



The Effects of Homestay Capabilities on Homestay Performance in Sabah



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ABSTRACT: Although homestays have been in the Malaysian tourism industry for over a decade, it still lags behind compared to other tourism products that the country has to offer. Therefore, the purpose of this study is to identify the capabilities that homestays should possess in order to improve their performance and bring them on par with the other tourism products that Malaysia has to offer. Based on the Resource Based View (RBV) theory, this study aims to investigate how homestay capabilities can improve the performance of homestays. To achieve the objective, a self-administered questionnaire was distributed to 120 homestay operators across Sabah, registered with Malaysian Homestay Program, which is under the Ministry of Tourism, Arts and Culture Malaysia (MOTAC). 100 questionnaires were returned, of which 94 were analyzed using Smart PLS 3.0 software. All three variables (dynamic capability, innovation capability, and social media marketing capability) tested in this research on the performance of homestays in Sabah were found to be significant. Overall, dynamic capability was found to be the most significant factor in determining homestay performance. The findings suggest that homestays need to emphasize on all these capabilities to be able to improve their performance, and be competitive in the tourism industry. It is also suggested that operators should focus on developing their innovation capabilities as this is important but has a relatively low performance.

KEYWORDS: homestay; dynamic capabilities; innovation capabilities; social media marketing capabilities; performance

Introduction

Every year, millions of tourists from all over the world visit Malaysia to enjoy its natural and cultural diversity. In 2019, a total of 26.1 million tourists visited Malaysia, contributing a total of 86.1 billion in revenue (Tourism Malaysia, 2020). Among the many existing tourism options, homestays have been the least known among tourists until recently. Although Malaysian homestays have been around since the 1980s, the industry has yet to reach its maturity stage and is not developing at the same rate as the rest of the industry (Ramli et al.,

2018). Nonetheless, the existence of many homestay communities in the country encourages the innovation of goods and services that symbolize village identity while adding value through job and income generation, which contributes to the sustainability of the sector (Jamal et al., 2018). However, much needs to be done to ensure that the homestay products and services offered satisfy tourists by increasing operators' responsiveness in meeting and prioritizing guest needs, improving operators' communication skills and knowledge of homestay operations, offering novelties, and delivering service as promised (Ismail et al., 2016; Rasoolimanesh et al., 2016).

Previous studies suggest that one of the main motivators for tourists to travel is to relax and escape from everyday life (Rita et al., 2018) by engaging in activities that allow them to experience and learn about other cultures and their unique way of life (Demirović et al., 2019). In addition, it was found that most tourists are looking for unique experiences and the opportunity to taste local delicacies and experience the local culture, way of life and nature (Akay, 2020). In view of this, homestay operators need to ensure that the products and services offered are unique and meet the tourists' desires, namely to explore the local culture and natural resources. To achieve this, homestay operators must be able to improve their products and services by ensuring tourist satisfaction while preserving the authenticity of local culture and nature. As such, operators need to recognize the capabilities of homestays that can help them make the necessary improvements while using the most impactful capabilities for the same purpose.

Currently, most homestay operators are unable to meet the core requirements of their guests as lack of skills and knowledge has resulted in the inability of operators to provide diversified homestay products and services to ensure guest satisfaction (Ismail et al., 2016). Moreover, homestays lack systematic management, resulting in low service quality and occupancy rates (Razalli, 2008), both for local and foreign tourists. Therefore, in order to prepare the homestay industry in Sabah to revive its image and compete with the larger accommodation providers in the industry, homestay operators need to focus on improving their performance, which will eventually lead to guest satisfaction (Wang et al., 2012). Satisfied guests lead to word-of-mouth (WOM), which can improve the competitive position of homestays in Sabah (Namin, 2017).

To further understand the homestay concept, it is important to consider the industry as a complex one with numerous combinations of characteristics. Its unique characteristics greatly influence how homestay products and services are created and consumed. Moreover, the homestay industry, like any other form of tourism business, is not static. It is highly competitive with contested markets and faces rapid changes in tourist preferences and the emergence of new products and destinations (Evans, 2016). The industry is also vulnerable to global issues such as war, terrorism, political and economic instability, and advancement and use of technology are some of the environmental events that can permanently change the landscape of the industry (Murphy, 2017). Therefore, homestay operators need to ensure that they remain competitive by constantly acquiring new knowledge, skills, and abilities to improve their performance in homestays.

