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EXTERNAL BUSINESS ENVIRONMENT AND PERFORMANCE OF HOTELS IN ACCRA

ERNESTINA MARTEI

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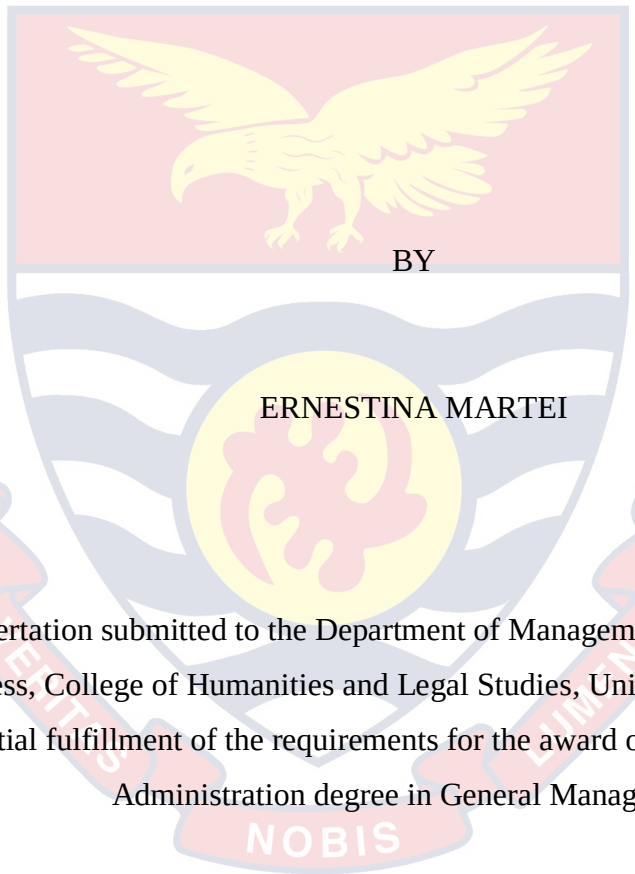

BY

ERNESTINA MARTEI

Dissertation submitted to the Department of Management of the School of Business, College of Humanities and Legal Studies, University of Cape Coast in partial fulfillment of the requirements for the award of Master of Business Administration degree in General Management

JUNE 2019

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DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature:…….. Date:……

Name: Ernestina Martei

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature:…… Date:……

Name: Dr. Aborampah Amoah-Mensah

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ABSTRACT

This study sought to examine the influence of the external business environment on the performance of hotels in Greater Accra Region. PESTLE (Political, Economic, Social-Cultural, Technological, Legal and Environmental) factors were used to examine the external business environment of the hotel while the performance was measured from the preview of financial and non-financial performance indicators. A sample of 150 respondents comprising of management and staff of hotels was selected through a stratified proportionate random sampling technique. Semi-structured questionnaire was used to collect the primary data used for the analyses. The Statistical Package for Social Sciences (SPSS) was employed in the data analysis. The data was analyzed using Pearson correlation test and multiple linear regression. Results from the study revealed that external business environment factors such as legal and technological factors positively influence hotel performance. However, external business environment factors such as economic, political, social and environment factors do not exert any influence on hotel performance. The recommendation made include the need for Hotel management/owners to maximize their investment in technology in their operations as technological factors enhance hotel performance. Also, managers of hotels need to be aware of the risks involved in the legal environment and is often advisable to have a reliable local partner and an attorney who can deal with the legal issues and bureaucracy.

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KEY WORDS

Economic Factors

Environmental Factors

External Business Environment

Hotel Performance

Legal Factors

Political Factors

Social Factors

Technological Factors

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Finally, I want to express my appreciation for the support and encouragement of all those who contributed in diverse ways in making this study a success.

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DEDICATION

To my lovely family

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CHAPTER ONE

INTRODUCTION

The chapter covers the background to the study, the problem statement, purpose of the study, research questions, delimitations of the study, limitations of the study, significance of the study and the organization of the study

Background of the Study

The effects of globalization, technological changes, local economic conditions, changes of customers' lifestyle, developments in the service, tourism and hotel industries, as well as increasing competitive pressure, have led to changes in the operating environment of hotels (Petzer, & Steyn, 2006). This suggests that consumers have become much more powerful and sophisticated than they were before and much more willing to switch from service supplier to the other and an attempt to satisfaction. Customers also place great emphasis on reliability and timely service delivery. The vision of all such businesses is to provide quality high class services to customers in order to successfully thrive and achieve their mission. This requires service organizations such as hotels to put competitive strategies in place to improve competitiveness and performance (Cohen & Olsen, 2015). Top management can achieve high performance by building high-performance cultures including the creation of organizational climate devoted to quality, promotion of service quality by engaging the workforce, and establishment of lasting relationships with customers (James, 2011).

According to Brotherton, (2004), critical success factors of a business are those factors capable of providing the greatest competitive leverage upon which resources should be focused. For example, Flanagan (2005) identified a

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critical success factor as a position where the organization's pricing is considered to be in the realms of competitive pricing and where the organization's technical capability can match or outstrip competition. Therefore, pricing in the hotel industry can have consequence on the performance of the industry. Brotherton, (2004) considers critical success factors to be combinations of activities and processes designed to support achievement of such desired outcomes specified by the company's objectives or goals. Consequently, they can be partially controlled by management and thus can potentially be managed.

Hotel performance measured as occupancy rate depends on both on external and internal factors. The external factors involve bigger issues such as the state of economy, technologies, politics, legislation and demographic. Subsequently, the internal factors relate to challenges in the hotel management; quality of service, pricing and fees, variety and quality of food, accommodation, entertainment, facilities and location of the hotel (Lau, Akbar, & Fie, 2005). Poor performance in terms of low level of service quality contributes to problems in the internal factors (Lau et al., 2005). Therefore, critical performance factors of hotel industry will depend on aspect of organization's operating context, such as its competitive strategy (Farmer, 2004; Said, Hassabelnaby & Wier, 2003), stage of the product life cycle (Andersen, Cobbols & Lawrie, 2001; Hoque & James, 2000), size (Hoque & James, 2000), culture, values and beliefs (Neely, 2004; Rejc, 2005), cost structure, management style, location, position, competitor activity, financial strength (Flanagan, 2005). Considering the multiplicity of factors that can affect the performance of the hotel business, this study seeks to find out the influence of

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the external business environment on the performance of the hotel industry in the Greater Accra Region of Ghana. The external environment was considered because this environment unlike the internal environment is much more complex and difficult for management of firms to manage (Amit & Schoemaker, 1993).

The hotel industry was considered because according to GTA (2009), tourism earnings to the GDP of the country have been increased steadily for three consecutive years, from 4.9% of GDP in 2005, to 5.8% in 2006 and to 6.3% in 2007. According to IDC (2012) tourism is a rapidly growing industry in Ghana. The sector has reported steady growth, with its turnover having risen from an estimated USD 836 million in 2005 to USD 1.88 billion by 2010. Both public and private investments in various tourism subsectors have expanded as well. The growth in tourism can also be seen in the expansion of activities in the hotel sector where the number of hotels approved and licensed by the Ghana Tourist Authority increased from only 273 in 1989 to 730 in 1998 (GTA, 1999). The number of rooms more than doubled from 4,851 in 1989 to 10,879 in 1998. In 2013, according to WTTC (2014), total tourism contribution to the GDP was 7.2% and was forecast to rise by 9.7% in 2014. Again, tourism total employment for 2013 was 124,500 jobs representing 2.3% of total employment and was expected to rise by 7.4% in 2014. It is therefore important to find out the role the external business environment play to affect the performance of the hotel industry in Greater Accra.

Statement of the Problem

The socio-economic importance of the hotel industry has become increasingly important in recent years especially in the Ghanaian economy

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(GTA, 2009). However, their performance, which is the ultimate criterion in the assessment of organizations has declined over the years (Duncan, 1972). This has resulted in the collapse of most hotels, weak base for industrial take-off and the required contribution to the development of the country. This declined performance has raised concerns from hotel managers, hotel owners and other stakeholders in the hotel industry (Machuki & Aosa, 2011). However, a major portion of the onus for better performance falls upon the external business environment in which the hotel operates (Eruemegbe, 2015).

It is not surprising that most hotels in Ghana attribute any negative variations on set performance targets to external environmental challenges (Mkalama, 2014). Everyone who cares about the development of hotels in Ghana should be concerned about their performance because it is one of the key determinants of their growth and survival (Schuster, Dunning, Morden, Hagan, Baker & McKay, 1997). In a situation where there is absence of good understanding of the external business environment, the attendance effect of this on the performance of hotels cannot be over emphasized (Adeoye & Elegunde, 2012). That is why understanding the impact of the external environment on hotel performance is crucial, so as guarantee the sustainability of the hotel in relation to its corporate goals and objectives.

