Innovation Strategy and Organization Adaptability of Hotels in Port Harcourt

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Abstract
This study examined the relationship between Innovation Strategy (IS) and Organizational Adaptability of the hospitality industry in Port Harcourt. The study used a correlational cross sectional design involving managers, supervisors and unit heads. Primary data was obtained using questionnaire as the research instrument. The target population of the study was all the hotels in Rivers state. Studying all the Hotels in Port Harcourt will be very cumbersome within the limited time frame for the study. Hence, an accessible population will be selected from the 159 hotels in Port Harcourt registered with the Rivers State Ministry of Culture and Tourism. A total of 20 hotels were purposively selected in Port Harcourt for the study. A sample size of 186 was adopted through the Krejcie and Morgan table and the simple random technique was used. The internal reliability of the research instrument was tested using Cronbach Alpha Coefficient and only items that have an alpha reading of 0.70 and above were considered .After data cleaning; only data of 166 respondents were finally used for data analysis. Descriptive statistics and Spearman's rank correlation were used for data analysis and hypothesis testing. The study findings confirm that there is a positive significant relationship between innovation strategy and organizational survival. The study concluded that innovation strategy bears a positive and significant influence on organizational adaptability. The study recommended that Hotel Management should embrace innovation towards service quality improvement, better service delivery, process improvement, efficient organizational management and finally to ensure customer satisfaction.

Key Words: Innovation, Strategy, Organizational Adaptability, Hotels

Introduction

The business landscape in Nigeria recently has been quite unsatisfactory in its progress leading to a slow pace of growth, growing unemployment rate, poor industrial output and poor demand rate for services and tangible products (Oginni & Adesanya, 2013). It could be argued that the sector most hit by the 2008 global financial crisis is the hospitality industry. This is because entertainment, leisure and tourism are vulnerable to economic uncertainty and volatility (Amadi, 2008b). Most travel and tourism activities involve optional expenses. During times of economic recessions, people like to conserve money to cover the essentials of life such as food, shelter and family necessities. Hospitality businesses, which will survive in the periods of economic doom, are those with the ability to adapt to new circumstances. For Nwosu (2008a), as people tighten their belts during the period of economic crisis, business travel is scaled down, and leisure travel is reduced too. In Nigeria, the knock-on-effect really scales down in-bound business travel that makes the bulk of hotel visits. The hotel industry was flourishing in the past until recently when the country started experiencing economic recession. However, since the problem of economic recession has taken over the day, the hotel industry like many other industries have been recording drastic decline in its operations.

Competition ensures change in the way things are done and raise quality bar to international standard as well helps to achieve appropriate pricing level (Adesina, 2003). Many good ideas about how products and services should be offered, how they should be produced and delivered have suddenly become obsolete in the face of change. In the same way, many organizations find it difficult to cope with changing customer needs, new technology and innovation as a result fold up or are taken over by more aggressive competitors. The ability of organizations to survive is the ability to adapt and to thrive amidst these changes which in most cases may not be favourable. In Nigeria, many businesses have packed up, staggered, collapsed, and relocated as a result of unfavourable conditions of the environment (Ogunro, 2014). Kalay and Lynn (2014) opined that in a highly competitive environment, innovation is the essential key to a firm obtaining a dominant position and gaining higher profits. Therefore, the understanding of Innovation strategy is critical to organizational adaptability.

Strategic adaptation can be viewed as a process that entails both internal and external alignment and structuring by the firm. Internal structuring emphasizes internal actions addressed to adapting organizational agents to new environmental conditions while external structuring focuses on actions that modify the firm's relationship with its environment (Sanchez, Lago, Ferras, & Ribera, 2011) such as competitor orientation, market and customer focus. Dynamic industry situations often require firms to adapt to the environment by changing their strategic orientations, but building strategic adaptability into a firm requires the presence of certain decision-making processes and organizational support mechanisms (Dibrell, Davis, & Craig, 2008) that affect the perceptions of opportunities in their industry environments. Currently, advances in technology are arguably the most potent drivers of change within the global travel industry. Although innovation is one of the key ways by which organizations adapt to and manage their environments, firms in the same industry segment do not always react similarly to the environmental changes in the same manner. Hence, strategic orientation as a strategic choice drives the way the firms acquire, allocate and utilize resources to create dynamic capabilities in fast changing environments (Zhou & Li, 2009).

