

**A SURVEY OF MANAGERS' PERCEPTION OF
CRITICAL SUCCESS FACTORS IN CLASSIFIED
HOTELS IN NAIROBI.**

BY

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DEDICATION

This project is dedicated to my family members who have been a source of great inspiration in achieving my goal. Specifically, to my dear wife Jacqueline Mbithe and my children Amy, Scott and Gloria with lots of love for the support and patience they accorded me during the three year period I undertook the course.

May God bless you all.

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ABSTRACT

This study explores critical success factors (CSFs) in hotels classified as 3-star and above in Nairobi through a questionnaire survey designed to ascertain Managers' perception of the critical success factors in those hotels. The survey covered 18 hotels out of which 14 responded, representing a response rate of 77.8%.

The relevant information for this study came from open literature and the survey questionnaire which was administered to top members of the management in the hotels surveyed. The analysis of the survey data was done by use of frequency tables and relative percentages.

The results from the study showed that managers perceived customer service as the most critical success factor in the hotels surveyed. The top five CSFs were identified in order of significance as Customer Service, Employees, Products, Hygiene and Quality and Consistency, respectively. However, some caution must be observed in this matter as the respondents to the questionnaire survey were all drawn from the supply side perspective. It is indeed possible that the managers' perception of the factors they regard as critical for success would accord with those of their customers but it is equally possible that they may not.

Since the respondents to the questionnaire survey were all drawn from the supply side perspective, a further research to replicate this study from the customers' perspective would be an interesting extension on the grounds of both potential academic and practical value.

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 The Concept of Critical Success Factors

According to Jenster (1987), successful strategy development and implementation rely on the quality of available information. This information is seen as a resource, which can make or break a firm's chances of success. The main challenge confronting managers is the identification, selection and monitoring of information which is related to the strategic performance of the company. Also, the right information requested and communicated by the managers will help shape the way in which other members of the organization define their tasks, interpret the firm's strategy, and determine what is important and what is not. Hise and McDaniel (1984) contend that an increasingly popular approach for identifying 'strategically relevant' information is through the critical success factor method. Critical success factors are crucial to an organization because they take into consideration fundamental changes in the environment thus making firms proactive rather than reactive (Bett, 1995).

The concept of critical success factors (CSFs) also referred to as key success factors is not a very new management tool. One of the earliest commenter on the concept was Daniel (1961). However, little seems to have been written about the concept until Rockart (1979). According to Brotherton and Shaw (1996), the origin of this concept can be traced back to the late 1950s and early 1960s in Information Systems field. The evolution in its application has spread from this field to strategic and operational planning and then in core competency, value chain and business processes perspectives.

The basis of the concept of CSFs is that there are some limited factors that are responsible for the success of firms in an industry. No company can afford to develop a strategy, which fails to provide adequate attention to the principal factors that underlie success in the industry. The critical success factors in the industry lie within these principal factors and it is for this reason that CSFs form the basis of a management information system. Rockart(1979) identified five sources of CSFs namely: the industry; competitive strategy and industry position; environmental factors; temporal factors and managerial position.

Wheeler and hunger (1988) contend that business policies are a reflection of a corporation's CSFs. According to them, CSFs are those elements of an industry that determine its strategic success or failures varying from one company to the other. Whereas some companies view customer service as crucial to success, others may view new product development, quality and cleanliness or value as critical success. They argue that CSFs are those few things that must go well if a corporation's success is to be ensured. Boynton and Zmud (1984) contend that CSFs are factors that must go well to ensure operational, managerial and organizational success. CSFs approach was acknowledged as useful to the planning process, management information system and requirements analysis. They advance the argument that these factors are typically 20% of the total factors that determine 80% of the business unit's performance. They therefore represent those areas that must be given the special and continuous attention needed for high performance. According to Bullen and Rockart (1981) critical success factors for any business are the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization. They are the few key areas where 'things must go right' for the business to flourish. If results in these areas are not adequate, the

organization's efforts for the period will be less than defined. Hofer and Schendel (1978) describe key success factors as those variables which management can influence through its decisions that can affect significantly the overall competitive positions of the various firms in the industry. These factors usually vary from industry to industry. Within any particular industry, however, they are derived from the interaction of two sets of variables, namely the economic and technological characteristics of the industry and involve competitive weapons on which various firms in the industry have built their strategies.

A 'critical' factor is of great importance and has a high priority ranking within the organization. It is also likely to embody significant consequences of either positive or negative nature on the business performance. Not all factors will be of equal importance to a company with a relatively limited number of factors being crucially or 'critically', important to the competitive survival / success of a company. It is these CSFs, and to the extent to which they are achieved, which ultimately determine the success or failure of a company. CSFs are therefore, the 'must achieve' factors both within a company and its external operating environment. CSFs are action-oriented and are a means to an end and are not ends in themselves. CSFs are not business objectives or goals but combinations of activities and processes designed to support the achievement of such desired outcomes specified by the company's objectives or goals. In turn, this means that CSFs are actionable and, to a variable extent, controllable by the management and are potentially measurable (Brotherton and Shaw, 1996). CSFs direct the actions of an organization to those activities that have direct impact on the overall performance of the organization enabling the organization to concentrate its efforts and resources on the core activities. The most important CSFs to concentrate on are those

within the control of the management and those directly affected by management decisions and actions.

1.1.2 Hotel Industry in Kenya

The hotel industry, a segment of the broad hospitality industry is part of a wider group of economic activities called tourism. The close link between the hotel industry and tourism implies that changes in the latter's environment have a direct impact on the former. The hotel industry which is synonymous with lodging segment of the hospitality industry covers game lodges, cottages, camps, resort hotels and town hotels (Kassavana 1978). According to Krishan *et al* (2000), a number of authors(Littelijon,1985; Olsen,1989,1991,1993;Slattery,1991,1993; Beattie,1993) have aided in a general understanding of the nature and structure of the hotel industry worldwide. There is a general consensus that the hotel industry is heterogeneous and highly fragmented in nature.

Like most other sectors of the Kenyan economy, the hotel industry went through turbulent times in the last two decades. The ugly events of Likoni, South Coast in 1997, the terrorism attacks on the US embassy in Nairobi in 1998 and the Paradise Resort, Kikambala in 2000 coupled with travel advisories by the United States of America and United Kingdom governments to their citizens not to travel to Kenya almost brought the industry to its knees. This turbulent environment resulted in some hotels experiencing liquidity problems resulting in some being placed under receivership and many more closing down. Given the increased dynamism in the business environment, a hotel's response to manage these changes has been

identified as a cornerstone for success (Mukewa, 2005). To survive in the dynamic environment, a good understanding of the business environment has become paramount. This involves industry analysis to match the firm to the environment in which it operates. The analysis establishes the degree of competition in the industry, dominant economic features in the industry, and drivers of change and success factors in the industry.

The hotel industry in Kenya faces the challenges of fluctuating demand and stiff competition. The competitive environment in the hotel industry is widely recognized as being complex, dynamic, and highly segmented (Daft, 1989). Krishan *et al* (2000) contends that it is the rapidly growing competition within the industry which has led to the provisioning of something extra which makes a stay at a particular hotel special and attractive. The steady trend of little additions over time is the expression of the industry's competitive struggle which has led to the optimum blend of the home –like and business-like environments in the modern-day hotels. In other words, a hotel has become more and more of an understanding host. And it is the 'big little things' which count that keep a hotel/resort a notch above the rest. In short, the impeccable elegance and luxurious comfort of its décor, fine locations, up-to-date facilities, an understanding of the needs of the discerning traveler, and quality service associated with efficiency plus the high standards of personalized hospitality are the prime attributes of today's hotel, and the trademark of international hotel chains. A hotel of elegance, apart from cultivating a lush environment, is expected to provide the usual comforts of home, offer a wide array of superb cuisine and entertainment, and offer friendly and efficient hospitality that leaves a lasting impression.

The industry is characterized by price competition, customer sophistication, and perceived product equality. Changing market growth rates and shifting market shares are key determinants of the competitive environment in Kenya. An upsurge in tourist arrivals poses greater challenges for the players in the hotel industry. The competitive structure of the industry in Kenya is mainly in the location under the pronounced categories of the hotels namely: town hotels, vocational/resort hotels and lodges. Another front in the competitive structure is seen in the existing hotel chains like The Serena Hotels and Lodges, The Heritage Hotels, The Sarova group, Wilderness Lodges and The Fairmont Hotels in Kenya. Most of these chains have a business unit in each of the key locations in the country and this motivates competition amongst the chain groups.

The degree of competition in Nairobi's classified hotels is very high. The Nairobi hotels, categorized under town hotels mainly target the business clientele and the conference business. With the entrance of new players especially in the conference market like Kenyatta International Conference Center (KICC) recently renovated by the Government, Kenya School of Monetary studies, Mbagathi, Kenya College of Communication and Technology (KCCT) etc, the competition has become fierce and worsened by Government directive that all Government seminars be conducted in Government institutions unless where there is a good reason to go elsewhere (Gok, 2005). Despite the directive, most of the hotels have retained their share of the government business owing to their location, quality of service and superior facilities etc which are some of the key elements of success in the industry.

The tourism industry in the country is now enjoying a continuous growth due to concerted marketing campaign by the Kenya Tourism Board (KTB) and improved security in hotels and

tourist sites. According to the Ministry of Planning and National Development Economic Survey 2006, earnings from international and domestic tourism from the sector rose by 27.0 percent from Kshs. 38.5 billion in 2004 to Kshs. 48.9 billion in 2005. The overall bed occupancy has been on an upward trend since year 2003 after several years of dismal performance. KTB has remained the major driver of change in the industry in the recent years. Government measures to improve security by introducing the tourist police, product innovation in terms of Eco-tourism, cultural events sporting etc are also giving the industry a new direction as drivers of change.

Despite the relatively stable environment the industry is operating in currently, firms that have not synchronized their competitive strategy with what is seen to be critical success factors in the industry are still lamenting about their bottom lines. A major key factor here is marketing. While KTB has done well to promote Kenya as a destination, some hotels have not even established websites for online bookings. However, most of the leading hotels in the country are members of global reservation networks either through referral organizations, strategic alliances or by affiliations. Strategic alliances with major channels of distributions e.g airlines, travel and tour operators is also seen as a major critical success factor in the industry which most hotels have adopted. Quality customer service mainly associated with employee attitude is considered a key success factor.