Several studies such as Alkali and Isa (2012); Ahmad, Jabeen and Khan, 2014); Ashrafi and Murtaza (2008); Awang, Ishak, Radzi and Taha (2008); Cai, Fang, and Xu (2011); Dragnic (2014); Gado (2015); Njuguna-Kinyua, Mumyoki and Kibera (2014); Türkay, Solmaz and Şengül (2011) have investigated the relationship between external business environment and performance. However, most of these studies have been conducted in the

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developed countries and failed to disaggregate external business environment within the PESTEL framework which consists of political, economic, socio-cultural, technological and environmental. The African situation especially Ghana has largely been neglected. The few studies conducted in Ghana and Nigeria (for example (Adeoye & Elegunde, 2012; Akrofi, 2017; Akpoviroro, Olalekan & Owotutu, 2018) have failed to focus on hotels which is the major contributor and the backbone of the tourism industry. This study provides a much-needed addition to the scant number of studies which examine this issue by taking a specific look at the disaggregated external business environment (PESTEL) on hotel performance in Ghana.

Purpose of the Study

The main goal of the study is to examine the influence of the external business environment on the performance of hotels in Greater Accra Region. PESTLE (Political, Economic, Social, Technological, Legal and Environmental) factors were used to examine the external business environment of the hotel while the performance was measured from the preview of financial and non-financial performance indicators.

Research Objectives

To achieve the purpose of the study, the following specific objectives have been outlined:

1. To assess the effect between the political factors and performance of the hotel industry in Accra.
2. To assess the effect of economic factors on the performance of the hotel industry in Accra.

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3. To assess the effect of social factors on the performance of the hotel industry in Accra.
4. To assess the effect of technological factors on the performance of the hotel industry in Accra.
5. To assess the effect of legal factors on the performance of the hotel industry in Accra.
6. To assess the effect of environmental factors on the performance of the hotel industry in Accra.

Research Questions

1. What is the effect of political factors on performance of the hotel industry in Accra?
2. What is the effect of the economic factors on the performance of the hotel industry in Accra?
3. What is the effect of social factors on the performance of the hotel industry in Accra?
4. What is the effect of technological factors on the performance of the hotel industry in Accra?
5. What is the effect of legal factors on the performance of the hotel industry in Accra?
6. What is the effect of environmental factors on the performance of the hotel industry in Accra?

Research Hypotheses

In order to appropriately address the research objective, the following hypotheses were formulated:

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1. H_0= There is no significant effect between the political environment and performance of the hotel industry in Accra.

   H_1= There is significant effect between the political environment and performance of the hotel industry in Accra.

2. H_0= Economic factors have no significant effect on the performance of the hotel industry in Accra.

   H_1= Economic factors have a significant effect on the performance of the hotel industry in Accra.

3. H_0= There is no significant effects of social factors on the performance of the hotel industry in Accra

   H_1= There is significant effects of social factors on the performance of the hotel industry in Accra.

4. H_0= Technological factors have no significant effect on the performance of the hotel industry in Accra

   H_1= Technological factors have a significant effect on the performance of the hotel industry in Accra.

5. H_0= Political factors have no significant effect on the performance of the hotel industry in Accra

   H_1= Political factors have a significant effect on the performance of the hotel industry in Accra.

6. H_0= Environmental factors have no significant effect on the performance of the hotel industry in Accra.

   H_1= Environmental factors have a significant effect on the performance of the hotel industry in Accra.

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Significance of the Study

Considering the important role of the hotel industry in Ghana, the finding of this study would help bring out the role of the external business environment on the performance of the industry. The finding of the study will also bring to the fore information regarding the external business environment factors contributing to the performance of the hotel industry. Information of the factors contributing to the performance of the hotel industry will be important because it helps management of hotels to adopt better performance management strategies to promote the performance of hotels in Ghana so that they will remain viable and competitive in the competitive business environment.

Furthermore, this information will be important to regulators in the hotel industry such as the Ministry of Tourism to know the challenges of the hotel industry so as appropriate policy intervention can be made to promote the performance of the industry. Finally, the outcome of this study will add to the limited literature on the factors influencing the performance of hotels in Ghana thereby serving as a reference material for future studies.

Delimitation of the Study

The study is limited to selected hotels in the Greater Accra Region only. The study targeted management and staff of the hotels only. This is because these stakeholders mostly involved in strategic decision of the company and can determine the extent to which the business environment has influence of the performance of the hotels so as to take strategic management decisions of taking advantage of business environment to promote performance. Contextually, the study is limited to the hotel external business environment and its influence on

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hotel performance. Methodologically, quantitative methodology was adopted to achieve the purpose of the study.

Limitation of the Study

The limitation encountered in the study primarily relates to time and financial constraints, which limited the intensity of the spread or area of coverage of the study. Also, the inclusion of management employees of the hotels for the study made it difficult to gather the required data with ease. This is because management employees may have less time to provide the information needed for this study. However, the researcher rescheduled several appointments before information could be gathered but this did not affect the reliability of the instruments and the data collected.

Moreover, some target participants were unwilling to provide information for the study but the researcher removed those incomplete questionnaires when gathering the data collected. Also, to ensure easy access to data, a structured questionnaire was used.

Organization of the Study

The study is organized into five chapters as outlined as follows. Chapter One is the introduction chapter which encompasses sections such as the background of the study, the problem statement, the purpose of the study, and the objectives of the study. It further states the research questions, the significance of the study, and also looks at the delimitation and limitations, and finally organization of the study. Chapter Two reviews literature on the study area. The chapter reviews relevant theoretical and empirical literatures on external business environment and hotel performance. Chapter Three presents the methodology. The chapter describes the research design, the target

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population of the study, the sample size, the sampling techniques, the data collection instrument, and the statistical tools used in the data analysis. Chapter Four present the results and discussions. The chapter presents the data collected from the field and summarizes them via tables. The chapter will also discuss the findings of the study relative to the literature. Chapter Five represents the conclusion and recommendation. The chapter summarizes the major findings of the study and conclusions attained and also make relevant recommendations based on the findings. Recommendations for future studies are also included in this chapter.

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CHAPTER TWO

LITERATURE REVIEW

Introduction

The chapter presents the conceptual overview of hotel performance as well as the theoretical underpinnings of hotel performance using industry factors based on the Porter (2008) framework and the institutional theory. The chapter reviews literature on the external factors that affect the hotel performance. The chapter also provides some empirical literature of the subject matter of investigation and ends by providing the conceptual framework used in the study.

Theoretical Review

Institutional Theory

This study is based on the institutional theory which roots run richly through the formative years of the social sciences, enlisting and incorporating the creative insights of scholars ranging from Marx and Weber, Cooley and Mead, to Veblen and Commons (Meyer & Rowan, 1977). According to the theory, an organization's environmental performance is primarily influenced by its pursuit of external legitimacy in the presence of mimetic, normative, or coercive pressure. The theory posits that environmental policies emerge as a result of external forces rather than the desire for increased internal efficiency and improved competitive advantage (Davidson, Nemec & Worrell, 2001; Hoffman, 2001; Khanna, 2001). Clemens and Douglas (2005) maintained that organizations yield to mimetic pressure in an effort to validate themselves in the "gaze" of key actors. The hotel industry's environmental activities are therefore seen to be largely driven by their need to gain acceptance within their peer

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companies by making a favourable impression. DiMaggio and Powell (1983) ; Meyer and Rowan (1977) also asserted that the normative pressure emerges as the organization desired to acquire social approval, and thus the organizations seek to operate in accord with perceived norms, values and related assumptions that define the "correct" way of behaving in that domain. Lastly, Clemens and Douglas (2005) sees the coercive pressure as formal pressure exercised by powerful actors to adopt the same attitudes, behaviors, and practices as those preferred by the actors.

Institutional approaches are often criticized as theoretically imperialistic; that is, they purport to encompass and explain everything about organizations. Thus, all external forces are commonly seen as institutional, and all behaviors in organizations are held to be a manifestation of institutional forces. Also, institutions in contemporary industrial and postindustrial societies may actually represent a particular type of cultural development. Hence, it is difficult to distinguish analytically between the external cultural environments of organizations and their institutional environments. Despite all these criticism, the institutional perspective is one of the dominant theoretical paradigms in organization studies today (Palmer, Biggart, & Dick, 2008). Under its aegis, a wide range of organizational studies have been and continue to be published. Many of these projects have strong implications for organizational communication, especially in studying how individuals exercise agency while embedded in institutions. As Battilana, Leca and Boxenbaum (2009) observe, "It seems important to develop finer-grained analyses that will account for the actions and values of all of the agents involved in the process of shaping institutions".

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Institutional theory was adopted because its aids our understanding of the pressures for institutions to become more similar, which decreases institutional diversity. Organizations attempt to conform to easily recognizable and acceptable standards within the organizational field, which helps foster the organization's legitimacy. Institutional theory describes how both deliberate and accidental choices lead institutions to mirror the norms, values, and ideologies of the organizational field. As a result, organizations that meet the environment's expected characteristics receive legitimacy and prove worthy of resources by society and the broader environment (Toma, Dubrow, & Hartley, 2005). When an institution moves past these expectations, the environment views the characteristics as deviant and less likely to receive resources. The environment within an institutional theory framework limits the discretion of institutions to engage in certain strategic activities and pressures institutions toward conformity.