Boonpattarakon (2012) concluded that developing competitive skills is essential to the success of the business. In this sense, operators must be able to provide reliable and fast services as well as offer a variety of products and services at attractive prices. In order to be able to introduce new products or services, homestay operators in Sabah should be innovative, creative and flexible based on the current situation such as changes in the environment and

travel behavior of tourists as it is currently happening due to the Covid 19 pandemic. In addition, previous studies on tourism have also emphasized the importance of coordination and skills (i.e., marketing, innovation, human skills, and quality skills) as sources of competitiveness for inns. In addition, previous studies on tourism have also emphasized the importance of coordination and capabilities (i.e., marketing, innovation, human and quality capabilities) as sources of competitiveness for tourism businesses, as these capabilities allow tourism businesses to improve their services and products, as well as keep up with changes in tourist preferences (Camisón & Forés, 2015; Martínez-Román et al., 2015). In addition, homestay operators must adopt the use of new technologies, as the survival of the business depends on its ability to develop and adopt innovations in the organization (Buhalis & Law, 2008; Damanpour et al., 2009).

Considering the growing popularity of social media among tourists, hospitality and tourism organizations can no longer ignore the increasing popularity of social media and its role in the travel planning process of tourists (Leung et al., 2013). Tourists are more comfortable in searching for information through various available travel websites, which provides a more comprehensive source of information for consumers (Zins, 2007). This viewpoint suggests that homestay companies also need to move from traditional marketing to modern marketing through social media to reach a wider audience at a low cost (Josee et al., 2014).

Based on suggestions and evidence from previous studies on the importance of dynamic capabilities, innovation capabilities, and social media marketing capabilities on business performance (Charoensukmongkol & Tarsakoo, 2019; Ferreira et al., 2020), this study uses the RBV theory to examine the relationship between dynamic capabilities, innovation capabilities, and social media marketing capabilities and how these capabilities can improve the performance of homestays in Sabah.

Literature Review

Resource-based view refers to a bundle of assets or resources that are semi-permanently tied to the firm (Wernerfelt, 1984). Studies suggest that it is more important to focus on the organization's resources than on the organization's production function, as this determines the organization's competitive advantage, which is achieved through effective management and control of the unique and difficult to imitate resources available to the organization (Lockett & Thompson, 2001; Teece et al., 1997). However, Hoskisson, et al., (1999) further suggests that although organizations initially have the same resources, these resources eventually change after a while and show differences as a result of how they were managed with different strategies determined by management, resulting in a competitive advantage for the organization. Moreover, RBV has been widely used over the years in various marketing research contexts, such as marketing strategy, international marketing, as well as marketing innovation (Zhang et al., 2011). In addition, RBV has also been used to examine the relationship between marketing and other functional capabilities and their impact on performance (Kozlenkova et al., 2014).

Early performance studies mostly focused on the financial performance of an organization, which measures profit, sales, and return on investment (Al-Matari et al., 2014; Rice et al., 2015). However, later studies found that focusing solely on financial performance is insufficient because financial data are usually inaccessible, confidential (Battor & Battor, 2010; Piening & Salge 2015), incomplete (Taylor & Taylor, 2014), and inaccurate (Vicente et

al., 2015). Moreover, it is well known that financial data can be subject to manipulation and interpretation. Therefore, the measurement of firm performance has shifted from solely financial or tangible variables to a combination of financial, tangible, non-financial and intangible measures as the most appropriate approach to assess firm performance (Akbaba, 2012; Sainaghi et al., 2013). The previous study also suggests that most improvement efforts cannot be quantified using financial metrics alone, especially those related to customer satisfaction and product or service quality (Tseng et al., 2008). Understanding intangible metrics gives researchers a true picture of an organization's performance, as managers who do not meet their personal goals are more likely to be dissatisfied with their organizations, even if they are profitable (Bates, 2005). Dauda and Akingbade (2010) in their study stated that subjective performance measures based on the owner's expectations allow for better comparability across different types of industries and situations with different standards of acceptable performance because the owner's expectations are formed based on their experience and knowledge. Therefore, it has been suggested that performance in the hospitality industry would be more accurate if measurements were based on occupancy rate, average room rate, revenue per available room, gross operating profit per available room, customer satisfaction, quality, efficiency, and the image that the organization portrays to its customers (Sainaghi et al., 2013). Therefore, RBV is most appropriate for this study as empirical evidence from previous studies in various disciplines have established a positive relationship between organizational performance and organizational capabilities (Agyapong, 2015).

Dynamic Capability

Dynamic capabilities of an organization are the ability to "renew itself in the face of a changing environment by changing its set of resources" (Danneels, 2010). This includes the organization's ability to sense and shape opportunities and overcome threats, seize opportunities and maintain competitiveness by enhancing, combining, protecting and, when necessary, reconfiguring the organization's intangible and tangible assets (Teece, 2007; Wilden et al., 2013). It transforms the resources of the organization in such a way that the resources and capabilities of the organization become more competent so that the organization can provide effective services to meet the needs and demands of customers (Adeniran & Johnston, 2012).

