

DYNAMIC CAPABILITIES AND HIGH PERFORMANCE ORGANIZATION OF HOTEL BUSINESS: EMPIRICAL INVESTIGATION INTO WORLD CLASS TOURISM DESTINATION

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Abstract

Purpose – The fact that Thailand has been a popular destination among global tourists has created challenges for hotel businesses to achieve high performance with excellent services that are responsive to the needs of global travelers. This article aims to provide empirical evidence on the causal relationships among the effects of the dynamic capabilities, high-performance organization and organizational performance of hotel businesses in a world-class tourism destination.

Design – Theoretical views on management were gathered to create a conceptual framework that is the source of different performance results and that has 2 main factors: (1) dynamic capabilities and (2) the high-performance organization.

Methodology – This paper is quantitative research, using questionnaires to collect data from 109 hotel businesses located on Samui Island, Thailand. The data were first analyzed using descriptive statistics and were then compared by groups of hotel characteristics using t-tests and ANOVA. Finally, confirmatory factor analysis and structural equation modeling were conducted.

Findings – This study shows that hotel characteristics differently affected dynamic capabilities, the high-performance organization and performance. The results also indicate that the high-performance organization not only has a direct positive effect on performance but it also completely mediates the relationship between dynamic capabilities and performance.

Originality of the research – The findings should be useful for hotel managers who aim to improve their hotels' dynamic capabilities to enhance the high-performance organization and firm performance.

Keywords Dynamic capabilities, High-performance organization (HPO), Hotel business

INTRODUCTION

The most important resource for an organization to create outstanding performance is superior organizational resources (Barney 1991; Wernerfelt 1984; Hunt and Morgan 1995). However, as the external environment is constantly changing, change has an effect on an organization's original capabilities, making it difficult for the organization to further create its competitive advantages (Eisenhardt and Martin 2000). Thus, views on dynamic capabilities, where the capabilities that take part in strategic management are optimized for an organization under dynamic competition (Teece 2007), are considered.

The hotel industry is one of the businesses in Thailand being affected by rapid changes in the external environment, which subsequently becomes an obstacle to the creation of competitive advantages and outstanding performance, where other causes include the rapid growth in the tourism industry (World Travel & Tourism Council 2018). In addition, Thailand is a country that depends on the tourism industry (World Economic Forum 2017). It is one of the top ten countries with popular global tourist destinations (United Nations World Tourism Organization 2018), partly because there are various globally ranked tourist attractions throughout every region of the nation, particularly the southern seashore tourist attractions such as Phuket, Krabi, and Samui (Lunkam 2017). The development of the tourist attractions in these seashore areas into world-class destination and the ongoing tourism expansion accordingly attract both old and young entrepreneurs to invest more in the hotel business, which subsequently creates a crucial competition for a customer base. Entrepreneurs encounter a sharing economy that is the result of the continuous growth in accommodations in the form of Airbnb, which, of course, has come to have a very strong impact on the hotel industry (Lu and Tabari 2019; Guttentag 2015), partly because Airbnb rates are cheaper than hotel rates, while various additional selections are offered (Nguyen 2014). Moreover, being globally ranked seashore tourist attractions, the areas noted above are able to attract tourists globally to visit; however, these tourists are sensitive to crises, for instance, natural disasters, national unrest, epidemics, and terrorists, as shown in the study of Huang and Min (2002), crises cause a significant reduction in the number of international tourists. Such factors are important challenges for hotel entrepreneurs running both independent and chain hotels; they have to adapt and accelerate their ability to cope with different situations while creating various strategies so that they can maintain their advantages and be at an excellent level and so that they can be considered a high-performance organization (HPO) with excellent services that go beyond tourists' expectations.

When mentioning the HPO topic, the American Management Association (2007) states that an HPO is an organization with accomplishments in excellent management in various aspects, in which such accomplishments have been continued for a long period of time. In contrast, de Waal (2007, 2008, 2010, 2012), de Waal et al. (2014), and de Waal and Gordgeburre (2017) say that such an organization maintains long-term financial and nonfinancial achievements better than other organizations in its peer group for at least 5 years or more. In addition, de Waal (2007), Pettigrew and Whipp (1991), Buytendijk (2006), and Brokaw and Mullins (2006) define an HPO as an organization that is able to adapt itself to the environment and that carries out reflective actions to quickly respond to such an environment.

Although there have been perceptions of the HPO since the late 20th century and many researchers have tried to look for the special characteristics of HPOs, with various papers presenting different characteristics and many studies correlating the HPO framework with improved organizational performance, there are no studies that explicitly look at the causal relationships (de Waal and Goedgeburre 2017). Thus, this paper aims to provide empirical evidence of the causal relationships among the effects of the dynamic capabilities, HPO and performance of hotel businesses in a world-class tourist attraction. Holbeche (2005) states that the main factors or components of the HPO are dynamic capabilities, and Teece et al. (1997) and Teece (2000, 2007, 2010, 2012) explain that dynamic capabilities are the abilities of an organization to integrate, build, and

reconfigure its existing resources and capabilities, both internal and external, to respond to external changes while being able to look for and grasp business opportunities quickly and professionally.

This article gathers various theoretical views on management to create a conceptual framework that is the source of different performance results and that has 2 main factors: (1) dynamic capabilities and (2) the HPO. The results of this study are expected to be beneficial to the management of destination organizations, particularly the hotel businesses located in world-class tourism destination, and they are expected to serve as an approach for managing a business toward excellence given the diversity of clients worldwide.

This paper is divided into 4 main parts: (1) the related literature review and research hypotheses; (2) the research methodology; (3) the data and findings; and (4) the discussion and conclusion.

