

EFFECTS OF STRATEGIC MANAGEMENT DRIVERS ON ORGANIZATIONAL PERFORMANCE: A SURVEY OF THE HOTEL INDUSTRY IN KENYAN COAST

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ABSTRACT

This study seeks to examine the effects of Strategic Management drivers on the performance of classified hotels in Kenyan Coast. The specific objectives are the effects of: customer relationship management strategy, strategic planning, competitive positioning, information communication Technology and organizational learning on the performance of the hotel industry in Kenyan Coast. The study seeks to determine the conceptualized Strategic Management Drivers' influence on the performance of hotels in Kenyan Coast. The study will adopt a mixed research design which will be both quantitative and qualitative. The target population of the study will be 180 managers of classified hotels in Kenya's Coast. The sampling technique to be used will be stratified random sampling. Secondary and primary data will be collected using a self administered questionnaire. The questionnaire will be piloted in order to check for validity and reliability. Questionnaires will be administered through drop and pick method. The data collected will be analyzed using various statistical tools and instruments such as ANOVA, correlation and multiple regression analysis.

Key words: Organizational performance, Distinctive Competencies, Tourist Hotels, Strategic Management Drivers.

1.0 Introduction

The concept of organizational performance is core to businesses because the major objective of businesses is to make profits. Iravo *et. al.*, (2013) state that one of the important questions in business has been why some organizations succeed and why others fail and this has influenced a study on the drivers of

organizational performance. Awino (2011) asserts that for an organization to be successful it has to record high returns and identify performance drivers from the top to the bottom of the organization. Njihia *et. al.*, (2013) highlight performance measurement as one of the tools which helps firms in monitoring performance, identifying the areas that need attention, enhancing motivation, improving communication and strengthening accountability.

Hotel managers, like any other managers, can use the feedback on performance to make adjustments to policies and other modes of organizational operations (Wadongo *et. al.*, 2010). Fwaya (2006) views performance as a formula for the assessment of the functioning of an organization under certain parameters such as productivity, employee' morale and effectiveness. Performance management and improvement is at the heart of strategic management because a lot of strategic thinking is geared towards defining and measuring performance (Nzuve and Nyaega, 2012). Odhiambo (2009) identified three approaches to performance in an organization which are the goal approach, which states that an organization pursues definite identifiable goals. This approach describes performance in terms of the attainment of these goals. The second approach is the systems resource approach which defines performance as a relationship between an organization and its environment. This concept defines performance according to an organization's ability to secure the limited and valued resources in the environment. The third approach is the process perspective which defines performance in terms of the behaviour of the human resource of an organization (Waiganjo *et. al.*, 2012).

Kiragu (2005) highlights performance in terms of four perspectives which are the financial, customer, internal processes and innovativeness. The financial perspective identifies the key financial drivers of enhancing performance which are profit margin, asset turnover, leverage, cash flow, and working capital (Odhuno and Wadongo, 2010). The customer focus describes performance in terms of brand image, customer satisfaction, customer retention and customer profitability. Internal processes involve the efficiency of all the systems in the organization while innovativeness is concerned with the ease with which a firm is able to adapt to changing conditions. The BSC retains the financial aspects as key in measuring performance while it adds other drivers of future performance (Mucheru, 2008). Strategic management drivers of performance involve the translation of business strategies into deliverable results. It combines financial, strategic and operating principles to gauge how a company is able to meet its targets (Mshenga and Owuor, 2009). Strategic drivers of performance are closely linked to specific strategies and value drivers in order to maximize organizational performance.

The global hotel industry has experienced tremendous growth in recent years recording a growth of over 25% in the number of hotels (Kingi, 2013). The hospitality industry in Kenya developed from the Kenyan Coast due to Arab traders and the construction of the Railway line. The first hotel to be built was the Grand Hotel which later became the Manor Hotel and has since been closed down. In the 1960's Utalii College was developed to cater for the training needs of hotel staff. Hotels have henceforth continued to develop out of tourism efforts and this has brought a lot of challenges related to the performance of these hotels in order to meet international standards. These challenges have necessitated a study by various authors of the drivers of performance in hotels.

The hotel industry has been identified as one of the most important sectors that have a positive correlation to tourism industry and therefore no country or region can expect to attract tourists unless it has hotels. The general pressures which have been brought about by globalization and internationalization coupled with Star Ratings and membership to International Hotel Associations, have also challenged hotels to improve on their performance (Mureithi *et. al.*, 2009). The Kenya National Bureau of Statistics (2012) highlight that the

costs for hotel services are expected to increase globally because of the current world economic situations. The hotel industry in Kenya is facing several challenges which have been affecting their performance. These challenges include shortage of skilled staff, poor infrastructure, insecurity, lack of strategic plans and poor organizational processes among other challenges (Onyango and Kipchumba, 2012)

Kenya has been experiencing turbulent times with regard to its organizational practices in the last two decades. This has resulted in generally low profits across the economy and this picture is fairly well replicated in the Hotel Industry (Namusonge *et. al.*, 2012) The decline in world tourism has grossly affected hotel sales and posed a threat to hotel operators because Kenyan hotels largely depend on the International Tourism Market (Oketch *et. al.*, 2010). Akama (2007) argues that in Kenya, there has been a declining income from agriculture and manufacturing sectors. As a result, Kenya has turned her attention to tourism as an intervention to the numerous economic problems.

