Strategic Management and Government Support as Determinants of Hotel Performance: A PLS-SEM Analysis of the Saudi Hospitality Sector

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ABSTRACT:

Tourism is among the major sources of foreign exchange as well as economic development of countries. Saudi Arabia is an emerging tourist destination that the government is encouraging through Vision 2030. However, the hotel industry performance is still less than that of regional countries. The research hypothesis is the following: strategic management practices (SMP), which include strategic planning, formulation, implementation, and evaluation, affect the strategic performance of five-star hotels in Saudi Arabia, with the moderating variable being government support. The Saudi hotel managers collected the survey findings, and the quantitative approach informed the study in which the resource-based view (RBV) and the contingency theory (CT) were applied. A sample of five-star hotels was taken in order to obtain 116 responses. The findings revealed that all the SMP dimensions enhance the performance of a hotel, thereby demonstrating that the dimensions are as critical as organizational competencies. The governmental support also pushes the relationship between SMP and performance, especially through the improvement of strategic establishment and review. This means that the new economies should incorporate internal strategic capabilities with institutional advocacy. The study uses RBV and CT in the hospitality industry and offers a feasible recommendation that can be applied by the leaders and administrators of various hotels to embark on the Saudi Arabia Vision 2030.

Keywords: Strategic Management Practices; Strategic Performance; Government Support; Hotel Industry; Resource-Based View; Contingency Theory; Saudi Arabia; Vision 2030

1. Introduction

Tourism is one of the most significant driving forces in global economic growth, which increases income, employment, and social improvement. Its effects extend beyond the spending on tours and rise in demand for transport, food services, entertainment, and most importantly, hotels, which constitute the tourism infrastructure base (Nikoli & Lazakidou, 2019). In 2017, the travel and tourism gross

domestic product (GDP) was valued at USD 9.3 trillion (approximately 10.4% of the global GDP), consisting of 313 million employees (Oxford Economics, 2017). The trend was inverted during COVID-19, and the impact of the sector dropped by USD 3.3 trillion (Reuters, 2020). The global tourist sales have grown to USD 7.7 and USD 9.5 trillion in the years 2022 and 2023, respectively, but the performance is lower by 5% than the non-pandemic performance (Statista, 2023). There is a change in the contribution of the GDP of a country to tourism. Tourism creates hundreds of billions of dollars in the developed economies of the U.S., China, and Germany, and the developing countries create less but fast-growing ones (Statista, 2022). The Saudi hotel and tourism industry is not an exception, but a strategic and unique one in the Middle East. Due to the pandemic, it is evident that the Kingdom's tourism contribution dropped to USD 50.6 billion, or SAR 190.6 billion, in 2020 and grew to USD 59.4 billion in 2022. In particular, about USD 20 billion is contributed by pilgrims to Makkah annually (Statista, 2024b). Saudi Arabia is trailing behind its competitors in the region, including the UAE, which contributed USD 45 billion to the tourism sector in 2022 despite having a good base. The average occupancy in Saudi hotels was 53% in 2022, and in UAE hotels, the average occupancy was 71% (Ministry of Economy, 2024).

These figures are indicative of the potential and threats of Saudi Arabia's hospitality industry. Tourism and hotels have become one of the key sources of economic diversification and less dependency on oil with the help of Vision 2030. The Diriyah Giga Project, AlUla historic development, and huge hotel capacity expansions (over 40,000 new rooms under construction as of 2023) showcase the government's commitment. However, structural concerns hurt the sector. The reduction of 34% (7,630 to 5,010 in 2018–2022) indicates that the hotels are inefficient in their operations and subject to external factors and impact (e.g., COVID-19) (Statista, 2024a). The obstacle to the industry with regional counterparts' competitiveness is the service delivery patterns and the low utilization of superior strategic management practices (SMP). Hotels can follow a lead strategy, focused on innovation, distinction, and proactive service development, or a match strategy, replicating competitors (Ahmad & Scott, 2024). Leading tactics perform better, especially in competitive marketplaces (Manigandan & Raghuram, 2024). In fact, as was stated, these strategies are prevailing more in industrialized economies and in multinational hotel chains than in emerging countries, in which the hotels seem to favor following common offers (Japutra et al., 2024). Despite the existence of international hotel brands in Saudi Arabia, including Marriott, Hilton, and Accor, the majority of the hotels in Saudi Arabia are not strategic, and this influences their occupancy and profitability.

SMP (planning, formulation, implementation, and evaluation) is considered to be crucial in the performance of organizations. They help organizations create long-term goals, match resources to environmental opportunities, and adapt to changing conditions (Bryson & George, 2020). The effectiveness of Saudi hotels' use of these procedures is uncertain. Strategic planning and formulation improve organizational outcomes in many sectors (Karuoya & Waithaka, 2023), but some studies found no effect (Shalom et al., 2023). The realization and appraisal of strategies are accorded a significant level in the hospitality industry, especially in the Middle East, but they are understudied (Juma et al., 2023). This makes the impact of SMP on the strategic performance of the Saudi Arabian hotel industry vague.

Government support also helps in determining the level of performance of the hotel. The Saudi government has provided financial aid, lowered taxes, trained its staff, and made regulatory modifications to enhance a sustainable and competitive hotel industry (Al-Samhan, 2023). The contingency theory (CT) permits external support to create a facilitating environment for internal competencies (Otley, 2019). Previous research on government support's moderating function is conflicting. Some research demonstrates that government interventions improve small and medium enterprises (SMEs) and tourism enterprises (Saberi & Hamdan, 2019; Seow et al., 2021), while others show little or no moderating influence. This paradox shows that findings may be contextual, and

this implies the application of empirical research in the hotel industry of Saudi Arabia.

These challenges indicate a pressing need to study how strategic management approaches affect Saudi hotel performance and how government funding affects this relationship. This study integrates the Resource-Based View (RBV), which emphasizes internal capabilities as performance drivers (Amit & Schoemaker, 1993; Wibowo et al., 2022), with CT, which emphasizes internal-external alignment, to create a theoretically grounded and empirically tested model. The literature gaps in hospitality and strategic management are met in this methodology and act as a contemporary source of knowledge among managers and policymakers concerned with ensuring that the Saudi hotel sector is playing its crucial role in Vision 2030.

2. Literature review

In this section, the hotel industry's theoretical framework, as well as the conceptual framework and hypotheses development, are discussed.