The hotel industry in Kenya has hotels classified based on set standards according to Kenya Hotels and Restaurant Regulations (GoK, 2001). The Regulations categorize the hotels into three broad categories namely: vacational hotels also known as resort hotels, town hotels and lodges. The Regulations classify the hotels into classes denoted by stars from five star to one

star. The five star class is the highest rating and one star is the lowest. The specifications for the rating differ with each category hence the factual difference in a five star town hotel, a five star vocational hotel and a five star lodge. In other words, the star rating compares only per category but not across all the categories. The broad areas of evaluation include existence of essential amenities for guest comfort and convenience, standard of cleanliness, security, proficiency of services and aesthetic factors such as architectural design, beauty, appeal, originality, internal décor, furnishings, tastes matching beauty etc. (See Appendix i). According to the Classification of Hotels (Kenya Gazette GoK June 2004), there are 123 classified hotels in Kenya. However, given the fragmented nature of the industry, there are other players in the industry that are not classifiable by the government standard but have an impact in the industry, for example the “boarding and lodging” enterprises, guesthouses etc.

Eighty (80) percent of the hotels classified in Kenya under the town category as three star and above are in Nairobi. (See Appendix ii).

Krishan *et al* (2000) observe that, the industry has steadily acquired an increasingly significant position in the global economy. A simplistic overview of the same may show it merely as a provider of elementary facilities with a view to meet the expectations and perceptions of the guests. A closer look would, however, reveal that, underneath, it incorporates and entails a whole set of complex factors and forces. Indeed, the operation and management of the hotel industry can no longer be viewed as a simple isolated phenomenon. It has now come to involve a matrix of inter-related multi-dimensional process. This involves new challenges as well as opportunities. An emerging development in the industry is in the form of independent restaurants and nightspots offering good food, ambience and service. That is, posh restaurants

and the days of fine dining in hotels are on their way out. The new trend is towards casual dining. People now prefer restaurants that do not have a dress code, and are cosier and less formal. Due to the growing complex dynamics within the market environment, hospitality organizations must continually engage their business in attempting to match their competitive strategies to the changing environment.

1.1.3 Management Perception

According to Daft and Steers (1986), perception is the process by which a person screens, selects, organizes, and interprets stimuli so that they have meaning to that individual. It is a process one uses to make sense out of one's environment so that he or she can make the appropriate behavioral responses. Perception does not necessarily lead to an accurate portrait of the environment, but rather to a *unique* portrait, influenced by the needs, desires, values and disposition of the perceiver.

Perceptual process can play a major role in the decisions managers make in the work place. Managers are people, and people have subtle biases that affect their decisions. Managerial decisions are significant both for the individuals involved and the organization. It is important for managers to understand as clearly as possible how their own biases are formed and how they affect their own attitudes and behaviour within their organization.

According to Zeithaml V. *et al* (1985), Management perception forms part of the four major causes of service-quality gap. In what they referred to as Customers' expectations-Management perceptions gap, the service firm executive may not always be completely aware of which characteristics connote high quality to customers. Managers may not know about

certain service features critical to meeting customers' desires; or even when aware of such features may not know what levels of performance customers desire along those features. Unaware of customers' service expectations, the managers may trigger a chain of bad decisions and sub optimal resource allocations that result in perceptions of poor service quality. Too much resources may for example, be allocated to sprucing up the physical state of the property when customers are concerned with functionality, convenience or comfort. It becomes imperative that the management should acquire accurate information about customers' expectations.

Management's perceptions –Service-quality Specifications gap is another gap cited by these authors. Management's correct perception of customers' expectations is necessary, but not sufficient for achieving superior quality service. Another prerequisite for providing high service quality is the presence of performance standards mirroring management's perceptions of customers' expectations. There may be a difficulty in the management translating their understanding of customers' expectations into service-quality specifications. So despite congruence in managers' and guest perception of important factors for quality, the managers fail to convert this knowledge into concrete performance standards. This may be due to the resources available to the managers like lack of manpower, uneven demand levels or limitation of financial resources.

Managers determine the organization's goals and strategy, and therein adapt the organization to a changing environment. By defining strategy and goals, the manager initiates structure and gives direction to the organization. The appropriate strategy is often a response to threats and opportunities in the external environment. The monitor and disseminator roles of the manager

serve as an informational link between the organization and the environment. The decision roles of the manager who is seen as an entrepreneur and resource allocator are means to implement the strategy deemed important to organizational success. The liaison role of the manager helps link up important constituents both inside and outside the organization (Daft and Steers 1986).

The managers' perception of the key success elements is critical as this directs their focus on the areas of specialization by the organization to achieve a competitive edge. CSFs communicate top management priorities and direct organizational efforts in the desired direction through motivation of employees towards their achievement. CSFs are central in the planning process by directing the attention of the key managers to focus on the basic premises of the firm's strategy (Jenster, 1984).

Since managers have little amount of time, they should spend this time on those factors they perceive to have the greatest bearing on the performance of the business.

For an organization to succeed it must integrate all the elements of success in good proportion. Managers play a critical role in the process of integrating the key success elements to attain the needed competitive advantage. Poor decisions by managers in the interplay of the identified success elements may cost the organization the opportunity to attain a competitive edge. Therefore, the role of managers in identification and implementation of the CSFs cannot be over-emphasized

1.2 Statement of the Problem

According to Thomson & Strickland (2004), determining the industry's key success factors, given prevailing and anticipated industry and competitive condition, is a top-priority analytical consideration. At the very best, managers need to understand the industry situation well enough to know what kind of resources are competitively valuable. Being distinctively better than rivals on one or more key success factors presents a golden opportunity to gaining competitive advantage. Industry CSFs resulting from specific industry characteristics form the basis of a company's competitive advantage strategy. Using the industry's critical success factors as a cornerstone for the company's strategy and trying to gain sustainable competitive advantage by excelling at one particular CSF is a fruitful competence strategy approach. However, misdiagnosing the industry factors critical to long-term competitive success greatly raises the risk of a misdirected strategy.

Many hotels today aspire to be world class status. This implies that they have to meet the customers' expectations in a way that equals that of truly great and highly respected business worldwide. However, many hotel businesses have not attained the status of excellence they desire for quality of service. They fail in their attempts to consistently satisfy the needs and wants of cosmopolitan and culturally diverse customers in the global village of the 21st century, Nicolaidis (2003). Truly great businesses are those which have pro-actively adapted to focusing on the critical elements of the hotel industry for success. To attain a high star rating in the industry, hotels must maintain the highest standard in those key areas that translate into customer's comfort and convenience. The hotels must therefore identify the key areas that give them the competitive advantage to remain at the top.

In the last two decades, most of the resort hotels and the lodges in Kenya succumbed to the challenges associated with the turbulent environment prevailing then. The increased competition for the shrinking market resulted in some hotels experiencing liquidity problems which saw some placed under receivership and many more closing down. However, town hotels in Nairobi survived the hard times despite cut throat competition amongst them. From the difficult times in the last two decades, the fortunes in the economy have changed with the tourism sector recording an increase in earnings of 24.7 percent in 2005 according to the Economic Survey, 2006. With this improvement in the sector, bed occupancy in Nairobi high class hotels increased by 9.7 percent in 2005 while bed occupancy by visitors to low class hotels in Nairobi declined by 7.2 percent over the same period (Economic Survey, 2006). Apparently, these high class town hotels survived the turbulence in the environment and have continued to remain the preferred choice by most of the visitors. This inspires one to establish what the managers in these organizations perceive to be critical for their success.

Several studies carried out in Kenya in the recent past on various aspects of the hotel industry in Kenya looked at strategic planning practices within hotels and restaurants in Nairobi (Mitra 2001), the application of porter's generic strategies framework in the hospitality establishments in Nairobi (Gitonga 2003), strategic responses of tourist hotels to the changes in the environment: A case of tourist Hotels in Nairobi (Mugabi 2003) strategic responses of tourist hotels to the changes in the environment: A case of tourist Hotels in Nairobi (Mwaura 2003). Their studies have given a good insight into issues related to strategic management in an industry that did not attract a lot of research interest in Kenya in the past. However, from the literature available so far, there has since been no study aimed at addressing the critical success factors in hotel industry in Kenya hence the knowledge gap.

This study therefore seeks to fill the existing gap in this area of study by answering the question: what factors do Hotel Managers perceive to be critical for success in hotels classified as at least three stars in Nairobi?

1.3 Objective of the Study

The objective of this study was to determine managers' perception of the CSFs, in hotels classified as at least three stars in Nairobi.

1.4 Importance of the Study

The results of the study may be of benefit to the following;

- (i) All the existing firms in the hotel industry in Kenya. The identification of the key success factors employed by the leading hotels in Nairobi will give an insight to other aspiring hotels on what elements are important for their success.
- (ii) The study will provide information to potential and current scholars on the critical success factors used by high class hotels in Nairobi. This will expand their knowledge on CSFs in the hotel industry and also identify areas of further study.
- (iii) Government agencies and policy makers may use the results to formulate positive national policies on a framework that is relevant and sensitive to the forces influencing the hotel industry in Kenya and the East African region.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Critical Success Factors (CSFs)

Rockart (1979) developed a three-step method for determining factors that contribute to meeting organizational goals. He had found that many executives tend to think in terms of what it takes to be successful rather than in terms of grand strategies, goals, and objectives. Therefore, Rockart developed a method that would help executives to derive a strategy, goal and answer to the question. “What does it take to be successful in this business?” Rockart termed the answer critical success factors. Once the critical success factors for business are identified, executives can use them to develop strategies. According to Wheeler (1995), CFSs are the elements that determine a company’s strategic success or failure, emphasizing its distinctive competence to ensure competitive advantage. Research indicates that organizations that possess strength in their official success factor outperform the competition. These factors vary from company to company and from one industry to another, (Wheeler, 1995).

The concept of CSFs can be traced to Daniel (1961). It received little attention until almost a decade later when Anthony *et al* (1972) used the concept in the design of a management control system. They pointed out that apart from measuring profitability; a management control system also identifies certain ‘key variables (strategic factors, key success factors, key result areas and pulse points)’ that significantly impact on profitability. They suggested, among other things that there are usually six different variables; these variables are important determinants of organizational success and failure; they are subject to change and not always predictable.

