

## **AN EXPLORATORY STUDY ON RESTAURANTS' ORGANIZATIONAL RESILIENCE: THE ROLE OF CAPITALS, DYNAMIC CAPABILITIES, AND BUSINESS MODEL INNOVATION**

Castañeda, Nicole Essielyn C.

*University of the Philippines - College of Home Economics*

The restaurant industry has faced various crises and disasters throughout history. Most recently, the Coronavirus pandemic and the constantly changing community guidelines involving lockdown restrictions, in addition to natural disasters like typhoons and earthquakes in the Philippines, with the country being one of the most disaster-prone countries globally with a total of 283 natural disasters in the past two decades of 1995-2015 (Hechanova et al., 2015) pose a challenge in the industry.

Due to the restrictions imposed and the reduced demand during the pandemic, businesses that depend primarily on human mobility were put at risk of permanent closure, and employees ended up unemployed (Nicola et al., 2020). One of the impacted industries is hospitality, travel, and tourism. Before the pandemic, the creation of one in four jobs worldwide accounted for 10.4% of the global Gross Domestic Product (GDP). However, due to the COVID-19 situation, the worldwide travel and tourism sector lost almost \$ 4.7 trillion in 2020, decreasing the share of global GDP to 5.5%. From 334 million employed individuals in 2019, it is now down to 272 million employed globally, or 62 million lost jobs or a drop of 18.5% (World Travel & Tourism Council, 2021). As evidenced by the current events, the restaurant industry has been disproportionately negatively affected (Bartik et al., 2020).

Within the context of this thesis-in-progress study, a restaurant is any foodservice provider offering dine-in, take-out, and delivery service (National Statistical Coordination Board, 2010), particularly those that operated during the 2020-2022 Philippines was in a lockdown due to the pandemic. These include those who joined the Restaurant Owners of the Philippines Association or RestoPh, a group of restaurateurs formed by Eric Teng during the first Extended Community Quarantine in the Philippines (Koppe, 2021).

Additionally, environmental turbulence in this research includes crises, disasters, changing environments, or any adverse external events faced by the foodservice institutions. This paper will look into several factors that affect foodservice institutions during changing environments, such as capital resources, dynamic capabilities, and business model innovation.

This ongoing study adds to the literature because its findings can help restaurant operators and decision-makers to navigate environments with sudden changes or turbulence. This work-in-progress study will contribute to the academic discourse of resilience building in restaurants, particularly by knowing how capital resources, dynamic capabilities, and business model innovation strategies affect the resilience of restaurants during a turbulent environment. Also, the future findings of this study may help the hospitality industry and service firms by creating a list of indicators of resilience for Philippine restaurant decision-makers. The indicators will include a blueprint of capabilities, resources, and strategies to ensure survivability when a future crisis, disaster, or turbulent environment arrives.

In seeking to examine how do capital resources, dynamic capabilities, and business model innovation affect restaurant resilience during a turbulent environment, this study aims to answer the following questions:

1. Which factor of capital resource contributes the most to a restaurant's resiliency during environmental turbulence?
2. Which factor of dynamic capability contributes the most to a restaurant's resiliency during environmental turbulence?
3. Which factor of business model innovation contributes the most to a restaurant's resiliency during environmental turbulence?
4. Building on the previous questions, what are the key indicators of restaurants' resilience in turbulent conditions within the Philippine context?

The restaurant industry may benefit from studying how the restaurants that operated throughout the pandemic survived the changing environmental situations. The ongoing study aims to understand how the surviving local restaurants leverage their capital resources in economic, social, human, physical, cultural, and technological underpinnings. Its practical implications are determined by the indicators of the sector's resilience inherent to the local context drawing from the analysis of quantitative and qualitative data results.

In the tourism and hospitality industries, the concept of resilience has become popular as it helps explain the response, adaptation, and how businesses withstand disruption and crises (eg Hall et al., 2018; Sydnor-Bousso et al., 2011; Tibay et al., 2018). Still, there is no single, universally accepted definition of resilience (Herrman et al., 2011; McInnis-Bowers et al., 2017); still, resilience is considered an essential key to achieving business success and in managing adversity (Ayala & Manzano, 2014; Corner et al., 2017). Resilience is characterized as the ability to bounce back (Hale and Heijer, 2006), absorption (Berkes, 2007), robustness (Tierney, 2003), and thriving and surviving (Seville, 2009). It is also associated with how people manage uncertainties as groups or individuals (Lee et al., 2013). Although it can be seen as an end goal of an organization, some literature considered resilience as an attribute possessed in a continuum before, during, and post-event (Conz & Magnani, 2020), or in a general way, an organization's ability to anticipate, manage and respond to crisis (Auerswald & van Opstal, 2009), that can result to a beneficial outcome for

organizations who seized the opportunity of change. In a study in Cagayan, Philippines, the researchers found that Filipinos demonstrate resilience during typhoons and floods through positive cooperation, coordination, and communication (Donato & Lorica, 2020). Post typhoon Haiyan (locally known as Yolanda), survivors revealed how forming groups is more crucial than enhancing individual resiliency efforts (Hechanova et al., 2015).