Kenya is considered all over the world as a great tourist nation but recently the hotel industry has been hit hard by the recent post-election violence as well as terrorism attacks (Kuria *et. al.*, 2012). Many hotels have been closed and this has caused staff to be laid off. There has also been a low bed occupancy capacity of 10%-20% and the situation is headed for worse if something is not done (Nzuve and Nyaega, 2011). Similarly, Kenyan hotels have become more complex to manage because of the demands of the dynamic business environment. Hotels are finding it difficult to meet the challenge of customer demands as well as complicated service technologies and production processes. Kamau (2008) states that the tourism sectors under which hotels are found in Kenya has been facing numerous challenges which have posed a threat to their existence. These challenges include competition, socio-cultural changes, technological changes and economic challenges. Hotels like other businesses are turning to strategic management performance drivers so that they can qualify for international recognition for standardization certificates, company of the year awards and star rating as well as membership to professional bodies (Ongore and Kobonyo, 2011). The Kenya Institute of Management (KIM) developed a model called the Organizational Performance Index (OPI) which is a tool that drives organizations in Africa towards excellent performance and competitiveness (Kenya Law Report, 2012). The performance of organizations is measured against global standards and benchmarks. The key parameters include systems thinking, competitiveness, standards and continuous improvement.

The OPI model rates participating organizations using a scale of 1-10 using both its internal and external processes. It uses seven (7) global determinants which are Leadership and Management, Human Resource, Customer focus and marketing, financial aspects, Innovation and technology, Corporate Social Responsibility, environmental focus productivity and quality. Organizations are then assessed according to specific indicators to their particular industry. Hotels are therefore some of the organizations which must be assessed because they play a key role in the economy of Kenya. This therefore poses another challenge on hotels to improve their performance rating. Mukulu *et. al.*, (2012) note that performance measurement is important for organization as a means of continuous improvement and also as a means of determining whether or not an organization is achieving its objectives. The traditional management approaches and models are no longer adequate to award a hotel a Sustainable competitive advantage (SCA) and technology becomes obsolete every so often (Kingi, 2013). This has posed a new challenge to managers in the hotel sector to review the drivers of performance in their industry. This study therefore wishes to bridge the knowledge gap in the area of strategic management by re-examining the strategic management drivers of performance in the hotel sector in Kenyan coast. This is because the research hypothesizes that strategic management performance drivers could be the answer to the current hotel dilemma.

2.0 Literature Review

In this study, the independent variables which are the conceptualized strategic management drivers of hotel performance are: customer relationship management strategy, strategic planning; strategic competitive positioning, information communication technology (ICT) and organizational learning. The dependent variable is hotel performance.

2.1 Customer Relationship Management (CRM) Strategy and hotel performance

Customer Relationship Management (CRM) is one of the strategic management concepts which has changed the way businesses are carried out. Cooperative rather than competitive approaches to businesses are now commonly embraced (Langerak and Verhoef, 2003). Christian (2007) highlights a positive relationship between customer relationship management and organizational performance. This is because CRM is a comprehensive strategy for acquiring, retaining and partnering with selected customers to improve quality for the company and the customer (Sigala, 2005). Jain *et. al.*, (2007) assert that when CRM is implemented in organizations it develops a series of functions, skills, processes and technologies that help organizations to achieve long-term customer loyalty thereby improving on their performance. Coltman (2007) contents that CRM is a core process in enhancing competitiveness and performance. They further assert that CRM policies in the hotel sector must concentrate on customer satisfaction, customer retention and customer quality. Customer Relationship Management improves performance through its various processes because it enables companies to evaluate their efficiency in serving customers. Hotels therefore have a duty to identify customer needs in order to plan how to satisfy them (Zander and Zander, 2005). Customer relationships are one of the most expensive assets a hotel can have because satisfied customers are more likely to return to the hotels and also to recommend others (Jones *et. al.*, 2007). Uzel (2012) states that there is intense competition in today's hotels which requires managers to adopt strategic drivers of performance in order to improve hotel services. Chen and Popovich (2003) state that hotels that maintain long run performance are the ones that is able to build customer loyalty and retention. Zablah *et.al.*, (2004) established that CRM brings benefits in terms of improved performance which results from acquiring new customers as well as sustaining customers for competitive advantage. CRM also improves performance through reduction of the costs incurred in acquiring customers and also the profitability that results from customer loyalty (Chang, 2007). CRM strategy is a customer centered rather than product centered interaction with customers which adds value to the services offered in hotels to enhance the desired results. Minal and Kasim (2009) state that CRM improves hotels performance through engaging profitability customers in long term relationships in order to improve profits in the hotel industry. CRM strategy if applied will attract new customers in the hotel industry which is facing a lot of competition which requires that they differentiate their customers (Piccoli *et.al.*, 2003). Hotels like other organizations need to assess users satisfaction levels towards their service so that they can use the feedback to make positive adjustments to their products and services. Iravo *et. al.*, (2013) state that dissatisfied customers will be disloyal to the organization and will talk about their bad experience to other customers. In this study CRM is viewed as a customer strategy for retaining customer loyalty and improving hotels performance.

