

**STRATEGIC PLANNING AND COMPETITIVE ADVANTAGE OF
FIVE STAR HOTELS IN KENYA**

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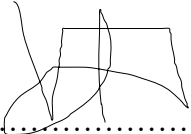
**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT
OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF
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DECLARATION

STUDENT'S DECLARATION

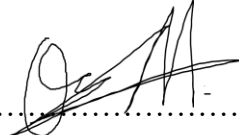
I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

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SUPERVISOR'S DECLARATION

This research project has been submitted for examination with my approval as the student Supervisor.

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DEDICATION

This research project is dedicated to my parents who have been a great source of motivation and inspiration and to my entire family for the mentorship.

ACKNOWLEDGMENT

I would like to pass my sincere gratitude to all those who in one way or another, ensured the successful completion of this project. I would like to recognize the efforts of the lecturers at The University of Nairobi, who struggled towards my understanding of the course. I would like to thank most sincerely my supervisor Prof. Martin Ogotu for positive guidance and direction towards the completion of this research.

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ABSTRACT

Managing hotels in Kenya have turned out as quite difficult as a result of demands arising from the dynamic environment of business; Hotels found it hard to satisfy the client demands challenge and also complicated processes of production and service technologies. Improving organizational competitive advantage in today's competitive business environment is thought to be a function of effective strategic planning. The objective of this study was to determine the relationship between strategic planning and competitive advantage in five-star hotels in Kenya. This study was based on resource based view and the Michael Porter's Five Competitive Forces. It adopted a descriptive survey design. The research population was composed of top 10 five star hotels in Kenya. The respondents composed of two managers in each of the top ten 5- star hotels in Kenya. Primary data was collected by use of a semi structured questionnaire. Questionnaires that are Self-administered gave the participants room for answering questions on their own and also in their speed. Content analysis was used to analyze the data. The research discovered that strategic plan produced real benefits to five star hotels such as an enhanced wakefulness of external threats, better understanding of competitors' strength. It further aided in developing inputs for new strategic planning, the urge for feedback, appraisal and reward, development of the strategic management process and judging the validity of strategic choice. Based on the study findings, it is important for five-star hotels in Kenya to appreciate that with changes in the business environment, they will need to adopt tools and techniques for strategic planning in order to survive turbulent business environment. The study advocates for timely disbursement of adequate resources to strategy-essential activities, creating strategy-encouraging policies, employing best policies and programs for constant improvement. Strategy planning team in five-star hotels in Kenya should understand their current needs and future needs so that they can build the firm, through the implementation of appropriate quality strategies.

ABBREVIATIONS AND ACRONYMS

CBS:	Central Bureau of Statistics
ICEG:	International Centre for Economic Growth
KREP:	Kenya Rural Enterprise Programme
NGO:	Non-Governmental Organisation
RBV:	Resource Based View
SME:	Small and Micro Enterprises
VRIO:	Value, Rarity, Imitability and Organizational

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Improving organizational competitive advantage in today's competitive business environment is thought to be a function of effective strategic planning. Even though there exist differences from one organization to another on the link between strategic planning practices and competitive advantage, Akan (2016) describes organizational competitive advantage as the organization's capacity to accomplish its short term and long term objectives more effectively and efficiently as compared to other organizations. With increased competition, change of consumer demands, influence of technology and globalization, organizations are rethinking on strategic planning practices in order to boost performance and command a strong competitive advantage as compared to other firms (Efendioglu & Karabulut, 2018).

This study is anchored on Resource Based View Theory and Michael Porter competitive forces. Porter's 1980 contention of sector competitive advantage explains the way that competing forces function in the sector perspective in determining the advantageousness of an organization regarding the other sector players (1980). The resource-based view comprises an assessment of the capabilities, skills and asset combination of an organization as well as other intangibles (Peters & Waterman, 2012).

The business environs of Kenya have encountered several changes amongst them: amplified competition, globalization and augmented execution of economic changes by the Government, decontrols of prices, commercialization and privatization of the public sector and foreign and local markets liberalization (Aosa, 2014). Every change aforementioned need every organization to make changes for it to ensure its survival. The hotel sector is not exempted and environmental transformations have also affected that sector. Hotels just as other companies in other different sectors encounter other inimitable challenges, for instance lacking quality accessibility to the information required, credit unavailability, poor market and market research for goods they produce. Regardless of the problems faced, they constantly play an important role through giving opportunities of employment. Based on the National SME baseline survey carried out by Kenya Rural Enterprise Programme (KREP),

International Centre for Economic Growth (ICEG) and Central Bureau of Statistics, (CBS) in the year 2013, Hotels give jobs to about 2.3 million persons.

1.1.1 Competitive Advantage

Competitive advantage is the capacity achieved through resources and attributes to achieving greater results as compared to other players within the same at a higher level than others in the same industry or market (Porter, 1985). The research of such benefit has attracted deep research attention as a result of modern issues concerning superior levels of performance levels for companies in the prevailing competitive conditions of the market. A company is deemed as having a competitive edge where it's executing a strategy of value creation not concurrently being executed by any prospective or current player (Clulow, 2013).

Thompson & Strickland (2010) state that a firm is deemed as having a competitive edge where it has a privilege over its competitors in enticing clients and shielding from competitive forces. In addition, they go on to state that there exist many paths to a competitive edge, though the very basic thing is offering the customer with that which they believe is a superior good at an affordable cost, a superior good which the buyer can find worthy to pay extra for, or the highest value offering which mirrors the enticing mix of features, quality, service, price as well as other qualities purchasers find as eye-catching. Exploiting a firm's competitive edge is accomplished by competitive strategies (Clulow, 2013).

1.1.2 Strategic Planning

Strategic planning means the formulation and devising the plans for a dealing that establish the business' flexible and broad objectives, policies and strategies that drive the company towards their vision (Stonehouse & Pemberton, 2017). The process of strategic planning entails including techniques and factors in a systemic manner to accomplish specified responsibilities; it involves establishing clear objectives as well as ideal processes for achieving them (Thune & House, 2016).