2.1 Theoretical framework

This study used two complementary theoretical views to create its conceptual framework. According to the RBV, SMP improves organizational effectiveness. Additionally, CT was used to explain how the government's support moderates the relationship between internal capacities and external contextual circumstances. The RBV states that firm-level resource and capability distributions cause performance differences (Wernerfelt, 1984). Resources include financial resources, infrastructure, equipment, staff knowledge, patents, managerial know-how, and brand recognition (Amit & Schoemaker, 1993). The mobilization, integration, and deployment of these resources in a quest to attain strategic goals are incorporated in the firm's capabilities. Capabilities are developed via organizational procedures and learning, unlike resources.

RBV assumes that valuable, rare, inimitable, and non-substitutable (VRIN) resources and competencies offer a sustainable competitive advantage (Barney, 1991). In this study, RBV is used to analyze how SMP affects Saudi hotel performance. One of the dynamic organizational competencies that enable hotels to respond flexibly to changes within market dynamics is strategic planning, strategic formulation, strategic implementation, and strategic evaluation. Planning and designing assist in ensuring that a hotel will enjoy resources, operations, make use of digital technology to facilitate work to be more efficient and user-friendly, and analysis that will lead to the formation of organizational learning. The change of resources to long-term capabilities makes the company more competitive, more efficient with operations, and higher customer satisfaction because SMP is compliant with the theory of the RBV, according to which the coordination of internal resources results in a high performance level.

CT focuses on the contextual fit between organizational strategy and the environmental conditions, whereas RBV focuses on internal resources. CT is founded on the principle that no management technique is universal, as it believes that organizational performance is based on the conceptualization that internal processes are aligned with the external factors such as technology, regulation, and environmental volatility. Good management requires fluidity and responsiveness, and the structures, processes, and strategies should suit the environment of an organization (Donaldson, 2001).

Government support affects organizational effectiveness through financial incentives, training, regulatory frameworks, and infrastructure (Meznar & Johnson Jr, 2005). Industry support has a beneficial effect on the field of innovations, capital outlay, and competitiveness (Araral, 2020). Nevertheless, it may be disrupted by excessive regulation or political unrest, which can affect its uncertainty and poor functioning. According to CT, the impact of government support depends on its alignment with socio-economic and institutional contexts. This study used CT to explain how the government supports moderating the effect of SMP on hotel performance. Therefore, by combining these two theories, the study accounts for internal and external factors that can contribute to the strategic performance of hotels.

2.2 Strategic Performance

SMP assists companies in planning, defining, implementing, and evaluating strategies. SMP are organizational qualities that mobilize resources to increase competitiveness and produce value (Barney, 1991). SMP helps hotels manage resources, foresee market changes, and provide exceptional service in a competitive industry (Kornelius et al., 2021). The operationalization of SMP has been operationalized on four dimensions, which have been fulfilled in this paper. Strategic planning defines goals, evaluates internal and external environments, and matches resources to opportunities and risks (Ndungu, 2017). Hotel strategic planning may include demand projection, seasonality regulation, and service and technology investments (Dissanayake, 2019). The reason is that strategic planning eliminates uncertainty, and the effectiveness of any entity increases as an outcome, making the hotel more visible (Alosani et al., 2020).

Formulation of strategies will entail alignment of corporate objectives and the competitive environment. This dimension majors on strategic gaps and undertakings that are oriented to internal possibilities and external opportunities (Fuertes et al., 2020). The formulation of hospitality will be market segmentation, branding, service innovation, or diversification of tourism segments. Properly developed strategies allow differentiation or competitive advantage in terms of pricing, making companies more successful (Sekere et al., 2023). Strategies require the distribution of resources, the motivation of the workforce, and the operating machinery. Organizational and process coordination are needed in the implementation of SMP (Köseoglu et al., 2013). The most recent process of strategic management is strategy evaluation, which is accomplished through performance and benchmark analysis and execution of modifications. The evaluation of hospitality should be performed because customer expectations and market demand evolve at an extremely rapid pace. The customer perspective and staff perspective are also presented in the Balanced Scorecard in addition to financial indicators (Köseoglu et al., 2013). Juma et al. (2023) discovered the merits of regular assessment of performance progress on the premise of updating the process of change, studying, and corporate strength. The integration of SMP, therefore, assists hotels in their competitiveness through seeking and implementing market-driven strategies.

2.3 Government Support

CT pointed out that organizational efficiency depends on matching internal practices to external conditions (Otley, 2019). Hospitality is prone to government policies, both infrastructural and policy-related, thus requiring government support. Government assistance may be in the form of financial support, tax subsidies, training of workers, easy regulations, and setting the destination. Studies reveal that government funding affects organizational effectiveness directly and indirectly. Kim et al. (2016) found that government support moderated the R&D-organizational success relationship in South Korea. Saberi and Hamdan (2019) found that GCC incentives to the government increased the contribution of entrepreneurship to the economy. Competitiveness, along with other benefits, includes subsidies, training, and infrastructure, which result in the enhancement of the quality of the services provided in tourism and access to markets(Chang et al., 2019).

The Saudi government prefers economic diversification with the help of tourism and hospitality in the framework of Vision 2030. Another element that is contributing to the competitiveness of hotels is in terms of the Saudi Tourism Development Fund, employee development, tax incentives, and mega development of destinations such as NEOM, Red Sea Project, and Diriyah Gate (Al-Samhan, 2023). These assist hotels in adopting and evaluating efforts to reduce strategic investment barriers and improve SMP. Financial aid lessens technology adoption and liquidity constraints, while training programs equip people to be more innovative. According to CT, government spending moderates the SMP-performance link. Hotels improve strategic planning, formulation, implementation, and evaluation via policies, funding, and training. Without government support, resource or regulatory constraints may undermine processes. Saudi Arabia's hospitality industry is growing

rapidly; thus, government support is essential for linking internal skills to external performance.

2.4 Conceptual framework

Most SMP research has been done in South Korea, China, India, and Europe and Africa (Chang et al., 2019). Despite Vision 2030 and considerable investment in tourism as a diversifier, Saudi Arabian studies are scarce. Much of the past research has focused on SMEs, manufacturing enterprises, and public companies, while hotel performance has gotten little attention (Sekere et al., 2023). The imbalance in the hospitality industry is vast because it is investing in the national development projects of Saudi Arabia. Furthermore, strategic planning is the most common topic in research, and the issue of execution and assessment remains unaddressed (Dissanayake, 2019). Much of the literature uses conceptual, qualitative, or secondary data (Saberi & Hamdan, 2019), which limits empirical validation. This study takes a broad view of SMP and examines its effects using Saudi hotel survey data.

