

DOES ENVIRONMENTAL MUNIFICENT MATTER IN THE RELATIONSHIP BETWEEN COST LEADERSHIP STRATEGY AND HOTELS PERFORMANCE

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Abstract

The significant achievement in any marketplace is competitive advantage. This study examines cost leadership strategy on performance hotels with moderation effect of Environmental Munificent. The study employs census sampling to collect data from the manager/owner of hotels Kano State Nigeria. The data were analyzed using Partial Least Square (PLS) method one of the 2nd Generation statistical tools of analysis. The findings of this study indicate that cost leadership strategy have no direct significant positive relationship with hotels performance, the result signifies the appropriateness of PLS in analysis and has contributed better understanding of cost leadership strategy influence on hotels performance, surprisingly the result of indirect relation reveals insignificant relations. Similarly, finding of this study indicate that Hotels managers need to pay attention on cost leadership and environmental munificence when taking the managerial decisions. Based on these findings, theoretical and practical implications and future research suggestions were discussed.

Keywords: Cost Leadership, Environmental Munificent, Hotels, Performance, Strategy

1. INTRODUCTION

Travel and tourism have been growing at a faster rate than both the wider economy and other important sectors such as automotive, financial services and health care in recent years. The World Travel and Tourism Council (2018) estimated that 3.8 million jobs (including 2.4 million indirect jobs) could be created by the tourism industry in Sub-Saharan Africa (SSA) over the next 10 years. Therefore, some of the greatest opportunities for hotels will derive from their ability to strategically participate in this global marketplace while sustainably increasing their competitiveness by growing financially and structurally to be able to achieve their objectives. In global businesses, business environment is one of the most imperative determinants of achievement in the market place is competitive advantage (Kharub, Mor, & Sharma, 2019; Valipour, Birjandi & Honarbakhsh, 2012). For any organization to operate successfully, it must establish itself and match between itself and the environment in which it is operating. The environmental forces could either be the internal multifaceted activities, or necessitate by external environment, which can make business environment to be complex. All the environmental factors must be anticipated, monitored, assessed, and incorporated at top-level decisions making. This complexity and sophistication of the environment necessitates strategic management (Kharub, Mor & Sharma, 2019). The success and survival of any organization depends on how well it is able to relate and competitively position itself in the environment.

Consequently, hotels industry like other small and micro enterprises (SMEs) face other characteristic difficulties such as like lack of worth right to use to necessary information, insufficient of credit, pitiable market research and unfortunate market for their products/services



(Fishbin, 2013; Ngandu, 2014). A recent overview by Overall room revenue in South Africa, Nigeria, Mauritius, Kenya and Tanzania rose 7.4% in 2018, up from the 1.9% increase in 2017, principally reflecting a 28-percentage point turnaround in Kenya, a 15.4 percentage point turnaround in Tanzania, as well as a 7.2 percentage point improvement in Nigeria. Mauritius continued to grow at double-digit rates in 2018 but room revenue growth in South Africa fell to only 0.5%. Nigeria, Kenya and Mauritius had the fastest-growing markets with increases of 20.0%, 14.6%, and 11.7%, respectively, in 2018. Growth in Mauritius was due to a large increase in ADR that offset a drop in guest nights. During the next five years we expect Nigeria to be the fastest-growing market with a projected 12.0% compound annual increase. A number of new hotels are scheduled to open in the next five years, which will accommodate further growth in guest nights, without putting upward pressure on ADR (Hotel Outlook 2019-2023). Thus, the increase in their performance will help toward increase in gross domestic production (GDP) and sustainable economic development.

Furthermore, the Daily Trust, one of the leading newspapers in Nigeria on September, 2019 reported that hotels in Nigeria suffer with many challenges such as; competition, poor range of services, facilities and amenities. Oki (2014) found that Nigerian hotels are satisfying customer below expectation; which suggest a best strategic approach that will enhance their performance. The impacts, COVID-19s show that the crisis has the potential to have far-reaching and long-term impacts on tourism as an economic industry (Razak, 2020). They considered the strategies and measures (e.g., travel and mobility bans, community lockdowns, social distancing, stay at home campaigns, self- or mandatory quarantine, curbs on crowding) that have stopped global travel and tourism, which severely caused damages to national and international economies. The Covid-19 impact on the tourism industry is the highest affected sector. Tourism and hospitality are among the most affected sectors, indicating the direct and indirect economic consequences and damages associated with COVID-19 (see figure 1;2). The impact varies across industries. The tourism industry involving face-to-face interactions is likely to be disproportionally affected, including hotels and restaurants, air travel, and tourism services.