Knowledge, dynamic capabilities, and resources are closely interlinked (Barney et al., 2001). Due to the unpredictability and sudden impact of the current pandemic, the timeliness and time constraint of mobilizing resources are necessary, and upgrading and evolving their resources can help in the future in case it happens again (Rashid & Ratten, 2021). During the COVID-19 situation, entrepreneurs are flexible with their resource allocation, using existing resources to gain the maximum benefit even if the safety measures make it impossible to continue the usual business functions (Rashid & Ratten, 2021). This alignment of the concept between capital and sustainability (Smith et al., 2001), has often been linked with the disaster resilience concept (Mileti, 1999). Using a disaster-specific capital approach can help improve the understanding of the impact of the disaster and what factors to look out for in resilience and recovery (Sydnor-Bouso, et al., 2011).

Capitals are groups of resources necessary for creating or acquiring additional resources (Miles, 2015; Norris et al., 2008), which are necessary to develop a sustainable economy (Mayunga, 2007). They can also be described as a business or community's assets and resources (National Institute of Standards and Technology (NIST), 2015). These capitals help combine actual and existing resources with potential resources to contribute to the ability of an organization or business to hold out against and recover from shocks (Norris et al., 2008).

A service firm's access to financial or economic capital is critical if they want to build resilience (McDonald et al., 2014). Sufficient financial capital in times of crisis enables a service firm to adopt one or multiple strategies for resilience-building, such as innovative strategies (Huang & Farboudi Jahromi, 2021). Although defined in various ways, social capital focuses on the social structure, norms, trust, and social network that facilitates action (Green & Haines, 2002). It includes three major components, which are: the interconnection between groups and individuals, whether they are inside or outside of an organization, the trust level for each tie, and the benefits transferred for each relationship (Nahapiet & Ghoshal, 1998; Poteyeva & Munro, 2009).

Human capital involves people's knowledge, skills, and health (National Institute of Standards and Technology (NIST), 2015). Physical and mental health, inherent and learned skills (Cutter et al., 2008), as well as disaster knowledge (Lee et al., 2013) are components of human capital (Brown et al., 2018). The staff, the cornerstone of human capital in any organization (Brown et al., 2019), exerts a direct influence on hotel resilience (Filimonau et al., 2020).

The physical capital of a firm involves the equipment, location, supply, and other raw materials (Greene et al., 2015). In other words, these are the infrastructures or built environment (NIST, 2015), human interface, and local infrastructure surrounding the area (Mayunga, 2007).

Cultural Capital is One of the firm's internal resources along with human and technological capital (Barney, 1991; Porter, 1980), decision makers also integrate this capital to create a strategy for the sustained competitive advantage of the firm (Akkermans & Van Oorschot, 2018). It combines local orientation, attitudes, competencies, and knowledge to provide additional knowledge (Patel et al., 2017; NIST, 2015).

Technological capital includes the tangible component of production assets and the technical know-how from research and development projects (Grigoriev et al., 2014; McGrattan & Prescott, 2009). Technological capital includes ownership of business technology (like point-of-sale technology), computer software, websites, and social media platforms (Green & Haines, 2002).

The impact of a disaster on a firm's resource base depends on its ability to explore new opportunities by creating and mobilizing its resources as a part of an interdependent network (Battisti & Deakins, 2017). This becomes more important during rapidly dynamic business environments wherein the dynamic capabilities approach analyses firm methods and other possible sources of firm wealth capture (Teece et al., 1997), as well as a need for organizations to display adaptive strategies and resilience (Brown et al., 2017). Although older firms might have accumulated various resources of value, these resources might not be relevant in a disaster situation (Battisti & Deakins, 2017) because the flexibility and rapidity in the decision-making serve as key factor in the disaster response of firms (Sullivan-Taylor & Branicki, 2011). Even if the resources and firm type may be similar, firms can deploy different capabilities depending on the managerial perceptions of environmental uncertainties (Aragon-Correa & Sharma, 2003).

