Resources and Competitive Strategies to Improve the Performance of Diving Tourism Business in Indonesia

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Abstract:

Purpose: This research provides solutions to improve the performance of the diving tourism business in Indonesia by increasing competitive strategies and resource-based uniqueness.

Design/Methodology/Approach: The research was conducted using quantitative methods. The unit of analysis is dive operators in Indonesia where data are collected from 50 random samples taken from 284 dive operators. Then the observations in this study use a time horizon that is cross section one shoot taking.

Findings: The results of the study show that the uniqueness of resources and competitive strategies have a significant effect on business performance. Competitive strategies have dominant influence in improving the performance of dive service operators in Indonesia.

Practical Implications: The results can be used in an effort to improve the performance of the dive tourism business in Indonesia through the development of competitive strategies based on cost-based approaches, and the development of resource uniqueness based on the development of human resources.

Originality/Value: This study acts as a reference for the diving tourism business people and all parties involved in this kind of business to understand the uniqueness of resources and competitive strategies in improving the business performance.

Keywords: Diving tourism, uniqueness of resources, competitive strategies, business performance, dive operators.

JEL codes:

Paper type : Research article.

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1. Introduction

Marine tourism destinations have a great potential to be developed in Indonesia in the field of special interest tourism. Tourism included in the special interest tourism categories are: adventure tourism, ecotourism, cultural tourism, rural tourism, religious tourism, culinary tourism, wildlife tourism, heritage tourism, and medical tourism (Cater and Lowman, 1994; Whelan, 1991; Hall, 1992; Kruja and Gjyrezi, 2011). The government, especially the Indonesian Ministry of Tourism (2015) said that maritime tourism is the cornerstone of tourism development in Indonesia, the Ministry of Tourism set a foreign exchange target of 4 billion US dollars in 2019. Where 60% of marine tourism is coastal tourism, 25% is seascape tourism such as cruise, yacht and 15% underwater tours, snorkeling and diving.

Scuba diving is one of the important forms and components of marine based tourism (Dimmock, 2007; Garrod, 2008; Higham and Luck 2007). Scuba diving is currently a billion-dollar industry and is one of the fastest growing recreational sports in the world (Ong and Musa, 2011). Judging from the activities of tourists, Scuba diving is generally referred to as non-competition activities that have elements of fun, physical activity and freedom (Dimmock, 2007). Scuba diving as a recreational activity is rapidly increasing with a global growth of 14% per year to certify new PADI divers (Professional Association of Diving Instructors) as refer by Haddock and Hamton (2010). The condition of PADI membership growth from year to year continues to increase (Haddock and Hamton, 2010).

The PADI certification history showed that the total number of diving education certificates for entry level and advanced, from all PADI offices where divers can get several certificates, is increasing year after year which shows an increased interest in diving tourism. The diving tourism industry must also consider environment as a main issue in its business sphere. The main purpose in conducting diving activities is to see the diversity of underwater biota. The development of demand for diving tourism was triggered by the desire of divers to witness and experience the maritime nature (Dimmock, 2015). Beginning divers prefer to meet megafauna, while experienced divers prefer to see cryptic species (Giglio, 2015). Tourists pay large sums of money to see coral reefs or iconic large animals such as sharks and manta rays (Roche, 2016). Roche's research (2016) states that dive operators have an important role in supervising the environment, but as tourists’ number increases, the quality of supervision decreases. The important thing for customer satisfaction in this industry is the quality of the environment (Dimmock, 2015). Therefore, in the diving tourism industry, the business performance of its business actors is not only seen in terms of financial business performance, but also in non financial business performance such as environmental quality.

According to Matic (2012) non-financial business performance measures customer satisfaction, product and service quality, employee satisfaction with work, and organizational innovation. However, in practice, diving tourism businesses in
Indonesia, seems like ignoring the environment quality at the diving point, where there are no clear limits on the pattern of interaction between tourists and underwater biodiversity.

