

Competitive strategies, market orientation types and innovation strategies: finding the strategic fit

Competitive
strategies

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Abstract

Purpose – The purpose of this paper is to review the strategic fit of competitive strategies, market orientation types and innovation strategies.

Design/methodology/approach – The paper is prepared by reviewing the relevant literatures on competitive strategies, market orientation types and innovation strategies as well as comparing and contrasting the common characteristics to attain fit.

Findings – The paper presents the criteria for distinguishing the different types of competitive strategies, market orientations and innovation strategies, along with a framework that fits a particular type of competitive strategy, market orientation and innovation strategy.

Practical implications – The paper provides an action framework based on characteristics of the competitive strategies (business strategy) along with the benefits of adopting a particular market orientation type and innovation strategy (functional strategies). This will facilitate the managers to execute appropriate competitive strategy that could well align with appropriate market orientation and innovation strategy.

Originality/value – This brief paper presents an original framework, with significant practical applications in a concise manner. The framework will provide a guide to the hotel top management in shaping and fitting an appropriate competitive strategies, market orientation types and innovation strategies.

Keywords Strategic fit, Competitive strategies, Market orientation types, Innovation strategies

Paper type Research paper

Many industries are keeping in front numerous confrontations in the present global economic situation. Indeed, the hospitality business is in front of the various challenges such as the effect of globalization, increased rivalry, radical information technologies, increased environmental turbulences and escalating customers' preferences. Hence, today's management required to perform more than merely fixed long-term strategies and anticipate for the paramount. To strive, hotel management needs an efficient strategic implementation that could transform overall strategic direction to encounter the hyper-competition. This situation has forced more and more hoteliers to change their management to strategic management. Is there a way to overcome the above-mentioned problems? Perhaps yes; but that needs understanding the role of competitive strategies as business strategy and finding efficient market orientation types and innovation strategies as functional strategies to fit into it. Each strategic factor has greater potential to curb the problems faced by the hoteliers in current hyper competitive business environment. Failure to execute right strategies to deal with this hard situation could jeopardize the hotel's performance and prospects.

Porter's competitive strategies revisited

Porter (1980) developed the generic competitive strategy typology which advanced the idea that a sustainable competitive advantage depends on the degree of value a firm generates for its stakeholders. Porter suggested that cost leadership strategy and differentiation strategy were the two main generic strategies which impose on creating competitive



advantage, whereas focus strategy is a subset of the latter strategy. He mentioned that strategies are mutually exclusive and organization will “stuck in middle” if pursue more than one generic strategy simultaneously. This, along with an action framework is presented in Table I.

To be successful cost leaders, hotels need efficient internal abilities and cost reduction through the learning curve, tight cost, overhead cost control and cost minimization in several areas; service, sales, marketing and R&D. Hotels that implement differentiation strategy often consider customers as their first priority. Customer loyalty and inimitable uniqueness will create sustainable competitive advantage. In fact, the differentiation strategy increases customers’ interest in buying unique and quality offerings at a high price. With the above characteristics of competitive strategies, matching market orientation types and innovation strategies need to be considered.

Narver and Slater’s market orientation revisited

Narver and Slater (1990) had categorized market orientation into three types: competitor orientation, customer orientation and inter-functional coordination. However, competitor orientation and customer orientation are very important because they are much essential in the modest business environment that offers a vital understanding of the current marketplace to make better decisions for greater performance:

- competitor orientation is an organizational culture that considers the short-range fortes and flaws and long-range abilities and tactics of existing and possible main rivals; and
- customer orientation is an organizational culture that considers the present and potential customers’ needs, wants and producing value constantly.

Hotels used the rivals as a reference to recognize their plus and minus. Additionally, competitor orientated hotels emphasized on cost reduction by simply imitating their competitors rather than developing innovative offerings that lead to industry equilibrium. Meanwhile, customer orientated hotels make more appealing offerings by adjusting the marketing mix with the knowledge of a customer’s desire. When a hotel clearly recognizes the gap between customers’ desire and market offerings, it can efficiently fill the gap with capabilities and resources through successful innovation.