In the fast changing and highly chaotic business environment, organizations need to ensure that their resources, competencies, processes and overall operating systems are constantly evolving in line with changes in the business environment (Katkalo et al., 2010). Therefore, organizations must be prepared by aligning their systems and strategies with changes and challenges to ensure organizational survival (Haleblian et al., 2012; Teece, 2012;). Hence, in order to respond quickly to changes in the business environment, organizations must be prepared to meet the current competition and meet the current needs of the market (Romme et al., 2010). At the same time, organizations must also continuously look for ways to improve their products and services as well as explore new opportunities to move into new emerging markets. (Wang & Rafiq, 2014)

Previous studies have shown how organizations benefit from dynamic capabilities by being able to provide superior products and services in the fastest and most efficient way in response to developments and changes in the market (Bilgihan et al., 2011). It also enables organizations to create better customer value and achieve superior performance as this capability allows organizations to respond quickly to changes in the industry (Han et al.,

2013). Additionally, it has also been found that organizations promote favorable behaviors within the organization, which leads to sustainable competitive advantage and high performance (Camisón & Monfort-Mir, 2012). Looking at the importance of dynamic capabilities in organizations, the following hypothesis is proposed.

H1: *Dynamic capabilities are positively related to Sabah Homestay performance.*

Innovation Capability

Innovation can be divided firstly into technological innovation, which is a comprehensive learning process in which the organization acquires and develops outstanding technological capabilities that enable the organization to create innovative products and services (Saunila, 2015). Secondly, managerial innovation shapes the administrative and managerial processes of the organization to improve the efficiency of the organization (Damanpour & Aravind, 2011). However, studies on innovation capability focused on larger companies because the necessary information was not available for small companies due to lack of financial resources for research and development (Kleinknecht et al., 2002). The same happens in the tourism industry, where the use of innovation to develop new products and processes is more evident in larger companies than in smaller tourism companies (Camisón & Monfort-Mir, 2012). This is due to the nature of smaller businesses, which lack financial resources, skilled labor and other resources required to implement innovations.

Nevertheless, a growing body of research emphasizes the need for innovation capabilities to improve organizational performance (Wallin et al., 2011; Yeşil et al., 2013), examining the implementation of different categories of innovation (i.e., service, product, process, managerial, marketing, and institutional innovation) that have been successfully implemented in the tourism industry (Hjalager, 2010). A recent study by Lee and Kim (2018) found that critical factors important to food display innovativeness are those that increase visitors' attention to memory formation. The result suggests that innovation leads to people remembering the uniqueness of an event or place and consequently being encouraged to revisit the event in the future. In the case of homestays, the same concept can be applied by homestay operators using local, traditional food as a unique way for tourists to remember their homestay experience and consequently increase their willingness to visit again in the future. This opens up the opportunity for homestay operators to use innovative and creative ways to present their traditional food to tourists as an added value to the overall homestay experience. Therefore, based on the above considerations, the following hypothesis is proposed.

H2: *Innovativeness is positively related to host family performance in Sabah.*

Social Media Marketing Capability

Social media has brought innovative ways of interacting, contributing and collaborating, allowing users to generate content and connect with others via a many-to-many rather than the traditional one-to-many approach to communication (McCann & Barlow, 2015). This scenario has changed the way information is disseminated and the way companies communicate with their customers and other stakeholders (Schultz et al., 2012). In Malaysia, Gan et al., (2018) found that homestay owners were quick to learn how to engage in social media to gain visibility and that owners also incorporated the use of the internet and social media in the operation of their homestays. The use of social media allows organizations to

market themselves at a considerably low cost while strengthening their knowledge of the rapidly evolving marketplace and keeping up with changing customer preferences (Castronovo, 2012; Spaulding, 2010).

Additionally, companies can use this valuable knowledge to further develop their products and improve customer brand loyalty (Jussila et al., 2014). Through social media, organizations have been able to provide enhanced customer service by offering personalized pages, adding value, and creating a new virtual shopping experience rather than focusing on the traditional marketing approach of having a physical presence (Michaelidou et al., 2011). These capabilities have resulted in increased sales, return on investment, word of mouth, and brand awareness in the community for organizations that have implemented social media marketing into their operations. Moreover, social media has profoundly affected the performance of organizations compared to conventional media (Kumar et al., 2013).

