



Environmental impediments at the strategy implementation and hotel performance in Sri Lanka

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Abstract

Business firms running in a highly dynamic business environment have identified strategy implementation as a problematic area that generates negative consequences which directly affect on achieving organizational goals and objectives. Hotel industry is one of the labor intensive industries and considered as a most sensitive industry to the demand fluctuations. Hotels are also confronting insurmountable obstacles as they are going to make strategies work in the final stage of strategic management process. This paper intends to investigate the major environmental impediments that Sri Lankan star hotels have faced during the strategy implementation. To investigate this problematic and less glamorous area the quantitative research approach was employed where 39 general managers of above two star hotels were interviewed with a questionnaire. Results showed that star hotels are confronting three major environmental impediments during the strategy implementation. The greater impediment is economic influences while least adverse effect is from laws and regulations of the country. Influences from the competitive environment are modest. Establishing an effective change management system, regularizing environment scanning, establishing a proper marketing intelligence system and adopting swift implementation would help to minimize the negative impact of environmental impediments on strategy implementation.

Keywords: *Environmental impediments, star hotels, strategy implementation.*

1. Introduction

The hotel industry is considered as the main sector of the tourism industry, and it is one of the most rapidly expanding fields in the service industry (Go & Pine, 1995). Cho (2005) emphasized several unique attributes in the hotel industry such as severe competition, extremely sensitive to fluctuations in demand, hotels offer perishable products and a labor intensive industry providing a personalized service. Further, Cho (2005) explained that the hotel industry operates in a dynamic business environment where elements of the

general and task environment directly impact on the overall business operation. In order to successfully grab the business opportunities arising from the external environment and conquer the unfavorable conditions in this environment, hotels have to formulate effective strategies first and then those strategies have to be implemented successfully. Without implementation, even the most superior strategy does not make any sense. Although formulating a consistent strategy is a difficult task for any management team, making that strategy work throughout the organization is even more difficult (Herbiniak, 2006). Noble (1999a) notes that the best-formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented. Corboy and O'Corrbui (1999) define the obstacles as "deadly sins of strategy implementation" and go on explaining them as; *"a lack of understanding of how the strategy should be implemented, customers and staff not fully appreciating the strategy, unclear individual responsibilities in the change process, difficulties and obstacles are not acknowledged and ignoring the day-to-day business imperatives"*. Andrew (2014) studied closely at the strategy implementation barriers which can either be internal; management, communication, human factors such as resistance to change, leadership, organizational structure, information systems and technology or external factors; changes to the operating environment, un-anticipated competition or entrants by new players in the industry and changes in government policies. Rahimnia, Polychronis and Sharap (2009) have identified five impeters of strategy implementation such as impediments of planning consequences, individual impediments, organizational impediments, managerial impediments and environmental impediments. This study aims to explore environmental impediments on strategy implementation and their effect on the performance of star hotels in Sri Lanka.

2. Literature review

There is no universally accepted definition for strategy implementation. Various definitions had been derived for the strategy implementation by scholars and researchers. According to Noble (1999b), strategy implementation is the process that turns plans into action and ensures that such plans are executed in a manner that accomplishes stated objectives in the planning. Strategy implementation is the total of the activities and choices required for the execution of a strategic plan (Smith & Kofron, 1996). Strategy implementation is a series of interventions concerning organizational structures, key personnel actions, and control systems designed to control performance with respect to desired ends (Noble 1999a). Herbiniak (2005) claims that the execution of strategy is not merely as clear and understood as the formulation of strategy. Parnell (2008) explains strategy implementation through the concepts of participation, conception, and commitment that affect the dissemination of the strategy. Wheelen and Hunger (2006) have identified a few important activities involved in strategy implementation ; (1) involving people from all organizational levels in strategy implementation, i.e. allocating the responsibility for strategy execution; (2) developing programmes, budgets and procedures; (3) organizing for strategy implementation; (4) staffing (matching the managers and employees with the strategy); and (5) leading by coaching people to use their abilities and skills most effectively and efficiently to achieve the organizational objectives. Strategy implementation is affected by number of factors. According to David (1989) motivation, leadership and direction skills and co-ordination affect the implementation of strategy. Strategy implementation relies on leadership, facilitating

global learning, developing global managers, having a matrix structure and working with external companies (Herbiniak 2005). Peters and Waterman (1982) state that structure, style, staff, shared values, skills, system and strategy affect on the strategy implementation. Action planning, organizational structure, human resources, the annual business plan, monitoring and control had been identified by Herbiniak (2005) as the factors affecting on strategy implementation.

