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‘Fall to Rise’: A Quest to Revive Performance of Sri Lanka’s Boutique Hotels in Post-Easter Attack

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Abstract

This study aims to identify the factors influencing the business performance of boutique hotels in Sri Lanka, in particular, those factors that impact the most post-easter Sunday attacks. Three major factors were identified based on past literature; these were operators’ experience and strategies, financial structure and marketing strategies. During May to July, 2020, data were collected via a questionnaire to respondents, who are owners of 53 boutique hotels. Snowball sampling was used and data were analyzed using SPSS statistical software and multiple regression was used to identify the factors that influence the performance of boutique hotels the most. The study findings conclude that the -operator’s previous experience and strategies- is the factor that influences business performance the most. Twelve semi-structured interviews were conducted to investigate how boutique hotels have regained their business performance in the aftermath of the easter Sunday attack. The analysis revealed that boutique hotels have adopted the local market strategy, the social media marketing strategy, discounts and promotional strategies, the employee lay off strategy and the employee training strategy to regain business performance post-easter Sunday attacks. This study is significant for boutique hotel owners to maximize their profits and for the government to implement better tourism-related policies.

Keywords: boutique hotels, business performance, operator’s previous experience and strategies, marketing strategies, financial structure.

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I. INTRODUCTION

1.1. Background of the Study

Tourism is a process that involves spending time away from home in pursuit of relaxation, pleasure and recreation while using the commercial provision of services. Air transportation, theme parks, eating and drinking establishments, lodging and accommodations, and museums are some specific segments in tourism that have their own industrial classification codes in every industrialized country (Grzywacz & Zieglen, 2014). In recent years, tourism has been identified as a growing and lucrative industry. Tourism generates considerable revenue, thus constitutes a major proportion of gross domestic product (GDP) in many countries.

International travel tourism supports significantly to economic growth and development of the global economy (UNWTO, 2013). Interestingly, one billion tourists have travelled the world, setting a new record in the international tourism sector that accounts for one in every 12 jobs and 30% of the world's services exports. The world travel and tourism council reported (WTTC, 2018), the tourism industry employs 319 million people worldwide/globally and this number is expected to reach 421 million in 2029. According to data from the "international perspectives on women that work in hotels, catering and tourism" reported by Cornell University, 55.5% of employees in the tourism industry are women (Baum, 2013).

The latest data of the world travel and tourism council (WTTC, 2019) reveal that the tourism industry contributes 10.4% to the world's GDP. In European countries such as France and Portugal, tourism constitutes 7.3% and 13.7% of their GDP, respectively. For economies in Latin American countries such as Mexico, tourism contributes 8.7% of GDP (Loss, 2019). Likewise, the Sri Lankan tourism industry is one of the main contributors to the local economy (Fernando et al., 2016). Many developing countries such as Sri Lanka, Singapore, and Malaysia have gained large-scale benefits through tourism activities.

The tourism sector of Sri Lanka experienced rapid growth and it has been identified as the largest source of income in Sri Lanka. As noted above, evidence shows that most developing countries earn a significant portion of government revenue from tourism. Sri Lanka is famed as a tourist destination all over the world (Fernando et al., 2016). Since gaining independence from the British in 1948, Sri Lanka has attracted many foreign investors and tourists to the country. In 2019, Sri Lanka attracted 2.2 million visitors/tourist arrivals and earned approximately Rs.792 billion (Sri Lanka tourism development authority, 2019). Therefore, the country has identified that the development of the hospitality industry is an important source of economic diversification. The hotel/hospitality industry is highly competitive since customers/guests always emphasize reliability and timely service delivery (Poku et al., 2013). Therefore, the success of the tourism/hospitality industry relies on the extent to these guest expectations on service quality are met. Sri Lanka boasts of a number of diverse hotels/accommodations. Star class hotels, boutique hotels, bungalows, guest houses, homestays, heritage homes and bungalows are some of these. Overall, the vision of the hotel industry is to provide high-quality services, effectively and efficiently, to satisfy the expectations of customers/guests or even to delight them.

A Boutique Hotel is a small and comfortable hotel with a personal note, having a stylish design and decor. It has a distinctive personality and sets itself apart from other hotel brands. These boutique hotels offer a range of luxurious services, are mostly autonomous, and situated in the middle of busy global cities; Boutique hotels offer a

more authentic cultural experience than other hotel categories on the chain (Hardware, 2016). Among these types of hotels, the boutique hotel category is a vital part/is an integral part of the tourism industry of Sri Lanka. The uniqueness of boutique hotels is such that it attracts many customers specially who are high-spending. This is because the purposes of tourist visits/tourist attractions are centered around these boutique hotels.

The easter attack which took place in April 2019 hit the hotel sector in Sri Lanka severely. Suicide bombings carried out by extremists killed over 250 people, including 38 foreigners, while at least 500 were injured (BBC News, 2019). The government blocked major social media platforms to prevent the spread of false information that could have triggered violence among communities (Central Bank of Sri Lanka, 2019). Many hotel bookings were cancelled post-easter Sunday attacks, while hotel occupancy islandwide/across the island declined steeply from 8% to 9% (Mallawarachi, 2019). The easter attack not only destroyed the lives but also the livelihoods of Sri Lankans who depend on providing ancillary services to tourism. Some findings and responses depict the magnitude of the adverse impact to Sri Lanka's tourism sector due to the easter Sunday attack. An executive of one of the hotels in Hikkaduwa stated that "it is a real disaster and we don't know what to do to overcome the situation" (Mallawarachi, 2019). The rebuilding cost of Rs.5.5 million had forced the hotel's management to retrench half of its workforce.