Adopted strategies	Action framework
Cost leadership	(1) Low cost (2) High capacity utilization (3) Economies of scale (4) Learning-curve effect (5) Technological advantage (6) Outsourcing
Differentiation	(7) Process innovation (1) Unique features (2) Complementary service (3) New design development (4) Attractive brand image (5) Creative marketing advertisement (6) Service innovation (7) Better dealer network (8) High price

Table I.
Competitive strategies
and action framework

Innovation strategies revisited

Innovation is presented in various forms such as product/process, radical/incremental and administrative/technological. O'Sullivan and Dooley (2009) considered innovation as developing new product/service, new methods of production, identifying new market, new source of supply and developing new organizational forms:

- process innovation is creating valuable modifications in the process of generating the offerings; and
- service innovation is creating useful modifications in the service that customers use.

Process innovation conducts to all functioning activities to enrich the quality of offerings and effective delivery process over rivals. Significantly, process innovation facilitates the hotels to attain economies of scale, decrease the cost and increase market share. Meanwhile, service innovation occurs because of a higher degree of interaction and active demand from the customers. Thus, an organization needs to continually perform innovation in service in order to upsurge the service features to meet the customer's requirement.

Finding the strategic fit

Given the characteristics of competitive strategies, market orientation types and innovation strategies, a strategic fit can be gathered. This is provided in Table II.

A cost leadership strategy is typically appropriate for efficient cost production (Enz, 2011). Hoteliers are trying to achieve the cost advantage by producing at the lowest cost while seeking some combination of efficiency, low level overhead and high volume. Competitor orientation is necessary for hotels that pursue cost leadership in order to obtain new ideas for greater efficiency. Additionally, competitor orientators emphasized on cost reduction by simply imitating their competitors rather than developing innovative offerings. Meanwhile, process innovation transmits to all functional activities for improving the quality of offerings and assists the hotels to cut the production cost. Moreover, process innovation permits the hotels to attain economies of scale, decreasing the cost and increase market share. For instance, hotels make outsourcing activities; accounting, reservation, information system, food and beverage, shuttle service, human resource and housekeeping.

Differentiation strategy is generally appropriate for hotels that attempt to distinguish their offerings on the attributes of technology, location, skill and employees' experience. Hoteliers can attain differentiation advantage by involving in superior service offerings, creative advertising, good supplier relationship, market segmentation and branding. Vitally, collecting, analyzing and disseminating information about customers assist the hotels to foresee the customers' changing needs and swiftly respond through service innovation. Specifically, service innovation occurred due to a higher degree of interaction and active

Competitive strategies	Market orientation	Innovation strategies	Activities and benefits
Cost leadership	Competitor orientation	Process innovation	Making appropriate changes in the process/management approach to reduce the overall cost and increase the internal efficiencies than rivals to attain superior performance and cost advantage
Differentiation	Customer orientation	Service innovation	Creating appropriate changes in the services for uplifting the unique and different features to fulfill the customers' requirement as well attain superior performance and differentiation advantage

Table II.
Competitive strategies,
market orientation
types and innovation
strategies- strategic fit

demand from the customers. Hence, hotels that clearly recognize the gap between customers' desire and market offerings can efficiently fill the gap with capabilities and resources through successful service innovation. For instance, hotels nowadays provide high-quality quest experience, Wi-Fi facilities, in-room facilities, delicious food and beverage and service culture.

Conclusion

This briefing showed strategic fit of competitive strategies, market orientation types and innovation strategies based on the similar characteristics. Specifically, it found the right strategic fit of cost leadership with competitor orientation and process innovation while differentiating with customer orientation and service innovation. The fit framework could offer guidance to the hotel top management in making decisions on strategic issues. Intrinsically, the strategic fit framework could be useful to set the hotel's business strategy (competitive strategies) and next execute appropriate functional strategies (market orientation and innovation strategies) that could enhance the performance and competitive advantage attainment in this hyper-competition.

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