Brotherton and Shaw (1996) trace the roots of the concept of CSFs in the Information Systems field. The concept was after that adopted in the field as a more 'generic' approach to management applied in Strategic and Operational Planning/ Management fields. Recently it has been linked with Core Competency, Value Chain, and Business Processes perspectives. The main CSF commentators including Rockart (1979), Munro and Wheeler (1980), Ferguson and Dickinson (1982), Ohmae (1982), Boyton and Zmud (1984), Leidecker and Bruno (1984), Jenster (1987), Freund (1988), and Grunert and Ellegaard (1993) agree that, the essence of CSF approach to management is, what they call, *Focussed Specialisation* i.e. the concentration of resources and effort upon those factors capable of providing the greatest competitive leverage.

Rockart's (1979) concept of CSFs was inspired by the fact that for organisations to succeed, they must find the optimal match between the environmental conditions and the characteristics of the business. The environment contains certain requirements and limitations, threats and opportunities to which the business must align its strategy, skills and resources in order to succeed. To succeed in an industry therefore, the business strategy must address the principal factors that underlie that particular industry. It is for this reason that these factors form the basis of a management information system.

Leidecker and Bruno (1984) extended the benefits of CSFs to cover the areas of strategic planning and business strategy development. Identification of CSFs provides a means by which an organisation can assess the threats and opportunities in its environment. CSFs also provide a set of criteria for the strengths and weaknesses assessment of the firm. These two

elements (assessment of environmental threats and opportunities, and specific firm resource analysis) are corner stones of the strategic development process. According to them, Critical success factors are those characteristics, conditions or variables that when properly sustained, maintained, or managed can have significant impact on the success of a firm competing in a particular industry. A CSF can be a characteristic such as price advantage; it can be a condition such as capital structure or advantageous customer mix; or an industry structural characteristic such as vertical integration.

Johnson and Scholes (2002) contend that, critical success factors are those product features that are particularly valued by a group of customers, and therefore, where the organisation must excel to outperform competition. CSFs vary from one market segment to the other and from one organisation to the other. They further observe that customers in any market segment will have threshold requirements on all features of the product or service. If one or more of these requirements are not met a provider will drop out of that part of the market. Given that different customers value different product features, organisations will need to compete on different bases and through different resource competencies. They conclude that CSFs vary from one market segment to the other and from one organisation to the other.

According to Boynton and Zmud (1984), CSFs are those few things that must go well to ensure success for a manager or an organisation and, therefore, they represent those managerial or enterprise areas that must be given special and continual attention to bring about high performance. CSFs include issues vital to an organisation's current operating activities and to its future success.

From the above definitions it can be observed that, CSFs are those limited areas that influence the success of an organisation. Not all areas are therefore equally important to deserve the same level of attention. CSFs also direct the attention of the managers in a business to those areas of utmost importance to the success of the business. Since managers have limited amount of time, they should spend this time on those factors that have greatest bearing on the performance of the business. CSFs have a direct bearing on the performance of the business in either positive or negative manner; they can enhance the success or spell failure for a business depending on how they are identified and used. They also determine the competitive positions of the firms and should be considered in the setting up of the business strategies. The definitions also acknowledge that some of the CSFs are within the control of the managers while others are not; the important ones are the ones the managers can influence through their decisions. It is also comes out that CSFs vary from one industry to the other and from one firm to the other within the same industry. CSFs emphasize the importance of the customer to the success of the firms; it is only firms that set their strategies with the customer in mind that will survive. The customers are therefore a major determinant of CSFs. CSFs also recognize the important role played by the internal abilities or circumstances of the firms in determining their success. CSFs are not static and organizations must continually analyze the environment. Businesses must therefore align their strategies to those factors in the CSFs within the environment. CSFs should therefore, be incorporated in the current operational issues and in setting future strategy.

CSFs are derived from, or depend heavily upon, features of both a company's internal and external operating environment, and may arise from a wide variety of events, circumstances and conditions of activities that require the special attention of the company's management (Dickinson *et al.*, 1984). Internal determinants of CSFs in a company include the particular characteristics of its products, processes, people and structures. CSFs therefore, will reflect the company's specific situation, in terms of the core capabilities and competencies, which are critical for its competitive advantage. In the context of the general CSF characteristics outlined above, these internal CSFs are clearly actionable, measurable and controllable through the use of Critical Performance Indicators (CPIs), and any associated Critical Performance Measures (CPMs)

Externally, the CSFs faced by a particular organisation will be derived, at meso-level, from the nature of the industrial and market structures/ dynamics within which it operates. At macro-level they will be derived from the broader conditions and trends evident in the wider business environment. These 'external' CSFs will clearly be faced by all companies operating in a given external environment and are less controllable than the internal ones, though there may still be varying degrees of measurement and control (Brotherton and Shaw, 1996).

CSFs can thus be characterised by the extent to which they are internal or external to the business, or that part of it which the manager has control over, and consequently, whether they refer to something which should be monitored or built; maintenance of technological leadership would be a source of critical success factors, which a business can build, while changing consumer demographics would be a force that can be monitored, but not controlled.

2.2 Identification of CSFs

According to Leidecker and Bruno (1984), identification of CSFs is an important element in the eventual development of a firm's strategy, as well as being, an integral part of the strategic planning process. Some of the techniques used in the identification of CSFs include; environment analysis, analysis of industry structure, industry/ business experts, analysis of competition, analysis of the dominant firm in the industry, company assessment, temporal/ intuitive factors, and PIMS results (Leidecker and Bruno, 1984).

Environment analysis includes approaches that identify the economic, political and social forces that will be and are impacting an industry and/ or firm's performance. Such an analysis is macro in approach and the data obtained does not provide a direct linkage to the determination of the industry, let alone firm specific CSFs but the information can be crucial to industries where survival is dependent on factors outside the industry.

Porter's five forces model (1980) is quite popular in the analysis of the industry structure (suppliers, buyers, substitutes, new entrants and competition). The evaluation of each element and the interrelationships between them provide important data in identifying and justifying industry CSFs.

Use of industry experts, though may be subjective, may obtain information not available or discernable using the more standard analytical techniques. The 'conventional wisdom', insight or 'intuitive feel' of an industry insider often is an excellent source of CSFs.

Competitor analysis is limited to the competitive environment (or how firms compete) as opposed to the industry structure approach. The rationale for this approach is 'homing in on the target'. It is argued that the advantage of this approach is related to the specific nature of the firm; that is the thorough understanding of the competitive environment and each firm's

competitive posture allows a firm using this approach the facility to incorporate this information into the strategy development process. The major disadvantage is the inability to identify CSFs not linked to the analysis of how firms compete.

Analysis of the dominant firm in the industry is useful in industries dominated by one or few firms. The advantage of this approach is that if the dominant firm establishes the traditional success patterns for an industry, a thorough understanding of what the firm does successfully would aid in one's own internal analysis as well as determining strategic posture. The disadvantage is the narrow focus of this type of analysis. The strategic decision to emulate the dominant firm is fraught with danger.

Company assessment is firm specific. The purpose is to identify the CSFs for a particular firm. Approaches adopted in carrying these activities out include; strengths and weakness assessment, resource profiles, strategic audits and strategic capabilities. The main point is to thoroughly explore what the firm does well and not so well. The positive aspects of the firm's operations may provide the means of determining a firm's CSFs.

Temporal or intuitive factors are similar to relying on experts except the difference here is that the focus is on an individual(s) very familiar with the firm. While this may be subjective, this approach often uncovers subtleties that conventional and objective techniques overlook.

PIMS (Profit Impact of Market Strategy) project data indicates among other things, that relative market share, degree of vertical integration, new product activity, capital intensity and ratios of Research and Development to sales play a major role in determining profitability (Schoeffler *et al.* 1974). Profitability is one of a firm's measures of success. If the PIMS results identify the key determinants of profitability, then these inputs provide a starting point for CSF analysis. This approach has the advantage of having an empirical basis but has been criticized

as having a very general nature of factors. They do not provide a method of analysis to indicate whether the data is directly applicable to a specific firm or industry and /or what its relative importance may be.

2.3 Sources of Critical Success Factors for Firms

Rockart (1979) distinguished five sources of critical success factors namely: the industry; competitive strategy and industry position; environmental factors; temporal factors and managerial position. The industry in terms of: the demand characteristics, the technology employed and product characteristics etc. Since firms are part of industries, they must very much be aware of what is happening within the industry, as this will affect their competitive position. A firm that does not keep abreast of what is happening within the industry will easily be swept aside by the changes it fails to respond to. The more sensitive an industry segment is, the more a firm needs to sharpen its radar of detecting change within the industry.

The competitive strategy and industry position of the firm is a source of CSFs for a firm. A leader in an industry is arguably a source of CSFs for other firms within the industry, since the other firms will keep checking on the activities of the leader to adjust their strategies accordingly. The nature of competition will also affect the CSFs in an industry; like in highly competitive industries firms will be forced to adjust their CSFs based on what the competition is doing.

The environmental factors at the macroeconomic level will affect all the competitors within an industry. Firms have no influence over such factors like demographic changes, government legislation affecting an industry or the general economic situation. Firms must adjust their policies taking cognizance of these factors. Mostly, these factors affect the firms on the long

term, but may also affect them in the short term; for example the introduction of new legislation may have immediate impact on the firms in an industry. Organizations must therefore keep track of the happenings in the macro environment, as these will affect their success.

Temporal factors within the business itself influence CSFs. Some limitations within the business may affect the implementation of a chosen business strategy; for example skill shortage can be a hindrance to the implementation of a strategy or cash flow position can hinder the implementation of a project that is critical to the success of a business strategy.

Finally, each managerial functional area has their *generic* critical success factors. Different functions like human resource management, financial management, marketing management, and operations management have what they hold as critical success factors

2.4 Common Critical Success Factors for Firms

CSFs are rooted to the nature of the industry in which a firm is operating. However, there are generic CSFs applicable to every organization. According to Rockart (1979), CSFs common to every organization touch on financial image, technological reputation, market share, risk, profit, employee morale and performance.

Financial strategy's goal is to provide the corporation with the appropriate financial structure and fund to achieve the overall objectives (Wheelen, 1995). In addition, it examines the financial implications of corporate and business-level strategic options and identifies the best financial course of action. It can also provide competitive advantage through a lower cost of funds and flexible ability to raise capital to support a business strategy. Financial strategy usually attempts to maximize the financial value of the firm (Pearce & Robinson, 1997).

