

A SURVEY OF STRATEGIC ISSUE MANAGEMENT
PRACTICES BY CLASSIFIED HOTELS IN KENYA

BY

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DECLARATION

I certify that this is my original work and has not been presented to any other University or college for the award of degree or diploma for examination purposes.

Francis Kimuri Muya

D61/IV8997/01

Signed_



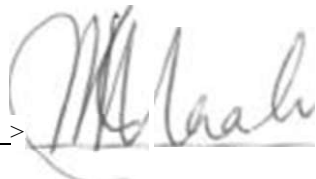
Date

25/10/06

This research project has been submitted with my approval as the University-supervisor.

Mr. Jackson Maalu

Signed_>



Date

26/10/06

DEDICATION

This project is dedicated to my family and parents for their love, patience, help, support and encouragement and their prayers which saw me through in my course.

Special appreciation goes to my wife Jane, my children, Immaculate, Sylvia and Michael who endured my absence during the entire course project.

ACKNOWLEDGEMENT

I thank Almighty God for giving me the strength, time and grace to work on this project.

I wish to acknowledge in general all my friends and colleagues for their moral support.

In a special way, I thank my Supervisor Mr. Jackson Maalu for his assistance, guidance and support, having worked hand in hand with me by providing the necessary guidance for this project. His dedication and passion for excellence went a long way to make this project a success.

Finally I extend my appreciation to all my lecturers, who contributed immensely in seeing me through the entire degree programme.

Thank you and God bless you in abundance.

ABSTRACT

The objective of this study was to establish strategic issue management practices by classified hotels in Kenya while identifying factors influencing strategic issue management practices in the hotel industry. The study is fundamental because strategic issue management has continued to evolve and in less than three decades (after 1970s) issue management has become an established as a distinct business discipline with proven capacity to add strategic value to organizations.

The study will be of benefit to hotel managers and practitioners in the hotel industry, the government and policy makers and the scholars. A descriptive survey method was used to collect data from the entire population. However out of the 47 hotels, only 35 responded by returning the questionnaire. The primary data was collected using "the drop and pick method". In each hotel the general manager was requested to fill the questionnaire, However, if absent, a suitable replacement such as the deputy general manager was requested to fill on his behalf.

From the survey, it was clear that the three star hotels responded better than the other cluster at 40 %. Due to the changes in the global arena, it has been noted that the hotels have started realising the importance of strategic issue management as a tool to maximizing their profitability margins. They are not only applying strategic planning tools in their scope of operations but also incorporating the strategic issue management concept to resolve urgent and critical issues. However, there seem to be lack of clarity in this area of management due to lack of proper training. The results of the survey indicated that issue management has more to offer in this industry. The

current rating is oscillating in the range of 51 % to 55% on the importance attached on strategic issue management.

For strategic issue management to take have a firm ground, resource mobilisation is inevitable. This match allows the company to align itself strategically as live environment changes. The top management will have to take it more proactive role in issue resolution, work hand in hand with the shareholders in the provision of resources and offer guidance to the issue teams. This is expected to push strategic issue management a notch higher.

Table of contents

DECLARATION.....	1
DEDICATION.....	»
ACKNOWLEDGEMENT.....	1,1
ABSTRACT.....	IV
TABLE OF CONTENTS.....	VI
LIST OF TABLES AND FIGURES.....	X
CHAPTER ONE: INTRODUCTION.....	I
1.1 BACKGROUND.....	1
1.1.1 THE ENVIRONMENT AND STRATEGIC ISSUE MANAGEMENT.....	I
1.1.2 THE HOTEL INDUSTRY, CHALLENGES AND OPPORTUNITIES.....	S
1.2 STATEMENT OF THE PROBLEM.....	10
1.3 OBJECTIVE OF THE STUDY.....	12
1.4 SIGNIFICANCE OF THE STUDY.....	12
CHAPTER TWO: LITERATURE REVIEW.....	14
2.1 STRATEGIC MANAGEMENT AND FIRM'S OPERATING ENVIRONMENT.....	14
2.2 THE CONCEPT OF STRATEGIC ISSUES.....	15
2.3 MATCHING FIRM'S RESOURCES TO ENVIRONMENT.....	16
2.4 FEATURES OF STRATEGIC ISSUE MANAGEMENT.....	18
2.5 STRATEGIC ISSUE MANAGEMENT PRACTICES.....	19
2.6 ORGANIZING FOR STRATEGIC ISSUES.....	26
CHAPTER THREE: RESEARCH METHODOLOGY.....	27

