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0403713617



*Public Leisure Management: A Strategic  
Analysis of Effectiveness and Performance  
Outcomes*

by

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A Doctoral Thesis

Submitted in partial fulfillment of the requirements

for the award of

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## ABSTRACT

Local government in England have reformed the management of their public services over many years. The increase in collaboration across the public sector between the public, private and voluntary sectors has been promoted under New Labour in public leisure provision, either through contracts or partnership arrangements. The transfer to collaboration has created significantly new modes of service delivery, including in-house, leisure trust, and private leisure management contractor arrangements. There is a need to examine and test in a more focused way the practices of those engaged in collaborative structures and reflect upon the implications these models present from a strategic management perspective. To this end, the thesis adopts a resource-based view of the firm and seeks to examine how the three approaches to public leisure provision develop strategies and effectively utilise and deploy resources through their strategic actions, with the overarching aim to achieve strategic outcomes.

The main findings of the empirical analyses are two-fold. Firstly, of the three approaches examined, in-house provision has the most to gain from being more strategically aware. The case is made for significant strengthening of local government in-house managed facilities, which has often been viewed as the poor relation in public leisure provision and stands to lose the most in funding cuts and the subsidies provided to leisure trust rivals. Secondly, leisure trusts receive significant government funds and subsidies through tax breaks that are not forthcoming to rivals, which raises questions as to whether leisure trusts deserve such aid for delivering upon the social inclusion agenda of the government. Given that inclusion is not heavily emphasised or significantly achieved to any greater degree than rivals, it can be argued that this approach to provision does not justify the financial perks of trust status provided to it.

This thesis calls for a fundamental rethink of public policy and for the current public leisure management playing field to be levelled in a rebalance of opportunity and investment through the removal of anti-competitive measures in service delivery.

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## ***Chapter 1: Introduction & Background***

## **CHAPTER 1: INTRODUCTION AND BACKGROUND**

### **1.1 INTRODUCTION**

The management of public leisure is a complex and fragmented process, with three broad approaches to provision available to local government, involving various levels of private sector involvement and/or government support. The complex nature of the service suggests using concepts and models from the academic and applied fields of strategic management to assist in identifying the strategic implications these collaborative models present for service provision. The purpose of this research is to examine how the three approaches to public leisure provision develop strategies and effectively utilise and deploy resources through their strategic actions, with the overarching aim to achieve strategic outcomes. To this end, the resource-based view of the firm provides a theoretical lens for an examination of the intended strategic nature of the approaches to provision and the competencies that will make the service better able to serve its functions over its competitors. This allows for an examination of the effectiveness of the current strategic practices pursued by the approaches to provision in relation to their associated performance outcomes.

This chapter introduces the context for the thesis. Specifically, a broad examination of health and fitness is undertaken in relation to global health issues, fitness trends and the increasing prominence of environmental pressures to conform to the body ideal, before focusing on service delivery and the roles both central and local governments play in this process. The objective here is to provide the reader with a perspective of the research question, which concludes this chapter.

### **1.2 HEALTH AND FITNESS**

#### **1.2.1 Concepts, issues and trends**

Several key terms, which are central to the context of this chapter, need to be defined. The chapter adopts the definitions of Blair *et al.* (1992: 100-101) for *physical activity* (hereafter PA), *exercise*, and *physical fitness*:

1. *PA*: Any bodily movement produced by skeletal muscles that result in energy expenditure.
2. *Exercise*: Planned, structured, and repetitive bodily movement done to improve or maintain one or more components of physical fitness.
3. *Physical fitness*: A set of attributes that people have or achieve that relates to the ability to perform physical activity.

An additional term that needs to be defined is health. Here, a broad view of health is adopted, one that not only includes freedom from disease, but also the ability to achieve activities of daily living (Blair *et al.*, 1992).

PA and physical fitness have been linked with health and longevity since ancient times (Hardman and Stensel, 2003). The former is now considered as important for population health as other traditional influences, such as tobacco consumption and cholesterol levels (Bauman, 2004). The recommended PA guideline for health benefits, as informed by the British Heart Foundation (2004), is at least 30 minutes of activity at a moderate level or above on five days per week. However, it is claimed that such guidelines are neglected on a global scale since the World Health Organisation (2006) project that by 2015, approximately 2.3 billion adults will be overweight and more than 700 million will be obese.

Moreover, obesity rates are mounting in all parts of the world. Hence, the issue of obesity is of global concern (World Health Organisation, 2006), which has, over the last decade, received increasing amounts of news coverage. Rising levels of obesity have not been accounted for by dietary changes alone, and a decrease in total energy expenditure is a likely explanation (James *et al.*, 2001). For example, the Department of Health assert the trend is largely a consequence of people eating too much “junk” food paralleled with



an increase in sedentary behaviour (Woolf, 2006). Obesity, then, is a condition where weight gain has reached a level at which it poses a serious threat to health. It is measured in terms of an individual's body mass index (BMI), which is a simple index of weight-for-height that is commonly used in classifying overweight and obesity in adult populations and individuals. It is defined as the weight in kilograms divided by the square of the height in metres ( $\text{kg} / \text{m}^2$ ) (World Health Organisation, 2006). The World Health Organisation defines "overweight" as a BMI equal to or more than 25, and "obesity" as a BMI equal to or more than 30.

Delegates at the Eleventh European Congress (held in Vienna, 2001) identified obesity as beginning to replace malnutrition and infectious diseases as the most significant contributor to ill health worldwide. As well as increasing mortality, obesity is a risk factor for a range of chronic diseases, including type-2 diabetes, coronary heart disease (CHD), colon cancer, osteoarthritis, and social and psychological consequences such as stigmatisation, alienation and social exclusion (Parliamentary Office of Science and Technology, 2003; Campbell, 2003; James *et al.*, 2001). It therefore creates a substantial pull on health resources. However, overweight and obesity, as well as the secondary diseases attributable to excess weight, are largely preventable; one World Health Organisation recommendation is simply to increase individual PA.

Regular PA has been shown to have many health benefits for all age groups. As well as its effect on weight loss, increased physical activity has additional benefits for cardiovascular risk factors, insulin resistance and depression and also limits the loss of lean tissue and contributes to bone health (Avenell *et al.*, 2006). This indicates PA's effectiveness against the range of chronic diseases identified above. In addition, the specific benefits for older people include improved fitness and quality of life, prevention of osteoporosis, and a reduction in the risk of falling (Crombie *et al.*, 2004).

However, it can be suggested that fitness levels on a global scale, are in decline. A report published in August 2006 by the United Nations announced that death from excess consumption has now overtaken that from deficiency, "eight hundred million people are

*hungry, but a billion are overweight*" (Jones, 2006: 21). As a result, numerous countries including the UK, Australia, and the US have all set targets to reduce the prevalence of inactivity in the adult community (Bull and Jamrozik, 2002). Foster and Hildson (2004) speculate that the following factors are behind the suggested global decline in physical activity: reduction in occupational physical activity; greater use of the car; decline of walking due to perceived personal safety; increase in energy-saving devices in public spaces; reduction in physical education and sport in schools; substitution of physically active leisure with sedentary pastimes such as watching television and playing computer games. Despite this, Finland (52%) and Australia (46%) are identified as the leaders in PA participation levels, that is, at least three times per week in moderate, or more vigorous participation amongst adults for thirty minutes or more (Carter, 2005).

Physical inactivity, then, in addition to the easy availability of food and increased food consumption in the developed world, contributes to problems such as obesity, stemming from increased energy intake and decreasing rates of energy expenditure (Raghunatan *et al.*, 2006). The World Health Organisation's latest projections indicate that globally in 2005 approximately 1.6 billion adults (aged 15+) were overweight, 400 million adults were obese, and at least 20 million children under the age of 5 years were overweight. A major health concern attributable to weight gain is the likelihood of developing type-2 diabetes, which rises steeply with increasing body fat. In 1997, 143 million adults were diabetic worldwide. In addition, approximately 85% of people with diabetes can be classified as type-2 and of these 90% are obese or overweight (Kumanyika *et al.*, 2002).

Within the UK, fitness trends have changed over time. Since the 1970s there has been increased interest in the idea of becoming fit and sustaining a healthy lifestyle but a concurrent decline in traditional competitive sports participation (Intel, 1996). Many of the UK "keep fit" trends originate in the US, with the first import being that of jogging in the 1970s and in recent years the fitness suite has been the growing fitness trend. As fitness activity and provision have changed over time, it has affected a wide range of other markets within the industry. These are mostly with regard to health and fitness clubs; however, this change has also expanded the leisurewear market and the in-home

exercise equipment market. Despite the ongoing rise in obesity levels, some argue the nation is now more active than ever before (Leisure Report, 2005). Over 11% of the population are now members of a private club or registered users of a leisure centre gym in the UK, compared with just 8.9% in 2002 (Leisure Report, 2005).

However, results from the 2002 General Household Survey (GHS) are in conflict with the above, indicating that overall participation in sport and physical activities has declined. This can be further examined by differentiating population participation on the basis of socio-economic status. For example, those men and women who were economically inactive had lower participation rates than those who were in work or unemployed. There are substantial variations in reported health status by the Office for National Statistics socio-economic classification, as measured by occupation and region. Office for National Statistics (2006) identify those who had never worked had the highest rate of “not good” health, six times higher than the rate for those in higher managerial and professional occupations. Whilst the ten local authorities with the highest rates of reported “good / fairly good” health, were all found in the south of England. This supports the findings of the 2002 GHS, which identified the East and North West regions of England as experiencing the greatest decline in overall participation in sport and physical activities, from 1996 – 2002 (from 51% to 45% in the East and from 47% to 41% in the North West):

*“In the Health Survey for England, 2003, 18% of men living in London were classified as obese (approximately 519,146 men) compared with 25% of men living in Yorkshire and the Humber (approximately 483,872 men)” (Zaninotto et al., 2006: 4).*

The Audit Commission (2006) identified significant differences between socio-economic groups; in 2002 those in the highest social group participated twice as much as those in the lowest. However, it is important to illustrate that the concept of social exclusion is complicated. There is a danger here of taking the absence of a particular group(s) from leisure services as indicating exclusion, but rather an individual can only be regarded as

being excluded from activities if he or she would like to participate but cannot (Coalter, 2000).

It can be argued that an environment, which promotes sedentary lifestyles and consumption of energy-dense foods, in addition to high levels of physical inactivity, is the primary cause of the increase in UK population weight (Wardle *et al.*, 2001). Current trends of obesity in the UK cannot be guaranteed to continue but if they did, about a quarter of all adults by 2010 will be obese (National Audit Office, 2001). Since 2003, obesity has risen by around 38% in adults, a forecast published by the Department of Health states that by 2010 more than 14 million people, from toddlers to the elderly will be dangerously overweight (Woolf, 2006).

For a means to understanding aspects that are fundamental to the trends discussed above, it is necessary to exam firstly, the socio-cultural environment. The desire to look good has been at the foundation of the historic growth in the fitness sector (Evans-Platt, 1992). At present, the western world wrestles with an obesity epidemic whilst, paradoxically, maintaining a fascination for the aesthetic ideal body (Frew and McGillivray, 2005). Featherstone (1991) argues that the subjugation of the body through body maintenance routines is presented within consumer culture as a precondition for the achievement of an acceptable appearance. Essentially, mass media has helped to create a world in which individuals are made to become emotionally vulnerable, constantly monitoring themselves for bodily imperfections. Kern (1975) supports this view:

*"Ours is an age obsessed with youth, health and physical beauty; mass media provides persistent reminders that the graceful body is key to happiness...fitness and slimness become associated not only with energy, drive and vitality, but also worthiness as a person"* (Kern, 1975: 20).

Kimmel (1987) states that this insecurity, derived from pressures to conform to the "ideal", is especially strong for men in a world where gender-based employment and lifestyle differences are diminishing. Kimmel (1987) argues that in such circumstances

body image emerges as one of the few areas in which men can differentiate themselves from women, resulting in a “muscular backlash” (Coalter, 1999). Evidence of this can be found in recent reports of the increasing use of anabolic steroids amongst young men to boost self-confidence and improve body image:

*“The latest figures show that 200,000 people in Britain have tried anabolic steroids, with 42,000 saying they have used them in the last year and 20,000 in the previous month...their increasing use by boys as young as 12 and 13 is extremely worrying” (Travis, 2007: 4).*

Individuals engage in various activities to enhance their quality of life, stay healthy, fit, youthful and attractive; fitness is now marketed as a means of achieving these goals and assumptions (Volkwein-Caplan, 2004). Such social and personal pressures to stay fit, healthy, beautiful, and thin are reinforced through the daily bombardment of countless images of idealised bodies on television, in newspapers and magazines (especially women’s, but increasingly men’s also, for example, FHM, GQ Active, Men’s Health, to name but a few), which devote considerable space to health and fitness. The recent popularity for women, particularly in the US, to downsize their bodies to a size 0 (US) is illustrative of such social pressure to obtain the “ideal” body, *“...this isn’t just dieting; this is more akin to a mass cultural eating disorder”* (Spicer, 2006: 10).

In the western world there is an almost universal slim and healthy ideal where the body and taking care of one’s body makes a social statement. Consequently, there is a continuous promotion of methods by which one can achieve this goal; as major determinants for shaping the body, exercise and fitness activities have become the means to acquire social status. Campos (2004) recognises the substantial emphasis that US culture and arguably the UK, places on individuals “looking-good”, with a resulting effect being a fear of becoming overweight, which Campos (2004: 5) describes as *“a fear of fat”*. It is a fear that is magnified by the mass media’s perception of beauty. This argument is mirrored in The Times newspaper (2004), which argues that in framing proposals on diet and exercise New Labour has nonetheless bracketed the word obesity

with “crisis” and “epidemic” adding to a cultural moral panic (Baldwin and Halpin, 2004). This in turn has resulted in a major emphasis being placed on “looking-good”, a term or image that has been socially constructed.

Secondly, there are numerous political pressures to respond to an increasingly overloaded NHS via the issue of healthy living. As has been already established, the upward trend of overweight and obesity appears to be parallel with a reduction in PA and a rise in sedentary behaviour. This has resulted in increased government activity to help combat the “obesity epidemic” and manage the incurred health costs attributable to the “epidemic”. On the 26<sup>th</sup> July (2006), the Prime Minister, Tony Blair, gave his second speech in the *Our Nation's Future* series. Acknowledging the increasing strain unhealthy living places on the NHS, Mr. Blair stated that contemporary public health problems (for example obesity, smoking, diabetes, and sexually transmitted disease) are not public health questions at all, but rather questions of individual lifestyle. Essentially, the thrust of the speech was embedded within the idea of a “collective responsibility” towards current public health concerns, the states role being to empower individuals to make responsible lifestyle choices. For example, three quarters of diabetics are type-2 diabetics and two thirds of them have a disease that could be preventable with exercise, diet and more healthy choices (Blair, 2006). The above is outlined in the 2004 Public Health White Paper *Choosing Health: Making Healthy Choices Easier*. The quote below, taken from The Sunday Times (2006), is illustrative of the need for individual responsibility:

*“There are a number of diseases occasioned by fatness, but the condition itself is brought about by your own actions. Or inaction. It's not a contagion like measles”* (McDonagh, 2006: 16).

In the 1998 Green Paper *Our Healthier Nation* and the 1999 White Paper *Saving Lives: Our healthier Nation*, the government stated that the amount of physical exercise people take is a vital tool in helping to prevent heart disease promoting healthy bones and maintaining mental health. This in turn was seen as an effective way of easing the burden on an increasingly overloaded NHS (Mintel, 1996). Undoubtedly there is a

positive relationship between PA and health. Thus, PA has been included in numerous public health policies, specifically within the arena of primary care. As a result, exercise referral schemes have become increasingly popular; this involves a General Practitioner (GP) referring patients to an exercise professional for a programme of supervised exercise (Crone *et al.*, 2005). With leisure centres widely available within the UK, GP referral schemes are believed to offer a unique opportunity to increase PA (Taylor *et al.*, 1998):

*“Obese patients attending just six appointments for advice on healthy living lost up to half a stone – and kept the weight off for two years”*  
(Hope and Cook, 2006: 4).

However, a concern is that such schemes are focusing on throughput of participants, that is, numbers entering the scheme, rather than adherence and sustainability of PA (Dugdill *et al.*, 2005). This raises the general question of how the involvement of central and local government can promote PA.

### **1.2.2 Conclusions**

It would appear then that health is increasingly a critical issue for government and the public at large and public fitness suites are at the forefront of delivering services to improve public health. Emerging from this is a concurrent need to better understand how fitness suites should deliver these services, and from a public policy perspective, which management systems are best suited to delivering these.

### **1.3 PUBLIC SERVICES**

The UK government structure is arguably one of unrelated diversification, which operates with divisional structures. Thus, delegating responsibility to local government (that is, divisional managers) enables central government to devote more time to resource allocation and overall financial control. Local government is, therefore, one way in

which the country's governance and administration is carried out and its public services delivered.

### **1.3.1 Local Government**

Local authorities, their members and the administrative units supporting them have a number of objectives, amongst which are: (1) delivering national objectives locally, and (2) using national and local resources to meet the diverse requirements of different neighbourhoods and communities:

*"The style and constitutional arrangements under which local government operates has changed and is still changing. Traditionally local government was about the delivery of a range of services. Over time, more and more of these services have been delivered by outside agencies and the role of local government has changed as a result"* (Office of the Deputy Prime Minister, 2005: 17).

Local government delivers a wide range of services either directly through its employees, indirectly by employing others, or by facilitating delivery through other bodies. Local government is a part of the public sector, and local authorities' expenditure is part of public expenditure that pays for the delivery of public services.

The structure of local government varies across the country (Office of the Deputy Prime Minister, 2005). In London, the London Boroughs and the City of London deliver most functions, which are all lower tier authorities. The upper tier consists of the Greater London Authority and its four functional bodies: Metropolitan Police Authority, London Fire and Emergency Planning Authority, Transport for London, and London Development Agency. In the six metropolitan areas (Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands and West Yorkshire), metropolitan districts run most services; with the remaining few (fire, police, passenger transport, and waste disposal) run by single purpose authorities. In the rest of England, termed the shire areas, there are two main tiers of local authorities: shire counties and shire districts,



which have different responsibilities. However, within some parts of the country, a single unitary authority carries out both shire-county and shire-district responsibilities. Parish councils, of which four hundred are town councils, make up the third tier of local government. Services delivered by local government can be differentiated into nine major service categories. Leisure and recreation fall under the category of Cultural Services and are the responsibility of District Councils (Metropolitan areas), District Councils or Unitary Authorities (shire areas), and the City of London and London Boroughs (London area).

It should be noted here that the majority of facilities within leisure and recreation are discretionary, in that local authorities can choose whether or not they make these available to their community. The exceptions to this are the provision of playing fields, allotments and libraries (Robinson, 2004). The rationale for the provision of public sport and leisure services is based on two key arguments, as identified by Robinson (2004). First, local authorities provide sport and leisure services for those who cannot afford the opportunities offered by the private sector. A central motivation for state provision is to ensure access for all citizens to sport and leisure opportunities achieved through price subsidies and targeted programming. Second, participation in sport and leisure is suggested to be beneficial to society (Gratton and Taylor, 2000), with the potential to improve health and reduce crime (DCMS, 1999).

*“These social objectives have traditionally provided the justification for the provision and subsidy of public sport and leisure services”* (Robinson, 2004: 5).

At its most simple, the public sector comprises the behaviour of organisations that belong to the state or government (Lane, 2000). However, this conceptualisation is too basic to encompass the dynamic relationships that take place within the public sector. Pettigrew *et al.* (1992) and Thompson and McHugh (1991) acknowledge that public sector service organisations have more complex operating environments than traditional commercial

organisations, arguably because public sector managers' autonomy is restricted by centrally dictated targets (Butterfield *et al.*, 2005).

This is illustrated by the continual restructuring that has taken place in the UK public sector over the last twenty years, in accordance with central government policy changes. Initial emphasis was on securing greater productivity and value for money, but more recently, with a new emphasis on partnerships and networks (Ferlie *et al.*, 2003). Exworthy and Halford (1999) identify the 1980s and 1990s as a time of great transformation across the public sector, with fundamental implications for the structures, cultures and practices of its constituent sub-sectors and individual organisations. A central theme underpinning this transformation concerns financial accountability and effectiveness. These aspects were introduced by the Conservative government of the 1980s, spearheaded by Margaret Thatcher, this government heavily critiqued the "welfare state" of the past (pre-1980s) that had focused upon the provision of a minimum standard of service to all citizens (Osborne and McClaughlin, 2002).

The response of the Thatcher government to the perceived inefficiency and ineffectiveness of public sector services resulted in the privatisation and marketisation of public services (Ascher, 1987). The following definition of privatisation is provided by Ogden and Watson (1999):

*"The transfer of ownership and control of an economic activity previously undertaken by nationally or locally government controlled agencies to private sector, profit-seeking organisations"* (Watson, 1999: 526).

Goodman and Loveman (1991) state that privatisation will work best when private sector managers find it in their interests to serve the public interest. For this to occur they believe the government must define the public interest in such a way that private providers can understand it and contract for it. They argue the best way to encourage this alignment between private sector and public interest is through competition; a view embedded within the Thatcherite Compulsory Competitive Tendering (CCT) ideology.

### 1.3.1.1 Compulsory Competitive Tendering

The focus of the 1979 - 1997 Conservative government in the UK was very much upon market disciplines as the solution to the ills of the public sector (Osborn and McClaughlin, 2002). The government at this time introduced policies based on “privatisation”, heavily influenced by the writings of both Friedman (1962) and Hayek (1964, 1976) respectively. The belief here was justification for government intervention in the free market, however, it was noted that any such intervention should be limited (Stevens and Green, 2002). Thus, the policy of CCT it is argued, was primarily concerned with reducing public expenditure by targeting the spending of local government and restructuring local policy making. Prior to the Thatcher government, the role of local authorities was seen as a provider of services. Though, as political institutions they had the capacity and the authority to vary the level of emphasis placed on individual services within centrally governed parameters on the justification of acting in the “best” interest of the local community.

However, the presumption was that in-house provision was inefficient because it did not have to be competitive (Exworthy and Halford, 1999). Subsequently, CCT was introduced to counter three key local authority perceived weaknesses: operational inefficiency, poor management, and weak decision-making (Lister, 1995). It was believed that this could be achieved by encouraging a strategic shift from producer-led to customer-oriented services, thereby making services more responsive to the needs of the community (Stevens and Green, 2002). Traditionally, public service organisations have been viewed as “professional bureaucracies” (Mintzberg, 1990) with a focus on policy (Pettigrew *et al.*, 1992). However, the introduction of the Local Government Act (1988) led the Audit Commission to state that this traditional view of a local authority as provider of services should change to one in which they should regard themselves principally as:

*"...a policy maker and employer of contractors, an authority's own direct service organisation (DSO) may act as a contractor but only if the work is won by competition"* (Audit Commission, 1989: 6).

Thus, the local authority would not control the service provision. This then implies a shift towards commercial provision, viewing providers of the service as commercial organisations, with an additional stakeholder (the local authority) as opposed to direct local authority management. For example, the Competition in Sport and Leisure Facilities Order (1989) introduced CCT into the realm of local authority sport and leisure facilities management; the progression of a market for recreation and sports management necessitated the development of the client / contractor split, with the client writing contract specifications and monitoring contractor performance and the contractor managing the service on behalf of the local authority, on the basis of the pre-determined contract specification (Stevens and Green, 2002).

*"CCT established the principle that the public sector should not necessarily be the sole provider of services although it would, for the most part, continue to fund them and regulate the (quasi-) markets in which they operated"* (Exworthy and Halford, 1999: 4).

The issue of delegating responsibility to a commercial organisation leads on to a consideration of the processes involved when divisional responsibility and the authority to make decisions are transferred from local government to an agent:

*"All contractual arrangements, as between employer and employee or the state and the governed, for example, contain important elements of agency"* (Ross, 1973: 134).

This therefore leads on to a consideration of agency theory, which provides a theoretical basis for the delegation of service provision to external agents.

### 1.3.1.2 Agency Theory

Agency theory is a dominant paradigm in the financial economics literature (Hill and Jones, 1992), initially developed by Jensen and Meckling (1976) who identified the firm as a nexus of all contracts, its subsequent evolution in the literature has focused on the narrower context of shareholder principles and their managerial agents (Buck *et al.*, 1998). Essentially, agency theory applies to relationships in which “one party (*the principal*) delegates work to another (*the agent*), who performs that work” (Eisenhardt, 1989: 58).

Studies that adopt an agency perspective largely emphasise the fundamental conflicts of interest between shareholders and managers over the content of strategic decisions (Jensen and Meckling, 1976). Two streams of agency theory have developed since its conception, these are: positivist and principal-agent (Jensen, 1983). It is suggested that the two are complimentary as both employ the “contract” between the principal and the agent as their unit of analysis. The former focuses on identifying situations in which the principal and agent are likely to have conflicting goals and then describing the governance mechanisms that limit the agent’s self serving behaviour. The latter, on the other hand, is concerned with a general theory of the relationship that can be employed across a range of relationships (Eisenhardt, 1989).

Proponents of agency theory assume that each party acts in its own self-interest (Gomez-Mejia and Balkin, 1992), Jones *et al.*, (2007) illustrate:

*“Agency cultures are characterised by managerial egoism, the pursuit of self-interest at the individual level, even if the interests of the corporation and its shareholders, for whom managers nominally work, must be sacrificed”* (Jones *et al.*, 2007: 144).

Thus, the identified separation of management and ownership results in agency problems. The theory is concerned with resolving two such problems that can occur in agency relationships. The first can arise when (a) the desires or goals of the principal and agent

conflict and, when (b) it is difficult or expensive for the principle to verify what the agent is actually doing. The second emphasises the issue of risk sharing, the problem here is that the principal and the agent may prefer different actions because of their different risk preferences (Eisenhardt, 1989). Williamson (1964), for example, suggests that non-owner managers will pursue objectives other than that of maximising profit (a key shareholder objective), and the most likely candidate as an alternative to profit maximisation being that of the maximisation of the manager's own utility. Hence, management in this instance seeks to promote its own self-interest by increasing financial rewards, including expense accounts, company cars, and international trips (Jackson, 1982).

As noted, the unit of analysis within the theory is the contract that regulates the relationship between the principal and the agent. Thus, the focus of the theory is on determining the most effective contract to govern the principal-agent relationship:

*"The domain of agency theory is relationships that mirror the basic agency structure of a principal and an agent who are engaged in cooperative behavior, but have differing goals and differing attitudes toward risk"* (Eisenhardt, 1989: 59).

Therefore, the primary concern of the theory is the relationship that exists between the principal and the agent. Research under this perspective has assumed that "proper" managerial incentives or a powerful board would eventually "*induce managers to select strategies in the primary interests of shareholders*" (Ravasi and Zattoni, 2006: 1671). The former is identified by Gomez-Mejia and Balkin (1992), who state:

*"When an agent has high autonomy, independence, and highly specialised knowledge, monitoring becomes very difficult and expensive, so principals will rely on incentives to reward agents for appropriate outcomes"* (Gomez-Mejia and Balkin, 1992: 923).

To align managerial incentives with the economic interests of shareholders, various governance mechanisms are built into the agency contract (Phan and Yoshikawa, 2000). Agency theory, then, re-establishes the importance of managerial incentives and the concern of self-interest in organisational thinking (Perrow, 1986), informing the predicted behaviour of firms and their managers, allowing for the design of effective incentive structures and monitoring mechanisms to better control managerial opportunism (Jones *et al.*, 2007).

An underexplored field, however, is the ability of the theory to explain the nature of the implicit and explicit contractual relationships that exist between a firm and its stakeholders (Hill and Jones, 1992). Agency theory has difficulties with stakeholders, other than specialised managers and shareholders (Buck *et al.*, 1998), due to an absence of moral concern for other economic actors (Jones *et al.*, 2007). Stakeholders refer to those constituents who have a “legitimate claim” on the firm (Hill and Jones, 1992: 133), thus:

*“...the size of a stakeholder’s financial interest does not necessarily determine the effectiveness of the stakeholder’s voice within the firm”*  
(Buck *et al.*, 1998: 85).

Each stakeholder can be seen to be part of the nexus of contracts. Therefore, a stakeholder-agency theory is required to extend beyond shareholders and managers, to incorporate other stakeholders who have a legitimate claim on the firm, providing a generalised theory of agency (Hill and Jones, 1992). The relevant point about stakeholder-agency theory for this research project is that senior managers are seen as the dominant stakeholders, rather than the managerial agents of shareholder principals that control managerial decision making:

*“It follows that stakeholder agency theory sees corporate governance as the concrete means by which stakeholders try to control dominant*

*mangers, rather than as a vague concept of the means by which corporate decisions are determined abstractedly” (Buck et al., 1998: 86-7).*

Managers are unique in that they are the only group of stakeholders who enter into a contractual relationship with all other stakeholders. In addition, they have direct control over the decision-making apparatus of the organisation. The management role under stakeholder-agency theory implies a role of interest mediator:

*“Assigned the difficult task of balancing conflicting demand so as to achieve a cooperative solution” (Hill and Jones, 1992: 152).*

The emphasis here is on mutual leisure trust and cooperation, stakeholders aid productivity through resource exchange on the implicit understanding that their claims on the organisation will be recognised. The competitive advantage that can be achieved through adopting the above management philosophy is:

*“Substantially increased eligibility to take part in certain types of economic relationships and transactions that will be unavailable to opportunistic firms” (Jones, 1995: 422).*

However, the theory does not prescribe:

*“...any optimal form of corporate governance produces no normative statements concerning dual stakeholder roles and offers no ideal mixture of stakeholder influences on managers” (Buck et al., 1998: 87-9).*

Stakeholder-agency theory therefore encourages the consideration of other stakeholders as potential relationship investors, detailing the delicate nature of the choices to be made in terms of the governance properties of different stakeholders, contributing to the effective management of the firm.



### 1.3.1.3 Best Value

On 1<sup>st</sup> May 1997 New Labour were elected into office, heralding the end of the policy of CCT, and the birth of its replacement, the policy of Best Value (Stevens and Green, 2002). The Best Value regime would remove the mandatory obligation on the part of local authorities to put the management of their services out to tender. Best Value was the key theme in New Labour's agenda for "modernising" local government; it refers to the duty to secure continuous improvement in the economy and the efficiency and effectiveness with which the local authorities exercise their function (Benson and Henderson, 2005). The key managerial dynamics believed to achieve these performance improvements through Best Value are summarised under the following four headings (Nelson and Henderson, 2005):

- *Challenge* why and how a service is being provided;
- *Compare* performance with the achievement of other organisations;
- *Consult* with a wide range of stakeholders in the setting of new performance measures;
- *Competition* as a means of enhancing performance, by securing efficient and effective services.

The New Labour ideology is entrenched within Third Way politics (Giddens, 1998). The "Third Way" essentially rejects the "old left" and the "new right", discovering a middle path based on a mix of the perceived strengths of both (Stevens and Green, 2002). Best Value is a clear example of this ideology in operation; it seeks to retain the strengths of CCT whilst alleviating the perceived weaknesses. Best Value, as employed in the UK, has strong links to the rise of performance measurement, performance review, stakeholder involvement and corporate strategic management (Martin, 2002). Similar to CCT, "competition" is seen as an essential management tool via the use of benchmarking to compare relative performance and the requirement to achieve continuous improvement (Coalter, 2000). In addition, under Best Value, services cannot be delivered directly by authorities if other more efficient and effective means are available (Department of the Environment, Transport and the Regions, 1998):

*“...under Best Value local authorities are also expected to create, nurture and manage markets in order to promote a mixed economy of provision by creating the conditions under which there is likely to be greater interest from the private and voluntary sectors in working with local government to deliver quality services” (Cm 4014: clause 7.30).*

The identified shift from an ethos of public administration, towards a private-sector model of management bears resemblance to a contemporary phenomenon termed New Public Management (NPM). NPM is a concept used to describe the transition of management techniques from the private sector to the public sector, emphasising the importance of managerial approaches to the provision of public services:

*“...and put a premium upon financial and performance management, as well as raising important issues about the accountability of public services...This model requires government to take on a policy-oriented role whilst the actual provision of public services is through a range of private and non-profit organisations” (Osborne, 1997: 317).*

A possible reason for this change is a widespread revolt against the hegemony of the state in the provision of public services and against their escalating costs (Mischra, 1984).

Public leisure facilities are an illustrative example of the processes identified above, and it is beneficial to review how the delivery of public leisure facilities has changed over time in accordance with public reform, which has consequently shaped the current form(s) of service delivery undertaken. Prior to the externalisation process for leisure services, which will be discussed in depth later, service delivery was undertaken through a Direct Service Organisation (DSO) operating as part of the local authorities Catering Cleaning and Leisure Services Section. However, local government re-organisation in 1994 – 1995 (Reid, 2003) meant that resources previously available to leisure came under substantial pressure from the high costs of core services, such as education; thus,

resources were transferred from non-core services, such as leisure, to fund budget deficits elsewhere. This has had a detrimental impact on the maintenance levels of public leisure facilities, the average age of local authority leisure facility stock is estimated to be 25 years (Carter, 2005)—compared to just 11 years in the private sector—in 2003, £550 million investment was the assessed level of expenditure needed to keep the stock in working order. This amount was double the estimated required investment in 1995 (Davis Langdon Consultancy, 2003).

This is a cause for concern as it has been suggested that customer expectations of public services have changed over the last 20 years, whereby service users are turning from a merely grateful acceptance of services, as in the era of the “welfare state”, to a much more critical appraisal of them (Arie, 2000), which is arguably a by-product of a contemporary consumer culture. Therefore, the declining standard of public leisure facilities and the increasingly expansive private health and fitness club market, signifies a need for change in the management systems available to public leisure facilities. Herein lays an advantage of the Best Value regime in relation to the management of public leisure facilities. The result of Best Value is a somewhat ambiguous framework that allows for a plurality of management approaches. These consist of a variety of governing structures to be adopted by local authorities, including hierarchical, market-based, and collaborative approaches to managing service delivery (Martin, 2003).

Thus, there is a range of providers involved in managing public sports and recreation facilities. As already documented, there has been substantial reform in public policy across the public sector in the last 20 years. Until the late-1980s, local authority sports and recreation facilities were almost wholly managed in-house (Audit Commission, 2006). However, since the introduction of CCT a wider range of organisations has become involved in the delivery of these services than anytime in their history (Simmons, 2004). The implementation of Best Value has continued this trend by encouraging local authorities to review their form of service delivery.

*“Central government is very keen to encourage partnership working within the best value framework. This reflects a view that councils will achieve more for their communities and service users if they develop a positive approach to working with suitable external organisations”*  
(Simmons, 2004: 161).

There are three central ways in which local authority owned leisure facilities are managed: by the local authority itself (in-house); by an independent, non-profit distributing organisation (leisure trust); or, through a leisure management contractor (LMC). These distinguishable forms of service delivery are described below.

#### **1.4 PUBLIC FITNESS SUITE MANAGEMENT SYSTEMS: FINANCE AND GOVERNANCE CHARACTERISTICS**

##### **1.4.1 (a) In-house**

The in-house management system of provision still dominates the public fitness sector: 62% of local authority sport and recreation facilities are still directly managed in-house or by a DSO (Audit Commission, 2006). This management arrangement involves local authorities directly managing sports and recreation facilities hierarchically. The local authority then takes full responsibility for income, expenditure, pricing and programming, and is accountable for all risk involved. Consequently, in-house providers receive a considerably higher level of local authority subsidy than any other option. However, long-term strategic financial planning is often weak when sports and recreation facilities are managed in-house (Audit Commission, 2006). Since investments often depend on annual budget planning cycles, with leisure departments needing to bid against other council departments, often with higher political priority such as education for example, this may impede long-term planning.

New Labour’s Best Value regime and its social inclusion agenda has forced many to question how social inclusion can be achieved within the current local authority

environment of “...*funding cuts, internal bureaucracy, political short-termism and low staff morale*” (Reid, 2003: 171). A vicious financial cycle emerges in this scenario, where cuts in local government finance lead to financial pressure on leisure services. Increased priority is subsequently given to generating additional revenue, and reduced priority is given to the promotion of social objectives. This leads to less justification for public subsidies and the cycle recommences (Simmons, 2004). With restricted access to capital, very little time and money is spent on addressing the needs of customers; in addition, in-house providers have the smallest marketing budgets of the three management systems examined. According to the Audit Commission (2006) this often results in ineffective marketing and missed opportunities to increase income, address the needs of priority groups and improve overall participation.

Simmons (2004) documents the dilemma faced by leisure service managers as to how the balance between financial and social objectives should be struck. However, Simmons (2004) notes that management transfer to a new leisure trust may provide an opportunity to resolve this dilemma. First, tax savings reduce the financial pressure upon leisure services. Second, conditions placed upon the annual revenue grant allow local authorities to specify the social objectives of the service (Simmons, 2001). Mintel (2006) has documented a substantial shift away from in-house management teams, towards leisure trust organisations and this, it can be argued, reflects the tax breaks that are available for such operations.

#### **1.4.2 (b) Leisure trust**

*“ Local authorities diminishing resources and the competing claims from other welfare services are forcing authorities to seek new ways of providing and managing leisure services, including the establishment of charitable trusts”* (Curson, 1996: 77).

In the current environment, one of the available management systems to public leisure facilities is the leisure trust. Management through a leisure trust now represents 21% of

all local authority public leisure facilities. In addition, of those local authorities that have changed their management arrangements, 70% have selected a leisure trust option (Audit Commission, 2006), illustrating the popularity of this management system among local authorities.

Trust is a term used to describe a range of entities known as non-profit distributing organisations (NPDOs); these may or may not have charitable status (Simmons, 2004). The development of a leisure trust involves the local authority, under the Local Government Act (1976), transferring the service and facility to a newly established NPDO or an existing leisure trust:

*"The council retains ownership of the facilities which are leased to the trust which also receives an annual grant from the council to make up the difference between its income from user charges and the cost of operating the service"* (Centre for Public Services, 1998: 5).

A leisure trust is intended to be independent of the local authority, retaining all income and incurring all expenditure. However, local authorities can exercise significant influence over the leisure trust's objectives and operations through a *subsidy*, in the form of a revenue grant of around 50% of operating costs or in the form of a management fee income, and secondly, by virtue of its *ownership* of leisure facilities which are leased to the leisure trust (Simmons, 2001). The local authority usually leases premises to the leisure trust on a long-term lease, typically between 15 and 25 years, in return for a nominal rent (Audit Commission, 2006). The continued use of public money and/or physical resources is therefore central, thus local authorities retain a strong interest and influence in how these resources are used and operated.

Leisure trusts have been a response from local government to a changing environment, particularly in resisting financial pressures enforced by the last 20 years of government regulation and reform. As documented:

*"A non-profit organisation with charitable status can obtain business rate relief and VAT savings which is an attractive option for local authorities faced with hard choices on budget cuts, closures, reduced services and redundancies"* (Centre for Public Services, 1998: 5).

Leisure trusts seek charitable status on the grounds of "community benefit", in terms of social welfare:

*"In order to demonstrate that the facilities are provided in the interests of social welfare, the Recreational Charities Act (1958) stipulates that facilities must improve the conditions of life for persons who 'by reasons of their youth, age, infirmity or disablement, poverty or social and economic circumstances' are recreationally deprived"* (MacVicar and Ogden, 2001: 126).

In addition, the Recreational Charities Act (1958) clearly states that facilities must be available to members of the public at large, that is, no group should be excluded. In dealing with the profit-oriented components of leisure services that appear outside charitable objectives, the leisure trust can set up a trading subsidiary, which also allows profits to be covenanted to it and the tax reclaimed (Reid, 2003).

If successful, leisure trusts obtain exemption from VAT on fees and charges, relief on corporation and capital gains tax, and 80% relief on National Non-Domestic Rates (NNDR); the relevant local authority may even decide to waive the remaining 20% (Reid, 2003). The average NNDR savings for a leisure centre are £40,000 per year; the overall savings to councils at present is estimated to be between £21 million (at 80% NNDR) and £26 million per year (at 100% NNDR). If all public leisure facilities in England were to be managed under a leisure trust arrangement, estimated local authority savings would be a minimum of £80 million per year. Significantly, however, although these are savings to council budgets, they represent a loss of revenue to the Treasury (Audit Commission, 2006). It is important to note, there is no guarantee that the current level of savings will

be maintained in the future. Thus, the future viability of leisure trusts may seem uncertain as they are dependent on the future actions of central government over NNDR and tax regulations (Simmons, 2004). Further, although the transfer of facilities to leisure trusts has assisted local authorities in avoiding the payment of NNDR rates, which potentially releases funds for local investment, research conducted by the Audit Commission (2006) found that the re-investment of significant levels of savings in leisure provision is infrequent. Moreover, where taxation savings are re-invested they have supported maintenance budgets rather than assisted in the significant and needed improvement of provision.

Still, leisure trusts potentially enable the management of public leisure facilities to be more accountable to the community and provide greater opportunities for investment. For example, due to their charitable status, leisure trusts are eligible for increased opportunities for external funding via the National Lottery, charities, the private sector and local enterprise companies (Audit Commission, 2006). Davis and Taylor (1997) argue that once established, leisure trusts are well placed to take advantage of additional sources of funding, joint developments and business expansion. Significantly, however, the Audit Commission (2006) acknowledges that leisure trusts have not yet been successful in procuring substantial external funding sources.

These legally independent, not-for-profit organisations are generally set up as either Industrial or Provident Societies or as Companies Limited by Guarantee. In line with New Labour's modernising agenda for local government, leisure trusts are said to facilitate greater staff ownership of the organisation and contribute to increased customer-orientation (Amos, 2002). Arguably, the "arms-length" relationship between the leisure trust and its parent council reflects New Labour's preference for partnership working, while as Reid (2003) notes, the different groups involved on the trust's management board mirrors its desire for an inclusive policy process. Simmons (2001) further stresses leisure trusts' "third way" credentials, describing them as a central path between the public and private sectors, allowing for a balance to be struck between commercial and social objective goals.



There are two ways in which public fitness suites can be delivered through a leisure trust, these will now be discussed:

*1. By a new stand-alone leisure trust set up by the local authority;*

The most frequent decision taken by councils in changing their management arrangements is to set up a leisure trust (Audit Commission, 2006). The establishment of a new leisure trust is expensive and can, with small councils, considerably reduce initial taxation savings; the Audit Commission (2006) estimate typical set-up costs range from £120,000 to £150,000, much of which is made up of consultants' and legal fees, but do not include the true cost of set-up, such as by including officer time. In addition, leisure trusts often inherit the refurbishment and development issues that previously rested with the local authority.

A new leisure trust is run by a board of trustees, consisting of stakeholders drawn from the local community, which arguably enables the leisure trust to engage with the local community through direct representation. Local authority elected members can form up to 20% of the leisure trust's management board – although as trustees, they are obliged to act in the best interest of the leisure trust, not the local authority (Audit Commission, 2006). There are higher risks associated with new leisure trusts than established leisure trusts or private sector contractors, largely due to their lack of experience and reliance on an un-tested management board, which can sometimes lack the commercial expertise found in the other two management systems. However, the Audit Commission (2006) found that in some cases:

*“The transfer of management to a trust has led to better quality facilities, reduced costs and has resulted in higher levels of participation. These partnerships are more likely to enable re-focusing on outcomes for customers and the community” (Audit Commission, 2006: 36).*

Characteristically, new leisure trusts have a joint ownership of problems and shared investment priorities and objectives, which are explicitly set out in contractual agreements.

*2. By becoming part of an established leisure trust;*

Established leisure trusts provide councils with savings in set-up costs, typically ranging from £30,000 to £50,000 saving councils up to £100,000 compared with setting up new leisure trusts (Audit Commission, 2006). However, the prospect of a more remote and detached relationship between the local authority and the leisure trust acts as a deterrent to some local authorities; in partnership with an established leisure trust, a local authority's perceived influence is weakened as decisions are made by the existing trustees of the leisure trust rather than on the local level:

*"Despite proving themselves 'robust' and 'stable' vehicles, until recently [existing] leisure trusts had not been more widely used due to the desire of local authorities to retain full operational control over facilities"*

(Simmons, 2004: 159).

However, in terms of investment opportunities, existing leisure trusts have been suggested to invest more in their leisure services than new leisure trusts (Audit Commission, 2006), the favoured option of the two by local authorities entering into a leisure trust arrangement.

To sum, the Audit Commission (2006) cite that the majority of local authorities appear to have established new leisure trusts primarily to make savings, as illustrated above. However, in some instances, local authorities do so without consideration of service improvements or thought of investment. The subsequent reduction of subsidies by host councils, in the transfer of management to a leisure trust can consequently increase financial pressures on such facilities. As a result, some leisure trusts are forced to concentrate on profit-oriented activities in order to establish financial stability, thus reducing their focus on recreational welfare and undermining their social purpose. This

financial circle is similar to that highlighted by Simmons (2004) in consideration of the impact budget cuts are having on the management of in-house facilities.

### **1.4.3 (c) LMC**

In response to competition from leisure trusts, the private sector has adopted a hybrid trust model for managing public fitness suites. These are developed in partnership between a local authority and an LMC. Commonly referred to as a Public Private Partnership (PPP), this relationship is a somewhat complex arrangement when, in exchange for a lengthy management contract, a commercial company invests in the facility that provides the service. The LMC is subsequently granted the lease of the facilities and contracts with the local authority for their management. The contractor retains all income and is generally responsible for most expenditure other than the external fabric of the buildings. Therefore, the cost incurred by the local authority in establishing a PPP is substantially lower than the set-up costs incurred when adopting a new leisure trust model, requiring the lowest subsidies of the three management systems, from local authorities (Audit Commission, 2006).

In turn, the local authority enters into a performance-based management contract with a private sector operator, with the LMC managing the service as an agent of the local authority. PPPs form a core part of New Labour's strategy of improving public sector efficiency as they encourage PPPs (the government's preference for partnership working is highlighted in their Best Value regime). The strategic objective is to unite both the private and public sectors, in order to utilise the management skills and business acumen of the private sector. This, it is suggested, will create better value for money for taxpayers, and contribute to the continuous improvement in efficiency and effectiveness with which the local authorities exercise their function.

Furthermore, according to the Audit Commission (2006) the financial performance of LMCs appears on average to be stronger than for the other management options. This is largely attributable to a superior level of customer information, achieved through

customer profiling, primarily in order to increase income. For example, the Audit Commission (2006) cites that in 80% of cases, LMC marketing was focused exclusively on higher income groups. This carries social inclusion implications that must be borne in mind by host councils, for example:

*“Unless social objectives are explicitly mentioned in contract specifications then the pressure is there for contractors to increase income by targeting those customers with greater financial resources”* (Bailey and Reid, 1994: 60).

In turn, LMCs invest more capital into local authority facilities, ranging from £100,000 to £5 million per project (in 2003/04, £27.3 million was invested by LMCs into local authority-owned health and fitness facilities, Audit Commission, 2006). Private sector contracts generally last from 5-30 years; this allows contractors to plan for the medium term and to invest in facilities and equipment, since such systems have the financial turnover to access funds from financial institutions. Less risk is involved in this management arrangement for local authorities than in the leisure trust option (for example, leisure trusts are required to access loans based on guaranteed income, thus, if these leisure trusts fail, their responsibilities are returned to their local authority at a considerable cost, Audit Commission, 2006). Subsequently, leisure trusts do not have the required turnover to enable them to secure the same degree of external funding as LMC management systems (Audit Commission, 2006).

Delegating public authority service provision to private agents is attractive to the political principal when the economic and / or political costs of developing policy internally are high relative to the costs of delegation (Mattli and Buthe, 2005). This is a fundamental explanation for the use of LMCs in the provision of public leisure facilities. The private sector leisure industry provides a rich source of management expertise, between 1998 and 2003, Mintel (2005) saw the value of the private health and fitness clubs market increase by 70% to £1.8 billion. According to Mintel (2005), there is estimated to be 4.5 million members of private clubs, equating to 9.1% of the total UK adult population. Essentially,

delegation allows the principal to benefit from existing expertise, as *"delegation to an expert can be an effective substitute for the acquisition of expertise"* (Alt and Alesina, 1996: 658).

Thus, the LMC management option has been a popular alternative to trying to run such facilities in-house. The representative body for LMCs, the Leisure Management Contractors Association, has just 7 members but between them they operate in excess of 360 sites on behalf of an estimated 120 local authorities or similar clients, and have a turnover of around £250 million, illustrating their prominence of this management system within the public sector (Mintel, 2006).

PPPs encompass a variety of structures and concepts, each involving the sharing of risk and responsibility between public and private actors. PPPs are an alternative to government budgetary constraints and are perceived to be the greatest means of improving the quality and delivery of public services (Mintel, 2006) by providing funding those local authorities could not (Robinson, 2004). PPPs can take different forms with varying degrees of involvement between public and private actors.

Private Finance Initiatives (PFIs) are one aspect of PPPs. Introduced in 1992 by the then Conservative government but subsequently embraced by New Labour, PFIs form a central theme of the government's public service investment and reform agenda:

*"PFI helps ensure that desired service standards are maintained, that new services start on time and facilities are completed on budget, and that the assets built are of sufficient quality to remain of high standard throughout their life"* (HM Treasury, 2003: 2)

It is important to note that not all PPPs involve PFIs, the crucial difference is that PPPs do not require any form of central government funding (they are an arrangement between the local authority and private partners), whereas PFIs are only possible with funding credits agreed and provided through central government. PFI can be more accurately

described as a type of contracting or procurement. The main benefits to local authorities who become involved with a PFI scheme are that:

*“By bringing the design, build, operation, and maintenance of an asset together in one organisation, not only are significant economies of scale possible but it also avoids costly disputes with different contractors over who is responsible for what particular aspect of the transaction and places responsibility firmly with a single operator” (Mintel, 2006: 20).*

Almost 600 public sports centres are managed by leisure trusts, whilst approximately just over 200 are managed under a private contract, implying that a balance of around 400 is operated without a contract. This imbalance suggests an apparent awarding of the rights to manage a local authority's leisure facilities without any form of selection process, a factor that runs contrary to the principles of Best Value. LMCs argue that this is anti-competitive, preventing them from being able to demonstrate how they can improve utilisation of facilities while reducing local authority subsidies, offering capital investment to refurbish and replace old facilities (Mintel, 2006).

In addition, Business in Sport and Leisure (an umbrella organisation that represents over 100 UK private sector companies in the sport and leisure industry, including operators of private clubs and leisure contractors that operate local authority owned sport and recreation facilities) believe the government should act to remove numerous barriers to private sector investment, within the public sector leisure industry. This includes providing a level playing field for private companies who operate local authority leisure centres to ensure that they receive the same tax treatment as leisure trusts.

Recognising the considerable change and uncertainty concerning the financing of recreation services by local authorities, the Institute of Sport and Recreation Management collaborated with the Leisure Management Unit at Sheffield University to conduct a survey of UK local authorities. The purpose of this collaborative research was to investigate local authority financing of recreation services.

Over half of the local authorities that responded (308 in total) reported threats of reduction or elimination of community recreation services. As Taylor and Page (1994) state, if the financing of such services is not defended, there is a danger that financial cuts will continue to target those services which are discretionary, such as leisure. For example, during the years of 1992 and 1993, 75% of local authorities suffered cuts in their recreation expenditure with 35% claiming that their sport and recreation services had received higher budget cuts than other services (Taylor and Page, 1994). Consequently, the report published by the Institute of Sport and Recreation Management indicates that a majority of local authorities are interested in pursuing different forms of leisure management, particularly partnerships with commercial providers and leisure trust structures.

The report further suggests that those services subject to CCT appear to be under least threat from financial constraints, as in the case of LMCs. Since the existence of a contract, lasting for an extended period of time, transfers the management and operational costs of such facilities to the private agent protecting local authority recreational facilities from budget cuts. An additional benefit of the above management arrangement is highlighted with regard to the quality of facilities provided. For example, the report states that 37 % of local authorities admit to the threat of neglect in their fitness suites. However, Mintel (2005) notes that membership growth in the public sector is likely to be in fitness suites operated by an LMC due to regular investment in such facilities in the form of new equipment, redecoration, and refurbishment. This was recognised almost ten years prior, at the time that the report was published (1994), as approximately 75% of local authorities interested in transferring the operational management of their facilities to a private agent were motivated, to some degree, by financial cutbacks (Taylor and Page, 1994).

## **1.5 INSTITUTIONAL BACKGROUND**

The preceding discussion called upon empirical evidence to identify the funding and governing characteristics of the three management systems, utilised by local authorities in the management of their public fitness suites. This section justifies the presumptions made, on the basis of the empirical evidence presented, through the application of theory. This thesis primarily draws upon the strategic management literature. However, concepts and theories are synthesised from the field of economics in this section, since strategic management theory does not provide a sufficient theoretical standpoint for a discussion of the institutional background of the three management systems identified.

### **1.5.1 (a) In-house**

Service provision, within this management system, is a hierarchical administration, politically controlled by local government councillors. Local government employ a budgeting process to resolve competing resource demands between services, in an attempt to keep costs down. The theory of public choice tries to understand how the political process operates, including how resources will be allocated by governments. Since the local government is legally obliged to provide core services, such as education, those that are discretionary, such as leisure services, are, arguably, given reduced priority. Moreover, as each citizen has one vote, local government councillors will seek to satisfy the majority in an attempt to gain popularity within their constituency. These institutional features imply that in-house management systems are biased towards social inclusion.

Public choice theory provides a theoretical standing for the assumed institutional features of in-house management systems. This theory applies economics to the analysis of political behaviour, and is applied to the individual political decision-making process (Buchanan and Tullock, 1962), specifically decisions that are made in the interest of the political agent as opposed to the overall democracy (Dunleavy, 1991). At the foundation of public choice theory is the notion that an official at any level acts at least partly in their own self-interest, and in some cases are motivated solely by their own self-interest (Downs, 1967). To elaborate, Begg *et al.* (1984) note that the private citizens who



compose society influence the process of public decision making in two ways. First, they elect representatives during elections; second, pressure groups lobby their elected representatives between elections, possibly threatening to take concerted action at the next elections unless their lobbying is heeded. The government, composed of a set of individuals that makes decisions subject to the general approval of the elected representatives, instruct bureaucrats to implement the decisions made. However, the question posed by public choice theory is whether the final result reflects the preferences of the voters or the elected agents own self-interest. Politicians want to stay in power, they may have agendas of their own, and they may be influenced by specific interest groups. Right-wing parties may have the interests of the wealthy at heart while left-wing parties may champion the interests of the "ordinary" worker (Chrystal and Pennant-Rea, 2000), in arguably the same way as the current New Labour government.

Public choice theory, then, attempts to examine governments from the perspective of the bureaucrats and politicians who compose them, challenging the view that the government acts to maximise the public good (Begg *et al.*, 1984). This theory makes the assumption that such agents act in a self-interested way for the purpose of maximising their own economic wealth (for example, winning votes). It can be argued that in attempting to cater to all citizens, government decisions are biased towards the social inclusion of services, in order to satisfy community members, in an attempt to increase popularity amongst the electorate.

As established, leisure services compete with other statutory services for investment. The budgetary process in which this competition occurs may introduce a bias towards cost reduction in areas that the local authority is not legally obliged to provide. By applying the theory of public choice, it can be suggested that local government councillors may seek re-election through increased investment in the provision of core services such as in schools. Leisure services, for example, may only benefit a minority (as suggested by the levels of inactivity within society, illustrated earlier in the chapter) in comparison to a core service, such as education. Therefore, if a local councillor seeks popularity within the constituency, investment decisions are likely to favour core services since a greater

majority of the constituency will benefit through such investment than through investment in leisure services. Although increased revenue can reduce the need for cost reduction, empirical evidence suggests that revenue increasing activities are neglected in in-house managed public fitness suites (Audit Commission, 2006). Thus, targeted market research in order to increase revenue is assumed to be rare, and investment finance may be limited by Treasury and council tax revenues. As such, services are starved of investment finance, with minimal marketing and revenue generation.

### **1.5.2 (b) Leisure Trust**

Although leisure trusts are able to seek external private finance, empirical evidence suggests that in practice this is unsuccessful. Further, they are reliant on local government financial security, since leisure trusts are required to access loans based on guaranteed income, thus, if such leisure trusts fail, their responsibilities are returned to the local authority at a considerable cost. It is, therefore, suggested that revenue seeking strategies may be rare for this management system, since local authorities must assume the debts of failing leisure trusts, that is, leisure trusts may have soft budget constraints (Kornai, 1980).

Organisations that are governed by central government, such as leisure trusts, are suggested to face a budget constraint that is much softer than for their market-based counterparts (Gomulka, 1985), such as LMCs. Maskin and Xu (2001) attribute this, in part, to a lack of financial discipline in the public sector. They suggest that the lack of discipline derives from subsidy allocation, implying, as Kornai (1980) recognises, that state governed organisations are subject to soft budget constraints. Softening of the budget constraint occurs when the strict relationship between expenditure and earnings has been relaxed because excess of expenditure over earnings will be paid by some other institution, in this case, by the state. This, for example, is achieved through the softening of taxation attributable to the charitable status of leisure trusts.

It is suggested here that the softening of the budget constraint, in this instance, is related to redistributive policies that support disadvantaged groups, that is, redistributive objectives in the name of fairness, social justice and solidarity. Such policies can arguably enable non-profit organisations access to additional financial assistance, provided by the local government. Leisure trusts, for example, are run by a board of trustees representing the community; these stakeholders introduce a bias towards social inclusion, reinforced by a legal obligation to do so.

However, when the budget constraint is soft, productive efforts such as improving quality are no longer imperative. Instead, the firm is likely to seek external assistance, asking for compensation for unfavourable external circumstances (Kornai, 1998). Further, Kornai (1998) suggests that the softness of the budget constraint makes the price and cost responsiveness of a state-owned enterprise much weaker than that of a private firm in a market economy, that may have a hard budget constraint.

### 1.5.3 (c) LMC

LMCs are owned and controlled as a subsidiary of a parent firm, who are in turn listed firms financed by shareholders (for example, DC Leisure Management Ltd.) or private firms with venture capital backing (for example, Leisure Connection). LMCs are, therefore, more driven by shareholder interests and market principles than their in-house or leisure trust counterparts. Privatisation, it is suggested, changes the objectives of the provider of funds, such that a profit maximising creditor would only be concerned for the return on projects and not for the private benefits of insiders (Dewatripont *et al.*, 1999). Since LMCs do not have the same financial security provided by local government, which is afforded to leisure trusts, such management systems must cover their costs of production using revenue generated from their service offering. Thus, LMCs will seek increased financial return by investing into facilities and increasing their value, in an attempt to target higher income groups and increase revenue generation, as illustrated by the empirical evidence presented.

These empirical presumptions are supported by the application of the hard budget constraint, developed by Kornai (1980). Dewatripont *et al.* (1999) suggest that the condition for hard budget constraints under privatisation is more prevalent than under government ownership, implying that there will be harder budget constraints under privatisation compared to state ownership. Moreover, although a LMC may have access to substantial capital resource, as implied by the empirical evidence presented, its budget constraints will be hard (Kornai, 1980), since the focus will be on profit maximisation in an attempt to avoid incurring a deficit. As Kornai (1992) notes, "...the budget constraint on the formal and informal private sectors is thoroughly hard" (Kornai, 1980: 145), relative to those budget constraints imposed on in-house and leisure trust management systems.

Hardness of the budget constraint is not a synonym for profit maximisation. A profit maximising firm, even if it is making a profit will try to cut its losses. Further, profit maximisation refers to the internal goal-setting of the decision maker of the firm; the softness-hardness of the budget constraint refers to the external tolerance-limits to losses (Kornai, 1992). As such, a hard budget constraint means that the environment will not tolerate a protracted deficit. Therefore, the emphasis here is on what the organisation's external environment will tolerate (Kornai, 1992). The budget constraint is hard if persistent loss is a matter of survival, thus, the greater the tolerance for making a deficit, the softer is the constraint. If the budget constraint is hard, the firm has no other option but to adjust to unfavourable circumstances by improving quality and introducing new products or processes. Thus, it can be argued that LMCs are obliged to produce efficiently by the hard budget constraint and the strong incentive to increase profits (Kornai, 1992). This can be achieved by the agent, in part, if the principal's objective function is less comprehensive than social welfare, for example (Dewatripont *et al.*, 1999). Arguably, this is illustrated by the superior degree of customer profiling on the part of LMCs, relative to in-house and leisure trust managed facilities, in their attempt to target high-income groups in pursuit of profit maximisation, as presented by the empirical evidence.

## 1.6 CONCLUSION

The foregoing has examined the broad area of physical activity in relation to global and domestic health concerns, with a focus on public services and the changing role local authorities have had in the delivery of leisure facilities. This chapter has also outlined the need to raise PA levels in response to the documented increase in sedentary behaviour and the related rise in obesity levels currently experienced in England. A particular concern of this thesis is, therefore, the effectiveness of current management systems adopted and employed by local authorities in the delivery of public fitness suites.

A thorough review of the literature has not identified the effectiveness of those management systems in delivering public leisure services. For example, the Audit Commission (2006) has assumed on the basis of its independent research that no single management option delivers the best overall value for money, or consistently results in more investment or higher levels of participation. However, they note in-house services tend to be significantly more expensive than the other management systems. On the other hand, independent research undertaken by Sheffield University, using Sport England's benchmarking service, documents that private sector operators of local authority owned sport and leisure facilities perform better on key performance indicators for financial performance and equally well on key performance indicators for social inclusion, compared with in-house operators or leisure trusts (Business in Sport and Leisure, 2005). However, Robinson and Taylor (2003) describe the inadequacies of existing performance measurements, arguing that such measurements neglect the heterogeneous nature and complexity of environments in which different leisure facilities achieve, or fail to achieve, desirable goals governed by central government.

It can therefore be argued no substantial research has been undertaken to identify the performance outcomes associated with the three identified management systems, which are available to local authorities in the management of public fitness suites. Thus, a research niche has been identified through the examination of the preceding literature. The research question to be answered, then, is as follows:

*How effective are the three management systems available to local authorities in the delivery of public fitness suites, across a range of performance indicators?*

The research gap identified suggests using concepts and models from the academic and applied areas of strategic management to assist in identifying the possible future direction for the service as a whole.

Chapter 2 develops a conceptual model drawn from the extant strategic management literature, which is deemed crucial to a study of complex service provision and to the shaping of this thesis, which has the key objectives of examining strategic and management options available in the delivery of public fitness suites. A distinction is made between strategic intent and actions that can be pursued and undertaken by the different management systems to achieve desired performance outcomes.

This framework subsequently informs the development of hypotheses generated in Chapter 3. The research hypotheses consist of reasoned proposals suggesting positive or negative associations between multiple constructs contained in the conceptual framework. The hypotheses are based on extensions of the strategic management literature, with insights gained from an overview of the public leisure industry. A detailed methodology for the generation of data required by tests of the hypotheses follows the hypotheses chapter (Chapter 4), before methods of data analysis are established (Chapter 5).

Chapter 6 develops specific methodologies by introducing the multivariate analysis methods utilised to analyse the data and the main descriptive findings from the primary data generated. The nature of relationships within each construct is investigated and the process, by which summated scales are created, to represent the underlying themes of the constructs investigated, is presented. This allows for an early exploration of the study findings and an initial step towards hypothesis testing.

Differences between groups of interest are examined across the study variables in Chapter 7, through multivariate analysis of variance to provide an indication of the accuracy of a number of the study hypotheses. In addition, to further test the research hypotheses, a more robust multivariate analysis method is utilised, namely, multiple linear regression analysis. The analysis is drawn on to document the consequential impact strategic intent and actions have on overall management system performance.

A discussion based on the interpretation of the results of the multivariate analysis of variance and multiple regression analysis results is presented in Chapter 8. Significant conclusions and directions for future research are consequently drawn in the concluding chapter (Chapter 9), in light of the limitations of the study.

***Chapter 2: Literature Review &  
Conceptual Framework***



## **CHAPTER 2: LITERATURE REVIEW & CONCEPTUAL FRAMEWORK**

### **2.1 INTRODUCTION**

A conceptual framework is crucial to a study of complex service provision, and to the shaping of this thesis, which has the key objectives of examining strategic and management options available in the delivery of public fitness suites. The complex nature of the service suggests to view the service as an entity, and to ignore at this stage that the responsibility of provision lies with individual District Councils; Unitary Authorities (Metropolitan areas and Shire areas); and London Boroughs, who in some cases contract out the service. This suggests using concepts and models from the academic and applied fields of strategic management to assist in identifying the possible future direction for the service as a whole.

### **2.2 STRATEGIC MANAGEMENT THEORY**

#### **2.2.1 The Traditional Approach and Planning**

Strategic management was traditionally viewed as a separate and distinctive area of managerial activity, concerned with long-term issues, by which senior managers would formulate a plan that would result in improved organisational performance. Thus, strategy was defined as a:

*“...unified, comprehensive, and integrated plan designed to ensure that the basic objectives of the enterprise are achieved”* (Quinn *et al.*, 1988: 14).

Early writings on strategy focused on production and productivity, and the determination of strategy as a top-down activity. This view is echoed in the writings of Drucker (1954) who identified two dimensions of the task of management, an economic dimension,

which should always come first and a time dimension of less significance. Chandler (1962) defines the traditional view of strategy as:

*“The determination of basic long term goals and objectives together with the adoption of courses of action and the allocation of resources for carrying out these goals” (Chandler, 1962: 13).*

Chandler’s (1962) work proposed that an organisation’s structure should pursue the determined strategic direction of the organisation, thus informing organisational planning. This involved a clearly written plan comprising of clear objectives, which could allow for the evaluation of results. This process covered every facet of business through the application of a five-year planning cycle. Perrin (1971) suggests such a plan provides a chief executive and the board with the necessary information to define organisational goals and to form a coherent strategy for reaching such goals’.

*“A normal aspect of conventional strategic planning is the application of formal rules, procedures and methods of communication to the planning element of control. The whole approach can have significant implications on role relationships, and on organisational structures, and it views strategy as the determinant of such role relationship, structures and cultures” (Stacey, 1990: 65).*

The above quotation characterises the traditional view of strategy in which the decision taken is informed by the strategic direction of the organisation. Organisational structures and management systems are designed, whilst role relationships and cultures are changed, to support this strategy.

This systematic planning has as its primary goal the improving of the ability to define and structure planning problems by effective interaction with the environment, but also in acknowledging uncertainties associated with turbulence (Ackoff, 1974). Thus, systematic planning attempts to incorporate values and judgements into the mode of

enquiry in order to represent stakeholders' intents and perspectives in a system of problem solving. There are numerous models that concentrate on environmental influences, for example, Porter's Five Forces Driving Industry Analysis (1980) and his later work on Generic Competitive Strategies (1985). The former analysis is used to indicate the strategic position of the organisation with respect to its actual and potential competitors. Here, the structure of the industry within which a firm competes is a key factor of an organisation's environment. The latter identifies three main generic strategies derived from elements of competitive advantage, which will now be discussed in greater depth.

### **2.2.1.1 Generic Competitive Strategies**

Porter (1985) argued that there are two "*basic types of competitive advantage a firm can possess: low cost or differentiation*" (Porter, 1985: 11). These combine with the range of market segments targeted to produce three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus (namely narrow scope) (Mintzberg *et al.*, 1998). Thus, in coping with the five competitive forces outlined by Porter (1980), there are three potentially successful generic strategic approaches. The generic strategies, then, are approaches to outperforming competitors, each involve a distinguishable route to competitive advantage but share the underlying principle that competitive advantage is at the heart of any strategy. Porter (1985) argued that firms must "make a choice" among these to gain such an advantage, "*a firm that engages in each generic strategy but fails to achieve any of them is 'stuck in the middle'*" (Porter, 1985: 16).

*"Each generic strategy is a fundamentally different approach to creating and sustaining a competitive advantage, combining the type of competitive advantage a firm seeks and the scope of its strategic target"* (Porter, 1985: 17).

Many organisations sustain their competitive advantage through continued attention to their cost structure *vis-à-vis* competition (Johnson and Scholes, 1989). The strategy of

*overall cost leadership* strives for a low cost position relative to competitors, achieved through an experience curve, tight cost and overhead control, and cost minimisation in areas like research and development, service, and advertising (Porter, 1985). This strategy requires that a broad target or mass market be supplied with standard products or services (Capon, 2008). To follow this strategy option, an organisation will lay emphasis on cost reduction throughout the whole organisation. Subsequently, a successful cost leader in an industry will be the lowest cost producer in the sector and offer the mass-market services of a quality comparable to that offered by direct competitors (Capon, 2008). However, it should be noted that overall cost leadership does not necessarily imply a below average price, for example, the organisation could charge an average price and reinvest the extra profits generated (Lynch, 1997).

The second generic strategy is one of differentiating the product or service offering of the organisation, "*creating something that is perceived industry-wide as being unique*" (Porter, 1980: 37). A differentiation strategy is used to offer the customer added value, rather than the reduced costs and lower prices of a cost leadership strategy (Capon, 2008). This strategy does not ignore the importance of costs, but they are of secondary significance to the primary strategic target, that is, the product and / or service offering. Essentially, differentiation occurs when the product and / or service offering of an organisation meet the needs of some customers in the market place better than others. When the organisation is able to differentiate its offering, it is able to charge a price that is higher than the average market price (Lynch, 1997):

*"A firm that can achieve and sustain differentiation will be an above average performer in its industry if its price premium exceeds the extra costs incurred in being unique"* (Porter, 1985: 14)

Therefore, the product and / or service offering must be perceived as unique by the targeted segment(s) if it is to command a premium price. In contrast to overall cost leadership, however, there can be more than one successful differentiation strategy in an

industry if there are a number of attributes that are widely valued by buyers (Porter, 1985).

*“The final generic strategy is focusing on a particular buyer group, segment of the product line, or geographic market...the entire focus strategy is built around serving a particular target very well” (Porter, 1980: 38)*

Focus strategies, then, are used to target a niche or segment of the market which is not served well by mainstream competitors in the sector (Capon, 2008). Thus, a *focus* strategy rests on the notion that the firm is able to serve the narrow target market more effectively than competitors who are competing on a broader scale. This strategy is quite different from the others as it is based on the choice of a narrow competitive scope within an industry (Porter, 1985). The focus strategy has two variants: *cost focus* and *differentiation focus*. Firstly, the cost focus strategy is pursued by organisations that seek a cost advantage in chosen target segments. Therefore, organisations following a cost focus strategy will aim for low costs, allowing for low-priced products and services to be delivered to price sensitive customers (Capon, 2008). Secondly, within a differentiation focus an organisation seeks differentiation in its target market, where customers are prepared to spend above the average for perceived value-added services (Capon, 2008):

*“Cost focus exploits differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments. Such differences imply that the segments are poorly served by broadly-targeted competitors who serve them at the same time as they serve others” (Porter, 1985: 15).*

Porter’s (1980, 1985) models are significant in that they provide information of how the traditional view of strategy was managed and the way in which it was focused.

### **2.2.1.2 The Traditional Approach and Planners**

It was in the 1970s that recognition was given in the UK to strategic planning, the role of the planner followed a traditional view of strategy; blueprints for the future were prepared and used to direct the business over the long term (Stacey, 1990). Simon (1960) describes such an approach as one in which the decision maker selects the rationally best course of action from among all those available, in order to maximise return. This encompasses traditionalist planning, which concentrated on providing rational means for economic success, which would also control the organisation. Such strategies are described by Mintzberg (1994) as extrapolated from the past or copied from others, and in which:

*"Those with a calculating style fix on a destination and calculate what the group must do to get there, with no concern for the members' preferences"* (Mintzberg, 1994: 109).

Thus, planners of the traditional view perceived their role as a specialised function, with a top down approach. A role for senior managers in which a rational and deliberate, long term plan was devised. Such a plan was expected to necessitate a consistent, coherent and considered approach to the long-term economic survival of the organisation.

There have been numerous criticisms levelled at this view of strategic management. Mintzberg (1978) raises the issue that an intended strategy may not take place for several reasons. For example, it could be based on inaccurate information, misunderstandings, or that it might simply not be carried out. Watson (1994) argues that the most successful way to study strategy is to examine that which is realised. Strategy can then be defined as the pattern, which can be seen or inferred when we look at what occurs in the relationship between the organisation and the environment over time. This enables an analysis of the extent to which there is a close relationship between outcome and intention or alternatively a remote relationship.

