

**YANGON UNIVERSITY OF ECONOMICS  
DEPARTMENT OF COMMERCE**

**THE EFFECT OF ORGANIZATIONAL CAPABILITIES ON  
ORGANIZATIONAL PERFORMANCE OF SELECTED  
TRAVEL AND TOUR COMPANIES IN MYANMAR  
(MEDIATING ROLE OF COMPETITIVE BUSINESS STRATEGIES)**

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This thesis is submitted to the Board of Examiners in partial fulfillment of the requirements for the degree of Master of Commerce (M. Com)

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## **ABSTRACT**

This study analyzes the effect of organizational capabilities on organizational performance of selected travel and tour companies in Myanmar and the mediating effect of competitive business strategies on the relationship between these variables. This study represents the survey data collected from 52 tour companies. Organizational capabilities include marketing capabilities, technical capabilities, and managerial capabilities. According to analysis, technical capabilities have the highest score of mean value, followed by marketing and managerial capabilities. For the strategies used, majority of tour companies pursued differentiation strategy, followed by focus and cost leadership strategies. According to the result of regression analysis, technical capabilities only have positive significant effect on organizational performance among others. By using path analysis, only cost leadership strategy has mediation effect between organizational capabilities and organizational performance.

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## **LIST OF ABBREVIATIONS**

ANOVA	Analysis of Variance
BCS	Business Strategies
OGCAP	Organizational Capabilities
OP	Organizational Performance
SPSS	Statistical Package for Social Scientists

# CHAPTER I

## INTRODUCTION

A strategy or overall action plan can be putting into practice for wide-ranging corporate goals, specified goals regarding to business level and functional department goals as small as cost center (Porter, 1990). According to Thompson et al. (2007), a company's strategy represents a managerial plan for running the operations of business. Strategies can be divided into company level, business level and functional level. The strategy used to obtain superior competitive advantage is called business-level strategy (Hill & Jones, 2001). Out of business-level strategies, Michael Porter's generic strategy which highlight subject matters enterprise ought to accomplish for winning competitive advantages is popular. In accordance with concept of Michael Porter (1980), there are three kinds of strategies for business, representing cost leadership, differentiation and focus. On the other hand, focus can be divided into cost focus and differentiation focus. He recommended that so as to achieve long-term profitability, the company must pick out a choice which generic strategies should be used rather than end up in the "middle." The ability of a company to survive in the industry is largely affected by its competitive strategy. Competitive advantage is the attribute that enables a company to surpass its competitors. Long-running competitive advantages underlies on the company's ability to acquire, consolidate, and re-allocate its resources tracking to meet the requirements of customers located the market. Not being same performance has spring up from sort of resources and capabilities belonged to companies (Teece et al., 1997). The impact of capabilities on competitive advantage corresponds to the ability of a given company to develop its capabilities while implementing better and more complex strategies (Amit and Schoemaker, 1993; Liu, Baskaram and Li, 2009).

Dr. Cemal Zehir and Dr. A. Zafer Acar (2006) said that in his research paper, there are many ways to identify organizational capabilities: including upper management capabilities, marketing capabilities, technical capabilities, product/service capabilities, global capabilities, information systems capabilities, order fulfillment capabilities and external relationship capabilities. The practice of organizational capabilities may vary depending on the type of industry and the nature of the business. In the manufacturing and export industries, all eight types of

organizational capabilities are used. However, in the hotel industry, management and marketing capabilities are applied. Today, technology is also critical for the company to achieve success. For the reason that tourism industry is an indispensable part of the service industry, management capabilities, marketing capabilities and technical capabilities are used in this study.

Tourism is vital to a country's economic development because it can increase the country's income, create jobs for its residents, attract foreign direct investment, and share cultural heritage with other countries. "Aggregation of actions concerning accommodation, transporting, enhancing and catering of tourists which are done by interconnecting with relevant entities each other can be described as tourism". "Tourists, local communities, tourism supporters, universities, non-governmental organizations, geography of nation, government of origin are relevant bodies to undertake tourism" (Weaver and Lawton 2006).

If the tourism industry develops, the host community can get a lot of benefit from this. Tourism can provide jobs, generate needed foreign exchange, increase income, increase gross national product, strengthen the protection of heritage and traditions, and develop infrastructure to stimulate local economy and industry. In olden days, people invested their money in savings, bargaining products they want to desire. Nowadays, journeying is tuning into trendy among people. People with spare income spend their leisure time by means of traveling. According to the World Travel and Tourism Report, the direct contribution of travel and tourism to GDP in 2018 was \$250.7 billion (3.2% of GDP), and the travel and tourism industry directly created 122,891,000 jobs in 2018 (accounting for total employment 3.8% of the population). Therefore, travel companies play a vital role in meeting the requirements of tourism progress, as a supplement to the tourism industry. As reported by Ministry of Hotels and Tourism (2019), there are 3188 tour companies empowered by government to conduct tourism services. Beneath them, vast majority of companies are domestic ownership, accounting for 3145 companies. Of which, 724 companies undertake outbound tourism only. Among the rest, 42 companies are operating their business in the form of joint-venture. There exits only one foreign-owned company, this number is retaining the same ever since 2011.

There have been some previous studies on competitive business strategies, managerial capabilities and organizational performance. Muia, F. (2017) studied the impact of competitive strategy on the performance of Kenyan insurance companies.

He found a strong positive link between these three strategies: differentiation, focus, cost leadership and organizational performance. This outcome shows that the competitive strategy has a positive contribution to the company's performance. Ruto, J.K. (2018) investigated the impact of Porter's generic competitive strategy on the organizational performance of non-life insurance companies in the town of Elgoret, Kenya. He also rounded out that there is a strong positive interconnection between performance of insurance companies and strategies as mentioned above. Gyamfi, R.K. (2015) looked over the impact of Porter's generic strategy on the performance of Kumasi Hotel, while thinking of management capabilities as moderator.

There have been some studies on the competitive strategy of travel agencies in Myanmar. In 2011, Thuzar Thaung Zaw (Master of Business Administration student at Yangon University of Economics) studied the competitive strategy of travel agencies. In 2012, Myo Zin (Master of Business Administration, Yangon University of Economics) studied the strategies implemented by Myanmar's tourism market leaders. However, there are no written papers on the organizational capabilities, competitive business strategies, and organizational performance of travel agencies and companies. Therefore, this research focuses on the effect of organizational capabilities on organizational performance of selected travel and tour companies in Myanmar considering competitive business strategies as mediating role.

## **1.1 Rationale of the Study**

Alternation was become visible following Myanmar shifted administration and unlocked its entrance to the world at the time of transferring from military junta to civil authority in 2011. According to YSX's report on Myanmar's tourism industry (December 27, 2018), "there were only 800,000 tourists visited Myanmar every year before democratization and this number began to grow rapidly after 2011 as Myanmar opened up these countries (especially Thailand and China) to conduct business". As a result of the new policy changes, foreigners can go round the country and can even set up a venture.

Myanmar is an isolated country and has been implementing a closed policy for many years. Therefore, Myanmar is an interesting place for residents of other countries in the past. Simultaneously in 2011, some constricted areas were opened for tourists and the number of tourists visiting increased dramatically. In 2015, this number was as high as 4.7 million. Unfortunately, in 2016, the number of tourists

visiting dropped to 2.9 million. During the couple years originating from 2017, the tourism industry taking up again to flourish. As a result, amount of entrant tourists access to 4.3 million. Therefore, it can be said that the tourism industry is elaborating year by year, and tourism sector contributes a sizable portion of GDP in Myanmar. Therefore, the role of travel operators has become a main concern for the development of tourism.

Tour operators stand for as a medium supporting provider of tourism service industry. According to the Ministry of Hotel and Tourism Statistics, there were just 1946 licensed tour companies in 2015. In 2017, tour companies which are authorized to commerce operations of tourism enlarged up to 2,593. Therefore, more tour companies are needed to fulfill the development of tourism sector. Tour companies are small and medium enterprises and the number of tour companies are increasing year by year. This led to the competition between them to gain the market share, profit and so on. Hence, gaining competitive advantages over rivals is important for tour companies to survive in the tourism industry. Thus, it is necessary to study which strategies tour companies have been using and how strategies, and organizational capabilities impact their performance. If performance of the companies is great, they can survive long run in the tourism industry. This study can assist and guide to policy makers of the tourism industry in formulating the relevant strategies, and how to utilize their capabilities to improve organizational performance.

## **1.2 Objectives of the Study**

- (1) To examine the effect of organizational capabilities on organizational performance of selected travel and tour companies in Myanmar.
- (2) To analyze the mediating effect of competitive business strategies on the relationship between organizational capabilities and organizational performance of selected travel and tour companies in Myanmar

## **1.3 Scope and Methods of the Study**

This study focused on the effect of organizational capabilities on organizational performance and the mediating effect of competitive business strategies on the relationship between them. Because of Covid-19 effect in 2020, the study gave attentions on competitive business strategies and organizational capabilities of tour companies between 2015-2019. In 2019, there were 3,145 local

tour companies. However, in 2020, the number of tour companies decreased because of the effect of covid-19. According to Union of Myanmar Travel Association (UMTA), there are members of 352 tour companies at present. By using Yamane formula, the sample size was 78. Data was collected from responsible person in tour companies by mailing survey questionnaire with google drive. The required sample size was obtained. However, it contained un useable data. After removing rejected data, the available sample size was 52 tour companies. This study used primary and secondary data. Primary data was collected from interview with management through the use of survey questionnaires. Secondary data was collected from previous business journals, research papers and websites. To measure the effect organizational capabilities on organizational performance and mediating effect of competitive business strategies, descriptive statistics, regression analysis and path analysis were used in this study.

#### **1.4 Organization of the Study**

This study includes five chapters. The first chapter is introduction, including the rationale of the study, objectives of the study, scope and method of the study, and organization of the study. Chapter two consists of the literature review which includes theoretical perspectives of competitive business strategies, organizational capabilities and organizational performance. Chapter three represents background study on tourism sector in Myanmar. Chapter four analyzes the effect of organizational capabilities on organizational performance of selected travel and tour companies in Myanmar. Chapter five is conclusion which describes the findings and discussions, suggestions and recommendations, needs for further study.

