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# The Moderating Role of Environmental Turbulence in the Relationship Between Cost Orientation and Performance of Star-Rated Hotels in Nairobi, Kenya

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**Abstract**

The hotel industry faces continual pressure to improve efficiency and service level while focusing on customer satisfaction in an environment of constantly changing demand, input prices, technology, regulation and competition. This paper reviews the effect of cost orientation on hotel performance in Nairobi, Kenya, and examines whether environmental turbulence affects this effect. The study applied a positivist approach, an explanatory quantitative design and a cross-sectional survey design of 41 three-, four- and five-star hotels in Nairobi, Kenya. A proportionate stratified sample of 240 questionnaires were used, with a response rate of 149 usable responses (62.1% response rate). The focus was on cost effectiveness related to control, usage of resources, and operational efficiency. Environmental turbulence related to perceived changes in the market, technological, competitive, economic, political, and regulatory effects on hotel performance. In the multivariate model, cost orientation was positively associated with hotel performance (B = 0.214, SE = 0.063, beta = 0.228, t = 3.397, p = 0.001). The interaction between cost orientation and environmental turbulence was significant (B = 0.091, beta= 0.162, t = 2.167, p = 0.032). The moderation model increased explained variance from $R^2 = 0.481$ to $R^2 = 0.534$. The study contributes to the field of strategic management and hospitality by viewing cost orientation as adaptive resource management rather than indiscriminate cost cutting. Managerially, the findings enable the flexibility of budgeting, the visibility of costs, scenario planning and the protection of service-related resources during periods of environmental change.

**Keywords:** *Cost Orientation; Environmental Turbulence; Hotel Performance; Strategic Orientation; Star-Rated Hotels; Kenya*

## INTRODUCTION

Hotels manage a competitive and timely service, but their unused resources cannot be stored away for later use. A room left unfilled tonight is not a room that will be occupied tomorrow. Hoteliers must manage fixed costs and semi-fixed costs for buildings, utilities, staffing, maintenance, food and beverage, technology, marketing, and regulatory compliance. Managing the cost of facilities becomes strategic, not accounting, because it shows a continuing focus on understanding the cost trends, avoiding waste, and making effective use of the resources provided while maximizing the value delivered to the guest.

The rationale for cost orientation is rooted in competitive efficiency. Porter (1985) states that cost advantage allows firms to compete more effectively if they organize their efforts so that they deliver similar value more efficiently than competitors. But in a hotel, cost advantage is not the same as simply offering lower prices or reducing expenditure. The hotel can reduce labor, maintenance or food costs but still sacrifice service quality, guest satisfaction and reputation. Instead, cost orientation is a way of directing the allocation of resources where managers distinguish between productive expenditure, waste and investment that is necessary. This distinction is especially important in star-rated hotels where the level of service and expectations are increasingly stringent, which limits the amount of time that one can cut costs judiciously without any regard.

Kenya's hospitality industry is in a difficult position to make such a statement as tourism and accommodation activity remains a part of the country's economy. While tourism and accommodation continue to be an important sector of the economy, hotels are facing challenges regarding demand, cost, digital competition and consumer expectations (Kenya National Bureau of Statistics [KNBS], 2025; World Travel & Tourism Council [WTTC], 2026). Managers must ensure that their businesses continue to operate without significantly affecting the service offering that drives their business. In addition, the tourism regulator (TRA) uses the East African Community (EACC) classification to grade and assess lodging and caterers' quality management. But those who decide on the price of compromising the quality, safety or maintenance of a hotel may not be the basis of its reputation (TRA, 2026).

Cost-orientation's strategic significance is more complex in a turbulent external environment. Environmental turbulence is the degree of instability, unpredictability or rapid change (Dess & Beard, 1984) of an organization's external task environment. Today, turbulent is still recognized as an important feature influencing organizational capabilities and results (Chatterjee et al., 2023). Turbulence in hotels can occur due to fluctuations in demand for travel, customer preferences, competitor actions, technological developments, changes in energy costs, food costs, exchange rates, changes in regulations, or changes in distribution channels. Such circumstances could lead to an efficient cost structure in one period becoming inappropriate for another. In addition to cost discipline, managers must also be able to read the signals from the environment and respond by reallocating resources as needed.

This argument helps to pose an interesting hypothetical question. When considering strategic capabilities, such as cost orientation, their impact on performance may not be uniform for all environmental conditions. In relatively stable conditions, efficient procedures can result in consistent savings. In turbulent times, however, managers are more uncertain about what the market will demand, the prices of inputs and the profitability of alternative resource investments. Managers can end up with newfound value in cost visibility and disciplined resource allocation, which may be more useful because they allow them to recognize where costs can be pulled back, where they need to be held and where they must be boosted to take advantage of new opportunities. A recent study of hospitality firms also highlights the need to develop capabilities that enable them to adapt to changing conditions, instead of sticking to established routines (Bai et al., 2026; Demir & Demir, 2025).

