

# VALUE CHAIN MANAGEMENT AND ORGANIZATIONAL COMPETITIVENESS IN THE NIGERIAN HOSPITALITY SECTOR

<sup>1</sup>Akintokunbo, Odunayo (PhD), <sup>2</sup>Akpotu, Christopher (PhD)

<sup>1</sup>Department of Management, Rivers State University, Port Harcourt

<sup>2</sup>Department of Management, Niger Delta University, Wilberforce Island

Corresponding author E-mail: [chrisakpotu4u@yahoo.com](mailto:chrisakpotu4u@yahoo.com)

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**Abstract:** The study empirically examined the relationship between value chain management and organizational competitiveness in the hospitality industry in the South-South geo-political zone of Nigeria. The study adopted the cross sectional survey design. The study population consists of 46 four-star rated hotels in the study area. Questionnaire was designed and distributed to 312 senior managers that were selected with the simple random sampling technique from the population of study to serve as the respondents to the study research instrument. The value chain management construct was operationalized as information sharing, customer focus and strategic supplier partnership and competitiveness measured by innovativeness, product quality, and responsiveness. The findings of the study resulting from the descriptive and inferential analysis revealed a strong positive relationship between the dimensions of value chain management and the measures of organizational competitiveness. The study concludes that there is a strong relationship between value chain management and organizational competitiveness therefore, recommended amongst others the need for customer focus with a view to accommodating all constituents that brings value to the service delivery chain. This include employees of the sector who should be strategically made to acquire requisite skills and competencies for improved service delivery and competitiveness.

**Keywords:** competitiveness, customer focus, information sharing, strategic supplier, value chain management.

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## 1. INTRODUCTION

There is exponential growth in literature relating to effective, efficient, and timely product and service delivery considering the growing rate of competition in the market place (De Pablos, 2006; Gottschalg & Zollo, 2007; Hambrick, 2008). Competition amongst hotels is also on the increase because of easy entry and exit of the hotel industry. Individual firms in hospitality industry notably strive for competitive advantage deploying different strategic options. This suggest that staying competitive is also an imposing and contending challenge that requires a recognition of strategic action that are value oriented with the potential for positioning the organization for competitive advantage. Overtime, the nature of competition amongst firms has changed that concentration on internal dynamics alone that do not offer the desired strategic means at goals. Indeed, Zhang & Sharifi (2000) argues that competition lies outside the will of the organization and can be determined by how effectively organisations link their activities with other valued stakeholders like suppliers, customers, distributors and entire process for efficient product and service delivery. Lin (2006) espoused that managing competitiveness have far reaching implications on operational and administrative strategies in order to cope with corresponding changing market dynamics which includes product distribution strategies, pricing and communicational approaches. Letor and Barry (2009) strongly noted that in this circumstance, value chain and logistics play a critical role in enhancing and facilitating marketing function of firms, creating value in the form of time and place utility and resulting reduced operational cost. Attaining these desired goals require valuable information gathering and sharing, resource acquisition and allocation.

There is emerging and incisive debate on the coping capacity of firms in the hospitality industry considering the crucial role it plays in the vitality of the tourism sub-sector and the growing rate of globalization and liberalization policies of government that has opened up the space for more sophisticated competitors from technologically advanced economies. There is growing scholarly concern for comprehensive value chain analysis and management as a strategic attempt for competitiveness especially among developed nations with advanced information and communication technology infrastructure that permits both virtual and concrete information flow. Impliedly, the hospitality industry's inability to deliver quality is likely to result from lack of proper coordination of all constituent parts that should to facilitate interactively the multi activities leading to quality product and service delivery. While this is yet to be attained in most developing nations, including Nigeria, this study intends to contribute to expanding knowledge frontiers in relation to managing the encompassing product and service delivery chain that entails processes and critical actions as a means of competitiveness in the Nigerian hospitality industry. Therefore, the primary purpose of this study is to examine the relationship between value chain management and organizational competitiveness in the hospitality industry in south-south geopolitical zone of Nigeria.

