

INNOVATION AS THE MISSING LINK BETWEEN PORTER'S GENERIC STRATEGIES AND COMPETITIVENESS IN KENYA'S BRONZE- ACCREDITED HOSPITALITY FACILITIES

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Abstract | Bronze-Accredited Hospitality Facilities (BAHFs) constitute a substantial segment of Kenya's classified hospitality industry but operate under considerable resource, technological, and competitive constraints. This study examined whether innovation explains the relationship between Porter's Generic Strategies and competitiveness among BAHFs in Kenya. Specifically, the study assessed the effects of differentiation, cost leadership, and focus strategies on competitiveness, their effects on innovation, and the mediating role of innovation in the strategy–competitiveness relationship. Guided by Porter's Generic Strategies Framework and Dynamic Capabilities Theory, the study adopted a positivist paradigm and a quantitative cross-sectional survey design. Data were collected from managers and supervisors of 347 BAHFs, with two respondents targeted from each establishment. The data were analysed using confirmatory factor analysis and covariance-based structural equation modelling. Differentiation ($\beta = 0.330$, $p < 0.001$), cost leadership ($\beta = 0.295$, $p < 0.001$), and focus ($\beta = 0.198$, $p < 0.001$) positively influenced competitiveness. The three strategies also significantly influenced innovation, while innovation positively influenced competitiveness ($\beta = 0.548$, $p < 0.001$). Innovation fully mediated the relationships between differentiation and competitiveness and between focus and competitiveness, while partial mediation was established for cost leadership. The findings indicate that competitive strategies alone provide an incomplete explanation of competitiveness among resource-constrained hospitality facilities. Rather, innovation represents an important organisational mechanism through which strategic positioning is translated into customer value, operational efficiency, and competitive outcomes. The study therefore extends Porter's Generic Strategies Framework by demonstrating the mediating role of innovation within a lower-tier hospitality context in a developing economy.

Keywords | Competitive strategies, Competitiveness, Differentiation, Cost leadership, Focus strategy, Innovation, Hospitality facilities, Kenya

1. Introduction

Bronze-Accredited Hospitality Facilities (BAHFs) constitute the largest segment of Kenya's classified hospitality industry and contribute to employment creation, domestic tourism, entrepreneurship, and local economic activity (Kenya National Bureau of Statistics [KNBS], 2023; Tourism Regulatory Authority [TRA], 2023). Despite their importance, many lower-category hospitality establishments operate under financial, technological, managerial, and human-resource constraints that can limit their ability to create distinctive customer value, maintain operational efficiency, and respond to changing market expectations. These constraints make competitiveness an important concern for BAHFs seeking to remain viable within an increasingly dynamic hospitality environment.

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The competitiveness challenge is reflected in weaknesses relating to service consistency, customer retention, responsiveness, operational efficiency, and technology adoption (KNBS, 2023; TRA, 2023). Unlike larger and higher-category hotels, many BAHFs have limited resources with which to invest in sophisticated technologies, extensive marketing systems, or major physical improvements. Consequently, their competitive advantage may depend less on the scale of investment and more on how effectively available resources are strategically configured and continuously improved.

Porter's Generic Strategies Framework provides an established basis for understanding such strategic positioning through differentiation, cost leadership, and focus (Porter, 1985). Differentiation seeks to create distinctive customer value, cost leadership emphasises efficiency and cost control, while focus directs organisational resources towards particular customer segments or market niches. However, strategic positioning alone may not adequately explain competitiveness in contemporary hospitality environments characterised by changing customer expectations, technological development, and competitive uncertainty. The critical issue is therefore not only which strategy a hospitality facility adopts, but also how that strategy is translated into operational and market outcomes.

Innovation provides a potentially important mechanism in this process. Hospitality firms can employ service, process, technological, organisational, and market innovations to improve customer experiences, operational efficiency, adaptability, and responsiveness

(Clauss et al., 2021; Sigala, 2020). Innovation may enable differentiation strategies to generate distinctive services, cost leadership strategies to achieve efficiency through improved processes, and focus strategies to respond more effectively to the needs of specific customer segments. Recent hospitality research similarly indicates that innovation and digitalisation can shape how firms convert strategic resources and practices into competitive outcomes.