## **CHAPTER II**

### **THEORETICAL BACKGROUND OF THE STUDY**

This chapter specifies the theoretical background of the study. It can be divided into (7) parts: concept of organizational capabilities, types of organizational capabilities, concept of strategy, theories for competitive advantages, organizational performance, previous studies, and conceptual framework.

#### **2.1 Concept of Organizational Capabilities**

Organizational capabilities are one of the most crucial resources for an organization to obtain the best results. Resources and capabilities are high-priority for a business to become a market leader. The process of transforming strategy from its capabilities to action is the trademark of a business leadership. Capabilities such as skills, attitudes, and behaviors can help an organization to attain competitive advantage over opponents. Effective manoeuver of capabilities can elevate goodwill of the organization.

Today, organizations are focusing on how to re-skilling employees to maintain competitive advantage. The skills and abilities of employees are regarded as precious, irreplaceable and rare resources. Organizational capabilities can bring excellent customer service and improve customer satisfaction. For organizations, it is very important to choose the most influential organizational functions and decide how to use these capabilities to achieve excellent organizational performance.

Unifying the organizational structure, system, procedures and human expertise to shape the company turning into extraordinary is interpreted as capabilities in the possessions of an organization. These are created internally, thus it is not straightforward for others to replicate. Organizational capabilities can be clarified as "the ability to repeatedly perform production tasks, which are directly or indirectly related to the ability of an enterprise to create value through the transformation of input to output" (Grant, 1996). In agreement with Amit and Schoemaker, Grant., and Teece et al., (1993,1991,1997), capabilities of a firm are the utilization of resources in operating activities of the business which in turn getting of superior output. In this point, resources could be physical or insubstantial. By belonging to capabilities that can effectively deploy their resources, a corporation can attain it specific intended

goal (Helfat and Peteraf, 2003). Organizational capabilities are fundamental instruments in dealing with problems arising in the enterprise. (Dosi et al., 2000).

## **2.2 Types of Organizational Capabilities**

Researchers distinguished different organizational capabilities. Based on this study, organizational capabilities can be split into three: namely marketing, technical and managerial capabilities.

### **Marketing Capabilities**

Supplying the needs of customers by utilizing with collaboration of interior resources and individualized competence, after that offering value added services is marketing capabilities of a company. The ability of which customers' complicated and duplex desires can be met by fully utilizing concrete and nonphysical resources are characterized as marketing capabilities of an organization. (Day, 1994). Those capabilities enable customers to obtain differentiated products and gain brand equity and loyalty. When combining individual skills of employees with existing resources, the marketing capabilities of the organization will improve (Vorhies & Morgan, 2005).

By investing specialized resources when interacting with customers can protect the organization from losing position in the market. Once that kind of functions has been formulated, it is hard for contenders to copy them (Day, 1994). Marketing capabilities support the organization to attain superior advantages over rivals. However, marketing capabilities only emphasize on performance of organizations located in stable economic conditions, while neglecting the instability of environmental factors. Therefore, advocating marketing capabilities is essential to help organizations establish and maintain strong relationships with consumers and participants throughout their service channel. The word marketing capabilities assist organization to construct a powerful brand image, heading to greater performance (Ortega & Villaverde, 2008). Existing research shows that the transformation of resources into output is accomplished alliance with strategies regarding to marketing that is related to outcome (Vorhies & Morgan, 2003, 2005).



## **Technical Capabilities**

Technical capabilities are routine procedures by which managers combine their various skills, know-how, and functional background to create profitable products and services. Technical market is appearing in the present day world. The company's technical assets can be easily bought and sold in that market. “The ownership, protection and utilization of technological assets are obviously the main differentiators among enterprises” (Teece et al., 1997). In the past two decades, “information technology (IT) has been regarded as an important resource to improve the competitiveness of enterprises” (Fink, 2011; Oh & Pinsonneault, 2007; Schryen, 2010). IT capabilities can be realized by applying IT-based resources. When these capabilities are merged with other capabilities, desired aspiration could be captured. (Bharadwaj, 2000).

IT capabilities also assist organization to procure benefits for example, profit increasing, cost minimizing, and revenue turning up against contenders. Moreover, IT capabilities can be regarded as opportunity of an entity. Their decision can be made promptly regarding the fulfillment of market demands. They can also adapt the technology changes, and superior service can be provided. Wade & Holland (2004) debated that resource-based view theory only spelled out advantageousness of IT for a corporation existing in stable economic climate; neglecting the conditions of economic instability.

## **Managerial Capabilities**

The competence of managers who can effectually exploit the resources and capabilities by combination of their skills to acquire objective of the organization. (Peteraf, 1993). Thus, managerial capabilities take part as a vital role to achieve capabilities of whole organization. That can be attained by collaboration of work with other employee, exchanging experience, and combination of their competences (Harris and Martin, 2000). Penrose believes that individual management skills and management knowledge are integrated to achieve the company's management capabilities. When individualized capabilities are merged together, better outcomes can be grabbed.

When a group of managers work together by congregating personal intelligence expertness, insight, and mastery, they can build collective culture of organization that leads to progress. They pointed out that the development of

management capabilities is necessary for the growth of the organization. Organizations must continue to invest in the development of knowledge and skills to acquire upper management capabilities which give rise to performance of enterprises (Mahoney, 1995: 92).

### **2.3 Concept of Strategy**

Strategy is orientation thinking about which sort of goods or services are required to tender in a particular marketplace (Henry Mintzberg 1994). He reported that it is path to take mission. A strategy is a long-standing plan of action aimed at achieving a specific goal (usually "victory") (Thompson et al, 2007). Johnson and Scholas (2005) define "a strategy as a long-term organizational direction and scope through the composition of resources in a changing environment to meet the needs of marketers and meet the expectations of stakeholders". Quinn (1980) defined a strategy as "outline or procedure that incorporates an organization's key goals, policies, and sequence of actions into a cohesive whole". Thompson et al., (2007) argued that a company's strategy describes a management plan for running the operations of the business.

At the end, strategy by which procuring a sustainable competitive advantage is known as an organization's business-level strategy (Hill & Jones, 2001). The strategy attaches a break between means and the end. In this case, means are the ways and end is final aspiration. Resources are allotted, expanded, and effectively utilized at the point of implementing a specific strategy. To achieve desired goal, only implementing strategy is not sufficient. Decision makers of an organization ought to think strategically, it implying that they need to consider the critical factors, and threats to obtain extraordinary upshot. (Nickols, 2011).

### **2.4 Theories for Competitive Advantages**

Many authors developed different theories for competitive advantages. Resource based view theory and model of Porter's generic competitive business strategies are used in this study.

### 2.4.1 Resource Based View

That concept was exploited by Penrose aiming to help the companies how they do to achieve competitive advantages by utilization of resources (Penrose 1959). Strategies are formulated, and executed by making use of resources namely capabilities, expertise, functions of the organization. (Barney 1991). Penrose (1959) alleged that capabilities can be broken off into marketing, technical and managerial. Holding capabilities can induce an enterprise distinct from others. (Hitt and Ireland, 1999).

Faizal and Rozainun (2008) contributed to the discussion. They said that companies need to be different and ensure their own survival through their own unique capabilities. Shaping the organization to being possess invaluable, remarkable, unique resources are features of concept of resource-based. In summing up, resource based view aims up the organization to attain comparative advantage through its extraordinary resources far exceeding those of competitors. (Barney, 1991).

### 2.4.2 Porter's Generic Competitive Business Strategies

Michael Porter (1980) defined competitive strategy as a plan adopted by a company after evaluating its strength and weakness to compete in the industry. He evaluated the ways how companies should maintain competitive advantages over rivals. From his effort, generic strategies are made up of three concepts: cost leadership, differentiation, and focus that are employed by the organization to advance main operating approaches along with overcoming the rivals.

**Figure 2.1 Michael Porter's Generic Competitive Strategies Model**

		Competitive Advantages	
		Low Cost	Differentiation
Competitive Scope	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Cost Focus	Differentiation Focus

Source: Porter's (1980)

### **Cost Leadership strategy**

“Cost leadership is a strategy that enables the company to become a low-cost producer and obtain more profits than competitors due to low production costs and economies of scale” (Barney, 2007). A company can be stated applying this strategy when products/services are delivered more cost-effective than opponents in similar industrial firms. Porter (1980, 1985) again pointed out making available normal products in accomplish with competitive price is so-called cost leadership. Porter (1985) put forward that cost leadership strategy is the ability to reduce and control production costs and non-production costs, and is one of the most successful ways to obtain sustainable competitive advantage.

### **Differentiation Strategy**

The differentiation strategy is based on making the products or services different from the products or services of other organizations. It emphasizes on making products or services unique in exchange for the lowest cost. Porter explained the differentiation strategy as a strategy that mainly ensures that customers get the company's products better than competitors' products. The company's main goal is to provide unique features to meet the needs of its customers so that the company can charge high prices. Porter, (1985) added that differentiation strategy is a difficult task, but once it is achieved, high performance will be achieved. Nevertheless, if differentiation strategy can be adapted, higher people will be prevailed. With the intention of strategy to succeed, product should be inimitable, and having high switching off cost. At last, company must ascertain that competitors cannot easily obtain its resources (Porter, 2001).

### **Focus Strategy**

Focus strategy contributes awareness on market which are narrow down or unique (Porter, 1980). Companies tracking on this strategy either focus on cost advantages, or focus on differentiation of products/services. Therefore, the focus can be separated as cost focus and difference focus. The cost focus is to find cost advantages in the intended market segments. The differentiation focus is finding out exclusive market as great an extent as possible to maximize efforts.