This study aims to tackle this problem by studying a specific aspect on strategic orientations and hotel performance, namely the cost-orientation aspect. The focus of the original study was on strategic orientations in a broader multivariate context. The focus of the present paper is on one relationship: the relationship between cost orientation and hotel performance, and how this relationship is influenced by environmental turbulence. This is a focused treatment because it goes beyond the issue of "Does cost orientation matter?" to the more theoretically consequential question of "When will the performance advantage be greater?"

The article has three contributions to make. First, it offers empirical data from Kenya's star-rated hotels, one of the major markets in the Kenyan hospitality sector. Secondly, it sees environmental turbulence as a boundary condition instead of a mere environmental performance predictor. Third, it

establishes a strategic thinking on cost orientation that focuses on making resources visible, efficient and reusable rather than cost cutting. This view supports contingency reasoning, and is also consistent with the dynamic-capabilities approach that sees competitive value as partly attributable to the firm's ability to reconfigure its resources in response to changes in the environment (Teece, 2007).

**Problem Statement**

Star-rated hotels face a structural tension between cost efficiency and service quality. Operating costs can rise through energy prices, food inputs, wages, financing, technology, maintenance and compliance requirements, while revenue is affected by occupancy, seasonality, competition and changes in customer demand. The managerial response cannot be limited to across-the-board cost reduction because service-intensive businesses derive much of their competitive value from the quality and reliability of the guest experience. The strategic problem is therefore one of selective efficiency: managers must eliminate waste and improve productivity while protecting activities that create customer value and sustain the hotel's market position.

The problem is intensified by environmental turbulence. When demand, technology, competition, prices or regulation change rapidly, historical cost structures and static annual budgets may become less useful. Hotels may need to shift expenditure between departments, adjust staffing, renegotiate supply arrangements, change technology investments, modify marketing expenditure or protect service capacity in response to external shocks. Yet the literature and much of the applied strategic-management discussion tends to treat cost orientation as a direct performance driver. This leaves insufficient attention to the contextual conditions under which cost orientation creates greater or lesser value.

Kenyan hotel research provides evidence that competitive strategies and cost leadership can be associated with hotel performance, but the literature remains comparatively limited on the interaction between cost orientation and environmental turbulence. For example, Kenyan studies have reported positive relationships between cost leadership and hotel performance, while recent work on strategic orientations has continued to emphasize the importance of environmental scanning and strategic fit. Within IRJBSM itself, research has addressed cost-related performance questions and strategic responses, but the specific moderating mechanism examined in this article remains underdeveloped (Wanjala & Awuor, 2021; Aberi, 2025).

The study found a statistically significant positive coefficient for cost orientation and a statistically significant interaction between cost orientation and environmental turbulence. However, these results were embedded within a broader strategic-orientation model. A focused article is warranted because the cost mechanism and its contingency condition can be examined more explicitly, thereby making the theoretical contribution easier to evaluate. The central problem addressed in this study is consequently the limited empirical understanding of whether and how environmental turbulence changes the performance implications of cost orientation among star-rated hotels in Kenya.

**Objective**

To determine the moderating influence of an environmental turbulence variable on the relationship between cost orientation and performance for star-rated hotels in Nairobi, Kenya.

**Hypotheses**

**$H0_1$:** Cost orientation is not significantly related to performance in Nairobi, Kenya, star-rated hotels.

**$H0_2$:** Environmental turbulence does not significantly influence the relationship between cost orientation and the performance of star-rated hotels in Nairobi, Kenya.

## LITERATURE REVIEW

### Conceptualizing Cost Orientation

Cost orientation in this research is described as a management approach that includes sustained focus on cost-related issues. Cost orientation is a more general term than cost-related terms used in other fields, including accounting. Cost orientation strategies include manager actions to address cost-related issues in areas such as policies and practices for purchasing and other supplier relations,

workforce issues, inventory, energy, standardized practices, and budget oversight. Benefits to hotel operations of cost orientation strategies include lower costs for room and other sales at the hotel. These strategies are strategically relevant because they affect the hotel's ability to create and sustain value.

One major difference is cost management versus austerity. Austerity means cutting costs across the board. Cost management means assessing the usefulness of various costs and finding ways to cut them. This difference is particularly relevant to service businesses because input costs and customer benefits are not directly related. Lower maintenance costs, for instance, may increase equipment failures and customer dissatisfaction. Lower training costs may reduce labor costs but also lower service quality. Various cost management techniques can help lower costs without giving up other assets that contribute to a competitive advantage.

The resource-based view (RBV) theory can be used to justify managing cost routines as organizational capabilities. Barney (1991) suggests that resources and capabilities can provide sustainable advantage by providing value and being hard to replicate. The procurement procedures and processes, MIS, cost knowledge, supplier relationships, and managerial experiences of a hotel can become routine in the organization. While competitors can learn from a hotel's efficiency, it is not necessarily easy to copy the coordination and management knowledge the hotel has. Cost orientation can therefore be part of performance, if it becomes a capability of the organization, instead of a one-off financial response.