This suggests strategic management may not be rational and deliberate. Cyert and March (1963) acknowledge that, when the environment is unstable and uncertain, short-term

adaptability should be considered as priority, whilst long-term adaptability to rationalise is of limited relevance. Stacey (1990) supports this view:

*“The real cutting edge of strategic management lies in handling the unknowable, and the cost of mind generated by the conventional approach is a positive hindrance to such an endeavour” (Stacey, 1990: 14).*

This supports research by Quinn (1988) who discusses how, where there have been careful observation of what managers actually do regarding strategic planning, it has been observed that it is for some complex and much more intuitive than the planning mode would suggest. Furthermore, Stacey (1990) outlines the difficulty of identifying by research how frequently business managers actually adhere to the strategic plans and how frequently adjustments are made to respond to external changes.

### **2.2.2 The Processual Approach**

The processual approach views strategy as the realised pattern in which planning and implementation are integrated processes’.

*“Formulation and implementation are intertwined as a complex interactive process in which politics, values, organisational culture, and management styles determine or constrain particular strategic decisions. And strategy, structure and systems mix together in complicated ways to influence outcomes” (Quinn et al., 1988: 20).*

The processual approach has developed as a result of the recognition that a traditional standpoint focuses on outcomes and not the processes leading to them. The formulation of strategy, undertaken by the traditional approach, relied on human beings coping with complex information but without acknowledging their inherent computational limitations (Simon, 1957). Simon argues that human beings develop planning and decision making procedures that are entirely “rational” given the constraints of the situation, that is,

“bounded rationality”. Instead of optimising a situation by utilising all available information, the constrained planner seeks merely to identify a course of action, which is just “good enough” to produce a reasonable improvement in the present state of the system.

Essentially, this form of strategic planning and decision making can be referred to as “muddling through” (Lindbolm, 1968). Plans are constructed to minimal effect, just good enough to provide further movement towards an objective, given acknowledged constraints on the ability to gather and process information. Lindbolm (1968) identifies that such changes occur through small incremental behaviours, directed by disjointed or uncoordinated processes. This implies that the whole system and its interaction with its environment are not considered, but that the focus is on parts of the system, which allows for minor modifications. In reviewing the work of Lindbolm, and the quality of decision making, Quinn (1980) states:

*“...there may not be agreement on ultimate goals at all because this might be divisive or even impossible to achieve. Instead the best policy may simply be the one that is acceptable enough to the key players to achieve movement from one policy to the next”* (Quinn, 1980: 100).

Quinn (1980) advocates a policy of “logical incrementalism”, whereby executives can move forward, a little at a time, integrating important process dimensions: coping with the varying lead times and sequencing arrangements demanded and interacting with major decisions; overcoming important and informational barriers to needed change; and, creating the personal and organisational awareness, understanding, acceptance and commitment required to implement strategies effectively.

From a processual perspective, this view of strategic formulation can be seen as generating a general top level psychological commitment to diversification, consciously preparing the organisation to move in a more opportunistic manner; building a “comfort factor” for risk taking; and, developing a new and / or different ethos.



Thus, logical incrementalism can be:

*“...especially necessary for organisational changes that reflect dramatic shifts in the company’s ethos or involve substantial infusions of outside management” (Quinn, 1980: 34).*

Quinn (1980), in conclusion, provides an insight in to how organisations arrive at strategic decisions:

*“The most effective strategies of major enterprises tend to emerge step by step from an iterative process in which the organisation probes the future, experiments, and learns from a series of partial (incremental) commitments rather than through global formulations of total strategies” (Quinn, 1980: 53).*

### **2.2.2.1 The Processual Approach and Planning**

To achieve a logical approach to strategic planning, Quinn (1980) suggests that consideration should be given to the intended nature of the enterprise, in what direction the organisation should move, the objectives sought, and the competencies that will make the organisation unique and better able to serve its functions over its competitors. Thus, logic in this sense can be conceptualised as a vision, needed by those involved in the planning process to identify that which is important.

Senge (1993) believes an organisation should foster shared visions to create a common future (visions that have been built and shared within the organisation) resulting in the establishment of collective goals, which all members work towards. Senge (1993) conceptualises such an organisation as a learning organisation:

*"People continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together"* (Senge, 1993: 3).

The concept of a shared vision is an idealistic view of how organisations can manage their strategies. To build a shared vision, Senge (1993) advocates that all members should be continually encouraged to develop their personal visions, if individuals do not have their own vision all they do is sign-up to someone else's. The result is compliance as opposed to commitment. Harvey Jones (1988) supports the concept of a shared vision and insists all people within the organisation must be involved in some way to develop a shared vision and for effective strategy making. Peters (1988), in the context of strategic direction, upholds this view by stating that the strategic planning process must be truly decentralised for sound strategic directions to be achieved.

Providing a sense of direction through a strategic vision encourages the direction to be followed since such a vision addresses the human need for something to strive for, "a reason for being". In addition, a well communicated vision will construct an image of the future, which is attractive and worthwhile to employees. More than an expression of the needs of external stakeholders, it provides employees with a belief that the organisation has a future, that employees are central to that future, and that their future is secure as stakeholders (Eden and Ackerman, 1998). It is suggested that this certainty enhances employee commitment to the organisation. Thus, it can be suggested that strategic management provides a means of regenerating an organisation through "*continuous attention to a vision of what the people who make up an organisation wish to do*" (Eden and Ackerman, 1998: 3).

Mintzberg (1994) furthers this thinking with the view that the most successful strategies are visions, not plans. Strategic management, therefore, is a process in which planners have a role to supply the hard data—the formal analysis allows for a broader outlook of issues to be viewed—as opposed to discovering one "true" answer. Mintzberg (1994)

maintains “real” strategists are those with a vision, who “immerse themselves” in daily details whilst being able to abstract the strategic messages from them. Thus, the big picture is painted with minimal strokes:

*“We try things, and those experiments that work converge gradually into viable patterns that become strategies. This is the very essence of strategy making as a learning process” (Mintzberg, 1994: 11).*

Mintzberg (1994) argues that a strategy can be *deliberate*, realising the specific intention of managers, but that a strategy may also be *emergent*. Emergent strategies, he argues, can develop inadvertently, without the conscious intention of managers, often through a process of learning.

Ring and Perry (1985) characterise public organisations as traditionally low on deliberate strategy and high on emergent strategy, enabling public organisations to be more responsive to the needs or demands of their constituents. However, the contemporary adoption of private sector management philosophy within the public sector has arguably created a balance between strategically planned organisational objectives and emergent organisational learning. The government’s Best Value regime is illustrative of this.

Contemporary strategic management, then:

*“Involves creating and moulding the future, along with making sense of the past, constructing rather than simply predicting, and responding to, some predetermined future reality” (Eden and Ackerman, 1998: 3).*

As established then, two main approaches to corporate strategy development exist: the prescriptive approach and the emergent approach. These can exist simultaneously through the unconscious process of learning undertaken by managers, thus both have been recognised. However, the concern here is with the former, that is, the prescriptive approach, as organisations require an effective competitive strategy to operate

successfully in a market where there is established and potential competition (Capon, 2008). It is argued here that a prescriptive approach to strategy formation is evident in the strategic intent purposely adopted by an organisation to achieve its strategic objectives. Strategic intent is defined as a concept that encompasses an active management process that includes: motivating people by communicating the value of the target; leaving room for individual and team contributions; and using intent consistently to guide resource allocations (Mintzberg *et al.*, 1998). Thus, strategic intent sets general direction and defines emerging market opportunities, subsequently providing an orientation that on account of its clarity can be pursued with consistency over the long term.

Strategic options can be considered a means of expressing the strategic intent of an organisation. In developing strategic options the organisation is following a deliberate process of strategy making, as opposed to inadvertently, without the conscious intention of managers. Specific strategic options for organisational development are usually considered in the context of the overall generic strategy which an organisation is pursuing (Johnson and Scholes, 1993). The debate about the importance and relevance of generic strategies arguably began with Porter (1980) who developed three fundamental generic strategies by which organisations can achieve sustainable competitive advantage. These were discussed earlier in the chapter. Consequently, the following discussion focuses on the strategy clock developed by Faulkner and Bowman (1995), which builds on Porter's (1980) three competitive strategies and provides an alternative model to Porter's (1980) for assessing competitive strategy options (Capon, 2008).

As Johnson and Scholes (1993) note, too often managers conceive of generic strategies in terms which are internal to the organisation. However, while the uniqueness of internal measures may be realised in technical terms, they are of no value in achieving competitive advantage unless they are of value to the customer, "*so that the user has a preference for those products or services over those of competitors*" (Johnson and Scholes, 1993: 209). Thus, Johnson *et al.* (2008) argue that generic strategies need to be thought of in relation to that which the market values. The strategy clock developed by

Faulkner and Bowman.(1995) illustrates a number of developments from Porter's (1980) original three generic strategies, incorporating the concept of perceived added value and includes (but is not exhaustive of): *price-based*, *value-added*, and *hybrid* strategies.

These strategies are developed on the basis that customers may choose to purchase from one source rather than another because either the price of the product or service is lower than that of another firm, or the product or service is more highly valued by the customer from one firm than another (Johnson and Scholes, 1993).

*Price-based* strategies include reducing price and perceived added value and focusing on a price-sensitive segment or reducing price while maintaining the quality of the product or service (similar to Porter's notion of overall cost leadership). Such strategic options which follow a strategy of low price can achieve competitive advantage within a market segment when (a) low price is important, and (b) an organisation has cost advantage over competitors operating in that segment (Johnson and Scholes, 1993). Such strategies cannot be pursued without a low-cost base. However, as Johnson *et al.* (2008) note that low cost in itself is not a basis for competitive advantage. Rather, competitive advantage is achieved by reducing costs in ways which others cannot match.

*Value-added* strategies are developed from Porter's (1980) strategy of differentiation, whereby organisations offer perceived added value over competitors at a similar, or relatively higher, price (Johnson and Scholes, 1993). Here the aim is to achieve higher market share than competitors by offering better products or services at a higher price, subsequently increasing volume and enhancing profit margins of the organisation. The implication of such a strategy, however, is that an organisation has to continually review their basis of differentiation in order to maintain perceived value-added and justify the higher price charged.

A *hybrid strategy* is a further development of Porter's generic strategies. Porter (1980) argued that firms must "make a choice" among the three generic strategies prescribed to gain a competitive advantage as each generic strategy is mutually inconsistent, "*a firm that engages in each generic strategy but fails to achieve any of them is 'stuck in the*

*middle*” (Porter, 1980: 16). However, as Johnson and Scholes (1993) note, it is possible to simultaneously provide perceived added value while keeping prices down:

*“Here the success of the strategy depends on the ability to both understand and deliver against customer needs, while also having a cost base that permits low prices which are difficult to imitate”* (Johnson and Scholes, 1993: 213).

The aim of a hybrid strategy, then, is to achieve differentiation from competitors’ products and services, while charging lower prices (Capon, 2008). Thus, the success of this strategy depends on the ability to deliver enhanced benefits to customers together with low prices whilst achieving sufficient margins for reinvestment to maintain and develop bases of differentiation (Johnson *et al.*, 2008).

Whilst a number of strategic options have been presented, a full consideration of the reasons for adopting such strategies has not yet been given. It is suggested here that in selecting the appropriate strategic option to pursue, managers are influenced by a number of factors during their decision making process, a central influence being that of stakeholder relationships.

### **2.3 STAKEHOLDER MANAGEMENT**

Strategic thinking, in practice, is characterised by strategic exchange processes (Watson, 1994). Individuals within an organisation are said to shape themselves and their lives through the exchange of material and symbolic resources at the same time as organisations are shaped through resource exchange with internal and external constituents to achieve long-term survival. Thus, strategy making must focus on the whole range of interested parties to the organisation. The basic scope of strategic management, then, is one of creatively balancing the range of demands and opportunities that an organisation has to deal with to continue into the longer term (Watson, 2002). This approach builds on stakeholder and resource dependence models.

It has been noted that basic distinctions exist between the public and private sectors, a key difference being that public organisations are much more exposed to the external environment. For example, the role mass media plays is cited frequently as one of the major differences in the work lives of public and private managers (Bower, 1977), the relative openness of decision making creates greater constraints for public sector executives and managers than for their private sector counterparts (Ring and Perry, 1985). This is one example of the wide range of interest groups that influence public sector policymakers. One possible approach to this conceptual problem of dealing with the external environment of the organisation is to adopt a stakeholder model of the organisation.

Environmental uncertainty was recognised in the work of Emery and Trist (1965) that conceptualised the condition of uncertainty and the casual texture of environments. Commentators have noted how the environments of organisations, both in the public and private sectors, have become more complex and more prone to sudden unexpected changes (Buchanan and Huczynski, 2004). Freeman (1984) argues that organisations have stakeholders; these are groups and individuals who can affect, or are affected by, the achievement of an organisation's mission. This is conceptualised by Freeman's (1984) stakeholder model as a map in which the organisation forms the hub of a wheel with stakeholders at the end of the spokes around that wheel. Freeman *et al.* (2004) promote the thinking that managers must develop relationships that inspire stakeholders and create communities in which everyone strives to contribute to the delivery of value:

*"...if organisations are to be successful in the current and future environment then executives must take multiple stakeholder groups into account"* (Freeman, 1984: 52).

Windsor (1992) notes, however, that stakeholder theorists differ considerably on whether a narrow or broad view of the organisation's stakeholder environment is adopted. Freeman (1984) identifies a broad definition of a stakeholder, as illustrated above. The

Stanford Research Institute (1963), on the other hand, presents a narrower definition, defining stakeholders as those groups on which the organisation is *dependent* for its continued survival (Mitchel *et al.*, 1997).

The Stanford Research Institute (1963) acknowledge that it is usually necessary at any one time to give priority to the needs of one interest group or another, depending on the problems of the business, and that all stakeholders have the power to damage or help the business (Taylor and Sparkes, 1977). The list of stakeholders originally included shareowners, employees, customers, suppliers, lenders and society. The Stanford Research Institute argued that unless executives understood the needs and concerns of these stakeholder groups, they could not formulate corporate objectives that would receive the necessary support for the continued survival of the firm (Freeman, 1984). Therefore, there is a need to understand the expectations of different groups and weigh these in terms of the power that they exercise. Johnson and Scholes (1989) provide an example of how a variety of stakeholder groups, with differing expectations, in the public sector attempt to influence the formulation of strategy:

*“The electorate are able to influence the situation by allocating power to political parties. They in turn are subject to their own internal pressures from groupings with differing expectations and must reconcile their policies with the views of opposition parties and the administrators in the local government departments”* (Johnson and Scholes, 1989: 124).

Local authorities find themselves performing a variety of stakeholder roles that may conflict, for example, the cost conscious management of facilities and the desire to support central government goals, such as socially inclusive policies.

Essentially, the stakeholder approach is about groups and individuals who can affect the organisation (Freeman, 1984). Whereby, managerial behaviour is taken in response to those groups and individuals, which is evident in the strategic intentions adopted by managers with the primary objective to achieve organisational performance. However,



Donaldson and Preston (1995) identify that the concepts *stakeholder*, *stakeholder model*, *stakeholder management*, and *stakeholder theory* are explained and used by various authors in very different ways, supported with diverse and often contradictory evidence. Nevertheless, the stakeholder theory is intended both to explain and to guide the structure and operation of the organisation:

*“Viewing the corporation as an organisational entity through which numerous and diverse participants accomplish multiple, and not always entirely congruent, purposes”* (Donaldson and Preston, 1995: 70)

The stakeholder theory has been presented and used in a number of ways that are quite distinct and involve different methodologies. Three stakeholder discourses are identified by Donaldson and Preston (1995), these are descriptive (or empirical), instrumental, and normative.

First, *descriptive* or *empirical* stakeholder theory is used to describe specific corporate characteristics and behaviours, for example, the theory has been used to describe the way managers think about managing, or how board members think about the interests of corporate constituencies (Donaldson and Preston, 1995). Essentially, the descriptive aspect of stakeholder theory reflects and explains past, present, and future states of affairs of organisations and their stakeholders. As the authors note:

*“Simple description is common and desirable in the exploration of new areas and usually expands to generate explanatory and predictive propositions”* (Donaldson and Preston, 1995: 71).

Second, *instrumental* stakeholder theory here is used to identify the connections (or lack there of) between stakeholder management and the achievement of corporate objectives, such as, profitability and growth for example (Agle *et al.*, 1999). If stakeholders can affect the achievement of an organisation’s objectives, it can be assumed that the organisations decisions, and hence its performance, maybe affected by the activities of its

stakeholders (Berman *et al.*, 1999). Therefore, instrumental studies often generate implications for the adoption of stakeholder principles, suggesting that adherence to such principles and practices achieve conventional organisational performance. The end result, therefore, may have nothing to do with the welfare of stakeholders in general. Instead, the firm's goal is the advancement of the interests of only one stakeholder group, that is, its shareholders (Berman *et al.*, 1999).

Berman *et al.* (1999) acknowledge that there is no means of predicting the precise way that stakeholder relationships enter the performance equation, however, they offer two formulations of an instrumental stakeholder management model. These are, the *direct effects model* and the *moderation model*:

*“Both models rest on the supposition that the objective of managers is to maximise profits, not to advance the morally legitimate claims of stakeholders other than shareholders”* (Berman *et al.*, 1999: 492).

In the direct effects model, managers' attitudes and behaviour toward stakeholders, such as customers, are seen as having a direct effect on firm financial performance, independent of firm strategy. However, in the moderation model, managerial orientation toward stakeholders does impact upon firm strategy, through moderating the organisational strategy and financial performance relationship. Both formulations are illustrated below (Figure 1).

Figure 1. The Direct Effects Model

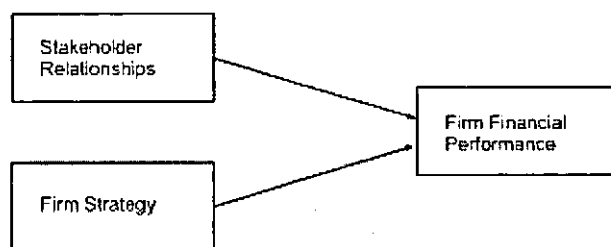
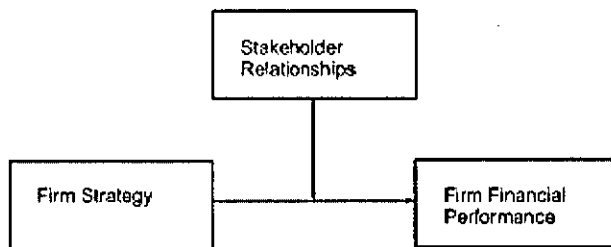


Figure 2. The Moderation Model



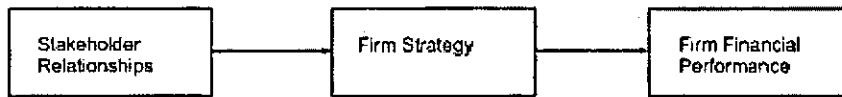
Third, a *normative* discourse describes the corporation as a collection of cooperative and competitive interests possessing intrinsic value (Agle *et al.*, 1999):

*“In normative uses, the correspondence between the theory and the observed facts of corporate life is not a significant issue, nor is the association between stakeholder management and conventional performance a critical test”* (Donaldson and Preston, 1995: 72).

Rather, the theory is used to interpret the purpose of the organisation, including the identification of moral or philosophical guidelines for the action and management of organisations. Essentially, an organisation establishes clear, fundamental moral principles that guide organisational behaviour, particularly with respect to how it treats stakeholders, using those principles to drive decision-making (Berman *et al.*, 1999).

The normative approach to stakeholder management is supported by Donaldson and Preston (1995), they state that stakeholder interests have intrinsic worth, that is, certain stakeholder claims are based on fundamental moral principles unrelated to the stakeholders’ instrumental value to a corporation. Given such a stakeholder orientation, an organisation shapes its strategy around certain moral obligations to its stakeholders, for example, providing access to leisure facilities for low-income groups that may not be able to afford such opportunities in the private sector. Berman *et al.* (1999) conceptualise this view of stakeholder relationships with the *intrinsic stakeholder commitment model*. In this model, the intrinsic value of stakeholder interests influence organisational decision making prior to strategic considerations, forming a moral foundation for corporate strategy, as shown below in Figure 3.

Figure 3. The Intrinsic Stakeholder Commitment Model



To sum, both normative and instrumental analyses are essentially prescriptive in nature, that is, they may express or imply more or less appropriate choices on the part of decision makers (Donaldson and Preston, 1995).

However, they lie on different assumptions. An instrumental approach is hypothetical in nature, a normative approach, on the contrary, is not hypothetical but categorical. Further, Donaldson and Preston conclude that the normative base serves as the critical underpinning for the theory in all its forms.

The stakeholder approach is utilised as a means of interpreting specific managerial behaviour taken in response to the needs of particular interest groups, given that failure to satisfy the interests of such groups may be detrimental to organisation performance (Greenley and Foxall, 1996). Specifically, the strategic intentions of organisations, it can be argued, are adopted to meet the needs and expectations of particular groups, such as customers. Subsequently, through targeting and satisfying those groups that have the greatest influence on organisational performance at any one point in time, strategic objectives can be achieved.

### 2.3.1 Corporate Social Responsibility

In addition to the foregoing, the Corporate Social Responsibility (CSR) literature derives from the original work on the stakeholder concept developed by the Stanford Research Institute, where a number of researchers were concerned with the social responsibility of business organisations (Freeman, 1984). As Taylor and Sparkes (1977) discuss:

*“Management is recognising that corporate strategy is concerned not simply with producing a return on investment and delivery of satisfactory products to customers but also achieving social acceptance in the community” (Taylor and Sparkes, 1977: 173).*

Waldman *et al.* (2006) further elaborate on this, they define CSR as:

*“Actions on the part of the firm that appear to advance, or acquiesce in the promotion of some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law” (Waldman et al., 2006: 1703).*

The distinguishing feature of the CSR literature is that it can be viewed as applying the stakeholder concept to non-traditional stakeholder groups:

*“In particular, less emphasis is put on satisfying owners and comparatively more emphasis is placed on the public or the community or the employees” (Freeman, 1984, 38).*

Some corporations engage in CSR altruistically, because it is “the right thing to do”, others, to show the company in a positive light and add value to the company. The general consumer prefers a firm that is perceived to have positive social values to competitors who do not, thus, a competitive advantage can be achieved through the adoption of CSR (Morsing, 2005). An example of CSR in practice can be illustrated by the growing popularity of leisure trusts within the public leisure facility management arena, as has been documented, the central mission of such leisure trusts’ is “community benefit”.

CSR is a global agenda issue, for example, the European Union look to corporations to help address issues such as inequality, health, and unemployment (Royle, 2005). The government supports the organisational culture generated by CSR, arguing that CSR is

good for both society and long-term business success (HM Treasury, 2005). Essentially, CSR is a belief that companies can be part of the solution to the challenges faced by contemporary society, thus offering a possible explanation to increasing private sector involvement within the management of public leisure facilities.

A significant contribution of CSR theory is in the recognition of additional, non-traditional stakeholders. Subsequently, it can be argued that due to the nature of public services, stakeholder groups will vary to those in the private sector, for example, it is suggested that public and community stakeholder groups will have far greater influence over public organisations than for their private sector counterparts. Though, local authorities in exploiting the private sector's expertise can gain numerous benefits; community needs and expectations continually evolve over time, as illustrated by increasing customer expectations of public services for example, delivering consistently high quality services therefore requires ongoing tracking and responsiveness to changing market place needs, that is, being market oriented (Jaworski and Kohli, 1993).

## 2.4 MARKET ORIENTATION

Market orientation involves an implementation of the marketing concept (Shoham *et al.*, 2005), which denotes that an organisation's purpose is to discover needs and wants in its target markets and to satisfy those needs more effectively than competitors (Slater and Narver, 1998). Through the ongoing monitoring of community needs and market conditions, organisations can adapt to deliver services that are valued by customers. Thus, a market orientation:

*"Facilitates a firm's ability to anticipate, react to, and capitalise on environmental changes, thereby leading to superior performance"*  
(Shoham *et al.*, 2005: 436).

Two perspectives on market orientation can be distinguished, a behavioral and a cultural perspective. The behavioral perspective prescribes specific behaviors required to be

market oriented, whilst the cultural perspective is related to more fundamental characteristics of the organisation (Homburg and Pflesser, 2000). However, the two frameworks share many underlying concepts and activities, such as the understanding of customer wants, cross-functional integration within the firm, and the importance of decisive action in response to market opportunities (Noble *et al.*, 2002).

Narver and Slater (1990) present market orientation as a construct consisting of three behavioral components: customer orientation, competitor orientation, and interfunctional coordination; each of which involves intelligence generation and dissemination and managerial action (Slater and Narver, 1994). This model is presented on the assumption that the three behavioral components identified reflect an underlying organisational culture (Homburg and Pflesser, 2000). Thus, according to Homburg and Pflesser (2000) the cultural perspective has had a stronger impact on the definition than on the conceptualisation and the development of measures of market orientation.

Kohli and Jaworski (1990), on the other hand, provide a behavioral perspective theory of market orientation that they describe as the implementation of the marketing concept. An operational definition, presented by Kohli and Jaworski (1990), of the market orientation construct is the following:

*"Market orientation is the organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organisationwide responsiveness to it"* (Kohli and Jaworski, 1990: 6).

Hence, market orientation can be seen to exist on a continuum characterised by the degree to which organisations generate, disseminate, and respond to market intelligence on customers and competitors (Baker and Sinkula, 1999). Market intelligence in this context, then, is a broad concept which includes a consideration of exogenous market factors which affect customer and community needs, performance, and current as well as future needs of customers (Pitt *et al.*, 1996). Furthermore, a growing body of empirical

research indicates that positive linkages exist between measures of market orientation and performance (Nelson and Henderson, 2005; Matsuno and Mentzer, 2000; Cadogan and Diamantopoulos, 1995; Jaworski and Kohli, 1993).

The generation of market intelligence relies on a variety of complimentary means. For example, intelligence may be generated through a mix of formal and informal methods, which may involve collecting primary data or consulting secondary sources of information. Such processes may include meetings with customers and community members, and formal market research such as customer attitude surveys and other such mechanisms. Market intelligence is generated collectively by individuals and departments throughout an organisation. Therefore, mechanisms must be in place for intelligence generated at one location to be disseminated effectively to other parts of an organisation (Kohli and Jaworski, 1990). It can therefore be contended that market oriented companies have processes for collecting market intelligence about customers and competitors and integrating them with strategic decision making processes (Hult *et al.*, 2001).

The second element of market orientation – intelligence dissemination – refers to the process and extent of market information exchange within a given organisation (Kohli *et al.* (1993), which can occur both formally and informally:

*“A formal intelligence dissemination procedure is obviously important, but the discussions with managers indicated that informal ‘hall talk’ is an extremely powerful tool for keeping employees tuned to customers and their needs”* (Kohli and Jaworski, 1990: 5).

The emphasis on the dissemination of information across the whole organisation shares distinct similarities with horizontal communication, that is, the lateral flow of information that occurs both within and between departments. The benefit of such communication is that it serves as a means to coordinate people and departments to facilitate the attainment of overall organisational goals. Horizontal communication of market intelligence is an



example of intelligence dissemination as outlined by Kohli and Jaworski (1990). To sum, the process of intelligence dissemination continuously creates superior customer value by sharing the knowledge generated throughout the organisation and by acting in a coordinated and focused manner (Slater and Narver, 1998). This introduces the third element of a market orientation: responsiveness to market intelligence.

Responsiveness to market intelligence is defined as actions taken in response to intelligence that is generated and disseminated. As Kohli and Jaworski (1990) denote, an organisation can generate intelligence and disseminate it internally, however, "*unless it responds to market needs, very little is accomplished*" (Kohli and Jaworski, 1990: 6). Responsiveness to market intelligence involves all departments and includes selecting target markets, designing and offering products and services that cater to their current and anticipated needs, and producing, distributing, and promoting products that enhance customer value. (Kohli and Jaworski, 1990).

In summary, market oriented organisations seek to understand customers' expressed and latent needs, and develop superior solutions to those needs (Slater and Narver, 1999; Kohli and Jaworski, 1990; Narver and Slater, 1990). It has been demonstrated that a market orientation consists of:

*"Norms for behaviour that guide the business in learning quickly from and about different types of needs, and responding in an entrepreneurial manner to deliver superior customer value"* (Slater and Narver, 1998: 1004).

Therefore, it can be suggested that a market orientation provides a unifying focus for employees and departments within an organisation, thereby leading to increased performance (Narver and Slater, 1990). Through tracking and responding to community needs and preferences organisations can better satisfy customers and thus perform at a higher level to competitors. Though in general, although organisations that develop market intelligence and respond to it are likely to perform at a higher level than ones that

do not, simply engaging in market oriented activities does not ensure the quality of those activities (Kohli and Jaworski, 1990).

While the external environment has been demonstrated to be important to the success of an organisation, illustrated in the application of stakeholder theory, internal constituencies are highlighted above as a necessity in satisfying stakeholder needs in response to exogenous factors, particularly in relation to community needs. Watson (1986) further elaborates on this distinction and examines the role of both external and internal constituencies in contributing to the operational survival of the organisation.

## **2.5 THE RESOURCE DEPENDENCE MODEL**

On the basis of the literature examined, it can be argued that all organisations, as sets of patterned understandings, relationships and practices have to trade with a range of parties or constituencies to survive into the future (Watson, 2002). Pfeffer and Salancik (1978) suggest an alternative model to that presented in stakeholder theory, the resource dependence model. The resource dependence model enables organisations to be understood in terms of their inter-dependence with their environments. In accordance with this model, organisations are not viewed as self-directed and autonomous but are dependant on other “actors” for required resources:

*“Their theory sees every organisation as being at the mercy of its environment, needing resources from it in the form of employees, equipment, raw materials, knowledge, capital and outlets for its products and services”* (Buchanan and Huczynski, 2004: 546).

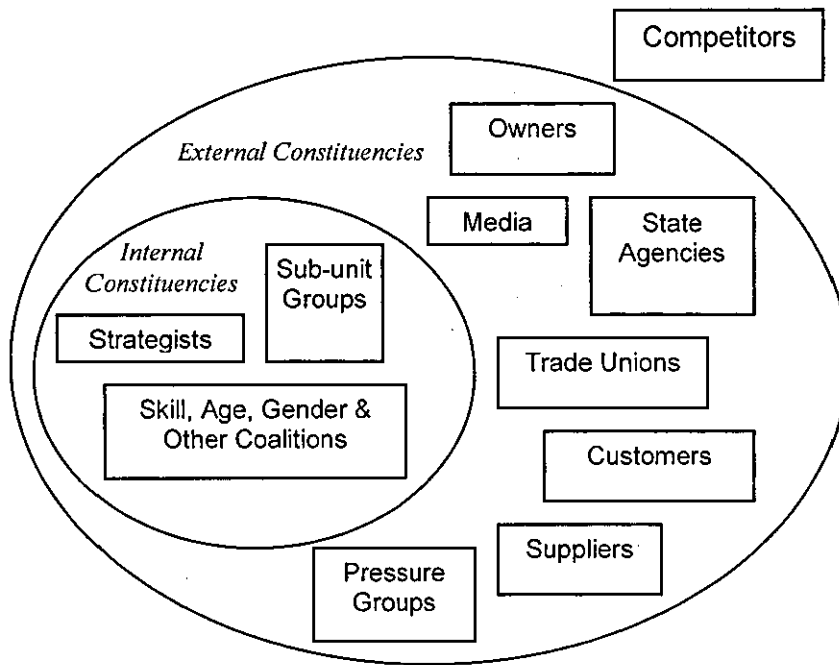
Thus, an interaction takes place with those who control the resources. The level of dependence upon such “actors” is directly related to the significance of a resource to the organisation, the level of discretion that those who control a resource have over its allocation and use, and how far those that control a resource have a monopoly of it. However, the dependency of the organisation on its environment is not a single,

undifferentiated dependency; it is a complex set of dependencies that exist between an organisation and the specific elements of its environment found in the inter-organisational network (Hatch, 1997).

Watson (1986) describes the resource dependence model as having a political economy approach, in which the importance of internal power arrangements will affect the choices made by an organisation. Essentially, political economy is the study of the interplay of power, the goals of those who have power, and the productive exchange system (Jackson, 1982). Specifically, as a framework it focuses attention on "*resource allocations and decision making within an organisation, irrespective of the organisation type*" (Jackson, 1982: 74), which is a central feature of the resource dependence model.

In expanding the concept of the resource dependence model (Figure 4), Watson (1986) acknowledges that the organisation's survival is also dependent on resources from internal constituencies. This school of thought highlights the fact that, in organisations, coalitions of people may have competing interests regarding the outcome of strategic decisions:

Figure 4. Organisational Strategic Exchange Constituencies – one possible pattern.



*“Strategic decisions are not just about finding rational solutions to technical or economic problems: insofar as they imply a distribution of resources, they tend to be affected by political processes where actors with partially diverging interests attempt to influence their outcome” (Ravasi and Zattoni, 2006: 1674).*

External constituencies are identified by Watson (1986) as key individuals, material suppliers, customers and clients, departments or divisions, owners or shareholders, trade unions, government agencies, consumer bodies, pressure groups; who at any given time will be more strategic than others by a threat of resource withdrawal:

*“At particular times particular groups would have more pull than others so that managements have to deal first with the currently most ‘strategic constituency’” (Watson, 1995: 274).*

Internal constituencies, on the other hand, are identified as powerful individuals and sub-units of the workforce, which can be analysed by gender, age, level of skills and position

in the organisational hierarchy. Strategy formulation, therefore, can be considered as a partly rational bounded and a partly political process (Hickson *et al.*, 1986).

Watson (1986) advocates the suitability of this model for public sector organisations where the range of relevant external constituencies tends to be especially complex. Garscombke (1990) and Crockford (1994) support this view of the complexity of constituencies in local government. In addition, the model presented contributes towards a way of conceptualising organisational effectiveness:

*"...it suggests that the indicator of effectiveness which you choose is a matter of the circumstances of the particular organisation at a particular time"* (Watson, 1986: 82).

The resource dependence framework then, as expanded by Watson (1986), suggests that organisational effectiveness can be judged in terms of balancing the range of often conflicting coalition-demands in combination with the ability to recognise and handle priorities, that is, in the sense of which constituents are currently most strategic (Watson, 1986). This is mirrored in stakeholder theory, which states that effective management can be achieved when stakeholders are taken into account in a systematic fashion (Freeman, 1984). It can, therefore, be argued that the constituency framework, as developed by Watson is an expansion of the stakeholder framework identified. Thus, it is suggested that both are complimentary to one another. The use of both allows for an understanding of the level of resource dependence the organisation has on such interest groups, both external and internal to the service delivery. It is suggested that these factors will influence the strategic intentions of public leisure facilities.

Watson (1986), then, in adapting the resource dependence framework, identifies the need to recognise which constituents are currently most strategic in relation to the resources they control. Furthermore, Watson acknowledges that the organisation's survival is also dependent on resources from internal constituencies. However, he does not state how organisational resources can be deployed to achieve organisational objectives. The

resource-based view of the organisation, on the other hand, helps to explain how strategic resources can achieve competitive advantage. The resource-based view of the firm forms the primary theoretical lens for the conceptual framework that concludes this chapter, since the purpose of this research is to examine how effective the three approaches to public provision are in utilising and deploying resources through their strategic actions, to achieve desired performance outcomes.

## 2.6 STRATEGIC CAPITAL

The resource-based view (hereafter RBV) of the organisation considers resources as tangible and intangible entities available to the organisation, which enable it to produce efficiently and / or effectively a valued offering to some market segment or segments (Hunt and Morgan, 1995):

*“The notion that firms are fundamentally heterogeneous, in terms of their resources and internal capabilities, has long been at the heart of the field of strategic management” (Peteraf, 1993: 179).*

The RBV of the organisation stresses that resources are either intangible or tangible entities, both heterogeneous and imperfectly mobile among firms (Hughes and Morgan, 2007). Resources are imperfectly mobile if they cannot be traded, thus, they can be a source of sustained advantage (Peteraf, 1993). Hence, the organisation is perceived as a unique collection of idiosyncratic resources and capabilities (Grant, 1996). Within this theory, competitive advantage is considered to be rooted inside a firm, in assets that are valuable and inimitable. Therefore, a firm's resources and management's abilities to marshal these assets to produce superior performance determine competitive advantage (Russo and Fouts, 1997). However, a firm's resources can only be considered valuable when positioned in the external environment. Thus, for a firm's resources to become valuable, Barney (1991) argues that they must satisfy at least two conditions: (1) the competencies must be valuable, enabling the firm to exploit opportunities and/or neutralise threats in the competitive environment; and (2) only a small number of firms in

a particular competitive environment possess these competencies (Lado and Wilson, 1994).

*“The general conclusion is that even if a resource is valuable, rare, and costly to imitate, if it has strategically equivalent substitutes that are themselves not rare or not costly to imitate, then it cannot be a source of sustained competitive advantage”* (Barney, 2001: 47).

The resource-based theory of the firm, then, addresses the fit between what a firm has the ability to do and what it has the opportunity to do (Russo and Fouts, 1997).

Thus, the resource-based theory seeks to explain how organisations develop strategies to effectively utilise and deploy resources with the overarching aim to achieve competitive advantage (Sanchez *et al.*, 1996). Subsequently, it is recognised that purely possessing a valuable resource alone does not allow the organisation to achieve a competitive advantage. Rather, it is necessary to develop and position all value creating, tangible and intangible entities through a specified strategy. This school of thought has been promoted within the resource-advantage theory (hereafter R-A theory) of the organisation (Hunt, 2000; Hunt and Morgan, 1995). R-A theory is an evolutionary approach to studying sustained strategic advantages from a resource-based perspective (Barney, 2001).

Examples of intangible resources considered as part of R-A theory can include organisational learning, relationships, entrepreneurial skills and capabilities. The heterogeneous and inimitable nature of such resources provides the potential for value creation and competitive advantage. Therefore, Hughes and Morgan (2007) refer to such resources as *strategic*:

*“To achieve a sustainable advantageous position, the firm must use resources which are hard for competitors to imitate or acquire. These resources should therefore be mostly intangible; heterogeneous and so differ between firms; and, imperfectly mobile so that even if competitors*

*can see what intangible elements contribute to value and advantage, they are then difficult to acquire” (Hughes and Morgan, 2007: 504).*

Informed by the above theories (resource-based view of the firm and R-A theory), Hughes and Morgan (2007) propose a multi-dimensional construct described as strategic capital, which can be manifested in organisations through intangibles comprising (though not exclusively) of *“strategy championing, strategy commitment, strategy implementation support, strategy implementation effectiveness, learning, and memory”* (Hughes and Morgan, 2007: 504). The “capital” metaphor is used in management disciplines to refer to resources within the organisation that contribute to its market value. However, it is acknowledged that not all resources or forms of capital are strategic as these must be significantly heterogeneous and imperfectly mobile between organisations and contribute to developing something of value to customers. The selected dimensions are considered strategic in nature as they meet the necessary theory prescriptions of heterogeneity, immobility, and value (Hunt, 2000; Hunt and Morgan, 1995):

*“As the objective of formulating product-market strategy is to establish a basis for competing by deploying resources and capabilities to bring to market a superior valued offering to generate superior performance, it is apparent that capital may be described as strategic if this aids in the realisation of such strategy” (Hughes and Morgan, 2007: 504).*

The strategic capital construct is applied here in the context of product-market strategy. Product-market strategy is concerned with deploying organisational resources to accomplish product-market goals (Day, 1999). This refers to desirable goals that the organisation seeks to achieve, for example, acquiring new customers, customer satisfaction, and providing customer value (Vorhies and Morgan, 2003). Ultimately, product-market strategy is concerned with the optimisation of organisational strategic resources so that it may compete in its chosen markets to achieve product-market goals (Day, 1999).



To achieve high performance, it is suggested here that top managers must provide a strong sense of strategic direction. To achieve this Quinn (1980) advocates the adoption of a logical approach to strategic planning, discussed earlier, in which consideration should be given to the intended direction the organisation should move. Thus, logic in this sense can be conceptualised as a vision needed by those involved in the planning process to identify that which is important. A vision that has been built and shared within an organisation allows all organisational members to be clear on the strategic direction of the organisation and understand where the organisation is going and why. In addition to this, Menon *et al.* (1999) suggest that without exception, resource commitment or “staying the course” is a central element of the planning process for strategy success:

*“If and when appropriate types and adequate levels of resources are allocated, an organisation not only provides a context in which strategy team members can do what is necessary for success” (Menon et al., 1999: 27).*

Strategic Capital can result in high organisational performance by the following factors:

*Strategy championing.* Champions are described as individuals who sponsor, provide impetus to, and are perceived to take on a strategy (Howell and Shea, 2001), it follows that champions may play a key role in strategy formation and in facilitating the achievement of product-market goals (Hughes and Morgan, 2007) and thus organisational performance.

*Strategy commitment.* This is an intangible resource for the organisation and increases when shared by a collective. It is defined as the extent to which a manager comprehends and supports the goals and objectives of the product-market strategy. Developing commitment to product-market strategy builds support for the strategy and assists in limiting resistance to change, and has been associated with superior performance (Wooldridge and Floyd, 1990).

*Strategy implementation support.* This refers to the resource structure of the firm being aligned to product-market strategy and the allocation of necessary resources for implementation to occur (Hughes and Morgan, 2007). Competing organisations possess unequal levels of resources for implementation support, and thus, are sources of heterogeneity between organisations. Insufficient implementation support may constrain the ability of the organisation to both implement the strategy successfully and compete along the chosen product market strategy (Menon *et al.*, 1999).

*Strategy implementation effectiveness.* The ability to implement effectively is distinct between organisations; cannot be easily transferred; and, may provide means to a competitive advantage (Hughes and Morgan, 2007). Effective implementation is a key component for achieving strategy effectiveness through achieving product-market goals, and is associated with greater business performance (Noble and Mokwa, 1999).

The final two aspects of strategic capital concern organisational *learning* and *memory* – knowledge resources, which are viewed as heterogeneous and imperfectly mobile and, hence, strategic.

Learning processes are playing a prominent role in contemporary theories of competitive advantage (Baker and Sinkula, 1999). The learning orientation construct is defined as:

*“An organisational characteristic that reflects the value that a firm places not only on adroitly responding to changes in the environment but on constantly challenging the assumptions that frame the organisation’s relationship with the environment”* (Baker and Sinkula, 1999: 412).

Research into organisational learning, including insights from the knowledge-based view of the firm, focuses on the acquisition and creation of organisational knowledge (Grant, 1996). Organisational learning can be classified as a function of two related but different

concepts, including the process of organisational learning, and the structure of the learning organisation (Hult *et al.*, 2002). That is, at its most basic level, organisational learning is the development of new knowledge or insights that have the potential to direct behaviour (Slater and Narver, 1995). However, an organisation may be adept at knowledge acquisition but unable to apply that knowledge operationally, thus, "*learning organisations learn and then behave accordingly*" (Hult *et al.*, 2002: 378).

An integral component of R-A theory is the ability of organisations to employ knowledge-based resources to learn in order to develop an offer of superior value (Hunt, 2000). Thus, the ability to apply capabilities in the form of inimitable knowledge resources is vital to achieve advantage (Grant, 1996), and research supports that learning and memory lead to competitive advantage and superior performance (Baker and Sinkula, 1999).

Organisational resources, then, can be considered an integral component to the achievement of competitive advantage. The preceding discussion examined how strategic resources can be deployed to achieve this. In addition, since Peters and Waterman's (1982) description and assessment of excellent organisations:

*"The past decade has produced many testimonials to the value of progressive Human Resource Management practices and systems of such practices"* (Delaney and Huselid, 1996: 949).

The following discussion further elaborates on the ability of inimitable organisational resources to achieve competitive advantage by examining the role of human resources in attaining organisational outcomes.

### **2.6.1 Human Resource Management**

A universally accepted definition of human resource management (hereafter HRM) appears absent from the available literature. This is due to the numerous conflicting

arguments that surround the concept, including whether HRM is a theoretical process or a practical strategy (Hope-Hailey *et al.*, 1997). Sparrow and Marchington (1998) support this, arguing that the definition of the HRM concept is certainly not clear-cut, as there are numerous debates as to what the concept encompasses. It is suggested by some that HRM has become a common label for various forms and functions of people management (Torrington *et al.*, 2002). As such, it could be argued that the theory is dependent upon whether "*the emphasis is on human resource management or the management of resourceful humans*" (Torrington *et al.*, 2002: 63).

However, HRM is now often seen as the major factor differentiating between successful and unsuccessful organisations, more important than technology or finance in achieving competitive advantage. Marchington and Wilkinson (2003) note that "*this is particularly apparent in the service sector where workers are the primary source of contact with customers*" (Marchington and Wilkinson, 2003: 3). Moreover, a developing body of literature has reported positive associations between organisational level measures of HRM systems and organisational performance (Huselid *et al.*, 1997; Delaney and Huselid, 1996; Huselid, 1995; Arthur, 1994; Snell and Dean, 1992). Substantial uncertainty remains, however, as to how HRM practices affect organisational outcomes.

Scholars from different disciplines have suggested various conceptual frameworks as explanations for the suggested link between progressive HRM practices and organisational outcomes. Approaches including resource dependence theory, agency theory, the resource-based view of the firm and human capital theory have been used to study the potential role of human resources and thus HRM practices in the determination of organisational performance (Delaney and Huselid, 1996). Here the focus is on the latter, *human capital theory*. Human capital theory is discussed in the context of R-A theory, the resource-based view of the organisation and competence-based theory.

Human capital theory proposes that individuals possess skills and capabilities that can provide value to the organisation. As Parnes (1984) notes:

*"Human capital embraces the abilities and know-how of men and women that have been acquired at some cost and that can command a price in the labour market because they are useful in the productive process"* (Parnes, 1984: 32).

Value in this context, is largely intangible and cannot only be bought in by the organisation through external sources, but can be acquired through deliberate investment via the in-house development of employees. In this sense, the higher the potential for employees to contribute to organisation productivity, the more attractive human capital investments will be, *"it is important to realise that human capital becomes economically valuable when manifested in performance"* (Snell and Dean, 1992: 469). Quinn *et al.* (1990), for instance, argue that:

*"...physical facilities – including a seemingly superior product – seldom provide a sustainable competitive edge. They are too easily bypassed, reverse engineered, cloned or slightly surpassed. Instead a sustainable advantage usually derives from outstanding depth in selected human skills"* (Quinn *et al.*, 1990: 60).

Organisations can adopt various HRM practices to enhance employee capabilities. Initial efforts can focus on improving the quality of the individuals hired via the selection process, ensuring that only the top candidates are subsequently employed. Indeed, research indicates that selectivity in staffing is positively related to organisational performance (Delaney and Huselid, 1996; Schmidt *et al.*, 1979). While selecting staff is an effective way in which to transform the nature of the workforce, the opportunities for it are limited except in organisations that are expanding rapidly. For the majority of organisations, particularly those in the public sector, the training and development of existing employees offers greater opportunity for generating improvements in performance (Marchington and Wilkinson, 1996). Thus, organisations can enhance the quality of current employees by providing training and development activities post employee selection.

Training is referred to as a planned process to “*modify attitudes, knowledge or skill behaviour through learning experience to achieve effective performance*” (Reid and Barrington, 1994: 7). The strategic purpose of training is seen as a means to assess and address skills deficiencies in the organisation (Mabey and Salaman, 1995) and is a traditional focus of human capital theory (Snell and Dean, 1997). There is a large body of evidence, which suggests that investments in training produce beneficial organisational outcomes (Delaney and Huselid, 1996; Bartel, 1994; Knoke and Kalleberg, 1994).

From an organisational perspective, it is important to remember that human capital is transferable as organisations do not actually own human capital, that is, it is embodied in employees, who can move from one organisation to another relatively freely. To offset the harmful influence of staff turnover, a variety of managerial interventions are proposed by Boshof and Mels (2000), including intrinsic and extrinsic rewards and organisational commitment. Furthermore, even if employees stay with an organisation, their contribution depends on their willingness to perform (Snell and Dean, 1992). Therefore, if employees are not motivated to perform their jobs, the effectiveness of an organisation’s human capital will be limited. Thus, to counteract this, organisations can implement merit pay or incentive schemes that provide rewards to employees for meeting specific goals (Delaney and Huselid, 1996). Reward systems such as these are considered to be organisational investments, designed to induce individuals to join an organisation and perform well over time (Snell and Dean, 1992). Reward management has been defined as:

*“The design, implementation, maintenance, communication, and evolution of reward processes which help organisations to improve performance and achieve their objectives”* (Armstrong and Murlis, 1995: 23)

Reward management is a fundamental ingredient of the strategic approach to HRM, for a number of reasons as identified by Marchington and Wilkinson (2005); firstly, it is a mechanism by which employers aim to elicit effort and performance; second, the actual

payment system may require adjustment to develop motivation; and third, it is often a significant part of the employers financial strategy.

Performance-related pay is a popular form of reward management and has seen an increased emphasis from employers in both the private and public sectors in an attempt to incentivise remuneration in order to improve individual and organisational performance (Marchington and Wilkinson, 1996). Accordingly, pay is linked to performance, which is measured by specific objectives reflecting a move towards rewarding output and a focus on working objectives. As Marchington and Wilkinson (1996) identify, it has become more widely used in the public sector as a result of the Conservative government who promoted the concept with the purpose to commercialise staff by instilling in them the disciplines of the private sector.

However, Marchington and Wilkinson (1996) note a number of criticisms levelled at this system. Specifically, although performance-related pay communicates that performance is critical—so good performance will result in greater monetary reward than poor performance—the links between performance and the level of monetary reward are not necessarily clear and effective. For example, performance-related pay stimulates high expectations from employees, thus, for employees to respond to it the prospect has to be of significantly more money if it is to be attractive and result in greater productivity. In addition, performance-related pay is designed on an individual and personal basis. Therefore, such a reward management scheme may sit rather uneasily with a number of other policies which organisations may pursue, such as the emphasis on team work (Marchington and Wilkinson, 1996).

The approaches to employee development outlined reflect the HRM ideal, that is, policies designed around strategic choices rather than reflecting environmental pressures. Thus, there is unlikely to be a “one size fits all” set of practices suitable for all organisations, rather managers need to develop a fit between compensation policies and the strategic objectives of the organisation (Marchington and Wilkinson, 2005). Essentially, the belief here is that a particular set of human resource practices has the potential to contribute

improved employee attitudes and behaviours and higher levels of productivity, quality and customer service (Marchington and Wilkinson, 2005). As established, this includes performance-pay compensation and performance management systems, and extensive employee training, which can improve the knowledge, skills, and abilities of an organisation's employees (Huselid, 1995). Subsequently, such activities are proposed to increase employee motivation and commitment to the organisation. The latter has been examined as a determinant of job performance (Meyer *et al.*, 2004):

*"Much research literature focuses on ways of developing and enhancing commitment among employees, suggesting that organisations view commitment as a desirable attribute" (Shore *et al.*, 1995: 1593).*

Moreover, in reviewing a stream of research on the relationship between organisational commitment and organisational effectiveness, Ivanevich and Matteson (1999) conclude that research evidence indicates that the absence of commitment can reduce organisational effectiveness.

Organisational commitment, then, refers to the psychological attachment of workers to their workplaces and has been positively related to outcomes such as job satisfaction, motivation, and attendance, with a negative relation to such undesirable outcomes as absenteeism and employee turnover (Becker *et al.*, 1996). On conducting a review of the literature, Boshoff and Mels (2000) propose that nurturing employee commitment can enhance organisational effectiveness, which they argue ought to lead to desirable outcomes such as enhanced profitability and an increased probability of long term survival. Commitment here is defined as *"a force that binds an individual to a course of action that is of relevance to a particular target"* (Meyer *et al.*, 2004: 993). Meyer *et al.* (2004) acknowledge that organisational commitment can take different forms citing a three-component commitment model – developed by Meyer and Allen (1997) – highlighting the main differences in the mindsets presumed to characterise the



commitment construct. To distinguish among commitments characterised by these different mindsets, Meyer and Allen (1997) identified three forms of organisational commitment and labelled them:

1. *Affective commitment*, an individual continues employment with the organisation because they want to do so through their identification and involvement with an organisation;
2. *Normative commitment*, a function of cultural and organisational socialisation and the receipt of benefits that activate a need to reciprocate, and;
3. *Continuance commitment*, a tendency to engage in consistent lines of activity as the result of accumulated investments that would be lost if the individual discontinued a course of action, thus, the individual remains with the organisation because they need to do so.

Although all three forms tend to bind employees to the organisation, and therefore relate negatively to employee turnover, their relations with other types of work behaviour can be quite different (Meyer *et al.*, 2004), thus emphasising the need for the above distinction. To elaborate, Siders *et al.* (2001) state that although the commitment dimensions identified may overlap conceptually, they are sufficiently distinct to permit comparisons between their relative relationships with other variables. For instance, research has indicated that affective commitment has the strongest positive correlation with job performance, organisational citizenship behaviour, and attendance, whilst continuance commitment tends to be unrelated, or negatively related, to these behaviours (Meyer *et al.*, 2004; Meyer and Schoorman, 1992).

Barney (1991) suggests that an organisation's pool of human capital can be leveraged to provide a source of competitive advantage. Assuming heterogeneity among organisations with respect to their human capital, competitive advantage is achieved if the organisation's employees add value to its productivity and that its pool of human capital is an inimitable resource, both difficult to replicate and difficult to substitute for

(Huselid *et al.*, 1997). HRM practices encompass the many activities through which organisations create human capital that fulfils the above conditions. Specifically, organisations can employ technical HRM activities and / or strategic HRM activities. Organisations can use technical HRM activities to select highly skilled employees, whose talent is highly sought, and to train employees – post selection – so they acquire the unique skills needed by the organisation, as the foregoing has examined.

In contrast, Huselid *et al.* (1997) define strategic activities as involving the designing and implementing of a set of “*internally consistent policies and practices that ensure a firm’s human capital contributes to the achievement of its business objectives*” (Huselid *et al.*, 1997: 171). The strategic aspect of HRM consists of matching the above technical HRM activities and policies to some explicit strategy and viewing the employees of the organisation as a strategic resource for achieving competitive advantage (Hendry and Pettigrew, 1986). Strategic HRM activities, then, help to ensure that the organisation’s human resources are not easily imitated:

*“Because of the social complexity and casual ambiguity inherent in strategic HRM practices such as team-based designs, empowerment, and the development of talent for the long term, competitors can neither easily copy these practices nor readily replicate the unique pool of human capital that such practices help to create”* (Huselid *et al.*, 1997: 173).

To summarise, the organisation’s external and internal environments have been discussed in depth. Firstly, in relation to external constituents, their control of required resources and the need to strategically manage the environment in the best interests of the long-term survival of the organisation has been assessed. Secondly, the role of internal constituents have been considered in the context of competitive advantage, utilising strategic capital for the benefit of the organisation and focusing on the development of human capital to attain organisational outcomes via human resource practices.

## **2.7 PERFORMANCE**

Strategic outcomes have been referred to throughout this chapter in relation to the numerous strategic activities that have been highlighted. Said strategic outcomes have been identified and assessed under a number of different terms both in this chapter and in extant strategy literature, including: business performance, strategic performance, competitive advantage and organisational effectiveness (Banker *et al.*, 1996; Day and Nedungadi, 1994; Chakravarthy, 1986; Porter, 1985). The following section will provide a review of research into performance and the ways in which performance has been described and assessed by various authors.

Many strategy research studies have sought to measure differences in firm performance to support their propositions (Banker *et al.*, 1996). Traditionally, the performance measures used are typically highly aggregated, such as return on investment. For example, Ketchen *et al.* (1993) examine the effects of organisational configurations on business performance. In reviewing different performance measures associated with organisational configurations they identified over six different categories by which performance could be gauged. All of which were financially based and could be either sourced from the financial accounts of an organisation (such as sales growth and net profit) or through financial ratio analysis (such as return on investment). However, as Banker *et al.* (1996) note, analysis of aggregate measures is likely not to reveal the detailed dynamics of performance. As such, there is little agreement of how strategic performance should be measured, but it is recognised that without a performance referent managers cannot objectively or consistently evaluate the quality of their strategic decisions or actions (Chakravarthy, 1986).

Therefore, authors within the field of strategic management have called for a more holistic assessment of the strategy-performance relationship. Chakravarthy (1986), for example, calls for measures to allow management teams to monitor strategy-performance along several dimensions rather than by reference to financial calculations, which only record the history of an organisation's performance, a view consistent with Banker *et al.* (1996). In identifying several major limitations of aggregate measures, as the ones above,

Chakravarthy (1986) suggests that instead of searching for a single measure that most significantly determines performance, a multi-factor model of performance assessment should be used, which includes the claims of other stakeholders besides the stockholder, to include strategic performance outcomes. There are numerous measures that can be used for this purpose; however, Day and Nedungadi (1994) suggest that these can all be classified by whether they take the vantage point of customers or competitors. The former concerns direct comparisons of the business versus its competitors, of which relative financial performance measures are dominant. The latter, on the other hand, focuses on customer reactions to make comparisons with competitors. These measures shift the emphasis from financial factors to customer based measures such as satisfaction.

The assessment of financial measures have played a major role within strategy and management literatures as the primary means for assessing strategic outcomes in terms of performance, and such measures continue to play a prominent role. However, as recognised by Chakravarthy (1986), a shift is needed towards a multidimensional assessment framework of strategic outcomes that affords the ability to distinguish between financial performance and strategy performance as performance outcomes.

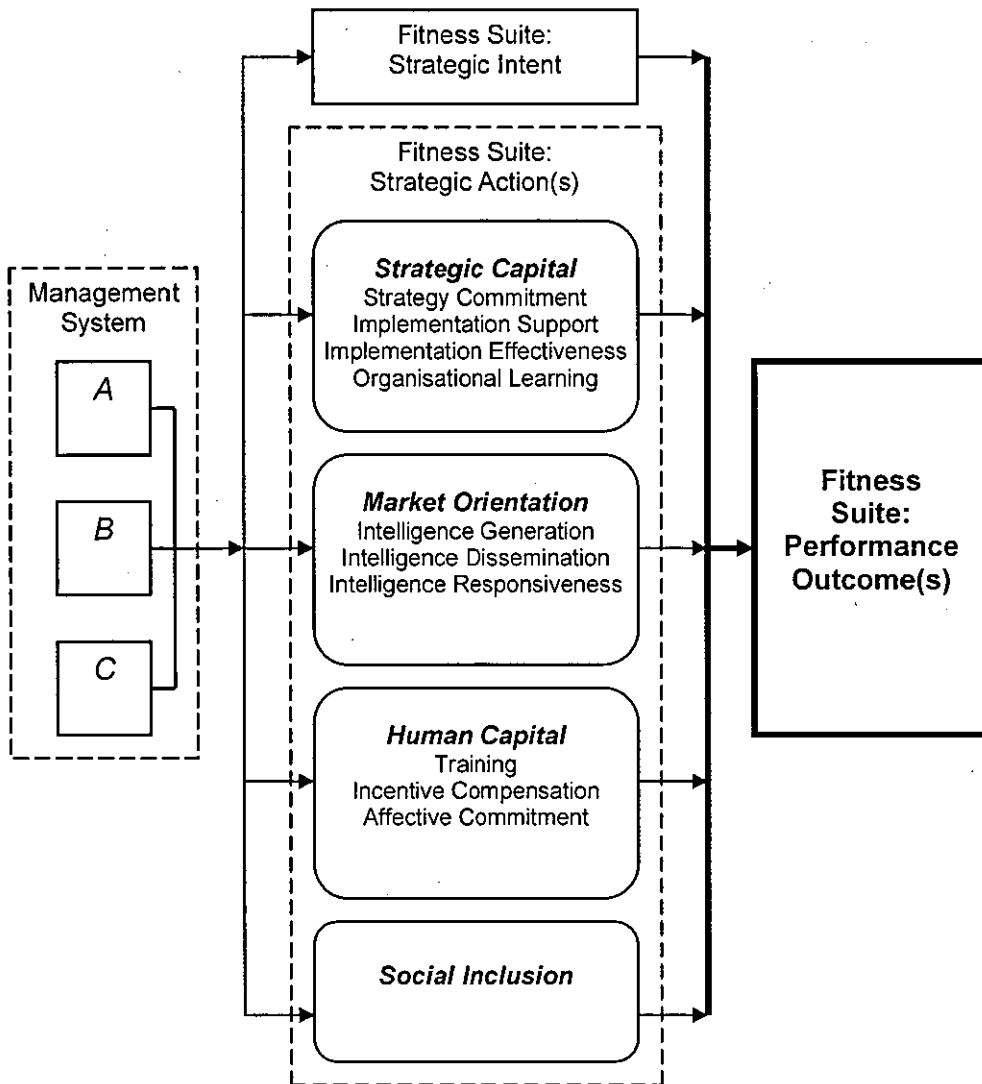
## **2.8 CONCLUSION**

As has been established, the conceptual framework is borne from the preceding discussion, which (1) identified internal and external constituencies informed by stakeholder theory, CSR literature and the constituency model, (2) considered the implicit and explicit power struggles, reinforced through the resource dependence and strategic exchange process between the service and the identified constituencies, (3) articulated the ability of strategic resources to provide competitive advantage, (4) outlined the human resource management practices that can be employed to enhance human capital required to attain organisational outcomes, and (5) discussed the measurement of strategic outcomes, which included the limitations of extant strategy-performance literature and recent developments in performance measures.

The literature examined is brought together here to inform the conceptual framework (figure 5), which provides the research effort with a sense of direction and purpose. Further, the research question that was established in the previous chapter is used to guide the development of the conceptual model for this thesis and its hypotheses. This conceptual and theoretical framework has yet to be applied to the field of public fitness suite management. Therefore, the researcher will borrow concepts and theories from the strategy and management literature outlined in the framework to examine the future strategic and management options available in the delivery of the service identified. In assessing management system effectiveness, a better understanding of the performance outcomes attributable to the adoption of the various management systems, by public fitness suites, will be achieved.

The importance of the conceptual framework to this thesis will be evident in the subsequent chapters. Specifically, in hypotheses generation which is to be presented in the following chapter. Hypotheses are generated on the basis of the relationships displayed in the conceptual framework, which are based on the theoretical propositions outlined in this chapter. Furthermore, the results presented in chapters 6 and 7 will provide the basis for a discussion of the accuracy of the relationships depicted by the conceptual framework (chapter 8).

Figure 5. The Conceptual Framework



## ***Chapter 3: Detailed Hypotheses***

## **CHAPTER 3: DETAILED HYPOTHESES**

### **3.1 SUMMARY OF PREVIOUS LITERATURE REVIEW**

The previous chapter provided a review of the extant literature associated with strategic management. More specifically, it presented a discussion of the formation of strategy and the influence of stakeholders on this process. This discussion led to an understanding of a central approach to strategy, that is, as a set of prescribed intentions, actions and behaviours that are set out in support of desired strategic objectives. Further to this review of strategy, the ability of organisational resources to be used strategically for the purposes of competitive advantage, both in the application of a product-market strategy and through human capital investment, was presented. Whilst organisations hold many resources, only a number can be considered strategic, and such strategic resources can be utilised to achieve desired strategic outcomes. Subsequently, it was recognised that purely possessing a valuable resource alone does not allow the organisation to achieve a competitive advantage. Rather, it is necessary to develop and position all value creating, tangible and intangible entities through a specified strategy.

Limitations in the extant literature were subsequently indicated and discussed in the closing stages of Chapter 2. Moreover, the concepts that compose the conceptual framework have yet to be applied to the field of public fitness suite management. Therefore, concepts and theories from the reviewed strategy and management literature are utilised to examine the strategic and management options available in the delivery of the service identified. In assessing management system effectiveness, an increased understanding of the performance outcomes attributable to the adoption of the various management systems will be achieved.

The main purpose of this chapter is to develop hypothesised relationships, in accordance with the conceptual framework presented at the end of the previous chapter. The ultimate objective is to test research hypotheses against data generated through an appropriate empirical methodology, to be determined in Chapter 4. An initial summary of the various



constructs contained within the conceptual model will be presented before proceeding directly into hypothesis development. A summary of the developed hypotheses shall then be provided in Table 1. The chapter will close with concluding statements regarding the conceptualisation and hypotheses developed for this study.

### **3.2 OVERVIEW OF THE CONCEPTUAL FRAMEWORK**

Within the context of public fitness suite management, the conceptual framework examines the success of strategy formation in achieving organisational performance outcomes. Taken into consideration are the implicit and explicit power conflicts that exist between the management systems and their constituencies, reinforced through the resource dependence and strategic exchange process. Further, several strategic actions are introduced from the extant theory outlined, particularly in reference to the strategic capital, market orientation, and human capital of the three management systems identified. These actions include, firstly, the ability of strategic resources to provide competitive advantage and increase organisational performance; secondly, how market intelligence can be utilised across the organisation to inform organisational behaviour and increase performance; and thirdly, the capability of human resource management practices to enhance human capital and increase organisational performance.

### **3.3 REVIEW OF PUBLIC FITNESS SUITE MANAGEMENT SYSTEMS**

Before formulating the hypotheses it is important to review the various management systems available to local authorities in the management of their public fitness suites. Since, each management system has distinguishable characteristics, which may influence relationships between the study constructs in different ways. Chapter 1; Section 1.3 identified and outlined three ways in which local authority owned public fitness suites are managed: by the local authority itself (in-house); by an independent, non-profit distributing organisation (leisure trust); or, through a contract with a private sector leisure company.

(a) In-house:

- The local authority takes full responsibility for income, expenditure, pricing and programming, and is accountable for all risk involved.
- In-house facilities receive a considerably higher level of local authority subsidy than any other management option.
- This system is characterised by weak financial planning due to the current local authority environment of budget cuts.
- Restricted access to capital results in a lack of investment of both time and money in addressing customer needs.
- In addition, poor marketing capabilities have resulted in missed opportunities to increase income and improve overall participation.

(b) Leisure trust:

- A leisure trust is independent of the local authority, retaining all income and incurring all expenditure. However, the continued use of public money means the local authority retains a strong interest and influence in how these resources are used and operated.
- This system enables local authorities to avoid NNDR rates and taxation. Significantly, however, these savings are not associated with re-investment in leisure provision, such as in the improvement of facilities.
- In general, where savings are reinvested they have supported maintenance budgets rather than improvements of provision.
- Due to their charitable status, leisure trusts offer greater opportunities for investment than their in-house counterparts. However, it has been acknowledged that leisure trusts have not been successful in procuring substantial external funding sources.
- Furthermore, leisure trusts do not have the required turnover to enable them to secure the same degree of external funding from financial institutions as LMC management systems.

- The majority of local authorities appear to have established new leisure trusts primarily to make savings. In some instances, local authorities do so without consideration of service improvements or thought of investment.

(c) LMC:

- The contractor retains all income and is generally responsible for most expenditure other than the external fabric of the buildings, requiring the lowest subsidies of the three management systems, from local authorities.
- The financial performance of this system is generally superior to the other two management systems.
- On average, a greater level of customer information achieved through superior customer profiling is attained by this management system.
- In general, this management system invests a greater degree of capital into local authority facilities than the other two management systems, since such systems have the financial turnover necessary to access funds from financial institutions.
- This management system is an alternative to government budgetary constraints and is perceived to be the greatest means of improving the quality and delivery of public services by providing funding those local authorities could not otherwise.
- It has been acknowledged that membership growth in the public sector is likely to be in fitness suites operated by an LMC due to regular investment in improvements of provision.

### **3.4 HYPOTHESIS DEVELOPMENT**

#### **3.4.1 Strategic Intent**

Strategic management is traditionally viewed as a separate and distinctive area of managerial activity, concerned with long-term issues, by which senior managers would formulate a plan that would result in improved organisational performance. Porter (1985) identified three generic strategies for achieving above-average performance in an industry: cost leadership, differentiation, and focus (narrow scope). These generic strategies are

approaches to outperforming competitors, each involving a distinguishable route to competitive advantage but sharing the underlying principle that competitive advantage is at the heart of any strategy. These strategies provide information of how the traditional view of strategy was managed and the way in which it was focused.

The processual approach has developed as a result of the recognition that a traditional standpoint focuses on outcomes and not the processes leading to them. To achieve a logical approach to strategic planning, Quinn (1980) suggests that consideration should be given to the intended nature of the enterprise, in what direction the organisation should move, the objectives sought, and the competencies that will make the organisation unique and better able to serve its functions over its competitors. Thus, logic in this sense can be conceptualised as a vision, needed by those involved in the planning process to identify what is important. Providing a sense of direction through a strategic vision encourages the direction to be followed since such a vision addresses the human need for something to strive for.

Mintzberg (1994) advances this thinking with the view that the most successful strategies are visions, not plans. Strategic management, therefore, is a process in which planners have a role to supply the hard data—the formal analysis allows for a broader outlook of issues to be viewed—as opposed to discovering one “true” answer. Mintzberg (1994) maintains “real” strategists are those with a vision, who “immerse themselves” in daily details whilst being able to abstract the strategic messages from them. Strategy, then, can be *deliberate*, realising the specific intention of managers, but a strategy may also be *emergent* (Mintzberg, 1994). Contemporary strategic management, it can be argued, involves creating and moulding the future, subsequently constructing a strategic vision to respond to a predetermined future reality (Eden and Ackerman, 1998).

As established then, two main approaches to corporate strategy development exist: the prescriptive approach and the emergent approach. The prescriptive approach is evident in the strategic intentions that are purposely adopted by an organisation to achieve its strategic objectives. Thus, in developing strategic options the organisation is following a

deliberate process of strategy making, as opposed to inadvertently, without the conscious intention of managers. Strategic intent is subsequently defined as a concept that encompasses an active management process, for example, using intent consistently to guide resource allocations (Mintzberg *et al.*, 1998). Strategic intent, then, sets general direction and defines emerging market opportunities, subsequently providing an orientation that, on account of its clarity, can be pursued with consistency over the long-term.

Thus, strategic options can be considered a means of expressing the strategic intent of an organisation. As Johnson and Scholes (1993) note, too often managers conceive of generic strategies in terms which are internal to the organisation. However, while the uniqueness of internal measures may be realised in technical terms, they are of no value in achieving competitive advantage unless they are of value to the customer (or create customer value). The following strategies are developed on the basis that customers may choose to purchase from one source rather than another because either the price of the service is lower than that of competitors, or because the service is more highly valued by the customer from one facility than another (Johnson and Scholes, 1993). In reference to extant strategy literature (Faulkner and Bowman, 1995; Porter, 1980, 1985), the strategic options to be examined against public fitness suite performance are Low Cost, Social Inclusion, Value-added, Low Price, and Hybrid strategic positions.

#### **3.4.1.1 Low Cost Strategy and Overall Management System Performance**

Many organisations sustain their competitive advantage through continued attention to their cost structure *vis-à-vis* the competition (Johnson and Scholes, 1989). The strategy of *overall cost leadership* strives for a low cost position relative to competitors, achieved through an experience curve, tight cost and overhead control, and cost minimisation in areas like research and development, service and advertising (Porter, 1985). The strength of this strategy is in its low cost position, which allows competitors' prices to be undercut. To follow this strategy option then, an organisation will lay emphasis on cost reduction throughout the whole organisation. However, it should be noted that cost leadership does

not necessarily imply a low price as the organisation could charge an average price and reinvest the extra profits generated (Lynch, 2003).

Relating this perspective specifically to the first system of public fitness suite management, within in-house management systems, the local authority takes full responsibility for income, expenditure, pricing and programming, and is accountable for all risk involved. In addition, long-term strategic financial planning is often weak in sports and recreation facilities that are managed in-house by the local authority (Audit Commission, 2006). It was argued in Chapter 1; Section 1.5 in the application of public choice theory that poor financial planning is an outcome of a bias towards cost reduction on the part of local councillors who, in directing funds to core services, seek re-election into office (Begg *et al.*, 1984). Moreover, the assumed inability of this management system to generate increased revenue through marketing initiatives, coupled with the limited investment finance from the Treasury and council tax revenues, suggests that a low cost position may have positive performance outcomes for in-house management systems.