Another gap is the lack of research on moderating variables. The SMP–performance association is inconsistently supported by prior research (Sekere et al., 2023), requiring additional explanations. Government support is crucial to Vision 2030 hospitality development, but its moderating effects are untested. Based on RBV and CT, this study proposes that SMP and its dimensions (strategic planning, formulation, implementation, and evaluation) will have a positive effect on Saudi Arabian hotel strategic performance. The study suggests government support to moderate the impact of SMP on strategic performance. This study's conceptual framework is shown in Figure 1.

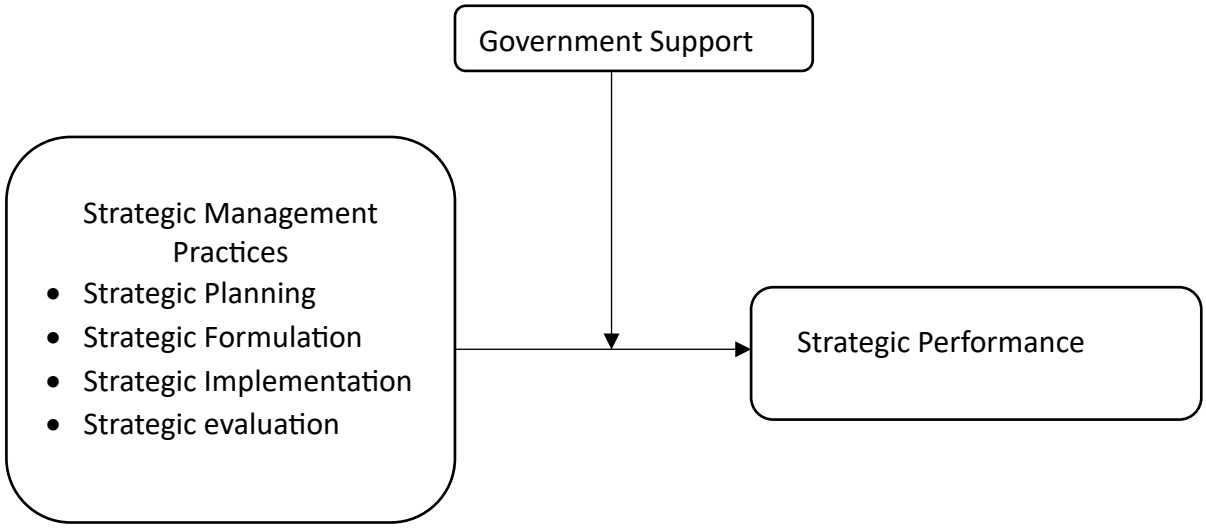

Figure 1: Conceptual Framework

2.4.1 Strategic Management and Performance

Organizations operate best by mobilizing and using valuable, scarce, inimitable, and non-substitutable resources (Barney, 1991). The intangible and practical assets of the hospitality business SMP connect infrastructure and technology equipment with management capability and corporate culture (Nuroğlu, 2016). Such approaches will ensure that hotels can respond to the dynamic environment of the market, realign operations with long-term objectives, and obtain a competitive advantage (Dissanayake, 2019). Alosani et al. (2020) demonstrated the beneficial effect of proper SMP by revealing the enhancement of profitability, increase of revenues, customer satisfaction, and novelty. Bryson and George (2020) introduced fragmented approaches, which are a poor strategy in comparison to integrated SMP. Franklin and Al-Kassem (2012) asserted that more notable was the occupancy and loyalty of guests in hotels where SMP was hosted, and this highlights the importance of stability of strategy in the service industry. The entire SMP format could help Saudi Arabian hotels to align with evolving trends in tourist flow, shift to digital guest care, and interact with the aim of the

government to improve their strategic performance. For this reason, we hypothesize:

H1: SMP has a positive impact on strategic performance.

2.4.2 Strategic Planning and Strategic Performance

Strategic planning entails setting long-term goals, analyzing external conditions, and aligning internal resources to capitalize on market possibilities (Nuroğlu, 2016). Such planning, according to RBV, will be the most valuable one because it creates resources that cannot be replicated by other firms (Barney, 1991). Planning also forms the map of how resources would be allocated, whether to invest in them or in innovations to the services offered in hotels, with the aim of ensuring that physical infrastructure and human capital are in tandem with market needs. In the majority of cases, strategic planning is capable of enhancing results. Arranged hotels are lucrative, and they have shared markets since they have established strategies (Monye & Ibegbulem, 2018). Flexibility and alignment of employees to the environment are enhanced by strategic planning (Namada, 2020). Tourism businesses must plan in advance to predict demand and counteract competitive and regulatory forces (Dissanayake, 2019). The existence of competition in the region and the upcoming ambitious projects, such as Diriyah and AlUla, causes the reliance of Saudi Arabia's luxury hotels on strategic planning. The business includes government-led tourist activities that hotels can harness and effectively place religious and holiday travelers in their business to boost their performance both financially and non-financially. Therefore, the hypothesis is:

H1a: Strategic planning has a positive impact on the strategic performance of hotels.

2.4.3 Strategic Formulation and Strategic Performance

The formulation of strategies results in planning of intelligence, service design, pricing, and positioning in the market (Moinuddin & Usman, 2025). The RBV formulation affects how resources and capabilities may be utilized to seize opportunities and guard against competition (Purba, 2025). Formulation is useful to facilitate the differentiation of hotels to add value to the brand and maintain competitive advantage in dynamism (Ghamgui et al., 2025). Previous research indicates that formulation is an efficient method to improve performance (Sekere et al., 2023). However, some state that it needs serious implementation (Shalom et al., 2023). Contextual research is required in the hotel industry, where consumers' preferences change very fast, as these mixed results show. Saudi Arabia has massive opportunities based on luxury, eco-tourism, and heritage tourism strategies that conform to Vision 2030. Hotels that align with government and international trends are better placed to succeed. Therefore, the following hypothesis is proposed:

H1b: Strategic formulation boosts Saudi hotel performance.

