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## STRATEGIC INNOVATION MANAGEMENT AND ORGANIZATIONAL SURVIVAL OF HOTELS IN PORT HARCOURT, NIGERIA: THE MODERATING ROLE OF ORGANIZATIONAL STRUCTURE

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**Abstract:** *This study examined the moderating role of organizational structure relationship between Strategic innovation management and Organizational Survival of the hostels in Port Harcourt. The study used a correlational cross sectional design involving managers, supervisors and unit heads. Primary data was obtained using self-administered, structured questionnaire. The population of the study was 350 from 20 purposively selected hotels in Port Harcourt. A sample size of 186 was adopted using 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 for 166 respondents were suitable for data analysis. Spearman's rank correlation was used for hypothesis testing while the zero-order partial correlation was used to test the moderating role of organizational structure. The study findings revealed that there is a positive and significant relationship between strategic innovation management and organizational survival. Furthermore, organizational structure significantly moderated the relationship between strategic innovation management and organizational survival. The study recommends that hotels should give due attention to the impact of organizational structure since it significantly moderates the relationship between Strategic innovation management and Organizational Survival. This should be done by developing less formalized and centralized but more professionalized and managerially intensive organizational structure that allow them to be responsive to external contingencies.*

**Keywords:** Strategic Innovation Management, Organizational Survival, Organizational Structure, Adaptability, Dynamic Capability

### Introduction

The Nigerian business environment in the last one decade has witnessed unsatisfactory progress cumulating into retarded growth rate, high rate of unemployment, low industrial output, coupled with poor demand in terms of services and tangible products. Energy crisis continued unabated forcing majority of the organizations to depend wholly on generator as a source of electricity. The supply of petroleum products is epileptic in addition to frequent changes in pump price resulting to increase in the general price level of all products without exception due to

cobweb effect; while most of the organizations are ravaged with strikes from time to time. The relationship between industrial representatives and government institutions and representatives keep nose-diving virtually on all matters, criminal activities increasing at alarming and uncontrollable rate, exercising excessive control through plethora of rules and regulations with stringent conditions, tax policies without adequate provision of infrastructural facilities to ameliorate business operations (Oginni and Adesanya, 2013).

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The hospitality industry provides services for people who are away from home regardless of whether it is for long or short periods of time. These services can vary according to the specific needs of both the person away from home and the organization providing those services (Baker, Bradly & Huyton 2000). The hospitality industry is important for the development of many parts of the world. The Nigerian hospitality industry is faced with a lot of problems. Among them are: high hotel charges and the slow pace on developing tourist sites to cover the various parts of the country (Akpabio, 2007). Others are erratic power supply (Amadi, 2008a), poor services (Nwosu, 2008a) and unethical behaviour by professionals in the industry (Awoseyin, 2007). A recession, combined with a shortage of dollars, high costs and scarce fuel supplies have created the perfect storm for the hospitality industry in Nigeria.

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 downturn, 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. Industries like textiles, petro-chemical, food processing etc. sprang up in the past; the greatest concentration being in Lagos, Kaduna, Kano, Jos, Enugu, Port-Harcourt, Benin City and many other state capitals. Various governments and the private sector have continued to establish more industries and expanding the existing ones until the period when the country started experiencing economic recession. These industrial activities led to the growth of business trips to the country and this helped to boost the hospitality industry. However, since the problem of economic, the hotel industry like many other industries have been recording drastic decline in its operations.

The context of a rapidly changing and turbulent institutional environment has remained relatively underexplored (Scott, 1995; Wright, Gardner, Moynihan, & Allen, 2005) considering the fact that environments vary in their degree of turbulence or stability (Dess & Beard, 1984). Scholars have recognized that most emerging economies are characterized by greater institutional risk than developed economies (Hoskisson, Eden, Lau, & Wright, 2000; Peng, 2000, 2003; Chung & Beamish, 2005). Uncertainty about environmental and organizational variables reduces the predictability of corporate performance, that is, increases risk (Miller, 1992). Increased volatility of the business environment makes systematic strategic planning difficult (Grant, 2003) as it makes the business environment unpredictable, fast changing, and insecure (Hadjikhani & Johnson, 1996).

Competition ensures change in the way things are done and raises the quality bar to international standards as well as helping to achieve appropriate pricing (Adesina, 2003). The modern world is characterized by change; changes in political order, economic relationships and technology. The greatest challenge for a successful organization therefore is change. 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 are taken over by more aggressive competitors or go out of business. These changes are global and inter-connected in such a way that an action in one variable would most definitely lead to a reaction in another (Wickham, 1998). The ability of organizations to adapt and to thrive amidst these changes which in most cases may not be favourable is at the heart of their survival. Organizations require suitable and conducive environments with a reasonable form of stability to be successful; such environments entail the socio-political, economic and cultural factors which invariably influence the workings of the organization (Bello, 2011).