## 2. LITERATURE REVIEW

### Value Chain Management

Given the increased rate of competition among firms and the need to deliver quality to customers, firms are giving strategic attention to the entire process of acquiring raw materials to final delivery to customers. Of course, the entire value oriented process must also be effectively and efficiently managed hence the value chain management discourse that has hitherto dominated strategic management literature (Baskin, 2006; Ivanon, 2010; Develi, Salin & Sevimli, 2011). The primary objective of value chain management is ensuring that all stakeholders that eventually render service or deliver products to consumers assist gaining competitive advantage. Value chain management requires long-term relationships that commonly share information creatively to appreciate and meet market changes and demands. Infact, Griffith and Harvey, (2001) noted that information sharing is a component of value chain management that guarantee information availability to all members of the chain for prompt decision-making. Managing value chain is considered a holistic strategic option that entails critical scrutiny of all actions and responsibilities for more responsive product delivery to target markets. Denauline & Bandura (2014) argues that value chain management is not a vague phenomenon rather it is astutely directed and practically operationalised to innovatively deliver products to customer with a view to meeting their expectations. A functional attribute of value chain management lies in its ability to stimulate innovative approaches through shared information, customer focus and creating strategic partnership that facilitate competitiveness (Cussler & Moggride, 2017) While discussing the performance perspective of value chain management, Christopher (2010) anchored on responsiveness as resultant outcome of the value chain when managed. Customer's responsiveness considers strongly apt and prompt delivery of products to target markets. The various contribution, have brought to the fore a common denominator. There is a consensus to the fact that it is an embracing strategic organizational endeavour that ultimately delivery value to customers as central focus which at same time a reason for gaining competitive advantage.

### Organizational Competitiveness

Different scholars have defined the concept of competitiveness variously with most of them taking sides with their professional philosophies. The strategic management and economic literature dominates the discourse so far. All the same, our effort here is not aimed at diagnosing or assessing the conceptual potency of the varying contributions rather we candidly believe that they have all offered the premise for in-depth understanding of the concept especially when viewed in the light of their ability to create domains for understanding. At the macroeconomic level, competitiveness has been described in relation to price Schilke (2014). Fagerberg (2005) viewed competitiveness in terms of technological capability differences. Though Chesborough (2006) is of the view that markets are sufficiently competitive and efficient therefore may not necessarily be technologically contained to the extent that it affects their competitive capacity.

Gelfand, Eric & Aycan, (2007) has espoused on competitiveness from a macroeconomic perspective. He argued that competitiveness is the firm's ability to compete to increase their profits and grow. However this can only be attained with improved capacity to mobilize all form of resources (technology, human, finance etc) for quality products and work processes. Infact quality processes as a primary component of competitiveness is also noted in Lall (2011). The author had however noted that analyzing competitiveness at the micro and macroeconomic perspective would not be sufficient as competition among corporations is different from national level which is the crux of their analysis. Stevens (2009) defined competitiveness as how effectively an organization meets the wants and needs of customers relative to others that offer similar goods and services. Dandy had further argued that the extent to which a firm musters the capacity to put human,

technological, operational and structural resources together prepares the organization for competitiveness. When firm deliberately ensure innovational practices through structural flexibility that empower employees to think for the organization while at same time sharing knowledge they are apparently adopting a competitive strategy that make them compete favourably Cheng, Weng, Hsu (2011). Folorunsho (2010) in his discourse of the increased degree of competition among ICT (computer infrastructures and software) firms believes that building technological competence is vital for competitiveness but managerial capacity to transmit the common goal through open communicational practices is also vital for competitiveness. Through this, work processes and strategies are crafted to facilitate prompt response to market needs. Dahlander & Gann (2010) strongly noted that competitive capacity of firms can be enhanced if managers institute work climate through their practices that do not only give support to acquiring operational infrastructure but also ensure that customers are promptly served.