The Institutional theory emphasizes the normative impact of the environment on organizational activity. The institutional theory maintains that the environment determines organizational options and limits discretion in the choices of an organization. External pressures for conformity drive the range of decisions available for institutions. Llanas (2005) posited that Institutional theory pays special attention to the environment based on the aspects of the institutional context in which organizations operate.

Concept of Organizational Performance

Several authors have come up with various definition for performance. Otokiti (2010) viewed performance as the willingness of an individual to carry out the goals and objectives of an organization. Baiden (2017) regards

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performance as a collection of activities that an organization has the capacity to make and achieve worthy results. Keats and Hitt (2017) asserted that performance is the ultimate criterion in the assessment of organizations and it is a complex construct that reflects the factors used by decision-makers to assess the functioning of an organization. Ajayi (2016) also regard performance as the ability of an organization to exploit its environment for accessing and using the limited resources since in the late 60s and 70s organizations begun to explore new ways to evaluate their performance.

Even though the concept of organizational performance is not a new phenomenon among researchers and academics it has witnessed many conflicting definitions. Bakotić (2016) viewed organizational performance as the sum of results of all of an organization's work processes and activities. Specifically, organizational performance is the product of the strategy that an organization implements, performance measures therefore are aimed at evaluating organizational effectiveness or success (Crook, Ketchen, Combs & Todd, 2008). Organizational performance may vary from the viewpoints of customers, stakeholders' and time periods (Radzi, Bakhtiar, Mohi, Zahari, Sumarjan, Chik & Anuar, 2014). Therefore, Flink (2015) suggests that organizational performance is a complex and multidimensional phenomenon that encompasses multiple objects. Despite all these differences, most authors and researchers express their organizational performance through the success attained by the organization in the attainment of its set objectives.

Jones and George (2009) opine that the idea of organizational performance hinges on the position or premise that is a combination of productive assets constituting human, physical and capital resources, for its

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main objective of attaining the goals of the organization. The performance of an organization is critical objective of the organization as good performance guarantees the sustainability of the organization in relation to its corporate goals and objectives (Adeoye & Elegunde, 2012).The good performance of the organization leave its competitors in their dust and are highly profitable. Indeed, the performance of an organization is a determinant of its very existence. The abrupt fall in organizational performance level may result in organizational death or mortality (Baum & Singh, 1994), a situation where "an organization fails, closes down its operations, and disbands its constituent elements (Carroll & Delacroix, 1982). A higher organizational performance also guarantee the continuous engagement of its employees as the collapse of the organization will render the employees' lay-offs or unemployed. As a result, continuous performance is the focus of the employees in the organization because only through performance their employment remains in force or guarantee

Organizational Performance Indicators

Venkatraman and Prescott (1990) propose three dimensions of organization's success or performance: the financial, operational, and organizational dimensions. Performance is also related to increase in profitability and customer service delivery (meeting satisfactorily or exceeding customers" demand). Mullins (2007) draws attention to innovation as the key to long-term success and therefore innovation is considered an indicator of performance. Bridoux (2004) regards financial performance as profit in excess of the cost of capital, which depends upon the attractiveness of the industry in which the firm operates (industry-effect on performance) and the firm's competitive advantage. Financial performance indicators such as return on

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investment, total sales, profit before tax, net profit, and total asset are commonly used as a method for evaluating business performance and for comparing a firm with others in an industry. Financial ratios have been used to determine:

(1) The firm's position in its industry,

(2) The degree to which strategic objectives are being accomplished,

(3) The firm's vulnerability to decrease in revenue,

(4) The growth potential of the firm, and

(5) The firm's ability to react to unforeseen changes in the external industry environment (Botten & McManus, 1999; Fenwick & Strombom, 1998)

In the hotel industry, average daily rate (ADR), is one of the commonly used financial indicators to measure the quality of revenue per room relative to the number of rooms actually sold (Vallen & Vallen, 2009). It has been ranked as the first crucial operating indicator by lodging executives (Singh & Schmidgal, 2002). Additionally, it is one of the valuable top-line financial indicators for hospitality executives and managers (O'neill & Mattila, 2006). ADR is a reliable predictor of hotel sale price (O'Neill, 2003).

Another financial performance indicator of hotel is occupancy. Occupancy is one of the commonly used indicators and is used to measures the hotel's "share of the market" (Vallen & Vallen, 2009). Jeffrey and Barden (2000) asserted that "…room occupancy offers greater credence from a managerial point of view". The equation for calculating occupancy is rooms sold per rooms available. Both ADR and occupancy are the foundation of a property's financial performance (Reid & Bojanic, 2009).

The non-financial performance indicators mostly includes: customer satisfaction, market share, employee feed-back, human resources, product or

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service quality (Kaplan & Norton (2001). Abdel-Maksoud, Dugdale and Luther (2005) further provided a model involving five non-financial performance measures: customer satisfaction, product quality, on-time delivery, efficiency and utilization and employee morale.

The study of Haktanir and Harris (2005) explored performance measurement practices in the hotels. Six measurements are:

(1) Business dynamics – concerned with decision-making and information flow in the departments of the hotel;

(2) Overall performance measures – identified the performance measures utilized by different departments in order to summarize the performance of the whole establishment;

(3) Employee performance measures – revealed the important role of human resources in providing rooms, food and beverage, and leisure services;

(4) Customer satisfaction measures – reflected the significance of understanding customer requirements and developing systems accordingly;

(5) Financial performance measures – identified the financial performance that is measured and utilized at different levels of the business and the rationale for utilizing such measures, and

(6) Innovative activity measures – identified the new activities, products and different ways of delivering service to customers and the measurement of their outcome. This study adopts the six performance indicators used by Haktanir and Harris (2005) as they holistically measure the performance of hotels in terms of financial and non-financial

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Business External Environment

Organizations face turbulent and rapid changing environments that are translated into complex, multifaceted and interlinked streams of initiatives. This turbulence affects work, organizational designs and resource allocation thus leading to variations in performance (Omboi & Kariuki, 2011). Delays in availability of resources, political interference and variations on the economic situations have been attributed to poor organizational performance even with a perfectly formulated strategy. Organization theory proponents emphasize that organizations must adapt to their environment if they have to survive (Machuki & Aosa, 2011). According to Bagire and Namada (2013) organizational outcomes are partially predicted by the environmental manifestations.

Changes in the external environment may be favorable or unfavorable to organizational outcomes (Weusthoff, Grieser & Meckl, 2014). Factors in the external environment influence organizational processes differently (Weusthoff, Grieser & Meckl, 2014). Superior organization performance is realized when the responsiveness of an organization's strategy matches the turbulence in the environment (Ansoff & Sullivan, 1993). The external environment remains a crucial aspect in the strategic management. Thus it can be postulated that the external environment has an influence on organizational performance.

External environment comprises of factors existing outside the organisation which the organisation has virtually no control of. Regardless of the industry, these factors will have enormous effect on any firm's growth and survival. Firms have to be aware of the conditions in its external environment and firms have to identify and understand the most significant threats and

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opportunities in its external environment that influences the company. External environments consist of many different factors comprising an enormous entity, including political, sociological, demographical, global and technological factors, customer preference and related industry factors, to name a few.

Political factors

Political environments in a company's home country and the countries in which it does business are important external influences on management. Political environments refer to public institutions (such as the government, government agencies, and government-owned businesses) and non-public institutions (such as environmental and other special interest groups that represent specific individuals or groups). Political risks can be divided into macro and micro political risks. Macro political risks as a result of wars and changes in government affect all companies operating in the target country. Changes in leadership and a country´s political system can even result in expropriation or confiscation, where the government seizes the assets of the company without compensation (Wade, 2004). The micro political risks in the country´s political environment affect only companies in certain industries, areas or ventures. An example of a micro political risk could be regulations and taxations imposed on companies working in a specific sector (Wade, 2004).

Political factor takes care of the government intervention in the business keeping in view the areas such as taxation labour and trade laws and taking into consideration the government stabilities government policy on economy and market ethics and trading agreements with the government. It also outlines the merits and demerit goods defined as the goods the government wants to provide/wants to be provided as well as those not to be provided. (Holbrook,

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1999). The political-legal environment has a huge influence upon the regulation of businesses, and the spending power of consumers and other businesses.' Marketing decisions are strongly affected by developments in the political and legal environment. This environment is composed of laws, government agencies, and pressure groups that influence and limit various organizations and individuals (Armstrong & Kotler, 2011). These refer to government policy such as the degree of intervention in the economy. What goods and services does a government want to provide? To what extent does it believe in subsidizing firms? What are its priorities in terms of business support? Political decisions can impact on many vital areas for business such as the education of the workforce, the health of the nation and the quality of the infrastructure of the economy such as the road and rail system.

