

Environmental Strategic Factor Analysis of the Tourism Industry in the South Coastel Part of Sri Lanka

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Abstract

Developing strategies is often concerned with analyzing internal and external environment. Although SWOT has been widely used for situation analysis it has number of drawbacks. This study aimed at identifying the strategic factors in a more systematic way of identifying strategic factors. Tourism is among the most important source of foreign exchange for Sri Lankan economy and the Sri Lanka is prioritizing tourism and has started many strategic decisions to strengthen the sector. A sample of eighty four tourism related respondents from south coastal in Sri Lanka participated in this study. The SFAS (Strategic Factor Analysis Summary) matrix summarized ten strategic factors. The results of this study provide situation analysis and open a process of finding a strategic fit between external opportunities and internal strengths while working around external threats and internal weaknesses in the south coastal tourism in Sri Lanka. Implications of findings also discussed.

Keywords: SFAS, tourism, Sri Lanka, strategies, environmental analysis

INTRODUCTION

Today strategic skills is crucial for competing in this dynamic environment. Outperforming strategic skills is an important factor to defeat any powerful company (Davidovic & Jovanovic, 2012). Organizations attempt to outperform their competitors (Drucker, 1999). Strategy take part in decisions regarding the segments of the market to pursue and the type of products to develop (Porter, 1996). Dynamic capabilities in strategic decisions should be developed to change and reconfigure to make the organization more adaptive to an uncertain environment (Thomas & David, 2012). If the environment is not changing and stable no need for strategy (David, 2011). The level of skill in ability of forecasting and reacting to the changing environment determine the long-term success or failure of the organization (Grant & Jordan, 2012). The strategic planning process start with careful analysis of the internal and external environmental analysis of the organization. Like all industry tourism industry also subjected to environmental changes. Environment is a core feature of the tourism product and tourist are consumers of the environment (Nedim, 2013). Tourism strategy represents a key challenge to managers because of the nature of the products being sold and of the complexities of the environment in which tourism exists. Especially, most tourism products are services and intangible (Moutinho, 2000).

Further, Sri Lanka has been globally acclaimed as one of the finest destinations (ICRA, 2011). Tourism sector has been identified as a key sector pushing the country's economic growth (Ranasinghe &

Deyshappriya, 2012). Sri Lanka's tourism industry vision is to establish Sri Lanka as Asia's most treasured island, highlighting its beautiful beaches, warm and friendly people, with a strong nature, culture and adventure offering, raising its profile to that of an Asian tourism icon (Sri Lanka Tourism Promotion Bureau, 2010). To achieve this vision Sri Lanka tourism requires effective strategic planning. Many flagship projects are been implemented in the tourism industry in Sri Lanka (Sooriyagoda, 2013). Broader objectives of these projects are to promote tourism industry as the major contributor to the country's economy, achieve balanced regional development, decrease the regional disparity and focus on the potentials of the region to maximize economic gain through sustainable development. A number of strategies are formulated to achieve these objectives. The first step in any strategy formulation is strategic analysis. The purpose of strategic analysis is to gather information about the internal and external environment. External environment is scanned to identify possible opportunities and threats, whereas internal environment is scanned for strengths and weaknesses. SWOT is an acronym used to describe the particular strengths, weaknesses, opportunities and threats that are strategic factors for an organization. A SWOT analysis is a simple but widely used tool that helps in understanding the strengths, weaknesses, opportunities and threats of an organization (Robbins & Coulter, 2012). The process sometimes involves an additional stage of condensing SWOT into a survey of the 'key issues'- those which require the most urgent action or which the strategy should be particularly designed to address (Stern & Deimler, 2006). If the information from the analysis

is flawed of insufficient, there is no certainty that the strategy formulation will be the right one. Once the destinations internal strengths and weaknesses and its external opportunities and threats have been established, the challenge becomes to select a strategy that will address the weaknesses and threats and, at the same time, will build upon its strengths and exploit its opportunities.