Nevertheless, studies have reported apparent differences in the use of social media between small and medium enterprises (SMEs) and large organizations in developed and developing countries (Pesonen, 2011). Although social media seems to be a suitable marketing tool for SMEs, it has been found that most SMEs cannot use social media effectively due to lack of knowledge and lack of infrastructure such as internet connection to go online (Odoom et al., 2017). It has also been argued that SMEs in developing countries are slow to adopt technology and e-commerce (Abou-Shouk et al., 2013). Despite the barriers that exist in implementing social media, some organizations in developing countries still choose to implement social media in their business because they believe that social media is an important tool that can take their business to a higher level (Agnihotri et al., 2015). Therefore, the following hypothesis is proposed.

H3: *Social media marketing capability is positively related to the performance of homestays in Sabah.*

Figure 1 shows the proposed research framework for this study based on RBV. It is postulated that dynamic capabilities, innovation capabilities, and social media marketing capability are positively related to homestay performance.

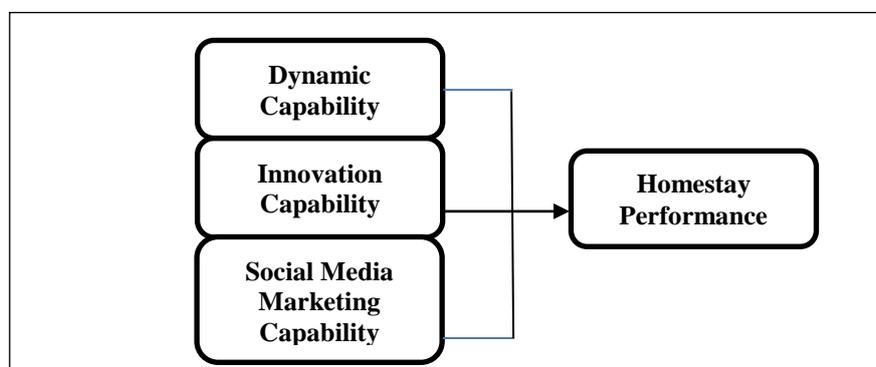


Figure 1: Research Framework

Methods

Data was collected from homestay operators in Sabah who are registered with MOTAC. This shows that there are 406 registered homestay operators in Sabah (as of December 2019), offering a total of 716 rooms to tourists (MOTAC, 2020). The g-power calculator indicates that the minimum sample size for this study is 77. Nevertheless, 120 self-administered questionnaires prepared in two languages (i.e. English with Bahasa Malaysia translation) were distributed to homestay operators using purposive sampling technique in areas such as Kudat, Kota Belud, Kundasang, Mesilau, Papar, Beaufort and Kuala Penyu. 100 questionnaires were returned and only 94 were usable for further analysis using Partial Least Square Structural Equation Modeling (PLS-SEM) 3.0.

All constructs were measured using established scales adopted from existing literature on a five-point Likert scale, except for social media marketing capability which was measured on a seven-point scale. Dynamic capability was measured based on the measurements of Kuo et al. (2017), while innovation capability was based on the measurement of Gunday et al. (2011). The social media marketing capability measurements were adopted and adapted from Trainor et al., (2014) and the homestay performance was based on the measurements of Leonidou et al., (2013). To be eligible to answer the questionnaire, operators had to have some experience of using social media for either their personal or business purposes. This was clarified in the first part of the questionnaire where respondents had to answer screening questions about the social media activities they engage in. The questions included the type of social media account they have, whether they use social media to promote their homestay, and the activities they engage in through their social media accounts.

Results

Table 1: Homestay Profile

Variables	Items	Frequency	Percent
Years in operations	Less than a year	7	7.4
	1-4 years	34	36.2
	5-8 years	10	10.6
	9-12 years	9	9.6
	13-16 years	19	20.2
	17 years and above	15	16.0
Guests received per month	Less than 10 people	20	21.3
	10-20 people	13	13.8
	21-30 people	12	12.8
	31-40 people	11	11.7
	More than 40 people	38	40.4
Number of guests can accommodate at any one time	1-3 people	8	8.5
	4-6 people	27	28.7
	7-9 people	11	11.7
	10 people and above	48	51.1
Guests origin	Malaysia	45	47.9
	Asia	24	25.5
	Oceania	11	11.7
	Europe	12	12.8
	North America	2	2.1
Guests duration of stay	Daily	4	4.3
	2 days, 1 night	40	42.6
	3 days, 2 nights	41	43.6

4 days , 3 nights	7	7.4
6 days, 5 nights and more	2	2.1

Table 1 shows that 36.2% of the 94 respondents have been in operation for 1 to 4 years and can accommodate more than 10 guests at a time, with an average occupancy rate of 40 guests per month. The majority of their guests are Malaysians (40%) who stay for an average of 3 days and 2 nights.