A large stream of empirical research has examined the concept of Organizational Adaptability using various predictor variables. Therefore, this study intends to examine the relationship between innovation strategy and Organizational Adaptability of hotels in Port Harcourt. This study also seeks to provide answers to the following research questions:

i. What is the relationship between innovation strategy and internal structuring of hotels in Port Harcourt?
ii. What is the relationship between innovation strategy and external structuring of hotels in Port Harcourt?

Literature Review

Theoretical Foundation

The underpinning theory for this study will be anchored on the Resource -Based View theory. This theory tries to explain the internal sources of a firm's sustained competitive advantage (Kraaijenbrink, Spender and Groen, 2010). The resource-based strategy paradigm emphasizes distinctive, firm-specific, valuable, imperfectly inimitable and rare resources and capabilities confer competitive advantage on the firm that possesses them (Wernerfelt, 1984). Its innermost proposition is that if a firm is to attain a state of sustainable competitive advantage it must obtain and control valuable, rare, inimitable, and non-substitutable (VRIN) resource and capabilities, plus have the firms in the place that can absorb and apply them. Resources relate to a firms intangible and tangible assets whereas capabilities are the way of accomplishing firm activities, depending on the availability of resources (Wernerfelt, 1984; Barney, 1991).

Simply stated, in order to produce a competitive advantage that is sustainable, firms should base their success in their distinctive competencies which are grounded in their resources and routines. For Menguc and Auh (2006), innovativeness is a rare, valuable and hard-to-copy firm level competence. It is the key driver of innovation in a firm (Damanpour, 1991; Dobni, 2006), and represents a firm's ability to continually develop innovations (Damanpour, 1991; Dobni, 2006).

Innovation Strategy (IS)
According to Porter (1996), strategy is the presence of a set of activities that will enable the firm to differentiate itself from its competitors and to maintain its competitive position. Typically, the results of research have shown that firms possessing an Innovation Strategy are more successful when compared with those that do not possess an Innovation Strategy (O'Regan, Ghobadian, Gallear, 2005). Innovation Strategy is a guide that makes firms think about why they innovate before attempting to make an innovation. Innovation Strategy is composed of financial purposes and growth areas regarding a new good or service; it is the overall criteria providing a set of filters through which the notions of strategic roles and a new product or service should pass, thereby defining the strategic mission of new products or services. According to Lendel and Varmus (2011), innovation strategy is determining how strategies shape the approach to aims, methods and ways to enhance and improve the innovative potential of the firm. Innovation Strategy enables top management to follow the activities of their competitors, to reach customer market information, to use firm resources effectively and to make efficient investments in research and development (Oke, Walumbwa, & Myers, 2012). These activities have been found to positively impact firm innovation performance (Verhees and Meulenberg, 2004). Firms permanently conduct their activities under internal and external contingencies. From the contingency perspective, to manage uncertainties, organizations may try to improve their performance by applying effective strategies (Donaldson, 2001). For instance, under the environmental conditions of an increasingly competitive environment and constantly changing customer needs, managers will strategize and allocate resources appropriately to improve firm innovation performance. In other words, the application of an Innovation Strategy in a firm can ensure the implementation of successful innovations by decreasing critical internal and external contingencies.

According to Tang (1998), there are three important questions that must be answered regarding Innovation Strategy: (1) which (what type of) innovations will be performed by the enterprise? (2) How will the enterprise perform these innovations? (3) By which methods will the enterprise present its innovations to the market? The answers of these questions require regulations that are consistent with the strategy regarding all resources of the enterprise, business relationships and production processes. The general opinion in the literature is that Innovation Strategy has a positive effect on the quality of innovation and firm innovation performance (Wu & Lin, 2011).

Adaptability

Adaptability is an aspect of resilience that reflects, learning, flexibility to experiment and adopt novel solutions, and the development of generalized responses to broad classes of challenges (Walter, et al., (2006). According to Bowden (1946) researching the past world war, adaptive capability is the ability or inclination of individuals or group to maintain an experimental attitude towards new situations as they occur and to act in terms of changing circumstances. Adaptability is addressed in this context through two approaches; socio environmental and organizational (Mc Manus, et al; 2008).

An organization's ability to adapt is at the heart of their ability to display resilient characteristics. Starr, et al; (2003) discusses the importance of adaptation and notes that the aim is to create advantages over less adaptive competitors. This suggests that adaptabilsity is also linked to competiveness. Dalziell and Mc Manus (2004) define adaptability as the engagement and involvement of organizational staff so that they are responsible, accountable and occupied with developing the organization's resilience through their work because they understand the links between the organization's resilience and its long term success. It is the ability of the system to respond to the changes in its external environment and to recover from damage of internal structures with the system that affect its ability to achieve its purpose.

