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The Effect of Market Orientation and Strategic Flexibility on Competitive Advantage through Hotel Firm Performance in Surabaya

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Abstract

Purpose: The hospitality and tourism industry is a vital sector in Indonesia, significantly contributing to the country's economy. East Java is the province with the second-largest number of hotel buildings in all of Indonesia. The largest hotel star category in both Indonesia and East Java, particularly in Surabaya, the capital of East Java, is a three-star hotel. The tight competition in the hospitality industry, especially among the hotels themselves, makes business actors in this industry need to think about ways to survive. A key factor that enables a company to survive in a highly competitive industry is a competitive advantage. This study aims to investigate the impact of market orientation and strategic flexibility on a firm's competitive advantage, as measured by its performance. The study was conducted on three-, four-, and five-star hotels in Surabaya.

Method: Research data were obtained through the distribution of questionnaires to owners or managers of three-, four-, and five-star hotels in Surabaya. A total of 110 responses were used as research data and processed using SEM-PLS data processing techniques.

Result: The study's results showed that the market orientation variable had an impact on strategic flexibility and competitive advantage, but did not affect firm performance. The strategic flexibility variable was found to affect firm performance and competitive advantage. Firm performance was also found to have a significant effect on competitive advantage.

INTRODUCTION

Indonesia is a country with diverse economic potential across various sectors. One sector that makes a significant contribution to Indonesia's economy is the hotel industry. Indonesia is projected to achieve revenues of US$5.03 billion in the hotel industry market in 2024. An annual growth rate of 3.71% is expected to occur between 2024 and 2028, resulting in a projected market volume of US$5.82 billion in 2028. In 2028, the number of users in the Hotel market is expected to reach 30.88 million users. The average revenue per user (ARPU) is estimated to reach US$182.10. The hotel market in Indonesia is experiencing increasing demand due to the country's growing tourism industry (Statista, 2024).

According to a report by BPS, it is expected that in 2023, the number of hotels in Indonesia will increase by 205 hotels, with approximately 13% of these being five-star hotels. Meanwhile, the provinces with the most significant number of hotels are in the provinces of Bali (as many as 3,895 hotels), East Java (as many as 3,783 hotels), West Java (as many as 3,119 hotels), Central

Java (as many as 2,019 hotels), and DI Yogyakarta (as many as 1,820 hotels) (Raras, 2023). The BPS report also stated that in the 2023 period alone, the total revenue from the Indonesian hotel sector reached IDR 73 trillion. Most hotels in Indonesia are three-star hotels (Figure 1). BPS (2023) stated that the number of three-star hotels in Indonesia decreased in 2021 but increased again in 2022 and 2023. However, this phenomenon also occurred in four- and five-star hotels, which was caused by global conditions, namely the COVID-19 pandemic.

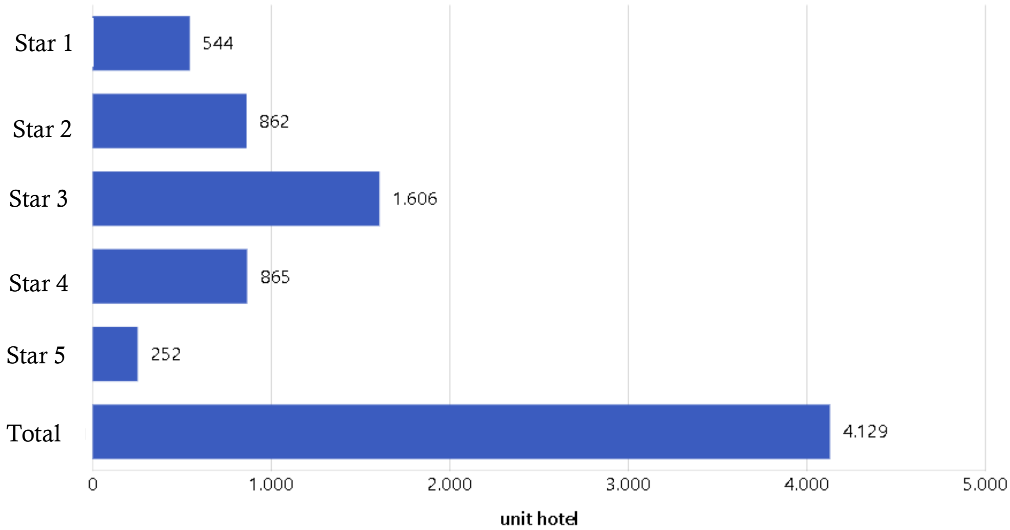

Figure 1.
Number of Star Hotels in Indonesia
Source: Annur (2024)

As shown in Figure 1, the majority of hotels in Indonesia are dominated by three-star hotels. The figure only shows hotels based on star categories and not their physical buildings. Muhammad (2023) stated that, in terms of the number of hotel buildings, Indonesia has a total of 29,005 hotels, with three-star hotels indeed dominating. This is explained in the research of Hossain et al. (2022), which states that the hotel business environment is currently characterized as increasingly complex in order to create a competitive advantage. Sustainability is a crucial element in increasing the competitiveness of tourist destinations. Pereira-Moliner et al. (2021) explain that the hotel industry can gain a competitive advantage through various implementations of company strategies and activities, such as cost reductions. Ofori and Appiah-Nimo (2021) explain that the competitive nature of today's business environment, in which the hospitality sector is no exception, has increased the challenge of providing services to consumers at competitive prices without losing value creation and profitability. The market segments of the three stars cannot be equated. Miano and Wamalwa (2021) explain that the competitive advantage of hotels with various star categories is mainly based on several things, including product differentiation strategies, innovation, and costing and budget allocation. Based on the explanation provided, it is essential to understand that to create a strong competitive advantage for the company, the hotel must focus on performance. This is also emphasized by Ofori and Appiah-Nimo (2021), who explain that there is a strong relationship between competitive advantage and firm performance. Udriyah et al. (2019) stated that performance is the operational ability to satisfy the desires of the company's principal shareholders and must be assessed to measure organizational achievement. With good performance, the company can encourage a competitive advantage. Park et al. (2020) in their research describe aspects of hotel performance that visitors, including room environment, service basics, dining, location, auxiliary facilities, furniture/appliances, bathrooms, and price, often highlight. In providing an assessment of the attributes presented, visitors also provide a priority ranking of attributes where visitor assessments will differ in three-, four-, or five-star hotels. For example, for three-star hotel visitors, the results of Park et al.'s (2020) research confirm that service is the most important attribute of hotel performance. However, for five-star hotel visitors, the room environment is more important, while for four-star hotel visitors, service is the primary factor in assessing performance. Park et al.'s (2020) research further confirms that hotel performance is indeed something important and helps shape and provide a competitive advantage for hotels.

