EJTHR Tourism Research

www.ejthr.com

European Journal of Tourism, Hospitality and Recreation
Vol. 6, Issue 2, pp. 117-138, 2015

Printed in Portugal

HOW BUSINESS ENVIRONMENT HOTELS COMPETE IN TURKEY?
AN EVALUATION FROM MANAGERS' PERSPECTIVES

Yunus Emre Tasgit
Düzce University, Turkey

Ercan Ergün
Gebze High Technology Institute, Turkey

Mehmet Selami Yıldız
Düzce University, Turkey

ABSTRACT: The business environment as a contextual factor has long been, and remains, a central theme of great importance in management literature. However, there are few researches related to the empirical measurement of its dimensions in the Hospitality Industry. This study aims to determine how business environment hotels compete in Turkey and to develop a reliable and valid instrument for measuring the business environment characteristics of hotels. The study proposes a conceptual model based on the four-dimensions: environmental diversity, complexity, dynamism, and pressure. A survey instrument was developed to collect data from hotel managers in Turkey. Exploratory and Confirmatory Factor analysis were utilized to test the model using the data from 310 survey returns. The results indicate that the hotels compete in a business environment where dynamism, complexity, diversity, and pressure are high and the developed survey instrument can generate reliable data. The model is proven valid, and the four dimensions explain the most variance in the business environment of hotels. **Keywords:** Business Environment, Turkey Hospitality Industry, Hotels, Competition.

INTRODUCTION

Today's continually changing business environment is experiencing an unprecedented rate of change (Longenecker, Neubert and Fink, 2007). The environment is getting increasingly complex and turbulent, and the quantum of information is increasing rapidly (Mukherji and Mukherji, 1998; Vasconcelos and Ramirez, 2011). Drastic changes are taking place on the competitive landscape (Bettis and Hitt, 1995) and the level of competition is rising rapidly (Chaharbaghi and Nu-

Authors' email addresses: **Yunus Emre Tasgit**: yunusemretasgit@duzce.edu.tr; **Ercan Ergün:** eergün@gye.edu.tr; **Mehmet Selami Yıldız**: selamiyildiz@duzce.edu.tr

gent, 1994). Markets have become more fragmented, customers can no longer be categorized as easily as in the past and are demanding better value, greater variety, improved service on shorter lead times, and accelerated product innovation (Chi, 2009). In all sectors, markets are restructuring, growing, shrinking, merging, and breaking (Brown and Eisenhardt, 1998). The boundaries of firms and industry are changing and blurring (Simerly and Li, 2000; Hui and Fatt, 2007). As a result of these changes, environmental uncertainty is increasing (Bordia et al., 2004), business environment is becoming more unpredictable and dynamic (Wernelfert and Karani, 1987). This new business environment formation is described as a "hypercompetitive" (D'Aveni, 1994) and ultra-competitive environment (Longenecker, Neubert and Fink, 2007).

According to many scholars in the organizational theory field, for surviving success and competition in this rapidly changing business environment (Anand and Ward, 2004), organizations have to respond to environmental changing factors (Simerly and Li, 2000) in a timely and effective manner, and to learn faster (Chaharbaghi and Nugent, 1994) how to change their structure strategically (Bordia et al., 2004), to manage change successfully (Longenecker, Neubert, and Fink, 2007), and to adopt new challenge factors (Tan and Tan, 2005). On the other hand, in these conditions, a major challenge for senior managers and policy makers is to understand the structural features of the business environment (Tan and Tan, 2005), to learn to continuously renew their offering and processes (Sparrow and Ringland, 2010), and to develop creative and innovative strategies to deal effectively with these changing factors (D'Aveni, 1994; Simerly and Li, 2000).

In the last 20 years, Turkey's hospitality industry, with the impact of globalization, competition, and technological developments, has experienced significant improvements in terms of quality and quantity. The number of newly opened hotels, co-operation agreements between hotels, the number of bankrupt or transferred hotel businesses, product and service oriented innovations have increased. The industry has grown nearly 10 times, the number of players in the sector and the variety of goods and services offered has increased, the customer profile and demands have changed. Despite these positive developments, the industry has become more challenging, competition has intensified and businesses, not aware of the current situation and future trends of the industry, began to face difficulties in managing change and maintaining their lives in this new competitive environment. In such a complex environment for hotels, it is necessary to determine the dimensions of the business environment, the level of uncertainty, and the reflections of the emerging and continuing threats and opportunities which exist in the business environment (Olsen, Murthy and Teare, 1994).

However, so far, in the studies examined, it is found that there is no comprehensive, reliable and valid research measuring the business environment characteristics of the hotel industry. In an effort to fill this gap, this study aims to propose a conceptual business environment model based on one of the most widely accepted models – the Mintzberg (1979) model – and previous studies in the literature.

In the literature, generally, two distinct strategies have been used to assess the environment: first, utilizing the perceptions of the organizational decision makers or outside panel of experts, and second, utilizing the archival records (Amitabh and Gupta, 2010). In this study, the first strategy is used to determine the characteristics of hotel business environments.

The remainder of this article is organized as follows. The next section reviews the relevant literature. Then the research subjects, population and sample, survey procedure and data collection, the conceptual development of Business Environment model (the instrument is described with the corresponding measures and scales for each construct in the model) and analytical methods are discussed in the methodology section. The findings follow thereafter. Finally, the conclusions are drawn from the findings, and the implications are presented for both academic researchers and industrial practitioners.

LITERATURE REVIEW

Organizations are open, living, and complex systems and have to interact with the environment continuously and successfully to survive (Aldrich, 1979; Child, 1997). Today, organizations continue their lives in a very complex business environment (Vasconcelos and Ramirez, 2009). The business environment, directly or indirectly, impels continuously the organization (Kourteli, 2000) and has a decisive impact on the life and death of organizations (Schmid, 2004). Organizational theorists emphasize that the ability of an organization to adapt to changing environmental circumstances is a key factor in order to maintain viability and greater autonomy, to survive and to prosper (Duncan, 1972; Bourgeois, 1980; Mukherji and Mukherji, 1998; Strandholma, Kumara and Subramanianb, 2004).

The business environment as a contextual factor has long been, and remains, a central theme of great importance in management and the strategic management literature (Koufopoulos and Chryssochoidis, 2000; Anand and Ward, 2004). A large body of literature suggests that business environments have substantial effects on organizational structure, process, decisions (Burns and Stalker, 1961; Emery and Trıst 1965; Duncan, 1972; Thompson, 1967) and on organizational perfor-

mance (Boyne and Meier, 2009; Rhys, 2009), strategic choices–behaviors (Feurer and Chaharbaghi, 1996; Ward and Duray, 2000; Gonzalez-Benito, Rocha and Queiruga, 2010) and strategic alignment (Luo, 1999; Tan and Tan, 2005).