## **2.5 Organizational Performance**

The performance of an organization means how much the business has the capacity to meet the aim and outcomes set by organization (Ricardo and Wade, 2001). Taking example of showing as the performance of the organization are turnover rate, shareholder return, return on assets, return on investment, profit margin, sales, and market share. Moreover, performance can also predict the success of the competitive strategy adopted by the company (Mudaki et al., 2012). In fact, the essence of performance for organizational success is to operate effectively and efficiently to send qualified products and services in time to end users (Robert, 2001). Robert applies market share, return on investment and sales growth to study the performance in organization as indicators.

### **Market Share**

The share of the market is the rate of the company demand in the market. Market share can also be utilized as a competitive advantage measurement over rivals in similar business operations (Best, 2005). Market share shows as an annual evaluation to provide rating to organizational performance by comparing with rivalries in similar business. Thus, designing competitive strategies in each element of the marketing is essential for the success of business in manipulating the share of the company in the market. In addition, sales rate in certain location of the company's offerings of goods and services can be regarded as the market share as well (Sliden,2007).

### **Return on Investment**

ROI (Return on Investment) is notion of performance regarding to variety of investments. ROI describes how much money can be generated by utilizing the extent amount of capital employed in a particular project. Shareholders want to increase ROI ratio, as their primary goal is to maximize profit. Most of the investors make their investments in prospective businesses and projects with superior ROI. Therefore, ROI is an efficiency assessments of the amount invested, ROI identifies the result relative to the ways how to get this.

## Sales Growth

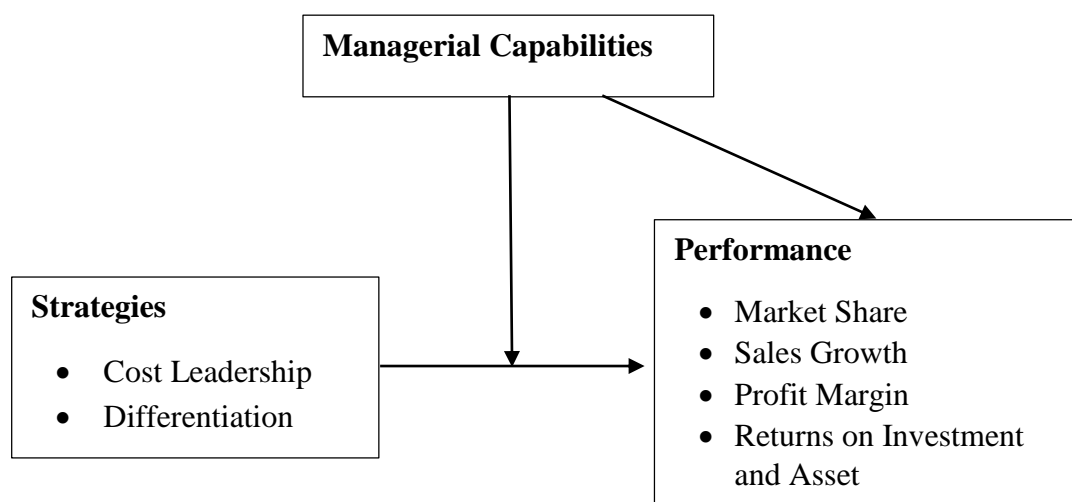
This refers to quantity of products sold off or services granted by a company in specified period. Sales volume can be regarded as the quantity of goods sold during normal operation. The aim of leaders in large associations is to maximize revenue in both short term and long term even at the time of incurring large expenses (Baumol, 1959).

## 2.6 Previous Studies

There have been many studies on the relationship between competitive business strategy, organizational capabilities and organizational performance. This study selected three papers related to organizational capabilities, competitive business strategies and organizational performance. The concepts of these studies are introduced as follows.

The first is the paper by Gyamfi, R.K, (2015). He studied “the impact of Porter's general strategy on the performance of Kumasi Hotel, in which managerial capabilities are considered as moderator”, which can be seen in the following figure 2.2. He found out that cost leadership and differentiation strategies generate good effect for the performance of organization. Managerial capabilities have an inverse relationship with differentiation, and direct relationship to cost leadership. When companies use combination of strategies and management capabilities, their performance will be better than using strategy alone.

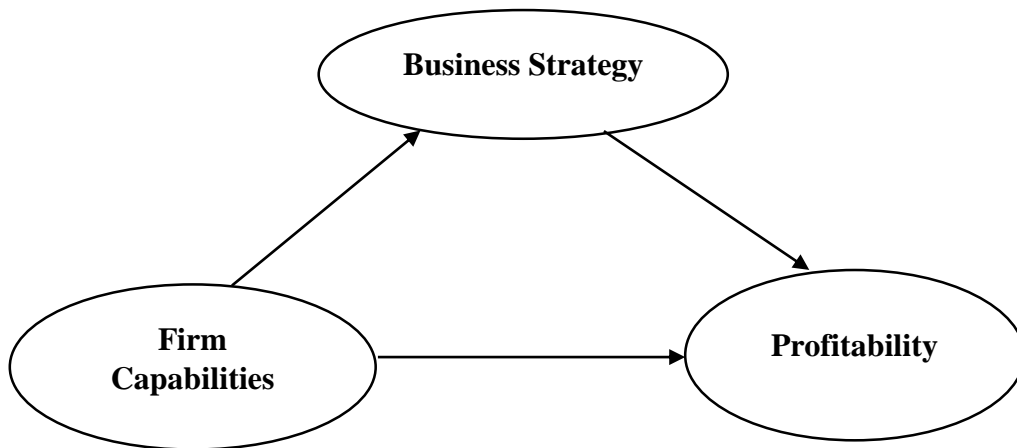
**Figure 2.2 The Effect of Porter’s Generic Strategies on Performance of Hotels**



Source: Gyamfi, R.K. (2015)

The second is the research paper of Cabarcos, M. A. L, Monteiro, S. G. O, Rodriguez, P. V (2015). They studied ‘the effect of organizational capabilities on profitability in textile industry, assuming business strategy as a moderator’. Their model is shown in Figure 2.3.

**Figure 2.3 Organizational Capabilities and Profitability: the Mediating Role of Business Strategy**

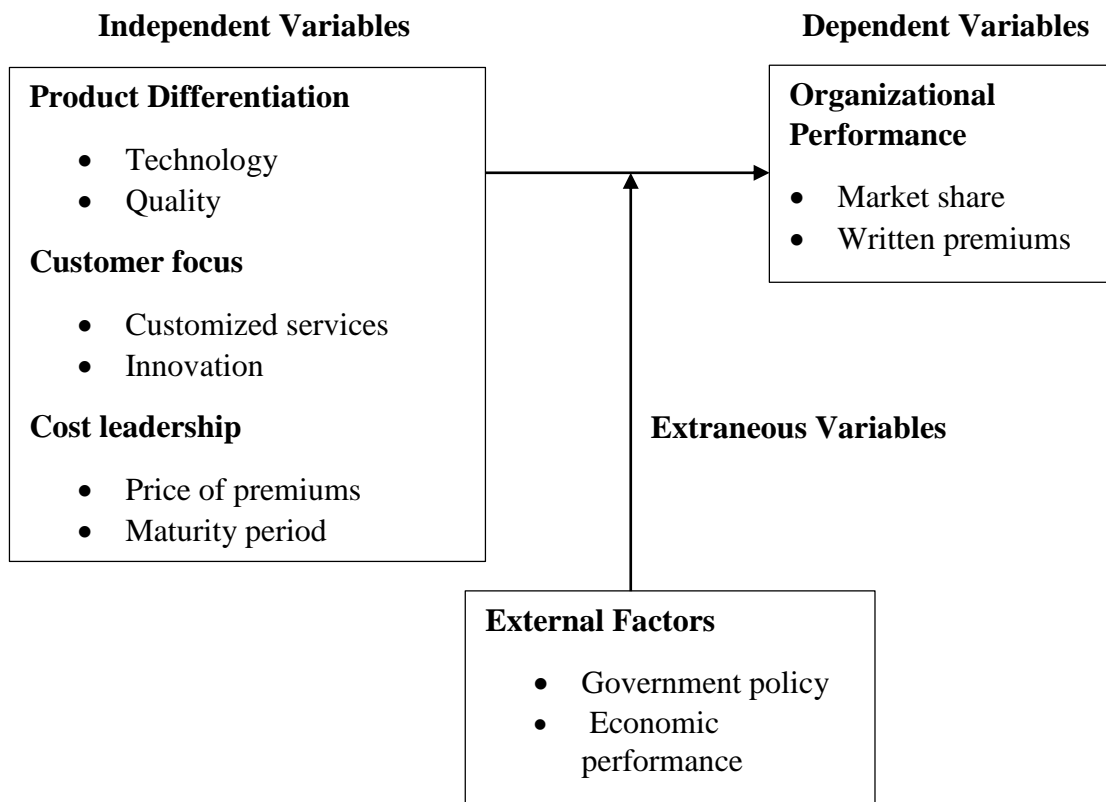


Source: Lopez-Cabarcos, M.A., Gottling-Oliveira-Monteiro, S., and Vazquez- Rodriguez, P. (2015)

The researcher found that organizational capabilities have a direct and positive influence on profitability. In this study, firm capabilities are separated into organizational capabilities, marketing capabilities, and technical capabilities. Business strategy, composing of differentiation innovation, differentiation innovation, and low cost is act as a mediator. They also found that business strategy has mediating effect on the relationship between firm capabilities and profitability.

The last one is the paper of Ruto, J.K. (2018). He studied how performance of a constitution is effectuated by utilization of generic strategies revealed by Porter. Unlikely to other researches, he used the external factors such as government policy and economic performance as a moderator. His framework in shown in Figure 2.4.