Turning attention to the second system, it is contended that leisure trust management systems may realise overall performance benefits from the adoption of a low cost strategy, since this strategy would enable such systems to undercut the prices of competitors, which would encourage participation particularly within recreationally disadvantaged groups through equality of opportunity. This is a central objective of leisure trust management systems as governed by the Recreational Charities Act (1958). In addition, the soft budget constraints imposed on leisure trusts suggests that a strategic emphasis on cost reduction may be present. As established in Chapter 1; Section 1.3, leisure trust facilities benefit from some subsidy allocation, therefore, it is suggested that productive efforts, such as improving quality through service investment, may not be required for their operational survival. Thus, costs that may have been directed towards service investment are saved, enabling cost leadership relative to competitors. Herein lays a competitive advantage, as research conducted by Powers and Hahn (2004) illustrates; they found that a cost leadership strategy provides a statistically significant performance

advantage over competitors. Thus, they conclude that an emphasis on competitive methods that result in a cost leadership strategic position is positively associated with superior performance.

On the other hand, the third, LMC management systems may have a differing low cost-performance relationship. An overall low cost strategy may conflict with the strategic objectives of such management systems, which is to add value to facilities through increased investment and refurbishment (outlined in Chapter 1; Section 1.3) (cf. Choe *et al.*, 1997). Further, due to hard budget constraints, LMCs may have to improve quality through financial investment into service provision, in order to attract high income groups and realise superior performance outcomes. Therefore, in pursuing a low cost strategy, LMCs may suffer from being “stuck in the middle” (Porter, 1985), which as Porter (1985) argued, would lead to a lack of strategic direction and ineffective implementation, as superior profits would never be achieved (Capon, 2008). According to Porter (1980) a firm “stuck in the middle”:

*“...lacks the market share, capital investment, and resolve to play the low-cost game, the industry-wide differentiation necessary to obviate the need for a low-cost position, or the focus to create differentiation or a low-cost position in a more limited sphere” (Porter, 1980: 41).*

In acting then as more traditional profit-oriented companies, LMCs need to attract customers to pay monthly subscription fees or generally higher usage costs (relative to fitness suites run by other management systems) by differentiating or adding value to customers through modern equipment, facilities and so forth. Hence, a low cost strategy would be, on that basis, counter-intuitive and potentially lead to lower performance. As evidence, Choe *et al.* (1997) found a negative relationship between cost leadership strategies and product complexity (reflecting added value) whilst Berman *et al.* (1999) found a strong negative relationship between cost efficiency (leadership) and performance. On the basis of the above discussion, it is proposed:

*HI(a), (b), (c): Low cost strategies will be positively related to performance for (a) in-house and (b) leisure trust management systems, but negatively related to performance for (c) LMC management systems.*

#### **3.4.1.2 Social Inclusion Strategy and Overall Management System Performance**

The motivation behind an inclusive strategy is to reduce the inequalities that exist between the least advantaged groups and communities and the rest of society, ensuring access for all citizens through targeted programming (Simmons, 2004). This strategy represents a concern for recreational welfare provided through the targeting of provision for recreationally disadvantaged groups.

The rationale for state provision is to ensure access for all citizens to sport and leisure opportunities achieved through targeted programming (Robinson, 2004). Since local government councillors seek popularity within their constituency, and as each citizen has one vote, it is assumed that the wealth of public fitness suite users is irrelevant.

Therefore, informed by public choice theory, it is suggested that in providing for all citizens the local councillor will seek personal benefit through increased popularity (Begg *et al.*, 1984). This implies that in-house management systems may be biased towards social inclusion, since local councillor's will be keen to implement New Labour's social inclusion agenda (Reid, 2003) and heighten their popularity amongst the electorate.

However, leisure trusts are claimed to offer the greatest opportunities for community benefit, providing local authorities with an opportunity to establish the welfare objectives of leisure services (Simmons, 2004). More specifically, leisure trusts achieve this through the inclusion of recreationally disadvantaged groups, creating equality of opportunity through affordable and accessible facilities (Reid, 2003). The ethos of recreational welfare forms the basis for the charitable status which is granted to leisure trusts on the grounds of "community benefit" (Reid, 2003). The soft budget constraint afforded to leisure trusts is related to redistributive policies that support disadvantaged groups, enabling leisure trusts access to additional financial assistance, provided by the state. This allows traditional financial pressures to be eased, subsequently resulting in the



promotion of social objectives. Consequently, it would be expected that trusts would promote social inclusion strategies.

LMC management systems, on the other hand, receive no financial support from local government in the operational management of public fitness suites. Therefore, LMCs are dependent upon the generation of revenue for their continued survival. Subsequently, as Simmons (2004) identifies, reduced priority is given to the promotion of social objectives as it is assumed that such objectives would run in conflict to the operational survival of such facilities. Further, it was demonstrated in Chapter 1; Section 1.4 that LMC management systems focus on high-income groups in pursuit of profit maximisation, since a profit maximising creditor would only be concerned for the return on projects and not for community benefit (Dewatripont *et al.*, 1999).

On the basis of the above discussion and in reference to Chapter 1; Section 1.3 and Section 1.4, the following relationships are proposed between the strategic action of social inclusion and the performance of the three management systems under examination:

*H2(a), (b), (c): Inclusion strategies will be positively related to performance for (a) in-house and (b) leisure trust management systems, but negatively related to performance for (c) LMC management systems.*

#### **3.4.1.3 Value-added Strategy and Overall Management System Performance**

Lynch (2003) identifies a fundamental role of resources in an organisation is to add value. In general value-added can be defined as the difference between the service provided and the costs of the inputs into that service (Sato, 1976). The value-added strategy adopted here is a development from Porter's (1980) strategy of differentiation, whereby organisations offer perceived added value over competitors at a similar, or relatively higher, price (Johnson *et al.*, 2008). Here the aim is to achieve higher market share than competitors by offering "better" products or services at a higher price, subsequently increasing volume and enhancing profit margins of the organisation. Although it might be argued that it is inappropriate to apply the concept of value-added to not-for-profit

organisations such as leisure trusts, it is suggested here that the concept of value-added is still relevant to each management system identified. Through adding value to the product or service offering, organisations are able to provide a quality service that is superior to competitors (Prajogo, 2007). This strategy does not ignore the importance of costs, but they are of secondary significance to the primary strategic target, that is, the product and/or service offering.

In exchange for a lengthy management contract, a commercial company invests in the facility that provides the service. The strategic objective of uniting both the private and public sector(s), via LMCs, is to utilise the management skills and business acumen of the private sector to create better value for money for taxpayers. Furthermore, LMC management systems offer an alternative to bureaucratic budgetary constraints and may improve the quality and delivery of public services by providing market-based funding that those local authorities could not (Robinson, 2004). Subsequently, LMC management systems may offer capital investment to refurbish and replace old facilities (Mintel, 2006), increasing the value of such facilities. It is, therefore, suggested that LMCs will seek increased financial return by investing into facilities and increasing their value, as dictated by their hard budget constraints (Dewatripont *et al.*, 1999).

As established in Chapter 1; Section 1.3, in-house and leisure trust facility management systems may not be able to match the amount of capital investment offered by LMC management systems. In-house systems, for example, are highly influenced by government budgetary constraints; while, leisure trust management systems are explicitly established for community benefit purposes, therefore such facilities may not be able to charge a premium price for facility usage as this may exclude particular community groups. Further, it is suggested that due to soft budget constraints, the strategic emphasis of in-house and leisure trust systems will not be on increased value. In reference to Chapter 1; Section 1.4, when the budget constraint is soft, productive efforts, such as improving quality in an attempt to increase revenue, are not imperative. Instead, such management systems are likely to seek external financial assistance from the state. On the basis of the preceding discussion, it is proposed that:

*H3(a), (b), (c): Value-added strategies will be negatively related to performance for (a) in-house and (b) leisure trust management systems, but, positively related to performance for (c) LMC management systems.*

#### **3.4.1.4 Low Price Strategy and Overall Management System Performance**

In contrast to the strategy of overall cost leadership, which does not necessarily imply a low price since the organisation could charge an average price and reinvest the extra profits generated (Lynch, 2003), the price-based strategy is defined here as reducing price while maintaining the quality of the product or service (Johnson *et al.*, 2008). In the long term, pricing strategy can be a major factor in competitive advantage because it can significantly alter the basis on which organisations can compete (Lynch, 2003). In a sense, customers always have a particular price they are willing to pay for a service and they will perceive high value for money if they get high perceived value at a price below that which they were willing to pay. Value for money is therefore perceived by customers, but organisations can help improve this perception by reducing the price of the service, which will increase customer perceived value for money. Thus, through adopting a lower price than competitors, whilst maintaining similar service benefits, a competitive advantage can be achieved. Such a strategy, though, may lead to an inability to reinvest in the service, resulting in a perceived loss of benefit. Hence, in conjunction with a low price strategy a low cost base is required. However, simply implementing a low cost base may not be enough as a low cost base must be achieved in ways that competitors can not imitate to give sustainable competitive advantage.

A central motivation for state provision is to ensure equal access for all citizens to sport and leisure opportunities, achieved through price subsidies (Robinson, 2004). With reference to Chapter 1; Section 1.4, as a result of soft budget constraints, both in-house and leisure trust management systems receive financial assistance from the local authority, arguably allowing facilities managed by such systems to implement low price strategies. However, the arrangement between a local authority and an LMC differs considerably, as an LMC is granted the lease of the facilities and contracts with the local authority for their management. All risk attached to the management of a leisure facility

is transferred from the local authority to the LMC, thus, the LMC takes full responsibility for income, expenditure, pricing and programming, and is largely accountable for all risk involved. Therefore, due to hard budget constraints, LMC management systems are reliant on profit maximisation for continued organisational survival and are afforded flexibility by the host council on membership prices in order to provide opportunities to increase income (Audit Commission, 2006). Thus, it can be argued that LMCs are obliged to produce efficiently by the hard budget constraint and the strong incentive to increase profits (Kornai, 1992). Therefore, social welfare is not a priority, illustrated by the targeting of high-income groups in pursuit of profit maximisation.

Research into low price strategies in the public health domain has noted the increased focus given to health by people when low pricing is employed. For instance, French *et al.* (1997a) found that reducing relative prices may be effective in promoting lower-fat food choices in the population as price reductions on lower fat foods (while maintaining the original price of all other higher fat foods) stimulated greater sales of lower fat foods. French *et al.* (1997b) similarly found that lower prices were consistently associated with higher consumption of fruits and vegetables (with an associated consumption decrease as higher pricing was introduced). Consequently, low price strategies can stimulate sales and usage of healthier products and would appear a useful strategy to employ (in particular to encourage health considerations amongst socially disadvantaged groups). Hence, the following is hypothesised:

*H4(a), (b), (c): Low price will be positively related to performance for (a) in-house, and (b) leisure trust management systems, but negatively related to performance for (c) LMC system.*

#### **3.4.1.5 Hybrid Strategy and Overall Management System Performance**

A hybrid strategy is a development of Porter's generic strategies, as it is a combination of two strategies, namely those of differentiation and lower price (Capon, 2008). Porter (1980) argued that firms must "make a choice" among the three generic strategies he prescribed to gain a competitive advantage, stating that if an organisation engages in several strategies they risk being "stuck in the middle", resulting in failure. However,

Johnson and Scholes (1993) note that it is possible to simultaneously provide perceived added value while keeping prices down and Phillips *et al.* (1983) found no support for the view that a high relative quality position is incompatible with achieving a low relative cost position. This strategy therefore depends on organisational ability to both understand and deliver against customer needs, while implementing a cost base that permits lower prices which are difficult to imitate (Johnson and Scholes, 1993).

A hybrid strategy is one of differentiating the product or service offering of the organisation, subsequently providing a service that is superior to competitors, whilst simultaneously maintaining a tight control on costs for a lower cost-base relative to competitors (Johnson *et al.*, 2008). Differentiating the product or service offering requires the organisation to create a service offering that is perceived by customers as being unique (Porter, 1980). Thus, differentiation occurs when the product and/or service offering of an organisation meet the needs of some customers in the market place better than others. Further, when the organisation is able to differentiate its offering, it is able to charge a price that is higher than the average market price (Lynch, 1997).

Organisations which follow this strategy option will also place an emphasis on cost reduction throughout the whole organisation, as established. This strategy therefore enables a competitive advantage through providing a unique service offering whilst restricting costs in other areas. Helms *et al.* (1997) found that firms which simultaneously compete with both strategies out-perform firms that only compete with either low cost or differentiation strategies. Further, numerous articles in the extant strategy literature provide support for the positive relationship between hybrid strategies and superior performance (Kim *et al.*, 2004; Chan and Wong, 1999; Gupta, 1995; Slocum *et al.*, 1994; Wright *et al.*, 1990; Hill, 1988; Buzzell and Wiersema, 1981).

With reference to Chapter 1; Section 1.4, it is recognised that LMC management systems offer greater capital investment than both in-house and leisure trust facility management systems, due to superior revenue generation (Mintel, 2006), which is arguably an outcome of hard budget constraints. Resource commitment is a necessity in achieving service differentiation through the generation of market intelligence required to

understand and deliver against customer needs. Thus, it is argued that an organisation which successfully satisfies customer needs can in some cases implement a low cost base, as highlighted by Johnson and Scholes (1993), subsequently increasing volume and enhancing profit margins of the organisation. It is suggested that LMCs achieve this through superior customer profiling, with particular emphasis on the needs of high-income groups.

Furthermore, Dewatripont *et al.* (1999) suggest that there will be softer budget constraints under government ownership compared to a market economy. Subsequently, the softness of the budget constraint makes the price and cost responsiveness of in-house and leisure trust systems much weaker than that of a private organisation, such as LMCs, which have a hard budget constraint (Kornai, 1998). Therefore, in-house and leisure trust systems are assumed to be unable to realise performance benefits from the adoption of a hybrid strategy. Thus, it is proposed that:

*H5(a), (b), (c): Hybrid strategies will be negatively related to performance for (a) in-house and (c) leisure trust management systems, but positively related to performance for (c) LMC management systems.*

### 3.4.2 Strategic capital

The resource based theory of the firm addresses the fit between what an organisation has the ability to do and what it has the opportunity to do (Russo and Fouts, 1997). The resource-based theory seeks to explain how organisations develop strategies to effectively utilise and deploy resources to achieve competitive advantage (Sanchez *et al.*, 1996). Resources are imperfectly mobile if they cannot be traded, thus, they can be a source of sustained advantage (Peteraf, 1993). Hence, the organisation is perceived as a unique collection of idiosyncratic resources and capabilities (Grant, 1996). Within this theory, competitive advantage is considered to be rooted inside a firm, in assets that are valuable and inimitable. Therefore, a firm's resources and management's abilities to marshal these assets to produce superior performance determine competitive advantage (Russo and Fouts, 1997). However, a firm's resources can only be considered valuable when

positioned in the external environment. Subsequently, it is recognised that purely possessing a valuable resource alone does not allow the organisation to achieve a competitive advantage. Rather, it is necessary to develop and position all value creating, tangible and intangible entities through a specified strategy. This school of thought is central to R-A theory (Hughes and Morgan, 2007).

The heterogeneous and inimitable nature of such resources provides the potential for value creation and competitive advantage; thus, such resources are referred to as *strategic*. Informed by R-A theory and the work of Hughes and Morgan (2007), this thesis adapts a multi-dimensional construct defined as strategic capital, which can be manifested in organisations through intangible resources comprising (though not exclusively) of strategy commitment, strategy implementation support, strategy implementation effectiveness, and organisational learning. It is argued that the selected dimensions are strategic as they meet the necessary theory prescriptions of heterogeneity, immobility, and value prescribed by R-A theory. Further, Hughes and Morgan (2007) apply their strategic capital construct in the context of product-market strategy, which is concerned with deploying organisational resources to accomplish product-market goals (Day, 1999). Organisational resources, then, can be considered an integral component to the achievement of competitive advantage.

#### **3.4.2.1 Strategy Commitment and Overall Management System Performance**

Overall product-market strategy commitment is defined as the extent to which a manager comprehends and supports the goals and objectives of the product-market strategy (Noble and Mokwa, 1999). Strategy commitment is an intangible resource, which varies between organisations and increases when shared by a collective; implying that it is both heterogeneous and imperfectly mobile (Hughes and Morgan, 2007). Hughes and Morgan (2007) note that understanding and being committed to the goals of the strategy should be of benefit in achieving the goals of the product-market strategy. Subsequently, developing commitment to product-market strategy builds support for the strategy and assists in limiting resistance to change, and has been associated with superior performance (Wooldridge and Floyd, 1990). Consequently, it would be expected that

strategy commitment has positive benefits regardless of management system employed. It is therefore proposed:

*H6(a), (b), (c): Overall product-market strategy commitment will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.*

#### **3.4.2.2 Strategy Implementation Support and Overall Management System Performance**

Overall product-market strategy implementation support refers to the resource structure of the organisation being aligned to product-market strategy and the allocation of necessary resources for implementation to occur. Competing organisations possess unequal levels of resources for implementation support, and thus, are sources of heterogeneity between organisations (Hughes and Morgan, 2007). Insufficient implementation support may constrain the ability of the organisation to both implement the strategy successfully and compete along the chosen product market strategy (Menon *et al.*, 1999). Menon *et al.* (1999) suggest that without exception, resource commitment or “staying the course” is a central element of the planning process for strategy success. Therefore:

*“It may be expected that firms that are better at achieving product-market goals would be endowed with relatively greater levels of implementation support whilst poorer performing firms would exhibit significant differences in this dimension” (Hughes and Morgan, 2007: 508).*

Implementation support can be assumed to differ between organisations. As argued, LMC management systems may offer greater capital investment than both in-house and leisure trust facility management systems, which cannot match such investment. Thus, LMCs can be assumed to have the required resources to support the implementation of their chosen strategies. Despite LMCs superior capital, leisure trust management systems can be assumed to offer reinvestment opportunities due to their charitable status, which may provide investment from external sources such as the lottery. In addition, it was



argued in Chapter 1; Section 1.5 that organisations which are governed by central government, such as leisure trusts and in-house managed facilities, are suggested to face a budget constraint that is much softer than for their market-based counterparts (Gomulka, 1985). Softening of the budget constraint occurs when the strict relationship between expenditure and earnings has been relaxed because excess of expenditure over earnings will be paid by some other institution, in this case, by the state. This, therefore, affords in-house managed facilities (and leisure trusts) the resources necessary to support the facilities strategies. Resource commitment, then, is a necessity in pursuing product-market strategy, which subsequently influences organisational performance. It has been argued that each distinguishable management system has the necessary resources for implementation support to occur. Thus, the following hypothesis is therefore generated:

*H7(a), (b), (c): Overall product-market strategy implementation support will be positively related to performance for (a) in-house, (b) leisure trust and (c) LMC management systems.*

#### **3.4.2.3 Strategy Implementation Effectiveness and Overall Management System Performance**

The ability to implement effectively is distinct between organisations; cannot be easily transferred; and, may provide means to a competitive advantage by rapidly redeploying resources and strategy to pursue market opportunities or meet customer needs faster than competitors (Hughes and Morgan, 2007). The ability to implement effectively is a key and complex capability for businesses which is developed over time from the skills and accumulated knowledge of the organisation enabling it to make use of its assets to achieve desired goals (Hughes and Morgan, 2007). Effective implementation is therefore seen as a key component for achieving strategy effectiveness through achieving product-market goals, and is subsequently associated with greater business performance (Noble and Mokwa, 1999).

The strategic objective of uniting both the private and public sector(s), in the form of LMC management systems, is to utilise the management skills and business acumen of the private sector. It is therefore assumed that LMC management systems will have the

skills and accumulated knowledge to implement effectively. Further, a leisure trust is run by a board of trustees, consisting of stakeholders drawn from the local community. It is therefore anticipated that the collective knowledge of this board should enable such facilities to pursue market opportunities and meet customer needs faster than competitors. Therefore, an inability to effectively implement product-market strategy is likely to reduce the organisation's ability to achieve superior value. The following is therefore hypothesised:

*H8(a), (b), (c): Overall product-market strategy implementation effectiveness will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.*

#### **3.4.2.4 Organisational Learning and Overall Management System Performance**

Hughes and Morgan (2007) identify an integral component of R-A theory is the ability of organisations to employ knowledge-based resources to learn in order to develop an offer of superior value. Research into organisational learning focuses on the acquisition and creation of organisational knowledge (Grant, 1996). At its most basic level, organisational learning is the development of new knowledge or insights that have the potential to direct behaviour (Slater and Narver, 1995). Thus, the ability to apply capabilities in the form of inimitable knowledge resources is vital to achieve advantage (Grant, 1996), and research supports that organisational learning leads to competitive advantage and superior performance (Baker and Sinkula, 1999). Subsequently, "...*those weaker at learning are expected to suffer in developing value and in reaching desired product-market goals as a result*" (Hughes and Morgan, 2007: 508). It can be assumed that different organisations learn and use information to varying degrees of intensity, thus it would be expected that higher performing organisations exhibit greater levels of organisational learning in comparison with lower performing counterparts. Regardless of management system, organisational learning should then be beneficial to achieving performance as the organisation learns how to best compete and overcome weaknesses (cf. Hunt, 2000). Thus, it is hypothesised that organisational learning will have a positive impact on performance across all three management systems to be examined:

*H9(a), (b), (c): Organisational learning will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.*

### **3.4.3 Market Orientation**

Through the ongoing monitoring of customers, their needs, and market conditions, organisations can adapt to deliver services that are valued by customers (Hughes *et al.*, 2008). Two perspectives on market orientation have been presented: behavioural and cultural. Both perspectives share many underlying concepts and activities, such as the understanding of customer wants, cross-functional integration within the firm, and the importance of decisive action in response to market opportunities (Hughes *et al.*, 2008; Noble *et al.*, 2002).

The behavioural perspective has had a stronger impact on the conceptualisation and the development of measures of market orientation (Homburg and Pflesser, 2000).

Subsequently, the behavioural stream of market orientation research is utilised in this study in combination with strategic management theory, which is the primary theoretical focus. Kohli and Jaworski (1990) provide a behavioural theory of market orientation that they describe as the implementation of the marketing concept. Here, market orientation can be seen to exist on a continuum characterised by the degree to which organisations generate, disseminate, and respond to market intelligence on customers and competitors (Hughes *et al.*, 2008; Baker and Sinkula, 1999). Market intelligence pertains to customer needs and preferences, which includes an analysis of how they may be affected by exogenous factors such as government regulation, technology, competitors, and other environmental forces (Kohli and Jaworski, 1990).

It can be argued that adherents of market orientation develop long-term thinking with a desire to satisfy customers' latent demands. Slater and Narver (1998) further clarify the market oriented position by stating that a market-oriented business does not ignore customers' expressed needs, but rather expands to address latent needs as well. Indeed, in addition to this, market orientation is suggested to confer benefits of increased strategic

proactiveness (Hughes *et al.*, 2008) and hence being forward-looking in relation to customer value. A growing body of empirical research indicates that positive linkages exist between measures of market orientation and performance (Hughes *et al.*, 2008; Nelson and Henderson, 2005; Matsuno and Mentzer, 2000; Cadogan and Diamantopoulos, 1995; Jaworski and Kohli, 1993). Increased performance, then, is achieved through tracking and responding to customer needs and preferences, subsequently satisfying customers and thus performing at a higher level to competitors. Further, the capabilities arising from a market orientation enable the organisation to identify and exploit opportunities in its served market(s) as well as unserved markets (Slater and Narver, 1998).

Goodman and Loveman (1991) argue that in commercialising public sector activities, the profit seeking behaviour of LMC management systems will undoubtedly lead to a greater attention to customer satisfaction, as opposed to the traditional producer oriented public sector culture. It can therefore be argued that market orientation, within the management of public leisure facilities, will increase with private sector involvement.

#### **3.4.3.1 Intelligence Generation and Overall Management System Performance**

Market orientation includes an analysis of changing conditions in customers' industries and their impact on the needs and want of such customers. Such intelligence may be generated through a mix of formal and informal methods, which may involve collecting primary data or consulting secondary sources of information. Further, effective market intelligence pertains not just to current needs, but to future needs as well. The process of intelligence generation is achieved collectively by individuals and departments throughout the whole organisation. By generating such market intelligence, it is argued that organisations are able to increase their understanding of customers. It can therefore be contended that market oriented companies have processes for collecting market intelligence about customers and competitors and integrating them with strategic decision making processes (Hult *et al.*, 2001). This enhances the development of long-term strategic objectives with the desire to satisfy customers' latent demands and expressed needs. Further, research has shown a positive relationship between market intelligence

generation and performance (Kara *et al.*, 2004; Pelham, 2000). Therefore the following is proposed:

*H10(a), (b), (c): Market intelligence generation will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.*

#### **3.4.3.2 Intelligence Dissemination and Overall Management System Performance**

Intelligence dissemination refers to the process and extent of market information exchange within a given organisation (Kohli *et al.*, 1993). The process of intelligence dissemination continuously creates superior customer value by sharing the knowledge generated throughout the organisation and by acting in a coordinated and focused manner (Slater and Narver, 1998). The benefit of such communication is that it serves as a means to coordinate people and departments to facilitate the attainment of overall organisational goals. Research conducted by Pulendran *et al.* (2000) and Jaworski and Kohli (1993) suggest that superior performance can be achieved from the effective dissemination of market intelligence. It is therefore hypothesised that market intelligence dissemination will enhance the overall performance of all management systems:

*H11(a), (b), (c): Market intelligence dissemination will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.*

#### **3.4.3.3 Intelligence Responsiveness and Overall Management System Performance**

An organisation can generate intelligence and disseminate it internally; however, unless the organisation responds to it, little is accomplished (Kohli and Jaworski, 1990). Therefore, responsiveness to market intelligence is defined by Kohli and Jaworski (1990) as the actions taken in response to intelligence that is generated and disseminated. Responsiveness to market intelligence may involve all departments and include selecting target markets, designing and offering products and services that cater to their current and anticipated needs, and producing, distributing, and promoting products that enhance customer value (Kohli and Jaworski, 1990). It is therefore recognised that responsiveness to changing market needs often calls for the introduction of new products and services to

match evolving customer needs and expectations (Jaworski and Kohli, 1993). However, new products, services, and programs often run a high risk of failure and tend to be more salient than established products, thus greater financial risk is involved when responding to market intelligence.

As previously argued, LMC management systems offer access to substantial financial resources on capital markets, while leisure trust management systems can be assumed to offer reinvestment opportunities via external investment as a result of their charitable status. In addition, in-house management systems receive local government finance to support the operational management of such facilities. Such resource commitment is required both to respond effectively to market intelligence and afford the opportunity to take risks, satisfying customers' explicit and latent needs. In addition, a positive relationship has been highlighted to exist between market intelligence responsiveness and performance in extant literature (Pulendran *et al.*, 2000); Kohli and Jaworski, 1990); Narver and Slater, 1990). Thus, the following is proposed:

*H12(a), (b), (c): Market intelligence responsiveness will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.*

#### **3.4.4 Human Capital**

HRM is now often seen as the major factor differentiating between successful and unsuccessful organisations, perhaps more important than technology or finance in achieving competitive advantage (Marchington and Wilkinson, 2003). Further, a developing body of literature has reported positive associations between organisational level measures of HRM systems and organisational performance (Huselid *et al.*, 1997; Delaney and Huselid, 1996; Huselid, 1995; Arthur, 1994; Snell and Dean, 1992). Human capital theory proposes that individuals possess skills and capabilities that can provide value to the organisation. Value in this context, is largely intangible and cannot only be bought in by the organisation through external sources, but can be acquired through

deliberate investment via the in-house development of employees. Subsequently, organisations can adopt various HRM practices to enhance employee capabilities.

Barney (1991) suggests that an organisation's pool of human capital can be "leveraged" to provide a source of competitive advantage. Assuming heterogeneity among organisations with respect to their human capital, competitive advantage is achieved if the organisation's employees add value to its productivity and that its pool of human capital is an inimitable resource, both difficult to replicate and difficult to substitute for (Huselid *et al.*, 1997). HRM practices encompass the many activities through which organisations create human capital that fulfils the above conditions.

#### **3.4.4.1 Employee Training and Overall Management System Performance**

As argued, organisations can adopt various HRM practices to enhance employee capabilities. For example, the quality of current employees can be enhanced by providing training and development activities after employee selection. The strategic purpose of training is seen as a means to assess and address skills deficiencies in the organisation (Mabey and Salaman, 1995) and is a traditional focus of human capital theory (Snell and Dean, 1997). There is a large body of evidence, which suggests that investments in training produce beneficial organisational outcomes (Delaney and Huselid, 1996; Bartel, 1994; Knoke and Kalleberg, 1994). Therefore, the following is proposed:

*H13(a), (b), (c): Employee training will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.*

#### **3.4.4.2 Performance-related Compensation and Overall Management System Performance**

Performance-related compensation is a popular form of reward management for employers in both the private and public sectors attempting to incentivise managers through their remuneration in order to improve individual and organisational performance (Marchington and Wilkinson, 1996). This payment scheme has become more widely used in the public sector as a result of the Conservative government who promoted the

concept with the purpose to commercialise staff by instilling in them the disciplines of the private sector (Marchington and Wilkinson, 1996).

It is suggested that privatisation changes the objectives of the provider of funds, such that a profit maximising shareholder or venture capitalist would only be concerned for the return on projects. Thus, the focus of a LMC will be on profit maximisation in an attempt to avoid incurring a deficit, and satisfy shareholder needs. Profit maximisation can be encouraged by the shareholders through merit pay or incentive schemes that provide rewards to employees for meeting specific goals (Delaney and Huselid, 1996). Marchington and Wilkinson (2005) identify such incentive schemes as a mechanism by which employers aim to elicit effort. Moreover, such schemes have been shown to raise productivity and profitability, substantially improving firm performance (Piekkola, 2005).

Gomulka (1985) suggests that organisations that are governed by central government face a budget constraint that is much softer than for their market-based counterparts. Since in-house and leisure trust management systems are both governed by local government, it is assumed that the relationship between expenditure and earnings has been relaxed, relative to LMCs, as excess of expenditure over earnings will be paid by the state (outlined in Chapter 1; Section 1.4). LMCs, on the other hand, are dependent on revenue generation for their operational survival. It is, therefore, proposed that performance related compensation schemes may only enhance performance within privatised public fitness suites, that is, those managed by LMCs:

*H14(a), (b), (c): Performance-related compensation schemes will be negatively related to performance for (a) in house, and (b) leisure trust management systems, but positively related to performance for (c) LMC management systems.*

#### **3.4.4.3 Affective Commitment and Overall Management System Performance**

Organisational commitment refers to the psychological attachment of workers to their workplaces and has been positively related to outcomes such as job satisfaction, motivation, and attendance, with a negative relation to such undesirable outcomes as



absenteeism and employee turnover (Becker *et al.*, 1996). Therefore, employee commitment to the organisation has been examined as a determinant of job performance (Meyer *et al.*, 2004); whilst research evidence indicates that the absence of commitment can reduce organisational effectiveness (Ivanevich and Matteson, 1999). This is supported by Boshoff and Mels (2000) who propose that nurturing employee commitment can enhance organisational effectiveness, which they argue ought to lead to desirable outcomes such as enhanced profitability and an increased probability of long term survival.

Meyer *et al.* (2004) acknowledge that organisational commitment can take different forms citing a three-component commitment model, developed by Meyer and Allen (1997), which can be broken down to include: affective commitment, normative commitment, and continuance commitment. The concern here is affective commitment, which research has indicated has the strongest positive correlation with job performance, organisational citizenship behaviour, and attendance, for example (Mohamed *et al.*, 2006; Meyer *et al.*, 2004; Meyer and Schoorman, 1992 ). Affective commitment is defined as an individual's identification and involvement with an organisation and is believed to be positively related to performance for all three management systems to be examined. Thus, the following is suggested:

*H15(a), (b), (c): Affective commitment of the manager will be positively related to performance in (a) in-house, (b) leisure trust, and (c) LMC management systems.*

### **3.4.5 Inclusion of Recreationally Disadvantaged Groups**

By differentiating population participation on the basis of socio-economic status, those men and women who are economically inactive have lower participation rates than those who are in work or unemployed (General Household Survey, 2002). Further, as has been highlighted there are substantial variations in reported health status by the Office for National Statistics socio-economic classification, as measured by occupation and region. For example, Office for National Statistics (2006) identify those who had never worked

had the highest rate of “not good” health, six times higher than the rate for those in higher managerial and professional occupations. Furthermore, the Audit Commission (2006) identified significant differences between socio-economic groups. More specifically, in 2002 those in the highest social group participated twice as much as those in the lowest. In addition, whereas 58% of men and 33% of women aged 16 – 24 years fulfil the recommended physical PA guideline for health benefits (that is, at least 30 minutes of activity at a moderate level or above on five days per week), this declines to 17% of men and 12% of women in the age group 65 – 74 years (British heart Foundation, 2004).

#### **3.4.5.1 Inclusion of Low-income Groups and Overall Management System Performance**

It has been established that cuts in local government finance lead to financial pressure on leisure services. Increased priority is subsequently given to generating additional revenue and reduced priority is given to the promotion of social objectives. This is particularly the case for LMC management systems who receive no government subsidy for the delivery of the identified service. Thus, unless social objectives are specified in contract specifications by local government then the pressure is there for LMC management systems to increase income by targeting those customers with greater financial resources (Bailey and Reid, 1994), that is, the higher-income groups. In contrast both in-house and leisure trust management systems receive some form of financial subsidy either directly or indirectly from local government, subsequently such management systems are expected to increase the inclusion of low-income groups. Thus:

*H16(a), (b), (c): Inclusion of low-income groups will be positively related to performance for (a) in-house and (b) leisure trust management systems, but negatively related to performance for (c) LMC management systems.*

### **3.5 SUMMARY OF RESEARCH HYPOTHESES**

Table 1 presents a summary of the research hypotheses developed during conceptualisation.

**Table 1: Summary of Hypotheses**

<b>Conceptualisation Elements</b>	<b>Relationship Between...</b>	<b>Hypothesis</b>
<b>Strategic Intent and Performance</b>	Low Cost Strategy and Performance	H1: Low cost strategies will be positively related to performance for (a) in-house and (b) leisure trust systems, but negatively related to performance for (c) LMC systems.
	Social Inclusion Strategy and Performance	H2: Inclusion strategies will be positively related to performance for (a) in-house and (b) leisure trust systems, but negatively related to performance for (c) LMC systems.
	Value-added Strategy and Performance	H3: Value-added strategies will be negatively related to performance for (a) in-house and (b) leisure trust systems, but positively related to performance for (c) LMC systems.
	Low Price Strategy and Performance	H4: Low price will be positively related to performance for (a) in-house, and (b) leisure trust systems, but negatively related to performance for (c) LMC systems.
	Hybrid Strategy and Performance	H5: Hybrid strategies will be negatively related to performance for (a) in-house and (b) leisure trust systems, but positively related to performance for (c) LMC systems.
<b>Strategic Capital and Performance</b>	Strategy Commitment and Performance	H6: Overall product-market strategy commitment will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC systems.
	Implementation Support and Performance	H7: Overall product-market strategy implementation support will be positively related to performance for (a) in-house, (b) leisure trust and (c) LMC systems.
	Implementation Effectiveness and Performance	H8: Overall product-market strategy implementation effectiveness will be positively related to performance for (a) in-house, (b) leisure trust and (c) LMC systems.
	Organisational Learning and Performance	H9: Organisational learning will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC systems.
<b>Market Orientation and Performance</b>	Intelligence Generation and Performance	H10: Market intelligence generation will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC systems.
	Intelligence Dissemination and Performance	H11: Market intelligence dissemination will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC systems.
	Intelligence Responsiveness and Performance	H12: Market intelligence responsiveness will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC systems.

*Continued on next page...*

**Table 1 (Continued): Summary of Hypotheses**

<i>Human Capital and Performance</i>	Training and Performance	H13: Employee training will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC systems.
	Performance-related Compensation and Performance	H14: Performance-related compensation schemes will be negatively related to performance in (a) in house, and (b) leisure trust systems, but positively related to performance for (c) LMC systems.
	Affective Commitment and Performance	H15: Affective Commitment will be positively related to performance for (a) in house, (b) leisure trust, and (c) LMC systems.
<i>Social Inclusion and Performance</i>	Inclusion of Low-income Groups and Performance	H16: Inclusion of low-income groups will be positively related to performance for (a) in-house and (b) leisure trust systems, but negatively related to performance for (c) LMC systems.

### 3.6 HYPOTHESES: CONCLUDING REMARKS

This chapter presents the contextual factors in public fitness service provision that are hypothesised to affect management system performance. These include: the strategic intent of managers that contribute to the performance outcomes of management systems; the strategic capital and market orientation of management systems that influence the ability to achieve performance; human capital activities taken to realise management system performance; and finally the contribution of the specific inclusion of low-income groups on management system performance.

In order to address the research question, it is now necessary to develop a research design and empirical methodology that will allow for the examination of the accuracy of the conceptual framework and its hypotheses. By testing the hypotheses developed in this chapter, the effectiveness of the three management systems available to local authorities in the delivery of public leisure fitness suites, across a range of performance indicators, can be determined.

The thesis shall proceed as follows: a research design and empirical methodology for the study will be developed in Chapters 4 and 5. Subsequent chapters will examine the

primary data generated for this study through an analysis of descriptive statistics before moving forward to identifying construct dimensionality and the scale construction process. Hypothesis testing through multivariate analysis of variance and multiple linear regression analysis will be presented in Chapter 7.

## ***Chapter 4: Methodology I***

## **CHAPTER 4: METHODOLOGY I**

### **4.1 INTRODUCTION**

The purpose of chapter 3 was to generate and present hypothesised relationships, in accordance with the conceptual framework, which consist of reasoned proposals suggesting positive or negative associations between thesis constructs, as informed by the literature review. This chapter provides a specified research design and methodology for the collection of data and will be followed by the development of an empirical methodology to allow for the examination of the accuracy of the conceptual framework and its hypotheses.

### **4.2 APPROACHES TO RESEARCH**

Social scientists can adopt a number of approaches to research, each of which is influenced by their assumed understanding of reality. Differing assumptions underlying research philosophy provide alternative perceptions of knowledge, which subsequently influence the selection of research methodology. The following section outlines the philosophical debate as to how the social world might be studied, subsequently arriving at the approach to be adopted by this study.

#### **4.2.1 Ontology and Epistemology: The Research Debate**

Ontology can be defined as “the study of being” or “the study of existence” (Everitt and Fischer, 1995). The ontological debate about the nature of reality encompasses approaches from the extremely subjective to the extremely objective. As such, different assumptions regarding ontology result in the reflection of different worldviews, implying different grounds for knowledge about the social world (Morgan and Smircich, 1980). Different ontological stances can therefore be assumed to impact upon the theory of knowledge, depending on the worldview adopted. The “theory of knowledge” is widely understood as an epistemological issue, in which epistemological questions are those

concerned with the nature and derivation of knowledge, the scope of knowledge and the reliability of claims to knowledge (Wight, 2006).

Essentially, epistemological questions are typically concerned with the justification individuals have for accepting or rejecting beliefs. It is the study of the criteria by which one can know what does and does not constitute, warranted or scientific, knowledge.

Johnson and Duberley (2000), in addressing epistemology, state:

*“At first sight this promises to provide some foundation for scientific knowledge: a methodological and theoretical beginning located in normative standards that enable the evaluation of knowledge by specifying what is permissible and hence the discrimination of warranted belief from the unwarranted, the rational from the irrational, the scientific from pseudoscience”* (Johnson and Duberley, 2000: 3).

As illustrated, any epistemological analysis of the grounds of certain knowledge or the “scientificity” of truth claims, involve ontological assumptions about the nature of the world (Everitt and Fisher, 1995). Thus, Wight (2006) argue every theory of knowledge must logically presuppose a theory of what the world is like (ontology), for knowledge (epistemology) to be possible. Therefore, all philosophies in search of knowledge presuppose a reality, in terms of a general account of the world, in one-way or another. Hence ontology and epistemology, although “analytically separable”, are always linked (Wight, 2006).

Epistemology, then, is formed on ontological assumptions that can be thought of as forming a subjective-objective continuum, whereby the epistemology of extreme positivism, derived from a mechanical conception of the universe as a closed structure; gives way to an epistemology emphasising the need to understand process and change (Morgan and Smircich, 1980).

#### **4.2.1.1 Positivism**



The core contemporary epistemological issue concerns the extent to which the social world might be studied in an approach consistent with the methods of the natural sciences and the extent to which any epistemological distinctions, which may arise, mark out the study of the social world as both qualitatively and quantitatively different in kind from the study of the natural world (Wight, 2006). Positivist epistemology is associated with an ontology that proposes a division between objects which are accessible to observation (about which knowledge is therefore possible) and objects which are not, to which there can therefore be no knowledge (Bryant, 1985). Thus, within a positivist perspective, we can only have true knowledge of explicit phenomena and the relations between them:

*“Scientists should not make hypothetical inferences about the essence of the implicit structure of phenomena: they should instead identify phenomena which are systematically connected to one another by way of invariable and universal laws”* (Hassard, 1993: 6).

The Positivist epistemology position is summarised by Burrell and Morgan (1979) as epistemologies which seek to explain and predict what happens in the social world by searching for regularities and causal relationships between its constituent elements. They argue that the growth of knowledge is essentially a cumulative process in which new insights are added to existing stock of knowledge and false hypotheses eliminated.

There are other characteristics in addition to the epistemological stance as described by Easterby-Smith *et al.* (1991) who, for example, describe the positivist paradigm as one which provides wide coverage of the range of the situation, is fast and economical, and has a relevance to policy decisions when statistical information is aggregated from large samples. However, they see the disadvantages of this approach as tending to be inflexible and artificial, inhibiting the effective understanding of the process by which people attach meaning to actions. Legge (1984) argues that the positivist paradigm may only provide illusions of the “true” impact of social policies. Suggesting that most of the data gathered will not be relevant to real decisions although it may be used to support the covert goals of decision makers (Legge, 1984).

The positivist view of reality is therefore of a social world, which exists independently of the individual, where knowledge can be sought by using the traditional approaches of natural science to explain and predict. Such a stance attempts to emulate natural science methodology which is implicitly not concerned with the importance of human subjectivity (Gill and Johnson, 1991). Gill and Johnson (1991) suggest that the positivist approach is reliant on:

*"...the highly structured methods employed in the natural sciences...have as this basis a hypothesis testing process using standardised instruments and controls and most usually generate quantitative data"* (Gill and Johnson, 1991: 8).

Positivism, then, involves a commitment to a unified view of science and the adoption of methodologies of the natural sciences to rationalise the social world (Smith *et al.*, 2006). Thus, the underlying belief of positivism is that the social world exists externally to the individual and that its properties can be measured through objective methods rather than being *"inferred subjectively through sensation, reflection and intuition"* (Easterby-Smith *et al.*, 1991: 22). Therefore, the only knowledge of any significance is that which is derived from the use of objective measures, such methods are claimed to be independent of value and interest. It follows that scientific theories are generated from *"conjoining facts relating to observed phenomena in terms of regular theoretical sequences of their coexistence"* (Bryant, 1985: 6).

In summary, positivism is a conception of scientific method, modelled on the natural sciences. Essentially, method here is concerned with the testing of hypothesis. Thus, quantitative analysis is a prerequisite of positivist research. However, a critique of purely quantitative research is that such researchers may neglect the social and cultural construction of the variables they seek to test (Strauss and Corbin, 1998). For example, "attitudes" are not ready-formed "entities" but socially constructed "meanings",

researching them is dependent on making a series of analytical assumptions (Kirk and Miller, 1986).

The positivist model for organisational research requires detachment on the part of the researcher who gathers data according to *a priori* analytical categories, “...*the aim of inquiry from the outside is to uncover knowledge that can be generalised to many situations*” (Hassard, 1993: 65). In contrast, Hassard (1993) notes that inquiry from the inside involves the experimental involvement of the researcher, the absence of *a priori* analytical categories and an intent to understand a particular situation.

#### **4.2.1.2 Interpretivism**

Thus, the opposite of a positivist research philosophy is an attempt to understand a particular, unique situation through researcher inclusion as opposed to the testing and measurement of quantifiable data, which requires detachment on the part of the researcher. The philosophical paradigm that promotes this approach to research is widely referred to, within academic literature, as interpretivism.

Interpretivist research has sought to describe and understand the meanings attached to the social world, and thus, is any form of research that produces findings not arrived through quantifiable means:

*“It can refer to research about persons’ lives, lived experiences, behaviours...as well as about organisational functioning, social movements, cultural phenomenon”* (Strauss and Corbin, 1998: 11).

Silverman (1993) notes that there is undoubtedly a tradition of interpretive social science with a set of differing emphases to that of positivist oriented work. Such processes of interpretation are carried out for the purpose of discovering concepts and relationships within the social environment, and organising these to enhance theoretical understanding; such research generates hypotheses as opposed to testing them.

An interpretivist alternative to the positivist stance outlined thus uses qualitative research to interpret a particular situation. Kirk and Miller (1986) describe qualitative research as an empirical, socially located phenomenon, defined by its own history, not simply a residual grab-bag comprising all things that are not quantitative. Qualitative research is usually purposive according to Morton-Williams (1985):

*“Small numbers of people with specific characteristics, behaviour or experience are selected to facilitate broad comparisons between certain groups that the researcher thinks likely to be important”* (Morton-Williams, 1985: 30).

Qualitative methods tend to be less structured than quantitative ones and can, therefore *“be made more responsive to the needs of respondents and to the nature of the subject matter”* (Walker, 1985: 3). Gill and Johnson (1991) further stress the advantages of such methods, which provide large quantities of rich data obtained from a limited number of individuals. Further, they argue of all research strategies, qualitative research is the most likely to identify and include all the relevant variables in any subsequent theoretical analyses.

From the interpretive perspective, social reality, although possessing order and regulation, does not exist in an external tangible form. Instead, it is the product of *“intersubjective experience”* (Hassard, 1993: 89). There are a variety of different positions in social science within the broadly qualitative approach. A simple statement provided by Agar (1986) is a useful starting point to understanding those positions, *“you need to learn about a world you understand by encountering it first-hand and making some sense of it”* (Agar, 1986:12). This view is furthered by the work of Silverman (1993) who suggests such research is a matter of immersing oneself in a naturally occurring set of events, in order to gain first hand knowledge of the situation. The purpose of getting close to events and, thus, to the people involved provides a method of explaining human behaviour and can take at its most extreme, *“unstructured approaches*

*to research that ostensibly allow for access to human subjectivity without creating distortion, in its natural or every day setting” (Gill and Johnson, 1991: 35).*

The interpretivist approach is described by Burrell and Morgan (1979) who identify what this means to them and how qualitative research can be studied:

*“The social world can only be understood from the point of view of the individuals who are directly involved in the activities which are to be studied, (and) can only ‘understand’ by occupying the frame of reference of the participant in action” (Burrell and Morgan, 1979: 5).*

Thus, for the interpretive analyst, the social world is best-understood from the viewpoint of the participant-in-action, whereby the interpretive researcher seeks to deconstruct the phenomenological processes through which shared realities are created, sustained and changed (Hassard, 1993). Interpretive researchers therefore attempt to understand the way others construe, conceptualise, and understand events, concepts and categories because they are assumed to influence individual’s behaviour (Kaplan and Duchon, 1988). Consequently, qualitative methods are characterised by:

*“(1) the detailed observation of, and the involvement of the researcher in, the natural setting in which the study occurs, and (2) the attempt to avoid prior commitment to theoretical constructs or to hypotheses formulated before gathering any data” (Kaplan and Duchon, 1988: 573).*

Burrell and Morgan (1979) go on to argue that assumptions must be made regarding the essence of the phenomena under investigation that is, 1) whether the “reality” to be investigated is external to the individual, thus, imposing on individual consciousness, 2) whether “reality” is of an objective nature or the product of the individual’s cognition, 3) whether in fact “reality” is a given “out there” in the world, or 4) “reality” is the product of one’s imagination.

There are, therefore, a multitude of different approaches that can be adopted by the researcher. On the one hand, a positivist view considers phenomena from an objective stance where everything can be tested and quantitative data acquired to prove or disprove a hypothesis. The alternative interpretivist view, which at its most extreme, would argue that reality is only within the mind of an individual.

Upon consideration of the research question and conceptual framework presented in Chapter's 1 and 2, and in light of the above overview of the fundamental epistemological assumptions that direct research, the researcher for the purpose of this study has adopted a positivist stance. This decision was deemed appropriate for the testing of the conceptual framework and the subsequent answering of the research question. However, the researcher recognises and acknowledges the limitations informed by this choice.

### **4.3 VALIDITY AND RELIABILITY**

A critical aspect to any research, whether that research is qualitative or quantitative in context, is the reliability of the measures employed and the validity of the representations of the constructs under study. Thus, validity and reliability of the findings of a research project are a crucial aspect of any undertaking. Validity and reliability, then, are relevant to all research. The issue of validity, for example, is appropriate whatever one's theoretical orientation or use of quantitative or qualitative data (Silverman, 1993). The following discussion provides an overview of the types of both validity and reliability within a positivist context.

There is no *one type* of validity. Writers on measurement validity distinguish between a number of different types of validity (Bryman and Bell, 2003). Several types of validity perceived to be most relevant to the study, will now be identified and discussed:

1. *Internal Validity* concerns the demonstration of causality (Graziano and Raulin, 2007), that is, whether or not an observed co-variation should be considered a causal relationship (Calder *et al.*, 1982). A cause-and-effect relationship can only

be ascertained when there is true co-variation between the variables under investigation, the methods used to collect the data demonstrate that the cause preceded the effect, and alternative explanations have been discarded (Sackett and Larson, 1990).

2. *External Validity* refers to generalising across times, settings and individuals (Cook and Campbell, 1976). External validity relies upon establishing a “true” representation of the relationship between two constructs and establishing that “*the relationship is generalisable to different populations, measures, and circumstances*” (Scandura and Williams, 2000: 1252).
3. *Construct Validity* deals with the validation of theory (Dick and Hagerty, 1971), that is, how well the measures employed fit the theories for which a test is designed (Scandura and Williams, 2000). As highlighted by Kirk and Miller (1986) who argue that measurement procedures exhibit theoretical validity if there is substantial evidence that the theoretical paradigm rightly corresponds to observations. Thus, measures and manipulations must be valid representations of constructs in order for valid conclusions to be made (Stone-Romero, 1994). To help reduce threats to construct validity, Graziano and Raulin (2007) suggest that research hypothesis be built on clearly defined, well-validated constructs.
4. *Content Validity* indicates that the technique assesses or measures what it is supposed to measure (Johns and Lee-Ross, 1998). For example, in the application of a statistical test, the underlying assumptions of that test may limit its particular applicability (Scandura and Williams, 2000), thus effecting content validity.

Issues of validity are important since neglecting them may limit the ability to base conclusions on the research conducted.

*“Although reliability and validity are analytically distinguishable, they are related because validity presumes reliability. This means that, if your measure is not reliable, it cannot be valid”* (Bryman and Bell, 2003: 79).

Reliability concerns the extent to which an experiment, study, or any measuring procedure *“yields the same results on repeated trials”* (Carmines and Zeller, 1979: 11). Thus, *“good measures give consistent results, regardless of who does the measuring”* (Graziano and Raulin, 2007: 87). Bryman and Bell (2003) identify three prominent factors involved in the consideration of research reliability, these are:

1. *Internal Reliability*, which applies to multiple indicator measures. For example, an overall score aggregated from a multi-item measure may include individual indicators that do not relate to the same thing, thus lacking coherence and are indicative of something else. Therefore, internal reliability is high if all items included are measuring the same thing (Graziano and Raulin, 2007).
2. *Inter-observer consistency* is entrenched within subjective judgement. For example, when recording observations or in the translation of data into categories, where more than one observer is involved, there may be a lack of consistency in their decisions (Bryman and Bell, 2003).

Issues of validity and reliability can only be applied to primary data once that data has been collected and handled by the researcher. Access to data is crucial to data collation and data quality, and thus, has an impact on the eventual validity and reliability of the research findings.

#### **4.4 RESEARCH DESIGN**

*“The research design is a plan for addressing the research objectives or hypotheses”* (McDaniel and Gates, 2005: 61), it is a guide as to how the research is to be conducted and carried out. Thus, the objectives of the research determine the design of the research



(Cohen *et al.*, 2000), which provides a strategy or blueprint by which the researcher intends to approach the research undertaking (Churchill and Iacobucci, 2002). Therefore, in focusing on the different kinds of research design available to the researcher, attention is directed to the different frameworks for the collection and analysis of data.

Bryman (2001) among many others (Malhotra and Birks, 2006; Bryman and Bell, 2003; Churchill and Iacobucci, 2002; Burns, 2000; Churchill, 1995) acknowledges three generic research designs applicable to social science research. These are expressed in the social science literature as exploratory, descriptive and causal/experimental research designs. Each will now be discussed in turn.

#### **4.4.1 Exploratory Research Design**

The general objective of exploratory research is to gain insights and ideas:

*“The exploratory study is particularly helpful in breaking broad, vague problem statements into smaller, more precise subproblem statements, it is hoped in the form of specific hypotheses”* (Churchill and Iacobucci, 2002: 93).

The benefit of this form of research design is in its ability to generate research hypotheses, that is, a statement(s) that specify how two or more variables are related. Churchill and Iacobucci (2002) identify the following objectives of exploratory study:

- Formulating a problem for more precise investigation or for developing hypotheses;
- Establishing priorities for further research;
- Gathering information about the practical problems of carrying out research on particular conjectural statements;
- Increasing the analyst’s familiarity with the problem;
- Clarifying concepts

They conclude that exploratory research is appropriate to any problem about which little is known; the goal is to gain insights, not to test explanations.

#### **4.4.2 Descriptive Research Design**

Churchill and Iacobucci (2002) suggest descriptive research encompasses an array of research objectives, arguing that a good descriptive study presupposes much prior knowledge about the phenomenon studied. Further, such research rests on one or more specific hypotheses, which guide the research in specific directions:

*“Descriptive studies can be considered rigid...require a clear specification of the who, what, when, where, why, and how of the research”* (Churchill and Iacobucci, 2002: 108).

Descriptive research is used when the purpose is: to describe the characteristics of certain groups, to estimate the proportion of people in a specified population who behave in a certain way, and to make specific predictions (Churchill and Iacobucci, 2002).

The basic division of descriptive research is between longitudinal and cross-sectional designs. These are now discussed in turn.

##### **4.4.2.1 A Longitudinal Design**

The term longitudinal is used to describe a variety of studies that are conducted over a period of time, essentially where the same respondents are resampled over time. Hence, data is gathered over an extended period, which can continue over many years (Cohen *et al.*, 2000). Where successive measures are taken at different points in time from the same respondents the term “follow-up study” or “cohort study” is often employed (Borg and Gall, 1979). A longitudinal design, therefore, allows some insight into the time order of variables and therefore may be more able to permit causal inferences to be made (Bryman, 2004).

In sum, longitudinal designs examine a phenomenon over time by repeatedly measuring variables over an extended period to develop richer insights into a phenomenon. Arguably, as a result longitudinal designs allow for greater depth in analysis. However, there are drawbacks to using such a research design as potentially large costs are incurred due to the substantial time commitment involved in such studies (Bryman, 2004). In addition, there is the difficulty of “sample mortality” as subjects inevitably drop out, are lost, or refuse further cooperation (Cohen *et al.*, 2000). Furthermore, repeated interviewing can result in an undesired effect on the actions or attitudes under study, influencing the behaviour of subjects, sensitising them to matters that have previously passed unnoticed, or stimulating them to communication with others on unwanted topics (Riley, 1963).

#### **4.4.2.2 A Cross-Sectional Design**

A cross-sectional study on the other hand, entails the collection of data on more than one case at a single point in time in order to collect data in connection with two or more variables (Bryman, 2004). This descriptive design produces a snapshot of a population (Cohen *et al.*, 2000), with the purpose of detecting patterns of association between the variables examined.

*“The epitome of the cross-sectional study is a national census in which a representative sample of the population...is interviewed on the same day”*  
(Cohen *et al.*, 2000: 175).

Despite not being chronological in nature cross-sectional research designs are used in order to collect quantitative data on variables which can then be examined for patterns of association, and hence relationships, between variables (Bryman, 2004). However, such designs require a large number of the population to be sampled in order to ensure reliable and accurate findings as well as to obtain sufficient responses to determine relationships between variables (Bryman, 2004). Equally, although relationships between variables can be inferred from the quantitative findings of cross-sectional designs, causal relations

cannot be established between variables (Cohen *et al.*, 2000) because the features of a causal / experimental research design are not present (Bryman, 2004).

#### 4.4.3 Causal / Experimental Research Design

Experimental research is a prime method for the inference of causal findings due to its substantial internal validity (Bryman, 2004):

*"In order to conduct a true experiment, it is necessary to manipulate the independent variable in order to determine whether it does in fact have an influence on the dependent variable"* (Bryman, 2004: 34).

Thus, a causal research design is concerned with determining cause-and-effect relationships (Churchill and Iacobucci, 2002). Here, an attempt is made to specify the nature of the functional relationship between two or more variables, the independent variable(s) and dependent variable(s). The basic assumption underlying causal research, then, is that some variables cause or affect the values of other variables (Tull and Hawkins, 1984).

Although causation cannot be proven in the behavioural sciences, if certain conditions are met *"we can have a high degree of confidence that our inferences about causation are correct"* (Tull and Hawkins, 1984: 32). Three types of evidence to make inferences about causation can be employed, these are: concomitant variation, sequence of occurrence, and absence of other potential causal factors (Churchill and Iacobucci, 2002).

Concomitant variation, or invariant association, is a common basis for ascribing cause. Evidence of concomitant variation refers to the extent to which two or more variable under examination occur together or vary together in the way predicted by the hypothesis. If analysis of *X* and *Y* provided supporting evidence of concomitant variation, all that can be said is that an association makes the hypothesis more tenable; it does not prove it (Churchill and Iacobucci, 2002). However, it may be that a causal relationship exists

when there is no initial evidence of concomitant variation, or that no causal relationship exists when there is initial evidence (Churchill and Iacobucci, 2002).

Referring to the sequence of occurrence can provide further evidence of a causal relationship, for example, for one event to cause another, it must always precede it. Furthermore, elimination of possible explanations other than the one being studied provides support for causation:

*“If we could logically or through our research design eliminate all possible causative factors except the one we are interested in, we would have established that the variable we are concerned with was the causative factor”* (Tull and Hawkins, 1984: 33).

However, there is the possibility here that some factor of which the researcher is not conscious of has influenced the results.

#### **4.4.4 Choice of Research Design**

The decision regarding the research design to be adopted is a crucial part of any enquiry (Robson, 2002). As suggested earlier, the objectives of the research determine the design of the research (Cohen *et al.*, 2000). The research in question seeks to make a contribution to original knowledge in the field of leisure management, generating new knowledge by testing the conceptual framework and research hypotheses established in the previous chapter. Both the conceptual framework and subsequent research hypothesis were generated from a comprehensive literature review of both academic and non-academic fields, for this reason an exploratory design was rejected. Equally, on the basis of time constraints an experimental design was also rejected due to the vast number of respondents and research hypotheses to be examined.

Hence, a descriptive research design has been adopted on the basis that a substantial amount of knowledge about the phenomenon studied has been gained, illustrated in the

preceding chapters, which has formed specific hypotheses, which are to guide the research in a definite direction. In considering the two variations of such a design (that is, longitudinal and cross-sectional), the research is to adopt a cross-sectional descriptive design. A longitudinal design was believed to be inappropriate due to the large costs that would be incurred as a result of the substantial time commitment involved in such studies. Again, the consequences of this decision are acknowledged, in particular the researcher recognises a lost insight into the time order of variables and therefore will be unable to permit causal inferences.

## 4.5 APPROACHES TO DATA GENERATION

### 4.5.1 Data Types

Data sources can be classified into two types, primary data sources and secondary data sources. Primary data sources are used to generate fresh data gathered by the researcher specifically for the research project at hand (Burns and Bush, 2006). Secondary source data in contrast are described as having previously been gathered by someone other than the researcher and / or collected for some purpose other than the research project at hand (Burns and Bush, 2006), thus:

*“Secondary analysis is any further analysis of an existing dataset which represents interpretations, conclusions, or knowledge additional to, or different from, those presented in the first report on the inquiry as a whole and its main results”* (Hakim, 1982: 1).

Secondary data sources may include newspaper articles, past interviews, and company reports, other sources of secondary data include government departments and agencies, trade and industry associations, and other news media (McDaniel and Gates, 2005).

Burns and Bush (2006: 153) suggest that *“in almost every case, the researcher’s task of primary data collection is aided by first collecting secondary data”*. This statement is

justified on the basis that a secondary data search can identify data and terminology, which may be useful in conducting primary research. This is echoed by Churchill and Iacobucci (2002) who assert that secondary data should not be ignored by the researcher:

*“Do not bypass secondary data. Begin with secondary data, and only when the secondary data are exhausted or show diminishing returns, proceed to primary data”* (Churchill and Iacobucci, 2002: 198).

Baker (1998) recommends employing secondary analysis when the researcher requires a dataset larger than that which could be collected by a lone researcher, as it is the only feasible way of obtaining a nationally representative sample (Dale *et al.*, 2004). However, as indicated by Yin (1984), any given researcher, reporter, respondent or interviewee can have biased assessments of a company, decision or action taken; as such, the information and data collected can be biased without the researcher of the present study knowing that the data was biased.

#### **4.5.1.1 Secondary Data: Researcher Access**

Secondary data on the public fitness suites responsible for the delivery of the service under examination was sought from a commercial organisation, The Leisure Database Company (TLDC). TLDC is based in Covent Garden, London and is the largest organisation of its kind, specialising in leisure intelligence with a specific focus on public and private fitness suite facilities. The research proposal was forwarded to the director of TLDC (David Minton) via an employee of the organisation. Subsequently, several meetings took place with David Minton to discuss the proposed research and it was concluded that a research partnership would be advantageous to both parties.

*“Some of the most influential organisational research relationships are those made with senior management, who may act as ‘gatekeepers’ to the research setting”* (Bryman and Bell, 2003: 318).

The researcher was granted access to two key areas of data: (1) the TLDC data file, which forms the core of the organisation's operations, and (2) fitness participation rates, generated via the National Fitness Audit. The former provides an exhaustive catalogue of public fitness suite facilities within the UK, including, but not exclusive of individual facility data such as current contact information, type and amount of equipment available, suite accessibility, and the management system employed. The latter, specifically measures social inclusion, gauged through fitness suite participation. Social inclusion here is calculated on the basis of the postcode distribution of a fitness suite's membership compared with the postcode analysis of the population in the fitness suite's catchment area (defined as a two mile radius by TLDC), which TLDC term the *penetration rate*.

Due to the valuable nature of the data to market players, a confidentiality agreement was signed. In addition, the researcher was given an electronic mail account on the company's electronic mail system to signify TLDC cooperation in the research; this allowed the researcher to capitalise on the company's established reputation as a market leader in the field of leisure intelligence.

#### **4.5.2 Criteria for Evaluating Secondary Data**

The secondary data to be used by the study must be evaluated to assess the quality of the data, as quality data is crucial to producing "safe" research findings. The following discussion therefore evaluates the quality of the TLDC leisure database and the company's National Fitness Audit (2007), using criteria presented by Malhotra and Birks (2006):

- ***Specifications***

The specifications used to collect the data must be critically examined to identify possible sources of bias. Malhotra and Birks (2006) state that such design considerations should include size of the sample, questionnaire design and administration and reporting procedures:



*“These checks provide information on the reliability and validity of the data and help determine whether they can be generalised to the problem at hand” (Malhotra and Birks, 2006: 87).*

It is essential that the research findings can be generalised across the three management systems identified in the delivery of public fitness suites. Hence, the following discussion considers each of the outlined specifications in turn, providing clarification of the reliability and validity of the secondary data used.

TLDC’s leisure database and National Fitness Audit (2007) vary significantly on the basis of sample size. The leisure database contains information on over six thousand individual leisure sites spanning both the private and public sectors. The data that forms the leisure database had originally been collected through a questionnaire, administered via telephone interview. The questionnaire targeted the most senior member of staff, on site, at the time of the call. The respondent was required to provide technical information, including, but not exhaustive of, number and type of facilities, size of the site, membership bands, and contact details. The information collated was recorded by hand on to a hard copy of the questionnaire and later imputed electronically into the leisure database. The original hardcopies of the questionnaire are kept in a data archive.

In contrast, the National Fitness Audit (2007) comprises of over 1.8 million member records across six hundred sites, which span both the public and private sectors. The socio-economic data acquired by the audit is recorded against an industry standard classification system. A comparable analysis of an individual sites membership is subsequently undertaken against the catchment population to establish the representativeness of those individuals which participate in fitness.

- *Error and accuracy*

Churchill and Iacobucci (2002) suggest the following criteria to assist the researcher in judging the accuracy of any secondary data, including the *source* of the data and general evidence regarding the *quality* of the data.

Firstly, then, secondary data can either be secured from a primary or secondary source, as Churchill and Iacobucci (2002) note, a primary source is the source that originated the data, a secondary source is a source that secured the data from an original source. The authors stress a fundamental rule in using secondary data – *always use the primary source of secondary data*. There are two main reasons for this rule:

*“First and foremost, the researcher will need to search for general evidence of quality. The primary source will typically be the only source that describes the process of collection and analysis, and thus, it is the only source by which this judgment can be made. Second, a primary source is usually more accurate and complete than a secondary source”* (Churchill and Iacobucci, 2002: 201).

The study secured secondary data from a primary source, TLDC. TLDC provided the researcher with a description of the process by which the data had been generated. This is largely covered in the above consideration of the specifications implemented by TLDC in the collection of the original data set.

Secondly, the ability of the supplying organisation to collect the data is considered a key item of evidence in assessing the quality of the data (Churchill and Iacobucci, 2002). TLDC specialises in leisure intelligence, as has been documented, the organisation is the largest of its kind in the UK and is used as a portal of information by many organisations including key government agencies, such as the Department for Culture, Media and Sport. Accuracy is therefore a necessity, for example, the database powers Sport England’s Active Places website. This website allows the public to search for fitness facilities any where in England. Sport England demand 95% accuracy when purchasing data supplied by TLDC, this is duly achieved. Furthermore, the database is updated every 12 months at a minimum. On this basis, it is assumed that TLDC provide a highly regarded leisure intelligence service, hence, the secondary data to be used by this study is considered accurate.

- *Currency*

This criterion refers to when the secondary data had first been collected. Both Malhotra and Birks (2006) and Churchill and Iacobucci (2002) recognise that secondary data quite often lack publication currency. The time lag between data collection and the subsequent publication of data may be long. Hence, the value of the secondary data invariably diminishes with time. Given that current, rather than historical, information is required by this research effort, it is imperative that the secondary data sourced from TLDC is current.

The secondary data used by this study had originally been collated via TLDC and sourced from the company's leisure database and the National Fitness Audit (2007). The latter is a nationwide audit of all UK health and fitness facilities and is undertaken on an annual basis to produce the State of the UK Fitness Industry Report (in conjunction with the Fitness Industry Association). The 2007 audit was executed between the months of August and October 2007. The researcher obtained the required data the month following completion of the audit, November 2007. This was accompanied by the leisure database, which is updated at a minimum of every twelve months. It can, therefore, be asserted that the secondary data provided by TLDC is current and, subsequently, relevant to the study at hand.

- *Objective*

Data is collected with some objective in mind, "*a fundamental question is to ask why that data were collected?*" (Malhotra and Birks, 2006: 89). The objective of the aforementioned National fitness Audit (2007) is to achieve an overall profile of those individuals who participate in fitness, gauged on the membership profiles of individual fitness suites across both the public and private sectors. In assessing the purpose of publication, the objectivity of data can be assumed. With the purpose to identify whether there are differences between the private and public sectors in terms of achieving

participation, the data produced is highly relevant to the research effort because participation is a facet of performance, by which social inclusion can be gauged.

Further, the objective of the leisure database is to provide up-to-date leisure intelligence under contract for Sport England and other partners, who purchase data intelligence to inform other audits, allowing for a current snapshot of all fitness suites within the UK. Hence, a substantial amount of data within the leisure database matches the requirements demanded by the conceptual model.

- *Nature*

Because secondary data has been collected for someone else's purposes, Churchill and Iacobucci (2002) maintain that it will be rare for the secondary data to perfectly fit the problem as defined. Therefore, Malhotra and Birks (2006) suggest the nature, or content, of the secondary data should be examined with special attention to the definition of *key variables*, the *units of measurement* and the *categories used*, because:

*"It is common for secondary data to be expressed in units different from those deemed most appropriate for the project...Assuming that the units are consistent, we find that the classification boundaries presented are often different from those needed"* (Churchill and Iacobucci, 2002: 199).

Firstly, the definition of key fitness suite variables – provided by TLDC – are consistent with those required by the study, as is the social inclusion variable (captured by the National Fitness Audit, 2007) measured via a calculated "penetration rate". Secondly, the classification boundaries which are employed by TLDC, match those required by the study at hand, including the three generic management systems, number and type of equipment, and pay and play opportunities. Moreover, the socio-economic classifications adopted by TLDC in the National Fitness Audit (2007), to gauge membership participation, are appropriate for the purposes of this study. The industry unique Mosaic membership classification system, as used in the National Fitness Audit (2007), differs on

the basis of the symbols used to identify socio-economic groups. However, those groups that are perceived to be recreationally disadvantaged are still identifiable and furthermore because this system of socio-economic classification is adopted industry-wide it is deemed appropriate to adopt the same system of reference within this thesis.

- ***Dependability***

Malhotra and Birks (2006) assert that an overall indication of the reliability of data can be achieved by examining the expertise, credibility, reputation and trustworthiness of the source. TLDC is a leading independent leisure market intelligence company, providing leisure intelligence, analysis, and insight for strategic and tactical decision making for over twenty years. Health and fitness operators, investors, and suppliers purchase TLDC's leisure intelligence to maximise market opportunities and investments, assess strategic options, and inform resource decisions. Furthermore, working with forty out of the top fifty UK health and fitness brands, TLDC provide and analyse consumer and membership data alongside demographics for strategic decision making. The organisation is the official data supplier to the Fitness Industry Association and Business In Sport and Leisure.

Upon considering the above, in relation to the dependability of the organisation, it can be concluded that the company is a market leader in its field, both credible and reputable to the degree that a major government agency, the Department for Culture Media and Sport, not only trusts the leisure intelligence that they source from the company, but pay for the opportunity. Therefore, the secondary data provided is presumed to be both reliable and valid.

#### **4.5.3 Summary**

As documented, primary data is data collected first-hand by the researcher. In turn, that data is original and collected for the specific purpose of the study at hand. The advantages and disadvantages of using quantitative data collection methods to gather primary data has been discussed.

This research project intends to produce research findings that can be generalised across the three broad management systems, identified in the delivery of public fitness suite facilities, on a national level. Therefore, secondary analysis will be a key component to the initial stages of the research, enabling large-scale data collection to be undertaken, shaping the primary data collection process, and providing a nationally representative sample. In addition, this study requires the generation of primary data in order to satisfactorily address the research question and to investigate the accuracy of the research hypotheses. This conclusion was reached from the consideration of the limitations of the secondary sources of data available to the researcher, which is insufficient to meet the data requirements needed to test the research hypotheses. Therefore, the generation of primary data is crucial to this research project.

#### 4.6 APPROACHES TO GENERATING PRIMARY DATA

It has been concluded that primary data generation is required for this research project. Consequently, the decision to be made is how that primary data is collected. Churchill and Iacobucci (2002) distinguish between two means of generating primary data, specifically by *communication* or *observational* means:

*“Communication involves questioning respondents to obtain the desired information using a data-collection instrument called a questionnaire or survey... Observation does not involve questioning. Rather facts or behaviour are recorded”* (Churchill and Iacobucci, 2002: 267).

As highlighted in the above quotation, the communication means of generating primary data involves questioning respondents by means of surveying a number of individuals to generate the desired primary data. The instrument of choice for a communication means of generating primary data is the survey questionnaire (Churchill and Iacobucci, 2002). The survey questionnaire is a widely used research method in the areas of marketing, business, psychology, political science, sociology, and information science (Zhang, 2000).