2.2 Strategic planning and hotel performance

The history of strategic planning dates back to long-range planning (Cappelli, 2005). Strategic planning was therefore a proactive alternative to long-range planning which was found to be obsolete because it was not increasing firm's true value. Strategic Planning is a core task of senior management which involves fourteen (14) processes (Armstrong, 2010). These processes are designing objectives, planning strategy, establishing goals, developing company philosophy, policies, procedures, organization structures, establishing personnel and facilities, capital, establishing standards, programs and operational plans and

institutionalization, evaluation and control. Pearce and Robinson (2008) view Strategic Planning as an organizational process that is vision driven and that aims at developing the future value of an organization. Dan (2009) states that Strategic Planning process involves the implementation of strategy in an organization which should be managed through a sequence of steps. These steps include setting of objectives, analysis of environmental trends & capabilities, evaluation of the available options and planning, implementation, operationalization and institutionalization of strategy.

Barney and Hesterly (2006) are of the view that the process of strategic planning has to be designed well such that it meets the specific needs of the organization. The strategic management planning process involves the mission and vision of the organization, environmental analysis, selection of objectives and analyzing strategic choices (Porter, 2004). Johnson and Scholes (2003) assert that there is not any best way of conducting the process of strategic planning in an organization and therefore strategies should be formulated explicitly and implicitly. Hotels have acknowledged the importance of strategic planning just like other organizations. This is because strategic planning helps organizations to clearly identify and prioritize their objectives, and targets (Johnson and Scholes, 2003). Strategic planning however has to be done under a conducive strategic planning environment which has the appropriate structures for proper coordination and cooperation (Dobini, 2003). Managers' perception is also very important to the strategic planning process because they are the initiators as well as the implementers of the plans (Balogun, 2003). The concept of strategic planning has been widely adopted by hotels but its dimensions, roles and impact to the performance of the overall hotel management is still disputable. Creating a winning strategy is not a one-time event because a good strategy today might not be successful tomorrow. Changes in the business environment are leading to new and greater demands on strategic planning systems.

Jehad and Adel (2013) assert that there are several planning systems used by hotels in order to manage change and these systems have evolved in order to cope with the continuously changing environment. Strategic plans can help hotels communicate their goals, strategies and operational tasks to internal and external stakeholders (Galbreath, 2010). Higher planning formality is beneficial for firms that operate in highly competitive environments like hotels and this may assist them to meet competitive threats more systematically (Law and Jogaratnam, 2005). A hotel can adopt strategies in both the internal and external environment. The internal environment includes the physical and social factors within the boundaries of the hotels or specific decision units that are taken directly into consideration in the decision-making behaviour of individuals in those systems (Richard *et. al.*, 2009). Internal environment also can refer to the amount of attention devoted to a hotel's recent history and current situation, its past performance and an analysis of its strengths and weaknesses. On the other hand, external orientation involves the ability to obtain reliable research information in order to learn about external environmental opportunities and threats (Dincer *et.al.*, 2006). These opportunities and threats refer to those relevant factors outside the boundaries of the hotel or specific decision units that are taken directly into consideration (Pinea and Phillips, 2005). Johnson and Scholes (2003) state that for a formal planning process to assist in strategy development, it must include mechanisms to embrace proper customer services, efficiency of operating processes, alternating and retaining high quality employees, and analysis of financial strengths and weaknesses. The external orientation will create analysis of investment opportunities, analysis of competition and reforming market research.

Wheelen and Hunger (2008) conclude that strategic planning attempts to look ahead to where you want to be together with the budget to get there. In the recent times, the hotel industry has identified the importance of strategic planning by defining the mission of their businesses so that they are better able to give themselves a

direction to focus their activities. Strategic planning helps managers to identify a clear-cut concept of their hotels and as a result of this make it possible to formulate plans and activities that will bring them close to their goals (Pearce and Robinson, 2008). Kenyan hotel managers operate in a world that is ever changing and nothing is static whether in technology, politics or society. They therefore have no choice but to come up with strategic planning as a tool for the future prospects of their hotels.

2.3 Strategic Competitive Positioning (SCP) and hotel performance

Competitive advantage (CA) has been defined differently by different authors but all of them agree that it relates to strategy formulation and implementation in organizations (Porter, 2009). Hotels that desire to perform must select strategies that will give them a SCP advantage over their competitors based on their core competencies (Porter, 2004). Organizations can do strategic analysis to achieve competitive advantage using tools such as Strengths Weaknesses Opportunities Threats (SWOT) Analysis, Porter's five forces Model and the RBT of the firm (Harrison, 2003). Strengths Weaknesses Opportunities Threats analysis aims at matching an organizations internal strengths and weaknesses with its external opportunities and threats. Porters Five Forces Model determines the firms' abilities to position and compete in the industry. Mibei (2007) also proposes three generic strategies which can help organizations to cope with competitive forces and these include focus, cost leadership and differentiations. Previous RBT research has provided evidence that the analysis of a firm's internal resources helps firms to realize their competencies and capabilities which are inimitable by their competitors (Wang and Ahmed, 2007).