Ogunro (2014) noted that Nigeria's business environment in recent years has been coloured with fear and uncertainty leading to collapse of some business outfits particularly, the small scale industries and the relocation of the big ones to other countries. Bello (2011) further noted that the Nigerian business environment is rife with various challenges and uncertainty stemming from poor power generation, obsolete technology, lack of synergy



between government agencies, poor infrastructure, insecurity, weak policy implementation, poor transportation network and connectivity as well as a high level of corruption and unethical practices amongst government officials. 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 Strategic innovation management is critical to Corporate Survival.

Practically, organizations can obtain competitive advantages through several ways such as entering new markets, developing new business models (Markides, 1997), or making strategic innovations. Furthermore, technological advances, high accessibility to product information, and availability of similar services/products in the market places make strategic innovation issues more important than ever before for almost all industries. Practices regarding Strategic innovation management (SIM) in firms are one of the main topics of interest in business, politics and academic environments (Lopez-Nicolas & Merono-Cerdan, 2011). This interest is not surprising because innovation is assessed as the most important differentiation strategy to acquire competitive advantage in the market. The concept of innovation is defined as a new structure or management process, a policy, a new plan or program, a new production process, or a new product or service produced in an enterprise (Lopez-Nicolas & Merono-Cerdan, 2011). Freeman (1982) defines the concept of innovation as marketing a new (or developed) product or as technical, design, production, management and commercial practices in the use of a new (or developed) process or equipment commercially for the first time (Bessant & Tidd, 2007). Firms that are able innovate improve their efficiency, which makes them better fit to survive (Esteve-Perez and Manez-Castillejo, 2008).

A large stream of empirical research has examined the concept of Organizational Survival using various predictor variables. Gabriel and Kpakol (2015) examined the relationship between Entrepreneurial Orientation and Organizational Survivability of Banks in Nigeria. Zvobgo, Chivivi, & Marufu (2015) investigated Knowledge Management as a Survival Strategy to Enhance Competitive Advantage in the Zimbabwean Tourism and Hospitality industry, while Akani (2015) investigated the

relationship between Management Succession Planning and Corporate Survival in Nigerian Banks. Other related studies include, employee psychological empowerment and organizational survival of Insurance Companies in Port Harcourt (Aluko, 2014); Mappigau and Agussalim (2013) studied Human Capital and Survival of Small Scale Food Processing Firms under Economic Crisis in Central Java Indonesia; Learning Organization and Organizational Survival in Some Selected Nigerian Manufacturing Firms (Gunu and Sanni, 2016). Using organizational survival as the predictor variable, Olughor and Oke (2014) studied its relationship with organizational employee mental ability.

However, there has been relatively little empirical research report that details how firms can strategically achieve Survival, through firm-level innovativeness. Therefore, this study intends to empirically fill that gap by investigating the relationship between strategic innovation management and organizational survival in hotels in Port Harcourt. It specifically seeks to provide answers to the following research questions:

- i. What is the relationship between strategic innovation management and adaptability of hotels in Port Harcourt?
- ii. What is the relationship between strategic innovation management and dynamic capability of hotels in Port Harcourt?
- iii. What is the moderating role of organizational structure on the relationship between strategic innovation management and organizational survival of hotels in Port Harcourt?

#### **Literature Review**

##### **Theoretical Foundation**

The underpinning theory for this study is 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 firm's 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; Paleo and Wijnberg, 2008). Fundamentally, innovativeness increases a firm's capacity to innovate (Damanpour, 1991) by encouraging innovative behaviours through strategic practices (Siguaw, Simpson & Enz, 2006). The essence of the argument is that innovativeness is constructed by the purposeful orchestration and strategic application of practices that accumulate, bundle and leverage resources (Wernerfelt, 1984; Moingeon et al., 1998; Ireland et al., 2003). In order to create innovation a firm must implement strategic practices that enhance their innovativeness competence (that is, strategic practices are the "how to" for creating innovativeness).

According to Resource Based Theory (RBT), human capital is considered to be a source of competitive advantage for entrepreneurial firms. Ownership of firm-specific assets enables a company to develop a competitive advantage. Sustainable competitive advantage results from resources that are inimitable, not substitutable, tacit in nature, and synergistic (Barney, 1991). Therefore, managers need to be able to identify the key resources and drivers of performance and value in their organizations. The RBT also states that a company's competitive advantage is derived from the company's ability to assemble and exploit an appropriate combination of resources. Such resources can be tangible or intangible, and represent the inputs into a firm's production process; such as capital, equipment, the skills of individual employees, patents, financing, and talented managers. As a company's effectiveness and capabilities increase, the set of available resources tends to become larger. Through continued use, these "capabilities", defined as the capacity for a set of resources to interactively perform a stretch task or an activity, become stronger and more difficult for competitors to understand

and imitate. Research and Development expenditures can be used to augment future production possibilities (Rylander, 2001).