Dobni, Dobni and Luffman (2004) mentioned three primary reasons for failures of traditional approaches to strategy implementation. First, marketing strategies supporting a product or service quickly become generic and easily copied. Second, brilliant strategies do not always succeed, often succumbing to not so brilliant implementation processes. Lastly, there is often a failure to recognize the contributions that employees can have on strategy implementation. They attribute the failure to organization's ability to provide a sufficient operational interface between the environment and the organization. Al-Ghamdi (1998) identified six primary implementation problems during the strategy implementation process: implementation taking more time than originally anticipated, problems surfaced, which were not identified before, coordination and implementation activities not effective, competing activities distracting implementers, key implementation tasks and activities not sufficiently defined, information systems are not capable for monitoring the implementation process. Sterling (2003) has identified eight reasons for strategy implementation failure in an organization; unanticipated market changes, lack of senior management support, effective competitor responses to strategy, application of insufficient resources, failure of buy-in, understanding and communication, timeliness and distinctiveness, lack of focus, bad strategy, poorly conceived business models. Studies have shown following as the indicators of the domains of environmental impediments of strategy implementation; economic impediments, impact of competitive environment, state laws and regulations related to company activities, cultural and social impediments (Hambrick & Cannella; 1989, Schmelzer & Olsen; 1994; Al-Ghamdi, 1998; Ogden, 1995; Wilms & Zell, 2003, Coy & Pratt, 1998). De Vasconcellos (1990) claims that a well formulated but badly implemented strategy, will be effective, on the other hand, correct implementation of a haphazardly formulated strategy will be efficient but not effective. Strategies need to be redefined continuously as the knowledge increases and allow new insight. The organizations need to move together in the same direction, and this cooperation and harmony will help to implement strategies more effectively and efficiently (Brinkschroder, 2014). Firms need both effectiveness and efficiency to optimize their performance. The study found an empirical relationship between strategy implementation and the performance of the firm through a study (Sorooshian, Norzima, Yousof, & Rosnah, 2010). Well formulated projects merely provide superior performance for the firm when they are efficiently implemented strategies (Sorooshian et al., 2010). A research carried out by Sorooshian et al. (2010) confirmed that strategy implementation plays a positive role in achieving financial performance of firm.

Rappaport (1981) claimed that managers of profit seeking organizations strive to maximize firm performance through successful implementation of strategies. Strategy implementation is important to firm performance because strategies do not add value unless properly implemented (Heide, Gronhaug & Johannessen, 2002). Kaplan and Norton (2001) suggest that the balanced scorecard model is one of a number of performance measurement and management tools used in the hospitality industry in order to execute strategy. Philips and Louvieris (2005) showed that Hilton Hotel chain has been using balance scorecard tools in order to measure the performance since 1994. Quintano (2010) identified four major objectives of balance scorecard and dimensions which are

related to the hospitality industry and were taken as the indicators of measuring performance of hotels in this study.

3. Methodology

This study investigated environmental impediments in strategy implementation of the star hotels by taking the general managers' viewpoints. Hotels which are above two star, were selected to gather required information for the study. One and two star class of hotels was omitted from the investigation due to in absence of systematic organizational set up for adopting the strategic management process. Studies suggest that general manager of the organization is the most appropriate person to provide a valid response to questions related to strategy (Bart, Bontis & Tagger, 2001; Hopkins & Hopkins, 1990; Conant, Mokwa & Varadarajan, 1990). In Sri Lankan context, the general managers of hotels always involve in strategic management process, therefore, they have a very clear sense about the entire strategic management process in the hotel compared with other functional level managers. Thirty nine (39) general managers of hotels above two-star were interviewed with a questionnaire including 5 point Likert-type items ranging from strongly agree (5) to strongly disagree (1). Content validity of the questionnaire was established taking expert views including the academic in the field. Factors analysis was employed to establish the construct validity of the instrument. Component matrix, composite reliability and average variance extracted were considered for the purpose of assessing the appropriateness of the factor analysis for the environmental impediments of strategy implementation. In order to identify the major environmental impediments of strategy implementation, univariate analysis was performed, where means and standard deviations were computed for all items. To test whether environmental impediments of strategy implementation vary in terms of star class of the hotels, one way ANOVA was performed. To assess the strength and direction of the relationship between environmental impediments and performance of the hotels, correlation analysis and regression analysis were used.