Its ability to generalise findings from a small sample of a population, to make inferences about the population as a whole, is arguably the greatest strength of the survey methodology (Dillman, 2007).

Observational means, on the other hand, are traditionally characterised as non-interventionist (Adler and Adler, 1994). Where the researchers do not seek to manipulate the situation or subjects, they do not pose questions for the subjects (Cohen *et al.*, 2000). Rather it can be defined as the systematic process of recording patterns of occurrences or behaviours without questioning or normally communicating with the individuals involved (McDaniel and Gates, 2006). However, in moving towards establishing causality, this methodology is reliant upon greater levels of interpretation by the observer, wherein the observer makes assumptions about intentionality and motivation, and thus can be beset by issues of validity and reliability (Cohen *et al.*, 2000). Furthermore, it can be argued that the methodology is time intensive and personally demanding of the researcher (Robson, 2002). The researcher must engage in an extended period of observation (Silverman, 1993) until theoretical saturation has been reached; when the situations that are being observed appear to be repeating data that have already been collected (Cohen *et al.*, 2000).

The choice to make here as to the data generation approach to be adopted by this study seems clearly between observational and communicational means. On reviewing the two approaches, it can be assumed that the observational approach would not be able to generate the kind and volume of data required to test the research hypotheses. This decision was based on two key characteristics of the observational approach, firstly, the time commitment demanded by this methodology is too extensive for the lone researcher, as the research study intends to use a substantial number of respondents in order to produce valid and reliable research findings across a range of variables. Secondly, the number of variables to be measured is believed too large for an observational approach, which is considered to be limited in scope (Churchill and Iacobucci, 2002). Therefore, it can be concluded that the observational approach to primary data generation is unsuitable

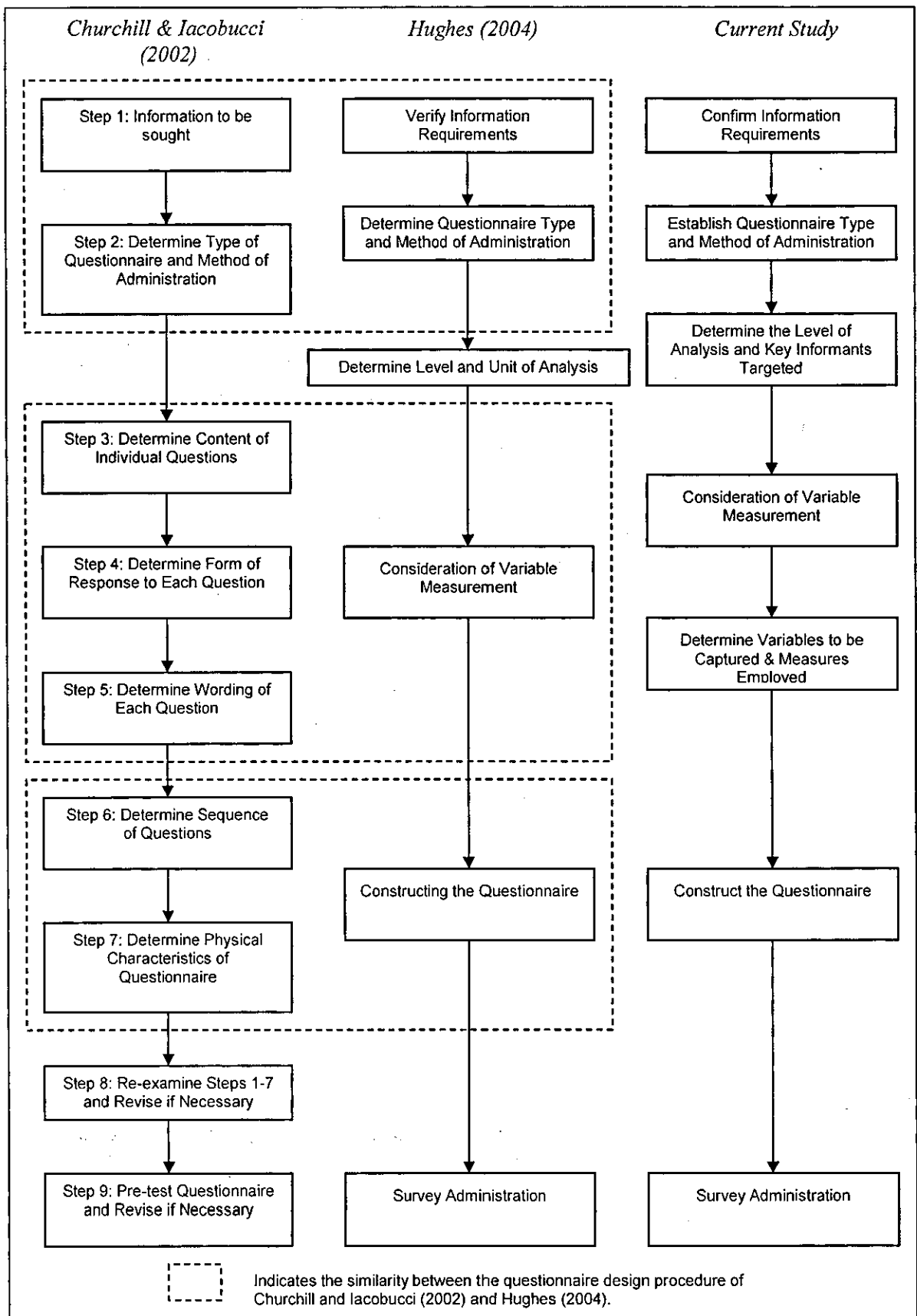
for the requirements of this research study, and thus, is abandoned in preference for the communicational approach for primary data generation.

#### **4.7 QUESTIONNAIRE DEVELOPMENT**

Several important conclusions have been established, thus far. Firstly, primary data is needed for testing the research hypotheses, and secondly, a survey methodology is to be implemented as the strategy for generating the required primary data. However, in order to be able to address the research question and test the research hypotheses the correct data needs to be collected via the research questionnaire. The questionnaire development process can therefore be considered critical to the successful collection of primary data, thus, a rigorous and comprehensive questionnaire development process is required.

Figure 6. A procedure for Questionnaire Development





The basis for the questionnaire design in this study follows from Churchill and Iacobucci's (2002) nine-step procedure for questionnaire development. The authors note however, that a more experienced researcher would be expected to develop their own patterns. Thus, with this in mind and in reference to Churchill and Iacobucci's (2002) documented stages of questionnaire development, the researcher has generated their own procedure for developing the research questionnaire; the stages employed have been adapted from those used by Hughes (2004). The various stages of questionnaire development referred to here are presented in Figure 6, illustrating the path of progression taken by the researcher in the generation of a procedure for questionnaire development. Each stage is now discussed, in turn.

#### **4.7.1 Information Requirements**

Descriptive research demands sufficient prior knowledge to allow the framing of specific research hypotheses for investigation, which guide the questionnaire (Churchill and Iacobucci, 2002). Information is, therefore, essential to the success of this research study and was initially sought through reviews of relevant existing literature to develop the research questions. Subsequently, the conceptual framework was formed and research hypotheses generated, on which this study is based. Yet, in order to examine the validity of the conceptual framework and the proposed research hypotheses it has been established that primary data generations needed, in combination with the secondary data identified, to meet the information requirements of this study. The primary data requirements, therefore, are crucial to the development of the questionnaire.

#### **4.7.2 Questionnaire Type And Method Of Administration**

- *An Assessment of Survey Instruments*

As specified, the communication approach has been chosen to generate the primary data required by this research study. Thus, it is necessary for a survey methodology to be chosen that will allow a substantial number of respondents to be surveyed via a questionnaire. A communication approach enables a number of survey methodologies to

be adopted as the questionnaire can be delivered verbally or in written form. On reviewing existing research methodology literature, there are traditionally three methods of surveying a large number of respondents via a questionnaire. These are (1) *personal interviews*, (2) *telephone interviews*, and (3) *postal questionnaires* (McDaniel and Gates, 2006). However, Dillman (2007) outlines a fourth category of *Internet or emailed questionnaires*.

Table 2 provides a critique of each survey instrument in turn, documenting the advantages and disadvantages associated with employing the various instruments. The factors identified in Table 2 require consideration before a decision can be made as to which survey instrument is to be adopted as the single means of primary data generation.

**Table 2: Assessment of Survey Methodologies**

Method	Response Rate	Advantages	Disadvantages	References
<i>Posted questionnaire</i>	Low. This may be improved upon however by following the "Total Design Method" or "Tailored Design Method" as written by Dillman (2007). This involves a set of procedures for conducting successful self-administered surveys that produce high quality information and high response rates (for example, sending explanatory pre-notification letters before sending the questionnaire, and follow-up letters).	<p>They can be extremely efficient at providing large amounts of data, at relatively low cost, in a short period of time.</p> <p>They allow anonymity, which can encourage frankness when sensitive areas are involved.</p> <p>Such questionnaires are not subject to interviewer bias.</p> <p>They are convenient for respondents as they can complete when they want and at the speed they want to go at.</p> <p>Each respondent receives the identical set of questions, phrased in exactly the same way. The absence of an interviewer, or third party, contributes to the standardisation of responses</p> <p>The questionnaire can be pre-tested and changed before being administered.</p> <p>They are useful when interviews are inappropriate or impossible.</p> <p>Visual aids can be used</p>	<p>Ambiguities in, and misunderstandings of, the survey questions may not be detected.</p> <p>Respondents may not treat the exercise seriously, and you may not be able to detect this.</p> <p>Respondents cannot be prompted, there is no one present if they are having difficulty answering a question, and this could also result in missing data.</p> <p>It is not possible to ask many questions that are not salient to respondents.</p> <p>The researcher does not know who has completed the questionnaire.</p> <p>A limited number of questions can be asked due to "respondent fatigue".</p> <p>Measurement scales must be well developed.</p> <p>Questions can be leading and thus bias results.</p> <p>Sequence bias exists as respondents can view entire question as they respond to it.</p>	<p>Robson (2002) Bryman (2004) Burns (2000) Dillman (2007) Churchill &amp; Iacobucci (2002)</p>
<i>Telephone interview</i>	Medium / High	<p>Complex questions and ambiguities can be clarified.</p> <p>Open-ended questions can be asked with greater success than in mailed questionnaires.</p> <p>A relatively quick method to generate large data.</p>	<p>Difficult to establish representative sample. Sample is biased towards those with telephones; hence it is difficult to establish a sample representative of the population as a whole (unless the chosen population is known to all have telephone access).</p>	<p>Robson (2002) Bryman (2004) Churchill &amp; Iacobucci (2002)</p>

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**Table 2 (continued): Assessment of Survey Methodologies**

Method	Response Rate	Advantages	Disadvantages	References
<i>Telephone interview (continued)</i>		<p>Can be relatively inexpensive, although multiple waves of calls do increase costs.</p> <p>Flexible – sequence of questions can be changed easily and quickly.</p> <p>Less interviewer bias than in person.</p> <p>Little difficulty and cost in handling call-backs</p>	<p>Can be affected by time of day—top managers and marketing executives tend to be tied up in meetings.</p> <p>Subject to some interviewer bias.</p> <p>Time constraints arising from cost and the people willingness to stay on the phone, as such interviews must be brief.</p> <p>Visual aids cannot be used.</p> <p>More difficult to establish rapport over the phone than in person.</p>	
<i>Internet/Email questionnaire</i>	Unknown, but it is assumed to be low.	<p>Very cheap to administer an Internet/email based questionnaire.</p> <p>Questionnaire can be pre-tested and changed before being administered.</p> <p>Useful when interviews are inappropriate or impossible.</p> <p>Visual aids can be used.</p> <p>Unrestricted compass – there is no constraints in terms of geographical coverage.</p> <p>Flexibility for the respondent, they can answer questions in any order.</p>	<p>The “spam” effect – people may believe an email to be junk mail and promptly delete it.</p> <p>Cannot explain questions to the respondents.</p> <p>Ambiguity will cause response bias.</p> <p>Restricted to online populations – only people who are available online can reasonably be expected to participate.</p> <p>Measurement scales must be well developed.</p> <p>Requires a high motivation because respondents may have to pay for their online connection.</p>	<p>Dillman (2007) Bryman (2004) Churchill &amp; Iacobucci (2002)</p>

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**Table 2 (continued): Assessment of Survey Methodologies**

Method	Response Rate	Advantages	Disadvantages	References
<i>Internet/Email questionnaire (continued)</i>		Questionnaires can now be optically scanned to reduce data input time, or data can be automatically input into a statistics package such as SPSS by a code in the Internet page containing the questionnaire.	<p>Questions can be leading and thus bias results.</p> <p>Sequence bias as respondent can view entire question as they respond to it.</p> <p>Questions can be leading and thus bias results.</p>	
<i>Personal interview (Face-to-face)</i>	Medium / Very High	<p>Flexibility – the interviewer is able to observe the subject and the total situation in which they are responding.</p> <p>The presence of the interviewer encourages participation and involvement.</p> <p>Probing maybe used to elicit more complete responses, reducing the number of “don’t know” and non-responses to questions, as explanation and clarification are readily available.</p> <p>The interviewer is able to control the sequence of items as the respondent cannot look ahead and anticipate trends in the enquiries.</p> <p>Complex questions and ambiguities can be explained.</p> <p>Questionnaire can be pre-tested and changed before being administered.</p> <p>Order of questions can be controlled.</p> <p>Visual aids can be used.</p>	<p>Data may be affected by characteristics of the interviewers, for example, their own motivation, personality, experience. There may be interviewer bias, where the interviewer, probably unwittingly, influences the responses.</p> <p>Data may be affected by interactions of interviewer / respondent characteristics, for example, whether they are of the same class.</p> <p>Respondents may feel their answers are not anonymous and be less forthcoming or open.</p> <p>Only a limited number of respondents may be interviewed due to time and financial constraints.</p> <p>Slow method of data collection</p> <p>Generally narrow distribution, difficult to identify sampling frame.</p> <p>Generally the most expensive method</p>	<p>Robson (2002)</p> <p>Dillman (2007)</p> <p>Bryman (2004)</p> <p>Burns (2000)</p> <p>Churchill &amp; Iacobucci (2002)</p>

To reach a conclusion as to which instrument is to be adopted by the study each survey methodology is discussed in relation to several important criteria: (1) methodological and delivery considerations, (2) response rate considerations, and (3) resource considerations, these are now examined with reference to Table 2.

- *Methodological and Delivery Considerations*

Methodological and administration considerations cover issues such as the flexibility of an instrument and its measurement implications, and the possibility of bias occurring from the instrument itself, these are now discussed.

- *Instrument Flexibility and Question Measurement*

The postal questionnaire provides a high degree of respondent flexibility in both viewing the sequence of questions and in responding to those questions. The same can be said when considering the flexibility of the Internet/email questionnaire. Conversely, a telephone or personal interview allows for greater flexibility on the part of the researcher, the researcher or interviewer is able to probe responses and ask for further elaboration and clarification of responses. In addition, question ambiguities and terminology can be explained and clarified to the respondent by the researcher or interviewer, this is not possible via postal or Internet/email questionnaires.

Furthermore, to assist respondent understanding of questions, visual aids such as diagrams and/or charts can be used to accompany a question(s) or to ask a question(s) in a questionnaire or interview, thus, enhancing question clarity; the telephone interview is the only survey methodology unable to employ visual aids.

Whilst the self-completion questionnaires highlighted allow for high respondent flexibility in the sequence of questions viewed and answered, the researcher's flexibility is constrained. The latter is overcome by employing interviews, whereby the researcher or interviewer can probe responses allowing for greater depth. However, this is at the expense of respondent flexibility, as respondents are unable to choose the sequence of questions asked.

Furthermore, the delivery of the questionnaire has an impact on the type of questions to be asked and the methods used to record response:

*“An inability to get adequate answers to open-ended questions are often identified as a chief disadvantage of self-administered surveys” (Dillman, 2007: 41).*

However, personal interviews are substantially more effective at probing respondents' answers, encouraging the respondent to elaborate on their responses. Here, the researcher is free to follow-up on interesting ideas introduced by the respondent, the skill of the interviewer to achieve this is vital and is described as one whom:

*“Approaches the meaning of emerging data for his problem and uses the resulting insights to phrase questions that will further develop the implications of these data” (Dern et al., 1967: 302).*

Open-ended questioning, thus, lends itself to an interview setting as opposed to a self-administered questionnaire, as Churchill and Iacobucci (2002) note:

*“Personal interviews allow the use of open-ended questions that require extensive probes. Written questionnaires using mail, email, or fax do not lend themselves to such questions. Telephone interviews can incorporate open-ended questions, but not nearly to the same extent as in-person interviews, mostly because phone interviews need to be brief, so as not to be discontinued by an increasingly bored or irritated respondent midway through the survey” (Churchill and Iacobucci, 2002: 289).*

Open-ended questions, then, are problematic for self-administered questionnaires as answers are unlikely to be as complete as one would like (Dillman, 2007). Following this, it is frequently useful for postal and Internet/email questionnaires to standardise



question formats and employ scale measurements for the ease of completion by the respondent (Dillman, 2007). Scaled measures also bring benefits for ease of data input and decreased input time as there will be no need for separate coding of written responses, which is very time consuming (Bryman, 2004). Although telephone or personal interviews are suited to open-ended questioning – allowing for more detailed responses – there are numerous associated disadvantages, including time constraints and respondent fatigue.

It is paramount to the success of self-administered questionnaires that the respondent should understand exactly what is being asked of them in accordance with what the researcher intends to measure as questions cannot be explained or clarified. In addition, the measurement scales used should be appropriate to the questions asked, so accurate data is recorded, and respondents are not lead to an answer. For example, the unequal spacing between scale responses may encourage the inaccurate recording of data (Dillman, 2007). In sum, the questions employed should measure the concepts or behaviours intended to be measured and the data produced should represent “true” values for these measures (Collins, 2003).

Internet/email questionnaires require further methodological consideration, that is, the technical expertises required to design and distribute an electronic questionnaire via the Internet. Researchers have suggested embedding numerous advanced functions in Internet/email questionnaires to improve the quality of data collected. These functions include reducing duplicate submissions from the same respondent, using an interactive questioning process to motivate potential respondents to complete the questionnaire and reducing incomplete responses. However, these features have seldom been implemented in previous studies because they require additional technical expertise (Zhang, 2000) on behalf of the researcher.

- *Instrument bias*

Both personal and telephone interviews can cause interviewer bias resulting from the respondents perception of the interviewer or because different interviewers ask questions

and probe in different ways. This kind of bias does not occur for posted or Internet/email questionnaires. But as discussed, it is critical for self-administered questionnaires that measurement scales are clear and the wording of questions and items are unambiguous.

Internet/email questionnaires tend to be biased towards only those people who are likely to have access to computer networks and who have the skills to use the survey tools (Zhang, 2000). In addition to the above, not all individuals in a target population will have access to the specific software applications required to view or complete the questionnaire. This can be problematic, for example, the postal questionnaire designer produces a questionnaire that has the same visual appearance to the designer as to the respondent. However, in the case of Internet/email questionnaires, the final design as seen by the creator is sent to the respondent's computer that may have a different operating system to the one in which it was designed on. Thus, the questionnaire as seen by the respondent may not be how it was intended to look by the designer (Dillman, 2007). The methodological implications of one respondent seeing something different from that seen by another respondent on screen are unknown at present.

Similarly to Internet/email questionnaires, telephone interviews are biased towards those with telephones. Furthermore, telephone methods suffer from "no-answers", a situation that Churchill and Iacobucci (2002) believe may get worse due to the increased popularity of telephone devices such as the answering machine and caller ID which arguably provide barriers to effective telephone surveying. They go on to indicate the probability of making contact with an eligible respondent on the first call is less than one in ten, emphasising the implication of the barriers identified. Furthermore, on making contact the benefits of having time to probe can result in a long interview that may result in the respondent becoming irritated, discontinuing the interview or providing answers that they believe will satisfy the interviewer.

Given the required skill on behalf of the researcher or interviewer to conduct a successful interview (both via telephone and face-to-face) and the opportunity for researcher bias in the interviewing process, it is believed that a self-completion questionnaire is the

favoured option, due to its ability to employ standardised measurement scales that obtain a vast range of quantifiable data. However, the technical ability required to design and distribute an Internet/email questionnaire is beyond the capabilities of the researcher. Thus, taking delivery considerations into account, a postal questionnaire is currently the favoured survey methodology.

- ***Response Rate Considerations***

One of the most important problems in survey research, according to Hox and De Leeuw (1994), is non-response, that is, the failure to obtain measurements from all units in the sample. The notion of response rate, then, applies to all survey methodologies, as invariably some people who are in the research sample refuse to participate. The response rate is therefore, the percentage of a sample that does participate.

*“The significance of a response rate is that, unless it can be proven that those who do not participate do not differ from those that do, there is likely to be a risk of bias”* (Bryman, 2004: 135).

Thus, non-response error can be defined as:

*“The result of people who respond to a survey being different from sampled individuals who did not respond, in a way relevant to the study”* (Dillman, 2007: 11).

When the response rate is high it is usually assumed that there is no serious non-response bias. Hence, a high response rate is not only desirable but a key criterion in judging the quality of a survey (Hox and De Leeuw, 1994).

The postal questionnaire typically results in lower response rates than comparable interview-based studies (Bryman, 2004). Researchers are unclear whether response rates differ between telephone administered interviews and personal interviews, however, Bryman (2004) notes a general belief exists that telephone interviews achieve slightly

lower rates than personal interviews (in spite of this, response rate is still higher than that achieved via postal questionnaires). In general personal interviews result in higher response than comparable telephone or self-completion questionnaires and it is acknowledged that the problem of low response rate applies particularly to postal questionnaires.

A number of steps can be taken to improve response rates, for example, selling respondents on the value of the research and the importance of their participation, advance notice, confidentiality guarantee, and monetary incentive to name but a few. Yet, there is not complete agreement on the impact of various response inducement techniques (Churchill and Iacobucci, 2002). But, rather a survey involves many decisions which need to fit together and support one another in a way that encourages most people to respond and minimises inaccurate or inadequate answers, according to Dillman (2007).

Dillman (2007) argues that designing a quality self-completion survey begins with two fundamental assumptions, (1) responding to a self-administered questionnaire involves not only cognition, but motivation, and (2) multiple attempts are essential to achieving adequate response rates to self administered survey regardless of whether administered by Internet/email or postal delivery. Therefore, on this premise potential respondents must understand clearly what is being asked of them if they are to respond, and they must be motivated to go through the process resulting in questionnaire completion. In addition, multiple attempts to make contact with potential respondents is essential, this concerns all surveys:

*“Thus, we must design contacts not only as individual entities, but also as components of an implementation system that precede and/or follow other communications” (Dilman, 2007: 14).*

Although Bryman (2004) acknowledges that postal surveys are particularly prone to low response rates, Dillman (2007) believes this can be overcome by employing the Tailored

Design method; a set of procedures for conducting successful self-administered surveys that he argues produce both high quality information and high response rate. The fundamental concept underlying the tailored design approach is to recognise and understand why respondents do or do not respond to questionnaires. As Dillman (2007) notes, people are more likely to complete and return self-administered questionnaires if they trust that the rewards of doing so outweigh the costs they expect to incur.

The elements that Dillman (2007) recognises within the tailored design approach include: (1) a respondent friendly questionnaire, (2) up to five contacts with the questionnaire recipient, (3) inclusion of stamped return envelopes, (4) personalised correspondence, and (5) a token financial incentive that is sent with the survey request:

*"[The questionnaire] is not the main determinant of response to mail or other self-administered surveys. Implementation procedures have a much greater influence on response rates. Multiple contacts, the contents of letters, appearance of envelopes, incentives, personalisation, sponsorship and how it is explained, and other attributes of the communication process have a significantly greater collective capability for influencing response rates than does questionnaire design"* (Dillman, 2007: 149).

In sum, response rate is a concern for all survey's, particularly in respect to postal questionnaires. Nevertheless, steps and actions can be taken to overcome non-response error in a self-completion questionnaire, both in the design of the questionnaire and in the communication of the questionnaire to potential respondents. Therefore, although personal interviews command the highest response rate due to the personable nature of such interviewing, with telephone interviews not far behind, self-completion questionnaires – particularly postal questionnaires – can be successful in achieving sufficient responses. This is accomplished when the postal questionnaire is used in combination with a defined set of procedures to enhance communication with potential respondents and respondent understanding of what is being asked of them.

- *Resource Considerations*

The final issue to be considered before deciding upon the survey instrument to be adopted in this study is that of resource cost (this includes both monetary and time considerations). Personal interviews naturally take time to conduct on the part of the researcher or interviewer, as the researcher or interviewer is required to be physically present throughout the interview process. Telephone interviews, however, allow for a greater degree of efficiency, as multiple calls can be made across geographically dispersed regions resourcefully and relatively quickly allowing for large data collection within a short period of time, a major advantage to this survey instrument. However, this is not achievable via personal interviews as the cost incurred in travelling to interview a geographically dispersed sample is far from economical. Nonetheless, multiple waves of telephone calls and long interviews may result in a substantial cost being incurred.

The postal questionnaire can be extremely efficient at providing large amounts of data through the use of measurement scales. Likert-type measurement scales can be used to capture the response of questions in a postal questionnaire allowing for a large amount of data to be collated and quantified quickly. Unlike interview responses, which require a significant time commitment on the part of the researcher in coding responses. This method is, however, highly reliant on clear labelling for accurate responses. Postal questionnaires are also relatively inexpensive comparable to interview based surveys. Still, costs can be limited by using a standard stationary size, manila envelopes instead of white envelopes, as well as by using second-class stamps in preference to first-class stamps. The latter, naturally, has time implications as second-class post is delivered at a lower priority than first-class post and can be held temporarily at distribution centres, thus, the distribution of the questionnaire and subsequent responses will take longer to arrive. Furthermore, a postal survey strategy would require a large amount of time to administer especially if the tailored design method, as suggested by Dillman (2007), is to be employed.

The cheapest instrument in terms of data generation would be the Internet/email based questionnaire. As discussed earlier, however, the researcher does not possess the

expertise required for creating the questionnaire, distributing it online, or producing the following data in a useable form. Hence, in order to achieve the foregoing a technical expert would have to be hired, thus, costs would be incurred.

#### **4.7.3 Choice of Survey Instrument**

To summarise, the various considerations in terms of methodology, delivery, response and resource costs bear heavily on the interviewing instruments, this includes the required skill on behalf of the researcher or interviewer to conduct a successful interview without researcher bias, the sheer time constraints of the interviewing process, and the number of potential respondents required for the successful testing of hypotheses is considered to great to be captured via this process. This is also the case for Internet/email based questionnaire due to the technical ability required to design and distribute the questionnaire successfully, without bias. For this reason they have been discarded as possible survey instruments for the generation of primary data as demanded by the research hypotheses.

Thus, the survey instrument to be used in this study is the postal questionnaire. This instrument has been chosen primarily because:

- (1) Of the ability of postal questionnaires to employ standardised measurement scales, which can obtain a vast range of quantifiable data.
- (2) Postal questionnaires can be successful in achieving sufficient responses across geographically dispersed regions when used in combination with a defined set of procedures for administration.
- (3) The postal questionnaire is extremely efficient at providing large amounts of data, at relatively low cost, in a comparatively short period of time.

#### **4.8 THE LEVEL OF ANALYSIS AND KEY INFORMANTS TARGETED**

The research hypotheses are essential here as they determine from whom the information will be sought via the questionnaire, because they specify what relationships will be investigated. Thus, "*researchers must collect information from the right people and in the right units*" (Churchill and Iacobucci, 2002: 316). It was therefore decided that question and measure development could not be undertaken until a clear understanding of the above was in place.

Firstly, then, the individual public fitness suite forms the level of analysis to be adopted by this study. Although inferences are to be made across the three generic management systems available to local authorities in their management of public fitness suites, each individual fitness suite is unique relative to another in terms of management autonomy and decision-making capabilities. Thus, to examine the strategic actions taken by public fitness suite managers to achieve desired strategic outcomes (across the management systems) and the subsequent success of such actions, the level of analysis must be at the individual fitness suite level. This is logical since strategic intentions will vary amongst public fitness suites, in spite of the management system adopted, as individual fitness suite management will undertake different strategic actions to achieve their desired strategic outcomes.

Secondly, subsequent to the above decision the key informants to be targeted must be determined since this will affect the measures employed and the wording of questions. The most appropriate informant when considering the level of analysis and the variables to be captured is the *public fitness suite manager*. The public fitness suite manager is a key informant because it is believed such individuals have the required knowledge necessary to measure the variables under investigation. For example, they are responsible for implementing strategic actions to achieve desired performance outcomes and may be assumed to be a key factor in achieving success between the three management systems identified.

#### **4.9 VARIABLE MEASUREMENT**



The research hypotheses determine the type of question and form of response used to collect it (Churchill and Iacobucci, 2002). Therefore, to test the accuracy of the conceptual framework and validity of the research hypotheses, the questionnaire must measure all of the research variables contained in the framework that require the generation of primary data. Hence, the questionnaire is not required to measure certain performance outcomes such as social inclusion or ascertain information on fitness suite variables, such as cost of membership, number and type of facilities provided degree of access and so on and so forth, as secondary data on these variables has been provided by TLDC.

#### **4.9.1 Question Development**

The initial decision to be made regarding question development is the decision of whether the researcher develops new items and measures to capture the variables that are under investigation, or adopts / adapts existing items and measures of the variables, as used in previous studies.

Bourque and Fielder (2003) reason that whenever possible, surveyors should either adopt or adapt questions from other studies because researchers should be concerned with maximising the clarity of the questions. There are multiple advantages to adopting already developed and used sets of questions. Through adopting existing questions, the researcher can shortcut the arduous process of question formulation and pre-testing (Sudman and Bradburn, 1982). In a sense, questions and possible answer categories have already been piloted, that is, they have been frequently used before. Thus, a relatively high degree of reliability and validity can be subsequently assumed; a key advantage to using existing questions:

*“Surveyors should take advantage of the fact that others have developed and tested questions that they can use to operationalise concepts important to their research” (Bourque and Fielder, 2003: 45).*

Further, such questions are usually closed-ended an advantage when employing a postal questionnaire as respondents are generally reluctant to answer open-ended questions in self-administered questionnaires, as discussed earlier.

There are, however, numerous considerations that need to be taken when adopting existing, identical worded questions, for example, (1) they may not have the same meaning to respondents when used in a different context, (2) the study population may differ from the original population for which the existing questions were designed, (3) items may need expansion, reordering, or elaboration, and (4) the procedures by which data is collected may need modification. Therefore, Bourque and Fielder (2003) suggest adapting existing questions to overcome the issues identified above.

For the purposes of this study the research questionnaire intends to adapt existing items that operationalise concepts important to the study at hand. This decision is in accordance with Bourque and Fielder's (2003) argument that new questions should only be developed when no existing sets of questions can be appropriately adopted or adapted for the objectives of the study. The items used to measure the variables under examination in this study have been subsequently adapted from those identified through an extensive review of extant marketing and strategy literature. The questions have been adapted for two key reasons, (1) the population under study is different to those which defined the existing items, and (2) the researcher is required to expand and reorder existing items for the purpose of hypotheses testing.

- *Individual Question Content*

Churchill and Iacobucci (2002) note that the decisions made regarding information requirements, the survey methodology adopted, and the source of questions to be used will largely control decisions regarding individual question content. Still, questionnaires fail in their purpose for many reasons (Dillman, 2007), thus, there are several other considerations that need to be taken when deciding on the individual content of questions. Thus, Dillman (2007), Churchill and Iacobucci (2002), and Malhotra and Birks (2006) suggest the researcher should ask some additional questions of the items to be employed,

in an attempt to overcome the respondents' inability to answer. What follows is an examination of some of the key questions to be asked of each item as highlighted by the above.

- *Is the question necessary?*

Every question in the questionnaire must contribute to the information required by the study (Malhotra and Birks, 2006). The item employed must require an answer from each person to whom the question is asked in order to determine the distribution of characteristics in the survey population (Dillman, 2007). Further, the researcher needs to ask whether the point captured in the item has already been adequately covered by other questions, if not, the question should be asked in a way that secures an answer but not with more detail than required (Churchill and Iacobucci, 2002).

Once it has been ascertained that a question is necessary, the researcher must make sure that it is sufficient to gather the desired information (Malhotra and Birks, 2006), it may, therefore, be necessary to include several questions to obtain the required information.

- *Is the respondent informed?*

In order to provide an accurate response, the respondent must have the knowledge to provide the information sought from the question, respondents are often asked about topics on which they are not informed (Malhotra and Birks, 2006). This issue was taken into account when the decision was made on the key informants to be targeted by the questionnaire.

Moreover, not only should the respondent have the information sought, they should remember it. This leads on to a consideration of the following question, *can people accurately recall and report past behaviours?* An individual's ability to remember an event is influenced by time. It is therefore important to determine whether respondents will be able to recall the required information needed to answer the question, thus, *"keeping recall simple and related to recent events helps to produce high quality survey data"* (Dillman, 2007: 37).

- *Is the respondent willing to reveal the requested information?*

Though respondents may have the answer to a question, it cannot be assumed that they will share it indefinitely. Dillman (2007), for example, notes that respondents are reluctant to disclose certain sensitive information because this may cause embarrassment or threaten the respondent's self-image, or be seen as too personal and an invasion of privacy (Malhotra and Birks, 2006). Further, respondent willingness to give information may be related to, (1) the amount of work involved in producing an answer, as most respondents are unwilling to devote much effort to providing information (Malhotra and Birks, 2006); and, (2) the inability to articulate their answers on an issue; these can be overcome, however, through the form of response measurement adopted by the item.

#### **4.9.2 Response Measurement**

*"Once the content of the individual questions is determined, the researcher needs to decide on the particular form of response"* (Churchill and Iacobucci, 2002: 328). On carrying out an extensive review of the research methodology literature, the researcher has identified several forms of response measurement that determine the structure of individual questions. The identified forms of response measurement can be distinguished into three general categories: *open-ended questions*, *closed-ended questions with unordered response categories*, and *closed-ended questions with ordered response categories* (Bryman, 2004; Churchill and Iacobucci, 2002; Robson, 2002).

- *Open-ended questions*

Open questions encourage respondents to elaborate on responses in their own terms, to explain and qualify their responses and avoid the limitations of pre-set categories of response (Cohen *et al.*, 2000). However, it is suggested in the research methodology literature that open-ended questions should be limited as much as is possible in questionnaires (Dillman, 2007). Similarly, the generation of good and reliable data from this open-ended type of question requires a respondent to often think hard, not only will

time be a constraint here, but there is an assumption that respondents will be sufficiently capable of articulating their thoughts and committing them to paper (Cohen *et al.*, 2000).

- *Closed-ended questions*

Highly structured, closed questions are useful in that they can generate frequencies of response amenable to statistical analysis, enabling comparisons to be made across the sample (Oppenheim, 1992). Closed questions prescribe the range of responses from which a respondent may select, in general this increases the speed of completion and enables straightforward coding for computer analysis. However, they do not allow respondents to elaborate on responses as above, and there is a risk that the categories used might not be exhaustive (Oppenheim, 1992).

- *Closed-ended questions with unordered response categories*

Examples of such question include dichotomous or multichotomous questions. The former is a fixed-alternative question, but one in which there are only two alternatives listed, for example a “yes” / “no” response. Such questions allow responses to be coded quickly as there are only two categories of response. Sudman and Bradburn (1982) suggest using several dichotomous questions when gathering data on a single topic, in order to reduce the problems associated with respondents guessing answers. In addition to dichotomous questions, dichotomous variables can be employed, for example, questions on gender (*male/female*), again in these cases only one of two responses can be selected (Cohen *et al.*, 2000).

Dichotomous variables are a fixed alternative question, respondents are asked to choose the alternative that most closely corresponds to their position on the subject (Churchill and Iacobucci, 2002), an example of such would be multiple-choice questions or multichotomous questions. Such questions do not permit respondents to elaborate on their “true” position; they are instead required to condense their complex attitude into a single statement (Churchill and Iacobucci, 2002).

- *Closed-ended questions with ordered response categories*

These include Likert scales (Likert, 1932) and semantic differential scales (Osgood *et al.*, 1957). These scales build in a degree of sensitivity and differentiation of response whilst still generating numerical data:

*“Rating scales are widely used in research...for they combine the opportunity for a flexible response with the ability to determine frequencies, correlations and other forms of quantitative analysis. They afford the researcher the freedom to fuse measurement with opinion, quantity and quality”* (Cohen *et al.*, 2000: 253).

Typically, scales provide several response categories and respondents are required to select any one that captures their response (Viswanathan *et al.*, 1996). A Likert scale (named after its creator, Rensis Likert, 1932), for example, provides a range of responses to a given question or statement (Cohen *et al.*, 2000). Likert’s primary concern was with unidimensionality, that is, making sure all the items would measure the same thing (Oppenheim, 1966). Respondents are required to indicate their agreement or disagreement with each statement or item along a 5-point scale ranging from “Strongly Agree” to “Strongly Disagree”. However, Likert-type scales are not necessarily always 5-point scales. Rather, the use of the Likert Scale or Likert-type scales is common in strategy literatures but is often seen in the form of a 7-point scale:

*“The use of seven response categories is often cited as being ideal for measurement scales because human ability to discriminate is assumed to lie in the vicinity of this number”* (Viswanathan *et al.*, 1996: 461).

The popularity of the 7-point scale is derived from findings in the theoretical context of absolute judgements on perceptual stimuli (Viswanathan *et al.*, 1996), believed to enable respondents to make adequate discriminating judgements and thus, enhancing the validity and reliability of the measurement scale. In discussing measurement scales, Robson (2002) argues that items on a Likert scale can appear interesting to respondents and subsequently respondents enjoy completing a scale of this kind. This is of importance as

in “many situations people may, not unreasonably, just not be prepared to co-operate in something that appears boring” (Robson, 2002: 293). Thus, it can be assumed that the adoption of a likert-type scale enhances question response rate.

A semantic differential scale is a variation of the above Likert scale. Here, a list of bipolar adjective pairs is generated for the particular concept under measurement (Robson, 2002) and the pairs are split at opposite ends of the scale. The respondent indicates on the scale by circling or marking the position to which most represents what (s) he feels (Cohen *et al.*, 2000). The semantic differential scale method developed by Osgood *et al.* (1957) is a rating measure based on a person’s main dimensions of judgement. It is concerned with assessing the subjective meaning of a concept to the respondent, as opposed to assessing how much they believe in a particular concept (Robson, 2002); as in the case of the likert scale.

*“It was found that the reactions to the bipolar scales tended to be correlated and that three basic uncorrelated dimensions could be found to account for most of the variation in ratings” (Churchill and Iacobucci, 2002: 382).*

Osgood *et al.* (1957) identified these rating factors as:

1. An *evaluative* factor refers to the overall positive meaning associated with it, represented by such adjective pairs as useful–useless, good–bad, sweet–sour.
2. A *potency* factor, potency refers to its overall strength or importance, represented by bi-polar items such as, large–small, weak–strong; and
3. An *activity* factor, this refers to the extent to which the concept is associated with action, captured by adjective pairs, such as quick–slow, active–passive.

They found the same three dimensions emerged regardless of the object being evaluated. Thus, the method of the semantic differential technique in forming scales is to select an appropriate sample of adjective pairs (these can also be phrases as opposed to single

words) so a score can be generated for the object for each of the factors identified (Churchill and Iacobucci, 2002). The object could then be compared against other objects using the generated scores.

In sum, open-ended questions are problematic when employed within self-completion questionnaires. As has been established, this research study adopts a postal questionnaire for its primary data generation. Thus, the open-ended question response form was rejected in favour of closed-ended questioning.

The decision to be made here was between unordered response categories or ordered response categories. It was felt that the former was too restrictive on behalf of the respondent. The latter, however, allow for a flexible response using scale measures, whilst still enabling the quantification of responses essential to the testing of the research hypotheses. In addition, the attractiveness of the Likert scale to respondents, heightening the likelihood of response as identified by Robson (2002), is believed to be valuable in achieving a satisfactory response rate. Thus, the study employs the latter, closed-ended questions with ordered response categories in the form of measurement scales.

#### **4.9.3 Question Wording**

The researcher recognises that considerable attention is required in developing clear, unambiguous and relevant questions (de Vaus, 1986). To achieve this, the wording of questions is fundamental. Malhotra and Birks (2006) describe question wording as the translation of the desired question content and structure into words that respondents can clearly and easily understand. The wording of questions is, therefore, critical to the successful completion of a questionnaire, as poor questioning can cause refusal to answer and / or inaccurate responses through misunderstanding (Churchill and Iacobucci, 2002). Dillman (2007) elaborates:

*“The wrong choice of words can create any number of problems, from excessive vagueness to too much precision, from being misunderstood to*



*not being understood at all, and from being too objectionable to being uninteresting and irrelevant” (50).*

There appear to be many “*rules of thumb*”, procedures and guidelines for how to correctly word questions throughout the research methodology literature. For example, the literature suggests simplicity, specificity, and brevity as essential guidelines to question wording, whilst avoiding the use of double-barrelled questions, leading questions, technical and ambiguous terms, hypothetical questions, implicit assumptions, generalisations and estimations (Dillman, 2007; Malhotra and Birks, 2006; Bryman, 2004; Bourque and Fielder, 2003; Churchill and Iacobucci, 2002; de Vaus, 1986; Sudman and Bradburn, 1982).

There are noticeable problems, however, in applying such instruction. Dillman (2007), for example, recommends nineteen principles to be followed for the acceptable wording and structure of survey questions, in principle 1 Dillman (2007) suggests selecting simple words over specialised words; yet, principle 14 contradicts this, stating, be sure each question is technically accurate. This confusion is overcome in adopting the stance taken by Sudman and Bradburn (1982), who commend a general principle of simplicity, that is, words should be used that everyone in the sample understands and which only carry the meaning intended by the researcher.

In taking consideration of the above “*rules of thumb*” the researcher placed substantial emphasis on determining the level of analysis and key informants targeted early in the questionnaire development procedure. In doing so, the researcher is able to make certain assumptions about the recipient. For example, the fitness suite manager will have knowledge on and understanding of, strategic actions and outcomes, hence, items can be included that derive such information, with the assumption that the respondent is adequately informed.

The wording of question items is affected by the origin of those items. As discussed, the research questionnaire intends to adapt existing items that operationalise concepts

important to the study at hand. However, the following discussion focuses on the options available to the researcher for *measuring* the adapted items to be employed.

#### 4.10 VARIABLES CAPTURED AND MEASURES EMPLOYED

There are two means by which the researcher can measure the constructs under investigation and thus test the research hypotheses, (1) the researcher can generate new measures to test the constructs under study, or (2) adopt existing measures from the extant literature. For the purposes of this study, it was decided that existing measures of the constructs under study would be adopted from the extant literature, a common practice among researchers (Bryman, 2004). The decision was made on the basis of the time commitment required to develop new measures. For example, the development of new measures involves generating a sample of items, collecting data, purifying the measure(s), validating the measure(s) and subsequently refining once more the newly developed measure(s) before their inclusion in the questionnaire (Churchill and Iacobucci, 2002).

The researcher recognised the need to consider carefully the measures to be adopted from extant literature, therefore, important criterion for adopting existing measures must be satisfied to ensure safe research findings. These are as follows:

*Item Performance.* In selecting to employ existing measures, the establishment of past reliability and validity of those measures is essential. The measures to be adopted must have demonstrated strong reliability and validity in previous studies in which the measures were employed, as "*the more reliable the individual items are, the more reliable will be the scale that they comprise*" ( DeVellis, 1991: 80).

*Item Clarity and Conciseness.* The content of an adopted item may be relevant to the construct, but its wording may be problematic (DeVellis, 1991). As DeVellis (1991) notes, this bears on the adopted item's reliability because an unclear item can reflect factors extraneous to the construct under study. Hence, it is imperative that the researcher

acknowledges that the wording of an existing item may need adapting for the context in which it is to be employed.

*Scale Length.* Shorter scales are generally perceived to be easier for respondents as they require less effort than a longer scale. However, longer scales tend to be more reliable, hence, maximising one of these assets reduces the other. Therefore, DeVellis (1991) suggests that the scale developer should consider the optimal trade-off between brevity and reliability. Equally, the wording of adopted measures must not be overly long, as this will lengthen the size of the questionnaire, increase respondent fatigue and encourage non-response (Dillman, 2007).

*Scale Equivalence.* When several adopted items are summed into a single score, it is essential that the items are measuring the same underlying concept (Churchill and Iacobucci, 2002). Essentially, the measure of equivalence focuses on the internal consistency or internal homogeneity of the set of items forming the scale. This can be achieved through an assessment of split-half reliability, whereby the total set of items are divided into two equivalent halves; the total scores for the two halves are then correlated, this is taken as the reliability of the scale. However, Churchill and Iacobucci (2002) recommend looking at all the items simultaneously, using coefficient alpha.

With the exception of those variables of which secondary data had been obtained (fitness suite variance and a facet of fitness suite performance, that is, social inclusion), the variables captured and measures employed are discussed in light of the above criteria:

#### **4.10.1 Strategic Intent**

Porter (1985) argued that there are two basic types of competitive advantage an organisation can possess: low cost or differentiation. These combine with the range of market segments targeted to produce three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus (namely narrow scope). Whilst not specifically used within the questionnaire, Porter's Generic Strategies

have informed the items constructed to gauge the strategic intention of the fitness suites surveyed. The resulting five strategic descriptors have evolved from the above generic strategies in accordance with pertinent environmental factors and lengthy discussions with strategists within the academic field of strategic management.

Questionnaire respondents were asked to rate the following five descriptions in order of which most closely explain the fitness suite's strategic approach when compared with competitors in the marketplace. Respondents were reminded to rate all strategies and to note that none of the types listed are inherently "good" or "bad":

- (1) *Low Cost*, striving for a low cost position relative to competitors, achieved through an experience curve, tight cost and overhead control, and cost minimisation in areas like service and advertising.
- (2) *Inclusion*, reducing inequalities between the least advantaged groups and communities and the rest of society. The fitness suite seeks to include all citizens, achieved through targeted programming.
- (3) *Value-added*, differentiating the product or service offering of the fitness suite, providing a service that is superior to competitors. Costs are of secondary significance to providing the service offering.
- (4) *Low Price*, providing a service for those who cannot afford the opportunities offered by the private sector. A central motivation of the service is to ensure access for all citizens achieved through price subsidies or providing a low entry price.
- (5) *Hybrid*, differentiating the product or service offering of the fitness suite to provide a service that is superior to competitors, whilst simultaneously maintaining a tight control on costs for a lower cost-base relative to competitors.

A seven-point Likert-type scale, ranging from "very little" (1) to "great deal" (7), measures item response. This allows the respondent to rate the above strategic descriptors in relation to the similarity they share with the *actual* strategic approach, as employed by the fitness suite.

#### 4.10.2 Strategic Capital

The resource based view of the firm stresses that resources are either intangible or tangible entities, both heterogeneous and imperfectly mobile among firms. The

heterogeneous and inimitable nature of such resources provides the potential for value creation and competitive advantage. Hughes and Morgan (2007) refer to such resources as strategic. Therefore, strategic capital is defined as including both monetary resources as well as intangible assets such as strategy commitment and effectiveness. Consistent with the resource-based view of the firm, the strategic capital of a product-market strategy reflects tangible monetary resources as well as intangible strategic resources, which are unique to any single organisation.

This thesis adapts the measures used by Hughes and Morgan (2007) to capture the strategic capital construct, as discussed above. The author's adopted measures of implementation effectiveness and strategic commitment from similar items used by Noble and Mokwa (1999); measures of implementation support were informed by Menon *et al.* (1999); whilst measures to gauge organisational learning were inspired by Sherman *et al.* (2000) and Hult *et al.* (2002) respectively.

The strategic capital construct, in this thesis, was consequently defined as including product-market strategy commitment, implementation support and effectiveness, learning and memory. Each facet of the strategic capital construct is assessed using attitude assessments where responses are measured on a seven-point Likert scale ranging from "strongly disagree" (1) to "strongly agree" (7).

*I don't think the overall product-market strategy is in the best interests of the fitness suite / I believe the overall product-market strategy is a great idea / I can't say that I support the overall product-market strategy / I personally feel that the goals of the overall product-market strategy are appropriate / The right resources are allocated to the implementation efforts for the overall product-market strategy / The resource structure is now well aligned with the overall product-market strategy / Our overall product-market strategy is an example of effective strategy implementation / I personally think the implementation of the overall product-market strategy is considered a success in my fitness suite / The fitness suite's implementation effort on the overall product-market strategy is disappointing / The implementation of the overall product-market strategy is generally considered a great success in the fitness suite / Meetings are frequently conducted to identify what can be learned and subsequently improved upon from activities and events / Formal routines exist to uncover faulty assumptions about the overall product-market strategy process / We always audit unsuccessful product-market*

*strategy endeavours and communicate the lessons learned / Lessons learned from past product-market decisions are thoroughly shared and discussed with others in the fitness suite / We have specific mechanisms for sharing lessons learned in the overall product-market strategy process / Fitness suite conversation keeps alive the lessons learned from overall product-market strategy history.*

The measures that were adapted from Hughes and Morgan (2007) were believed to be valid and reliable as they had been employed in previous marketing strategy research, including in the work of Menon *et al.* (1999); Noble and Mokwa (1999); and Hult *et al.* (2002).

#### **4.10.3 Market Orientation**

Organisations differ in the extent to which they generate market intelligence, disseminate it internally, and take action based on the intelligence. Therefore, Kohli and Jaworski (1990) conceptualise the market orientation of an organisation as one of degree, on a continuum, as opposed to being either present or absent. The proposed definition suggests that:

*“A measure of market orientation need only assess the degree to which a company is market oriented...Relatedly, the appropriate unit of analysis appears to be the strategic business unit rather than the corporation because different SBUs [small business units] of a corporation are likely to be market oriented to different degrees” (Kohli and Jaworski, 1990: 6).*

The measures of market orientation included in this thesis were sourced from Jaworski and Kohli's (1993) 32-item scale. Of these items, ten pertain to market intelligence generation, eight to intelligence dissemination, and fourteen to responsiveness. Out of the fourteen developed to gauge responsiveness, seven measure response design, that is, the extent to which an organisation develops plans in response to market intelligence. The remaining seven assess response implementation, that is, the actual implementation of the plans. In addition, a single item adapted from the work of Vazquez *et al.* (2002) is

employed to compliment those items selected from the ten Jaworski and Kohli (1993) items pertaining to intelligence generation.

Though the issue of variations in the quality of market intelligence, its dissemination, and organisational response are not addressed here, these variations are clearly important and warrant consideration.

In sum, this thesis employs twelve items to gauge market orientation, suitably selected and adapted from the 32-item scale generated by Jaworski and Kohli (1993), with the addition of a single adapted item from Vazquez *et al.* (2002). Three of the twelve items measure intelligence generation; three assess intelligence dissemination, two items gauge response design, and a final three items measure response implementation. The adapted items cited are as follows:

*In this fitness suite, we meet the customers at least once a year to find out what products or services they will need in the future / We gather data from our sector for use in the developmental plans for our activities / We poll end users at least once a year to assess the quality of our products and services / A lot of informal 'hall talk' in this fitness suite concerns our competitors' tactics or strategies / We have meetings at least once a quarter to discuss market trends and developments / Our fitness suite periodically circulates documents that provide information on our customers / It takes us forever to decide how to respond to our competitors' price changes / For one reason or another we tend to ignore changes in our customers' service needs / We periodically review our service development efforts to ensure that they are in line with what customers want / Customer complaints fall on deaf ears in this fitness suite / Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion / When we find out that customers are unhappy with the quality of our service, we take corrective action immediately.*

For purposes of brevity, a single scale combining the items from the work of Jaworski and Kohli (1993) and Vazquez *et al.* (2002) was employed. The resulting scale used was a seven-point Likert-type scale – as recommended in the extant literature – ranging from “strongly disagree” (1) to “strongly agree” (7).

#### **4.10.4 Human Resource Management**

Snell and Dean (1992) propose an eight-item scale measuring the extensiveness of training and development opportunities, including the frequency and variety of training and the investment made in the training process. Two of the eight items proposed by Snell and Dean (1992) have been adapted and employed in the thesis and are accompanied by a single item, developed by Delaney and Huselid (1996). Further, Snell and Dean (1992) gauged development appraisal on a nine-item scale. The scale measures whether performance appraisal is employed for employee development through activities such as professional development, including identifying training needs, frequent feedback, and discussing future issues. Three of these items have been adapted for the purposes of this research effort.

A primary means organisations use to motivate employees is providing performance-contingent incentive compensation. Delaney and Huselid (1996) measure incentive compensation on a three-item scale, which reports respondents' perceptions of how important job performance is in determining their earnings. However, two of the measures cited were unsuitable for the purposes of the current study, due to the context in which they had been generated. It was therefore essential to obtain additional items for a more comprehensive assessment of the performance-pay link than was possible using a single item. Deckop *et al.* (1999) developed a three-item scale to measure the degree to which employees perceived a strong link between their performance and pay, these items accompanied the single item adapted from Delaney and Huselid (1996).

A key facet of affective commitment is employee identification, whereby the individual continues employment with the organisation because they want to do so through their identification and involvement with an organisation. Measures of affective commitment were sourced from Becker *et al.* (1996), who employed five-items generated and used by Becker (1992). The items gauge employee identification with the organisation and, thus, measure the affective commitment of employees. However, two of the items were not adapted for the purposes of the study at hand due to a strict restriction on space available



in the questionnaire design. Subsequently, three items are adapted from Becker *et al.* (1996) to gauge affective commitment.

All of the adapted items discussed, are as follows:

*How extensive is the training process for employees of your fitness suite / Do you feel training is viewed as a cost or as an investment / Overall, how effective would you say your employee training is / How much effort is given to measuring employee performance / How often is performance discussed with employees / Do discussions focus on present performance or future performance / Increased performance means higher pay for employees / My individual performance actually has little impact on any incentive pay award / My individual performance actually has little impact on my salary / How important is overall fitness suite performance in determining the earnings of the manager / When someone criticises this fitness suite, it feels like a personal insult / This fitness suite's successes are my successes / I feel a sense of ownership for this fitness suite.*

Responses to the above items were recorded on a seven-point scale. The original scale wording has been adopted for each of the cited items.

#### **4.10.5 Performance**

The measures employed to gauge fitness suite performance are relative, in the sense that they are derived from questions asking respondents to assess fitness suite performance relative to the performance of industry competitors. Whilst Delaney and Huselid (1996) acknowledge that perceptual data introduce limitations through increased measurement error. Research has found measures of perceived organisational performance to correlate positively with objective measures of organisational performance, albeit with moderate to strong associations (Delaney and Huselid, 1996), which supports their validity (Krohmer *et al.*, 2002). This is maintained in research conducted by Ketokivi and Schroeder (2004), who suggest that the reliability and validity of perceptual measures are satisfactory, thus concluding that the use of perceptual measures is warranted. Furthermore, the inclusion of perceptual measures enables an analysis of performance for both profit-making and not-for-profit organisations as objective data for the latter is generally unavailable (Krohmer *et al.*, 2002). Delaney and Huselid (1996) measure

perceived organisational and market performance from eleven-items, concerning respondents' perceptions of their organisation's performance relative to market competitors. This thesis adopts two items of perceived organisational performance and three items of perceived market performance.

In addition to those items adapted from Delaney and Huselid (1996), this thesis adapts perceptual measures of performance generated by Krohmer *et al.* (2002), who adopt a three-dimensional conceptualisation of performance. This conceptualisation consists of effectiveness, efficiency, and adaptiveness. However, the concern here is effectiveness as this involves the degree to which organisational goals are reached, which is a key component to the current study. Krohmer *et al.* (2002) propose nine-items to gauge performance effectiveness. As above, they require perceptions of performance effectiveness relative to competitors. Four of the nine items proposed by Krohmer *et al.* (2002) are adopted here to gauge performance effectiveness.

The items that have been adopted are as follows:

*How would you compare the fitness suite's performance over the past 3 years to that of other organisations that do the same kind of work? What about...  
Achieving customer satisfaction / Providing value for customers / Keeping current customers / Attracting new customers / Quality of services / Development of services / Marketing / Profitability / Market share.*

Responses are recorded on a seven-point Likert-scale, ranging from "very poor" (1) to "excellent" (7), as recorded by Krohmer *et al.* (2002).

#### **4.10.6 Comments on the Measures Employed**

To summarise, existing measures are used to capture the constructs contained in the conceptual model, with appropriate rewording when necessary. All of the measures used have been employed successfully in previous studies. However, for the purposes of the current research, it has been acknowledged that the existing measures require rewording in accordance to the context in which they are employed. It is therefore contended here

that the measures used to capture the constructs under study are both valid and appropriate for their intended use.

#### 4.10.7 Content and Face Validity

Content validity and face validity are synonymous to the extent that both require a *“subjective but systematic evaluation of how well the content of a scale represents the measurement task at hand”* (Churchill and Iacobucci, 2002: 314). To establish content validity the measures of a construct should reflect and measure the construct in the way that it has been defined and described in extant literature. Similarly, face validity assesses the degree to which the measure(s) apparently reflects the content of the concept in question (Bryman, 2004).

Content and face validity is often established on the basis of expert judgement (Burns, 2000). Consequently, content validity was determined by distributing the questionnaire to several academics that had substantial knowledge of the literature from which the constructs were derived. Consequently, being able to comment on the degree to which the measures used capture the aforementioned constructs. Similarly, distributing the questionnaire to several public fitness suite managers with the objective to ensure that the measures employed were appropriately worded and understood by the respondents assessed face validity:

*“In other words, people, possibly those with experience or expertise in a field, might be asked to act as judges to determine whether on the face of it the measure seems to reflect the concept concerned”* (Bryman and Bell, 2003: 77).

To ensure the accuracy of responses, feedback given by academics and fitness suite managers on the measures employed was used to enhance and modify the research questionnaire. Consequently, the content and face validity of the measures contained within the questionnaire was established.

## **4.11 CONSTRUCTING THE QUESTIONNAIRE**

Upon determining the questions and measures to be used to capture the information required on the research hypotheses, it is logical to progress to constructing the actual questionnaire itself. This is crucial to achieving an adequate response rate, as decisions about questionnaire format, question order, and the appearance of individual pages can inadvertently result in questions being misread and items being skipped over, negatively impacting upon the responses recorded (Dillman, 2007). Burns (2000) argues that the appearance and arrangement of the survey form itself is vital to a successful study. Arguably, a well-planned and carefully constructed questionnaire will increase the response rate and will also greatly facilitate the summarisation and analysis of the collected data (Burns, 2000).

Therefore, a consideration of the physical format of the questionnaire, question sequence, and the layout and design features of individual pages is required. A discussion on each follows:

### **4.11.1 Physical Format of the Questionnaire**

Churchill and Iacobucci (2002) observe that the physical characteristics of a questionnaire not only impact upon the accuracy of the responses obtained, but, how respondents react to it and the ease in which the responses recorded can be processed. Dillman (2007) identifies that certain questionnaire formats encourage negative consequences and should subsequently be rejected as potential formats. According to Dillman (2007), unacceptable formats include:

- Printing on both sides of sheets of paper with a staple to hold the pages together;
- Employing a landscape format as opposed to a portrait orientation;
- Unusual folds, for example a large single-sheet of paper that folds out to uncover the content; and,

- Unusual shaped questionnaire pages.

*“The difficulty with these formats is that each of them is unconventional and respondents must figure out how to handle or comprehend each set of materials at the same time they are attempting to answer the questions”*

(Dillman, 2007: 82).

Dillman’s (2007) recommendations are acknowledged by the researcher and consequently shape the questionnaire format adopted by the study. It is recognised by the researcher that a respondent-friendly questionnaire format is important to achieving an adequate response rate, particularly when employing a postal questionnaire, as Churchill and Iacobucci (2002) note, the physical appearance of the questionnaire can influence respondents’ cooperation, particularly in the case of mail questionnaires.

Further, they suggest smaller questionnaires are more effective than larger ones because a smaller questionnaire seems to require less time on the part of the respondent to complete when compared with a larger format. The advantages of using a small format, however, are lost if the questionnaire appears overcrowded, this can in-fact result in a negative impact on response (Churchill and Iacobucci, 2002). Although Dillman (2007) has a strong preference for a booklet format, often smaller than an A4 size, he suggests an additional acceptable format, which is *“to print pages on one side only and staple them in the upper left corner”* (Dillman, 2007: 83). This format is particularly suitable when a tight budget is available, facilitating within-office printing instead of using photo reduction equipment required to minimise format size.

Therefore, due to the amount of information sought on the variables under examination, to prevent overcrowding, and as a result of budget constraints and the assumed familiarity recipients have with the A4 format, the research questionnaire adopts a standardised A4 portrait format. This is a common format with which the recipient is used to using and seeing. However, it is acknowledged that postal costs will be greater than if a booklet

format were to be adopted, owing to the larger envelopes required for questionnaire distribution.

- *Question Sequence*

Having determined the form of response, measures to be employed, and the specific wording of questions it was necessary for the sequence of the questions to be established. Churchill and Iacobucci (2002) recognise that the order in which the questions are presented can be crucial to the success of the research. Initially, Dillman (2007) denotes grouping topics and questions in a general way from the most salient to least salient to the respondent, questions that are more salient to respondents should be asked early in the questionnaire, so the respondents interest and attention is more likely to be secured (Bryman, 2004). If questions appear uninteresting to the respondent, they may refuse to continue with the questionnaire (Churchill and Iacobucci, 2002), thus, salience of the research subject affects response rate.

Further, the initial ordering of questions is influenced by what the recipient is told in the covering letter, which is designed to provide a strong argument for recipient participation in answering the questionnaire. This theme should be carried through to the opening page of the questionnaire where the importance of questionnaire completion is again emphasised to the recipient and in developing expectations that they are going to be asked for their opinions, "*as most people like to think that their opinion is important*" (Churchill and Iacobucci, 2002: 345). Therefore, it is important that early in the questionnaire they are asked to do just that:

*"A salient beginning to a questionnaire is partly a matter of meeting respondent expectations and partly a matter of identifying questions that the respondent will find interesting"* (Dillman, 2007: 87).

It is essential to the success of the questionnaire that it follows a logical order, in a way that will be logical to the respondent (Malhotra and Birks, 2006; de Vaus, 1986). Thus, questions should be grouped into sections allowing for a better flow than skipping from

one topic to another (Bryman, 2004; Churchill and Iacobucci, 2002). In this instance, a questionnaire is typically like a conversation (Schwartz, 1996), constantly switching between topics makes it appear that the questioner is not taking into account the respondents answers as each answer *“seems to stimulate a response on an unrelated topic, as though the person’s answer was not heard”* (Dillman, 2007: 86). Furthermore, Dillman (2007) argues that potentially objectionable and sensitive questions should be placed near the end of the questionnaire, where they are likely to be seen once the respondent has invested time into completing the questionnaire. Once respondents have become involved in the questionnaire they are less likely to react negatively to such questions by quitting, *“moreover, some questions may seem less objectionable in light of previous questions already answered”* (Dillman, 2007: 87).

- *Questionnaire Layout and Design Features*

The physical appearance of a postal survey carries great importance because the respondent is able to view the whole questionnaire (Burns, 2000). The “comprehension order” of a postal questionnaire is thus controlled by the respondent (Dillman, 2007). Visual aspects of design are therefore of paramount importance when considering the design of the research questionnaire. The researcher must ensure each respondent receives the same stimulus in the same way, essential for obtaining quality data (Dillman, 2007). This can be achieved through both written and visual stimuli, presented by Dillman (2007) in the form of two languages:

*“Each of which provides meaning and direction to respondents... [written words] is the traditional one considered important in the design of questionnaire. The second language consists of graphical symbols and arrangements which also give direction to respondents with regard to what they should read and in what order”* (Dillman, 2007: 95).

Dillman (2007) proposes three sequential steps in the presentation of questions to respondents that enable common stimulus, these are:

- (1) Defining a desired navigational path for reading all information presented on each page of the questionnaire, that is, determining the order in which the respondent should process every stimuli on the questionnaire page;
- (2) Creating visual navigational guides that will assist respondents in adhering to the prescribed navigational path and correctly interpreting the written information. Here, visual components are used to complement the written words, that is, in guiding respondents through the questionnaire page in the correct and desired way;
- (3) Developing additional visual navigational guides, the aim of which is to interrupt established navigational behaviour and redirect respondents, undoing the consistency in visual navigation that has been established – drawing attention to a change in question pattern.

In total, Dillman (2007) prescribes 28 principles – across the above stages – to achieve successful question presentation, accomplishing the goal of a common stimulus for all respondents. These have been followed where possible throughout the questionnaire design.

#### 4.12 SAMPLING PROCESS

Having specified the research hypotheses, developed an appropriate research design and determined the survey instrument to be employed for data-collection, the next step in the research process is to select those elements from which the information will be collected (Churchill and Iacobucci, 2002). This study canvasses all elements from a target population, of which information will be sought with the objective to infer something about the target population in relation to the specified research hypotheses.

The *population* refers to *all the cases* (Robson, 2002), that is, the total number of potential units for observation (Burns, 2000) to which one desires to generalise the research findings (Dillman, 2007). A *target population*, on the other hand, is defined as “*the totality of cases that conform to some designated specifications*” (Churchill and Iacobucci, 2002: 448), these specifications define the elements, which belong to this



population and exclude those that do not. A sample, then, is a selection of elements from the defined population. The sampling process involves taking a portion of the population, making observations on this smaller group and then generalising the findings to the larger population (Burns, 2000). The ability to make this inference is dependent upon the method by which the sample of elements was chosen (Churchill and Iacobucci, 2002).

Gorard (2003) argues that a high-quality sample is a necessary precondition for the pursuit of high-quality and therefore safe research findings. Therefore, it is reasonable to suggest that the key task of sampling is to select a sample from the defined population by an appropriate technique that ensures the sample is representative of that population and is not biased (Burns, 2000). Thus, to generalise inference to the defined population, the sample must accurately reflect the relevant characteristics found in the defined population. It is therefore crucial that certain types of population elements are not systematically excluded (de Vaus, 1986).

#### **4.12.1 Define the Target Population**

The sampling design process begins by specifying the target population. As discussed, this is the collection of elements that possess "*the information sought by the researcher and about which inferences are to be made*" (Malhotra and Birks, 2006: 358). The key informants targeted, the level of analysis employed, and the existing conditions at the time of the survey, determine the target population.

As discussed earlier, the individual public fitness suite forms the level of analysis, with the individual public fitness suite manager targeted as a key informant by the survey. The level of analysis was determined on the basis that the individual public fitness suite is unique relative to another in terms of management autonomy and decision-making capabilities. Thus, in order to examine the effectiveness of the three generic management systems, the level of analysis must be at the individual fitness suite level to allow

accurate inferences to be made across the three generic management systems, which form the target population. Further, the assumption is made that the key informants targeted would be adequately informed, and thus, have knowledge of the strategic intention of the individual public fitness suite, the strategic actions employed to achieve desired performance outcomes, and the subsequent performance of the individual suite.

Furthermore, the following conditions present at the time of the survey heavily influence the elements to be included in the target population. Firstly, the focus of the study is public fitness suites that employ membership management systems. It is paramount to the research study that fitness suite members are tracked and recorded in order to gauge crucial performance outcomes, such as social inclusion. Subsequently, those public fitness suites that did not use membership management systems were excluded from the study, as data on participation could not be assumed to exist. Secondly, the public fitness suites included in the target population must be based within the geographical boundaries of England. This decision was made on the basis that the focus of the study is public fitness suites, which are owned and delivered via local government. To extend the geographical boundaries further would be problematic due to variations in government structures, service delivery, and resource allocation.

#### **4.12.2 The Selection of Elements**

As established, the main purpose of a survey is to obtain information from, or about, a defined set of people, or population (Easterby-Smith *et al.*, 1991). This can be achieved via two means, 1) the preceding discussion recommends the use of sampling procedures to infer something about the target population. However, 2) an equally effective means of doing this would be to collect information from each member of the target population via a census.

The TLDC database provides an accessible list of all fitness suites within the UK that is the total population. In accordance with the research objectives and defined target population a filter was applied to the master database provided by TLDC, reducing the

number of sites included from over six thousand to one thousand and sixty; the total number of members in the defined target population. The filtering process applied to the master database reduced the number of sites to include only those which satisfied the following target population criterion:

- (1) Public sites, this means that all fitness suites targeted were located in a public sports centre (a *Public Sports Centre* refers to a publicly-owned site with at least one of the following facilities; health & fitness suite, swimming pool or sports hall, where at least one is available to members of the general public on a pay and play or membership basis);
- (2) Operational sites, located in England;
- (3) Inclusive of an operational fitness suite;
- (4) Owned by a local authority;
- (5) Implemented some kind of membership management system;
- (6) Offered pay and play fitness suite opportunities, meaning the fitness suite can be visited by all members of the public;
- (7) Managed via in-house, leisure trust, or LMC systems.

Due to the significant reduction of population elements, in accordance with the defined characteristics of the target population, it was deemed appropriate to survey *all* members of the target population. Thus, this study canvases all one thousand and sixty members via the first questionnaire wave.

However, this study adopts a two wave questionnaire (discussed in depth later in the chapter), a consideration of the method chosen in the selection of elements targeted by the second wave of questionnaire is therefore required. Due to resource constraints the second wave can not be administered to all non-respondents, as would be the case if unlimited resources were available. Subsequently, a selection of elements from the population of non-respondents is required to form the second wave survey sample.

Sampling techniques can be divided into two broad categories of probability and non-probability samples (Malhotra and Birks, 2006; Bryman, 2004; Churchill and Iacobucci, 2002; Foreman, 1991). Probability samples can be distinguished by the fact that each population element has a nonzero chance of selection (Churchill and Iacobucci, 2002), that is, the sampling units are selected by chance (Malhotra and Birks, 2006). Every potential sample need not have the same probability of selection, but the probability of each population element being included in the sample can be specified (Churchill and Iacobucci, 2002). Non-probability samples, however, rely on the personal judgement of the researcher (Malhotra and Birks, 2006). Thus, the probability with which any population element be included in the sample cannot be determined. Therefore, *“there is no way of ensuring that the sample is representative of the population”* (Churchill and Iacobucci, 2002: 453). Consequently, an objective evaluation of a non-probability sample can not be provided because elements are not selected probabilistically. On this basis, probability samples are preferable because they are the more likely to produce *“representative samples and enable estimates of the sample’s accuracy”* (de Vaus, 1986: 53)

It can therefore be argued that sample representativeness is a concern when adopting non-probability sampling techniques. However, such a non-probability sampling technique – quota sampling – attempts to ensure that the sample is representative by categorising sample elements, on the basis of certain characteristics, proportionally to the extent to that which exists in the population:

*“The aim of quota sampling is to produce a sample that reflects a population in terms of the relative proportions of people in different categories, such as gender, ethnicity, age groups, socio-economic groups, and region of residence, and in combinations of these categories”*  
(Bryman, 2004: 102).

Here, the final selection of elements is not carried out randomly, as in the case of probability sampling, but is decided upon by the researcher. Thus, quota samples rely on

personal, subjective judgement rather than objective procedures for the selection of sample elements (Churchill and Iacobucci, 2002).

Due to a substantial response to the first wave questionnaire by one form of management system, this system was excluded from the sample that the second wave questionnaire targeted. This decision was made on the basis that the other two management systems surveyed were underrepresented in the responses received. In order to produce valid and “safe” research findings it was perceived paramount to make these two groups the focus of the second wave questionnaire, thus a quota sampling technique was adopted. As mentioned, a further motive for the adoption of this sampling technique is the consequential reduction in cost required to administer the second wave questionnaire, due to the reduced number of population elements targeted.

Nevertheless, this technique is open to criticism, particularly from proponents of probability sampling because the selection of sample elements is left to the discretion of the researcher, consequently it could be argued that a quota sample cannot be representative (Bryman, 2004). Similarly, Bryman (2004) suggests that although the sample may accurately reflect those characteristics found in the population, as defined by the quotas, the sample is biased as the elements selected are based on the researcher’s own subjective judgement. Whilst these criticisms are considered, the preceding discussion for the adoption of the sampling technique used in the administration of the second-wave questionnaire is considered ample justification for its adoption.