The use of high risk bonds to finance most of company's acquisitions in terms of assets was one reason that numerous corporations were forced to declare bankruptcy. In 1990's, however, more companies were trying to de-leverage, by reducing the amount of long-term debt on their balance sheet (Pearce & Robinson, 1997). According to John Lonski, chief economist of Moody's investor service, companies in the 1990's wanted less debt in order to "survive the unforeseen", with less interest payments, firms could price more competitively, invest in Technology and pay lower rates on future borrowings (Wheeler, 1995). This is the same case with high class hotels in Kenya. The management of dividends to stock holders is an important part of a corporation's finance rapid growth. If the company is successful, a higher stock price reflects its growth in sales and profits –eventually resulting in large capital gain when shareholders sell their common stock. Other corporations in an industry which is not fast growing must support value of their stock by offering generous and consistent dividends

Corporation that depend on **technology** for their success, such as those in the hotel industry, are becoming increasingly concerned with the development of research and development strategies. This will complement business –level strategies (Wheeler, 1995). According to Porter (1979), making a decision to become a technological leader or follower may be a way to achieve either overall low cost or differentiation. Creative technological adaptation can support possibility for new product. For improvements in existing products, or in manufacturing and marketing techniques (Pearce & Robinson, 1997) a technological breakthrough can have a sudden and dramatic effect on a firm's environment. It can spawn sophisticated new markets and products or significantly shorten the anticipated life of a manufacturing facility. The same case applies to the hotel industry where technology is

changing very fast, and people are demanding more and more modern entertainment facilities (Pearce & Robinson, 1997).

Technological forecasting is one method used by firms to protect and improve profitability in growing industries. It alerts strategic managers to both impending challenges and promising opportunities. The key to beneficial forecasting of technological advancement lies in accurately predicting future technological capabilities and their impacts.

Market share in business is very critical to the firm's success. A firm may choose to maintain or increase the market share, sometimes at the expense of greater profits if industry status or prestige is at stake (Rudelius *et al*, 1994). Market share is the ratio of sales revenue of the firms to the total sales revenue of all firms in the industry, including the firm itself.

The hotel industry is very dynamic and is constantly changing. The growth in market share is an indicator of firm's improved performance over years whereas a decrease in market shares shows deteriorating performance (Rudelius *et al*, 1994). Hotel industry in Kenya is one of the fastest growing industries and market share in this sector is slowly shrinking.

Industry **profitability** is one of the critical success factors of a firm (Wheelen, 1995). Profitability is the maintaining goal of a business organization no matter how profit is measured or defined. Profit over the long term is the clearest indication of firm's ability to satisfy the principle claims and desire of employees and stockholders (Pearce & Robinson, 1997). Overlooking the enduring concerns of customers, suppliers, creditors, ecologists and regulatory agents, may produce profits in short term but over time, the financial consequences are likely to be detrimental (Pearce & Robinson, 1997).

According to Pearce & Robinson (1997), a firm's success is tied inextricably to its survival and profitability. The hotel industry is one of the industries in Kenya which have improved of late due to improved performance of tourism sector which has a direct impact on the hotel industry. Profitability is measured in terms of profit margin, which is a markup above the cost of providing a firm's value-adding activities, and is normally part of price paid by the buyers thus creating value that exceeds cost so as to generate a return for the effort.

Employees form a critical component of the organization's resources that are necessary for its success. However, they have to be motivated in order for them to work hard. Employee motivation comes in terms of rewards. Some employees are motivated through recognition which often may be through financial rewards (Champoux, 1996).

Action plans and short term objectives that clarify personal and group roles in a firm's strategies and are also measurable, realistic and challenging can be powerful motivators of managerial performance—particularly when these objectives are linked to the firm's reward structure (Pearce & Robinson, 1997). This is very important for hotel industry where employees have to be motivated so that they can serve the customers effectively and efficiently. Lack of motivation kills employees morale and they become reluctant while performing their duties and this has great impact on the customers who may decide to turn away to competitors (Davis K. and Werther W. Jr, 1996).

Risk attitude exerts considerable influence on strategic choice made by an organization. Risk is brought about by uncertainty about the future. According to Pearce & Robinson (1997) where attitude favors risk, the range of the strategic choice expands and high-risk strategies are acceptable and desirable for an organization to succeed. Where management is a risky

undertaking the range of strategic choices is limited and risky alternatives are eliminated before strategic choices are made. Past strategy exerts far more influence on the strategic choice of risk-averse managers. Industry volatility influence the propensity of managers towards risk. Top managers in highly volatile industries like the hotel industry in Kenya absorb and operate with greater risk than their counterparts in stable industries. Therefore, top managers in volatile industries consider a broader, more diverse range of strategies in the strategic choice process (Pearce & Robinson, 1997).

In making a strategic choice, risk oriented managers lean toward opportunities strategies with a higher payoff. They are drawn to offensive strategies based on innovation, company strength and operating potential. Risk managers lean towards safe conservative, strategies with reasonable, highly probable returns, they are drawn to defensive strategies that minimize a firm's weakness, external threats and the uncertainty associated with innovation-based strategies (Snyder *et al*, 1989).

2.5 Critical Success Factors in the Hotel Industry

Kotas (1975) argued for the recognition of the fundamental "orientation" and "industry context" when reviewing performance management systems. He noted that the hotel industry has its own particular characteristics associated with the provision of the "hotel product" and, therefore, the measures used to assess hotel performance should reflect the specific activities and kinds of products and services offered. He further argued that although hotels essentially represent a service industry product, closer examination reveals that, through the provision of an integrated room, food and beverage, a hotel encapsulates three significantly different kinds

of industrial activity within a single arena, i.e. rooms (a near pure service product); beverage (a retail product); and food (comprising a production function). Thus, although from a consumer standpoint a hotel represents a total “seamless” product, the distinct nature and underlying diversity of activities involved in the provision of hotel services should be recognized and addressed in determination of compatible performance measures.

Though most businesses including the hotel business rely on financial performance as a major yardstick, this orientation has been faulted as being one sided failing to capture the whole spectrum of factors that contribute to success.

Given the unique nature of the hotel industry, the generic CSFs observed in other types of businesses operations though important may not necessarily be to the success of hotel businesses. There are peculiar CSFs associated with the hotel industry that are seen to cut across the industry. According to Brotherton (2004), CSFs in the hotel industry take the dimension of the core product, the location of the organization, pricing, hygiene and quality, consistency in product and service standards, customer service, and strategic control as shown in **Figure 1**.

A **product** is the most basic component of company success. It encompasses product features, the package, the brand name, and post sale services (Asseal, 1993). In the hotel industry core product involves provision of smoking and non-smoking rooms, design look of guest bedrooms, size of guest bedrooms, and guest bedroom comfort level.

Location refers to the place where an organization is situated (Assael, 1993). Where a hotel is located is a greater significance. Some hotels are located in game parks whereas others are located in city centers and in the outskirts of the city. Visitors to these hotels will access them in accordance to their need for a hotel. To succeed it must be located in a convenient location.

According to Assael (1993) one component of marketing mix is price. It is one of market entry strategies employed by firms. **Pricing** in hotel industry refers to the charges on accommodation, food and other entertainment facilities. It also includes cost of traveling to the hotel location.

Hygiene and quality are of great importance to hospitality industry. Poor quality services and goods will put off the customers (Pearce & Robinson, 1997). High quality goods and services will on the other hand attract customers. Hygiene is an element of safety on food i.e. how food is packaged and how services are offered at the highest cleanliness. Thus this will entail staff training, and putting of quality standards which each and every employee must meet.

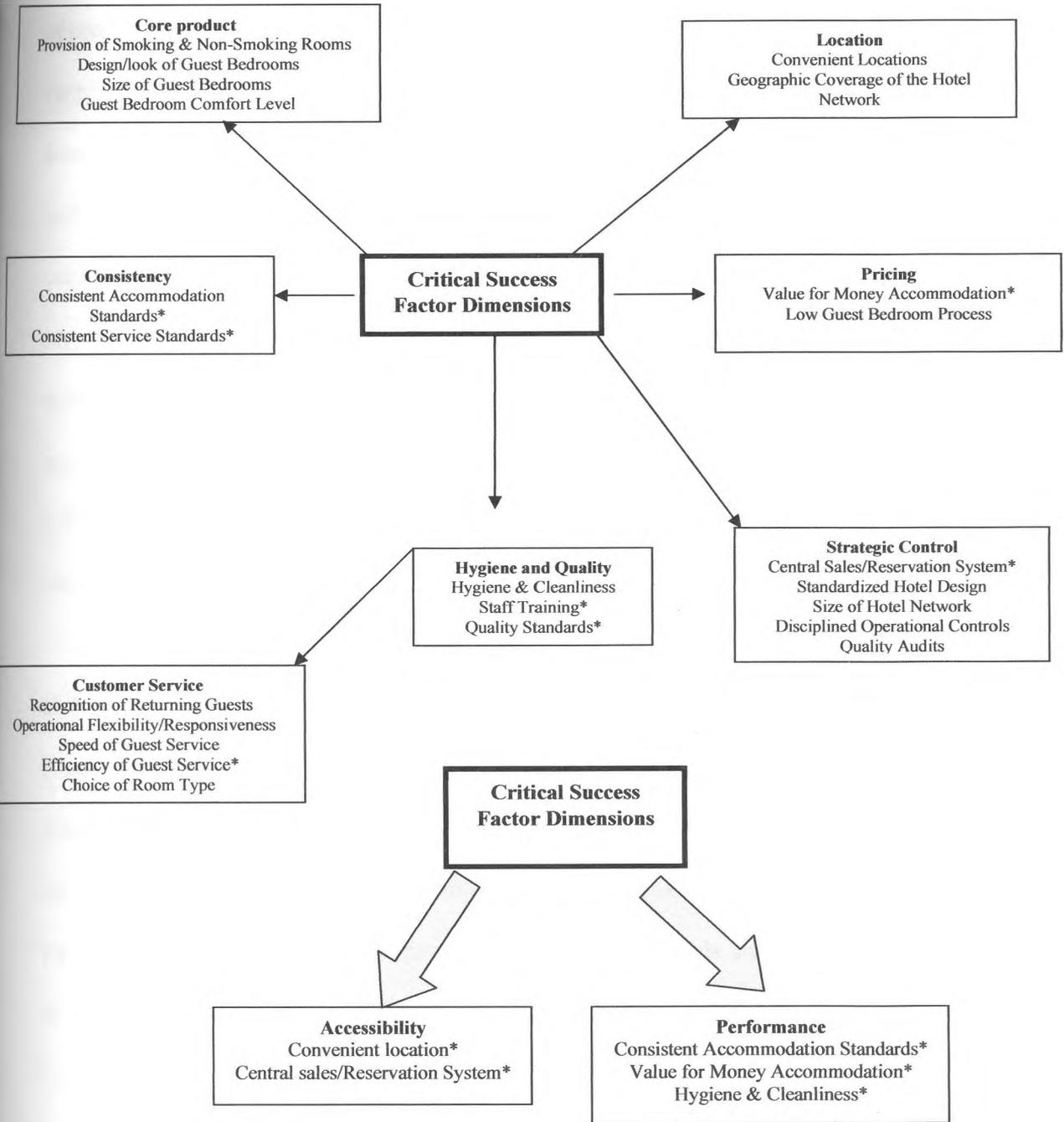
Consistency refers to continued presence of high quality services and goods and in terms of hotel it refers to consistence of accommodation standards and consistent service standards.