Q12019 Q22019 Q32019 Q42019 Full Year Q12020 Q22020 Q32020 Q42020 Full Year

Figure 1: Effect of Covid-19 on Hotels Industry



Hence, in this highly dynamic and uncertain environment, competitiveness is inevitable. As a result, organizations wishing to remain ahead of competition should therefore pursue suitable strategies. Business strategies have been found to have direct influence on firm's competitiveness and growth (Porter, 1980). Porter (1985), posit those three competitive strategies namely; cost leadership strategy, differentiation and focus strategies are key to achieving competitive advantage and improving organizational performance. The objective of this study is to examines the effect cost leadership strategy as it is one of the commonly used strategy dimensions on hotels performance with environmental munificence as moderating variables. Thus, three set of hypotheses are developed.

- **H1.** There is a positive and significant relationship between cost leadership and Hotel's performance.
- **H2**. There is a positive and significant relationship between environmental munificence and Hotel's performance.
- **H3**. Does Environmental munificence have significant effect on the relationship between cost leadership and Hotel's performance.

In scenario A1, the RevPAR of luxury hotels is slowest to return.



Scenario A1US hotel revenue per available room, by chain scale, index, Jan 2019 = 100

McKinsey & Company

Figure 2: Scenario of Luxury Industry

2. LITERATURE REVIEW AND THEORETICAL DEVELOPMENT 2.1 Conceptualizations

The study was founded in Porter's competitive business strategy typology which argues that three generic strategies namely; low cost, differentiation and focus helps create defendable position that contribute to a competitive advantage. This is based on available literature that states that Porter's (1980) typology seem to be the most popular paradigm and has received much more research attention than any other typologies (Kumar, Subramanian & Strandholm, 2001). It is further



acknowledged that Porter's framework of generic strategies is also inherently tied to firm performance (Powell, 1995).

According to Porter (1985), firms pursuing any of the three generic strategies namely; cost leadership strategy, differentiation and focus strategy could achieve better organizational performance and competitive advantage. He further posits that low-cost position gives a firm defense against rivalry from competitors, because its lower costs mean that it can still earn returns after its competitors have competed away their profits through rivalry. Firms adopting cost leadership strategy try to be the low-cost producers in the markets.

This position is further supplemented by Barney and Hesterley (2006) who affirm that few layers in the reporting structure; simple reporting relationships, small corporate staff, and focus on narrow range of business functions are elements of organizational structure that allow firms to realize the full potential of cost leadership strategies. It is important to note however, that a company might be a cost leader but that does not necessarily imply that the company's products would have a low price. In certain instances, the company can for instance charge an average price while following the low-cost leadership strategy and reinvest the extra profits into the business Lussch & Laczniak, 1989). The risk of following the cost leadership strategy however, is that the company's focus on reducing costs even sometimes at the expense of other vital factors may become so dominant that the company loses vision of why it embarked on one such strategy in the first place.

Considering the significant role of cost leadership strategy on hotels industry, for instance if the hotel has distinguishing proficiency in managing equipment and making process (Hilman & Narentheren, 2015), alongside their rivals then they will achieve competitive advantage. Hilman and Narentheren, 2015 stated that hotels industry might effectively consider a cost leadership strategy in the course of proficient, cost economy in hotel designs and operational actions. Business can pursue cost leadership strategy, specifically where customers don't give a large amount value for brand, price sensitivity, and buyers have considerable bargaining power (Barjandi *et al.*, 2014).

Mar Fuentes-Fuentes *et al.* (2004) define munificence as the extent to which an environment can properly support the growth of firms within it through provision of sufficient resources. Environmental munificence is the degree of abundance or shortage of resources needed by business organizations operating within an environment. Availability of resource within the environment affects the survival and performance of firms operating within it (Randolph & Dess, 1984). Environmental munificence is similar to environmental capacity, businesses operating in munificent environments will have more access to raw materials, finance, and customer markets compared to firm operating in scarce environment (Daft, 2009).