### Information Sharing

Information as a strategic resource that is required for strategic decision is commonly noted in management discourse (Wade & Hulland; 2004; Wernefelt, 2008; Ottih, 2008; Justin, 2012, Gibbs, 2012). Martin (2011) was concerned about how information acquired in the organization can be disseminated or shared within and outside the organization. The premium placed on information sharing is amplified by Mende (2012) as the distribution of information amongst stakeholders facilitate decision-making. Information is shared for operational and administrative effectiveness especially as it relates to value linkages that optimize the goal of quality service delivery. Organizational value chain entails all component actions that culminate to delivery of services or product to target market. Information sharing according to Kelly and Thompson (2010) can be particularly beneficial for market penetration in volatile and dynamic environment. Their thought initiates the fact that the functional aspect of information sharing goes beyond reliance on it for decision making rather, it accounts for a qualitative approach for market attention and prompt response to changing market needs. Letor and Barry (2015) argues that managing value chain for organizational success is dependent on how much information is disseminated and shared by chain members. They were assertive that hoarding information detracts from in-depth understanding of the value added activities of the chain and attendant poor service delivery. Kusman (2009) has also contended that early and prompt sharing of information is beneficial for selling season among manufacturing firms as it serves a means of market positioning. Though there exist stream of research to authenticate the functional role of information sharing which is a major component of value chain management, its relation with competitive action of the firm must equally be understood therefore it is hypothesized thus:

*H<sub>0</sub>: There is no significant relationship between information sharing and organizational competitiveness.*

### Strategic Supplier Partnership

Richard & Sanchez (2008) considered strategic supplier partnership as a primary aspect of value chain management. Their position is anchored on the supplier vantage position in terms of generating market information and a comprehensive disposition to support strategic operational activities which include sales. Dewsnap and Hart (2004) observed that strategic supplier partnership takes cognizance of the constituent parts thereby helping in knowledge creation and sharing. Essentially, there is variation in knowledge available to stakeholders in the chain. Identification of strategic relationships is also important to generate context related information. Competing firms striving to gain their share of the market and perhaps become leaders in the market have appetite for choice of strategic suppliers with targeted scrutiny of their capacity to support innovation and long-term quality service delivery. Strategic suppliers according to Bateman & Bandara (2010) are known for enriching the value chain hierarchy with integrative tendencies that connect upstream operators with customer expectations thereby leading to efficient and effective market needs. This simply provide responsive competences for gaining competitive advantage. Parag & Sharma (2010) observed strategic supplier partnership integrity and remarked its two-fold capacity to undermine firms operational capacity. This raises the issue of likely operational and service delivery shortfall, which could be considered dysfunctional in value chain management. Considering this thinking, the study hypothesized thus:

*H<sub>0</sub>: There is no significant relationship between strategic supplier partnership and organizational competitiveness.*

### Customer Focus

The market orientation behaviour of firms has evoked centrally, the need to meet customer needs and expectation. The long-term survival firms according to Palsy (2015) is largely dependent on firms ability to wittingly produce and deliver product that satisfy customers focus firms. It is common knowledge that vast marketing literature exist with much attention on considering the customer as key to the entire chain of production and service delivery (Parag & Sharma,

2010). Customer focus is a strategic consideration of the place of the customer in the value chain. It requires their input and feedback on product and their expectation with a view to be consistent and sustainably meeting their goal of delivery quality.

Kachrai & Buserebu (2016) argues that customer focus offers the needed premise for guaranteed innovative behaviour for firms in light competitive industries with close substitute products or services. The thinking here is that interaction with customer provides the much needed information that stir innovative behaviour. Adapting to changes in the market place is achieved through firm-customer relationship that takes cognizance of the customer expectation and responding promptly. The benefit of customers focus according to Jinlaire (2012) is not built around satisfaction for the customer but also include lubricating the value chain management practices to be holistic in responding to markets.

Literature disposition to customer focus as being imperative to achieving marketing goals as it not often the case when viewed against the backdrop of market efficiencies argue Cessaiah (2011). Giving much attention to the customer as part of the value chain in his thinking has driven firm into creating and customer function that in some case increasingly make it difficult for appropriate pricing especially when matched with prevailing economic circle. These thought requires empirical scrutiny especially in the light committing lean organizational resource to ensuring value chain management. Based on this it is hypothesized thus:

*H<sub>0</sub>: There is no significant relationship between customer focus and organizational competitiveness*

### 3. METHODOLOGY

This study adopted the cross-sectional survey design, which permits data collection from sampled participants and eventual analysis. The population of this study is made up of all four star hotels in the hospitality industry listed in the current updated directory of the states Ministry of Culture and Tourism in the studied States of South-South geographical zone made up of Bayelsa, Cross-River, Akwa-Ibom, Delta, Edo and Rivers States. In order to have adequate representation of all groups within a given population, and achieve increased accuracy, the stratified random sampling technique was applicable. Inferential analysis was done using the Spearman Rank Order Correlation Co-efficient to test the hypothesized statement earlier discussed.