Business environment is located in a place where organizational action occurs (Whittington, 1988) and defined as the relevant physical and social factors outside the boundaries of an organization that are taken into consideration during organizational decisions (Duncan, 1972). It is considered as source of opportunities and threats (Bourgeois, 1980). The business environment is conceptualized as a multidimensional and complex structure consisting of components such as market, government regulations, technology, activists, local communities, trade associations, investors, and customers with very different properties (Longenecker and Pringle, 1984; Anand and Ward, 2004; Delmas and Toffel, 2008), and there is a strong set of relationships between the components (Lewontine cited in Mason, 2007).

Business environment, in terms of the level of relationship with the business and the influence status to business, is categorized into two groups –general or macro environment and specific or task-competitive environment- by researchers (e.g., Duncan, 1972; Bourgeois, 1980; Elenkov, 1997; Bateman and Snell, 2002; Nadkarni and Barr, 2008). The general or macro environment consists of components such as government policies, national and global economic-politic conditions, trends in social development, technological developments and the natural environment, which are difficult to control and have mostly indirect effect on the organizational processes, in some cases direct (Mavondo, 1999). This environment is more related to the future conditions of firms (Hitt, Ireland, and Hoskisson, 2005). The task-competitive environment is the immediate environment surrounding a firm, includes suppliers, customers, competitors, new market entries and the like, and directly affects the organization's activities, processes, decisions. It can be controlled more easily than the macro environment components (Longenecker and Pringle, 1984; Bateman and Snell, 2002; Grant, 2005). This environment is relevant to the organization's goal settings (Duncan, 1972) and to the competition conditions that firms have to struggle in and to the factors that affect the profitability of the company within the industry (Hitt, Ireland, and Hoskisson, 2005; Fitzroy and Hulbert, 2005).

On the other hand, the types of business environment are generally determined by the degree and predictability of change and corresponding threats and opportunities (Ward and Lewandowska, 2008). The main types of business environment are discussed by research as static-dynamic, simple-complex (Duncan, 1972), stable-unstable (Dougall, 2005), low uncertainty-high uncertainty (Lin, 2006) in the organization theory literature.

The static-dynamic type is viewed as the degree of environmental factors that remain basically the same over time in a continual process of change (Duncan, 1972). Stable-unstable conditions refer to the extent of turnover of elements of the environment (Hall, 2002; Dougall, 2005). Static or stable environments have low levels of diversity and are simpler for organizations to operate within, since they can develop standardized ways of responding (Dougall, 2005). In static or stable environments, the changes are little and predictable (Mason, 2007), standardization and routinization are high (Dougall, 2005), market boundaries are clear, and the players (suppliers, competitors, customers, complementers) are well known and rarely change, so top managers rarely face sector events that are unusual or unexpected (Nadkarni and Barr, 2008). The simple-complex dimension is defined as the number of factors taken into consideration in organizational decision making processes (Duncan, 1972).

Dynamic environments are the product of several forces (e.g., an increase in the size and number of organizations within an industry, and an increase in the rate of technological change) changing at one time (Simerly and Li, 2000; Rhys, 2009) and relating to the measure of instability in an industry (Bradley et al., 2011), having two distinct characteristics: 'rate of change' (velocity or volatility) and 'unpredictability of change' (Emery and Trist, 1965; Miller and Friesen, 1983; Anand and Ward, 2004). Dynamism reduces access to knowledge needed to make critical decisions (Simerly and Li, 2000). In dynamic environments, organizations usually entail greater difficulty in forecasting the future and greater uncertainty surrounding relationships with the environmental factors (Gonzalez-Benito, Rocha, and Queiruga, 2010). These environments require the proactive approach of firms (Miles and Snow, 1978) and learning greater and faster (Weerawardenaa, O'Cassb and Julian, 2006).

Complexity is comprised of the measure of homogeneity-heterogeneity in environmental factors and the concentration-dispersion of organization's domain (Dess and Beard, 1984; Rhys, 2009). Environmental complexity describes the number and variety of activities and situations with which organizations must interconnect over time (Hall, 2002). The complex industry environments are seen as multidimensional structures, with numerous and differentiated effects on various organizational characteristics and processes (Yan, 2010). In complex business environments, firms involve many rapid, unexpected changes in the environmental factors (Mason, 2007) and are less likely to make large investments in order to develop (Rueda-Manzanares, Aragon-Correa and Sharma, 2008). To deal with complexity, organizations need to specialize in a limited range of activities and carry out more strategic activities (Aldrich, 1979).

Uncertainty is discussed as the sense of doubt about future events or about cause and effect relationships in the environment (Bordia et al., 2004) and defined as the organization's perceived inability to predict accurately the environmental situations, due to a lack of information (Naranjo-Gil, 2009). Low uncertainty environments exhibit stable conditions, such as less variable customer demands, fewer radical technological innovations, and less rivalry among competitors (Lin, 2006). In low uncertainty environments, firms can protect existing core competencies and achieve sustainable competitive advantage by building isolating mechanisms that retard imitations (Garg, Walters and Priem, 2003). High uncertainty environments exhibit diverse and unstable condition, such as variable customer demands, radical technological innovations, and fierce rivalries among competitors (Lin, 2006). High uncertainty environments are characterized as nonlinear, rapid, and unpredictable changes in product and process technologies, consumer demand and in the competitors' strategic actions that make it difficult for managers to develop a clear and comprehensive understanding of their environment (Nadkarni and Barr, 2008; Ahmad et al., 2010). In high uncertainty environments, market boundaries are blurred and market players (i.e., buyers, suppliers, competitors, complementers) are ambiguous and shifting (D'Aveni, 1994), and firms cannot protect existing products and processes for a long time and need new products and/or process technologies faster (Nadkarni and Barr, 2008).

Today, because of the increasing uncertainty in the environment, the numbers of changing factors and the complexity of the relationships between environmental factors, managers often have difficulty in understanding the organizational environment correctly. According to some research, this is the fundamental problem with which top managers must cope (Thompson, 1967; Milliken, 1987). But it does not mean that because the subject is difficult, it should be ignored. A variety of analysis methods are discussed in the literature for understanding the environmental changes and reducing uncertainty (e.g., scanning, Benchmarking etc.). On the other hand, managers have different cause-effect beliefs about the environment (e.g, environment-driven and interpretation-driven) (Daft and Weick, 1984). According to Fahey and Narayanan (1989), there are two ways of looking towards the environment among the managers: *deterministic logics* and *proactive logics*. Top managers, having deterministic logics, perceive environments as concrete, hard, measurable, and determinant. In proactive logics, top managers believe that the environment can be changed, affected, and constructed with their actions (Nadkarni and Barr, 2008).