According to Grover et al. (1998), the essence of a resource-based theory is that given resource heterogeneity and resource immobility and satisfaction of the requirement of value, rareness, imperfect imitability, and non-substitutability, firms' resources can be a source of sustained competitive advantage. Resource Based Theory treats enterprises as potential creators of value-added capabilities. Understanding the development of such capabilities and competences involves viewing the assets and resources of the firm from a knowledge-based perspective (Conner and Prahalad, 1996; Prahalad and Hamel, 1990). Prahalad and Hamel (1990) concentrate their attention on the collective learning processes of the organization, on the development of skills and technology integration. Their concept of core competences is related to mechanisms by which firms learn and accumulate new skills in order to develop business capabilities to outperform competitors.

One of the objectives of the theory is to help managers to appreciate why competences can be perceived as a firm's most valuable asset and, at the same time, to understand how those assets can be used to improve business performance. A resource-based view of the firm accepts that attributes related to past experiences, organizational culture and competences are critical for the success of the firm (Campbell and Luchs, 1997; Hamel and Prahalad, 1994). Conner (1991) suggests that an in-house team is likely to produce technical knowledge, skill, or routine that fits better with the firm's current activities.

#### **Strategic Innovation Management**

Strategic innovation refers to implementation of new ideas, processes, products or services (Bitar, 2003). Jin, Hewitt & Thompson (2004) defined strategic innovation as a future-focused business development framework that identifies breakthrough growth opportunities, accelerates business decisions and creates near-term, measurable impact within the context of a longer-term vision for sustainable competitive advantage. Strategic innovation challenges an organization to look beyond its established business boundaries and mental models and to participate in an open minded, creative exploration of the realm of possibilities. The significance of strategic innovation to an organization lies in its ability to supplant competition by generating more value in the long run (Jin, et. al, 2004).





Innovation refers to the process of translating an idea or invention into a good or service that creates value or for which customers will pay; it is finding a better way of doing something (Frame and White, 2004). Innovation can be viewed as the application of better solutions that meet new requirements, in-articulated needs, or existing market needs. Innovation is accomplished through having effective products, processes, services, technologies, or ideas that are readily available to markets, governments and society. The term innovation can be defined as something original and, as a consequence, new, that breaks into the market or society (Frankelius, 2009). The measures of innovation at the organizational level include financial efficiency, process efficiency, employees' contribution and motivation, as well as benefits for customers. Measured values will vary widely between businesses, covering for example new product revenue, spending in research and development, time to market, customer and employee perception & satisfaction, number of patents, additional sales resulting from past innovations (Frankelius, 2009).

Strategic innovation is the acceptance of any idea or conduct related to a product, service, system, device, policy or program that is new to the adopting organization. It is the inclusion of any policy, program, structure, process or any market or product that a manager perceives to be new. It is also viewed as the generation, acceptance and implementation of new ideas, products, processes or services. It involves the successful implementation of creative ideas within an organization (Damanpour and Gopkrishnan, 2001).

Strategic innovation is one of the fundamental instruments of growth strategies used to enter new markets, to increase the existing market share and to provide the company with a competitive edge (Nybakk and Jenssen, 2012). Motivated by the increasing competition in global markets, companies have started to grasp the importance of strategic innovation, since swiftly changing technologies and severe global competition rapidly erode the value added of existing products and services. Thus, strategic innovations constitute an indispensable component of the corporate strategies for several reasons such as to apply more productive processes, to perform better in the market, to seek positive reputation in customers' perception and as a result to gain sustainable competitive advantage. Innovations provide firms a strategic orientation to overcome the problems they encounter

while striving to achieve sustainable competitive advantage (Hitt, Ireland, Camp & Sexton, 2001).

Innovativeness is an organization's tendency towards experimenting with new ideas and supporting creative processes which precede the actions of competitors. It is a concept that is concerned with the creative tendencies of the organization through the organized actions of workers and research activities carried by the organization (Coulthard, 2007; Covin & Miles, 1999). McFadzean, O'Loughon and Shaw (2005) defined innovation as a process that provides added value and novelty to the business, its suppliers and customers through the development of new procedures, solutions, products and services as well as new methods of commercialization. Innovation encompasses the various inventive measures taken to enhance production and delivery as well as the nature of the product or service. Innovation is the successful development, implementation and use of new or structurally improved products, processes, services, or organizational forms (Hartley, 2006). Innovation is not a single action but a total process of interrelated sub processes. It is not just the conception of a new idea, nor invention of a new device, nor the development of a new market. The process is all these things acting in an integrated fashion (Myers and Marquis, 1969).

Innovation is to think out of the box differently. It is all about finding new things, ideas, concepts, developments, improvements and ways to do things and to obtain strategic advantages (Murad, 2011). Hansen and Birkinshaw (2007) define innovation management as the active and conscious organization, control and execution of activities that lead to innovation.