Economic Environment

Economic factors include the general economic climate, trade rates, inflation rate, labour unemployment rate, interest rates, the rate of economic development, per capita domestic product and trade deficit or surplus (Litavniece & Znotiņa, 2015). Economic conditions such as inflation, exchange rate, minimum wage, growth in the economy will have significant influence on the performance of hotels. Firm in stable economic environments can often accurately predict such factors as material supplies and customer demand. In such context, firms can provide standardized services to ensure superior performance. In contrast, the unpredictability of dynamic economic environments can negate performance (Ajayi, 2016). Growth in economic activities will see a boom in the hotel industry.

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Economic factors takes into consideration areas which can effect business operation and decision making. They include interest rates, taxation changes, economic growth, inflation and exchange rates. These include factors such as exchange rates (effects export and import of goods) interest rate(effects a company's cost of capital),inflation rate (effects the company's every day running and use of goods and services such as transport)other factors include economic growth.

Social Factors

Social factor plays a vital role when it comes to the demand of the company's products and services The focus is on health consciousness, career attitudes, attitudes of people towards foreign goods and services, impacts of language etc. population growth rate and distribution has a direct influence on the labour cost of a company (Armstrong & Kotler, 2011) Changes in social trends can impact on the demand for a firm's products and the availability and willingness of individuals to work. Social factors include the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. Some important factors to consider are the availability and cost of skilled labor, age distribution, labor strikes and crime statistics (Morrison, Robertson, Laurie & Kelly, 2002). The second consideration is culture and managing it.

Technological environment

Technological forces refer to the rate of scientific change and fastest growth of technology that have potential wide-ranging effects on society (Litavniece & Znotiņa, 2015). Technology enhances service quality performance (Tavitiyaman & Zhang, 2011), creates a competitive advantage

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(Porter, 1985) and improves the skills of the people who make up the service organization. Law and Jogaratnam (2005) studied information technology applications in the hotel industry in Hong Kong. The results found that information technology is an essential component in the strategic planning process of the hotel business performance and improving customer service. Therefore, effective use of technology in the provision of service in the hotel industry will enhance performance.

Legal Factors

Legal factors are related to the legal environment in which firms operate. Law is the supreme command of any nation/place. The company has to look in to and take care of carrying out their business operations well within the limit set by law. These include distribution laws, health laws, employment law etc. (Palmer, Kaminkow, & Baerlocher, 2004) The introduction of age discrimination and disability discrimination legislation, an increase in the minimum wage and greater requirements for firms to recycle are examples of relatively recent laws that affect an organization's actions. Legal changes can affect a firm's costs (e.g. if new systems and procedures have to be developed and demand (e.g. if the law affects the likelihood of customers buying the good or using the service).

Corruption may include requirements of payments to win a contract or receive services from the government. In countries with low legal transparency and high corruption, government employees might seek their own or their countries interest and so might delay or stop foreign business from operating. (Chu, Benzing, & McGee, 2007). Companies need to be aware of the risks involved in the legal environment and is often advisable to have a reliable local

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partner and an attorney who can deal with the legal issues and bureaucracy (Morrison, Robertson, Laurie & Kelly, 2002)

Environment Factors

Environmental factors include ecological and environmental aspects such as weather, climate, and climate change, which may especially affect industries such as tourism, farming, and insurance. Environmental factors include the weather and climate change. Changes in temperature can impact on many industries including farming, tourism and insurance, growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones. With the increasing awareness and eco drive campaigns by the public, the companies have to look into the impact of their company on the environment and climate change, and determine the use of existing practices and policies within the organization and beyond (Armstrong & Kotler, 2011).

The International Organization for Standardization (ISO) has developed environmental management standards, which companies can use to create a competitive advantage. (Tulinen, 2007). One of the best known international agreements is the Kyoto agreement that limits the emissions for each country inside the agreement. (Morrison, Robertson, Laurie & Kelly, 2002) Consumers often demand products and production methods that support sustainable development. Recyclability of the products is one way of measuring the environment-friendliness of the company. (Morrison *et al.*, 2002)

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Empirical Review

There have been several studies relating to the relationship between the external business environment and performance but with varied results, for example, the findings of Dragnic (2014), Essien (2014) and Gado (2015). In the same vein, several studies have concluded that the external business environment is positively related to an enterprise performance.

Akrofi (2017) investigated the effects of external business environment factors Small and Medium Sized Enterprises performance in pharmaceutical industry in Kumasi Metropolis. The study adopted the descriptive survey method with a random sample of 220 respondents from the pharmaceutical industry in Kumasi Metropolis. The study used the quantitative research approach to achieve the objectives of the study. It was revealed in the study that there is a positive relationship between macro-environment factors (political, economic, technological and legal factors) and performance of SMEs in in pharmaceutical industry in Kumasi Metropolis.

Similarly, Okwu (2015) using descriptive statistics tools and empirical analysis to explore the effect of business environment on SMEs growth potentials, job creation, innovation, employment generation found a negative relationship between external variables such as business policy, legal framework, social, and cultural factors, and the growth potentials of SMEs. Corruption was found to a negative effect on innovation and growth potential. The study also revealed that competition drives innovation and growth but impedes job creation and employment.

The finding of Ogunro (2014) revealed that the lack of infrastructure, insecurity, insufficient finance, multiple tax system, and corruption are the

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Nigerian business environmental factors that impede business survival. Obasan (2014) identified external environment factors such as infrastructural facilities, inflationary trend, and government policy to have a negative effect on the survival of business when they are not adequate. Obiwuru, Oluwalaiye and Okwu (2011) used narrative and theoretical methodology based on aggregative and specific SWOT and PESTEL analysis models adapted from related study to appraise the internal and external environment of businesses in Nigeria. The analysis of the study showed that the external environment bears more relevance to business strategic management, and that the government now plays more regulatory role in some key sectors of the economy. The study also found that external factors such as government policy, multiple taxation, infrastructural deficiency, dismay power supply volatile exchange rates among other factors escalate cost of doing business in Nigeria and therefore pose threat to firms and industries.

Mahmood and Jabeen (2012) examined the effect of the external environment on entrepreneurial orientation and business performance relationship. The researchers found that entrepreneurial orientation and external environment are positively related, also that this relationship significantly affects the business performance. The findings of the study also showed that external environment have a considerable moderating effect on the link between entrepreneurial orientation and business performance. The results of the study confirmed that entrepreneurial orientation is imperative for the firms' survival as well as in enhancing overall performance. Using the subjective performance measures, the study concluded that external factors are capable of determining the failure and success of the firm.

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Some researchers have also established a negative relationship between the external business environment and performance. The study of Oginni and Adesanya (2013) centered on the inference of the business environmental factors on the manufacturing sector's growth and survival. The finding of the study revealed that there exist negative effects of environmental variables such as organizational policies, electricity, infrastructural facilities, financial credits, government policies, and fraudulent practices on the survival of businesses in the manufacturing sector. Also, factors including government policies, raw materials, inflation indicates an indirect significant in their effect on business survival.

Also, Adeoye (2012), in a study on the Nigerian food and beverage industry, found that economic and political environment of the business have a positive and a major effect on the industry performance. The study result analysis revealed that the external environment factors including technological, social, political, and economic environment have a considerable effect on the industry performance. This finding also supported by the study of Njuguna-Kinyua, Mumyoki and Kibera (2014) found a positive relationship between the external environment and performance using Community-Based HIV and AIDs organization as a case of study. They concluded that proper scanning of the external environment influences all activities of an organization from the planning stage to the implementation stage. Shehu and Mahmood (2014) found a positive and significant link connecting the Nigerian business environment with SMEs performance.

Alkali and Isa (2012) evaluating the external business environmental factors influence on the performance of small business manufacturing

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enterprises based in Bauchi State, identified the factors influencing performance and found that access to government support and to financial capital were notably associated with small business manufacturing enterprise performance. Furthermore, the study also found entrepreneurial readiness, business plan, and technology usage to be insignificant to business performance.

In the same vein, Abimbola and Agboola (2011) and Nnaman and Ajagu (2014) found that the entrepreneurial environment has a negative effect on entrepreneurial activities in Nigeria. Mark and Nwaiwu (2015) found the political environment which was portrayed by repeated alterations in government policies and programmes to have a negative effect on corporate long-term planning. Based on the findings of the study, it was concluded that there is a negative relationship between the political environment and business performance is as a result of party politics with threats or war, growing height of criminal activities and terrorism, kidnapping, and bomb explosion all of which hinder business patronage and scares away investors.

According to previous researchers, the business environment of the SME sector shapes its potential performance of job creation, innovation and growth (Ashrafi & Murtaza, 2008; Cai, Fang, & Xu, 2011; Kayanula & Quartey, 2010; Olugbenga, 2012). The external factors have been identified in several literatures; in the study of Akinbogun (2008), Lixin (2010), and World Bank (1990), entrepreneurial performance of SMEs have been influenced by the government legal-regulatory stance and SMEs access to finance, availability of adequate and required infrastructure facilities and government policies. In addition, taxes and power supply have been listed among environmental essentials that affect the potential performance of SMEs (Adebisi & Gbegi,

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2013; Okpara, 2000; Olorunsola, 2003). According to Udechukwu (2003), the Nigerian external business environment in general and particularly Lagos State appear to be characterized by heavy tax levy, inappropriate state policies and regulatory burdens, erratic electricity power supply. The resulting outcome of the above is the absence of a strong SME sector and industrial gap.