METHODOLOGY

Research Subjects, Population and Sample

Hotel companies were the research subjects in this study. A sample of subjects was taken using the hotel lists involved in the official web pages of the Republic of Turkey Ministry of Culture and Tourism. In this context, the study population consisted of the senior executives of 3, 4, and 5-star hotel companies in Turkey. According to the data obtained from The Ministry of Culture and Tourism web page (current as of 31/03/2012), the total number of hotel managers, constituting the population of the research, is 1567.

The sample formula developed by Sekaran (2003) is used to determine the number of the sample representing the research population. According to the random sampling method, the sample size of the research was identified as 310 managers.

Survey Procedure and Data Collection

Based on the prior researches in the literature and Mintzberg's conception (1979), a survey instrument was developed and the instrument was first reviewed by three professors specialized in hospitality industry and strategic management fields. Then, the instrument was pretested through interviews with 9 senior managers of 3, 4, and 5-star hotel companies that are the leading players in the ındustry. The suggestions obtained from professors and industry senior executives were used to refine and polish the survey instrument with regard to content, arrangement, wording accuracy, and relevance. This helped to make the final survey questionnaire more valid and clearer and to improve the structure and content of the questionnaire. Finally, the questionnaire consisted of two parts. Part 1 was designed for soliciting the respondents' demographic information. Part 2 included 17 propositions summarized in Appendix A.

As the principal method of data collection, posting the survey was the one selected. Firstly, the structured questionnaire with closed-ended questions was sent by e-mail to the 1567 hotel managers (specialized in strategic management or otherwise someone familiar with these issues). The hotel managers were asked to reply by electronic mail to the researcher about willing/not willing to answer the questionnaire. Among the 1567 hotel managers, 401 managers were returned positive about responding to the survey. Later, the questionnaire form was sent by post to the hotel managers.

The data collection process took approximately 8 months (between March–October 2012). To improve the response rate, we sent three reminder e-mails during the subsequent 6 months and made follow-up

phone calls on the last month. At the end of the data collection process, a total of 356 questionnaires were reached. 235 of these questionnaires through face to face interviews, 25 of them through the post, 96 of them were obtained by e-mail. 46 of them, obtained by e-mail, were inadequate in terms of internal consistency, therefore they were removed from the data set. The resulting data set consisted of 310 surveys. This number (310/1567) is sufficient to represent the research population. Regarding the sample, 45% of the respondents are 3-star hotels, 38% are 4-star, and 19% are 5-star hotels.

The response rate was 19.8% (310/1567). This is a good response rate, considering the target population (the senior level of the managers) and compared with the response rates of other research. In the literature for an industry survey, there is no generally accepted minimum response rate and it really depends on the survey topics and industries chosen by researchers (Dillman, 2000).

The Instrument

Organizational theory literature characterizes the task-competitive environment in several ways and through multiple dimensions. Researchers have over the years used a number of variables to measure the business environment characteristics (for example, Aldrich, 1979; Mintzberg, 1979; Dess and Beard, 1984; Bourgeois, 1985; etc.). Each of these studies contains significant results in terms of theory and practice. Among these researches, the conception of the business environment developed by Mintzberg (1979) is one of the most important and supported by more researchers (Sharfman and Dean, 1991). The main reason for this is that the model characterizes business environment in a more systematical manner and enables researchers to comprehensively measure and understand this complex issue (Chi, 2009).

Mintzberg's (1979) business environment conception consists of four dimensions: the degree of diversity, complexity, dynamism, and hostility. On the other hand, there are researchers who advocate that a three-dimensional structure - dynamism, munificence, and complexity - produces better results (Fuentes-Fuentes, Albacete-Sáez and Lloréns-Montes, 2004) in the literature too. At the same time, researchers, according to the contents of the subject, can remove or reorganize some items of the scale or make additions to it. In this context, the authors modified the business environment scale, developed by Mintzberg (1979), according to the characteristics of hotel managements, and benefiting from other studies in the field, by adding some features to the scale. When the number of dimensions remained the same, the number of questions was 16. The name and content of hostility dimension has been changed as Pressure in accordance with recommendations from

academics and the hotel managers in the survey preparation process. At the end, the instrument occurred from four dimensions (Environmental Diversity, Environmental Complexity, Environmental Dynamism, and Environmental Pressure) and 16 variables.

Environmental Dynamism is related to the rate of unpredictable changes faced by businesses, the degree of novelty in the changes or their speed and the degree of instability, uncertainty and turbulence of the environment, and the rate of change in customer needs and information diffusion (Mintzberg, 1979; Fuentes-Fuentes, Albacete-Sáez and Lloréns-Montes, 2004; Chi, 2009; Gonzalez-Benito, Rocha and Queiruga, 2010; Ahmad et al., 2010).

Environmental Pressure is related to the key issues that businesses have to struggle in the industry. The key issues are discussed as the degree of competition (Miller and Friesen, 1983; Sharfman and Dean, 1991), the scarcity or abundance of critical resources, rivalry between firms (Yasai-Ardekani, 1989; Fuentes-Fuentes, Albacete-Sáez and Lloréns-Montes, 2004; Rhys, 2009) sustainable organizational growth or sales growth (Dess and Beard, 1984), taxes, governmental incentives, a robust infrastructure, fast growth markets, general economic upturn, or a qualified workforce (Decarolis and Deeds, 1999), stakeholder demands (Jawahar and McLaughlin, 2001; Rueda-Manzanares, Aragon-Correa and Sharma, 2008).

Environmental diversity is related to the number of environmental factors that affect the organization, the degree of the homogeneous or dispersed conditions faced by organizations, and customers, technology, service/product and market diversity (Duncan, 1972; Mintzberg, 1979; Chi, 2009).

Environmental Complexity is related to the level of critical knowledge that required to be understood by business timely and accurately. The critical knowledge is about the degree of heterogeneity or diversity of actors, activities, or situations faced by the company (Mintzberg, 1979; Fuentes-Fuentes, Albacete-Sáez and Lloréns-Montes, 2004; Chi, 2009; Gonzalez-Benito, Rocha and Queiruga, 2010).