Sri Lanka has done many SWOT analysis for tourism industry (ICRA, 2011; Sri Lanka Tourism Bureau, 2012; Anjana et al., 2011). Although it is the most widely used management tool, SWOT is much criticized (Thompson & Strickland, 2012). Primary criticisms of SWOT analysis are: generation of lengthy lists, ambiguity of words and phrases, only single level of analysis and it uses no weights to reflect priorities. The EFAS (External Factors Analysis Summary) and IFAS (Internal Factors Analysis Summary) tables have been developed to deal with many of the criticisms of SWOT analysis. When used together, they are a powerful analytical set of tools for strategic analysis. The SFAS (Strategic Factors Analysis Summary) Matrix summarizes strategic factors by combining the external factors from the EFAS Table with the internal factors from the IFAS Table.

After strategic managers have screened the societal and task environments and identified a number of likely external factors for their particular corporation, they may want to refine their analysis of these factors. EFAS Table is one way to organize the external factors into the generally accepted categories of opportunities and threats as well as to analyze how well a particular company's management (rating) is responding to these specific factors in light of the perceived importance (weight) of these factors to the company. Therefore, a more meaningful analysis is needed. Such study is not been done so far in Sri Lankan tourism industry.

Therefore, objectives of this study are,

1. To identify specific factors of strength, weaknesses, opportunities and threats of tourism in the south coast of Sri Lanka.
2. To identify the weight of each factor in rest of impact of that factor on the strategy in the industry
3. To identify how well the companies are currently dealing with each specific internal and external factors.
4. To find out how well companies are responding to current and expected factors in its external environment.

With long coastline, Sri Lanka is well known for its tropical beach resorts and related sports. Other major tourist attractions include ancient heritage sites and forest resorts. A significant improvement in Sri

Lanka's tourism has been observed after the peace and declaration of conclusive victory of the ethnic conflict in 2009. Since the 1980s, Sri Lanka's tourism was adversely affected by ethnic conflict. In 2005, there was an adverse effect because of decline in global tourists after the Asian tsunami of December 2004. Since countries in Europe and North America relaxed their advisories against travel to Sri Lanka international tourist arrivals was increased by 46 percent in 2010. Foreign exchange earnings from tourism increased 49.9 percent in 2010 when compared with 1.1 percent in 2009.

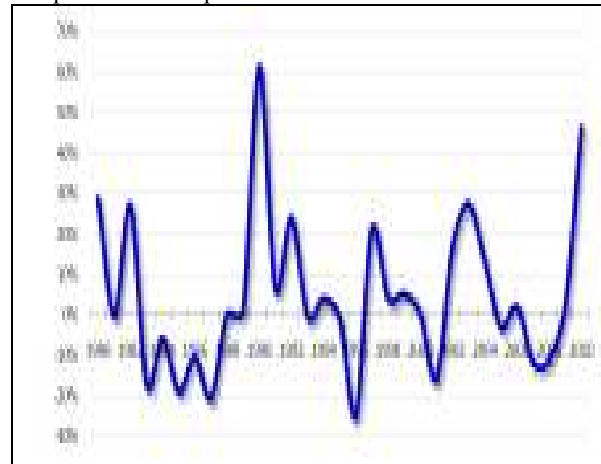


Figure 1: Sri Lanka - Growth in International Tourist Arrivals From 1980- 2010

Source: SLTDA, ImaCS Analysis (2011)

According to the Sri Lanka Tourism Development Agency (SLTDA), the total number of persons employed directly in the tourism sector increased 1.5 percent, in 2009 to 52,071 persons, compared with a decline of 15.2 percent in 2008. By 2015, it is forecasted to generate 225,000 jobs, an increase of 2.3 percent per annum over the period from 2011-15. Sri Lanka primarily attracts tourists from India (19 percent of international tourist arrivals in 2010), UK (16 percent), Germany (7 percent), Maldives (6 percent), and Australia (5 percent). Because of its proximity to India, Sri Lanka is better positioned to compete for this market than many other destinations in South Asia and South-East Asia. Sri Lanka has achieved many positive developments during the period 2005 to 2009 with the policies implemented towards a new Sri Lanka. According to the Department of National Planning (2010) Sri Lanka to be the emerging wonder of Asia. The Sri Lanka is prioritizing tourism and has started taking a number of steps to strengthen the sector. The Figure 2 shows the actual tourist arrivals from 2000 to 2009 and the forecasted tourist arrivals to 2.5 Million by 2016.