Several definitions have been given by many scholars as to what performance is all about. Generally, performance is measured to be the outcome of an organization's activity measured along with its input. A thoughtful of performance measurement will let a company to focal point on area that need enhancement by appraising the stage of work growth in related to cost, worth and period with other useful variables and maintenance in areas with higher productivity (Abd aziz, & Mahmood, 2010).



Performance is the ability of an object to produce results in a dimension Laitinen (2002). According to Rauch *et al.* (2009), there are two types of firm performance. They care perceived firm performance and archival data. Archival data involves aspects of firm performance especially related to financial performance measured from secondary sources while perceived performance involves use of perceptions of managers in a firm about the company's performance. This study chose to use perceived indicators to measure firm performance. This is considered to be the most appropriate measure as discussions with managers suggested that in general it was not possible to obtain a wide range of hard measures of performance. This study also seeks to understand how managers initiate certain set of strategy it necessitates a focus on manager perception hence use of perceived indicators. These indicators include managers view on; sales growth rate, sales, profit growth rate, profit, profitability ratio etc.

2.2 Dynamic Capability Assumption

This article employs Dynamic Capability (DC) assumption. It is an extension of a resource-based view to dynamic markets (Singh & Rao, 2017; Teece et al., 1997) due to the rapid and unpredictable changes of today's environment based on the trends of technology advancement, new ways of doing things and the changing nature of best practices. DC is the situation by which organizational managers integrate, build and reconfigure internal and external competencies to address rapidly changing environments (Singh & Rao, 2017; Teece et al., 1997). Researchers view business can identify their ability to integrate build, and reconfigure internal and external (cost leadership and environmental munificence) competences to address rapidly changing situation. Eisenhardt and Martin (2000) used the term 'combinative capabilities' to describe organizational processes by which firms synthesize and acquire knowledge resources, and generate new applications from those resources. As such, they are the drivers behind the creation, evolution, and recombination of other resources into new sources of competitive advantage (Teece et al., 1997). Thus, the study considers DC with a fundamental focus on the integration and development of business-level strategies and strategic planning as intangible organizational resources capable of building competitive advantage in an environment for better performance (Mills, Platts, & Bourne, 2003; Teece et al., 1997).

3. METHODOLOGY

The study employs quantitative research approach. The research setting is non-contrived and time horizon for this research is cross-sectional design using self-administering. Questionnaires, the study unit of analysis were owner/manager. Similarly, the population of this study is hotels operating in Kano of North Western Nigeria totaling 83 that registered under the Directory of Kano State Tourism Board (Kano Tourist Board, 2020). Kano was chosen being the center of commerce and has history of Tran Saharan trade with highest population in Nigeria. Thus, the 83 registered hotels in Kano State are adopted as census population of this study in order to generalize. Choosing census as sample size becomes necessary due to small number of populations. In additions, the census provides a true measure of population no sampling error, it also provides quite reliable and accurate result (Hilman & Kaliappen, 2014; Zikmund, Babin, Carr & Griffin, 2010). This study adopted Partial Least Squares Structural Equation Modelling (PLS-SEM), due the complexity of the research model. Haenlein & Kaplan (2004); Hair, Sarstedt, Ringle, & Mena (2012) that PLS-SEM enhanced to be used as a research instrument in many areas like marketing, and other social sciences. Additionally, compared to other covariance-based techniques PLS-SEM can



moderation test, therefore is a sufficient alternative for statistical test of moderation effect (Chin, Marcolin, & Newsted, 2003; Hair *et al.*, 2017).

Measures

Cost leadership strategy in this study will be measure as the extent to which hotels industry with regards to experience, ventures in facilities, maintenance and cautious and control on the total working costs (through actions such as decreasing the size and quality management) and the purpose for using the strategy of cost leadership is to get the benefit by dropping the economic costs in the midst of its rivals (Barney, 2002; Birjandi *et al.*, 2014) the measurement discuss on several issues in strategy and respondent were required to show their perception of companies concerned on action in considering their partner in business within the last three years (Nandakumar *et al.*, 2010). Hence, the study operationally measures cost leadership as independent variable measured using 6 items adapted from (Nandakumar *et al.*, 2010) and modify to suit the context of hotels, which reveals higher internal consistency reliability Cronbach alpha of 0.825 (Nandakumar et al., 2010). All the 6 items will be measured using seven-point Likert-type scales (1 = Much Lower - 7 = Much Higher). The samples of items are listed below:

Environment munificence is referring as the availability or scarcity of significant resources needed by business operating inside the environment (Aminu & Shariff, 2015; Dess & Beard, 1984), the resources available inside the environment usually influence the survival and growth of business living within the environment (Dess & Beard, 1984; Jaiyeoba, 2013). Castrogiovanni (1991) argued that environmental munificence describes the capacity of environment to encourage organizations in the marketplace. Therefore, the study operationally measures environmental munificence as moderating variable measured using 8 items adapted from Tang (2008) and modified in order to suit.

