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THE INFLUENCE OF COMPETITIVE AGGRESSIVENESS ON HOTEL PROFITABILITY IN PORT HARCOURT, NIGERIA

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Abstract: Competitive Aggressiveness and Organizational Profitability in Hospitality Firms in Port Harcourt. The population of this study was 1,764 from fifty (50) indigenous hotels in Port Harcourt metropolis. Th e sample size of 326 employees of hotels in Port Harcourt metropolis was obtained using the Taro Yamane's formula for sample size determination. The study adopted the cross-sectional survey in its investigation of the variables and applied both descriptive and inferential statistical techniques. The hypothesis was tested using the Spearman Rank Order Correlation Coefficient . The tests were carried out at a 95% confidence interval and a 0.05 level of significance. The reliability of the instrument was achie ved through the Crombach Alpha coefficient with competitive aggressiveness having 0.793 and organizational profitability having 0.895. The result of the findings revealed that competitive aggressiveness has a significant positive relationship with organizational profitability of hotels in Port Harcourt. Based on empirical findings, the study concludes competitive aggressiveness has a significantly influences organizational profitability. The study thus recommended that hotels should build on their distinctive competitive advantage so to sharpen their competitive aggression in the industry.

Keywords: Competitive Aggressiveness, Organizational Profitability, Hotels

Introduction

Research in management generally highlights how market environment is becoming more complex. Today people have a larger amount of choices when acquiring goods and services. People expect to receive higher quality, lower prices and faster delivery but also, services that are specifically designed for their personal needs. The evidence of the fast accelerating complexity of the market environment is persuasive. Organizations are struggling to react to shifts in the market especially when time is not on their side. It takes time to collect new information, interpret its meaning, and then convert it into acts. Traditional decision processes are often cautious and slow. By the time, a new marketing initiative is finally launched, the market has moved forward to a new state. The pace of technology has not slowed down. Indeed, there is a widening gap between the accelerating complexity of markets and the capabilities of most marketers. Organizations aspire to close the capabilities gap but are the goal realistic? (Muhonen, 2017).

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As a result of the higher speed of competition, today's market environment is getting increasingly competitively challenged (Derfus, Maggitti, Grimm, & Smith, 2008). Firms are constantly looking for new ways of keeping up the pace of technology and at the same time, they aggressively challenge their competitors to get themselves to the top of the game (e.g. hospitality industry) (Smith et al., 1996; Lumpkin & Dess, 1996). Firms are challenged with aggressive price competition, innovations and marketing campaigns, and everyone has greater pressure of sustaining their competitive advantages than ever before (Chen et al., 2010; Ferrier, 2001).

They are forced to pay close attention to their competitor's actions and initiate a series of their own or otherwise, one might be knocked out of the competition. The empirical research on the competitive dynamics also shows that firms' competitively aggressive behaviour leads to a better performance (Ferrier et al., 2001; Smith et al., 1991; Young et al., 1996). If a company is able to set more actions faster than its rivals, it creates market advantages and is less affected by the actions of its competitors. This holds up in a great variety of empirical studies in different industries: Smith et al. (1991) examined the competitive actions of U.S. domestic airlines over a six-year period. Young et al. (1996) studied the software industry and Ferrier, et al. (2001) studied the Fortune 500 firms. The research states that the more actions a firm takes with the greater speed of execution, the better is the profitability and market share. Action aggressiveness gives a certain kind of insurance for companies to maintain their winning position in the competition.

The focus of this study is to examine the extent to which competitive aggressiveness influences organizational profitability of hotels in Port Harcourt. The study would also seek to answer the research questions: What is the relationship between competitive aggressiveness and organizational profitability of hotels in Port Harcourt in Port Harcourt?

Literature Review

Competitive Aggressiveness

Competitive aggressiveness refers to a firm's propensity to intensively challenge its competitors to improve its market position and outperform industry rivals in a marketplace (Lumpkin & Dess, 1996). Competitively aggressive firms are those who pay close attention to their competitors' actions and initiate a series of their own. In other words, they prefer to invest in competitive actions such as product launches, marketing campaigns and price competition more frequently than others. It is characterized as the speed and number of competitive actions taken by a firm in comparison to the firm's direct rivals (Lumpkin & Dess, 1996).