A customer is an individual who is a prospective buyer of a product or service (Assael, 1993).

The customer purchases and consumes the firms' products and services.

In the hotel industry **customer service** is very critical. It refers to the recognition of guests, speed of responsiveness to customers, flexibility of services, guest security, and value added services they are provided with.

FIGURE 1: Critical Success Factors in the hotel industry



Source: International Journal of operations and Production management (2004) Vol 24 No9 pp994- 969, Emerald

2.6 Importance of CSFs

Leidecker and Bruno (1984) contend that the concept of CSFs analysis has been applied at firm, industry and socio-political environment level. Analysis at each level provides a source of potential CSFs.

Firm specific analysis utilizes an internal focus to provide the link to possible factors. Industry level analysis focuses on certain factors in the basic structure that significantly impact on the performance of any firm operating in that industry. A third level of analysis goes beyond industry boundaries for source of critical success factors. This school of thought advocates for perpetual scanning of the environment (economic, socio-political) to provide resources that will be the determinants of a firm's/ or industry's success. All the three levels are sources of potential CSFs. The more macro-oriented approaches are of lesser importance while designing a firm's management information system or internal control system, as they are mostly not within the control of the firm's management.

Hofer and Schendel (1978) came up with a seven-step process in strategy development (Strategy Identification, Environment Analysis, Resource Analysis, Gap Analysis, Strategic Alternatives, Strategy Evaluation, and Strategic Choice). Of the seven steps, CSF analysis can aid in three specific junctures; environment analysis, resource analysis and strategy evaluation. Environment analysis is used to identify the significant threats and opportunities facing a firm. It also allows the identification of the essential competencies, resources and skills necessary to be successful in a particular industry or specific economic climate. Resource analysis involves an inventory of a firm's strengths and weaknesses. It should go further and identify those variables that have been instrumental to a firm's success in a particular industry. This approach

leads to a level of sophistication that provides greater depth and insight than a mere listing of a firm's weaknesses and strengths. This level of input provides useful information for assessing a firm's competitive advantage (a firm's competencies vs. its competitors). In addition, firm-specific CSFs can be compared with threats and opportunities to aid with the identification of strategic options. Part of strategy development is strategy evaluation, which involves comparing strategic alternatives with specific goals and objectives of the firm and any other evaluation criteria deemed pertinent. One of such criteria would be the CSFs of an industry.

Millar (1984) found that critical success factors, when formally identified, implicitly communicate the top management's priorities and thereby direct organizational efforts in the desired direction. More specifically, the desired direction is attained through the motivation of an organization's employees. Provided with a framework against which they can make priorities, assumptions and environmental conditions, the employees are then able to better contribute to the execution of long-range plans.

Jenster (1984) asserts that effective leadership necessitates the clear definition of success factors, the ideal organization performance in relation to them, and the explicit communication of these factors to all appropriate levels of management in a structured manner. Furthermore, in addition to providing a bridge between the firm's objectives and management's strategy, the isolation of critical factors also provides a vehicle for the design of an effective system of performance measurement and control. This way, the design of critical success factors becomes more than just identifying the areas that 'must go right', but assumes a powerful

strategic role in which the specific efforts of top management and the employees are joined and aligned in a manner consistent with the firm's vision.

CSFs are central in the planning process (Jenster 1984). They are the limited number of areas, which must be monitored to ensure successful execution of the firm's strategic programs. These factors can be used to guide and motivate key employees to perform in the desired manner, and in a way, which will ensure successful performance throughout the strategy. Their use in discussions and planning within the firm will clearly and succinctly communicate critical elements of the strategy to members of the organization. More importantly, the CSFs direct the attention of key managers to focus on the basic premises of the firm's strategy. The selection of proper strategic dimensions is essential, in as much as they will serve as motivation for those whose performance is being measured. The CSFs must therefore; reflect success to the defined strategy; represent the foundation of this strategy; be able to motivate and align managers as well as other employees and finally be very specific and/or measurable.

CSFs are used in strategy formulation to support the strategic planning process. Wijn and Veen-Dirks (2002) present that when CSFs are used for strategy formulation, then the market and mission is the starting points. According to these authors, CSFs are factors on which a company can distinguish itself from competitors, and thus build a stable, positive relation with the market. Atkinson *et al* (1997) describe CSFs as "The elements, such as quality, time, cost reduction, innovativeness, customer service or product performance that create long-term profitability for the organization". This market-oriented approach to CSFs is especially

interesting for companies surrounded by strategic uncertainties that relate to customer preferences.

2.7 Criticisms to the CSFs Concept

The idea of key success factors is challenged by Pankaj Ghemawat, a strategic management scholar, that “the whole idea of identifying a success factor and then chasing it seems to have something in common with the philosopher’s stone, a substance that would transmute everything it touched into gold.” There is no universal blueprint for a success strategy even in individual industries, there is no “generic strategy” that can guarantee superior profitability. Each market has different customer motivators and how the competition works. However, understanding these aspects of the industry environment is a prerequisite for effective business strategy. Grunert and Ellegaard (1993), argue that the causes of success in a market are dynamic. Success factors may be transient, and this problem will be more serious, the more concrete the factors are formulated. In addition, recognition of the success factors operating in a market by the actors in the market may actually change them: when everybody invests in the same skills and resources, the ability of variation in these skills and resources to explain variation in success will necessarily decline.

2.8 Summary

In summary, CSFs exist at the levels of the firm, industry and the general socio-political level. Each of the levels have their bearing on the performance of the firm with the firm specific having the most direct impact and the macroeconomic ones having less direct impact on the individual firms. Managers are called upon to monitor all the levels of CSFs for the success of their firms. CSFs are useful tools in the development of the organisational strategy.

Environmental analysis, resource analysis and strategy evaluation must be linked to the CSFs of a particular firm. CSFs are generated from various sources ranging from the industry, the competitive strategy, environmental factors, temporal factors and the managerial functional areas. The quality of information used in strategy development will directly affect the strategy itself and this information should be related to the strategic performance which lies in the CSFs of the particular organisation. CSFs, therefore, point to the strategically important information.

CSFs communicate top management priorities and direct organizational efforts in the desired direction through motivation of employees towards their achievement. CSFs are central in the planning process by directing the attention of the key managers to focus on the basic premises of the firm's strategy (Jenster, 1984)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Research Design

This was a descriptive survey study aimed at establishing the manager's perception of the critical success factors in hotels classified as three star and above in Nairobi. According to Donald and Pamela (1998), a descriptive study is concerned with finding out the what, where and how of a phenomenon.

3.2 Population

The population of interest consisted of Hotels in Nairobi that have been inspected, assessed and classified as at least three stars. According to the Classification of Hotels (Kenya Gazette GoK 2004), there were 18 hotels classified as three star and above in Nairobi (Appendix ii). The star of a hotel describes the type of services offered and facilities available in the hotel. Given the small size and the distribution of the population, a census survey was used because all the hotels are in Nairobi and each has its unique characteristics. Out of the 18 hotels selected, 7 were five star hotels, 1 four star hotel (the only one classified as four star town hotel) and 10 three star hotels.

3.3 Data Collection Methods

The study used primary data collected using structured questionnaires (see appendix iii) which targeted mainly a senior member of management in each of the organization studied. Top members in the management were chosen for the role they play in determining the organization's goals and strategy and also the decisional role of resource allocation to implement the strategy deemed necessary to organizational success. The questionnaire had

both closed and open- ended questions. The questionnaires were dropped and picked later after being filled by the respondents. Follow up by phone was used to enhance the response rate.

3.4 Data Analysis

Data collected was edited for completeness and consistency before processing it. The responses were coded into labeled categories and keyed into the SPSS program for analysis. This being a descriptive study, the data was analyzed using descriptive statistical tools. Frequency distribution tables, mean scores and standard deviation were used to determine the perceived CSFs. The frequency distribution tables gave a picture of the shape of the variables to show how they are distributed. The mean scores and standard deviation were used as measures of variability to show the dispersion of measures around the central tendency. The information is displayed by use of frequency tables, and graphs.

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSIONS

4.1. INTRODUCTION

This chapter presents the analysis and findings of the research. The findings are based on the survey carried out with senior managers in the hotels studied to determine the critical success factors as perceived by the managers in surveyed hotels. The research was designed to concentrate on those factors critical to the hotel level operational success rather than that of the corporate entity. The results are presented here in line with the format of the questionnaire.

The sample size was 18 hotels that had been inspected, assessed and classified as at least three star and above in Nairobi as per the classification of hotels, Kenya Gazette (GoK 2004). The sample was dominated by five star and three star hotels that were the majority as per the above classification. From the list obtained from the available literature, there was only one hotel listed as four star hotel but the results showed that two hotels were in the category of four star.

The respondents' average years of experience were 5.23 with the maximum years of working experience in one particular organization being 12 years and the minimum 1 year.

A total of 14 hotels responded representing response rate of 77.8%. Of the hotels that responded, 42.85 % were Five Star, 14.3% Four Star and 42.85 % Three star.

57.1% of the hotels surveyed are located in the city centre and 47.9% are located in outskirts of the city.

4.2 HOTELS' GENERAL INFORMATION

Ownership/Management

The nature of ownership and management may contribute to the stability and degree of success of a hotel. Out of the hotels studied 38.5% were found to be wholly locally owned, (See **table 4.1**). The common nature of ownership was found to be group ownership representing also 38.5% of the hotels studied. None of the hotels was found to be wholly foreign owned. However, foreign management was traced in one of the hotels studied whose nature of ownership is individual. Of the sample surveyed, 15.4% represented individually owned units. One hotel representing 7.7% of the surveyed hotels was a parastatal unit.