The five-point Likert scales employed in this study provide a relative assessment on a continuum and are commonly used for collecting primary data for empirical research in management research (Chi, 2009). We asked managers to position their firm on a scale of 1 to 5 depending on their grade of agreement or disagreement with the arguments on the issues related to the characteristics of business environment in the industry. In order to measure Environmental Dynamism, a five-item scale was used. Some examples of the items reflecting environmental dynamism are: "the rate of change in customer needs is very high", "the change speed of environmental factors is very high", etc. Environmental Pressure is measured with a five-item scale. Some

examples of the items are: "Competition intensity between sectorial actors is very high", "The scarcity of critical resources is an important problem area", "Sustainable organizational growth is very difficult", "Infrastructural problems are many", etc. We measured Environmental Diversity with a three-item scale. The items reflecting environmental diversity are: "the number of the service/product is high", "the diversity of technology used in the sector is very extensive" and "there is a lot of customer diversity". Finally, Environmental complexity is measured with a three-item scale. Some examples of the items are: "It is very difficult to obtain the critical knowledge about our customers timely and accurately", "It is very difficult to make an accurate prediction about the future of the sector", etc.

Data analysis

For analyzing the data, firstly, exploratory factor analysis was performed by means of SPSS 18 software. After, following Jöreskog and Sörbom (1989), confirmatory factor analysis was performed by means of LISREL program, and the measurement model was created.

Measurements

The criteria for the measurement of the constructs

In statistical analysis, all statistical tests assume some assumptions. Violation of these assumptions changes the conclusion of the research. In the study, the measurement properties of the constructs were assessed by the following criteria: unidimensionality, reliability, and construct validity. These criteria have been widely utilized by the previous empirical studies.

Unidimensionality has been described as a set of variables forming a latent construct that measure just one thing in common (Hattie, 1985). This is a most critical and basic assumption for measurement theory. When a researcher measures the construct from other measured variables, then, according to the assumption of unidimensionality, measured items should come under one dimension. The following are methods of measuring unidimensionality: Cronbach's alpha is the most common method to measure the unidimensionality. The value of the Cronbach's alpha should be greater than 0.7 for unidimensionality. In factor analysis, for unidimensionality, the cutoff value of the factor loading should be higher than .3, or eigenvalue should be greater than 1. To measure the unidimensionality assumption in CFA (Confirmatory Factor Analysis) the goodness of fit model should be accepted.

On the other hand, Levine (2005) indicated that unidimensionality is a prerequisite to meaningfully interpret the reliability of a meas-

urement. After all measures show unidimensionality, their reliability is tested. Reliability is the consistency of a set of measurement variables in a construct. Cronbach's coefficient alpha is one of the most common methods of measuring reliability. A Cronbach's coefficient alpha of 0.60 and above suggests adequate reliability (Nunnally, 1978).

Convergent validity is one of the important ways to assess the construct validity of a measurement procedure. Convergent validity tests whether the measurement is related to variables to which it should be related if the instrument were valid. Discriminant validity tests whether the measurement is unrelated to variables to which it should be unrelated if the instrument were valid (John and Benet-Martinez, 2000). All of the measurement loadings are significantly high and all of the goodness of fit indices met recommended values to suggest convergent validity.

The criteria for the model-to-data fit

Goodness-of-fit indices are used to assess the model-to-data fit, which is the extent to which the data matches the proposed model. There are numerous goodness-of-fit indices, and no single test best describes the model-to-data fit. In the literature, Goodness-of-fit indices are generally categorized into three groups: absolute fit indices, incremental fit indices, and parsimony fit indices (Hooper, Coughlan and Mullen, 2008). *Absolute fit* determines how well the proposed theory fits the sample data and demonstrates which proposed model has the most superior fit. In this study, four indices were used as absolute fit measures: relative/normed Chi-square ($\chi 2/df$) test, RMSEA (Root Mean Square Error of Approximation), GFI (Goodness-of-Fit İndices) and SRMR (Standardised Root Mean Square Residual).

Although there is no consensus regarding an acceptable ratio for the Chi-square statistic, recommendations range from as high as 5.0 (Wheaton et al., 1977) to as low as 2.0 (Tabachnick and Fidell, 2001). A normed Chi-square ($\chi 2$) between these rates indicates a good model fit and an insignificant difference between the observed and estimated covariance (Hooper, Coughlan and Mullen, 2008).

The RMSEA measures the discrepancy between the observed and estimated covariance matrices per degree of freedom (Maruyama, 1998). The lower the RMSEA value, the better the fit between the model (predicted data) and the actual data. There are many recommendations for RMSEA cut-off points, but the general consensus amongst authorities in this area, an RMSEA in the range of 0.05 to 0.10 was considered an indication of fair fit and values above 0.10 indicated poor fit (MacCallum, Browne and Sugawara, 1996).

The Goodness-of-Fit statistic (GFI) calculates the proportion of variance that is accounted for by the estimated population covariance

(Tabachnick and Fidell, 2001). This statistic ranges from 0 to 1 with larger samples increasing its value. Traditionally, an omnibus cut-off point of 0.90 has been recommended for the GFI (Hooper, Coughlan and Mullen, 2008).

The SRMR are the square root of the difference between the residuals of the sample covariance matrix and the hypothesized covariance model. Values for the SRMR range from zero to 1.0, with well-fitting models obtaining values less than .05; however, values as high as 0.08 are deemed acceptable (Hooper, Coughlan and Mullen, 2008).

Incremental fit indices, also known as comparative or relative fit indices, are a group of indices that do not use the Chi-square in its raw form but compare the Chi-square value to a baseline model. These indices, measure how the model compares with other possible models with the same data (Maruyama, 1998). In this study, the normed fit index (NFI) and the comparative fit index (CFI) were used.

The NFI assesses the model by comparing the $\chi 2$ value of the model to the $\chi 2$ of the null model. Values for this statistic range between 0 and 1, with an index score of 0.90 or higher as an acceptable threshold for the NFI (Bentler and Bonnet, 1980).

The Comparative Fit Index (CFI) is a revised form of the NFI and performs well even when the sample size is small (Tabachnick and Fidell, 2001). This statistic assumes that all latent variables are uncorrelated (null/independence model), compares the sample covariance matrix with this null model (Hooper, Coughlan and Mullen, 2008), and measures how the proposed model compares with other possible models with the same data (Maruyama, 1998). Values for this statistic range between 0.0 and 1.0, with values closer to 1.0 indicating good fit. A cut-off criterion of CFI $\geq$ 0.90 is acceptable for a good fit.

Parsimony fit indices are also known as 'information criteria' indices. Probably the best known of these indices is the Akaike Information Criterion (AIC) or the Consistent Version of AIC (CAIC) which adjusts for sample size (Akaike, 1974). These statistics are generally used when comparing non-nested or non-hierarchical models estimated with the same data and indicates to the researcher which of the models is the most parsimonious. Smaller values suggest a good fitting (Hooper, Coughlan and Mullen, 2008).

Factor analyses

Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) were utilized in data analysis. EFA and CFA are two statistical approaches used to investigate the theoretical constructs, or factors, that might be represented by a set of items.