1.2. Research Problem

Through forecasting future travel patterns by analyzing over 17 million flight transactions a day, Pasternak (2019) is of the view that in three days after the easter Sunday attacks, cancellations of existing flight bookings surged by 86.2% while new bookings also declined sharply. During 2019, the average tourist arrivals to Sri Lanka per day prior to the attack was 7,600, which number dropped to 1,700 during the two-month period after the attack (Central Bank of Sri Lanka, 2019). In 2018, the average occupancy rate of Sri Lankan hotels was 72.77%. However, this too fell sharply after the attack, decreasing to 57.1% by the end of 2019 (Sri Lanka tourism development authority, 2019). Based on the above information, it can be concluded that the business performance of organizations in Sri Lanka's tourism industry weakened/deteriorated due to the easter Sunday attacks. Therefore, the Sri Lankan economy has also been highly affected/severely hit. Table 1 depicts changes in trends in the tourism industry in the period 2013-2018.

Table 1

Trends in the Economic Indicators of Tourism Sector, 2013-2018

Year	Tourism Arrivals	Excursionist (spent less than 24 hours in the country of arrivals)	Number of Accommodation Establishments	Employment	
				Direct	Indirect
2013	1,274,593	140,009	2,075	112,550	157,600
2014	1,527,153	138,097	2,873	129,790	170,100
2015	1,798,380	195,134	3,089	135,930	183,506
2016	2,050,832	116,544	3,383	146,155 ^(a)	189,544 ^(a)
2017	2,116,407	131,409	3,634	156,369 ^(a)	202,846 ^(a)
2018	2,333,769	186,862	3,954	169,003 ^(a)	219,484 ^(a)

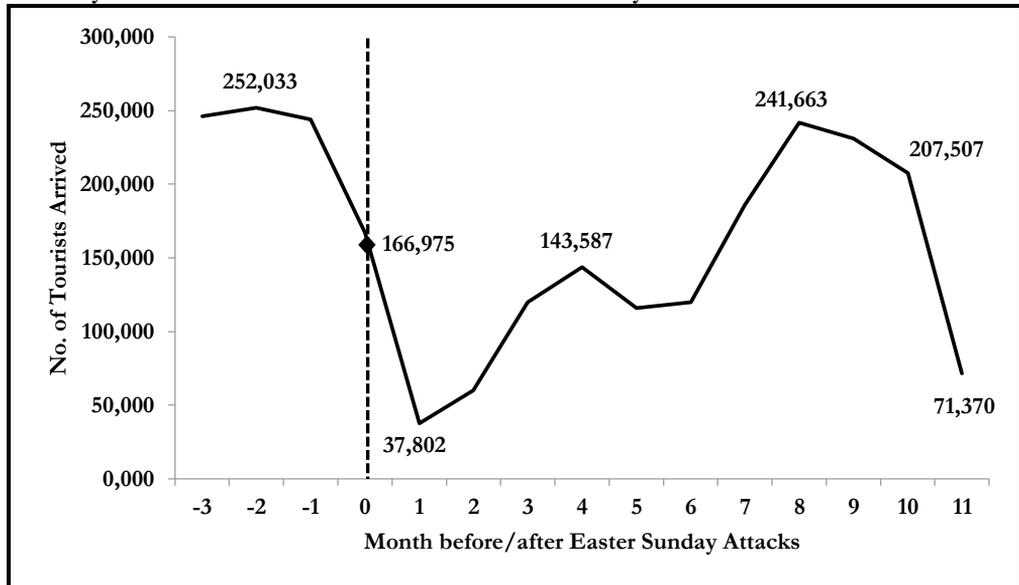
Source: Sri Lanka tourism development authority (2019).

According to the data available up to 2018, the outlook has been lucrative for the tourism industry in Sri Lanka and the government expected a high rate of growth going into the next decade (Munasinghe et al., 2019). However, in 2019, the development of

the tourism industry was severely affected due to the easter Sunday attack. This adversity affected the boutique hotel industry in Sri Lanka a great deal and the industry had to undergo an overly critical loss due to the sudden fall in foreign arrivals. Most boutique hotels are situated in the cities in which the bomb blasts took place (Negombo, Dehiwala). This sudden string of events devastated the upturn in the tourism industry (which it enjoyed post-war 2009) which accounted for one of the main sources of foreign income and a high percentage of foreign investment. Figure 1 compares tourism arrivals in 2018 and 2019, before and after the easter Sunday attack.

Figure 1

Monthly Tourist Arrivals before and after Easter Sunday Attacks



Source: central bank of Sri Lanka, annual report 2019.

Due to the easter Sunday terror attack, the factors which led to the business performance of boutique hotels, such as marketing strategies and financial structures, were badly affected. The purpose of this study is to identify the critical factors which influence the business performance of boutique hotels, and to critically evaluate how boutique hotels have regained their customers and improved their profits, both in the aftermath of the easter Sunday attacks. The ministry of tourism in Sri Lanka has also taken several global initiatives to rebuild the tourism sector of Sri Lanka.

1.3. Research Objectives

The researchers will be fulfilling their requirement in this research study by constructing their research objectives. Hence, the main research objectives are set down as follows:

- 1) To identify the factors, which influence the business performance of boutique hotels.
- 2) To identify the factors that influence the business performance of boutique hotels in Sri Lanka the most.
- 3) To identify how boutique hotels have regained their business performance after the easter Sunday attack.

1.4. Significance of the Study

Boutique hotels focus on a niche market, and earn a higher profit margin offering customization for guests who seek alternative types of accommodation and an

authentic cultural experience. Hence, considering the high sensitivity of this up-market tourist segment, identifying the factors that influence the business performance of boutique hotels is vital, as it is to identify what socio-economic and demographic factors affect their business performance. Additionally, resource planning, decision making on financial marketing and operational aspects and knowing how these factors affect hotels at national and international levels are important in order to amend the business model of boutique hotels for improved performance. This study will also benefit the government and policy makers by providing a framework to identify the existing or future factors that will impact business performance, as well as the economic issues which boutique hotels in Sri Lanka's tourism industry have encountered during a massive financial crisis. This study will also assist the relevant state and authorized bodies to identify weak and sensitive points in the Sri Lankan tourism industry in order to revive and boost the business performance of Sri Lankan boutique hotels.