Conceptual framework

It is envisioned in this study that external factors can affect the performance of hotels in the hospitality industry. Therefore, the following conceptual framework has been adapted based on the literature.

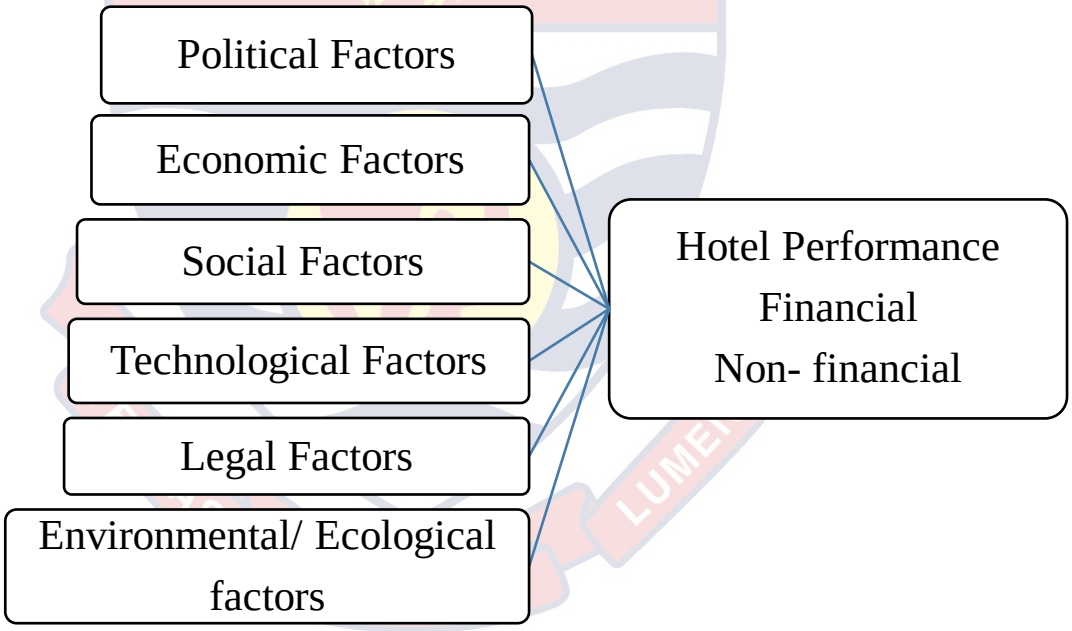

Figure 1: Conceptual framework showing the effect of external factors on hotel performance

Sources: Author's conceptualization (2019)

The conceptual framework based on the research objectives of the study was presented in Figure 1. The variables shown in the upper left boxes are the external business variables which are hypothesized to influence organizational

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performance. This framework was used to formulate the research questions of the study

Chapter Summary

This chapter has presented the literature review based on research objectives of the study. The institutional theory was presented as a theoretical review. The conceptual review looked at the various definitions and viewpoints of scholars on the concept of organizational performance and business external environment. Several divergent views were given on what the organizational performance is. However, based on the numerous definitions given, most authors and researchers express their organizational performance through the success attained by the organization in the attainment of its set objectives. Regarding business environment, they were explained as factors existing outside the organisation which the organisation has virtually no control of. Regardless of the industry, these factors will have enormous effect on any firm's growth and survival.

The empirical review, on the other hand, focused on external business environment and hotel performance. The empirical review, in particular, was done in order to give the study an evidential lens and help make comparisons with the findings of other studies.

The review finally ended with a conceptual framework which displayed some variables which centred on external business environment indicators and how these factors eventually affects hotel performance.

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CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter describes the methodology adopted to achieve the purpose of the study. It describes the research design adopted, the target population and sampling strategy. It also describes the instrument used to collect data, the data collection technique as well as how the data gathered is analysed.

The Hotel Industry in Ghana

Ghana's hotel industry comprises hotels, lodges, resorts, inns, motels, guest houses and hostels. The grading of these accommodation units was done by the Ghana Tourist Authority according to a classification system of hotels based on a rating system of budget and 1 to 5-star hotels, resorts, luxury Guesthouses and ordinary guesthouses. The highest star rating is 5-star and the lowest is 1-star. In a hotel, there are ten (10) or more rooms but in a Guest House the rooms are between four and nine rooms. The classification of hotels, resorts, motels are based on the star system and standards, which are line with international requirements. The rating of the hotel into star rated depends on the facilities and services rendered by the hotel. Any hotel which has not been rated implies that it does not meet international standards. The rating of hotels is independent of the size of the hotel (in terms of number of rooms). The hotel industry is regulated by Ghana Hotel Association (GHA) which was formed in 2000 by all the hotels in Ghana. The Ghana Hotel Association was formed to collate and address concerns of its members, develop and implement tourism policies within the industry for the betterment of its members. Their motto is

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"At Your Service" and its head office in Accra. The association is mandatory to promote education and training as well as quality service.

Apart from the GHA, the hotel industry also have accommodation and catering Enterprise Regulations, 1979 (L.I 1205) which address issues concerning lighting, ventilation, display of rates, and a properly maintained facility in a good state of repair and a properly maintained drainage system. The L.I 1205 addresses other pertinent issues concerning the comfort of the guest, including the provision of clearly marked toilets and baths, the provision of the lift where the facility is more than three floors and the provision of alternative lighting devices in the event of power failure. Any business wishing to enter the industry is granted permission for 12 months upon application and payment of fees and is subject to renewal upon expiry. The business will provide GHA with permits including business registration certificate, building permit from City Engineer's department or appropriate authority, police permit in respect to security of the premises and criminal records of owner/proprietor and key personnel, fire safety certificate and suitability from the Ghana National Fire Service.

The number of hotels and lodges in Ghana increased from 1,250 to 2,914 during 2008-2017, 54 percent expansion (GTA, 2009). During this period, a number of internationally branded hotels opened, primarily in Accra, with others planned in the near future. The industry plays a major role in the food service sector, and is one driver of the country's growing imports of high-value food and beverage products. This sustained growth in the hotel sector creates opportunities for U.S. exporters of food and agricultural products. Opportunities exist across various products and product groups, including poultry, beef, rice,

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seafood, dairy, prepared foods, beverages (alcoholic and non-alcoholic) and many others. The hotel industry is also one of the main contributors to the Gross Domestic Product (GDP) of the country. For instance, the contribution of the industry in 2006 was 48.8% to GDP as compared with the 20.8% and 30.4% contribution in the industry and agricultural sectors respectively in the nation's GDP. A study conducted by Narteh, Agbemabiese, Kodua and Braimah (2013) concerning the luxury hotel industry of Ghana found that Accra has the largest concentration of hotels in the country, especially the 5-star, 4-star and 3-star categories. Therefore, these categories of hotels was considered in this research.

Research Design

Ideally, the research design for a study can be quantitative or qualitative. However, Skinner, Nelson, Chin and Land (2015) posited that the best methodology ideal for any study should be dependent on the research problem under investigation. To this end, the study employed a quantitative research design to address the problem under investigation. The quantitative research method makes an effort to maximize objectivity, reliability and generalizations of research findings and are usually interested in predictions (Hughes, 2018). The study adopted the quantitative approach for the data analysis since this approach is widely described as deductive in nature where the conclusions from tests of hypothesis lead to general inferences about characteristics of the population. Hughes (2018) further opined that quantitative research is characterized as assuming there is a single "truth" that exists independent of human perception.

Moreover, the quantitative method is said to be the most convenient since it measures people's way of living such as the way they feel, think or

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behave in a particular way. The quantitative approach also tries to quantitatively explain and apply statistical analysis which is often formalized, well-structured and data is usually obtained from larger sample (Tulinen, 2007). Avevor (2016) maintains the quantitative method is the most popular with a testing hypothesis which is more scientific on measurement. The various types of quantitative research include descriptive, correlational, quasi-experimental and experimental.

This study adopted the quasi-experimental, which is most popular and normally requires researchers to use a population sample and either probability or non-probability sampling method in conducting a study (Avevor, 2016). Quasi-experimental attempts to establish cause-effect relationships among the variables.

Population and Sample

The target population for the study comprised all star rated of hotels in the Greater Accra Metropolis within the period of the study. The study focused on management and staff within the star-rated hotels in the Greater Accra region of Ghana. As asserted by Salant, Dillman and Don (1994) that a precondition to sample selection is to define the target population as intently as possible and that sample selection depends merely on the population size, its uniformity, the sample media, its rate of use, and the degree of accuracy required. Since it may not always be possible to know the true population, researchers have suggested that a theoretical sample may be used (Attewell & Rule, 1991). In order to arrive at a sample size, a list of all registered hotels was obtained from the GTA. According to GTA (2009) there are 5-star, 4-star, 3-star, 2-star and 1-star hotels

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in Accra. The sampling frame of 30 registered hotels comprising of 5-star, 4-star, 3-star, 2-star and 1-star hotels was obtained with a total of 240 employees.