Since the data is from a single source, the common method variance (CMV) was performed using the Harman Single Factor test. The results show that factor one accounted for only 42.73% (less than 50% cut-off point) of the total variance of 67.86%, indicating that CMV was not a serious problem in this study. Using PLS-SEM 3.0, an evaluation of the reflective measures was conducted by examining reliability, convergent validity, and discriminant validity. This includes the evaluation of the relationship between the latent variables (LV) and the items associated with them, which involves the evaluation of the internal consistency of the constructs through the use of composite reliability (CR). Table 2 shows that the results of the item loadings ranged from 0.728 to 0.879, which is well above the recommended value of higher than 0.7, and therefore no items were deleted (Hair et al., 2011). The CR values were higher than 0.7, with AVE above the recommended threshold of 0.50, indicating the reliability of the measurement model.

Table 2: Results the Reflective Measurement Model

Construct	Item	Loadings	Cronbach's Alpha	CR	AVE
Dynamic Capability	DC1	0.768	0.866	0.898	0.595
	DC2	0.728			
	DC3	0.829			
	DC4	0.807			
	DC5	0.758			
	DC6	0.733			
Innovation Capability	IC1	0.781	0.862	0.901	0.646
	IC2	0.879			
	IC3	0.839			
	IC4	0.759			
	IC5	0.752			
Social Media Marketing Capability	SMC1	0.846	0.906	0.93	0.726
	SMC2	0.791			
	SMC3	0.894			
	SMC4	0.854			
	SMC5	0.871			

Average Variance Extracted (AVE) = (summation of the square of the factor loadings) / {summation of the square of the factor loadings + (summation of the error variances)}

Composite Reliability (Composite Reliability (CR) = (square of the summation of the factor loadings) / {(square of the summation of the factor loadings) + (square of the summation of the error variances)}

Table 3, on the other hand, presents the measurement results for the formative measurement model and shows that the construct meets the Variance Inflation Factor (VIF) values and is consistently below the threshold of 0.5 (Hair et al., 2014) and 3.3 (Diamantopoulos & Sigauw,

2006). It is concluded that collinearity does not reach critical values and is not a problem for the estimation of the PLS path model. Although the assessment of significant levels indicates that there are some non-significant indicators (< 0.05), these indicators are still retained as they provide support to the relevance of these indicators in capturing homestay performance (Chalmeta et al., 2012; Sainaghi et al., 2013).

Table 3: Results the Formative Measurement Model

Construct	Items	Weights	VIF	t-value-weights	Sig
Homestay Performance	HP1	0.153	2.038	0.74	0.460
	HP2	0.295	2.845	1.122	0.262
	HP3	0.515	1.843	2.791**	0.005
	HP4	-0.401	1.808	1.673*	0.095
	HP5	0.462	2.831	1.734*	0.083
	HP6	0.107	2.258	0.449	0.654