The strategic relevance of cost-oriented approach also relates with the efficiency of operations at various levels of activity. Hotels have a number of interdependent operating activities that require the coordination of activities across the departments in order for costs to be performed. Procurement impacts on the margins of food and beverage, housekeeping impacts on room readiness and labor productivity, maintenance impacts on asset availability, front office impacts on occupancy and revenue capture, and technology impacts on operating efficiency and customer interactions. Cost orientation adds value when management can see these activities as one system and recognizes that there are trade-offs and not seeking to optimize one department while ignoring the impact on the other.

**Cost Orientation and Hotel Performance**

A hotel's performance is multi-dimensional in nature. While financial measures like revenue growth, profitability and cost ratios are important, there are operational measures like occupancy, productivity, process reliability and customer measures like satisfaction, loyalty and perceived value too. The Balanced Scorecard (BSC) emphasis is on the use of financial and non-financial measures to evaluate an organization's performance (Kaplan & Norton, 1992). This is particularly important in the hospitality sector, as short-term cost-cutting measures can impact overall financial performance, thereby hurting overall customer satisfaction and ultimately reducing demand.

A positive correlation between cost orientation and performance is hypothesized to occur for a variety of reasons. Cost control, in itself, is a way of saving on unnecessary spending and preserving margins. Secondly, resource optimization increases the productivity of labor, energy, inventory and physical resources. Thirdly, cost visibility enhances the quality of managerial decisions because managers are able to recognize the financial consequences of operational decision options. Thirdly, efficiency frees resources to invest in improved service quality, technology and marketing. The connection is not necessarily direct cause and effect, but may be due to more effective utilization of the resources that have already been invested in the business.

There is good evidence that supports this reasoning in Kenya. The cost leadership strategy and performance have been reported to be positively related in studies of hotel competitive strategies, but the relationship is not always strong and significant across the different competitive strategies and contexts. Cost leadership, for instance, was found to have a positive effect on the effectiveness of five-star hotels in Nairobi by Aberi (2025). Similarly, previous studies in Kenya found that cost leadership had positive relationship with the hotel performance. The studies are useful because they give a sense of the relevance of efficiency-oriented strategies in the local hospitality context, but they do not sufficiently explain how the external environment changes the value of cost orientation.

Another research stream of international hospitality is that "performers need to find the match between their abilities and the environment." In a paper published in 2007, Claver-Cortés et al. (2007) identified the importance of environmental and competitive circumstances in understanding hotel performance. In the last few years, researchers have highlighted resilience, technology, innovation and customer experience as competencies whose value is influenced by the conditions in which hotels operate (Bai et al., 2026; Demir & Demir, 2025). All these streams of research show that a direct-effect model is incomplete when environmental change affects resources and capabilities needed to perform.

**Environmental Turbulence**

Environmental turbulence is the amount, rate and uncertainty of external environmental change in an organization. Dess and Beard (1984) defined organizational environments as consisting of dimensions such as dynamism, complexity and munificence. Since then, through strategic and marketing research, turbulence has been adopted to reflect any changes that render the certainty of previous assumptions less certain and make it more necessary to adapt organizations. In the review of the literature in environmental turbulence, Chatterjee et al. (2023) stress that turbulence relates to strategic capabilities, activities and outcomes in organizational settings.

From the hotel perspective, turbulence can be defined as alterations to consumers' travel habits, competitor prices, digital distribution platforms, online feedback, technological service offerings, labour availability, supplier prices, inflation, regulation, and macroeconomic factors. The importance of these changes is not only that they exist but that they have implications for managerial decisions. A hotel could inform particular requirements of a digital channel, alter its staffing, renegotiate purchasing strategies, modify product mixture or protect maintenance costs with little foresight. This makes it more important than ever for managers to be flexible and to have timely information about environmental turbulence.

However, turbulence cannot be viewed as necessarily being beneficial or harmful. How an organization reacts to its strategic consequences determines its outcome. A volatile business landscape can provide a challenge of uncertainty and higher expenses, but it can also offer opportunities for businesses that can respond quickly to the shifting resources. This aligns with the dynamic-capabilities theory that focuses on the sense and seize of changes, and the transformation of organizational resources and routines (Teece, 2007). The implication is that the same capability may add up to a different performance value under different environmental circumstances where it is used.