1. THEORETICAL FRAMEWORK

1.1. Dynamic Capabilities

Jantunen et al. (2018) state that dynamic capabilities are a theory on the environment of rapidly changing performance and that dynamic capabilities is required for organizational performance. Alternatively, dynamic capabilities are the ability of an organization to create, combine and transform its existing resources and capabilities, both internal and external, to respond to external changes and the ability to look for and grasp business opportunities quickly and professionally (Teece et al. 1997; Teece 2000, 2007, 2010, 2012). Dynamic capabilities are an organizational process (Eisenhardt and Martin 2000) and organizational behavior (Wang and Ahmed 2007) that is constantly focused on integrating, reconfiguring, renewing and improving the organization's existing resources and capabilities (Helfat et al. 2007) and resetting its resource bases to be consistent with customers' needs and competitors' strategies (Zahra and George 2002). In particular, they deal with improving the core competency to respond to a changing environment to achieve performance and maintain competitive advantages (Wang and Ahmed 2007). In addition, Zollo and Winter (2002) stated that dynamic capabilities are an activity having a definite format and that they can be learned so that an organization is able to create and improve its operational efficiencies. Therefore, it can be concluded that dynamic capabilities are the ability of an organization to integrate, combine, build and reconfigure/transform its existing resources and capabilities, both internal and external, to respond to the constantly changing environment to achieve performance and maintain competitive advantages. The 3 main components of dynamic capabilities are (1) sensing, (2) learning, and (3) transforming/reconfiguring, which can be further described as follows.

(1) Sensing: This is the ability to perceive opportunity-based transformation that can lead to understanding and learning and further lead to a response to a perceived opportunity. Sensing the opportunity is the ability to forecast the future and reconfigure toward ability developments (Teece 2007, 2012), which include awareness and

comprehension of the transformation of the environment, opportunities and obstacles (Jantunen et al. 2012; Wilden et al. 2016). Pavlou and EI Sawy (2006a) explain that sensing is a process of understanding the environment and indicating market needs while creating new opportunities. To summarize, the ability to perceive opportunities is the recognition of opportunities and obstacles or threats that may impact an organization. Activities that create organizational recognition can be revealed in different processes, for example, searching for or learning new knowledge, following up on new technology or looking for opportunities or threats that affect the organization (Teece 2007) Moreover, MacInerney-May (2011) propose that in addition to opportunity recognition, sensing is related to organizational capability monitoring, as opportunity recognition is the ability to identify the transformation of the business environment, for instance, by developing a new method of solving technological problems or transforming customers' preferences. The ability to monitor organizational capability means following up on the original capabilities of an organization and examining its ability to reconfigure and follow up on a development process to identify whether it achieves the required capability or not.

(2) Learning: This is the ability to turn, through reflection, an old lesson into a new and better lesson, which means that the new specific knowledge being gaining is derived from selecting the knowledge that is in line with a transformative opportunity, for example, selecting a skill to learn to match with customers' changes or choosing a technology that is consistent with the future changes (Teece 2012). Moreover, learning helps perform work more efficiently and effectively as a result of trying out and reflecting on both failure and success (Ambrosini and Bowman 2009), while Glynn (1996) says that organizational learning is similar to the ability to manage data to become an advantage for the environment of organizational operations. The main components of learning are (1) learning about customers and (2) learning about competitors.

Pavlou and EI Sawy (2006b) and MacInerney-May (2011) describe learning as the ability to obtain, absorb, adapt, and apply existing knowledge to new knowledge, which is consistent with the term absorptive capacity, defined by Wang and Ahmed (2007) as organizational skills in identifying, absorbing and applying new information. Cohen and Levinthal (1990) further define absorptive capacity as the organizational ability to perceive the value of information and external knowledge while enabling the absorption of such knowledge and applying it for the commercial benefit of the organization. Meanwhile, Zahra and George (2002) define the term as a feature of an organizational working process for absorbing, adapting and applying external knowledge for the benefit of the organization. Nevertheless, MacInerney-May (2011) and Pai and Chang (2013) state that absorptive capacity in regard to the external environment and new knowledge creation resulting in the occurrence of dynamic capabilities must be combined with knowledge sharing. To summarize, learning is the ability to engulf, absorb or look for new knowledge from external surroundings and to modify or apply it to existing knowledge to build new organizational knowledge, where such knowledge is efficiently shared throughout the organization.

(3) Reconfiguring/Transforming: This is the ability to modify, decrease or increase resources to be in line with transformation, and it is also related to the ability to develop and create organizational capabilities (Teece 2012) and threat management and resource

reconfiguration (Teece 2007). Wilden et al. (2016) explain that it is the ability to adjust the organizational formats and details to be consistent with decisions, whereas MacInerney-May (2011) describe that it is the ability to adjust resources related to capability creation and integration by building new capability, which further means that it is the ability to create new capabilities within an organization along with transforming existing resources and capabilities, for instance, the transformation of patterns, figures or original features within the organization, which might take place by relocating or combining. Meanwhile, integration is the ability to combine new organizational capabilities with existing capabilities. This occurrence overlaps with the innovative capabilities described by Wang and Ahmed (2007), which is related to the organizational ability to create new products. Moreover, Lawson and Samson (2001) indicate that innovative capability is the ability to transform ideas and knowledge into a product creation process and a system that is useful for the organization.

1.2. High-Performance Organization

De Waal (2007, 2008, 2010, 2012, 2014), de Waal et al. (2014) and de Waal and Gordgeburre (2017) define the high-performance organization (HPO) as an organization that achieves in financial and nonfinancial aspects not only better than other organizations in its peer group but also continuously, at least for five years or more. This is in line with the American Management Association (2007), which defines the term as an organization with that has demonstrated excellent management in various aspects, in which such excellence has been continued for a long period of time. In contrast, other researchers indicate that it is an organization of financial strength (Brown and Eisenhardt 1998); an organization that focuses on outcomes and organizational goals (Linder and Brooks 2004; Brokaw and Mullins 2006); an organization with the ability to adapt to changes in its environment and to respond quickly to the environment (de Waal 2007; Pettigrew and Whipp 1991; Buytendijk 2006; Brokaw and Mullins 2006); an organization that focuses on integrated management to create consistency among strategies, process structures and human resources throughout the entire organization (Epstein 2004; Linder and Brooks 2004; Miller 2001); an organization that continuously carries out improvements to its core competency (Holbeche 2005; Blanchard 2009); and an organization that focuses on human capital management (Buytendijk 2006; Holbeche 2005; Epstein 2004; Brokaw and Mullins 2006; Collins 2001).