Strategic planning is deemed as a very important management tool in a company, and it focuses on providing direction and ensuring availability of precise resources in time in order to accomplish the set objectives. Strategic planning visions strategic decision making as a logical process, where formulation of a strategy is done through analyzing a firm rationally, the external environs of the company and its performance. Communication is then done to the

company and executed down by successive layers of an organization (Grant, 2019). The advantages of planning strategically can be precisely explained as: improving co-ordination; controlling through performance reviews and advancement toward the objectives set; identification and exploitation of future opportunities of marketing; improving internal communication amongst staff; inspiring staff in a positive attitude towards change; and enhancing companies' performance for instance joining all the business unit strategies in one general corporate strategy (Greenley, 2016).

There exists various definitions and frameworks for strategic management and planning. Whereas no outright rules exist concerning the best framework, a big number follow similar trends and have shared attributes (O'Regan & Ghobadian, 2016). Numerous frameworks go through a number of disparities on some quite basic matters: assessment or analysis, where a comprehension of the present external and internal environs is advanced, strategy formulation, which entails developing a high level strategy and documentation of the organization's basic strategic plan; strategy implementation, where translation of the plan is done to more operational action and planning items, and conservation or gauging and administration stage, where continuing performance rating and correction, data commentary, conveying, habits as well as other strategic administration matters happen (Stonehouse & Pemberton, 2017).

1.1.3 The Hotel Sector in Kenya

The hotel sector is categorized in the industry of hospitality. The industry of hospitality specializes in giving services, which advanced in consonance with arrival of the sector of transportation which called for the construction of the 1st establishment of catering and more thereof (Kamau & Waudu, 2012). Kraus (2019) state that it comprises of Lodging (Motels, Hotels) Foodservice (Caterings, Restaurants), Leisure (Hiking, Sightseeing, Parks and Vacations), Conventions (Trade Shows, Meetings), Travel (business, pleasure) and attractions (shows, gatherings, fairs).

Hotels are categorized on the basis of specific general standards, (Laws of Kenya, 1986). The Hotel and Restaurants Authority under the Ministry of Tourism is charged with the responsibility of classification. The rating based on standards is star type of rating that is most common worldwide where we have 1 to 5 star and the rest. Johanna (2010), states that at present, every nation has its requirements and rules meant to determine the classifications of hotels regardless of the acknowledged body. As a result, inconsistencies arises in star-hotels

classification. Assessment of hotels is grounded on facilities they possess and the quality of services provided.

Ayele (2012), states that Kenyan hotels present a diverse variety of services to ensemble the clients' tastes with elegance ambience, class and quality of services being the main distinguishing aspects for hotels. He further argues that regardless of Kenya's hotels of high quality, there is still high competition towards market share and resources in Kenya's hotel sector. The new hotels opening up head hunt from the existing hotels and this result in high costs of staff retention in terms of salaries and benefits. The travel advisories as a result of terrorism attacks and the COVID-19 have not spared the industry either.

Kangogo, Musiega & Manyasi (2017) identified, hotels require incorporation of practices of strategic planning which will allow hotels customize client services to client needs. The reason for this is that the hotel industry needs a high service level that needs differentiation of each individual hotel in order to retain clients and curb shifting of clients from an individual hotel to the other. As the nation of Kenya aims at being industrialized by 2030, the hotel industry is amongst those industries which will greatly contribute to industrialization (Schulz, 2019).

1.1.4 Five Star Hotels in Kenya

Kenya's restaurants and hotels regulation of 1988 developed standards that sets grounds for which hotels classification are determined. The regulation categorizes vacation hotels, town lodges and hotels into 5 classes symbolized by stars, the highest being 5 and the lowest being 1. The various hotels classes give a varied services range which match the different expectations of their clients. Elegance, quantity, quality, class and ambience are a number of the differentiating aspects which separate the various hotel classes within the sector. The star-categorization is not just a feature made for Kenya but also an internationally accepted and adopted feature for segmenting client wants and needs.

Assessment of a hotel is measured by the facilities and quality of services offered. Based on the published outcomes in a gazette notice on November 18th, 2016, currently there exists ten 5-star within the county of Nairobi alone, and most of these hotels have other facilities in several counties inform of beach resorts and lodges, thus, increasing the number of five star hotels in Kenya generally. These facilities contain accommodation capacity varying from 46 beds to 716 beds. The top ten 5-star hotels within Kenya include Intercontinental Nairobi,

Dusit D2, Radisson Blu, Sarova Stanley, Tribe, Norfolk, Fairmont, Sankara, Hermingways, Kempinski, Boma (Kingi, 2016).

1.2 Research Problem

The drop in tourism across the globe has impacted grossly on hotel sales and threatened the operators of hotels since hotels in Kenya heavily rely on the Global Tourism Market (Oketch, 2018). A big number of hotels have ended up closing and that has resulted to laying of some staff. Managing hotels in Kenya have turned out as quite difficult as a result of demands arising from the dynamic environment of business. Hotels found it hard to satisfy the client demands challenge and also complicated processes of production and service technologies. Kamau (2018) identified that the sector of tourism from where hotels are found within the nation of Kenya has continued to face many problems that have threatened their survival.

Hotels just as other industries have turned out to planning strategically for them to qualify for the global credit for certificates of standardization, annual company awards and star ranking and also membership with the professional bodies (Fwaya, 2012). Managers have a modern examination of revising their strategic positioning to accomplish a strategic competitive edge. In case the sector flops, the 4-star and 5-star hotels are to be the largely jeopardized ranks since they have ensured a huge investment in personnel and facilities with heavy anticipations (Barnat, 2018). Because of this sector's uniqueness as well as previous research conclusions, it's worthwhile conducting this research.

Several studies have been conducted in the hotel sector. Akan (2016) studied the strategies used to execute Porter's generic framework. Back (2015) surveys the manner in which image congruence impacts on the hotels' client's loyalty to the brand. Lo (2014) assessed hotels execution of Porter's strategy in China. Muthoka (2014) assessed the manner in which drivers of strategic management affect performance of Kenya's hotels. Watiki and Chirchir (2014) assessed the manner in which service quality influenced the client satisfaction levels. Uzel, Namusonge and Obwogi (2015) examined the manner in which drivers of strategic management impact on the Coast's hotel sector of Kenya. Between the studies listed none of them have attempted establishing the connection between competitive edge and strategic planning in the sector of hotels. This research was therefore guided by the following research question; what is the relationship between strategic planning and competitive advantage in five-star hotels in Kenya?