2.4.4 Strategic Implementation and Strategic Performance

Strategic implementation requires resource allocation and employee participation (Rahman, 2025). Effective execution ensures that resources are mobilized to meet performance goals; therefore, even well-formulated strategies are ineffective without effective implementation. This includes integrating hospitality personnel behavior, operational processes, and service standards with strategic goals (Margiutomo & Jayanti, 2025). The implementation is significant, as research shows. Successful implementation improves service quality and efficiency (Ogweno & Bula, 2023), while great execution boosts customer satisfaction and retention. Strategic success is normally disrupted by unsuccessful implementation, which may be caused by poor communication or the wrong allocation of resources. For Saudi hotels implementing large-scale tourism projects, bridging strategic planning with practical reality is crucial. Therefore, the following is hypothesized:

H1c: Strategic implementation has a positive effect on strategic performance

2.4.5 Strategic Evaluation and Strategic Performance

Strategic review and assessment are carried out to refine strategies and meet organizational targets and

changing environments (Shafiei et al., 2025). Evaluation is what allows one to take part in lifelong learning and redesigning resources (Olasehinde et al., 2025). Evaluation helps hospitality maintain service quality, measure marketing effectiveness, and meet consumer expectations (Tamtam & Tourabi, 2025). Strategic evaluation improves service industry decision-making (Juma et al., 2023), while Zhang and Chen (2023) show that it improves market responsiveness. Fulton et al. (2014) noted that research has a gap because there is under-research in the area of evaluation compared to other characteristics of SMP. Hence, the Saudi hotel business is to be regularly reviewed to trace digital service investment, foreign promotional work, and seasonal changes. In short, institutionalizing evaluation makes hotels more adaptable and competitive. Thus, the hypothesis is:

H1d: Strategic evaluation has a positive effect on strategic performance.

2.4.6 Government Moderator Support

CT states that organizational performance is influenced by both internal resources and capabilities and external environmental situations (Donaldson, 2001). Here, government support augments strategic approaches to management. Government intervention, such as tax incentives, training, subsidies on the cost of operations, and removal of regulations, increases the firms' resource base and restricts operations; hence, compelling them to use methods as desired. Nonetheless, the outcomes of past studies are not uniform about the mediating position of government support. Saberi and Hamdan (2019) noted that governmental support enhances the relationship between entrepreneurship and GCC economic development. Seow et al. (2021) confirmed that government support provided tourist SMEs with higher performance because it opened access to resources and reduced uncertainty within the market. However, Gorondutse et al. (2019) found non-significant moderating effects in several industries, showing that government support depends on sector-specific demands and organizational tactics.

This governmental support, especially in the hotel industry, is beneficial in Saudi Arabia, where Vision 2030 lays emphasis on tourism. Some of the initiatives include the Saudi Tourism Development Fund, immense infrastructural development, regulatory changes, and the capacity of hotels to increase, adopt new technology, and improve service delivery. Five-star hotels have the advantage of government support in sharing resources and fitting their strategic purposes to national development purposes. Thus, we hypothesize:

H2: Government support moderates the impact of SMP on strategic performance.

Strategic planning requires accurate data, solid laws, and sufficient resources to define long-term goals. Tourism promotion efforts, infrastructure investment, and simplified immigration requirements minimize environmental uncertainty and give hotels actionable data for proper planning (Alvarez & Angeles, 2025). Strategic plans can be implemented more predictably with such actions. Government-supported corporations were also more successful in planning compared to unsupported ones (Seow et al., 2021). Saleem et al. (2025) have highlighted that long-term planning by organizations is improved through stable policy and subsidies. The unique growth opportunities of hotels in Saudi Arabia involve developing heritage tourism as well as global marketing campaigns that allow them to develop measures that reflect domestic objectives.

H2a: Government support moderates the effect of strategic planning on strategic performance.

Strategic formulation turns planning insights into executable plans, but it requires supported external resources. Government incentives, technical competence, and regulatory flexibility encourage innovation and diversity by expanding strategy options (Duan et al., 2025). These supports match tactics with external opportunities in CT. Saberi and Hamdan (2019) showed that targeted incentives fostered ambitious tourism plans, while Seow et al. (2021) found that awards promoted sophisticated service offers. Hotels in Saudi Arabia can develop competitive cultural, heritage, and leisure tourism strategies with the support of giga-projects by Diriyah and AlUla, supported by the government.

Hotels that support these national projects are more likely to receive funding and promotion.

H2b: Government support moderates the effect of strategic formulation on strategic performance.

Strategy into operations is an undertaking that involves resources, professional labor, and infrastructure. State-funded vocational training and subsidies on technological adaptation and adjustments with the labor market could facilitate improvement of the effectiveness of implemented interventions (Ling et al., 2025). Such methods help hotels achieve strategic goals by improving resource access. Seow et al. (2021) found that government-trained enterprises provided better service, while Ogweno and Bula (2023) connected implementation success to external infrastructure. Therefore, in this study, it is expected that workforce development and digital transformation grants in Saudi Arabia help hotels adopt customer service, operational efficiency, and technology innovation strategies.

H2c: Government support moderates the effect of strategic implementation on strategic performance.

Strategic evaluation ensures that strategies attain goals and are appropriate to the environment. The government may improve this process by introducing industry benchmarking, quality certification, and a set of standard measures of performance (Hermawan et al., 2025). These external inputs enable valid comparisons, helping firms improve their strategy. Research shows that government-led evaluation schemes boost corporate performance more (Seow et al., 2021). Juma et al. (2023) proved that external benchmarking will increase organizational learning and adaptability. The evaluation of hotels in Saudi Arabia has been conducted by the government through hospitality standards and reporting requirements to align local and international systems. With the implementation of such structures, hotels have a chance of improving the quality of services and competing with other hotels across the globe. Thus, the following is hypothesized:

H2d: Government support moderates the effect of strategic evaluation on strategic performance.

3. Research methods

The positivist research aims at objectivity, where the researcher is irrelevant, and there is quantitative testing of the hypothesis (Creswell, 2007). This study used the deductive technique to study how SMP affects Saudi Arabian hotels' strategic performance and how the government supports moderating this relationship. This study was quantitative. Five-star hotels in Saudi Arabia were used as the sample. The survey included all five-star hotels in Riyadh, Makkah al-Mukarramah, Al-Madinah Al-Munawwarah, and Jeddah. Riyadh is the political and economic capital; Makkah al-Mukarramah and Al-Madinah Al-Munawwarah are believed to be the gateways in the hospitality sector and are the receivers of millions of religious tourists; and lastly, Jeddah, which is a commercial center and entry to religious and recreational tourism. According to confirmed industry databases and tourism statistics, these cities have 166 five-star hotels: Makkah al-Mukarramah (56), Riyadh (45), Jeddah (37), and Al-Madinah Al-Munawwarah (28). This study used probability-based sampling for representativeness. A census-like contact technique was used to invite all eligible hotels to join, given the small population of 166 hotels. This strategy minimized location bias and gave all units an equal chance of inclusion (Sekaran & Bougie, 2019). G*Power 3.1 showed that 109 responses were enough to detect medium effects with statistical power. To avoid low response rates, all 166 hotels were targeted. There were 116 valid responses, exceeding the minimum and meeting PLS-SEM analysis methodological standards (Hair et al., 2023).

