

The moderating role of Tri Hita Karana culture in the relationship between differentiation strategy and competitive advantage: Evidence from Homestay Enterprises in Ubud, Bali

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Abstract

The rapid growth of homestay businesses in Ubud has intensified competition among accommodation providers, compelling local homestay operators to develop distinctive value propositions in order to sustain their competitive position. While differentiation strategies have been widely recognized as essential drivers of competitive advantage, limited attention has been given to the role of indigenous cultural values in strengthening the effectiveness of such strategies. This study aims to examine the effects of product differentiation, service differentiation, and image differentiation on competitive advantage, as well as the moderating role of the Tri Hita Karana cultural philosophy in the homestay sector of Ubud, Bali.

Employing a quantitative research design complemented by in-depth interviews, this study collected data from 145 tourists selected through purposive sampling in the Ubud Palace area. The proposed hypotheses were tested using Moderated Regression Analysis (MRA) to evaluate both the direct effects of differentiation strategies and the moderating influence of Tri Hita Karana.

The findings reveal that product differentiation, service differentiation, and image differentiation exert significant positive effects on the competitive advantage of homestay enterprises in Ubud. Furthermore, the results demonstrate that Tri Hita Karana serves as a moderating variable that strengthens the relationships between differentiation strategies and competitive advantage. These findings suggest that the integration of local cultural values emphasizing harmony among spirituality (Parhyangan), human relations (Pawongan), and the natural environment (Palemahan) enhances the effectiveness of differentiation initiatives and contributes to the development of sustainable competitive advantage.

This study provides important theoretical contributions to the Resource-Based View (RBV) literature by positioning indigenous cultural values as strategic intangible resources capable of reinforcing competitive outcomes. Practically, the findings offer valuable insights for homestay operators, tourism stakeholders, and policymakers seeking to leverage local wisdom as a strategic asset for enhancing competitiveness and sustaining culture-based tourism development in Bali.

Keywords: Differentiation Strategy; Product Differentiation; Service Differentiation; Image Differentiation; Competitive Advantage; Tri Hita Karana; Homestay; Resource-Based View (RBV)

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1. Introduction

The rapid recovery of Indonesia's tourism sector following the COVID-19 pandemic has encouraged significant growth in tourism-supporting businesses, particularly accommodation services in major tourist destinations. Ubud, as one of Bali's leading cultural tourism destinations, has experienced substantial growth in the number of homestays, creating increasingly intense competition among accommodation providers. In such a competitive environment, homestay operators are required to continuously strengthen their competitive advantage to maintain business sustainability and attract tourists. Competitive advantage refers to an organization's capability to develop and utilize unique attributes that enable it to outperform competitors [1, 2]. Homestays with strong competitive advantages tend to offer superior customer value, stronger market positioning, and higher business sustainability. However, the increasing number of homestays in Ubud, accompanied by price wars and declining service consistency, has created challenges for homestay operators in maintaining their competitiveness [3]. Consequently, identifying factors that contribute to the development of competitive advantage has become increasingly important in the hospitality and tourism industry.

Differentiation strategy is considered one of the most important approaches for building competitive advantage [4]. In the context of homestay businesses, differentiation enables operators to create unique value propositions through products, services, and organizational image that distinguish them from competitors. Product differentiation emphasizes distinctive accommodation attributes and authentic cultural experiences, service differentiation focuses on personalized hospitality and customer satisfaction, while image differentiation strengthens tourists' perceptions and emotional attachment to the destination. Previous studies have reported positive effects of differentiation strategies on competitive advantage, indicating that product, service, and image differentiation contribute significantly to organizational competitiveness [1, 5, 6]. Nevertheless, other studies have reported inconsistent findings, showing that certain dimensions of differentiation strategy do not significantly influence competitive advantage [7, 8]. These contradictory findings suggest that the relationship between differentiation strategy and competitive advantage remains inconclusive and requires further investigation, particularly within the context of community-based accommodation businesses such as homestays in Ubud.