The business performance seen from the growth rate of the number of customers, the realization of diving package sales targets, and the achievement of profit target growth for the last five years. The growth in the number of customers has increased even though in 2014 it decreased by almost half compared to 2013. The realization of the diving package sales target from 2013 to 2017 shows fluctuations in the period 2015-2017. As for the achievement of profit targets in the period 2013-2017 also showed fluctuations. This condition shows the unstable business performance of dive operators in Indonesia. Meanwhile, the number of certificates issued by PADI in Indonesia is much higher compared to other countries, for example the Philippines, because there are more diving spots in Indonesia than in other countries. Therefore, it is interesting to study the performance of diving tourism businesses in Indonesia.

Based on a review of the literature sourced from previous studies, we found aspects that can affect business performance. Aspects that influence business performance according to Valipour, Birjandi, and Hamid (2012) research are cost leadership strategies. In addition, Kaliappen and Hilman (2014) found that differentiation strategies have a significant impact on organizational performance. Likewise with the findings of Teeratansiririkool, Siengthai, Badir and Yuosre (2012) that competitive strategies positively and significantly improve company performance. In addition, there is a role for resources in competitive strategies, as stated by Varadarajan and Yadav (2002), that competitive strategies are mainly related to how businesses must mobilize existing resources to achieve and maintain competitive advantage positions in the market.

2. Business Performance Determinants

The definition of performance is delivered by Daneshvar and Ramesh (2012) as an illustration of the company's success in transforming resources into output. Business performance is the output or the result of implementing all activities related to business activities, which are measured through sales growth and profitability (Best, 2013). Meanwhile, according to Hubbard and Beamish (2011), basically the measurement of corporate performance is different from business performance, measurement of corporate performance focuses on aspects of business portfolios, while business performance indicators are sales growth and profitability. Another measure used to measure company performance is the shareholders perspective, ROA and ROE, and financial performance (profitability) indicated through ROE, ROA, and ROS\textsuperscript{4}.

In this study, business performance was measured by the dimensions of growth in number of members, realization of diving package sales targets, and growth of target profit targets. Camison and Villar-Lopez (2010) claimed that superior economic performance is only achieved by SMEs that can change their knowledge gained from international experience into a large contribution to intangible assets that are exploited internationally. While the findings of Elragal and Al-Serafi (2011) that the implementation of Enterprise Resource Planning (ERP) contributes positively to business performance. Hafeez, Shariff and Mad Lazim (2012) found that entrepreneurial orientation, company resources, had an effect on company performance. Morrison and Teixeira (2004) identified a number of positive contributors to business performance in the tourism sector including urban locations that benefited from strong tourism demand patterns, infrastructure and resources, and niche market positions. Based on the description above, it can be concluded that there is an influence of the uniqueness of resources on business performance

2.1 Unique Capability

Resources are organizational assets that are the basic building blocks of an organization. Resources include tangible assets, such as factories, equipment, finance, and location; human assets, in terms of the number of employees, their skills and motivation; and intangible assets, such as technology (patents and copyrights), culture and reputation (Wheelen and Hunger, 2015).

David (2013) said that based on the Resources-Based View (RBV) approach to competitive advantage, internal resources are more important than external factors in achieving and maintaining competitive advantage. According to the RBV approach, organizational performance will mainly be determined by internal resources grouped into three categories, namely: physical resources, human resources, and organizational resources. Physical resources include the entire plant and its equipment, location, technology, raw materials, machinery; human resources include employees, training, experience, skills, knowledge, skills, abilities; and organizational capabilities include corporate structure, planning processes, information systems, patents, trademarks, copyrights, data bases, and so on.

There are conditions for the company's resources to be valuable according to David (2013), namely: rare, difficult to imitate, and not easily replaced. These three characteristics are often referred to as empirical indicators that enable companies to implement strategies that can increase efficiency and effectiveness and lead to sustainable competitive advantage. The more resources that are rare, not easily replicated, and irreplaceable, the stronger the company's competitive advantage and it will last longer.