**Environmental Turbulence as a Moderator**

A moderating relationship is the relationship that exists between the independent and dependent variables when the strength or direction of the relationship between the variables is moderated by a third variable. The present study expects that environmental turbulence will have an impact on the performance contribution of cost orientation. It is a different thought process from saying "Turbulence is the cause of performance. The issue is whether or not the cost-oriented hotels operate differently based on the level of disturbance in the external environment. The contingency argument is quite simple. A hotel can enjoy stable procedures for procurement, staffing, inventory management and budgeting in a relatively stable environment. The returns on further refinement can be anticipated and it is possible to have reasonable confidence in planning expenditure. The higher the turbulence, though, the greater the uncertainty and the more significant the consequences of poor resource allocation. Managers require more information about the cost and criticality of the resources to safeguard critical capabilities and shift expenditure to different resources when conditions evolve. Cost orientation can then gain in value during turbulent situations when it provides the flexibility for the manager, rather than rigidity.

This argument also explains why turbulence in the environment can reinforce the cost-oriented/performance relationship. You should not assume that a discounted hotel is one that spends the least. It is one that has a good sense of its cost structure such that it is able to make intentional decisions about resource use. This information can be used to assist in quick reprioritization under

turbulence. A hotel with an understanding of the factors of variable cost, break-even, supplier dependency and service-critical cost expenditures will be able to take action in response to occupancy or input cost changes more proactively than a hotel with poor cost visibility. The interaction is hence understood as an information and reconfiguration process. The argument is in line with recent contingency-oriented research in hospitality. In recent research on environmental dynamism and hospitality capabilities, it was found that the value of capability varies systematically, depending on both environmental context and conditions, not always yielding a uniform return (see the contingency discussion in contemporary hospitality research). This emphasizes the importance of considering environmental 'turbulence' as a boundary condition of strategic-management models rather than a contextual description.

**Theoretical Foundations**

**Resource-Based View**

The RBV is a theory which highlights how the orientation towards costs can gain strategic significance. These cost-control procedures are easy to explain, but the capacity of an organization to implement them on a regular basis might be based on accumulated knowledge, a degree of managerial coordination, information systems, supplier relationships, and organizational routines. These resources can enhance firm efficiency and resilience (Barney, 1991) when these resources can be coordinated and are valuable. The RBV, thus, corroborates the direct hypothesis that cost orientation may lead to hotel performance.

**Contingency Theory**

The moderation hypothesis is based on the principal logic of contingency theory. Its main argument is that organizational practices do not have universally optimal effects irrespective of context. The degree of effectiveness is contingent upon the match between the organization and the environment. In the context of the current study, cost orientation would produce more or less successful performance results as a function of environmental turbulence. The theory thus argues for the need to consider the direct relationship in conjunction with the environmental context.

**Dynamic Capabilities Perspective**

Dynamic capabilities are complementary to contingency reasoning in that they describe how the firm can be an effective agent in an environment that is changing. Teece (2007) focuses on the sensing, seizing and transforming. Cost orientation can play a role in these processes by providing greater visibility of resource use, and by identifying slack and thereby making it possible for managers to free up resources from low value activities. The external environment is changing faster, so these capabilities are needed more and more in the environment of turbulence. The dynamic capability approach is therefore an important stepping stone between cost discipline and adaptive performance.

**Empirical Literature and Research Gap**

The general hypothesis that efficiency-oriented strategies can enhance organizational outcomes is supported by existing literature, but there are three limitations. First, most of the cost literature is on direct costs. This, of course, is an assumption that the value of performance for cost orientation is fairly constant across environments. Second, hotel studies often focus on general competitive activities rather than on defining cost orientation as one of the strategic capabilities. Thirdly, there has been little empirical research that has studied the relationship between cost orientation and environmental turbulence in Kenyan star-rated hotels. The evidence from Kenya is scattered and lacking. The literature on hotel competitive strategy has explored cost leadership, differentiation and focus; and literature on other sectors in Kenya has explored cost rationalization, strategic controls and resource allocation. However, the contingency relationship proposed in this study is not well developed in the existing hotel literature in IRJBSM, 2024 and Alwanda & Musembi, 2024 demonstrate that this is the case.

The divide is not just geographic. It is abstract and conceptual. How the same cost orientation affects performance under various environmental circumstances is the question that the study poses. The

question is a better one than if cost control is good for hotels in general. It also follows a call in strategic management for a more focus on context, capability fit and circumstances in which strategic orientations yield performance gains.