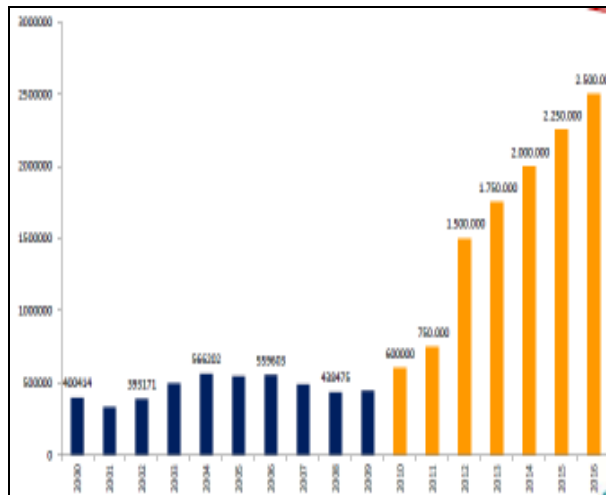


Figure 2: Increase Tourist Arrivals to 2.5 Million by 2016 (tourist arrivals).

Source: Ministry of Economic Development (2013)

METHODS

This study has two fold. First it will identify the SWOT of tourism business and do the EFAS, IFAS and SFAS. For this purpose the researcher has selected south coastal tourism destination. Respondents were expected to generate SWOT for the industry in the south coastal of Sri Lanka. Further, three tourism companies were selected for EFAS, IFAS and SFAS analysis. A promise is given to the responding company for anonymity of the responses to collect true information from the companies. Therefore, the companies under studied are named as Company A, Company B, and Company C.

Diverse stakeholders and professionals such as professionals engineers, tour experts, environmentalists, marketing specialists, hotel managers, owners, supervisors, customers, participated in this study. A total of 84 participants 28 participants from each three tourism companies were participated in this study. First part of the questionnaire were filled by the respondents to identify the industry factors, weight, and rating. A respondent is given a simple questionnaire with a cover letter of instruction. The researcher assist the respondent personally when the questionnaire is filled. The questionnaire has two parts. The first Part was intended to collect the SWOT of the Sri Lankan tourism industry. It has four sub set and each sub set is expected to gather data on strength, weaknesses, opportunities and threats of the Sri Lankan tourism industry. What are unique selling points of Sri Lankan tourism industry is an example to find out the strength of the Sri Lankan tourism industry. What do competitors and customers in tourism market perceive as the weakness of the Sri Lankan tourism industry is an example question to find the weaknesses of the industry. Where are there currently

gaps in the Sri Lankan tourism market or unfulfilled demand is an example question for finding the opportunities. What is competition of Sri Lankan tourism doing that could negatively impact Sri Lankan tourism industry is an example question to find out the threat of the industry. Every question is followed by another two questions which measure the weight and rating. Respondents has to assign a weight to each item from 1.0 (most important) to 0.0 (not important) based on that factor's probable impact on the overall industry's current and future success and rate current response to that particular factor Rating for each factor must be from 5(outstanding) to 1 (poor).

Part II of the questionnaire was intend to collect information about the particular company at which the respondent is employed or be as owner. This part was intended to collect the SWOT of the particular tourism company. Same questions were repeated to identify SWOT of the company and respondents were requested to assign a weight to each item from 1.0 (most important) to 0.0 (not important) company based on that factor's probable impact on the overall industry's current and future success and rate company based on its current response to that particular factor Rating for each factor must be from 5(outstanding) to 1 (poor). The questionnaire has no demographic information or company information. Since the information required were sensitive the respondents and company owners expressed their willingness to keep the information anonymously. An identity was maintained for the responses to identify the company where the response was received from. Participants were allowed to response in any Tamil, Sinhala or English language. The 485 factors that were generated from the questionnaire were screened based on two criteria (a) the clarity of meaning and (b) their reference to specifically one group of SWOT. As a result few factors were discarded. Then factors collected from part I of the questionnaire and belongs to each group were pooled and further categorized based on the similarities in factor content, into mutually exclusive categories. To test the reliability of the categories, another subject related academic served as test judge. When the results showed that the factors classification of the judge matched the initial classification, the classification was judged as accurate and was retained. Factors with no agreement were eliminated, and the remaining factors were used in subsequent analysis. Categories were developed using two guiding principles. First, conceptually similar categories were grouped into broader categories. Second, factors which have fewer than 2% of the total factors were eliminated. A category with few factors was assumed to suggest that respondents consider that such item is relatively not important. Four to eight broad categories of factors were developed through this

process. Then these categories were further grouped in to strengths, weaknesses, opportunities and threats.