**Table 1: Summary for Result of Reliability Analysis on Studied Variables**

S/N	Dimension/Measures	Cronbach Alpha ( $\alpha$ )	No of Items
1	Information Sharing	0.76	7
2	Customer Focus	0.71	8
3	Strategic Supp Partnership	0.92	7
4	Organisational Competitiveness	0.84	7

The reliability co-efficient shown by the Cronbach alpha values affirm reliability of the survey instrument. The Nunnally (1978) alpha threshold of 0.7 was used to access the reliability of the item in the survey

### 4. RESULTS

#### Summary of Correlation Result on Value Chain Management and Organisational Competitiveness

Statistic	Dimension/Measures		Organisational Competitive	Info Sharing	Customer Focus	Strategic Partnership
Spearman rho	Organisational Competitiveness	Correlation Coefficient	1.000	.823**	.673**	.611**
		Sig (2-tailed)		.000	.000	.000
		N	312	312	312	312
	Information Sharing	Correlation Coefficient	.823**	1.000		
		Sig (2-tailed)	.000	-	.000	.000
		N	312	312	312	312

	Customer Focus	Correlation Coefficient	.673**		1.000	
		Sig (2-tailed)	.000	.000		.000
		N	312	312	312	312
	Strategic Partnership	Correlation Coefficient	.611**			1.000
		Sig (2-tailed)	.000	.000	.000	
		N	312	312	312	312

\*\*Correlation is Significant @the 0.01 level (2-tailed)

The results shows rho value of 0.832, this implies that a positive and strong relationship exist between the examined variables. The P-value (0.000) is less than the 0.05 significance level for the 2-tailed test therefore the relationship is significant. This implies that the null hypothesis stated is rejected which also means that information sharing relates significantly with competitiveness within the studied hospitality sector. Further, the second hypothesis result of  $r = 0.673$ , shows that a positive relationship exist between the examined variables, and the relationship is significant @  $p < 0.01$ . From this result, the null hypothesis is rejected means that a significant relationship exists between customer focus and competitiveness in the studied hospitality sector. The inferential results shown in the table with the rho value = 0.611, it implies that a positive relationship exist between strategic supplier partnership and competitiveness. The relationship is also significant @  $p < 0.01$ . What this means is that the null hypothesis stated is rejected, therefore a positive and significant relationship exist between strategic supplier partnership and competitiveness in the hospitality sector.