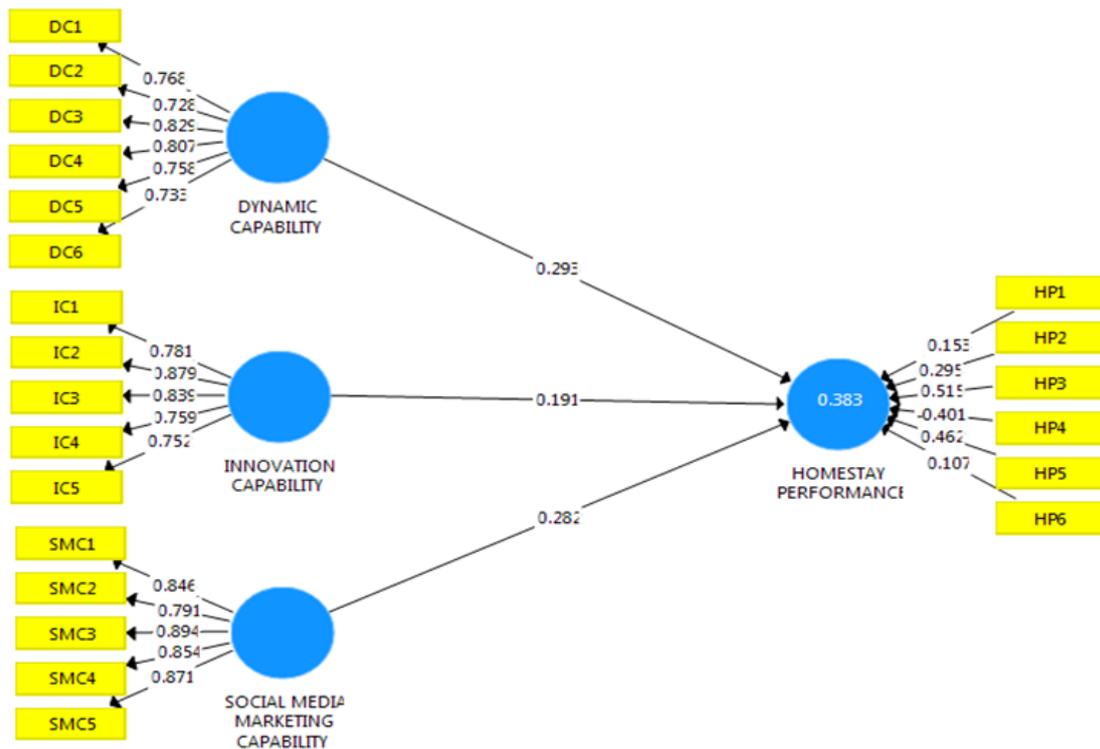


Figure 2: Measurement Model Results

To assess discriminant validity, the Heterotrait-Monotrait ratio of correlations (HTMT) procedure prescribed by Henseler et al. (2015) was used. Table 4 shows that all HTMT values are below the threshold of 0.85 (Henseler et al., 2015). Therefore, it can be concluded that the respondents understood that all constructs are distinct. Overall, the measurement model demonstrates adequate convergent and discriminant validity.

Table 4: HTMT

	1	2	3
1. Dynamic Capability			

2. Innovation Capability	0.751		
3. Social Media Marketing Capability	0.391	0.498	

Table 5 shows that inner VIF values for all independent variables are less than 5, which indicates that lateral multicollinearity is not a problem in this study (Hair et al., 2014). Furthermore, it also shows that all three relationships have a t-value of ≥ 1.645 , making them significant at 0.05 level of significance. Specifically, it is postulated that dynamic capabilities, innovation capability, and social media marketing capability are positively related to homestay performance, which explains 38.3% of the variance in homestay performance. Therefore, all three hypotheses are supported. Moreover, the R^2 value 0.383 is above the value of 0.26 suggested by Cohen (1988), indicating a substantial model. Effect sizes (f^2) were also evaluated and the results show that dynamic capability, innovation capability, and social media marketing capability have a substantial effect in producing R^2 for homestay performance (Cohen, 1988).

Table 5: Hypothesis Testing

Hypothesis	Relationship	Std. Beta	Std. Error	t- values	Decision	R ²	f ²	VIF
H1	Dynamic Capability -> Homestay Performance	0.265	0.143	1.847*	Supported	0.383	0.062	1.775
H2	Innovation Capability -> Homestay Performance	0.267	0.156	1.712*	Supported		0.057	1.936
H3	Social Media Marketing Capability -> Homestay Performance	0.200	0.107	1.867*	Supported		0.049	1.258

*p<0.05 (1.645)

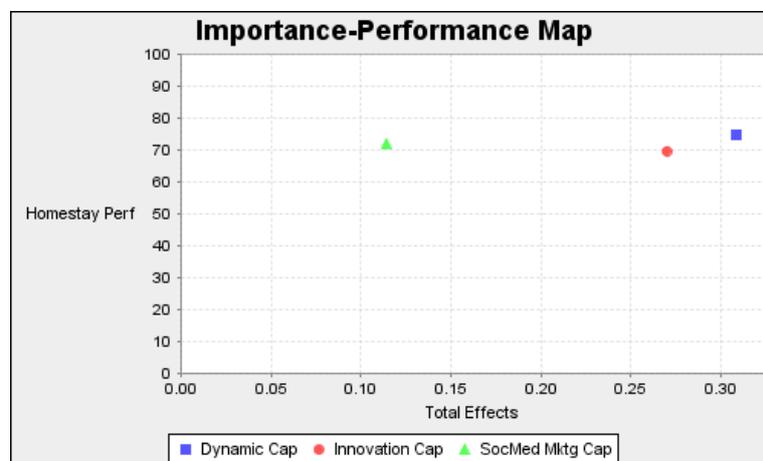


Figure 3: IPMA diagram of homestay capabilities in determining homestay performance

The importance-performance matrix (IPMA) was conducted to identify areas that need to be addressed and improved by homestay operators (Schloderer et al., 2014). Figure 3 shows that among the three homestay capability variables, dynamic capability is the most important for

homestays (0.309) and homestays are currently performing well in this area (74.93). The next important variable is innovative capability (0.27). More attention needs to be paid to this area as it has a relatively low performance (69.643) compared to the other two variables. This indicates that more importance needs to be given to innovative capability in order to improve the performance of homestays. Finally, social media marketing capability shows the least importance (0.114) compared to the other two variables but has a comparatively high performance (72.019).