On the other hand, Ireland, Hoskisson and Hitt (2015) assume that each organization is a unique collection of resources and capabilities, where the uniqueness of the resources and capabilities is the basis for determining the company's strategy and its
ability to obtain above-average returns. Rahim and Rahman (2013) explain that companies have a number of resources as a source of competitive advantage and lead to superior long-term performance. Resources are divided into tangible resources and intangible resources. Based on an analysis of some of the concepts of the uniqueness of these resources, and adjusted to the conditions of the dive operator's analysis unit in Indonesia, then in this study the uniqueness of resources is measured by the dimensions of physical assets, organizational culture, human resources, and natural resource management.

2.2 Competitive Strategy

The competitive strategy according to Hubbard and Beamish (2014) is how organizations position their business more competitively compared to other similar industries. A broader understanding is conveyed by Hitt, Ireland, and Hokisson (2015), where business strategy is a set of integrated and coordinated commitments and actions that companies use to achieve competitive advantage by exploiting their core competencies in a particular product market.

Based on the scheme developed by Pearce and Robinson (2015) every long-term strategy must come from the company's efforts to seek competitive advantage based on one of three generic strategies, namely a) Strive for overall low cost leadership in the industry; b) Try to create and market products that are unique to a group of customers that vary through differentiation; c) Trying to have a special appeal to one or more groups of consumers or industrial buyers, focusing on the problem of cost or differentiation.

In addition to these three generic strategies, Pearce and Robinson (2015) also conveyed that efforts to achieve competitive advantage need to be evaluated by speed-based strategies as a business strategy built in terms of functional capabilities and activities that enable companies to be faster than their main competitors in meeting customer needs both directly and indirectly. Empirical studies examine competing strategies based on the dimensions of Cost Leadership, Differentiation, Focus, Cost leadership, innovation differentiation and differentiation. Based on the comparison of the concept of competitive strategy variables and adjusted to the conditions of the unit of analysis in this study, the competing strategies in this study were measured based on three dimensions, namely cost-based strategies, differentiation-based strategies, and speed-based strategies.

2.3 Unique Capability and Business Performance

Cost leadership strategies lead to better performance, in a low hostility environment. In a high enmity environment, differentiation strategies lead to better performance.

than competitors. At low environmental dynamics, differentiation strategies, which have a better role in improving financial performance a combination strategy related to higher performance in several companies. Based on the description above, it can be concluded that there is an influence of competitive strategies on business performance.  

2.4 Government Consumption and Growth

Government activities may increase economic growth or impede it, depending on net productivity impact of these activities (Karras, 2001). Of particular interest in the literature, is the impact of government size on economic growth (Kwabena, 2002). The main conclusion from the literature is that there may be both a “size” effect of government intervention, as well as specific effects stemming from the financing and composition of public expenditure. At a low level, the productive effects of public spending are likely to exceed the social costs of raising funds. On the contrary, very large government expenditure to GDP ratios tends to have a negative effect on economic activity of the private sector and reduce economic growth (Yin et al., 2003). Also, government expenditure and the required taxes may reach levels where the negative effects on efficiency, and hence growth, starts dominating. These negative effects may be more evident where the financing relies heavily on more “distortionary” taxes (e.g. direct taxes) and where public expenditure focuses on “unproductive” activities (Bassanini and Scarpetta, 2001).  

2.5 Competitive Strategy and Business Performance

In companies with cost leadership strategies there is a positive relationship between leverage, cost leadership strategies, and dividend payments with performance. Differentiation strategies and service innovations had a significant impact on organizational performance while competitive strategies positively and significantly improve company performance through performance measurement.

3. Theoretical Foundation and Research Focus

3.1 Methodological Issues

The research was conducted using quantitative methods through surveys. The unit of analysis is the diving operator in Indonesia. The observation unit in this study is the management of dive operators in Indonesia who can be represented by middle-level.