Hossain et al. (2022) stated that one of the important variables that influences competitive advantage in companies in the hotel sector is strategic flexibility. This is because strategic flexibility enables hotels to respond to environmental changes and also empowers companies to lead change in today's fast-paced, hyper-competitive market. In another study, it was explained that the company's strategic flexibility will also have an impact on increasing firm performance. Brozovic (2016) explained that modern society is characterized by economic irregularities, increasing levels of market complexity and uncertainty, and decreasing levels of predictability, so market players must develop the ability to navigate a complex business environment. Therefore, strategic flexibility is crucial in helping companies deliver strong and responsible firm performance. Specifically, strategic flexibility enables the creation and performance of strategic options that respond to or lead change, thereby enhancing firm performance in both financial and non-financial aspects. Residata (2023) explains that strategic flexibility will determine the assessment of firm performance in the eyes of visitors. Residata (2023) explains that during the Covid-19 pandemic, the orientation of hotel marketing strategies focuses on offering products that guarantee visitors to get clean services and this changes all operational activities including the way employees dress and serve, serving dinner or breakfast, room cleaning procedures, products offered where the room is not adjacent to other visitors, and many other operational activities that are affected which are the embodiment of strategic flexibility.

To achieve good strategic flexibility, it is crucial to prioritize a market-oriented approach. In the research of Kurniawan et al. (2020) it is explained that customer orientation, competitor orientation, inter-functional coordination and inter-partner coordination describe the dimensions of market orientation where in the study it is explained that through the market orientation process the company will obtain data that is used as material for analysis in order to implement appropriate strategic flexibility based on references related to customers, competitors, internal and external coordination. Dabrowski et al. (2019) explain that in the context of market orientation, three-, four-, and five-star hotels have different market orientations, which are primarily based on the pricing of the products offered.

Based on studies in various literature, several journals show different research results from the studies presented in this study. Kurniawan et al. (2022) found that market orientation did not affect firm performance. This result is different from Yousuf et al. (2020), who found that market orientation would significantly affect firm performance. Yang et al. (2020) found that market orientation did not affect strategic flexibility, which is different from the research of Ibidunni et al. (2015), who found that market orientation affected strategic flexibility. In the context of the relationship between strategic flexibility and firm performance, Wu et al.'s research (2024) actually found a negative relationship between the two. This result is not in line with the research findings of Brozovic (2016) and Chen et al. (2017), which suggest that strategic flexibility has a positive impact on firm performance. From the description presented, there is an inconsistency in the research results, which creates a research gap.

Relationship between Market Orientation and Strategic Flexibility

Brozovic (2016) explains that market orientation has a positive effect on strategic flexibility. This is because market orientation is considered a supporter of strategic flexibility. Companies need to understand market conditions based on market orientation, which produces contextual data and knowledge that support sharp analysis of market situations. This form of market orientation, carried out by the company, will enable it to be more flexible in planning and implementing specific strategies. Ibidunni et al (2015) explained that in determining strategic flexibility, companies must combine external and internal perspectives. In this case, the external perspective is obtained through the results of market orientation carried out by the company. Therefore, market orientation has a positive effect on strategic flexibility.

The Relationship between Market Orientation and Firm Performance

Kurniawan et al (2020) explained that a complete market orientation will have a positive impact on company growth compared to a partial market orientation that partially tries to influence customer tastes and technology roadmaps. Organizations with a market orientation focus their activities on offering superior value to customers efficiently and effectively, and thereby achieving superior business performance. Market orientation enhances business performance by motivating organizations to develop responsiveness to market information. With this orientation, organizations will be able to anticipate changes in customer needs and demands, and thus provide solutions in the form of innovative products and services. Yousuf et al (2020) also stated that market orientation has a positive effect on firm performance. Market orientation is a marketing strategy that enables companies to create added value for customers and ultimately enhance firm performance. Marketing orientation is a crucial source of learning for companies, having a significant impact on firm performance. Market orientation as a marketing strategy enables companies to meet customer needs and respond to competitor strategies, resulting in the company's ability to compete effectively in the market. Market orientation also allows companies to achieve differentiation or low-cost advantages. A market-oriented approach could enhance the company's financial performance by reducing costs and increasing efficiency. In the same context, profitability is considered a result of marketing orientation.

The Relationship between Strategic Flexibility and Firm Performance

Strategic flexibility provides firms with the ability to exploit market opportunities and achieve improved performance. Brozovic (2016) explains that strategic flexibility has a positive effect on firm performance. The most frequently mentioned outcome of strategic flexibility is firm performance, especially financial performance, where the higher the level of strategic flexibility, the higher the firm's financial performance. Strategic flexibility is dynamic and firm-specific because the managerial and problem-solving skills associated with it are intrinsic to the firm and emerge within it. In conclusion, strategic flexibility is a crucial dynamic capability that enables firms to achieve a competitive advantage in volatile markets.