Previously, many HPO characteristics have been presented, and to know the characteristics of the HPO or an organization of excellence, this research applies the format of de Waal (2007, 2008, 2010, 2012), de Waal et al. (2014) and de Waal and Gordgeburre (2017) because their definitions are in line with those of the American Management Association. In addition, the set of HPO characteristics is consistent with that of the HPO Center in the Netherlands, which has been used in various studies among many countries worldwide (HPO CENTER 2019). At the same time, this is in line with the characteristics set by many researchers, in which such characteristics are composed of 5 main factors, which are shown as follows.

(1) Management Quality: The HPO Center (2019) indicates that all levels of HPO management maintain their relationship while being reliable in regard to organizational members by focusing on employee loyalty. Management must treat employees with

respect and provide training and facilities to enhance positive inputs. That is, management pays attention to the achieved results while clearly maintaining being responsible people through the performance of strong management and by communicating organizational strategies to all members and creating total acceptance. This is consistent with Linder and Brooks (2004), Rogers and Blenko (2006), de Waal (2008), the MBNQA (NIST 2019), Kaplan and Norton (2001), and Mische (2001), who mention that management must possess strong leadership with clear visions, take various roles in decisions, hold explicit responsibility and plans and carry out strategic plans (Rogers and Blenko 2006; MBNQA (NIST 2019); Kaplan and Norton 2001; Buytendijk 2006). Management is obliged to pay attention to the strategies that link the entire organization (Epstein 2004; Linder and Brooks 2004; Miller 2001) while focusing on setting challenging goals, looking for various approaches to achieve the goals, and motivating members to perform (Linder and Brooks 2004; Blanchard 2006; Rogers and Blenko 2006; de Waal 2008; MBNQA (NIST 2019) and Buytendijk 2006).

(2) Openness Orientation: The HPO Center (2019) proposes that an HPO focuses on employees' opinions by allowing them to conduct experiments while accepting their mistakes, considering such mistakes a learning opportunity. Management continuously attempts to improve its ability in regard to dynamic administration to carry out flexibility expansion while participating in activity transformation. The members of an HPO spend a considerable amount of their time exchanging knowledge and learning as a way to obtain new ideas to upgrade their work and to drive their organization with total performance. This is consistent with de Waal (2008), who says that an HPO has a knowledge exchange network, both internal and external, to enhance new ideas for firm improvement with higher efficiency by focusing on employee participation (Blanchard 2009; de Waal 2008; Buytendijk 2006; Hanna 1988) along with open communication among personnel (de Waal 2008, Blanchard 2009) and flexibility in self-adaptation while accepting transformations (Buytendijk 2006; Hanna 1988; Lawler 2005) to become an organization of learning, exchanging information and knowledge and upgrading organizational performance (Blanchard 2009; de Waal 2008, MBNQA (NIST 2019) and Mische 2001).

(3) Long-Term Orientation: The HPO Center (2019) states that an HPO pays more attention to long-term benefits, in which such attention should be paid to stakeholders, e.g., stockholders, employees, suppliers, clients and society as a whole. An HPO determines to continuously upgrade the value added to its clients by knowing their needs and creating an understanding, in addition to excellent relationships with clients and the maintenance of a long-term relationship with all groups of stakeholders by creating a broad network and expressing positive attitudes toward society by building opportunities for sharing benefits. Moreover, an HPO also grows by being a partner with suppliers and clients, in turn becoming an international network. This is in line with Linder and Brooks (2004), Blanchard (2009), de Waal (2008) and MBNQA (NIST 2019), who indicate that an HPO is an organization that focuses on service receivers and clients, where its employees create an operational network that is joined by other organizations and concerned stakeholders. Additionally, de Waal et al (2015a) state that effective and qualified partners have an effect on the HPO. Moreover, both the HPO Center (2019) and de Waal (2007, 2008) further comment that an HPO encourages and creates leadership from its internal sector while making the workplace a physically and mentally

safe and secure venue for employees in which the method of termination is the last option. This is consistent with Buytendijk (2006), Holbeche (2005), Epstein (2004), Brokaw and Mullins (2006), Collins (2001), Hanna (1988), Coulson-Thomas (2012) and Lawler (2005), who mention that an HPO emphasizes human capital management and carries out necessary adjustments to the environment for human capital development. That is, the main focus is on personnel, encouraging talent and maintaining the balance among work, employees and working groups.

(4) Continuous Improvements: An HPO carries out ongoing improvements, reduces duplicate functions, and adapts processes to be in line with its products and services and to create competitive advantages to respond to market development. Furthermore, an HPO efficiently manages its core competency while employing outsourcing for less significant matters (HPO CENTER 2019 and de Waal and Gordgeburre, 2017), in addition to conducting measurements and producing reports on significant matters, in which the reports are both financial and nonfinancial and are important drivers of improvement in management and all organizational members (de Waal 2007, 2008). This is in line with Buytendijk (2006) and Kaplan and Norton (2001), who propose that an HPO must always upgrade itself and speedily create the capability to adapt to the environment while continuously adjusting its working processes and that measurements and reports on significant matters must be organized (Rogers and Blenko 2006); furthermore, creative ideas and innovations must be realized (Linder and Brooks 2004; de Waal 2008; Mische 2001).

(5) Workforce Quality: The HPO Center (2019) and de Waal and Gordgeburre (2017) propose that an HPO must recruit diverse personnel and management teams who are able to be flexible in performing their work. Employees must be trained with flexibility and be encouraged to develop self-skills to be able to perform their functions superbly, which is consistent with Rogers and Blenko (2006) and Lawler (2005), who comment that an HPO needs to build the necessary environment to develop human capital and encourage employees to possess skills in problem solving and to hold the utmost abilities to perform their functions.