Performance is operationalized as extent to which business records a success or otherwise in a given period of time. The performance scale in this study uses both objective (financial) and subjective (non- financial) measures is adapted from the evaluated using items adapted from Gorondutse and Hilman, (2016) and Kaplan and Norton (1996). Respondents were requested to specify the performance of their hotels in the past three years as compared to the performance of their key opponents in the industry (1= Significantly Decrease to 7= Significantly Increase

Self-administered questionnaires were employed given to either the manager of the SME or one of the staff involved in the day-to-day management of the business in order to overcome common method bias (CMV) as recommended by Podaskoff *et al.* (2003). The data were coded and checked for any errors and omissions. Descriptive statistics are used to analyze the data collected. The descriptive statistics used included mean and standard deviation. Equally, the Smart PLS-SEM was used for hypothesis testing this because of the popularity as the most suitable technique by prior researchers. PLS - SEM path modeling is seen as a conventional regression technique that takes advantage of large and rigorous data in estimating the relationships between structural models construct. Again, it also contributes in evaluating and estimating the relationships between the study indicators and their corresponding latent constructs of the measurement model simultaneously (Chin, Marcolin, & Newsted, 2003; Hair *et al.*, 2018). In addition, partial least squares (PLS), being the second-generation tool of analysis, was employed in conducting a two-



stage analysis as recommended by Chin (1998), where the measurement model is first analyzed before going further for direct hypotheses testing. The same approach had also been set up by Henseler *et al.* (2012) due to its quick rise in popularity among global researchers (Gorondutse & Hilman, 2016).

4. RESULTS AND DISCUSSIONS

4.1 Descriptive Statistic

This section represents descriptive statistics that underlined the mean and standard deviation as shown in Table 1 below. According to Sekaran and Bougie (2013), mean is the common measure of central tendency which is the average value of a given data set. On the other hand, standard deviation is a measure of variability or spread which provides an index of dispersion in the data set, and it is the square root of variance. Mean and standard deviation are important descriptive statistics for interval and ratio scale. In general, Table 1 presents the mean for the latent variables for this study.

Table 1: Mean and Standard Deviation of the Study Variables					
S/no	Variables	Description	Mean	SD	
Performance			4.95	0.91	
2.	Cost leadership		4.61	0.93	
3.	Environmental Munificence		4.02	1.04	
a		•			

Table 1: Mean and Standard Deviation of the Study Variables

Source: Author's Computation, 2022

Therefore, based on the computed results, mean for performance shows a high level at 4.95. This suggests the respondents have high levels of perceptions towards performance. For the latent variable's cost leadership showed a mean value of 4.61 and low level mean on environmental munificence Thus, these pointed out that respondents had a high, moderate and low level of perception of these three concepts.

4.2 Multicollinearity

This study has followed the suggestions of Hair, Hult, Ringle, and Sarstedt (2013) on the issue of multicollinearity which can be checked through variance inflation factors (VIF). This method suggests that to discover multicollinearity is to examine data at the variance inflated factor (VIF) and tolerance value. Hair *et al.* (2013) asserted that any VIF exceeding the value of 5 indicates a problem of multicollinearity. Table 2 as shown below is of the VIF values of independent variables.

 Table 2: Multicollinearity of Independent variable (VIF)

	Cost leadership	Enviromental Munificence	Hotel Performance
Cost leadership			1.053
Environmental Munificence			1.053

Source: Author's Computation, 2022

4.3 Assessment of Measurement Model

Measurement model in this section is intended for ensuring that the model specification is valid and reliable. Therefore, in line with the findings of Hair *et al.* (2010), it clearly follows the rule of thumb that for an outer loading to be considered such a model, it should be 0.7 and above.