Similar research results are also presented in the study by Chen et al. (2017), which suggests that strategic flexibility has a positive impact on firm performance. This is because strategic flexibility reflects the company's ability to adjust its resources in response to environmental changes. Thus, the important role of strategic flexibility is to help companies survive and grow in a changing environment. A company may need strategic flexibility to deal with unexpected changes in customer preferences, competitor actions, and other market factors. For example, companies rely on strategic flexibility when creating new products and production processes, designing new business models, entering new markets, and expanding old businesses through internal growth, acquisitions, and strategic alliances. Second, the fundamental role of strategic flexibility is to reconfigure and combine company resources to adapt to the environment. In addition, with strategic flexibility, companies can search for and select appropriate resources, expand and modify them into new forms, and exploit them to respond to environmental changes. Companies with strategic flexibility can restructure existing resources and acquire additional resources to support competitive actions.

The Relationship between Market Orientation and Competitive Advantage

Udriyah et al (2019) explained that market orientation must be the primary focus of all companies to continue to create excellent value for customers, and therefore can obtain sustainable competitive advantage. Market orientation enhances a company's competitive advantage, ultimately improving its business performance. This reflects the positive influence of market orientation on competitive advantage. Pratono et al (2019) explained that market-oriented companies can benefit from the positive impact on competitive advantage by integrating their activities into their business strategy. Market orientation is associated with obtaining, sharing, and responding to market information to create superior value for customers. Because market orientation enables companies to respond to market intelligence related to customer needs, companies receive feedback from customers that plays a crucial role in enhancing research and development. Marketing orientation is a source of competitive advantage.

The Relationship between Strategic Flexibility and Competitive Advantage

Brozovic (2016) explains that strategic flexibility has a positive effect on a company's competitive advantage. There are beneficial results from strategic flexibility, which is often referred to as a competitive advantage. Competitive advantage is achieved by utilizing the strategic flexibility process, enabling managers to navigate environmental uncertainty and enhance their company's ability to adapt. Competitors will struggle to imitate confident strategic choices; however, because the environment is hardly static, companies need to maintain their competitive advantage through continuous adaptation, which is where some researchers link strategic flexibility and dynamic capabilities more closely. A research study by Hossain et al. (2022) examining the impact of strategic flexibility on competitive advantage in the hospitality industry sector found that strategic flexibility has a positive effect on competitive advantage. This is because the nature and adaptability of hotel resources, as well as the allocation of management attention, are important factors in achieving flexibility. Companies in the hospitality industry need flexibility, as the ability to balance stable and dynamic organizational conditions will lead the company to gain a competitive advantage.

The Relationship between Firm Performance and Competitive Advantage

Juniati et al (2019) explained that firm performance affects competitive advantage. Organizations with effective performance are characterized by effective operations, better flexibility, and cost efficiency that function better than competitors. In this case, performance expressed in the value of profitability and organizational growth is critical to increase the company's competitiveness (competitive advantage). Performance, or performance driven by innovation, can stimulate organizations to enhance their capabilities and improve performance. Organizations with greater advantages in international markets and environmental innovation tend to produce better performance and, consequently, a more decisive competitive advantage.

This study emphasizes the importance of competitive advantage in a company, especially hotels, to continue to exist and compete in the midst of tight competition. To provide and even increase a competitive advantage, hotels must pay attention to firm performance, as well as market orientation and strategic flexibility. Outstanding firm performance will provide a competitive advantage for the company. This is because firm performance itself encompasses the company's overall performance in various aspects. To encourage firm performance and competitive advantage, it is necessary to pay attention to the variables that influence it. With a clear market orientation, hotels can provide outstanding firm performance and increase their competitive advantage. Therefore, market orientation is one of the important variables studied in this research, particularly its influence on creating competitive advantage. Strategic flexibility can also improve a hotel's performance and encourage a competitive advantage. Various business fields always need a competitive advantage, but in this study, competitive advantage refers explicitly to the hotel industry. The research plan is depicted in Figure 2

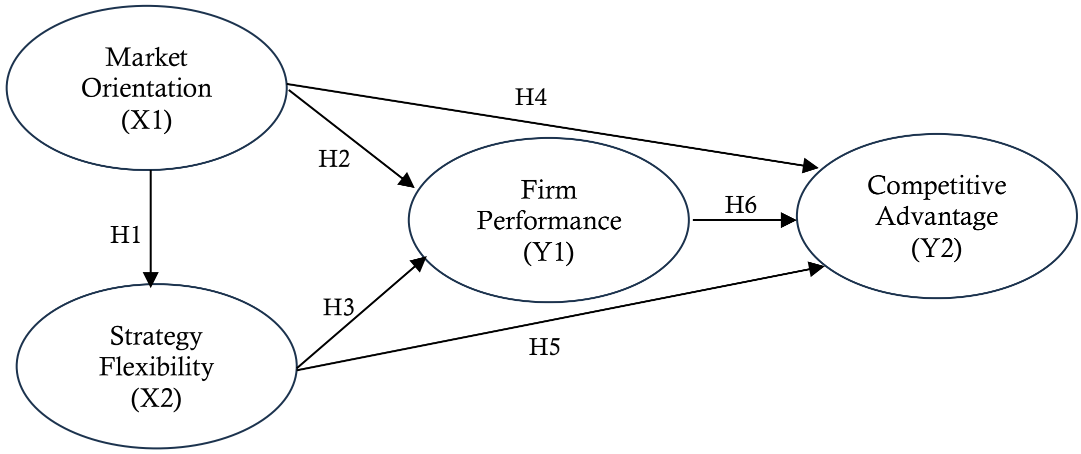

Figure 2.
Research Framework

RESEARCH METHODS

The required data are obtained by researchers from several data tools, including Review of literature, researchers seek information from textbooks, articles, journals, and several other writings and studies from various media, such as conventional reading media and the internet, this is done to support information related to the research and, Distribution of questionnaires to research respondents to obtain field data, researchers collect data directly on the research object, namely the research sample according to the criteria or provisions of the sample that have been set.