## 5. DISCUSSION

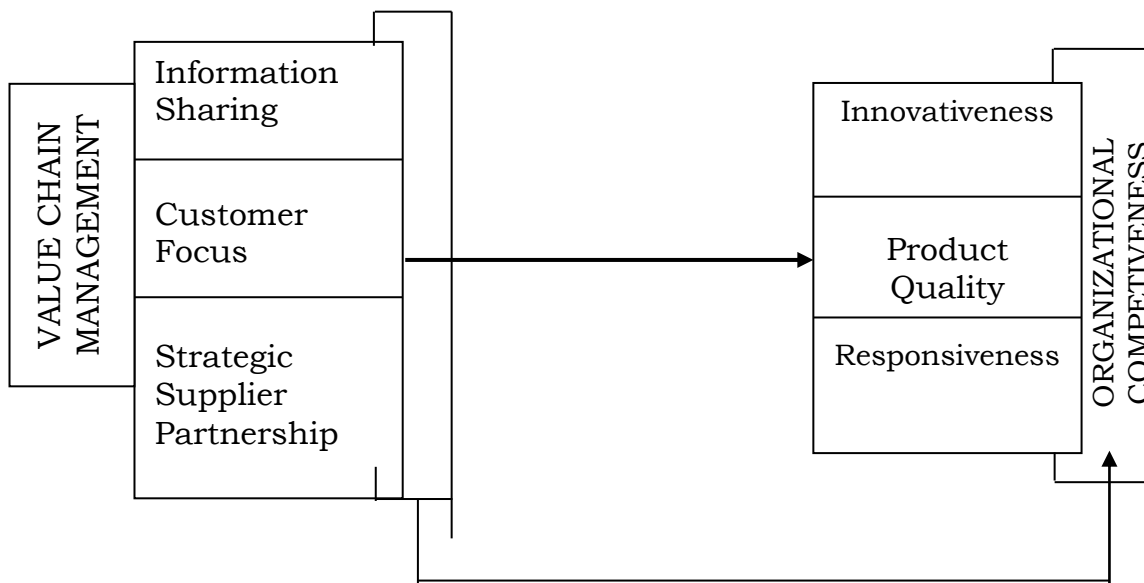
The results of the hypotheses relating information sharing as a component of value chain management and competitiveness measures, which includes, innovativeness, product quality and responsiveness are assertive. From the descriptive results, information sharing is highly deserved in the value chain management strategic function of the organizations in the hospitality industry. Information sharing had support in the works of Gibbs (2012) where it is regarded as a strategic action directed at making critical information available to all those involved in decision making that are goal directed. Mende (2012) posits that in ensuring product quality service delivery, firms are required to acquire and disseminate information on customer expectations. This is also the case with all those that are involved in the entire production and distribution chain so that all constituents of the value chain are abreast of their various roles. The study findings corroborate this position. Information sharing according to Choprra et al (2007) is necessary amongst external and internal constituents of organization especially in the era of virtual operations.

The findings of the study on customer focus as a core function in value chain management sufficiently substantiate extant literature position on its relationship with desired organizational objective. Customer focus essentially ensures value enhancement strategy for both the organization and the customer. Payne and Frow (2009) observed that at the level of the firms, customer focus ensures that the right skills are provided to develop capacity to deliver on operations that ultimately lead to goals. The result show empirical link between customer focus and innovativeness. The correlations are indicatively strong. Newbert (2007) had found that firms competitively innovate through strategic focus on the human resource that is unreservedly the knowledge bank of organization therefore their ability to gather and disseminate information, results from a relational environment that ensures sensitivity.

A sustained interaction with suppliers is key to competitiveness in turbulent environment argued Mithas, Ramasubbu & Sambamurthy (2010). They had considered managing suppliers as an essential means of achieving competitive advantage since operational resources are leveraged through such strategic partnership. Wang & Ahmed (2007) observed that modern business imposes constant competition with rivals with a view to acquiring a larger share of the market. Achieving this requires consolidating on existing strategic that are capable of adding value to the chain. Peteraf, Stefano & Verona (2013), is also of the view that companies under intense competition adopt strategic partners and creating alliances that are functional. These positions rightly accords strategic supplier partnership as a reliable strategic attempt at positioning firms for competitiveness.

The above theoretical implication are illustrated in figure below from this research outcome,





**Fig 1. Heuristic Model Showing the Relationship between Value Chain Management and Organizational Competitiveness in the studied sector**

### Conclusion/Policy Implications

The findings of the study clearly indicate that value chain management relates positively and significantly with organizational competitiveness. Considering the increased level of competition in the hospitality sector, organizations evolve strategic means of ensuring support of all stakeholders in the value chain such as strategic actions like information sharing, customer focus, and strategic supplier partnership have the objective of ensuring innovative practices, product quality, and responsiveness. The study outcome has reinforced the significance of value chain management in the sector in influencing meaningful workplace outcomes, namely innovativeness, quality, and responsiveness, which all represent measures of organizational competitiveness. In another stretch, the study has reiterated the need for all-round analysis of all activities that enhance quality service delivery and emphasized building linkages across functions to attain competitive advantages. The study therefore sets the stage for future research efforts that consider other chain activities that are value added.

### Suggestion for Further Studies

It is suggested that this study be replicated in other sectors of the economy. In addition, the mediating role of other work variables like ICT in facilitating the relationship between the predictor and criterion variable should be examined.

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