1.3 Research Objectives

Objective of the study was to determine the relationship between strategic planning and competitive advantage in five-star hotels in Kenya.

1.4 Value of The Study

The research will aid the managers of hotel in identifying and using effective and efficient practices of strategic planning towards responding to threats or challenges and a competitive edge. The research as well will contribute more to the present knowledge body in the overall strategic management field. It's going to add on the academic literature on the hotel sector and particularly in Kenya.

Further, the research is going to aid future and present investors in the hotel industry in gauging their options of investment grounded on the incorporation of the hotel's strategic planning. The reason is that investors often prefer investing their funds in areas that they can obtain value while cutting down costs of production.

This research' recommendations will aid the policymakers as a point of reference for future policies including strategic management in the hotel sector. The research outcomes will stretch knowledge in the strategic management field and push policymakers of hotels to incorporate the hypothesized practices of strategic planning. The research outcome adds on to the present literature on strategic management.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter reviews theoretical along with empirical literature in connection with the study about strategic planning on competitive advantage. It focuses on the many theories used in probing the notion of strategic planning especially as it associates to the adjustments of business settings and how the master plan can be put in action for competitive advantage in the Hotel Industry.

2.2 Theoretical Foundation

The section presents the doctrine anchoring this research. These comprises of resource based view, the Michael Porter's Five Competitive Forces.

2.2.1 Resource Based View

A technique towards attaining a competitive edge which developed in 1980s and 1990s. the main proponents of this theory are; Penrose (1959), Wernerfelt (1984) Barney (1991), Teece, Pisano, and Shuen (1997) and Olavarrieta & Barney, (1997). This approach claims, the competitive edge accomplished by a company tends to be an aspect of its resources' uniqueness (Nelson, 2018). Therefore, reviewing of resources which are available to an organization creates a significant convergence point. Resources allude to tangible and the intangible assets a company selects for determining its strategies and executing them. In the tangible resources category, there are: financial, organizational, physical and technological resources, while in the intangibles category there is innovation, image and human (Steiner, 2018).

The theory accentuates VRIO (Value, Rarity, Imitability and Organizational) resources components and also capacities and therefore the VRIO framework. Based on this framework, a competitive advantage of a company may be advanced from processes that add value. Those processes which are not value-adding negatively deter the competitiveness of the company due to unnecessary interruptions from the company's main objectives (Thune & House, 2016). Rarity alludes to a condition in which a company advances a competitive edge by an uncommon resource making the most of on this uncommon resource towards producing a service or product that is unique which other companies lack capacity of

providing in the market. Imitability alludes to the incapacity of a rival to duplicate a product or service exceptional to the company (Okech, 2018).

Porter (1996) states that the superior capacity of a company in prioritizing and organizing rare, inimitable and unique resources gives the company a competitive edge. In regards to that, the RBV focuses on resources controlled by a company and the manner in which it uses them towards achieving a better competitive edge. A competitive edge analysis based on Barney (2011) considers 2 assumptions. One where companies in a certain sector are exceptional in respect to resources which they command. Second, resources conveying a competitive advantage have limited mobility within and across the sector and thus impossible trading them. Sustainability is important just as the resources of an organization might have been adding value previously, aspects counting advancement and technology, changes in customer's preference, sector regulation or structures are capable of impairing their future value. The company's RBV has accentuated the essence of strategic choice whose role entail to identify, develop and deploy essential resources towards maximizing profits. Therefore, hotels are mandated with the role of injecting unique or rare resources which will distinguish them from their rivals and aid them in enhancing their competitiveness and performance (Kamau, 2012).

2.2.2 Michael Porter's Five Competitive Forces

Michael E Porter developed this model in the year 1979 as a basic framework to assess and evaluate the strength of competitiveness and an organization's business position. The competition level and nature is a sector pivot on 5 forces: the buyers' bargaining power, the suppliers' bargaining power, threat of new market entrants, threat of substitute products, and competing amongst present rivals. The combined strength of the aforementioned 5 forces measures the final profit capacity of a sector (Pearce & Robinson, 2002, Porter 1998). Rivalry happens where participants employ strategies like introduction of products, competition based on prices, advertising battles and surge client service warrants. It happens since a number of rivals feel the weights or an opportunity for improving their position.

Pressure because of the substitute goods is due to the limit on prospective sector profits caused by such products through placing price ceilings which companies in the sector can charge. Suppliers are capable of exerting bargaining power to the players through posing threats on raising prices or reducing quality of the services or goods purchased (Efendioglu & Karabulut, 2010). They therefore can crush profitability from a sector. Fresh entrants come

with a fresh potential and the aspiration to attain market shares and mostly sizeable resources that can hike prices or lower down. Conversely, purchasers can use their power through forcing a fall in prices and bargaining for more or greater quality services and playing rivals against each other all the cost of the sector profitability (Chiteli, 2013).

Michael Porter's 5 forces analysis of the industry ventures into much more apart from looking at a firm direct rivals, it also focuses on multiple factors of the sector's economic environs and competitive setting, counting the suppliers' bargaining power, buyers' bargaining power, threat of substitute goods and threat of new entrants (Kingi, 2013). The concept is looking at every of the aspects and measure the level by which they surge the sector's competition. In case these forces are robust, competition is increased; in case they tend to be weak competition is decreased. Porter's five forces description can be used by any enterprise and may be used in every sector. An industry's competitive environment strongly influences businesses' performance in that sector (Lo, 2012).

The model describes if a sector is appealing or unappealing from a company's perspective. An industry's competition state is measured by the 5 primary competitive forces. Porter (1998) considers the strategies he developed as generic since they aren't industry or company dependent. They may be utilized to every company in every sector. As earlier indicated, Porter (1998) asserts that there exist 3 prospectively effective generic strategies which a company can apply in order to be capable of outperforming other companies in a sector. They comprise: general cost leadership, focus and differentiation. At times, a company can effectively use more than one technique as its basic target.