Meanwhile for the average variance extracted (AVE), it should also be greater than 0.5. Outer loading basically focuses on assessing the individual items' reliability for each construct. On top that, in this path model assessment section, it is important to take note that according to Hair *et al.* (2014) goodness-of-fit index is not that appropriate for model validation.

Based on this literature, all the items with outer loading below 0.7 were deleted beginning with the data with the lowest value, a technique which according to Hair *et al.* (2014) is very appropriate because it improves data quality. Thus, based on the analysis, no such issue has been detected. Smart PLS software (Ringle *et al.*, 2005) was used to assess the reliability and validity as well as to test the structural/hypothesized model and moderating effect. An examination of the loadings and cross loadings serve as a pre-requisite for ascertaining the convergent validity. Thus based on the result the data achieved convergent validity and reliability.

Table 3a: Discriminant Validity of Research Constructs

	Cost leadership	Environmental Munificence	Hotel Performance
Cost leadership	0.781		
Environmental Munificence	0.224	0.757	
Hotel Performance	0.161	0.718	0.815

Note: Diagonal (bold face) represents the square root of the AVE while other entries represent the correlations matrix.

Source: Author's Computation, 2022

	Cost leadership	Environmental Munificence	Hotel Performance
Cost leadership			
Environmental Munificence	0.380		
Hotel Performance	0.261	0.848	

Table 3b: Heterotrait-Monotrait Ratio

Source: Author's Computation, 2022

For the assessment of Goodness-of-Fit Measure (GoF), researchers (Henseler, Dijkstra, Sarstedt, Ringle, Diamantopoulos, Straub & Calantone, 2014) suggested the use of standard root mean square (SRMR) and Normed Fit Index (NFI) to measure the GoF in PLS models. According to Hu and Bentler (1999) the SRMR value should be <0.080 and Bentler and Bonett (1980) says the NFI values are between 0 and 1 and the closer the NFI to 1, the better the fit. If the model does not fit the data, obtained estimates may be meaningless, and conclusions drawn from the researcher become questionable.

Table 4: Model fit Using SRMR and NFI Criterion Saturated Model Estimated Model SRMR 0.074 0.074

Criterion	Saturated Model	Lotinated Would	
SRMR	0.074	0.074	
d_ULS	0.573	0.577	
d_G	0.371	0.372	
Chi-Square	889.243	894.427	
NFI	0.808	0.808	

Source: Author's Computation, 2022.



As indicated in Table 4 above, the SRMR coefficient is 0.074 which is less than 0.080 recommended by Hu and Bentler (1999). Similarly, the value for NFI is 0.808 which is better based on the recommendation of Bentler and Bonett (1980). This implied that the model of this study fit the data set using both SRMR and NFI criterion.

4.4 Assessment of Significance of the Structural and Hypothesized Model

The previous section evaluated the measurement model. In the following section, the focus is on examining the structural model. The structural model is employed to test the hypotheses for this study. This study also employed standard bootstrapping procedure to assess the significance of the path coefficients as suggested by Hair *et al.* (2014). Thus, the testing of the hypotheses in this study includes assessment on the direct hypothesis effect and the moderating effects.

Therefore, the fundamental objective of the structural model is to test the hypothesized relationships among constructs. The structural model evaluation began with an examination of the direct relationships in this study. The direct path relationship is shown in Figure 2 which described the direct effect of every latent variable on the dependent variable.



Figure 4

Structural Model

The output of Figure 4 above was fully clarified in Table 5 which indicates the path coefficients, t- values, and standard error which are used as the basis for testing hypotheses. The t- values for this research were calculated using 5000 re-sampling iterations in repetitive bootstrapping as recommended by Hair et al. (2017). According to Hair et al. (2018), the above techniques can be equally justified for a 5000 sample by ensuring that every model's parameter has empirical sampling distribution. These researchers also added that the standard deviation of the distribution will serve as proxy of the parameter for empirical standard error. Thus, the results for the hypothesis testing are shown in Table 5.