1.3. Relationship between Dynamic Capabilities and the HPO

Many theoretical studies have been conducted on whether dynamic capabilities are causal or facilitating factors for high performance (Peteraf and Barney 2003; Easterby-Smith et al. 2009; Teece, 2009). For instance, Holbeche (2005) states that the prime factor or component of HPOs is the dynamic and innovative capabilities within the organization. This is consistent with Blackman et al. (2012), who conclude that organizational managers and staff with the ability to respond and adapt to the changing environment must hold mutual responsibility toward management and firm performance, understand that their roles are focused on organizational competency and have dynamic capabilities for high performance together with the ability to manage firm performance, which enables them to enhance performance at all levels. Meanwhile, de Waal (2012) states that in the literature related to the resource-based view and dynamic capabilities, various factors are indicated as significant for high performance. In addition, Bagorogoza and de Waal (2010), who studied the relationship between knowledge management and an HPO framework as well as the firm performance of a financial institution in Uganda,

reveal that the HPO framework is a mediator variable between knowledge management and firm performance, in which knowledge management takes a form that overlaps with learning ability, which is one of the components of dynamic capabilities.

1.4. Relationship between the HPO and Firm Performance

Since the creation and development of the HPO framework, there have been numerous studies on the positive relationship between HPO scores and firm performance (de Waal et al. 2017). For instance, the studies by de Waal (2012a, 2012b, 2012c) on a large European multinational company in the retailing industry show a clear direct link between HPO scores and financial results, in which the company with the highest HPO scores displays the highest financial results, while, in contrast, the company with the lowest HPO scores shows the lowest financial results. Many studies, e.g., (1) de Waal et al. (2009) on banks in Vietnam, (2) de Waal et al. (2010) on financial institutions in Uganda, (3) Yusuph (2010) on banks in Tanzania, (4) de Waal and Escalante (2011) on Peruvian mining companies, (5) Godfrey (2010) on Tanzanian manufacturing firms, and (6) Pett et al. (2016) on hotel businesses in France, reveal that the characteristics in the HPO framework have a direct positive relationship with firm performance. In addition, a great deal of research has been conducted on the effects of applying the HPO framework, for instance, applying the HPO framework for 2 years at Iringa University College in Tanzania (de Waal and Chachage 2011), applying it for 2 years at Nabil Bank Limited in Nepal (de Waal and Frijns 2011), applying it for 4 years at a British consortium of IT companies (de Waal 2012b), applying it for 6 years at a banana grower and exporter in the Philippines (de Waal and Haas 2013), and applying it for 5 years at Ziggo Company, a Dutch cable company (de Waal et al. 2015b). All these studies demonstrate that after applying the HPO framework, organizational performance is improved. Nevertheless, although most studies provide clear indications of the relationship at a high level in regard to the 5 factors (continuous improvements, openness orientation, management quality, workforce quality and long-term orientation) of the HPO framework as well as positive organizational performance. The study by de Waal et al. (2014), which was based on HPO questionnaires that collected the comments of 216 managers and employees at various for-profit organizations, nonprofit organizations, governmental organizations and unknown sectors at the HPO seminar in Thailand, reveals that there are only 4 factors that are consistent with the Thai context, as the long-term orientation factor is inconsistent. This inconsistency represents a gap in research on the HPO framework within the Thai context (de Waal et al. 2014). Thus, this research aims to conduct an empirical study to show the relationship between the HPO and the performance of hotel businesses on Samui Island, Thailand.

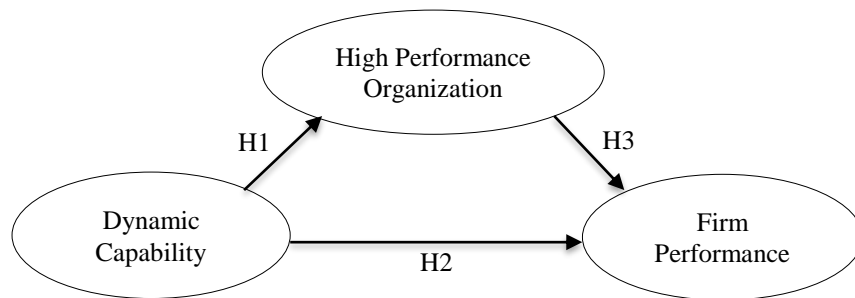
Therefore, the conceptual model of this study is shown in Figure 1, and the following hypotheses are proposed.

Hypothesis 1: There is a significant and positive relationship between dynamic capabilities and the high-performance organization.

Hypothesis 2: There is a significant and positive relationship between dynamic capabilities and firm performance

Hypothesis 3: There is a significant and positive relationship between the high-performance organization and firm performance.

Figure 1: A conceptual model



2. METHODOLOGICAL APPROACH

2.1. Participants

The population in this research consists of hotel businesses that are located in a world-class tourism destination, Samui Island, Thailand. According to the Ko Samui-Tourism Authority of Thailand, the total number of hotels on Samui Island is 597.

2.2. Data Collection

This research collects data using questionnaires that were distributed to the high-level administrators of the hotel businesses (i.e., business owners, general managers, managers or manager-equivalents) on Samui Island.

The questionnaire used in this research can be divided into 4 sections. The first section contained questions related to the sociodemographic characteristics of the respondents and their hotel characteristics. The remaining three sections measure the extent to which managers agree or disagree with statements that are designed to be indicators for measuring dynamic capabilities, the high-performance organization (HPO) and performance, which are the concepts of interest in this study.

Thirteen items adopted from MacInerney-May (2011), Jantunen et al. (2012), Teece (2007), Verona and Ravasi (2003) and Lawson and Samson (2001) were used to measure three factors of dynamic capabilities. Fifteen items that originate in part from de Waal (2007, 2008, 2010, 2012), de Waal et al. (2014) and de Waal and Gordgeburre (2017) were used to measure five factors of the HPO. The last four items, which were adopted from Tajeddinia et al. (2017), were used to measure firm performance. All items were measured on a 5-point Likert scale (from 1= strongly disagree to 5= strongly agree).

The questionnaire was pretested with 30 hotel businesses. Then, the data collected were analyzed to test the reliability of the questionnaire using Cronbach's alpha coefficient. The results of the reliability test of each construct are between 0.92 and 0.94. The reliability score of the whole instrument is 0.97, indicating that the questionnaire has a high level of reliability, as Nunnally (1978) and Cortina (1993) pointed out that the reliability score should be more than 0.7. Then, 400 complete questionnaires were sent to the high-level administrators of the hotel businesses on Samui Island by mail, and 132 questionnaires were returned. Twenty-three questionnaires had missing data and were thus eliminated. Hence, 109 questionnaires were complete and usable, resulting in a response rate of 27%. However, the acceptable criteria for a minimum sample size for conducting structural equation modeling analysis are 100 to 200 samples. (Boomsma 1982, 1985). As a result, 109 samples are still adequate.