EFA is appropriate in the early stages of research, prior to further confirmatory factor analysis (CFA), to identify key items and eliminate

weak factors (Tabachnick and Fidell, 2001), while CFA would be preferred where measurement models have a well-developed underlying theory for hypothesized patterns of loadings (Fabrigar et al., 1999), it is recommended using EFA to identify measurement models and CFA to test the full model.

In the EFA as a rotation technique, varimax rotation method was utilized to reduce attribute space from a larger number of measures to a smaller number of factors. The extraction criterion was set as eigenvalue >1.0 (Stevens, 2002). Items loading .40 or higher on a factor (Stevens, 2002) were included in the factor matrix. On the other hand, high cross-loadings were excluded from the factor matrices. Sampling adequacy for factor analysis was examined using the Kaiser–Meyer–Olkin test with an acceptable value set at >.60 (Tabachnick and Fidell, 2001). The deduction of certain observed indicators required the recomputation of factor loadings, coefficient alpha, and item-to-total correlations and a reexamination of factor structure using the reduced number of observed indicators. This iterative procedure was repeated until all requirements were met.

In the CFA the full model was tested in three levels: observed measures, first-order constructs (Diversity, Complexity, Dynamism, and Pressure), and a second-order construct – Business Environment Characteristics of Hotel (BECOH).

FINDINGS

According to the results of descriptive analyses, most of the hotel businesses are 3 and 4-star hotels and generally are located in the Mediterranean, Aegean, and Marmara regions. As the status, most of them are the individual hotels. In terms of activity time, they are the businesses that serve usually all seasons. Also, the hotel managers who participated in the research have managerial experience of over 4 years and have been working in senior executive positions in business. In addition, most of them are men and university graduates.

On the other hand, the factor analysis results, carried out to investigate the characteristics of the business environment of hotels in Turkey, are shown in Table 1. According to the results of the principal component analysis and varimax rotation technique, the 16 items have factor loadings greater than 0.50 and collected under 4 factors. The total explained variance of these factors, related to the scale, is 63.199%. Hence it can be said that the four factors together explain most of the variance. Also KMO and Bartlett's test values of the data is suitable for factor analysis (Kaiser-Meyer-Olkin Measure of Sampling Adequacy: 874. Approx. Chi-Square: 1873,095. Bartlett's Test of Sphericity: 0,000.).

Table 1: Results of Exploratory Factor Analysis

Factors	Explained Variance	Eigenvalue	Variables	Factor Loadings
			Dyn2	0,814
			Dyn1	0,797
Dynamism	20,890	5,383	Dyn4	0,776
			Dyn6	0,760
			Dyn5	0,712
			Prs1	0,762
			Prs2	0,679
Pressure	15,821	2,175	Prs3	0,676
			Prs4	0,614
			Prs5	0,606
			Com1	0,821
Complexity	13,842	1,382	Com3	0,773
			Com2	0,768
			Dıv1	0,837
Diversity	12,646	1,172	Dıv2	0,803
			Dıv3	0,781

As can be seen in Table 1, according to the percentage of explained variance, dynamism is the most important factor (20,890%). Other factors can be listed in order of importance: pressure (15,821%), complexity (13,842%) and diversity (12,646%). Also the difference between the factor loadings of items is very low. The factor loadings of items in dynamism are between 0,814 and 0,712, in pressure are between 0,762 and 0,606, in complexity are between 0,821 and 0,768, and in diversity are between 0,837 and 0,781. These ranges show that the internal consistency of the factors is good. In the light of these findings, it can be said that the business environment characteristics of hotels are categorized in four dimensions by hotel managers.

On the other hand, when reviewing the literature, it is observed that from the classical factor analysis (exploratory) works, to improve the reliability and validity of the results, the confirmatory factor analysis studies are carried out by researchers. Based on this case, in the research, from the exploratory factor analysis, confirmatory factor analysis was performed to determine the business environment characteristics of hotels. In Figure 1, the results of second order factor analysis are shown.