In Table 1, in column 5 (weight) a weight was assigned to each factor from 1.0 (most important) to 0.0 (not important) based on that factor's probable impact on a particular company's current strategic position. The higher the weight, the more important is this factor to the current and future success of the company (All weights sum to 1.0 regardless of the number of factors). In column 6 (rating), a rating was assigned to each factor from 5.0 (outstanding) to 1.0 (poor) based on that particular company's specific response to that particular factor. Each rating is a

judgment regarding how well the company is currently dealing with each specific external factor. In column 7 (weighted score), all the weight in column 2 were multiplied by each factor ratings in column 3 to obtain that factor's weighted score. In column 8 (comments), note why a particular factor was selected and how its weighting and rating were estimated. Finally, all the weighted scores were added for all the external factors in column 7 score to determine the total weighted score for that particular company. The total weighted score indicate how well a particular company is responding to current and expected factors in its external environment.

Table 1: Internal and External Factor and Weighted score for the Tourism Industry in Sri Lanka

Internal and External factors	Category for factors	Frequency	%	Average weight	Average rating	weighted score	Total score
Strength	Geographical location	84	100	.12	4.9	0.59	3.20
	government support	80	95	.08	4.7	0.38	
	Cultural orientation	78	93	.04	4.0	0.16	
	Low-cost	82	98	.07	2.5	0.18	
	Skilled labor force	68	81	.05	2.0	0.10	
	Natural resource	79	94	.10	4.2	0.42	
Weaknesses	Limited air connectivity	83	99	.12	2.0	0.24	
	Inadequate in transport	77	92	.08	2.2	0.18	
	traditional products	81	96	.05	2.2	0.11	
	Shortage in accommodation	83	99	.10	2.0	0.2	
	Lack of marketing strategies	76	90	.04	1.5	0.06	
	Less variety of foods	69	82	.04	2.0	0.08	
	Poor customer service	81	96	.07	2.2	0.15	
	Poor financial position	70		.04	2.0	0.08	
Opportunity	New Products	80	95	.11	2.5	0.27	
	Security	83	99	.13	4.0	0.52	
	Relationship With China	74	88	.09	3.5	0.31	
	Infrastructure Investment	81	96	.08	4.0	0.32	
	Effective marketing	69	82	.12	3.5	0.42	
	New market	78	93	.07	2.5	0.17	
	tourism study	68	81	.06	3.0	0.18	
Threats	Competition	84	100	.11	2.0	0.22	3.12
	Exchange Rate Fluctuations	79	94	.06	3.0	0.18	
	Substitution	74	88	.05	4.0	0.20	
	Long approval procedure	81	96	.06	2.5	0.15	
	Multiple regulation	74	88	.06	3.0	0.18	

Source: Survey Data (2014)

Table 1 presents environmental factors SWOT, a description of the categories for factors (SWOT), the frequency of distribution of the 482 items, percentage, average weight, average rating and the comments. This process identified a number of likely internal and external factors for Sri Lankan tourism

industry. According to the Table 1, 100 percent of the respondent say geographical location is most important internal factor and competition is the most important external factor. Limited air connectivity is the most important weakness of the Sri Lanka tourism industry.

Table 2 : External Factors Analysis Summary (EFAS) of the Three Coastline Tourism Companies in Southern Sri Lanka

External factors		weight			Rating			weighted score			comment
		Companies			Companies			Companies			
		A	B	C	A	B	C	A	B	C	
Opportunity	New Products	.12	.10	.11	3.5	3.0	2.75	0.42	0.3	0.30	Development Of New Products
	Security	.12	.13	.13	4.0	3.5	3.0	0.48	0.45	0.39	Attract Greater Numbers
	Relationship With China	.08	.08	.09	3.5	3.0	3.0	0.28	0.24	0.27	Growing Relationship
	Infrastructure Investment	.08	.09	.08	4.0	4.0	3.0	0.32	0.36	0.24	Planned For southern Regions
	Effective marketing	.12	.11	.10	3.5	3.0	3.0	0.42	0.33	0.30	Marketing And Promotion Programs
	New market	.08	.09	.09	2.5	2.75	2.5	0.20	0.25	0.22	Development Of Market
	tourism study	.06	.07	.07	2.5	2.0	2.0	0.15	0.14	0.14	tourism study in Institutes
Threats	Competition	.11	.10	.12	3.0	2.75	2.0	0.33	0.27	0.24	From Neighboring Countries
	Exchange Rate	.06	.06	.05	3.0	3.0	2.5	0.18	0.18	0.12	Exchange Rate Fluctuations
	Substitution	.05	.06	.06	3.5	3.0	2.5	0.17	0.18	0.15	Competition From Substitute Products
	Long approval procedure	.07	.06	.06	2.5	2.75	2.5	0.17	0.16	0.15	Delay approval
	Multiple regulation	.05	.05	.05	3.0	2.75	2.5	0.15	0.12	0.12	Excessive regulation from government agencies
Total Score		1.0	1.0	1.0				3.27	2.98	2.64	