Innovation management is further defined as the way a firm manages its resources overtime and develops capabilities that influence its innovation performance. This includes the economic perspective, a business management strategy perspective and organizational behaviours which look at internal activities. It also recognizes that firms form relationships with other firms and trade, compete and co-operate with each other. The activities of individuals within the firm are also recognized as it affects the process of innovation. Researchers (Krinsky and Jenkins, 1997; Martinsons, 1993; Markides, 1998; 1999) use strategic innovation as a combination of strategy and innovation. According to Markides (1997) strategic innovation requires thinking on new ways of competing in the marketplace. Alternatively, Hamel



(1998) defines strategic innovation as an ability to understand the industry dynamics and to change them. Ultimately, this should produce wealth for stakeholders and create new value for customers by redesigning service, and redefining the marketplace (Hamel, 1996). According to Govindarajan and Trimble (2004) a strategic innovation breaks with past practice in at least one of the three areas: value-chain design, conceptualization of customer value, and identification of the potential customers. Considering the definitions presented above, it is possible to say that strategic innovation has three outcomes. Accordingly, strategic innovation leads to (i) new market places, (ii) improved value for customers and the organizations, and (iii) development of new business models (Sniukas, 2010).

Strategic innovation management therefore, refers to the entire set of innovative practices involving the analysis of competition mechanisms, such as creating an innovative vision, harmonizing business strategy, expanding the strategy to all organizational levels, market tendencies, technologies and competitor acts (Sanchez, Lago, Ferras, & Ribera, 2011). Because the concept of strategic innovation management describes a process composed of many parts, there is not a common and clear definition on which all scholars agree regarding the content and components of the concept. To overcome this confusion, Dankbaar (2003) suggested two approaches that are different from each other but, at the same time, complementary. According to Dankbaar (2003), strategic innovation management can be defined as either establishing preconditions in the enterprise that will encourage human creativity or the process of information usage. Strategic innovation management refers to firms managing technology, business processes (customers, suppliers, financial and external resources, etc.) and human relationships (culture, communication, organization, etc.) in a way that will support and encourage innovation. In this context, the success of innovation depends on owned resources (human, equipment, technology, information, etc.) and the ability of the organization to manage these resources.

#### **Organizational Survival**

Organizational survival in this context is described as the ability of the organization to continue in existence (Sheppard, 1993). It is used to denote sustained learning and adaptive characteristics stemming from the organizations tendency for continued adjustment to changes; seen and unforeseen; in the internal and external environment. This description implies an ability or effort

by the organization to continue to meet with the demands of the market, its staff, shareholders, investors, host communities, the government and other interested parties. According to Sheppard (1993), survival, he argues translates into an organizations profitability margin, size of market share, organizational size, age and general financial conditions which as he observes all inter-relate to enhance functionality.

Ogunro (2014) as cited in Gabriel (2015) attributes the survival and success of organizations to various factors; firstly technology, which translates into the organizations research and development activities, technological incentives, and the level of change associated with technology. Secondly, ecological factors which translate into contextual and environmental aspects such as climate issues and weather which affect farm and industrial related businesses. Thirdly, legal factors which translate into discriminatory law, consumer law, antitrust law, employment law, safety and health law and finally economic factors which translate into interest rates, inflation rates and exchange rates. Ogunro dwells extensively on the survivability of the organization as a product of its success in surmounting identified environmental challenges and seizure of opportunities. The business to this stage has proved that it is a workable entity and has enough customers and it satisfies them sufficiently with its products and services. Long term survival of the organization and not the financial performance should indicate success. Thus, when making decision about higher wages, higher dividend and investment for growth, considerations for the survival of the corporation should come first (Michael 2011).

According to Jones and Bartlet (2008) organizational survival and growth are implicit organizational goals requiring the investment of energy and resources. In fact, the goal of organizational survival underpins all other goals (Gross, 1968). Paying attention to this goal contributes to the satisfaction and execution of other organizational goals. Gross (1968) argued that the concept of survival is an unwritten law of every organization. This suggests that every organization must regard survival as an absolute prerequisite that must precede any interest whatsoever.

The key challenge a business faces for its survival include, poor planning through the business plan development. The business plan gives reason for existence of the business and how it plans to remain in existence. Secondly, financial management is a great challenge and requires expertise in handling cash flows. Customer



attraction and retention is another challenge the business faces. Small businesses may find it more challenging to attract and retain customers because they generally don't have large enough marketing budgets to compete with the advertising budget that larger companies can spend. Business needs to be strategic and creative in how they attract new customers (Robert, 2009). During this stage, the key goal of the business is to remain in existence and the following takes place; increase in sales and profits, improvement of existing products, new product development, market penetration and diversification. The business may grow in size and profitability and move to the next stage or remain earning marginal returns on investment of time and capital and eventually get out of business. Strategies for survival of the business include, selling the business, remain as it is and growing the business. Growth of the business is considered as survival mechanism. Growth of a business is a complex concept and takes two broad forms namely; organic (expanding by increasing overall customer base, output per customer and new sales) and inorganic (expansion through mergers, acquisitions or takeovers). Choice of the method of growth depends on the type of business, resources available, time, money and equity sweat the owner is ready to spend. Strategies for growth and innovation management includes penetration strategies, market development strategies, product development strategies and diversification (Robert, 2009).