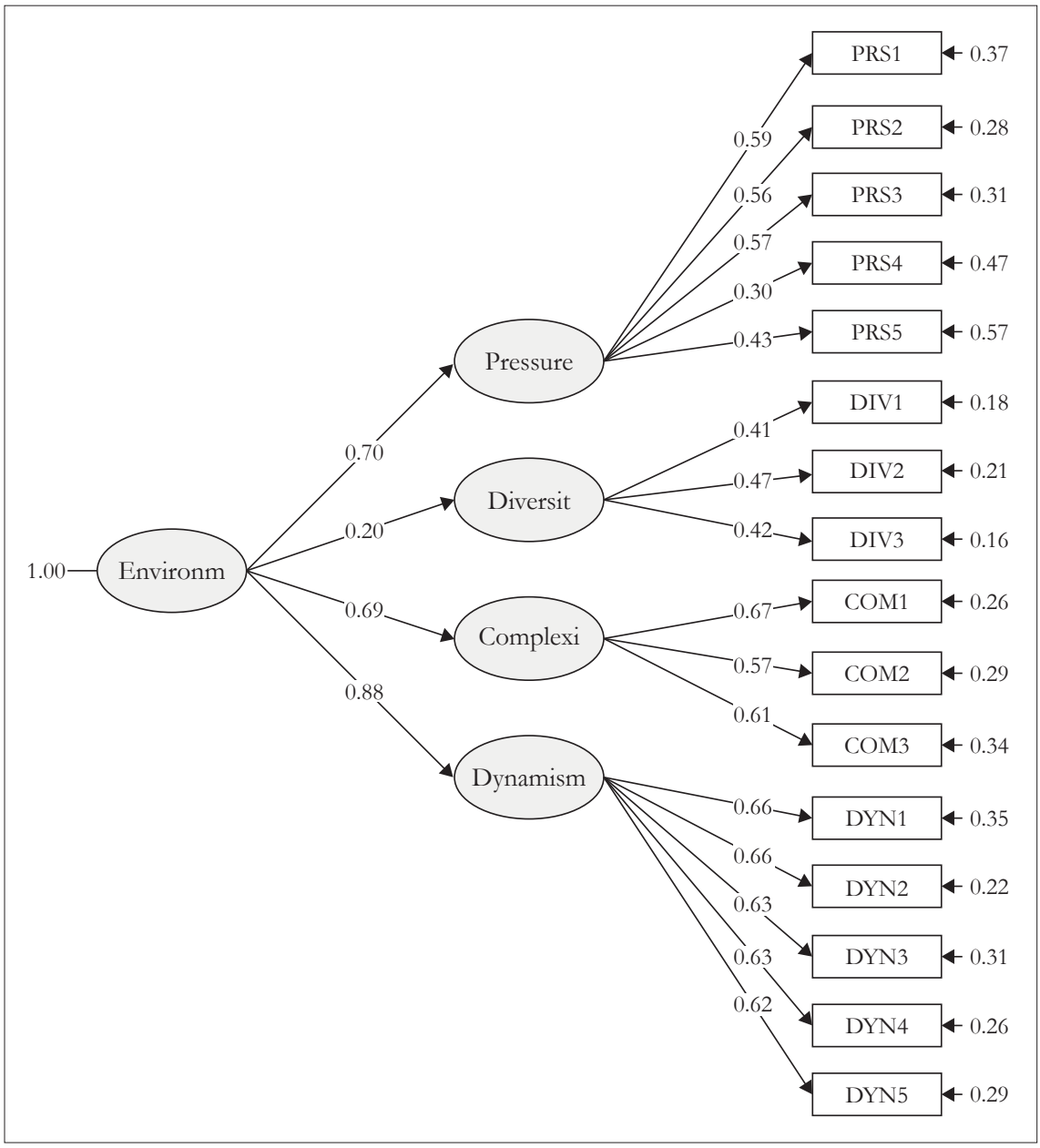

Figure 1: Results of Second-Order Confirmatory Factor Analysis

According to Figure 1, the structure (model), related to the business environment features of hotels, consists of four dimensions (dynamism, pressure, complexity, diversity). In these dimensions, dynamism is the best dimension representing the structure (R2 = 0.78). This dimension was followed by pressure (R2 = 0.49), complexity (R2 = 0.47) and diversity (R2 = 0.40) dimensions. On the other hand, the model produces acceptable values in terms of goodness-of-fit indices that were used to assess the model-to-data fit, and there is no need for any modification on the model. For instance, the ratio of Chi-square value (147.20) to degree of freedom (100) ($\chi 2/df$) is less than 2. In the same way, RMSEA (0.039), CFI (0.99), NFI (0.96) and GFI (0.94) values are good. In addition to this, the AIC (218.66), CAIC (389.17) and ECV (0.71) values of the model are lower than

independent model values (respectively 3768.75, 3844.53 and 12.20). In brief, all of the indices indicate that the model has a good fit compatibility. These findings show that the conceptual model, developed to determine business environment characteristics of hotels (BECOH), is a valid model.

DISCUSSION AND CONCLUSION

The hospitality industry consists of many different types of businesses such as hotels, motels, B&B, holiday villages, etc. The hotel business is one of the most important parts of this industry. The industry has some characteristic features: for example, there are seasonal concentrations; storage possibility of products and services is very difficult; goods and services have to be consumed in the produced place; the return time of investments is long; and a labor-intensive industry. These properties affect very seriously the living conditions of the businesses.

According to the research findings, hotels in Turkey survive in a business environment where dynamism, pressure, complexity, and diversity is excessive. Dynamism is the most prominent dimension of this business environment. So, hotels experience changes that are very difficult to predict and execute their operations in a business environment where the change speed of the environmental factors is too high, the change in customer needs is constant, and the competitive strategy and actions of competitors are extensive. These unpredictable and very rapid changes usually forced the hotels to behave defensively. This behavior reduces the directional tendencies of the hotels in taking risks and these hotels behave reactionary to change. But in today's business world, reactive attitude toward change often results in failure and poor performance. Because reactive behavior begets always lagging behind. In an industry dominated by dynamism, this behavior is quite incorrect. In such a sector, for customer needs are changing very quickly, the hotel is obliged to follow the trends of the future way. Likewise, because the change rate of competitive strategies and actions is high, the hotel has to analyze systematically the sector and the competitors.

At the same time, hotels are exposed to various environmental pressures. For example, the intensity of competition between sectoral actors is quite high. Access to critical resources is very difficult. Sustainable growth is rather difficult. Infrastructure problems in the sector are ongoing and the sector is experiencing significant problems in qualified workforce. To succeed in such a business environment, the hotels are in need of collaborative strategies with competitors, government (public and local) and universities.

On the other hand, hotels compete around a high complexity business environment. In such an environment, making an accurate prediction about the future of the industry is very hard and information diffusion is very high. To reach critical information about customers in a timely manner and accurately is quite difficult. Likewise, to obtain critical information about the actions of competitors timely and accurately is very difficult. In order to survive in such conditions, hotels need to develop organizational learning capabilities, to build strong customer relations management, and to use proactive competitor analysis methods.

Another dimension shaping the business environment of the hotels is diversity. In such an environment, hotels appeal to different customer groups with very different properties, the number of products and services offered in the industry is high, and to provide better service, hotels are using many different technologies. Competing in such business conditions, hotels need to develop innovative and R&D capabilities, and technological learning levels.

In brief, all of these features are closely related to uncertainty as content. Therefore, Turkey hospitality industry can be defined as an industry that the levels of uncertainty is high. To be successful and sustainable in competing, the businesses must analyze constantly changing business environment conditions and conduct studies on adaptation. In this context, businesses can benefit from strategic management techniques such as scenario planning, environmental scanning, competitor analysis, etc.

REFERENCES

Ahmad, N. H., T. Ramayah, C. Wilson, and L. Kummerow. (2010). "Is entrepreneurial competency and business success relationship contingent upon business environment? A study of Malaysian SMEs." *International Journal of Entrepreneurial Behaviour & Research,* 16 (3): 182-203.

Akaike, H. (1974). "A New Look at the Statistical Model Identification." *IEE Transactions on Automatic Control,* 19 (6): 716-23.

Aldrich, H. E. (1979). *Organizations and Environments.* Englewood Cliffs, NJ: Prentice Hall.

Amitabh, M., and R. K. Gupta. (2010). "Research In Strategy–Structure–Performance Construct: Review Of Trends, Paradigms and Methodologies." *Journal Of Management & Organization,* 16 (1): 744–763.

Anand, G., and P. T. Ward. (2004). "Fit, Flexibility and Performance in Manufacturing: Coping with Dynamic Environments." *Production and Operations Management Poms,* 13 (4): 369–385.

Bateman T. S., and S. A. Snell. (2002). *Management Competing in the New Era.* New York, NY. McGraw-Hill Irwin.

Bentler, P.M., and D.C. Bonnet. (1980). "Significance Tests and Goodness of Fit in the Analysis of Covariance Structures." *Psychological Bulletin,* 88 (3): 588-606.

Bettis, R. A., and M. A. Hitt. (1995). "The new competitive landscape." *Strategic Management Journal* Special Issue, 16: 7–19.