Competitive dynamic research has broadly attempted to explain both the causes and consequences of competitive aggressiveness with particular emphasis on firm performance. Schumpeter (1934) predicted many years ago that market leaders that fail to continually create new actions would eventually have their market positions eroded by rival firms. Empirical research has supported the Schumpeter's theory. Young et al. (1996) investigated the computer software industry and demonstrated that high levels of competitive activity lead to superior firm performance. A few years later, Ferrier et al. (1999) conducted a multi-industry study and found that aggressive firms also experience higher market share gains. They learned from their study that industry leaders will decline if they become self-content and less aggressive. Sleepy firms that that are less aggressive than their rivals, appear to have been caught off guard, as evidenced by market share erosion. (Ferrier et al., 1999). Indeed, the prior research has shown that competitively aggressive firms are more likely to improve their competitive positions, market share, and increase their performance. More specifically, the more total actions a firm carries out with greater average speed (i.e., aggressiveness) the better is its profitability and market share (Ferrier et al., 1999; Young et al., 1996). In turn, firms that initiates competitive actions slower than their rivals often do not succeed in the competition (Derfus et al., 2008).

Lee and Lim (2009) opined that for a firm to be successful in its business endeavor, it must be competitively aggressive, in order to beat competitors to the punch. Lee and Lim (2009) used sales growth as performance indicator and discovered that competitive aggressiveness significantly relates to firm performance (Li, Huang &

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Tasai, 2010) argued that competitive aggressiveness relate to firm performance. Li, Huang and Tasai (2010) argued that it is a terminology that indicates a struggle to overcome the competitors. It is characterized by a combative attitude or aggressive response. (Li, Huang & Tasai 2010). Lumpkin and Dess (2011) characterized the concept innovativeness as threat responses. Covin and Slevin (2009) posited that some evidences of competitive aggressiveness can be reached when evaluating the management attitude in term of designing business operations. It is the propensity to directly contest with rivals instead of trying to elude them. Aggressive moves include price-cutting and high spending outlay on marketing quality, and manufacture ability. An example of competitive aggressiveness can be found in Ben and Jerry's marketing campaigns in the mid1980s, when Pillsbury's Haagen-Dazs tried to edge out distribution of Ben and Jerry's manufactured product from USA market. In response, Ben and Jerry's retaliated by lunching
"What's the Doughboy Afraid of?" advertising campaign to challenge Pillsbury's actions.

Profitability

Profitability refers to money that a firm can produce with the resources it has. The goal of most organization is profit maximization (Niresh & Velnampy, 2014). Profitability involves the capacity to make benefits from all the business operations of an organization, firm or company (Muya & Gathogo, 2016). Profit usually acts as the entrepreneur's reward for his/her investment. As a matter of fact, profit is the main motivator of an entrepreneur for doing business. Profit is also used as an index for performance measuring of a business (Ogbadu, 2009). Profit is the difference between revenue received from sales and total costs which includes material costs, labor and so on (Stierwald, 2010). Profitability can be expressed either accounting profits or economic profits and it is the main goal of a business venture (Anene, 2014). Profitability portrays the efficiency of the management in converting the firm's resources to profits (Muya & Gathogo, 2016). Thus, firms are likely to gain a lot of benefits related increased profitability (Niresh & Velnampy, 2014). One important precondition for any long-term survival and success of a firm is profitability. It is profitability that attracts investors and the business is likely to survive for a long period of time (Farah & Nina, 2016). Many firms strive to improve their profitability and they do spend countless hours on meetings trying to come up with a way of reducing operating costs as well as on how to increase their sales (Schreibfeder, 2006).

Competitive Aggressiveness and Profitability

In a study carried out by competitive dynamics scholars (Szymansky, Bharadwal & Varadarajam (1993) regarding the relationship between competitive aggressiveness and profitability base of the firm and performance, it was revealed that, being more aggressive was associated with market leaders who performed better. Aggressiveness helps them maintain their position as leaders and their market share relative to challengers. Results equally show that competitive aggressiveness is also tied to profitability, as greater market share has been shown to have a positive relationship with profitability. (Stanbough, Lumpkin & Brigham, 2009) conducted a study on the relationship between firm competitive aggressiveness on profitability using financial institution as a base. Result revealed that firms that displayed a high level of competitive aggressiveness tended to show gains in market share, in this case, for both loans and deposits, as the sample consisted of banks. Profitability was also positively affected by competitive aggressiveness for those banks in metropolitan areas.