Lo (2012) stated that these firm's resources include assets, capabilities, organizational processes and knowledge that help firms to implement the strategies that improve performance. Other researchers refer to these resources as core competencies and capabilities that could generate competitive advantage (Barney and Peteraf, 2003). David (2005) is of the view that core competencies of hospitality organizations include processes, skills and assets that influence organizations to achieve SCP. Sources that have also been mentioned to contribute to core competencies are location, brand, facilities, employee, customer loyalties, market coverage, market share, service quality, technology, leadership, systems and procedures and organizational culture. Hotels are dynamic organizations which are affected by diverse variables hence the application of SCP will help them to sustain exemplary performance. Richard and Marilyn (2006) argue that the essence of business strategy formulation is coping with competition. Moullin (2007) also suggest that business strategy is all about competitiveness because the main purpose of strategy adoption is to enable a hotel gain a sustainable edge over its competitors. Tavitiyaman *et. al.*, (2011) state that hotel's strategies consists of competitive moves and business approaches that managers employ to attract and please customers, compete successfully, grow the business, conduct operations and achieve targeted objectives.

A hotel achieves SCA when an attractive number of customers prefer its services over the offerings of competitors and when the basis of this preference is durable (Sabah *et. al.*, 2012). Businesses will only result in SCP when the appropriate strategic management drivers of performance are adopted. The management of these key success factors results in superior value. Hotels can take advantage of their overall products and services to come up with services which are superior to their competitors. Porters' Generic Strategies can create competitive advantage for a firm through the adoption of differentiation and cost-leadership. These strategies give a firm a better chance of outperforming other firms in a homogeneous industry. Porter (2004) described porter's five forces as the threat of new entrants, threat of substitutes, bargaining power of suppliers and buyers and the intensity of rivalry. Firms in a particular industry need to adopt these five drivers in order to improve their performance. Porter (2009) stated that for a firm to achieve high performance it has to achieve one of the basic competitive advantages which are lower cost and

differentiation. He further suggests that a firm which does not adopt any one of these strategies is geared towards failure. Differentiation can take different forms such as various marketing strategies, better product image, better market awareness, low prices, higher product quality and better customer service or availability of goods. Differentiation helps firms to build customer loyalty through offering unique products or services thus helping firms to perform better than others (Allen and Helms, 2006)

Firms that adopt differentiation can charge higher prices based on their costs, channels of distribution and quality or they can choose to differentiate themselves in any other area of their distinctive competencies. Differentiation strategies can be classified into market and product strategies. In product-innovation, firms outperform their competitors by increased creativity, quality, efficiency and innovations among others (Akan *et. al.*, 2006). Marketing differentiation involves the use of marketing practices for hotels to differentiate themselves which include market segmentation, branding, promotions, pricing and advertising. A hotel can gain competitive advantage by adopting a low cost strategy such as mass production, technology adoption, achieving economies of scale and access to raw materials. A cost-leadership strategy can improve the performance of hotels by giving them distinctive competencies in the management of materials and also in the production process.

2.4 Information Communication Technology (ICT) and hotel performance

Sirawit *et. al.*, (2011) observed that the use of ICT is an integral part of hotels because it increases hotel performance in various ways. Firstly, the use of ICT improves managerial activities and leads to better organizational performance. ICT has therefore been recognized as one of the drivers of hotel performance (Ham *et. al.*, 2005). ICT has been widely used in hospitality industry to eliminate the gap between purchase and service experience (Law and Jogaratnam, 2005). This is because hospitality is a service which may not be experienced in advance because decisions are made away from guest experiences. Innovation entails addition of new technical knowledge to production of goods and services. Technological innovation includes the development of new business methods to achieve desired objectives. ICT will lead to high organizational performance which is characterized by high financial income, continuous sustainable innovations, satisfied customers and a motivated human resource (Epstein, 2004).

Information Communication Technology positively influences employee performance because it is the human capital that spearheads innovations. All types of ICT will be totally dependent on the human resource of the organization (Zaheer *et. al.*, 2011). Wong *et. al.*, (2007) confirmed a positive relationship between innovation and organizational performance and therefore when an organization achieves competence in making a certain product it can add value to the product by investing in the latest and modern technology. The Resource Based Theory of the firm explains the role of ICT and performance by assuming that distinctive competencies are relatively stable overtime and are heterogeneously shared across firms (Denison, 2008). ICT has been cited as one of the valuable resources and sources of competitive advantage which influence organizational performance. ICT involves the introduction of modern ideas within an organization which is one of the driving forces of performance in hotels (GoK, 2007). Cagna (2007) proposes ICT as one of the ways for the survival of organizations today. Shimpton *et. al.*, (2006) stated that ICT can be sustained by involving human resources to manage, create, transfer and implement knowledge. The adoption of IT has been widely supported by literature in the hotel industry which identifies it as a strategic driver to organizational performance (Sharma and Upneja, 2005). Law and Jogaratnam (2005) supported the use of IT for operational purposes by stating that firm and location related factors are among the key issues that influence adoption of ICT in hotels.