Bordia, P., E. Hobman, E. Jones, C. Gallois, and V. J. Callan. (2004). "Uncertainty during Organizational Change: Types, Consequences, and Management Strategies." *Journal of Business and Psychology,* 18 (4): 507-532.

Bourgeois, L. J. (1980). "Strategy and Environment: A Conceptual Integration." *The Academy of Management Review,* 5 (1): 25-39.

Bourgeois, L. J. (1985). "Strategic goals, perceived uncertainty, and economic performance in volatile environments." *Academy of Management Journal,* 28 (1): 548–573.

Boyne, G. A., and K. J. Meier. (2009). "Environmental Change, Human Resources and Organizational Turnaround." *Journal of Management Studies,* 46 (5): 835-863.

Bradley, S. W., H. Aldrich, D. A. Shepherd, and J. Wiklund. (2011). "Resources, Environmental Change, and Survival: Asymmetric Paths of Young Independent And Subsidiary Organizations." *Strategic Management Journal,* 32 (1): 486–509.

Brown, S., and K. M. Eisenhardt. (1998). *Competing on the edge: Strategy as Structured Chaos.* United States of America, Harvard Business School Press.

Burns, T., and G. M. Stalker. (1961). *The management of innovation.* London, Tavistock Publications.

Chaharbaghi, K., and E. Nugent. (1994). "Towards the Dynamic Organization." *Management Decision,* 32 (6): 45-48.

Chi, T. (2009). "Measurement of Business Environment Characteristics in the US Technical Textile Industry: An Empirical Study." *The Journal of the Textile Institute,* 100 (6): 545–555.

Child, J. (1997). "Strategic Choice in the Analysis of Action, Structure, Organizations and Environment: Retrospect and Prospect." *Organization Studies,* 18 (1): 43-76.

Daft, R. L., and K. E. Weick. (1984). "Toward a model of organizations as interpretive systems." *Academy of Management Review,* 9 (2): 284–295.

D'Aveni, A. R. (With Gunther, R.) (1994). *Hypercompetition: Managing the Dynamics of Strategic Maneuvering.* Maxwell Macmillan Canada Inc. The Free Press.

Decarolis, D. M., and D. L. Deeds. (1999). "The impact of stocks and flows of organizational knowledge on firm performance: an empirical investigation of the biotechnology industry." *Strategic Management Journal,* 20 (1): 953–968.

Delmas, M. A., and M. W. Toffel. (2008). "Organizational Responses to Environmental Demands: Opening the Black Box." *Strategic Management Journal,* 29 (1): 1027–1055.

Dess, G., and D. Beard. (1984). "Dimensions of organizational task environments." *Administrative Science Quarterly,* 29 (1): 52–73.

Dillman, D. A. (2000). *Mail and Internet surveys–The tailored design method.* Canada. John Wiley and Sons Inc.

Dougall, E. (2005). "Revelations of an ecological perspective: Issues, inertia, and the public opinion environment of organizational populations." *Public Relations Review,* 31 (1): 534–543.

Duncan, R. B. (1972). "Characteristics of Organizational Environments and Perceived Environmental Uncertainty." *Administrative Science Quarterly,* 17 (3): 313-327.

Elenkov, D. S. (1997). "Strategic Uncertainty and Environmental Scanning: The Case for Institutional Influences on Scanning Behavior." *Strategic Management Journal,* 18 (4): 287–302.

Emery F. E., and E. L. Trist. (1965). "The causal texture of organizational environments." *Human Relations,* 18 (1): 21-32.

Fabrigar, L. R., Wegener, D. T., MacCallum, R. C. and E. J. Strahan. (1999). "Evaluating the use of exploratory factor analysis in psychological research." *Psychological Methods,* 4 (3): 272-299.

Fahey, L., and V. K. Narayanan. (1989). "Linking changes in revealed causal maps and environmental change: an empirical study." *Journal of Management Studies,* 26 (4): 361–378.

Feurer, R., and K. Chaharbaghi. (1996). "Competitive environments, dynamic strategy development capabilities and business performance." *Benchmarking for Quality Management & Technology,* 3 (3): 32-49.

Fitzroy, P., and J. M. Hulbert. (2005). *Strategic Management: Creating Value in A Turbulent World.* U.K. John Wiley & Jons Inc.

Fuentes-Fuentes, M. M., Albacete-Sáez, C. A. and F. J. Loréns-Montes. (2004). "The impact of environmental characteristics on TQM principles and organizational performance." *Omega,* 32 (1): 425–442.

Garg, V. K., Walters, B. A. and R. L. Priem. (2003). "Chief executive scanning emphases, environmental dynamism, and manufacturing firm performance." *Strategic Management Journal,* 24 (8): 725–744.

Gonzalez-Benito, J., Rocha, D. R. and D. Queiruga. (2010). "The environment as a determining factor of purchasing and supply strategy: An empirical analysis of Brazilian firms." *International Journal of Production Economics,* 124 (1): 1–10.

Grant, R. M. (2005). *Contemporary Strategy Analysis.* U.K. Blackwell Publishing.

Hall, R. H. (2002). Organizations: Structures, processes and outcomes. Upper Saddle River, NJ: Prentice Hall.

Hattie, J. (1985). "Methodology review: assessing unidimensionality of tests and items." *Applied Psychological Measurement,* 9 (1): 139–164.

Hitt, M. A., Ireland, R. D. and R. E. Hoskisson. (2005). *Strategic Management: Competitiveness and Globalization (Concepts and Cases).* South-Western. Thomson Corporation.

Hooper, D., Coughlan, J. and M. R. Mullen. (2008). "Structural Equation Modelling: Guidelines for Determining Model Fit." *The Electronic Journal of Business Research Methods,* 6 (1): 53-60.

Hui, L. T., and Q. K. Fatt. (2007). "Strategic organizational conditions for risks reduction and earnings management: A combined strategy and auditing paradigm." *Accounting Forum,* 31 (1): 179–201.

Jawahar, I. M., and G. L. McLaughlin. (2001). "Toward a descriptive stakeholder theory: an organizational life cycle approach." *Academy of Management Review,* 26 (1): 397–414.

John, O. P., and V. Benet-Martinez. (2000). Measurement: Reliability, construct validation, and scale construction. In *Handbook of research methods in social psychology,* eds. H. T. Reis and C. M. Judd, 339-369. Cambridge. Cambridge University Press.

Jöreskog, K. G., and D. Sörbom. (1989). *LISREL7, a Guide to the Program and Applications*. Chicago. SPSS Publications.

Koufopoulos D. N., and G. M. Chryssochoidis. (2000). "The effects of an uncertain country environment upon leadership and strategic planning practices." *Strategic Change,* 9 (1): 379–395.

