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The role of problem identification and intellectual capital in the management of hotels' competitive advantage-an integrated framework

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ABSTRACT

Although the effects of intellectual capital on an organization's competitive advantage are well documented, the mechanisms that explain those effects remain unclear. We propose that intellectual capital is associated with the way problems are identified, which is concerned with enhancing competitive advantage. The results of our study support a structural model whereby the indirect effects of intellectual capital on a hotel's competitive advantage are determined through the mechanisms of problem identification. Additional analyses reveal that customer capital is related to structural capital, which predicts the hotel's human capital. Furthermore, the process-oriented view indicates that innovative ability mediates the effects of ability capital on competitive performance.

1. Introduction

The combination of global trends and a highly competitive business environment has led to the increased importance of creating and maintaining a competitive advantage in the tourism and hospitality industry (Casanueva et al., 2015; Liu and Gan, 2015; Molina-Azorín et al., 2015; Preble et al., 2000). To cope with the dynamic environment and changing customer needs, hospitality organizations must be able to identify and exploit both their internal and external capital and to strengthen their capabilities (Paek et al., 2015). Intellectual capital refers to value of the firm's knowledge base and service capabilities, which is the most efficient, albeit challenging, vehicle for internalizing organizational competency, and is a critical attribute of factors that drive hotel profitability and performance (Enz et al., 2006a,b). However, to date, few studies have addressed the role of intellectual capital in the context of competitive advantage and performance within the hospitality industry setting (Enz et al., 2006a,b; Rudež and Mihalič, 2007).

In addition, due to the increasing importance of creating and sustaining a competitive advantage, prior hospitality studies have focused on empirical examinations of the effects of intellectual capital on social network analyses (Hu and Racherla, 2008), knowledge management (Hallin and Marnburg, 2008) and financial performance (Enz et al., 2006a,b; Rudež and Mihalič, 2007). Considerably less literature has addressed intellectual capital as the process by which competitive advantage is achieved (Chen, 2008). Along with a lesser focus on competitive advantage process engagement, the research on intellectual

capital has tended to focus almost exclusively on the different constructs of competitive advantage requirements rather than on the financial performance and overall performance. This narrow stance has thus given rise to the question of how the competitive advantage process engagement interfaces with the broader considerations that tend to be part of an organization's environmental attributes, which include strong intellectual capital components. Drawing on the intellectual capital theory, we further develop this perspective by arguing that intellectual capital is most beneficial to competitive advantage when such engagement is associated with its own problem identification capability.

The current study fills gaps in the hospitality literature by developing an integrated process to analyze how hotels may create competitive advantages through text analytics. It allows the resource allocators or policy makers within a focal hotel to identify the critical attribute of intellectual capital and to better understand the internal and external atmosphere of the focal hotel and the industrial environment. More importantly, we make several other contributions. First, this study demonstrates how the hotel organizations leverage their intellectual capital with the customers and employees and thereby increase their own organizational capability for problem identification in order to outperform their competitors. Second, competitive advantage creation is a process that requires the commitment of internal and external resources to enhance (1) *power*, the ability to counteract the threats of, and create an advantage over, other competitors (Ashford et al., 1989); (2) *innovative ability*, the ability to create new methods of production, enlarge the range of products and services, and introduce

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changes in management (Rønningen, 2010); and (3) *competitive performance*, the combination of existing resources that shapes customer service outcomes, enhances performance, and contributes to the overall competitive capability of hospitality organizations (Cohen and Olsen, 2013). Liu (2017) also asserted that the IC of the hospitality industry in an emerging economy may significantly influence competitive advantage, an idea that merits further research. Therefore, this study argues from a process-oriented perspective that competitive advantage depends on the degree to which hotels acquire intellectual capital and increase their capability for problem identification. Third, since second order analysis often reflects reality and eliminates the ambiguity in the evaluation of observed constructs (Tsai et al., 2015), we provide a second order analysis for hotel managers to identify the critical attributes of intellectual capital and competitive advantage. Our analysis can also serve to improve hotel managers' understanding of the competitive hotel environment in China, which can help them to formulate better marketing strategies and make more informed decisions in general. Fourth, combining the three contributions previously mentioned through the multiple mediation method provides the opportunity for a dynamic environment analysis. This analysis can represent the current state of the industrial environment and provide supplemental information to guide decision making, particularly by mining managers' opinions.

The proposed full model was tested with different statistical methods, which followed the suggestions from previous studies that applied structural equation modeling (SEM) analysis to examine the direct and indirect effects of proposed hypotheses and used regression to test the interaction effect (Hornig et al., 2016; Liu and Huang, 2017). We also examine the interrelationships between the different constructs of intellectual capital and competitive advantage. We evaluate these interrelationships in the context of simultaneously considering the potential mediating and moderating role of intellectual capital and competitive advantage in the linkage between different capital evaluation processes and competitive capability, in creating superior performance.