**Hypothesis Development**

The orientation to cost and hotel performance. A cost-oriented approach will lead to better results as resources will be used more efficiently and therefore avoid unnecessary costs, enhance operating margins and boost limited resource productivity. They can be achieved through procurement discipline, inventory management, energy management, labor scheduling, and process standardization within a hotel. The RBV holds that these practices can generate value beyond the initial cost savings if they become a part of the company's capabilities. Kenyan evidence of cost leadership also contextualizes a positive relationship. Hence, this first hypothesis can be formulated as *$H0_1$: There is no statistically significant relationship between cost orientation and the performance of star-rated hotels in Nairobi, Kenya.*

Environmental turbulence as a moderator. The information and resource allocation needs hotel managers face are impacted by environmental turbulence. In turbulent times, managers must be able to identify cost drivers, and differentiate between what expenditure needs to be reduced and what expenditure needs to be protected or increased. This visibility and support can be gained through cost orientation which can lead to faster redeployment of resources. According to contingency theory, the performance impact of the strategic practice will be contingent on the environment; dynamic-capabilities theory indicates that the value of the resource-management capabilities will increase if there is a need for reconfiguration. This second hypothesis is thus formulated as: *$H0_2$: Environmental turbulence has no significant effect on the relationship between cost orientation and performance of star-rated hotels in Nairobi, Kenya.*

**Conceptual Framework**

The conceptual model specifies cost orientation as the independent variable, hotel performance as the dependent variable and environmental turbulence as the moderator. The direct path represents the expected contribution of cost orientation to performance. The interaction path represents the proposition that the slope of this relationship changes with environmental turbulence.

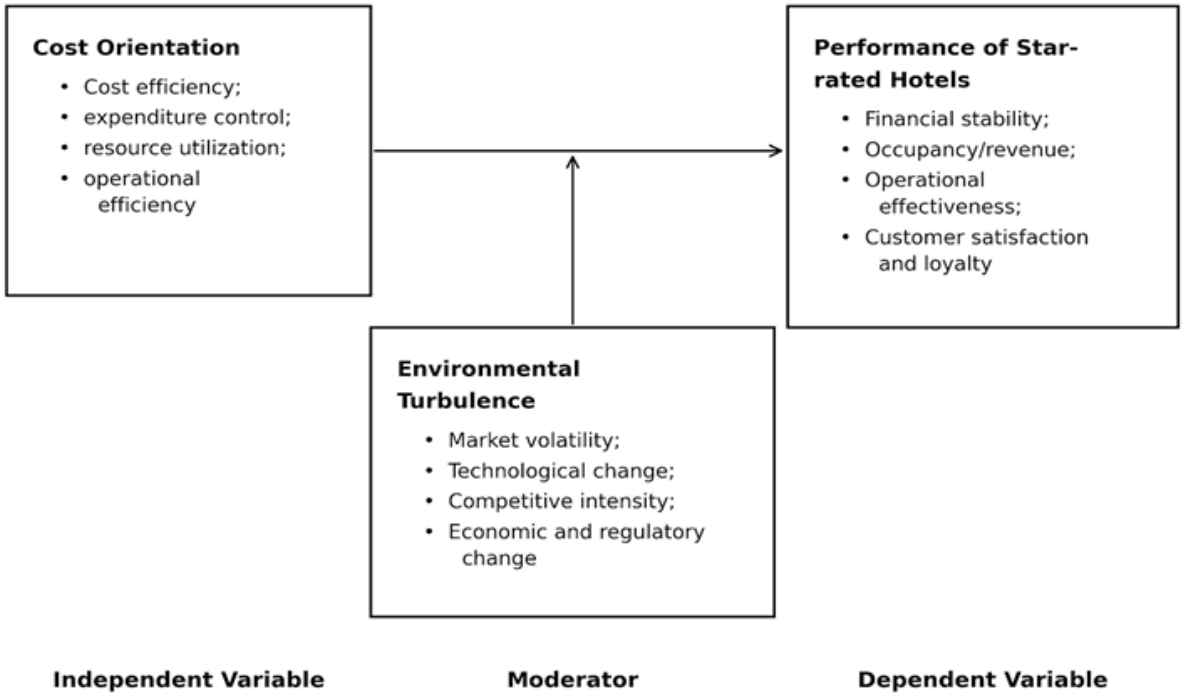


**Figure 1: Conceptual framework**

**Table 1. Focused conceptualization of the study variables**

| Variable | Role | Core indicators |
|---|---|---|
| Cost orientation | Independent variable | Cost efficiency; expenditure control; resource utilization; operational efficiency |
| Environmental turbulence | Moderator | Market volatility; technological change; competitive intensity; economic and regulatory change |
| Hotel performance | Dependent variable | Financial stability; occupancy/revenue; operational effectiveness; customer satisfaction and loyalty |

## Methodology

### Research Philosophy and Design

The method used in this study was a positivist research type and a quantitative, explanatory approach. When the researcher wants to observe the relationship between things that can be observed and wants to use standard measures and statistical tests, positivism is suitable. The explanatory orientation was in line with the aim of finding out whether there was a difference in the relationship between cost orientation and hotel performance and whether the nature of the relationship between the two remained the same in the face of environmental turbulence. The study used a cross-sectional survey design because the perceptions of managers were gathered at a specific time in the study. The structure of the design allows for the testing of hypotheses and does not allow for strong conclusions about temporal causal relationships.