3.1 RESEARCH DESIGN	
3.2 POPULATION.....	27
3.3 DATA COLLECTION.....	28
3.4 DATA ANALYSIS.....	29
CHAPTER FOUR: FINDINGS AND DISCUSSION.....	30
4.1 INTRODUCTION.....	30
4.2 RESPONDENTS ORGANISATION'S PROFILE.....	30
4.2.1 Class of Hotel.....	30
4.2.2 Hotel Ownership.....	31
4.2.3 Number of Branches.....	31
4.3 STRATEGIC ISSUE MANAGEMENT PRACTICES.....	33
4.3.1 Flexible business plans.....	33
4.3.2 Commitment to Strategic Issues.....	33
4.3.3 Rating of Issue Management Practice.....	34
Table 7; Rating of Issue Management Practice.....	35
4.3.4 Management perception on SIM to future Success of firms.....	35
4.3.5 Long Term Planning.....	36
4.3.6 Planning Horizon.....	37
4.3.7 Decision making pattern.....	38
4.3.8 Suggested Issue Management Processes.....	39
4.3.9 Staff Empowerment.....	39
4.3.10 Strategic Issue Management Documentation.....	40
4.3.11 Champion of Strategic Issues Management.....	41
4.3.12 Recorded Strategic Objectives.....	42
4.3.13 Targets and fall back strategy- by management.....	43

<i>Table 17: Methods/Techniques</i>	44
4.3.17 <i>Involvement of Officer to handle urgency Issues</i>	45
4.3.18 <i>Postponement of issues to next year</i>	46
4.3.19 <i>Action Taken on Urgent Issues requiring immediate attention</i>	46
4.3.20 <i>Local Hotel Management empowerment</i>	47
<i>Table 22: Management empowerment</i>	48
4.3.21 <i>Perception of Strategic Issues Management</i>	48
4.3.22 <i>Investing On Strategic Issue Management</i>	50
4.3.23 <i>Time Taken In Urgent and Critical Decisions</i>	51
4.4 FACTORS INFLUENCING STRATEGIC ISSUE MANAGEMENT PRACTICES	52
4.4.1 <i>Business Environment</i>	
4.4.2 <i>Environmental trends affecting business growth</i>	53
4.4.3 <i>Issues identification by Respondents</i>	55
4.4.4 <i>Performance Measurement</i>	56
4.4.5 <i>Management pro-activeness to SIM actions</i>	57
4.4.6 <i>Engagement considerations to Strategic Issue Management</i>	58
4.4.7 <i>Treatment of Strategic Plans and Critical Issues</i>	59
4.4.8 <i>Annual pre-occupation on SIM by management</i>	
4.5 BENEFITS OF STRATEGIC MANAGEMENT	
4.6 CHALLENGES OF STRATEGIC ISSUE MANAGEMENT	61
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS	62
5.1 INTRODUCTION	62
5.2 SUMMARY OF MAIN FINDINGS	
5.3 CONCLUSIONS OF THE STUDY	69
5.4 RECOMMENDATIONS FOR FURTHER STUDIES	70

REFERENCE-.

APPENDIX I...

APPENDIX II..

APPENDIX III

APPENDIX IV

APPENDIX V.

LIS 1 OF TABLES AND FIGURES

Figure I: Firm* adaptation lo environment

Tablet: population sampling

Table 2: Crude of Hotel

Table 3: Hotel Ownership

I able 4: Number of Branches

Table 5: Flexible Business Plans

Table 6: commitment to Strategic Issues

Table 7: Rating of Issue Management Practice

Table 8: SIM and the Future success of a firm

Table 9: Long Term Planning

Table 10: Planning Horizon

Table II: Mode of Making Decision

Table 12: Empowerment

Table 13: Proof or Documentation

Table 14: Champion of Strategic Issues Management

Table 15: Kccordcd Strategic Objective

Table 16: Action taken

Table 17: Methods/Techniques

Table IK: Response on treatment of Urgent issues

Table 19: Urgency and Critical Issues Estimates

Table 20: Postponement of issues

Table 21: Action Taken on urgent issues

Table 22: Management empowerment

I able 23: Application Strategic Issue Management

Table 24: Investing on Strategic Issue Management

Table 25: Important Factors.

Table 26: Business Environment

Table 27: Operating Fnvironment

Table 2K: management sensitivity to environment.

Table 29: Respondent* identification of i**ue«.