#### **Measures of Organizational Survival**

In this study, the measures of corporate survival are adaptability and dynamic capability derived from the research works of Teece, Pisano and Shuen, A.; (2010), Zahra, Sapienza &Davidsson; (2006).

#### **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) adaptability 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, Seville, Vargo & Brunson, 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 adaptability is also linked to competitiveness. 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.

#### **Dynamic Capability**

Dynamic capability is the ability to change or reconfigure existing substantive capabilities, routines and resources in the manner envisioned and deemed appropriate by the firm's principal decision maker(s) (Zahra, et al; 2006). According to Eisenhardt and Martin (2000) with dynamic capability, firms can create new resource configurations as markets emerge, collide, split, evolve, and die. Possession of dynamic capabilities alone does not necessarily provide any substantial advantage to firms, but being able to manage the dynamic capabilities to achieve their strategic goals provides performance related advantages to firms.

Having dynamic capabilities to redeploy or configure those substantive capabilities according to the strategic goals will help firms grow and survive as they face changes in the internal and external environment (Zahra, et al; 2006). David, et al; (2010) defines dynamic capabilities as the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments. Dynamic capability can be distinguished from operational capability which pattern to the current operations of organization. Dynamic capabilities by contrast refers to the capacity of an organization to purposely create, extend or modify its resource base (Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece & Winter, 2007).

#### **Strategic innovation management and Organizational Survival**

Evidence on the relationship between innovation and business growth, profitability and exporting has become more common in recent years (Love and Roper, 2013). Four main conceptual perspectives underlie studies of the links between innovation and survival. The first, relates to the efficiency effects of innovation. Here, the line of argument, which either implicitly or explicitly





reflects the notion of entrepreneurial learning (Jovanic, 1982), runs that as firms become more mature, innovation may lead to efficiency improvements and higher productivity which then reduces the probability of failure: ‘Firms that obtain innovations improve their efficiency, which makes them fitter to survive’ (Esteve-Perez and Manez-Castillejo, 2008). Consistent with the liability of newness (Stinchcombe, 1965), there is some evidence to support the efficiency-effect model (Colombo and Delmastro, 2001; Ortega-Argiles and Moreno, 2007) although some studies find no firm age effect on failure probability (Banbury and Mitchell, 1995).

The second conceptual approach to the innovation-survival relationship derives from the resource-based view and argues that innovation is the route by which firms create inimitable assets, and so achieve sustainable competitive advantage (Esteve-Perez and Manez-Castillejo, 2008). This focuses attention on the nature of the innovation activity which firms are undertaking, and the accumulation of innovative resources as firms become more mature. Ortega-Argiles and Moreno (2007), for example, focus on the content of firms’ innovation activity differentiating between the survival effects of product innovation, which involves new materials, components or design elements, and process changes which involve new machinery or improved flexibility. Alternatively, in their analysis of Australian firms, Buddelmeyer, Jensen & Webster. (2010) distinguished between the survival impacts of radical (patent applications) and incremental (trade mark and design applications) innovation activity. They found finding that radical innovation activity increases the probability of failure while incremental innovation activity is associated with lower failure probability. Banbury and Mitchell (1995), however, found no direct effect on failure probability from incremental innovation in the cardiac pacemaker industry in the US.

A third, and related perspective derives from contingency theory, and argues that appropriate strategy decisions depend strongly on the market environment in which a firm operates (Scott, 1982). Typically adopted in studies of survival in individual sectors (Bayus and Agarwal, 2007; Christensen et al., 1998; Colombo and Delmastro, 2001), this approach focuses on firms’ strategic decisions such as the relative timing of technological developments, and the technological complexity of new product offerings. Bayus and Agarwal (2007), for example, consider the role of firms’ technology strategies on survival in the personal

computer industry from 1974 to 1995. Christensen et al. (1998) in their study of the US disk drive industry over the period 1975 to 1990 also consider external factors such as development of a dominant design alongside resource and technology indicators internal to the firm. Industry structure indicators have also been considered with some evidence of an inverted U-shape relationship between market density and failure (Banbury and Mitchell, 1995; Bayus and Agarwal, 2007) with evidence that higher concentration – as measured by the Herfindahl index – is associated with increased failure rates (Colombo and Delmastro, 2001). Both market growth and market size, however, seem to have little significant effect on failure (Banbury and Mitchell, 1995). As one study put it, the conclusion that emerges most powerfully from this study is that variables related to managerial choice, rather than factors in the outside environment that are beyond the control of managers, were the primary factors driving firm survival’ (Christensen, Suarez & Utterback 1998).