2.3. Analysis technique

The data analysis in this research can be divided into 3 sections. The first section is the preliminary data analysis using descriptive statistics to describe the sample characteristics (i.e., frequencies and percentages). In the second section, independent samples t-tests and one-way analysis of variance (ANOVA) were performed to examine the differences in dynamic capabilities, the high-performance organization and performance between hotel characteristic groups. Then, post hoc analysis using the LSD test and the Tamhane test were performed for the statistically significant differences between groups found by the ANOVA. The LSD test was performed in cases of equal variances assumed. The Tamhane test was used for cases in which equal variances were not assumed. The analysis was conducted using SPSS. The third section is the data analysis aiming to answer the questions and to meet the objectives of this research. Confirmatory factor analysis (CFA) was conducted to assess model fit and validity. Furthermore, the structural part of the model was assessed using the statistical technique of structural equation modeling (SEM). The three constructs in this study were tested using LISREL 9.3 software with maximum likelihood (ML) estimation.

3. DATA ANALYSIS RESULTS

3.1. Sample Characteristics

A total of 109 respondents from hotel businesses on Samui Island were analyzed. In terms of distribution, the largest proportion was female (77.1%), was aged between 31-40 years old (36.7%), held a bachelor's degree (74.3%), held the position of manager (43.1%) and had work experience of between 6-10 years (28.4%). Regarding the hotel characteristics, the largest proportion have been in business for more than 15 years (44.0%), are hotels with a 3-star accreditation (44.0%), have fewer than 50 employees (52.3%), have registered capital of less than 25,000,000 baht (54.1%), are independent hotels (94.5%), have shareholders who are all Thai people (84.4%), and are businesses for which Europeans and Americans are the major customers (74.3%).

3.2. Independent-samples t-tests and one-way analysis of variance

Independent-samples t-tests were used to test the differences between chain hotels and independent hotels in dynamic capabilities, the HPO and performance. The findings are presented in Table 1.

Table 1: **The results of the independent-samples t-tests.**

Construct and observable variable		Mean	t	p-value
Performance (PER)	Chain Hotels	4.67	3.307	0.001***
	Independent Hotels	3.66		
Profit growth goal achievement (P1)	Chain Hotels	4.50	2.394	0.018*
	Independent Hotels	3.62		
Sales growth goal achievement (P2)	Chain Hotels	4.50	2.487	0.014*
	Independent Hotels	3.58		
Market share growth goal achievement (P3)	Chain Hotels	4.83	6.619	0.000***
	Independent Hotels	3.57		
Excellent service beyond the expectations of customers (P4)	Chain Hotels	4.83	3.176	0.002**
	Independent Hotels	3.85		
High-performance organization (HPO)	Chain Hotels	4.67	3.085	0.003**
	Independent Hotels	3.98		
Management Quality (MQ)	Chain Hotels	4.61	1.803	0.074
	Independent Hotels	4.11		
Openness Orientation (OO)	Chain Hotels	4.44	1.914	0.058
	Independent Hotels	3.88		
Long-term Orientation (LTO)	Chain Hotels	4.83	1.931	0.056
	Independent Hotels	4.32		
Continuous Improvements (CON)	Chain Hotels	4.94	11.338	0.000***
	Independent Hotels	3.85		
Workforce Quality (WQ)	Chain Hotels	4.50	2.595	0.011*
	Independent Hotels	3.75		
Dynamic Capabilities (DYC)	Chain Hotels	4.53	3.394	0.001***
	Independent Hotels	3.72		

Construct and observable variable		Mean	t	p-value
Sensing (SEN)	Chain Hotels	4.77	8.226	0.000***
	Independent Hotels	3.93		
Learning (LER)	Chain Hotels	4.46	2.984	0.004**
	Independent Hotels	3.61		
Reconfiguring (REC)	Chain Hotels	4.38	2.606	0.010**
	Independent Hotels	3.60		

Note: *significant at the 0.05 level, **significant at the 0.01 level, ***significant at the 0.001 level
 Source: Authors

Table 1 shows that there is a significant difference between chain hotels and independent hotels in the performance construct and its observed variables, such as profit growth goal achievement, sales growth goal achievement, market share growth goal achievement and excellent service beyond the expectations of customers. Compared to independent hotels, chain hotels have a higher level of performance, profit growth goal achievement, sales growth goal achievement, market share growth goal achievement and excellent service beyond the expectations of customers.

There is a significant difference between chain hotels and independent hotels in the HPO construct and its observed variables, such as continuous improvements and workforce quality. Compared to independent hotels, chain hotels have a higher level of the HPO, continuous improvements and workforce quality. However, there is no difference between chain hotels and independent hotels in management quality, openness orientation and long-term orientation.

There is a significant difference between chain hotels and independent hotels in dynamic capabilities, sensing, learning and reconfiguring. Compared to independent hotels, chain hotels have higher a level of dynamic capabilities, sensing, learning and reconfiguring.

One-way analysis of variance (ANOVA) was applied to investigate the effect of star ratings on the dynamic capabilities, HPO and performance of hotel businesses. Post hoc analysis using the LSD test and the Tamhane test was performed for the statistically significant differences between groups found by the ANOVA. The results are given in Table 2.

Table 2: The results of one-way analysis of variance.