A sample of 150 respondents was selected so as to have a fair representation of the hotels in Greater Accra. The Yamane (1973) formula was used at the confidence level of 95% with 0.05 margin of error. The determination of the sample size using the Yamane (1973) formula is given as:

$n = N/ \{1 + N (e)^{2}\}$

Where; n = sample, N= population e = error margin

$n = 240 / \{1 + 240(0.05)^{2}\}$

$n = 150$

Therefore, the appropriate sample size using the Yamane (1973) formula is 150 respondents for the study.

Sampling Procedure

The sample was selected through a stratified proportionate random sampling technique. With proportionate stratification, the sample size of each stratum is proportionate to the population size of the stratum. This means that each stratum has the same sampling fraction. The stratified proportionate sampling technique lends reliability to the study, as proper representation of the entire population is ensured (Rashid & Uz Zaman, 2017). Statistical formula for sampling, $n=N/1+N(e)^2$ is used to reach the ideal sampling size for the study. Table 1 and Table 2 shows the breakdown of population and the selected sample respectively.

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Table 1: Breakdown of Population

Star Rating	Total number of Employees
5- star	58
4- star	45
3- star	60
2- star	42
1-star	35
Total	**240**

Source: Field Survey (2019)

Table 2: Sample selected

Star Rating	Number of Respondents
5- star	36
4- star	28
3- star	38
2- star	26
1-star	22
Total	**150**

Source: Field Survey (2019)

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Data Collection Instrument

Structured questionnaires were used to carry out the study. Questionnaire was adopted because it took less time to administer and also ensured the anonymity of respondents (Fraenkel & Wallem, 2000). This method enables as many respondents as possible to be reached within the shortest possible time during a research. The method also facilitates efficient collection of statistically quantifiable information (Twumasi, 2001). Furthermore, questionnaire is widely used instrument and also useful for collecting survey information (Cohen, Manion & Morrison, 2007). Abdullah and Raman (2001) asserted that questionnaires give respondents freedom to express their views or opinion and also to make suggestions.

Finally, questionnaires are standardized in nature which helps in comparison of different responses from respondents and at the same time giving some intellect of obscurity for respondents (Hair, Anderson, Tatham & Black, 2006; Saunders, 2011)

The questionnaire was made up of closed ended questions. The closed ended questions provided the opportunity for the respondent to select from options provided by the researcher. The questionnaires were based on 4 sections, the section one was based on the demographic information of the respondent and the other sections were based on the research objectives. The items on the questionnaire were multiple-scored on a five point Likert type scale. The items on the Likert type scale was scored ranging from strongly disagree, disagree, neutral, agree and strongly agree.

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Data Collection Procedure

Initially, a letter of introduction from the UCC was sent to the target hotels to seek their consent. The questionnaires were then distributed to the target respondents by personal contact. The target respondents were given enough time for them to respond to questionnaire. The questionnaires were then retrieved through personal contact for sorting and analysis.

Data Analysis

Both descriptive and inferential statistics was used to analyze the data. Descriptive statistics such as frequencies and percentages was used to present findings on the demographic profile of the respondents. Frequencies and percentages were used to present the demographic characteristics of the respondents. Correlation and multiple regression analysis was used to establish the relationship between the external business environmental factors and performance of the selected hotels. Data analysis was done using the Statistical Product and Service Solutions (SPSS, Version, 20). The SPSS was employed to analyze both the descriptive and inferential statistics.

Ethical Considerations

According to Blanche, Blanche, Durrheim & Painter (2006), it is imperative to protect information gathered from participants in the course of the research. The researcher ensures that responses given by participants could not be traced back to them in the analysis. Participants are obliged to provide written informed consent, which requires that participants are competent and have full understanding of the study, voluntariness in participation and the freedom to decline or withdraw at any time during the research process. In relation to the

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above contribution, this study also sort to overcome ethical issues concerning the information gathering process.

Chapter Summary

This research methodology employed in the study was presented in this chapter. It was indicated that Ghana's hotel industry comprises of hotels, lodges, resorts, inns, motels, guest houses and hostels. In fact, the grading of these accommodation units was done by the Ghana Tourist Authority according to a classification system of hotels based on a rating system of budget. The quantitative research method which makes an effort to maximize objectivity, reliability and generalizations of research findings was employed to achieve the objective of the study.

The Yamane (1973) formula was used to arrive at 150 respondents for the study. In order to have a proper representation of the entire population is ensured, the stratified proportionate random sampling technique, where the sample size of each stratum is proportionate to the population size of the stratum was utilized to select the sample size of 150 respondents. The research instrument was structured questionnaires. The questionnaires were distributed to the target respondents by personal contact after letter of introduction from the UCC was sent to the target hotels to seek their consent. . Correlation and multiple regression analysis was used to establish the relationship between the external business environmental factors and performance of the selected hotels. Finally, effort was made to ensure that responses given by participants could not be traced back to them in the analysis.

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CHAPTER FOUR

RESULTS AND DISCUSSIONS

This chapter presents and discusses findings of the research. The main purpose of the study was to examine the influence of the external business environment on the performance of hotels in Greater Accra Region. In analyzing and interpreting the responses, the researcher made use of correlation and multiple regression analysis to achieve the objectives of the study.

Demographic Characteristics of Respondents

This section presents the demographic characteristics of the respondents who took part in the study. Specifically, this section presents the results of the respondents according to their gender, age, years of working with the hotel and highest education/academic qualification/professional qualification. Table 3 presents the results on the demographic characteristics of respondents.

Table 3 provides the Demographic Characteristics of Respondents of the study. In terms of gender, 42% were males whiles the remaining 58% were females. This result shows females are dominated in the hotel industry. These substantial variations confirm the general assumption that females are more.

Regarding the age, respondents were grouped into various age brackets. From the result, 57.3% of the respondents fall within the age bracket of 30-35, 21.3% falls within 36-40, 6.7% of them falls within 41-45, 3.3% falls within 46-50, 8% falls within 51-5 whiles the remaining 3.3% were above 55 years. The result confirms the youthful nature of workers in the hotel industry.

In relation to the numbers of years respondents have worked, 50% of respondents have worked within 1-5 years. 27.3% have worked within 6-10 years, 17.3% have worked with 11-10 years whiles the remaining 5.4% have

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worked above 15 years. It can be concluded that most of the respondents were workers who have worked within 1-5 years in the hotel.

Table 3: Demographic Characteristics of Respondents

Demography	**Category**	**Respondents (n= 150)**	
		N	***%***
Gender	Male	63	42
	Female	87	58
Age	30-35 years	86	57.3
	36-40 years	32	21.3
	41-50 years	5	3.3
	51-55 years	12	8
	Above 55 years	5	3.3
Years of service	1-5 years	75	50
	6-10 years	41	27.3
	11-15 years	26	17.3
	Above 15 years	8	5.4
Level of Education	HND/Diploma	17	11.3
	Bachelor Degree	86	57.3
	Master Degree	37	24.7
	Doctoral degree	10	6.7

Source: Field survey (2019)

From the results in Table 3, it is clear that there were more Bachelor degree holders than any of the other qualifications. Whiles Bachelor degree holders were recorded as 57.3% of the sampled population, 24.7% for Master Degree, Doctoral holders recorded 6.7% and HND/Diploma recorded 11.3%. This goes to show that majority of respondents hold tertiary education qualification, which is one of the requirements for employment in the hotel industry.

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Analysis of the Main Results

The main objective of the study is to examine the influence of the external business environment on the performance of hotels in Greater Accra Region. . PESTLE (Political, Economic, Social-Cultural, Technological, Legal and Environmental) factors were used to examine the external business environment of the hotel while the performance was measured from the preview of financial and non-financial performance indicators.

Test of Reliability

The study employed the Cronbach's alpha to assess the reliability of the variables. The Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. A reliability values of 6.0 to 0.70 and above are deemed by many researchers as acceptable (Blumberg, Cooper, & Schindler, 2008; Birks, & Malhotra, 2006). The result is presented in Table 4.

Table 4: Reliability Test

Variables	Cronbach's alpha	Number of items
Political Factors	0.714	5
Economic Factors	0.724	5
Technological Factors	0.704	5
Legal factors	0.733	5
Social factors	0.729	5
Environmental Factors	0.804	5
Performance of Hotel	0.740	5

Source: Field survey (2019)

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From Table 4, all Cronbach's alpha values obtained fall within the threshold, suggesting that all the variables used in the study have relatively high internal consistency. It also shows that all the variables employed in the study are reliable.

Descriptive Statistics

The study computed the descriptive statistics of all the relevant variables involved. These descriptive statistics computed include, the mean, standard deviation, skewness, and kurtosis. Generally, the descriptive statistics of variables are done to check for the distribution of the variables or data. A vivid illustration of this statistics is presented in Table 5.