The population used in this study consisted of all managers and leaders of three-, four-, and five-star hotels in Surabaya. As described in the background of the study, three-star hotels are the most numerous hotels throughout Indonesia. Four- and five-star hotels have higher operational costs and target markets that also have incomes in a higher category, so they require better attention, especially in providing services. With the tight competition among three-star hotels and the complexity of four- and five-star hotel management, three-, four-, and five-star hotels really need to implement a competitive advantage.

In this study, the number of samples used is based on the calculation explained by Memon et al. (2020), which is 5-20 times the number of indicators used in the study to measure all research variables. The total number of research indicators used to measure all research variables is 35, resulting in a sample size of 35x5, which yields a minimum of 175 research respondents. However, the total number of hotels in Surabaya for the 3-5 star hotel category is 102, so the sample determined in this study is 102 respondents.

The sampling technique used in this study is non-probability sampling with the purposive sampling method. Nonprobability sampling is a sampling technique that does not provide the same opportunity/chance for each element or member of the population to be selected as a sample (Sahir, 2020). The sample in this study was determined by having the following characteristics: Manager or leader of a three, four, or five-star hotel in Surabaya, and He/she has held a leadership position for at least two years.

This study uses the Structural Equation Modeling – Partial Least Squares (SEM PLS) analysis technique. This is done by focusing on explaining the variance in dependent variables when examining the model. PLS is an alternative SEM analysis technique for data that is not normally distributed, multivariate. In SEM PLS, the value of the latent variable is estimated according to a linear combination of the manifest variables related to the latent variable. It is needed to replace the manifest variable. According to the advantages of SEM PLS, it can handle conditions where the factor is indeterminate and an inadmissible solution.

In Structural Equation Modeling – Partial Least Squares (SEM-PLS), there are three models: the inner model, the outer model, and the weight relation. The inner model describes the relationship model between latent variables formed based on the substance of the theory. The outer model describes the relationship between latent variables and their indicators. Weight relation shows the estimated value of the latent variables. In Structural Equation Modeling – Partial Least Squares (SEM-PLS), there are several evaluations of the inner, outer, and outer models. In the outer model, convergent validity, discriminant validity, composite reliability, and AVE are tested. For inner and outer, R-squared tests and path coefficient estimation tests are carried out.

RESULTS & DISCUSSION

The characteristics of the research respondents are based on the respondents' income level, duration or length of time holding the position, education, and the star category of the hotel where the respondent works, with the following characteristic results presented in Table 1.

Table 1.
Respondent Characteristics

	Number of Respondents	Percentage
Age		
20-30 years	2	1.8
31-40 years	70	63.6
41-50 years	31	28.2
>50 years	7	6.4
Income Level		
IDR 5.000.000 - 10.000.000	65	59.1
>IDR 10.000.000	45	40.9
Duration of Term as Leader		
2 years	7	6.4
> 2-5 years	84	76.4
>5 years	19	17.3
Education		
Senio High School / Equivalent	5	4.5
University	105	95.5
Star Hotel		
1-3 stars	59	53.6
4 stars	35	31.8
5 stars	16	14.5

The age group with an interval of 31-40 years dominates the age characteristics of the research respondents, with 63.6% of the total research respondents having an income level in the range of Rp 5-10 million, which accounts for 59.1% of the total sample. The majority of respondents have served as leaders for at least 2-5 years, with a percentage reaching 76.1%, which indicates that the majority of respondents in this study have served as hotel leaders for a considerable amount of time. The majority of respondents had educational backgrounds that reached the college level, with 95.5% of respondents. The majority of respondents in this study came from the leadership of three-star hotels, which covered 53.6% of the total research sample.

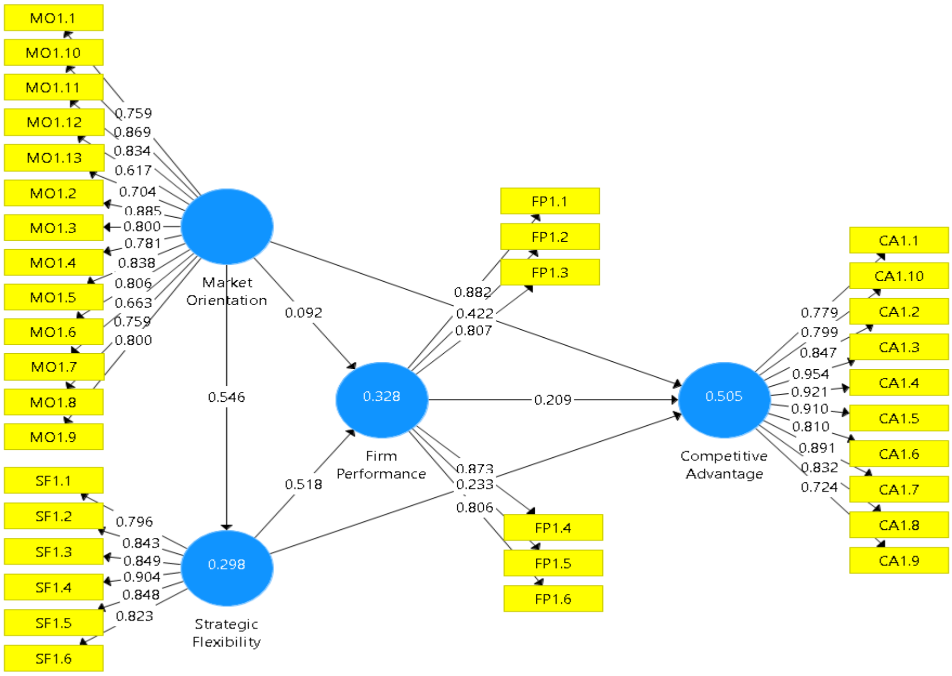

Figure 3.
Outer Model 1

Outer model 1 in Figure 3 shows that there are indicators with loading score values <0.7 that do not meet the convergent validity criteria, namely, indicators MO1.7 and MO1.12 from the market orientation variable. Both indicators will be removed from the study. Furthermore, further testing is carried out to obtain the next outer model with the following results presented in Figure 4.