### Population, Sampling and Respondents

The study involved managerial employees of 41-star hotels rated within Nairobi. The sampling frame comprised nine 3-star hotels, eight 4-star hotels and 24 5-star hotels. The estimated manager population was 600 and the planned sample was 240 managers. The number of respondents who provided information for the three-star hotels was 53, for the four-star hotels 47, and for the five-star hotels 140. The managers came from the following departments: general management, operations, human resources, finance, marketing/sales, food and beverage, front office, and housekeeping. The method was designed to reach those who have first-hand experience of strategic priorities and hotel operations.

**Table 2. Population and planned sample allocation**

| Sampling stratum | Hotels | Planned respondents |
|---|---|---|
| Three-star | 9 | 53 |
| Four-star | 8 | 47 |
| Five-star | 24 | 140 |
| Total | 41 | 240 |

### Data Collection and Measurement

Primary data were collected with a structured questionnaire based on five-point Likert scale items. Cost orientation was examined through questions related to cost efficiency, expenditure control, prudent resource use and operational efficiency. Environmental turbulence was explored as perceived changes in market conditions, technology, competition, economic conditions and regulation. Hotel performance was seen as a multidimensional construct that included financial, operational and customer-related outcomes. Managers selected as respondents for this study are directly involved in decision-making and therefore have an understanding of the environment and priorities within the firm. The use of perceptual measures is common in strategic-management research as managers have information about their firm's practices and external conditions that may not be found in the public financial records. The cross-sectional design limits the extent to which the observed relationship can be considered causal.

**Response Rate and Data Analysis**

240 questionnaires were distributed and 149 usable responses were returned, with a response rate of 62.1%. The data were entered into SPSS and analyzed by descriptive statistics, Pearson correlation, multiple regression and moderated regression. The moderation model included an interaction term between cost orientation and environmental turbulence. The interaction coefficient was used to determine whether the slope of cost orientation to hotel performance increased with environmental turbulence.

**Table 3. Sample and response profile**

| Measure | Result |
|---|---|
| Questionnaires distributed | 240 |
| Usable questionnaires | 149 |
| Response rate | 62.1% |
| Hotels represented | 41 |
| Hotel categories | 3-, 4- and 5-star |
| Analysis sample | N = 149 |

## RESULTS

**Correlation Analysis**

Cost orientation was positively associated with hotel performance (r = .483, p = .001). This was a moderately positive association, and hotels that were more conscious of cost efficiency, operational control and resource use reported greater performance. Environmental turbulence was positively associated with hotel performance (r = .389, p = .001). These associations indicate an association, but do not provide evidence of moderation.

**Table 4. Selected Pearson correlations**

| Relationship | r | p-value | Interpretation |
|---|---|---|---|
| Cost orientation – Hotel performance | .483 | .001 | Moderate positive association |
| Environmental turbulence – Hotel performance | .389 | .001 | Moderate positive association |

**Direct Effect of Cost Orientation**

**Table 5. Cost-orientation coefficient in the multivariate regression model**

| Predictor | B | SE | β | t | p |
|---|---|---|---|---|---|
| Cost orientation | .214 | .063 | .228 | 3.397 | .001 |

Cost orientation was positively correlated with hotel performance (B = 0.214, SE = 0.063, = 0.228, t = 3.397, p =.001). The null hypothesis that cost orientation had no statistically significant relationship with hotel performance was rejected. The standardized coefficient indicates that cost orientation made a positive contribution to performance after controlling for the other strategic orientation variables included in the multivariate model. It does not suggest that reducing all expenditure improves performance; rather, it indicates that hotels that were more cost-oriented performed better in the model. It suggests that cost discipline can be a productive organization when it improves the efficiency and productivity of resource use without subverting service-critical activities.

**Moderating Effect of Environmental Turbulence**

**Table 6. Moderating effect of environmental turbulence**

| Interaction | B | β | t | p | Decision |
|---|---|---|---|---|---|
| Cost orientation × Environmental turbulence | .091 | .162 | 2.167 | .032 | Significant moderation |

**Table 7. Incremental explanatory power of the moderation model**

| Model | $R^2$ | Change in $R^2$ |
|---|---|---|
| Direct-effects model | .481 | — |
| Full moderation model | .534 | + .053 |

Cost orientation has a significant positive interaction with environmental turbulence (B = 0.091, β = 0.162, t = 2.167, p = .032). The null hypothesis that there is no interaction between environmental

turbulence and cost orientation in affecting hotel performance could be rejected. The significant positive interaction indicates that the relationship between cost orientation and hotel performance is stronger at higher levels of perceived environmental turbulence. Additional evidence of interaction is provided by the variance explained in hotel performance by the full moderation and direct-effects models. The direct-effects model explains 48.1% of the variance in hotel performance, while the full moderation model explains 53.4% of the variance in hotel performance, a difference of 5.3 percentage points. Caution should be used in interpreting the interaction effect. Perceived environmental turbulence does not directly predict hotel performance in the current study. Cost orientation was positively correlated with hotel performance at higher levels of perceived environmental turbulence in the current sample.