Table 30: Performance Measure

Table 31: Response Rate by top management

Table 32: Engagement rating

Table 33: Treatment

Table 34: Tracking of SIM parameters

CHAPTER ONE: INTRODUCTION

I.I Background

I.I.I The Environment and Strategic Issue Management

The environment in which a firm operates is becoming increasingly turbulent and complex. Public opinion and individual norms and values have changed and society's expectations and the demands it makes to companies are now higher than before (Oomens and Bosch, 1999).

Strategic issue management has continued to evolve. In less than three decades, issue management has become established as a distinct discipline to mid value to organizations (Issue Management Council 2005). Strategic issue management is designed to position issues management in the strategic planning and management efforts by staff and executives (Heath, 2000). It entails understanding and achieving high standards of corporate responsibility by listening to and acknowledging the soundness of key publics' opinions. It thus supports strategic management by getting the firm's "house" in order, engaging in tough defence and smart offense, and monitoring opinion changes that affect public policy (Heath, 2000).

For a firm to implement its strategy in an increasingly turbulent environment, Ansoff and McDonnell (1990) have proposed three conditions that should be met: First, that the aggressiveness of the firm's strategic behaviour should match the turbulence of its environment. This means that if the environment is stable, strategic aggressiveness can be based on historical facts or precedents. As one moves along the continuum of turbulence to surprising levels, the strategic aggressiveness of the firm changes to

reactive . anticipatory, entrepreneurial and to being creative. This means that as the level of turbulence increases the creativity and intensiveness of the firm is inevitable. Secondly, that responsiveness of the firm's capability should match the aggressiveness of its strategy. When the environment is repetitive, the firm is driven by precedents. This works well in a closed system. However, when the environment is very turbulent (unforeseen), the firm should adopt an open system, that entail* embracing a total commitment to creativity.

Thirdly, that the components of the firm's capability must be supportive of one another. The firm's internal capabilities such as financial base and research and development coupled with the strategic formulation process should adapt to the environmental turbulence or change. If one of the factors shifts to a higher level the rest should follow suit.

An organisation does not operate in a vacuum but within an external environment. Which consists of variables that form the context within which firms exist (Hunger and Wheelen. 1985). To be successful in this environment, a firm adopts an open system approach by taking an assortment of resources from the environment in form of inputs, processes them, and finally deliver them back as output. The open system is made necessary by two factors: (1) continued organizational survival on its ability to secure rewards from the environment which replenish the resources consumed in the conversion process, and (2) continued maintenance by the organization of its social legitimacy (Mkamunduli. 2005).

For the modern executive to achieve desired results, it's not enough to respond by managing internal activities of the firm only but also the firm's remote environment

<Pearce II and Robinson, 2003). By so doing, the firm will enhance its growth, profitability and affirm its social legitimacy. However, this may be not achieved without timely resolution of prevailing issues. Mahon and Waddock (1992). in their extensive scholarship study of 'issue life cycle' (concern-problem-issue-crisis) noted that the sooner an organization starts to participate in the development of an issue, the greater the chance of positively influencing the outcome. Passing of time reduces management choices. Such timely resolution of issues would require real time approach. McKenna (1997) asserted that companies should consider investing in real time systems as an essential tool to maintain their competitive edge and meeting their customer' demands. Real time systems wrecks hierarchical organisations by making possible instant access to activities of all types-any where, anytime, all the time

AisoU" and McDonnell (1990) define strategic issues as forthcoming developments, either inside or outside of the organization that are likely to have an important impact on the ability of the enterprise to meet its objectives. They are developments or trends that emerge from an organization's internal or external environment, perceived to have the potential to affect an organization's performance (Aftsoff, 1980; King 1982). The issues require to be viewed from the context of strength, weakness, opportunity and threat of the enterprise (AnsolY and McDonnell 1990:369). In fact issue management has become established as a distinct business discipline, with proven capacity to add strategic value to organizations (Issue Management Council, 2005). Broadly speaking, issue management attempts to minimize surprises which accompany social and political change by serving as an early warning system for potential and environmental threats.... and.... attempts to promote more systematic

and effective responses to particular issues by serving as a co-ordinating and integrating force within the corporation (Jacques, 2002).

Strategic issue management first appeared during the evolution of strategic planning. Ansoff and McDonnell noted that when strategic planning was first introduced, the expectation was that strategies would be revised annually. But experience quickly showed this to be both impractical (for it's a time absorbing exercise) and unnecessary (because strategy is long term).