Tourism is a high profit generating sector in the Sri Lankan economy on which many livelihoods depend. Hence, it is important that Sri Lankans, including those who are involved in this sector and potential entrants to the boutique hotels sector, have a better idea/awareness/understanding of tourism. Stakeholders and senior management of boutique hotels can refer to this study and apply its findings to gain information about managing boutique hotels within the tourism industry of Sri Lanka. This study contains some very relevant information on the boutique hotel sector and is an eye-opener on how to become a successful boutique hotel owner/operator, even during a crisis.

II. LITERATURE REVIEW

The literature reviewed comprised studies related to the business performance of boutique hotels. This literature contained clarifications on areas such as the clear identification of boutique hotels, history and characteristics of boutique hotels, the Sri Lankan boutique hotel sector, business performance, business performance of boutique hotels and factors influencing the performance of boutique hotel. The literature also includes the factors that influence the business performance of boutique hotels such as operators' previous experience and strategies, financial structure, and marketing strategies. The impact of terrorist attacks worldwide on the tourism industry, which was also used for the study, is also included in the literature.

2.1. Boutique Hotels

The study found that boutique hotels are better described as small, trendy hotels providing high standards of service. Lifestyle hotels are identified as creative and provide a more personal experience than the so-called 'branded' hotels (Jones et al., 2013). Jones et al. (2013) defined boutique hotels as being specific in style, design centered and either independent or connected with smaller brand segments. Victorino et al. (2005) pointed out that the emergence of boutique hotels involves creating new or trendy decoration assets while providing lots of additional luxury facilities.

2.2. History of Boutique Hotels

The first boutique hotel was launched in 1981 (Anhar, 2001). The Blakes hotel in London, and the Bedford hotel in San Francisco are the first two boutique hotels in the world, and they were started in the same year. Blakes Hotel and other innovative luxury hotels like New York's Morgan's Hotel and San Francisco's Phoenix have been designed to meet the needs of cultured travellers (Mun Lim & Endean, 2009). The properties of these hotels have been described as "intimate," and while some were

modelled on small hotels in the European style, others focused on specific themes, such as “rock and roll” (Anhar, 2001). Such early boutique hotels incorporated nightlife, spas and cuisine as a way of enhancing the hotel experience (Mintel, 2011).

Boutique hotels began to emphasize “homelike atmosphere” and “personalized service” as the sector became more developed (Lea, 2002). The boutique hotel sector grew rapidly more international (Caterer, 2005). In a recent research, it has been mentioned that some consumers look for a more unique or special hotel and reports that instead of simply seeing the hotel as an apartment, clients look to the hotel to deliver an experience in itself (Mintel, 2019). Hotels have typically been able to achieve a greater reputation as destinations and further creation of boutique hotels seems to be likely, with the market already outperforming the general UK hotel trade (Caterer, 2005).

2.3. Characteristics of Boutique Hotels

Boutique hotels can be characterized in terms of market size (small enterprise) and a high degree of personalized facilities representing the individuality and style of the creator, designer or entrepreneur (Kurgun et al., 2011). These hotels were built to meet the needs of travelers tired of staying in the same space with the same furnishings in each city they visited (Loureiro et al., 2019). A few research studies have focused on the boutique segment’s room inventory limits, indicating scale as a possible distinguishing feature. Having a limited number of bedrooms is the most common attribute used to characterize a boutique hotel in the somewhat sparse academic literature (Siggs & McIntosh, 2005). Boutique hotels have been described by Smith Travel Research as generally having under 200 rooms. Van Hartesvelt (2006) proposed that the inventory of a boutique hotel would amount to between 20 and 150 beds. Freund and Munsters (2004) pointed out that boutique hotels have unique architectural designs & great locations.

2.4. The Sri Lankan Boutique Hotel Sector

A boutique hotel is described as a small and familiar hotel type in the Sri Lankan tourism industry literature (Russo, 2014). It comprises an elegant layout theme with an individual note. Boutique hotels have some special characteristics which separate them from other lodging brands in Sri Lanka. Consistent with their inheritance, they furnish visitors with incredible and ultra-customized services (Russo, 2014). Most of these boutique hotels are commonly arranged in stylish, attractive urban areas. When establishing boutique hotels, owners and designers focus mainly on natural, attractive and elegant surroundings in which to situate these small types of hotels. These natural views help to attract more tourists to the hotels. On the other hand, it also helps to enlarge the value and beauty of these boutique hotels. Moreover, these small hotels play a significant role by offering customized assistance to their clients in the travel industry.

With respect to the size of boutique hotels in Sri Lanka, they can include 10 to 100 rooms, offering a sense of familiarity and security. They focus on travelers who are fed up with sleeping in the same room with the same furnishings in every city they visit (Aggett, 2007). According to most researchers some tourists look for unique or special hotels to experience their charm, rather than simply viewing the hotel as an accommodation (Rahman, 2018).

2.5. Business Performance of Boutique Hotels

Business performance is a set of analytical processes that enables the management of an organization to achieve pre-selected goals. In other words, business performance is the ability to fulfil the desires of the major stakeholders of the

organization (Zulkiffli & Perera, 2011). Business performance includes all business-related sectors or all business-related activities, for example financial and marketing performance as well as a broad scope of dimensions which are based on profitability, growth and social performance of organizations (Igi Global, 2020).

Improvement of the business performance of a boutique hotel is at the heart of strategic management (Namada et al., 2017). According to Neely (2005), measuring business performance involves a system termed Business Performance Measurement (BPM). In contrast, some researchers have mentioned that business performances could be measured using some constant indicators such as profit, return on investment, quality of design, product development, turnover or number of customers (Wood, 2006).