Dynamic capabilities are not organic or unstructured (Burns & Stalker, 1966; Lawrence & Lorsch, 1967). Zero-level capabilities are also called ordinary capabilities, which involve substantive or operational capabilities or routine activities; first-order capabilities involve managerial decisions that are taken during uncertainty, and second or higher-order capabilities involve facilitating the sensing and seizing of new or changed opportunities (Teece, 2018).

Sensing capabilities refer to the analytical capacity to detect future opportunities (Rashid & Ratten, 2021), or the threat identification, interpretation, and evaluation of opportunity or threat (Teece, 2012), such as including environmental scanning, which also involves analyzing data and information gathered from the external environment to fit the organizational system (Teece, 2018). Seizing capabilities refer to capturing the opportunities presented to a business (Schoemaker et al., 2018), as well as the deployment of the resources to address the opportunity presented as a response to the threat (Teece, 2012). Lastly, the transforming capabilities, on the other hand, help align the organizational elements with each other and the strategy to match the changing environment (Teece, 2018). It is the reconfiguration, renewal, and integration of resources and other organizational structures as market conditions change (Teece, 2012).

Dynamic capabilities can also mediate the ability of a firm to reconfigure the resources and organizational structures continuously as the business grows and changes in the market, technology, and environment (Biesenthal et al., 2018). The perspective of using dynamic capabilities highlights the importance of the decision-makers or managers regarding resource deployment and how it is affected by their understanding and perception of the environmental situation and volatility (Battisti & Deakins, 2017). In other words, managerial judgment influences the deployment of dynamic capabilities (Ambrosini & Bowman, 2009). How entrepreneurs and key decision-makers respond to new opportunities depends on their ability to adapt their firm's resources (Teece, 2012).

The structure and mechanism of a firm and how it captures, creates, and delivers value to customers is called a business model (Teece, 2018). It is a unique configuration of value proposition, creation, and capture (Clauss, 2017; Clauss et al., 2018; Saebi et al., 2017). A firm's success equally depends on the business model changes and implementation and the selections and operations of technology, assets, and equipment (Teece, 2018).

Value proposition is the portfolio's composition, activities involving new offerings or developments, and the role in the production or service delivery (Morris et al., 2005). It describes the portfolio of the firm - the proposed solutions and how they offer the solutions to the customers (Johnson et al., 2008; Morris et al., 2005). Value creation is the generation of value within the firm (Clauss, 2017), while answering the question, "What operational processes and resources will be necessary to create the services and products offered?" (Johnson et al., 2008). Value capture answers how the firm makes money (Morris et al., 2005), the cost and revenue decisions, and the adequate revenue streams (Casadesus-Masanell & Zhu, 2013) and revenue models (Baden-Fuller & Haefliger, 2013). This focuses on transforming a value proposition into revenue (Clauss, 2017).

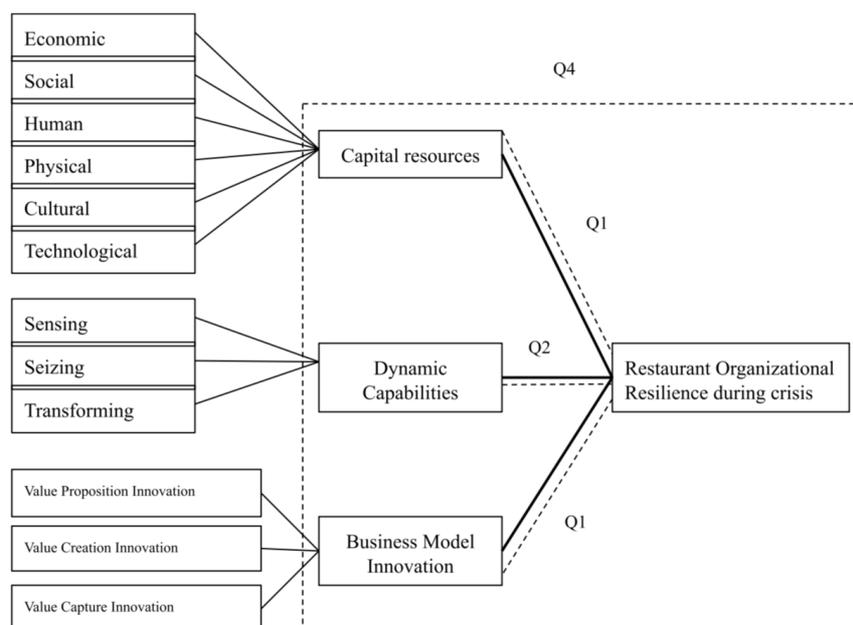


Fig 1. Operational framework of the study (by the researcher)

This makes BMI vital for a firm's success, particularly during turbulent, fast-changing, and volatile environments, by providing opportunities (Giesen et al., 2010), by altering the firm's sources of value capture and creation (Pohle & Chapman, 2006), and by helping create innovative new ways to capture and create value (Amit & Zott, 2010). Taking into account all the concepts explained, the researcher has come up with an operational model to illustrate how the outputs are operationalized within the context of this continuing study which shows how each factor influences resilience and addresses the research questions.