Tri Hita Karana is viewed as an important contextual mechanism that may explain this relationship. Tri Hita Karana is a Balinese cultural philosophy emphasizing harmony among human beings, nature, and God through the dimensions of Pawongan, Palemahan, and Parhyangan [9]. The integration of Tri Hita Karana values into tourism and hospitality management has been recognized as a strategic resource capable of enhancing organizational performance and sustainable competitiveness [10, 11]. The philosophy has the potential to strengthen the effectiveness of differentiation strategies by embedding cultural authenticity, environmental sustainability, and social harmony into tourism products and services. Several studies have demonstrated that organizational cultures rooted in local values positively influence organizational performance and competitive advantage [12, 13]. However, empirical studies examining the moderating role of Tri Hita Karana in the relationship between differentiation strategy and competitive advantage remain limited, particularly in the context of homestay businesses in Bali. Therefore, this study aims to examine the moderating role of Tri Hita Karana in the relationship between product differentiation, service differentiation, image differentiation, and competitive advantage among homestay entities in Ubud. The findings are expected to enrich the literature on competitive advantage by integrating differentiation strategy and local cultural wisdom within the framework of resource-based and culture-based competitive advantage perspectives. Furthermore, this study is expected to provide practical insights for homestay operators in designing differentiation strategies that leverage local cultural values to strengthen their competitiveness in an increasingly dynamic tourism market.

2. Literature Review and Hypothesis Development

The Resource-Based View (RBV) argues that organizations achieve sustainable competitive advantage through valuable, rare, inimitable, and non-substitutable resources [14]. Competitive advantage is not solely derived from market position but also from the organization's ability to strategically utilize internal resources and capabilities to create superior value [15]. In tourism and hospitality industries, intangible resources such as organizational culture, service quality, destination image, and local wisdom are increasingly recognized as strategic assets capable of generating long-term competitiveness [16]. For homestay businesses operating in Ubud, differentiation strategies and the implementation of Tri Hita Karana values represent unique resources that may strengthen competitive positioning and organizational sustainability. Therefore, RBV provides an appropriate theoretical foundation for explaining how differentiation strategies and local cultural values contribute to competitive advantage. In addition, Dynamic Capabilities Theory suggests that organizations must continuously integrate, reconfigure, and deploy their resources to respond effectively to changing market environments [17]. The increasing competition among accommodation providers in Bali requires homestay operators to continuously innovate and develop distinctive products, services, and

organizational identities. Consequently, differentiation strategies supported by local cultural values become essential mechanisms through which homestay businesses can maintain and strengthen their competitive advantage.

Product differentiation refers to the process of creating unique product attributes that distinguish an organization's offerings from those of competitors [18]. In the hospitality industry, product differentiation can be achieved through unique accommodation designs, authentic cultural experiences, distinctive facilities, and local characteristics embedded in tourism products. Homestays in Ubud possess unique attributes derived from traditional Balinese architecture, rural landscapes, and cultural experiences that are difficult for competitors to imitate. According to the RBV perspective, these unique characteristics represent valuable resources that can strengthen competitive positioning. Previous studies have consistently demonstrated that product differentiation positively contributes to competitive advantage by increasing customer value and enhancing organizational performance [5,20,21]. Organizations capable of offering distinctive products are more likely to achieve stronger market positions and superior competitiveness.

Hypothesis 1 (H1): Product differentiation has a positive effect on competitive advantage.

Service differentiation is regarded as another critical strategy for creating competitive advantage. Service differentiation refers to efforts undertaken by organizations to deliver service experiences perceived by customers as unique and superior compared with competing offerings [18]. In homestay businesses, service differentiation is reflected in personalized hospitality, responsiveness, cultural interaction, and authentic host–guest relationships. The concept of *menyama-braya* practiced within Balinese society provides an important foundation for delivering distinctive hospitality experiences. Such service uniqueness enables homestay operators to create additional value and strengthen customer satisfaction. Prior studies have shown that service differentiation positively influences customer satisfaction, organizational performance, and competitive advantage [22, 23, 24]. Organizations that consistently provide superior and distinctive services tend to develop stronger competitiveness in increasingly dynamic markets.

Hypothesis 2 (H2): Service differentiation has a positive effect on competitive advantage.

Image differentiation refers to organizational efforts to establish a unique and favorable image in customers' minds through distinctive symbols, identities, and brand associations [25]. In tourism destinations, image differentiation plays a strategic role because purchasing decisions are often influenced by perceptions and emotional attachments rather than solely by functional attributes. Homestays in Ubud benefit from a strong destination image associated with Balinese culture, artistic heritage, spirituality, and environmental authenticity. These attributes create favorable perceptions that distinguish homestays from other accommodation alternatives. Previous empirical studies have reported that image differentiation significantly contributes to competitive advantage by enhancing brand recognition, customer trust, and market attractiveness [6, 7]. Consequently, organizations that successfully develop strong and distinctive images are more likely to sustain competitive superiority.

Hypothesis 3 (H3): Image differentiation has a positive effect on competitive advantage.