Numerous investigations show an inclination for subjective measures in the course of appraisal of business performance due to issues in obtaining objective, money-related information. As a result, directors are regularly inspired to assess business performance through general subjective estimates that can reflect progressively explicit target measures (Wall et al., 2004). Although there is a genuinely large collection of research on performance models and business models, there has been no analysis in the literature of performance implementation measurements.

2.6. Factors Influencing Business Performance

There are a number of factors which influence the business performance of boutique hotels. The factors that influence the improvement of boutique hotel performance is their service level, marketing techniques, a most recent innovation, and competition. Some research findings show five factors related to employees and hotel owners which influence the business performance of boutique hotels. These five factors are leadership, employee-employer interconnection, motivation, training (previous experiences of hospitality) as well as working conditions. The outcomes have demonstrated that there is a positive and notable connection among motivation, training, working conditions and employee performances. The outcomes additionally disclose that training, as a factor affecting performance, is more common in boutique hotels (Ghebrejorgis, 2018).

The owners of these boutique hotel businesses have employed various business strategies to optimize business performance (Mayberry, 2014). Some factors that affect the performance of these businesses are previous experiences of the operators, marketing resources and the capital-structure mix (Nenu et al., 2018). Policies and the institutional framework are also factors that influence the business performance of boutique hotels (Fuentes-Moraleda et al., 2019).

Furthermore, researchers have mentioned employee-employer performance related factors as influencing the performance of boutique hotels, as well. These factors are staff turnover, labor cost, training, and motivation of employees (Van Looy & Shafagatova, 2016).

2.7. Operator's Previous Experience and Strategies

Owner's/managers' experience is an important factor which influences the business performance of boutique hotels. Moreover, the relationship between terrorism and tourism is not a positive relationship (Chen & Chen, 2003). Therefore, when considering the owner's experience, experience in terrorist activities became very important to business performance in the aftermath of the easter Sunday attack. Hotel owners have to find money to carry on their new ventures and their day-to-day business

activities. In addition, loss of local and foreign investments has ultimately affected the economic growth of the country in which the terrorist attacks occur (Moosa, 2002).

An unexpected crisis such as a terrorist attack may affect owners' or operators' financial and investment performance (Info Entrepreneurs, 2009). However, hotel operators' strategies have been focused, in these circumstances, on allocating resources to maximize the effectiveness of production and to support elements while reducing costs (Chin et al., 2012).

2.8. Financial Structure

Financial Structure is the way in which a company's assets are financed, such as short-term borrowings, long term debt and owner's equity (Degryse et al., 2010). A review of financial statements should be performed on a regular, weekly, annual or quarterly basis (Hales, 2005). The proper interpretation of these statements is very necessary for managers to gather financial information and make the right decisions (Al-Dmour, 2018).

Financial ratios help an analyst to analyze a company's financial situation (Asdullah & Rehman, 2015). While different techniques are used for the analysis of financial ratios, the boutique hotel industry uses very few techniques (Kim & Ayoun, 2005).

Boutique hotels are exposed to significant levels of risk because of their scale and, in particular, hotel companies are exposed to business risk because of their seasonal operations, economic climate and management skills (Elgonemy, 2002). Therefore, loan delinquency has been the cause of major hotel company failures (Vujovic et al., 2018).

Sri Lanka typically has two seasons for tourist arrivals. Those are the 'High' and 'Low' seasons. The low season starts mid-April to May. Usually, this low season shows a decline pattern from March to April and May. Most small boutique hotels operate in the low season on some loan methods (Antyra Solutions, 2019). All small boutique hotels faced very difficult financial problems in 2019 (Silva, 2020), the year of the easter attacks, and their owners requested financial support from the government to pay permanent staff salaries. The government, as a result, introduced lower lending rates and a loan moratorium for a minimum of one year or a maximum of two years (Silva, 2020).

2.9. Marketing Strategies

A marketing strategy is the long-term planning of business objectives that an organization wishes to achieve (The State of Queensland, 2018). It is important to choose well the specific actions needed to consolidate the reputation of products and services or increase sales in the market (Kosaka, 2018).

The Sri Lankan economy was growing due to the development of the tourism sector prior to 2019 (Srinivasan et al., 2012). The boutique hotel model is created by valuing the noteworthiness of internet-based life in the tourism industry and the marketing strategies of boutique inns (Dincer et al., 2016).

It has been unequivocally observed that the status of advertisements, as of late situated at the core of media conditions, has recently changed (Chiou et al., 2008). In the long run, this condition opens up a totally new way for advertisers who might want to make an incentive for their clients and build up associations with them (Kotler et al., 2010).

Using Facebook ads for business related updates and special seasonal offers for tourists is an advantage since it helps to improve the business performance of hotels

(Adams, 2017). Hotel owners have used business-oriented strategies to optimize their performances. These business-oriented strategies are such that they have a close association to their individual backgrounds (Frei, 2008). Some past researchers such as Brotherton (2004) have stated that critical success factors could transform hotel communications between planners and convention services via the internet.

2.10. Impact of World Terrorist Attacks on the Tourism Industry

In the global context, approximately small sized terrorist activities dominated the first half of the 1990s. Nevertheless, the United States' Department of State mentioned that incidents of terrorist attacks and the backgrounds of terrorists are difficult to compare with those of past years (Roser et al., 2013).

Some past researchers have mentioned that the connection between the travel industry and terrorism previously increased worldwide dishonor in 1972 during the Munich Olympic Games. The Palestinian assault on Israeli competitors left eleven individuals dead and introduced worldwide TV audiences of about 800 million to terrorism (Mark, 2015). Since 9/11, the total number of individuals worldwide who have been executed by terrorists is about equivalent to the number of individuals who have suffocated in bathtubs in the United States (Milbank, 2020).