Measures of Organizational Adaptability

Internal Structuring

While strategic adaptability lies in between strategic opportunism and strategic commitment, adaptability often influences strategic success as firms read signals and trends from the business environment and change and adapt accordingly (Jacobs, 2010). Adaptation distinguishes the more vibrant aspects of strategic management and is primarily directed at implementing strategic plans and adjusting the operating and administrative systems of the firm according to the plans (Drejer, 2002). Internal alignment measures such as strategic planning, corporate leadership, approach to workers and, external alignment measures such as market and customer focus, technological and innovation capacity, strategic partnerships, and corporate social responsibility are proposed as grouped variables for measuring a firm's strategic adaptability (Eunni, Post, & Berger, 2005). The dynamic process of adjusting to environmental change and uncertainty while managing internal interdependencies is immensely complex covering numerous choices and activities at several organization levels (Miles & Snow, 2003). However, the complexity of the adjustment process within the organization can be penetrated by searching for patterns in the behavior of firms within the industry in order to describe the process of strategic adaptation.

The adaptive process (also known as the adaptive cycle) which is consistent with the strategic-choice approach to the study of organizations posits that organizational behavior is only partially predicted by environmental settings and that the choices that top managers make are critical contributors of organizational structure and process (Miles *et al*., 1978). These numerous and complex choices can be viewed as three broad 'problems' of organizational adaptation namely: the entrepreneurial problem, the administrative problem, and the engineering problem. Therefore, it is indicative that effective firms carve out and maintain viable markets for their products/services by constantly rearranging their roles, relationships and managerial processes to achieve their vision and mission.

External Structuring

Previous efforts to understand the processes through which top-level decision makers learn about external environment and implement their responses have led many scholars to study the link between individuals' cognitive representations of the environment and organizational actions (Hambrick & Mason, 1984; Daft & Weick, 1984). According to the interpretive view of meaning and action, key organizational decision makers are confronted by a continuous stream of complex and disruptive dynamics that need formalized, consistent and comprehensive framework to analyze and adapt the firm's strategic posture (Ansoff & McDonnell, 1990). Identification of strategic issues enables the decision makers to analyze and selectively prioritize some evolving developments while disregarding others.

According to Hax and Wilde (2001) the core activities of the firm are embodied in three adaptive (business) processes that capture the essential task of execution namely: operational effectiveness, customer targeting and innovation. Adaptive organizations concern themselves with both the strategy and the capability needs of the firm simultaneously (Ansoff & McDonnell, 1990). Forecasts are made not only of future threats and opportunities, but also of the kind of capabilities which will be essential for success in the future environment. According to Miles and Snow (2003) organizational adaptation is a dynamic process of adjustment to the change and environmental uncertainty of maintaining an effective alignment with the environment while internal interdependencies are efficiently managed.

Innovation strategy and Organizational Adaptability

The relevance of an innovation strategy has been supported in empirical studies; in order to maximize the benefits of previous innovations, innovative activities must be given a strategic direction (Cottam *et al.*, 2001).The relationship between innovation and survival has been considered by a number of recent studies with contrasting results. Cefis and Marsili (2012), for example, examine the relationship between innovation and alternative forms of exit (closure, merger, acquisition) among Dutch manufacturing firms, and find that product and process innovations have mutually reinforcing negative effects on the probability of exit. Ortega-Argiles and Moreno (2007) using data on Spanish firms also find that both product and process innovation lead to a reduction in failure rates for smaller firms, although only process innovation is significant for larger firms. Other recent evidence for a very large panel of Australian firms, however, suggests that failures in more radical innovation projects may actually increase the probability of exit (Buddelmeyer et al., 2010).

Innovation of any given type – product or process, radical or incremental – can, however, be undertaken in very different ways with implications for the quality of innovation outputs, the riskiness of the activity, and the potential for organizational learning and strategy reformulation (Astebro and Michela, 2005). This suggests the possibility that survival and exit may be contingent not only on the type of innovation which firms are undertaking but also on *how* firms are undertaking that innovation, that is, the nature of firms' innovation strategies. We can then argue that the kind of innovation strategy undertaken by a firm to large extent impacts on its survival. Based on the foregoing, we hypothesized thus:

Ho_1: There is no significant relationship between innovation strategy and internal structuring of hotels in Port Harcourt.