Table 4.1: Nature of ownership/ management of the hotels

	Frequency	Valid Percent
Valid Wholly Local	5	38.5
Group Ownership	5	38.5
Individual	2	15.4
Parastatal	1	7.7
Total	13	100.0
Missing System	1	
Total	14	

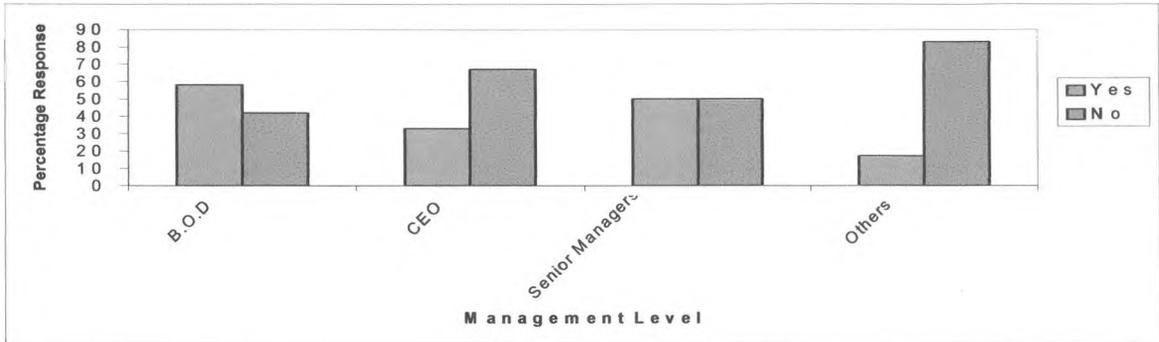
Source: Research Data

Vision and Mission

As a way of assessing strategic control as a contributing factor to the success of the hotels surveyed, respondents were requested to state presence of vision and mission statements in their organizations. 28.6% stated their vision statement and 42.9% stated their mission

statement. However, most of the vision/mission statements were not found concrete enough to form a solid philosophical framework for a strategic road map to continuous success in the concerned organizations. 36.4% of the respondents indicated that their mission and vision has changed in the last five years. As depicted in **figure 2** below, most of the respondents indicated that the Board of Directors are responsible for the setting of the vision and mission statements in the organization. About 80% of the respondents shared the view that other stakeholders besides the CEO and Senior Managers are least responsible for the setting of the organization’s mission and vision. About 35% of the respondents indicated that Chief Executives (CEOs) are responsible for the setting the mission and vision and 50% said Senior Managers are responsible for setting the organization’s mission and vision. From the respondents, it is clear that the responsibility of this task in the hotels surveyed mostly lies with Board of Directors, CEOs, and Senior Managers. This is an indication that majority of the hotels do not involve other key stakeholders especially the employees who are suppose to implement strategies that are geared towards the vision and achievement of the mission. This may lead to lack of ownership of the vision and the mission by all.

FIGURE 2. Bar graph showing who is responsible for setting organization Mission and Vision



Source: Research Data

Hotels' Capacity and Occupancies.

Hotel's room and bed capacity is a major contributor to the success in the hotel business since revenue from rooms represents 75 % of the total hotel revenue. Hotels with room capacity exceeding 200 rooms formed the largest category of the hotels surveyed representing 35.7%. 28.6% have between 101 and 200 rooms and a similar number with a capacity of between 50 and 100 rooms. Only one unit had below 50 rooms (see **Table 4.2**).

In the last 12 months, the average bed occupancy in most of the hotels surveyed was between 50% and 74%. 35.7 % of the hotels posted between 75% and 100% average bed occupancy over the same period (see **Table 4.3**). None of the hotels reported average bed occupancy below 50%. These occupancy levels indicate good performance in an industry which relies on the international travel. Since the late 90's, this global industry has been at the mercy of terrorism threats. Given the impact of the terrorism phenomenon on international travel, this kind of performance is by any means impressive.

All the hotels confirmed that they give incentives to their customers. Some of the incentives include special rates and discounts, free late checkout for return guests, weekend newspapers, complimentary, free airport transfer, bonus points etc.

Majority of the hotels, representing 64.3% of the hotels surveyed had between 6 to 10 product lines for the convenience of their customers.

Table 4.2: No. of rooms in the hotels surveyed.

	Frequency	Valid percent	Cumulative percent
Valid<50	1	7.1	7.1
50-100	4	28.6	35.7
101-200	4	28.6	64.3
>200	5	35.7	100.0
Total	14	100.0	

Source: Research Data.

Table 4.3: Average bed occupancy in the last 12months.

	Frequency	Valid Percent
Valid 50-74%	9	64.3
75-100%	5	35.7
Total	14	100.0

Source: Research Data.

Employees

The number of staff employed in the hotels surveyed was found to be higher in the hotels with the largest number of rooms. 57.1% of the hotels had over 200 members of staff. This shows the labour intensive nature of the industry. The survey also revealed that 42.9% of the hotels had between 51% and 80% of their employees with professional training. 71.4% of the hotels were found to be investing in professional training of the employees. In-house training of the

staff is very common with 42.9% of the hotels confirming weekly in-house training for their staff. All the hotels had a system of dealing with employees conducts in the work place depending on the degree of misdemeanor.

Table 4.4: Categories of No. of employees in the hotels surveyed

		Frequency	Valid Percent
Valid	50-100	3	21.4
	50-150	2	14.3
	151-200	1	7.1
	>200	8	57.1
	Total	14	100.0

Source: Research Data

Computerization

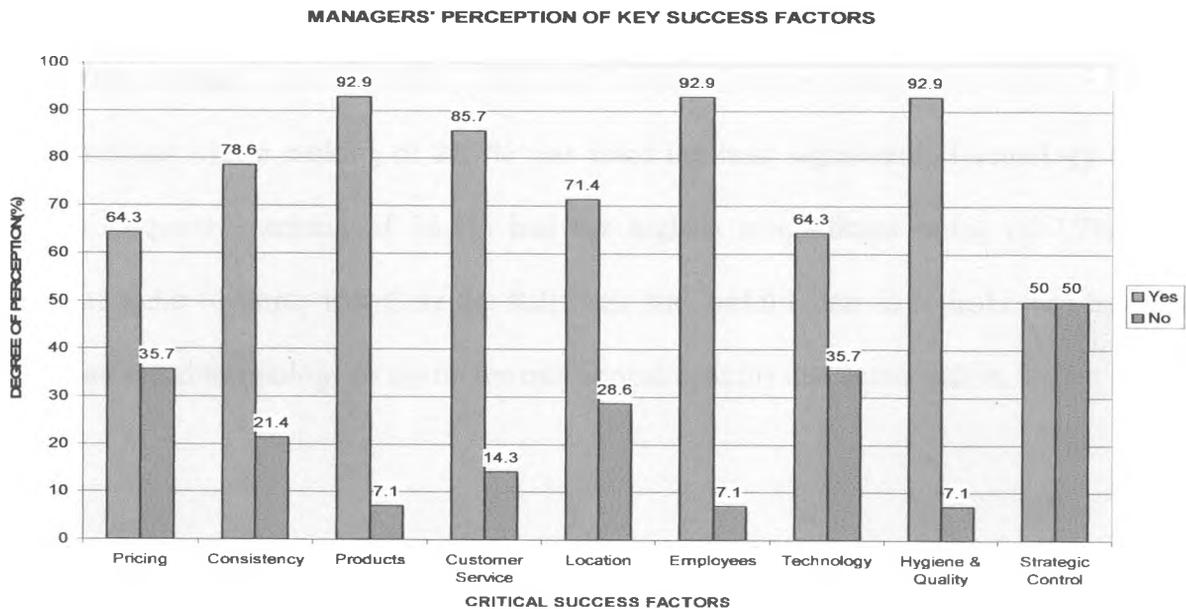
Information Technology (IT) has become an integral part of any business today and hotels industry appears to be no exception according to the results of the study. 92.9% of the hotels surveyed were found to be computerized and the rest are undergoing computerization now. 50% of hotels underwent computerization in the early 90's. All the managers contend that computerization has made their service delivery faster compared to the manual system. 78.6% of the managers felt that computerization improves the quality of service delivery. Although 92.9% of the managers feel that computerization has many advantages including accuracy and value addition to the overall product, 28.6% of them feel that it does not reduce the cost of their operation.

4.3 CRITICAL SUCCESS FACTORS

Managers' perception of CSFs

Managers were asked to indicate what they perceive to be key success factors in their organizations. The results of the managers' perception are as shown in the bar chart below. Majority of the respondents representing 92.9% perceived product, employees and hygiene and quality to be relatively the most critical elements of success in their organizations as shown in **figure 3**. Customer service was perceived to be a key success factor by 85.7% of the respondents. 50% of the managers did not perceive strategic control as a critical success factor.

Figure 3: Bar graph showing what managers perceive to be critical success factors



Source: Research Data.

Ranking of the CSFs in order significance

Managers were asked to rank the above factors in order of importance on a likert scale of 1 to 5 with scale 1 representing the most significant factor and scale 5 representing the insignificant factor. Each respondent's rating of the significance of each critical factor was scored and a sum of all rating obtained to be able to get a mean rating for all the hotels. The minimum score rating was expected to be 9 while the highest score rating 45. In the study a mean rating score of 15.43 was obtained with a minimum of 9 and a maximum of 27 with a standard deviation of 5.1. In this rating, the lower the score the better the rating and vice versa. The mean rating of 15.43 implies a strong significance of the CSFs.

The results of the frequency in ranking of the CSFs on the likert scale for each factor was expressed in percentage and summarized in the percentage frequency **table 4.5** below. The results of the same are as presented in **figure 4** below. Customer service was rated the most significant critical success factor, with 85.7% significance rating. The location of the organizations with a ranking of 21.4% was rated the least significant. Technology though with a frequency ranking of 38.5% had the highest insignificant rating of 7.7%. This outcome tends to imply that there are still some successful hotels in Nairobi who have not fully embraced technology to tap on the operational benefits that come with it.