#### **4.13 GENERALISEABILITY OF STUDY FINDINGS**

##### **4.13.1 Adjusting for Non-response**

Non-response stems from the fact that some members of the population will not respond to the research questionnaire, thus non-response error is largely inevitable in spite of all actions taken to counter it. However, the general assumption is that the higher the response rate the lower the potential of non-response error and therefore the better the

survey (Dillman, 1991). Whilst Fowler (1984) notes that there is no agreed-upon standard for a minimum acceptable response rate, Fellows and Liu (2005) stipulate an acceptable response rate of 30% for a postal questionnaire. Further, Malhotra and Birks (2006) in a comprehensive review of the literature found a weighted average response rate of 43.7% for postal surveys. However, without any pre- or post mailing contact, they suggest response rates can be less than 15% for postal surveys. These figures are also in line with conclusions drawn by Weisberg *et al.* (1996) who state that response rates for postal questionnaires tend to be between 10% and 50%. Yet, in conjunction with pre- and post mailing contact a response rate of between 70% and 80%, for a postal survey, is achievable (Malhotra and Birks, 2006; Weisberg *et al.*, 1996).

Churchill and Iacobucci (2002) assert that response rates should always be reported and the effects of non-response estimated, so results can then be adjusted accordingly. There are several strategies available to adjust for non-response error; these include *sub-sampling of non-respondents*, *replacement*, *substitution*, *subjective estimates*, *trend analysis*, *simple weighting* and *imputation* (Malhotra and Birks, 2006). Those relevant to the research effort are now discussed in turn:

*Sub-sampling of non-respondents.* Particularly suitable in the case of postal surveys, this technique requires the researcher to contact a sub-sample of non-respondents, via telephone or personal interviews often resulting in a high response rate within the sub-sample (Malhotra and Birks, 2006). The results obtained from the sub-sample are subsequently inferred to all non-respondents, the survey results are then adjusted accordingly.

*Substitution.* This strategy can be used to counter item non-response, which occurs when the respondent refuses or is unable to answer some specific questions because of the content, form, or sequence of the questions (Churchill, 1995). This strategy does so by substituting the average response for the item of those that did respond (Churchill, 1995). This technique carries the explicit assumption that those who did not respond to an item

are similar to those who did. Hence, substituting the average should be done so with caution.

*Weighting.* The most common modification of complete-case analysis for unit non-response is the assignment of a non-response weight to the survey respondents in order to remove or reduce non-response bias (Kessler *et al.*, 1995). According to Malhotra and Birks (2006), weighting accounts for non-response by assigning differential weights to the data depending on the response rate. A standard approach to estimating the response probability is outlined by Kessler *et al.* (1995). The process requires the formation of adjustment cells based on variable measurement for respondents and non-respondents. The non-response weight in a cell is then the inverse of the response rate in that cell:

*“This weighting method removes the component of non-response bias attributable to differential non-response across the adjustment cells, and eliminates bias if respondents can be regarded as a random subsample of the original sample within the adjustment cells”* (Kessler *et al.*, 1995: 195).

*Imputation.* Another technique for handling non-response is to impute a value for each missing datum (Kessler *et al.*, 1995). This technique is specifically applied to item non-response, since imputing entire questionnaires is highly problematic. The process of imputation requires the researcher to assign the characteristic of interest to the non-respondents based on the similarity of the variables available for both non-respondents and respondents (Malhotra and Birks, 2006):

*“Conditioning the imputations on as many variables as possible and using subject-matter knowledge to help select variables helps reduce bias due to non-response”* (Kessler *et al.*, 1995: 195).

For example, a respondent who does not answer an item may be imputed based on the answer of a respondent with similar demographic characteristics:

*“Often there is a high correlation between the characteristic of interest and some other variables. In such cases, this correlation can be used to predict the value of the characteristic for the non-respondents”* (Malhotra and Birks, 1995: 397).

There is, however, a major disadvantage in imputing a single value for each missing value. A single value cannot represent all of the uncertainty about which value to impute. Thus, analyses that treat the imputed value as an observed value will generally underestimate uncertainty (Kessler *et al.*, 1995).

#### **4.14 SURVEY ADMINISTRATION**

##### **4.14.1 The Tailored Design Method and Survey Administration**

As Dillman (2007) notes, the questionnaire is only one element of a successful survey, it is not the main determinant of postal survey response. Therefore, Dillman (2007) has established a recognised procedure for successful survey implementation, *the tailored design method*:

*“It is the development of survey procedures that create respondent trust and perceptions of increased rewards and reduced costs for being a respondent, that take into account features of the survey situation, and that have as their goal the overall reduction of survey error...with particular emphasis on non-response”* (Dillman, 2007: 29).

As established earlier in the chapter, the theoretical framework from which the tailored design method is developed (social exchange theory) posits that questionnaire recipients are more likely to respond when the perceived benefits of doing so outweigh the perceived costs of responding (Dillman, 1991).



The tailored design utilises a general method of implementation consisting of five elements that have individually been shown to significantly improve postal survey response (Dillman, 2007). As identified earlier, these elements include: (1) a respondent friendly questionnaire, (2) up to five contacts with the questionnaire recipient, (3) inclusion of stamped return envelopes, (4) personalised correspondence, and (5) a token financial incentive that is sent with the survey request. Dillman (1991) states that the major strength of the tailored design, as a comprehensive system, is that meticulously following the prescribed procedures consistently produce high response rates for virtually all survey populations. Accordingly Dillman (1991) asserts that response rates typically reach 50-70% for general public surveys. On this basis the researcher has adopted the tailored design method, as identified above, to administer the research survey. Each element is now discussed in turn.

The process of questionnaire construction is covered in detail earlier in the chapter, with reference to Dillman (2007) and is therefore not discussed here. Point two – *multiple contacts* – is examined below and concerns the employment of five contact phases as outlined by the Tailored Design Method. Dillman (2007) notes how previous experimental research on how to improve the response rate of postal questionnaires is unanimous on the influence of multiple contacts on response rate, which is shown to be more effective than any other technique for increasing response to surveys by mail (Dillman, 2007). Each of the five prescribed phases is discussed in turn with reference to Dillman (2007), who suggests that each communication differs from the previous one and conveys a sense of appropriate renewal of an effort to communicate (Dillman, 2007).

#### **4.14.1.1 Contact Phase 1 Pre-notification letter**

Research has shown consistently that a pre-notice will improve response rates to postal questionnaires (Dillman, 2007). The purpose of the pre-notice letter is to make the recipient aware that their help is needed via the completion of a questionnaire and that their response to this would be greatly appreciated. Dillman (2007) recommends that the pre-notice letter be sent by first-class post and timed to arrive at the respondent a few days to a week prior to the actual questionnaire. The aim here is to convey the idea

that something important is about to be sent to the person to whom the letter is addressed (Dillman, 2007).

The pre-notification letter, then, firstly introduces the context of the research, the aims of the research and subsequently builds the importance of the research and its relevance to the recipient. The text emphasises that their help is required to generate the necessary data and assurances are made regarding confidentiality and how the data is to be used. Furthermore, ease of response and questionnaire brevity is also stressed to minimise the perceived effort involved in participating in the study. The text is printed on University letterhead paper and concludes with a note of thanks, signed and inclusive of the researcher's contact details.

#### **4.14.1.2 Contact Phase 2 The First Questionnaire Package**

The questionnaire package contains several elements including the questionnaire itself, an additional, detailed covering letter explaining why a response is vital to the study, any token of appreciation, and a return envelope. Consistent with the recommendations made by Dillman (2007), the covering letter is limited to a single page printed on University letterhead paper and includes certain critical pieces of information, with the aim to convey an attitude of straightforward communication that is not misleading. For example, the covering letter includes a date and inside name, what the questionnaire is about and why questionnaire completion is valued, a statement of confidentiality, and an explicit offer to answer any questions, inclusive of direct contact details and signature. In accordance with Dillman (2007), details of the incentives for participating in the study are included and an opportunity to participate in the incentive scheme is provided. In addition, a freepost addressed return envelope is enclosed in the questionnaire package so that respondents can return the completed questionnaire to the researcher with minimal effort.

The benefits of participation are again restated in the questionnaire itself and are detailed to include freepost return, confidentiality guarantees and participation incentives. An

appreciation of questionnaire completion is expressed and an explicit acknowledgment of the brevity of the questionnaire is also included.

#### **4.14.1.3 Contact Phase 3 Follow-Up Mailings: The First Reminder Letter**

This is to be sent in the format of a thank you post card, a short time after the first questionnaire pack has been distributed. Consistent with the tailored design method (Dillman, 2007), this follow-up postcard is written in a friendly manner as a thank you. The purpose of this contact is to express appreciation for questionnaire completion, and stresses that if the completed questionnaire has not yet been posted it is hoped that it would be returned soon. Thus, the postcard follow-up is administered as a reminder to jog recipients memories, it is usually timed to arrive a week following the questionnaire.

The purpose of using a postcard format is to contrast this contact with the first, "*given that repeated stimuli have less effect than new ones*" (Dillman, 2007: 179). The postcard states: (1) when the questionnaire was sent to the respondent and why, (2) the crucial message that the card is designed to convey, that is, those that have returned the questionnaire are thanked whilst those who have not are reminded to do so today, (3) an invitation to request a replacement questionnaire, and (4) a statement of appreciation, the researcher's name, and title. Dillman (2007) reasons that the decision to distribute this postcard to all recipients, whether they have responded or not, is a purely practical one to minimise resource costs.

#### **4.14.1.4 Contact Phase 4 Second Follow-Up Mailing: Replacement Questionnaire Pack**

Contact four arrives in the form of a replacement questionnaire that is sent to non-respondents two-to-four weeks after the previous postal questionnaire, including all original questionnaire pack items:

*"This letter has a tone of insistence that the previous contacts lack. Its strongest aspect is the first paragraph, in which recipients are told that*

*their completed questionnaire has not yet been received*" (Dillman, 2007: 181).

The purpose of which is to indicate that the recipient has not yet completed the questionnaire, subsequently urging the recipient to respond, reinforcing the importance of a completed response. This is the most personalised phase of those discussed, as it communicates to the respondent that they are receiving individual attention. This letter is administered only after a substantial number of questionnaires have been returned, usually two to three weeks after the postcard reminder was sent.

It is imperative to send a replacement questionnaire here; as the time that has elapsed since the first questionnaire was sent would suggest that the original questionnaire might be difficult for the respondent to find. However, it is paramount that a questionnaire identification system is in place to prevent a respondent, who has returned a questionnaire, receiving another one. This will limit the additional time and number of follow-ups required, reducing costs (Dillman, 2007).

#### **4.14.1.5 Contact Phase 5 Third Follow-Up: Telephone Contact or Special Delivery**

This is to be the final contact, which can be made by telephone (if numbers are available) or special delivery and is administered a short period after the fourth contact phase. This contact phase serves as a final effort to elicit a response from the members of the sample population that have yet to respond. The different mode of contact distinguishes the final contact from the preceding efforts that were completed via postal delivery, "*the effect being sort is to increase the perception of importance as a legitimate request*" (Dillman, 2007: 184).

- *Stamped return envelopes*

The use of stamped return envelopes is shown to improve response rates and increase the speed of questionnaire return (Dillman, 2007). Dillman (2007) argues that the use of reply envelopes with real stamps affixed improve response rates due to the goodwill gesture and the suggested difficulty the recipient will have in throwing away anything

with monetary value. Return envelopes with real first-class stamps also emphasise the importance of the questionnaire, since the researcher is assisting in the return of the questionnaire. Therefore, the questionnaire is less likely to be discarded and in combination with the timely reminders, is more likely to be completed.

However, due to a constrained research budget, the researcher did not have the resources available to employ such an approach. Instead, a freepost service was employed. This system differs to using stamped addressed envelopes, as recommended by Dillman (2007), in that the researcher pays only for those items that are actually returned, rather than all that are distributed.

- *Personalised correspondence*

As Dillman (2007) notes in most cases, personalisation is an integral part of tailored design. There are a number of ways in which correspondence can be personalised, including use of individual names and letterhead rather than a pre-printed salutation such as *Dear Resident* and copied stationary, using real signatures, printing on high quality paper, or simply sending replacement mailings on an individual basis. Dillman (2007) stresses that each letter is an individual appeal to each respondent, comparing the letter to a voice on the telephone. Hence, the letter should be individually signed whenever possible, to give it the look and feel of being from a real person, rather than a carefully programmed computer (Dillman, 2007).

- *Incentives*

The literature on survey incentives clearly shows that material incentives are usually associated with increased response (Kessler *et al.*, 1995). Monetary incentives appear to be most effective in increasing response rates in postal surveys (Churchill and Iacobucci, 2002). According to Dillman (2007), research suggests that token financial incentives enclosed within the questionnaire package significantly boost respondent incentive, more effectively than larger payments. Further, the impact of token financial incentives on response is "*likely to be stronger than any other stimulus except for multiple contacts with respondents*" (Dillman, 2007: 170).

By providing a small token of appreciation in advance for questionnaire completion, the researcher is demonstrating their trust in respondents. Monetary incentives can be pre-paid or promised. The pre-paid incentive is included with the questionnaire. The promised incentive, on the other hand, is sent to only those respondents upon completion of the questionnaire. According to Malhotra and Birks (2006), pre-paid incentives have been shown to increase response rates to a greater extent than promised incentives. However, as Malhotra and Birks (2006) note, response rates can also be increased by offering non-monetary incentives to potential respondents:

*“The most commonly used non-monetary incentives are premiums and rewards, such as pens, pencils, books, and offers of survey results.”*  
(Malhotra and Birks, 2006: 394).

Given the financial and practical constraints of this study, the incentive of a complimentary copy of the study results is offered to respondents. The researcher deemed this to be the most appropriate incentive to be employed as part of the survey implementation strategy for this study.

#### **4.15 STUDY RESPONSE RATE**

##### **4.15.1 Response Rate**

280 replies were subsequently received forming an overall response rate of 26%, which is deemed highly acceptable as stipulated in Section 4.12.1. Of these replies 152 are from in-house management systems, 75 from leisure trust management systems, and 53 from LMC management systems respectively. Whilst the responses from the various management systems vary, when considering the actual number of each system within the total number surveyed the following percentage break down illustrates that a substantial response rate from all three management systems was achieved. Specifically, 28% of in-house, 27% of leisure trust, and 22% of LMC management systems

participated in the study. Moreover, all items within the returned questionnaires recorded a response, thus, the problematic issue of item non-response was not present.

#### **4.16 CONCLUSIONS**

This chapter has documented the research design, the process undertaken in the selection of a postal questionnaire as the survey instrument to be used in this study, the questionnaire development process, and has established prescribed procedures for questionnaire administration. This thesis will now proceed towards a discussion of the empirical methodology to be adopted by the study.

***Chapter 5: Methodology II: Empirical  
Methodology***



## CHAPTER 5: METHODOLOGY II: EMPIRICAL METHODOLOGY

### 5.1 INITIAL CONSIDERATIONS

Upon completing the primary data generation stage, as demanded by the conceptual framework, it was deemed necessary to prepare each questionnaire received for data coding and storage:

*"The essence of coding is to give a number to each answer to a question. Each answer to a particular question must be given a distinctive code. This code is fed into the computer and the number thereafter represents a particular response to a given question"* (de Vaus, 1997: 233).

Each variable contained in the questionnaire was quantitatively coded by assigning a number to each item response on a master sheet derived from a printed copy of the questionnaire, for example, V1, V2, V3, and so on. Variables to be reverse coded were highlighted and subsequently recoded after all the original data had been inputted.

The resultant data matrix was entered in to SPSS® for Windows™ (Release 15.0) statistical package, Bryman and Cramer (1997) describe this package as probably the most widely used suite of programs for statistical analysis in the social sciences. Hence, this statistical package is adopted for the purpose of data analysis. Upon reverse coding all necessary variables, the data was subsequently examined for any data input errors as recommended by de Vaus (1997). Any potential and real errors were double-checked with the original questionnaire to which it corresponded and subsequently corrected if required. All errors were removed from the SPSS data matrix to form the final data file. This data file was in turn ready for data analysis.

#### 5.1.1 Statistical Techniques, Classifications and Adoption

Once data have been collected, inputted and checked for coding errors they have to be analysed. A crucial task in preparing to begin statistical analysis is in deciding whether the problem at hand is of a univariate, bivariate, or multivariate nature. This decision can be made when considering the number of variables being examined and the subsequent information sought, as the discussion below highlights.

*Univariate* statistics describe a single variable in isolation (Neuman, 2007). Therefore, if there is a single measurement of each of the sample elements, or are several measurements of each of the observations made, but each variable is to be analysed in isolation, univariate statistics are employed (Churchill and Iacobucci, 2002). Univariate data analysis techniques include descriptive statistics such as measures of central tendency (for example, the *mean*, *mode* and *median*) and measures of dispersion (for example, *variance* and *standard deviation*).

*Bivariate* statistics, on the other hand, consider two variables together describing the relationship between the said variables. An attempt is made here to ascertain how two variables are related with each other, that is, whether a change in one affects the other (Singh, 2007). Singh (2007) notes how the concept of associating relationship is key to all measures of bivariate analysis, thus:

*“While defining relationship, researchers can define one variable as a function of another variable. Researchers can then assess whether a change in one variable results in change in the other variable to ascertain the relationship”* (Singh, 2007: 145).

Key examples of bivariate data analysis techniques include correlation analysis, for example, Pearson's *r*.

In contrast, *Multivariate* statistics involve the analysis of three or more measures of each individual observation, simultaneously. Hence, if the research makes use of three or more variables a multivariate technique is required (de Vaus, 1996). Churchill and Iacobucci (2002) dictate a crucial choice of technique here, based on the role of the

individual variables. Multivariate techniques can be classified in to two broad categories, a familiar distinction in research methodology literature is the one between independent and dependent variables, "*the distinction suggests a division of the subject into two parts: dependence and interdependence*" (Churchill and Iacobucci, 2002).

*Dependence analysis* requires the selection of one or more variables to serve as a dependent variable; here the concern is with investigating how this variable(s) depends on other variables. For example, such analysis would be employed when the researcher has specific knowledge about the dependent variable and the independent variable; in this case the relationship between such variables is subsequently assessed. Examples of dependence analysis techniques include multiple regressions, discriminate analysis, logistic regression, and multiple analysis of variance (Singh, 2007).

*Interdependence analysis* does not require the selection of any specific variables, but rather, the emphasis of the analysis is on relationships among the whole set of variables. Such analysis is used when the researcher has no information about the interdependency of the variables and has a large data set. Data reduction is attempted by assessing a commonality among variables, grouping variables / cases according to commonality via factor analysis, cluster analysis and multidimensional scaling (Singh, 2007).

In sum, before analysing the data it is imperative that the researcher be clear about the research question(s) to be answered, as this will dictate the broad type of analysis to be selected. However, de Vaus (1996) notes that in practice research questions are developed and refined in the process of analysis, the researcher consequently moves between univariate, bivariate and multivariate techniques. In taking this into consideration, descriptive statistics will initially be employed to explore and describe the data whilst correlation analysis will be used to uncover potential underlying relationships. This analysis will be expanded upon through the introduction of multivariate analysis techniques and more specifically principal components analysis to extract factors and scales. Multiple linear regression analysis will further examine the potential relationships, identified by the correlation analysis, between dependent and independent variables.

## 5.2 DESCRIPTIVE STATISTICS

As the name suggests, descriptive statistics describe the properties of a group or data source (Singh, 2007). As Singh (2007) accounts, researchers use descriptive statistics to have a first hand feel of data, hence, such analysis is not employed for hypotheses testing, but rather for the initial exploration of study findings. Through the use of descriptive statistics, the researcher may develop an understanding of the concentration of distribution, that is, the extent to which a phenomenon occurs (de Vaus, 1996). This can be achieved by the following measures:

*Measures of Central Tendency* are a key means to summarising a distribution of values for a variable by establishing the typical value in a distribution (Bryman and Cramer, 1997), that is, the average of a distribution of values. However, research methodology literature highlights three measures of average (or central tendency): the arithmetic mean, the median, and the mode. The median is purely the mid-point in a distribution of values, splitting the distribution of values in half, whilst, the mode is simply the value that occurs most frequently in a distribution. The final indicator of central tendency, unlike the previous two measures of central tendency, is a method for measuring the *average* of a distribution. Termed the arithmetic mean, it is the sum of all individual scores given by respondents to a given variable, divided by the number of responses to that given variable. Note that in the case of a highly skewed distribution, the arithmetic mean may become distorted on account of a few items with extreme values (Singh, 2007). In spite of this, Mean, as a measure of central tendency, is a preferred indicator both as a description of the data and as an estimate of parameter (Singh, 2007).

*Measures of dispersion* focus on the amount of variation shown by a distribution of values, thus, dispersion is the degree to which individual data points are distributed around the mean (Howell, 2004). Large deviations from the mean indicate a large variance in the responses provided to a given variable, and hence the greater the dispersion within the data. This will be highlighted by a high standard deviation, which

reflects the degree to which the values in a distribution differ from the arithmetic mean, and is “by far the most commonly used method of summarising dispersion” (Bryman and Cramer, 1997: 84). The standard deviation provides a measure of spread in the data (Churchill and Iacobucci, 2002) and is defined as the positive square root of the variance (Howell, 2004). Thus, it is essentially a measure of the average of the deviations of each score from the mean:

*“In summary, the standard deviation provides a measure of the summarising value of a mean and tells us within what range of the mean a given percentage of cases lie” (de Vaus, 1996: 148).*

The calculation for the standard deviation, hereby denoted by SD, is based on the variance (denoted by  $S^2$ ). Calculating the variance and hence the SD requires the subtraction of each individual response or score from the arithmetic mean score. These values are then squared in order to remove any negative scores and are subsequently summed together. The total number of responses, less one, divides the resultant figure. This resulting figure is the variance, and the square root provides the figure for SD. In short:

$$S^2 = \Sigma(\chi - \xi)^2 / (N-1)$$

$$SD = \sqrt{(\Sigma(\chi - \xi)^2 / (N-1))}$$

Whereby:

- $\chi$  = individual response or score
- $\xi$  = arithmetic mean
- $\Sigma(\chi - \xi)$  = deviation from the mean
- $N$  = total number of responses
- $\sqrt{\quad}$  = square root

Both the standard deviation and the mean will be used to explore and describe the data generated for this study and these can be found in the following chapter.

### 5.3 CORRELATION ANALYSIS

In essence, a correlation coefficient is an index that provides a concise description of the character of the relationship between two variables (de Vaus, 1997). *Pearson's r* (also referred to as *simple correlation*, *bivariate correlation*, *correlation coefficient*, and *product moment correlation*) is a widely used statistical technique to summarise the strength of association between two variables, indicating the degree to which the variation in one variable is related to the variation in another variable (Malhotra and Birks, 2006). Though, it is important to recognise that to establish an association between two variables does not prove that they are causally related (de Vaus, 1997). Rather, correlation and all other methods for investigating relationships between variables uncover and examine relationships and not causality.

Measures of correlation indicate both the strength and the direction of the relationship between a pair of variables (Bryman and Cramer, 1997), more specifically, whether the variables are positively or negatively related. For example, correlation values can be positive (+) or negative (-), indicating a positive or negative relationship. Further, values can range from -1 to +1, whereby +1 indicates a perfectly positive relationship, 0 indicates no relationship, and -1 indicates a perfectly negative relationship (de Vaus, 1997). It must be noted that a correlation coefficient is not expressed in the units of measurement from which it is obtained, as are the mean and standard deviation. Hence a degree of caution must be exercised when interpreting a correlation coefficient (Hardyck and Petrinovich, 1969). In addition, where there is not a perfect Pearson correlation (that is, a correlation of anything other than -1 or +1), it can be assumed there is some other variable influencing the extent to which the two variables under investigation vary.

#### 5.4 FACTOR ANALYSIS

Factor analysis refers to a variety of statistical approaches whose shared objective is to "*represent a set of variables in terms of a smaller number of hypothetical variables*" (Kim and Mueller, 1994: 3). Such analysis therefore represents a set of procedures primarily used for data reduction and summarisation, as illustrated by de Vaus (1997):

*"It is a mathematically complex method of reducing a large set of variables to a smaller set of underlying variables referred to as factors"*  
(de Vaus, 1997: 257).

Factor analysis is an interdependence technique, that is, a multivariate statistical technique that examines an entire set of interdependent relationships (Malhotra and Birks, 2002). The basic aim to investigate whether a smaller number of more general factors underlie answers to individual questions can be identified (de Vaus, 1997).

The approach used to derive the factor score coefficients differentiates the various methods of factor analysis (Malhotra and Birks, 2002). However, one of the most widely used factor analysis is principal components analysis (Bryman and Cramer, 1997). The adoption of principal components analysis is recommended when the primary concern is to determine the minimum number of factors that will account for maximum variance in the data for use in subsequent multivariate analysis (Malhotra and Birks, 2002). Hence, this factor analysis technique was employed by the study at hand.

Factor analysis can be used in two ways, from both an *exploratory* perspective and a *confirmatory* perspective (Bryman and Cramer, 1997). The most common is the former; here the relationships between various variables are examined as a means of exploring the underlying factor structure. The latter, in contrast, compares the solution found against a perfect hypothetical one, that is, specific expectations concerning the number of factors and their loadings are tested on sample data (Bryman and Cramer, 1997; Kim and Mueller, 1994). This study adopts an exploratory perspective, utilising the ability of exploratory factor analysis to reduce data and identify underlying factors that can be used for further multivariate analysis, providing the foundations for hypothesis testing through the creation of summated scales.

#### **5.4.1 Principal Components Analysis**

Both Kim and Mueller (1994) and Churchill and Iacobucci (2002) state that the objective of principal components analysis is to transform a set of unrelated variables into a substantially smaller set of uncorrelated variables, which represents most of the information in the original set of variables. Therefore, this method of factor analysis was selected as a means of determining the dimensionality of constructs included in the conceptual framework due to its ability to derive a subset of variables that accurately depict said constructs from a larger set of original variables. Thus allowing for the creation of new, fundamental scales that mirror the features of the original variables used in the collection of survey data. Furthermore, in reducing the number of variables into a smaller subset of variables, succeeding multivariate analysis is simplified.

In principal components analysis, the derived factors are determined to maximise the variation of the principal components. These are ordered with respect to their variation, that is, the first few derived factors account for most of the variation present in the original variables (Kim and Mueller, 1994), which follows that the last few factors account for the least variance. However, as Bryman and Cramer (1997) denote the objective of such factor analysis is to reduce the number of variables present, this would not be achieved if all identified factors were used. Thus, a decision must be made with regard to the number of factors to be retained.

The criterion used for deciding which factors to exclude is *Kaiser's criterion* (Bryman and Cramer, 1997). Through the adoption of this technique, only those factors that have an *eigenvalue* greater than one are selected; the other factors are subsequently excluded from the final solution. An eigenvalue represents the amount of variance associated with the factor (Churchill and Iacobucci, 2002). Due to standardisation, each variable has a variance of one; hence, factors with variance less than one are considered inferior to a single variable and are subsequently excluded (Bryman and Cramer, 1997).

Additionally, factor retention can be further informed through the interpretation of the factor solutions produced by principal components analysis. As acknowledged, the first factors extracted are those that account for the maximum amount of variance. However,



what they represent may not be easily interpreted, "*since items will not correlate as highly with them as they might*" (Bryman and Cramer, 1997: 284). Therefore, it can be concluded that the initial extraction of factors does not make it clear which variables "belong" most clearly to which factors (de Vaus, 1996). For example, in an *unrotated* factor matrix, many variables will load on to several factors contributing to factor ambiguity.

To increase the substantive interpretation of factor analysis, factors need to be identified and isolated (Churchill and Iacobucci, 2002). This can be achieved if factors are *rotated* to maximise the loadings of some of the factors, these items can then be used to identify the meaning of the factor (Bryman and Cramer, 1997):

*"Although the unrotated factor matrix indicates the relationship between the factors and individual variables, it seldom results in factors that can be interpreted, because the factors are correlated with many variables...In rotating the factors, we would like each factor to have non-zero, or significant, loadings for only some of the variables"* (Malhotra and Birks, 2002: 581-582).

Whilst rotation does not affect the communalities or percentage of the total variance explained, it does change the percentage of variance accounted for by each factor (Malhotra and Birks, 2002). The variance explained by the individual factors is redistributed by rotation; hence, "*different methods of rotation may result in the identification of different factors*" (Malhotra and Birks, 2002: 582).

Two common methods used to rotate factors have been identified in the extant research methodology literature, these are: *orthogonal rotation* and *oblique rotation*. According to Churchill and Iacobucci (2002), orthogonal rotations are also called rigid or angle-preserving rotations, because they preserve the right angles that exist among the factor axes. Oblique rotations, on the other hand do not, which means that the factors themselves can be correlated (Churchill and Iacobucci, 2002). The advantage of

orthogonal rotation, as highlighted by Bryman and Cramer (1997), is that the information the factors provide is not redundant, since this method produces factors that are unrelated to or independent of one another. The most commonly used method for orthogonal rotation is the *varimax* procedure. This procedure minimises the number of variables with high loadings on a factor, subsequently enhancing the interpretability of the factors (Malhotra and Birks, 2002). This is achieved because:

*“Factors are interpreted in terms of items unique to them. Consequently, their meaning should be less ambiguous”* (Bryman and Cramer, 1997: 286).

Furthermore, varimax rotation is considered to be most preferable where it is the researcher’s intention to utilise the factor results in subsequent statistical analysis (Bryman and Cramer, 1997), for example, for the purposes of hypothesis testing. A significant disadvantage of orthogonal rotation, however, is that to achieve unrelated factors the factors may have been forced. Thus, an orthogonal solution may be considered artificial and not an accurate reflection of that which occurs in the “real world” where those same factors may in-fact be related (Bryman and Cramer, 1997).

Alternatively, allowing for correlations among factors can simplify the interpretation of factor solutions, which forms the premise for adopting an oblique rotation. This method is more general than an orthogonal rotation because it does not impose the restriction that factors be uncorrelated. However, Bryman and Cramer (1997) denote the difficulties that can be encountered when using this approach to estimate the amount of variance accounted for by oblique factors, since the variance is shared between the correlated factors. Thus, if two factors were correlated for example, part of the variance of the first factor would also be part of the second. In spite of this, Kim and Mueller (1994) state that the primary advantage of this method over an orthogonal method is that if the resulting factors are orthogonal, the researcher can strongly assume that the orthogonality is not an artefact of the method of rotation.

In considering the above discussion, a decision needs to be made regarding the minimum factor loading value to be deemed necessary for factor inclusion. The factor loading value is the correlation between the variable and the factor that results from performing a principal components analysis on the data (Churchill and Iacobucci, 2002). The squared loading is the amount of the variable's total variance accounted for by the factor (Hair *et al.*, 2006), thus, the larger the size of the factor loading, the more significant the loading is in terms of interpreting the analysis (Hair *et al.*, 2006). In using practical significance as the criteria for factor selection, factor loadings in the range of  $\pm 0.3$  to  $\pm 0.4$  are considered to meet the minimum level of acceptance for interpretation; factor loadings of  $+0.50$  (or greater) are considered practically significant; whilst loadings that exceed  $+0.70$  are considered indicative of well-defined structure and are the goal of any factor analysis (Hair *et al.*, 2006). Hair *et al.* (2006) state that the above guidelines are applicable when the sample size is 100 or larger, hence the adoption of  $\pm 0.5$  as the threshold level for acceptance of factor loadings in this study.

#### **5.4.2 Construction of Scale Indices**

Factor analysis can be used as a basis for the creation of a summated scale, which is achieved by combining several variables that measure the same concept into a single composite measure (Hair *et al.*, 2006). Essentially, all variables which load substantially onto a factor are combined, with the average score of those variables used to create a replacement variable. According to Hair *et al.* (2006), a summated scale provides two specific benefits: 1) measurement error is minimised through the inclusion of multiple variables reducing the reliance on a single measure; 2) the ability to represent the multiple facets of a concept in a single measure by combining multiple indicators, embodying that which is held common across the set of measures.

On the basis of the benefits outlined above, factor analysis was used in the creation of summated scales. This was deemed necessary to capture the dimensionality of underlying constructs into a single summary measure, on the premise that such scales would then be used in subsequent multivariate statistical analysis.

### 5.4.3 Scale Reliability and Validity

The reliability of a measure refers to its consistency (Bryman and Cramer, 1997). In combining variables to form a summated scale it is essential that an assessment of the degree of consistency between the multiple measurements of a variable is undertaken to establish the reliability of the scales to be used. As Cronbach (1951) states: “*any research based on measurement must be concerned with the reliability of measurement*” (Cronbach, 1951: 297). The rationale for internal consistency is that the individual items of the scale should all measure the same underlying construct and thus should be highly inter-correlated (Hair *et al.*, 2006).

The simplest measure of internal consistency is *split-half reliability* (Malhotra and Birks, 2006). In this instance, the items that form the scale are divided into two groups (either randomly or on an odd-even basis) and the relationship between the two groups is computed (Bryman and Cramer, 1997); high correlations between the two groups indicate high internal consistency. However, a major problem is that results will vary depending on how the scale items are divided. This can be overcome by assessing the consistency of the entire scale, with *Cronbach's alpha* (or coefficient alpha).

Cronbach's alpha is a widely used means to gauge the reliability of summated scales (Bryman and Cramer, 1997), calculating the average of all possible split-half coefficients resulting from different ways of splitting the scale items (Cronbach, 1951). This measure varies from 0 to 1, the closer to 1 the more internally reliable is the scale. Though, there are various interpretations of what should be considered a minimum threshold value of internal consistency acceptability. For example, Hair *et al.* (2006) argue that the generally agreed upon lower limit for Cronbach's alpha is .70. Yet, Bryman and Cramer (1997) state that a Cronbach alpha of .80 or above is preferably. Furthermore, extant marketing literature presents instances where .60 is an accepted minimum threshold for satisfactory reliability (Malhotra and Birks, 2006). However, one issue in assessing Cronbach's alpha must be borne in mind and that is its positive relationship to the

number of items in a scale. Specifically, increasing the number of items, even with the same degree of inter-correlation, will increase the reliability value (Hair *et al.*, 2006).

Due to the widely recognised use of the Cronbach alpha, it is employed within the analysis to gauge the degree of internal consistency within the summated scales formed. Further, this study adopts a minimal threshold level of .50 as prescribed by Nunnally (1967) for acceptable reliability.

Furthermore, scale validity is essential to the continuation of data analysis, since the researcher must ensure that the data matrix has sufficient correlations to justify the application of factor analysis, denoting that structure exists to group variables. A means of justifying the application of factor analysis is the Bartlett test of sphericity. This test provides the statistical significance that the correlation matrix has significant correlations among at least some of the variables (Hair *et al.*, 2006) indicating that structure exists, thus factor analysis is justified. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is a second means to quantify the degree of intercorrelations amongst variables to establish the appropriateness of factor analysis. The KMO is an index that ranges from 0 to 1, reaching 1 when each variable is perfectly predicted without error by the other variables. The KMO index can be interpreted with the following guidelines prescribed by Hair *et al.* (2006): .80 or above, meritorious; .70 or above, very adequate; .60 or above, acceptable; .50 or above, poor; and below .50 is considered unacceptable. Thus, an overall value of .50 is the minimal threshold required to justify the application of factor analysis.

## **5.5 CORRELATION ANALYSIS FOR HYPOTHESES TESTING**

Having conducted the principal components analysis and created reliable summated scales of the constructs under examination, each newly constructed summated scale was subject to correlation analysis, prior to hypothesis testing through multivariate analysis. Whilst correlation analysis alone is an adequate means of hypothesis testing, this study

adopts such analysis in conjunction with multiple linear regression analysis to arrive at more robust conclusions than would be achieved via a single means of analysis.

Correlation analysis was employed to examine bivariate relationships between variables; specifically the relationships between each constructed summated scale. The purpose of this analysis was to provide an early indication of the kind of association amongst each constructed scale. For example, as discussed earlier measures of correlation indicate both the strength and the direction of the relationship between a pair of variables (Bryman and Cramer, 1997), further indicating whether the relationship is positive or negative. Hence, this analysis was used as an initial means of examining the accuracy of the research hypotheses.

Moreover, the concept of association represented by Pearson's  $r$  is fundamental to regression analysis, as it describes the relationship between two variables (Hair *et al.*, 2006). Thus, highlighting the importance of undertaking correlation analysis prior to multiple linear regression analysis:

*"In regression analysis, the correlations between the independent variables and the dependent variable provide the basis for forming the regression variate by estimating regression coefficients for each independent variable that maximise the prediction of the dependent variable" (Hair et al., 2006: 231).*

Multiple linear regression analysis is required to robustly test the research hypotheses on the basis that correlation analysis only examines bivariate relationships. In contrast, a multivariate statistical approach such as multiple linear regression analysis allows the impact of a number of independent variables to be examined against a dependent variable, such as business performance. However, prior to undertaking multiple linear regression analysis for hypothesis testing, multivariate analysis of variance is utilised for making multiple comparisons between groups.

## 5.6 MULTIVARIATE ANALYSIS OF VARIANCE

Analysis of variance is a means of examining the differences in the mean values of the dependent variable associated with the effect of the controlled independent variables, after taking into account the influence of the uncontrolled independent variables (Malhotra and Birks, 2006). Essentially, an analysis of variance is a statistical technique for examining the means for two or more populations using a single dependent variable, thus, analysis of variance is a univariate procedure because group differences are assessed on a single dependent variable.

Multivariate analysis of variance is an extension of analysis of variance to accommodate more than one dependent variable. The objective is the same, since multivariate analysis of variance also examines differences between groups. However, it is a dependence technique that assesses group differences across multiple dependent variables simultaneously (Hair *et al.*, 2006), whilst analysis of variance examines group differences on a single dependent variable (Malhotra and Birks, 2006). Both analysis of variance and multivariate analysis of variance are useful when used in conjunction with experimental designs in which one or more independent variables are manipulated to determine the effect on the dependent variable(s). However, multivariate analysis of variance can be employed in non-experimental designs where groups of interest are defined and then the differences on a range of variables are assessed for statistical significance (Hair *et al.*, 2006).

In multivariate analysis of variance, the null hypothesis is that the vector of the means of multiple dependent variables is equal across groups (Malhotra and Birks, 2006).

However, although multivariate analysis of variance enables for the rejection of the null hypothesis that the groups' means are all equal, it does not identify where the significant differences lie among more than two groups (Hair *et al.*, 2006). In order to systematically examine group differences across specific pairs for one or more dependent measures, two types of test are available: *post hoc* and *a priori*. Hair *et al.* (2006) note that the principal distinction between the two types of tests is that the *post hoc* approach

tests all possible combinations enabling a simple means of group comparisons. Whilst a priori tests examine only specified comparisons, which the researcher is required to explicitly define.

Post hoc methods are widely used because of the ease in which multiple comparisons are made (Hair *et al.*, 2006). Since the concern here is to establish differences among groups (that is, the different management systems available to local authorities in the management of public fitness suites), a post hoc method is adopted. The Scheffé test is the chosen post hoc procedure, which is utilised for both identifying comparisons among groups that have significant differences and for hypothesis testing in conjunction with additional multivariate analysis, namely multiple linear regression analysis. This decision was deemed appropriate on the basis that analysis of variance can inform researchers of significant differences between the means of several groups, allowing conclusions to be drawn as to whether a set of groups differ significantly. However, analysis of variance does not inform the researcher as to which groups differ and why. It is therefore necessary to employ further analysis via the Scheffé test to identify which groups have statistically significant mean differences, and identify significant differences between groups for each dimension examined (Hughes and Morgan, 2007). Furthermore, the Scheffé procedure has one advantage over other multiple comparison procedures; it is an exact method for both equal and unequal sample sizes, which is applicable to the study at hand as the comparable groups are not equal in sample size (Huitema, 1980). In addition, the Scheffé test can be used to test any possible contrast, that is, the Scheffé procedure is appropriate regardless of the number of complex comparisons (Huitema, 1980). To conclude, the Scheffé test provides an abundance of information beyond that provided by analysis of variance, hence its adoption for data analysis.

## 5.7 MULTIPLE REGRESSION ANALYSIS

As established, multiple linear regression analysis is a dependence technique that can be used to analyse the relationship between a single dependent variable and several independent variables (Hair *et al.*, 2006). Bryman and Cramer (1997) consider it the



most widely used method for conducting multivariate analysis, particularly when more than three variables are involved. The authors further state that the strength of multiple regression lies primarily in its ability to establish the relative importance of independent variables to a specified dependent variable. Hence, the objective of multiple regression analysis is to use the independent variables whose values are known to predict the selected single dependent variable, such as business performance (Hair *et al.*, 2006). Furthermore, multiple regression provides an objective assessment of the relationship between dependent and independent variables by:

*“...forming the variate of independent variables and then examining the magnitude, sign, and statistical significance of the regression coefficient for each independent variable”* (Hair *et al.*, 2006: 190).

Therefore, in addition to the collective ability of independent variables to predict the dependent variable, they may also be considered for their individual contribution to the regression variate and its predictions (Hair *et al.*, 2006). Specifically, they denote the relative contribution of each independent variable to the overall prediction, subsequently increasing the interpretation of the impact each independent variable has on the dependent variable. This forms the basis of the regression equation, which best predicts changes in the dependent variable. The estimated multiple linear regression equation is expressed in general by:

$$y = a + b_1x_1 + b_2x_2 + b_3x_3 \dots b_nx_n + e$$

Where:

- $y$  = estimated value of the dependent variable
- $a$  = value of the constant or intercept derived from the multiple regression analysis
- $b$  = estimated regression coefficients associated with the independent variables
- $x$  = the independent variables that affect the dependent variable
- $e$  = error term

The regression coefficient, represented by the term  $b$ , signifies the estimated amount of change in the dependent variable for a one-unit change in the independent variable (Hair

*et al.*, 2006). If the regression coefficient is statistically significant, that is if  $b$  is significantly different from zero, the value indicates the extent to which the independent variable is associated with the dependent variable (Hair *et al.*, 2006). However, a weakness of the regression coefficient is that it does not take in to account the variation in measurement between independent variables. Thus, a comparable analysis of the effect of several independent variables on to a dependent variable cannot be undertaken. In order to overcome this, a standardised regression coefficient is required.

Therefore, in order to compare the effect independent variables have on a dependent variable, it is necessary to standardise the units of measurement involved since such variables are derived from different units of measurement and thus cannot be directly compared. However, this can be achieved by “*multiplying each regression coefficient by the product of dividing the standard deviation of the dependent variable*” (Bryman and Cramer, 1997: 257). The result is referred to as a *standardised regression coefficient* or *beta weight*. This beta weight enables the comparable analysis of independent variables in relation to their effect on a dependent variable, as Bryman and Cramer (1997) elaborate:

*“Standardised regression coefficients in a regression equation employ the same standard of measurement and therefore can be compared to determine which of two or more independent variables is the more important in relation to the dependent variable”* (Bryman and Cramer, 1997: 257).

To sum, the standardised regression coefficient reflects the change in the dependent measure for each unit change in the independent variable. Thus, comparison between standardised regression coefficients allows for an assessment of each independent variable’s importance in the regression model (Hair *et al.*, 2006).

The level of significance of the association identified through the standardised regression coefficient, is important to the interpretation of the regression estimates. The level of

significance can be highlighted via the *t-test*, which assesses the statistical significance of the difference between two independent sample means for a single dependent variable (Hair *et al.*, 2006). The calculation for a *t-test* requires knowing sample means, sample standard deviations, sample sizes, and the level of significance to be employed (Verma and Goodale, 1995). Therefore, a decision must be made with regard to the significance level to be adopted for hypotheses testing.

Typically, a significance level of .05 is adopted by the social and behavioural sciences for the rejection of the null hypothesis (Verma and Goodale, 1995). However, there are examples where a significance level of .1 is adopted as the upper limit for significance, forming the subsequent basis for the rejection of the null hypothesis. Cohen (1988) for example, suggests a .01 to .1 significance level for the rejection of the null hypothesis. Due to the relatively small study sample, Cohen's (1988) range of significance is adopted here and is split between three levels of significance at the: .01, .05, and .1 levels.

An important aspect of exploring relationships between a set of independent variables and a given dependent variable through multiple regression analysis is the model-fit. The explanatory power of the regression model must be examined for goodness-of-fit, that is, whether the regression model can represent the population rather than just the study sample. A key means of assessing goodness-of-fit is via the coefficient of determination  $R^2$ . This is a measure of the proportion of the variance of the dependent variable about its mean that is explained by the independent variables. The coefficient can vary between 0 to 1, thus, if the regression model is applied and estimated correctly, it can be assumed that the higher the value of  $R^2$ , "*the greater the explanatory power of the regression equation, and therefore the better the prediction of the dependent variable*" (Hair *et al.*, 2006: 170). However, the coefficient of determination  $R^2$  has a primary weakness, as further identified by Hair *et al.* (2006):

*"The addition of a variable will always increase the  $R^2$  value. This increase then creates concern with generalisability because  $R^2$  will*

*increase even if non-significant predictor variables are added” (Hair et al., 2008: 215).*

To overcome this, Hair *et al.* (2006) suggest an improved measure of goodness-of-fit provided by a modified form of the coefficient of determination, referred to as the adjusted coefficient of determination (Adjusted  $R^2$ ). Interpreted in the same way as the coefficient of determination  $R^2$ , the Adjusted  $R^2$  decreases with fewer observations per independent variable. This proves particularly valuable when comparing across different regression equations that involve different numbers of independent variables as it makes allowances for the degrees of freedom of each model. That is, the parameters which define the population from which the data is drawn (Hair *et al.*, 2006).

Whereas the significance level of a regression coefficient can be measured through the use of a *t*-test, as has been established, the explanatory power of a regression model can also be tested for statistical significance by using an *F* test. The *F* statistic is a product of comparing two independent estimates of the variance for the dependent variable. The first estimate refers to the general variability of respondents within the groups and the second represents the differences between groups attributable to the independent variables (Hair *et al.*, 2006). The *F* test estimates the between-groups variance compared with an estimate of the within-groups variance, achieved by dividing the former with the latter. Producing the total amount of variance in the dependent variable, which comprises of two elements: that which is due to the independent variable and that which is due to other factors (Bryman and Cramer, 1997). Thus, the *F* test is the ratio of explained to unexplained variance in the regression equation.

Increased differences between groups inevitably result in a greater *F* statistic, which suggests that such differences are attributable to the effect of the independent variables. However, the rejection of the null hypothesis of no difference in means across groups is further dependent on the *F* statistic being greater than the critical value of *F*. This is necessary to conclude that the means across all groups are not equal and for the regression equation to be accepted as statistically significant (Hair *et al.*, 2006). When

several independent variables are employed, *F* statistics are calculated for each allowing for the separate assessment of the independent variables.

### **5.7.1 Use and Applicability of Multiple Linear Regression Analysis for Model Evaluation**

As illustrated earlier in the chapter, multiple [linear] regression analysis draws on the independent variables whose values are known to predict the selected single dependent variable, such as business performance or customer performance (Hair *et al.*, 2006). Multiple linear regression analysis is used in this study to investigate for the existence of statistically significant relationships between the independent variables (which demonstrated by the conceptual framework includes, *strategic capital, market orientation, human capital, and control variables*) and the dependent variable (*performance*). Multiple regression analysis is further employed to examine whether those significant independent variables contribute to the explanation and prediction of the dependent variable. Proving the significance of the regression model and its subsequent ability to act as a predictor of the dependent variable.

However, in interpreting the significance of the regression model through the level of correlation amongst independent variables, the researcher must be aware of the problem of multicollinearity. Hence, Hair *et al.* (2006) identify a key issue in interpreting the regression variate is the correlation among the independent variables; a problem of data and not of model specification. Multicollinearity is considered a problem because it means the regression coefficients may be unstable. That is, it implies they are likely to be subject to considerable variability from sample to sample (Bryman and Cramer, 1997). According to Hair *et al.* (2006), the effects of multicollinearity can be categorised in terms of estimation or explanation, stating that in either instance:

*“Multicollinearity creates ‘shared’ variance between variables, thus decreasing the ability to predict the dependent measure as well as*

*ascertain the relative roles of each independent variable” (Hair et al., 2006: 228).*

The following addresses the impact of multicollinearity in the context of *estimation* and *explanation*.

As well as having a negative implication on the predictive ability of the regression model, multicollinearity can also have a substantive effect on the *estimation* of the regression coefficients and their statistical significance. Firstly, in the extreme case of multicollinearity – termed singularity, when two or more variables are perfectly correlated – the estimation of any coefficients becomes impossible (Hair et al., 2006). Such a situation can occur when including a summated scale along with the individual variables that created it, for example. Thus, a multicollinear condition reduces the efficiency of the estimates of the regression model on the basis that the amount of information about the effect of each independent variable on the dependent variable declines as the correlation among the independent variables increases (Churchill and Iacobucci, 2002). Secondly, as multicollinearity increases it becomes increasingly difficult to establish the statistical significance of the estimated regression coefficient due to increases in the standard error, as highlighted by (Hair et al., 2006):

*“As the standard error is increased, it makes the confidence intervals around the estimated coefficients larger, thus making it harder to demonstrate that the coefficient is significantly different from zero” (Hair et al., 2006: 227).*

The effects on *explanation* primarily concern the ability to interpret and understand the effects of each independent variable on the regression variate. The regression coefficients represent the amount of unique variance explained by each independent variable. Thus, as multicollinearity increases, the capacity to identify the effect of independent variables reduces considerably:

*“As multicollinearity results in larger portions of shared variance and lower levels of unique variance, the effects of the individual independent variables become less distinguishable” (Hair et al., 2006: 229).*

A number of steps can be taken to identify multicollinearity; the simplest is an examination of the correlation matrix. The presence of high correlations amongst the independent variables is an initial indication of high collinearity (commonly .90 and higher). However, as Hair *et al.* (2006) denote, an assessment of multicollinearity requires a measure that expresses the degree to which each independent variable is explained by the set of other independent variables. Two such measures are tolerance and the variance inflation factor; these are now discussed in turn.

*Tolerance* is a direct measure of multicollinearity, defined as the amount of variability of the selected independent variable not explained by the other independent variables. This measure essentially transforms the independent variable under examination into a dependent variable predicted by all other independent variables; the tolerance is then calculated at  $1 - R^2$ . Hair *et al.* (2006) recommend that the tolerance value be high, suggesting a small degree of multicollinearity. The *variance inflation factor* is calculated as the inverse of the tolerance value; hence instances of higher degrees of multicollinearity are reflected in lower tolerance values and higher variance inflation factor values. The square root of the variance inflation factor is the degree to which the standard error has been increased due to multicollinearity (Hair *et al.*, 2006). It is suggested that independent variables that exhibit low tolerance values of below 0.2, thus leading to a variance inflation factor value of 5 or more (variance inflation factor =  $1 / \text{tolerance}$ ), will indicate the existence of multicollinearity problems.

The two measures above indicate the degree to which each independent variable is explained by other independent variables. Subsequently, these are to be considered in appraising the degree and effect of multicollinearity in the study at hand. Furthermore, steps have been taken to reduce the potential of multicollinearity through the

transformation of independent variables in to new summated scales via principal components analysis as suggested by Malhotra and Birks (2006).

## **5.8 CONCLUDING COMMENTS**

This chapter has provided a detailed methodology for the development of this study through primary data analysis. The discussion has focused on the initial exploration of data through the adoption of descriptive statistical analysis, more specifically, correlation analysis and a means to achieve a fundamental understanding of the concentration of distribution. Further, multivariate analysis is identified as an essential means of hypothesis testing, employed in conjunction with correlation analysis to provide robust research findings. More precisely, this study utilises the ability of exploratory factor analysis to reduce data and identify underlying factors that can be used in the creation of summated scales. The newly constructed scales subsequently form the basis for multivariate analysis of variance and multiple linear regression analysis.

This thesis will now proceed towards employing the discussed methodology in the presentation and discussion of the empirical findings of this study. Beginning with a presentation of the descriptive statistics involved before an examination of scale construction is undertaken. This will be followed by hypothesis testing through correlation and multiple linear regression analysis.



# *Chapter 6: Empirical Results I, Scale Construction and Construct Dimensionality*

## CHAPTER 6: SCALE CONSTRUCTION AND CONSTRUCT DIMENSIONALITY

### 6.1 INTRODUCTION

The previous chapter presented a detailed methodology for undertaking primary data analysis. This chapter subsequently follows on from the specified methodology by firstly introducing the multivariate analysis methods utilised to analyse the data, which includes

investigating the nature of relationships within each construct and presenting the process by which summated scales are created to represent the underlying themes of the constructs investigated. Secondly, the reliability and validity of the newly-constructed summated scales is examined to establish their appropriateness for further analysis. Thirdly, this chapter introduces the main descriptive findings from the primary data generated allowing for an early exploration of the study findings and an initial step towards hypothesis testing.

More specifically, factor analysis is utilised as a means of examining the underlying relationships between those measures that were included within the research questionnaire, and in determining whether the variables used can be reduced into a smaller group of factors for further multivariate analysis. Principal components analysis is the chosen factor analysis technique to define the underlying relationships between study variables and in reducing the data set. Furthermore, the newly-constructed summated scales are exposed to a correlation analysis allowing for an early exploration of the study hypotheses. In sum, the objective of this chapter is to examine relationships between constructs for the purpose of hypothesis testing.

## **6.2 PRICIPAL COMPONENTS ANALYSIS**

### **6.2.1 A Summary of Method and Findings**

As established in the previous chapter, the objective of principal components analysis is to transform a set of unrelated variables into a substantially smaller set of uncorrelated variables, which represent most of the information in the original set of variables. This method of factor analysis was adopted to determine the dimensionality of the constructs included in the conceptual framework, subsequently serving as a basis for the creation of summated scales. Principal components analysis, then, was adopted to identify and isolate factors to increase the substantive interpretation of the factor analysis.

The strength of principal components analysis to identify and isolate factors can be further improved if factors are *rotated* to maximise factor loadings. Two common methods used to rotate factors have been identified, these are: orthogonal rotation and oblique rotation. However, the advantage of orthogonal rotation, as highlighted by Bryman and Cramer (1997) earlier in the thesis, is that the information the factors provide is not redundant, since this method produces factors that are unrelated to or independent of one another. The most commonly used method for orthogonal rotation is the *varimax* procedure. This procedure minimises the number of variables with high loadings on a factor, subsequently enhancing the interpretability of the factors. In addition, varimax rotation is considered to be most preferable where it is the researcher's intention to utilise the factor results in subsequent statistical analysis (Bryman and Cramer, 1997) as is the case in this study; hence its inclusion in the analysis (Malhotra and Birks, 2002). However, as some factors derived may account for very little variance, a decision had to be made as to how many factors to extract. The key criterion used for deciding which factors to exclude is Kaiser's criterion (Bryman and Cramer, 1997). Through the adoption of this technique, only those factors that have an *eigenvalue* greater than one are selected; the other factors are subsequently excluded from the final solution.

A summary of results from the principal components analysis is presented in Table 3. The results indicate that the four original constructs contained in the conceptual model (strategic capital, market orientation, human capital and performance outcomes) can be expanded upon to include twelve factors, which were derived from the four constructs and the associated variables examining them. In aggregate, twelve factors were extracted from thirty-nine variables.

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**Table 3: Factors and Variables Attributable to Each Construct**

Construct	Number of Factors	Number of Variables
<i>Strategic Capital</i>	4	13
<i>Market Orientation</i>	3	10
<i>Human Capital</i>	3	8

<i>Performance Outcomes</i>	2	8
<b>Total</b>	<b>12</b>	<b>39</b>

## 6.2.2 Principal Components Analysis of Strategic Capital

Principal components analysis of the thirteen measures that gauge strategic capital reveals a four-factor solution, which is presented in Table 4. This four factor solution of the thirteen strategic capital measures explains 73.877% of variance and the four factors have been given the descriptors of Strategy Commitment, Implementation Support, Implementation Effectiveness, and Organisational Learning, respectively. An examination of the factors that compose each construct is now presented.

### 6.2.2.1 Strategy Commitment

Of the thirteen variables that measure strategic capital, three are identified from the principal components analysis as forming the first factor. This factor exhibits an eigenvalue of 2.013 and explains 15.484% of the variance. The variable loadings are all relatively high ranging from a minimum of 0.630 to a high of 0.838. The following three variables form the first factor: *I don't think the overall product-market strategy is in the best interests of the fitness suite (R)*; *I believe the overall product-market strategy is a great idea*; and, *I can't say that I support the overall product-market strategy (R)*.

**Table 4: Principal Components Analysis of Strategic Capital Measures**

	Factor Loading ††			
	COMMIT	RES	IMP	LEARN
	Strategy Commitment	Implementation Support	Implementation Effectiveness	Organisational Learning
<b>Strategic Capital †</b>				
I don't think the overall product-market strategy is in the best interests of the fitness suite (R)	.630			
I believe the overall product-market strategy is a great idea	.770			
I can't say that I support the overall product-market strategy (R)	.838			
The right resources are allocated to implementation efforts for the overall product market-strategy		.817		
The resource structure is now well aligned with the overall product-market strategy		.760		
I personally think the implementation of the overall product-market strategy is considered a success in the fitness suite			.743	
The fitness suite's implementation effort on the overall product-market strategy is disappointing (R)			.796	
The implementation of the overall product-market strategy is generally considered a great success in the fitness suite			.801	
Meetings are frequently conducted to identify what can be learned and subsequently improved upon activities and events				.612
We always audit unsuccessful product-market strategy endeavours and communicate the lessons learned				.796
Lessons learned from past product-market decisions are thoroughly shared and discussed with others in the fitness suite				.850
We have specific mechanisms for sharing lessons learned in the overall product-market strategy process				.857
Fitness suite conversation keeps alive the lessons learned from overall product-market strategy history				.758
<i>Eigenvalues</i>	2.013	1.983	2.363	3.245
<i>% of variance explained (73.877)</i>	15.484	15.251	18.177	24.965

† Principal components analysis with varimax orthogonal rotation and Kaiser normalisation.

†† Factor loadings below 0.5 are suppressed. (R) Item reverse-coded for analysis purposes.

These variables display conceptual similarities with the concept of strategy commitment, which is defined as the extent to which a manager comprehends and supports the goals and objectives of the product-market strategy. Wooldridge and Floyd (1990) contend that in developing commitment to a product-market strategy, support for the strategy increases which has been associated with superior performance.

It is argued here that all three variables, which compose this factor, indicate the degree to which the fitness suite manager is committed to the overall product-market strategy. Thus, it is contended that these variables do capture aspects of strategy commitment; hence, strategy commitment is an acceptable and appropriate descriptor for this factor as well as its shorthand descriptor of COMMIT.

#### **6.2.2.2 Implementation Support**

Two variables from the overall thirteen used to measure strategic capital compose the second factor. These two variables are: *the right resources are allocated to implementation efforts for the overall product-market strategy*; and, *the resource structure is now well aligned with the overall product-market strategy*. The two variable loadings exhibit high factor scores of 0.817 and 0.760 and account for 15.251% of variance explained. Furthermore, the eigenvalue of the factor is recorded at 1.983.

The variables included in this factor refer to the resource structure of the firm being aligned to product-market strategy and whether the allocation of necessary resources for implementation is occurring (Hughes and Morgan, 2007). Due to the unequal distribution of resources amongst competing organisations, those with insufficient implementation support may constrain the ability of the organisation to both implement the strategy successfully and compete in the chosen market (Menon *et al.*, 1999). It is therefore concluded that these variables reflect key aspects of strategy implementation support, forming the factor termed implementation support, whilst its shorthand descriptor is expressed as RES.

#### **6.2.2.3 Implementation Effectiveness**

All of the variables in the third factor exhibit high factor loadings that range from 0.743 to 0.801. In addition, an eigenvalue of 2.363 is recorded whilst the factor explains 18.177% of variance. The three variables included in this factor are as follows: *I personally think the implementation of the overall product-market strategy is considered a success in my fitness suite; the fitness suite's implementation effort on the overall product-market strategy is disappointing; and, the implementation of the overall product-market strategy is generally considered a great success in the fitness suite.*

The ability to implement effectively is distinct between organisations, as it cannot be easily transferred and may provide means to a competitive advantage (Hughes and Morgan, 2007). Effective implementation, then, is a key component for achieving strategy effectiveness through the realisation of product-market goals and thus implementation effectiveness is associated with greater business performance (Noble and Mokwa, 1999). It is contended here that the three variables, which compose this third factor, reflect aspects of strategy implementation effectiveness within the product-market strategy process; therefore, it is concluded that an acceptable and appropriate descriptor for this factor is implementation effectiveness whilst its shorthand form is expressed as IMP.

#### **6.2.2.4 Organisational Learning**

The fourth factor derived through principal components analysis of the strategic capital measures is a five variable factor exhibiting an eigenvalue of 3.245 and which explains 24.965% of variance. The variables that form this factor are: *meetings are frequently conducted to identify what can be learned and subsequently improved upon activities and events; we always audit unsuccessful product-market strategy endeavours and communicate the lessons learned; lessons learned from past product-market decisions are thoroughly shared and discussed with others in the fitness suite; and, we have specific mechanisms for sharing lessons learned in the overall product-market strategy process.* It is argued that this factor is successfully examines the organisational construct as depicted by Hult *et al.* (2002) and Slater and Narver (1995).

Organisational learning can be classified as a function of two related but different concepts, including the process of organisational learning, and the structure of the learning organisation (Hult *et al.*, 2002). That is, at its most basic level, organisational learning is the development of new knowledge or insights that have the potential to direct behaviour (Slater and Narver, 1995). However, organisational learning is distinguished from the learning organisation; for example, an organisation may be adept at knowledge acquisition but unable to apply that knowledge operationally, thus, learning organisations learn and then behave accordingly (Hult *et al.*, 2002). The variables included in this factor clearly only examine whether there is a development of new knowledge or insights, which have the potential to direct behaviour but are not necessarily currently used as a means to do so. Thus, it is suggested that the most appropriate and acceptable descriptor for this five variable factor is organisational learning and its shorthand form is described as LEARN.

### **6.2.3 Principal Components Analysis of Market Orientation**

The results of the principal components analysis of the ten measures employed to gauge market orientation are illustrated in Table 5 and reveal a three factor solution. This three factor solution of the ten market orientation measures explains 60.301% of total variance and the three factors have been given the descriptors of Intelligence Generation, Intelligence Dissemination, and Intelligence Responsiveness, respectively. Each is now discussed in turn.

#### **6.2.3.1 Intelligence Generation**

The first factor derived from the principal components analysis explains 22.077% of variance, exhibiting an eigenvalue of 2.208. This factor is comprised of three variables with all three displaying significant loadings on this first factor, which range from 0.725 to 0.890.



**Table 5: Principal Components Analysis of Market Orientation Measures**

	Factor Loading ††		
	MOGEN <i>Intelligence Generation</i>	MODISS <i>Intelligence Dissemination</i>	MORESP <i>Intelligence Responsiveness</i>
<b>Market Orientation †</b>			
We formally consult customers at least once a year to find out what products or services they will need in the future	.890		
We gather data from our sector for use in the developmental plans for our activities	.725		
We survey customers at least once a year to assess the quality of our products and services	.867		
We have meetings at least once a quarter to discuss market trends and developments		.766	
Our fitness suite periodically circulates documents (e.g. reports, newsletters) that provide information on our customers		.844	
It takes us forever to decide how to respond to our competitors' price changes (R)			.624
For one reason or another we tend to ignore changes in our customers' service needs (R)			.773
Customer complaints fall on deaf ears in this fitness suite (R)			.641
Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion (R)			.726
When we find out that customers are unhappy with the quality of our service, we take corrective action immediately			.502
<i>Eigenvalues</i>	2.208	1.505	2.317
<i>% of variance explained (60.301)</i>	22.077	15.051	23.174

† Principal components analysis with varimax orthogonal rotation and Kaiser normalisation.

†† Factor loadings below 0.5 are suppressed.

(R) Item reverse-coded for analysis purposes.

The four variables that combine to form this factor are the following: *we formally consult customers at least once a year to find out what products or services they will need in the future; we gather data from our sector for use in the developmental plans for our activities; and, we survey customers at least once a year to assess the quality of our products and services.*

Kohli and Jaworski (1990) note that market intelligence is a broader concept than customers' explicit needs and preferences. They state that it includes an analysis of exogenous factors that influence those needs and preferences allowing customer needs to be anticipated, subsequently enhancing the development of the service offering. It is therefore argued that the four variables outlined reflect aspects of intelligence generation as they seek to establish whether fitness suite behaviour is directed at gathering and generating information on those factors that influence customer attitudes and behaviours. Further, it is contended that the four variables within the first factor solution capture the intelligence generation facet of market orientation. Thus, it is concluded that intelligence generation is an appropriate descriptor of this factor solution as is its shorthand form of MOGEN.

#### **6.2.3.2 Intelligence Dissemination**

The second factor derived from the principal components analysis explains 15.051% of variance, exhibiting an eigenvalue of 1.505. This factor is comprised of two variables that exhibit factor loadings of 0.766 and 0.844. The following two variables form this factor: *we have meetings at least once a quarter to discuss market trends and developments; and, our fitness suite periodically circulates documents (e.g. reports, newsletters) that provide information on our customers.*

On the basis that the dissemination of intelligence refers to the process and extent of market information exchange within a given organisation, it is contended that the variables do capture the extent to which information on customers, market trends and developments is disseminated throughout the fitness suite. Therefore, intelligence

dissemination is deemed an accurate descriptor of the factor solution. Its shorthand expression is MODISS.

### **6.2.3.3 Intelligence Responsiveness**

The third factor derived from the principal components analysis explains 23.174% of variance, exhibiting an eigenvalue of 2.317. Five variables compose the factor, their loadings range from 0.502 to 0.773. The variables that form this factor are the following: *it takes us forever to decide how to respond to our competitors' price changes (R); for one reason or another we tend to ignore changes in our customers' service needs (R); customer complaints fall on deaf ears in this fitness suite (R); even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion (R); and, when we find out that customers are unhappy with the quality of our service, we take corrective action immediately.*

The third element of a market orientation is responsiveness to market intelligence, that is, action taken in response to intelligence that is generated and disseminated. It is important to note that whilst an organisation may generate and disseminate intelligence, it doesn't necessarily mean the information is acted upon (Kohli and Jaworski, 1990). Examination of the content of the collective variables reveals that these variables reflect features of intelligence responsiveness and therefore, it is argued that an appropriate and acceptable descriptor for this factor is intelligence responsiveness and its short hand form is expressed as MORES.

### **6.2.4 Principal Components Analysis of Human Capital**

Principal components analysis of the measures of human capital produced a three factor solution from eight measures of human capital, illustrated in Table 6. The three factors formed from the principal components analysis of the human capital measures explain 71.392% of total variance and the three factors constructed through principal components analysis are labelled Employee Training, Incentive Compensation and Affective Commitment.

**Table 6: Principal Components Analysis of Human Capital Measures**

	Factor Loading ††		
	TRAINING <i>Employee Training</i>	INCENTIVE <i>Incentive Compensation</i>	AFFECTIVE <i>Affective Commitment</i>
<b>Human Capital †</b>			
How extensive is the training process for employees of your fitness suite	.835		
Do you feel training is viewed as a cost or as an investment	.812		
Overall, how effective would you say your employee training is	.877		
My individual performance actually has little impact on any incentive pay award (R)		.900	
My individual performance actually has little impact on my salary (R)		.923	
When someone criticises this fitness suite, it feels like a personal insult			.725
This fitness suite's successes are my successes			.788
I feel a sense of ownership for this fitness suite			.790
<i>Eigenvalues</i>	2.198	1.688	1.825
<i>% of variance explained (71.392)</i>	27.473	21.102	22.818

† Principal components analysis with varimax orthogonal rotation and Kaiser normalisation.

†† Factor loadings below 0.5 are suppressed.

(R) Item reverse-coded for analysis purposes.

#### **6.3.4.1 Employee Training**

Of the eight variables that measure human capital, three are identified from the principal components analysis as forming the first factor. This factor exhibits an eigenvalue of 2.198 and explains 27.473% of the variance. Each variable loads substantially on to the factor, ranging from a minimum of 0.812 to a high of 0.877, which is considered meritorious. The following three variables form the first factor: *how extensive is the training process for employees of your fitness suite; do you feel training is viewed as a cost or as an investment; and, overall, how effective would you say your employee training is.*

Organisations can adopt various HRM practices to enhance employee capabilities. One option available to organisations is to pursue employee training activities. The strategic purpose of training is seen as a means to assess and address skills deficiencies in the organisation, in an attempt to achieve desired performance outcomes. The three variables that compose the first factor derive information relevant to the emphasis placed on training practices within fitness suites. It is therefore contended that an accurate descriptor of this first factor is employee training, expressed in its shorthand form as TRAINING.

#### **6.2.4.2 Incentive Compensation**

The second factor derived from the principal components analysis explains 21.102% of variance, exhibiting an eigenvalue of 1.688. Two variables compose the factor, their factor loadings are 0.900 and 0.923, respectively. The sizes of the factor loadings are considerable, which is the goal of any factor analysis. The two variables that form this factor are the following: *my individual performance actually has little impact on any incentive pay award; and, my individual performance actually has little impact on my salary.*

Employee contribution depends on their willingness to perform (Snell and Dean, 1992). Therefore, if employees are not motivated to perform their jobs, the effectiveness of an organisation's human capital will be limited. Thus, to counteract this, organisations can

implement merit pay or incentive schemes that provide rewards to employees for meeting specific goals (Delaney and Huselid, 1996). Reward systems such as these are considered to be organisational investments, designed to induce individuals to join an organisation and perform well over time (Snell and Dean, 1992). Since the variables that compose this factor examine the performance pay relationship, they are considered theoretically similar to the principal of reward management. Thus, it is concluded that incentive compensation is an acceptable descriptor of the factor solution as is its shorthand form of INCENTIVE.

#### **6.2.4.3 Affective Commitment**

The third factor created through the principal components analysis process explains 22.818% of total variance and exhibits an eigenvalue of 1.825. This factor consists of three variables that load strongly on to the factor with factor loadings of 0.725, 0.788, and 0.790 respectively. The following variables compose this factor: *when someone criticises this fitness suite, it feels like a personal insult; this fitness suite's successes are my successes; and, I feel a sense of ownership for this fitness suite.*

Organisational commitment refers to the psychological attachment of workers to their workplace. Commitment can be broken down to a number of forms; however, affective commitment refers to those individuals who continue employment with the organisation because they want to do so through their identification and involvement with the organisation. The above variables gauge manager identification to the fitness suite and the subsequent emotional involvement they invest in the fitness suite. The variables therefore conceptually reflect the concept of affective commitment, thus, affective commitment is believed to be an accurate descriptor of the third factor solution, as is its shorthand expression AFFECTIVE.

#### **6.2.5 Principal Components Analysis of Performance Outcomes**

Principal components analysis of the eight measures that gauge performance outcomes reveals a two-factor solution, which is presented in Table 7. This two factor solution of

the eight strategic outcome measures explains 65.739% of variance and the two factors have been given the descriptors of Business Performance and Customer Performance, respectively.

#### **6.2.5.1 Business Performance**

The second factor derived from the principal components analysis explains 32.704% of variance, exhibiting an eigenvalue of 2.616. This factor is comprised of four variables that exhibit factor loadings ranging from 0.686 to 0.852. The following four variables form this factor: *new customer sales*; *marketing*; *profitability*; and, *market share*, respectively. Performance measures such as profitability and market share are widely used in extant strategy literature. However, the variables that compose this factor place emphasis on financial performance, specifically new customer sales, profitability, and market share. Therefore, as the variables included in the first factor are financial in nature, it was deemed appropriate to label this factor as business performance, which is abbreviated to BUSPERF.

#### **6.2.5.2 Customer Performance**

The second factor derived through principal components analysis of the strategic outcome measures is a four variable factor exhibiting an eigenvalue of 2.643 and which explains 33.034% of variance. The variables that compose this factor are: *customer satisfaction*; *value for customers*; *quality of services*; and, *development of services*, respectively. These measures are clearly customer focused and provide a means of assessing market-based performance. Therefore, since the variables, which compose this factor, are customer based in nature, it was decided that this factor would be appropriately labelled as customer performance or CUSTPERF.