Data was collected using a standardized questionnaire. It had three parts: an introduction and cover letter providing informed permission, demographic and organizational background of respondents, and items assessing the study's key constructs. A five-point Likert scale balanced measurement sensitivity with respondent convenience (de Winter & Dodou, 2010). Strategic performance is a second-order variable with financial and non-financial elements adapted from Chungyas and Trinidad (2022). SMP is also a second-order variable that includes planning,

formulation, implementation, and evaluation. The measurements were adopted from Chungyas and Trinidad (2022) and El-Said and ElMakkawy (2017). Government support was measured using (Ling et al., 2023).

To establish linguistic and conceptual compatibility, Brislin's (1980) forward-backward translation approach was used to translate the questionnaire into English and Arabic. An expert examines verified content and face validity. A pilot research with 39 managers yielded 33 valid responses. The results showed good instrument performance. All the variables have an alpha over 0.70, which is good at establishing internal consistency (Hair et al., 2023). To collect the data, the top management level of 166 five-star hotels received the questionnaire via Google Forms email. After two months of data collection and a one-month reminder, 116 valid responses were collected. Informed consent was obtained for voluntary participation. No personal identifiers were collected to protect confidentiality. Data were securely preserved and used for academic purposes under university ethics.

4. Findings

4.1 Data Examination

Before estimating the structural model, the dataset was rigorously screened for PLS-SEM appropriateness. Initial verification showed no missing data in the 116 cases, avoiding the requirement for imputation and preserving statistical power. Box-plot inspection was used to assess outliers. All observations were within acceptable ranges, showing no undue effect from any single variable. Distributive qualities were explored. Univariate normality diagnostics revealed skewness (-0.825 to -0.252) and kurtosis (-0.749 to -0.014) within acceptable thresholds (|skewness|, |kurtosis| < 2), with bell-shaped histograms. Multicollinearity among predictors was assessed to prevent path estimate instability. Variance Inflation Factors (VIF) varied from 1.484 to 2.702, with tolerance values >.20, well below conservative multicollinearity constraints (VIF < 5). Finally, early–late wave tests investigated non-response bias. Independent-samples t-tests showed no statistically significant mean differences across any variables (all p >.05). Table 1 shows the results of data examination.

Table 1. Summary of Data Examination Procedures and Outcomes

Check	**Purpose / Criterion**	**Test / Indicator**	**Key Results**	**Decision**
Missing values	Ensure complete cases; proceed without imputation	Item-level scan across all variables	0% missing (N = 116 complete cases)	Proceed; no imputation/removals
Outliers	Detect influential observations (distort estimates)	Standardized z-scores (	z	≥ 3); box-plots
Normality (univariate)	Describe distributions; support robustness	Skewness, kurtosis; histograms	Skewness −0.825 to −0.252; kurtosis −0.749 to 0.014; bell-shaped histograms	Approx. normal; acceptable for PLS-SEM

Multicollinearity	Avoid inflated SEs/unstable paths	VIF (< 5), Tolerance (> .20)	VIF 1.484–2.702; Tolerance .370–.674	No multicollinearity concerns
Correlations	Inspect construct distinctiveness; cross-check collinearity	Pearson *r* among constructs	All *r*'s positive, theory-consistent; none > .70–.85	Constructs empirically distinct
Non-response bias	Assess the representativeness of respondents	Early vs. late *t*-tests (p > .05)	No significant differences; CIs include 0	Non-response bias unlikely

4.2 Profile of Respondents

Five-star hotel managers responded 116 times. Most experienced mid-career managers were 41–50 years old (38.8%) and 51–60 years old (28.4%), followed by 31–40 years (21.6%), 18–30 years (7.8%), and over 60 (3.4%). As in the case of senior hotel positions, there was a skew (89.7:10.3) in gender. The managerial staff was highly educated, with 54.3% possessing a master's degree, 44.0% possessing a bachelor's/diploma, and 1.7% possessing a PhD. Industry experience was high, with the proportion of experience as 33.6% (11–15 years), 25.9% (16–20 years), 24.1% (6–10 years), 8.6% (0–5 years), and 7.8% (above 20 years). The key hospitality hubs in the Kingdom are Makkah al-Mukarramah (39.7%), Riyadh (26.7%), Jeddah (18.1%), and Al Madinah Al Munawwarah (15.5%). The hotels were 58.6% franchise and 41.4% independent chain ownership/management. The hotels are not just small; 63.8% included over 301 rooms, and 36.2% included 101–300 rooms. The sample was composed of well-educated and experienced managers of other organizations and big cities.

Table 2. Profile of Respondents (N = 116)

Variable	Category	n	%
Age	18–30	9	7.8
	31–40	25	21.6
	41–50	45	38.8
	51–60	33	28.4
	>60	4	3.4
Gender	Male	104	89.7
	Female	12	10.3
Education	Bachelor's/Diploma	51	44.0
	Master's	63	54.3
	Doctorate	2	1.7
Experience (years)	0–5	10	8.6
	6–10	28	24.1

	11–15	39	33.6
	16–20	30	25.9
	>20	9	7.8
City	Riyadh	31	26.7
	Makkah al-Mukarramah	46	39.7
	Al Madinah Al Munawwarah	18	15.5
	Jeddah	21	18.1
Ownership/Management	Independent, franchise-managed	48	41.4
	Chain-owned	68	58.6
Hotel size (rooms)	101–300	42	36.2
	≥301	74	63.8

4.3 Measurement Model

Following best practices for PLS-SEM, the measurement model was assessed for reliability, internal consistency, and convergent validity (Fornell & Larcker, 1981; Hair et al., 2023). Parsimony and psychometric rigour were improved by removing two indicators with poor loadings, SF1 (0.607) and SI1 (0.678), from the initial solution. The final model only kept indicators with loadings > 0.70. According to Table 3, all of the constructs have significant loadings on all scales, high internal consistency (α and CR ≥ 0.80), and convergent validity (AVE ≥ 0.50). The results can be applied as stable for structural testing.