	HYPOTHESIS	Original S Standard (STDEV)	Sample (O) Deviation	LLCI 2.5%	UPCI 97.5%	T Statistics (O/STDEV)	P Values	Decision
H1	CL-> Hotel Performance	0.010	0.106	-0.195	0.237	0.098	0.922	Not Accepted
H2	EM-> Hotel Performance	0.712	0.068	0.565	0.830	10.522	0.000	Accepted
H3	Moderating Effect 1 -> Hotel Performance	0.208	0.239	-0.320	0.503	0.871	0.384	Not Accepted

 Table 5: Hypothesis Testing

Source: Author's Computation, 2022

The above Table 5 indicates that only one hypothesis of the study hypotheses was accepted and possesses a t-value which is greater than 1.96 and it is adequate to support the direct hypotheses. Hypothesis 1 predicted cost leadership will influence hotel performance. Accordingly, the results revealed an insignificant relationship between cost leadership and Hotel performance with ($\beta = 0.010$, t = 0.098). Consequently, the results revealed a significant relationship between environmental munificence and hotel performance ($\beta = 0.712$, t = 10.522). Hence, it supports the Hypothesis. Surprisingly, H3 which predict environmental munificence moderates the relationship between cost leadership and hotel performance ($\beta = 0.208$, t = 0.871).

The next assessment underlined R-squared value as another criterion in assessing the structural model. R-squared value (R^2) is well-known as the determinant for coefficient (Hair et al., 2011). Cohen (1998) suggested that R-square value of 0.02 is weak, the value of 0.13 is Moderate, and 0.26 is regarded as substantial. Thus, in line with Cohen's (1988) categorization, the result of this study's R-square value as shown in Table 6 below is substantial. Mostly, the R^2 values indicated that all the study variables can influence 49.7% of the changes in the dependent variable which is Hotel's performance.

Table 6: Holistic Effects of Cost Capital, Environmental Munificence, on Hotel Performance

Constructs	R Square
Hotel Performance	0.497
Note: The study worishing evenisin 40.70% in hotels reaformed	

Note: The study variables explain 49.7% in hotels performance **Source:** Author's Computation, 2022

Effect Size (f^2)

According to Chin (1998), effect size explains the relative effects of proposed exogenous latent variables on the endogenous latent variable that take place due to the changes in R^2 . The researcher had further noted that the value being computed as the increase in R^2 of latent variables on the connected path, relative to the proportions of unexplained variance.

Thus, there is a need to know the individual contribution of the observed variables to criterion through the calculation of the effect sizes of the predicting variables. Hence, only the results of the effect size f^2 of the three (3) hypotheses that were statistically supported are reported for hotel



performance. The effect size f^2 is calculated using the formula as advanced by Cohen (1988) as given below:

Effect size $f^2 = \frac{\mathbf{R}^2 \text{ included} - \mathbf{R}^2 \text{ excluded}}{1 - \mathbf{R}^2 \text{ included}}$

According to Cohen (1988), suggested f^2 values of 0.02 are noted to have a small effect, 0.15 represent the medium effect and 0.35 having a large effect. A brief explanation on R^2 included and R^2 excluded is that they represent the R-squares on the predicting variable wherein when the independent variable is present it is considered R^2 included or when it is withheld, then it is R^2 excluded. This eventually translates the effect of the variance of every variable. Table 7 shown below represents the effect sizes of the latent variables of structural model.

Table 7: Relationship Effects Size and Rating					
Relationship	\mathbf{F}^2	Rating			
CL-> Hotel Perfor.	0.000	None			
EM-> Hotel Perfor.	1.009	Large			

Source: Author's Computation, 2022

Based on Table 7 above, the effect sizes of the supported relationships with their respective t-values, effect size and their rating are according to Cohen's (1988) criterion. Thus, the results show model possess a rating None and Large respectively. Nevertheless, Chin, Marcolin, and Newsted (2003) argued that even the smallest f^2 strength is considered significant since they may have an impact on the measure construct.

Predictive Relevance of the Model

Predictive relevance of the model is intended to assess the predictive capability of a model. The proposed approach to assess predictive relevance is by implementing blindfolding techniques. This blindfolding technique was proposed by Geisser (1974) and Stone (1974). Moreover, Hair et al. (2014) underlined that the cross-validated redundancy measure (Q^2) is used as a criterion to measure how well the research model can predict the data of cases that was omitted (See Table 8).

Table 8: Construct Cross Validated Redundancy

Dependent	$1-SSE/SSO(Q^2)$
Hotel Performance	0.313

Source: Author's Computation, 2022

As shown in Table 8 above, this study's research model has predictive relevance. Thus, this result is in line with Hair et al. (2013) that suggested that if $Q^2 > 0$, the model has a predictive relevance whilst if $Q^2 < 0$, the model does not pose any predictive ability. Hence, the predictors above for both the models possess a value that is greater than zero indicating sound predictive model relevance present.