Tri Hita Karana is a Balinese cultural philosophy emphasizing harmony among humans and God (*Parhyangan*), humans and nature (*Palemahan*), and humans and fellow humans (*Pawongan*) [26]. This philosophy has been widely recognized as a source of organizational values that supports sustainability, social harmony, and long-term organizational success. From the RBV perspective, local cultural wisdom can be considered a valuable intangible resource that enhances the effectiveness of strategic initiatives. The implementation of Tri Hita Karana values in homestay operations strengthens the uniqueness and authenticity of products, services, and organizational identity, thereby increasing the strategic value of differentiation efforts. Previous studies have demonstrated that organizational cultures based on Tri Hita Karana positively influence sustainable competitive advantage and organizational performance [27, 28].

Previous studies have demonstrated that local wisdom and organizational culture strengthen organizational competitiveness by enhancing product authenticity, uniqueness, and customer value perceptions [26, 27, 28, 29]. Aligning with this perspective, when product differentiation is supported by Tri Hita Karana values, unique accommodation attributes become more authentic and meaningful to visitors. Concurrently, the incorporation of traditional architecture, environmentally friendly practices, and spiritual values strengthens the strategic impact of product differentiation on competitiveness. Therefore, Tri Hita Karana is expected to strengthen the positive influence of product differentiation on competitive advantage.

Hypothesis 4 (H4): Tri Hita Karana moderates the relationship between product differentiation and competitive advantage.

Similarly, the effectiveness of service differentiation is expected to increase when service delivery reflects the values of Pawongan embedded in Tri Hita Karana, which emphasize harmony, empathy, mutual respect, and kinship. Such cultural values enable homestay operators to provide authentic hospitality experiences that are difficult for competitors to replicate or imitate, thereby strengthening competitive advantage. This is consistent with previous studies confirming that organizational culture and local wisdom improve service quality and strengthen competitive advantage [12, 22, 28, 30].

Hypothesis 5 (H5): Tri Hita Karana moderates the relationship between service differentiation and competitive advantage.

Furthermore, Tri Hita Karana is expected to strengthen the influence of image differentiation on competitive advantage. The integration of these local cultural values into organizational identity enhances destination authenticity, reinforces positive customer perceptions, and amplifies tourists' awareness of cultural uniqueness. Consequently, image differentiation supported by Tri Hita Karana values is likely to generate stronger competitive positioning and sustainable market advantages. This aligns with previous studies suggesting that culture-based branding and local wisdom contribute significantly to destination image and sustainable competitive advantage [6, 16, 25, 31, 32].

Hypothesis 6 (H6): Tri Hita Karana moderates the relationship between image differentiation and competitive advantage.

3. Methods

This quantitative study, grounded in a positivist paradigm, was conducted across community-owned homestay accommodations in Ubud, with Puri Saren Agung Ubud serving as the focal point. This study primarily aims to investigate the effects of product differentiation strategy (X_1), service differentiation strategy (X_2), and image differentiation strategy (X_3) as exogenous variables on competitive advantage (Y) as the endogenous variable, while positioning the local cultural wisdom of Tri Hita Karana (M) as a moderating variable. The research population comprised all tourists staying at homestays in Ubud.

Utilizing a non-probability, purposive sampling technique, respondents were selected based on two critical criteria: possessing at least a high school education and being a 'repeater guest.' The high school education criterion was established to ensure that respondents possessed the cognitive capacity to accurately interpret the structured questionnaire and provide reliable responses to complex conceptual items. Furthermore, the 'repeater guest' criterion was essential for ensuring the validity of the data; as guests who have stayed in Ubud homestays more than once, these individuals possess a deeper, comparative understanding of product attributes, service quality, and the nuanced cultural image of the destination. Their experience minimizes 'first-time impression' bias and provides a more authentic assessment of the factors contributing to competitive advantage. Consequently, a total sample of 145 participants was obtained.

Primary data were gathered through observation, in-depth interviews, and the administration of a structured questionnaire designed on a four-point Likert scale to eliminate central tendency bias. The operationalization of variables was delineated into specific indicators: the product variable was measured by physical architectural attributes and facilities; the service and image variables were anchored in social uniqueness, the traditional *Banjar* system, and the tranquility of the Ubud environment; the Tri Hita Karana variable was evaluated through the dimensions of *Parhyangan*, *Palemahan*, and *Pawongan*; and competitive advantage was assessed via quality, pricing, and tourist recommendations.