The theory is pertinent to the industry of hospitality since the sector is quite dynamic as a result of contingency aspects. Hotels' managers have to change from a fitting to non-fitting situation now and then as a result of competition as well as other problems (Allen & Helms, 2006). This theory's application will aid managers of the hotels not to remain contented with their fitting situation rather make the most out of the fitting situation for purposes of investing in other fields as well as cushioning themselves in the non-fitting period and stay ahead of the competition in the long-haul.

2.3 Strategic Planning and Competitive Advantage

Strategic planning alludes to a procedure purposed to define strategies, set policies and develop plans which aim at achieving objectives and goals of an organization (McKiernan & Morris, 2017). The process entails selecting strategies and goals of an organization which

determine important programs which focus on accomplishing specific approaches and goals which execution of these policies and programs (Kraus 2016) state that it gives focus to key challenges and issues that face the company and therefore facilitates strategic thoughts and actions. The improved responsiveness as well as enhanced competitiveness include advantages that companies enjoy that engages in practices of strategic planning.

Organizations incorporating practices of strategic planning are quite successful and profitable as compared to be those which don't at all (Johnson & Scholes, 2002). That is credited to the actuality that attention is given to things which matter with such resources such as money, talent, time distributed to the activities which bring in the highest profits. Companies that embrace practices of strategic planning experience sizeable rise in productivity, profitability, market share and sales as compared to businesses that lack coordinated activities of planning. Thompson (2007), posits that companies accomplish superior performances are those that are identified as adopting strategic planning in expectation unpredictable future events in their environs.

Operations that embrace processes of strategic planning ideally yield commendable competitiveness in the long-haul above their peers in the industry. These companies make serious decisions in combination with a substantial prediction of the tagging consequences. On the other hand, entities that perform poorly mostly participate in operations which are tilted foresight insufficiency and mirror improper prediction of future situations. Managers involved in planning in organizations that perform poorly are mostly concerned with mundane and routine activities for instance staff policing. Ordinarily, they comprehend the strengths of their rivals, underrate them and overrate their potentials. Meanwhile, they credit their poor or average performance to aspects above their control and understanding for instance poor financial position, competition, technological improvement and a weak economy (Kaufman & Herman, 2013).

Johnson & Scholes (2003) posited that for an official process of planning to aid in developing a strategy, it is supposed to comprise of methods to incorporate proper client services, efficient processes of operations, retaining and alternating employees of high quality, and analyzing financial weaknesses and strengths. The external orientation is going to establish analysis of opportunities for investment, competition analysis and reforming the market research. Wheelen and Colbert (2003) observed, strategic planning efforts at looking at where a company features to be in years to come coupled with a budget to reach there.

For a firm in any sector to successfully operate, it is supposed to establish itself and fit in the surroundings that it operates on. Environmental aspects may probably be internal compound activities, a company's immediate exterior environment or even the remote exterior environment and lead to rendering the exterior environment of business hard. Thus, all surrounding aspects should be expected, monitored, examined and adopted in top-most policy making level. This environment's sophistication and complexity requires or calls for strategic planning (Pearce & Robinson, 2008). Thus, any organization's survival and success relies on how good it's capable of relating with its environment and positioning itself competitively.

2.4 Empirical Review and Research Gap

Kathama (2012) studied the link between the practices of strategic planning and Kenya's state organizations' performance. The assessment discovered that businesses started different practices of strategic planning which had a positive impact on the organization's performance though the impact wasn't sure substantial at a five percent certainty level. In this manner, the research did not build a big effect of tactical planning on a firm's performance, nonetheless, the applied model was suitable at a certain certainty level.

Arasa and K'Obonyo (2012) assessed the relationship that connect strategic planning and Kenya's insurance firm's performance. There was use of the descriptive design of research. Also, the primary data sources and secondary data sources were applied. A correlation analysis identified a significant and solid connection between tactical planning and an organization's performance. The conclusion of the findings was that steps of strategic planning related positively to the performance of a firm. Ongonge (2013) surveyed the association between tactical planning and an organization's performance focusing on a Kenyan NGO called Action Aid. The research gathered primary data through interviewing senior personnel and management personnel in different departments. They concluded, there exists proof to back a significant and positive relation between tactical planning and performance of an organization. Action supports high performance levels is greatly reliant on the Strategic Planning emphasis.

Imbuhila (2016) did a research about effect created by practices of strategic planning relating to performance of Kenya's consultancy firms in engineering. The research showed that the general strategic planning practices were responsible for a 25.6 percent of differences in the company's financial performance. The study identified that practices of strategic planning moderately affect the financial accomplishment of consultancy firms in engineering. Study

advocates that Kenyan companies in engineering consultancy are supposed to use practices of strategic planning since it has the potential of impacting their performance.

Fwaya (2012) assessed the link between the relation between the drivers and performance results in Kenya's hotel sector and identified that drivers and performance results in general have a solid relationship amongst themselves and with the performance of the hotel as well. The authors advocated that the multifaceted performance constructs, drivers and results have significant facets which would be assessed further for purposes of illuminating future research on this field.

Owiti, (2017) surveyed practices of quality management and/or hotels drivers in the county of Nairobi and a conclusion was made that the influencing driver to performance of hotels happened to be quality since satisfied clients would attract others through recommendations resulting to an increase in profitability and competitiveness. Regardless, the research as well identified a moderate incorporation of other strategic management performance drivers of hotels.

Ayele, (2012) assessed the strategies of positioning incorporated by Nairobi's 5-star hotels and the conclusion made was that the Kenya's 5-star hotels had incorporated various performance drivers of hotels grounded on their tactical positioning. The research advocates that the 5-star hotels are supposed to incorporate strategies of positioning grounded on various approaches and the drivers are supposed to be used across every hotel that is star ranked. Odhuon, et.al., 2010) assessed indicators of performance in the hospitality sector of Kenya and identified measures of financial performance as the sole performance drivers. However, researchers advocated researches on other performance drivers of a hotel and as well their use to other companies outside the sector of hotels.