Source: Survey Data (2014)

After above process Part II of the questionnaire were extracted in Table 2. Response weight and rating were averaged and found weighted score for each factors. After this process total weighted score were added and found the company's internal and external factors. For this purpose EFAS, IFAS and SFAS Tables were prepared. EFAS Table organize external factors into the generally accepted categories of opportunities and threats as well as to analyze how well a particular company's management (rating) is responding to these specific factors in light of the perceived importance (weight) of these factors to the company. EFAS Table for company presented (External factors), list of important opportunities and threats facing the company. Each factor has been assigned a weight from 1.0 (most important) to 0.0 (not important) based on that factor's probable impact on a particular company's current strategic position. The higher the weight, the more important is this factor to the current and future success of the company (All weights sum to 1.0 regardless of the number of factors), then a rating has been assigned to each factor from 5.0 (outstanding) to 1.0 (poor) based on that particular company's specific response to that particular factor. Each rating is a judgment regarding how well the company is currently dealing with each specific external factor, (weighted score which is multiplied the weight and rating each factor, and comments, note why a particular factor was selected and how its weighting and rating were estimated. Finally, all the weighted scores for all the external factors were added in column 4 to determine the total weighted score for that particular company. The total weighted score indicated how well a particular company is responding to current and expected factors in its external environment. The

score can be used to compare that firm with other firms in the same industry.

A similar process was conducted for internal factor as well. As a result the following IFAS Table was extracted. It is performed the same way as the EFAS. Table 3 presents the Internal factors analysis summary (IFAS) of the three coastline tourism companies in southern Sri Lanka.

The IFAS Table does not include comments column. Because, each company is vary in its strength and weaknesses. Therefore, comments are included in the discussion section. After this process SFAS Table is prepared. SFAS analysis synthesizes results of EFAS and IFAS analysis and therefore becomes a very powerful technique of the strategic analysis of the surrounding that has fully responded to the shortcomings of the SWOT analysis. In SFAS matrix strengths, weaknesses, chances and threats are summarized into about 10 strategic factors. This is done by choosing individual factors of EFAS and IFAS analysis that are of the greatest importance to the organization and they are put into first column. Next to the factors there is a label that says whether the factor is strength, weakness, chance or a threat to the organization. After that, importance of these factors is evaluated again (with grades from 0–no importance to 1–of great importance) depending on their influence on the strategic positioning of the organization (second column). Total importance must be equal to number 1. Ability of the organization to respond to each of these factors is graded in the third column, with grades from 1 to 5 (1-inadequate, 5-excellent. Multiplication of the weight of the factor and ability of the organization to respond to it gives a weighted score for each individual factor (fourth column). Total weighted score tells us how

successfully the organization has dealt with their strategic factors. In the fifth column, explanations and additional comments are written, for every factor. Final result is the summary of the most important internal and external strategic factors in one table.

SFAS matrix represents the bases for formulating strategy.

Table 3: Internal Factors Analysis Summary (IFAS) of the Three Coastline Tourism Companies in Southern Sri Lanka