Table 3. Evaluation of the Measurement Model

Construct	**Items retained (codes)**	**Loading range**	**Cronbach's α**	**CR**	**AVE**
Government Support (GS)	6 (GS1–GS6)	0.821–0.879	0.912	0.918	0.711
Strategic Evaluation (SE)	5 (SE1–SE5)	0.764–0.810	0.850	0.856	0.630
Strategic Formulation (SF)	6 (SF2–SF7)*	0.743–0.850	0.880	0.893	0.637
Strategic Implementation (SI)	5 (SI2–SI6)*	0.708–0.832	0.830	0.842	0.596
Strategic Performance (SPE)	9 (FP1–FP4; NFP1–NFP5)	0.751–0.894	0.911	0.915	0.671
Strategic Planning (SP)	5 (SP1–SP5)	0.746–0.867	0.873	0.881	0.674

Notes: IR = Indicator reliability; IC = Internal consistency; CV = Convergent validity. * *SF1 and SI1 were removed due to sub-threshold loadings in the initial model.* Thresholds applied: loadings ≥ 0.70 (retained with judgment if CR and AVE adequate); α and CR ≥ 0.70 (preferably ≥ 0.80); AVE ≥ 0.50 (Fornell & Larcker, 1981; Hair et al., 2023).

To determine discriminant validity, the first- and second-order discriminant validity of the measurement model was tested. The heterotrait-monotrait ratio (HTMT) of the first-order model was all lower than 0.85. These findings prove that the constructs are empirically discrete. The AVE of

each construct is the square root of the AVE that was higher compared to the correlations with all other constructs, supporting discriminant validity according to the Fornell-Larcker criteria. The results at the second-order level matched the first-order model. The greatest HTMT value was 0.626 between SMP and strategic performance. The Fornell–Larcker test showed that all higher-order constructs were empirically unique since their square roots of AVE were bigger than their inter-construct correlations. The findings show that first- and second-order models are discriminated. The research constructs are unique to the level that they should be included in the structural model, as it will give a good framework for analyzing the correlations presumed in the hypotheses.

4.4 Structured model

The structural model evaluation showed good explanation and prediction. The R^2 results revealed that SMP explained 61.4% (first order) and 59.2% (second order) of strategic performance variance, demonstrating moderate predictive value. Government support as a moderator increased the explanatory strength to 76.8%, highlighting its importance in performance outcomes. The f^2 analysis showed that strategic management techniques had a significant influence (0.399), with strategic evaluation contributing most strongly (0.192, medium), whereas formulation, planning, and implementation had lesser but significant effects. The results of Q^2 had significant predictive value since all of the values of Q^2 were above 0.35. The most prominent were strategic formulation (0.592) and evaluation (0.539), and the most predictive was strategic performance (0.773). These findings show that SMP boosts Saudi hotel performance and is enhanced by government support. Figure 2 shows the structural model of the direct effect and moderating effect of government support.

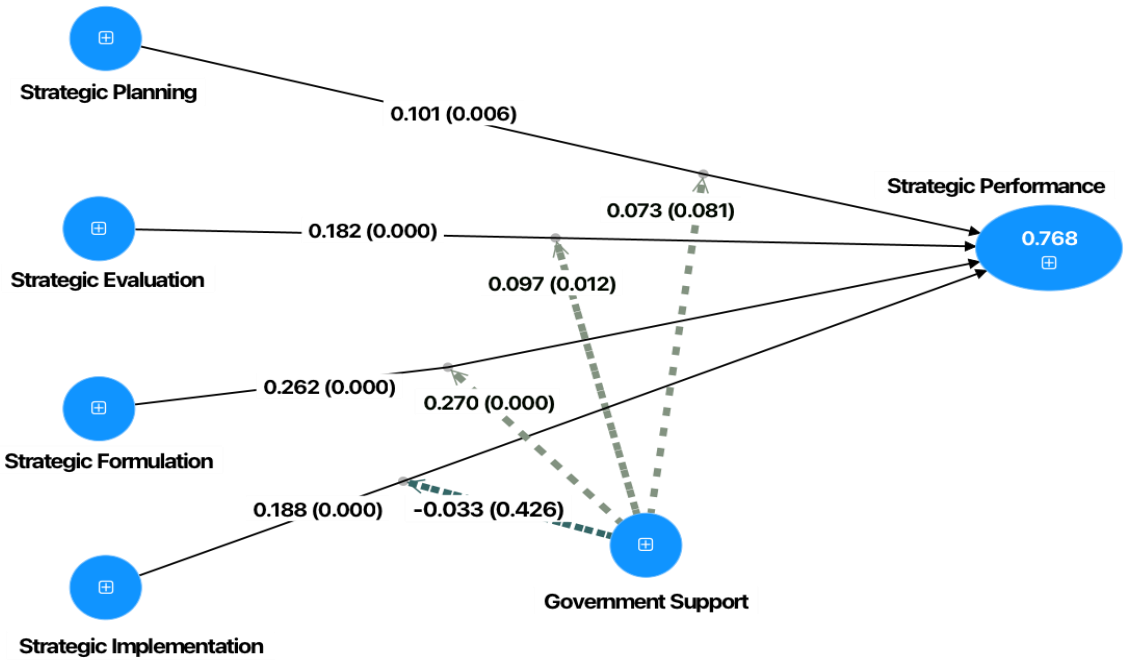

Figure 2: Moderating Role of Government Support (First Order)

For testing the second-order structural model, Figure 3 shows the moderating role of government support.