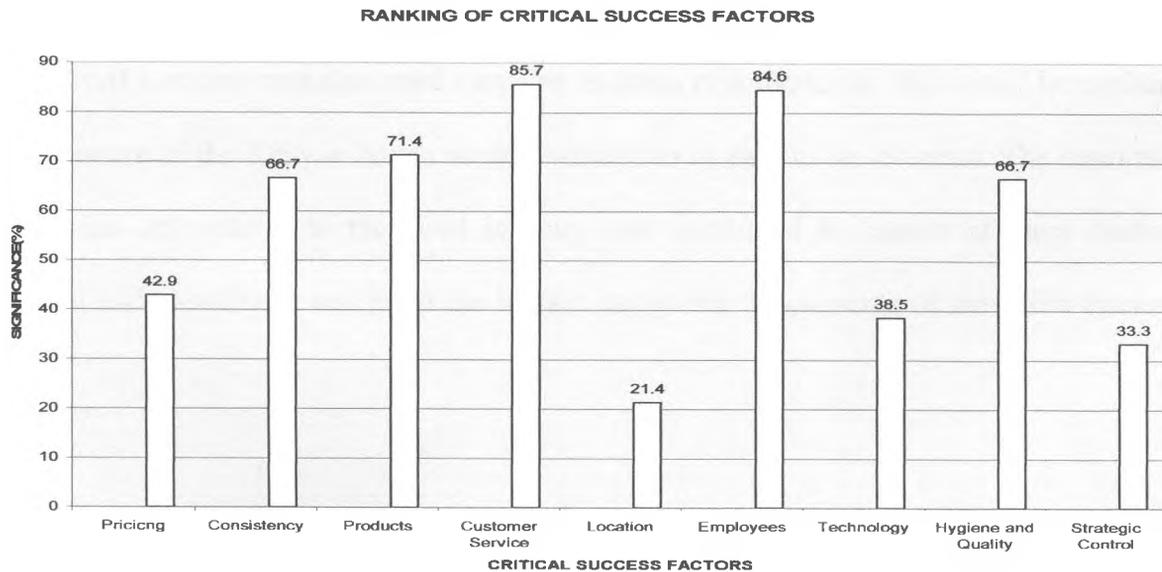
Table 4.5: Frequency table showing perceived critical success factors in order of significance

	CSFs Significance (per cent)				
	1	2	3	4	5
Pricing	[42.9]	[21.4]	[21.4]	[14.3]	[-]
Consistency	[66.7]	[33.3]	[-]	[-]	[-]
Products	[71.4]	[14.3]	[7.1]	[7.1]	[-]
Customer service	[85.7]	[-]	[7.1]	[7.1]	[-]
Location	[21.4]	[35.7]	[35.7]	[-]	[7.1]
Employees	[84.6]	[7.7]	[-]	[7.7]	[-]
Technology	[38.5]	[23.1]	[23.1]	[7.7]	[7.7]
Hygiene and Quality	[66.7]	[25.0]	[-]	[8.3]	[-]
Strategic Control	[33.3]	[16.7]	[41.7]	[8.3]	[-]

Notes: 1=Most Significant; 2 = More significant; 3= Significant, 4= Less Significant; 5= Insignificant

Source: Research Data.

FIGURE 4: Bar graph depicting the significance of the CSFs by ranking



Source: Research Data.

As shown in **figure 4**, variables like location, technology and strategic control were not found to be very key in the success of the hotels surveyed as opposed to the customer oriented factors. As a success factor, location scored the lowest ranking in this research contrary to the common feeling that location is a key factor in the success of any business. The founder of Hilton International group of hotels, Conrad N. Hilton once said location, location and location is the fundamental key to success in the hotel business. However, with the ever changing business environment this view by Mr. Hilton seems not to be relevant in today's business environment as attested by this research. This implies that location is least considered as a competitive advantage by majority of the said hotels.

Although strategic planning is said to be practiced in the hotels in Nairobi according to a study by S. Mitra (2001), strategic control according to this survey is no where near the top five CSFs perceived by the managers to be critical for success in their organizations. It is the only factor in the survey with the highest number of managers as shown in **figure3** who do not perceive it as critical to their hotels' success.

Technology in most of other type of businesses is nowadays considered a key propeller to success but according to the results from this survey, this does not seem to be the case with the classified hotels in Nairobi. This may be attributed to the nature of the industry where focus is more on the outcomes from employee/customer interaction as opposed to technology which may lack the valuable personalized service dispensed by staff.

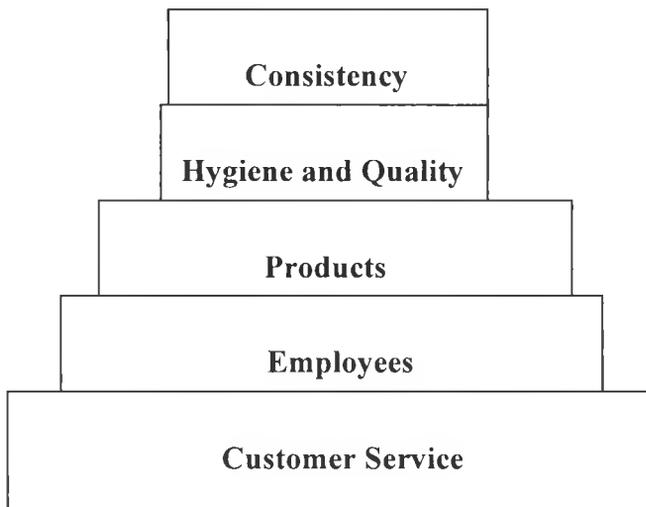
CHAPTER FIVE: SUMMARY AND CONCLUSIONS

5.1 SUMMARY

The results from this study generally tend to support the degree of importance ascribed to the CSF items in the literature. The results also reflect the service nature of the hotel business

The ranking of the factors perceived by the managers to be most critical in the success of the leading hotels in Nairobi revealed top five factors as customer service, employees, products, hygiene and quality and consistency in that order as shown in **figure 5**.

Figure 5: Top five hotel industry Critical Success Factor Pyramid Model



Source: Research Data

The hierarchy of the factors as revealed in the survey is consistent with the nature of industry which is basically a service industry. The main focus to be on the customer service delivery which is employee driven. This confirms the idea that service delivery is the most important tool for the survival of any business in a highly competitive environment.

5.2 CONCLUSION

The objective of this study having been to survey the managers' perception of critical success factors in the hotel industry, the results of the survey clearly highlighted what managers perceive to be the critical factors for success in their organizations. However, some caution must be observed in this matter as the respondents to the questionnaire survey were all drawn from the supply side perspective. It is indeed possible that the managers' perception of the factors they regard as critical for success would accord with those of their customers but it is equally possible that they may not. It would be interesting to repeat this research using the hotel customers as the target respondents. This would then facilitate a comparative analysis of the various factors critically from the supply and demand-side perspectives. It would also be useful to study a larger sample and compare the findings to determine their applicability in the other parts of the country.

5.3 LIMITATIONS OF THE STUDY

The following were cited as the main limitation in this research:

- i. Low response rate. Respondents had to be continuously reminded in order to respond. Sometimes they did not see the benefit of such an exercise. I think this has got to do with bad research culture in our industries and generally in the whole country where research is mostly not given prominence.
- ii. It was not possible to get 100% response rate due to busy schedules for some of the respondents who never found time to fill the questionnaires.

- iii. The authenticity of information given and the sincerity of the respondents. It was not easy to establish whether some of the respondents were mainly giving an impressive picture of their organizations at the expense of the study's objective.
- iv. Respondents' understanding of some of the issues raised in the questionnaire was evident in their interpretations of some of the questions.

5.4 RECOMMENDATION FOR FURTHER RESEARCH

Further research to replicate this study from the customers' perspective would be an interesting extension on the grounds of both potential academic and practical value.

This research can be extended to the other parts of the country in an effort to confirm if the same CSFs are applicable to hotels operating in those regions.

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APPENDICES

Appendix i: Hotel Classification Criteria

Star(s)	Description of Facilities
*	<ul style="list-style-type: none"> • Hotels with basic facilities and services meeting the quality standards. • In harmony and conformity with locality • Separate and independent access for the hotel guests and delivery • Reception staff in uniform and presentable • At least ten lettable rooms • 100 per cent private bathrooms • At least one restaurant that is well furnished and lit • One meeting room with on not least than 40 sqms • Glass washing and drying machine shall be available • Enough storage capacity for water to last at least one day in case of a breakdown in supply • Drinking water must be safe and potable and shall meet WHO standards • Lifts shall be provided for buildings of four or more storey including ground floor
**	<p>Same as one star but</p> <ul style="list-style-type: none"> • With comfortable facilities, offering some services and amenities • Some claim to style and beauty • Good quality and harmony of colours • Enough storage capacity for water to last at least three days in case of a breakdown in supply • Drinking water must be safe and potable and shall meet WHO standards • Lifts shall be provided for buildings of four or more storey including ground floor
***	<p>Same as two star but with excellent facilities, offering a wider array of services and amenities</p> <ul style="list-style-type: none"> • All rooms to be approached through a corridor except for cottages • Good quality uniforms • Restaurant should be same as in One star but with a coffee shop or snack bar in addition • Provision for smoking and non smoking area • At least one percent of suites shall be suites

	<ul style="list-style-type: none"> • Safe deposit available though not necessarily in the rooms • Enough storage capacity for water to last at least five days in case of a breakdown in supply • Drinking water must be safe and potable and shall meet WHO standards • Drinking water must be safe and potable and shall meet WHO standards • Lifts shall be provided for buildings of four or more storey including ground floor
****	<ul style="list-style-type: none"> • Hotels with superior facilities, offering a wide range of services and amenities • Mosquito nets available • High quality furniture and fittings • Enough storage capacity for water to last at least one week in case of a breakdown in supply • Drinking water must be safe and potable and shall meet WHO standards • Lifts shall be provided for buildings of four or more storeys including ground floor and a service lift provided
*****	<ul style="list-style-type: none"> • Same as for three star but • Hotels with exceptional facilities, offering a full range of services and amenities • Locality and environment of high international standards • Building wholly detached • Exceptionally high quality of finishing • Enough storage capacity for water to last at least one week in case of a breakdown in supply • Lifts shall be provided for buildings of four or more storeys including ground floor and a service lift provided

Source: Government of Kenya, Ministry for Tourism, Kenya Gazette Supplement No. 9, (Legislative Supplement 9), February 16, 2005.