Prior to the main data collection, the research instruments were validated through a pilot study involving 30 respondents. The validity of the instruments was confirmed using the Pearson Product Moment Correlation, where all indicators exhibited correlation coefficients ≥ 0.30 , indicating that the items accurately measured the intended constructs. Reliability was assessed using Cronbach's Alpha coefficient computed via SPSS version 31.0. The results demonstrated high internal consistency across all variables: Product Differentiation ($\alpha = 0.765$), Service Differentiation ($\alpha = 0.734$), Image Differentiation ($\alpha = 0.784$), Tri Hita Karana ($\alpha = 0.868$), and Competitive Advantage ($\alpha = 0.874$). As these values significantly exceed the 0.70 threshold and comfortably surpass the minimum requirement of 0.60 the instruments were deemed highly reliable and robust for the main data collection. Finally, hypothesis testing and moderation analysis were statistically executed utilizing descriptive statistics and Moderated Regression Analysis (MRA), which involved evaluating the coefficient of determination (R^2), model fitness (F-test), and partial significance (t-test).

4. Results

4.1. Hypothesis Testing

Hypothesis testing was conducted using the p-statistics (*p*-value) and t-statistics (t-test) derived from the Moderated Regression Analysis (MRA). A *p*-value 0.05 indicates a statistically significant relationship, implying that the exogenous variable exerts a meaningful partial effect on the endogenous variable, which justifies the acceptance of the research hypothesis. The results are presented as follows.

Table 1 Hypothesis Testing Result

Model	Unstandardized Coefficients (B)	Standard Error (SE)	t-statistics	Sig.	Remarks
(Constant)	18.902	21.324	8.886	0.000	
Direct Effects					
Product Differentiation Strategy (X ₁)	0.277	0.866	2.320	0.030	Significant
Service Differentiation Strategy (X ₂)	0.446	0.931	3.479	0.033	Significant
Image Differentiation Strategy (X ₃)	0.730	0.770	2.947	0.045	Significant
Tri Hita Karana (M)	0.359	1.056	3.340	0.034	Significant
Indirect Effects					
Product Differentiation Strategy x Tri Hita Karana (X ₁ x M)	0.057	0.042	2.236	0.014	Significant
Service Differentiation Strategy x Tri Hita Karana (X ₂ x M)	0.110	0.045	2.218	0.027	Significant
Image Differentiation Strategy x Tri Hita Karana (X ₃ x M)	0.043	0.038	2.131	0.010	Significant

Model Summary: Adjusted R² = 0.732; F-statistic = 74.120 (*p*<0.001) (Primary Data, 2026)

The Moderated Regression Analysis (MRA) indicates the direction and magnitude of the effects of each exogenous variable and their respective interaction terms on the endogenous variable. These results are described as follows.

4.2. Effect of Product Differentiation Strategy on Competitive Advantage

Table 1 shows that the effect of product differentiation strategy on competitive advantage yielded a regression coefficient of 0.277, with a *p*-value of $0.030 \leq 0.05$; therefore, the hypothesis (H1) is accepted. This indicates that product differentiation strategy has a positive and significant effect on competitive advantage at Ubud Balinese Homestays.

4.3. Effect of Service Differentiation Strategy on Competitive Advantage

Table 1 shows that the effect of service differentiation strategy on competitive advantage produced a regression coefficient of 0.446, with a *p*-value of $0.033 \leq 0.05$; therefore, the hypothesis (H2) is accepted. This indicates that service differentiation strategy has a positive and significant effect on competitive advantage at Ubud Balinese Homestays.

4.4. Effect of Image Differentiation Strategy on Competitive Advantage

Table 1 shows that the effect of image differentiation strategy on competitive advantage resulted in a regression coefficient of 0.730, with a *p*-value of $0.045 \leq 0.05$; therefore, the hypothesis (H3) is accepted. This indicates that the image differentiation strategy has a positive and significant effect on competitive advantage at Ubud Balinese Homestays.

4.5. Effect of Tri Hita Karana on Competitive Advantage

Table 1 shows that the direct effect of Tri Hita Karana on competitive advantage yielded a regression coefficient of 0.359, with a p-value of $0.034 \leq 0.05$; therefore, the hypothesis (H4) is accepted. This indicates that Tri Hita Karana has a positive and significant direct effect on competitive advantage at Ubud Balinese Homestays.