Internal factors		Weight			Rating			Weighted score		
		Companies			Companies			Companies		
		A	B	C	A	B	C	A	B	C
Strengths	Geographical location	.12	.13	.11	4.7	4.4	4.3	0.56	0.57	0.47
	government support	.09	.08	.10	4.5	4.2	4.2	0.40	0.34	0.42
	Cultural orientation	.04	.05	.05	4.2	4.0	4.0	0.17	0.20	0.20
	Low-cost	.06	.05	.05	2.8	2.5	2.3	0.17	0.12	0.11
	Skilled labor force	.05	.05	.06	2.5	2.4	2.2	0.12	0.12	0.13
	Natural resource	.10	.10	.09	4.0	4.0	3.5	0.40	0.40	0.31
Weaknesses	Limited air connectivity	.13	.12	.12	2.2	2.0	2.0	0.29	0.24	0.24
	Inadequate in transport	.07	.08	.07	2.3	2.0	2.0	0.16	0.16	0.14
	traditional products	.05	.05	.06	2.5	2.5	2.0	0.12	0.12	0.12
	Shortage in accommodation	.10	.11	.11	2.8	2.5	2.3	0.28	0.27	0.25
	Lack of marketing strategies	.04	.04	.04	1.8	1.5	1.9	0.07	0.06	0.07
	Less variety of foods	.05	.04	.05	2.5	2.0	2.0	0.12	0.08	0.10
	Poor customer service	.06	.06	.05	2.5	2.0	2.0	0.15	0.12	0.10
	Poor financial position	.04	.04	.04	2.5	2.0	2.0	0.10	0.08	0.08
Total Score		1.0	1.0	1.0				3.11	2.88	2.74

Source: Survey Data(2014)

Table 4 : Strategic Factor Analysis Summary (SFAS) of the Three Coastline Tourism Companies in Southern Sri Lanka

Internal Factors	Type	Weight companies			Rating companies			Weighted Score companies		
		A	B	C	A	B	C	A	B	C
Geographical location	Strength	.13	.14	.13	4.7	4.4	4.3	0.61	0.61	0.56
government support	Strength	.12	.12	.11	4.5	4.2	4.2	0.54	0.50	0.46
Natural resource	Strength	.11	.11	.10	4.0	4.0	3.5	0.44	0.44	0.35
Limited air connectivity	weakness	.12	.12	.11	2.2	2.0	2.0	0.26	0.24	0.22
Shortage in accommodation	weakness	.10	.09	.10	2.8	2.5	2.3	0.28	0.22	0.23
External Factors										
New Products	opportunity	.10	.10	.09	3.5	3.0	2.75	0.35	0.30	0.25
Security	opportunity	.09	.09	.12	4.0	3.5	3.0	0.36	0.31	0.36
Infrastructure Investment	opportunity	.07	.07	.08	4.0	4.0	3.0	0.28	0.28	0.24
Competition	threat	.10	.09	.10	3.0	2.75	2.0	0.30	0.25	0.20
Long approval procedure	threat	.06	.07	.06	2.5	2.75	2.5	0.15	0.19	0.15
TOTAL		1.0	1.0	1.0				3.57	3.34	3.02

Source: Survey Data(2014)

The SFAS summarizes an organization's strategic factors by combining the external factor from EFAS Table with the internal factors from IFAS Table. SFAS condense SWOT in to fewer strategic factors. This is done by reviewing and revising the weight given each factor. The revised weights reflects the priority of each factor as a determinant of the company's future success. The highest weighted that is most important items EFAS and IFAS factors have been appeared in the SFAS Matrix. The rating is same as those listed in the EFAS and IFAS Tables. The important factors included in SFAS table provide information that is essential for strategy formulation.

FINDINGS AND CONCLUSIONS

Overall findings show that a total weighted score of 3.57, 3.34 and 3.02 are achieved by companies A,B, and C respectively. This implies that the company A is above average in its ability to face the challenges in the environment and responding to the changes in the coastal tourism in Sri Lanka. When it is compared with industry score it is in a better position. But although the company C's weighted score is 3.02 at average level it is very less compared to industry weighted score. Company B is slightly above average in the industry.

Further, results reveal that geographical location has been identified as a major strength for all companies. Beautiful coastline along the Indian ocean and other

natural resources are natural gift for the tourism industry. Next government support has been identified as an important strength. Sri Lanka has already identified "tourism" as a priority sector in its mission to achieve sustainable economic growth and started to extend significant long-term government support for the industry. Natural resources has been identified as the third strength of the tourism industry. The most significant natural resources in and surrounding are river and national park, but potentials are not fully used in tourism development. Natural resource such as high biodiversity, wide range of terrestrial ecosystems, diverse landscape, aquatic ecosystems, historical and cultural diversity can be used as a natural resource base to support other ecotourism opportunities. In respect of weakness limited air connectivity has been identified as an important factor. Although the Mattala International Airport has opened its doors to the world and unique international hub promises to spearhead and facilitate the development in both the southern and eastern regions of Sri Lanka international air connectivity is not been met to the required level. To realize its tourism potential however, Sri Lanka will have to significantly improve its international air and domestic surface linkages and, invest substantially in improving domestic transport, energy and telecom infrastructure. Shortage in accommodation has been identified as the other weaknesses. Although the government has already set its target to attract 1,600,000 tourists per year by 2016 the current accommodation facilities are not sufficient to host such tourist inflow since it requires to more than doubling the number of rooms available at present.