To be able to effectively deal with the discontinuous and surprising environment, organizations should embrace strategic issue management systems to enhance their capacity to adapt and to learn (Duncan and Weiss, 1979; Hedberg, 1981; Normann, 1985). Adapting implies that an organization can achieve a better alignment with its environment (Lawrence & Lorsch, 1967) while learning implies the alignment is facilitated by greater knowledge and understanding (Fiol and Lyles, 1985)

Strategic issue management systems facilitate an organization's adaptive capability in two distinctly different, yet complementary ways. First, a Strategic issue management system can collect, disseminate, and interpret information and by doing so, identify issues that require managerial interpretation (Daft & Weick, 1984). Thus, adaptation of Strategic issue management system rule in helping to solve the problem of managing equivocality, that is, differing interpretations (Weick, 1970) or reducing uncertainty (Thompson, 1967). It also requires that an organization deal effectively with resource dependencies (Pfeffer & Salancik, 1978) and pressures for accountability (Tetlock, 1985). Ansoff and McDonnell (1990) further concluded that at high turbulence levels.

it becomes necessary to start the firms' response while the environment signals are still weak. This can be achieved if firms can implant systems that can detect, analyze and respond to these changes. Heath (1986) mentioned that the proponents of strategic issue management assert as unique in the following ways: It is proactive rather than reactive, it allows companies to intercept problems at an early stage and it requires application of substantial empirical, qualitative and quantitative analysis to solve corporate planning problems. This therefore means that managers must depart from the planned change practices and adopt real-time systems. Real time strategic response is based on the appreciation that the periodic systems of managing organizations may no longer be capable of perceiving and responding to the threats and opportunities in a highly turbulent environment. The nature of strategic response of the firm enables it to reduce adverse effect or make the firm miss an opportunity. For the purpose of this study, strategic issue management is therefore, how to create the conditions that make proactive change a natural way of life (Kanter. 1997). The firms should therefore be able to anticipate, create and respond effectively to changes in the external and internal environment to increase profit potential.

1.1.2 The Hotel Industry, Challenges and Opportunities.

A hotel is an establishment that provides lodging and usually meals and other services for travellers and other paying guests (Matanda. 2005). This view was also extended by Mitra (2001). He defined a hotel as a building where rooms and usually meals are provided for the people in return for payment. The hotel industry has a direct link to the tourism industry and therefore any changes in the latter have a direct impact on the former. According to the economic survey (2005), the government has put in place

several measures to market the country as a tourist destination. The steps have borne fruits. In accordance with the Regulations 2 of the hotels and restaurants Act 1988, the hotels and restaurants Authority established classifications of hotels based on the set standards. The regulation classifies vacation hotels, town hotels and lodges into five classes denoted by stars, five being the highest stars, four stars, three stars, two stars and one star being the lowest. This classification is carried out in the manner prescribed by the hotels and restaurants Authority published in the legal notice no 30 of February 16, 2001 of the Hotels and Restaurant Act. The summary of the essential items that are considered while granting the classification is shown in appendix IV. The hotel industry has gone through turbulent times in the last two decades (Matanda, 2005). He further asserts that the "close relationship between the hotel sector and the turbulent tourism sector helps explain the turbulent environment that the hotels operate in". Given the increased dynamism in the business environment, a hotel's response to manage these changes will be vital to their success. They have to put in place new practices to be able to maintain their competitive advantage. Aosa (2014) noted that the basics of managerial work are similar all over the world. However, he asserts that management is sensitive to context in which the firm is operating, either environmental or organizational.

According to research conducted by Sarova Group of Hotels (2005), most of the guests taking room nights are non-residents with Kenyan market accounting only 12% of the total arrivals. However, the seasonality of bookings changes in the course of the year. Over the past few years, more Kenyans have taken command of the hotels' holiday packages. The scenario has been changing especially during major holidays because of the aggressive marketing by an emerging group of skilled local tour

operators (Special report Daily nation. 1 Jan. 2006). Because international tourism is an export business, the guests coming to Kenya need convert their currency to the local shilling to enable them transact conveniently in the local market. The spending pattern is affected by the appreciation/depreciation of the local currency against the major world currencies as determined by the global trends. The main product, the room, is a perishable. Agents who have negotiated contracted rates with the hotel management mainly make booking of rooms. Mostly, the negotiations are upfront, some stretching over one year. Good business in the books can translate into no business because of cancellations and no-shows due to the environmental turbulence. The trickle down effect can be of immense magnitude because it affects other revenue centres such as food and beverage.