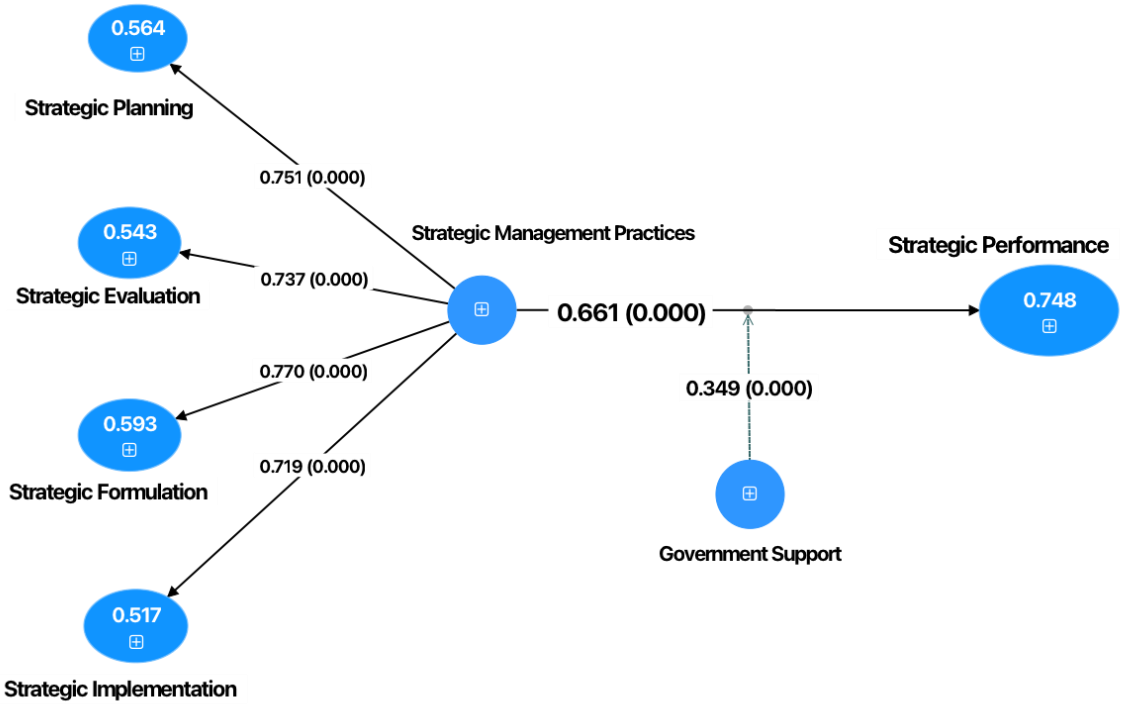

Figure 3: Moderating Role of Government Support (Second Order)

Based on the results of the direct effect and the moderating effect, Table 4 shows the results of testing the hypotheses.

Table 4: Result of Hypotheses Testing

H	Path	β	t-value	P-value	Result
Direct Effects					
H1	Strategic Management Practices → Strategic Performance	0.770	8.461	0.000	Supported
H1a	Strategic Planning → Strategic Performance	0.189	4.556	0.000	Supported
H1b	Strategic Formulation → Strategic Performance	0.271	5.351	0.000	Supported
H1c	Strategic Implementation → Strategic Performance	0.218	4.953	0.000	Supported
H1d	Strategic Evaluation → Strategic Performance	0.293	6.300	0.000	Supported
Moderating Effects of Government Support					
H2	Gov. Support × SMP → Strategic Performance	0.349	5.774	0.000	Supported
H2a	Gov. Support × Strategic Planning → Strategic Performance	0.073	1.746	0.081	Not Supported

H2b	Gov. Support × Strategic Formulation → Strategic Performance	0.270	5.407	0.000	Supported
H2c	Gov. Support × Strategic Implementation → Strategic Performance	-0.033	0.795	0.426	Not Supported
H2d	Gov. Support × Strategic Evaluation → Strategic Performance	0.097	2.509	0.012	Supported

The study found that strategic management approaches positively impact performance (H1: β = 0.770, t = 8.461, p < 0.001). The four strategic practices were statistically significant when dimensioned. Strategic performance was positively impacted by strategic planning (H1a: β = 0.189, t = 4.556, p < 0.001), with the weakest impact among dimensions. A stronger effect of strategic formulation (H1b: β = 0.271, t = 5.351, p < 0.001) highlights the significance of well-structured plans. The impact of strategic implementation (H1c: β = 0.218, t = 4.953, p < 0.001) emphasizes the importance of translating strategies into practical activities. Strategic evaluation was the primary factor (H1d: β = 0.293, t = 6.300, p < 0.001), emphasizing the significance of monitoring and revising strategies for sustained performance. These statistics show that SMP is a multimodal hotel performance driver, the assessment and development of which are of special importance in Saudi Arabia.

The study examined the government support's moderating effect. Second-order analysis reveals that government support considerably enhances the link between SMP and strategic performance (H2: β = 0.349, t = 5.774, p < 0.001). This shows that hotels with strong internal strategy capabilities benefit more from favourable government policies, funding, and regulatory facilitation. Moderating effects vary across dimensions at the first-order level. Government support did not have a significant impact on the correlation between strategic planning and performance (H2a: β = 0.073, t = 1.746, p = 0.081), which suggests that strategic planning is internal. Government support considerably improves strategic formulation (H2b: β = 0.270, t = 5.407, p < 0.001), indicating its importance in generating competitive strategies matched with national priorities. The strategic implementation moderating effect was not significant (H2c: β = -0.033, t = 0.795, p = 0.426), which showed that operational activities are rather internally motivated. The last correlation, which is strategic evaluation–strategic performance (H2d: β = 0.097; 2.509; 0.012), also contributed somewhat to government aid and can be said to be reinforced when it is more about strengthening internal assessment mechanisms.

5. Discussion

As has been proved in this research paper, SMP positively affects the performance of Saudi five-star hotels at the strategic level. SMP, a higher-order construct, integrates planning, formulation, implementation, and evaluation into a coherent managerial process that helps hotels adapt to changing circumstances. These practices, based on RBV, are VRIN capabilities, which help organizations to put resources to good use, react to market opportunities, and gain a competitive advantage. SMP brings a direct lift in performance; therefore, a frequent strategy institutionalized by hotels is inclined to achieve higher profitability, service quality, consumer satisfaction, and reputation. This supports previous research on SMP as a predictor of organizational success in multiple circumstances.

SMP dimensions show where performance leverage is greatest. Strategic planning, formulation, implementation, and evaluation improve hotel performance, although their relative importance varies. The greatest determinant was strategic analysis, which has demonstrated that dynamic and competitive industries like the Saudi hotel industry should be followed constantly, evaluated, and updated. Systematic evaluation would help hotels to identify their areas of weakness, absorb criticism, and redirect their strategies, and the same will

improve flexibility and resilience. As Shalom et al. (2023) have argued, a regular evaluation procedure will help an organization to maintain pace with external and internal forces and will improve the performance of the organization.

Strategic formulation improved performance, which became effective in putting plans in perspective. The Saudi hospitality industry is being propelled by Vision 2030. As such, hotels should address national tourism priorities so that they can capture market opportunities and compete in the international arena. According to past studies, strategy quality is what determines the success of a given organization. Environmental scanning, communication with stakeholders, and critical plan development are known to facilitate the competitiveness of firms (Sekere et al., 2023). Formulation appears to provide competitive advantage, strategic insight, and concentration in dynamic markets. Strategic implementation also improved performance, highlighting the necessity of operationalizing the strategic aim. Implementation requires resource mobilization, communication, staff participation, and strategic process alignment. This study found that Saudi hotels that emphasize execution discipline produce higher-quality services, improve client experiences, and increase profits. Ogweno and Bula (2023) concluded that service-oriented businesses need implementation to be efficient. For Saudi Arabia's booming hospitality business, leadership commitment, organizational flexibility, and worker empowerment are essential (Köseoglu et al., 2013).