Table 5: Summary Statistics of the Variable

	Mean	Standard Deviation	Skewness	Kurtosis
Political Factors	3.1027	0.81915	0.053	0.257
Economic Factors	3.0520	0.92814	-0.176	.454
Technological Factors	3.4933	1.07458	1.994	15.043
Legal Factors	3.3200	0.90368	-0.473	-0.279
Social Factors	3.3987	1.47070	3.175	22.055
Environmental Factors	3.2640	1.39227	4.209	31.529
Hotel Performance	3.4320	0.79902	-0.526	1.205

Source: Field survey (2019)

A total number of 150 observations was used in conducting the descriptive statistics of the relevant variables employed in the study as depicted

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in Table 6. It was found that all the variables have positive average values (means). It can also be observed from Table 5 that with the exception of economic factors, legal factors and hotel performance, all the variables are positively skewed implying that the majority of the values are less than their means.

The average value of political factors is 3.10 and a standard deviation is 0.053. This means that the value of political factors can deviate from the mean by 0.053 and it is positively skewed. Economic factors has a mean of 3.05 with a standard deviation of 0.92 for the study period. However, economic factors is negatively skewed. The average technological factor is 3.49 with a standard deviation of 1.07. The standard deviation of 1.07 implies that technological factor deviate for its mean by 1.07 and it is positively skewed.

Moreover, legal factors has a mean value of 3.32 and a standard deviation of 0.90. From the result, legal factor is negatively skewed. Social factor deviates from its mean by 1.47 with an average value of 3.39. Furthermore, the average value of environmental factor is 3.26 with a standard deviation of 1.39. Finally, hotel performance has a mean of 3.43. The standard deviation of hotel performance is 0.72 and it is negatively skewed.

Pearson Correlation Test

The study conducted a Pearson correlation analysis to measure the relationship between hotel performance and measures of external business environment. Specifically, the Pearson correlation seeks to test the strength and course of association between hotel performance and measures of external business environment. It is also used to check multicollinearity among the variables used in the regression analysis. It is recommended that the value of

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the Pearson correlation should not exceed 0.7 for absence of multicollinearity. The results are presented in Table 6.

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Table 6: Pearson Correlation Test

	Hotel Performance	Political Factors	Economic Factors	Technological Factors	Legal Factors	Social Factors	Environmental Factors
Hotel Performance	1	0.20	0.311	0.381	0.674	0.390	0.374
Political Factors	0.120	1	0.477	0.177	0.205	0.162	0.263
Economic Factors	0.311	0.447	1	0.211	0.402	0.294	0.376
Technological Factors	0.381	0.177	0.211	1	0.354	0.227	0.249
Legal Factors	0.674	0.205	0.502	0.354	1	0.450	0.428
Social Factors	0.396	0.162	0.294	0.227	0.450	1	0.346
Environmental Factors	0.374	0.263	0.376	0.249	0.428	0.346	1

Source: Field survey (20

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Table 6 presents the Pearson correlation analysis between hotel performance and measures of external business environment. From the results, there is no evidence of multicollinearity since the values of the Pearson correlation analysis are less than 0.70.

From the result, it can be indicated that the political factors positively influence hotel performance. This implies that as political factors increases, hotel performance will increase. Economic factors also have a positive relation with hotel performance, an increase in economic factors will lead to an increase in hotel performance. Technological factors is positively related to hotel performance. An improvement in technological factors will lead to a rise in hotel performance.

Moreover, it can be indicated that there is a positive relationship between the legal factors and hotel performance. In that, hotel performance increase when there is an improvement in legal factors. Social factors was found to exhibit a positive relationship with hotel performance implying that an increase in social factors will lead to a rise in hotel performance. Finally, there is positive relationship between environmental factors and hotel performance. An increase in environmental factors will cause a rise in hotel performance.

Regression Analysis

In order to examine the influence of the external business environment on the performance of hotels in Greater Accra Region. Multiple regression model was estimated to achieve the objective. The results are presented in Table 7.

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Table 7: Estimated Results of External Business Environment and Hotel Performance

Dependent Variable: Hotel Performance

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	1.240	.251		4.950	.000
Political	-0.068	.066	-.070	-1.041	.300
Economic	0.031	.063	.035	.488	.626
Technological	0.114	.048	.153	2.377	.019
Legal	0.483	.066	.546	7.321	.000
Social	0.049	.037	.090	1.311	.192
Environmental	0.044	.040	.076	1.093	.276
R	0.702				
R-Square	0.493				
Adjusted R-Square	0.472				
F-Statistics	23.183 (0.000)				

Source: Field survey (2019)

Table 7 shows the estimated regression results of the influence of external business environment on hotel performance. The value of R square (0.493) implies that approximately 49% of the variations in hotel performance is explained by external business environment measures. The R value of 0.702 in the model shows a very high level of prediction. The F value of 23.183 (0.000) indicates that the combined effects of external business environment (Political, Economic, Social-Cultural, Technological, Legal and Environmental) on hotel performance was significant.

From the results, with the exception of political factors, all the variables had a positive effect on hotel performance.

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Political factors had a negative relationship with hotel performance. This results support the findings of Mark and Nwaiwu (2015) who revealed that the negative relationship between the political environment and business performance is as a result of party politics with threats or war, growing height of criminal activities and terrorism, kidnapping, and bomb explosion all of which hinder business patronage and scares away investors. The coefficient of 0.068 implies that a 1% increase in political factors will decrease hotel performance by approximately 6.8% but it is insignificant since the P-value is greater than any of the conversional values (0.01, 0.05, and 0.1). This shows that political factors do not affect the performance of hotel. As a result, we fail to reject the null hypothesis that political factors do not have significant effect on hotel performance. The insignificant effect is consistent with findings Akrofi (2017) who found that political factors do not have a significant influence on hotel performance.

Economic factors had a positive effect on hotel performance. This is in contrast with the findings of Obasan (2014) and Obiwuru et al. (2011) who found that external factors such as government policy, multiple taxation, infrastructural deficiency, dismay power supply, volatile exchange rates among other factors escalate cost of doing business in Nigeria pose threat to firms and industries. The coefficient of 0.031 implies that a 1% increase in economic factors will increase hotel performance by 3.1% but it is insignificant since the P-value is greater than any of the conversional values (0.01, 0.05, and 0.1). This implies that economic factors do not have influence on hotel performance. Hence, we fail to reject the null hypothesis that economic factors have no significant effect on hotel performance.

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Moreover, Technological factors had a positive significant effect on hotel performance. From the results, a 1% increase in Technological factors will increase hotel performance by 11.4% which is significant at 5% level of significance. This led to the acceptance of the alternate hypothesis that technological factors have significant effects on hotel performance. This result concurs with the findings of Law and Jogaratnam (2005) who studied information technology applications in the hotel industry in Hong Kong. Law and Jogaratnam (2005) found that information technology is an essential component in the strategic planning process of the hotel business performance and improving customer service. Berry (1995) asserted that technology enhances service quality performance creates a competitive advantage and improves the skills of the people who make up the service organization. Therefore, effective use of technology in the provision of service in the hotel industry will enhance performance. The result however, is inconsistent with the findings of Akrofi (2017) who found insignificant negative effects of technological factors on hotel performance.

Legal factors was found to exhibit positive influence on hotel performance. The coefficient of 0.483 implies that a 1% increase in legal factors will increase the performance of hotel by approximately 48%.This effects is statistically significant at 1% level of significance validating the alternate hypothesis that legal factors have a significance influence on hotel performance. Legal changes can affect a firm's costs (e.g. if new systems and procedures have to be developed and demand (e.g. if the law affects the likelihood of customers buying the good or using the service). The introduction of age discrimination and disability discrimination legislation, an increase in the minimum wage and greater requirements for firms to recycle are

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examples of relatively recent laws that affect an organization's actions. This results support the findings of Akrofi (2017) that adherence to legal factors will lead to a rise in performance. Similarly, the World Bank (1990) revealed that government legal-regulatory stance influenced entrepreneurial performance.

Social factors had a positive influence on the performance of hotel. From the results, a 1% rise in social factors will cause a corresponding rise in hotel performance by 4.9%. Changes in social trends can impact on the demand for a firm's products and the availability and willingness of individuals to work. Social factors include the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. However, this result proved otherwise in this study, as the effects of social factors is insignificant. Therefore, we fail to reject the null hypothesis that social factors have no significant effect on hotel performance.

Finally, Environmental factors had a positive influence on the performance of hotel. This implies that a 1% increase in Environmental factors will lead to approximately 4.4% increase in the performance of hotel. However, this effects is statistically insignificant leading to the rejection of the alternate hypothesis that environmental factors have significant influence on hotel performance.

Post Estimation Test

The estimated regression post estimation results indicated that the model was correctly fit. Table 9 presents the result of heteroskedasticity test for constant variance.

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Table 8: Heteroskedasticity test

Breusch – Pagam / Cook – Weisberg test for heterokedasticity
Ho: Constant Variance
Variables: fotted values of HP
Prob > chi 2 = 0.38

Source: Author's estimate (2019)

In using regression analysis, the variance of the conditional distribution of error term should be constant, for all such distributions where the variance is not constant; there is a situation of heteroscedasticity. Therefore, the heteroscedasticity test was performed to find out whether there is presence or absence of constant variance. The null hypothesis of the test is that there is a constant variance. From the results, the null hypothesis of a constant variance cannot be rejected per the heteroscedasticity test which means the variance of the error term is constant.