Drawing from the previous works (Ates & Bitici, 2011; Bhamra et al., 2011; Woldeesenbet et al., 2012; Clauss, 2017; Sosna et al., 2014; Teece, 2012), Figure 1 illustrates the proposed operational framework containing the types of capital resources, clusters of activities of dynamic capabilities and aspects of business model innovation influencing the restaurant's organizational resilience. It likewise shows how the interrelationship of each variable will address the research questions.

This work-in-progress study will use a mixed methods approach to examine three resiliency factors: capital resources, dynamic capabilities, and business model innovation, and to develop indicators of restaurants' resiliency for the local restaurant sector. The population for this study will include restaurant owners, managers, or key decision makers that are members of restaurant and service groups in the Philippines, such as the Hotel and Restaurant Association of the Philippines (HRAP) and RestoPH, to name two examples. Participants will be selected based on their decision-making role in the foodservice establishment from 2020 to the present. They must belong to the top to a middle management position with adequate knowledge of resilience and recovery management systems.

## **THE STATE OF CREATIVE TOURISM IN THE PHILIPPINES**

Tiongco JR., Ramon A.

*University of the Philippines - Asian Institute of Tourism*

Creative Tourism is a new tourism product opportunity that emphasizes the engagement between the host community and travelers who are personally invested in participating and learning an authentic culture and heritage experience. Brownson (2021) claims that it is the future of cultural tourism.

The desire of visitors and communities to express themselves through deeper involvement, rather than just consumption in creative activities, has fueled the development of creative tourism. In addition, its emergence is a modern response to the growing discontent or displeasure of visitors with conventional styles of tourism development and management (Richards, 2020). Tourists have recently become more interested in co-creation experiences and playing more active responsibilities (Campos et al., 2015). However, the investigation and research on this niche tourism product have been mainly concentrated on Europe and developed western economies, and not in developing countries such as the Philippines.

As such, this exploratory study seeks to provide new insights based on the triangulation of data collected from desktop research, online surveys, and expert interviews, including qualitative content analysis, keyword identification, and the use of spatial analysis. Thus, it is intended to come up with an overall picture of the creative tourism sector in the Philippines by describing the sources of creative tourism's competitive advantage and justifying the factors or forces that predetermine the success of creative tourism in the country.

Keywords: the Philippines, creative tourism, co-creation, place competitiveness, tourism product development, authenticity

## **THE PERCEIVED EXTENT OF THE USE OF WEBSITE MARKETING, SEARCH ENGINE MARKETING, EMAIL MARKETING, AND SOCIAL MEDIA MARKETING AS DESTINATION DIGITAL MARKETING CHANNELS: THE CASE OF BATANGAS PROVINCE**

Amayun, Dominic R.

*University of the Philippines - Asian Institute of Tourism*

Destination marketing has never been more important in a highly digital environment and competitive tourism industry. The advent of digital marketing channels such as social media and search engine optimization have made the travel ecosystem more accessible yet complex for marketers to understand the interoperability of digital marketing channels and the interrelationship of digital marketing players in order to provide a more consumer-centric approach to understanding tourists to increase arrival and spending. The purpose of this study is to determine the extent by which destination digital marketing channels such as website marketing, search engine marketing, email marketing, and social media marketing are used by destination marketing players such as the Provincial Tourism and Cultural Affairs Office, Municipal Local Government Unit's Tourism Offices, and tourism business enterprises in Batangas. The researcher will use a case study research method using both qualitative and quantitative approaches. The researcher will use a survey questionnaire as a tool to measure the extent by which destination marketing channels are used. The survey questionnaire will be answered by respondents from both the government and private sector. The researcher will use descriptive statistics to interpret the data gathered. Further, the researcher will use nominal scale as a level of measurement and measures of central tendency. On the other hand, the researcher will use Key Informant Interview (KII) involving the head of PTCAO and Tourism Officers of various MLGUs in the province. The result of this study is important in understanding technological determinism and diffusion of innovation in destination digital marketing as well as understanding the interoperability of digital marketing channels and interrelationship of digital marketing players.

**Keywords:** destination digital marketing, digital marketing channels, digital marketing players, interoperability of marketing channels, interrelationship of marketing players