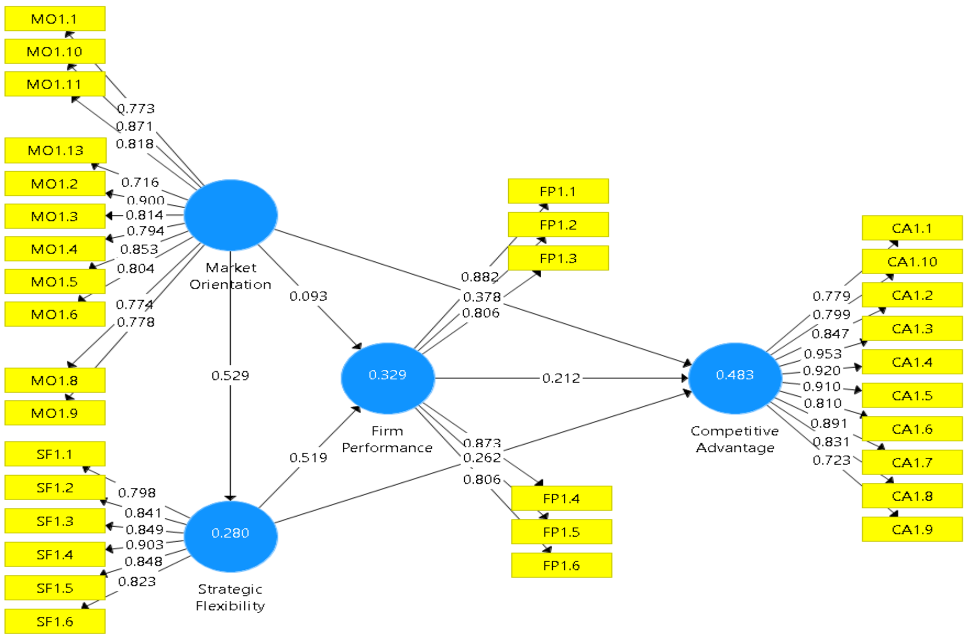

Figure 4.
Outer Model 2

One of the validity tests in the SEM-PLS model is convergent validity.

Table 2.
Outer Loading

Code	Statement	Mean	Loading score
	Market Orientation		
MO1.1	Our hotel is committed to customers	4.9182	0.773
MO1.2	Our hotel creates customer value	4.8818	0.9
MO1.3	Our hotel is able to understand customer needs	4.8818	0.814
MO1.4	Our hotel prioritizes customer satisfaction	4.9091	0.794
MO1.5	Our hotel prioritizes customer satisfaction as its main goal.	4.8545	0.853
MO1.6	Our hotel has after sales service for customers	4.8091	0.804
MO1.8	Our hotel responds quickly to consumer needs.	4.8545	0.774
MO1.9	Our hotel has a boss who discusses the strategies implemented by competitors.	4.8000	0.778
MO1.10	Our hotel implements company targets	4.8727	0.871
MO1.11	Our hotel has a special department to build relationships with customers.	4.8091	0.818
MO1.13	Our hotel has synergistic coordination between departments	4.8455	0.716
	Strategic Flexibility		
SF1.1	Our hotel is able to allocate the resources we have flexibly.	4.6182	0.798
SF1.2	Our hotel is able to allocate available materials flexibly.	4.4818	0.841
SF1.3	Our hotel is able to design products flexibly	4.5636	0.849
SF1.4	Our hotel is able to redefine strategies that may have already been implemented.	4.5636	0.903
SF1.5	Our hotel has alternative vendors	4.6000	0.848
F1.6	Our hotel is able to effectively re-arrange resource allocation.	4.5727	0.823
	Firm Performance		
FP1.1	Our hotel has experienced consistent increases in revenue.	4.3909	0.882
FP1.2	Our hotel has experienced consistent increases in profit margin figures.	4.3455	0.918
FP1.3	Our hotel has experienced a consistent increase in cash flow.	4.2818	0.806
FP1.4	Our hotel experienced an increase in market share	4.3909	0.873
FP1.5	Our hotel has seen an increase in the quality of services and products offered.	4.4545	0.871
FP1.6	Our hotel is able to increase customer satisfaction	4.5727	0.806
	Competitive Advantage		
CA1.1	Our hotels tend to experience increased performance.	4.7636	0.779
CA1.2	Our hotel experienced an increase in net profit value	4.7273	0.847
CA1.3	Our hotel is able to respond to opportunities and threats in the market.	4.7455	0.953
CA1.4	Our hotel experienced an increase in corporate reputation	4.7455	0.92
CA1.5	Our hotel is able to meet the company's strategic objectives	4.7545	0.91
CA1.6	Our hotel is able to improve and develop a healthy organizational culture.	4.7636	0.81
CA1.7	Our hotel has unique qualities as a result of the company's self-development.	4.7545	0.891
CA1.8	Our hotel has advantages that only a few other companies have.	4.7455	0.831
CA1.9	Our hotel has something that is difficult for competing companies to copy or imitate.	4.5727	0.723
CA1.10	Our hotel has advantages that cannot be replaced by other companies.	4.5727	0.799

In assessing convergent validity in SEM, it is based on the outer loading value obtained with the following results, as presented in Table 2.

In addition to the convergent validity test based on observations of the outer loading values, the SEM-PLS model on the outer model is also observed for the discriminant validity results of the following Fornell-Larcker values (Table 3).