**Figure 2.4 Effect of Porter’s Generic Competitive Strategies on Organizational Performance**



Source: Ruto, J. K. (2018)

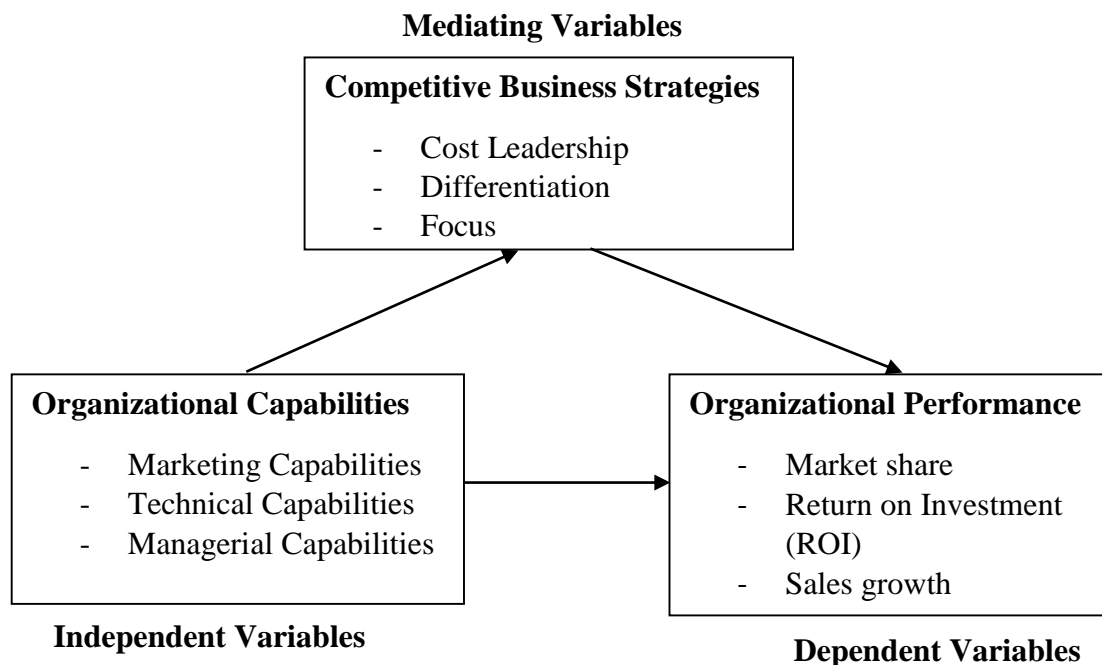
According to regression analysis, there is a positive relationship between product differentiation, cost leadership, and focus and organizational performance. It means the combination of these strategies were positively related to the performance of business. Thus, rather than focusing on a single strategy, using all three means as a combined strategy is more preferable for increasing performance of organization. The author said that competitive strategies the company adopt can vary because of extraneous variables such as changes in government policies and economic performance. He also claimed that these extraneous variables can also impact on the performance of organization. However, in his study, he ignored these extraneous variables.



## 2.7 Conceptual Framework for the Study

Gyamfi, R.K. (2015) studied the effect of Porter's generic strategies on performance and he assumed managerial capabilities as a moderator. In his study, he discovered cost leadership and differentiation strategies have direct effect on organizational performance. He also observed that managerial capabilities have inverse relationship with differentiation and direct relationship with cost leadership. Cabarcos, M.A.L. et al (2015) studied from different perspective of the first model: the effect of organizational capabilities on profitability, assuming business strategy as a mediator between the two variables. They found that organizational capabilities have positively direct effect on profitability and business strategy has mediating effect between two variables. Ruto, J.K. (2018), studied effect of Porter's generic competitive strategies on organizational performance. In his study, he found that there is a positive relationship between Porter's generic strategies and organizational performance. Based on their findings and model, the conceptual framework for this study is developed as shown in Figure 2.5.

**Figure 2.5 Conceptual Framework**



Source: Own Compilation

Figure 2.5 describes the relationship between organizational capabilities and organizational performance in which competitive business strategies are mediators.

The independent variables are organizational capabilities; including marketing capabilities, managerial capabilities and technical capabilities. The dependent variable is organizational performance measured by market share, return on investment (ROI), and sales growth of the companies. The mediators of competitive business strategies are cost leadership, differentiation, and focus. Based on the previous researchers, the following working definition is specified for this study.

### **Working Definition**

#### **Marketing capabilities**

Marketing capabilities include setting price lower than competitors, frequently giving promotion, controlling services that can meet customers need.

#### **Technical Capabilities**

Technical capabilities include employees know how to use technical software, company can adapt technical changes, have its own website, and customers use cash less payment system.

#### **Managerial Capabilities**

Managerial capabilities include having ability to design jobs which are suitable to employee's skills and abilities and can allocate resources to achieve organizational goals.

#### **Cost Leadership Strategy**

Cost leadership is based on controlling production and overhead costs, offering price lower than competitors, and outsourcing company's functions.

#### **Differentiation Strategy**

Differentiation strategy is employed by using promotional/advertising expenditures above the industry average, innovating in production process or service offering, and providing products/services with many features.

**Focus Strategy**

Focus strategy is concerned with providing customized services to enhance competitiveness, targeting to a specific market segment, and providing extensive customer services.

**Organizational Performance**

Organizational performance is measured by using market share, return on investment, and sales growth.

## **CHAPER III**

### **BACKGROUND STUDY ON TOURISM SECTOR IN MYANMAR**

This chapter represents background study on tourism sector in Myanmar. This chapter is divided into three sections. They are overview of tourism sector in Myanmar, role of travel and tour companies in Myanmar, and tour companies' functions for achieving organizational capabilities.

#### **3.1 Overview of Tourism Sector in Myanmar**

Since the national reform initiated in 2011, the tourism industry has been playing an important role in promoting Myanmar's economic development. Myanmar has become worldwide popular as a tourist destination recently as well, grabbing attractions of foreigners as an interesting country to visit. The military government transferred power to the civil administration in 2011, the number of tourists' arrivals has increased. Myanmar has been isolated country long time ago. After political transformation, Myanmar opened the gates to other countries. Myanmar obsesses antiquated heritage, natural resources, wide countryside, outstanding handicraft and artifact. For her wonderful inheritance, Myanmar has been interested by other nations since several period of time. However, infrastructures of the country are not strong enough to attract Foreign Direct Investment (FDI). Thus, the number of tourists' arrivals from Western countries were tiny relative to expected before. Nevertheless, Myanmar granted visas and even visa-free entry to visitors from Asian countries. For this reason, tourists for Asia have been incremented and which limit decline in tourism industry.

Situating between India, China and Southeast Asia, Myanmar is in a well position to take full advantage of the passenger flow from these huge markets. Myanmar possesses historical heritage, ancient Buddhist temples, famous pagodas, broad landscape, shoreline, beautiful arts, interesting and wonderful places. Moreover, Myanmar people are kind, friendly, generous and hospitality to others coming to Myanmar. Thus, tourists are interested in Myanmar and wonder to visit. Tourism master plan was also set out by government to build Myanmar as a prime tourist destination place in Southeast Asia.

Before 2011, there are just nearly 800,000 foreign tourists visited Myanmar each year. However, countries especially (Thailand and China) were given permission to start up business in Myanmar, the number of tourists' arrivals began to grow rapidly. In the year of 2012, the number of tourists exceeded the 1 million mark for the first time. As a result, the number of visitors has increased obviously, reaching 4.7 million in 2015. However, in 2016, the number of tourists come dropped to 2.9 million. Between 2017 and 2019, the tourism industry resumed growth, and by 2019, the number of tourists' arrivals got to 4.3 million. Political and economic stability are noted as opportunities for the development of tourism. The "2013-2020 Myanmar Tourism Industry Master Plan" sets the goal to reach 7.48 million international tourists by 2020.

Myanmar tourism industry is still a developing sector, and Myanmar has huge tourism potential and attractiveness in many aspects, and many industries still need to be developed. Compared with neighboring countries, the number of tourists is relatively small; exceeded by even Laos, this is mainly due to its political situation. In 2013, the number of foreign arrivals, including air and land arrivals, exceeded 2.04 million. A pro-democracy advocate group pointed out that small-scale responsible tourism brings more benefits than harm. As long as tourists fully understand the situation and take steps to maximize its positive impact and minimize its adverse effects, their visit can be beneficial overall. By implementing responsible tourism, Myanmar tourism can bring money to local communities and small businesses by raising worldwide awareness on the tourism sector.

### **3.2 Role of Travel and Tour Companies in Myanmar**

Tour companies stand for a medium supporting role for the development of Myanmar. In accordance with MOTHT (2019), 46% of tourists are visited Myanmar with package tours. Tour companies make arrangements from starting point of journey to the end. As soon as client makes a reservation, they connect with their partners to carry out activities such as booking hotels, hiring tour guides, and connecting with ticket office. They also provide health care service for travelers throughout the trip. In addition to that matters emerging during trip are resolved on behalf of travelers. By travelling with tour operators, people can save their time and get safety for the entire itinerary.

According to Ivypanda (2020), there are three types of tour operators: inbound tour operators, outbound tour operators, and domestic tour operators. An inbound tour operator is one who prepares tour package for the incoming tourist in host country. In converse, outbound tour operators provide tour arrangement for the sake of native to outgo abroad. Domestic tour operators assemble tourism elements instead of local travelers. The most important functions of the tour operators are planning a tour, making tour package, arranging a tour, giving travel information, making reservation, making travel management, valuating the option available, giving promotion, sales and marketing, and taking care of glitch.

As government deregulates the policies and allow more tour companies to enter into the tourism industry, licensed tour companies have been dramatically increasing year by year starting from the year of 2011. From 2016, government allowed online registration for tourism business including hotels, tour companies, tour guides, tourist transportation business obtained e-license. Moreover, Ministry of Hotel and Tourism expedited and encouraged prospective entrants to enter the fast growing of tourism industry. Below the table, licensed tour companies are shown and it can be seen that licensed tour have been increasing year by year.