A firm is said to have a high degree of competitive aggressiveness if it forcefully takes a large number and a large variety of actions to outperform its competitors in the marketplace.

Competitive dynamics scholars have shown that firms with a high degree of competitive aggressiveness experience better profitability and a greater market share than firms that carry out a narrow, simple repetition of actions. This paper tests the competitive aggressiveness– performance relationship with a sample of 90 Italian firms entering and competing in the Chinese market within the 2001–2010 time periods. Benjamin and John (2012) conducted a study on the relationship between the CEO aggressive statement and the profitability base of the firms in USA. A content letter to shareholders and trade publication were performed. The data were analysed

using multiple regressions in SPSS to test the statement. Aggressive score for the content were generated using the software package. The sample for the study was the automobile manufacturing and retailing. The data collected run through 5 years 2003-2007. Result revealed that the aggressiveness statement of the CEO relates to firm profitability which invariably enhances performance. Mackey (2010) carried out a study on the relationship between competitive aggressiveness of the chief executive officer of firms in USA. The result shows that competitive aggressiveness of firms lead to increase in market share which facilitate firm profitability base and performance. Murray (1989) conducted a study on the relationship between competitive aggressiveness of firms in relation to profitability. Result indicated a significant difference across industries. Out of the four industries whose characteristics were tested, one of the industries reported positive relationship. Ling and Venga (2010) carried out a study on competitive aggressiveness as a management behavioral and integration strategy in relation to profitability of firms in Croatian manufacturing industries. The result revealed positive relationship. Ferrier (2012) conducted a study on how competitive aggressiveness can relate to firm profit base. The result shows that competitive aggressiveness combined with top management behavior present a potential source for profit and enhances performance. The foregoing argument gave rise to the null hypothesis:

Ho: There is no significant relationship between competitive aggressiveness and organizational profitability of hotels in Port Harcourt.

Methodology

The population of this study was 1,764 from fifty (50) indigenous hospitality firms in Port Harcourt metropolis. The sample size of 326 employees of hotels in Port Harcourt metropolis was obtained using the Taro Yamane's formula for sample size determination. The study adopted the cross-sectional survey in its investigation of the variables and applied both descriptive and inferential statistical techniques. The hypothesis was tested using the Spearman Rank Order Correlation Coefficient .The tests were carried out at a 95% confidence interval and a 0.05 level of significance. The reliability of the instrument was achieved through the Crombach Alpha coefficient with competitive aggressiveness having 0.793 and organizational profitability having 0.895.

Results and Discussions

Test of Hypothesis

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

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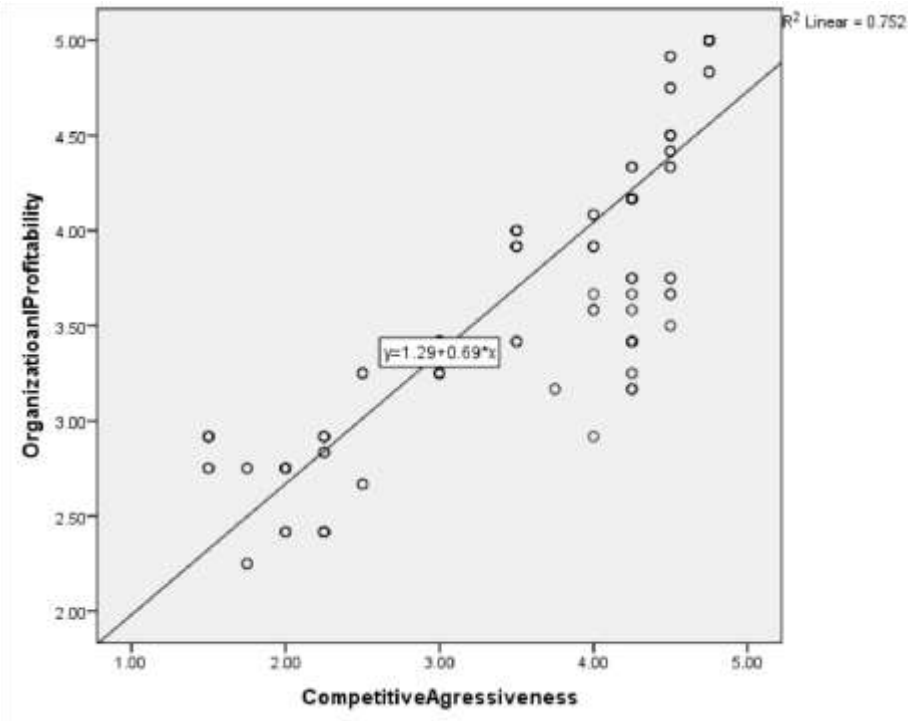