Strategy is weak in terms of impact, but it has a significant role in comparison to others. Planning has long-term objectives, vision, and mission, which, unless properly formulated, implemented, and evaluated, will not directly affect performance. Ling et al. (2025) agreed that there cannot be success without excellent implementation and performance evaluation in spite of planning. It also requires strategic planning to match the resources of organizations and external opportunities, especially in dynamic industries like the tourism industry in Saudi Arabia. This study shows government support's moderating influence beyond direct effects. According to CT, which emphasizes matching internal practices with the external environment (Donaldson, 2001), government support greatly strengthened the relationship between SMP and strategic performance. Second, SMP and government support had a strong positive effect, suggesting that hotels with strong strategic routines perform better when supported by favorable institutional conditions like financial incentives, infrastructure investments, tourism promotion, and regulatory frameworks. This study's findings are supported by Saberi & Hamdan (2019), who showed that government support improves organizational outcomes by providing enabling conditions, and Kim et al. (2016), who found comparable moderating effects in South Korean innovation.

Government support moderated individual SMP parameters in complex ways. The biggest effects were on strategic formulation and evaluation, minor on strategic planning, and negligible on strategic evaluation. The considerable moderation in formulation shows that government backing helps hotels devise context-sensitive strategies that support national growth. Government incentives help enterprises innovate and develop competitive tactics. The positive moderation in evaluation shows that public sector involvement, through monitoring frameworks, benchmarking, and quality standards, enhances internal evaluation systems, helping hotels improve service delivery and performance. The lack of moderation in implementation suggests that government initiatives have little impact on daily operational actions, which are molded by internal organizational skills. Van Tonder et al. (2023) noted that external help only improves performance when enterprises have sufficient internal absorptive capacities to transfer it into operational improvements.

Together, these findings contribute conceptually and practically. The findings support the RBV by showing that SMP is an intrinsic dynamic capability that drives performance. They extend CT by showing that external institutional support, notably in strategy design and evaluation, affects SMP efficacy. The findings imply Saudi hotel management should institutionalize evaluation, engage in strategy formulation, and maintain strong

execution mechanisms. Before operational implementation, policymakers should prioritize plan creation and assessment of data, incentives, and standards. The research indicates that SMP enhances the performance of Saudi Arabian hotels, especially when the government supports the same. It is impossible to survive in a dynamic hospitality market without developing a holistic plan and incorporating both internal and external practices in hotels.

6. Implications

The study has applications in theory and practice, especially in the hotel industry of Saudi Arabia, which will play a crucial role in Vision 2030. As stated in this paper, the way through which this would help hotels become competitive and sustainable with the help of SMP and government assistance will be identified. This study enhances the RBV and CT in hospitality. RBV states that unique resources and talents improve organizational performance (Amit & Schoemaker, 1993; Barney, 1991). Results suggest SMP organizational traits improve hotel performance. The study shows how planning, formulation, implementation, and evaluation are complementary, expanding SMP theory beyond planning. While advancing CT, the study shows that SMP performance depends on external institutional support. Government support, notably in strategy formulation and evaluation, moderates SMP and shows that enterprises profit more from enabling policies, regulatory frameworks, and promotional measures. As Otley (2019) noted, a good strategy requires alignment between internal practices and external situations. The findings also add to the scant empirical evidence on government involvement and strategy–performance links in emerging markets.

This paper identifies strategic management theory in a service-based, non-Western, and rapidly evolving economy based on a study conducted on the Saudi hotel industry. It shows that the ideas of developed economies can be applied to shifts in national development strategies and institutions like Saudi Arabia's Vision 2030. The report gives practical suggestions to policymakers and hotel managers. The results show that each SMP element is important to managers, but formulation and evaluation are of more significance. Hotels should use environmental scanning and stakeholder involvement to reduce the gap in strategy, national agenda, and market opportunities. Performance dashboards, KPIs, and review sessions are institutionalized continuous assessment machinery that might ensure that hotels remain agile in the dynamic environment. The weaker role of implementation suggests many hotels may struggle to adopt plans. Therefore, managers should improve resource allocation, communication, and worker involvement to realize the strategic aim in operations.

The findings highlight the emphasis on government assistance to policymakers. Regulation and marketing of tourism are also of major concern, but hotels must have direct encouragement, training, and financial assistance. SMP can be enhanced by innovation, workforce development, and sustainability programs to improve hotel strategic performance. Supporting smaller hotels that lack the internal capacity to fully engage in strategic initiatives is also important. This study shows that strategic performance in Saudi hotels depends on SMP adoption and government backing. It shows how internal capabilities and external conditions affect outcomes, contributing to RBV and CT. Practically, it advises hotel managers on strategic formulation and evaluation and encourages politicians to create frameworks that link hotel strategies with national tourism development goals. These implications boost Saudi hotel competitiveness and Vision 2030.

7. Conclusion

This study explored how SMP impacts Saudi Arabian five-star hotels' strategic success, with a focus on government support as a moderator. The findings showed that all dimensions of SMP improve hotel performance, highlighting their importance as organizational competencies for competitive advantage. Government support also strengthened the relationship between strategic practices and performance, particularly in strategy formulation and review. Aligning internal capabilities with external institutional support supports the RBV and CT, as these findings show. The report advances theory and provides practical

insights for managers and policymakers working to progress the hospitality sector in line with Vision 2030 by giving empirical evidence from Saudi Arabia.

Despite its benefits, the study has drawbacks. The focus on five-star hotels excludes mid-range and inexpensive hotels with differing strategic trends. Small magnitude of cross-sectional data can be a misfortune in establishing causal relationships and shifts in strategy–performance relationships across duration. Self-reported data may be biased, and the four-dimensional and one-moderator SMP of the study may have failed to capture the influence of other important variables, which include leadership style, organizational culture, and the ability to innovate.

In the next research, other forms of hotels and destinations, especially religious tourism destinations like Makkah al-Mukarramah and Al-Madinah Al-Munawwarah, should be incorporated into the study, as strategic forces may be affected by variations in demand. The analysis of domestic and foreign hotel chains could possibly assist in determining differences in strategy associated with ownership. Mixed-methods or longitudinal designs would also help explain how strategies change and affect performance. New mediators and moderators, including innovation, organizational learning, and environmental uncertainty, would, on top of that, expand theoretical models and shed light on strategic practices and performance.

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