Table 7: Principal Components Analysis of Performance Measures

	Factor Loading ††	
	BUSPERF	CUSTPERF
	<i>Business Performance</i>	<i>Customer Performance</i>
<b>Performance †</b>		
Attracting new customers	.722	
Marketing	.686	
Profitability	.852	
Market share	.804	
Achieving customer satisfaction		.799
Providing value for customers		.813
Quality of services		.773
Development of services		.706
<i>Eigenvalues</i>	2.616	2.643
<i>% of variance explained (65.739)</i>	32.704	33.034

† Principal components analysis with varimax orthogonal rotation and Kaiser normalisation.

†† Factor loadings below 0.5 are suppressed.



### 6.3 SCALE RELIABILITY AND VALIDITY

This study recognises that in combining variables to form a summated scale, it is a necessity to assess the degree of internal consistency between the multiple measurements of a construct. It was determined in the previous chapter that the measure adopted to gauge the reliability of the constructed summated scales would be Cronbach's coefficient alpha. Furthermore, the validity of the summated scales can be investigated by examining both the KMO measure of sampling adequacy and through the application of Bartlett's test of sphericity. These measures provide a means of determining the appropriateness of the factor analysis of each construct.

**Table 8: Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity**

Construct	KMO Measure of Sampling Adequacy	Bartlett's Test of Sphericity
Strategic Capital	.887	1940.150**
Market Orientation	.765	735.357**
Human Capital	.670	640.744**
Performance	.853	897.315**

\*\*  $p \leq 0.01$

The KMO index ranges from 0 to 1, reaching 1 when each variable is perfectly predicted without error by the other variables (Hair *et al.*, 2006). Scores of 0.70 or above are considered very adequate and moreover, scores of 0.80 are judged as meritorious, as was highlighted in the preceding chapter. The above table illustrates that three out of the four constructs measured display a KMO score of over 0.70, which is deemed highly satisfactory. Moreover, of the three values, two score above the desirable 0.80 level. Although the human capital construct registers a KMO score of 0.67, this is deemed an acceptable value that is close to the favoured 0.70 threshold.

To further examine the inference that validity exists in the interpretation of the KMO measure, Bartlett's test of sphericity can be examined. The results of the test for all the constructs are shown in the above table, all of which are over the 600 range whilst the strategic capital construct records a substantial score comfortably breaking the 1000 barrier. Therefore, it can be suggested that there are strong correlations among the variables of each construct measured. Furthermore, all scores display significance at or below the 0.01 level. Consequently it can be concluded that the factor analysis employed was justifiable and appropriate, further, it is concluded that each construct displays acceptable validity.

To gauge the degree of internal consistency between multiple variables within the summated scales constructed, Cronbach's coefficient alpha is adopted. The Cronbach alpha statistics for all summated scales are shown in the table below.

**Table 9: Cronbach Alpha Scale Reliability Statistics**

Construct	Scale	Cronbach Alpha
Strategic Capital	Strategy Commitment	.755
	Implementation Support	.870
	Implementation Effectiveness	.872
	Organisational Learning	.864
Market Orientation	Intelligence Generation	.819
	Intelligence Dissemination	.609
	Intelligence Responsiveness	.697
Human Capital	Employee Training	.799
	Incentive Compensation	.803
	Affective Commitment	.658
Performance	Business Performance	.817
	Market Performance	.812

It was expressed in the previous chapter that Nunally's (1967) threshold of 0.50 or greater for acceptable scale reliability is to be adopted in interpreting the above Cronbach alpha coefficients. Therefore, since all summated scales display acceptable levels of reliability, it can be concluded that internal consistency exists among the variables that comprise said scales. Thus, all summated scales are judged to be reliable.

## 6.4 CORRELATION ANALYSIS

On the basis that the constructed scales have been proven to be both reliable and valid, a correlation analysis of the summated scales is undertaken.

A correlation coefficient is an index that provides a concise description of the character of the relationship between two variables (de Vaus, 1997). *Pearson's r* is adopted in the analysis to summarise the strength of association between two variables to indicate the degree to which the variation in one variable is related to the variation in another variable (Malhotra and Birks, 2006). Correlation analysis is utilised here as a means of early hypothesis testing in that measures of correlation indicate both the strength and the direction of the relationship between a pair of variables (Bryman and Cramer, 1997). Thus, through investigating relationships between variables to uncover and examine relationships, the researcher can begin to develop an understanding of the relationship characteristics between study variables.

Therefore, each newly constructed summated scale was subject to correlation analysis, prior to hypothesis testing through further multivariate analysis. Correlation analysis, then, was employed to examine bivariate relationships between variables. Specifically, the relationships between each newly-constructed summated scale are examined. The purpose of this analysis is to provide an early indication of the kind of association between study variables. Hence, this analysis was used as an initial means of examining the accuracy of the research hypotheses. However, correlation analysis is employed as a precursor to a more extensive hypothesis testing method, that is, multiple linear regression analysis. Multiple linear regression analysis is required to robustly test the research hypotheses on the basis that correlation analysis only examines bivariate relationships.

Furthermore, through the use of descriptive statistics, the researcher may develop an understanding of the concentration of distribution, that is, the extent to which a phenomenon occurs (de Vaus, 1996). This is achieved via measures of central tendency

and dispersion, outlined in the preceding chapter. First, central tendency is a key means to summarising a distribution of values for a variable by establishing the typical value in a distribution (Bryman and Cramer, 1997), that is, the average of a distribution of values. The arithmetic mean is the sum of all individual scores given by respondents to a given variable, divided by the number of responses to that given variable, and is adopted by this study as a measure of central tendency. Second, dispersion is the degree to which individual data points are distributed around the mean (Howell, 2004). Large deviations from the mean indicate a large variance, thus, the standard deviation provides a measure of spread in the data (Churchill and Iacobucci, 2002) and is essentially a measure of the average of the deviations of each score from the arithmetic mean. The standard deviation is useful for measuring dispersion and the normality of a distribution as low deviations from the mean suggest a distribution is approximately normal (de Vaus, 2002). Both the standard deviation and the mean are used to explore and describe the data generated in conjunction with the correlation analysis.

Table 10 presents the results of the correlation analysis of the newly-constructed summated scales. In addition, the arithmetic mean and standard deviation of each scale is also presented.

Table 10: Correlation Analysis of Thesis Constructs and Strategic Intention

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. COMMIT																	
2. RES	.546**																
3. IMP	.619**	.666**															
4. LEARN	.297**	.402**	.452**														
5. MOGEN	.261**	.207**	.236**	.367**													
6. MODISS	.222**	.277**	.318**	.459**	.364**												
7. MORES	.419**	.373**	.443**	.338**	.294**	.338**											
8. TRAINING	.256**	.243**	.330**	.407**	.298**	.307**	.323**										
9. INCENTIVE	-.179**	-.191**	-.170**	.004	-.080	-.064	-.213**	-.190**									
10. AFFECTIVE	.119*	.043	.139*	.124**	.195**	.188**	.229**	.273**	-.066								
11. CUSPERF	.371**	.336**	.515**	.325**	.216**	.217**	.429**	.482**	-.112	.214**							
12. BUSPERF	.421**	.412**	.585**	.330**	.260**	.339**	.400**	.367**	-.204**	.225**	.553**						
13. LOW COST	-.186*	-.237**	-.197**	.002	-.044	-.116	-.146*	-.125*	.180**	-.028	-.109	-.302**					
14. INCLUSION	.042	.047	.052	.102	.230**	.059	.054	.139*	.090	.024	.115	-.025	.209**				
15. VALUE	.226**	.192**	.295**	.161**	.257**	.248**	.196**	.291**	-.043	.120*	.274**	.364**	-.061	.160**			
16. LOW PRICE	-.040	.002	.027	.098	.231**	-.010	.057	.039	.121*	-.051	.016	-.128*	.347**	.432**	.079		
17. HYBRID	.197**	.231**	.284**	.289**	.202**	.282**	.214**	.242**	-.053	.158*	.249**	.353**	-.115	-.005	.345**	-.048	
Means	5.01	4.25	4.64	4.62	5.70	4.78	5.54	5.37	5.00	5.50	5.32	4.69	4.32	5.47	4.10	5.01	4.21
SD	1.17	1.41	1.32	1.22	1.27	1.52	1.52	1.26	2.04	1.28	.927	1.05	1.69	1.51	1.77	1.64	1.76

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

*Strategy commitment* is positively correlated with implementation support, implementation effectiveness, organisational learning, intelligence generation, intelligence dissemination, intelligence responsiveness, employee training, customer performance, business performance, and the following strategic intentions value-added and hybrid, these correlations are significant at the 0.01 level. A further positive and significant association exists at the 0.05 level between strategy commitment and the affective commitment of the manager. However, the correlation analysis denotes that strategy commitment is negatively correlated at the 0.01 significance level with incentive compensation, and low cost strategy with a significance level of 0.05. Moreover, the arithmetic mean is 5.01 with an SD of 1.17.

*Implementation support* is positively correlated at the 0.01 significance level with implementation effectiveness, organisational learning, intelligence generation, intelligence dissemination, intelligence responsiveness, employee training, customer performance, business performance, and the following strategic intentions: value-added and hybrid. Further correlations exhibit significance at the 0.01 level, however, these associations between implementation support, incentive compensation and low cost strategic intentions are negative. The arithmetic mean is 4.25 with an SD of 1.41.

*Implementation effectiveness* is positively correlated at the 0.01 level with organisational learning, intelligence generation, intelligence dissemination, intelligence responsiveness, employee training, customer performance, business performance, and the strategic intentions labelled value-added and hybrid. A further positive association exists at the 0.05 significance level with the affective commitment of the manager. Conversely, implementation effectiveness exhibits a negative correlation with incentive compensation and low cost strategy, which are both significant at the 0.01 level. Implementation effectiveness displays an arithmetic mean of 4.64 with an SD of 1.32.

*Organisational learning* has a number of positive and significant associations at the 0.01 level, specifically with intelligence generation, intelligence dissemination, intelligence responsiveness, employee training, affective commitment, customer performance,

business performance, and the strategic intentions value-added and hybrid. The arithmetic mean is 4.62 with an SD of 1.22.

The market orientation construct was deconstructed into three summated scales, which were subject to correlation analysis. The following significant associations were uncovered. *Intelligence generation* is positively correlated and significant at the 0.01 level with intelligence dissemination, intelligence responsiveness, employee training, affective commitment, customer performance, business performance, and the following strategic intentions: inclusion, value-added, low price, and hybrid. Mean is 5.70 with an SD of 1.27. *Intelligence dissemination* is positively correlated at the 0.01 level with intelligence responsiveness, employee training, affective commitment, customer performance, business performance, value-added, and hybrid. Mean is 4.78 with an SD of 1.52. *Intelligence responsiveness* is positively correlated at the 0.01 level with employee training, affective commitment, customer performance, business performance, value-added, and hybrid. Further, intelligence responsiveness is negatively correlated at the 0.01 level with incentive compensation and at the 0.05 level with a low cost strategy. Mean is 5.54 with an SD of 5.37.

Three summated scales compose the human capital construct; subsequently these variables were subject to a correlation analysis with the objective to uncover associations with other study variables. The significant relationships that exist between each of the three human capital variables and other study variables are now presented. Firstly, *employee training* is positively correlated at the 0.01 level of significance with affective commitment, customer performance, business performance, value-added, and hybrid. A further positive association exists at the 0.05 level of significance with a strategy of inclusion. Further, employee training is negatively correlated, at a significance level of 0.01, with incentive compensation and at a significance level of 0.05 with low cost strategy. Employee training exhibits a mean of 5.37 with an SD of 1.26. Secondly, *incentive compensation* is positively correlated with low cost strategy (correlation is significant at the 0.01 level) and low price strategy (correlation is significant at the 0.05 level). However, incentive compensation and business performance exhibit a negative

correlation which is significant at the 0.01 level. The arithmetic mean of incentive compensation is 5.00 with an SD of 2.04. *Affective commitment* is positively correlated at the 0.01 level of significance with customer performance and business performance. A further positive association exists at the 0.05 level of significance with value-added and hybrid strategic intentions. *Affective commitment* displays a mean of 5.50 with an SD of 1.28.

Performance in this study is differentiated between customer performance and business performance. *Customer performance* is positively correlated with business performance, value-added and hybrid strategies; these correlations are significant at the 0.01 level. *Customer performance* exhibits an arithmetic mean of 5.32 with an SD of .927. *Business Performance* is positively correlated with value-added and hybrid strategies at a significance level of 0.01. *Business performance* is further negatively correlated with low cost strategy (correlation significant at the 0.01 level) and low price strategy (correlation significant at the 0.05 level). The arithmetic mean is 4.69 with an SD of 1.05.

Five strategic intentions are adopted in this study to gauge the overall strategic intention of fitness suites. *Low cost* strategy is positively correlated with inclusion and low price (significant at the 0.01 level). *Low cost* exhibits an arithmetic mean of 4.32 with an SD of 1.69. *Inclusion* is positively correlated with value-added and low price (significant at the 0.01 level) and displays an arithmetic mean of 5.47 with an SD of 1.51. *Value-added* is positively correlated with hybrid strategic intentions (significant at the 0.01 level) and presents an arithmetic mean of 4.10 with an SD of 1.77. *Low price* has an arithmetic mean of 5.01 and exhibits an SD of 1.64. Finally, *Hybrid* has an arithmetic mean of 4.21 and an SD of 1.76.

## 6.5 CONCLUDING COMMENTS

The objective of this chapter was to explore the data generated through the survey instrument for factors underlying the hypothesised constructs captured through the variables used in the survey instrument. The four original hypothesised constructs were



expanded into twelve factors through principal components analysis and these factors were then discussed in detail and given conceptually acceptable and appropriate descriptors. The scale construction process proceeded into an analysis of scale reliability and validity which demonstrated the reliability and validity of the created summated scales. Further, this chapter introduced the main descriptive findings from the primary data generated allowing for an early exploration of the study findings and an initial step towards hypothesis testing.

The thesis shall now proceed towards hypothesis testing through multiple linear regression analysis in order to examine the hypothesised relationships more thoroughly and to conclude whether the hypothesised relationships are accurate.

***Chapter 7: Empirical Results II,  
Hypotheses Testing & Interpretation***

## **CHAPTER 7: HYPOTHESIS TESTING AND INTERPRETATION OF RESULTS**

### **7.1 INTRODUCTION**

The previous chapter outlined the process of scale construction, providing an overview of the steps taken in the construction of newly formed summated scales that provide the basis for hypothesis testing. Specifically, a detailed account of the process for identifying the underlying dimensions of the constructs that are contained in the conceptual framework was given. A presentation of the process of scale construction through principal components analysis subsequently followed, which enabled correlation analysis to be employed as a means of uncovering general associations between study variables.

This chapter is a development of the preceding chapter both in terms of the statistical analysis employed and in the testing of the research hypotheses. Firstly, differences between groups of interest are examined in relation to the study variables through multivariate analysis of variance. The purpose of this is to provide an indication of the accuracy of a number of the study hypotheses. Secondly, to further test the research hypotheses, a more robust multivariate analysis method is utilised to establish the relative importance of independent variables to a specified dependent variable. Namely, multiple linear regression analysis will provide an objective assessment of the relationship between the independent variables of interest and management system performance.

### **7.2 MULTIVARIATE ANALYSIS OF VARIANCE AND HYPOTHESIS TESTING**

Multivariate analysis of variance is employed among the groups of interest, as defined by the study, and the differences between these groups on a range of variables are assessed for statistical significance. Multivariate analysis of variance is a dependence technique that assesses group differences across multiple dependent variables simultaneously (Hair *et al.*, 2006). However, in order to systematically examine group differences across specific pairs for one or more dependent measures, two types of test are available: *post hoc* and *a priori*. A post hoc approach tests all possible combinations enabling a simple

means of group comparisons, thus, since the concern here is to establish differences between groups (that is, the different management systems available to local authorities in the management of public fitness suites) on a range of variables, a *post hoc* method is adopted. Specifically, the Scheffé test is the chosen *post hoc* procedure, which is utilised for both identifying comparisons among groups that have significant differences and for hypothesis testing in conjunction with multiple linear regression analysis. The results of the multivariate analysis of variance and the findings of the Scheffé procedure are now presented for each thesis construct in turn; a summary of all the findings from the Scheffé procedure concludes this section.

### 7.2.1 Strategic Intent

The results of the multivariate analysis of variance and the findings of the Scheffé procedure for the strategic intent construct are presented in Table 11.

**Table 11: MANOVA Analysis of Strategic Intent Construct**

Model Dimension	Management Systems (Means [SD])			F-ratio	Scheffé Test (p≤05)
	<i>In-house</i>	<i>Trust</i>	<i>LMC</i>		
<b>Strategic Intent</b>					
Low Cost	4.49 (1.63)	3.85 (1.85)	4.48 (1.51)	3.99	Trust < In-house
Social Inclusion	5.51 (1.41)	5.48 (1.73)	5.33 (1.45)	.30	
Value-added	3.83 (1.80)	4.35 (1.70)	4.54 (1.67)	4.18	In-house < LMC
Low Price	5.15 (1.60)	5.01 (1.64)	4.62 (1.73)	2.08	
Hybrid	3.81 (1.67)	4.51 (1.73)	4.87 (1.76)	9.94	In-house < Trust; In-house < LMC

#### 7.2.1.1 Low Cost Strategy

The in-house group exhibits the largest mean value (4.49), followed by the LMC group (4.48) and the leisure trust group (3.85), respectively. This suggests that of the three groups identified, the in-house group is most likely to adopt a low cost strategy. The Scheffé test contributes to this assumption presenting a significant difference between leisure trusts and in-house groups, whereby leisure trusts are substantially less likely to implement a low cost strategy when compared with in-house groups. However, no significant difference is presented among in-house and LMC groups.

### **7.2.1.2 Social Inclusion**

The in-house group displays the largest mean value for this model dimension (5.51), whilst the LMC group has the lowest of the three groups (5.33). Thus, although one may suggest that the in-house group is more likely out of the three groups to adopt a strategy of social inclusion, the Scheffé test did not uncover any significant differences among the three groups. Subsequently, it cannot be suggested that one group is significantly more likely to adopt a social inclusion strategy over any of the other three groups.

### **7.2.1.3 Value-added**

This strategy is most prevalent amongst the LMC group, which is highlighted by this group exhibiting the largest mean value of 4.54 among the three groups. This suggests that the LMC group is most likely to adopt a strategy of value-added among the three groups. Further, the in-house group exhibits the lowest mean value of 3.83; this result is supported by the Scheffé test findings which identify a significant difference between the in-house group and the LMC group. Thus, on the basis of these findings it can be suggested that the in-house group is significantly less likely to adopt a strategy of value-added when compared against the LMC group.

### **7.2.1.4 Low Price**

On the basis of group means this strategy is most common in the in-house group, which exhibits the largest mean value of 5.15, when compared against leisure trust and LMC groups, which display mean values of 5.01 and 4.62 respectively. However, the Scheffé findings indicate no significant difference among the three groups. Thus, it can only be assumed and not inferred that low price strategy is more common within the in-house group than the other two groups due to a lack of significant difference among the groups.

### **7.2.1.5 Hybrid Strategy**

On the basis of the analysis, this strategy is most common amongst the LMC group which exhibits a mean of 4.87, whilst the in-house group exhibits the lowest mean of 3.81 demonstrating a substantial difference between the two mean values of the groups. In

addition, the Scheffé test uncovers two significant differences among the groups of interest. Firstly, a significant difference is found between the in-house and leisure trust groups, with the former displaying a significantly lesser emphasis on hybrid strategy than the leisure trust group. This is again mirrored in the significant difference uncovered between the in-house group and the LMC group.

### 7.2.2 Strategic capital

The results of the multivariate analysis of variance and the findings of the Scheffé procedure for the strategic capital construct are presented in Table 12.

**Table 12: MANOVA Analysis of Strategic Capital Construct**

Model Dimension	Management Systems (Means [SD])			F-ratio	Scheffé Test (p≤05)
	<i>In-house</i>	<i>Trust</i>	<i>LMC</i>		
Strategic capital Strategy	4.82 (1.20)	5.24 (1.01)	5.22 (1.22)	4.33	In-house < Trust
Commitment Strategy Support	3.92 (1.44)	4.64 (1.30)	4.63 (1.25)	9.35	In-house < LMC; In-house < Trust
Strategy Effectiveness	4.41 (1.40)	4.90 (1.17)	4.93 (1.14)	5.16	In-house < Trust; In-house < LMC
Organisational Learning	4.52 (1.32)	4.62 (1.13)	4.89 (.98)	1.91	

#### 7.2.2.1 Overall Product-Market Strategy Commitment

The in-house group exhibits the lowest mean of 4.82, whilst both the LMC and leisure trust groups display substantially larger means of 5.22 and 5.24 respectively. These results suggest that both the leisure trust and LMC groups are considerably more committed to the overall product-market strategy than the in-house group. This is partially supported by the findings of the Scheffé test, which uncovers a significant difference between the in-house group and the leisure trust group. This suggests that the in-house group is significantly less committed to the overall product-market strategy than the leisure trust group.

#### 7.2.2.2 Implementation Support of the Overall Product-Market Strategy

Whilst leisure trust and LMC groups' exhibit very similar mean values of 4.64 and 4.63 respectively, the in-house group exhibits a mean value of 3.92, which is substantially lower than the other two groups. The difference between the in-house group and the other two groups is emphasised in the findings of the Scheffé test, which presents two significant differences among the three groups. Firstly, there is a significant difference between the in-house group and the leisure trust group, specifically; it can be inferred that the in-house group has significantly less implementation support for its overall product-market strategy than the leisure trust group. Secondly, the same significant difference is found when comparing the in-house group and the LMC group, with the LMC group arguably having significantly more implementation support for its overall product-market strategy.

#### **7.2.2.3 Implementation Effectiveness of the Overall Product-Market Strategy**

When comparing the means between groups a similar pattern emerges as above, for example, the LMC and leisure trust groups' exhibit similar means of 4.93 and 4.90 respectively. However, the in-house group has the lowest mean value of 4.41, substantially smaller than the other two groups. The difference between the in-house group and the other two groups is again emphasised in the findings of the Scheffé test, which presents two significant differences among the three groups, in which the in-house group is found to be significantly different to both the leisure trust and LMC groups. On the basis of these results it can be challenged that both the leisure trust and LMC groups are significantly more effective in the implementation of their overall product-market strategy than the in-house group.

#### **7.2.2.4 Organisational Learning**

The three groups exhibit relatively similar means ranging from 4.52 (in-house), 4.62 (leisure trust), and 4.89 (LMC), respectively. The Scheffé test echoes this similarity in that no significant differences among the groups are identified when considering organisational learning. Thus, it can be suggested on the basis of the multivariate analysis that all three groups exhibit similar levels of organisational learning.

### 7.2.3 Market Orientation

The results of the multivariate analysis of variance and the findings of the Scheffé procedure for the market orientation construct are presented in Table 13.

**Table 13: MANOVA Analysis of Market Orientation Construct**

Model Dimension	Management Systems (Means [SD])			F-ratio	Scheffé Test (p≤05)
	<i>In-house</i>	<i>Trust</i>	<i>LMC</i>		
<b>Market Orientation</b>					
Intelligence Generation	5.65 (1.29)	5.74 (1.24)	5.79 (1.28)	.30	
Intelligence Dissemination	4.64 (1.57)	4.85 (1.56)	5.08 (1.31)	1.73	
Intelligence Responsiveness	5.41 (1.06)	5.65 (.95)	5.76 (.90)	3.03	

#### 7.2.3.1 Intelligence Generation, Intelligence Dissemination, and Intelligence Responsiveness

When examined across the three groups it is evident that the means for each model dimension of market orientation are relatively close; for example, the means range from 5.65 (in-house), 5.74 (leisure trust), and 5.79 (LMC) for intelligence generation; 4.64 (in-house), 4.85 (leisure trust), and 5.08 (LMC) for intelligence dissemination; and, 5.41 (in-house), 5.65 (leisure trust), and 5.76 (LMC) for intelligence responsiveness. Furthermore, the Scheffé test does not identify any significant differences among groups for any of the above variables. However, whilst no significant differences are found between the groups it is evident that the in-house group exhibits the lowest mean for each of the market orientation variables examined. Thus, it can be suggested that the in-house group demonstrates the lowest levels of intelligence generation, dissemination, and responsiveness among the three groups, on the basis of the mean values presented.

### 7.2.4 Human Capital



The results of the multivariate analysis of variance and the findings of the Scheffé procedure for the human capital construct are presented in Table 14.

**Table 14: MANOVA Analysis of the Human Capital Construct**

Model Dimension	Management Systems (Means [SD])			F-ratio	Scheffé Test (p≤05)
	<i>In-house</i>	<i>Trust</i>	<i>LMC</i>		
<b>Human Capital</b>					
Employee Training	5.29 (1.25)	5.45 (1.20)	5.47 (1.39)	.65	
Performance-related Compensation	5.44 (1.99)	4.60 (2.07)	4.29 (1.89)	8.44	LMC < In-house; Trust < In-house
Affective Commitment	5.24 (1.30)	5.72 (1.12)	5.91 (1.27)	7.23	In-house < Trust; In-house < LMC

#### 7.2.4.1 Employee Training

The means for each group range from 5.29 for in-house, 5.45 for leisure trust, and 5.47 for LMC groups respectively. Although there is some difference between the mean values of the three groups, particularly in the case of the in-house group which is substantially lower when compared against the other two groups, the Scheffé test did not present any significant differences between the three groups. However, it can be suggested on the basis of the mean values presented that the in-house group invests less in to employee training than both leisure trust and LMC groups.

#### 7.2.4.2 Performance-Related Compensation

In terms of the means exhibited by the three groups there is substantial variation, for example the in-house group has the largest mean of 5.44, the leisure trust group has a mean of 4.60, whilst the LMC group exhibits the lowest, with a mean of 4.29 respectively. Furthermore, the differences between groups are emphasised by the Scheffé test, the findings of which highlight two significant differences among the three groups in relation to performance-related compensation. Firstly, there is a significant difference between the LMC group and the in-house group. Specifically, the LMC group displays significantly less desire for performance related compensation than the in-house group. Secondly, a significant difference is identified when comparing the leisure trust group

and the in-house group, with the in-house group being significantly more in favour of performance-related compensation of the manager than the leisure trust group.

### 7.2.4.3 Affective Commitment of the Manager

The mean values of the three groups are varied and range from the following: 5.24 (in-house), 5.72 (leisure trust), and 5.91 (LMC) respectively, which suggests there may be significant differences among the groups. The Scheffé test highlights two significant differences among the groups; in both cases the in-house group is found to be significantly different to both the leisure trust and LMC groups. Therefore, on the basis of the findings presented in Table 14, it can be suggested that the affective commitment of the manager is lowest within the in-house group when compared with the other two groups.

### 7.2.5 Inclusion of Low-income Groups

The results of the multivariate analysis of variance and the findings of the Scheffé procedure for the inclusion construct are presented in Table 15.

**Table 15: ANOVA Analysis of Inclusion Construct**

Model Dimension	Management Systems (Means [SD])			F-ratio	Scheffé Test (p≤.05)
	<i>In-house</i>	<i>Trust</i>	<i>LMC</i>		
Inclusion	1.19 (1.17)	2.25 (1.68)	2.02 (2.25)	1.93	

Whilst the leisure trust and LMC groups' exhibit very similar mean values of 2.25 and 2.02 respectively, the in-house group exhibits a mean value of 1.19, which is substantially lower than the other two groups. The Scheffé test, on the other hand, does not identify any significant differences among the groups when examined against inclusivity. However, whilst no significant differences are found between the groups it is evident that the in-house group exhibits the lowest mean for the inclusion variable examined. Thus, it can be suggested that the in-house group demonstrates the lowest level of inclusion among the three groups, on the basis of the mean values presented.

## 7.2.6 Performance

The results of the multivariate analysis of variance and the findings of the Scheffé procedure for the performance construct are presented in Table 16.

**Table 16: MANOVA Analysis of the Performance Construct**

Model Dimension	Management Systems (Means [SD])			F-ratio	Scheffé Test ( $p \leq .05$ )
	<i>In-house</i>	<i>Trust</i>	<i>LMC</i>		
<b>Performance</b>					
Customer Performance	5.28 (.95)	5.48 (.75)	5.18 (1.05)	1.78	
Business Performance	4.41 (1.08)	4.90 (.80)	5.15 (1.08)	12.72	In-house < Trust; In-house < LMC

### 7.2.6.1 Customer Performance and Business Performance

Customer performance and business performance are the final two dimensions to be considered in the analysis. The means range from 5.18 (LMC), 5.28 (in-house), and 5.48 (leisure trust) for customer performance respectively. Although there is some difference between the mean values of the three groups, particularly in the case of the leisure trust group when compared against the other two groups, the Scheffé test did not present any significant differences among the three groups.

However, when examining business performance among the groups, larger variations amongst means are presented ranging from 4.41 (in-house), 4.90 (leisure trust), and 5.15 (LMC) respectively. The difference between the in-house group and the other two groups, when considering the mean values, is emphasised in the findings of the Scheffé test, which presents two significant differences among the three groups. Firstly, there is a significant difference between the in-house group and the leisure trust group; specifically, the in-house group appears to significantly underperform when compared with the leisure trust group. Secondly, the same significant difference is apparent when comparing the in-house group and the LMC group, with the LMC group significantly outperforming the in-house group.

## 7.2.6 Summary of the Multivariate Analysis of Variance

**Table 17: Scheffé Test Results Summary**

Construct	Model Dimension	Scheffé Test ( $p \leq .05$ )
<b>Strategic Intent</b>	Low Cost	Trust < In-house
	Social Inclusion	
	Value-added	<i>In-house &lt; LMC</i>
	Low Price	
<b>Strategic capital</b>	Hybrid	<i>In-house &lt; Trust;</i> <i>In-house &lt; LMC</i>
	Strategy Commitment	<i>In-house &lt; Trust</i>
	Strategy Support	<i>In-house &lt; LMC;</i> <i>In-house &lt; Trust</i>
	Implementation Effectiveness	<i>In-house &lt; Trust;</i> <i>In-house &lt; LMC</i>
<b>Market Orientation</b>	Organisational Learning	
	Intelligence Generation	
	Intelligence Dissemination	
	Intelligence Responsiveness	
<b>Human Capital</b>	Employee Training	
	Performance-related Compensation	LMC < In-house; Trust < In-house
	Affective Commitment	<i>In-house &lt; Trust;</i> <i>In-house &lt; LMC</i>
<b>Inclusion</b>	Low Income Groups	
<b>Performance</b>	Customer Performance	
	Business Performance	<i>In-house &lt; Trust;</i> <i>In-house &lt; LMC</i>

On examining the results in Table 17, derived from the multivariate analysis of variance and Scheffé test, a number of conclusions can be drawn. The major contribution of the analysis thus far has been in the comparison of the groups of interest, that is, a comparison of in-house, leisure trust, and LMC management systems. In the application of the analysis, significant differences among the groups have been identified when examined against specific model dimensions. Particularly, it has been identified throughout the analysis that the in-house group is significantly weaker when compared against the other groups across seven of the following model dimensions: value-added

and hybrid strategies, overall product-market strategy commitment, implementation support of the overall product-market strategy, implementation effectiveness of the overall product-market strategy, affective commitment of the manager, and business performance.

Overall, however, there are no significant differences among the groups across eight of the following model dimensions: social inclusion and low price strategies, organisational learning, intelligence generation, intelligence dissemination, intelligence responsiveness, employee training, and customer performance. Suggesting that across these dimensions the groups do not differ significantly, thus, it is suggested that no one group is significantly stronger than the others across the above model dimensions.

### **7.3 MULTIPLE LINEAR REGRESSION ANALYSIS AND HYPOTHESIS TESTING**

The objective of multiple regression analysis is twofold, firstly, to use the independent variables whose values are known to predict the selected single dependent variable (Hair *et al.*, 2006); and, secondly, to provide an objective assessment of the relationship between dependent and independent variables. Thus, in addition to the collective ability of independent variables to predict the dependent variable, they may also be considered for their individual contribution to the regression variate and its predictions (Hair *et al.*, 2006). Specifically, multiple linear regression analysis derives the relative contribution of each independent variable to the overall prediction of the dependent variable, subsequently increasing the interpretation of the impact each independent variable has on the dependent variable.

An important aspect of exploring relationships between a set of independent variables and a given dependent variable through multiple regression analysis is the model-fit. A key means of assessing goodness-of-fit is via the coefficient of determination  $R^2$ , whereby the higher the value of  $R^2$  the better the prediction of the dependent variable (Hair *et al.*, 2006). Further, an improved measure of goodness-of-fit is provided by a

modified form of the coefficient of determination, referred to as the adjusted coefficient of determination (Adjusted  $R^2$ ). Both the coefficient of determination  $R^2$  and Adjusted  $R^2$  indicate the proportion of variance in the dependent variable about its mean explained by the independent variables and are to be used to establish model significance. However, it is preferable to report the Adjusted  $R^2$  rather than the normal  $R^2$  coefficient because the Adjusted  $R^2$  avoids overestimating the impact of additional independent variables on the amount of explained variance (Hair *et al.*, 2006).

Moreover, the  $F$ -value is utilised to provide further insights into explanatory power and this value is a ratio of the explained to unexplained variance in the regression equation; whereby the  $F$ -value shows that the amount of variation explained by a regression model is more than the variation explained by the average (Hair *et al.*, 2006). Hence, increased differences between groups inevitably result in a greater  $F$  statistic, which suggests that such differences are attributable to the effect of the independent variables.

In all cases the model significance statistics are to be examined first, with subsequent progression towards hypothesis testing through a summary of the regression analysis results. The thesis will then proceed in to hypothesis testing, whereby each hypothesis will be considered in turn. As established, the multiple linear regression results for each hypothesis shall be reported first, with a summary analysis of the results following on from this. These results shall then be interpreted and discussed in relation to the research hypotheses to determine whether the hypotheses are *fully supported*, *partially supported*, *not supported*, or *refuted* on the basis of the regression results presented. This process will be repeated in turn for each hypothesis.

### **7.3.1 Strategic Intent and Performance**

The multiple linear regression analysis results for the relationship between strategic intent and performance are presented in Tables 18 and 19, which consider both business performance and customer performance, along with the model significance statistics for each regression model. The relationship between strategic intent and business

performance will be examined first followed by an examination of the relationship between strategic intent and customer performance.

#### **7.3.1.1 Strategic Intent and Business Performance**

Examination of the regression model significance statistics from Table 18 reveals that the strongest coefficient of determination  $R^2$  and Adjusted  $R^2$  is exhibited by Model 1.i which has an Adjusted  $R^2$  value of 0.292. On this basis, Model 1.i is shown to have a substantially greater explanatory power than the other regression models in Table 18.

**Table 18: Regression Model of the Relationship Between Strategic Intent and Business Performance**

Regression Series	Management System	Dependent Variable	Independent Variable	H	Regression Coefficient	Standardised Regression Coefficient	t-value
<i>Model 1</i>			<i>Strategic Intent</i>				
Model 1.i	In-house	Business Performance	Low Cost	H1(a)	-.126	-.193	-2.453*
			Social Inclusion	H2(a)	-.001	-.001	-.016
			Value-added	H3(a)	.170	.290	3.799**
			Low Price	H4(a)	-.088	-.133	-1.626
			Hybrid	H5(a)	.162	.256	3.385**
			<i>Intercept</i>		<i>4.164</i>		<i>11.065**</i>
Model 1.ii	Trust	Business Performance	Low Cost	H1(b)	-.125	-.290	-2.432*
			Social Inclusion	H2(b)	-.001	-.001	-.010
			Value-added	H3(b)	.046	.097	.832
			Low Price	H4(b)	.071	.146	1.100
			Hybrid	H5(b)	.060	.130	1.128
			<i>Intercept</i>		<i>4.560</i>		<i>10.114**</i>
Model 1.iii	LMC	Business Performance	Low Cost	H1(c)	-.247	-.344	-2.592*
			Social Inclusion	H2(c)	-.042	-.056	-.373
			Value-added	H3(c)	.188	.290	2.005 †
			Low Price	H4(c)	.054	.087	.599
			Hybrid	H5(c)	.005	.008	.060
			<i>Intercept</i>		<i>5.353</i>		<i>6.310**</i>
		<b>Model Statistics</b>					
	R <sup>2</sup>	Adjusted R <sup>2</sup>	F-value				
<i>Model 1.i</i>	.316	.292	13.461**				
<i>Model 1.ii</i>	.116	.052	1.813				
<i>Model 1.iii</i>	.217	.134	2.604*				

\*\*  $p \leq 0.01$ ; \*  $p \leq 0.05$ ; †  $p \leq 0.1$



Table 19: Regression Model of the Relationship Between Strategic Intent and Customer Performance

Regression Series	Management System	Dependent Variable	Independent Variable	H	Regression Coefficient	Standardised Regression Coefficient	t-value
		<i>Strategic Intent</i>					
Model 2.i	In-house	Customer Performance	Low Cost	H1(a)	.014	.024	.277
			Social Inclusion	H2(a)	.033	.048	.549
			Value-added	H3(a)	.145	.274	3.250**
			Low Price	H4(a)	-.093	-.156	-1.724 †
			Hybrid	H5(a)	.095	.167	1.992*
			<i>Intercept</i>		4.603		12.331**
Model 2.ii	Trust	Customer Performance	Low Cost	H1(b)	-.045	-.112	-.976
			Social Inclusion	H2(b)	.111	.257	2.143*
			Value-added	H3(b)	-.003	-.007	-.061
			Low Price	H3(b)	.083	.182	1.427
			Hybrid	H4(b)	.079	.182	1.634
			<i>Intercept</i>	H5(b)	4.278		10.505**
Model 2.iii	LMC	Customer Performance	Low Cost	H1(c)	-.146	-.208	-1.509
			Social Inclusion	H2(c)	-.016	-.022	-.143
			Value-added	H3(c)	.151	.238	1.587
			Low Price	H4(c)	.068	.111	.741
			Hybrid	H5(c)	.081	.133	.921
			<i>Intercept</i>		4.533		5.261**
		<b>Model Statistics</b>					
	R <sup>2</sup>	Adjusted R <sup>2</sup>	F-value				
Model 2.i	.163	.134	5.688**				
Model 2.ii	.175	.115	2.931*				
Model 2.iii	.159	.069	1.773				

\*\*  $p \leq 0.01$ ; \*  $p \leq 0.05$ ; †  $p \leq 0.1$

The  $F$ -value for each regression model is acceptable, more so in the case of Model 1.i which displays a value of 13.461. It is illustrated in Table 18 that the  $F$ -value for regression model 1.i is highly significant at the 0.01 level; in addition, model 1.iii also exhibits a significant  $F$ -value at the 0.05 level. Therefore, in the case of model 1.i and model 1.iii, it can be accepted that variations across groups are explained by the regression models. However, model 1.ii is insignificant exhibiting an  $F$ -value of 1.813. Although this model is insignificant, further examination through regression analysis is warranted to explore relationships. Note, the insignificance of the model is acknowledged, hence, any significant relationships found within this model will be interpreted with a degree of apprehension.

A subsequent examination of each of the regression results for all three models uncovers a number of significant relationships. Firstly, as observed in Model 1.i, value-added and hybrid strategies have the strongest relationship with business performance with both forms of strategic intent exhibiting significant  $t$ -values of 3.799 and 3.385 respectively. Low cost strategic intent is also identified as having a significant relationship on the dependent variable, albeit less so than value-added and hybrid strategies, exhibiting a  $t$ -value of -2.453. However, this relationship is negative hence it is contended that value-added and hybrid strategies positively affect business performance of in-house management systems, but, low cost strategic intent result in negative consequences for in-house business performance.

Secondly, no significant positive effects are found between the independent variables of strategic intent and the business performance of trust management systems, as observed in model 1.ii. However, low cost strategic intent has the only significant effect on the dependent variable, exhibiting a  $t$ -value of -2.432. This independent variable is negatively related to business performance for leisure trust management systems, as it was for in-house management systems. Thus, it is argued that whilst no specific strategic intent is beneficial to business performance for leisure trust management systems, low-cost strategic intent, once again, has a negative relationship with business performance.

Thirdly, with reference to Model 1.iii, a positive relationship is demonstrated between value-added strategic intent and business performance for LMC management systems. However, as before low cost strategic intent is identified as being negatively related to business performance, exhibiting a significant *t*-value of -2.592. Therefore, it has been demonstrated that value-added strategic intent is beneficial to LMC management systems. Yet, this relationship is only significant at the 0.1 level, thus, whilst benefits can be gained in adopting this strategy, it is argued that there is no single dominant strategic intent which is positively related to LMC system performance.

### 7.3.1.2 Strategic Intent and Customer Performance

As demonstrated by Table 19, the adjusted coefficient of determination statistics reveals that Model 2.i is the strongest of the three regression models of the relationship between strategic intent and customer performance. Specifically, Model 2.i has an Adjusted  $R^2$  value of 0.134; Model 2.ii displays an Adjusted  $R^2$  value of 0.115; whilst Model 2.iii exhibits the lowest value at 0.069. Thus, upon examining the strength of the regression models, it can be suggested that models 2.i and 2.ii do explain variations in the dependent variable. However, this cannot be said with any certainty in the case of Model 2.iii due to a substantially smaller Adjusted  $R^2$  value.

Analysis of the *F*-values provides further evidence for the explanatory power of the regression models. From Table 19 it is evident that the regression models vary in the *F*-values that they exhibit. For example, Model 2.i demonstrates the highest statistical significance at below the 0.01 level, and the highest *F*-value of 5.688; whilst Model 2.ii exhibits significance at the 0.05 level with an *F*-value of 2.931. Model 2.iii, however, is both insignificant and displays the lowest *F*-value of 1.773. Although all the models examined exhibit adequate and acceptable *F*-values to warrant further model examination, Model 2.iii is insignificant. Thus, findings from the further examination of Model 2.iii regressions will be approached with caution.

The regression results displayed in Model 2.i identify value-added and hybrid strategies as having significantly stronger relationships with customer performance for in-house

systems than low cost, social inclusion, and low price strategies. Value-added has the significantly stronger relationship of the two exhibiting a *t*-value of 3.250, which is significant at the 0.01 level; whilst hybrid exhibits a *t*-value of 1.992, which is significant at the 0.05 level. However, low price strategic intent is negatively related to the dependent variable of customer performance, a relationship which is significant at the 0.1 level. Hence it is implied that value-added and hybrid strategies are positively related to the customer performance of in-house management systems, whilst, low cost strategic intent is negatively related to in-house customer performance.

Further, with reference to Model 2.ii, a positive relationship is established between the strategic intent of social inclusion and customer performance for leisure trust management systems. The impact of social inclusion on customer performance is both significant and strong as the relationship is significant at the 0.05 level and exhibits a *t*-value of 2.143. This value is considerably stronger than any of the other relationships between the independent variables of strategic intent and customer performance for leisure trust management systems. Thus, the inference can be drawn that leisure trust management systems with a strategic intent of social inclusion are significantly stronger at achieving customer performance than their leisure trust counterparts who do not follow an overall strategy of social inclusion.

Finally, no significant relationships emerge between the independent variables of strategic intent and customer performance in Model 2.iii. Whilst no significant relationships can be established, it can be suggested that value-added strategic intent has a tenuous positive relationship with customer performance on the basis that the *t*-value exhibited by this relationship is the strongest of all independent variables onto customer performance, exhibited by a *t*-value of 1.587. Further, a faint suggestion of a negative relationship between low cost strategic intent and customer performance is derived on the basis that this relationship exhibits the second largest *t*-value of -1.509.

### **7.3.2 Hypotheses H1 – H5: Strategic Intent**

In examining the regression results for the hypothesised relationships between strategic intent and performance, which includes H1, H2, H3, H4, and H5, each component of the hypotheses identified shall be considered in turn and an overall judgement shall be made based on results presented as to whether the original hypotheses are *fully supported*, *partially supported*, *not supported* or *refuted*. Each component hypothesis shall be discussed in turn commencing with H1 and its constituent hypothesis of H1(a), (b), (c) through to H5 and its constituent hypothesis of H5(a), (b), (c).

### 7.3.2.1 Hypothesis 1(a), (b), (c): Low Cost Strategic Intent

*H1(a), (b), (c): Low cost strategies will be positively related to performance for (a) in-house and (b) leisure trust management systems, but negatively related to performance for (c) LMC management systems.*

#### *H1(a) In-house*

With reference to Table 18, low cost strategic intent is identified as having a negative significant relationship on business performance, exhibiting a *t*-value of -2.453. In addition, no significant relationship is found between low cost strategic intent and customer performance. In sum, the constituent hypothesis, H1(a), that low cost strategic intent will be positively related to business performance for in-house management systems is *refuted*.

#### *H1(b) Leisure trust*

Low cost strategic intent is found to have a significant relationship on the dependent variable of business performance, exhibiting a *t*-value of -2.432. This independent variable, again, is negatively related to business performance for leisure trust management systems, as it was for in-house management systems. In addition, no significant relationship is found to be present between low cost strategic intent and customer performance. Therefore, the constituent hypothesis, H1(b), that low cost strategic intent will be positively related to business performance for leisure trust management systems is *refuted*.

### *H1(c) LMC*

Low cost strategic intent is identified as being negatively related to business performance, exhibiting a significant *t*-value of -2.592, at the 0.05 level. In addition, a faint suggestion of a negative relationship between low cost strategic intent and customer performance is derived on the basis that this relationship exhibits the second largest *t*-value of -1.509. Hence, the constituent H1(c) hypothesis that low cost strategic intent will be negatively related to performance for LMC management systems is *partially supported*.

### 7.3.2.2 Hypothesis 2(a), (b), (c): Social Inclusive Strategic Intent

*H2(a), (b), (c): Inclusion strategies will be positively related to performance for (a) in-house and (b) leisure trust management systems, but negatively related to performance for (c) LMC management systems.*

#### *H2(a) In-house*

No significant relationship is found between social inclusive strategic intent and business performance or customer performance. Thus, H2(a) is *not supported* on the basis that social inclusive strategic intent is not positively related to performance.

#### *H2(b) Leisure trust*

Whilst no significant relationship is evident between social inclusive strategic intent and business performance, a positive relationship is established between the strategic intent of social inclusion and customer performance for leisure trust management systems. The impact of social inclusion on customer performance is both significant and strong as the relationship is significant at the 0.05 level and exhibits a *t*-value of 2.143. Therefore, H2(b) is *partially supported* on the basis that social inclusive strategic intent is positively related to [customer] performance.

#### *H2(c) LMC*

No significant relationship is found between social inclusive strategic intent and business performance or customer performance. Thus, H2(c) is *not supported* on the basis that social inclusive strategic intent is not negatively related to performance.

### 7.3.2.3 Hypothesis 3(a), (b), (c): Value-added Strategic Intent

*H3(a), (b), (c): Value-added strategies will be negatively related to performance for (a) in-house and (b) leisure trust management systems, but, positively related to performance for (c) LMC management systems.*

#### *H3(a) In-house*

Value-added strategic intent is strongly associated with business performance exhibiting a significant *t*-value of 3.799 at the 0.01 level. Further, value-added strategic intent has a significantly strong relationship with customer performance exhibiting a *t*-value of 3.250, which is significant at the 0.01 level. Therefore, H3(a) is *refuted* as value-added is found to have a positive relationship with performance.

#### *H3(b) Leisure trust*

No significant relationship is apparent between value-added strategic intent and business performance or customer performance. Thus, H3(b) is *not supported* on the basis that value-added strategic intent is not positively related to performance.

#### *H3(c) LMC*

A positive relationship is demonstrated between value-added strategic intent and business performance, which is significant at the 0.1 level. Further, it can be suggested that value-added strategic intent has a tenuous positive relationship with customer performance on the basis that the *t*-value exhibited by this relationship is the strongest of all independent variables onto customer performance, exhibited by a *t*-value of 1.587. Therefore, H3(c) is *partially supported* on the basis that value-added strategic intent is positively associated with performance.

### 7.3.2.4 Hypothesis 4(a), (b), (c): Low Price Strategic Intent

*H4(a), (b), (c): Low price will be positively related to performance for (a) in-house, and (b) leisure trust management systems, but negatively related to performance for (c) LMC system.*

#### *H4(a) In-house*

Whilst no significant relationship is evident between low price strategic intent and business performance, low price strategic intent is negatively related to the dependent variable of customer performance, a relationship which is significant at the 0.1 level. Thus, H4(a) is *refuted* as low price is not positively related to performance.

#### *H4(b) Leisure trust and (c) LMC*

No significant relationship emerges between low price strategic intent and business performance or customer performance for either leisure trust or LMC management systems. Thus, H4(b) and (c) are *not supported*.

### **7.3.2.5 Hypothesis 5(a), (b), (c): Hybrid Strategic Intent**

***H5(a), (b), (c): Hybrid strategies will be negatively related to performance for (a) in-house and (c) leisure trust management systems, but positively related to performance for (c) LMC management systems.***

#### *H5(a) In-house*

Hybrid strategic intent has a strong positive relationship with business performance exhibiting a significant *t*-value of 3.385, which is significant at the 0.01 level. Further, hybrid strategic intent exhibits strong positive relationship with customer performance, illustrated by a *t*-value of 1.992, which is significant at the 0.05 level. Therefore, H5(a) is *refuted* as value-added strategic intent has been shown to have both a significant and positive relationship with both forms of performance.

#### *H5(b) Leisure trust and (c) LMC*

No significant relationship is found between hybrid strategic intent and business performance or customer performance. Thus, H5(b) and (c) are *not supported* on the basis that value-added strategic intent is not negatively related to performance.

### **7.3.3 Strategic capital and Performance**



The multiple linear regression analysis results for the relationship between strategic capital and performance are presented in Tables 20 and 21, which consider both business performance and customer performance, along with the model significance statistics for each regression model.

#### **7.3.3.1 Strategic capital and Business Performance**

As can be observed from Table 20, the adjusted coefficient of determination statistics reveals that Model 3.iii is the strongest of the three regression models of the relationship between aspects of strategic capital and business performance. Specifically, Model 3.i has an Adjusted  $R^2$  value of 0.303; Model 3.ii displays the lowest value at 0.274; and Model 3.iii exhibits an Adjusted  $R^2$  value of 0.344 respectively.

Whilst the regression equation of Model 3.iii on initial observation seems to have the greatest explanatory power, analysis of the  $F$ -values for each regression model provides further evidence for the explanatory power of the regression models. From Table 20 it is evident that the regression models boast  $F$ -values of high statistical significance at below the 0.01 level, and Model 3.i exhibits the highest  $F$ -value of 17.385. This indicates that Model 3.i has the strongest explanatory power of the three models, suggesting that strategic capital is a strong explanatory of variations in the level of business performance for in-house management systems. Model 3.iii exhibits the lowest  $F$ -value which indicates that this regression model is the weakest of the three presented in Table 20.

**Table 20: Regression Model of the Relationship Between Strategic capital and Business Performance**

Regression Series	Management System	Dependent Variable	Independent Variable	H	Regression Coefficient	Standardised Regression Coefficient	t-value
<i>Model 3</i>			<i>Strategic capital</i>				
Model 3.i	In-house	Business Performance	COMMIT	H6(a)	.149	.167	1.952*
			RES	H7(a)	-.073	-.098	-1.065
			IMP	H8(a)	.353	.461	4.836**
			LEARN	H9(a)	.090	.111	1.456
			<i>Intercept</i>		2.016		5.872**
Model 3.ii	Trust	Business Performance	COMMIT	H6(b)	-.041	-.052	-.407
			RES	H7(b)	.149	.238	1.605
			IMP	H8(b)	.220	.317	1.842 †
			LEARN	H9(b)	.092	.128	1.096
			<i>Intercept</i>		2.928		5.721**
Model 3.iii	LMC	Business Performance	COMMIT	H6(c)	-.081	-.092	-.525
			RES	H7(c)	-.098	-.114	-.787
			IMP	H8(c)	.802	.851	4.280**
			LEARN	H9(c)	-.227	-.206	-1.487
			<i>Intercept</i>		3.187		4.618**
		<b>Model Statistics</b>					
	R <sup>2</sup>	Adjusted R <sup>2</sup>	F-value				
<i>Model 3.i</i>	.321	.303	17.385**				
<i>Model 3.ii</i>	.314	.274	7.998**				
<i>Model 3.iii</i>	.395	.344	7.819**				

\*\*  $p \leq 0.01$ ; \*  $p \leq 0.05$ ; †  $p \leq 0.1$

COMMIT: Strategy Commitment; RES: Strategy Support; IMP: Strategy Implementation Effectiveness; LEARN: Organisation Learning Orientation

**Table 21: Regression Model of the Relationship Between Strategic capital and Customer Performance**

Regression Series	Management System	Dependent Variable	Independent Variable	H	Regression Coefficient	Standardised Regression Coefficient	t-value
<i>Model 4</i>			<i>Strategic capital</i>				
Model 4.i	In-house	Customer Performance	COMMIT	H6(a)	.113	.142	1.597
			RES	H7(a)	-.047	-.070	-.737
			IMP	H8(a)	.273	.397	4.021**
			LEARN	H9(a)	.103	.142	1.786 †
			<i>Intercept</i>		<i>3.254</i>		<i>10.203**</i>
Model 4.ii	Trust	Customer Performance	COMMIT	H6(b)	.000	-.001	-.005
			RES	H7(b)	.103	.176	1.158
			IMP	H8(b)	.211	.325	1.842 †
			LEARN	H9(b)	.071	.106	.884
			<i>Intercept</i>		<i>3.641</i>		<i>7.415**</i>
Model 4.iii	LMC	Customer Performance	COMMIT	H6(c)	-.091	-.105	-.617
			RES	H7(c)	-.123	-.146	-1.044
			IMP	H8(c)	.695	.754	3.907**
			LEARN	H9(c)	.093	.086	.641
			<i>Intercept</i>		<i>2.344</i>		<i>3.575**</i>
<b>Model Statistics</b>							
	R <sup>2</sup>	Adjusted R <sup>2</sup>	F-value				
<i>Model 4.i</i>	.272	.252	13.702**				
<i>Model 4.ii</i>	.278	.236	6.724**				
<i>Model 4.iii</i>	.431	.383	9.083**				

\*\*  $p \leq 0.01$ ; \*  $p \leq 0.05$ ; †  $p \leq 0.1$

COMMIT: Strategy Commitment; RES: Strategy Support; IMP: Strategy Implementation Effectiveness; LEARN: Organisation Learning Orientation

Examination of the regression analysis results illustrates significant findings between the independent variables of strategic capital and the dependent, that is, business performance. Firstly, Model 3.i demonstrates that both overall product-market strategy commitment and overall product-market strategy implementation effectiveness impact positively on business performance for in-house management systems. Implementation effectiveness of the overall product-market strategy is substantially stronger in its relationship with business performance than the former, exhibiting a *t*-value of 4.836 compared to 1.952. Furthermore, implementation is significant at the 0.01 level, whilst commitment is significant at the 0.05 level. It is therefore inferred that implementation effectiveness of the overall product-market strategy in conjunction with commitment to the overall product-market strategy is essential to the business performance of in-house management systems.

Secondly, Model 3.ii again highlights a positive relationship between the implementation effectiveness of the overall product-market strategy and business performance. This interpretation is based on a positive *t*-value of 1.842, which is the largest recorded within the model when compared against other independent variables that compose the strategic capital construct. This suggests that implementation effectiveness has a strong association with business performance for leisure trust management systems, which is supported by the relationship being significant at the 0.1 level. In turn, it is argued on the basis of the regression analysis results that leisure trust management systems can enhance their business performance through the implementation effectiveness of the overall product-market strategy.

Thirdly, the positive impact of overall product-market strategy implementation effectiveness on business performance is once more highlighted when examining the regressions from Model 3.iii. However, the strength of this relationship and the effect of implementation effectiveness are more substantial for LMC management systems than they are for leisure trust management systems, illustrated by a *t*-value of 4.280. Further analysis reveals that under regression analysis this relationship is highly significant at the 0.01 level, thus supporting the strength of the inferred association. Hence, it is proposed

that LMC management systems can increase their business performance through the effective implementation of their overall product-market strategy.

### 7.3.3.2 Strategic capital and Customer Performance

The adjusted coefficient of determination statistics, as used throughout the analysis to determine the explanatory power of the regression equation, clearly reveals that Model 4.iii has the greatest explanatory power of the three regression models of the relationship between strategic capital and customer performance, presented in Table 21. As is observed, Model 4.iii exhibits an Adjusted  $R^2$  figure of 0.383 and this is followed by Models 4.i and 4.ii which exhibit Adjusted  $R^2$  figures of 0.252 and 0.236 respectively.

On initial observation the regression equation of Model 4.iii seems to have the greatest explanatory power. However, analysis of the  $F$ -values for each regression model provides further evidence for the explanatory power of the regression models. As can be seen in Table 21 the regression models boast  $F$ -values of high statistical significance at below the 0.01 level. Model 4.i exhibits the strongest  $F$ -value of 13.702 which suggests that Model 4.i has strong explanatory power, indicating that strategic capital is a strong explanatory of customer performance. Model 4.iii exhibits the second highest  $F$ -value of 6.724, whilst Model 4.ii has the lowest value of 6.724, which indicates that this regression model is the weakest of the three presented.

The multiple linear regression results are now examined for each regression model. The regression results for Model 4.i illustrate significant relations between the independent variables implementation effectiveness of the overall product-market strategy and organisational learning orientation and the dependent, customer performance. Specifically, implementation effectiveness has the strongest positive association with customer performance, exhibiting a  $t$ -value of 4.021, whilst organisational learning displays a considerably smaller  $t$ -value of 1.786. This difference in association is further supported by an examination of relationship significance, whereby the relationship between implementation effectiveness and customer performance is significant at the 0.01 level, organisational learning orientation is significant at the 0.1 level. It is therefore

surmised that implementation effectiveness of the overall product-market strategy is crucial to the customer performance of in-house management systems. However, this must be supported by a learning orientation within the management system, which it is argued is imperative to maintaining customer performance.

Model 4.ii displays similar regression results for leisure trust management systems as it did in Model 3.ii. Specifically, implementation effectiveness of the overall product-market strategy is highlighted as the single significant explanatory independent variable of customer performance. Although the strength of association is not as high as that identified for in-house management systems, exhibiting a *t*-value of 1.842, the relationship is significant at the 0.1 level. It can be subsequently inferred that through focusing on the implementation effectiveness of their overall product-market strategy, leisure trust management systems are able to potentially increase customer performance.

Further, upon examining Model 4.iii the regression results once again identify implementation effectiveness of the overall product-market strategy as positively related with customer performance. However, this association is considerably stronger than the above both in terms of statistical significance and explanatory power, with implementation effectiveness exhibiting a *t*-value of 3.907 which is significant at the 0.01 level. Therefore, it is suggested that LMC management systems that effectively implement their overall product-market strategy will outperform their LMC counterparts who do not, in relation to their customer performance.

#### **7.3.4 Hypotheses H6 – H9: Strategic capital**

##### **7.3.4.1 Hypothesis 6(a), (b), (c): Overall Product-Market Strategy Commitment**

*H6(a), (b), (c): Overall product-market strategy commitment will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.*

*H6(a) In-house*

Table 20 demonstrates that overall product-market strategy commitment is positively associated with business performance, exhibiting a *t*-value of 1.952, which is significant at the 0.05 level. However, there is no significant relationship between overall product-market commitment and customer performance. Nonetheless, this relationship is positive. Hence, H6(a) is *partially supported*.

*H6(b) Leisure trust and (c) LMC*

No significant relationship is found apparent between overall product-market strategy commitment and business performance or customer performance for either leisure trust or LMC management systems. Thus, H6(b) and (c) are *not supported*.

**7.3.4.2 Hypothesis 7(a), (b), (c): Overall Product-Market Strategy Implementation Support**

*H7(a), (b), (c): Overall product-market strategy implementation support will be positively related to performance for (a) in-house, (b) leisure trust and (c) LMC management systems.*

H7(a) In-house, (b) leisure trust, and (c) LMC

No significant relationships are found between overall product-market strategy support and business performance or customer performance for any of the management systems examined. Thus, H7 is *not supported*.

**7.3.4.3 Hypothesis 8(a), (b), (c): Overall Product-Market Strategy Implementation Effectiveness**

*H8(a), (b), (c): Overall product-market strategy implementation effectiveness will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.*

*H8(a) In-house*

Overall product-market strategy implementation effectiveness has a positive association with business performance for in-house management systems, a strong relationship which

is exhibited by a *t*-value of 4.836. Furthermore, implementation effectiveness is significant at the 0.01 level. In addition, implementation effectiveness has the strongest positive association with customer performance, exhibiting a *t*-value of 4.021, which is significant at the 0.01 level. Therefore, H8(a) is *fully supported*.

#### *H8(b) Leisure trust*

Table 20 highlights a positive relationship between the implementation effectiveness of the overall product-market strategy and business performance. This is based on a positive *t*-value of 1.842 and is supported by the relationship being significant at the 0.1 level. Further, implementation effectiveness of the overall product-market strategy is highlighted as the single significant explanatory independent variable of customer performance; exhibited by a *t*-value of 1.842, which is significant at the 0.1 level. Therefore, H8(b) is *fully supported*.

#### *H8(c) LMC*

A positive relationship between overall product-market strategy implementation effectiveness and business performance is highlighted by a *t*-value of 4.280, which is highly significant at the 0.01 level, thus supporting the strength of the inferred association. Further, implementation effectiveness of the overall product-market strategy is positively related with customer performance. This association displays strong statistical significance and explanatory power, with implementation effectiveness exhibiting a *t*-value of 3.907 which is significant at the 0.01 level. Therefore, H8(c) is *fully supported*.

#### **7.3.4.4 Hypothesis 9(a), (b), (c): Organisational learning**

*H9(a), (b), (c): Organisational learning will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.*

#### *H9(a) In-house*

Whilst no significant relationship is evident between organisational learning and business performance, a tenuous positive relationship can be assumed, exhibited by a *t*-value of



1.456. Organisational learning, however, has a stronger positive association with customer performance. This association is illustrated by a *t*-value of 1.786 which is significant at the 0.1 level. On the basis that a positive relationship between organisational learning and performance has been identified, H9(a) is *partially supported*.

*H9(b) Leisure trust and (c) LMC*

No significant relationship is found to be present between organisational learning and business performance or customer performance, for either leisure trust or LMC management systems. Thus, H9(b) and (c) are *not supported*.

### **7.3.5 Market Orientation and Performance**

The multiple linear regression analysis results for the relationship between market orientation and performance are presented in Tables 22 and 23.

**Table 22: Regression Model of the Relationship Between Market Orientation and Business Performance**

Regression Series	Management System	Dependent Variable	Independent Variable	H	Regression Coefficient	Standardised Regression Coefficient	t-value
<i>Model 5</i>		<i>Market Orientation</i>					
Model 5.i	In-house	Business Performance	MOGEN	H10(a)	.067	.081	1.012
			MODISS	H11(a)	.206	.305	3.486**
			MORES	H12(a)	.152	.151	1.783 †
			<i>Intercept</i>		2.252		4.731
Model 5.ii	Trust	Business Performance	MOGEN	H10(b)	-.008	-.013	-.113
			MODISS	H11(b)	.147	.281	2.579**
			MORES	H12(b)	.314	.374	3.498**
			<i>Intercept</i>		2.462		4.260
Model 5.iii	LMC	Business Performance	MOGEN	H10(c)	.268	.319	2.242*
			MODISS	H11(c)	-.152	-.186	-1.413
			MORES	H12(c)	.450	.375	2.895**
			<i>Intercept</i>		1.779		1.879 †
		<b>Model Statistics</b>					
	R <sup>2</sup>	Adjusted R <sup>2</sup>			F-value		
<i>Model 5.i</i>	.191	.175			11.672**		
<i>Model 5.ii</i>	.243	.211			7.594**		
<i>Model 5.iii</i>	.309	.267			7.319**		

\*\*  $p \leq 0.01$ ; \*  $p \leq 0.05$ ; †  $p \leq 0.1$

MOGEN: Intelligence Generation; MODISS: Intelligence Dissemination; MORES: Intelligence Responsiveness

**Table 23: Regression Model of the Relationship Between Market Orientation and Customer Performance**

Regression Series	Management System	Dependent Variable	Independent Variable	H	Regression Coefficient	Standardised Regression Coefficient	t-value
<i>Model 6</i>		<i>Market Orientation</i>					
Model 6.i	In-house	Customer Performance	MOGEN	H10(a)	-.035	-.047	-.604
			MODISS	H11(a)	.102	.167	1.974*
			MORES	H12(a)	.362	.401	4.880**
			<i>Intercept</i>		3.048		7.360**
Model 6.ii	Trust	Customer Performance	MOGEN	H10(b)	.113	.187	1.576
			MODISS	H11(b)	-.018	-.036	-.314
			MORES	H12(b)	.233	.297	2.610**
			<i>Intercept</i>		3.596		6.262**
Model 6.iii	LMC	Customer Performance	MOGEN	H10(c)	.294	.356	2.476*
			MODISS	H11(c)	-.102	-.128	-.958
			MORES	H12(c)	.379	.322	2.457*
			<i>Intercept</i>		1.819		1.936
		<b>Model Statistics</b>					
	R <sup>2</sup>	Adjusted R <sup>2</sup>			F-value		
<i>Model 6.i</i>	.239	.224			15.495**		
<i>Model 6.ii</i>	.145	.109			4.026**		
<i>Model 6.iii</i>	.292	.248			6.724**		

\*\*  $p \leq 0.01$ ; \*  $p \leq 0.05$ ; †  $p \leq 0.1$

MOGEN: Intelligence Generation; MODISS: Intelligence Dissemination; MORES: Intelligence Responsiveness

### 7.3.5.1 Market Orientation and Business Performance

As can be observed from Table 22, the adjusted coefficient of determination statistics reveals that Model 5.iii is the strongest of the three regression models of the relationship between market orientation and business performance. Specifically, Model 5.iii has an Adjusted  $R^2$  value of 0.267 and Model 5.ii has an Adjusted  $R^2$  value of 0.211, whilst Model 5.i displays the lowest value at 0.175. Thus, on the basis of the adjusted coefficient of determination statistics it can be suggested that Model 5.iii exhibits the strongest explanatory power of the three models.

However, analysis of the  $F$ -values provides further evidence for the explanatory power of the regression models. From Table 22 it is evident that the regression models have  $F$ -values of high statistical significance at below the 0.01 level, and Model 5.i exhibits the highest  $F$ -value of 11.672. This indicates that market orientation is a strong explanatory of business performance for in-house management systems. Model 5.ii exhibits the second highest  $F$ -value of 7.594 and Model 5.iii has the lowest value of 6.724. Whilst, the regression equation of Model 5.iii on initial observation seems to have the greatest explanatory power, analysis of the  $F$ -values indicates that this regression model is the weakest of the three presented. Although, the resultant  $F$ -value is still statistically significant at the 0.01 level and hence the regression results for Model 5.iii warrant as much attention and examination as the other models.

The regression analysis results for Model 5.i indicate that market intelligence dissemination has a strong positive impact on business performance for in-house management systems, exhibited by the largest  $t$ -value of the model at 3.486; moreover, this relationship is highly significant at the 0.01 level. In addition, market intelligence responsiveness also exhibits a positive influence on business performance. However, this relationship is substantially weaker than that for intelligence dissemination, displaying a  $t$ -value of 1.783, which is significant at the 0.1 level. Hence, it is suggested on the basis of the regression results that in-house management systems can achieve an increase in business performance through focusing on the dissemination of market intelligence throughout the organisation, with an awareness of the need to respond to that intelligence.

Upon examining the regression results for Model 5.ii, market intelligence dissemination is again presented as having a positive influence on business performance, displaying a *t*-value of 2.579 that is highly significant at the 0.01 level. However, this independent variable does not explain the greatest influence on business performance; but rather, intelligence responsiveness displays the strongest positive impact exhibiting a *t*-value of 3.498. This relationship is again significant at the 0.01 level, which implies that both market intelligence dissemination and a high degree of responsiveness to such intelligence will possibly lead to greater business performance for leisure trust management systems.

Unlike the previous two models, Model 5.iii indicates that market intelligence generation has a strong positive association with business performance, displaying a *t*-value of 2.242, which is significant at the 0.05 level. Further, market intelligence responsiveness also displays a strong positive association with business performance, exhibiting a *t*-value of 2.895 and is highly significant at the 0.01 level. Thus, it can be contended that for LMC management systems intelligence dissemination is not important, arguably because decision-making is performed by top-management in such systems thus intelligence is imperative to such decision-making, which supports the significant and positive impact of intelligence generation on business performance. In addition, on the basis of the results it is evident that generating intelligence is not a sole driver of business performance for LMC management systems, but rather behaviour and actions must be taken in response to that intelligence which has been generated to potentially increase business performance levels.

#### **7.3.5.2 Market Orientation and Customer Performance**

As demonstrated by Table 23, the adjusted coefficient of determination statistics reveals that Model 6.iii is the strongest of the three regression models of the relationship between market orientation and customer performance. Specifically, Model 6.iii has an Adjusted  $R^2$  value of 0.248; Model 6.i displays an Adjusted  $R^2$  value of 0.224; whilst Model 6.ii exhibits the lowest value at 0.109. Thus, upon examining the strength of the regression models, it can be suggested that the independent variables within these models do explain variations in the dependent variable. However, it is clear from the values exhibited that Model 6.iii is the most

adept of the three regression models displayed in Table 23 at explaining changes in the dependent variable.

However, a further analysis of the explanatory power of the regression equations, through an examination of the models  $F$ -values, provides additional evidence for the explanatory power of the regression models. As can be seen in Table 23 the regression models all display  $F$ -values of high statistical significance at below the 0.01 level. Model 6.i exhibits the strongest  $F$ -value at 15.495, followed by Model 6.iii, which displays an  $F$ -value of 6.724 and Model 6.ii with a value of 4.026, the weakest of the three presented.

Examination of the regression analysis results illustrates significant findings between the independent variables of market orientation and the dependent, that is, customer performance. Firstly, Model 6.1 highlights market intelligence responsiveness as having the strongest positive impact on customer performance, exhibiting a  $t$ -value of 4.880. Further, the analysis highlights a second positive relationship between market intelligence dissemination and customer performance. However, the impact of this independent variable onto the dependent is much weaker than for intelligence responsiveness, which is demonstrated by a substantially smaller  $t$ -value of 1.974. The difference in strength of relationship between the two independent variables and the dependent is illustrated when examining the statistical significance of the two. Whereby, the former is significant at the 0.01 level, whilst the latter is significant at the 0.05 level. It can be argued on the basis of these results that in-house management systems should primarily focus their emphasis on responding to market intelligence, with an awareness of the need to disseminate market intelligence throughout the organisation in order to achieve an increase in customer performance.

Secondly, the regression results for Model 6.ii indicate a great similarity with the results presented in Model 5.ii. More specifically, market intelligence responsiveness has the strongest positive impact on customer performance out of all the independent variables examined under the market orientation construct, exhibiting a  $t$ -value of 2.610. This relationship is significant at the 0.01 level and thus, it is proposed that a high degree of responsiveness to market intelligence will lead to greater customer performance for leisure trust management systems.

Thirdly, Model 6.iii replicates the findings uncovered in the examination of the regression results for the relationship between market orientation and business performance (Model 5.iii). In particular, market intelligence generation and market intelligence responsiveness have an almost equal positive impact on customer performance for leisure trust management systems, exhibiting *t*-values of 2.476 and 2.457 respectively. Further, both relationships are significant at the 0.05 level. Hence, as before it can be contended that on the basis of the results it is implied that merely generating intelligence is not enough in LMC management systems, rather behaviour and actions must be taken in response to that intelligence which has been generated in order to increase customer performance.

### **7.3.6 Hypotheses H10 – H12: Market Orientation**

#### **7.3.6.1 Hypothesis 10(a), (b), (c): Market Intelligence Generation**

*H10(a), (b), (c): Market intelligence generation will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.*

##### *H10(a) In-house and (b) Leisure trust*

No significant relationship is found between market intelligence generation and business performance or customer performance for either in-house or leisure trust management systems. Thus, H10(a) and (b) are *not supported*.