**Table 3.1 Licensed Tour Companies**

<b>Year</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Foreign Company	1	1	1	1	1	1	1	1	1
Joint Venture Company	15	17	25	33	39	42	40	41	42
Local Company	743	1008	1324	1589	1906	2410	2552	2670	3145
<b>Total</b>	<b>759</b>	<b>1026</b>	<b>1350</b>	<b>1623</b>	<b>1946</b>	<b>2453</b>	<b>2593</b>	<b>2712</b>	<b>3188</b>

Source: Ministry of Hotel and Tourism Statistics (2011-2019)

According to MOHT, there was only 759 licensed tour companies in Myanmar in 2011; most of them are local companies representing 97.9% of total tour companies. In 2015, licensed tour companies have been up to 1946. Among them, 1906 are also local companies and was increased by nearly 61% compared to 2011. At the year of 2019, there were 3188 tour companies at which majorities are local companies. In 2020, because of the effect of Covid-19, most of the tour companies have been shut down. Economists expect that tourism industry will be developed

dramatically in the future. To develop the tourism sector, more tour companies are required because tour companies provide as a mediator between tourists and tourism destination. In addition, the role of government is principal to support the growth of tourism. Government needs to reduce policies and regulations for tour companies to survive in the tourism industry and to enter more new entrants into the tourism sector.

### **3.3 Tour Companies Functions for Achieving Organizational Capabilities**

Tour Companies give training programs to employees to become professionals. To achieve managerial capabilities, departmental heads of each department such as accounting, marketing, and HR are sent to other countries yearly for in house training programs. Tour guides are trained to cover many different languages such as English, French, German, Spanish, Japanese and Chinese. Thus, their tour guides are professionals and can even speak different languages fluently. Small-scale tour companies do not have employed tour guides. When a customer makes a tour reservation, they hire skillful tour guides. Tour leaders also go after customers through the tour for the convenience of customers. Tour leaders are also given in-house training for a specific period to be able to run tour operations effectively. Furthermore, to provide safety for clients, tour companies appoint drivers who are very experience. If customers desired to make a trip, they also provide car rental services. Visa application service is also undertaken in lieu of purchasers.

Most of tour companies use their own software to manage crucial tour activities online such as reservations, appointments, bookings and meetings online. When a customer makes a reservation, they connect with their suppliers to complete the reservation system. There are many tour operator soft wares used in worldwide such as FareHarbor, Xola, Travefy, Tryin, My Tours, Rezdy, Tourplan, PEAK 15. In Myanmar, most of the tour companies do their operations by using their own software and excel files. About 5 companies only use Tourplan software to connect with their partners at international market.

To achieve marketing capabilities, most of the tour companies create their own websites or pages together with phone numbers and emails. Variety of tour packages can be seen on their websites and customers can observe the detail information directly from tour companies. Moreover, most of the tour companies use AI Chatbot which is the system that automatically answers the common questions. Thus, customers can gain their services anywhere and anytime. Tour companies usually

advertise their products/services form online platform. They post the pretty pictures of tour attraction places on their own pages. After that they boost and share their posts to groups relating to tourism. To expand their market abroad, tour companies also hire expert from the country they want to enter to know the conditions of the intended market.

To make their products or services differ from others, tour companies offer customized and variety of tour such as sightseeing tours, adventure tours such hiking and trekking, honeymoon tours, and festival tours. Most of the popular tour packages for tourists are Yangon, Mandalay, Bagan and Inlay. Nowadays, Myeik Archipelago, Myitkyina and Kalaw become popular tourist attraction places. Before 2011, most of the places are restricted for visitors such as Chin State. However, after 2011, Chin State become a free permission area and people who love nature and culture of another region want to travel these areas. In those days, ecotourism is popular in Myanmar and preparing customized tour packages become a challenge among tour companies. Most of tour companies even constitute innovation department to differentiate their products and services. By these ways, tour companies effectively utilize their organizational capabilities by combining differentiation strategy to compete with other rivals and to fulfill market demands.



# CHAPTER IV

## ANALYSIS ON THE EFFECT OF ORGANIZATIONAL CAPABILITIES ON ORGANIZATIONAL PERFORMANCE OF SELECTED TRAVEL AND TOUR COMPANIES IN MYANMAR

This chapter represents the effect of organizational capabilities on organizational performance of selected travel and tour companies in Myanmar with the mediating role of competitive business strategies. There are four major parts in this chapter. They are research design, demographic profile of respondents, analysis of the effect of organizational capabilities on organizational performance of selected travel and tour companies in Myanmar, and analysis of the mediating effect of competitive business strategies on the relationship between organizational capabilities on organizational performance.

### 4.1 Research Design

This study focuses on the effect of organizational capabilities on organizational performance. Organizational capabilities include marketing capabilities, technical capabilities, and managerial capabilities. Organizational capabilities are treated as independent variables and organization performance as dependent variable. Competitive business strategies are applied as mediating variables. This study uses both primary and secondary data at which primary data is collected from interview with responsible person at managerial level who are working at selected travel and tour companies in Myanmar. Secondary data is collected from previous research papers, journals, thesis, and website. According to Union of Myanmar Travel Association (UMTA), there are 352 listed tour companies at present. To calculate the sample size from population Taro Yamane (1973) formula is used.

$$n = \frac{N}{(1 + Ne^2)}$$

where, N = population size = 352

e = the level of precision (10% level of precision)

$$n = \frac{352}{(1 + 352 \times 0.1^2)} = 77.88 \approx 78$$

By using Yamane formula, the target sample size is 78. To get data, the websites and pages of tour companies are firstly observed. After that, the questionnaires are sent to emails of tour companies' websites by using google drive. However, only 52 samples are completed as a feedback. Thus, the respondents are restricted to 52 companies. The survey questionnaire is divided into 4 sections: demographic profile of respondents and company background, organizational capabilities, competitive business strategies, and organizational performance. The questionnaire was prepared by using a five-point Likert scale (from 1 to 5 indicating strongly disagree = 1, disagree = 2, neutral = 3, agree = 4, and strongly agree = 5). Judith Nguli (2017) explained the Likert scale problem as follows:

- Represented from 1 to 1.80 (strongly disagree).
- From 1.81 to 2.60 represents (disagree).
- Represented from 2.61 to 3.40 (to a certain extent correct).
- From 3.41 to 4.20 said (agree).
- Expressed from 4.21 to 5.00 (strongly agree).

Descriptive statistics method is used to calculate the mean value. Regression and path analysis are used to determine the relationship between the independent variables and the dependent variable. Data analysis is performed by using Statistical Packages of the Social Science (SPSS).

## **4.2 Demographic Profile of the Respondents**

Demographic characteristics of respondents include such questions as gender, age, employee position, and education level. Multiple choices are given for each question, among which the respondent must choose the most relevant one.

**Table 4.1 Demographic Profile of Respondents**

<b>Demographic Factors</b>	<b>No of Respondents</b>	<b>Percentage (%)</b>
Total	52	100
<b>Gender</b>		
Male	23	44.2
Female	29	55.8
<b>Age (Years)</b>		
18-25	7	13.5
26-35	32	61.5
36-45	9	17.3
46-55	4	7.7
<b>Position</b>		
Assistant/leader	10	19.2
Manager	21	40.4
Managing Director/ Director/Owner	21	40.4
<b>Education</b>		
Bachelor Degree	31	59.6
Master Degree	21	40.4

Source: Survey Data, 2020

Table 4.1 presents the demographic data of the respondents. As shown in the table 4.1, most of the respondents are female, representing 55.8% of total respondents. Age is divided into four groups: 18-25, 26-35, 36-45, and 46-55. Among them, majority of respondents are between 26 to 35 years old which is 61.5% of total respondents. It can also be seen that most of the job positions of respondents are assistant, leader, manager, managing director, and owner which represents 80.8% of total respondents. Most of the respondents hold the degree of Bachelor with the percentage rate of 59.6.

After interviewing the company background, most of the tour companies are young companies at which their age is between 1-5 years old. And also, most of them target to both domestic and foreign. Majority of tour operators employ only a mere number of employees ranging between one and ten people Thus, most of the tour

companies are small and medium enterprises and they target to both domestic and foreign market. The profiles of tour companies are shown in Table 4.2.

**Table: 4.2 Profile of Travel and Tour Companies in Myanmar**

<b>Particular</b>	<b>Number of Companies</b>	<b>Percentage (%)</b>
Total	52	100
<b>Age (Years)</b>		
1-5 years	28	53.85
6-10 years	21	40.38
11-15 years	1	1.92
16-20 years	2	3.85
<b>Target Markets</b>		
Domestic	18	34.62
Foreign	7	13.46
Both	27	51.92
<b>No of Employees</b>		
1-10	34	65.38
11-20	11	21.15
21-30	1	1.92
31-40	1	1.92
41-50	-	-
51-60	-	-
Over 60	5	9.63

Source: Survey Data, 2020

### **4.3 Reliability Test**

In order to measure the internal consistency of the answers in the questionnaire, one of the most commonly used methods is Cronbach's Alpha (Saunders et al., 2012). Cronbach's Alpha is a reliability coefficient that indicates a positive correlation between items (Sekaran, 2003). Zikmund, Babin, Carr & Griffin (2010) classified reliability to four categories. 0.80-0.95 (very good reliability), 0.70-0.80 (very good reliability), 0.60-0.70 (medium reliability) and below 0.60 (poor reliability). Table 4.3 shows the reliability results of respondents' answers.

**Table 4.3 Reliability Test for Respondents' Responses**

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>No of items</b>
Marketing Capabilities	0.687	5
Technical Capabilities	0.607	5
Managerial Capabilities	0.699	5
Cost Leadership Strategy	0.667	5
Differentiation Strategy	0.734	5
Focus Strategy	0.834	5
Organizational Performance	0.854	4

Source: Survey Data, 2020

According to Table 4.3, the Alpha value of Cronbach for focus and organizational performance is 0.80-0.95, indicating that they have good reliability with other variables. The Alpha value of differentiation strategy is 0.734, indicating that the differentiation strategy and other variables have good reliability. The Cronbach alpha values of all other variable scales are between 0.60-0.70. Therefore, marketing capabilities, technical abilities, management abilities and cost leadership strategy have fair reliability with other variables.