All three perspectives considered so far emphasizes survival as the continuation of the firm, and failure as dissolution. A fourth, organisational perspective emphasizes however, that the closure of a business unit may not necessarily reflect any lack of profitability or sustainability in a business unit’s activities but may instead reflect broader organizational changes. Merger or acquisition, for example, may lead to the effective closure of some business units (Cefis & Marsili, 2012). Similarly, within a business group, closure of a business unit may be the result of a re-organization of productive activity. If, as we might anticipate, the costs of closure of group-owned plants are reduced due to the greater efficiency of transfer of intellectual and capital assets within the group rather than disposal this would *ceteris paribus* increase the probability of closure of group-owned plants. Evidence from a number of studies suggests that this is indeed the case (Colombo & Delmastro, 2001) with foreign ownership also linked to higher failure rates (Ortega-Argiles & Moreno, 2007).

#### **The Moderating Role of Organizational Structure**

A critical element for companies is the formation of organizational structures that make cross-functional knowledge and resource sharing possible, which ensures strategic decision-making, the resolution of disagreements, and the active and effective coordination of the process of innovation (Song & Montoya-Weiss, 1998). Miller (1987) defines organizational structure as permanently distributing work role and administrative



mechanisms to enable an organization to perform, coordinate and control its business activities and resource flows.

Organizational structure is classified as organic and mechanistic. It is assumed that tasks containing a high degree of uncertainty require organic structures, while tasks containing low uncertainty require mechanistic approaches. When this theory is taken as a basis, complicated innovation projects cannot be carried out successfully in formal, official and bureaucratic structures (Miller, Droge, & Toulouse, 1988). However, flexible organic structures may facilitate innovation by increasing the power to conceptualize new technology (Matsuno, Mentzer, & Ozsomer, 2002).

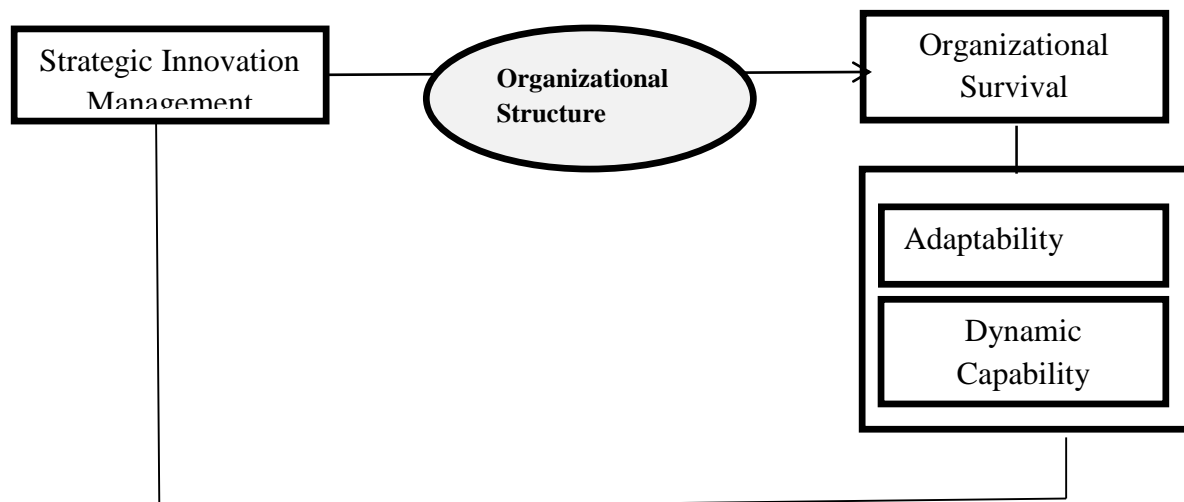
A flexible and organic organizational structure can facilitate both quick response to customer needs and attempts to share efforts toward workgroup development (Saleh & Wang, 1993). Effective distribution of acquired market information among all Organizational Structure functions and hierarchical stages requires organic (that is, flexible, informal and decentralized) organizational structures (Gupta & Wilemon, 1986; Matsuno et al., 2002). For example, Kim, Song, and Lee (1993) argued that successful firms have less formalized and centralized but more professionalized and managerially intensive organizational structure that allows them to be responsive to external contingencies.

However, according to some scholars, an organizational structure based on formal, functional specialization and formal control may increase new product development performance by enabling

coordination among different functional units, increasing the level of cost effectiveness, decreasing uncertainty and minimizing mistakes (Schultz, Salomo, de Brentani, & Kleinschmidt, 2013). In other words, formal and centralized structures may facilitate innovation instead of suppressing it. For example, because exploitative innovation generally appears in the existing pursuit of strategic goals and fosters enhancement and developments in existing innovations, formalization may have a positive impact on exploitative innovation (He & Wong, 2004). Since, because exploratory innovation requires withdrawing from current knowledge databases and creating new strategies, formalization may obstruct exploratory innovation (March, 1991). The argument so portrayed above forms the crux of this section of this study; stimulating the discussion that reveals how our study hypotheses were derived from the conceptual framework in figure 1.1

From the foregoing understanding this study hypothesised thus:

- H<sub>01</sub>:** There is no significant relationship between strategic innovation management and adaptability of hotels in Port Harcourt.
- H<sub>02</sub>:** There is no significant relationship between strategic innovation management and dynamic capability of hotels in Port Harcourt.
- H<sub>03</sub>:** Organizational structure does not moderate the relationship between strategic innovation management and Organizational Survival of hotels in Port Harcourt.