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6 Recent empirical studies as in Nandakumar, Ghobadian, O’Regan (2010), Parnell (2010).
7 Empirically a negative effects is found in Barro (1991), Barro and Lee (1994), Sachs and Warner (1995), Bassanini et al. (2001), a positive effect in Caselli et al. (1996) while in Levine and Renelt (1992), Bassanini et al. (2001), empirical evidence is not robust.
8 See for example Valipour et al. (2012), Kaliappen and Hilman (2014), Teeratanirikool et al. (2012).
managers or management. The population in this study were all dive operators in Indonesia, there are 284 dive operators (Indonesian Diving Tourism Association PUWSI, 2017) where data are collected from 50 random samples. Scale of the questionnaire compilation refers to the theory of category rating scale (Dunn and Rankin, 1983) with the highest positive scale answer mapping (5) and the lowest negative scale (1). The use of PLS refers to the purpose and model of the study, to test the causal relationship model between latent variables (unobservable variables) with a relatively small sample size.

4. Results

4.1 The Inner Model

The analysis of the inner model shows the links between latent variables. Inner model is evaluated by the value of R Square on endogenous constructs and prediction relevance (Q square) also known as Stone-Geisser's test. It is used to show the capability of prediction with blinfolding procedure. If the value obtained is 0.02 (minor), or 0.15 (medium) or 0.35 (large), and only used for the endogenous construct with the reflective indicator it shows the difference between the values of the observations result with the values predicted by the model. Following Chin (1998), the value of R square amounted to 0.67 (is considered strong), 0.33 (medium) and 0.19 (weak). The test of the inner model indicates that the value of R^2 of business performance as endogenous variable is strong (>0.67=strong), and the value of Q Square is also large, so it can be concluded that the model of the research is supported or the model is well fitted.

5.2 The Outer Model

The usage of second order parameter in the research model causes a loading factor obtained which can explain the relationship between the latent variables-dimension and dimensions-indicators. Table 1 and Figure 1 show the results of the measurement model for each dimension on indicators.

Analysis of the measurement model (outer model) shows the manifest variables (indicators) with each latent variables. It is used as a validity and reliability test to measure latent variable and indicator in measuring dimension that is construct. It can be explained by the value of CronbachsAlpha that is to see the reliability of dimension in measuring variables. If the value of CronbachsAlpha > 0.70 (Nunnaly, 1994), it shows that the dimensions and indicators as reliable in measuring variables. Compositereliability and Cronbachs Alpha > 0.70 show that all of variables in the model estimated fulfill the criteria of discriminant validity. Then, it can be concluded that all of variables have a good reliability. The results of the test of Outer and Inner Model gives Cronbachs Alpha > 0.7 and Composite reliability > 0.7 so that it can be explained that all variables have reliable dimensions and
indicators, and result of measurement model of dimensions by its indicators show that the indicators are valid which the value of t value > 2.01 (t table at α = 0.05).

**Table 1: Hypothesis Testing**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Coefficient Estimate (γ)</th>
<th>SE (γ)</th>
<th>t value</th>
<th>R2</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique Resources -&gt; Business Performance</td>
<td>0.335</td>
<td>0.076</td>
<td>4.387*</td>
<td>0.238</td>
<td>Hypothesis accepted</td>
</tr>
<tr>
<td>Competitive Strategy -&gt; Business Performance</td>
<td>0.646</td>
<td>0.074</td>
<td>8.724*</td>
<td>0.543</td>
<td>Hypothesis accepted</td>
</tr>
</tbody>
</table>

* significant at α=0.05 (t table =2.01)

**Source:** Calculation Result with SmartPLS 3.0

The result shows that partially, uniqueness of resources and competitive strategy have influence to business performance, which Competitive Strategy has a greater influence (54.3%).

**Figure 1. Complete Path Diagram**

**Source:** Calculation Result with SmartPLS 3.0.
The research findings state that the uniqueness of resources and competitive strategies both have a significant influence on business performance. Competitive strategies have a more dominant influence (54.3%) than the uniqueness of resources (23.8%) in improving business performance.

Competitive strategies are measured based on three dimensions, namely cost-based strategies, differentiation-based strategies, and speed-based strategies. Of the three dimensions, the cost-based strategy has the highest contribution rate (94.2%) in improving business performance, followed by differentiation-based strategies (92.3%), and speed-based strategies (84.9%). This means that the development of a cost-based strategy has the dominant ability to improve business performance.