Discussions

This research was conducted to identify the capabilities that are important for homestay operators to enhance their performance and put them on par with the other tourism products that Malaysia has to offer. The results obtained indicate that all three exogenous variables (dynamic capabilities, innovation capabilities and social media marketing capabilities) were significant in improving the performance of homestays in Sabah.

The results suggest that dynamic capability ($\beta=0.265$; $p < 0.05$) is positively associated with homestay performance. This is understandable as homestays need to have this capability as they operate in a rapidly changing industry and need to be able to cater to different types of guests and their requirements. Homestays need to be able to identify threats and shape and seize opportunities when they arise. This is in line with a study conducted by Walsh et al., (2011) in which they concluded that businesses operating in a rapidly changing industry must have the ability to flexibly adapt to the current situation in order to create a superior competitive advantage. The earlier study conducted among Lithuanian and Chilean companies also concluded that dynamic capabilities affect performance, especially non-financial performance (Nedzinskas et al., 2013). Studies also suggest that dynamic capabilities contribute to the organization by identifying new customers, new marketing initiatives, new suppliers, and new products in a volatile environment (Drnevich & Kriauciunas, 2011). This shows that homestay operators in Sabah need to be attentive to their environment and be efficient in dealing with different situations and tourists. Different tourists may have different expectations from homestays, thus homestay operators need to take up this challenge to meet tourists' expectations without compromising the value of their culture and traditions.

In addition, the results suggest that innovation capability ($\beta=0.267$, $p < 0.01$) also plays an important role in improving the performance of homestays in Sabah. Although homestays do not incorporate extensive technologies in their daily operations, it does not mean that there is no innovation among homestays. The findings of this study are consistent with previous work suggesting that innovativeness affects organizational performance regardless of whether the organization is in a high technology or low technology industry (Saunila, 2015). Innovation in homestays are mostly on the non-technological factors (i.e. organizational innovation and marketing innovation), such as the ability of homestays to personalize the way they approach and interact with their guests by responding to their needs and desires, as well as introducing new products and ways to promote the homestays (Camisón & Monfort-Mir, 2012). Based on previous studies, the capability to innovate is indeed an important element for homestay operators, allowing them to be creative and adapt their products to the needs of their guests. This can be related to a study on boutique hotels in United Kingdom where quality, uniqueness and the level of personalized services offered were identified as factors that lead tourists to choose a particular hotel (Aggett, 2007). Nevertheless, homestay operators need to

be vigilant in trying to innovate as they do not want to introduce too many changes to homestay products that could alter the value and authenticity of local culture and traditions.

This study also suggests that social media marketing capability ($\beta=0.200$, $p < 0.01$) can improve the performance of homestays. Since the tourism market is heavily influenced by information from social media, homestays need to create a social presence and use social media as a platform to connect with their past, current and potential guests (Trainor et al., 2014). It is crucial to develop and maintain communication with different groups of tourists as they are also involved in content creation and value generation, which is valuable to the organization. This is supported by previous studies that have found that online communication between individual customers and prospects can create personalized relationships which lead to positive effects on organizational performance (Minazzi, 2015). In addition, previous studies have also found that there is a positive relationship between the ability of Italian hotels in Milan to build and maintain online relationships and their level of success (Romenti et al., 2011). Therefore, in this digital age, homestays must be able to establish and maintain an active social presence online to facilitate the building of good relationships among guests. Besides that, the active participation of both parties on social media will also encourage tourists to contribute online content that can be part of the homestay's promotional items and information to potential guests. This is very important as it provide reviews and comments from previous tourists for future tourists to reference. Previous studies concluded that travel content created online by other travelers is more credible and trustworthy than content created by professionals or information provided by marketers because they share their own experiences without being pressured by service providers to say something (Fotis et al., 2012). Therefore, the more content created by the homestay tourists, the better it would be for the homestay to have better chances of attracting the attention of new potential tourists.

Implications of Study

This study contributes to knowledge in several ways. Firstly, it adds to the existing literature on firm performance by expanding the relationship between organizational capabilities (dynamic capabilities, innovation capabilities, and social media marketing capabilities) and firm performance based on RBV, focusing on the homestay industry in Sabah. Second, it confirms the need for dynamic capabilities, innovation capabilities, and social media marketing capabilities to improve homestay performance. Third, this study also provides empirical findings on how RBV can be used to study small businesses and not only large corporations as the main respondents of this study were homestay operators who are mainly small business owners from rural areas of Sabah.