Ho_2: There is no significant relationship between innovation strategy and external structuring of hotels in Port Harcourt.

Fig.1 Operational Framework for the hypothesized relationship between innovation strategy and organizational Adaptability

Source: Desk Research, 2017

Methodology

The study adopted the cross-sectional survey method in the generation of data (Baridam, 2001). The target population of the study is all the hotels in Rivers state. An accessible population was selected from the 159 hotels in Port Harcourt registered with the Rivers State Ministry of Culture and Tourism. A total of 20 hotels was purposively selected in Port Harcourt will serve as the accessible population of the study. The study focused attention on officers with job titles such as hotel managers, operations managers, heads of departments, unit heads and duty managers or supervisors. All those within these categories constituted the elements of our study population. A total of 350 workers were obtained from the Human Resources Department of the hotels which represent the sample frame. The sample size was obtained using the Krejcie and Morgan (1970) table for determining minimum returned sample size for a given population. For our population, the table placed our sample size at one hundred and eighty six (186). The sampling procedure to be used in this study is the purposive sampling technique. Descriptive statistics and Spearman's rank correlation were used for data analysis and hypothesis testing with the aid of the SPSS Package version 21. The internal reliability of the instrument is as shown below:

Table 1: Reliability statistics for the instruments

S/No	Dimensions/Measures of the study variable	Number of items	Number of cases	Cronbach's Alpha
1	Innovation strategy	5	166	0.868
2	Internal structuring	5	166	0.878
3	External structuring	5	166	0.906

Source: Research data, 2017

Results and Discussions

Bivariate Analysis

The secondary data analysis was carried out using the Spearman rank order correlation tool at a 95% confidence interval. Specifically, the tests cover hypotheses Ho_1 to Ho_2 which were bivariate and all stated in the null form. We have relied on the Spearman Rank (*rho)* statistic to undertake the analysis. The 0.05 significance level is adopted as criterion for the probability of either accepting the null hypotheses at ($p>0.05$) or rejecting the null hypotheses at ($p<0.05$).

We shall commence by first presenting a proof of existing relationships.

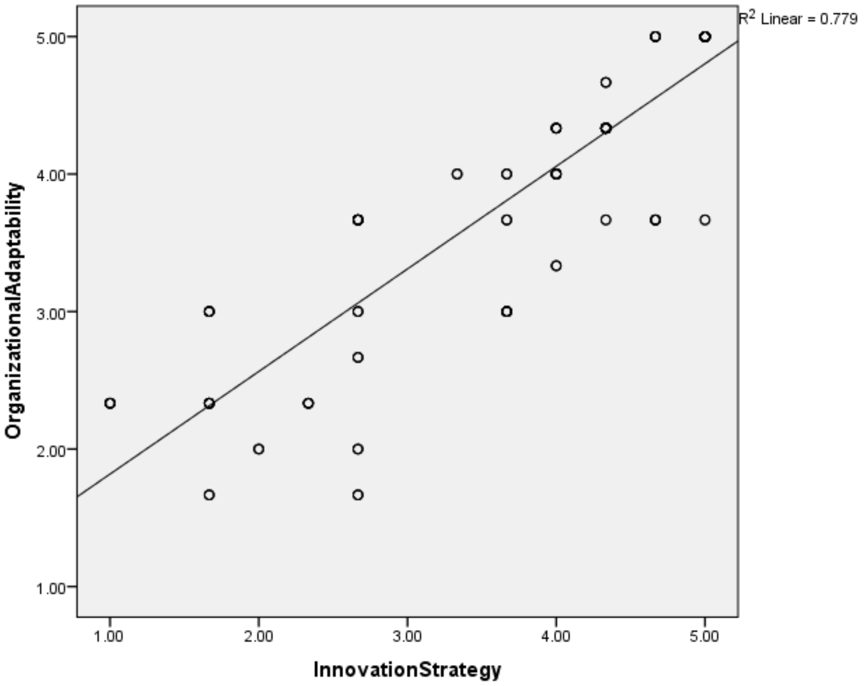

Figure 1: scatter plot relationship between innovation strategy and Organizational Adaptability

The scatter plot graph shows at R^2 linear value of (0.779) depicting a very strong viable and positive relationship between the two constructs. The implication is that an increase in innovation strategy simultaneously brings about an increase in the level of organizational adaptability. The scatter diagram has provided vivid evaluation of the closeness of the relationship among the pairs of variables through the nature of their concentration.