Recent evidence has demonstrated the growing importance of innovation capability in enhancing competitiveness among hospitality firms and other resource-constrained enterprises in developing economies. In the Kenyan hospitality context, Musoga et al. (2025) found that service innovation strengthened hotels' ability to respond to changing customer needs and improve service-related outcomes. Similarly, evidence from Sub-Saharan Africa indicated that firms' internal knowledge capabilities supported innovation and, consequently, improved firm performance (Rukundo & Byamukama, 2025). Among Nigerian SMEs, Ogbaini et al. (2024) further established that innovativeness was positively associated with firm performance, highlighting the importance of innovation-oriented capabilities in resource-constrained business environments. Collectively, these findings suggest that innovation can serve not only as a direct source of competitive advantage but also as a mechanism through which strategic choices are converted into improved competitiveness. This provides a basis for examining innovation as a mediating variable between Porter's Generic Strategies and the competitiveness of Bronze-Accredited Hospitality Facilities in Kenya.

The central logic of the present study is therefore that Porter's Generic Strategies may influence competitiveness both directly and indirectly through innovation. The study consequently addresses three related questions: To what extent do differentiation, cost leadership, and focus strategies influence the competitiveness of BAHFs? To what extent do these strategies influence innovation? And does innovation mediate the relationship between Porter's Generic Strategies and competitiveness?

By addressing these questions, the study extends Porter's Generic Strategies Framework by positioning innovation as an organisational mechanism through which strategic orientations are converted into competitive outcomes. Using covariance-based structural equation modelling, the study evaluates the direct relationships between the

three competitive strategies and competitiveness, the relationships between competitive strategies and innovation, and the mediating role of innovation among BAHFs in Kenya.

2. Theoretical Framework and Hypotheses Development

2.1 Porter's Generic Strategies and Competitiveness

Porter's Generic Strategies Framework (Porter, 1985) remains one of the most influential perspectives for explaining how organisations achieve competitive advantage. The framework proposes that firms attain superior performance by pursuing one or more strategic orientations, namely differentiation, cost leadership, and focus. Differentiation enables organisations to create superior customer value through unique products, services, or experiences, whereas cost leadership seeks to achieve operational efficiency that allows firms to offer competitive prices without sacrificing acceptable quality. Focus strategy, in contrast, concentrates organisational resources on serving specific customer segments or niche markets more effectively than competitors.

Within the hospitality industry, these strategies have been widely associated with improved organisational performance because hotels operate in highly competitive environments characterised by fluctuating demand, increasing customer expectations, and rapid technological change (Enz, 2011; Kandampully et al., 2015). Differentiation through superior service quality, personalised customer experiences, and brand positioning has consistently been linked with stronger customer loyalty and higher occupancy levels. Similarly, cost leadership enables hospitality firms to improve profitability through efficient resource utilisation and process optimisation, while focus strategy enhances competitiveness by aligning services with the needs of clearly defined market segments.

Although extensive empirical evidence supports positive associations between Porter's Generic Strategies and organisational performance, findings remain inconsistent within lower-tier hospitality establishments operating under severe financial and technological constraints (Booyens & Rogerson, 2016; Donbesuur et al., 2020). Many studies have examined the direct influence of competitive strategies on organisational outcomes while paying limited attention to the organisational capabilities through which these strategies

generate sustained competitiveness. Consequently, understanding the mechanisms linking strategic orientation to competitive outcomes remains an important theoretical challenge within hospitality research.

2.2 Innovation as a Strategic Capability

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Innovation has become an important source of competitive advantage in hospitality because it enables organisations to respond to changing customer expectations, technological developments, and competitive pressures (Clauss et al., 2021; Sigala, 2020). In hospitality settings, innovation extends beyond technological adoption to include changes in service delivery, operational processes, organisational practices, customer relationship management, and marketing. These forms of innovation can improve both customer value and organisational efficiency.

From the perspective of Dynamic Capabilities Theory, innovation represents an organisational capability through which firms integrate, build, and reconfigure resources in response to changing environments (Teece et al., 1997; Teece, 2018). This perspective is particularly relevant to BAHFs because resource constraints make the effective reconfiguration of existing resources important for maintaining competitiveness. Innovation allows facilities to modify services, processes, technologies, and customer-engagement practices without necessarily requiring the level of investment associated with higher-category establishments.

Importantly, this study does not conceptualise innovation as an additional generic strategy alongside differentiation, cost leadership, and focus. Porter's Generic Strategies describe the *strategic direction* through which a firm seeks to compete, whereas innovation describes *an organisational process and capability* through which that strategic direction can be implemented and adapted. A differentiation strategy, for example, establishes an intention to create distinctive customer value, but innovation provides the means through which such distinctiveness can be continuously renewed. Similarly, cost leadership establishes an emphasis on efficiency, while process and technological innovation can provide mechanisms for achieving and sustaining such efficiency. Focus establishes attention to particular customer segments, while service

customisation and market innovation can enable the facility to respond effectively to those segments.

Innovation is therefore positioned as a mediator because it explains *how* and *through what organisational process* strategic orientation is translated into competitiveness. Treating innovation as an independent predictor would establish that innovation is associated with competitiveness but would not explain whether strategic choices stimulate innovation that subsequently produces competitive outcomes. The mediating specification therefore provides a stronger explanation of the strategy–competitiveness relationship.

2.3 Innovation as the Missing Link in Porter's Generic Strategies

Porter's Generic Strategies Framework explains how firms position themselves to achieve competitive advantage through differentiation, cost leadership, and focus (Porter, 1985). However, the framework provides comparatively less explanation of the organisational processes through which strategic positioning is continuously converted into competitive outcomes under changing environmental conditions. Contemporary hospitality environments require firms to respond to digital transformation, changing consumer preferences, service expectations, and competitive intensity. Strategic positioning must therefore be accompanied by organisational capabilities that allow strategies to be implemented and renewed.

The present study argues that innovation provides such a mechanism. Differentiation requires continuous development of distinctive services and customer experiences; cost leadership increasingly depends on process improvement, technology adoption, and operational efficiency; and focus requires the ability to adapt services to particular customer segments. Innovation consequently connects strategic intent with implementation.

This causal ordering is important to the theoretical model. Porter's Generic Strategies are specified as antecedent strategic orientations, innovation as the intervening organisational capability, and competitiveness as the outcome. The model therefore proposes that strategic orientation can stimulate innovation and that innovation subsequently contributes to competitiveness. Direct effects are retained because

competitive strategies may also influence competitiveness without passing entirely through innovation.

This conceptualisation integrates Porter's strategic positioning perspective with Dynamic Capabilities Theory. Porter explains the strategic direction of competition, while Dynamic Capabilities Theory explains the organisational capacity to adapt and reconfigure resources in implementing that direction. Innovation consequently occupies a distinct theoretical position as the mechanism connecting strategic positioning with competitive outcomes. Empirical research has established links between innovation and hospitality firm outcomes, but comparatively less attention has been given to innovation as an intervening mechanism between generic strategies and competitiveness, particularly among resource-constrained hospitality establishments in developing economies.

2.4 Hypotheses Development

2.4.1 Differentiation strategy and competitiveness.

Differentiation enables hospitality firms to distinguish themselves through superior service quality, distinctive customer experiences, value-added services, and brand positioning. Such differentiation can strengthen customer satisfaction, loyalty, and perceived value, thereby improving competitiveness. Accordingly, the study hypothesized that:

H1: Differentiation strategy positively influences the competitiveness of Bronze-Accredited Hospitality Facilities in Kenya.

2.4.2 Cost leadership strategy and competitiveness.

Cost leadership emphasises operational efficiency, resource optimisation, and cost control while maintaining acceptable service standards. Efficient resource utilisation can enable hospitality facilities to offer competitive prices and remain attractive to price-sensitive customers. Accordingly:

H2: Cost leadership strategy positively influences the competitiveness of Bronze-Accredited Hospitality Facilities in Kenya.

2.4.3 Focus strategy and competitiveness.

Focus strategy directs organisational resources towards clearly defined customer segments or market niches. By tailoring services to the needs of specific customer groups, hospitality facilities can improve customer alignment, responsiveness, and loyalty. Therefore:

H3: Focus strategy positively influences the competitiveness of Bronze-Accredited Hospitality Facilities in Kenya.

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2.4.4 Porter's generic strategies and innovation.

Strategic orientation can create the organisational context within which innovation develops. Differentiation may encourage service and market innovation, cost leadership may stimulate process and technological innovation, while focus may encourage customer-oriented and market innovations. The general hypothesis was therefore disaggregated into three testable relationships:

H4a: Differentiation strategy positively influences innovation among Bronze-Accredited Hospitality Facilities in Kenya.

H4b: Cost leadership strategy positively influences innovation among Bronze-Accredited Hospitality Facilities in Kenya.

H4c: Focus strategy positively influences innovation among Bronze-Accredited Hospitality Facilities in Kenya.

2.4.5 Innovation and competitiveness.

Innovation can strengthen competitiveness by improving service quality, operational flexibility, customer experience, adaptability, and responsiveness to market changes. Therefore:

H5: Innovation positively influences the competitiveness of Bronze-Accredited Hospitality Facilities in Kenya.

2.4.6 The mediating role of innovation.

Dynamic Capabilities Theory suggests that organisations require capabilities that enable them to reconfigure resources and convert strategic intentions into adaptive organisational actions. In this study, innovation represents the mechanism through which differentiation, cost leadership, and focus strategies can be translated into improved competitiveness. Therefore:

H6: Innovation mediates the relationship between Porter's Generic Strategies and the competitiveness of Bronze-Accredited Hospitality Facilities in Kenya.

3. Methodology

3.1 Research Design and Sample

This study adopted a positivist research paradigm and employed a quantitative cross-sectional survey design to examine the relationships among Porter's Generic Strategies, innovation, and competitiveness. The cross-sectional design was appropriate because data on the study constructs were collected at a single point in time and analysed to test the hypothesized relationships among latent constructs.

The study targeted managers and supervisors of Bronze-Accredited Hospitality Facilities (BAHFs) in Kenya because these respondents were expected to possess relevant strategic and operational knowledge concerning organisational strategies, innovation activities, service delivery, and competitiveness. The sampling frame comprised 347 Bronze-Accredited Hospitality Facilities (BAHFs), with one manager and one supervisor targeted from each establishment, resulting in 694 targeted respondents and 694 questionnaires distributed. Of the questionnaires distributed, 589 were returned, representing an overall response rate of 84.9%. Following data screening, all 589 returned questionnaires were complete and considered valid for analysis. The individual respondent constituted the unit of observation, while the BAHF constituted the organisational context of the study. The two respondents from each establishment were analysed as separate observations because each provided an independent assessment

based on their position and knowledge of the facility. The responses were not aggregated into a single facility-level score.

3.2 Measurement of Constructs

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The study used previously validated measurement scales adapted to the context of Bronze-Accredited Hospitality Facilities in Kenya. The questionnaire used a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. Items were reviewed and contextualised to ensure that the wording was relevant to lower-category hospitality establishments while retaining the conceptual meaning of the original measures.

We measured the differentiation strategy through items addressing service uniqueness, quality enhancement, brand positioning, customer relationship management, and value-added services. Cost leadership was measured through items addressing operational efficiency, cost control, supply-chain efficiency, economies of scale, and cost-based pricing. Focus strategy was measured through items addressing market segmentation, customer specialisation, service customisation, geographical concentration, and niche positioning. Innovation was operationalised through service, process, technological, organisational, and market innovation. Competitiveness was measured through indicators relating to customer satisfaction, service quality, market performance, adaptability, and financial performance.

Table 1 presents the individual measurement items, their sources, adaptations made for the BAHF context, and the final item codes used in the questionnaire.

Table 1. Measurement Items, Sources and Adaptation

Construct	Items	Source/Basis	Adaptation
Differentiation Strategy	DS1–DS5	Porter (1985)	Contextualised to BAHFs
Cost Leadership Strategy	CL1–CL5	Porter (1985)	Contextualised to BAHFs
Focus Strategy	FS1–FS5	Porter (1985)	Contextualised to BAHFs
Innovation	IN1–IN5	Crossan and Apaydin (2010); Clauss et al. (2021)	Adapted to hospitality operations and BAHF context
Competitiveness	COMP1–COMP5	Enz (2011); Kandampully et al. (2015)	Adapted to the competitiveness context of BAHFs

Source: The author.

Note. Each construct was measured using five reflective items on a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. Items were adapted and contextually worded for BAHFs while retaining the conceptual meaning of the original measures.

3.3 Data Analysis

Data were analysed using IBM SPSS Statistics and AMOS 29. Descriptive statistics were first computed to summarise respondent characteristics and construct distributions. Measurement reliability and validity were assessed using Cronbach's alpha, composite reliability (CR), average variance extracted (AVE), and confirmatory factor analysis (CFA). Discriminant validity was evaluated using the Fornell–Larcker criterion.

The hypothesised relationships were examined using covariance-based structural equation modelling (CB-SEM). Model fit was evaluated using multiple goodness-of-fit indices, including the chi-square statistic (χ^2/df), Comparative Fit Index (CFI), Tucker–Lewis Index (TLI), Goodness-of-Fit Index (GFI), Adjusted Goodness-of-Fit Index (AGFI), Standardised Root Mean Square Residual (SRMR), and Root Mean Square Error of Approximation (RMSEA). Direct effects were assessed using standardised path coefficients and their associated significance levels, while the mediating role of innovation was examined using bootstrap procedures with bias-corrected confidence intervals.

3.4 Ethical Considerations

Ethical approval was obtained from the relevant university ethics committee before data collection commenced. Research authorisation was granted by the National Commission for Science, Technology and Innovation (NACOSTI). Participation was voluntary, informed consent was obtained from all respondents, and confidentiality and anonymity were assured throughout the study.

4. Results

4.1 Measurement Model Assessment

The measurement model was evaluated using confirmatory factor analysis (CFA) to establish construct reliability and validity. As presented in Table 2, all constructs demonstrated satisfactory internal consistency, with Cronbach's alpha and composite

reliability (CR) values exceeding the recommended threshold of 0.70. Convergent validity was established because the average variance extracted (AVE) values exceeded 0.50, and the standardised factor loadings met acceptable levels.

Discriminant validity was assessed using the Fornell–Larcker criterion. The square roots of the AVE values, reported on the diagonal of Table 2, exceeded the corresponding inter-construct correlations, indicating that each construct shared greater variance with its own indicators than with the other constructs. The results therefore provided evidence of satisfactory discriminant validity.

The Fornell-Larcker criterion was retained as the discriminant-validity assessment reported for the present model.

Table 2. Reliability, convergent validity, and discriminant validity

Construct	α	CR	AVE	1	2	3	4	5
1. Differentiation	0.923	0.928	0.721	0.849				
2. Cost Leadership	0.901	0.907	0.662	0.541	0.814			
3. Focus	0.915	0.919	0.694	0.486	0.518	0.833		
4. Innovation	0.936	0.940	0.757	0.612	0.548	0.501	0.870	
5. Competitiveness	0.941	0.945	0.774	0.593	0.557	0.468	0.648	0.880

Source: The author.

Note. Values on the diagonal (bold) represent the square roots of AVE. α = Cronbach's alpha; CR = Composite Reliability; AVE = Average Variance Extracted.

4.2 Structural Model Assessment

Following validation of the measurement model, the hypothesised structural model was estimated using covariance-based structural equation modelling (CB-SEM). The model exhibited satisfactory goodness-of-fit, with all fit indices exceeding recommended thresholds (Table 3), indicating that the proposed model adequately represented the observed data (Hair et al., 2022).

Table 3. Model Fit Indices

Fit Index	Recommended	Measurement Model	Structural Model
χ^2/df	< 3.00	1.874	1.912
GFI	> 0.90	0.954	0.951
AGFI	> 0.90	0.944	0.942
CFI	> 0.95	1.000	0.998
RMSEA	< 0.08	0.039	0.040

Source: The author.

The structural path estimates are presented in Table 4. Differentiation strategy had a positive and statistically significant effect on competitiveness ($\beta = 0.330$, C.R. = 5.482, $p < 0.001$); therefore, H1 was supported. Cost leadership strategy also positively influenced competitiveness ($\beta = 0.295$, C.R. = 4.963, $p < 0.001$), supporting H2. Focus strategy had a positive and statistically significant effect on competitiveness ($\beta = 0.198$, C.R. = 3.841, $p < 0.001$), supporting H3.

The results further showed that differentiation ($\beta = 0.503$, C.R. = 8.124, $p < 0.001$), cost leadership ($\beta = 0.365$, C.R. = 6.271, $p < 0.001$), and focus ($\beta = 0.288$, C.R. = 5.163, $p < 0.001$) positively and significantly influenced innovation. Thus, H4a, H4b, and H4c were supported. Innovation also had a positive and statistically significant effect on competitiveness ($\beta = 0.548$, C.R. = 8.917, $p < 0.001$), supporting H5.

The model explained 49.8% of the variance in innovation ($R^2 = 0.498$) and 51.9% of the variance in competitiveness ($R^2 = 0.519$). These values indicate that the proposed model accounted for a substantial proportion of variation in both endogenous constructs within the context of Bronze-Accredited Hospitality Facilities.

Table 4. Structural Model Results

Hypothesis	Structural path	β	C.R.	p	Decision
H1	Differentiation $\rightarrow$ Competitiveness	.330	5.482	<.001	Supported
H2	Cost Leadership $\rightarrow$ Competitiveness	.295	4.963	<.001	Supported
H3	Focus $\rightarrow$ Competitiveness	.198	3.841	<.001	Supported
H4a	Differentiation $\rightarrow$ Innovation	.503	8.124	<.001	Supported
H4b	Cost Leadership $\rightarrow$ Innovation	.365	6.271	<.001	Supported
H4c	Focus $\rightarrow$ Innovation	.288	5.163	<.001	Supported
H5	Innovation $\rightarrow$ Competitiveness	.548	8.917	<.001	Supported

Source: The author.

4.3 Mediation Analysis

The mediating role of innovation was assessed using bootstrap estimation with bias-corrected confidence intervals. As shown in Table 5, the indirect effects of differentiation, cost leadership, and focus strategies on competitiveness through innovation were statistically significant because the corresponding bootstrap confidence intervals excluded zero.

Innovation fully mediated the relationship between differentiation strategy and competitiveness, indicating that the competitive effect of differentiation operated

primarily through innovation. Innovation also fully mediated the relationship between focus strategy and competitiveness, suggesting that the competitive benefits of serving specific market segments depended substantially on the facility's ability to develop and adapt services to those segments.

In contrast, innovation partially mediated the relationship between cost leadership and competitiveness. This indicates that cost leadership contributed to competitiveness through both a direct efficiency pathway and an indirect pathway involving innovation. Cost control and resource efficiency can therefore generate competitive benefits independently of innovation, while process and technological innovations can further strengthen those benefits.

The mediation findings therefore provided support for H6 and demonstrated that innovation was an important mechanism through which Porter's Generic Strategies were translated into competitiveness among BAHFs.

Table 5. Bootstrap mediation results

Indirect Relationship	Indirect Effect (β)	Bootstrap 95% CI	Mediation
Differentiation $\rightarrow$ Innovation $\rightarrow$ Competitiveness	0.276	.210 to .371	Full
Cost Leadership $\rightarrow$ Innovation $\rightarrow$ Competitiveness	0.200	.157 to .278	Partial
Focus $\rightarrow$ Innovation $\rightarrow$ Competitiveness	0.158	.130 to .263	Full

Source: The author.

Note. Bootstrap confidence intervals excluding zero indicate statistically significant indirect effects.

4.4 Final Extended Model

Based on the structural and mediation analyses, the final extended Porter's Generic Strategies model is presented in Figure 1. The model demonstrates that differentiation, cost leadership, and focus strategies influence competitiveness both directly and, to different degrees, indirectly through innovation.

The model explained 49.8% of the variance in innovation and 51.9% of the variance in competitiveness. These results indicate that strategic positioning and innovation jointly provide an important explanation of competitiveness among BAHFs, while also suggesting that additional organisational and environmental factors contribute to competitive outcomes.

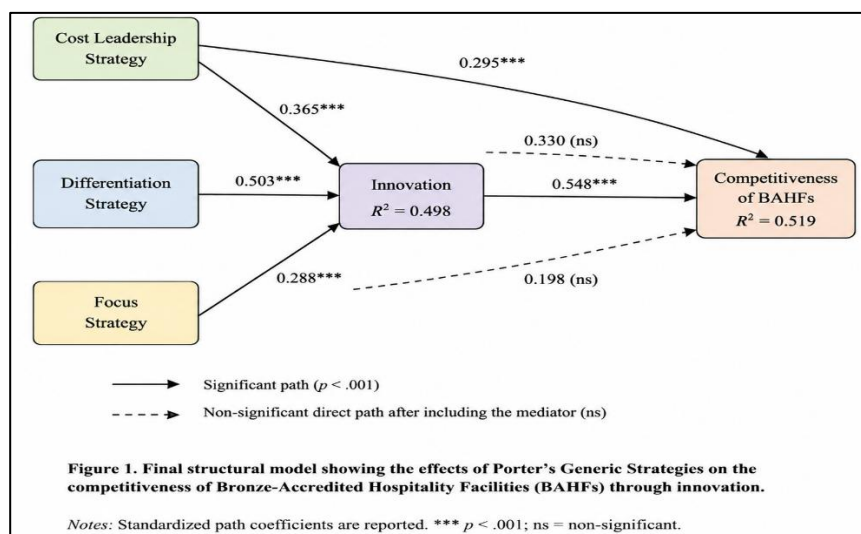


Figure 1. Final extended Porter's Generic Strategies Model

Source: The author.

5. Discussion

5.1 Porter's Generic Strategies and Competitiveness

The findings demonstrated that differentiation, cost leadership, and focus strategies each had positive and statistically significant effects on competitiveness among BAHFs. The results therefore indicate that strategic positioning remains relevant even among lower-category hospitality establishments operating under resource constraints. However, the relative strength of the relationships provides a more nuanced interpretation of the role played by each strategy.

Differentiation recorded the strongest direct relationship with competitiveness ($\beta = 0.330$). This finding suggests that distinctive service experiences, perceived service quality, and value-added offerings may be particularly important competitive resources for BAHFs. Because many lower-category establishments cannot compete with higher-category hotels through large capital investments, differentiation may provide an alternative route through which relatively modest improvements in service delivery and customer experience create perceived value. The finding is consistent with the argument that hospitality competitiveness depends not only on physical facilities but also on the ability to create experiences that customers perceive as distinctive.

Cost leadership also had a significant positive effect on competitiveness ($\beta = 0.295$). This relationship suggests that operational efficiency remains important in a resource-constrained environment. For BAHFs, controlling procurement costs, reducing operational waste, improving resource utilisation, and maintaining efficient service processes can directly strengthen the facility's ability to compete on price and value. However, the results also indicate that cost leadership should not be interpreted narrowly as price reduction. Sustainable cost advantages depend on the ability to maintain acceptable service standards while controlling the resources required to deliver those services.

Focus strategy had the smallest, although still significant, direct effect on competitiveness ($\beta = 0.198$). This finding suggests that serving particular customer segments or market niches can strengthen competitiveness, but the benefits may depend on the facility's ability to continuously adapt its offering to the needs of the selected segment. A narrowly defined market does not automatically create competitive advantage if customer preferences change or if competitors can imitate the offering.

Taken together, the findings suggest that Porter's strategies remain useful for explaining competitive positioning among BAHFs, but their effects should not be interpreted as static. Strategic positioning establishes the direction of competition, whereas innovation helps establishments continuously adapt that positioning to changing customer expectations, resource constraints, and market conditions.

5.2 Innovation as the Mechanism Linking Competitive Strategies and Competitiveness

The findings demonstrated that innovation was an important mechanism linking Porter's Generic Strategies to competitiveness. Innovation fully mediated the relationships between differentiation and competitiveness and between focus and competitiveness, whereas it partially mediated the relationship between cost leadership and competitiveness. This pattern indicates that the three strategies did not generate competitive outcomes through identical organisational processes.

The full mediation observed for differentiation suggests that the competitive value of being distinctive among BAHFs depends substantially on the facility's ability to continually translate strategic intent into new or improved customer value. Differentiation

establishes the objective of offering distinctive services or experiences, but such distinctiveness can be difficult to sustain if competitors can readily imitate existing offerings. Innovation provides a mechanism for renewing service experiences, personalizing customer interactions, introducing value-added services, and adapting offerings to changing customer expectations. Consequently, the absence of innovation would weaken the pathway through which differentiation is converted into sustained competitiveness.

A similar explanation applies to the full mediation observed for focus strategy. A focus strategy requires an establishment to understand and respond to the particular requirements of a defined customer segment. However, customer needs within a niche are not static. Innovation enables BAHFs to modify services, packages, communication practices, and customer experiences in response to changes within the targeted segment. The finding that the focus–competitiveness relationship was fully mediated by innovation therefore suggests that market concentration alone may be insufficient; competitive benefits arise when focused market knowledge is converted into adaptive and customer-responsive innovations.

The pattern for cost leadership was different. Innovation only partially mediated the relationship between cost leadership and competitiveness, indicating that cost leadership retained a direct competitive contribution even in the presence of innovation. This is theoretically plausible because cost leadership can improve competitiveness through direct mechanisms such as tighter cost control, efficient resource utilisation, purchasing practices, standardisation, and operational discipline. These benefits do not necessarily require innovation. At the same time, innovation can strengthen cost advantages through process redesign, digital reservations, inventory monitoring, workflow improvements, and technology-enabled service processes. Thus, cost leadership can influence competitiveness through both an efficiency pathway and an innovation-enabled pathway.

The different mediation patterns provide an important theoretical insight. Innovation should not be understood as a uniform mechanism operating identically across all generic strategies. Its importance depends on the nature of the strategic objective being pursued. Differentiation and focus depend more heavily on the continual creation and adaptation of customer value, making innovation central to the realisation of their competitive benefits. Cost leadership, in contrast, can produce direct efficiency advantages while

innovation provides an additional mechanism for strengthening and sustaining those advantages.

These findings reinforce the Dynamic Capabilities perspective, which views competitive advantage as dependent not simply on possessing resources but on the capacity to reconfigure them in response to environmental change (Teece et al., 1997; Teece, 2018). For BAHFs, where major capital investment may be constrained, relatively modest innovations in service delivery, processes, customer engagement, and technology can provide mechanisms for converting strategic positioning into practical competitive outcomes.

5.3 Theoretical and Managerial Implications

The study makes a theoretical contribution by extending Porter's Generic Strategies Framework beyond a direct strategy–competitiveness relationship. The findings demonstrate that the effects of differentiation, cost leadership, and focus are partly dependent on an organisation's ability to innovate. This provides an explanation of how strategic positioning can be converted into competitive outcomes in resource-constrained hospitality environments.

The integration with Dynamic Capabilities Theory further clarifies this relationship. Porter's framework explains the strategic direction adopted by the facility, whereas Dynamic Capabilities Theory explains the organisational capacity to adapt resources and practices in implementing that strategy. Innovation occupies the intervening position between these two perspectives. The findings therefore suggest that competitive advantage cannot be understood solely in terms of strategic positioning; attention must also be given to the organisational processes through which strategic positions are continuously adapted.

The managerial implication is that managers of BAHFs should not treat strategy formulation and innovation as separate activities. Differentiation strategies should be supported by continuous improvements in customer experience and service design. Cost leadership should be supported by process innovations that reduce waste and improve resource utilisation. Focus strategies should be accompanied by innovations that enable facilities to understand and respond to the changing needs of targeted customer segments.

Importantly, innovation in the BAHF context need not involve high-cost technological investment. Managers can introduce low-cost innovations such as digital customer feedback, mobile-based inventory monitoring, standardised operating procedures, locally themed experiences, and customer-specific service packages. The central managerial issue is therefore not simply the amount invested in innovation but the extent to which available resources are continually reconfigured to create customer value and improve operational efficiency.

For policymakers and tourism stakeholders, the findings suggest that support programmes for lower-category establishments should extend beyond infrastructure development. Managerial training, digital-skills development, access to affordable technologies, innovation networks, and knowledge-sharing mechanisms could strengthen the ability of BAHFs to translate competitive strategies into sustainable competitive outcomes.

6. Conclusion

This study examined how Porter's Generic Strategies influence competitiveness among Bronze-Accredited Hospitality Facilities in Kenya and whether innovation explains these relationships. The findings demonstrated that differentiation, cost leadership, and focus strategies each had significant positive effects on competitiveness. Innovation was also positively influenced by all three strategies and had a substantial positive effect on competitiveness.

The mediation findings provide the principal contribution of the study. Innovation fully mediated the relationships between differentiation and competitiveness and between focus and competitiveness, while partially mediating the relationship between cost leadership and competitiveness. These findings indicate that the competitive value of strategic positioning depends partly on an establishment's capacity to convert strategic intent into innovative services, processes, customer experiences, and market responses.

Theoretically, the study extends Porter's Generic Strategies Framework by incorporating innovation as an intervening organisational mechanism and uses Dynamic Capabilities Theory to explain why strategic positioning does not automatically translate into sustained competitiveness. Practically, the findings suggest that BAHFs can

strengthen competitiveness by combining clear strategic positioning with continuous, context-appropriate innovation. Innovation in this setting need not depend on substantial investment; relatively low-cost improvements in service delivery, operational processes, customer engagement, and digital practices can contribute to competitive value.

7. Limitations and Future Research

Several limitations should be considered when interpreting the findings. First, the study employed a cross-sectional design, which captured the relationships among competitive strategies, innovation, and competitiveness at a single point in time. Although the structural equation modelling results demonstrated statistically significant relationships, the design does not permit definitive conclusions about temporal causality. Future research should employ longitudinal designs to examine how strategic orientation, innovation, and competitiveness evolve as hospitality establishments respond to changing market conditions.

Second, the study focused exclusively on Bronze-Accredited Hospitality Facilities in Kenya. This context was appropriate for examining competitiveness among resource-constrained establishments, but it limits the direct generalisability of the findings to higher-category hotels, international hotel chains, and hospitality organisations operating under different institutional and economic conditions. Comparative studies across hotel categories and countries would therefore provide stronger evidence regarding the boundary conditions of the extended framework.

Third, although the study covered BAHFs across Kenya, geographical and organisational differences may have influenced the observed relationships. Facilities located in major tourism and commercial centres may have greater access to technology, skilled labour, customers, infrastructure, suppliers, and business networks than facilities operating in peripheral or less-developed areas. Differences in establishment size, ownership structure, market orientation, and location may therefore shape the implementation of competitive strategies and innovation. Future studies could use stratified or multi-group approaches to determine whether the strategy–innovation–competitiveness relationships vary across regions and organisational characteristics.

Fourth, the study relied on self-reported responses from managers and supervisors. Although these respondents possessed relevant knowledge of organisational strategies and operations, self-reported data may be affected by common-method and response biases. Future research could strengthen the evidence base by combining managerial responses with customer evaluations, financial records, occupancy indicators, online reviews, and other objective measures of competitiveness.

Fifth, innovation was modelled as a single construct encompassing service, process, technological, organisational, and market innovation. Aggregating these dimensions provided a parsimonious model but may conceal differences in the mechanisms through which particular forms of innovation affect competitiveness. Future studies should disaggregate innovation into its constituent dimensions to establish whether service, process, technological, organisational, or market innovation has stronger mediating effects for particular generic strategies.

Finally, the model explained 49.8% of the variance in innovation and 51.9% of the variance in competitiveness, indicating that other organisational and environmental factors may also contribute to competitiveness. Future research could extend the model by examining digital transformation, organisational learning, knowledge management, leadership, organisational culture, environmental turbulence, sustainability practices, and customer relationship management. Such research would provide a more comprehensive understanding of how resource-constrained hospitality establishments build and sustain competitiveness.

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