The Hotel industry plays a crucial role in our economy. According to World Travel and Tourism Council (July 2005), travel and tourism is one of the world's largest and fastest growing industries. It was estimated that in 2005, it would account for 10.6% of global GDP and over 221 million jobs worldwide. It not only generates a lot of revenue and employment for the country but also affects backward and forward linkages such as in construction, transport and communication, vehicle hire, curios shops among other vitals. According to the Chief executive officer, Nairobi stock exchange (Financial Standard/Tuesday, June 28, 2005), the tourism sector reported a 50% improvement in earnings in the year 2004/5 compared to previous year. This is in contrast to the previous trends witnessed for the past seven years mainly because of the turbulence as a result of internal and external factors.

As a result of the negative consequences witnessed in the late 1990s, a decline was recorded in the expected tourist arrivals of more than 10.6% (www.centralbank.go.ke). After the bombing of the twin towers in America, the industry recorded a decline well over 20 % between September-2001 and December-2001 across the industry. Such significant reductions are detrimental not only to the government and investors but also are felt in the small-scale sector where the sale of traditional artefacts is prominent. Loss of employment, reduction in government revenue through reduced receipts and licenses and the general slump in other sectors such as agricultural and transport are greatly affected due to their linkage with this industry. These challenges continue to assume regular and, increasingly now, irregular forms, yet, while the causes of change are many, the discernible patterns are few (Lovelace, 2005).

The environment in which firms operate has been continuously changing: Politically, socially, people cultures, economic, technological advancement, legal and environmental policies being promulgated. In the early 1990s, Kenya witnessed dramatic changes. The economy was liberalized unblocking the monopolistic and price control practices, multi-party democracy was introduced in the early nineties, opening of regional markets such as COMESA, exchange rate controls were removed while the international monetary fund structural adjustments saw the public sector undergo serious reforms (Wagoki, 1998). Institutions such as the stock market and the financial market were also affected. In 1997, Kenya witnessed the infamous Likoni clashes (Daily Nation, 2005). The industry was greatly affected by the bombing of the US embassy in the year 1998 with United States and its allies issuing travel advisories to their citizens coming to Kenya. The Bombing of the twin towers in America < 11"*

September, 2001) was felt in every corner of the world, which made an already bad position, worse. The threat associated with al-Qaeda networks (such as the London bombings on 7th July-2005, Egypt's Red Sea resort of Sharm el Sheikh on the 23rd July-2005) have forced nations and tourists alike to change their negative perceptions about Kenya as a tourist destination (Hotel magazine, 2005). The SARS outbreak witnessed in the South Eastern Asia in 2002 made selling of Kenya as a tourist destination to the economic tigers of Asia difficult. The local currency continues to appreciate therefore affecting spend per guest in the local market. The poor infrastructure available in our tourist destinations, gender and age of tourists visiting the country, the fear of a looming global oil crisis as crude oil prices recorded a high of \$ 78 a barrel due to the political tension in the Middle East and the booming China and India economies (Financial Standard December 20, 2005). This has caused havoc in the aviation industry resulting into a spiral effect on airfares charged to the visiting tourist*

The market has witnessed new entrants and exits. International players such as the Holiday Inn Hotels have penetrated the market while the Ixmarho Group was taken over by the Kingdom Hotels and Resorts in May 2005 (Sunday Standard 2005). In the year 2004, the Asia countries had to contend with the tsunami disaster (Daily Nation, 2005). The loss from this disaster was enormous. It affected some of the best tourist destinations in this region. However, the effects in the East Africa coastal region were negligible. In Kenya, this was a blessing in disguise. As the numbers of tourists arriving in Kenya continue to grow, the issues of piracy along the coastal region continue to dominate the minds of the coastal investors and the tourists alike.

The deadly avian influenza (bird flu) threat did not make things better for the hoteliers. A lot of people started avoiding chicken dishes even after the world health organisation (WHO) declared that properly cooked chicken poses no danger to the consumer (Sunday business. 2006). According to Dr Njenga (Daily nation. 2006), the avian flu takes only 21 days before spreading far and wide. Although a "national preparedness' plan for Kenya" is complete after holding a series of weekly meetings which started last year (Sunday business 2006), fear abounds that no nation is prepared for the avian influenza (Daily nation. 2005). As the year 2005 came to an end, famine was reported in major parts of our country and the resources had to be mobilised to needy areas (Sunday Nation 2006). When such a tragedy hits a country, the prices of basic commodities start skyrocketing. This eats into company's gross margins.