Assaults on tourist locations can impact national economies of countries and create negative sentiments about the targeted people of the country, because tourism is one of the biggest incomes earners of a country (FaladeObalade & Dubey, 2014). Therefore, terrorist attacks adversely affect the economic stability of a country while negatively impacting its tourism industry (Drakos & Kutan, 2003). Another world-famous terrorist attack was the attack on France in 2015. In a short period, it influenced the country's monetary and economic sector, halted production processes, and the stock trade decreased sharply.

In the Sri Lankan context, the 30-year conflict between the Sri Lankan Government and the Liberation Tigers of Tamil Eelam (LTTE) had a huge effect on the tourism industry in the country. While the number of tourist arrivals has fluctuated in the post-independence period in Sri Lanka, Sri Lanka meets the requirements that are needed to be termed one of the 'tourism countries' (UNHCR, 2006). Although the tourism sector in Sri Lanka has been increasing since 1967, international tourist arrivals in Sri Lanka have experienced significant fluctuations over the almost three decades of civil war, particularly between 1983 and 2009 (Rafeek & Samaratinga, 2000).

After almost three decades of separatist civil war in Sri Lanka, in May 2009, Sri Lanka experienced an unexpected improvement in tourism after the end of the war, beyond all expectations (Fernando et al., 2013). During this separatist war, the revenue of all small hotels was greatly impacted, and hoteliers stressed that they had faced losses in day-to-day operations, and that costs had been increasing with no income to offset them (Sathiamoorthy et al., 2020).

To counteract terrorist activities, hoteliers have had to manage crisis situations. Crisis management can be identified as a significant part of contemporary business management. In addition, the preparation of an organization's administration for a potential calamity is a critical part of anticipation and fruitful crisis control during and after crisis situations (Hall, 2010). Some past research has revealed that the most important source of relief in crisis situations is emergency services. Researchers have revealed that in crisis situations, effective communication and clear and correct coordination between all parties is necessary (Camillo et al., 2015).

Crisis situations can also be identified as considerable events with possible negative influences on the organization, or industry, as well as on the public (Fearn-Banks, 2007). Boin and Lagadec (2000) presented a five step foundation for managing crisis situations. These five steps are signals, detection, prevention, recovery, and learning. All five steps of crisis management are vital for a hotel or any other organization. Rittichainuwat (2013) focused on the significance of crisis management in the tourism industry and pointed out that a written crisis management plan is necessary for a hotel owner to secure his/her visitors.

Even though crisis management preparation and awareness will not completely avert a crisis, it would be helpful in controlling the damages that result from a crisis, at least to some extent. In contrast, past researchers have mentioned that hotels need to plan ahead before the crisis happens, and set up preventive steps related to hotel security, emergency crisis reaction techniques, training of employees in relation to safety and the development of specific crisis management groups (Henderson, 2007).

III. RESEARCH METHODOLOGY

3.1. Data

The study aimed to identify the factors influencing the business performance of the boutique hotels concerning the easter Sunday attack. The researchers mainly focused the study based on quantitative and qualitative data gathered from a sample of 53 boutique hotels in the Western and Southern provinces in Sri Lanka. A questionnaire was developed to gather the required data, and the questionnaire was distributed to the sample of owners and managers of boutique hotels. Following criteria were taken into consideration in the selection of the sample for the study.

- 1) Boutique hotels are situated in areas that are attractive to tourists such as the Western and Southern Province of Sri Lanka.
- 2) Boutique hotels which have more than 10 rooms and less than 100 rooms.
- 3) Boutique hotels which have annual turnovers of more than LKR 2 million.

Moreover, it was noted that much of the information on boutique hotels was hidden or not registered in the respective government departments. Therefore, the population of the study was unknown. Due to this limitation, the study adopted the snowball sampling technique which is one of the non-probability sampling techniques.

Furtherance from the chosen sample information-rich twelve semi-structured interviews were conducted to identify how boutique hotels have regained their business performance after the easter Sunday attack. The interviews were conducted in a less formal, user-friendly and open manner to obtain detailed responses.

This research study adopts a deductive research approach. The study measured each of the independent variables and the dependent variable to generate the result. Therefore, this study utilized a successive deductive research approach to achieve its aims and objectives. The unit of analysis was the organization as the survey questionnaires were prepared for and distributed among owners of boutique hotels. The research study was conducted as a cross-sectional study as the collection of data was limited to one specific time.

Boutique hotels are a relatively new concept in the tourism industry. Therefore, boutique hotel performance analysis is a worthwhile scholarly endeavor. Much previous research has focused on the underlying reasons or factors for the success of boutique hotel businesses. Hence, a deficiency of studies was carried out on the various factors which influence the business performance of boutique hotels. As part of the current study, an in-depth literature analysis was done to identify the critical factors

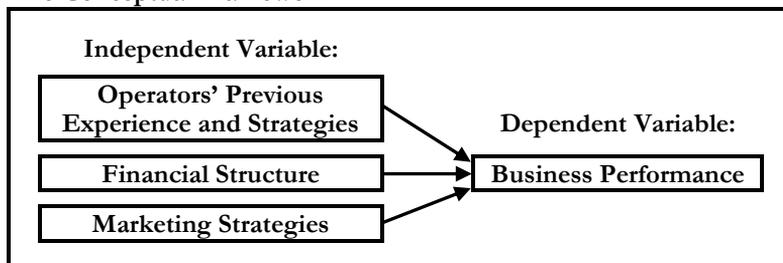
which influence the business performance of boutique hotels. The factors presented below were identified as the major factors which influence the business performance of boutique hotels as follows:

- 1) Operator's previous experience and strategies,
- 2) Marketing strategies, and
- 3) Financial structure.