**Fig.1.1 Operational Framework for the hypothesized relationship between strategic innovation management and organizational survival.**

Source: Authors Desk Research, 2018

**Methodology**

The study used a correlational cross sectional design involving managers, supervisors and unit heads. Primary data was obtained using self-administered, structured questionnaire. The population of the study was 350 from 20 selected hotels purposively selected in Port Harcourt. A sample size of 186 was adopted using 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 analysis. Descriptive statistics and Spearman’s rank correlation were used for hypothesis testing while the zero-order partial correlation was used to test the moderating role of organizational structure.

**Table 1 Reliability coefficient**

S/N	Dimensions/Measures of the study variable	Number of items	Number of cases	Cronbach’s Alpha
1	Strategic Innovation Management	12	166	0.789
2.	Adaptability	4	166	0.878
3.	Dynamic Capability	4	166	0.906
7.	Organizational Structure	5	166	0.875

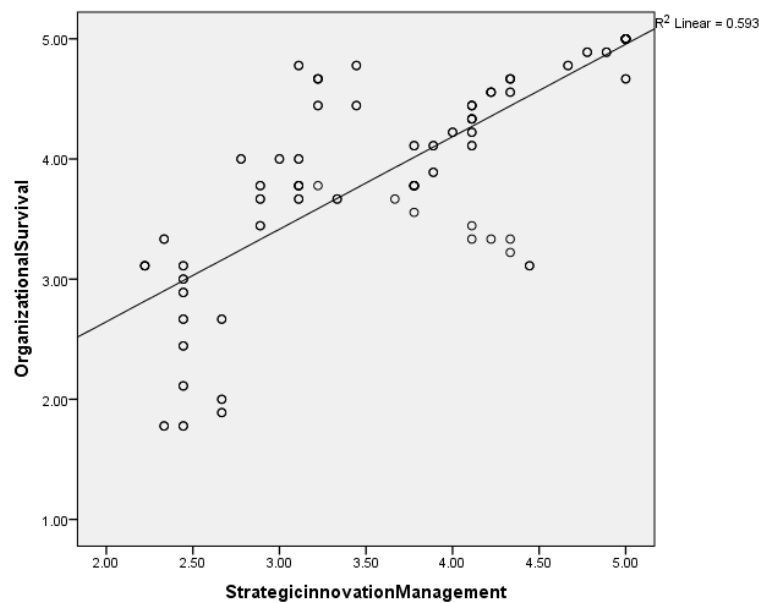
Source: SPSS Output

**Results and Discussions**

**Tests of Hypotheses**

Hypotheses were tested using the Spearman rank order correlation tool at a 95% confidence interval. Specifically, the tests cover hypotheses Ho<sub>1</sub> to Ho<sub>3</sub> which were bivariate and all stated in the

null form. 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).



**Figure 1 scatter plot relationship between strategic innovation management and organizational survival**

The scatter plot graph in figure 1 above shows R<sup>2</sup> linear value of (0.593) depicting a very strong and positive relationship between the two constructs. The implication is that an increase in strategic innovation management simultaneously brings about an increase in the level of organizational survival. 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 2 Correlation result for strategic innovation management and measures of organizational survival**



			Strategic innovation management	Adaptability	Dynamic capability	
Spearman's rho	Strategic innovation management	Correlation Coefficient	1.000	.810**	.727**	
		Sig. (2-tailed)	.	.000	.000	
		N	166	166	166	
	Adaptability	Correlation Coefficient	.810**	1.000	.668**	
		Sig. (2-tailed)	.000	.	.000	
		N	166	166	166	
	Dynamic capability	Correlation Coefficient	.727**	.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 2017, (SPSS output version 21.0)

**Ho<sub>1</sub>: There is no significant relationship between strategic innovation management and adaptability of hotels in Port Harcourt.**

From the result in table 2, it is obvious that there is a positive relationship between strategic innovation management and organizational survival of hotels in Port Harcourt. The rho coefficient 0.810 indicates that the relationship is strong and it is significant at  $p < 0.000 < 0.05$ . Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected. Thus, there is a significant relationship between strategic innovation management and organizational survival of hotels in Port Harcourt.

**Ho<sub>2</sub>: There is no significant relationship between strategic innovation management and dynamic capability of hotels in Port Harcourt.**

From the result in table 2, it is obvious that there is a positive relationship between strategic innovation management and dynamic capability of hotels in Port Harcourt. The rho coefficient 0.727 indicates that the relationship is strong and it is significant at  $p < 0.000 < 0.05$ . Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected. Thus, there is a significant relationship between strategic innovation management and dynamic capability of hotels in Port Harcourt.

#### Multivariate Analysis

For the multivariate analysis, the partial correlation technique was used in testing the moderating effect.