Lau *et. al.*, (2005) highlighted that the use of ICT in hotels was becoming a complicated affair because little attention had been given to the integration of ICT to key strategic management drivers (Segnupta *et. al.*, 2006). Barkhi and Daghfous (2009) stated that competition among hotels is a major catalyst for the need for innovation and technology because of the dynamic nature of today's organizations. Hotels just like other organizations have been forced look for new sources of competitive advantage one of which is ICT (Raisinghani, 2005). The readiness of hotels to adopt ICT and best practices is one of the key drivers of hotels performance in the current era.

2.5 Organizational learning and hotel performance

Njuguna (2009) states that organizational learning is a fundamental source of competitive advantage in organizations. He further states that it helps firms to obtain sustainable competitive advantage through the development of its unique learning knowledge resources and capabilities. Hotels like many other businesses are facing a lot of competitive challenges arising from the dynamism and complexity of the business environment. This state of affairs has propelled academicians and hotel practitioners to study distinctive firm competencies that add value to the final consumer. Hotels just like other organizations have to encourage their employees to continually learn new skills and to be innovative in order to achieve their strategic alternatives (GoK, 2003). DeNisi (2003) highlights that when a firm obtains individual level resources such as knowledge or human capital it has to leverage these resources so that the whole organization can benefit. Intellectual capital is therefore a key determinant of value creation for organizations. Armstrong (2010) highlights that through organizational learning a firm can develop unique intellectual capital that other firms cannot imitate. Organizational learning helps people in the organization to question themselves about organizational systems and challenges and endeavor to seek for solutions (Murray and Donegan, 2003).

2.6 Measurement of Hotel Performance.

Performance is a complex and dynamic concept which has been conceptualized in two ways namely the drivers of performance and the results of performance (Neely, 2005). Organizational performance is concerned with the overall productivity in an organization in terms of stock turnover, customers, profitability and market share. Competition in the global economy has intensified the importance of identifying the drivers of sustainable performance. The search for such drivers is no longer restricted to tangible factors but has expanded to include intangibles. Performance may be measured by both quantitative and qualitative methods. Ittner and Larcker (2003) stated that non-financial measures are better performance indicators in the service industry than financial measures. This is because non-financial measures are better measures of value and motivation which complement short-run financial figures as indicators of long-term goals. Performance is regarded as an output which is aligned to objectives or simply profitability and is explained in terms of expected behavioural output and also results. Fwaya (2006) asserts that the only worthy performance measure is financial performance because of its value to shareholders, executives and the market. This measure is an indicator of organizational success and sustainability because it is the reason for the existence of firms. The financial success of an organization is a measure of a firm's performance because it depicts the ability of an organization to operate above all its costs. Ittner and Larcker (2003) claim that a firm's performance should not be measured by financial performance but also operational and market indicators. Financial Performance for this research will be measured using profitability and growth in sales while non-financial indicators will be service quality and customer satisfaction. Non-financial measures have been deemed to be more effective in motivating managerial performance because they are more reflective of the overall corporate strategy (Banker *et. al.*, 2005). The hotel industry is a service sector with inseparable products which demand for different methods of

measurement (Bowie and Buttle, 2004). This means that a hotel is obliged to not only deliver services and products but also to increase customer satisfaction by providing quality and hence improvement of profits (Ramsaran-Powdar, 2007). Previous studies on hotel industry have indicated that customer satisfaction influences hotels competitive advantage and performance (Barsky and Nash, 2003).

2.7 Research gaps

Various scholars over the past few years have studied the drivers of performance in organizations and researchers in the hospitality industry have also come up with similar research. Okeyo (2011) studied the relationship between the performance of five star hotels and the use of performance drivers and he concluded that there was a positive relationship. Uzel (2012) also studied the use of value-based management tools in hotels in Kenyan coast and established that the use of value-based tools in hotels was minimal and the study suggested further research on the strategic drivers of performance in hotels. Fwaya *et. al.*, (2012) studied the relationships between drivers and results of performance in the Kenyan hotel industry and concluded that financial drivers of performance were the only drivers which had an influence on the performance of hotels. Wadongo *et. al.*, (2010) studied managerial roles and the choice of performance drivers and recommended a study on the role on non- financial strategic drivers such as innovation, human resource management, profits and customer focus among others. Waudo and Kamau (2012) in their study on change management in hotels concluded that Kenya's hotel industry operates in an environment of high competition and recommended a study of the strategic drivers of hotel performance. Oketch *et.al.*, (2010) studied hospitality industry employer's expectations on employees competences in Nairobi Hotels. They found out that there was a relationship between the Human Resource competencies expected by the hospitality industry employers and the hotel classification. They however recommended a study on other drivers of hotel performance. Kuria *et. al.*, (2011) studied factors affecting Labour turnover in Nairobi hotels and recommended a study on adoption of strategic drivers of performance to curb the high turnover. Odhuno *et. al.*, (2010) studied Key performance indicators in Kenya's hospitality industry and established that financial performance measures were the only drivers of hotel performance.