Table 3: Correlation matrix for Innovation Strategy and Organizational Adaptability

			Innovation Strategy	**Internal Structuring**	**External Structuring**
Spearman's rho	Innovation Strategy	Correlation Coefficient	1.000	.760**	.705**
		Sig. (2-tailed)	.	.000	.000
		N	166	166	166
	Internal Structuring	Correlation Coefficient	.760**	1.000	.668**
		Sig. (2-tailed)	.000	.	.000
		N	166	166	166
	External Structuring	Correlation Coefficient	.705**	.668**	1.000
		Sig. (2-tailed)	.000	.000	.
		N	166	166	166
		Sig. (2-tailed)	.000	.000	.001
		N	166	166	166

Source: Research Data June, 2017 (SPSS output, version 21.0)

The table above illustrates the test for the two previously postulated bivariate hypothetical statements.

Ho$_{1:}$ There is no significant relationship between innovation strategy and internal structuring of hotels in Port Harcourt.

The correlation coefficient (r) shows that there is a significant and positive relationship between innovation strategy and internal structuring. The *rho* value 0.760 indicates this relationship and it is significant at p $0.000<0.05$. The correlation coefficient represents a high correlation indicative of a strong relationship between the variables. Therefore, based on findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between innovation strategy and internal structuring.

Ho$_{2:}$ There is no significant relationship between innovation strategy and external structuring of hotels in Port Harcourt.

The correlation coefficient (r) shows that there is a significant and positive relationship between innovation strategy and external structuring. The *rho* value 0.705 indicates this relationship and it is significant at p $0.000<0.05$. The correlation coefficient represents a high correlation indicating a very strong relationship. Therefore, based on findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between innovation strategy and external structuring.

Discussion of Findings

The findings revealed a strong and positive significant relationship between innovation strategy and organizational adaptability using the Spearman's rank order correlation tool and at a 95% confidence interval. The findings of this study confirmed that innovation strategy has a significant positive relationship with organizational survival. Therefore, this revealed that a strong and positive relationship exists between innovation strategy, internal and external structuring.

This implies that innovation strategy influences a firm's adaptability in the hospitality industry in Port Harcourt. This agrees with previous findings that firms which thrive are those that are quick to read and act on signals of change with products, services, processes and strategies (Zhou & Li, 2009). The findings were also consistent with findings of Michie and Sheehan (2003) which established that the use of innovative work practices was positively correlated with all categories of innovation. Innovation is one of the ways by which firms can adapt since it is concerned with behavioural and social processes whereby firms seek to attain desired changes or avoid the penalties of inaction. Michie and Maura (2005) concur with the above statement by indicating that flexibility varies between and within individuals as well as organizations depending on the pace and ease with which they react to a challenging environment.

Our finding is consistent with previous findings by Kalay & Lynn (2014) results of the study that showed that innovation strategy had a positive impact on firm innovation performance. In other words, it was determined that enterprises possessing an IS were more innovative and successful. In many studies, a positive correlation has been shown between the activities to be performed by top management within the scope of IS and firm innovation performance (e.g., Verhees & Meulenberg, 2004).

This study revealed that the Hospitality industry requires firms to adapt to the environment by building strategic adaptability through enhancing innovation. The findings complement

Dibrell, Davis and Craig (2008) idea that a firm requires the presence of certain decision making processes and organizational support mechanisms to influence the perceptions of opportunities in their industry environments.
Firms in the hospitality industry need agile business processes that allow them to adapt quickly to evolving markets, customer needs and business environment.

Conclusion and Recommendations
In rapidly changing technology and business environment, companies across the hospitality industry are experiencing major disruptions by new and disruptive technologies and business models. The most successful firms incorporate disruptive thinking into all their business and management practices to gain distinctive competitive value propositions (Heisterberg & Verma, 2014). Firms in the hospitality industry need agile business processes that allow them to adapt quickly to evolving markets, customer needs and business environment. The study thus concludes that innovation strategy influences the organizational adaptability of the hotels positively as it result in increased adaptability, dynamic capability, resource acquisition, and efficiency in serving customers. Based on this the following, recommendations are here proffered:

- **i.** Hotels should embrace innovation towards service quality improvement, better service delivery, process improvement, efficient organizational management and finally to ensure customer satisfaction.
- **ii.** To succeed in the hospitality industry, hotel managers must shift from producing the best products/services in the market to creatively deliver the most suitable product offering for their customers.
- **iii.** Since hospitality organizations have their own unique capabilities, attributes and decision making processes each firm should innovatively address the threats and opportunities in their own ways.

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