4.6. Moderating Role of Tri Hita Karana in the Effect of Product Differentiation Strategy on Competitive Advantage

Table 1 shows that the interaction effect between product differentiation strategy and Tri Hita Karana ($X_1.M$) on competitive advantage yielded an interaction coefficient of 0.057, with a p-value of $0.014 \leq 0.05$; therefore, the hypothesis (H5) is accepted. Thus, it can be concluded that Tri Hita Karana significantly moderates the relationship.

4.7. Moderating Role of Tri Hita Karana in the Effect of Service Differentiation Strategy on Competitive Advantage

Table 1 shows that the interaction effect between service differentiation strategy and Tri Hita Karana ($X_2.M$) on competitive advantage produced an interaction coefficient of 0.110, with a p-value of $0.027 \leq 0.05$; therefore, the hypothesis (H6) is accepted. Thus, it can be concluded that Tri Hita Karana significantly moderates the effect of service differentiation strategy on competitive advantage at Ubud Balinese Homestays.

4.8. Moderating Role of Tri Hita Karana in the Effect of Image Differentiation Strategy on Competitive Advantage

Table 1 shows that the interaction effect between image differentiation strategy and Tri Hita Karana ($X_3.M$) on competitive advantage resulted in an interaction coefficient of 0.043, with a p-value of $0.010 \leq 0.05$; therefore, the hypothesis (H7) is accepted. Thus, it can be concluded that Tri Hita Karana significantly moderates the relationship.

4.8.1. Moderation Analysis

Effect of Product Differentiation Strategy on Competitive Advantage Moderated by Tri Hita Karana

- The MRA results show that b_2 and b_3 are significant. Therefore, Tri Hita Karana moderates the effect of product differentiation strategy on competitive advantage through quasi-moderation.
- Effect of Service Differentiation Strategy on Competitive Advantage Moderated by Tri Hita Karana
- The MRA results show that b_2 and b_3 are significant. Therefore, Tri Hita Karana moderates the effect of service differentiation strategy on competitive advantage through quasi-moderation.
- Effect of Image Differentiation Strategy on Competitive Advantage Moderated by Tri Hita Karana
- The MRA results show that b_2 and b_3 are significant. Therefore, Tri Hita Karana moderates the effect of image differentiation strategy on competitive advantage through quasi-moderation.

5. Discussion

The results of this study indicate that differentiation strategies play a critical role in enhancing the competitive advantage of Ubud Balinese Homestays. Homestay operators who provide high-quality facilities, offer competitive pricing, and preserve the uniqueness of Balinese traditions and culture successfully co-create high experience value for tourists. This finding reinforces the theoretical foundation of the Resource-Based View (RBV) theory, which posits that possessing unique, rare, and inimitable organizational resources serves as a primary driver for generating superior performance and market competitiveness.

These results align with the study by [18], which asserted that product differentiation significantly impacts competitive advantage in the hospitality sector by utilizing unique, high-quality product features as strategic differentiators. Furthermore, this finding is consistent with [5], who argued that robust differentiation strategies and a positive image can foster a sustainable competitive advantage. Uniqueness in offering strategies can cultivate sustainable organizational competitiveness. The consistency of these results demonstrates that a differentiation strategy is a stable, key factor in establishing market positioning within community-based tourism, thereby strengthening the position of this study within the strategic marketing management landscape.

In the context of Ubud Balinese Homestay accommodations, operators need to maintain and enhance product differentiation strategies, particularly regarding the consistent use of traditional Balinese ornaments at entrance gates, which scored lower on average compared to family-friendly facilities. This can be achieved by more consistently

preserving traditional Balinese architecture on building exteriors and homestay entrances without excessively compromising modern comforts. Strengthening these two aspects is expected to bolster competitive advantage, especially within the dimensions of facilities and services reflecting the core essence of indigenous Balinese homes which remain relatively low, thereby supporting the more optimal and sustainable achievement of cultural tourism targets.

The positive impact of service differentiation strategies on competitive advantage implies that unique services can foster a welcoming, comfortable, and warm family-like lodging environment. This can encourage tourists to proactively immerse themselves in local life, build meaningful emotional connections with hosts, and develop new perspectives on Balinese culture. Consequently, this enables tourists to experience greater control and meaning over their vacation, which in turn enhances destination loyalty.

This finding also resonates with research conducted by [23], which stated that service styles emphasizing quality improvement, hospitality, and personalized service are key drivers for consumers to feel satisfied and loyal to an organization. Moreover, these results support the argument of [33], who emphasized that achieving added value derived from service differentiation is crucial in facilitating a firm's competitive advantage. Therefore, this study supports the consistency of prior research and confirms that within tourism environments like Ubud, service uniqueness is a factor capable of driving profound satisfaction among repeat guests at Ubud Balinese Homestays, allowing these local accommodations to proactively adapt to the increasingly complex demands of the global tourism industry.