Fig.1 scatter plot of the relationship between competitive aggressiveness and organizational profitability

Scatter graph is one of the techniques used in deciding whether a bivariate relationship does exist between interval scaled variables. In the bid to determine the existence and trend of this relationship, a scatter diagram was plotted as presented. Competitive aggressiveness as a predictor variable was plotted on the X axis whereas organizational profitability as the criterion variable was plotted on the Y axis. The apparent pattern of the cases in the scatter plot sloping upwards from left to right is an indication of existing linear and positive relationship between competitive aggressiveness and organizational profitability.

Test of Research Hypothesis

Ho: There is no significant relationship competitive aggressiveness and organizational profitability of hotels in Port Harcourt.

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Table 1: Correlation Result for competitive aggressiveness and organizational profitability

			Competitive aggressiveness	Profitability
Spearman's rho	Competitive aggressiveness	Correlation Coefficient	1.000	.703
	Profitability	Sig. (2-tailed)	.	.141
		N	312	312
		Correlation Coefficient	.703	1.000
		Sig. (2-tailed)	.000	.000
		N	312	312

**. Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS 23.0 Data Output, 2018

From the result in the table above, the correlation coefficient (rho) shows that there is a positive relationship between competitive aggressiveness and profitability. The *correlation coefficient* 0.703 confirms the magnitude and strength of this relationship and it is statistically significant at p 0.000<0.05. The correlation coefficient represents a strong correlation between the variables. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between relationship between competitive aggressiveness and profitability of hotels in Port Harcourt.

Discussion of Findings

The findings revealed a strong and positive significant relationship between competitive aggressiveness and profitability of hotels in Port Harcourt using the Spearman's rank order correlation tool and at a 95% confidence interval. The findings of this study confirmed that competitive aggressiveness has a positive effect on profitability of hotels in Port Harcourt. This finding corroborates the views of Mackey (2010) who carried out a study on the relationship between competitive aggressiveness of the chief executive officer of firms in USA. The result shows that competitive aggressiveness of firms lead to increase in market share which facilitate firm profitability base and performance. Murray (1989) conducted a study on the relationship between competitive aggressiveness of firms in relation to profitability. Result indicated a significant difference across industries. Out of the four industries whose characteristics were tested, one of the industries reported positive relationship. Ling and Venga (2010) carried out a study on competitive aggressiveness as a management behavioural and integration strategy in relation to profitability of firms in Croatian manufacturing industries. The result revealed positive relationship. Ferrier (2012) conducted a study on how competitive aggressiveness can relate to firm profit base. The result shows that competitive aggressiveness combined with top management behaviour present a potential source for profit and enhances performance.

Conclusions and Recommendations

Competitive aggressiveness uses competitive moves which create more sustainable advantages for organizations. This includes new product introductions, new service offerings and market expansions. Fast developing technology, changing trends and new business models create new opportunities for firms to answer and win the first mover advantages. It is important to answer these new opportunities faster than the competitors. However, several new product and service launches as well as expanding to new markets requires resources and competence. This study thus concludes that competitive aggressiveness significantly influences organizational profitability.

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Based on the findings of this study, the study recommends that hotels should build on their distinctive competitive advantage so to sharpen their competitive aggression in the industry. Also, management of hotels should consider developing their competence by hiring people of different kind of expertise, which are needed to respond swiftly to the ever- changing business environment.

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