Chapter Summary

This chapter presented the results and discussion of the study. Firstly, the demographic characteristics of the respondents who took part in the study was presented. The researcher believed such characteristics have essential influence on the respondents of the study. The Cronbach's alpha values obtained for all variables fall within the threshold, suggesting that all the variables used in the study have relatively high internal consistency. It was found that all the variables have positive average values (means). It was also observed that with the exception of economic factors, legal factors and hotel performance, all the variables are positively skewed implying that the majority of the values are less than their means.

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The Pearson correlation analysis was performed to measure the relationship between hotel performance and measures of external business environment. The study results from the estimated regression analysis show that external business environment factors such as legal and technological factors positively influence hotel performance. Economic, political, social and Environment factors does not exert any influence on hotel performance. This implies that external business environment plays pivotal role in the performance of hotel especially legal and technological factors.

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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The summary, conclusions and recommendations of the study are presented in this chapter. The overview of the research problem, objectives, methodology and the findings of the study are presented in this chapter. The conclusions contain all outcomes regarding the findings of the study based on the hypotheses. Also, policy recommendations to be implemented and suggestions for future research are presented in this chapter.

Summary

The role of hotel industry has become increasingly important in recent years especially in the Ghanaian economy (GTA, 2008). However, their performance, which is the ultimate criterion in the assessment of organizations has declined over the years (Duncan, 1972). (Eruemegbe, 2015) asserted that a major portion of the onus for better performance falls upon the external business environment in which the hotel operates. Therefore, there is the need to look at the influence of external business environment on hotel performance.

The study sought to examine the influence of the external business environment on the performance of hotels in Greater Accra Region. PESTLE (Political, Economic, Social-Cultural, Technological, Legal and Environmental) factors were used to examine the external business environment of the hotel while the performance was measured from the preview of financial and non-financial performance indicators. Specifically, the study sought:

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1. To assess the effect between the political factors and performance of the hotel industry in Accra.
1. To assess the effect of economic factors on the performance of the hotel industry in Accra.
2. To assess the effect of social factors on the performance of the hotel industry in Accra.
3. To assess the effect of technological factors on the performance of the hotel industry in Accra.
4. To assess the effect of legal factors on the performance of the hotel industry in Accra.
5. To assess the effect of environmental factors on the performance of the hotel industry in Accra.

The quantitative research method was adopted to achieve the objectives of the study. A sample of 150 respondents comprising of management and staff was selected through a stratified proportionate random sampling technique. Semi-structured questionnaire was used to collect the primary data used for the analyses. The Statistical Package for Social Sciences (SPSS) was employed in the data analysis. The data was analyzed using Pearson correlation test and multiple linear regression. Tables were used to display the results.

Key Findings

The study revealed that approximately 49% of the variations in hotel performance is explained by external business environment measures.

It was also revealed that political factors adversely affect hotel performance but such influence is insignificant. Economic, social and Environment factors

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on the other hand had a positively and insignificant influence on the performance of hotel.

Finally, legal and technological factors exhibit a statistically significant positive effect on hotel performance. Thus, legal and technological factors contribute more to the variation of the performance of hotel.

Conclusion

The study sought to examine the influence of the external business environment on the performance of hotels in Greater Accra Region. The study concludes that external business environment factors such as legal and technological factors positively influence hotel performance. Economic, political, social and Environment factors does not exert any influence on hotel performance. This implies that external business environment plays pivotal role in the performance of hotel especially legal and technological factors.

Recommendations

Based on the findings of the study, the following recommendations are made:

1. Hotel management/owners should maximize their investment in technology in their operations as technological factors enhance hotel performance.
2. Managers of Hotels need to be aware of the risks involved in the legal environment and is often advisable to have a reliable local partner and an attorney who can deal with the legal issues and bureaucracy.
3. Management and staff should strictly adhere to the legal factors as such factors positively influence hotel performance.

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Suggestions for Future Research

The external business environment was only considered in this study, future research can consider the internal business factors that influence the performance of hotels. Also, similar studies can be conducted on other sectors of the economy.

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APPENDIX A

QUESTIONAIRE

UNIVERSITY OF CAPE COAST

COLLEGE OF HUMANITIES AND LEGAL STUDIES

SCHOOL OF BUSINESS

DEPARTMENT OF MANAGEMENT

Am Ernestina Martei, an MBA student in the Department of Management, School of Business at the University of Cape Coast. As part of the requirements for graduating in my programme, I am seeking empirical data on the 'external business environment and performance of hotels in Accra" in support of my dissertation. As part of the information gathering process for the study, I am requesting for your permission to share your opinion on the subject. This survey is based on high ethical standards and every information provided is purely for academic purposes only. For the purpose of anonymity, your responses will be held in strictest confidence. Many thanks in anticipation of your cooperation.

SECTION A: BACKGROUND INFORMATION/ PERSONAL DATA

In this section, you are required to (√) in the box provided against the answer of your choice. You are also required to provide brief answers where necessary.

A1. Gender: Male [ ] Female [ ]

A2. Age:

30- 35 [ ]

36 – 40 [ ]

41 – 45 [ ]

46 – 50 [ ]

51 – 55 [ ]

Above 55 [ ]

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A3. Marital status Married [ ]

Single [ ]

Separated [ ]

Widowed [ ]

Divorced [ ]

A4. How many years have you been in the hotel?

1- 5 years [ ]

6- 10 years [ ]

11-15years [ ]

Above 15 Years [ ]

A5. Current position……

A6. Highest education/academic qualification/professional qualification

a) Bachelor degree [ ]

b) Master degree [ ]

c) Doctoral degree [ ]

d) Others (Specify)

……

A7. Religion a. Christian []

b. Muslim []

c. African traditional religion []

d. others(specify)……

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SECTION B: External Business Environment of Hotel

This section examines your perception about the external business environment of the hotel industry. Please indicate your response by using the following scale. Choose

1=strongly disagree
2= Disagree
3=Neutral
4=Agree
5= strongly agree

No.	Statements	For each statement choose a number				
		SD	D	N	A	SA
	Political Factors					
1	The hotel industry is devoid of political interference	1	2	3	4	5
2	The hotel industry has unique legislation governing its operations	1	2	3	4	5
3	Government has provided the need for infrastructure (roads, electricity, water etc.) to facilitate the operations of the hotel industry	1	2	3	4	5
4	The security situation in the country favours the operation of the hotel industry	1	2	3	4	5
5	Government taxation policy supports the growth of the hotel industry	1	2	3	4	5
	Economic Environment Factors					
1	Interest rates in the country are favorable to the operations of the hotel industry	1	2	3	4	5
2	Exchange rates in the country are favorable to the operations of the hotel industry	1	2	3	4	5
3	Inflationary rates in the country are favorable to the operations of the hotel industry	1	2	3	4	5
4	The economic growth rate in the country is favorable to the operations of the hotel industry	1	2	3	4	5

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5	The employment situation in the country is favorable to the operations of the hotel industry	1	2	3	4	5
	Technological Environment Factors	SD	D	N	A	SA
1	The hotel industry has access to telecommunication infrastructure	1	2	3	4	5
2	The hotel industry has access to internet infrastructure	1	2	3	4	5
3	The hotel industry has access to E-banking services (ATM, Mobile Money Service etc.)	1	2	3	4	5
4	Technological change and development support the performance of the hotel industry	1	2	3	4	5
5	The hotel industry has CCTV camera to ensure security	1	2	3	4	5
	Legal factors					
1	The legislation in the hotel industry favours business operation	1	2	3	4	5
2	The laws in the country protect hotel customers	1	2	3	4	5
3	The laws in the country are loose enough to be broken by hotel operators	1	2	3	4	5
4	Our operations conform with the laws in the country	1	2	3	4	5
5	The laws of the country for hotels affects our performance as employees	1	2	3	4	5
	Social factors					
1	Customers patronize our products more					
2	The demand of customers vary with time					
3	Our customers are distributed across the country					
4	Customers patronage of the hotel services affects our performance					

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5	The taste and preference of customers change over time					
Environmental Factors						
1	Weather conditions affects hotel patronage					
2	Our hotel comply with the EPA regulations					
3	The products and services offered in the hotel are environmental friendly					
4	Most of the hotel products are recyclable					
5	Customers complain of side effects of using our hotel products					

SECTION C: Performance of Hotel

This section examines the level of performance of your hotel. Please indicate rate, the performance of your hotel using the following scale.

1=Very poor
2= Poor
3=Moderate
4=High
5= Very high

No	Indicators	For each statement choose a number				
		VP	P	M	H	VH
1	Net sales	1	2	3	4	5
2	Net profit margin	1	2	3	4	5
3	Operational efficiency of the hotel	1	2	3	4	5
4	customer satisfaction of services	1	2	3	4	5
5	Growth in market share of the hotel	1	2	3	4	5

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SECTION D

Any other comments and suggestions

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……
……
……
……

Thank you

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