#### **4.4 Organizational Capabilities, Competitive Business Strategies and Organizational Performance**

This section examines the extent of organizational capabilities, competitive business strategies, and organizational performance of four companies.

##### **4.4.1 Organizational Capabilities**

According to conceptual framework of the study, organizational capabilities include marketing capabilities, technical capabilities, and managerial capabilities. The mean values of each component of organizational capabilities are shown in below tables.

**Table 4.4 Marketing Capabilities**

No.	Statements	Mean	Standard Deviation
1.	Putting price cheaper than competitors	3.69	0.85
2.	Frequently giving promotions of our services to customers	4.00	1.05
3.	Providing superior after sales service to our customers	4.17	0.71
4.	Controlling service quality throughout the distribution channel	4.37	0.66
5.	Manufacturing products or services that can meet customer needs	4.31	0.64
	<b>Overall Mean</b>	4.11	

Source: Survey Data, 2020

Based on the result generated, overall mean score is over 4, indicating that the company has favorable marketing capabilities. Companies always control service quality and can give the service that customers want as they have the highest mean score. Other statements also get the mean score around 4. Thus, it can be concluded that most of the tour companies have enough marketing capabilities to meet customers.

**Table 4.5 Technical Capabilities**

No.	Statements	Mean	Standard Deviation
1.	Knowing how to use IT software	4.46	.64
2.	Getting tourism services form online booking system	4.38	.63
3.	Owning online website or page	4.73	.49
4.	Adapting and using technology used by other competitors	4.35	.62
5.	Making payments by using contact-less payments system at the time of buying tourism services.	4.50	.75
	<b>Overall Mean</b>	4.48	

Source: Survey Data, 2020

Based on the result generated, overall mean score is 4.48, indicating that the company has favorable technical capabilities. Most of the tour companies have their own pages and online marketing is popular among tour companies. The average of other statements is also above 4. Therefore, it can be concluded that tour companies have technical capabilities and they can use these capabilities effectively.

**Table 4.6 Managerial Capabilities**

No.	Statements	Mean	Standard Deviation
1.	Allocating resources to achieve firm's goals.	4.21	.72
2.	Having ability to design jobs which is suitable to employees skill and ability	4.29	.70
3.	Having specific procedures to run the business successfully	4.27	.60
4.	Having ability to attract and retain skillful employees	4.38	.72
5.	Having ability to coordinate different areas of the business	4.10	.72
	<b>Overall Mean</b>	4.25	

Source: Survey Data, 2020

According to the generated results, the overall average score is 4.25, indicating that the company has favorable managerial capabilities. Managers of the tour companies have excellent abilities to recruit and retain skilled employees. Moreover, they can assign specific jobs to employees that suit their relevant skills because their average scores are high. The average score of other statements is also over 4. Therefore, People at management level of travel companies have sufficient management capabilities to help travel companies survive in the tourism industry.

#### **4.4.2 Competitive Business Strategies**

This section identifies the competitive business strategies pursued by respondents' tour companies. "Michael Porter's generic competitive business strategies" are used to measure the application of competitive business used. The mean values of three strategies are described below tables to know which strategy the company uses.

**Table 4.7 Cost Leadership Strategy**

No.	Statements	Mean	Standard Deviation
1.	Being able to control production and overhead costs	4.04	.66
2.	Being able to buy products/services which are cheaper than competitors	3.75	.95
3.	Making tight cost control in all business activities	3.83	.73
4.	Outsourcing functions or entering into joint venture to control cost.	3.19	.93
5.	Emphazing on cost cutting and internal efficiency program	3.69	.78
	<b>Overall Mean</b>	3.70	

Source: Survey Data, 2020

Regarding to Table 4.7, overall mean score is 3.70, indicating that four companies use cost leadership strategy, but they do not emphasize too much on cost cutting. Four companies use cost control system and control their overhead costs throughout their whole process as it has the highest mean value. The companies do not outsource its functions and most of the services are done by themselves.

**Table 4.8 Differentiation Strategy**

No.	Statements	Mean	Standard Deviation
1.	Usually making improvement of existing products/services.	3.96	.79
2.	Spending promotional/ advertising expenditures above the industry average.	3.58	.94
3.	Coming up with products or services in conjunction with numerous features	3.88	.78
4.	Innovating in production process or service offering.	3.94	.85
5.	Supplying widespread of goods or services	3.87	.82
	<b>Overall Mean</b>	3.85	

Source: Survey Data, 2020

The total average score generated based on the results is 3.85. It indicates that four companies use differentiation. Companies often make service innovation and



upgrading their existing services as it gets the highest mean value. The average of other statements gets the mean value above 3.5, indicating that most of the tour companies use differentiation strategies and they use most of their investment in service innovation.

**Table 4.9 Focus Strategy**

<b>No.</b>	<b>Statements</b>	<b>Mean</b>	<b>Standard Deviation</b>
1.	Providing customized services to enhance competitiveness	3.81	.93
2.	Positioning products/services to a particular market niche	3.42	1.29
3.	Undertaking customer needs assessment	4.04	.71
4.	Providing extensive customer services	3.94	.92
5.	Focusing on target group of customers for all types of services.	3.46	1.20
	<b>Overall Mean</b>	3.73	

Source: Survey Data, 2020

Based on the result generated, overall mean score is 3.73, indicating that some of the companies use focus. Companies always care customer satisfaction and do customers' need assessment as it gets the highest mean value. Only some of the company target specific group of customers as it gets the lowest mean value. In conclusion, it can be said that tour companies use focus strategy, but this number is smaller than the use of differentiation and cost leadership.

#### **4.4.3 Organizational Performance**

There are four statements to analyze organizational performance. Mean values and standard deviation of all scales are to analyze organizational performance. Descriptive results of organizational performance comprising all items are shown in Table 4.10.

**Table 4.10 Organizational Performance**

<b>No.</b>	<b>Statements</b>	<b>Mean</b>	<b>Standard Deviation</b>
1.	Improving company's market share within 5 years	3.60	.87
2.	Increasing return on investment within 5 years	3.71	.91
3.	Developing company's sales within 5 years	3.98	1.00
4.	Increasing service consumers annually	3.96	.82
	<b>Overall Mean</b>	3.81	

Source: Survey Data, 2020

The overall mean value of organizational performance gets the high score level of 3.81. Among organizational performance, the statement of “increasing company's sales within 5 years” has the highest mean score of 3.98. Thus, sales growth has the highest impact on organizational performance. In average, it can be concluded that most of the tour companies' performance has been developing within 5 years.

#### **4.5 Analysis on the Effect of Organizational Capabilities on Organizational Performance**

In order to analyze the relationship between organizational capabilities and organizational performance, a regression model is used. Table 4.11 shows the regression results of the model.

**Table 4.11 The Effect of Organizational Capabilities on Organizational Performance**

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	VIF
	B	Std. Error	Beta			
(Constant)	1.072	1.370		.782	.438	
Marketing Capabilities	.115	.319	.059	.361	.720	1.410
Technical Capabilities	.529*	.310	.278	1.708	.094	1.397
Managerial Capabilities	-.025	.258	-.015	-.097	.923	1.350
R				.303		
R Square				.092		
Adjusted R Square				.035		
F Value				1.616*		
Durbin-Watson				1.884		

Source: Survey Data, 2020

Notes: \*\*\*, \*\*, \* significant at 1%, 5%, 10%

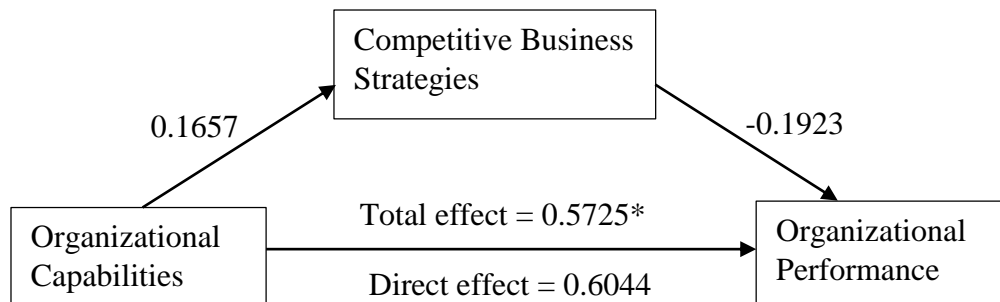
Regarded to Table (4.11), the value R Square is about 9.2 percent. This implies that nominated model could explain fairly about the distinction of organizational performance of the respondents. The specified model explains that the variation of organizational performance is predicted by three independent variables as the value of Adjective R Square is 3.5 percent. The value of F test, the overall significance of the model, is highly significant at 10 percent level. This specified model can be said valid. Only one variable among three is strongly significant as stated by regression analysis Table.

Technical capabilities have significant positive effect on organizational performance at 10% confident level. Organizational performance is raised by 0.529 whatever every one-unit increase in technical capabilities. However, capabilities about marketing and managerial have no significant effect on organizational performance.

#### 4.6 Analysis on the Mediation Effect of Competitive Business Strategies on the Relationship between Organizational Capabilities on Organizational Performance

This section examines the analysis of the mediation effect of competitive business strategies between organizational capabilities and organizational performance by selected travel and travel companies in Myanmar. Figure 4.1 represents the pattern of path analysis of organizational capabilities, competitive business strategies and organizational performance.