##### *H10(c) LMC*

Market intelligence generation is positively associated with both business performance and customer performance, exhibited by *t*-values of 2.242 and 2.476 respectively. Furthermore, both relationships with performance are significant at the 0.05 level. Hence, H10(c) is *fully supported*.

#### **7.3.6.2 Hypothesis 11(a), (b), (c): Market Intelligence Dissemination**

***H11(a), (b), (c): Market intelligence dissemination will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.***

*H11(a) In-house*

Market intelligence dissemination is strongly associated with business performance, exhibited by the largest *t*-value of the model at 3.486; moreover, this relationship is highly significant at the 0.01 level. In addition, a positive relationship is apparent between market intelligence dissemination and customer performance, exhibited by a *t*-value of 1.974, which is significant at the 0.05 level. H11(a) is therefore ***fully supported*** by the regression results.

*H11(b) Leisure trust*

While market intelligence dissemination is presented as having a positive influence on business performance, displaying a *t*-value of 2.579 that is highly significant at the 0.01 level, no such association is present between the dissemination of intelligence and customer performance. However, as market intelligence does have a positive relationship with [business] performance, H11(b) is ***partially supported***.

*H11(c) LMC*

No significant relationship is found between market intelligence dissemination and business performance or customer performance. Thus, H11(c) is ***not supported***.

**7.3.6.3 Hypothesis 12(a), (b), (c): Market Intelligence Responsiveness**

***H12(a), (b), (c): Market intelligence responsiveness will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.***

*H12(a) In-house*

Market intelligence responsiveness exhibits a positive influence on business performance, exhibited by a *t*-value of 1.783, which is significant at the 0.1 level. Further, market intelligence responsiveness has a stronger positive impact on customer performance, exhibiting a *t*-value of 4.880, which is significant at the 0.01 level. On the basis of these results the hypothesised relationship between market



intelligence responsiveness and performance is correct, thus, H12(a) is *fully supported*.

#### *H12(b) Leisure trust*

The regression results indicate that market intelligence responsiveness has strong positive relationship with business performance exhibiting a *t*-value of 3.498. This relationship is significant at the 0.01 level, and is mirrored in the relationship between market intelligence responsiveness and customer performance. Specifically, the strength of the relationship between market intelligence responsiveness and customer performance is illustrated by a *t*-value of 2.610 and is significant at the 0.01 level. Therefore, H12(b) is *fully supported*.

#### *H12(c) LMC*

As can be observed in Table 22 market intelligence responsiveness displays a strong positive association with business performance, exhibiting a *t*-value of 2.895, which is highly significant at the 0.01 level. In addition, market intelligence responsiveness has a positive relationship with customer performance, exhibited by a *t*-value of 2.457, which is significant at the 0.05 level. Thus, H12(c) is *fully supported*.

### **7.3.7 Human Capital and Performance**

The multiple linear regression analysis results for the relationship between human capital and performance are presented in Tables 24 and 25.

#### **7.3.7.1 Human Capital and Business Performance**

The adjusted coefficient of determination statistics, illustrated in Table 24, reveals that Model 7.i is the strongest of the three regression models of the relationship between the independent variables that compose the human capital construct and customer performance. Specifically, Model 7.i has an Adjusted  $R^2$  value of 0.179; Model 7.ii displays the lowest value at 0.036; and Model 7.iii exhibits an Adjusted  $R^2$  value of 0.089. Although the values for each model are not particularly high they are nevertheless considered adequate and acceptable, suggesting that the independent variables within each regression model do explain variations in the dependent variable.

**Table 24: Regression Model of the Relationship Between Human Capital and Business Performance**

Regression Series	Management System	Dependent Variable	Independent Variable	H	Regression Coefficient	Standardised Regression Coefficient	t-value
<i>Model 7</i>			<i>Human Capital</i>				
Model 7.i	In-house	Business Performance	TRAINING	H13(a)	.336	.395	5.093**
			INCENTIVE	H14(a)	-.008	-.015	-.197
			AFFECTIVE	H15(a)	.096	.117	1.535
			<i>Intercept</i>		2.172		4.344**
Model 7.ii	Trust	Business Performance	TRAINING	H13(b)	.155	.232	2.004*
			INCENTIVE	H14(b)	-.043	-.108	-.945
			AFFECTIVE	H15(b)	.027	.039	.334
			<i>Intercept</i>		4.097		6.355**
Model 7.iii	LMC	Business Performance	TRAINING	H13(c)	.145	.185	1.196
			INCENTIVE	H14(c)	-.144	-.254	-1.835 †
			AFFECTIVE	H15(c)	.068	.080	.534
			<i>Intercept</i>		4.580		5.352**
		<b>Model Statistics</b>					
	R <sup>2</sup>	Adjusted R <sup>2</sup>			F-value		
<i>Model 7.i</i>	.195	.179			11.965**		
<i>Model 7.ii</i>	.075	.036			1.916		
<i>Model 7.iii</i>	.142	.089			2.698 †		

\*\*  $p \leq 0.01$ ; \*  $p \leq 0.05$ ; †  $p \leq 0.1$

TRAINING: Employee Training; INCENTIVE: Performance-related Compensation; AFFECTIVE: Affective Commitment

**Table 25: Regression Model of the Relationship Between Human Capital and Customer Performance**

Regression Series	Management System	Dependent Variable	Independent Variable	H	Regression Coefficient	Standardised Regression Coefficient	t-value
<i>Model 8</i>			<i>Human Capital</i>				
Model 8.i	In-house	Customer Performance	TRAINING	H13(a)	.431	.564	8.150**
			INCENTIVE	H14(a)	.011	.023	.336
			AFFECTIVE	H15(a)	.084	.114	1.681 †
			<i>Intercept</i>		2.505		6.258**
Model 8.ii	Trust	Customer Performance	TRAINING	H13(b)	.155	.247	2.133*
			INCENTIVE	H14(b)	-.021	-.057	-.499
			AFFECTIVE	H15(b)	.044	.066	.570
			<i>Intercept</i>		4.481		7.438**
Model 8.iii	LMC	Customer Performance	TRAINING	H13(c)	.291	.379	2.548**
			INCENTIVE	H14(c)	-.067	-.121	-.905
			AFFECTIVE	H15(c)	.048	.057	.400
			<i>Intercept</i>		3.598		4.456**
		<b>Model Statistics</b>					
	R <sup>2</sup>	Adjusted R <sup>2</sup>	<i>F</i> -value				
<i>Model 8.i</i>	.359	.346	27.637**				
<i>Model 8.ii</i>	.076	.037	1.951 †				
<i>Model 8.iii</i>	.204	.156	4.192**				

\*\*  $p \leq 0.01$ ; \*  $p \leq 0.05$ ; †  $p \leq 0.1$

TRAINING: Employee Training; INCENTIVE: Performance-related Compensation; AFFECTIVE: Affective Commitment

Analysis of the *F*-values provides further evidence for the explanatory power of the regression models. Model 7.i demonstrates the strongest *F*-value of 11.965 which suggests that Model 7.i has the strongest explanatory power of the three models, indicating that human capital is a strong explanatory of customer performance. Model 7.iii exhibits the second highest *F*-value of 2.698, whilst Model 7.ii has the lowest value of 1.916, which indicates that this regression model is the weakest of the three presented. Model 7.ii is further compounded by a lack of significance, thus only two significant models are presented: Model 7.i at the 0.01 level and Model 7.iii at the 0.05 level. Although Model 7.ii is insignificant, examination of the regression results is warranted to further explore relationships. Note however that the insignificance of the model is acknowledged, hence, any significant relationships found within this model will be interpreted with a degree of apprehension.

The regression analysis results for Model 7.i indicate that of the three independent variables examined, employee training has a considerably larger positive impact on in-house business performance than incentive compensation of the manager or the affective commitment of the manager. The strength of this relationship is exhibited by a *t*-value of 5.093, further; this relationship is highly significant at the 0.01 level. Hence it is contended that in-house management systems can increase their business performance through employee training.

On an examination of Model 7.ii a similar positive relationship to that above is found between employee training and business performance for leisure trust management systems. Albeit the relationship is not as strong illustrated by a *t*-value of 2.004, the positive relationship between employee training and business performance is significant at the 0.05 level. It can therefore again be implied that leisure trust management systems can increase the business performance of leisure trust management systems through ongoing employee training.

Finally, Model 7.iii displays no significant positive effects between the independent variables of human capital and business performance. Whilst no significant positive relationships can be established, it can be suggested that employee training has a tenuous positive relationship with business performance exhibited by a *t*-value of 1.196. However, performance-related compensation of the manager exhibits a

negative *t*-value of -1.835, which suggests that performance-related compensation has a negative impact on business performance for LMC management systems. Moreover, this relationship is significant at the 0.1 level, supporting the assertion that performance-related compensation of the manager will potentially reduce the business performance of LMC management systems.

### **7.3.7.2 Human Capital and Customer Performance**

The preferred form of the coefficient of determination expressed as Adjusted  $R^2$ , as it can be observed from Table 25, reveals that Model 8.i is the strongest of the three regression models of the relationship between human capital and customer performance. Specifically, Model 8.i has an Adjusted  $R^2$  value of 0.346 whilst Model 8.ii displays the lowest value at 0.037. However the model statistics for Model 8.ii and Model 8.iii are adequate and allow for further examination of the findings.

As can be seen in Table 25, Model 8.i exhibits a strong *F*-value of 27.637 which again indicates that Model 8.i has strong explanatory power, indicating that human capital is a strong explanatory of variations in customer performance observed in in-house management systems. Model 8.ii and Model 8.iii exhibit *F*-values of 1.951 and 4.192 respectively. Moreover, Model 8.ii exhibits the lowest Adjusted  $R^2$  and *F*-value which indicates that this regression model is the weakest of the three presented. Further, whilst Model 8.i and Model 8.iii are significant at the 0.01 level, Model 8.ii is again weaker which is indicated by a significance level of 0.1.

A subsequent examination of the regression results for Model 8.i indicates that employee training and affective commitment of the manager have the strongest positive effect on the dependent variable with both forms of human capital exhibiting *t*-values of 8.150 and 1.681 respectively. Further, the relationship between employee training and customer performance is highly significant, whilst the relationship between the affective commitment of the manager is significant at the 0.1 level. It can therefore be inferred that employee training is essential within in-house management systems to increase customer performance, which will be further assisted by the affective commitment of the manager.

The regression analysis results for Model 8.ii clearly indicate that employee training has the greatest positive relationship with customer performance when compared against the other two independent variables for leisure trust management systems. This is illustrated by employee training exhibiting a significant  $t$ -value of 2.133 at the 0.05 level. Therefore, similarly to the relationship between employee training and business performance, employee training arguably results in greater customer performance. Thus, leisure trust management systems can potentially increase their customer performance through the implementation of employee training activities.

Further, with reference to Model 2.ii, a positive relationship is established between employee training and customer performance for LMC management systems. This relationship is highlighted by a  $t$ -value of 2.548; however, unlike the relationship between employee training and business performance, the relationship between employee training and customer performance is highly significant at the 0.01 level. Hence it is assumed that LMC management systems can increase their customer performance through the ongoing training of employees.

### **7.3.8 Hypotheses H13 – H15: Human Capital**

#### **7.3.8.1 Hypothesis 13(a), (b), (c): Employee Training**

*H13(a), (b), (c): Employee training will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.*

##### *H13(a) In-house*

Employee training is positively related to business performance. The strength of this relationship is exhibited by a  $t$ -value of 5.093, and a high significance at the 0.01 level. Further, the relationship between employee training and customer performance also exhibits a high  $t$ -value of 8.150, which is highly significant at the 0.01 level. Thus, H13(a) is *fully supported*.

##### *H13(b) Leisure trust*

The relationship between employee training and business performance is both strong and significant exhibited by a  $t$ -value of 2.004, which is significant at the 0.5 level.

This relationship is almost identical to that found between employee training and customer performance, exhibited by a *t*-value of 2.133, which is also significant at the 0.05 level. Thus, on the basis of these results, H13(b) is *fully supported*.

#### *H13(c) LMC*

While no significant relationship is evident between employee training and business performance, the *t*-value illustrates that a tenuous positive relationship can be assumed between the two variables. Further, when considering the relationship between employee training and customer performance, a strong and highly significant relationship is uncovered, illustrated by a *t*-value of 2.548, which is significant at the 0.1 level. H13(c) is therefore *partially supported*.

### **7.3.8.2 Hypothesis 14(a), (b), (c): Performance-Related Compensation**

*H14(a), (b), (c): Performance-related compensation schemes will be negatively related to performance for (a) in house, and (b) leisure trust management systems, but positively related to performance for (c) LMC management systems.*

#### *H14(a) In-house and (b) Leisure trust*

No significant relationship is found between performance-related compensation schemes and business performance or customer performance for either in-house or leisure trust management systems. However, tenuous negative relationships are suggested in the findings. However, H14(a) and (b) are *not supported*.

#### *H14(c) LMC*

The relationship between performance-related compensation and business performance is negative, demonstrated by a negative *t*-value of -1.835, which is significant at the 0.1 level. A negative association between performance-related compensation and customer performance is also assumed on the basis of a negative *t*-value, however this is only an assumption as the value is insignificant. Thus, H14(c) is *refuted* on the basis of the regression results.

### **7.3.8.3 Hypothesis 15(a), (b), (c): Affective Commitment**

***H15(a), (b), (c): Affective commitment of the manager will be positively related to performance in (a) in-house, (b) leisure trust, and (c) LMC management systems.***

#### *H15(a) In-house*

While no significant relationship is established between affective commitment of the manager and business performance, a significant positive relationship is uncovered between affective commitment of the manager and customer performance. The strength of this relationship is exhibited by a *t*-value of 1.681, and is supported by the relationship being significant at the 0.1 level. Therefore, because affective commitment of the manager has been seen to be positively related to [customer] performance, H15(a) is *partially supported*.

#### *H15(b) Leisure trust and (c) LMC*

No significant relationship is found between affective commitment of the manager and business performance or customer performance for either leisure trust or LMC management systems. Thus, H15(b) and (c) are *not supported*.

### **7.3.9 Inclusion of Low-income Groups and Performance**

The multiple linear regression analysis results for the relationship between the inclusion of low-income groups and performance are presented in Table 26. The secondary data on social inclusion is limited, as such social inclusion data only applies to a small sample of the public fitness suites targeted by this study. Thus, it is preferable to report the Adjusted  $R^2$  rather than the normal  $R^2$  coefficient here because for smaller sample sizes the Adjusted  $R^2$  should always be reported in preference to  $R^2$ .

#### **7.3.9.1 Inclusion of Low-income Groups and Business performance**

Examination of the regression model significance statistics from Table 26 reveals that the strongest coefficient of determination  $R^2$  and Adjusted  $R^2$ , is exhibited by Model 11.i which has an Adjusted  $R^2$  value of 0.329. The Adjusted  $R^2$  value of each regression model shows Model 11.i to have a substantially greater explanatory power than the other regression models in Table 26. Specifically, Model 11.ii and Model 11.iii exhibit Adjusted  $R^2$  values of -0.036 and 0.163 respectively.



As can be seen in Table 26, Model 11.i exhibits a strong  $F$ -value of 10.660 which again indicates that Model 11.i has strong explanatory power, indicating that the inclusion of low-income groups is a strong explanatory of variations in business performance observed in in-house management systems. This relationship is supported by a high significance level, whereby Model 11.i exhibits a significance level of 0.01. Model 11.ii and Model 11.iii exhibit  $F$ -values of 0.415 and 4.106 respectively. Moreover, Model 11.ii exhibits the lowest Adjusted  $R^2$  and  $F$ -value which indicates that this regression model is the weakest of the three presented, this model is further compounded by a lack of significance.

**Table 26: Regression Model of the Relationship Between Inclusion of Low-income Groups and Performance**

Regression Series	Management System	Dependent Variable	Independent Variable	H	Regression Coefficient	Standardised Regression Coefficient	t-value	
<i>Model 11</i>			<i>INCLUSION</i>					
Model 11.i	In-house	Business Performance	INCLUSION <i>Intercept</i>	H16(a)	.334 4.104	.621	3.265** 24.398**	
Model 11.ii	Trust	Business Performance	INCLUSION <i>Intercept</i>	H16(b)	.087 4.485	.159	.645 11.940**	
Model 11.iii	LMC	Business Performance	INCLUSION <i>Intercept</i>	H16(c)	.265 4.214	.464	2.026 † 10.828**	
Model 12.i	In-house	Customer Performance	INCLUSION <i>Intercept</i>	H16(a)	.439 4.834	.413	1.868 † 12.496**	
Model 12.ii	Trust	Customer Performance	INCLUSION <i>Intercept</i>	H16(b)	.101 5.216	.213	.874 16.163**	
Model 12.iii	LMC	Customer Performance	INCLUSION <i>Intercept</i>	H16(c)	.067 4.409	.114	.445 9.845**	
		<b>Model Statistics</b>					<b>Model Statistics</b>	
		R <sup>2</sup>	Adjusted R <sup>2</sup>	F-value		R <sup>2</sup>	Adjusted R <sup>2</sup>	F-value
<i>Model 11.i</i>		.385	.329	10.660**	<i>Model 12.i</i>	.170	.121	3.489 †
<i>Model 11.ii</i>		.025	-.036	.415	<i>Model 12.ii</i>	.046	-.014	.763
<i>Model 11.iii</i>		.215	.163	4.106 †	<i>Model 12.iii</i>	.013	-.053	.198

\*\*  $p \leq 0.01$ ; \*  $p \leq 0.05$ ; †  $p \leq 0.1$ . INCLUSION: The specific inclusion of low-income groups.

The multiple linear regression results are now examined for each regression model. Firstly, Model 11.i indicates that the inclusion of low-income groups has a strong positive effect on business performance for in-house facilities, exhibiting a t-value of 3.265, which is highly significant at the 0.01 level. This suggests that the inclusion of low-income groups significantly contributes to business performance of in-house management systems. Secondly, the inclusion of low-income groups is found to have no significant effect on business performance for leisure trust management systems, as can be observed in Model 11.ii. Thus, it is suggested that the specific inclusion of low-income groups has a no significant connection with business performance of leisure trust management systems. Thirdly, Model 11.iii reveals a significant relationship between the inclusion of low-income groups and business performance for LMC management systems, exhibiting a t-value of 2.026, which is significant at the 0.1 level. Hence, through the inclusion of low-income groups, LMC management systems can potentially realise a relative increase in business performance

#### **7.3.9.2 Inclusion of Low-income Groups and Customer Performance**

As can be observed from Table 26, the adjusted coefficient of determination statistics reveals that Model 12.i is the strongest of the three regression models of the relationship inclusion of low-income groups and customer performance. Specifically, Model 12.i has an Adjusted  $R^2$  value of 0.121; Model 12.ii displays the lowest value at -0.053; and Model 12.iii exhibits an Adjusted  $R^2$  value of -0.053. It is therefore suggested that the regression equation of Model 12.i on initial observation seems to have the greatest explanatory power.

Analysis of the  $F$ -values for each regression model provides further evidence for the explanatory power of the regression models. Model 12.i exhibits the strongest  $F$ -value of 3.489 which again indicates that Model 12.i has the strongest explanatory power, indicating that inclusion of low-income groups is a strong explanatory of variations in customer performance observed in in-house management systems. This relationship is supported by a significance level of 0.05. Model 12.ii exhibits the second highest  $F$ -value of 0.763, whilst Model 12.iii has the lowest value of 0.198 respectively.

Upon examining the regression results for all three models, only Model 12.i exhibits a significant positive relationship between inclusion of low-income groups and customer performance, displaying a  $t$ -value of 1.868, which is significant at the 0.1 level. This suggests that in-house management systems are likely to increase their customer performance through the specific inclusion of low-income groups. However, Model 12ii and Model 12.iii reveal no significant positive relationships between inclusion of low-income groups and customer performance. This is an interesting finding, particularly in reference to Model 12.ii because an overall strategy of social inclusion was found to benefit customer performance for leisure trust management systems (see Table 19), yet when inclusion is defined as specific low-income groups, it is suggested that no benefits result.

### 7.3.10 Hypothesis H16: Inclusion of Low-Income Groups

#### 7.3.10.1 Hypothesis 16(a), (b), (c): Inclusion of Low-Income Groups

*H16(a), (b), (c): Inclusion of low-income groups will be positively related to performance for (a) in-house and (b) leisure trust management systems, but negatively related to performance for (c) LMC management systems.*

##### *H16(a) In-house*

Inclusion of low-income groups has a strong positive effect on business performance, exhibited by a  $t$ -value of 3.265, which is highly significant at the 0.01 level. Further, a significant positive relationship between inclusion of low-income groups and customer performance is also evident, exhibited by a  $t$ -value of 1.868, which is significant at the 0.1 level. Therefore, H16(a) is *fully supported*.

##### *H16(b) Leisure trust*

No significant relationship is found between the inclusion of low-income groups and business performance or customer performance. Consequently, H16(b) is *not supported*.

##### *H16(c) LMC*

A positive relationship is apparent between the inclusion of low-income groups and business performance, exhibited by a positive  $t$ -value of 2.026, which is significant at

the 0.1 level. However, no significant positive relationship is found between the inclusion of low-income groups and customer performance. Nevertheless, it has been demonstrated that the inclusion of low-income groups is positively related to [business] performance; thus, H16(c) is *refuted*.

#### 7.4 SUMMARY OF HYPOTHESES SUPPORT

Table 27 presents a summary of the support for each research hypothesis tested.

**Table 27: Summary of Hypotheses Support**

Hypothesis H1 – H16	Independent [Dependent] Variable(s)	Support
<b>H1:</b> Low cost strategies will be positively related to performance for (a) in-house and (b) leisure trust management systems, but negatively related to performance for (c) LMC management systems.	<b>Low Cost Strategy</b> [Performance]	(a) Refuted (b) Refuted (c) Partially supported
<b>H2:</b> Inclusion strategies will be positively related to performance for (a) in-house and (b) leisure trust management systems, but negatively related to performance for (c) LMC management systems	<b>Social Inclusion Strategy</b> [Performance]	(a) Not supported (b) Partially supported (c) Not supported
<b>H3:</b> Value-added strategies will be negatively related to performance for (a) in-house and (b) leisure trust management systems, but positively related to performance for (c) LMC management systems.	<b>Value-added Strategy</b> [Performance]	(a) Refuted (b) Not supported (c) Partially supported
<b>H4:</b> Low price strategies will be positively related to performance for (a) in-house and (b) leisure trust management systems, but negatively related to performance for (c) LMC system.	<b>Low Price Strategy</b> [Performance]	(a) Refuted (b) Not supported (c) Not supported
<b>H5:</b> Hybrid strategies will be negatively related to performance for (a) in-house and (b) leisure trust management systems, but positively related to performance for (c) LMC management systems.	<b>Hybrid Strategy</b> [Performance]	(a) Refuted (b) Not supported (c) Not supported
<b>H6:</b> Overall product-market strategy commitment will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.	<b>Strategy Commitment</b> [Performance]	(a) Partially supported (b) Not supported (c) Not supported
<b>H7:</b> Overall product-market strategy implementation support will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.	<b>Implementation Support</b> [Performance]	(a) Not supported (b) Not supported (c) Not supported

*Continued on the next page...*

**Table 27 (continued): Summary of Hypotheses Support**

<b>H8:</b> Overall product-market strategy implementation effectiveness will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.	<b>Implementation Effectiveness</b> [Performance]	(a) Fully supported (b) Fully supported (c) Fully supported
<b>H9:</b> Organisational learning will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.	<b>Organisational Learning</b> [Performance]	(a) Partially supported (b) Not supported (c) Not supported
<b>H10:</b> Market intelligence generation will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.	<b>Intelligence Generation</b> [Performance]	(a) Not supported (b) Not supported (c) Fully supported
<b>H11:</b> Market intelligence dissemination will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.	<b>Intelligence Dissemination</b> [Performance]	(a) Fully supported (b) Partially supported (c) Not supported
<b>H12:</b> Market intelligence responsiveness will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.	<b>Intelligence Responsiveness</b> [Performance]	(a) Fully supported (b) Fully supported (c) Fully supported
<b>H13:</b> Employee training will be positively related to performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.	<b>Employee Training</b> [Performance]	(a) Fully supported (b) Fully supported (c) Partially supported
<b>H14:</b> Performance-related compensation schemes will be negatively related to performance for (a) in house, and (b) leisure trust management systems, but positively related to performance for (c) LMC management systems.	<b>Performance-Related Compensation</b> [Performance]	(a) Not supported (b) Not supported (c) Refuted
<b>H15:</b> Affective Commitment will be positively related to performance for (a) in house, (b) leisure trust, and (c) LMC management systems.	<b>Affective Commitment</b> [Performance]	(a) Partially supported (b) Not supported (c) Not supported
<b>H16:</b> Inclusion of low-income groups will be positively related to performance for (a) in-house and (b) leisure trust management systems, but negatively related to performance for (c) LMC management systems.	<b>Inclusion of Low-Income Groups</b> [Performance]	(a) Fully supported (b) Not supported (c) Refuted

## 7.5 CONCLUDING COMMENTS

The purpose of this chapter was to examine, assess and test the hypothesised relationships contained within the conceptual model. After subsequent hypothesis testing through an examination of the regression results for each hypothesis, judgements were made as to the level of support found for each hypothesis along criteria for determining hypothesis support. Support was found for a number of

hypothesis contained within the model, suggesting that the revised model reflects accurate implications of the strategies pursued and strategic actions undertaken, by management systems, on overall performance.

## ***Chapter 8: Discussion***



## CHAPTER 8: DISCUSSION

### **8.1 INTRODUCTION**

The purpose of Chapter 7 was to examine and test the hypothesised relationships contained within the conceptual framework in order to ascertain the existence of relationships between strategic intent, strategic capital, market orientation, human capital, and management system performance outcomes. This was accomplished in two ways: firstly, differences between groups of interest were examined in relation to the study variables through multivariate analysis of variance; secondly, to further test the research hypotheses, a more robust multivariate analysis method was utilised to establish the relative importance of independent variables to the specified dependent variable. Namely, multiple linear regression analysis provided an objective assessment of the relationship between the independent variables of interest and management system performance.

This chapter presents a discussion based on the interpretation of the multivariate analysis of variance and multiple regression analysis results, which were presented in the preceding chapter, for each of the hypotheses examined. This process shall then be repeated for each hypothesis.

### **8.2 STRATEGIC INTENT AND PERFORMANCE**

#### **8.2.1 Hypothesis 1: Low Cost Strategies**

H1 suggested low cost intended strategies would be positively related to overall performance for (a) in-house and (b) leisure trust management systems, but negatively related to overall performance for (c) LMC management systems. However, both H1(a) and H1(b) were refuted. Partial support, on the other hand, was found for H1(c). In light of these results, several interesting points arise and a discussion of these now take place.

With reference to Table 18, a significant negative relationship was demonstrated between low cost strategic intent and business performance in both Models 1.i and 1.ii.

Further, as observed in Table 19, no significant relationships are uncovered between low cost strategic intent and customer performance in Model 2.i or Model 2.ii. It is therefore proposed that, on balance, low cost strategic intent has negative implications for the business performance of both in-house and leisure trust management systems. In addition, no customer performance benefits are assumed to be associated with this strategic intent.

Intriguingly, when considering the results of the Scheffé test, the in-house group is identified as the more likely of the above two groups to adopt a low cost strategy. Specifically, the Scheffé test presents a significant difference between the in-house group and the leisure trust group, whereby leisure trusts are substantially less likely to implement a low cost strategy when compared with the in-house group.

It can be assumed that the majority of in-house managed facilities may follow a low cost strategy due to the resource constraints imposed on such management systems as a result of limited organisational resources. For example, within in-house management systems the local authority takes full responsibility for income, expenditure, pricing and programming, and is accountable for all risk involved. In addition, long-term strategic financial planning is often weak in sports and recreation facilities that are managed in-house by the local authority (Audit Commission, 2006). In this instance, leisure service investment often depends on annual budget planning cycles with leisure departments needing to bid against other council departments, often with higher political power, impeding long-term planning. Hence, cuts in local government finance lead to financial pressure on leisure services (Simmons, 2004). Increased priority is subsequently given to generating additional revenue, which can be achieved through the adoption of low cost strategies. Thus, a large proportion of in-house managed facilities may adopt such a strategic intent. However, it has been demonstrated that this is to the detriment of the business performance of such facilities.

It would appear then that whilst in-house managed fitness suites and trusts tend to employ low cost strategies, such strategies are not optimal solutions for the long-term health of these companies. Rather than, we can conclude that such fitness suites should actually seek to move away from this default behaviour and adopt other

strategies that may better enable them to perform (this strategic decision however is likely to be counterbalanced by the concerns of social inclusion imposed by government). These findings are significant when considering the future strategic options available to in-house managed facilities. Particularly as it has been demonstrated that in-house managed facilities are the most likely of the three management systems identified to favour a low cost strategic position.

Model 1.iii again demonstrates that low cost strategic intent has a significant negative relationship with business performance, and a negative relationship with customer performance. However, this relationship was hypothesised and it follows that such a strategic intent runs in conflict to the value-added strategies required for the continued business survival of LMC management systems (see discussion of H3).

It can therefore be assumed that low cost strategic intent has significant negative business performance implications for all three identified management options. This assertion is supported by Kim *et al.* (2004) in their analysis of Porter's generic strategies and *e*-business performance. They found that firms using a cost leadership strategy (represented as low cost strategic intent here) were, without exception, the worst performers of the three generic strategy groups.

However, to generalise that low cost strategies alone are negatively related to the business performance of public fitness suites would ignore other factors that may influence this strategy—performance relationship. For example, Kumar and Subramanian (1998), in grouping the strategies followed by hospitals from the health care industry into Porter's generic strategies, found a number of important differences between high and low performers in the cost leadership strategy group. Their findings show that high performing cost leaders are differentiated from low performers in terms of their emphasis on developing effective personnel policies, minimising employee turnover, employee education, increasing overall revenue, improving return on capital, improving profit margin, and controlling operational expenses (Kumar and Subramanian, 1998). Therefore, a number of additional factors may explain the reported negative association between low cost strategic intent and business performance.

## 8.2.2 Hypothesis 2: Social Inclusion

H2 proposed that inclusion strategies would be positively related to overall performance for (a) in-house and (b) leisure trust management systems, but negatively related to overall performance for (c) LMC management systems. The regression analysis results presented in Table 18 do not support H2(a). Whilst partial support is found for H2(b), H2(c) is not supported by the findings. These findings raise a number of interesting points, which are now discussed.

Firstly, with reference to the regression results presented in Table 18, it can be observed that no significant relationship exists between social inclusion and business performance for any of the three Models. Put simply, a strategy of social inclusion is not profitable, which clearly evokes a number of significant public policy implications. However, a significant positive relationship is uncovered between social inclusion and customer performance in Model 2.ii. It is suggested that leisure trust management systems are the only group which can realise customer performance benefits through the adoption of such strategic intent. This follows because leisure trusts, of the three management systems available to local authorities, are claimed to offer greater opportunities for community benefit, providing local authorities with an opportunity to achieve welfare objectives (Simmons, 2004). Thus, it is proposed that by creating equality of opportunity through affordable and accessible facilities (Reid, 2003), leisure trust management systems realise increased customer performance.

Secondly, with reference to the multiple analysis of variance results presented in Table 11, the LMC group is shown to place the least strategic emphasis on social inclusion of the three groups, gauged by the mean values presented. Although the Scheffé test did not uncover any significant differences among the three groups. Subsequently, it cannot be suggested that one group is significantly more likely to adopt a social inclusion strategy over any of the other three groups. This finding is of interest particularly when considering the rationale for leisure trusts. The ethos of recreational welfare and social inclusion forms the basis for the charitable status of the majority of leisure trusts, granted on grounds of "community benefit". However, it could be argued that, in practice, both in-house and LMC managed facilities place the same strategic emphasis on social inclusion as leisure trust management systems,

despite the charitable status and fiscal subsidies granted to leisure trusts specifically for social inclusion purposes. As such, government policy could seek to direct trusts to adopt social inclusion strategies which, on the basis of the Scheffé tests results, they do not currently do enough to justify the financial perks of trust status.

Only leisure trust management systems appear to benefit in terms of customer performance from the adoption of a social inclusion strategy. However, there appears to be no significant difference between the three groups when considering the level of strategic emphasis placed on social inclusion. Thus, on the basis of the findings presented it can not be suggested that one management system is more socially oriented than another.

### **8.2.3 Hypothesis 3: Value-added Strategies**

H3 proposed value-added strategies would be negatively related to overall performance for (a) in-house and (b) leisure trust management systems, but positively related to overall performance for (c) LMC management systems. However, with reference to Model 1.i and Model 1.ii H3(a) was refuted and H3(b) was not supported. Partial support, on the other hand, was found for H3(c).

It was hypothesised that value-added strategies would have a negative association with the overall performance of in-house facilities. However, with reference to Tables 18 and 19, and Model 1.i and Model 2.i it is shown that value-added strategies in fact have a strong significant relationship with both forms of performance, for in-house facilities. The above hypothesis was based on the notion that value-added strategies seek to provide services or products that offer benefits that are different from those of competitors and that are widely valued by buyers (Johnson *et al.*, 2008). The aim here is to achieve competitive advantage by offering products or services at the same price or enhancing margins by pricing slightly higher. Thus, it can be assumed in adding value, increased costs are initially incurred. Therefore, due to budgetary constraints it was hypothesised that such strategies would be to the detriment of overall in-house management system performance.

Yet, on the basis of the results presented any costs assumed to be incurred as a result of adopting such a strategy are met and surpassed as reflected in the business and customer performance of such facilities. It can therefore be assumed that there seem to be both business and customer performance benefits potentially attributable to the adoption of value-added strategies, for in-house management systems. This is supported by findings presented by Prajogo (2007), which indicate that higher service quality is predicted by a differentiation strategy. Since service quality is a facet of customer performance in this current study, the findings presented above are consistent with those of Prajogo (2007). However, despite the findings, in-house management systems are identified by the multivariate analysis of variance results (presented in Table 11) as the least likely group to pursue such strategies, on the basis of the means presented. Clearly then, in-house management systems must rethink their current strategic capitals especially when the results for low cost strategies are examined. In-house management systems tend to follow lower cost strategies yet these have been demonstrated to be detrimental (see discussion of H1). Similarly, value-adding strategies are less followed but impart performance benefits over time.

Overall leisure trust management system performance, on the other hand, does not have a significant relationship with value-added strategies. Therefore, it is suggested that added value is not a driver or a hindrance of either business or customer performance for such management systems. Some support of this finding is offered in the strategy literature. Powers and Hahn (2004) for example, suggest that it is difficult to convince customers to pay a sufficiently higher price for differentiated services so that the additional costs of pursuing a value-added strategy can be recovered and a superior return realised.

It was hypothesised that value-added strategies would be positively associated with the overall performance of LMC management systems. The constituent hypothesis H3(c) was proposed on the assumption that LMC management systems offer an alternative to government budgetary constraints and are perceived to be the greatest means of improving the quality and delivery of public services by providing funding that local authorities themselves cannot (Robinson, 2004). Subsequently, LMC management systems offer capital investment to refurbish and replace old facilities (Intel, 2006), increasing the value of such facilities. While partial support is found

for the constituent hypothesis H3(c), in that value-added strategies do have business performance benefits, the relationship is not as strong as that found between value-added strategies and both business performance and customer performance for in-house management systems. Still, business performance benefits can then accrue for LMCs if pursuing a value-added strategy and accordingly, it would appear a suitable strategic option for LMCs to pursue.

In-house managed facilities, then, appear to realise the greatest overall performance benefits from the adoption of value-added strategies. This is an important finding particularly when considered in relation to H1. With reference to the multiple analysis of variance results, presented in Table 11, the in-house group is shown to place the greatest strategic emphasis on low cost of the three groups, and the least emphasis on value-added, as gauged by the mean values presented. However, on the basis of the findings presented above, it is suggested that substantial overall performance benefits may in fact be realised through the adoption of value-added strategies, for in-house managed facilities. This suggestion is supported in that low cost strategies were shown to be significantly negatively related to the business performance of in-house management systems during the discussion of tests on H1(a). Further, these findings in combination provide an indication of the future strategic options available to in-house managed facilities for their future survival.

#### **8.2.4 Hypothesis 4: Low Price Strategies**

H4 suggested that low price strategies will be positively related to overall performance for (a) in-house and (b) leisure trust management systems, but negatively related to overall performance for (c) LMC management systems. As observed in Table 18, the findings from Model 1.i refute the constituent hypothesis H4(a), while no support is found for either of the constituent hypothesis H4(b) or H4(c). In light of this, a number of points are raised and discussed.

The low price-based strategy is defined as reducing price while maintaining the quality of the product or service. A key rationale for the provision of public sport and leisure services is based on the argument that local authorities should provide sport and leisure services for those who cannot afford the opportunities offered by the

private sector. Thus, a central motivation for state provision is to ensure access for all citizens to sport and leisure opportunities, to be achieved through price subsidies (Robinson, 2004). However, the regression results presented in Tables 18 and 19 indicate that a lower entry price to competitors is not significantly positively related to overall performance for any of the management systems. Low price strategy is actually negatively related to business performance and significantly negatively related to customer performance for in-house management systems. This suggests that implementing a low price strategy does not increase facility usage enough to realise business performance benefits or attract targeted socio-economic groups and is in fact detrimental to customer performance outcomes, indicated by a significant negative relationship with customer performance. This may well indicate a level of price inelasticity from customers. Low prices harm performance and would appear to not attract the necessary number of users for such a strategy to become profitable. It is apparent then that customers are likely to look beyond simply price as a determining factor for public fitness suite usage, which is perhaps indicative of a value-orientation by customers.

Leisure trust and LMC management system overall performance does not appear to be influenced by the adoption of low price strategy. Therefore, it is suggested that low price strategy is not a driver or a hindrance of either business performance or customer performance for such management systems.

Although public fitness suites may be provided for all citizens, this does not necessarily imply that all sections of the community will want to use them. As Coalter (2000) documents, to assume so is to imply an unexamined social consensus in which the absence of a particular group from public sector leisure services as then indicating "exclusion". Coalter (2000), for example, cites the work of Collins and Kennett (1998) who present public access schemes as evidence of attempts to combat social exclusion, yet, as Coalter (2000) stresses the take up of such schemes is minimal.

This appears to be the case for public fitness suites. It can be assumed that a low price strategy increases the access to fitness facilities for those socio-economic groups that would not otherwise be able to participate. However, on the basis of the findings



it appears that reducing the entry price to public fitness suites does not result in increased participation, which is signified by a significant negative relationship with business performance for in-house management systems, and no relationship with the overall performance of leisure trust or LMC management systems. Further, with particular reference to in-house managed facilities, implementing a low price strategy significantly reduces customer performance. This is arguably because low price strategies may be associated, by the customer, with perceived low quality. This assumption is supported in that value-added strategies are seen to have a significant positive relationship with overall performance for in-house managed facilities; suggesting that price is not a barrier to usage.

It can be argued that although low price strategies are deemed appropriate to increase the accessibility of public fitness suites, such strategies in fact have significant negative implications for the overall performance of in-house management systems. Furthermore, such strategies have no significant influence on the overall performance of leisure trust or LMC management systems. It is therefore suggested that low price strategies are strategically and socially ineffective when implemented in the management of public fitness suites, since they are not associated with increased participation or customer satisfaction.

### **8.2.5 Hypothesis 5: Hybrid Strategies**

H5 proposed hybrid strategies would be negatively related to overall performance for (a) in-house and (b) leisure trust management systems, but positively related to overall performance for (c) LMC management systems. The constituent hypothesis H5(a) is refuted on the basis of the results presented in Table 18. Further, no support was found in the results of the hypothesis testing procedures for the last two aspects of Hypothesis 5, specifically the relationship between hybrid strategies and the overall performance of leisure trust, H5(b), and LMC management systems, H5(c). A discussion of the results is now presented.

Resource commitment is a necessity in achieving service differentiation through the generation of market intelligence required to understand and deliver against customer needs. It is recognised that LMC management systems offer greater capital

investment than both in-house and leisure trust facility management systems, which can not match such investment due to budgetary constraints imposed by local government and restrictions on profit generation. Committing already overstretched resources to differentiating the product or service offering of the organisation, whilst simultaneously maintaining a tight control on costs for a lower cost-base relative to competitors, would result in initial incurred costs that may be assumed to be great for in-house and leisure trust management systems to implement.

However, with reference to Tables 18 and 19, and Models 1.i and 2.ii, it is evident that hybrid strategies are significantly positively related to both the business and customer performance of in-house management systems. Thus, on the basis of the results presented any costs assumed to be incurred as a result of adopting such a strategy are insignificant when compared with the business performance and customer performance benefits attributable to this strategic intent. It can therefore be assumed that there are overall performance benefits attributable to the adoption of hybrid strategies, for in-house management systems. These results again indicate the need for in-house management systems to rethink current strategy policy and move away from low cost strategies, which impart negative performance implications and move towards value-adding or hybrid style strategies. Indeed, moving toward a hybrid strategy would probably be the most strategically sensible move as the current low cost base could be used as a means to overcome the potential cost hurdles of creating value and differentiating that is implied by the hybrid strategy.

This finding supports a number of articles that have challenged Porter's generic strategies, questioning his claims about the exclusivity of generic strategies (Powers and Hahn, 2004). For example, Hill (1988) argued that sustainable competitive advantage rests on the successful combination of low cost and value-added strategies, in so doing Hill (1988) subsequently challenged Porter's claim about the exclusivity of cost leadership and differentiation / value-added. Arguably, the development of any successful business strategy must reflect the larger competitive environment. Murray (1988) asserts that since industry environments do not specifically prescribe the need for cost leadership or differentiation, there is no reason to conclude that only one strategy should be employed. This assertion is supported by a later study by Wright *et al.* (1990), which found that multiple strategies are required to respond

effectively to any business environment. Furthermore, in a recent study by Kim *et al.* (2004) the exclusivity of Porter's generic strategies is again challenged as firms employing a hybrid strategy were identified as the best performers.

Leisure trust and LMC management system overall performance does not appear to be influenced by the adoption of hybrid strategies. Therefore, it is suggested that hybrid strategies do not have performance disadvantages or advantages for such management systems. Hence, no support was offered by the findings for the constituent hypotheses H5(b) and H5(c). This supports the research of Miller and Dess (1993), who could not confirm the proposition that a hybrid strategy would be associated with lower performance.

In-house managed facilities appear to realise the greatest overall performance benefits from the adoption of hybrid strategies. This is an important finding particularly when considered in relation to the discussion of the tests on the constituent hypothesis H1(a) and hypothesis H3(a). Specifically, it was demonstrated by the multivariate analysis of variance results (presented in Table 11) that in-house managed facilities are most likely to employ a low cost strategy and least likely to implement a strategy of value-added, to the detriment of the business performance of in-house managed facilities. On the basis of the findings presented above, it is suggested that substantial overall performance benefits may be realised by in-house management systems through a combination of the favoured low cost strategic intent and value-added strategies, found to be effective in their own right. That is, in-house managed facilities can increase their overall performance by adapting their low cost position to a more hybrid strategy, which incorporates aspects of value-added strategic intent. This suggestion is supported by the findings in that low cost strategies were shown to be significantly negatively related to the business performance of in-house management systems during the discussion of H1(a) testing results. While, both value-added and hybrid strategies are shown to have a strong significant and positive relationship with the overall performance of in-house managed facilities.

#### **8.2.6 Summary of Discussion on Strategic Intent and Performance (H1 to H5)**

Firstly, it can be suggested from an examination of the regression results (presented in Table 18) that value-added and hybrid strategies have business performance benefits for in-house managed facilities. Further, value-added is also positively related to the business performance of LMC management systems; however, this relationship is significantly weaker than for in-house systems. In addition, it appears that all management systems incur negative business performance outcomes when implementing a low cost strategic intent.

Secondly, through the interpretation of the regression results for the relationship between strategic intent and customer performance (Table 19), it is demonstrated that value-added and hybrid strategies have a positive relationship with customer performance, for in-house management systems. Further, in-house management systems which employ a low price strategy may realise potentially lower levels of customer performance than their in-house counterparts who do not follow such a strategy. It is also noted that this finding is consistent with the regression results for the relationship between low cost strategic intent and business performance. It can therefore be suggested that customers perceive low price to mean low quality, thus, it can be argued that price is not a main driver of customer performance as customers may desire value and hence are willing to pay more.

Furthermore, recent research conducted by Thornhill and White (2007) suggests that the pursuit of a pure strategy is always equal or preferable to hybrid strategic positioning. However, this is not consistent with the findings presented by the current study, which indicate that hybrid strategies have a greater positive association with overall performance than “pure” strategies such as cost leadership and low-price. Thereby, the “stuck in the middle” hypothesis presented by Porter (1985) is refuted, on the basis of the findings presented.

Leisure trust management systems can potentially achieve higher levels of customer performance through following a strategy of overall social inclusion. By increasing the opportunity to access fitness facilities for all citizens, it is argued that customer satisfaction increases as it enables those individuals who may not have had such an opportunity, to use such facilities. In addition, the regression results for LMC management systems indicate that there is no one dominant strategy for increasing

customer performance. Hence, in the case of LMC management systems it can be proposed that strategic intent is not the main driver of customer performance, but rather, it is the strategic actions taken by the manager that substantially contribute to customer performance. Thus, managerial actions are arguably the main driver of customer performance in the case of LMC management systems.

### **8.3 STRATEGIC CAPITAL AND PERFORMANCE**

#### **8.3.1 Hypothesis 6: Commitment to Product-Market Strategy**

H6 posited that overall product-market strategy commitment will be positively related to overall performance for (a) in-house, (b) leisure trust, and (c) LMC management systems. Partial support was found for the constituent hypothesis H6(a), for the relationship between overall product-market strategy commitment and performance. However, no support was found for the last two variants of Hypothesis 6, namely, the constituent hypotheses H6(b) and H6(c).

Product-market strategy is concerned with deploying organisational resources to accomplish product-market goals (Day, 1999); this refers to desirable goals that the organisation seeks to achieve. With reference to Table 20 and Model 3.i, the most comprehensive finding from the tests on H6 is that partial support was found for H6(a), partially supporting the assertion that developing commitment to product-market strategy is associated with superior performance (Wooldridge and Floyd, 1990). More specifically, it is suggested from the results of the hypothesis testing that overall product-market strategy commitment, on behalf of the manager, is significantly positively related to business performance for in-house managed facilities. However, customer performance does not appear to be influenced by the level of overall product-market strategy commitment for in-house facilities.

Despite the suggested business performance benefits realised by in-house managed facilities via manager commitment to the overall product-market strategy, the multivariate analysis of variance results (presented in Table 11) indicate that the in-house group demonstrates the lowest level of commitment to the overall product-market strategy of the three groups examined, based on the means presented. Further,

this is partially supported by the findings of the Scheffé test, which suggests that the in-house group is significantly less committed to the overall product-market strategy than the leisure trust group. This is an interesting finding as it suggests that in-house managed suites could benefit from simply being more strategically aware: either by changing strategic intent, or in this case, by seeking to build its strategic capital base through fostering strategy commitment by managers.

When considering the implications of overall product-market strategy commitment on overall performance for leisure trust and LMC management systems, no support is found. Subsequently, the constituent hypotheses H6(b) and H6(c) are not supported. It is acknowledged that not all resources or forms of capital are strategic as these must be significantly heterogeneous and imperfectly mobile between organisations and contribute to developing something of value to customers. In the case of leisure trust and LMC management systems it can be argued that overall product-market strategy commitment does not satisfy the above strategic capital criteria outlined by Hughes and Morgan (2007), that is, resources within the organisation that contribute to its market value. Since overall product-market strategy commitment is not positively related to overall performance for either of the management systems.

In conclusion, in-house management systems appear to benefit from the overall product-market strategy commitment of the manager, while, the overall performance of leisure trust and LMC management systems does not. Although, the in-house group is suggested to realise the greatest business performance benefits, the group is identified as the least committed to the overall product-market strategy. This is similar to earlier findings, where the in-house management system appears not to capitalise on those strategic actions that have actual business performance benefits for in-house managed facilities.

### **8.3.2 Hypothesis 7: Implementation Support for Product-Market Strategies**

H7 proposed overall product-market strategy implementation support will be positively related to overall performance for (a) in-house, (b) leisure trust, and (c) LMC management systems. However, no support is found for H7. This finding runs counter to extant strategy literature, which suggests that resource support is

imperative to the success of strategy implementation. For example, Menon *et al.* (1999) suggest that without exception, resource commitment is a central element of the planning process for strategy success.

Overall product-market strategy implementation support is considered strategic as it meets R-A theory prescriptions of heterogeneity, immobility, and value (Hunt and Morgan, 1995). Hughes and Morgan (2007) suggest that insufficient implementation support may constrain the ability of the firm to both implement the strategy successfully and compete along the chosen product-market strategy. Thus, it may be expected that firms that are better at achieving product-market goals would be endowed with relatively greater levels of implementation support whilst:

*“Poorer performing firms (those which do not achieve product-market goals and cannot adhere and realise their strategy) would exhibit significant differences in this dimension”* (Hughes and Morgan, 2007: 508).

However, as can be observed in Tables 20 and 21, there is no indication that overall product-market strategy implementation support has a significant positive association with overall performance or that unequal levels of resources and strategic capital result in significant differences in this dimension in relation to overall performance.

The latter assertion is supported when considering the results of the multivariate analysis of variance. With reference to Table 12, the in-house management system group is considered to have the lowest allocation of necessary resources for implementation to occur, on the basis of the mean values presented. This finding is sustained by the Scheffé test results, which presents two significant differences among the three groups. Whereby, the in-house groups is significantly weaker on this dimension than the other two management systems. Despite a lack of resources for implementation support, overall performance does not appear to be significantly weaker than that achieved by the other two management systems that are assumed to have greater resources at their disposal. This suggests that overall product-market strategy implementation support does not have a direct relationship with management system overall performance. In-house managed fitness suites tend to emphasis social

inclusion, low cost or low price in their strategies (Table 11) and the latter two strategies in particular may well require less implementation support (as the notion behind them is to release resources by lowering the cost base) which could contribute to explaining the non-significance of H7.

Beyond this, the finding that in-house managed facilities have relatively lower levels of implementation support of the three management system groups has a number of implications for the future strategic options available to in-house managed facilities. It was identified earlier in the chapter that said facilities may realise overall performance benefits through the adoption of value-added and / or hybrid strategies, yet the implementation of these strategies will require implementation support. Due to a lack of resources, an inability to implement product-market strategy will constrain the successful realisation of the aforementioned strategies, as suggested by Hughes and Morgan (2007). This is again borne out in Table 11 which clearly shows that in-house managed systems do not tend to emphasise these in their strategies.

The finding of a non-significant relationship for leisure trusts provides some support for research conducted by the Audit Commission (2006), outlined in Chapter 1; Section 1.4, who found that the re-investment of significant levels of savings in leisure provision, attributable to leisure trust charitable status, is infrequent. Moreover, where taxation savings are re-invested they have supported maintenance budgets rather than assisting in support of provision and thus the strategies employed by such facilities. Moreover, Davis and Taylor (1997) argue that once established, leisure trusts are well placed to take advantage of additional sources of funding, joint developments and business expansion. Significantly, however, the Audit Commission (2006) acknowledge that leisure trusts have not yet been successful in procuring substantial external funding sources, which again suggests that the limited resources afforded to leisure trusts are being invested into the maintenance of facilities as opposed to overall product-market strategy implementation support.

The findings are intriguing when considering that resources are likely to be very important to LMCs in support of the implementation of their strategies, as for any other private company pursuing higher value strategies, the non-significant findings presented for this group suggest that resources do not have a direct relationship with



overall performance. Although no direct relationship has been established, it is evident in Table 12 that resources are important to this group since LMC facilities are the most likely group to pursue value enhancing strategies which have been found to have a significant positive relationship with LMC business performance. Empirical evidence presented in Chapter 1; Section 1.4 implies that LMCs invest more capital into local authority facilities, in an attempt to attract higher income groups. It can therefore be argued that indirectly, the investment made into facilities enhances the fitness experience attracting the target market, which subsequently results in increased business performance. Though a significant relationship wasn't found between implementation support and overall performance, the importance of resources to the strategic orientation of LMCs cannot be ignored.

### **8.3.3 Hypothesis 8: Product-Market Strategy Implementation Effectiveness**

H8 suggested overall product-market strategy implementation effectiveness would be positively related to overall performance for (a) in-house, (b) leisure trust, and (c) LMC management systems. Full support is found for H8, which is congruent with the extant strategy literature.

Overall product-market strategy implementation is described as an organisational resource and element of strategic capital under R-A theory (Hughes and Morgan, 2007; Hunt, 2000). Effective implementation is a key component of achieving strategy effectiveness through achieving product market goals, and is associated with greater business performance (Noble and Mokwa, 1999). This is supported by the findings, which found a positive significant relationship between effective implementation and business performance for all three management systems targeted. Further, a positive significant relationship is also found for all with customer performance.

Beyond the above findings, the Scheffé test results present two significant differences among the three groups, in which the in-house group is found to be significantly different to both the leisure trust and LMC groups. On the basis of these results it can be challenged that both the leisure trust and LMC groups are significantly more effective in the implementation of their overall product-market strategy than the in-

house group. A possible explanation for the significant differences identified in the Scheffé test results is provided by the preceding results for the level of overall product-market strategy implementation support available to each of the three management systems. Specifically, in-house managed facilities were identified as having the lowest allocation of necessary resources for implementation to occur. This offers a possible explanation as to why leisure trust and LMC management systems realise greater implementation effectiveness when compared against in-house management systems.

### **8.3.4 Hypothesis 9: Organisational Learning**

H9 speculated that organisational learning may be positively related to overall performance for (a) in-house, (b) leisure trust, and (c) LMC management systems. Although partial support was found for the constituent hypothesis H9(a), no support is found for the constituent hypotheses H9(b) or H9(c).

An integral component of R-A theory is the ability of organisations to employ knowledge-based resources to learn in order to develop an offer of superior value (Hunt, 2000). Hughes and Morgan (2007) note that firms, by learning through competing in the marketplace, can become aware of their relative resource and market place positions which prompt them to learn more about competitors' offerings and sources of advantage. Therefore, learning processes are playing a prominent role in contemporary theories of competitive advantage (Baker and Sinkula, 1999). Thus, the ability to apply capabilities in the form of inimitable knowledge resources is vital to achieve advantage (Grant, 1996), and research supports the suggestion that learning leads to competitive advantage and superior performance (Baker and Sinkula, 1999).

Partial support is found for the above suggestions, indicated by a positive relationship between learning orientation and performance. Specifically, learning orientation is shown in Table 21 to have a significant positive relationship with customer performance for in-house managed facilities. However, in the case of leisure trust and LMC management systems, learning orientation does not appear to influence their performance. There are two possible explanations for this. Firstly, leisure trusts are managed by a board of trustees comprised of local community stakeholders. A

critique of this form of management is directed at their lack of experience and reliance on an un-tested management board, which can sometimes lack the commercial expertise found in the other two management systems. Arguably, a result of which is an unawareness of a learning orientation amongst management, and the need for such an orientation to be passed through staff development. Hence, no competitive advantage is achieved since leisure trusts may not promote learning processes due to a lack of understanding of the concept.

Secondly, the non-significant relationship between organisational learning and performance for LMCs may be explained through a suggested short term focus on achieving specific objectives and not on quality and development of staff. Based on empirical evidence presented in Chapter 1; Section 1.4, the assumed strategic objective of LMCs is to increase income, demonstrated by the Audit Commission (2006) which cites that in 80% of cases, LMC marketing was focused exclusively on higher income groups. Further, a learning orientation requires an emphasis on staff development as inimitable knowledge resources is vital to achieving advantage. Brugha and Zwi (1998) note that multi-faceted strategies which increase provider knowledge, have had success in improving service quality in the delivery of public health services. In-house facilities appear to have realised some customer performance benefits through an emphasis on knowledge creation, though LMCs in focusing on short-term profit generation appear to have neglected the long-term advantages of investing in staff and promoting learning processes.

### **8.3.5 Summary of Discussion on Strategic capital and Performance (H6 to H9)**

In summary, it has been demonstrated that the implementation effectiveness of the overall product-market strategy has a positive association with business performance for *all* of the management systems examined. Hence, it is suggested that all management systems may be able to increase their business performance through the effective implementation of their overall product-market strategy. However, implementation effectiveness alone is not enough to increase business performance for in-house management systems. Rather, strategy commitment to the overall product-market strategy, on behalf of the manager, must be present in conjunction

with the effective implementation of the overall product-market strategy to achieve a potential increase in business performance.

Once again, implementation effectiveness of the overall product-market strategy is identified as the only strategic capital dimension to have a positive influence on customer performance for *all* of the management systems examined. It is therefore proposed that all management systems can increase their customer performance through the effective implementation of their overall product-market strategies. However, as before implementation effectiveness alone is not enough to increase customer performance for in-house management systems. Rather, in-house systems need to nurture an organisational learning orientation in combination with the effective implementation of the overall product-market strategy. Thus, it can be argued that an organisational learning orientation may be required to maintain customer performance levels for in-house management systems.

## **8.4 MARKET ORIENTATION AND PERFORMANCE**

### **8.4.1 Hypothesis 10: Market Intelligence Generation**

H10 posited that market intelligence generation would be positively related to overall performance for (a) in-house, (b) leisure trust, and (c) LMC management systems. As can be observed in Tables 22 and 23, the regression results offer no support for the constituent hypotheses H10(a) or H10(b). However, the constituent hypothesis H10(c) is fully supported.

Pelham (2000) suggests that an organisation with effective information collection and processing capabilities can make more precise predictions and offer superior value for its customers. As Kara *et al.* (2004) state, failure to ascertain current and future customers' needs will result in creating services that may not satisfy them. While no support is found for this assertion when considering the relationship between intelligence generation and overall performance for in-house or leisure trust management systems, support is found for LMC management systems. Intelligence generation is positively associated with the overall performance of LMC management

systems, suggesting that this component of the market orientation construct is important to the success of such systems.

It is therefore suggested that LMC management systems require effective intelligence generation in order to realise overall performance benefits, more so than either in-house or leisure trust facilities; since there is no indication that the overall performance of such facilities are dependent on this factor. Given the greater emphasis placed by LMCs on value creation (Table 11) it becomes apparent that intelligence generation is important for underpinning the success of such strategies and will ultimately help to reinforce the potential performance benefits that can accrue from such strategies.

#### **8.4.2 Hypothesis 11: Market Intelligence Dissemination**

H11 proposed market intelligence dissemination would be positively related to overall performance for (a) in-house, (b) leisure trust, and (c) LMC management systems.

Two constituent hypotheses of H11 offer varying degrees of support for H11.

Namely, full support is found for the constituent hypothesis H11(a) and partial support is found for the constituent hypothesis H11(b). However, the constituent hypothesis H11(c) is not supported. A discussion of these results follows.

Pulendran *et al.* (2000) state that superior performance from market orientation can only occur when there is appropriate inter-functional coordination, suggesting that connectedness between departments plays a significant role in determining the level of market-oriented activity, and in turn, the level of business performance achieved. Thus, it can be assumed that intelligence dissemination is dependent upon the connectedness of departments. Pulendran *et al.* (2000) state this can be achieved through informal meetings to facilitate communication and the exchange of information and an open door policy encouraged to open all channels of communication. Similar prescriptions are suggested by Jaworski and Kohli (1993) who recommend the physical closeness of departments in addition to technological links such as information technology systems. It is therefore suggested that a high level of intelligence dissemination is required to enhance business performance. This appears to be the case for both in-house and leisure trust management systems, with

both management systems exhibiting positive associations between intelligence dissemination and business performance. In-house managed facilities further benefit from effective intelligence dissemination, through associated customer performance gain.

LMC management systems, on the other hand, appear to realise no associated overall performance benefits from the effective dissemination of market intelligence. This suggests that intelligence dissemination may not be as important for LMC management systems, as it is for both in-house and leisure trust systems, to realise desired performance outcomes. This finding is curious given the importance of intelligence generation (H10) but is then indicative that strategy-making is likely constrained to top management and not a product of company-wide involvement.

#### **8.4.3 Hypothesis 12: Market Intelligence Responsiveness**

H12 suggested that market intelligence responsiveness would be positively related to overall performance for (a) in-house, (b) leisure trust, and (c) LMC management systems. Full support was found for H12 in the regression results presented in Tables 22 and 23.

Market intelligence responsiveness is an integral component of the market orientation construct for all management systems examined. This is supported by the research of Pulendran *et al.* (2000), who state that for organisations to realise business performance benefits a focus must be placed on listening and responding to customer needs. Further, the above finding is supported by Kohli and Jaworski (1990) and Narver and Slater (1990), who emphasise that the effectiveness of an organisation's implementation of a market orientation strategy depends on its concern and responsiveness to customer needs. Public fitness suites then must be responsive to market intelligence and act on this intelligence to satisfy customers and improve performance. Failure, or an inability, to do so would clearly have negative ramifications and as such managers must ensure that any necessary strategic capital is available in order for market intelligence to be rapidly responded to.

#### 8.4.4 Summary of Discussion on Market Orientation and Performance (H10 to H12)

Jaworski and Kohli (1993) suggest that a positive relationship exists between market orientation and managers' perceptions of performance. It is clear from the results that market intelligence responsiveness is very important to all management systems in achieving business performance. However, it is suggested that for in-house and leisure trust management systems, simply responding to intelligence is not enough to achieve and maintain business performance. Rather, these management systems, in addition to intelligence responsiveness, require that intelligence generated is disseminated through the whole system so all employees have access to it for business performance to increase. However, in the case of LMC management systems, the dissemination of intelligence appears to be less important to business performance, which it can be suggested is because strategic decision-making is undertaken via top management. Thus, for such decisions to be made, only top management require access to the intelligence generated. Therefore, it is suggested that intelligence generation in conjunction with the subsequent responsiveness to such intelligence is likely to result in the increased business performance of LMC management systems.

The regression results for the relationship between market orientation and customer performance are very similar to those found for the relationship between market orientation and business performance. More specifically, market intelligence responsiveness appears to be very important to all management systems in increasing customer performance. It was argued that for in-house and leisure trust management systems, simply responding to intelligence is not enough to achieve and maintain business performance. Rather, it is suggested that these management systems, in addition to intelligence responsiveness, required intelligence dissemination through the whole system for business performance to increase. Whilst the same independent variables also increase customer performance for in-house management systems, this is not the case for leisure trust management systems, which only appear to require market intelligence responsiveness to increase customer performance. However, in the case of LMC management systems, the same independent variables that significantly contributed to business performance also significantly contribute to

customer performance, namely: market intelligence generation and market intelligence responsiveness.

## **8.5 HUMAN CAPITAL AND PERFORMANCE**

### **8.5.1 Hypothesis 13: Training**

H13 proposed that employee training would be positively related to overall performance for (a) in-house, (b) leisure trust, and (c) LMC management systems. This study finds full support for the constituent hypotheses H13(a) and H13(b), with further partial support for the constituent hypothesis H13(c). A discussion of the results is now presented.

Training is referred to as a planned process to “*modify attitudes, knowledge or skill behaviour through learning experience to achieve effective performance*” (Reid and Barrington, 1994: 7). There is a large body of evidence, which suggests that investments in training produce beneficial organisational outcomes (Delaney and Huselid, 1996; Bartel, 1994; Knoke and Kalleberg, 1994). Total support for this evidence is nearly found from the study findings, as both in-house and leisure trust management systems experience significant positive relationships between employee training and overall performance. This relationship differs slightly for LMC management systems, which only appear to realise associated customer performance benefits with employee training.

All three management systems place a similar emphasis on employee training indicated by the multivariate analysis of variance results, shown in Table 14. It is therefore assumed that each management system appreciates and recognises the potential performance benefits associated with employee training schemes.

### **8.5.2 Hypothesis 14: Performance-Related Compensation**

H14 suggested performance-related compensation schemes would be negatively related to overall performance for (a) in-house and (b) leisure trust management systems, but positively related to overall performance for (c) LMC management



systems. On the basis of the regression results presented in Tables 24 and 25, no support is found for the constituent hypotheses H14(a) or H14(b). While hypothesis H14(c) is refuted, suggesting that performance-related compensation schemes have a significant and negative association with some of the adopted performance measures.

It has been argued that organisations can implement merit pay or incentive schemes that provide rewards to employees for meeting specific goals (Delaney and Huselid, 1996), a mechanism by which employers aim to elicit effort and increase performance (Marchington and Wilkinson, 2005). However, it was hypothesised that both in-house and leisure trust management systems would not have the resources available to implement such schemes due to budgetary constraints imposed by local government and an attempt to do so would be to the detriment of the overall performance of such facilities. It appears that this is not the case as no support was established for the constituent hypotheses H14(a) or H14(c). Thus, it is suggested that performance-related compensation schemes do not have negative implications when implemented within public fitness suites managed by either in-house or leisure trust management systems. Equally, such schemes are perceived as ineffective when implemented within said management systems as no performance benefits are realised. However, with reference to Table 14, the Scheffé test results present two significant differences among the three groups, both of which posit that the in-house group is more oriented towards performance-related compensation than either of the other two groups.

Agency theory was used to explain the relationship that exists between a local authority and an LMC management system, whereby the local authority enters into a performance-based management contract with the LMC, which subsequently manages the service as an agent of the local authority. This theory addresses agency problems that occur through the separation of management and ownership. The implementation of performance-related compensation schemes is advocated by agency theorists in an attempt to align managerial incentives with the interests of the local authority through various governance mechanisms, which are built into the agency contract (Phan and Yoshikawa, 2000). This theory subsequently allows for the design of effective incentive structures to better control managerial opportunism (Jones *et al.*, 2007). Further, research conducted by Piekkola (2005) suggests that performance-related compensation is shown to raise productivity and profitability, substantially improving

firm performance. The findings presented in Model 7.iii, however, do not support the research of Piekkola (2005) or agency theory reasoning as LMC management systems are shown to incur negative business performance implications through the adoption of performance-related compensation schemes. This arguably explains why performance-related compensation is weakest amongst the LMC group, as demonstrated by the means presented by the multivariate analysis of variance results (presented in Table 14).

Performance-related compensation schemes have been shown to be ineffective across the three management systems, most noticeably in the case of LMC management systems that appear to incur negative business performance implications through the adoption of such schemes. This specific finding runs counter to that which would have been anticipated by agency theory. Specifically, performance-related compensation—as a means of controlling agency problems—seems to harm the business endeavour of agency managed public fitness suites as opposed to meeting the interests of their owners.

### **8.5.3 Hypothesis 15: Managerial Commitment**

H15 posited that affective commitment of the manager will be positively related to overall performance for (a) in-house, (b) leisure trust, and (c) LMC management systems. While partial support was found for the constituent hypothesis H15(a), no support was found for the constituent hypotheses H15(b) or H15(c). Several interesting points arise from the findings and a discussion of these now take place.

Affective commitment, one of three component dimensions of commitment, refers to an emotional attachment to the organisation based on feelings of loyalty toward the organisation. Meyer and Allen (1991) argue that one of the most important reasons for distinguishing among the three different forms of organisational commitment was that they have different implications for behaviour. Most empirical studies of organisational commitment have focused on affective commitment, as Mohamed *et al.* (2006) note, this is because affective commitment is the strongest and most consistent predictor of organisationally desired outcomes. This relationship appears to be present when examining the regression results between affective commitment and

customer performance, for in-house managed facilities (Table 25). Thus, a degree of support for the literature has been found.

However, when considering the relationship between affective commitment and overall performance for leisure trust and LMC management systems, no relationship is found. Meyer and Allen (1997) defined affective commitment through the identification and involvement with an organisation. Becker *et al.* (1996) challenge the conclusion that this form of commitment is positively associated with performance, they found that overall commitment to organisations was uncorrelated with performance. In the case of leisure trust and LMC management systems the findings of this study support the conclusion drawn by Becker *et al.* (1996).

Despite affective commitment having positive customer performance implications for in-house management systems, with reference to the multivariate analysis of variance results (Table 14), affective commitment is shown to be lowest within the in-house group when examining the mean values presented. This difference is further emphasised by the Scheffé test results that indicate two significant differences. In both cases the in-house group demonstrates the lowest level of affective commitment compared to the leisure trust and LMC groups.

#### **8.5.4 Summary of Discussion on Human Capital and Performance (H11 to H15)**

In sum, whilst employee training was found to have a positive impact on the business performance of all management systems it is only for in-house and leisure trust management systems that this relationship is significant. Hence, for in-house and leisure trust management systems, employee training is suggested to be the most crucial facet of the human capital construct for increased business performance. However, it is argued that employee training needs to be continuous to maintain business performance levels. In addition, performance-related compensation of the manager is suggested to have a negative connection with business performance in LMC management systems. It can therefore be argued that managers within LMC management systems would prefer a fair salary over performance-related pay.

It can be suggested that the level of employee training has a positive relationship with customer performance among all management systems; hence it can be implied that an increase in customer performance for all management systems requires the ongoing training of employees. However, in-house management systems require more than just employee training to increase customer performance. It was identified in Model 8.i that in-house management systems also require affective commitment on behalf of the manager, in conjunction with employee training to increase customer performance. This finding is linked to an earlier positive relationship between the commitment of the manager to the overall product-market strategy and business performance. Thus, it is argued that in-house managers need to be totally committed to both the organisation and the overall product-market strategy in order to increase customer performance and business performance respectively.

## **8.6 SOCIAL INCLUSION AND PERFORMANCE**

### **8.6.1 Hypothesis 16: Social Inclusion**

H16 proposed the inclusion of low-income groups will be positively related to overall performance for (a) in-house and (b) leisure trust management systems, but negatively related to overall performance for (c) LMC management systems. Full support was found for the constituent hypothesis H16(a). However, no support was established from the regression results for the constituent hypothesis H16(b) and H16(c) is refuted. These results raise a number of points that are now presented and discussed.

The majority of facilities within leisure and recreation are discretionary, in that local authorities can choose whether or not they make these available to their community. The rationale for the provision of public sport and leisure services is based on two key arguments, as identified by Robinson (2004): first, local authorities provide sport and leisure services for those who cannot afford the opportunities offered by the private sector; second, participation in sport and leisure is suggested to be beneficial to society (Gratton and Taylor, 2000), with the potential to improve societal health (DCMS, 1999). The inclusion of groups from the lower socio-economic spectrum is therefore seen to be an important function of public fitness suites and doing so offers performance benefits to in-house managed fitness suites. Government policy could

then seek to further influence in-house systems to pursue inclusion more strongly in particular given the multivariate analysis of variance results that illustrate that the in-house group exhibits the lowest mean score for the inclusion variable examined and hence the lowest level of inclusion among the three management groups.

Further, the Recreational Charities Act (1958) stipulates that leisure trusts granted charitable status must improve the conditions of life for persons who by reasons of their youth, age, infirmity or disablement, poverty or social and economic circumstances are recreationally deprived (MacVicar and Ogden, 2001). It was therefore assumed that inclusivity of lower socio-economic groups would be greatest within leisure trust management systems. However, as observed in Table 15, The Scheffé test results do not identify any significant differences among the three management groups when examined against inclusivity. This finding is of particular interest given the basis for the charitable status granted to the majority of leisure trust management systems, highlighted above, and as such raises questions as to their charitable status and future government policy. For instance, the benefits of reduced taxation and so forth enjoyed by trusts are provided on the basis that they perform to governmental expectations of improving social inclusion. Given that inclusion is not heavily emphasised and no performance benefits are forthcoming to the trusts, perhaps government policy must be rethought.

From a theoretical and literature point of view, the power of social inclusion in conferring positive performance benefits for LMCs is also surprising. Coalter (1995) indicates that much of the academic concern relating to LMCs surrounds their entrepreneurial desires and profit-making nature superseding any social or welfare-oriented concerns, such that they would not cater towards disadvantaged groups. Whilst this concern is valid the empirical results found herein suggest that LMCs do seek social inclusion and in doing so, accrue positive performance benefits. Clearly these results have significant implications for public policy towards tackling social inclusion and the strategy government employs to deal with this issue.