Construct and observable variable	F	P-value	LSD [Tamhane]
Performance (PER)	4.254	0.007**	4-3, 4-2, 4-1
Profit growth goal achievement (P1)	2.240	0.088	-
Sales growth goal achievement (P2)	4.571	0.005**	4-3, 4-2, 4-1
Market share growth goal achievement (P3)	4.004	0.010**	4-3, 4-2, 4-1

Construct and observable variable	F	P-value	LSD [Tamhane]
Excellent service beyond the expectations of customers (P4)	2.169	0.096	-
High-performance organization (HPO)	3.915	0.011*	4-3, 4-2, 4-1
Management Quality (MQ)	1.053	0.373	-
Openness Orientation (OO)	1.838	0.145	-
Long-term Orientation (LTO)	2.034	0.114	-
Continuous Improvements (CON)	4.481	0.005**	[4-2]
Workforce Quality (WQ)	4.106	0.008**	4-3, 4-2, 4-1
Dynamic Capabilities (DYC)	11.091	0.000***	3-2, 3-1, 4-3, 4-2, 4-1
Sensing (SEN)	8.261	0.000***	[3-2], [4-2]
Learning (LER)	11.676	0.000***	3-2, 3-1, 4-3, 4-2, 4-1
Reconfiguring (REC)	5.085	0.003**	4-3, 4-2, 4-1

Note: (1) Lower than 3 stars, (2) 3 stars, (3) 4 stars, (4) 5 stars

*significant at the 0.05 level, **significant at the 0.01 level, ***significant at the 0.001 level

Source: Authors

Table 2 shows that there is a significant difference between star ratings and performance, sales growth goal achievement and market share growth goal achievement. The post hoc analysis using the LSD test showed that compared to hotels with a 4-star rating, with a 3-star rating, and with fewer than 3 stars, hotels with a 5-star rating have a higher level of performance, sales growth goal achievement and market share growth goal achievement. However, there is no difference between star ratings and profit growth goal achievement and excellent service beyond the expectations of customers.

There is a significant difference between star ratings and the HPO, continuous improvements and workforce quality. The post hoc analysis using the LSD test showed that compared to hotels with a 4-star rating, with a 3-star rating, and with fewer than 3 stars, hotels with a 5-star rating have a higher level of the HPO and workforce quality. The Tamhane test revealed that hotels with a 5-star rating have a higher level of continuous improvements than hotels with a 3-star rating. There is no difference between star ratings and management quality, openness orientation and long-term orientation.

There is a significant difference between star ratings and dynamic capabilities, sensing, learning and reconfiguring. The post hoc analysis using the LSD test showed that compared to hotels with a 4-star rating, with a 3-star rating, and with fewer than 3 stars, hotels with a 5-star rating have a higher level of dynamic capabilities, learning and reconfiguring. The results also showed that hotels with a 4-star rating have a higher level of dynamic capabilities and reconfiguring than hotels with a 3-star rating and with fewer than 3 stars. The post hoc analysis using the Tamhane test indicated that hotels with a 4-star rating and a 5-star rating have a higher level of sensing than hotels with a 3-star rating.

3.3. Confirmatory factor analysis

A confirmatory factor analysis (CFA) was conducted to measure the fit of the measurement model (Ribeiro et al. 2018) and was used to assess construct validity (Jöreskog 1969). Additionally, Cronbach's alpha (α) and composite reliability (CR) were considered to indicate reliability (Shi and Liao 2013 and Homsud 2017). The factor loadings and average variance extracted (AVE) were used for validity measurement (Homsud 2017). Table 3 shows that all Cronbach's alpha (α) values and composite reliability (CR) scores were greater than 0.7, which indicates high reliability (Nunnally and Bernstein, 1994; Hair et al. 2014). In addition, all factor loadings higher than 0.5 were considered acceptable for the constructs (Hair et al. 2010; Laškarin Ažić 2017), and all factor loadings on the indicators of the constructs were significant (t -value $>$ 3.55; $p <$ 0.001). The average variance extracted (AVE) was higher than 0.5 (Hair et al. 2010), but a value of 0.4 is acceptable (Huang et al. 2013) because Fornell and Larcker indicated that if the AVE is less than 0.5 but the composite reliability is higher than 0.6, the convergent validity of the construct is still adequate (Fornell and Larcker 1981). In this research, the AVE of the HPO construct is 0.49, which is very close to 0.5, and all CR values were above 0.8. Thus, the convergent validity of all constructs is evident.

Table 3: Reliability and validity of the measurement model

Construct and observable variable	Factor loading	t-value	α	CR	AVE
Performance (PER)			0.88	0.89	0.68
Profit growth goal achievement (P1)	0.87	11.23			
Sales growth goal achievement (P2)	0.93	12.42			
Market share growth goal achievement (P3)	0.84	10.57			
Excellent service beyond the expectations of customers (P4)	0.64	7.44			
High-performance organization (HPO)			0.92	0.82	0.49
Management Quality (MQ)	0.54	5.81			
Openness Orientation (OO)	0.57	5.74			
Long-term Orientation (LTO)	0.55	5.76			
Continuous Improvements (CON)	0.84	9.42			
Workforce Quality (WQ)	0.91	10.30			
Dynamic Capabilities			0.92	0.83	0.62
Sensing (SEN)	0.63	6.71			
Learning (LER)	0.88	10.91			
Reconfiguring (REC)	0.84	10.28			

Note: Cronbach's alpha (α), composite reliability (CR), average variance extracted (AVE)

Source: Authors

The goodness of fit (GOF) indices of the measurement model are categorized into three categories. The first category consist of the absolute fit indices (i.e., chi-square (χ^2), normed chi-square (χ^2/df), goodness of fit index (GFI), root mean square error of approximation (RMSEA), root mean square residual (RMR) and standardized root mean square residual (SRMR)). The second category consists of the incremental fit indices (i.e., normed fit index (NFI), comparative fit index (CFI) and incremental fit index (IFI)).

The third category consists of the parsimonious fit indices (i.e., parsimonious normed fit index (PNFI)). The results indicated that the measurement model of this study demonstrates an acceptable degree of model fit. A summary of the goodness of fit (GOF) indices and acceptable benchmarks is shown in Table 4.

Table 4: A summary of the goodness of fit indices (GOF) and acceptable benchmarks.