**Figure (4.1) Path Analysis on Direct, Indirect, and Total Effects of Competitive Business Strategies on Organizational Performance**



Source: Survey Data, 2020

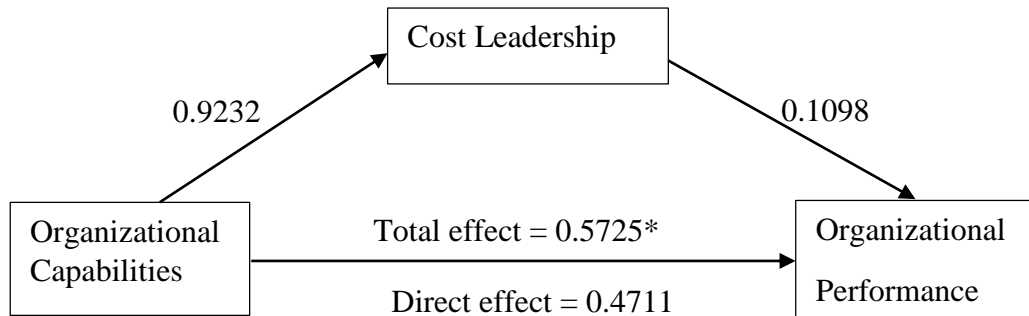
Notes: \*\*\*, \*\*, \* significant at 1%, 5%, 10%

As shown in Figure 4.1, both the direct effect and total effect of organizational capabilities on organizational performance are significant. However, it is no positively indirect effect of competitive business strategies on organizational performance. Therefore, it proves that competitive business strategies have no mediation effect on the relationship between organizational capabilities and organizational performance.

##### 4.6.1 Analysis on the Mediation Effect of Cost Leadership Strategy

The mediation effect of cost leadership strategy between organization capabilities and organizational performance is shown in Figure 4.2 by using path analysis.

**Figure (4.2) Path Analysis on Direct, Indirect, and Total Effects of Cost Leadership Strategy on Organizational Performance**



Source: Survey Data, 2020

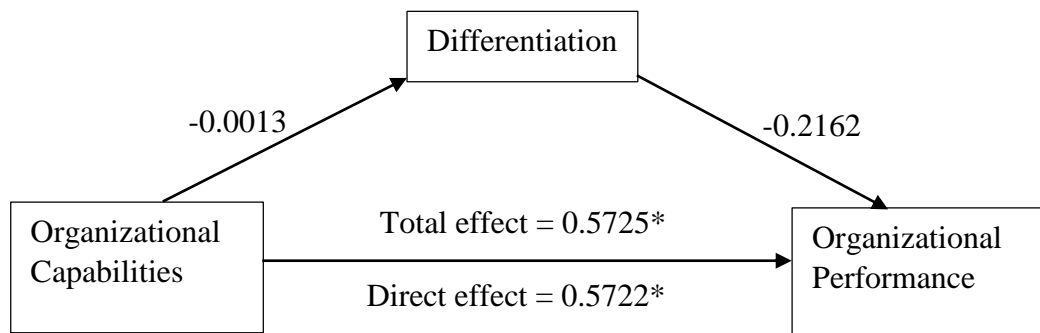
Notes: \*\*\*, \*\*, \* significant at 1%, 5%, 10%

As shown in Figure 4.2, the direct path of organizational capabilities on organizational performance is not significant. However, indirect and total effects of cost leadership strategy on organizational performance is significant. Thus, it can be concluded that cost leadership strategy has full mediation effect on the relationship between organizational capabilities and organizational performance.

#### 4.6.2 Analysis on the Mediation Effect of Differentiation Strategy

The mediation effect of differentiation strategy between organization capabilities and organizational performance is shown in Figure 4.3 by using path analysis.

**Figure (4.3) Path Analysis on Direct, Indirect, and Total Effects of Differentiation Strategy on Organizational Performance**



Source: Survey Data, 2020

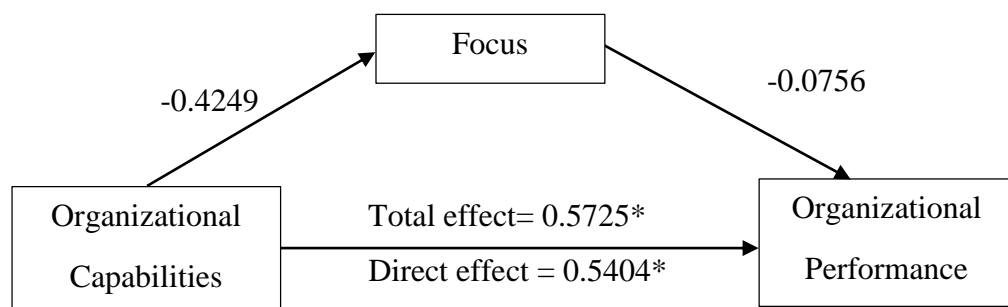
Notes: \*\*\*, \*\*, \* significant at 1%, 5%, 10%

According to Figure 4.3, both the direct effect and total effect of organizational capabilities on organizational performance are significant. However, it is no significant indirect effect of differentiation strategy on organizational performance. Therefore, it proves that differentiation strategy has no mediation effect on the relationship between organizational capabilities and organizational performance.

#### 4.6.3 Analysis on the Mediation Effect of Focus Strategy

The mediation effect of focus strategy between organization capabilities and organizational performance is shown in Figure 4.4 by using path analysis.

**Figure (4.4) Path Analysis on Direct, Indirect, and Total Effects of Focus Strategy on Organizational Performance**



Source: Survey Data, 2020

Notes: \*\*\*, \*\*, \* significant at 1%, 5%, 10%

As shown in Figure 4.4, both the direct effect and total effect of organizational capabilities on organizational performance are significant. However, it is no significant indirect effect of focus strategy on organizational performance. Therefore, it proves that focus strategy has no mediation effect on the relationship between organizational capabilities and organizational performance.

The direct, indirect and total effects of the competitive business strategies on the relationship between organizational capabilities on organizational performance are also described in Table 4.12.

**Table 4.12 Direct, Indirect, and Total Effects of Competitive Business Strategies on Organizational Performance**

<b>Variables</b>	<b>Indirect</b>	<b>Direct</b>	<b>Total Effect</b>	<b>Effectuated</b>
Competitive Business Strategies	-0.0319	0.6044*	0.5725*	No Mediation Effect
Cost Leadership Strategy	0.1014***	0.4711	0.5725*	Full Mediation Effect
Differentiation Strategy	0.0003	0.5722*	0.5725*	No Mediation Effect
Focus Strategy	0.0321	0.5404*	0.5725*	No Mediation Effect

Source: Survey Data, 2020

Notes: \*\*\*, \*\*, \* significant at 1%, 5%, 10%

According to Table 4.12, competitive business strategies have no mediation effect on the relationship between organizational capabilities and organizational performance. Moreover, differentiation and focus strategies have no mediation effect between these variables. Only cost leadership strategy has full mediation effect between these variable.

## **CHAPTER V**

### **CONCLUSION**

This chapter represents the conclusion of the findings from the previous chapter. This chapter is divided into three sections: findings and discussions, suggestions and recommendations, and needs for further study.

#### **5.1 Findings and Discussions**

There are two major objectives in this study. The first objective is to analyze the effect of organizational capabilities on organizational performance of selected travel and tour companies in Myanmar. The second objective is to examine the mediating effect of competitive business strategies on the relationship between organizational capabilities and organizational performance. In collecting data, the target respondent is responsible person in tour companies. It can be found that most of the respondents are women, aged between 26 and 35, while the least contribution from the interviewees is in the 46 to 55 age group. This result shows that most of the interviewees are managers, managing directors, directors, and owners, and their education is a bachelor's degree.

According to the mean value results, all organizational capabilities have high score of mean value. The highest mean value is technical capabilities, followed by managerial capabilities, and marketing capabilities. Tour companies also use all three competitive business strategies because their mean value is high score. Among them, tour companies mostly use differentiation strategy. This means that they emphasize quality control of their services and offer customized services to customers to compete with other rivals. Organizational performance also has the high score of mean value. Therefore, the result shows that the performance of tour companies is well.

The analysis result shows that organizational capabilities have positively direct effect on organizational performance. Among organizational capabilities, technical capabilities only have significant effect on organizational performance. Majority of tour companies have their own websites or pages. They can adapt technology changes and employees also know how to use technology effectively. As a result, tour companies possess technical capabilities and they can effectively use these capabilities to improve their performance. However, marketing and managerial



capabilities have no significant effect on organizational performance. This means that tour companies cannot effectively utilize their capabilities to achieve superior performance.

By using regression analysis, only cost leadership strategy has mediation effect between organizational capabilities and organizational performance. The result shows that when tour companies use cost leadership strategy, their performance is better than utilizing organizational capabilities alone. Differentiation and focus strategies do not have no mediation effect. This shows that although tour companies use differentiation or focus strategy by combining their capabilities, their performance is not better.

## **5.2 Suggestions and Recommendations**

Among components of organizational capabilities, it can be found that technical capabilities have significant impact on organizational performance. However, marketing and managerial capabilities have no significant effect on organizational performance. Thus, tour companies should consider the ways how to increase technical capabilities. Employee should be trained how to use IT software and online platform. Nowadays, a business cannot survive in tourism industry without utilizations of IT. Thus, technical capabilities should be applied in other areas of business such as marketing and HR.

To achieve managerial capabilities, managers who have relevant experiences, skill and abilities should be appointed. Managers should also utilize their skills and abilities with combination of IT. Operations of tour companies are done by networking with the system. Thus, in tour companies, employees should be supported in house training program. The application of IT software is not the same all over the world. Thus, if the company intends to move foreign market, employees should be sent to overseas for training program regarding IT software. To achieve effective human resource, the applicants who are graduated from tourism field especially who got Master of Tourism and Hospitality Degree should be appointed.

To gain marketing capabilities, traditional marketing is not enough for tour companies. Today, online marketing is trending among most of the businesses and most of the companies expand their market by using online platform. Most of the people are using social media and buy products and services from online. Hence, tour companies should do online marketing and should have their own websites or pages. Nowadays,

customers even buy tourism products/services from online with cash-less payment system. Tour companies should use online platforms to advertise their tourism products/services. The biggest disadvantage is many travel and tour companies are not sure of the best way to deal with negative visitors. To avoid a bigger controversy, managers of travel and tour companies should have a plan how to deal with negative reviewers on online. As most of the people are using online today and if negative reviews are spread on the internet, company reputation is broken down just a second.

By using path analysis, only cost leadership strategy has mediation effect. Thus, companies should offer their products or services which are cheaper than competitors and use cost cutting system, control overhead costs throughout the distribution channels. Tour companies use differentiation and focus strategy. However, their performance is not better. They should find out the answers why their performance is not good by using differentiation and focus.