Where:

- * - One Star
- ** - Two Star
- *** - Three Star
- **** - Four Star
- ***** - Five Star

TOWN HOTELS

	NAME OF HOTEL	NUMBER OF BEDS	LOCATION
	Five Star		
1	Hotel Intercontinental	770	Nairobi
2	Grand Regency Hotel	388	Nairobi
3	Hilton Hotel	353	Nairobi
4	The Norfolk Hotel	334	Nairobi
5	Nairobi Serena Hotel	283	Nairobi
6	The Stanley	434	Nairobi
7	Safari Park Hotel	285	Nairobi
8	Windsor Golf and Country Club	240	Nairobi
	Four Star		
9	Fairview Hotel	163	Nairobi
	Three Star		
10	The Bounty	100	Nairobi
11	Merika Hotel	144	Nakuru
12	Marble Arch Hotel	77	Nairobi
13	Landmark Hotel	242	Nairobi
14	Holiday Inn	342	Nairobi
15	Nairobi Safari Club	282	Nairobi
16	Utalii Hotel	105	Nairobi
17	Outspan Hotel	90	Nyeri
18	Ambassadeur Hotel	190	Nairobi
19	Sportman Arms Hotel	125	Nanyuki
20	Silver Springs Hotel	188	Nairobi
21	Hotel Sirikwa	210	Eldoret
22	Six Eighty	680	Nairobi
	Two Star		
23	Panafric Hotel	46	Nairobi
24	Kwality Hotel	21	Nairobi
25	Midland Hotel	65	Nakuru
26	Tea Hotel	77	Kericho

	Name of hotel	Number of beds	Location
27	Greenhills Hotel	210	Nyeri
28	Hotel Kunste	146	Nakuru
29	Hotel Boulevard	140	Nairobi
30	Eel Hotel	78	Elburgon
31	Kakamega Golf Hotel	124	Kakamega
32	Sports View Hotel	104	Nairobi
33	Lotus Hotel	64	Mombasa
34	Hotel Genevieve	46	Nakuru
35	Lakeside Tourist Lodge	65	Naivasha
36	Imperial Hotel	140	Kisumu
37	Blue Post Hotel	64	Thika
	One Star		
38	Asis Hotel	82	Eldoret
39	The Lantern	24	Kitale
40	Isaak Walton Inn	85	Embu
41	Fig Tree Hotel	60	Nairobi
42	Milimani Hotel	90	Nairobi
43	Hotel Water Buck	120	Nakuru
44	Mid West Hotel	130	Kericho
45	Hotel Southern Blue	112	Nairobi
46	Sunset Hotel	100	Kisumu
47	Royal Court Hotel	116	Mombasa
48	Blue Hut Hotel	100	Nairobi
49	Meru Safari Hotel	54	Meru
50	Zonic Hotel	80	Kisii
51	Hotel 3 Steers Meru	60	Meru
52	Quale Hotel	66	Mombasa
53	Karibu Hotels	72	Nairobi
54	Park Villa Hotels	50	Webuye
55	Milimani Resort	60	Kisumu
56	Garden Hotel	118	Machakos
57	Wagon Hotel	72	Eldoret

Source: Government of Kenya, Ministry for Tourism, Kenya Gazette, June 2004.

September 20th, 2006.

The General Manager

Organization Name

Address

Dear Sir/Madam,

RE: LETTER OF INTRODUCTION – MUINDI PETER M.

I am a postgraduate student at the University of Nairobi, the Faculty of Commerce. In partial fulfillment of the Masters of Business Administration degree at the University of Nairobi, I have chosen to do a descriptive study on the Critical Success Factors (CSFs) in the high class hotels in Nairobi. The objective of the study is to determine the CSFs as perceived by the managers in these hotels.

After careful consideration, your esteemed hotel has been selected to participate in the study. I kindly request you to participate in the study by filling out the accompanying questionnaire.

The information collected will strictly be used for academic purposes and will be treated in the strictest confidence. Your name and that of your organization will not be mentioned in the report. A copy of the research project will be made available to you on request. I request you to answer all the questions truthfully and to the best of your knowledge.

Attached please find the questionnaire, which I hope you will take a few minutes and fill out.

Thank you so much for taking time to participate in this study

Sincerely,

PETER M. MUINDI

MBA Student

MR. JACKSON MAALU

Supervisor and Lecturer

QUESTIONNAIRE

The questionnaire below has been designed in relation to the objectives of the study. The questions are specifically in relation to Critical Success Factors in the hotel industry. Please answer all the questions.

Incase of any issues requiring clarification, kindly get in touch with the researcher (Muindi Peter M.) at Kenya Utalii College on Tel.0208563540-6 ext. 8462 or 0722 457989 or pmuindi@utalii.co.ke.

PART A:

GENERAL INFORMATION

- 1). Name of the organization
- 2).The name of the respondent (optional).....
- 3). Position in organization.....
- 4).Years you have worked for the present organization.....
- 5). Location of the organization. *(tick)*
 - City center []
 - Outskirt []
 - Any other (specify) []
- 6).What is your star rating *(tick)*
 - Five star []
 - Four star []
 - Three star []
 - Two star []
 - One Star []
- 7). Ownership/Management of the firm *(tick)*
 - Wholly local []
 - Wholly Foreign []
 - Group Ownership []

Individual

8). Vision of the organization

.....
.....
.....

9). Mission of the organization

.....
.....
.....

10) Who is responsible for setting organization vision and mission

- Board of Directors
- CEO
- Senior Managers
- Others (Specify)

11) Has the mission and vision changed over the last five years?

Yes No

If yes state the old and new

Old.....
.....

New.....
.....

2) How many rooms are there in your hotel? (Tick) as appropriate

- Less than 50
- 50-100
- 101- 200
- More than 200

3). Please indicate the number of staff employed in your hotel (*Tick one*)

Below 50

Between 51-100

Between 101-150

Between 151-200

More than 200

4) What percentage of your hotel employees has professional training?

less than 20%

Between 21-%50%

Between %51- 80%

Between 81-100%

5). How frequent are your departmental in-house training?

Weekly

Biweekly

Monthly

Occasionally

Rarely

6). Does your organization sponsor employees for training in hospitality courses

Yes No

If yes how frequently?.....

7). Does your organization has disciplinary actions to employees

Yes No

8). If yes how does it discipline employees (*tick*)

Dismissal

Warning

Pay reduction

Suspension
Any other (specify).....

PART B:

SPECIFIC INFORMATION

(Critical success factors are the few key areas where things must go right for the business to flourish. These elements determine company's strategic success or failure and emphasize its distinctive competence to ensure competitive advantage.)

1).Is your organization computerized?

Yes No

2.) If yes in 1 above, when was it computerized?

.....
.....

3).What value do you think the above computerization adds to your organization?

(tick)

Fast delivery of services

Quality service delivery

Cost reduction

Any other (specify)

4). Do you provide incentives to your customers?

Yes No

How (specify).....

5). Has your organization come up with new products within the last three years?

Yes No

If yes, how has this added value to your organization?
.....
.....

6. How many lines of products do you have?

- 0-5
- 6-10
- 11-20
- Above 20

7. In the last 12 months, what has been the average bed occupancy?

- less than 25%
- 25%-49%
- 50%-74%
- 75%-100%

8) What do you perceive to be your organization's key success factors? *Tick* as appropriate.

- Pricing
- Consistency
- Products
- Customer-service
- Location
- Employees
- Technology
- Hygiene and Quality
- Strategic Control

Any other (specify).....

9) Rank the above factors in order of importance (Tick)

**1=Most Significant, 2 = More significant, 3= Significant,
4= Less Significant 5= Insignificant**

	1	2	3	4	5
Pricing	[]	[]	[]	[]	[]
Consistency	[]	[]	[]	[]	[]
Products	[]	[]	[]	[]	[]
Customer-service	[]	[]	[]	[]	[]
Location	[]	[]	[]	[]	[]
Employees	[]	[]	[]	[]	[]
Technology	[]	[]	[]	[]	[]
Hygiene and Quality	[]	[]	[]	[]	[]
Strategic Control	[]	[]	[]	[]	[]
Any other	[]	[]	[]	[]	[]

10) Indicate the extent to which you perceive the following to be critical for the success of your organization on a scale of 1-5 (Please *tick where applicable*) where

5 - to a very large extent
4 - to a large extent
3 - to some extent
2 - to a small extent
1 - to no extent

	1	2	3	4	5
1. Convenient Location	[]	[]	[]	[]	[]
2. Geographical coverage of the hotel network	[]	[]	[]	[]	[]
3. Provision of Smoking & Non- Smoking Rooms	[]	[]	[]	[]	[]
4. Design/look of a guest rooms	[]	[]	[]	[]	[]
5. Size of the guest rooms	[]	[]	[]	[]	[]
6. Design/look of Guest Bedrooms	[]	[]	[]	[]	[]
7. Guest room comfort level	[]	[]	[]	[]	[]

8. High quality of service at all levels of service delivery	[]	[]	[]	[]	[]
9. Consistent Accommodation Standards	[]	[]	[]	[]	[]
10. Consistent Service Standards	[]	[]	[]	[]	[]
11. Provision of services that are perceived to be value for money	[]	[]	[]	[]	[]
12. Recognition of returning Guests	[]	[]	[]	[]	[]
13. Speed of guest service	[]	[]	[]	[]	[]
14. Increased levels of customer service	[]	[]	[]	[]	[]
15. Effective handling of guest complaints	[]	[]	[]	[]	[]
16. Tailored services to the changing needs of customers	[]	[]	[]	[]	[]
17. Provision of incentives to customers	[]	[]	[]	[]	[]
18. Consistently improves hotel service quality	[]	[]	[]	[]	[]
19. Staff empathizing with customer needs	[]	[]	[]	[]	[]
20. Staff responsiveness to customer needs	[]	[]	[]	[]	[]
21. Hygiene and Cleanliness	[]	[]	[]	[]	[]
22. Employment of the best possible staff by the hotel	[]	[]	[]	[]	[]
23. Staff training	[]	[]	[]	[]	[]
24. Hotel rewarding and motivating staff	[]	[]	[]	[]	[]
25. Assuring employees of their safety	[]	[]	[]	[]	[]
26. Involving staff in the process of designing the hotel product/service	[]	[]	[]	[]	[]
27. The management seeking to reduce staff					

- | | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| turnover | <input type="checkbox"/> |
| 28. Personalize guest service using IT system | <input type="checkbox"/> |
| 29. Formulating marketing programs ahead of the competing hotels | <input type="checkbox"/> |
| 30. First in the hotel industry to expose new products to customers | <input type="checkbox"/> |
| 31. Introducing and promoting new product innovations | <input type="checkbox"/> |
| 32. Online hotel reservation | <input type="checkbox"/> |
| 33. In-room high speed internet access to customers | <input type="checkbox"/> |
| 34. Customer interface with technology | <input type="checkbox"/> |
| 35. Linking purchase of different hotel services | <input type="checkbox"/> |
| 36. Any other comment in relation to your critical success factor | | | | | |
| | | | | | |
| | | | | | |