The cost-based strategy in the diving tourism service industry is implemented in the form of a strategy based on the bargaining power given, the savings in the company, the trade off between lower costs of sales that have the potential to decrease and customer satisfaction. Cost-based strategies are also implemented through savings in terms of operational costs, R&D costs, advertising costs, customer service costs, and pricing that is more competitive than competitors.

The research findings reveal that competitive strategies influence business performance and support the research findings of Valipour et al. (2012) which show that there is a relationship between cost leadership strategies and performance. This finding also supports Kaliappen and Hilman (2014) stating that differentiation strategies have a significant impact on organizational performance. Likewise they are in accordance with the findings of Teeratanirikool et al. (2012) that all competitive strategies positively and significantly improve company performance through performance measurement. In addition, Nandakumar, Ghobadian and O’Regan (2010) found that cost leadership strategies lead to better performance, in a low hostility environment. In a high enmity environment, differentiation strategies lead to better performance than competitors. At low environmental dynamics, differentiation strategies have a main role in improving financial performance while Parnell (2010) shows a combination strategy related to higher performance in several companies.

The second variable that affects business performance is the uniqueness of resources, which gives an effect of 23.8%. Sequentially, human resources (91.6%) have the highest influence in improving business performance, followed by tangible assets (81.9%), nature of management resources (74.8%), and organizational culture (44.7%).

From the results of this hypothesis testing, it is shown that human resources have the biggest role in efforts to improve the performance of diving service operators. Human resources in the dive operator business are developed in terms of adequate number of employees, training and development of employee skills, knowledge and experience of employees, intelligence and skills of employees, managerial skills of
employees, and certified diving instructor qualifications. These aspects encourage the improvement of the quality of human resources in the dive operator business that is able to play a role in improving business performance.

Dive operators in diving tourism destinations are the spearhead of tourist activities in conducting recreational diving activities. The number of the highest level professional (course directors) who train professional prospective instructors to develop recreational diving training, is increasing in Indonesia but relatively not yet fully adequate. This is interesting considering that in 2000 Indonesia did not have a course director, and if Indonesians wanted to become diving instructors had to undergo training abroad such as Singapore, Malaysia or Thailand.

These findings suggest that the uniqueness of human resources affects business performance, supporting the research findings of Camison and Villar-Lopez (2010), Elragal and Al-Serafi (2011), and Morrison and Teixeira (2004). These research findings are useful for the management of diving service operators as alternative solutions in improving business performance through developing competitive strategies supported by the development of unique resources.

The importance of the competitive strategy in the diving tourism service industry is due to the increasingly complex diving tourism business competition, with the increasing number of diving business actors, both in the form of foreign investment that can be owned 100%, then travel agents, especially from overseas, who offer Indonesia as a destination for consumers by working with foreign service providers operating in Indonesia. Meanwhile, at present dive tourism businesses generally choose differentiation, value-based and speed-based strategies. No one uses the cost leadership strategy. Differentiation based strategies are chosen because of large growth and many competitors so that the ability to set prices tends to be the same, and products are easily obtained through various channels. While the results of this study indicate that cost-based strategies have the highest influence in improving business performance.

5. Conclusions and Policy Implications

Based on the results of the hypothesis testing it was found that the uniqueness of resources and competitive strategies both had a significant influence on business performance. Competitive strategies have a more dominant influence than the uniqueness of resources in improving business performance.

Improved business performance in terms of competitive strategies, mainly based on cost-based strategies, followed by differentiation-based strategies, and speed-based strategies. This is because the development of a cost-based strategy has the dominant ability to improve business performance. Meanwhile, improving business performance in terms of the uniqueness of resources, based on the development of
human resources, is followed by tangible assets, nature of resource management, and organizational culture.

The findings of this study are expected to be useful for the management of diving tourism operators that the performance of diving tourism business in Indonesia can be improved by implementing competitive strategies that are based on cost-based strategies, and the development of unique resources that mainly rely on the development of human resources owned by the company.

References:


