



RESEARCH ARTICLE

## Causal Factors of Blue Ocean Strategy Formulation Affecting the Overall Business Growth of Boutique Hotels

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ARTICLE INFO	ABSTRACT
Received: Sep 8, 2024 Accepted: Oct 16, 2024	This article aimed 1) to study the causal factors affecting blue ocean strategy formulation and the overall business growth of boutique hotels, 2) to study the influence of causal factors of blue ocean strategy formulation affecting the overall business growth of boutique hotels, and 3) to develop a model the causal factors of blue ocean strategy formulation affecting the overall business growth of boutique hotels. A researcher collected data from interviews and online questionnaires with boutique hotels, from April 2024 to June 2024 by collecting a sample of 620 people. The results of the analysis concluded that unique service quality affected blue ocean strategy formulation, unique service quality affected overall business growth through blue ocean strategy formulation, digital transformation affect blue ocean strategy formulation, digital transformation affected overall business growth through blue ocean strategy formulation, organizational innovation affected on blue ocean strategy formulation, organizational innovation affected overall business growth through blue ocean strategy formulation, and blue ocean strategy formulation affected overall business growth. Boutique hotel businesses can plan for unique service quality, digital transformation, and organizational innovation to manage hotels efficiently and drive overall business growth. By focusing on these areas, they can leverage change and enhance their business performance to achieve sustainable growth.
<b>Keywords</b> Unique Service Quality Digital Transformation, Organizational Innovation Blue Ocean Strategy Formulation Overall Business Growth	
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### INTRODUCTION

Boutique hotels have emerged as significant players in the global hospitality industry, playing a crucial role in supporting tourism and local economies worldwide. Recently, advancements in technology and the rise of online booking platforms have intensified competition among hotels, providing opportunities to enhance efficiency and reach globally engaged customers. Developing blue ocean strategies for boutique hotels presents several challenging hurdles. One primary issue is that hotels may lack the resources and expertise to conduct the necessary market research to identify untapped market areas and offer unique, valuable products or services. This leads researchers to explore how the concept of blue ocean strategy can be applied to adapt to market trends and changes, which is particularly challenging for boutique hotels. Previous studies related to the development of blue ocean strategies have impacted overall business growth, including research by Yunus and Sijabat (2021), Massoudi and Ahmed (2021), Zainurrafiqi and Amar (2021), and Hassan et al. (2022).

The researcher collected data from boutique hotels, categorizing them as follows: 1) Design Hotels, 2) Luxury Boutique Hotels, 3) Lifestyle Hotels, 4) Historic Boutique Hotels, 5) Themed Hotels, 6)

Wellness Boutique Hotels, and 7) Gastronomy Hotels. Data was gathered through interviews and online surveys from boutique hotel businesses between April 2024 and June 2024 the qualitative demographic group comprised boutique hotel businesses, with a sample size of seven, categorized by type of boutique hotel. The quantitative demographic group included boutique hotel businesses with a sample size of 620, calculated using structural equation modeling techniques.

Expected benefits are boutique hotels can strategically plan to establish a unique quality of service, embrace digital transformation, and foster organizational innovation to manage their operations more efficiently. This approach can facilitate overall business growth and adaptation to market changes. This research article presents a study that utilizes systems theory to develop and examine empirical variables influencing the creation of blue ocean strategies and overall business growth. The researcher believes that the findings from this study will be significant for boutique hotel businesses and will provide academic benefits as well. Scholars, researchers, and students can leverage the empirical results from this study to enhance integration and further academic exploration.

## RESEARCH OBJECTIVES

- 1) To study the causal factors affecting blue ocean strategy formulation and the overall business growth of boutique hotels.
- 2) To study the influence of causal factors of blue ocean strategy formulation affecting the overall business growth of boutique hotels.
- 3) To develop a model the causal factors of blue ocean strategy formulation affecting the overall business growth of boutique hotels.

## LITERATURE REVIEW

The concepts and theories utilized in this research encompass unique service quality, digital transformation, organizational innovation, blue ocean strategy development, and overall business growth, as mentioned in the background and significance of the problem, which serve as variables for the conceptual framework. The relationships between these variables are outlined as follows:

### **Hypothesis 1: The relationship between unique service quality and blue ocean strategy development**

Kadam (2023) highlights how the transportation sector in India adopted blue ocean strategies to enhance competitive advantage, measuring the impact of the blue ocean strategy dimensions (eliminate, reduce, raise, create) on Uber's business performance.

Khalil (2023) examined the relationship between blue ocean strategies in service organizations and success factors of projects, particularly in profit-seeking organizations compared to public organizations.

Palácios et al. (2023) conducted a systematic literature review and developed a service quality and service atmosphere mapping in hospitality to discuss the future of construction as a sustainable strategy.

### **Hypothesis 2: The relationship between unique service quality and overall business growth through blue ocean strategy development**

Khan and Naeem (2018) present a new framework for service organizations to achieve sustainable business performance through strategic quality alignment and innovation capabilities.

Peng et al. (2022) discuss the relationship between business service integration focusing on knowledge and the quality of urban economic growth, employing general panel models and spatial econometric models.

Jusriadi and Pasigai (2024) indicate that the challenge faced by startups in South Sulawesi is the lack of conducive business spaces for new startups to develop, emphasizing the need for an industrial business ecosystem. This study aims to analyze the impact of service strategies.

### **Hypothesis 3: The relationship between digital transformation and blue ocean strategy development**

Lhutti et al. (2022) analyze business transformations in reviving the traditional market of Kosambi Bandung—The Hallway Space—using blue ocean strategies.

Mishra et al. (2023) state that although research on digital transformation has grown, the relationship between business strategies leading to the successful implementation of digital transformation strategies remains underexplored.

### **Hypothesis 4: The relationship between digital transformation and overall business growth through blue ocean strategy development**

Sharma (2024) explores the concepts, significance, and practical implementation of digital transformation in the context of sustainability and business growth, emphasizing that digital transformation extends beyond mere technology adoption.

Zhang et al. (2024) focus on the impact of urban digital transformation on economic growth performance in the digital media era.

Zhou (2024) examines how innovation in the mining sector and digital transformation can promote sustainable economic development, highlighting technology's role in maximizing the use of natural resources.

### **Hypothesis 5: The relationship between organizational innovation and blue ocean strategy development**

Okanga (2022) examines the use of blue ocean strategies as a driver of market performance, noting that such strategies do not necessarily require the creation of uncontested markets.

Supranata and Antonio (2022) study product innovation in fashion startups using blue ocean strategies, exploring customer satisfaction with fashion products as a foundation for product innovation.

Zaharani and Prasetyo (2023) focus on evaluating the effectiveness of new business model strategies for achieving a distinctive market position, emphasizing the role of innovative market creation and differentiation in adding value.

### **Hypothesis 6: The relationship between organizational innovation and overall business growth through blue ocean strategy development**

Awan et al. (2017) identify the impact of leadership behaviors using organizational innovation techniques and management approaches on business growth, particularly in Pakistan's textile sector.

Ahmad et al. (2024) explore effective strategies employed by successful enterprises, categorizing innovation management strategies into three core pillars: organizational culture, strategic collaboration, and agile development processes.

Sofyan (2024) investigates the role of digital innovation in business growth and its relationship with financial performance through a Systematic Literature Review (SLR), addressing factors influencing digital innovation.

### **Hypothesis 7: The relationship between blue ocean strategy development and overall business growth**

Awladthani et al. (2023) state that blue ocean strategies serve as a roadmap for businesses to create or invest in new, uncontested market spaces and demands while simultaneously differentiating products and reducing costs.

Du and Ni (2023) argue that improved economic growth reflects waterfall leaps in various countries and caution against abandoning traditional low-complexity blue ocean products to achieve better development.

Karitu and Muathe (2023) analyze the impact of microfinance institutions and cooperatives as underutilized blue ocean strategies for the growth of small and medium enterprises in Kenya.

### **RESEARCH FRAMEWORK**

This research employs both qualitative and quantitative methods. The researcher has established the research framework based on systems theory, summarizing the components of the system as follows: (1) Inputs, (2) Processes, (3) Outputs, and (4) Feedback.

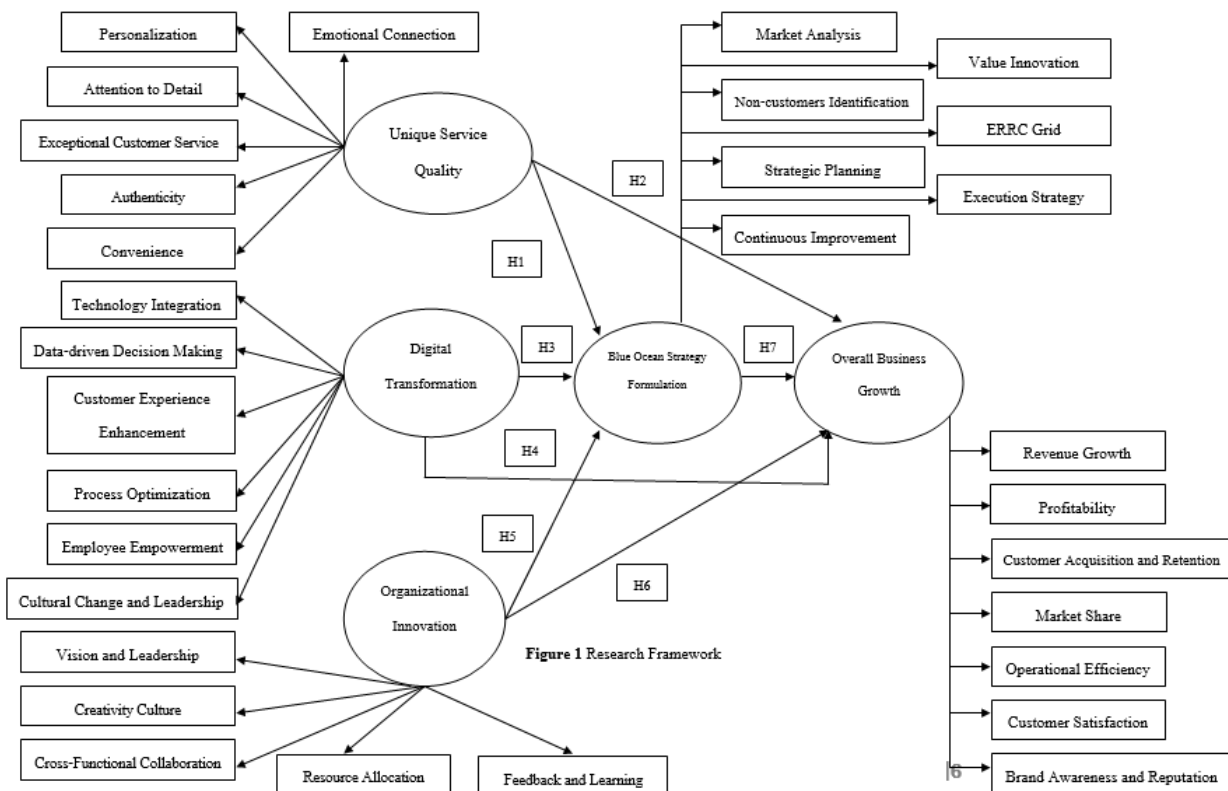
1) Inputs refer to unique service quality, comprising six elements: Personalization, Attention to Detail, Exceptional Customer Service, Authenticity, Convenience, Emotional Connection; digital transformation includes six elements: Technology Integration, Data-driven Decision Making, Customer Experience Enhancement, Process Optimization, Employee Empowerment, Cultural Change and Leadership; organizational innovation consists of five elements: Vision and Leadership, Creativity Culture, Cross-Functional Collaboration, Resource Allocation, Feedback and Learning.

2) Processes refers to the creation of blue ocean strategies, comprising seven elements: Market Analysis, Value Innovation, Non-customers Identification, ERRC Grid (Eliminate-Reduce-Raise-Create), Strategic Planning, Execution Strategy, Continuous Improvement.

3) Outputs refers to overall business growth, comprising six elements: Revenue Growth, Profitability, Customer Acquisition and Retention, Market Share, Operational Efficiency, Customer Satisfaction, Brand Awareness and Reputation

4) Feedback refers to the overall business growth, which serves as an output that feeds back into unique service quality, digital transformation, and organizational innovation.

The four components are interrelated, and none can exist in isolation. A change in one component will inevitably affect the others; any deficiencies or errors in one component will lead to shortcomings in the others. The details are as follows:



## RESEARCH METHODOLOGY

Type 1: This research employs a mixed-methods approach. The study area involves data collection from boutique hotel businesses, categorized as follows: 1) Design Hotels, 2) Luxury Boutique Hotels, 3) Lifestyle Hotels, 4) Historic Boutique Hotels, 5) Themed Hotels, 6) Wellness Boutique Hotels, and 7) Gastronomy Hotels.

The population consists of 21,622 boutique hotel businesses (data from the Department of Business Development, 2022). The sample size includes 620 boutique hotel businesses, selected using Structural Equation Modeling (SEM). Based on the research framework, there are 5 latent variables and 31 observed variables. Statisticians recommend that the sample size should be between 15 to 20 times the number of observed variables (Hair et al., 2006) for appropriate multivariate analysis. Therefore, the suitable sample size should be between  $15 \times 31 = 465$  and  $20 \times 31 = 620$ .

The research tools consist of two types.

1) Questionnaire: Section 1: General information about the organization from respondents, Section 2: Unique service quality, Section 3: Digital transformation, Section 4: Organizational innovation, Section 5: Blue Ocean strategy development, Section 6: Overall business growth.

The researcher provided a draft questionnaire to 5 experts for evaluation. The calculated Item-Objective Congruence (IOC) index was 0.9528, and the reliability of the research instrument was tested, yielding a reliability coefficient of 0.8938. This tool will be used to study the causal factors influencing the development of blue ocean strategies and their impact on overall business growth in boutique hotels.

## 2) Interview Questions:

- How do you perceive the unique service quality for the hotel business overall, and what factors does it impact?
- Do you think hotel businesses should consider implementing digital transformation? If so, what factors does it affect?
- What is your view on organizational innovation within the hotel industry, and what factors does it impact?
- How do you believe unique service quality, digital transformation, organizational innovation, and the development of blue ocean strategies are related to each other?
- Does your organization consider developing blue ocean strategies? If so, in what ways?
- To enhance overall business growth, what variables do you think have both direct and indirect impacts? How?
- Do you believe that developing blue ocean strategies has a direct impact on overall business growth? If so, how?

The researcher collected data by conducting in-depth interviews from April 2024 to June 2024. After analyzing and synthesizing the information, the researcher wrote a descriptive narrative and performed content analysis to develop a model based on quantitative aspects.

**RESEARCH RESULTS**

<b>Objective 1</b>	<b>Research Findings</b>
Unique Service Quality	Respondents had a high level of opinion regarding the overall quality of unique services, with all aspects rated as high. When considering each specific area, the highest rating was for excellent customer service, followed by content accuracy, convenience, attention to detail, emotional connection, and lastly, personalization.
Digital Transformation	Respondents had a high level of opinion regarding digital transformation overall, with all specific areas also rated as high. The highest rating was for technology integration, followed by employee empowerment, data-driven decision-making, cultural change and leadership, process improvement, and lastly, revenue growth enhancement.
Organizational Innovation	Respondents had a high level of opinion regarding organizational innovation overall, with all specific areas also rated as high. The highest rating was for a culture of creativity, followed by responsiveness and learning, resource allocation, cross-functional collaboration, and lastly, the vision and mission of leadership.
Blue Ocean Strategy Formulation	Respondents had a high level of opinion regarding the creation of blue ocean strategies overall, with one aspect rated the highest and six others rated as high. The highest rating was for value-creating innovation, followed by identifying non-customers, market analysis, operational strategy, strategic planning, continuous improvement, and lastly, the ERRC grid.
Overall Business Growth	Respondents had a high level of opinion regarding overall business growth, with three aspects rated the highest and four others rated as high. The highest rating was for customer satisfaction, followed by operational efficiency, brand awareness and reputation,

	customer acquisition and retention, market share, profitability, and lastly, revenue growth.
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<b>Objective 2</b>	<b>Research Findings</b>
Unique Service Quality (USQ)	There is a positive direct influence on the creation of blue ocean strategies (BOSF) with a direct influence size of 0.49, which is statistically significant at the 0.01 level.
Unique Service Quality (USQ)	There is a positive direct influence on overall business growth (OBG) with a direct influence size of 0.06, which is statistically significant at the 0.05 level.
Digital Transformation (DIF)	There is a positive direct influence on the creation of blue ocean strategies (BOSF) with a direct influence size of 0.22, which is statistically significant at the 0.01 level.
Digital Transformation (DIF)	There is a positive direct influence on overall business growth (OBG) with a direct influence size of 0.12, which is statistically significant at the 0.05 level.
Organizational Innovation (OIV)	There is a positive direct influence on the creation of blue ocean strategies (BOSF) with a direct influence size of 0.18, which is statistically significant at the 0.05 level.
Organizational Innovation (OIV)	There is a positive direct influence on overall business growth (OBG) with a direct influence size of 0.09, which is statistically significant at the 0.01 level.
Blue Ocean Strategy Formulation (BOSF)	There is a positive direct influence on overall business growth (OBG) with a direct influence size of 0.98, which is statistically significant at the 0.01 level.
Unique Service Quality (USQ), Digital Transformation (DIF), and Overall Business Growth (OIV)	There is a positive indirect influence on overall business growth (OBG) through the creation of blue ocean strategies (BOSF), with indirect influence sizes of 0.48, 0.10, and 0.18, respectively. These values are statistically significant at the 0.01 and 0.05 levels.

Objective 3: The research findings indicate that the development of the model derived from exploratory analysis and synthesis led the researcher to name the model for creating blue ocean strategies that impact overall business growth as the Blue Ocean Strategy for Business Growth Model (or BOSBG Model).



**Figure 2: Blue Ocean Strategy for Business Growth Model**

## CONCLUSION

Boutique hotels are significant players in the global market, playing an essential role in accommodation worldwide. The shift in traveler preferences and the expansion of online booking platforms highlight their importance. Hotels not only provide lodging but also serve as economic tools, creating job opportunities, generating tax revenue, and supporting local businesses. Therefore,



leveraging technology to improve operations and customer experiences is crucial to meet the demands of digitally savvy travelers.

The researcher collected data through online questionnaires and in-depth interviews from boutique hotel businesses. The analysis concluded that unique service quality influences the creation of blue ocean strategies; unique service quality also affects overall business growth through the establishment of these strategies. Furthermore, digital transformation impacts the development of blue ocean strategies and contributes to overall business growth via these strategies. Organizational innovation similarly affects both the creation of blue ocean strategies and overall business growth through them.

As a result, boutique hotel businesses can plan to establish unique service quality, embrace digital transformation, and foster organizational innovation to manage their operations effectively, enabling them to drive overall business growth.

## **DISCUSSION**

The results from Objectives 1 and 2 indicate that:

- Unique Service Quality has a significant impact on creating strategies that emphasize differentiation and prominence in the market. It enhances customer satisfaction and builds trust, which is crucial foundations for business success, consistent with the study by Palácios et al. (2023).
- Unique service quality also influences overall business growth through the creation of blue ocean strategies, as it increases customer satisfaction and loyalty, fostering trust and confidence in the market. This, in turn, strengthens and sustains business growth, aligning with the findings of Khan and Naeem (2018).
- Digital Transformation affects the creation of blue ocean strategies by highlighting the importance of utilizing customer and market data in strategy formulation. This enables businesses to adapt and respond to customer needs effectively, supporting the research of Lhutti et al. (2022).
- Digital transformation has direct impact on the overall business's blue ocean strategies, as the use of technology and digital platforms allows businesses to adapt quickly and respond to customer demands more efficiently, in line with Barakov (2023).
- Organizational Innovation significantly influences the creation of blue ocean strategies, particularly regarding the adoption of technology and digital innovations. Innovation enables organizations to access and analyze data quickly and effectively, as supported by Okanga (2022).
- Organizational innovation greatly impacts overall business growth through the creation of blue ocean strategies, especially when digital technologies and innovations are integrated into business processes, as noted by Awan et al. (2017).
- The creation of blue ocean strategies has a substantial effect on overall business growth, as it reinforces confidence and satisfaction in the company's products or services, consistent with the study by Awladthani et al. (2023).
- The findings from Objective 3 indicate that the in-depth interviews led to a causal relationship model for creating blue ocean strategies that impact overall business growth.

## **RESEARCH CONTRIBUTION**

The research findings provide academic insights into the causal factors for creating blue ocean strategies that impact overall business growth. This research enhances the understanding of the

relationships affecting various variables related to blue ocean strategy development and overall business growth. The findings can be further developed and applied academically in other areas. Additionally, boutique hotel businesses can plan to establish unique service quality, digital transformation, and organizational innovation to manage hotels effectively, enabling them to drive overall business growth.

## RECOMMENDATION

Future research should utilize the causal relationship model for creating blue ocean strategies that impact overall business growth to verify the model's alignment with empirical data. Additionally, it would be beneficial to explore other significant factors that serve as causal elements in developing blue ocean strategies affecting overall business growth, as there are many factors not yet examined.

- For instance, Market Analysis is crucial for understanding market trends, customer indicators, and competitive environments. Factors such as market demand, customer segments, and competitors' strategies significantly influence identifying opportunities in the blue ocean.
- Resource Allocation refers to effectively distributing resources for implementing blue ocean strategies, where financial resources, human resources, technology, and time management impact strategy execution and business growth.
- Customer Focus emphasizes creating value for customers, with factors like understanding customer needs, satisfaction, and pain points affecting market opportunities and business growth.
- Leadership and Vision play a vital role in developing and executing blue ocean strategies, where strong long-term vision, decision-making abilities, and leadership collaboration are essential.
- Finally, Adaptability and Flexibility are crucial as businesses must adjust to changing market conditions. Factors such as agility, flexibility, and the ability to adapt strategies using market data are important for sustaining growth and competition in the long term.

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