3.2. The Conceptual Framework

Figure 2

The Conceptual Framework



Source: authors' compilation.

3.3. Empirical Hypothesis

This study works on six hypotheses related to the interdependence of factors influencing boutique hotel performance against the business performance of the boutique hotels.

and all hypotheses can be summarized as follows.

H1₀: there is no relationship between an operator's previous experience and strategies and business performance.

H1₁: there is a relationship between an operator's previous experience and strategies and business performance.

H2₀: there is no relationship between marketing strategies and business performance.

H2₁: there is a relationship between marketing strategies and business performance.

H3₀: there is no relationship between financial structure and business performance.

H3₁: there is a relationship between financial structure and business performance.

To identify the factor influencing business performance the most was analyzed using the multiple regression model that reflects the change in the sub variables of the independent variables with the change in the dependent variable.

The results collected from the 12 respondents through in-depth interviews were transcribed and analyzed via thematic analysis by using the NVIVO 12 software to identify the most important strategies that boutique hotels have used to increase or regain their business performance post-easter Sunday attack.

IV. RESULTS AND DISCUSSIONS

4.1. Reliability Analysis

Cronbach alpha is a reliability test conducted using SPSS to measure internal consistency. It is an estimate of the internal consistency associated with the scores that can be derived from a composite score. It is impossible to have validity associated with the scale of the scores if there is an absence of reliability. The standard acceptable Cronbach's alpha range is 0.7-0.9. If the generated Cronbach's alpha value is more than 0.70 and less than 0.9 in the reliability test, the questionnaire and the collected data set

can be interpreted as reliable. According to this study, the reliability statistics for the overall sample of 53 respondents were generated as follows.

Table 2**Reliability Statistics of the Sample**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.876	0.865	20

Source: authors' illustration based on SPSS results.

According to the above-mentioned table, Cronbach's alpha value is 0.876. This suggests that the scales are satisfactorily reliable.

Table 3**Factor and Reliability Statistics for Each Variable**

Variables	Reliability	N of Items
Operators Previous Experience and Strategies	0.865	5
Financial Structure	0.739	5
Marketing Strategies	0.803	5
Business performance (dependent variable)	0.709	5

Source: authors' illustration based on SPSS results

According to the generated reliability test of the study, Cronbach's alpha values of the independent variables (operator's previous experience and strategies-OPEAS, financial Structure-FS and marketing strategies-MS) and the dependent variable (business performance-BP) are OPEAS= 0.865, FS= 0.739, MS= 0.803 and BS= 0.709. The high values of the reliability coefficient are significant, and specify that the dimensions comprising the various items represent a true measure of the collected data.

4.2. Pearson's Correlation Coefficient

The Pearson Correlation has been calculated to identify whether there is a significant relationship between the variables which are used in the conceptual framework. It analyses the relationship of each independent variable (operator's previous experience and strategies, financial structure and marketing strategies) to the dependent variable (business performance).

Table 4**Pearson Correlation Matrix**

		Operators Previous Experience and Strategies	Marketing Strategies	Financial Structure	Business Performance
Operators Previous Experience and Strategies	Pearson correlation	1	0.240	0.467**	0.517**
	Sig. (2-tailed)		0.084	0.000	0.000
	N	53	53	53	53
Marketing Strategies	Pearson correlation	0.240	1	0.501**	0.439**
	Sig. (2-tailed)	0.084		0.000	0.001
	N	53	53	53	53
Financial Structure	Pearson correlation	0.467**	0.501**	1	0.495**
	Sig. (2-tailed)	0.000	0.000		0.000
	N	53	53	53	53
Business Performance	Pearson correlation	0.517**	0.439**	0.495**	1
	Sig. (2-tailed)	0.000	0.001	0.000	
	N	53	53	53	53

Notes: ** correlation is significant at the 0.01 level (2-tailed) and source= author's illustration based on SPSS results.

Table 3 demonstrates the correlation between the independent variables and the dependent variable. Based on the analysis table 3, the Pearson correlation matrix of the operator's previous experience and strategies shows a correlation of 0.517 with the dependent variable, business performance. The Pearson correlation matrix of marketing

strategies shows a correlation of 0.439 with the dependent variable, business performance. The Pearson correlation matrix of the financial structure shows a correlation of 0.495 with the dependent variable, business performance. N represents the number of respondents in the sample, which is 53.

Based on the analysis it can be concluded that all three independent variables have a moderate, positive correlation with the dependent variable, business performance. Therefore, the correlation analysis confirms that the developed hypotheses can be accepted.

4.3. Multicollinearity Test

Table 5
Correlations of Variables

Model	Coefficients ^a				t	Sig.	Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	Tolerance			VIF	
	B	Std. Error	Beta					
(Constant)	0.676	.110		6.150	0.000			
1 Operators Previous Experience and Strategies	0.147	.051	0.363	2.894	0.006	0.782	1.279	
Marketing Strategies	0.101	.051	0.252	1.967	0.055	0.749	1.335	
Financial Structure	0.090	.064	0.199	1.415	0.163	0.621	1.610	

Notes: dependent variable= business performance and source= authors' illustration based on SPSS Analysis.

Table 4 proves that there is no multicollinearity effect since all tolerance values of independent variables are higher than 0.2, and all VIF values are less than 10.

4.4. Regression Analysis

The identification of the factor that influences the business performance of boutique hotels the most led the researchers to evaluate the impacts of the relevant variables on the business performance of boutique hotels in Sri Lanka. The impact of the important sub variables of the independent variables and the factor influencing business performance the most was analyzed using the multiple regression model that reflects the change in the sub variables of the independent variables with the change in the dependent variable. The impacts of the identified independent variables and the sub variables of those independent variables on the business performance of boutique hotels are illustrated in the tables below.