### **8.6.2 Summary of Discussion on Social Inclusion and Performance (H16)**

For in-house management systems it is argued that the inclusion of low-income groups is beneficial to the business performance of such facilities. Furthermore, it can be suggested that this form of inclusion has a small benefit for the business performance of LMC management systems. However, a positive association between the inclusion of low-income groups and business performance has not been identified for leisure trust management systems as no significant relationship was established. Thus, it is suggested that the inclusion of low-income groups has a positive relationship with business performance for both in-house and LMC management systems, whilst leisure trust management systems appear to realise no business performance advantage in attracting low-income groups.

The inclusion of low-income groups is suggested to increase the customer performance of in-house management systems. However, inclusion of low-income groups appears to have no positive relationship with customer performance for either leisure trust or LMC management systems. Whilst it would not be assumed that LMC management systems would benefit through the inclusion of low-income groups, it is surprising on the basis of earlier results that leisure trust management systems also appear to exhibit no performance benefits through the inclusion of low-income groups. More specifically, it was established earlier in the chapter that a strategy of overall inclusion—defined as the inclusion of all citizens—was indeed perceived to be beneficial for leisure trust management systems in relation to their customer performance. Despite this, however, the current findings suggest that whilst including all members of society is advantageous for leisure trust management systems, the specific inclusion of low-income groups appears to have no positive relationship with customer performance.

## **8.7 CONCLUSIONS**

This chapter has presented a discussion on the findings of the hypothesis testing procedures of this study. Discussion shall now proceed into the conclusions that can be drawn from the findings and the implications of these conclusions for the field of strategic management as well as practitioners in the public fitness arena. Further, avenues for future research are highlighted and discussed in light of the limitations of this study.

## ***Chapter 9: Conclusions***

## CHAPTER 9: CONCLUSIONS

### 9.1 INTRODUCTION

This chapter presents a summary of the thesis, which includes a reflection on the research process, a discussion of the major research findings in relation to theory and public fitness suite managers, and identifies the limitations of the current study, providing an insight into areas of future research. The conclusions that may be drawn from the research findings are discussed prior to the implications of the findings for theory and management.

### 9.2 SUMMARY

This section provides an overview of the thesis as a whole. The research question is presented and a review of the conceptual framework is given as well as an outline of the research design and empirical method adopted for this study. Subsequent to this a reflection on the research process is undertaken, and the contribution of the research to the author's professional development is considered.

#### 9.2.1 Research Question and Conceptual Framework

The first chapter of this thesis introduced the fundamental focus of the study, namely the performance outcomes associated with the three identified management systems, which are available to local authorities in the management of public fitness suites. Further, this study made a distinction between the strategies and strategic actions undertaken by the different management systems, in the provision of the identified service. The research documented the associated implications these have on managers' perceptions of performance. This underlying purpose was reflected in the research question of the study, which was presented in Chapter 1, Section 1.4:

*How effective are the three management systems available to local authorities in the delivery of public fitness suites, across a range of performance indicators?*



An extensive literature review was carried out in Chapter 2 which discussed the theoretical premises behind this study and provided a framework from the strategic management literature in which to build a conceptual model of the strategic implications of the three management options and their subsequent performance outcomes. The literature review revealed that a conceptual model could be developed along dimensions of strategic intent, strategic actions and overall performance of the three identified management systems. Thus, a model of management system performance was conceptualised consisting of dimensions of strategic intent, strategic capital, market orientation, human capital and performance outcomes that were identified during the literature review (See Chapter 1; Section 2.8).

### **9.2.2 Research Design and Empirical Method**

In order to test the hypotheses developed during Chapter 3, it was necessary to undertake an empirical exercise to generate data on the constructs contained within the conceptual model. To this end, a research design and empirical methodology was developed and was documented in Chapters 4 and 5.

It was determined that primary data should be generated on the constructs contained within the conceptual model and a survey methodology would be employed to generate such data. After the examination of several possible data generation methods, it was decided that a questionnaire would be used as the survey instrument and rigorous procedures were followed for both survey instrument development and for the survey administration process. The procedure for the construction of the questionnaire consistently followed Dillman's (2007) recommendations at the design stage in addressing issues of physical format, question sequence as well as other layout and design issues so as to maximise the potential response rate as well as the ease of completion of the questionnaire for its recipients.

The survey was administered to 1060 public fitness suite managers through a five stage process advocated by Dillman (2007). This involved sending a pre-notification letter followed by the first questionnaire pack. Subsequent to this a first follow-up reminder letter was sent and this was followed by a second follow-up reminder that consisted of a second full questionnaire pack mailing. The final effective response

rate to the survey was calculated in Chapter 4, Section 4.14 and the questionnaire development and survey administration strategies resulted in an overall response rate of 26%.

### **9.2.3 Data Analysis Method**

A methodology for data analysis was needed so as to utilise the data generated through the survey methodology in order to be able to test the hypotheses developed in Chapter 3. Accordingly, several statistical techniques were adopted for data analysis.

Initially, principal components analysis was executed on selected variables within each construct. Factors extracted through principal components analysis were tested for reliability and validity through an analysis of the Cronbach Alpha statistics, the KMO measure of sampling adequacy and Bartlett's Test of Sphericity statistics for each construct. Subsequent to this, scale indices were constructed from the factors extracted through principal components analysis. Each newly constructed summated scale was subject to correlation analysis, prior to hypothesis testing through further multivariate analysis.

In order to test the hypothesised relationships, multivariate analysis of variance and ordinary least squares multiple linear regression analysis was employed for hypotheses testing. Given that the hypotheses are examined on a variable by variable basis, the degree of support for each hypothesis was determined from the regression results. The results of this hypothesis testing procedure can be found in Chapter 7.

The data analysis procedures performed on the primary data generated for this study and the subsequent procedures executed to test the hypotheses contained in the model resulted in a series of important findings, which serve as a basis for this final chapter. The research and the model as a whole are reflected upon in the next section and the conclusions that can be drawn from the results of the hypothesis testing procedure and from the thesis as a whole are detailed in the subsequent section.

## **9.3 REFLECTIONS ON THE RESEARCH CONDUCTED**

A critical element of reflection is the ability to stand back and understand what is happening and why (Hay *et al.*, 2004). Reflective thinking is defined by Dewey (1933) as:

*“Active, persistent and careful consideration of any belief or supposed form of knowledge in the light of the grounds that support it and the further conclusion to which it tends”* (Dewey, 1933: 9).

Similarly, Boyd and Fales (1983) define reflective learning as:

*“The process of internally examining and exploring an issue of concern triggered by an experience, which creates and clarifies meaning in terms of self and which results in a changed conceptual perspective”* (Boyd and Fales, 1983: 100).

Therefore, Hay *et al.* (2004) suggest that an important outcome of this exploration and internal examination process concerns changing one’s perspective as new information and experiences are encountered.

The process of reflection encompasses three integrated, non-linear dimensions outlined by Hay *et al.* (2004). The first stage is awareness, whereby an individual becomes conscious of a particular experience that may be stimulated by positive feelings about a learning situation, such as a doctoral thesis. The second stage is critical analysis of the experience, involving the identification of existing knowledge and seeking alternatives, which are two objectives that are met in this chapter. In the final stage, Hay *et al.* (2004) suggest that the individual reaches a new perspective, for example, true learning opportunities emerge throughout this section, which seeks to identify and reflect upon the new research skills gained by the author:

*“The individual, as a result of the reflective process, changes firmly held beliefs and ultimately, behaviour”* (Hay *et al.*, 2004: 171).

Thus, reflection can be interpreted principally as a way of reviewing and improving personal performance, which is deemed here as essential to the professional development of the author.

### **9.3.1 Reflections on the Research Process as a Whole**

Prior to reflecting on the research itself through the methodology employed and the strengths and contributions of the research, the author will seek to reflect on the research process as a whole.

The original idea underlying this thesis concerned the strategic future of public fitness suites in light of the obesity “epidemic” and assumed decline in mass fitness participation. This became but one part of a study into public fitness suite management effectiveness, which indirectly formed the social inclusion component of the study. Specifically, obesity is identified as being most prevalent amongst lower socio-economic groups (established in Chapter 1). Hence, in examining the degree of inclusion achieved, gauged by the specific participation of the lowest socio-economic groups, an indication as to the ability of public fitness suites to help combat rising obesity rates is realised. The study evolved further into a strategic management study of management system effectiveness. The strategic options and strategic actions adopted by the three identified management systems, available to local authorities in the management of their public fitness suites, were examined in relation to associated performance outcomes.

This change in research direction was an organic process, which grew from numerous conversations with academics in the field of strategic management and practitioners in the field of public fitness suite management. Furthermore, the research co-operation that was established between the author and TLDC, discussed in depth in Chapter 3, required that the research focus on management system effectiveness. However, the original purpose of the research, which was to identify the future strategic and management options available to local authorities in the management of their public fitness suites, was realised.

During the research process the author has learnt significantly more about the fields of strategy, marketing and HRM, particularly the inter-relationships that exist between these fields, which it can be argued are brought together by an overarching understanding of strategy. By conducting the literature review process, the author became more familiar with the scope of these fields and of previous research activity within these areas and as a consequence, areas of limitation and knowledge deficiencies are identified. This present research study subsequently aims to make contributions to knowledge, within the identified fields. Consistent with the advice and calls of authors such as Hughes and Morgan (2007), Vazquez *et al.* (2002), Snell and Dean (1992) this study adopted a cross-disciplinary approach to strategic management research by considering the relationship between strategic capital, market orientation, human capital and performance within public services. Specifically, this study answers calls for future research to: investigate relationships between strategic capital and business performance (Hughes and Morgan, 2007); establish further associations between market orientation and performance in public services (Vazquez *et al.*, 2002); and, establish whether increased investment in human capital might lead to higher performance (Snell and Dean, 1992).

Whilst this may raise issues of focus as the study is drawing upon three large literature fields, it was essential to do this as the focus of this study was strategic actions taken in light of the strategic intent adopted by managers to achieve desired performance outcomes. Therefore an examination of strategic management literature established a robust strategic model which examines the ability of combined strategies and strategic activities to act as a vehicle by which firms can seek to compete in their chosen marketplaces. Further, this study responds to a lack of research in to the performance outcomes associated with the three identified management systems and the subsequent effectiveness of those systems in relation to the strategic actions they adopt.

The research process has also enabled the author to discover more about the various research design and methodological options available for research and which situations suit specific methodologies. The current study has allowed the researcher to design and implement a research study and survey methodology for the first time and as such a response rate of 26% may be deemed a reasonable effort. Moreover, the

author is now far more aware of the issues that surround the design and implementation of a self-completion survey. This includes the hard work, effort and time which are required to design an effective study, both on the part of the researcher but also on the nature of response and the cognitive features which serve to influence the nature of survey response data.

Given that lessons have been learnt during the course of the research process in to how to conduct research, on reflection it is possible to note means by which this study could have been done differently so as to enhance the research and the data generated. First, a greater qualitative aspect in this study would have served to help determine the usefulness and applicability in practice of the model for managers and strategy practitioners. Whilst it is possible to make general comments and derive conclusions as to the applicability and usefulness of the model, qualitative interviews with managers after the research would have helped to ascertain this and possibly would have shed further light on both the relationships found and also those not evident in the data. Further, qualitative interviews with local authorities that own the public fitness suites targeted, after the research, would have helped to establish the implications that realised performance outcomes have on the future management options chosen in the operational management of the facilities.

Second, while the strategic model is considered robust and detailed and responds to limitations identified by existing research, examination of moderating relationships would have served to enrich the model developed. It is suggested that greater insight into the established relationships between strategic actions and overall performance would have been achieved. Third, the author in hindsight acknowledges that more could have been done to attempt to boost the response rate and obtain more results from the sampling process. For instance, greater use of the telephone follow-up to personally speak with non-respondents where possible may have increased the final response rate. Fourth, although relationships between variables can be inferred from the quantitative findings of cross-sectional designs, as employed by the thesis, causal relations cannot be established between variables (Cohen *et al.*, 2000) because the features of a causal / experimental research design are not present (Bryman, 2004). Therefore, experimental research would have served to enrich and clarify the nature

and strength of many of the relationships found as well as allowing for richer insights and knowledge to be created.

To conclude, the research process has been a valuable experience and one which has served to enrich the knowledge base of the author, in terms of both theory and practice. Whilst it is contended that the research process and research methodology was reasonably robust, given the aims of this work, a number of steps have been outlined which could have been taken to further enhance the research effort.

### **9.3.2 Reflections on the Empirical Methodology Employed**

Secondary analysis was a key component in the initial stages of the research, enabling large-scale data collection to be undertaken, shaping the primary data collection process, and providing a nationally representative sample. However, it was recognised that this study required the generation of primary data in order to satisfactorily address the research question and to investigate the accuracy of the research hypotheses. This conclusion was reached from the consideration of the limitations of the secondary sources of data available to the researcher, which was deemed insufficient to meet the data requirements needed to robustly test the research hypotheses. Therefore, the generation of primary data was crucial to this research project. The methodology employed to gather data on the thesis hypotheses was the survey methodology with the application of a questionnaire as the survey instrument.

Therefore, it is relevant to reflect on the use of this method to establish what may be gained and drawn from the use of this methodology for research practitioners. In employing the tailored design method this study achieved a response rate of 26%. Whilst this was contended to be acceptable, the guidelines of the tailored design method in being created for contemporary survey research suggest that a greater response rate could have been expected.

First, Dillman (2007) suggests that greater personalisation can be achieved through means other than including the name of the person, for example, by personally signing each correspondence, tailoring the wording used and by personally packaging each questionnaire pack rather than relying on machinery. The author followed the

prescribed procedures where resources allowed and it cannot be ruled out that it did make a difference to the achieved response rate. However, there are some problems with the application of the tailored design method in practice, for example, the practical time demanded by the procedures is a substantial resource commitment and the gain in response rate was not as great as one may have hoped. However, it can be assumed that due to the substantial degree of personalisation and the number of contacts made with respondents, the response rate achieved was greater than it would have been if the procedures identified had not been followed.

Second, it is recommended by this author that future researchers make an effort to engage in telephone contact as a final follow-up reminder to non-respondents. It is believed that this may have resulted in a greater response rate to that achieved as it would have allowed direct contact with the fitness suite manager and allowed the researcher to address any concerns they may have had regarding participation or issues regarding the survey instrument. Unfortunately, this author was unable to make use of the telephone follow-up method as the contact telephone numbers for public fitness managers, held in the database provided by TLDC, were protected under a confidentiality agreement.

Third, a key issue in survey research is the selection of measures to be used to capture and measure the constructs contained in the conceptual model and the hypotheses, this issue was of importance in this study. Designing new measures was determined to be awkward and with no guarantee of success. For the purposes of this study it was therefore decided that existing measures of the constructs under study would be adopted from the extant literature; there is much precedent for the use of secondary (pre-existing) measures which could be used to measure the hypothesised constructs (Bryman, 2004). However, it must be noted that reliable measures can fail to work as hoped. For instance, the developmental performance appraisal items of Snell and Dean (1992) were included in the questionnaire and were shown to have strong reliability and validity, yet in this study the results of principal components analysis on the measures of developmental performance appraisal would not group into the performance appraisal scale as intended. Consequently, these items were discarded from the study. It is therefore important for future researchers to be aware of potential problems that can arise from the adaption of existing measures.



Fourth, it is important that respondents answer what is in front of them in the questionnaire and not try to second guess what the researcher is trying to discover. It is paramount to the success of self-administered questionnaires that the respondent should understand exactly what is being asked of them in accordance with what the researcher intends to measure as questions cannot be explained or clarified. Thus, the questions employed should measure the concepts or behaviours intended to be measured and the data produced should represent "true" values for these measures (Collins, 2003). To ensure the accuracy of responses, feedback given by academics and fitness suite managers on the measures employed was used to enhance and modify the research questionnaire. Subsequent modifications to the final draft questionnaire were deemed essential to the quality of the primary data generated and as such, it is recommended that this stage of questionnaire development is always undertaken by future researchers.

Fifth, this study did not make use of qualitative research methods to examine the hypotheses and the conceptual model. Qualitative interviewing, for example, could have been applied to case facilities within the industry. Case study analysis can be defined as involving "*the investigation of a relatively small number of naturally occurring (rather than research created) cases*" (Hammersley, 1992: 185). Scholars have used case studies to develop theory about phenomena as diverse as group process, internal organisation, and organisational strategy (Eisenhardt and Graebner, 2007). However, it may be noted that the benefits of survey research above case studies revolve around external validity and the ability to generalise to a broader population, which was the principal purpose of this research effort.

In summary, the survey methodology employed resulted in an acceptable response rate and in some interesting findings. However, although it is noted that adopting the tailored design method enhanced the overall response rate achieved, it could have been greater if a telephone follow-up was implemented. Further, it has been established that this research effort lacks a qualitative aspect, which could have enhanced the quantitative findings, providing a greater explanation for the associations discovered between study constructs.

### 9.3.3 The Significance of the Research

The conceptual model developed in this study and the findings, conclusions and implications drawn from the results of this study are of great significance to both the academic and practitioner fields.

Firstly, the defined context of this study was public fitness suites and while numerous research studies have been conducted in this field, this has primarily been undertaken under the remit of leisure studies (Simmons, 2004; Reid, 2003; MacVicar and Ogden, 2001; Coalter, 2000; Green and Stevens, 1999). A thorough review of extant strategy literature highlighted a substantial unexplored context, that is, public health and fitness. More specifically, this study is suggested to be the first strategic management study applied to the above context. The significance of this study is verified, in this instance, as it broadens the scope of strategic management literature by extending strategic management research into a context previously unexplored.

Secondly, in a recent interview Dean Creamer, Head of Leisure Services for DCMS, corroborated the research gap of which this study is embedded. Specifically, he called for research to evaluate the effectiveness of the management systems available to local authorities in the delivery of public leisure facilities:

*“...no evidence to say which is better on performance let alone define the difference between them and the only difference was in terms of costs, and the private sector seemed to provide the same service but more cheaply...now whether that's true or not will be interesting”* (Creamer, 2007: Interview).

It is therefore contended that this study contributes to the public fitness suite practitioner field as it provides valuable information on management system effectiveness. More specifically, strategies and strategic actions taken by the different management systems are examined in relation to overall performance, providing practitioners with a knowledge of those strategies and strategic actions that may result in enhanced overall management system performance.

## 9.4 MAIN CONCLUSIONS

This section details the main conclusions that can be drawn from the findings of the empirical results of this study. Conclusions are drawn from the hypotheses relating to the following relationships: strategic intent and overall performance (Hypotheses 1-5), strategic capital and overall performance (Hypotheses 6-9), market orientation and overall performance (Hypothesis 10-12), human capital and overall performance (Hypotheses 13-15) and the relationship between the specific inclusion of low-income groups and overall performance (Hypothesis 16).

### 9.4.1 Conclusions on the Relationship between Strategic Intent and Overall Management System Performance (Hypotheses 1-5)

- Low cost strategies appear to have negative overall performance implications in the management of public fitness suites, thus, such strategies may need to be avoided. This conclusion is particularly pertinent to managers of in-house facilities who were identified as the most likely group to pursue such strategies.
- With the lack of regression support it is hard to ascertain the relationship between social inclusion strategies and overall performance. It is therefore relatively hard to draw concrete conclusions from the level of support presented; although, it does provide some support for the establishment of leisure trust management systems as customers appear to benefit from their existence. However, as established the multivariate analysis of variance results did not identify any significant difference in the strategic emphasis placed on social inclusive strategies amongst the three systems.
- Value-added strategies may result in increased overall performance levels for in-house facilities and should be recommended to in-house facility managers. This finding supports the notion that customer expectations of public services has increased, resulting in a greater critical appraisal of them. Arguably, this is attributable to a greater degree of competition and the adoption of varying management approaches in the delivery of public fitness suites. Therefore, on the basis of the findings, in-house facilities must satisfy customer needs through increased perceived value in their facilities in order to realise overall performance benefits.

- It can be argued that low price strategies appear to have no overall performance benefits for any of the three management systems. Further, it could be suggested that such strategies in fact have negative business performance implications. It is therefore suggested that price is not a main driver of participation and is not a major barrier to entry. Thus, state provision of public leisure services may be more effective at increasing participation through an investment in value-added strategies as opposed to the traditional emphasis on price subsidies.
- On the basis of the findings it is suggested that in-house facilities can increase their overall performance through adopting hybrid strategies.

#### **9.4.2 Conclusions on the Relationship between Strategic capital and Management System Performance (Hypotheses 6-9)**

- It is concluded that greater commitment of in-house managers to the product-market strategy may result in increased overall performance.
- With the lack of regression support it is hard to ascertain the relationship between overall product-market strategy implementation support and overall performance. Therefore, this area of research requires development, since a significant positive correlation exists between the constructs, thus a relationship appears to be present and deserves further examination. However, it can be suggested, on an examination of the multivariate analysis of variance results, that the in-house management system group provides the least amount of implementation support amongst the three groups examined. Since, local authorities have a number of objectives, one of which is to use national and local resources to meet the diverse requirements of different communities; it can be argued that this objective is better achieved under LMC and leisure trust management systems.
- The effective implementation of product-market strategy is important for overall performance despite the management system adopted, which does not appear to influence this relationship.
- In-house facilities require continual learning to sustain a customer performance advantage.

### **9.4.3 Conclusions on the Relationship between Market Orientation and Management System Performance (Hypotheses 10-12)**

- LMC management systems require effective intelligence generation in order to realise overall performance benefits, more so than either in-house or leisure trust facilities; since there is no indication that the overall performance of such facilities are dependent on this factor.
- It is important for in-house and leisure trust systems to grant their employees access to market intelligence generated in order for said systems to realise performance benefits. On the other hand, LMC management systems do not require the same level of accessibility to intelligence throughout the whole system since there is no positive association with performance. A suggested explanation for this relationship is that LMC management system decision-making is undertaken via top management. Thus, for such decisions to be made, only top management require access to the intelligence generated.
- Market intelligence responsiveness is important for overall performance despite the management system adopted, which does not appear to influence this relationship.

### **9.4.4 Conclusions on the Relationship between Human Capital and Management System Performance (Hypotheses 13-15)**

- Despite the management system adopted, comprehensive employee training is beneficial to all public fitness suites.
- Performance-related compensation schemes have been shown to be ineffective across the three management systems, most noticeably in LMC management systems, which appear to incur negative business performance implications through the adoption of such schemes. It can therefore be suggested that managerial incentives do not benefit the economic interests of shareholders in the context of public fitness suite management, as proposed by agency theory.
- In-house managers need to be totally committed to both the organisation and the overall product-market strategy in order to increase customer performance and business performance respectively.

#### **9.4.5 Conclusions on the Relationship between Recreationally Disadvantaged Groups and Management System Performance (Hypothesis 16)**

- Only in-house management systems realise overall performance benefits from the specific inclusion of low-income groups. As such, it can be suggested that the in-house group is the most socially effective management system of the three examined. Since, such facilities in targeting recreationally disadvantaged groups can seemingly ensure their operational survival both in relation to their business and customer performance.

### **9.5 IMPLICATIONS OF THE STUDY FINDINGS**

This section builds on the important findings and discussion made throughout the previous chapter and details the significance of the study findings through the implications of these findings for strategy theory, strategy practitioners and society. The implications of the study findings for each of these areas will be discussed commencing with a discussion of the implications of the study findings for theory.

#### **9.5.1 Implications for Theory**

This study developed a conceptual model of the strategic intent and strategic actions that affect management system performance in the public health and fitness sector. Performance outcomes associated with the strategies pursued and the influence of strategic actions on realising those performance outcomes were identified.

A review of the public health and fitness sector was initially conducted, which revealed a gap in existing knowledge that required further research. In addition, the literature review conducted in Chapter 2 highlighted a number of key areas of strategy management theory that until now had not been applied to the public health and fitness arena. A conceptual model of strategic intent, strategic actions and performance outcomes was developed, but some additional variables from marketing and human resource literatures are included to form a synthesised conceptual framework, still located in the strategic management literature. A series of research hypotheses were subsequently developed, which were tested through correlation

analysis, multivariate analysis of variance, and multiple linear regression analysis. The level of support offered by the results for the hypotheses varied, but on the whole a degree of support was found for the majority of hypotheses. Consequently, it is concluded that the conceptual model developed is relevant to the service identified and is a fair reflection of public fitness suite strategy, actions and outcomes, subject to the limitations of the study.

The first significant implication of this study for theory is that in addressing the contextual limitations and knowledge identified in extant literature, this study has developed and contributed a strategic model for examining strategic intent, strategic actions and performance outcomes of management systems employed within the public health and fitness sector to strategic management literature. This study demonstrates that it is possible to develop and successfully apply a model of strategy to a new area previously not researched, specifically, the public health and fitness sector.

Second, the examination of the relationship between strategic intent and overall management system performance highlights a number of significant implications to strategic management theory. Particularly, the findings support a number of articles that have challenged Porter's generic strategies, questioning his claims about the exclusivity of generic strategies (Powers and Hahn, 2004; Kim *et al.*, 2004; Wright *et al.*, 1990; Murray, 1988; Hill, 1988). The correlation results, for example, indicate that only hybrid and value-added strategies are significantly positively correlated with overall management system performance. Further, the regression results suggest that hybrid strategies are found to have a significant positive relationship with overall performance for in-house management systems, while, the "pure" generic strategies prescribed by Porter (1985) such as low cost strategies and low-price strategies appear to have either negative overall performance implications or no overall performance benefits for any of the three management systems. This finding contradicts recent research conducted by Thornhill and White (2007), which suggests that the pursuit of a pure strategy is always equal or preferable to hybrid strategic positioning. Thereby, the "stuck in the middle" hypothesis presented by Porter (1985) is refuted, on the basis of the findings presented.

Third, Hughes and Morgan (2007) called for future research to investigate the relationship between strategic capital and financial performance, which is used in this study as a facet of business performance. The correlation results indicate a significant positive correlation between all strategic capital factors included in this study and business performance. Further, on the basis of the regression results presented, the implementation effectiveness of the overall product-market strategy has a positive association with business performance for all of the management systems examined. In addition, strategy commitment to the overall product-market strategy, on behalf of the manager, has a positive relationship with business performance for in-house management systems. These findings therefore contribute to the research effort conducted by Hughes and Morgan (2007), by developing an avenue of future research, which they advocated.

Fourth, upon examining the correlation results for market orientation and overall management system performance, a strong positive correlation is found between each of the three behavioural components of the market orientation construct, as presented by Jaworski and Kohli (1993), and overall management system performance. Further, the regression results highlight that market intelligence responsiveness has positive overall performance implications for all three management systems; intelligence dissemination is positively associated with overall performance and business performance for in-house and leisure trust management systems; and, LMC management systems realise overall performance benefits from the generation of market intelligence. It is therefore suggested that components of market orientation have performance benefits for all three management systems including leisure trusts. The contribution of these findings to existing knowledge is supported by Vazquez *et al.* (2002) who called for future lines of research to broaden the scope of market orientation – performance research in both not-for-profit organisations and the public sector.

Fifth, the correlation analysis indicated that employee training and affective commitment of the manager have a significant positive correlation with overall management system performance. However, with reference to the regression results, further examination of the relationship between human capital and overall management system performance indicates that only employee training has customer



performance benefits for all three management systems, and business performance benefits for both in-house and leisure trust management systems. Affective commitment, on the other hand, is only suggested to have a positive association with the customer performance of in-house management systems. Unlike the above human capital factors, performance-related compensation was significantly negatively correlated with business performance, the regression results support this finding since LMC management systems seem to experience negative business performance implications from the adoption of such schemes.

Snell and Dean (1992) over a decade ago stated that researchers still did not know whether increased investment in human capital might lead to higher performance. The recent focus of attention in human resource research has been on linking HRM practices and organisational-performance (Hatch and Dyer, 2004; Khatri, 2000; Huselid, 1995). This study contributes to the HRM-performance connection in that the majority of recent research has focused on firm financial performance (Hatch and Dyer, 2004, Paul and Anantharaman, 2003; Huselid, 1995), while the current study takes a more holistic approach to include overall performance comprising of both business (of which financial performance is a factor) and customer performance. Employee training is established as the most effective human resource activity in achieving overall performance outcomes, of the three examined. However, performance-related compensation schemes appear to result in negative business performance outcomes.

To summarise, several contributions of the research conducted to strategy management theory have been identified. This current section will now lead to a discussion of the implications of the findings of this study for those responsible for the successful management of public fitness suites, that is, the public fitness suite manager.

### **9.5.2 Implications for Practitioners**

There are important practical implications to be drawn from the results of this study and from the strategic model developed during this study. To begin with the implications of the research for all management systems are highlighted, followed by

specific recommendations on the basis of the findings presented for each of the individual management systems examined.

**All management systems:**

- All management systems are found to incur negative business performance outcomes when implementing low cost strategies.
- Implementation effectiveness of the overall product-market strategy has a positive association with both business and customer performance for all of the management systems examined.
- Market intelligence responsiveness is deemed very important to all management systems in achieving business and customer performance.
- It can be suggested that the level of employee training has a positive relationship with customer performance among all management systems; hence it can be implied that an increase in customer performance for all management systems requires the ongoing training of employees.

**(a) In-house:**

- Hybrid or value-added strategies may be pursued to realise overall performance benefits. Further, implementing a low price strategy does not appear to increase facility usage enough to realise business performance benefits and is in fact detrimental to customer performance outcomes. It can therefore be suggested that price is not a main driver of facility usage as customers may desire value at a higher price.
- Strategy commitment to the overall product-market strategy, on behalf of the manager, must be present in conjunction with the effective implementation of the overall product-market strategy to achieve a potential increase in business performance. In addition, it can be argued that an organisational learning orientation maybe required to sustain a customer performance advantage for in-house management systems.
- In addition to intelligence responsiveness, in-house managed facilities require that intelligence generated is disseminated through the whole system so all employees have access to it for business and customer performance to increase.

- Employee training is suggested to be the most crucial facet of the human capital construct for increased business performance.
- Affective commitment on behalf of the manager, in conjunction with employee training is required to increase customer performance. This finding is linked to an earlier positive relationship between the commitment of the manager to the overall product-market strategy and business performance. Thus, it is argued that in-house managers need to be totally committed to both the organisation and the overall product-market strategy in order to increase business and customer performance respectively.
- The inclusion of low-income groups is beneficial to the business and customer performance of such facilities.

**(b) Leisure trust:**

- Social inclusion strategies appear to have customer performance benefits for leisure trust management systems.
- It is suggested that intelligence responsiveness and intelligence dissemination are required for business performance to increase.
- Employee training is suggested to be the most crucial facet of the human capital construct for increased business performance.

**(c) LMC:**

- Value-added strategies appear to have minor business performance benefits. However, strategic intent does not appear to be the main driver of customer performance in such facilities. Rather, managerial actions are suggested to be the main driver of customer performance.
- Intelligence generation in conjunction with the subsequent responsiveness to such intelligence is likely to result in increased business and customer performance of LMC management systems.
- Performance-related compensation of the manager is suggested to have a negative connection with business performance. It can therefore be argued that managers within LMC management systems would prefer a fair salary over performance-related pay.

- The specific inclusion of low-income groups has a small benefit for the business performance of LMC management systems.

This section detailed several important implications for practitioners within public leisure management drawn from the findings of this study into management system effectiveness. The following first addresses the implications of the findings for public policy before considering the wider implications of the findings in relation to society as a whole.

### **9.5.3 Implications for Public Policy**

A key element of interest in social policy over the last decade has been the provision of, and differential access to, public services (Gorard *et al.*, 2001). New Labour's social inclusion agenda, of which social inclusion objectives have emerged as vital mechanisms (Green, 2007), has forced many to question how social inclusion can be achieved within the current local government environment of funding cuts, internal bureaucracy, and political short-termism (Reid, 2003). New Labour's social inclusion agenda promotes a public philosophy that stresses the importance of equal access to opportunities (Ellison and Ellison, 2006). The Social Exclusion Unit demonstrates a concern about social inclusion as enabling disadvantaged groups to gain greater access to health and healthy environments (SEU, 2003). New Labour believes that high-quality services, delivered by local partnerships characterised by high levels of user and community participation, are the best means of ensuring that disadvantaged groups are socially included (Ellison and Ellison, 2006). However, Coalter (1995) notes that much of the academic opposition to the contracting out of public leisure services concerns the presumed shift from welfarism to entrepreneurialism, with an associated decline in the willingness of public leisure services to cater to disadvantaged groups. This provides an interesting avenue to investigate, since Coalter (1995) goes on to cite the relative failure of previously highly subsidised welfare-oriented leisure services to cater for disadvantaged groups.

Tackling social exclusion is at the heart of current British social policy (Pavis *et al.*, 2001) and represents a key rationale for public leisure provision, that is, a concern with recreational welfare and the targeting of provision for recreationally

disadvantaged groups (Coalter *et al.*, 1986). Pavis *et al.* (2001) identify a redistributive discourse in British social policy. Here, it is argued that some groups of people lack the material resources necessary to participate in activities which are available to the rest of society. Redistributive objectives in the name of fairness, social justice and solidarity can arguably enable not-for-profit organisations, such as leisure trusts, access to additional financial assistance in support of disadvantaged groups, which forms the basis upon which leisure trusts are granted charitable status and in turn receive Treasury subsidies for the delivery of social objectives.

The heritage of charitable leisure trusts, then, lies in the creative defence of public services (Simmons, 2004), providing an opportunity to preserve the social welfare of service delivery in response to the assumed shift towards the commercialisation of leisure services, through contracting with the private sector (i.e. LMC). Leisure trusts are therefore claimed to offer the greatest opportunities for community benefit, providing local government with an opportunity to establish the welfare objectives of leisure services (Simmons, 2004) while resisting the budgetary pressures faced by direct in-house public leisure provision. More specifically, it is suggested that leisure trusts achieve this through the inclusion of recreationally disadvantaged groups, creating equality of opportunity through affordable and accessible facilities (Reid, 2003). The ability to reinvest operating surpluses back into the service is cited as a means by which trusts can enhance their ability to progress their social objectives such as equality of access (Simmons, 2008). Coalter *et al.* (1986), however, cite the difficulties that have emerged in establishing the success of leisure services, including leisure trusts, in achieving social objectives.

Business in Sport and Leisure Sport Working Group is a representative body of the private sector organisations involved in the operation of local government owned sport and leisure facilities. The Sports Group believe the government should act to remove numerous barriers to private sector investment, within the public sector leisure industry. This includes providing a level playing field for private companies who operate local government leisure facilities to ensure that they receive the same tax treatment as leisure trusts and in the procurement of local government leisure management contracts. LMCs argue that current public sector leisure delivery is anti-competitive, preventing them from being able to demonstrate how they can improve

utilisation of facilities while reducing local government subsidies (Mintel, 2006). The financial benefits enjoyed by leisure trusts are provided on the basis that they perform to governmental expectations of improving social inclusion. Given that a strategic social orientation and social inclusion is not significantly emphasised to any greater degree than LMCs or in-house facilities and no performance benefits are forthcoming to the trusts in pursuing social inclusion, government policy must be rethought. Moreover, despite the concern that the pressure is there for private agent contractors to increase income by targeting those customers with greater financial resources (Bailey and Reid, 1994), the findings presented indicate that social inclusion objectives, such as increasing the inclusion of recreationally disadvantaged groups, have a positive effect on business performance outcomes for private agents in public fitness provision. It is therefore suggested that the public leisure management playing field should be levelled in the promotion of equal opportunity in public fitness delivery, with the removal of anti-competitive measures established in the hope of increased social inclusion, which has not been significantly achieved by leisure trusts.

The findings are of particular interest given the basis for the charitable status granted to the majority of leisure trust management systems and as such raises questions as to their charitable status and future government policy. The primary contention is that leisure trusts are inefficient as the central mode for delivering on social inclusion.

New Labour's social inclusion agenda has been questioned given the budgetary pressures faced by local government in the delivery of public services (Reid, 2003). Though each management approach examined places a considerable strategic emphasis on being socially oriented, as may be expected in light of central government pressure, when compared against actual achieved inclusion, it becomes evident that those same management approaches are not effective at increasing the social inclusion of recreationally disadvantaged groups. The findings presented from the regression analysis contribute to this concern since they suggest that social inclusion is not necessarily profitable for leisure trusts, which receive most government attention. The fundamental point arising from the findings is the need to rethink public policy entirely on how social inclusion is delivered.

The Audit Commission (2006) cite that in a number of cases local government appear to have established leisure trusts primarily to make savings and in some instances, have done so without consideration of service improvements or thought of reinvestment. The subsequent reduction of subsidies by host councils in the transfer of management to a leisure trust can consequently increase financial pressures on such facilities if the savings made are not reinvested into the facilities. Hence, the Audit Commission (2006) suggest that some leisure trusts are forced to concentrate on profit-oriented activities in order to establish financial stability, thus reducing their focus on recreational welfare and undermining their social purpose. Given the benefits of reduced taxation and so forth enjoyed by leisure trusts, government policy which directs leisure trusts to increase inclusion amongst specific recreationally disadvantaged groups can be considered ineffective. The findings presented suggest that there are no significant differences across management system in the actual inclusion of recreationally disadvantaged groups, and significantly, leisure trust provision is the only approach that does not have associated positive business performance outcomes from inclusion. Ultimately, as Stewart (1996: 7) notes, "there is no point in a partnership if it does not add value", and the perceived synergy benefits of leisure trusts only truly arise when entrepreneurialism and social performance are combined (Simmons, 2008). Clearly, these synergies are not necessarily forthcoming as the perceived social inclusion benefits of leisure trusts are not statistically evident in the findings. Leisure trusts are shown to not add value and not deliver on social inclusion. Therefore, this thesis calls for changes in government policy to level the playing field and redistribute financial resources to more effectively target and deliver on social inclusion.

It is argued that leisure trusts do not justify the financial perks of trust status provided to them, given that inclusion is not heavily emphasised or significantly achieved. Though, if no performance benefits are forthcoming to the trusts in pursuit of social inclusion then the management of such facilities have little choice other than to focus on profit-oriented activities to secure the operational survival of those facilities. This clearly runs counter to the whole ethos behind their use. If leisure trusts are to remain a part of the social inclusion agenda then it may well be time to scale back on subsidies such as NNDR before their individual social effectiveness can be established. This thesis concurs with Diamond (2006) that a "fitness for purpose" test

is an appropriate way forward here. Otherwise, it is time for central government to rethink its policies on forcing collaboration between public, private and voluntary sectors (Diamond, 2006) and seek to understand what is the most effective way forward to modernise social fitness provision.

The findings make the case for significant strengthening of local government in-house managed facilities. These have often been viewed as the poor relation in public leisure provision and stand to lose the most in funding cuts and the subsidies provided to leisure trust rivals. Wallis (1999) suggests that taking risks, or speculating to accumulate, is not a successful trait of local governments. However, in this case, local governments could significantly drive forward social inclusion by taking such risks and increasing resources to in-house facilities. Local governments may well view this as a great risk for delivering on a central government objective, and accordingly central government policy must begin to redistribute financing towards such facilities so that true social inclusion may finally be created.

In sum, Simmons (2008) notes that partnerships between local governments and social enterprises, such as leisure trusts, may not be suitable for every public service or in every location. We go beyond this and suggest a fundamental rethink of the social agenda is justified. Leisure trusts, on the basis of the findings, do not fully justify their privileged position and the social inclusion agenda could be better served by financing in-house managed facilities or even LMCs. If leisure trusts remain as the government's weapon of choice in delivering on social inclusion then greater attention must be placed on developing their "inclusive potential" (Simmons, 2008) and identifying how leisure trusts can best deliver this within a perhaps more constrained fiscal situation as the current levels of subsidies are socially inefficient.

#### **9.5.4 Societal Implications**

As Coalter (1995a) notes, much of the academic opposition within leisure studies to the contracting out of public leisure services concerns the presumed shift from welfarism to entrepreneurialism, with an associated decline in the willingness of public leisure services to cater to disadvantaged groups. However, this opposition seems to rest on a number of unexamined assumptions about the past operation of



public leisure services and the nature of constraints on participation (Coalter, 1995b). Coalter (1995a), for example, cites the relative failure of previously highly subsidised welfare-oriented leisure services to cater for disadvantaged groups. This is indeed found to be the case in the results presented, specifically, in the case of leisure trusts as identified above.

Further, it was recognised in Chapter 1; Section 1.1 that participation in public leisure services is greatest amongst high-income groups. Arguably, this is reflected in the results presented. Although entrance charges are one component of participation decisions, the findings suggest that they have a relatively small influence, since low price strategies do not appear to be positively associated with business performance, of which participation is a component. This finding supports research conducted by Coalter (1993) and Millward Brown International (1991), echoing the point that irrespective of price, some people do not want to participate. Given this finding and the increasing concerns over national obesity rates, particularly amongst low-income groups, it is suggested that there is still a distinct lack of understanding of the drivers of fitness participation. Gratton and Taylor (1985), for example, propose that non-participation is indicative of a marketing failure (Gratton and Taylor, 1985). Market intelligence responsiveness is found to have positive business and customer performance outcomes, for all three public management systems. Since increased participation is a component of the business performance construct, it can be argued that the findings support the proposition that marketing initiatives are positively associated with participation. While participation in this context does not refer specifically to the obese community, it does provide an initial insight into how public leisure facilities may help to combat the obesity epidemic through increased participation, via market responsiveness, and contribute to creating a healthier society.

Regular PA, for example, has many health benefits for all age groups. As well as its effect on weight loss, increased PA can help prevent a range of chronic diseases, including type 2 diabetes, CHD, and colon cancer (discussed in Chapter 1; Section 1.1). It has been established that physical inactivity appears to increase with age and is highest amongst low-income groups (Audit Commission, 2006). Therefore, the public health and fitness sector may need to respond to such market intelligence and tailor their service offering to meet the requirements of these groups. It is proposed

that the specific inclusion of recreationally disadvantaged groups (the elderly and low-income groups, for example) may be increased through a greater use of the LMC system across local authorities, in the management of public leisure facilities. LMC systems appear to be the better equipped, of the three management systems examined, to tailor their service offering and invest in social inclusion. The findings suggest, for example, that government subsidies and Treasury resources alone do not appear to be associated with increased social inclusion in fitness participation and may only be shoring up operating costs within public leisure facilities. LMCs, on the other hand, have superior profit generation and greater access to capital, compared to both in-house and leisure trust management systems (Audit Commission, 2006), which may enable them to accommodate disadvantaged groups more effectively through increased opportunity for social inclusion investment.

The foregoing has outlined a number of implications that the thesis findings may have on society and for the management of obesity, with a specific reference to health and fitness participation. The limitations of the study are addressed next prior to a discussion of potential directions for future research.

## **9.6 LIMITATIONS OF THE STUDY**

The preceding conclusions and implications drawn from the results of this study should be considered in the light of the limitations of this study.

First, the scope of the model developed and tested in this study is limited in that the focus of the model is primarily on internal issues of strategic management. With reference to the conceptual model presented in Figure 5; Chapter 2; Section 2.8 it is observed that the model adopts an internal focus in reflecting on the strategic intent adopted and the strategic actions taken by managers within the public fitness suite. Although, it is argued that the model is of use to public fitness suite management, despite the lack of external considerations, as the model incorporates issues which can be controlled or directly influenced by management. The lack of external considerations does limit the applicability of the model in some respects as external environment considerations are of importance to public fitness suites as they can influence strategy and the achievement of higher performance, as demonstrated in

Chapter 2 with a discussion on stakeholder theory, the resource-dependence model, and corporate social responsibility literatures.

Second, this research study was based on a cross-sectional design, which entails the collection of data on more than one case at a single point in time (Bryman, 2004), producing a snapshot of a population (Cohen *et al.*, 2000), with the purpose of detecting patterns of association between the variables examined. This descriptive design suffers from the same limitations as all cross-sectional research designs in not allowing causality to be asserted from the data. Although relationships between variables can be inferred, causal relations cannot be established between variables (Cohen *et al.*, 2000). Thus, in implementing a causal research design cause-an-effect relationships could have been determined providing a greater understanding of the nature of relationships uncovered between the independent variables and the dependent variable.

Third, whilst the results of the study may be generalised to the population of public fitness suites managed by in-house, leisure trust and LMC systems it is not possible to generalise to other populations given the fact that this study is a one sample study taken from a specific, defined population. In addition, the findings may only be generalised to such public fitness suites based in England as government structures, service delivery, and resource allocation systems will vary between countries. Therefore, the findings of this study may only be generalised to the corresponding target population. Given this, future studies should seek to examine the model developed in this study in countries other than England.

Fourth, there are limitations to be noted regarding the strength of some of the findings derived from an analysis of the hypothesis testing results of this study. Several of the regression models examined exhibited relatively weak Adjusted  $R^2$  and  $F$ -values, which in turn limits the relative confidence by which assertive findings and conclusions may be drawn. This is indeed the case for the relationship between the specific inclusion of low-income groups and overall performance, since the sample number of which objective social inclusion data was available is very limited in size, hence the weak Adjusted  $R^2$  and  $F$ -values. In addition, a low response rate for the LMC approach to provision also undermines the strength of the regression models,

given that a small number of observations can impact on the power of statistical tests. In each instance, a low Adjusted  $R^2$  indicates that other variables are affecting the results, thus the author acknowledges a need for further investigation through greater research (Menon *et al.*, 1999).

Fifth, the author recognises that the operationalisation of strategic intent is relatively weak, since strategic intent is captured by single item measures. The corresponding measurement implications are such that a single-item measure is less reliable than multiple-item measures, as the latter enables the analysis of correlations between items, which if positive and produce a high average correlation, indicate internal consistency (Bergkvist and Rossiter, 2007). Hence, the degree to which assertive findings and conclusions may be drawn on the basis of the strategic intent measures is limited. This study would benefit from a multi-item scale of strategic intent, which would provide greater confidence in the interpretation of the empirical results for strategic orientation.

Sixth, it is noted that overall management system performance is measured through perceptual measures of performance rather than by using objective performance data such as financial measures. However, research has found that measures of perceived organisational performance correlate positively with objective measures of organisational performance (Delaney and Huselid, 1996), which supports their validity (Krohmer *et al.*, 2002) and application of such measures. Furthermore, the inclusion of perceptual overall performance measures enables an analysis of performance for both profit-making and not-for-profit organisations as objective data for the latter is generally unavailable (Krohmer *et al.*, 2002). Thus, given the limitations of data availability and accessibility to generating objective performance data, perceptual performance judgements were used. Therefore, it is argued that the use of perceptual performance measures, whilst accepted as a limitation of this study, does not detract from the findings and implications of this study.

Seventh, no qualitative test of the strategic model presented was conducted during the process of examining the hypotheses and the model. Further, the findings and conclusions drawn from the results were not discussed with either public fitness suite managers or the owners of said facilities, that is, local government. This is therefore a

limitation of the study as it would have been valuable to the research to have addressed the practical issues of the findings. This could have been achieved through a management perspective of the implications and “meaning” of the findings to service delivery. As such, the practicality of the model developed in this study is not ascertained from managers or local government and as such is identified as a limitation of the study.

## 9.7 DIRECTIONS FOR FUTURE RESEARCH

This section details three possible and potentially promising directions for future research. It is believed that in pursuit of these research avenues more will be revealed about the relationships between management strategic intent and actions and their associated performance outcomes, and the decision-making process in the selection of management systems for the operational management of public fitness suites.

It can be suggested that research projects that combine the different strengths of two or more methods will produce more than those same methods could offer in isolation (Morgan, 1998). Therefore, it can be argued that collecting different kinds of data by different methods, from different sources, provides a wider range of coverage that may result in a fuller picture of the phenomena under study (Bonoma, 1985). As established, qualitative methods could have been used to complement the quantitative research effort, serving as a follow-up to the quantitative study. It is believed that qualitative methods may provide interpretive resources for understanding the results of the quantitative research. This is echoed by Bryman (1995), who states:

*“Quantitative research readily allows the researcher to establish relationships among variables, but is often weak when it comes to exploring the reasons for those relationships. A qualitative study can be used to help explain the factors underlying the broad relationships that are established”* (Bryman, 1995: 61).

The following three directions for future research are entrenched within a qualitative approach, which is believed will develop the current study through an understanding and explanation of the factors underlying the broad relationships that have been

established. The first direction for future research would serve to enhance the quantitative findings of this study, which suggested that management system alone does not help in increasing social inclusion, to investigate what does help in increasing social inclusion. An issue of key concern to New Labour's social inclusion agenda. Here an analysis of polar case facilities within the industry would enhance the quantitative findings of the present study, with a focus on theory generation from case study evidence.

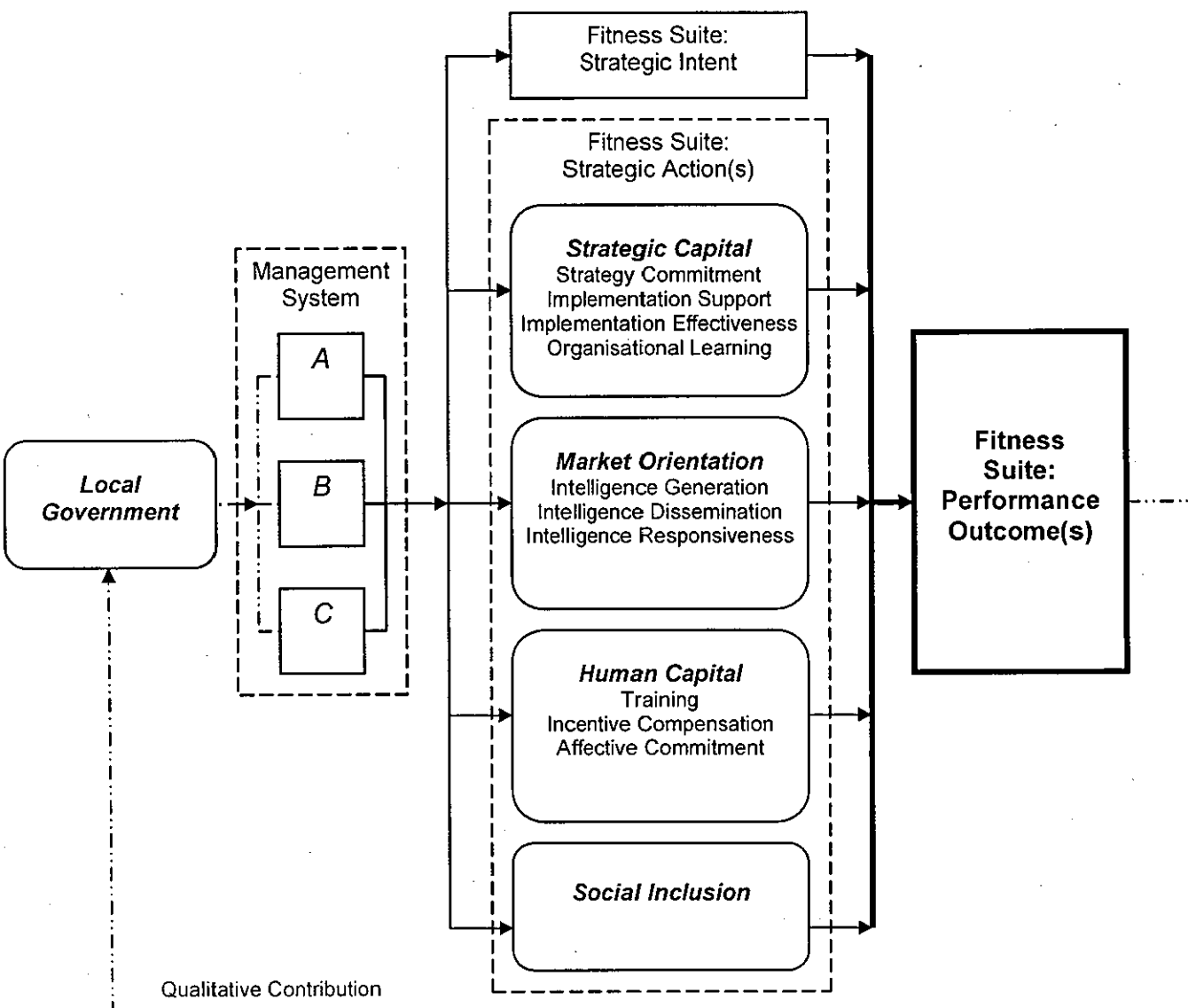
When the objective is to achieve the greatest possible amount of information on a given problem or phenomenon, a representative case or a random sample may not be the most appropriate strategy (Flyvbjerg, 2006). Arguably, this is because the typical case is often not the richest in information. Rather, atypical or extreme cases can reveal a greater insight into the phenomenon under study. The purpose of this future research avenue would be to extend emergent theory, not to test it. A particularly important theoretical sampling approach is polar types, in which a researcher samples extreme cases in order to more easily observe contrasting patterns in the data. Eisenhardt and Graebner (2007) argue that this sampling leads to very clear pattern recognition of the central constructs, relationships, and logic of the focal phenomenon.

Through the identification of perceived successful and failing public fitness suites, gauged by the level of social inclusion achieved in those facilities from the current study, the quantitative model developed can be further examined from a qualitative perspective. This would allow the issue of social inclusion to be examined in greater depth and may uncover means by which social inclusion within public fitness participation can be increased. It is suggested that such research would enhance the practicability of the model for public fitness suite managers.

To address the practical issues of the findings presented is valuable to the progression of this research. Hence, a further understanding of which systems should be preferred by local government, under different conditions, is needed (for example, when wanting to provide more facilities or increase inclusion). This provides a second direction, building on the first, for the development of future research. Dean Creamer (Head of Leisure Services, DCMS) stated that there is "*...no evidence to define the*

*difference between them*" (Creamer, 2007: Interview). While this study has made initial steps to identify and examine the differences between management systems, it would be particularly beneficial for local government to understand the specific practical implications of the choices they make in terms of what can be expected from each management system available to them. Robinson and Taylor (2003) identify the heterogeneous nature and complexity of environments in which different public leisure facilities achieve, or fail to achieve, desirable goals governed by central government. Therefore, in recognition of different local community needs (that is, more facilities or increased inclusion for example), local government could be better informed about the most "suitable" management option to meet those specific community needs.

Finally, a third direction for future research is to investigate deeper the governmental implications of fitness suite management, in particular, given the results of leisure trust systems and social inclusion. Here, qualitative interviews with local government could be utilised to examine the implications of the findings presented for the future operational management of such facilities. Given that local government retain ownership of public facilities, despite the management system adopted, it would be interesting to investigate whether performance outcomes ultimately influence local government decision-making in the selection of management system. This is identified as a development of the original study and is conceptualised in Figure 7.



The qualitative contribution, in the form of qualitative interviewing, would provide the researcher with the opportunity to probe more deeply uncovering new clues, to open up new dimensions of public leisure management and to secure accurate accounts that are based on personal experience (Burgess, 1982). Furthermore, the researcher is free to follow-up on interesting ideas introduced by the informant (Walker, 1985) and to ask questions which are informed by emerging information. The concern here is with future service delivery in light of the performance outcomes of the existing management systems, implemented by local government, in the operational management of their public fitness suites. Thus, specific areas of interest are required to be examined such as the poor performance of leisure trusts when



measured against social performance objectives and whether, indeed, this will have implications for the future management of public fitness suite facilities.

## **9.8 FINAL REMARKS**

The purpose of this study was to examine management system effectiveness in public fitness suites and consequently to develop a model of the strategies pursued and strategic actions associated with the overall performance of each of the management systems identified.

In order to realise the above a thorough literature review developed a guiding view of strategic management for the development of a conceptual model of the factors associated with strategy and performance. Subsequently, a series of hypotheses between aspects of strategic intent, strategic actions and overall performance were generated during conceptualisation. A cross-sectional research design was adopted and a survey based data generation methodology was employed to generate primary data on the hypotheses from a sample of one thousand and sixty public fitness suites. The empirical results of the thesis were discussed over three chapters beginning with a development of scale indices through principal components analysis. The results of the principal components analysis and scale construction procedure resulted in the creation of twelve factors from the four constructs of the conceptual model captured in the questionnaire. This was followed by an analysis of the descriptive findings and correlation analysis, before proceeding to multiple linear regression analysis. Partial support was found for the majority of hypotheses, with full support found for some hypotheses. Subsequent to a discussion of the results in Chapter 8, this final chapter (Chapter 9) developed a series of conclusions and implications from the study findings as well as directions for future research in light of the limitations of the study identified.

To conclude, this study attempted to develop a conceptual model of management system effectiveness including insights into the factors associated with overall management system performance. Several implications were drawn from the findings of this study for theory, public policy, society and managers of public fitness suites from the various management systems examined. In addition, directions for future

research were noted after having examined the limitations of the study and identified key areas for the development of this research effort. It is hoped that future research will be undertaken to develop the study findings, since the context within which this study is embedded is largely unexplored from a strategic management perspective.

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## *Appendices*

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January 2008

Dear

As a Research Student in Strategic Management at Loughborough University Business School, I am currently undertaking a large-scale nationwide study of public fitness suites, which is endorsed by The Leisure Database Company. Specifically, I am investigating how public fitness suites capitalise on their management system in order to achieve desired performance outcomes. Once analysed, the results will provide an indication of the relationship between management actions taken and the performance outcomes of public fitness suites.

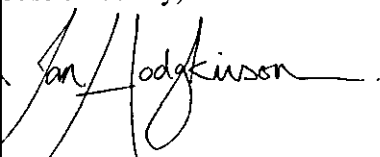
The reason I am contacting you today is to ask for your time in filling out the study's questionnaire (titled "*A Study of Public Fitness Suites*"), which is designed to capture specific management activities and link them to perceived performance.

I will be mailing you a copy of the survey questionnaire next week, and would be most grateful if you would agree to complete and return it in the stamped return envelope which I will provide. I am very aware of the demand on your time and the effort I am asking of you and your potential reluctance to take part. In a bid to encourage you to respond to my plea, and should you wish it, I will send you a summary of the study's main findings, in recognition of your generosity in assisting Loughborough University Business School in our research endeavours.

Please let me assure you that any information collected will be treated in the strictest confidence. Only I will have access to individual questionnaire responses, and the data to be published from this survey will appear only in an aggregate form. No individual responses will, at any time, be made available to anyone other than myself. Questionnaires, when returned, will not even bear the name of the individual respondent, ensuring personal anonymity.

If you have any questions regarding the content of the questionnaire or the research project itself, please do not hesitate to contact me.

Yours sincerely,



Ian Hodgkinson  
Doctoral Research Student  
Loughborough University Business School





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January 2008

Dear

Further to my letter dated 14<sup>th</sup> January, please find enclosed the Loughborough University Business School questionnaire titled "*A Study of Public Fitness Suites*". As explained in my earlier correspondence, this questionnaire is the basis for a nationwide study on how public fitness suites capitalise on their management system in order to achieve desired performance outcomes and is endorsed by The Leisure Database Company. Once analysed, the results will provide an indication of the relationship between management actions taken and the performance outcomes of public fitness suites.

I would be most grateful if you would complete the questionnaire and return it in the stamped return envelope provided. I am very aware of the demand on your time and the effort I am asking of you and your potential reluctance to take part. In a bid to encourage you to respond to my plea, and in recognition of your generosity in assisting Loughborough University Business School in our research endeavours, I will happily send you a summary of the study's main findings should you wish to receive them. Let me also assure you that the information collected will be treated in the strictest confidence. Only I will have access to individual questionnaire responses, and the only data to be published from this survey will appear only in aggregate form (no individual responses will, at any time, be made available to anyone other than myself). Further, questionnaires, when returned, will not bear the name of the individual respondent, ensuring personal anonymity. The code you will see in the Loughborough University box at the end of the questionnaire only serves the purpose of not following up people who have already responded to the survey.

If you have any questions regarding the content of the questionnaire or the research project itself, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink that reads 'Ian Hodgkinson'.

Ian Hodgkinson  
Doctoral Research Student  
Loughborough University Business School

**Appendix 3**  
**Follow-up Cards**



I hope that you received my questionnaire on *Public Fitness Suites* a week ago. If you have already returned it, I am very grateful. If you have not yet had the chance to complete the questionnaire, I would like to take this opportunity to tell you that I am still very keen to obtain your response, since your opinions will make an important contribution to the quality of this nationwide study. I confirm that all replies are kept strictly confidential. If you did not receive a copy of the questionnaire, or have any questions about this study, please do not hesitate to contact me. I look forward to your response.

*Yours sincerely,*

Ian Hodgkinson  
Doctoral Research Student

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pendix 4  
cond Questionnaire Wave



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February 2008

ar Fitness Manager

Recently asked for your help with a Loughborough University Business School survey of public fitness suites, which is endorsed by The Leisure Database Company. If you have already returned the questionnaire, I would like to apologise for contacting you again and take this opportunity to thank you for your valuable time and effort. If, on the other hand, you have not yet had the chance to complete the questionnaire, I would be extremely grateful if you could find the time to do so. I am well aware that I am imposing on your busy schedule, but your answers are critical for the accuracy of this research and your participation could really make the difference between success and failure of the study.

Let me quickly remind you what the study is about. As explained in my earlier correspondence, this questionnaire is the basis for a study on how public fitness suites capitalise on their management system in order to achieve desired performance outcomes. Once analysed, the results will provide an indication of the relationship between management actions taken and the performance outcomes of public fitness suites.

I enclose a new questionnaire and a freepost return envelope for your convenience. I am very aware of the demand on your time and the effort I am asking of you and your potential reluctance to take part. In a bid to encourage you to respond to my plea, and should you wish it, I will send you a summary of the study's main findings, in recognition of your generosity in assisting Loughborough University Business School in our research endeavours. Once more, please rest assured that the information collected will be treated in the strictest confidence. Only I will have access to individual questionnaire responses, and the data to be published from this survey will appear only in an aggregate form (no individual responses will, at any time, be made available to anyone other than myself). Questionnaires, when returned, will not even bear the name of the individual respondent, ensuring personal anonymity.

If you have any questions regarding the content of the questionnaire or the research project itself, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink that reads 'Ian Hodgkinson'.

Ian Hodgkinson  
Doctoral Research Student  
Loughborough University Business School



Ian Hodgkinson  
Doctoral Research Student  
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Ashby Road, Loughborough  
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August 2008

Dear Fitness Suite Manager

Following your participation in our survey of public fitness suites, you asked for a summary of the key results. Enclosed is the summary, which I very much hope you will find of interest.

If you have any questions regarding the content of the questionnaire or the research project itself, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink that reads 'Ian Hodgkinson'.

Ian Hodgkinson  
Doctoral Research Student  
Loughborough University Business School

## EXECUTIVE SUMMARY: RESEARCH FINDINGS

Local authorities in England have reformed the management of their public fitness suites over many years. Some have remained as in-house facilities, some have been sub-contracted to private management and others are administered by leisure trusts. Whether managed by in-house, leisure management contractors (LMC) or leisure trust structures, it is vital to review their performance in business and social inclusion terms.

A study at Loughborough University by Ian Hodgkinson in cooperation with The Leisure Database Company (TLDC) has addressed the three management systems. In examining management system effectiveness, an increased understanding of the performance outcomes attributable to the adoption of the various management systems is achieved and a number of significant findings have emerged.

This was achieved by a questionnaire survey that targeted 1,060 public fitness suites nationally. 280 replies were subsequently received forming an overall response rate of 26%. Of those participating and responding:

- 28% were from in-house providers;
- 27% were from leisure trusts; and,
- 22% were from LMC management systems.

These responses were matched up with specialist market intelligence provided by TLDC. Particular attention was paid to managers' perceptions of fitness suite performance. Performance is broken down into two components:

*Social performance* (social inclusion); and,

*Business performance* (new customers, marketing, profitability, and market share).

A careful statistical analysis of the data collected reveals a number of significant findings.

### Social Inclusion Implications

- Leisure trusts do not place a significantly greater strategic emphasis on social inclusion than in-house or LMC management systems.
- With regard to the specific inclusion of recreationally disadvantaged groups, no significant difference is found to exist between in-house, leisure trust, and LMC management systems.
- Therefore, the Treasury resources invested in leisure trusts (i.e. the charitable status of the majority of leisure trusts exempts them from VAT on fees and charges, provides relief on corporation and capital gains tax, and some relief on National Non-Domestic Rates) for social purposes (i.e. social inclusion) do not appear to be associated with increasing the inclusion of recreationally disadvantaged groups more than in-house or LMC management systems.
- The business performance of public fitness suites is positively associated with the inclusion of recreationally disadvantaged groups. It is suggested that greater profit results in increased resources that can be utilised to undertake activities of social inclusion, for example, targeted programming.
- Focusing strategies on recreationally disadvantaged groups alone does not appear to increase the inclusion of such groups. Rather, it is suggested that through targeting higher income groups, public fitness suites can indirectly increase their level of social inclusion, since resulting profits may be directed towards this end.
- Therefore, we suggest that public fitness suites may be advised to focus on the generation of resources, via their business performance – since this is in turn positively associated with social inclusion. Government subsidies alone do not appear to correlate with increased social inclusion and may be shoring up costs elsewhere.

# A Study of Public Fitness Suites

The purpose of this study is to collect information on the management of public fitness suites and examine the performance outcomes of management systems.

Your co-operation in completing this short questionnaire is central to the success of this research project and should take only a short time to complete. Please make each question a separate and independent judgement. It is your first impression, the immediate feelings about the questions that we want. Please do take care to answer the questions as fully and accurately as you can and remember that there are no "right" or "wrong" answers to any of these questions.

All information provided in this questionnaire will remain **absolutely confidential**

When complete, please return this questionnaire in the freepost, pre-addressed envelope provided

## Section 1: Stakeholders

Using the following scale where 1 = no influence, 7 = total influence, please **RATE** the following stakeholders in terms of their influence on strategic decision-making in your fitness suite, by putting the numbers of your choice in the boxes provided below.

Local Authority	Employees	Customers	Suppliers	Lenders	Local Community	Government Agencies

## Section 2: Strategic Intention

Using the following scale where 1 = very little, 7 = great deal, please **RATE** the following descriptions in the boxes provided, which most closely explain your fitness suite's approach when compared with competitors in your marketplace? Please rate all strategies and note none of the types listed are inherently "good" or "bad".

Type 1:		<b>Low Cost</b> , striving for a low cost position relative to competitors, achieved through an experience curve, tight cost and overhead control, and cost minimisation in areas like service and advertising.
Type 2:		<b>Inclusion</b> , reducing inequalities between the least advantaged groups and communities and the rest of society. The fitness suite seeks to include all citizens, achieved through targeted programming.
Type 3:		<b>Value Added</b> , differentiating the product or service offering of the fitness suite, providing a service that is superior to competitors. Costs are of secondary significance to providing the service offering.
Type 4:		<b>Low Price</b> , providing a service for those who cannot afford the opportunities offered by the private sector. A central motivation of the service is to ensure access for all citizens achieved through price subsidies or providing a low entry price.
Type 5:		<b>Hybrid</b> , differentiating the product or service offering of the fitness suite to provide a service that is superior to competitors, whilst simultaneously maintaining a tight control on costs for a lower cost-base relative to competitors.

## Section 3: Strategies

Using the scale below, please indicate the extent to which you disagree or agree with the following statements, by putting the numbers of your choice in the boxes provided below.

<b>Strongly disagree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neutral</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>

The '**Overall Product-Market Strategy**' refers to the actions and behaviours that are set out in support of attracting customers to achieve desired strategic outcomes.

1. I don't think the overall product-market strategy is in the best interests of the fitness suite.....
2. I believe the overall product-market strategy is a great idea.....
3. I can't say that I support the overall product-market strategy.....

- 4. I personally feel that the goals of the overall product-market strategy are appropriate.....
- 5. The right resources are allocated to implementation efforts for the overall product-market strategy.....
- 6. The resource structure is now well aligned with the overall product-market strategy.....
- 7. Our overall product-market strategy is an example of effective strategy implementation.....
- 8. I personally think the implementation of the overall product-market strategy is considered a success in my fitness suite.....
- 9. The fitness suite's implementation effort on the overall product-market strategy is disappointing.....
- 10. The implementation of the overall product-market strategy is generally considered a great success in the fitness suite.....
- 11. Meetings are frequently conducted to identify what can be learned and subsequently improved upon from activities and events.....
- 12. Formal routines exist to uncover faulty assumptions about the overall product-market strategy process.....
- 13. We always audit unsuccessful product-market strategy endeavours and communicate the lessons learned.
- 14. Lessons learned from past product-market decisions are thoroughly shared and discussed with others in the fitness suite.....
- 15. We have specific mechanisms for sharing lessons learned in the overall product-market strategy process...
- 16. Fitness suite conversation keeps alive the lessons learned from overall product-market strategy history...

**Section 4: Marketing**

Using the scale from **Section 3**, please indicate the extent to which you disagree or agree with the following statements, by putting the numbers of your choice in the boxes provided below.

- 17. We formally consult customers at least once a year to find out what products or services they will need in the future.....
- 18. We gather data from our sector for use in the developmental plans for our activities.....
- 19. We survey customers at least once a year to assess the quality of our products and services.....
- 20. A lot of informal 'hall talk' in this fitness suite concerns our competitors' tactics or strategies.....
- 21. We have meetings at least once a quarter to discuss market trends and developments.....
- 22. Our fitness suite periodically circulates documents (e.g. reports, newsletters) that provide information on our customers.....
- 23. It takes us forever to decide how to respond to our competitors' price changes.....
- 24. For one reason or another we tend to ignore changes in our customers' service needs.....
- 25. We periodically review our service development efforts to ensure that they are in line with what customers want.....
- 26. Customer complaints fall on deaf ears in this fitness suite.....
- 27. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.....
- 28. When we find out that customers are unhappy with the quality of our service, we take corrective action immediately.....

**Section 5: Human Resource Management**

Using the individual scales provided with each question, please indicate your views by putting the numbers of your choice in the boxes provided.

- 29. How extensive is the training process for employees of your fitness suite? (1 = not extensive, 7 = very extensive).....
- 30. Do you feel training is viewed as a cost or as an investment? (1 = viewed as a cost, 7 = viewed as an investment).....
- 31. Overall, how effective would you say your employee training is? (1 = not effective, 7 = very effective).....
- 32. How much effort is given to measuring employee performance? (1 = very little, 7 = great deal).....
- 33. How often is performance discussed with employees? (1 = rarely, 7 = daily).....
- 34. Do discussions focus on present performance or future performance? (1 = present, 7 = future).....
- 35. Increased performance means higher pay for employees (1 = strongly disagree, 7 = strongly agree).....
- 36. My individual performance actually has little impact on any incentive pay award (1 = strongly disagree, 7 = strongly agree).....
- 37. My individual performance actually has little impact on my salary (1 = strongly disagree, 7 = strongly agree).....
- 38. How important is overall fitness suite performance in determining the earnings of the manager (1 = very little, 7 = great deal).....
- 39. When someone criticises this fitness suite, it feels like a personal insult (1 = strongly disagree, 7 = strongly agree).....
- 40. This fitness suite's successes are my successes (1 = strongly disagree, 7 = strongly agree).....
- 41. I feel a sense of ownership for this fitness suite (1 = strongly disagree, 7 = strongly agree).....

**Section 6: Performance**

How would you compare the fitness suite's performance over the past 3 years to that of other fitness suites, when considering the below... (Please circle the number of your choice)

<i>Performance outcomes:</i>	(1) Very poor · Excellent (7)						
42. Achieving customer satisfaction?.....	1	2	3	4	5	6	7
43. Providing value for customers?.....	1	2	3	4	5	6	7
44. Quality of services?.....	1	2	3	4	5	6	7
45. Development of services?.....	1	2	3	4	5	6	7
46. Keeping current customers?.....	1	2	3	4	5	6	7
47. Attracting new customers?.....	1	2	3	4	5	6	7
48. Marketing?.....	1	2	3	4	5	6	7
49. Profitability?.....	1	2	3	4	5	6	7
50. Market share?.....	1	2	3	4	5	6	7

**Thank you very much for your co-operation in this study**

**Please return this completed questionnaire in the freepost, pre-addressed envelope provided.**

If you would like to receive a complimentary report containing a summary research report, please tick the box and complete the name and address panel below:

*Loughborough University Business School use only*

Survey wave:	1	<input type="checkbox"/>	2
Survey code:	<input style="width: 80%;" type="text"/>		
Questionnaire received:	___/___/20__		