Table 3.
Fornell Larcker

	Competitive Advantage	Firm Performance	Market Orientation	Strategic Flexibility
Competitive Advantage	0.849			
Firm Performance	0.499	0.86		
Market Orientation	0.575	0.367	0.81	
Strategic Flexibility	0.582	0.568	0.529	0.844

Observations on the results of the Fornell-Larcker test are represented by bold numbers that indicate the highest value compared to other results horizontally and vertically. This confirms that each research variable has met the validity test requirements because it has a strong correlation with the variable itself compared to other variables. Discriminant validity testing is also observed based on the following cross-loading values (Table 4). The conclusion of the discriminant validity test through the cross loadings value is observed in the results of the correlation values printed in bold which indicate the highest number compared to other results. This confirms that each research indicator has met the validity test requirements because it has the strongest correlation with its respective variables.

Table 4.
Cross Loading

	Competitive Advantage	Firm Performance	Market Orientation	Strategic Flexibility
CA1.1	0.779	0.419	0.483	0.461
CA1.10	0.799	0.368	0.439	0.54
CA1.2	0.847	0.451	0.506	0.428
CA1.3	0.953	0.449	0.574	0.567
CA1.4	0.92	0.454	0.464	0.545
CA1.5	0.91	0.463	0.527	0.544
CA1.6	0.81	0.417	0.519	0.431
CA1.7	0.891	0.443	0.574	0.485
CA1.8	0.831	0.404	0.543	0.481
CA1.9	0.723	0.363	0.396	0.451
FP1.1	0.357	0.882	0.279	0.385
FP1.2	0.434	0.918	0.296	0.476
FP1.3	0.46	0.806	0.283	0.471
FP1.4	0.514	0.873	0.367	0.584
FP1.5	0.447	0.871	0.338	0.525
FP1.6	0.315	0.806	0.315	0.443
MO1.1	0.321	0.213	0.773	0.33
MO1.10	0.51	0.355	0.871	0.457
MO1.11	0.542	0.318	0.818	0.437
MO1.13	0.558	0.287	0.716	0.351
MO1.2	0.576	0.411	0.9	0.498
MO1.3	0.524	0.258	0.814	0.435
MO1.4	0.313	0.197	0.794	0.377
MO1.5	0.385	0.205	0.853	0.467
MO1.6	0.506	0.31	0.804	0.558
MO1.8	0.483	0.399	0.774	0.331
MO1.9	0.456	0.231	0.778	0.411

Cont.

	Competitive Advantage	Firm Performance	Market Orientation	Strategic Flexibility
SF1.1	0.419	0.49	0.423	0.798
SF1.2	0.533	0.454	0.373	0.841
SF1.3	0.56	0.492	0.434	0.849
SF1.4	0.497	0.481	0.464	0.903
SF1.5	0.442	0.447	0.546	0.848
SF1.6	0.493	0.512	0.437	0.823

The results of the reliability test in this study are presented in Table 5. The results of the reliability test on the outer SEM-PLS model are based on the Cronbach's Alpha value> 0.6, the composite reliability value> 0.7, and the AVE value> 0.5. The reliability test on this PLS construct aims to determine whether the research construct built based on the context of previous research can still be used with adjustments to the current research construct.

Table 5.
Reliability Test Results

	Cronbach's Alpha	Composite Reliability	AVE
Competitive Advantage	0.956	0.963	0.721
Firm Performance	0.929	0.945	0.74
Market Orientation	0.947	0.954	0.676
Strategic Flexibility	0.919	0.937	0.713

To answer the research hypothesis in research with SEM-PLS, the results of the inner model processing (Figure 5) are observed.

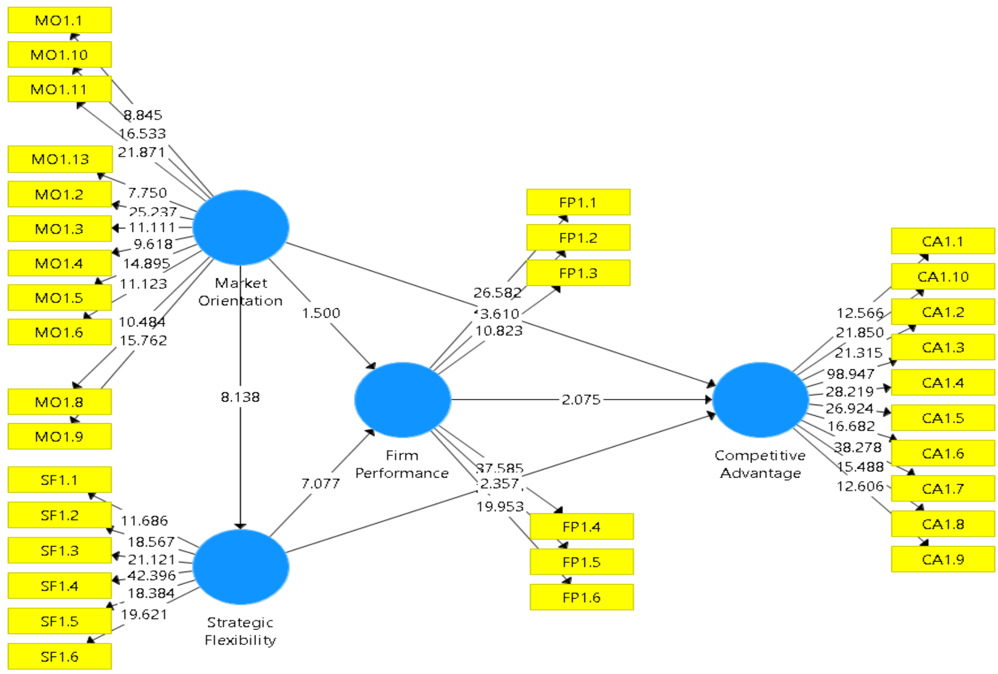

Figure 5
Inner Model

The research model explains the results of the research hypothesis test, which are described in the path coefficients table. To calculate the predictive prevalence value in this study, it was calculated based on the following R-squared value, as presented in Table 6.