GOF Indices	Value	Acceptable Fit Levels
Absolute Fit Indices		
Chi-square	50.036	
P-value	0.0915	≥ 0.05* (Hair et al. 2010)
Normed chi-square	1.317	< 2.00 (Bollen, 1989)
GFI	0.927	> 0.90 (Diamantopoulos and Siguaw 2000)
RMSEA	0.054	< 0.08* (Hair et al. 2010)
RMR	0.035	< 0.10 (Hair et al. 2010)
SRMR	0.063	< 0.08 (Hu and Bentler 1999)
Incremental Fit Indices		
NFI	0.944	> 0.90 (Hair et al. 2010)
CFI	0.985	> 0.97* (Hair et al. 2010)
IFI	0.986	> 0.90 (Hair et al. 2010)
Parsimonious Fit Indices		
PNFI	0.544	approximately 0.5 (Mulaik et al. 1989)

Note: * Acceptable fit levels for a sample size lower than 250 and for 12 or fewer observed variables (Hair et al. 2010)

Source: Authors

3.4. Hypothesis testing

Hypothesis testing and estimation of the path coefficients were examined using structural equation modeling (SEM) and the maximum likelihood procedure in LISREL 9.3 software. Table 5 gives information about the standardized coefficients of the three hypothesized relationships, which were significant as expected, and it shows the direct, indirect, and total effect of each construct relationship.

Table 5: Direct and indirect effects for the structural model

Independent Variable	R ²	Effect	Dependent variable	
			DYC	HPO
HPO	0.73	DE	0.79***	-
		IE	-	-
		TE	0.79***	-
PER	0.53	DE	0.13	0.65*
		IE	0.52*	-
		TE	0.65***	0.65*

Note: DE=direct effect, IE= indirect effect, TE=total effect

*significant at the 0.05 level, **significant at the 0.01 level, ***significant at the 0.001 level

Source: Authors

Table 5 shows the hypothesis testing results of the three hypotheses. The first hypothesis proposed a positive relationship between dynamic capabilities and the high-performance organization (H1). The testing results revealed that the direct effect between dynamic capabilities and the high-performance organization was significant ($\beta = 0.79$, t-value = 5.926, $p < 0.001$). Therefore, Hypothesis 1 was supported. The second hypothesis proposed a positive relationship between dynamic capabilities and performance (H2). The results showed that the indirect effect of dynamic capabilities on performance via the high-performance organization was significant ($\beta = 0.52$, t-value = 2.160, $p < 0.05$), and the total effect between dynamic capabilities and performance was also significant ($\beta = 0.65$, t-value = 6.465, $p < 0.001$), which is in line with Hypothesis 2. The third hypothesis proposed a positive relationship between the high-performance organization and performance (H3). The findings also supported Hypothesis 3, confirming that the high-performance organization is positively related to performance ($\beta = 0.65$, t-value = 2.285; $p < 0.05$). These findings indicate that the high-performance organization not only has a direct positive effect on performance but also completely mediates the relationship between dynamic capabilities and performance.

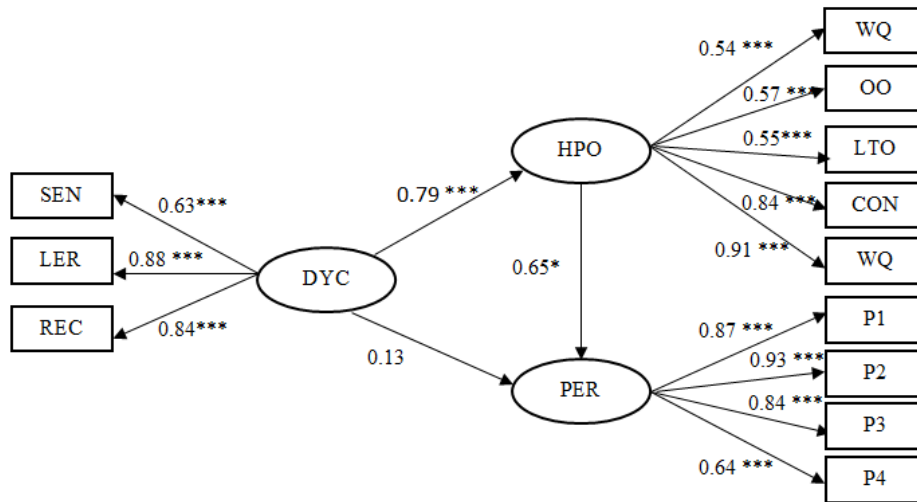
According to the mediating effect testing, the structural model was tested in a subsequent analysis by following the causal steps approach outlined by Baron and Kenny (1986) and cited in Rucker et al. (2011), which uses maximum likelihood estimation. The results are shown in Table 6. First, the direct path coefficient from the independent variable (DYC) to the dependent variable (PER) in the absence of the mediator (HPO) was significant ($\beta = 0.62$, $t = 6.246$, $p < 0.001$). Second, a completely mediated model with the mediator showed a good fit to the data ($\chi^2/df = 1.29$, CFI=0.986, GFI= 0.928, SRMR= 0.063, RMSEA =0.051). Finally, the partially mediated model that included the mediator (HPO) and the direct path from DYC to PER indicated a good fit to the data ($\chi^2/df = 1.32$, CFI=0.985, GFI= 0.927, SRMR= 0.063, RMSEA =0.054), but the result showed that there is no longer a significant direct effect of DYC on PER (β decreased to 0.13 and was not significant, as shown in Table 5). As a result, the researcher reports that the mediator (HPO) completely mediates the effect of DYC on PER. All of the structural paths for the final model are presented in Figure 2.

Table 6: Fit indices of candidate SEM

Model	df	χ^2	CFI	GFI	SRMR	RMSEA	$\Delta \chi^2$	Δdf
Measurement model	13	20.95	0.983	0.947	0.055	0.075	-	-
Completely mediated model	39	50.24	0.986	0.928	0.063	0.051	-	-
Partially mediated model	38	50.04	0.985	0.927	0.063	0.054	0.20	1

Source: Authors

Figure 2: Research results



*significant at the 0.05 level, **significant at the 0.01 level, ***significant at the 0.001 level

4. DISCUSSION

4.1. Theoretical contributions

This study discloses that dynamic capabilities has a positive relationship with the HPO and organizational performance because dynamic capabilities are the organizational ability that creates a reconfiguration or transformation of all organizational resources to respond to changes in the environment, both internal and external. Notably, Barney (1991), Wernerfelt (1984) and Hunt and Morgan (1995) state that the most important resource for an organization to achieve outstanding performance is superior resources. Thus, dynamic capabilities, which are the ability to transform existing organizational resources, can lead to outstanding performance. Ngo et al. (2018) add that compared to competitors, having dynamic capabilities can lead to various improvements in specific business processes to meet the needs of customers, which is important for achieving organizational performance. Therefore, organizations with high dynamic capabilities have high performance, which is in line with Tseng and Lee (2014), who discover that dynamic capabilities increase organizational performance and provide competitive advantages; Chien and Tsai (2012), who reveal that dynamic capabilities are positively associated with firm performance; and Zott (2018), who further discloses that efficiencies in regard to timing, cost, and learning occur in organizations with dynamic capabilities. Moreover, Jantunen et al. (2005) point out that the ability to reconfigure resources affects organizational performance, while Zhan and Chen (2013) reveal that companies with the ability to exploit current resources have better performance than competitors.