Muthoka (2014) assessed the impacts of drivers of strategic management on performance of an organization in the sector of tourism and advocated a research on the non-financial performance drivers of a hotel. Most researches conducted on performance of an organization deemed financial performance only being good performance predictors of an organization. Thus, the instrument of measuring performance of a hotel is supposed to be quite balanced in a manner which it addresses as the essential performance areas of a hotel. A number of empirical researches have demonstrated contradictory outcomes which impact directly on generic strategies' validity. Thiong'o (2007) studied the practices of total quality management in the Kenyan sector of hotels and discovered a number of drivers for total

quality management to be management of client relationship, organizational learning and ICT as this research identified.

2.5 Chapter Summary

This chapter aimed at providing an understanding, grounded on past published literature, on different practices of strategic planning and their impact on competitive advantage. Provided this ground, the following chapter gives a discussion on the methodology of research which directed this research.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the different methods which researcher applied for the research. This chapter comprises the process of collecting data that the researcher employed to obtain secondary and primary data. This chapter then discusses the study's adopted research design and also the techniques of data analysis to be used.

3.2 Research Design

This methodology applied in answering the questions under research and describes an ideal system that the research should follow. As well, it is explained as the planning for ways of gathering data also its analysis so as to focus on combining relevance to the purpose of the research with the economy on process (Kothari, 2011). It's a systematic strategy applied in the study of a scientific problem (Yin, 2003). It is important when conducting a research since it guarantees that the evidence acquired aids a researcher in clearly answering the problem being investigated as straightforward as possible.

This fact-finding endeavor used a descriptive survey design. Using of the design gave the researcher tactical knowledge instead of theoretical knowledge and tends to be less confining in comparison to other approaches. In addition, this design is effectively used by scholars in corresponding surveys previously therefore rendering it suitable for use.

3.3 Population of the Study

A study population represents things, households, elements or individuals being investigated explains the meaning of a study population is (Bogdan & Biklen, 2009). As well, population alludes to the total individuals within the research. Mugenda (1999) explains population as a whole set of things, articles, individuals, items, objects or individuals which have common features or attributes, population may allude to a set of elements where a research problem prevails. This description guarantees that the study population is alike.

The population of concern must be described properly, the unit of analysis is supposed to be identified, which at times isn't easy. The population of target comprised of all unit that were studied. The research population was composed of top 10 five star hotels in Kenya. These

include Hilton hotel, Serena hotel, Boma hotel, Intercontinental hotel, Panari hotel, Villa Rosa Kempinski hotel, Sankara hotel, Laico Regency hotel, Sarova Stanley hotel and Sovereign Suites. Thus, the respondents were composed of twenty managers in the top 5- star hotels in Kenya, that is, two managers from each hotel.

3.4 Data Collection

Primary data was collected using a semi structured questionnaire. Questionnaires that are Self-administered gave the participants room for answering questions on their own and also in their speed. They cut down the weight to the participants through giving them time for thinking through their choices (Monsen & Horn, 2007). As a tool for collecting information, Mathers and Hunn (2019) identify a number of advantages in questionnaire which include having interior and exterior validity, proficiency in gathering data, cover all spread samples and have ethical concerns such as confidentiality.

The open and closed-ended questions were applied. The close- ended questions were used in evaluating different features and aides in decreasing the number of linked response for purposes of attaining more different opinions. The questionnaire was divided into 3 parts. Part A addressed participants' demographic particulars. Part B examined strategic planning whereas Part C addressed relation within research elements.

3.5 Data Analysis

Cooper and Schindler (2011) describe data analysis as the inspection, cleaning, transforming and modelling data for purposes of highlighting important information for drawing conclusions from and supporting policy making. Content analysis was used to analyze data.

The researcher made a compendious of the various thoughts, assessed the unanimity level or disparity depicted by respondents and put together the patterns and the emerging issues. This brought forth the development of concrete proof for the results and conclusions.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the elucidation and presentation of the results secured from the field. This chapter reveals the background details of the respondents, results of analysis based on the intentions of the study.

4.1.1 Response Rate

The study targeted a sample size of 20 respondents from which 18 filled in and returned the questionnaires making a response rate of 90%.

Table 4.1: Response Rate

	Questionnaires Administered	Questionnaires filled & Returned	Percentage
Respondents	20	18	90

This response rate was satisfactory to make conclusions for the study as it acted as a representative. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was excellent.

4.2 Demographics

4.2.1 Distribution of Respondents by Gender

Participants were needed to indicate their gender. This was sought in view of ensuring fair engagement of male and female respondents. Results are presented in Table 4.2

Table 4.2: Gender category

Gender Category	Frequency	Percentage
Male	11	61.1
Female	7	38.9
Total	18	100

Source: Research data, (2020)

Results show that many of the respondents were male (61.1%), 38.9% of the respondents were female. As much as the response was subdued by male the ratio shows fair involvement

of both genders, signifying that the results of the study would not suffer from gender biasness.

4.2.2 Marital Status

Respondents were required to indicate their marital status. Results are presented in table below.

Table 4.3: Marital status

Marital Status	Frequency	Percentage
Married	15	83.3
Single	3	16.7
Total	18	100.0

Results show that majority of the respondents 15(83.3%) were married while 3(16.7%) of the respondents indicated that they were single.

4.2.3 Distribution of participants by Age Bracket

Respondents were required to indicate their age category; this was sought in view that individuals of various age brackets may hold varied opinion in regard to different subjects. Results are presented in Table 4.4

Table 4.4: Distribution of respondents by age bracket

Age category	Frequency	Percentage
From 25 to 34	3	16.7
From 35 to 44	9	50.0
From 45 to 50	6	33.3
Total	18	100

Results show that, 50.0% of the respondents were aged between 35 to 44 years, 33.3% of the respondents were aged between 45 to 50 years whereas 16.7% of the respondents were aged between 25 to 34 years. Drawing from the study findings, it's evident that fairly drawn from all various age groups therefore implying thus opinion were equitably sought across all the age groups.

4.2.4 Highest Academic Level

Participants had to indicate their highest academic achievements. Results are presented as shown.

Table 4.5: Highest academic level

Education Level	Frequency	Percentage
Degree	8	44.4
Masters	10	55.6
Total	18	100.0

Source: Research data, (2020)

Results reveal that 55.6% of the participants had Master’s level while 44.4% of the respondents had Bachelors education. This implies that most of the respondents were literate and thus they were in a position to give information with ease.