In addition, the IPMA findings suggest that homestays need to focus on developing their innovation capability as this is considered important but currently has a low performance. Therefore, in order to improve homestay performance, innovation capability needs to be improved first. Furthermore, homestays also need to maintain the performance of their dynamic capability and social media marketing capability to continuously improve homestay performance. Operators should be trained to think creatively and innovate to create or change parts of the product offering to please guests. However, operators must be careful not to change the uniqueness and traditional value of the product or services in order to maintain authenticity. Additionally, it is important to train homestay operators to think dynamically

and be creative and innovative when promoting their homestays and developing new products and services for tourists.

Other than that, dynamic skills are especially crucial during this pandemic period, as they allow operators to adapt their services to the specific needs of tourists. For example, guests may want more privacy and physical distance while at the homestay. Therefore, operators need to be aware of this and try to ensure the comfort and safety of guests during their stay. Similarly, operators should pay attention to the many changes in the current situation and be flexible in conducting their activities by considering the latest news, the current situation and the need to implement standard operating procedures (SOPs) in their daily activities. In order to attract both international and domestic tourists, operators should be more flexible and aware of the current situation as well as tourists attitude regarding the pandemic so that they can convince their potential tourists that their homestays are safe and adhere to strict SOPs.

Being dynamic can also further support innovation capabilities of homestays as it allows operators to find ways to present their products and services in more attractive and unique ways. For example, during this period when not many tourists visit homestays, operators can use the time to experiment and develop new service or product ideas that they can offer to tourists once travel restrictions are lifted. In addition, during the pandemic, operators can use the time to make some repairs or improvements to their homestays in order to receive tourists later when the situation stabilizes. In addition, these processes of improvement, repairs, and even setting up the homestays to comply with SOPs can also be turned into interesting social media content that can be used to create awareness about the existence of the homestay and generate some excitement for tourists to visit when the restrictions are lifted. By showing potential tourists that the homestay will take care of all their needs, and by showing beautiful sights around the homestay as well as other attractions and activities that are available at the homestay, tourists will be enticed to visit. This is also a great time to connect with followers or potential tourists, as people spend more time on their gadgets and have ample time to explore social media. By continuously creating good content, homestay operators can attract the attention of tourists who are stuck at home and longing to go out. Therefore, it is also important for homestay operators to take time and learn how to fully utilize their social media to create more engagement on the various virtual social platforms available.

Limitations and Suggestions

Despite the significant findings, this study also has its limitations. First, the samples obtained were collected from available homestays on the West Coast of Sabah, so the results may lack generalisability for other homestays in other locations. In addition, this study did not consider other organizational capabilities such as market orientation, customer relationship management, and knowledge management, which according to Martelo et al., (2013) can be useful in increasing customer value while improving customer satisfaction. Therefore, these are the areas for future research where the researcher should consider investigating other organizational capabilities and determine if there is a relationship with homestay performance. Researchers should also consider expanding the scope of the study to include respondents in a larger area and a larger number of respondents. In addition, qualitative research can also be conducted to gain a more comprehensive knowledge of the homestay operators' dynamic, innovation, and social media marketing capabilities more comprehensively. Moreover, future research can also consider the performance of homestays

as they face the challenges posed by the Covid 19 pandemic, which has changed the landscape of businesses in all industries around the globe.

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Appendix

Measurement Items

Dynamic Capability

- DC1 - understand customers' specific needs
- DC2 - learn or acquire new skills from collaborative partners
- DC3 - evaluate our own strength and weaknesses
- DC4 - change our ways of doing business
- DC5 - flexibly develop new services
- DC6 - rapidly response organizationally to competitors' actions

Innovation Capability

- IC1 - develop newness for current products leading to improved guests satisfaction
- IC2 - renew the product promotion technique used for the promotion of current /new products
- IC3 - be creative in carrying out our operations
- IC4 - introduce new products and services in the market before other homestays do.
- IC5 - carry out our homestay activities (e.g. New routines, procedures and processes) in an innovative manner

Social Media Marketing Capability

- SMC1 - conduct market research
- SMC2 - detect changes in our customers' product preferences
- SMC3 - detect fundamental shifts in our industry (e.g., competition).
- SMC4 - pay attention to changes in our customers' products or service needs
- SMC5 - In this business, we use social media to track customer complaints on our firm.

Homestay Performance

- HP1 - guests satisfaction
- HP2 - reputation among guests
- HP3 - service quality offered to guests
- HP4 - ability to acquire new guests
- HP5 - sales volume
- HP6 - market share



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