Table. 6
R Square

	R Square
Strategic Flexibility	0.274
Firm Performance	0.316
Competitive Advantage	0.468

The R-squared value of 0.274 from the strategic flexibility variable indicates that the market orientation variable explains strategic flexibility by 27.4%. The R-squared value of 0.316 on the firm performance variable indicates that market orientation and strategic flexibility explain firm performance by 31.6%. The R-squared value of 0.468 on the competitive advantage variable indicates that firm performance explains competitive advantage by 46.8%. Noviyanti and Nuhasanah (2019) explained that the R2 value category in the range of 0.19-0.33 describes the predictive strength of the variable, which is classified as weak, while the R2 value in the range of 0.33-0.67 is in the moderate range.

The Q-square value obtained from this study is 0.332. The Q2 value > 0 indicates that the research model demonstrates evidence of well-reconstructed observed values, thus demonstrating predictive relevance (Noviyanti & Nuhasanah, 2019). The results of the F2 test (Cohen Test) in this study are presented in Table 8.

Table 8.
F2

	Competitive Advantage	Firm Performance	Market Orientation	Strategic Flexibility
Competitive Advantage				
Firm Performance	0.058			
Market Orientation	0.197	0.009		0.389
Strategic Flexibility	0.074	0.289		

From the F2 results, it is known that there is an F2 value >0.35 in the relationship between the market orientation variable and strategic flexibility, which indicates the strongest relationship between research variables in the research model used. The F2 value of 0.15-0.35, namely the relationship between the market orientation variable and competitive advantage and strategic flexibility to firm performance, is classified as quite strong. The F2 value of 0.02-0.15 in the relationship between other variables indicates a relationship between variables that is classified as less intense. To answer the results of the research hypothesis, the path coefficient table can be observed, which is based on observations of the inner model with the following results (Table 9).

The results of the study indicate that there is a significant influence of market orientation on strategic flexibility. The results of this study further confirm those obtained from previous studies, namely Brozovic (2016) and Ibidunni et al. (2015), which previously explained the significant influence of market orientation on strategic flexibility. Companies need to understand market conditions based on market orientation activities that produce contextual data and knowledge, supporting a sharp analysis of market situations. This form of market orientation enables companies to be more flexible in planning and implementing strategies. Upon observing the outer loading value, it was found that market orientation has the strongest correlation with the indicator in the customer orientation category, which prioritizes customer satisfaction. In the hotel business, satisfaction is the product that needs the most attention because the hotel offers services. The main output that is prioritized to be achieved by three-, four-, and five-star hotels must refer to the creation of this. According to the results of the mean value parameters, the hotel excels in striving for customer satisfaction as part of the company's market orientation. This also has an impact on strategic flexibility, particularly when three-, four-, and five-star hotels in Surabaya focus on efforts to increase customer satisfaction, thereby becoming more flexible in providing services to consumers.

Table 9.
Path Coefficients

Hypothesis	Original Sample	T Stat.	P Values	Information
H1. Market Orientation -> Strategic Flexibility	0.529	8.138	0.000	Supported
H2. Market Orientation -> Firm Performance	0.093	1.5	0.134	Rejected
H3. Strategic Flexibility -> Firm Performance	0.519	7.077	0.000	Supported
H4. Market Orientation -> Competitive Advantage	0.378	3.61	0.000	Supported
H5. Strategic Flexibility -> Competitive Advantage	0.262	2.357	0.019	Supported
H6. Firm Performance -> Competitive Advantage	0.212	2.075	0.039	Supported

The results of the study indicate that market orientation does not affect firm performance. Research by Narsa et al. (2019) and Bamfo et al. (2019) also found that market orientation does not affect firm performance. Narsa et al. (2019) argued that the reason market orientation has no effect on firm performance is that the company's market orientation is less effective or less intense. These results differ slightly from those of this study, where observations from the descriptive results on the mean value parameters indicate that the market orientation of three-, four-, and five-star hotels in Surabaya was considered very good. However, these results may not reflect the actual conditions because the assessment of market orientation is subjective. Research by Bamfo et al. (2019) explains that market orientation does not affect firm performance, especially in the competitor orientation aspect. This is because when a company focuses on its orientation to competitors, it can cause the company to lose its identity and become increasingly confused in positioning itself in the market. From the descriptive results, it was found that three-, four-, and five-star hotels in Surabaya exhibited excellent competitor orientation, indicating that the market orientation carried out was less effective in explaining firm performance.

The results of the study indicate that there is a significant influence of strategic flexibility on firm performance. The results of the influence formed are positive, meaning that the more flexible the implementation of strategies by three-, four-, and five-star hotels in Surabaya, the higher the firm's performance achieved. The results of this study align with the findings that strategic flexibility enables companies to capitalize on market opportunities and achieve enhanced performance. Brozovic (2016) and Chen et al. (2017) also explained that strategic flexibility has a positive effect on firm performance. Strategic flexibility reflects the company's ability to adjust its resources in response to environmental changes. Thus, the important role of strategic flexibility is to help companies survive and grow in a changing environment. A company may need strategic flexibility to deal with unexpected changes in customer preferences, competitor actions, and other market factors. Based on the outer loading value, it was found that strategic flexibility was most closely correlated with indicators that demonstrated the hotel's ability to redefine strategies that might have been implemented. This is very important because in the implementation of a strategy, it is possible to find conditions where the market changes or there may be failures and gaps in the strategy that has been designed and implemented. Therefore, the possibility of redefinition when a strategy has been implemented becomes important in order to achieve better performance. If a strategy is too rigid in its implementation, it can also reduce the company's performance, especially if the implemented strategy is less effective. For example, during the COVID-19 pandemic, companies had to redefine their strategies to survive and attract visitors. The rooms provided may no longer be side by side, but must have a certain distance. This illustrates the redefinition of strategy in an effort to ensure the company's survival and maintain its performance.