## Discussion

### Cost Orientation and Hotel Performance

The positive and significant cost orientation coefficient suggests that cost orientation is a useful strategy for improving the profitability of hotels. Hotel costs include semi-variable and fixed costs and variable costs. Cost control strategies that could improve a hotel's profitability by increasing revenues or reducing lost sales opportunities include purchasing cost control to avoid lost sales, inventory cost control to avoid waste, energy cost control to avoid wasted energy, scheduling cost control to increase productivity, and the use of standard operating procedures to avoid errors and rework. Other benefits of cost orientation are consistent with the hypothesis that cost orientation has other benefits in addition to cost savings.

The result is also compatible with the RBV because routine cost-control measures can become organizational capabilities. A competitor may copy a particular cost-control method, but it may be more challenging to copy the knowledge, coordination, information systems and management practices that enable their implementation across departments. Thus, this finding adds an ability-based interpretation to the conventional claim about cost leadership. In hospitality, the question is not whether a hotel spends less, but whether it creates more value from each unit of resource committed to the service system.

### Environmental Turbulence as a Boundary Condition

The significant positive interaction is the main contribution of this paper. It shows that the value of cost orientation is not a function of the environment. When the external conditions become more turbulent, hotels that apply stronger cost-orientation methods seem to see higher performance benefits. This observation is theoretically relevant because it supports the claim that the strategic capabilities of firms should be evaluated for context and not just as an eternal return. One explanation for this finding is manager visibility. Turbulence increases the uncertainty about what resources will be needed, when they will be needed, and what returns they will produce. Cost orientation can increase information available to managers by making costs, dependencies on resources, and inefficiencies visible so they can decide which costs to cut, which ones to maintain or which to increase. Cost orientation is not an obstacle to adaptation but an infrastructure for adaptation.

There is another mechanism, this one related to resource redeployment. During steady periods a hotel can do its best to operate with the same set of staff, purchasing and marketing decisions. In a situation of turbulent demand, the hotel may need to make changes. A cost-driven hotel with clear cost drivers and budgeting may be better able to decide to redeploy resources when it can show the financial impact of other actions. According to dynamic-capabilities theory, the increased efficiency of resources is more valuable as it enables the firm to sensing, seizing and re-adjusting the process rather than rigidly trapping it into routines. Another mechanism is organizational resilience. A hotel under uncertain market conditions can be exposed to sudden declines in demand or higher costs. An efficient use of resources might provide the room to absorb shocks, while monitoring might alert the hotel to a crisis earlier. This finding supports recent research in hospitality, which has found that resilience,

innovation and adaptation are critical components of competitiveness under uncertain times (Bai et al., 2026; Demir & Demir, 2025).

**Why the Positive Interaction Does Not Mean 'More Turbulence Is Better'**

The moderation result is a cautionary tale: Turbulence does not increase performance by itself. It can cause uncertainty, disrupt supply patterns, increase costs and complicate planning. It is only that the positive correlation between cost orientation and performance increases with perceived turbulence. This does not imply that hotels should choose turbulent settings or that turbulence provides a competitive advantage to them. It is more convincing to argue that turbulence increases the value of managerial cost awareness and resource allocation. A hotel with an understanding of its cost structure can make better decisions when the situation changes. It can protect the areas that may be at the front desk, hold down major purchases, modify staffing needs and invest more in new technology and markets. The value of the hotel's response is in its ability to respond, not in the turbulence.

**Relationship to Contingency and Dynamic-Capabilities Perspectives**

The findings also support contingency reasoning because the performance effect of cost orientation varies with environmental conditions. This is a shift from universal prescriptions, where the same strategic orientation may have different outcomes depending on the uncertainty and change facing the organization. In the hotel context, this suggests that management systems should be flexible enough to adapt to external conditions, not static control systems. The results also support dynamic-capabilities theory. Teece (2007) emphasizes the importance of sensing, seizing and transforming resources in changing environments. Cost orientation can help these processes by improving the quality of resource information and freeing resources from inefficient uses. When turbulence is low, these benefits may be primarily through efficiency gains. When turbulence is high, this capability may also support quick reconfigured. This interaction provides a possible bridge between efficiency capability and adaptive capability.

**Comparison with Existing Hospitality Research**

Research in hospitality has noted the importance of environment, competitive positioning and responses. More recently, research has emphasized technology, innovation, customer experience and resilience. But this discourse also suggests that these capabilities should be considered alongside cost transparency and resource management. While hotels may need to invest in innovation and digital technologies, they may not know how to finance, priorities and redistribute those funds, partly because they do not understand their cost structure. These results also complement the literature on how environmental turbulence alters the value of organizational capabilities. Recent literature has reported that turbulence is one of the important external conditions that affects the strategic capabilities and outcomes of the organization (Chatterjee et al., 2023). Recent literature on hospitality describes turbulence as a contingency factor which influences the worth of capabilities. This paper adds a Kenyan perspective to this discourse, describing cost orientation as a potential that is amplified rather than mitigated by turbulence.