Other studies include a study on Strategic Planning Practices (Kamau, 2008) and another one on Strategic Competitive Advantage (Mibei, 2007). This research seeks to bridge the knowledge gap in the area of the Strategic management drivers of performance in hotels in Kenyan Coast by addressing the following gaps. Firstly, the study will cover all classes of star-rated hotels in Kenyan coast because previous studies covered three (3) to five (5) star hotels and most of the studies were not in Kenyan coast. All previous researchers had established a relationship between strategic management drivers and hotel performance but the effect, degree and extent of the relationship had not been addressed. This study seeks to cover this gap through hypothesis testing of the hypothesized performance drivers. The above studies had also identified financial drivers as the only drivers of hotel performance but this research will bridge the gap by testing non-financial drivers of performance to see if they have any influence on hotel performance. It will seek to establish whether the adoption of the selected strategic management drivers by star- rated hotels would be a remedy to their current dilemma.

2.8 Conceptual framework

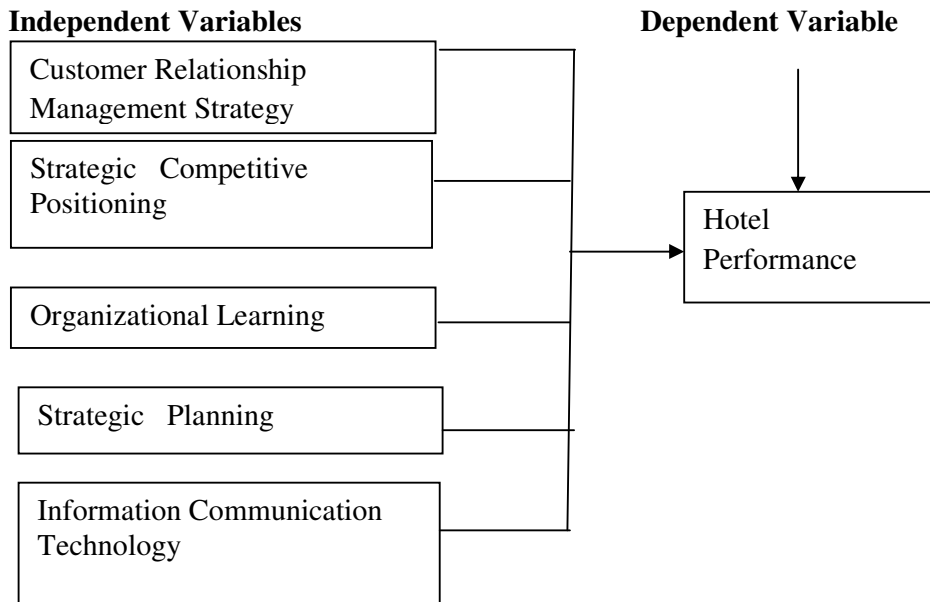


Figure: 2.8.1. Conceptual Framework

3. Methodology

3.1 Research Design

The research will adopt a mixed research design which includes qualitative and quantitative research to establish the associations among the key study variables, to verify results and enable greater accuracy in measurement. In this research, qualitative data will be collected by use of direct observation and face to face interviews to get the opinions, perceptions and experiences of the managers in the hospitality industry. The advantage of using both designs is that they will complement each other and there is also a possibility of getting more valid results through an address of the inefficiencies of either design (Ramchander, 2004).

A cross-sectional survey design will be the specific design to be used. This design has been used by several authors in their research on the hospitality industry in Kenya (Fwaya *et. al.*, 2012; Wadongo *et. al.*, 2010; Odhuno *et. al.*, 2010; Kingi, 2013). The advantage of this design over others is that data can be collected less expensively and within a short time. The characteristics of variables do not change much in the short period of data collection. The purpose of the cross-sectional design will be to establish relationships between drivers and the results of performance for hotels in Kenyan Coast.

3.2 Target Population

The research population will be obtained from 180 units of Kenya's Star Rated Tourist Hotels ranging from 1star to 5 stars (Mwaisaka, 2004). These hotels are assumed to have attained meaningful service levels according to Statistical Abstract (GoK, 2012). This will be a cross-sectional study of 180 classified hotels operating in the Kenya's Coast as at December 2012. A complete list of 180 hotels operating in Coast province has been attached in Appendix 5. The list has been compiled from a study of value-based management in hotels in Mombasa (Uzel, 2012) and the classification of hotels list (GoK, 2004). The population will consist of hotel managers in the rank of either general manager, resident manager or operational managers or their assistants. This is because top executives are better knowledgeable about performance drivers in hotels.