SFAS Table summary also summarized opportunities and threats. Opportunities in developing new tourism products has been found important opportunity. European travelers are particularly becoming environmentally aware and conscious of reducing their carbon footprint. For such traveler markets, ecotourism is an ideal product to capture revenues. The existing biodiversity rich diverse ecosystems provide numerous opportunities for ecotourism development. Opportunities exist in dense rainforests to develop canopy walks. These can attract adventure seeking eco-tourists. This alternative tourism products typically targets tourists who are more demanding for nature and less demanding for facilities. They can be accommodated in small-scale eco-lodges. These alternative tourism forms can help attract more visitors while requiring lesser need to develop costly accommodation facilities. Therefore, ecotourism is an ideal opportunity to achieve the government's target of bringing in an annual tourist flow of 1,600,000 by the year 2016. Security and investment in infrastructure development are other important opportunities for tourism industry. Government plans for the development of southern region including road networks and other infrastructure is good opportunity for tourism industry. Further, after the peace it is easy

to attract greater numbers of tourists. Competition and long procedures for getting approval to start the tourism business have been identified as biggest threats to the industry. Competition from neighboring countries in south-east Asia such as India, Philippines, Malaysia, Fiji, Thailand is a threat to the industry slow approval and procedures and obtaining approval from multiple authorities have been a threat for the industry. Although Sri Lanka Tourism Board has embarked upon several promotional activities to meet the set annual targets, Sri Lanka has suffered from overlapping authorities from multiple agencies, and in the past projects stalled by litigation despite having government approvals. Investment approval procedure needs to be accelerated, and speedy approval and procedures will have to be ensured to accelerate the implementation of proposals and reduce start-up times. Sri Lanka has started a comprehensive process to address legal and bureaucratic barriers to investment and the high cost of doing business in Sri Lanka. Increased transparency and improved governance could also bolster market confidence and lead to higher investment. Based on the above findings Sri Lanka should take necessary steps to reduce the long approval procedures through reducing the multiple authorized in approval. Further, Sri Lanka should also pay attention to keep the peace within Sri Lanka and make it sustainable one forever. Investors should make use of their geographical location as an important strength to a optimum level. Both the Sri Lankan government and the country's private sector are aware of this strategic advantage and have begun to jointly invest in products and promotional efforts geared to attract tourists.

The findings of this study give an empirical support for their strength weaknesses, opportunities and threats. These companies are able to pay their attention for the important strategic factors when they formulate strategies. They can make use of the opportunities identified with strength and take necessary measure to improve their weaknesses. This study provide clear picture of each factor and its relative importance in formulating strategies to achieve objectives of these companies. This type of study can be conducted for the other tourism companies or other regions as well and it is possible to do a comparison. Same type of study can be conducted for other industry as well. It is possible to conclude that the greatest strength for developing tourism in south coastal area lies in cultural heritage, manifestations and natural resources, and biggest chance is in geographical position on the other hand limited air connectivity represent the greatest weaknesses. Competition and long approval procedures represent largest threats for tourism in south coastal Sri Lanka. This paper provided further support to the study done by Davidovic and Jovanovic (2012) that SFAS as a situation analysis tool can also be used in tourism industry. It provides essential

information of the industry environment necessary for generation of alternative strategies. The results of this study highlighted 10 most important factors for south coastal tourism Sri Lanka development. A strategic fit of future tourism development strategy should be based on these factors, meaning that generated strategies should be the ones that minimize weaknesses and avoid threats. These should include other strategic management tools applied in the field of tourism. The methodology used in this paper is recommended in the future situation analysis of tourism in other markets. This is an important limitation of this study. Therefore, a similar study covering all part of Sri Lanka would be of interest for future studies.

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