4.3 Strategic Planning

4.3.1 Whether the Hotels Carry Strategic Planning Practice

All 18 (90%) of respondents agreed that their five star hotels had strategic plan in place. The strategic planning process comprised of developing a vision and mission, identifying a hotel’s external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, creating alternative strategies, and choosing particular strategies to follow. Further, during this process the five star hotels did set their organizations’ objectives, evaluated the organizational environment setting and their desired financial performance. These findings confirm with contention by Akan (2016) that a practical Strategic plan provides tangible benefits, such as an enhanced wakefulness of external threats, better understanding of competitors' strengths, increased employee productivity, reduced resistance to change, and a clearer understanding of performance-reward relationships.

Table 4.6: Strategic Planning Practice

Statement	Highest Extend		High Extend		Moderate Extend		Low Extend		No Extend	
	Freque	%	Freque	%	Frequen	%	Frequen	%	Frequen	%
	ncy		ncy		cy		cy		cy	
Whether hotels carry strategic planning	18	90	0	0	0	0	0	0	2	10

Source: Research data, (2020)

4.3.2 Effectiveness of Strategic Plan

Respondents had to shed light how effective is hotels strategic plan. From their responses 90% indicated that having a strategic plan provided five-star hotel with a vision and mission which led to better financial performance. Other suggested that strategic planning was paramount in maintaining a good financial performance, which meant that for a hotel to focus on its performance growth, it should follow defined set of procedures in the strategy planning. The above findings concur with the study findings by Ackelsberge and Arlow (2015) that strategic planning achieves better financial results. The respondents further noted that effective implementation of the strategic plan was key in achieving the desired goals. They noted that many hotels do have strategic plans which are well written but only remains in the organizations’ shelves.

Table 4.7: Effective Strategic plan

Statement	Highest Extend		High Extend		Moderate Extend		Low Extend		No Extend	
	Frequen cy	%	Freque ncy	%	Frequen cy	%	Frequen cy	%	Frequen cy	%
Effective Strategic Plan	18	90	0	0	0	0	0	0	2	10

Source: Research data, (2020)

4.3.3 Efficacy in Balancing between Short and Long-Term Priorities

Respondents were asked to clarify on how five star hotels usually balanced between short and long-term priorities. It was revealed that most of the five star hotels usually had a long term and short term goals that were necessary to maintain consistent performance in terms of productivity and finances. The management in most of the hotels were keen to ensure no conflict between the two goals. The hotels’ top management always ensured that both the long term and short term goals set were achievable within specific deadlines. For the purpose of the hotels staff self-acceptance of the set plans, the management ensured that strategic objectives are easy to remember and understand. These findings concur with the study findings by Stonehouse & Pemberton, (2017) Strategy planning team should understand

both present needs and future considerations so that they can position the firm, through the implementation of appropriate quality strategies.

Table 4.8: Balancing short- and long-term priorities

Statement	Highest Extend		High Extend		Moderate Extend		Low Extend		No Extend	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Balancing short- and long-term priorities	18	90	0	0	0	0	0	0	2	10

Source: Research data, (2020)

4.3.4 Review on Progress on Strategic Plan

Respondents revealed on how frequently they conducted reviews on strategic plan. 90% of Participants reported that strategy review by five star hotels is important for it shades light on the orderliness and productiveness of the extensive plans in attaining the desired results. The top leadership of five star hotels assessed the applicability of the current strategy in today's ever changing world with political, socio economic and technological innovations. Study also indicated that strategy evaluation lies on the management capacity to co-ordinate the task performed by managers, groups and departments, through control of performance.

Table 4.9: Progress review on Strategic Plan

Statement	Highest Extend		High Extend		Moderate Extend		Low Extend		No Extend	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Progress review on strategic plan	18	90	0	0	0	0	0	0	2	10

Source: Research data, (2020)

Also the study noted that strategic evaluation by five star hotels is significant because of various factors such as developing inputs for new strategic planning, the urge for feedback, appraisal and reward, development of the strategic management process, judging the validity of strategic choice. These findings concur with attestation by Kraus (2019) that review on progress on strategic plan is done to provide the strategic quality planning team with ideas on how to improve their internal quality processes, products, processes and structures. Results show that strategic planning in five star hotels aided in providing a clear direction by spelling out the objectives, goals, and the hotels strategic vision. Strategic planning also helped in ensuring continuous monitoring of internal and external environment.

4.4 Strategic Planning and Competitive Advantage

4.4.1: Administering Expert Analysis prior to choosing a Strategic Planning Exercise

Participants had to reveal whether the hotel conducted expert analysis prior to picking a strategic planning endeavor. Results show most five-star hotels in Kenya conducted a deep analysis and review of all requirements organizational needs to accomplish its targets. The strategy analysis activity helped five-star hotels review their current situation, develop effective strategy, initiate and analyze the productiveness of the adopted strategies. The results agree with the study conclusion by Thompson (2017) that a strategic plan analysis helps to define and refine the direction in which an organization must travel, and aids in establishing realistic objectives and goals that are in line with the vision and mission charted out for it.

Also, the study participants revealed that most of the five-star hotels were concerned in developing deep understanding of customers real needs which served as guiding factor in strategic planning exercise. According to Githiri (2018) scrutinizing a strategic plan is essential for a successful business and enhancing implementation reliability. The management of five-star hotels ensured that strategic plans included certain elements, such as mission, values, and vision statements, and avoided common pitfalls, like neglecting the specific needs of the organization. All these were made in effort to make it the best road map to success. Adoption of this initiative goes hand in hand with study recommendation by Johnson and Scholes (2013) who propose reviews on the strategic plan for performance

achievement adding that this is important for implementation process to move along the projected trajectory.

Further the study established that while measuring the actual performance and comparing it with standard performance there were variances which must be analyzed. The strategists in five-star hotels analyzed the degree of tolerance of the variance between actual and standard performance to be accepted. These findings are in support of Efendioglu and Karabulut, (2018) findings that strategists must discover the causes of deviation and must take corrective action to overcome it.