**Ho<sub>3</sub> Organizational Structure does not moderate the relationship between Strategic innovation management and corporate survival in the hospitality industry in Port Harcourt.**

Table 3 Partial Correlation for moderating role of Organizational Structure

Control Variables			Strategic Innovation Mgt	Organizational Survival	Organizational Structure
-none <sup>a</sup>	Strategic Innovation Mgt	Correlation	1.000	.906	.947
		Significance (2-tailed)	.	.000	.000
		Df	0	164	164



	Organizational Survival	Correlation	.906	1.000	.897
		Significance (2-tailed)	.000	.	.000
		Df	164	0	164
	Organizational Structure	Correlation	.947	.897	1.000
		Significance (2-tailed)	.000	.000	.
		Df	164	164	0
Organization al Structure	Strategic Innovation Mgt	Correlation	1.000	.397	
		Significance (2-tailed)	.	.000	
		Df	0	163	
	Organizational Survival	Correlation	.397	1.000	
		Significance (2-tailed)	.000	.	
		df	163	0	

a. Cells contain zero-order (Pearson) correlations.

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

In table 3 the zero-order correlation between strategic innovation management and organizational survival shows the correlation coefficient where organizational structure is not moderating the variables; and this is, indeed, both fairly high (0.906) and statistically significant (p-value (=0.000) < 0.05). The partial correlation controlling for organizational structure, however is (0.397) and statistically significant (p-value = 0.000) < 0.05).

The observed positive "relationship" between strategic innovation management and organizational survival is due to underlying relationships between each of those variables and organizational structure.

Looking at the zero correlation, we find that both strategic innovation management and organizational survival are highly positively correlated with organizational structure, the control variable. Removing the effect of this control variable reduces the correlation between the other two variables to be 0.397 and significant at  $\alpha = 0.05$ , therefore we reject the null hypothesis and conclude that:

**Ha3:** Organizational structure significantly moderates the relationship between strategic innovation management and organizational survival of hospitality firms in Port Harcourt.

### Discussion of Findings

This study using descriptive and inferential statistical methods investigated the relationship between strategic innovation management and organizational survival as well as the moderating role of organizational structure. The findings revealed a positive significant relationship between Strategic innovation management and Organizational survival using the Spearman rank order correlation tool at a 95% confidence interval. This reinforces previous studies that relate to the efficiency effects of innovation. Here, the line of argument, which either implicitly or explicitly reflects the notion of entrepreneurial learning (Jovanic, 1982), runs that as firms become more mature, innovation may lead to efficiency improvements and higher productivity which then reduces the probability of failure: 'Firms that are innovative improve their efficiency, which makes them fitter to survive' (Esteve-Perez and Manez-Castillejo, 2008). Findings also give credence to the conceptual approach to the innovation-survival relationship which derives from the resource-based view and argues that innovation is the route by which firms create inimitable assets, and so achieve sustainable competitive advantage (Esteve-Perez and Manez-Castillejo, 2008).





We find that both strategic innovation management and organizational survival are highly positively correlated with organization structure, the control variable. Removing the effect of this control variable reduces the correlation between the other two variables to be 0.403 and significant at  $\alpha = 0.05$ , therefore we reject the null hypothesis and conclude that: The organizational structure of an organization does significantly moderate the relationship between strategic innovation management and organizational survival of hospitality firms in Port Harcourt.

The results of this study showed that organizational structure also has a positive effect on firm survival. In other words, it was determined that firms possessing a flexible and organic organizational structure were more successful. Although previous findings on this issue are controversial, there are many research results supporting this finding (e.g., Gupta & Wilemon, 1986; Song & Montoya-Weiss, 1998). The argument in the literature about the impact of organizational structure on innovation performance is mostly related to innovation type. According to some scholars, a firm structure based on formal and functional specialty may be an advantage for performing small-scale exploitative innovations (He & Wong, 2004; Schultz et al., 2013). In addition, some scholars state that because it will create an important obstacle to change, formal organizational structure will hinder exploratory innovation, which requires presenting new strategies (March, 1991; Matsuno et al., 2002).

#### Conclusion and Recommendations

Today's consumers are highly knowledgeable and demanding. For firms in the Hospitality industry to succeed in the competitive environment, they have to be responsive to the needs and wants of their target customers better than competitors. This demands hotels to build their innovation capacity. The study thus concludes that strategic innovation management influences the organizational survival of firms in the hotels positively as it resulted in increased adaptability and dynamic capability two key measures of organizational structure. Furthermore, organizational structure significantly moderated the relationship between strategic innovation management and organizational survival in the sample of hotels studied.

From the foregoing conclusion therefore, the following, recommendations are here proffered:

- i. Hotels should embrace innovation towards service quality improvement, better service delivery,

process improvement and efficient organizational management to ensure customer satisfaction.

- ii. Hospitality firms should give due attention to the impact of organizational structure since it significantly moderates the relationship between strategic innovation management and organizational survival. This should be done by developing less formalized and centralized but more professionalized and managerially intensive organizational structure that allows them to be responsive to external contingencies.

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