There is a significant influence of market orientation on competitive advantage. The results of this study further confirm those obtained in previous studies, namely Udriyah et al. (2019) and Pratono et al. (2019), which found that market orientation must be the primary focus of all companies to continue creating excellent value for customers and thereby obtain a sustainable competitive advantage. Market orientation enhances the Company's competitive advantage, ultimately improving its business performance. Market orientation is associated with obtaining, sharing, and responding to market information to create superior value for customers. Because market orientation enables companies to respond to market intelligence related to customer needs, they receive valuable feedback from customers, which plays a crucial role in enhancing research and development. Market orientation is important for three, four, and five-star hotels in Surabaya, especially in obtaining data that can be used to create a competitive advantage. Based on observations of both the mean parameters in descriptive values and outer loading, it is known that in this study, market orientation is emphasized on customer orientation. This is what can encourage the formation of a competitive advantage. When a company focuses on observing customers, various fundamental things related to customer needs and desires will be obtained, even values that can encourage satisfaction. This is what underlies the formation of the Company's competitive advantage.

There is a significant influence of strategic flexibility on competitive advantage. The results of the influence formed are a positive influence, meaning that the more flexible the strategy implemented by three-, four-, and five-star hotels in Surabaya, the more real the competitive advantage formed will be. The results of this study further strengthen the results of previous research studies, namely Brozovic (2016) and Hossain et al. (2022). Both studies examine the impact of strategic flexibility on a company's competitive advantage. Competitive advantage is achieved by utilizing the strategic flexibility process, enabling managers to navigate environmental uncertainty and enhance their Company's ability to adapt. Competitors will struggle to imitate confident strategic choices; however, because the environment is hardly static, companies need to maintain their competitive advantage through continuous adaptation, which is where some researchers link strategic flexibility and dynamic capabilities more closely.

There is a significant influence of firm performance on competitive advantage. The results of the influence formed are a positive influence, meaning that the better the firm performance achieved by three, four, and five-star hotels in Surabaya, the better and stronger the competitive advantage formed. The results of this study further confirm those obtained from previous studies, notably Juniati et al. (2019), who also found that firm performance affects competitive advantage. Organizations with effective performance are characterized by effective operations, better flexibility, and cost efficiency that function better than competitors. In this case, the performance contained in the profitability and growth values of the organization is critical to increase the Company's competitiveness (competitive advantage). Performance, or performance driven by innovation, can stimulate organizations to enhance their capabilities and improve performance. Organizations with greater advantages in the international market and those that innovate in the environment produce better performance and, therefore, a better competitive advantage. The results of the hypothesis test in the first part show a positive and significant influence or involvement between Brand Equity and Customer Satisfaction in Maybelline product consumers. These results are in line with research conducted by Lin (2022), which found a significant influence between Brand Equity and Customer Satisfaction. The added value provided by the Company can provide a sense of satisfaction to consumers. The results in this study are also reinforced by the findings of previous research by Trand et al. (2020), which concluded that intentions directly influence customer satisfaction and the behavioral intentions customers feel. Brands with high equity are usually associated with better quality, thus increasing consumer confidence in the goods or services provided. This makes customers feel satisfied because the product or service meets or even exceeds consumer expectations. Positive brand equity can create an emotional connection between consumers and brands, which contributes to a sense of satisfaction when consumers feel their identity is aligned with the values of the brand. Brand equity can be considered good if consumers recall the product they purchased, derive satisfaction from it, and perceive it as having positive value for both themselves and the Company.

CONCLUSION

Based on the results and analysis of this study, the following conclusions were obtained: Market orientation has a positive effect on strategic flexibility. Market orientation does not affect firm performance. Strategic flexibility has a positive effect on firm performance. Market orientation has a positive effect on competitive advantage. Strategic flexibility has a positive effect on competitive advantage. Firm performance has a positive effect on competitive advantage. The conclusion obtained indicates a significant positive influence of market orientation on strategic flexibility and competitive advantage, suggesting that implementing a clear market orientation strategy by three-, four-, and five-star hotels in Surabaya will foster better strategic flexibility and a more decisive competitive advantage. The significant positive influence of strategic flexibility on firm performance and competitive advantage suggests that the presence of three-, four-, and five-star hotels in Surabaya that exhibit strategic flexibility will lead to improved firm performance and a more pronounced competitive advantage. The significant positive influence of firm performance on competitive advantage in three, four, and five-star hotels in Surabaya indicates that firm performance is critical in providing competitive advantage for the company.

In the market orientation variable, the statement "Our hotel receives input information related to competitors" has the lowest mean value; therefore, it is recommended that three-, four-, and five-star hotels in Surabaya start considering benchmarking with competitors in the same hotel star category in order to get material to improve themselves. In the strategic flexibility variable, the statement "Our hotel can allocate available materials flexibly" has the lowest mean value; therefore, it is recommended that three-, four-, and five-star hotels in Surabaya consider coordinating with material suppliers to meet their needs and reserve materials as needed at any time. In the firm performance variable, the statement "Our hotel experiences a consistent increase in cash flow" has the lowest mean value; therefore, it is recommended that three-, four-, and five-star hotels in Surabaya consider the minimum cash flow target required by the company.

This study employed a questionnaire and was subjectively assessed by the research respondents, namely the leaders of various three-, four-, and five-star hotels in Surabaya. This can lead to bias due to the subjectivity of the assessment, particularly when evaluating firm performance and competitive advantage. Each respondent can assume that the company they lead implements good market orientation and strategic flexibility. Likewise, respondents can assess the company's performance as very good and even has a strong competitive advantage in the competition. Measurement of the variables in this study can be enhanced using more objective measuring instruments to minimize bias in assessment and ensure uniformity of research results.

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