Thus, in conclusion, tourism industry is a very competitive industry and to start as a tour company, there needs to have enough technical capabilities to survive in the tourism industry and tour companies must also adapt technical innovation and changes in technology. If they do so, they can get competitive advantages and their performance will improve year by year.

### **5.3 Needs for Further Study**

There are many components of organizational capabilities such as “global capabilities, order fulfillment capabilities, and external relationship capabilities”. This study focuses only on three components of organizational capabilities: marketing capabilities, technical capabilities, and managerial capabilities. This is the Covid-19 period and most of the tour companies are not operating well. Thus, enough survey quantity cannot be obtained. This study does not consider external factors. In other papers, external factors such as environmental changes, and policies and laws changes should be considered.

There may be some necessity in survey questionnaire. It is also possible terms in questions are not understood by respondents. The significant constraint of this study is time and unavailability of enough information from tour companies. Therefore, it would be better if sufficient time and enough information were available from tour companies. Further researches are recommended to explore the effect of organizational capabilities on organizational performance in other sectors.

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## **APPENDIX A**

### **Survey Questionnaire**

#### **Section A. Questionnaire for management level**

I am master of commerce student at Yangon University of Economics. This questionnaire is for my thesis about the effect of organizational capabilities on organizational performance of selected travel and tour companies in Myanmar; mediating role of competitive business strategies. This is only for my thesis and is not used for other business purposes. Please answer the following questions. Thanks for your giving time.

#### **Section A. Background of Respondents**

This section focuses on demographic information which is used for statistical control purposes, the information requested here will ONLY be used to study the effect of such background factors. It will NOT be used to identify individuals or companies.

Confidentiality is guaranteed.

Demographics factors of respondents

1. Gender
  - Male
  - Female
2. Age
  - Between 18 and 25
  - Between 26 and 35
  - Between 36 and 45
  - Between 46 and 55
  - 55 and above
3. What is your education level?
  - Bachelor Degree
  - Master Degree
4. What is your position in your company?
  - Assistant, Leader
  - Manager
  - Managing Director
  - Owner

### Company Background

1. Company Name

-----

2. What is your company set up/ startup year?

-----

3. Types of tour operations of company

Domestic

Foreign

Both

4. How many employees does your company have? -----

### Section B. The Components of Organizational Capabilities

Section B consists of 3 parts: Marketing Capabilities, Technical Capabilities, and Managerial Capabilities. Please tick your answer for each statement by using 5 Likert scale. [(1) =Strongly Disagree, (2) = Disagree, (3) = Neutral, (4) =Agree, (5) Strongly Agree].

#### Part A: Marketing Capabilities

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	Setting out price lower than competitors					
2.	Frequently giving promotions of our services to customers					
3.	Providing superior after sales service to our customers					
4.	Controlling service quality throughout the distribution channel					
5.	Designing products that can meet customer needs					



**Part B: Technical Capabilities**

<b>No.</b>	<b>Questions</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
1.	Employees know how to use IT software for tour company					
2.	Customers can get tourism services form online booking system					
3.	Company has its own online website or page					
4	Company can adapt and use technology used by other competitors					
5.	Customers can use contactless payments system when making payments at the time of buying tourism services.					

**Part C: Managerial Capabilities**

<b>No.</b>	<b>Questions</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
1.	Can allocate resources to achieve firm's goals.					
2.	Having ability to design jobs which is suitable to employees skill and ability					
3.	Having specific procedures to run the business successfully					

4.	Having ability to attract and retain skillful employees					
5.	Having ability to coordinate different areas of the business					

### Section C. Competitive Business Strategies

#### Part A: Cost Leadership

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	Production and overhead costs can be controlled.					
2.	Products/services prices are cheaper than competitors.					
3.	The company makes tight cost control in all business activities.					
4.	The company outsources its functions or entering into joint venture to control cost.					
5.	The company always emphasis on cost cutting and internal efficiency program					

#### Part B. Differentiation

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	The company usually make improvement of					

	existing products/services.					
2.	The company uses promotional/ advertising expenditures above the industry average.					
3.	The company usually provides products/services with many features.					
4.	The company achieves innovation in production process or service offering.					
5.	The company always offers a broad range of products/services					

**Part C: Focus**

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	The company provides customized services to enhance competitiveness.					
2.	Products/services of the company are targeted to a specific market segment to get competitiveness.					
3.	The company undertakes customer needs assessment in order to improve its competitiveness.					

4.	The company provides extensive customer services to get competitiveness.					
5.	The company preferably focuses on target group of customers for all types of services.					

**Section D: Organizational Performance**

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	The company's market share has grown within 5 years from 2015 to 2019.					
2.	Return on investment of the company has increased within 5 years from 2015 to 2019.					
3.	Company's sales has developed within 5 years from 2015 to 2019.					
4.	The numbers of customers have been developing year by year.					

Thank You.

**APPENDIX B**  
**Statistical Output**

**Reliability Statistics**

Cronbach's Alpha	N of Items
.687	5

**Reliability Statistics**

Cronbach's Alpha	N of Items
.607	5

**Reliability Statistics**

Cronbach's Alpha	N of Items
.699	5

**Reliability Statistics**

Cronbach's Alpha	N of Items
.667	5

**Reliability Statistics**

Cronbach's Alpha	N of Items
.734	5

**Reliability Statistics**

Cronbach's Alpha	N of Items
.834	5

**Reliability Statistics**

Cronbach's Alpha	N of Items
.854	4

Multiple Linear Regression (Regression Between Managerial Capability, Technical Capability, and Marketing Capability and Organizational Performance)

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.303 <sup>a</sup>	.092	.035	.73897	.092	1.616	3	48	.198	1.884

a. Predictors: (Constant), Managerial Capability mean, Technical Capability mean, Marketing Capability mean

b. Dependent Variable: Organizational Performance mean

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.648	3	.883	1.616	.198 <sup>b</sup>
	Residual	26.212	48	.546		
	Total	28.859	51			

a. Dependent Variable: Organizational Performance mean

b. Predictors: (Constant), Managerial Capability mean, Technical Capability mean, Marketing Capability mean

**Coefficients<sup>a</sup>**

Model 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
Constant	1.072	1.370		.782	.438		
Marketing Capability mean	.115	.319	.059	.361	.720	.709	1.410
Technical Capability mean	.529	.310	.278	1.708	.094	.716	1.397
Managerial Capability mean	-.025	.258	-.015	-.097	.923	.741	1.350

a. Dependent Variable: Organizational Performance mean

**Matrix**

Run MATRIX procedure:

\*\*\*\*\* PROCESS Procedure for SPSS Version 3.4.1 \*\*\*\*\*

Written by Andrew F. Hayes, Ph.D. www.afhayes.com

Documentation available in Hayes (2018). www.guilford.com/p/hayes3

Model: 4

Y: opmean

X: ogcapmea

M: bcsmean

Sample Size: 52

\*\*\*\*\*

OUTCOME VARIABLE:

bcsmean

Model Summary

R	R-sq	MSE	F	df1	df2	p
.1310	.0172	.1749	.8737	1.0000	50.0000	.3544

Model

	coeff	se	t	p	LLCI	ULCI
constant	3.0510	.7610	4.0089	.0002	1.5224	4.5796
ogcapmea	.1657	.1773	.9347	.3544	-.1904	.5217

Standardized coefficients

coeff

ogcapmean .1310

Covariance matrix of regression parameter estimates:

	constant	ogcapmea
constant	.5792	-.1345
ogcapmea	-.1345	.0314

\*\*\*\*\*

OUTCOME VARIABLE:

opmean

Model Summary

R	R-sq	MSE	F	df1	df2	p
.2728	.0744	.5451	1.9706	2.0000	49.0000	.1503

Model

	coeff	se	t	p	LLCI	ULCI
constant	1.9484	1.5443	1.2617	.2130	-1.1550	5.0518
ogcapmea	.6044	.3156	1.9149	.0614	-.0299	1.2387
bcsmean	-.1923	.2496	-.7704	.4448	-.6940	.3093

Standardized coefficients

coeff

ogcapmea	.2655
bcsmean	-.1068

Covariance matrix of regression parameter estimates:

	constant	ogcapmea	bcsmean
constant	2.3848	-.3876	-.1901
ogcapmea	-.3876	.0996	-.0103
bcsmean	-.1901	-.0103	.0623

Test(s) of X by M interaction:

F	df1	df2	p
.9530	1.0000	48.0000	.3339

\*\*\*\*\*TOTAL EFFECT MODEL\*\*\*\*\*

OUTCOME VARIABLE:

opmean

Model Summary

R	R-sq	MSE	F	df1	df2	p
.2515	.0632	.5407	3.3752	1.0000	50.0000	.0721

Model

	coeff	se	t	p	LLCI	ULCI
constant	1.3616	1.3379	1.0177	.3137	-1.3257	4.0490
ogcapmea	.5725	.3116	1.8372	.0721	-.0534	1.1985



Standardized coefficients

coeff

ogcapmea .2515

Covariance matrix of regression parameter estimates:

	constant	ogcapmea
constant	1.7901	-.4157
ogcapmea	-.4157	.0971

\*\*\*\*\* TOTAL, DIRECT, AND INDIRECT EFFECTS OF X ON Y

\*\*\*\*\*

Total effect of X on Y

Effect	se	t	p	LLCI	ULCI	c_ps	c_cs
.5725	.3116	1.8372	.0721	-.0534	1.1985	.7611	.2515

Direct effect of X on Y

Effect	se	t	p	LLCI	ULCI	c'_ps	c'_cs
.6044	.3156	1.9149	.0614	-.0299	1.2387	.8035	.2655

Indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
bcsmean	-.0319	.0858	-.2531	.0910

Partially standardized indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
bcsmean	-.0424	.1155	-.3317	.1248

Completely standardized indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
bcsmean	-.0140	.0362	-.1057	.0411