Table 6
Coefficients – Operator's Previous Experience and Strategies

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
	(Constant)	0.829	0.076		
EY	0.010	0.055	0.032	0.175	0.862
1 DMS	0.017	0.051	0.057	0.330	0.743
ORS	-0.005	0.049	-0.018	-0.110	0.913
EDC	-0.006	0.064	-0.018	-0.102	0.919
ELS	0.270	0.053	0.668	5.078	0.000

Notes: a. predictors= constant, operator's previous experience and strategies, b. dependent variable= business performance, and source= authors' illustration based on SPSS results.

Table 6 depicts the coefficients of the sub-variables of the predictor variable of OPE, where the sub variables are years of experience (EY), decision making strategy (DMS), organizational restructuring (ORS), employee development strategy (EDC) and employee layoff strategy (ELS). According to Table 5, the unstandardized coefficient has been considered, as the data was taken from a common scale and resulted in B1= 0.010, B2= 0.017, B3= -0.005, B4= -0.006 and B5=0.270. This demonstrates that when EY increases by one unit, BP is expected to increase by 0.010 units, when DMS increases by one unit, (business performance) BP is expected to increase by 0.017 units when ORS increases by one unit, BP is expected to decrease by -0.005 units when EDC increases by one unit, BP is expected to decrease by -0.006 units and when ELS increases by one unit, BP is expected to increase by 0.270 units. Therefore, ELS has the highest impact on BP.

Table 7**Coefficients – Financial Structure**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.115	0.163		6.842	0.000
DP	0.124	0.050	0.354	2.502	0.016
1 FA	0.125	0.045	0.472	2.762	0.008
FSB	-0.027	0.042	-0.095	-0.635	0.528
AC	-0.031	0.042	-0.109	-0.728	0.470
FSG	-0.109	0.069	-0.183	-1.574	0.122

Notes: a. predictors= constant, financial structure, b. dependent variable= business performance, and source= authors' illustration based on SPSS results.

Table 7 demonstrates the coefficients of the sub variables of the predictor variable, financial structure (FS), which are the behavioral factors debt percentage (DP), financial availability (FA), financial support from banks (FSB), availability of collaterals (AC) and financial support from the government (FSG). According to Table 6, the unstandardized coefficient has been considered as the data was taken from a common scale, and resulted in B= 0.124, B2= 0.125, B3= -0.027, B4= -0.031 and B5= -0.109. This demonstrates that when DP increases by one unit, business performance (BP) is expected to increase by 0.124 units, when FA increases by one unit, business performance (BP) is expected to increase by 0.125 units when the FSB increases by one unit, BP is expected to decrease by -0.027 units when the AC increases by one unit, BP is expected to decrease by -0.031 units and when FSG increases by one unit, BP is expected to decrease by -0.109 units. Therefore, FA has the greatest impact on BP.

Table 8**Coefficients – Marketing Strategies**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.962	0.096		10.045	0.000
SMM	0.092	0.054	0.274	1.703	0.095
1 PS	-0.051	0.058	-0.155	-0.881	0.383
CAS	-0.018	0.043	-0.065	-0.431	0.668
DS	0.085	0.039	0.333	2.147	0.037
CNS	0.065	0.052	0.201	1.244	0.220

Notes: a. predictors: constant, marketing strategies, b. dependent variable: business performance, and source= authors' illustration based on SPSS results.

The information in Table 8 provides the coefficients of the sub variables of the predictor variable MS, which are the behavioral factors social media marketing strategy (SMM), pricing strategy (PS), customer analyzing strategy (CAS), discounting strategy (DS) and competitor analyzing strategy (CNS). According to Table 8= 7, the unstandardized coefficient has been considered, as the data were taken from a common scale, and has resulted in B1= 0.092, B2= -0.051, B3= -0.018, B4= 0.085 and B5= 0.065. This demonstrates that when SMM increases by one unit, business performance (BP) is expected to increase by 0.092 units, when PS increases by one unit, BP is expected to decrease by -0.051 units, when CAS increases by one unit, BP is expected to decrease by -0.018 units, when DS increases by one unit, BP is expected to increase by 0.085 units and when CNS increases by one unit, BP is expected to increase by 0.065 units. Therefore, PS has the greatest impact on BP.

Table 9

Overall Model Summary

Variable	Model	R	R Square	Adjusted R Square
Operators Previous Experience	1	.695 ^a	0.483	0.428
Financial Structure	1	.690 ^a	0.476	0.421
Marketing Strategies	1	.523 ^a	0.274	0.196

Source: authors' illustration based on SPSS results.

Table 9 illustrates whether the independent variables (OPE, FS and MS) contribute to changes in the dependent variable. According to Table 8, the adjusted R square value of the Operator's previous experience, Adjusted R square= 0.428 (R square= 0.483) which shows that 42.8% of the variance in BP is explained by the predictor variable OPE. For financial structure, the value of the adjusted R square= 0.421 (R square= 0.476) which shows that 42.1% of the variance in the BP is explained by the predictor variable FS. For marketing strategies, the adjusted R square value of marketing strategies adjusted R square= 0.196 (R square= 0.274), which shows that 19.6% of the variance in BP is explained by the predictor variable MS. According to the boutique hotel owners' responses, they believe that the operator's previous experience and strategies is the factor that influences business performance the most, of the three variables that increase business performance in boutique hotels of Sri Lanka. In conclusion, of the respective current forms of factors influencing the business performance of boutique hotels and based on the adjusted R² values of each variable, it was identified that the operator's previous experience and strategies is the factor that has the greatest influence on the business performance of boutique hotels in Sri Lanka.

4.5. Thematic Analysis

Based on the thematic analysis, 05 themes were identified as major strategies in the process of regaining business performance in the aftermath of the easter Sunday attacks. Table 10 below indicates the identified themes.

Insert Table 10 here.