The empirical evidence also demonstrates that image differentiation strategies play a vital role in enhancing competitive advantage, particularly within the dimensions of perceived community sincerity, the authenticity of historic villages, and the natural charm of Ubud. This finding is congruent with prior literature, which found that organizations actively building a positive image tend to possess higher market competitiveness and a stronger competitive position.

When operators provide a spiritual atmosphere and a traditional cultural setting that allows tourists to experience *Banjar*-based community life, tourists perceive this as a tangible manifestation of authentic local hospitality. As a form of "give-and-take," or psychological reciprocity, tourists contribute back through loyalty and a willingness to recommend the accommodation to their relatives. This finding confirms that social exchange in Ubud occurs not only through physical facilities but also through providing spaces for tourists to experience the "human spirit" of the local community, which subsequently strengthens the emotional bond between tourists and Ubud's cultural identity. Although tourism modernization is often perceived as rigid and challenging to traditional preservation, local cultural lifestyle practices remain the primary differentiating factor for homestays owned by Ubud residents, which continue to be actively preserved for the sustainability of cultural tourism.

The findings confirm that *Tri Hita Karana* significantly moderates the relationship between differentiation strategies and competitive advantage. The interaction terms between differentiation strategies (Product, Service, and Image) and *Tri Hita Karana* yielded positive and significant coefficients (e.g., for Product Differentiation, $B = 0.057$, $p < 0.05$; with all other interactions also showing $p < 0.05$), indicating that the application of this cultural philosophy is not merely a peripheral attribute, but a core strategic asset that amplifies the effectiveness of organizational differentiation.

Furthermore, the results indicate that *Tri Hita Karana* functions as a quasi-moderator. Statistically, this is evidenced by the variable's dual impact: it directly influences competitive advantage ($B = 0.359$, $p < 0.05$) while simultaneously interacting with the independent variables. Theoretically, this suggests that *Tri Hita Karana* serves as a dual-role asset. First, it acts as an independent driver of competitiveness by enhancing the overall quality and sustainability of the homestay experience, specifically through spiritual harmony (*Parhyangan*), human social harmony (*Pawongan*), and environmental preservation (*Palemahan*). Second, it serves as a strategic amplifier, rendering differentiation strategies more culturally resonant and effective for guests. Consequently, the influence of differentiation strategies on competitive advantage is substantially strengthened when accompanied by the implementation of *Tri Hita Karana*. For homestay operators in Ubud, this philosophy is not only a cultural commitment but a strategic necessity that simultaneously provides direct benefits and enhances the overall impact of their competitive differentiation efforts.

These results support the findings of [29], who stated that local wisdom is an important internal mechanism explaining how unique cultural identity and sustainable practices can influence tourism competitiveness. Furthermore, this outcome aligns with research by [27], which confirmed the significant role of a *Tri Hita Karana*-based organizational culture on sustainable competitive advantage. This consistency indicates that within the community-based tourism environment in Ubud, Bali, *Tri Hita Karana* is not merely a customary identity but a crucial bridge connecting local unique business strategies with high levels of competitive advantage.

Practically, the results of this study imply that accommodation organizations need to encourage the integration of local wisdom values into their daily operations while simultaneously creating management flexibility that supports product, service, and image differentiation. This approach is believed to sustainably enhance tourist satisfaction and positively impact the long-term business performance of homestays.

6. Conclusion

This study concludes that product differentiation, service differentiation, and image differentiation have a positive and significant effect on competitive advantage at homestays in Ubud, Gianyar, Bali, both directly and indirectly through Tri Hita Karana. Tri Hita Karana acts as a quasi-moderator, strengthening the relationship between these differentiation strategies and competitive advantage.

Theoretically, this study contributes to empirical study and strengthens the previous study of differentiation strategies and competitive advantage in the hospitality sector by integrating the Resource-Based View and the socio-spiritual concept of Tri Hita Karana. Practically, homestay operators are advised to develop and strengthen a culture of cultural preservation through designs that emphasize traditional Balinese architectural symbols and community-oriented hospitality, while providing authentic cultural experiences. Local governments and community banjars need to create a supportive tourism environment by balancing between modern destination regulations and consistent appreciation toward local heritage to improve competitive advantage and the quality of sustainable community-based tourism.

Compliance with ethical standards

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Disclosure of conflict of interest

No conflict of interest to be disclosed.

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