3.3 Sampling technique and sample size

Stratified sampling will be used to select the hotels for each category for the study, that is, 1 to 5 star hotels. The hotels will be obtained from the classification list attached in Appendix 5. The classified hotels have been selected for the study because they have a clear and consistent organizational structure which implies that the results can be generalized without a lot of errors. Kothari (2012) notes that stratified sampling is used when a population from which a sample is to be drawn does not constitute a homogeneous group. This is the case with the categorization of hotels into different stars. The method also involves dividing the population into a series of relevant strata which implies that the sample is likely to be more representative (Saunders *et. al.*, 2009).

3.4 Sample Size

To compile the sample size, 123 hotels will be selected out of a total population of 180 using Saunder's formula for total sample size determination. The hotels in each stratum to be selected for the sample of study will be calculated using Neyman's formula.

3.5 Data Collection methods

Both primary data and secondary data will be collected for this study.

3.5.1 Primary data

The primary data will be collected by use of a questionnaire whereby one questionnaire will be given to each of the sampled hotels to generate both qualitative and quantitative data. A five point Likert rating scale will be used to measure all variables. The lowest rating of 1 will signify a low opinion by the respondents while a high rating of 5 will signify a high rating by the respondent. Questionnaires have been chosen because administration of questionnaires to individuals helps to establish relationships with the respondents while introducing the survey (Satirenjit *et. al.*, 2012). Questionnaires provide the clarifications sought by respondents and they may even be collected immediately after they are completed. The data collection phase involves administration of the survey Questionnaire to all classified hotels -1star to 5 stars in Kenya's Coast.

3.5.2 Secondary Data

This is the data that has been used elsewhere in other studies. In this study secondary data will include the review of hotel documents, books of accounts, reports and manuals. It will also include information collected from Government reports, internet and other forms of documented data whose source can be verified.

3.6 Data collection procedures

The management of the hotels that will be targeted will be briefed concerning the purpose of the study. The data collection procedures will involve getting the authority letter from the University to facilitate data collection. An authority letter will also be sought from the relevant hotels earmarked for the study. The questionnaires will be administered through drop and pick method. If a respondent does not fill the questionnaire after two weeks a follow up will be made through a phone call and they will be collected at a time that will be conveniently arranged between the researcher and the respondents. The questionnaires will indicate the extent of the influence of the selected drivers on the performance of the hotels. This study will take into account information from studies in the industry and the results from previous studies.

3.7 Pilot Study

The questionnaire will be pre-tested on a pilot set of 15 respondent managers for comprehension, logic and relevance. Respondents in the pre-test will be drawn from one-star to five star hotels which will be similar to those in the actual survey in terms of background characteristics, familiarity with the topic of research, attitudes and behaviours of interest. The 15 hotels to be pre-tested will not be part of the target population of study. The pilot study population will be picked from Mombasa county for ease of accessibility and also because it has majority of the hotels. The hotels to be used in the pilot testing will be excluded in the final sample of the research. Zikmund *et. al.*, (2009) recommend that the questionnaire pre-tests will be done by personal interviews in order to observe the respondents reactions and attitudes. All aspects of the questionnaire will be pre-tested including question content, wording, sequence, form and layout, question difficulty and instructions. The feedback obtained will be used to revise the questionnaire before administering it to the study respondents.

3.8 Reliability test

Reliability analysis will be used to assess internal consistency among the variables of study. The reliability of the study measures will be assessed by computing Cronbach's Alpha coefficient for all items in the questionnaire and the overall assessment will be given (Sekaran and Bougie, 2010). The Cronbach's alpha coefficient ranges between 0 and 1 with higher alpha coefficient values being more reliable. A questionnaire with a good internal consistency should have high alpha coefficients. Factor Analysis will be carried out to test for construct validity and highlight variability among observed variables and also to check for any correlated variables in order to reduce redundancy in data (Hair *et. al.*, 2010).

3.9 Data analysis and presentation

Cooper and Schindler (2008) highlight data analysis as inspection, cleaning, transforming and modelling data in order to highlight useful information to draw conclusions and to support decision making. The questionnaires will be edited for completeness and consistency to ensure that respondents have completed them as required. The collected data will be tested for normality using Kurtosis. Kurtosis measures the flatness or peakness of data with a peaked distribution being positive and a flat one being negative. A normal distribution should have a kurtosis of 0. The collected data will also be coded and entered into SPSS to create a data sheet that will be used for analysis. The variables to be measured will be defined and labelled. The responses will be coded with numbers including the open ended questions. After data has been collected it will be screened and cleaned to find out whether there are errors that can be corrected. Data will be analyzed using quantitative and qualitative techniques. Descriptive statistics will be used to describe the characteristics of collected data. Pearson's Correlation, Analysis of variance (ANOVA) and Multiple Regression Analysis using Logit model will be used to establish the relationships among the study variables. The entire hypothesis will be tested at 95% confidence level. Responses will be assigned numerical values which will be consistent with numerical codes.

4.0 Qualitative Analysis

Data will be analyzed qualitatively and more especially the data which cannot be measured using scientific methods. Qualitative data deals with descriptions of data that can be observed but cannot be measured. In this study direct observation of the performance of organizations will be done and the relevant documents including the internet will be scrutinized. This data will be arranged according to patterns which will be assigned numbers to make them measurable.