**Theoretical Contribution**

I first contribute to the theoretical literature in strategic orientation. A lot of research on strategic orientation asks whether a particular orientation increases performance. In this paper, I add a boundary-condition argument: the performance contribution of cost orientation depends partly on the external environment. This shifts the focus from the enduring main-effect assumption to a contextual understanding of strategic value. Second, I contribute to the RBV by explaining that the value of an efficiency capability may be conditional upon the environment. Resources and routines are not valuable in isolation; their value is dependent on how they are used. Cost-management capability becomes important as the degree of uncertainty increases and managers need more information about how to use resources and redistribute resources. Third, I establish an empirical link between contingency theory and dynamic capabilities. Contingency theory explains why the effect changes with the environment, while dynamic capabilities explain how cost discipline can support adaptation. This

approach is especially useful for in services businesses where efficiency and responsiveness must co-exist.

**Managerial Implications**

**Familiarize yourself with cost visibility;** Hotels should have departments' budgets, dashboards for purchasing, inventory control and regular variance reviews so managers can identify cost drivers before they become performance problems.

**Keep waste from value destruction separate;** Consider separating out wasted costs from spending that will improve service, maintenance, safety, staff capability and compliance.

Have flexible budgets in times of turbulence. If demand, input prices or competitive conditions change significantly, the management should adjust resources rather than just enforcing the annual budget.

**Integrate cost and service measures;** Dashboards should integrate cost measures with occupancy, revenue, guest satisfaction, quality of service and maintenance costs to tie management decisions to the customer.

**Create resource plans based on scenario-based thinking;** Hotels should consider what could happen under different demand and input cost scenarios and what expenditures can be increased, decreased or redeployed in advance.

**Protect strategic capabilities;** Training, maintenance, digital systems and staffing at the guest service desk should not be viewed as automatic targets for cutting costs because they may hurt the hotel's competitive position in the long-term.

**Consider the costs when the environment changes;** Changes in technology, regulation, competition, demand or supplier prices should trigger a cost review rather than a usual response to budget variances.

**Conclusion**

The purpose of this study was to determine whether cost orientation affects the performance of star-rated hotels in Nairobi, and whether turbulence impacts this relationship. The results indicate that there is a positive association between cost orientation and hotel performance, and that there is a positive association between cost orientation and environmental turbulence, which is significant in the moderation model explaining additional variance in hotel performance. These results support a contingency interpretation of cost orientation. The main conclusion of this study is that cost orientation should not be viewed as a philosophy of spending as little as possible. Its strategic importance lies in disciplined use of resources, visibility of costs and the ability to discern between unnecessary expenditure and necessary expenditure. Under turbulent conditions, it appears more valuable as managers are under greater pressure to reallocate resources efficiently and protect the activities that improve customer value. For star-rated hotels in Kenya, the lessons taught here are that efficiency and adaptability should be combined. A hotel that protects margins but harms service quality is unlikely to achieve sustainable advantage. On the other hand, a hotel investing without understanding its cost structure may lack the flexibility to deal with shocks. Strategic cost orientation can be seen as a compromise: increase efficiency, protect value-creating capacity, but preserve flexibility to change resources as the environment changes.

**Limitations and Future Research**

First, the cross-sectional design does not allow for inferring causality. The analysis only uncovers associations and interactions at this point in time but does not reveal how the cost orientation and environmental turbulence change or whether changes in one variable cause subsequent changes in performance. Longitudinal designs could help to examine temporal order and whether cost capabilities are increasing or decreasing over time. Second, the analysis relied on perceptions from managers. Managers are appropriate participants in strategic- and environmental-orientation assessments, but perceptional measures can be affected by common-method variance and respondent interpretation. Future research should investigate managerial surveys with objective measures of occupancy, average daily rate, RevPAR, labor-cost ratios, energy use and audited financial performance, where available.

The third finding is that the study is mainly conducted in Nairobi and three to five-star hotels. But it is not an ideal place to investigate the unclassified hotel sector, restaurants, or tourism business. Comparative research from other segments of Kenyan tourism would better convey the extent of contextual variance. Future work with the raw respondent data might estimate a new reduced model of the cost-orientation relationship and provide complete diagnostics of reliability, multicollinearity, model fit, conditional effects, or simple slope analysis, which would allow us to interpret moderation and more clearly assess the practical size of the interaction.

Lastly, future studies could study how certain aspects of cost orientation behave differently under different forms of turbulence. For example, energy-cost turbulence may require different responses from technological or competitive turbulence. A multi-dimensional model would be able to differentiate market, technological, competitive and regulatory turbulence and assess whether a particular cost-management capability is especially useful under certain types of change.

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