2. Theory and hypothesis

Although the intellectual capital literature, such as the contingency theory of intellectual capital (Williams, 2001), often explicitly acknowledges intellectual capital attributes (Rudež and Mihalič, 2007), much of the research related to intellectual capital has concentrated on the individual and reflects on various contextual constructs that influence an organization's performance and market status (Sydler et al., 2014). As a result, the intellectual capital aspect has not received attention commensurate with its importance and its consequent impact in the hospitality industry (Bontis et al., 2015a,b; Chen, 2008; Enz et al., 2006a,b; Kim et al., 2012; Rudež and Mihalič, 2007). A search of the literature relevant to intellectual capital reveals that the exact critical attributes considered to be involved in intellectual capital have differed somewhat in diverse conceptualizations. Nonetheless, theorists generally include three critical attributes: supportive culture (structural capital), market research (customer capital), and intellectual employee (human capital) (Bontis, 1998; Costa et al., 2014; Turner et al., 2015). For the purposes of the present research, we adapted the previous definition of intellectual capital, which includes the critical attributes of human capital, structural capital, and customer capital. The first dimension of *human capital* refers to the tacit knowledge and experience that each manager and employee individually possesses; thus, when this knowledge and experience are combined, the combination is one of the most valuable resources associated with an organization's success (Kim et al., 2012). The second of these critical attributes, *structural capital*, refers to the level of resource exchange and combination involving the following resources: mutual support, respect, culture and atmosphere. The interactions, exchanges and combinations of these resources between and among employees create the corporate culture and information flows (Bontis et al., 2015a,b). The final attribute of

customer capital refers to the value of a firm's relationships with its external stakeholders and its networks with suppliers, distributors, partners, and customers (Sydler et al., 2014).

According to theorization and subsequent empirical examination, we focus on competitive advantage because it has been found to encompass significant intellectual capital (Chahal and Bakshi, 2014) and is thus likely to better facilitate our understanding of the proposed phenomena of purpose. Moreover, the three attributes of competitive advantage are usually the most important in guiding competitive advantage and are therefore of major concern to organizations in this current dynamic environment. Competitive advantage is characterized by power (Ashford et al., 1989), innovative ability (Rønningen, 2010) and competitive performance (Cohen and Olsen, 2013). Because these three characteristics require knowledge and intellectual capital input, market advantage typically involves outcomes related to competition and engagement in problem identification development processes.

To fully understand the interrelationships between competitive advantage, problem identification, and intellectual capital, the theoretical underpinnings and logic of the proposed relationships must first be explored.

2.1. Direct and indirect effects of intellectual capital on competitive advantage

An organization's accumulated intellectual capital influences its propensity to reinforce its knowledge and skills. Intellectual capital is often used to change an organization's atmosphere, knowledge and interaction activities and is thus generally perceived to be a reliable and beneficial invisible asset for promoting change (Nahapiet and Ghoshal, 1998). Consequently, intellectual capital also biases an organization's problem identification and solving procedures, as the domains of intellectual capital through which organizations pursue new knowledge and activities closely follow and update the knowledge domains within the confines of their existing capabilities (Subramaniam and Youndt, 2005). Moreover, when organizations develop intellectual capital through structured recurrent activities, organizations strengthen their problem searching and identification skills and further increase their added value (Chen et al., 2005). Eventually, such institutionalization of an organization's value for problem identification and the instruments to use it recurrently is most evident in its intellectual capital. The rather generic definition of intellectual capital states that intellectual capital is intellectual material that has been formalized, captured, and leveraged to create higher valued assets (Sydler et al., 2014). Thus, we expect intellectual capital to reinforce the value and thereby influence the organization's problem identification capabilities.

Hypothesis 1. Intellectual capital is positively related to problem identification.

Overall, an established organizational identification capability increases an organization's innovative thinking with respect to problem-solving and leads to multiple possible acceptable solutions (Reiter-Palmon and Illies, 2004). It is just this ambiguity that allows for the emergence of innovative solutions and for the creation of more market opportunities compared to those of the competitors (Roberts and Amit, 2003). Similarly, problem identification not only helps an organization identify the relevant information related to the existing problem but also clearly generates new ideas and facilitates the evaluation of those ideas (Reiter-Palmon and Robinson, 2009). Participants who learn how to identify critical problems and construct those problems in multiple ways demonstrate an improvement in overall decision quality and originality, thus allowing their organization to maintain a competitive advantage (Dino, 2015). Hence, we expect problem identification to augment organizational capability by reinforcing multiple thinking and thereby strengthening the organization's ability to influence its competitive advantage.

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