In addition, this study indicates that the HPO is positively associated with organizational performance because an HPO is an organization that exhibits managerial excellence in various aspects (American Management Association 2007). Alternatively, an HPO is an organization with strong management that focuses on result achievement, organizational learning, attention to its stakeholders and human capital management to ensure that employees are skillful and show excellent performance. Moreover, an HPO also carries out ongoing developments on its products, processes and services, which subsequently make the organization gain more competitive advantages that result in a much higher performance level compared to competitors. Thus, firms with high HPO scores explicitly had higher performance than those with low HPO scores. This result is consistent with various previous studies (de Waal 2009; de Waal et al. 2010; Yusuph 2010; de Waal and Escalante 2011; Godfrey 2010; Pett et al. 2016).

In addition, this study further discovers that the HPO status of an enterprise is a variable that completely mediates between dynamic capabilities and organizational performance, which shows that dynamic capabilities are essential for performance. This is because dynamic capabilities make it possible to enhance the HPO and further lead to performance increments, which is in line with Bagorogoza and de Waal (2010), who indicate that HPO status is a mediating variable between knowledge management and organizational performance. Thus, this study also illustrates that learning ability or knowledge management for organizational benefits is an indicator that maximally affects dynamic capabilities.

This study considered the differences between chain hotels and independent hotels in regard to the level of 3 aspects: dynamic capabilities, the HPO, and organizational performance. It reveals that chain hotels are at a higher level than independent hotels in all 3 aspects, which is consistent with Claver-Cortes et al. (2009) and O'Neill and Carlbaeck (2010), who state that chain hotels usually outperform independent properties, while Enz et al. (2014) reveal that chain hotels adapt faster and better than independent hotels within the same environment. This is because chain hotels come with the brands of systematic management guaranteeing quality services and centralized marketing activities for their hotel network, making it easy for networked hotels to become popular and well recognized. After all, having a positive brand image can lead to better performance in terms of revenues, occupancies and other performance metrics (Ivanova and Ivanov 2015).

Furthermore, this study points out the significant differences in levels between hotels with different star accreditations in regard to dynamic capabilities, the HPO and firm performance. The levels of dynamic capabilities, HPO and firm performance of hotels with a 5-star rating are higher than those of hotels with a 4-star rating, with a 3-star rating and with fewer than 3 stars. This is because 5-star hotels contain a physical environment, amenities, security and quality services that are at a higher level than those of hotels with a lower star rating (Thai Hotels Association 2019). Clearly, having better resources and capabilities can move an organization toward more satisfying performance, which is consistent with Barney (1991); Wernerfelt (1984) and Hunt and Morgan (1995), who say that the most important organizational resources for outstanding performance are superior resources.

4.2. Managerial implications

The findings of this study can be employed by hotel business management, especially in independent hotels and in hotels with fewer than 5 stars. First, it is necessary for hotels to develop into a high-performance organization to create outstanding performance over competitors. To do so, they must focus on the following matters: (1) setting challenging goals, seeking ways to achieve success and encouraging members to create results; (2) creating a culture of openness; (3) attaching importance to all the stakeholders of the organization; (4) carrying out continuous improvements; and (5) giving priority to human capital development. In particular, executives must recognize the importance of creating dynamic capabilities to enhance the HPO and further lead to better and stronger organizational performance than competitors. Dynamic capabilities are associated with the abilities to perceive and acknowledge opportunities or obstacles that affect the organization; therefore, management must predict various transformation trends, e.g., customers' behaviors. Competitors will be obliged to pay attention to observation strategies, technologies, regulations and controls. The faster the management is aware of trends, the better it is for the organization, as adaptations and correction methods can be carried out immediately. Moreover, the focus should be on learning capability or knowledge management to gain maximum benefits for the organization. This focus should include the capability to reconfigure resources, which is related to the ability to create new capabilities within the organization. That is, management emphasizes looking for knowledge from the external environment and integrating it with existing knowledge while encouraging an atmosphere of knowledge exchange that can further lead to service development and improvement toward excellence and while employing external experts or outsourcing the activities that are not the main activities of the organization, for example, looking for customers through agents, both online and offline, with expertise in approaching customers.

CONCLUSIONS

Based on theoretical views on management, this research creates a framework being that is the source of different organizational performance results and that has 2 main factors: (1) dynamic capabilities and (2) the HPO. This framework indicates that dynamic capabilities significantly impact organizational performance because they help to enhance the HPO and further heighten organizational performance. Nevertheless, it is also interesting to discover that the dynamic capabilities of independent hotels located on Samui Island at a lower level than those of chain hotels, which results in fewer competitive advantages. Thus, the management of these independent hotels must recognize and pay more attention to the creation of dynamic capabilities to enhance the HPO and organizational performance.

Limitations and future research directions

In conducting this study, there were some limitations, as the sample group employed in this research was limited only to hotel businesses on Samui Island, the main tourist attraction in southern Thailand, instead of the hotel businesses in all global tourist

attraction sites in Thailand. Thus, the findings might also be limited with respect to their implementation in a broader environment. Future research is expected to cover other regions in Thailand or other global venues to obtain more universal findings that can be broadly implemented. In addition, future studies may measure performance by including real financial and nonfinancial outcomes to confirm the results and by using subjective measures.

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