4.1 Quantitative Analysis

The data analysis processes for quantitative items will be done using the statistical package for social sciences (SPSS) version 20. Qualitative data will be measured through correlation coefficient to establish initial relationships between variables. A chi square test will be used to compare observed data with the data the researcher had hypothesized (Kothari, 2012). The model to be used for this analysis is multiple regression analysis which is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

Where:-

- Y = Dependent variable (org performance)
- X₁ = Independent variable #1(Customer relationship management strategy)
- X₂ = Independent variable #2(Strategic planning)
- X₃ = Independent variable #3(Strategic competitive positioning)
- X₄ = Independent variable #4(ICT)
- X₅ = Independent variable #5(Organizational Learning)
- β₁ –β₅ = Regression coefficient for each Independent variable
- ε = Random or Stochastic Term.

4.2 Hypothesis Tests

For this study, hypothesis will be tested at 95% confidence level (α = 0.05). A two tailed test will be carried out as shown below.

Hypothesis statement	Hypothesis test	Decision rule and anticipated model
H ₀₁ There is no relationship between adoption of Customer Relationship Management Strategy (CRMS) and the performance of hotels (HP) in Kenyan Coast.	- Karl Pearson’s zero order coefficient of correlation (Beta test). H ₀ : β ₁ = 0 H _A : β ₁ ≠ 0	Reject H ₀₁ if P- value ≤ 0.05 otherwise fail to reject H ₀₁ if P – value is > 0.05 HP = α. + β ₁ CRMS + ε Where : HP = aggregate mean score of Hotel performance. α = y- intercept. β ₁ =Regression coefficient (beta). CRMS =aggregate mean score of customer relationship management strategy. ε = error term random
	-To conduct a t - test to determine individual significance of the relationship. -To conduct a F test (ANOVA test) to assess overall robustness and significance of the simple regression model.	Reject H ₀₂ if p- value ≤ 0.05 otherwise fail to reject H ₀₂ if P-value is > 0.05

<p>H₀₂: There is no relationship between Strategic Planning and (SP) and the performance of hotels (HP) in Kenyan Coast.</p>	<p>test). H₀: $\beta_2 = 0$ H_A: $\beta_2 \neq 0$ -To conduct a t – test to determine individual significance of the relationship. -To conduct a F – test (ANOVA test) to assess overall robustness and significance of the simple regression model</p>	<p>HP = $\alpha + \beta_2$ SP + ε Where : HP = aggregate Mean score of hotel performance. α = y- intercept. β_2 = Regression coefficient (beta) SP = aggregate mean score of strategic planning. ε = error term- random variation due to other unmeasured factors.</p>
<p>H₀₃: There is no relationship between strategic competitive positioning (SCP) and Hotel performance (HP).</p>	<p>-Karl Pearson’s zero order coefficient of correlation (Beta test). H₀: $\beta_3 = 0$ H_A: $\beta_3 \neq 0$ -To conduct a t – test to determine individual significance of the relationship. -To conduct a F – test (ANOVA test) to assess overall robustness and significance of the simple regression model.</p>	<p>Reject H₀₃ if p- value ≤ 0.05 otherwise fail to reject H₀₃ if P-value is > 0.05 HP = $\alpha + \beta_3$ SCP + ε Where : HP = aggregate Mean score of hotel performance. α = y- intercept. β_3 = Regression coefficient (beta) SCP = aggregate mean score of strategic competitive positioning ε = error term- random variation due to other unmeasured factors.</p>
<p>H₀₄ There is no relationship between adoption of ICT and the performance of hotels (HP) in Kenyan Coast.</p>	<p>- Karl Pearson’s zero order coefficient of correlation (Beta test). H₀ : $\beta_4 = 0$ H_A : $\beta_4 \neq 0$ -To conduct a t - test to determine individual significance of the relationship. -To conduct a F test (ANOVA test) to assess overall robustness and significance of the simple regression model.</p>	<p>Reject H₀₄ if P- value ≤ 0.05 otherwise fail to reject H₀₄ if P – value is > 0.05 HP = $\alpha + \beta_4$ ICT + ε Where : HP = aggregate mean score of Hotel performance. α = y- intercept. β_4=Regression coefficient (beta). ICT =aggregate mean score of Information communication technology</p>

ε = error term random variation due to other unmeasured factors.

H_{05} : There is no relationship between organizational learning (OL) and the performance of hotels (HP) in Kenyan Coast.

$H_0: \beta_5 = 0$
 $H_A: \beta_5 \neq 0$

-Karl Pearson's zero order coefficient of correlation (Beta test).
 -To conduct a t – test to determine individual significance of the relationship.
 -To conduct a F – test (ANOVA test) to assess overall robustness and significance of the simple regression model.

Reject H_{05} if p- value ≤ 0.05 otherwise fail to reject H_{05} if P-value is > 0.05
 $HP = \alpha + \beta_5 OL + \varepsilon$

Where :
 HP = aggregate Mean score of hotel performance. α = y- intercept.
 β_5 = Regression coefficient (beta)
 OL = aggregate mean score of organizational learning.
 ε = error term- random variation due to other unmeasured factors.

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