b>3.15</b>	1.42	2.22
46.	<b>3.79</b>	2.43	1.93
47.	<b>3.76</b>	1.01	1.40
48.	<b>3.55</b>	1.12	1.40
49.	2.31	2.38	2.67
50.	<b>4.02</b>	<b>3.43</b>	1.44
51.	<b>3.86</b>	1.78	1.54
52.	<b>4.01</b>	2.98	1.31
53.	1.76	<b>3.88</b>	<b>4.02</b>
54.	1.26	<b>3.55</b>	1.47
55.	1.33	2.31	<b>4.40</b>
56.	2.29	<b>3.33</b>	1.87
57.	2.81	<b>4.23</b>	1.69
58.	2.22	2.39	2.43
59.	1.66	3.92	<b>3.44</b>
60.	2.33	2.43	2.82

## 7. CONCLUSION

Those firms that have a high mean score  $<3$  for cost leadership strategy, but low mean score  $>3$  for differentiation and focus strategy type respectively indicates that such firms lays high emphasis on cost leadership strategy. The other two strategic types (differentiation and focus) have a low mean score of  $>3$  well below the median score of 3.00 indicating that such firms doesn't lay emphasis on the other two strategic types. Therefore it can be concluded that such firms adopt cost leadership strategy to mitigate threats from competition in order to compete in the hospitality sector.

From the table above it can be interpreted that those firms that has a high mean score of above 3 for differentiation strategy and a low mean score for cost leadership and focus strategy respectively has been following only differentiation as a strategy to gain competitive advantage.

The mean scores of  $<3$  for focus business strategy and a low mean score for cost leadership and differentiation strategy indicates that the service providers are adopting only one strategic type that being focus business strategy.

The results also indicate that the firms that have a low mean score for cost leadership, differentiation as well as focus strategic type respectively have a low emphasis on all the strategic types i.e cost leadership, differentiation and focus, Since such firms do not place high emphasis on any of the strategic types, it can be concluded that such firms are “stuck in the middle” firms.

Those firms that have a high mean score <3 for the three strategic types of cost leadership, differentiation and focus strategy respectively indicate that those firms are laying a high emphasis on both cost leadership and differentiation strategy. Therefore it can be concluded from the above mean scores that such service providers are adopting an integrated/hybrid strategic type they focus on both cost leadership and differentiation strategy with a mean score being well above the median for both the strategic types.

From the above data it has been found that out of a sample of 60 firms, 20 firms have been following cost leadership strategy, 13 firms have been pursuing differentiation strategy, 8 firms have adopted a focus strategy, 7 firms are following an integrated strategy and 12 firms have been classified as stuck in the middle firms

## REFERENCES

- [1] Thompson, A. A., & Strickland, A. J. (2010). *Gamble, JJ (2006). Crafting and executing strategy.*
- [2] Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competition.* New York, 300.
- [3] Lester, R., (2009). *Made in America, MIT Commission on Industrial Productivity, Boston*
- [4] Scholes, K., Johnson, G., & Whittington, R. (2002). *Exploring corporate strategy.* Financial Times Prentice Hall.
- [5] Nandakumar, M. K., Ghobadian, A., & O'Regan, N. (2011). *Generic strategies and performance—evidence from manufacturing firms.* *International Journal of productivity and performance management*, 60(3), 222-251.
- [6] Wright, P., Kroll, M., Tu, H., & Helms, M. (1991). *Generic strategies and business performance: an empirical study of the screw machine products industry.* *British Journal of Management*, 2(1), 57-65.
- [7] Zahra, S. A., & Covin, J. G. (1993). *Business strategy, technology policy and firm performance.* *Strategic management journal*, 14(6), 451-478.
- [8] Kumar, R. (2019). *Research methodology: A step-by-step guide for beginners.* Sage Publications Limited.