4.4.2 Initiatives of Strategic Planning Incorporated by the Hotel

The study findings show that hotels were fast to react to information gathered from market analysis. Digging deeply into the information, five-star hotels in Kenya were able to understand their target markets especially on what attracted clients on particular brand or product. These findings concur with the research conclusion by Imbuhila (2016) firms aligned along the hospitality sector are supposed to use practices of strategic planning since it has the potential of impacting their performance.

Further the study established that a strategic plan allows five-star hotels in Kenya to foresee their future and to prepare accordingly. Through strategic planning, five-star hotels in Kenya can anticipate certain unfavourable scenarios before they happen and take precautions. With an outstanding strategic plan, five-star hotels in Kenya can be proactive rather than merely reacting to situations as they arise. These findings are in support of the study findings by Allen & Helms, (2016) that being proactive leads firms to deal with the ever-changing tendencies in the market and stay a step ahead of competitors.

The study established that five-star hotels in Kenya did a critical evaluation of the organizations past performance, present condition and the desired future conditions must be done by the organization. This critical evaluation identifies the gap that persists between actual reality and long-term aspirations of the organization. An attempt was usually made by the hotels management to estimate its probable future condition if the current trends persist. Results by O'Regan & Ghobadian, (2016) revealed that organizations using strategic-management concepts are more gainful and successful than those that do not.

4.4.3 Application of Strategic Planning Practices Improve Performance

Participants were requested to give their opinions on the extent to which the application of strategic planning practices improve the organizational performance. It was revealed that through application of dedicated strategic plan, most of the five-star hotels in Kenya get valuable insights on market trends, consumer segments, as well as product and service offerings which may affect their success. These findings go hand in hand with study findings by Fwaya (2012) who contest that deployment of a strategic plan that is targeted and well-strategized to turn all sales and marketing efforts into the best possible outcomes can help to increase profitability and market share.

Also the study established that strategic plan provides hotels' top management the roadmap to align the organization's functional activities to achieve set goals. It guides management discussions and decision making in determining resource and budget requirements to accomplish set objectives and therefore increasing operational efficiency. These findings support the claim by Ayele, (2012) Companies that embrace practices of strategic planning experience sizeable rise in productivity, profitability, market share and sales as compared to businesses that lack coordinated activities of planning.

4.4.4 Competitive Edge Benefits Emanating from Strategic Planning

Respondents were asked to indicate some of the competitive edge benefits emanating from strategic planning. It was established that strategic planning provided a cooperative, integrated, and enthusiastic approach to tackling problems and opportunities. Further, strategic planning allowed hotels to make more effective distribution of time and resources to identified opportunities. Strategic planning provided five-star hotels in Kenya with an objective outlook of management problems. These findings concur with study findings by Thompson & Strickland (2010) state that a firm is deemed as having a competitive edge where it has a privilege over its competitors in enticing clients and shielding from competitive forces.

Also, the study established that strategic planning promotes forward thinking in five-star hotels in Kenya. It generates a framework for internal communication among personnel. Strategic planning encourages a positive attitude toward change and that it provides a foundation to clarify individual responsibilities. These findings support the study findings by Clulow, (2013) firms with planning systems more strongly resembling strategic-

management theory generally exhibit superior long-term financial performance relative to their industries.

Competitive advantages as a result of strategic planning have been achieved through competencies in the following areas, Quality customer care, Good image, Physical attractiveness, Accommodation, Conferencing, geographical coverage and financial performance. Four top 5 star hotels in Kenya have in the past achieved competitive advantage in these areas through effective strategic planning and implementation processes. These hotels include, The Villa Rosa Kempinski hotel, Serena hotel, The Sarova Stanley hotel and The Hilton hotel.

4.4.4.1 Villa Rosa Kempinski Hotel

The hotel through its strategy to offer exquisitely luxurious rooms for accommodation has given this hotel a competitive edge over other 5 star hotels in Kenya. It has 200 rooms distributed in its 10 floors, the rooms are modified to offer desired attributes such as space and style, comfort and also making the rooms a perfect office for the clients to catch up on office work at their comfort, thus giving its customers a notion of “your own private sanctuary to simply unwind”.

This competitive advantage has enabled the hotel to attract and retain customers who visit this hotel specifically because of its luxurious rooms that offer more than just sleep but a touch of home away from home.

4.4.4.2 Serena Hotel

This hotel situated at the heart of Nairobi, through its strategy to offer state of the art conferencing and banqueting facilities has openly earned it a competitive edge over many 5 star hotels in Kenya.

The Serena hotel has worn its self the tittle of a world class conference center by offering exquisite conferencing and banqueting services. Its executive lounge meeting rooms have enabled the hotel to capture and retain high end customers who flood everyday in this hotel to conduct their closed door meetings in these executive luxurious rooms that give a touch of class and status.

4.4.4.3 The Sarova Hotel

The Sarova hotel happens to be a very historic hotel in Kenya, as the first luxury hotel in Nairobi which was opened in 1902. The hotel through its long term strategy in geographical coverage positioning has placed itself at the top of the chain as the best hotel to check in if you are a lover of Safaris and Game drives.

Its array of Beach resorts and game lodges has worn it an upper hand over its competitors in Kenya. The geographical coverage positioning strategy has enabled this hotel to have nine state of the art facilities across Kenya.

This strategy of geographical coverage positioning is one of the oldest strategies in this hotel and over the decades it has offered a very highly competitive edge to the Sarova Hotel over other 5 star hotels in Kenya.

4.4.4.4 The Hilton Hotel

The Hilton Hotel for many years had been the perfect ideal destination whether conducting business, trying to keep up with a fitness routine or just looking to spend quality time with your loved ones then this was the place to be. However, this has changed over the years as result of other key players in the industry strategically burning the mid night candle to meet these standards. Thus, Hilton no longer enjoyed this particular competitive edge as much as it was still meeting its financial targets.

Recently through a well thought strategic plan the hotel as managed to once again achieve an upper hand over its rivals in the sector by developing a state of the art hotel just a few kilometers away from the Airport in Nairobi.

The Hilton Garden Inn Hotel in Nairobi is strategically located just a few kilometers away from the airport. Passengers on long/ delayed connection flights, those visiting the country on short visits and intend to stay closer to the airport find this hotel to be a perfect destination for them. The hotel's proximity to Nairobi's major attractions such as the Karen Blixen, Giraffe Center, Bomas of Kenya and Nairobi National Park has worn the hearts of many who wish to spent short quality time in Kenya but not far away from the main airport.