Assessment of Importance and Performance Matrix (IPMA)

Importance and performance matrix analysis is useful in extending the findings of the basic PLS-SEM outcomes using the latent variable scores (Hair, Hult, Ringle, & Sarstedt, 2017). In other words, IPMA is useful to help researchers to further explain and discuss the findings for managerial



implications. For instances the plotting result indicates high importance and low performance, it helps the management identify major area of improvement.



Figure 3

IPMA

Based on the figure 3 above, the IPMA of flexibility indicate very important for hotel to shape their performance. Thus, the managers should focus much on environmental munificence in decision making to enables hotels improved their performance.

4.5 Discussion of Findings

This study aimed to examine the effect of environmental munificence on the association between cost leadership and hotel performances. Experts in the field suggested that if a firm wishes to implement a cost leadership, it must pay attention to cost minimization mainly via reducing waste, rework, time and improving efficiency with employee involvement (Sangwan *et al.*, 2018). Sangwan *et al.*, 2018 study results show that there is no direct relationship between cost leadership strategy and home performance. However, it affects performance via emphasizing on quality practices. The results contradict with previous studies, i.e., Das et al. (2008), and Sangwa and Sangwan (2018a). For example, the study conducts by Chapman and Hyland (2000) reported the same results from Australian small manufacturing firms.

Environmental munificence has strong effect on hotels performance. The finding of this research is in line with previous finding (Goll & Rashid, 2004; Jaiyeoba, 2013; Reuda et al., 2008 & Tang, 2008). This indicates that hotels mangers create friendly environment that fosters and facilitate individual alertness to support its operations and service,



The finding of this study on the moderating effect of environmental munificence on the relationship between cost leadership and performance has validated the previous suggestion of Al-Swidi and Al-Hosam (2012) also suggested an inclusion of environment as moderating variable between competitive advantage and performance in future research and Deshpande, Grinstein, Kim, and Ofek (2013) suggested an empirical study on how combination of different strategic orientations affects performance, and the specific moderating role of environment.

5. CONCLUSION, IMPLICATIONS AND RECOMMENDATIONS

Previous studies have observed that owing to the scarcity of the resources (i.e. technology, flexibility, design and development techniques), the hotels sectors in Nigeria prefer cost leadership over the differentiation. Despite the inability of environmental munificence to moderates the association between cost leadership and hotels performance. The results of this study therefore provide a valuable reference for top hotels companies in Nigeria in terms of implementing cost leadership strategy as this would help them achieve competitiveness and sustainable performance.

Implications

This research makes a significant input to the literature by identifying some of the gaps in the literature through a systematic literature review, and addressing those gaps. The issue of inconsistent operationalisation of the constructs in the previous studies has been pointed out earlier. This issue has been addressed in this study. The literature review in his study indicated that not many studies have looked at hotels organisations in the developed economics, and out of these, only a few studies if any have focussed on services industry. The study presented suitable proof for the hotels' superiors for creating strategic tactics in determining business level strategies, and performance measurements in their efforts to make every effort for the superior organizational performance.

The finding of this study would be of relevance to policy makers such Hospitality industry in designing the future environmental programs that create friendly, support and utilized the available scarce resources as this will help in energizing and promoting customer spirit to patronize Nigerian hotels. However, this finding has provided an empirically tested study that is of relevance to the environmental munificence and business level strategy and the way forward. The hotels managers will equally benefit from the study outcome, as it will guide and assist hotels managers by given guidance on particular resource patterns can give precious return leading to sustainable performance.

The present study relies on the perception of mangers of hotels in Nigeria regarding their performance, this is quite common with social science research, but the response of managers may not provide a precise replication of reality. There is the likely tendency that the data collected may not reflect some degree of confidence of the respondents who might have their own perceptual biases and cognitive shortcomings in assessing their own hotels.

The present paper is cross - sectional in nature, therefore, future research may be conducted by collecting data over a long period of time, longitudinal in nature in order to have enough time for the data collection. Future studies should investigate in more detail the nature of the relationship, considering the cause-and-effect relationship of hotels performance in Nigeria. The present study uses manager perception; future studies may use other owners'/managers' perception different situations.

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