Kourteli, L. (2000). "Scanning the business environment: some conceptual issues." *Benchmarking: An International Journal,* 7 (5): 406-413.

Levine, T. R. (2005). "Confirmatory factor analysis and scale validation in communication research." *Communication Research Reports,* 22 (4): 335-338.

Lin, Z. (2006). "Environmental determination or organizational design: An exploration of organizational decision making under environmental uncertainty." *Simulation Modelling Practice and Theory,* 14 (1): 438–453.

Longenecker J. G., and C. D. Pringle. (1984). *Management,* Columbus, Ohio. Charles E. Merrill Publishing Company.

Longenecker, C. O., Neubert, M. J. and L. S. Fink. (2007). "Causes and consequences of managerial failure in rapidly changing organizations." *Business Horizons,* 50 (1): 145-155.

Luo, Y. (1999) "Environment-strategy-performance Relations in Small Business in China." *Journal of Small Business Management,* 37 (1): 37-52.

MacCallum, R.C., Browne, M.W., and H. M. Sugawara. (1996). "Power Analysis and Determination of Sample Size for Covariance Structure Modeling." *Psychological Methods,* 1 (2): 130-49.

Maruyama, G. M. (1998). *Basics of structural equation modeling*. Thousand Oaks, CA. Sage Publications.

Mason, R. B. (2007). "The external environment's effect on management and strategy: A complexity theory approach." *Management Decision,* 45 (1): 10-28.

Mavondo, F. T. (1999) "Environment and strategy as antecedents for marketing effectiveness and organizational performance." *Journal of Strategic Marketing,* 7 (4): 237-250.

Miles, R. E., and C. C. Snow. (1978). *In: Organizational strategy, structure, and process*. New York. McGraw-Hill.

Miller, D., and P. H. Friesen. (1983). "Strategy-making and environment: the third link." *Strategic Management Journal,* 4 (3): 221–235.

Milliken, F. (1987). "Three types of perceived uncertainty about the environment: state, effect and response uncertainty." *Academy of Management Review,* 12 (1): 133-143.

Mintzberg, H. (1979). *The structuring of organizations*. Englewood Cliffs, NJ. Prentice-Hall.

Mukherji, A., and J. Mukherji. (1998). "Structuring organizations for the future: analyzing and managing change." *Management Decision,* 36 (4): 265–273.

Nadkarni, S., and P. S. Barr. (2008). "Environmental Context, Managerial Cognition, And Strategic Action: An Integrated View." *Strategic Management Journal,* 29 (1): 1395–1427.

Naranjo-Gil, D. (2009). "The influence of environmental and organizational factors on innovation adoptions: Consequences for performance in public sector organizations." *Technovation,* 29 (1): 810–818.

Nunnally, J. C. (1978). *Psychometric theory*. New York. McGraw-Hill.

Olsen, M. D., Murthy, B. and R. Teare. (1994). "CEO Perspectives on Scanning the Global Hotel Business Environment." *International Journal of Contemporary Hospitality Management,* 6 (4): 3-9.

Rhys, A. (2009). "Organizational Task Environments and Performance: An Empirical Analysis." *International Public Management Journal,* 12 (1): 1-23.

Rueda-Manzanares, A., Aragon-Correa J. A. and S. Sharma. (2008). "The Influence of Stakeholders on the Environmental Strategy of Service Firms: The Moderating Effects of Complexity, Uncertainty and Munificence." *British Journal of Management,* 19 (1): 185–203.

Schmid, H. (2004). "Organization-Environment Relationships." *Administration in Social Work,* 28 (1): 97-113.

Sekaran, U. 2003. *Research methods for Business*. New York, NY. John Wiley & Sons.

Sharfman, M., and J. W. Dean. (1991). "Conceptualizing and measuring the organizational environment: a multidimensional approach." *Journal of Management,* 17 (4): 681–700.

Simerly, R. L., and M. Li. (2000). "Environmental Dynamism, Capital Structure and Performance: A Theoretical Integration and An Empirical Test." *Strategic Management Journal,* 21 (1): 31–49.

Sparrow, O., and G. Ringland. (2010). "A system for continuous organizational Renewal." *Strategy & Leadership,* 38 (4): 34-41.

Stevens, J. (2002). *Applied multivariate statistics for the social sciences*. Mahwah, NJ: Lawrence Erlbaum Associates.

Strandholma, K., Kumara, K. and R. Subramanianb. (2004). "Examining the interrelationships among perceived environmental change,

strategic response, managerial characteristics, and organizational performance." *Journal of Business Research,* 57 (1): 58– 68.

Tabachnick, B. G., and L. S. Fidell. (2001). *Using multivariate statistics.* Boston. Allyn & Bacon.

Tan, J., and D. Tan. (2005). "Environment–Strategy Co-Evolution And Co-Alignment: A Staged Model Of Chinese SOEs Under Transition." *Strategic Management Journal,* 26 (1): 141–157.

Thompson, J. D. (1967). *Organizations in Action: Social Science Bases of Administrative Theory*, McGraw-Hill, New York.

Vasconcelos, F. C., and R. Ramirez. (2011). "Complexity in business environments." *Journal of Business Research,* 64 (3): 236-241.

Ward, P. T., and R. Duray. (2000). "Manufacturing strategy in context: Environment, competitive strategy and manufacturing strategy." *Journal of Operations Management,* 18 (1): 123–138.

Ward, S., and A. Lewandowska. (2008). "Is the marketing concept always necessary? The effectiveness of customer, competitor and societal strategies in business environment types." *European Journal of Marketing,* 42 (1/2): 222-237.

Weerawardenaa, J., O'Cassb, A. and C. Julian. (2006). "Does industry matter? Examining the role of industry structure and organizational learning in innovation and brand performance." *Journal of Business Research,* 59 (1): 37–45.

Wernerfelt, B., and A. Karani. (1987). "Competitive strategy under uncertainty." *Strategic Management Journal,* 8 (1): 187–194.

Wheaton, B., Muthen, B., Alwin, D., F. and G. Summers. (1977). "Assessing Reliability and Stability in Panel Models." *Sociological Methodology,* 8 (1): 84-136.

Whittington, R. (1988). "Environmental structure and theories of strategic choice." *Journal of Management Studies,* 25 (6): 521–36.

Yan, S. (2010). "Competitive Strategy and Business Environment: The Case of Small Enterprises in China." *Asian Social Science,* 6 (11): 64-71.

Yasai-Ardekani, M. (1989). "Effects of environmental scarcity and munificence on the relationship of context to organizational structure." *Academy of Management Journal,* 32 (1): 131–156.

Submitted: 11rd September 2014 *Accepted: 15th June, 2015*
Final version: 8st June 2015 *Refereed anonymously*