The strategic plan was well thought and implemented effectively and as a result the Hilton hotel is slowly regaining its glory in the industry.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objective of the study.

5.2 Summary of the Findings

5.2.1 Strategic Planning

It was established that having a strategic plan provides five star hotels with a vision and mission which leads to better financial performance and a desired competitive edge. Others suggested that strategic planning is paramount in maintaining a sound financial performance. Results also revealed that five star hotels had strategic plans in place which meant to identify a hotel's external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, creating alternative strategies, and choosing particular strategies to follow. These findings confirm with contention by Akan (2016) that a practical Strategic plan provides tangible benefits, such as an enhanced wakefulness of external threats, better understanding of competitors' strengths, increased employee productivity, reduced resistance to change.

The study established that hotels frequently conducted reviews on strategic plan. Strategy review by five star hotels is important because it clearly shades light on the efficiency and effectiveness of the plans in achieving the targets set in place. The top leadership of five star hotels assessed the relevance of the current strategy in today's dynamic world with political, socio-economic and technological innovations. Empirical evidence by Kamau & Waudu, (2012) postulates that strategy evaluation aimed at Strengthen internal controls, operational infrastructure and accountability.

Further results show that the five star hotels' planning team ensures that the set short and long-term objectives are achievable and actionable. The set strategic objectives are easy to remember and understandable by everyone within the hotels. The set objective by the top

management are cable of delivering measurable results and that the top management ensures that objectives set are workable and have achievable deadlines. These findings concur with the study findings by Stonehouse & Pemberton, (2017) Strategy planning team should understand both present needs and future considerations so that they can position the firm, through the implementation of appropriate quality strategies.

Results show that most of the five-star hotels in Kenya conducted a deep analysis and assessment of all necessities organizational needs to meet its goals and objectives. The strategic analysis process helps five-star hotels take stock of their present situation, chalk out strategies, deploy them and analyze the effectiveness of the implemented management strategies. These findings are in support of the study conclusion by Thompson (2017) that a strategic plan analysis helps to define and refine the direction in which an organization must travel, and aids in establishing realistic objectives and goals that are in line with the vision and mission charted out for it.

The research established that five-star hotels in Kenya did a critical evaluation of the organizations past performance, present condition and the desired future conditions must be done by the specific organization. This critical evaluation reveals the degree of gap that persists between the actual reality and the long-term aspirations of the organization. An attempt was usually made by the hotels management to estimate its probable future condition if the current trends persist. Results by O'Regan & Ghobadian, (2016) revealed that organizations using strategic-management concepts are more gainful and successful than those that do not

Further the study established that a strategic plan allows five-star hotels in Kenya to foresee their future and to prepare accordingly. Through strategic planning, five-star hotels in Kenya can anticipate certain unfavourable scenarios before they happen and take necessary precautions to avoid them. With a strong strategic plan, five-star hotels in Kenya can be proactive rather than merely reacting to situations as they arise. These findings are in support of the study findings by Allen & Helms, (2016) that being proactive allows organizations to keep up with the ever-changing trends in the market and always stay one step ahead of the competition.

5.3 Conclusions

Drawing from the study findings, this study concludes that strategic plan provides tangible benefits to five star hotels such as an enhanced wakefulness of external threats, better understanding of competitors' strengths, increased employee productivity, reduced resistance to change, and a clearer understanding of performance-reward relationships. The study concludes that most of the five-star hotels were concerned in developing deep understanding of those customer's real needs which served as guiding factor in strategic planning exercise. Five star hotels' planning team ensures that the set short and long-term objectives are achievable and actionable, the set strategic objectives are easy to remember and understandable by everyone within the hotels

The study strategic evaluation by five star hotels is significant because of various factors such as developing inputs for new strategic planning, the urge for feedback, appraisal and reward, development of the strategic management process and judging the validity of strategic choice.

The study also concludes that strategic plan provided necessary scope for continuous monitoring of progress with revision of plan and programs as appropriate. Strategic planning enabled the creation of strategic atmosphere that fosters team spirit and strengthen internal controls.

5.4 Recommendations

Based on the study findings, this study makes the following recommendations

It is important for five-star hotels in Kenya to appreciate that with changes in the business environment, they will need to adopt tools and techniques for strategic planning in order to survive turbulent business environment.

The study advocates for timely disbursement of abundant resources to strategy-essential activities, creating strategy-encouraging policies, employing best policies and programs for constant improvement. Linking reward structure to accomplishment of results, making use of strategic leadership and developing an organization having potential of carrying out strategy implementation successfully.

Strategy planning team in five-star hotels in Kenya should understand both present needs and future considerations so that they can position the firm, through the implementation of appropriate quality strategies.

5.5 Suggestion for Further Studies

The research population confined itself to five star hotels operating in Nairobi. This research therefore should be replicated in other five star hotels operating in the country e.g. coastal five stars' hotels, five star lodges and camps. The results can then be compared so as to establish whether there is consistency among the five star hotels response strategies.

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APPENDICES

Appendix i: Letter of Introduction

The University of Nairobi
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RE: DATA COLLECTION

I am a Masters' Program Student at The University of Nairobi. In partial fulfillment for the Master's degree, I am currently conducting a research on **“STRATEGIC PLANNING AND COMPETITIVE ADVANTAGE OF FIVE STAR HOTELS IN KENYA”**

You have been chosen to become part of this research. I humbly ask you to aid in the collection of data through completion of the questionnaire. The provided data is to strictly be employed for purposes of academics and utmost confidentiality of the data upheld.

Thank you

Cordially,

VICTOR NGANDI MAKUTHU

Appendix ii: List of 5 Star Hotels in Nairobi County

- 1.Sarova Stanley Hotel
- 2.Hotel Intercontinental
- 3.Nairobi Serena Hotel
- 4.The Boma Nairobi
- 5.Panari Hotel
- 6.Sovereign Suites
- 7.Villa Rosa Kempinski
- 8.Sankara Nairobi
- 9.Laico Regency
- 10.Hilton Hotel