Based on the analysis of the responses obtained, five themes were identified and revealed as the most important strategies that boutique hotels have used to regain their business performance after the easter Sunday attacks. The local market strategy was one of the strategies the hotels used to regain their business performance. Analysis showed that before the easter Sunday attack, the target customers of all boutique hotels were foreigners. However, after the easter Sunday attack, the target market has changed to include local customers/Sri Lankans. The social media marketing strategy was another strategy which the hotels used. Focusing on local market strategies, hotels started using social media platforms such as Instagram and Facebook in addition to Bookings.com.

Boutique hotels also used discounting and promotional strategies to boost profits. Since they were unable to cover their operational costs, some boutique hotels offered discounts of approximately up to 60%. Employee lay-off strategy was another strategy that was used by boutique hotels to regain business performance. 80% of boutique hotels have laid off their employees with the intention of reducing costs. Employee training and development strategy was also used to regain business performance. In order to increase the performance of existing employees, the management of hotels has commenced providing effective training programs to their employees. Owners believe that this will help boutique hotels operate through a few efficient employees, without affecting the quality and standards of hotels. This measure was expected to increase profit margins in the future.

Table 10**Themes Generated Through Thematic Analysis**

Theme name	How many times theme was mentioned (Across all interviews)	How many participants /respondents mentioned theme
Local market strategy	17	11
Social media marketing strategy	46	12
Discounting & Promotional strategies	21	11
Employee lay-off strategy	28	10
Employee training & development	18	09
Absence of government support	20	08

Source: authors illustration based on analysis via NVIVO 12 software.

V. CONCLUSION AND LIMITATIONS

5.1. Conclusion

The research was carried out to identify the factors influencing the business performance of boutique hotels in Sri Lanka and to determine the relationship of each variable with the business performance of boutique hotels in Sri Lanka, with special reference to the easter Sunday attacks. Before the easter Sunday attacks, Sri Lanka generated higher revenue from the tourism industry and the industry was a major contributor to the Sri Lankan economy. Due to the easter Sunday attacks, the tourism sector was hugely affected due to the sharp drop in tourist arrivals. The boutique hotel category is a major category among hotels since it attracts more tourists when compared to other categories of hotels in Sri Lanka.

The empirical findings revealed that there are mainly three critical factors that influenced the business performance of boutique hotels. The operator's previous experience and strategies, marketing strategies, and financial structure were identified through the literature analysis. The research used Pearson's correlation to determine the relationships of the three variables with the business performance of boutique hotels in Sri Lanka.

Findings further disclosed that the Pearson's correlations of operator's previous experience & strategies, marketing strategies and financial structure took values of 0.517, 0.439 and 0.495, respectively, with the dependent variable, business performance. Based on the analysis it was revealed that all three independent variables have a moderate, positive correlation with the dependent variable, business performance. The significance (2-tailed) values (p) of the independent variables are less than 0.05, and this reveals that there is an impact of the independent variables on the dependent variable,

business performance. Therefore, all the null hypotheses of this study were rejected. Multiple regression was carried out to identify the factor that impacts the business performance of boutique hotels in Sri Lanka the most. Those results are consistent with the findings of previous studies. For example, Ghebregiorgis (2018) noticed that there is a positive and notable connection among motivation, training (previous experiences of hospitality side), working conditions and employee performances and business performance. With regard to financial structure, loan delinquency has been the cause of major hotel company failures (Vujovic et al., 2018). Chan and Guillet (2011) stated that most of the companies are using social media as a marketing strategy and Social media can be used as very useful marketing strategy for boutique hotels in tourism industry (Schultz & Peltier, 2013). The analysis concluded that the operator's previous experience impacted the business performance of boutique hotels in Sri Lanka the most, with the highest adjusted R square value of 0.428.

Furthermore, based on the qualitative analysis, it can also be concluded that boutique hotels have used local market strategy, social media marketing strategies, discounting and promotional strategies, employee lay off strategy and employee training and development strategy to regain their business performance post-easter Sunday attack.

5.2. Policy Implications

Firstly, a key valuable benefit offered by this study to the government and policymakers by providing a framework to identify the existing or future factors that will impact business performance, as well as the economic issues which boutique hotels in Sri Lanka's tourism industry have encountered during a major financial crisis.

Secondly, understanding the major insights would assist the relevant authorized bodies to identify core areas to be focused and uplifted in the Sri Lankan tourism industry in order to revive and boost the business performance of Sri Lankan boutique hotels.

Tourism is a high profit generating sector in the Sri Lankan economy on which many livelihoods depend. Thirdly the results arising from this study provides valuable acumen to the stakeholders who are involved in this sector (service providers, employees) and potential entrants to the boutique hotels sector, to get a better idea/awareness/understanding on the boutique hotel sector and is an eye-opener on how to become a successful boutique hotel owner/operator, survive during a crisis situation.

5.3. Limitations and Future Directions

There are certain limitations in this research. The main constrain of this study is the limitation of data gathering. The current research was carried out by selecting 53 boutique hotels. Due to the COVID 19 pandemic, the targeted sample could not be reached. Future researchers can expand the sample to cover a comprehensive collection of boutique hoteliers. Moreover, the current research was limited to the Western and Southern provinces of Sri Lanka since these two provinces are those that attract the greatest number of tourists in Sri Lanka. Future researchers can focus on other areas in Sri Lanka to study the patterns of arrivals and tourist interest in other locations in Sri Lanka.

The current research focused on the boutique hotel category in Sri Lanka. It is recommended that future research be done by focusing on the impact of the easter attacks on other categories of hotels such as star class hotels, homestays, and guest houses. Moreover, when conducting the research, it was found that there is an

influence on the spending patterns of tourists on certain attractions in Sri Lanka. Thus, future research can be done to identify the spending patterns of foreigners and thus, make recommendations for pricing and promotional activities that will attract more tourists to the country.

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