4. Results and discussion

The factor analysis was performed to extract specific factors from the items used to measure the environmental impediments of strategy implementation. Kiser-Mayer-Olkin measure ($KMO = 0.643$) confirms the sample adequacy for the factor analysis. Values for Bartlett's test of Sphericity is also significant ($\chi^2 = 33.967, p < 0.01$). These results indicated that original correlation matrix is an identity matrix. The analysis extracted three factors from the items used to measure the environmental impediments of strategy implementation. These three factors can explain 68.95 percent variance in environmental impediments. These results manifest that three instruments are sufficient for measuring the environmental impediments of strategy implementation of the study. Therefore, these factors were named as competitive environment, economic influences and laws and regulation. Moreover, correlation coefficients between these factors confirm that there is no multicollinearity problem.

As results shown in Table 4, economic influences record the highest mean (4.82) with the standard deviation of 0.388 while the least mean (4.43) is recorded for laws and regulations with the standard deviation of 0.502. Mean and standard deviation of competitive environment are 4.769 and 0.426 respectively. Thus, economic influences,

competitive environment and laws and regulation are significant in environment impediments. Moreover, ANOVA test reveals that each and every has experienced these impediments in strategy implementation regardless of their star-grade.

Table 1
Descriptive statistics

Variable	Mean	Standard Deviation
Economic influences	4.820	0.388
Competitive environment	4.769	0.426
Laws and regulations	4.435	0.502

The relationships between environmental impediments and the hotel performance were measured using correlation analysis. Table 6 shows the results of the analysis.

Table 2
Results of correlation analysis

Variable	Hotel performance
Economic influences	-0.254*
Competitive environment	-0.401*
Law and regulations	-0.334*

*- Correlation is significant at the 0.05 level (1-tailed).

As results shown in Table 2, there is a significant negative relationship between competitive environment and the hotel performance ($r=-0.401$, $p<.05$). The economic influences are also negatively correlated with the hotel performance ($r=-0.254$, $p<.05$). Moreover, law and regulations are also negatively correlated with the hotel performance ($r=-0.334$, $p<.05$). These results manifest that environmental impediments are negatively associated with the hotel performance.

Regression analysis was performed to examine the effect of environmental impediments on the hotel performance. According to the results shown in Table 3, economic influences have a significant negative effect on the hotel performance ($B=-0.148$, $p<.01$). The results also reveal the negative effects of competitive environment ($B=-0.275$, $p<.01$) and law and regulations ($B=-0.123$, $p<.01$) on the hotel performance. These results confirm the results of correlation analysis and negative effects of environment impediments on the hotel performance.

Table 3
Results of regression analysis

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig
	B	SE	B		
Economic influences	-0.148	0.178	-0.221	-1.358	0.002
Competitive environment	-0.275	0.169	-0.362	-1.633	0.001
Laws and regulations	-0.123	0.113	-0.191	-1.093	0.004
<i>Adj. R square = 0.162</i>		<i>F = 7.158, Sig(F)=0.011</i>			

5. Conclusion

The study found that all types of star class hotels operated in Sri Lanka confront three major environmental impediments such as unfavorable economic influences, severe competition and unfavorable laws and regulations. Among these impediments, unfavorable economic influence is the serious problems in all star hotels whereas unfavorable government laws and regulations have become a minor problem. The results manifest that environmental impediments hamper the successful strategy implementation by obstructing the achievement of the expected performance.

Transforming strategy into action is complicated and difficult task. Empirical evidence and literature have shown that implementation is fraught with difficulties and generally falls short of performance. Successful strategy implementation requires change and varies according to the circumstances and environmental conditions. Therefore, management is required to establish an effective change management system with the implementation of new strategies in order to address potential environment implements. Effective change management system will ensure the smooth implementation of strategies and in turn the better performance. Keeping on regular environment scanning and establish a proper market intelligence system enable hotels to successfully strategy implementation while expanding market share and increasing brand awareness of the hotels. The business environment, especially in hospitality industry is extremely dynamic and constantly changing with the intense rivalry, therefore, hotels should adopt swift strategy implementation in order to sustain competitive advantages.

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