While Kenya is known to be endowed with natural resources, there is lack of leadership, which can be attributed to leadership (Sunday nation 2006). The year 2005 did not end without a share of political anxiety in our country when the country had to go for a referendum on the proposed constitution. The exercise heightened the political temperatures in the country. In many instances, such scenarios in developing countries are associated with civil unrest and war by the developed countries and this made some international bookings suffer in the process.

1.2 Statement of the Problem

The business environment within which the hotel industry operates has been very volatile. The political anxiety, competition from new entrants, unfavourable weather conditions, social reforms, technological advancement, the global changes are some of the challenges that have greatly affected the growth of this industry. These

challenges cannot be ignored because the industry plays a significant role in our economy. Given that tourism is on the upturn and economic fundamentals are getting better, hotels have been compelled to be proactive in their plans by taking full advantage of the recovery. (Financial standards, 28 2005). This is important because the way firms implement strategic issue management activities positively influences its competitiveness as well as the relative standing amongst its peers (Hugem, 2003).

Studies carried out elsewhere in the world for firms facing similar challenges have started organizing for 'issue management'. That is; developing a systematic process by which the company can identify, evaluate, and respond to strategic issues affecting the company (Oomens & Bosch, 1999). The uncertainty and surprising environmental turbulence in the global market is demanding investors and management to institutionalise proactive and dynamic management approaches to assist the managers in planning and implementation (Nganga, 2001). This is so because companies can no longer continue to rely on historical trends or projected trends without critically observing, analyzing and evaluating 'surprising events and issues' which affect the known trend, external or internal. Studies carried so far indicate that strategic issue management is being practised widely to harness the competitiveness of the firm.

Oomens & Bosch (1990) carried out a research on strategic issue management in major European-listed companies. However, such research would need a modification to apply within the Kenyan context. Nganga (2001) conducted a research on real time strategic management practices for companies quoted on the Nairobi stock exchange. However little attention was paid on strategic issue management in the Hotel industry.

Currently, only one hotel, IPS Serena, is listed in the local bourse. Mkamunduli (2008) conducted a research on strategic issue management in the insurance companies in Kenya. But the nature of the product on offer is very different compared to the hotel business.

Issue management in the hotel business demands that hotels should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risk involved. Risk involved includes cancellations of booked business in the books, which may not have been paid by customers.

Based on this evaluation, there is a gap in literature to warrant a research to be conducted in this industry.

1.3 Objectives of the Study.

The objectives of the study are:

- I. To establish the strategic issue management practices by classified Hotels in Kenya.
- II. To identify the factors influencing strategic issue management practices in the hotel industry in Kenya.

Insignificance of the Study

The study should benefit the following groups.

- a. To the managers and practitioners in the hotel industry who enabled not only understand the current strategic issue management practices but also will enable them identify gaps that may require re-evaluation

- b. The government is a major player in this sector. Apart from enhancing revenue collection, other policies may be formulated to enable the industry record further growth and create synergy with the stakeholders.
- c. To create awareness on the importance of strategic issue management as an essential tool in strategic management in the hotel industry.
- d. To the scholars who will be able to do further research in strategic issue management practices.

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategic Management and Firm's Operating Environment.

The environment in which a firm operates is becoming increasingly turbulent and complex. Public opinion and individual norms and values have changed and society's expectations and the demands it makes to companies are now higher than before (Oomens and Bosch, 1999)

Strategic issue management has continued to evolve. In less than three decades, issue management has become established as a distinct discipline to add value to organizations (Issue Management Council 2005). Strategic issue management is designed to position issues management in the strategic planning and management efforts by staff and executives (Heath, 2000). It entails understanding and achieving high standards of corporate responsibility by listening to and acknowledging the soundness of key publics' opinions. It thus supports strategic management by getting the firm's "house" in order, engaging in tough defence and smart offense, and monitoring opinion changes that affect public policy (Heath, 2000).

For a firm to implement its strategy in an increasingly turbulent environment, Ansoff and McDonnell (1990) have proposed three conditions that should be met: First, that the aggressiveness of the firm's strategic behaviour should match the turbulence of its environment. This means that if the environment is stable, strategic aggressiveness can be based on historical facts or precedents. As one moves along the continuum of turbulence to surprising levels, the strategic aggressiveness of the firm changes to

reactive anticipatory, entrepreneurial and to being creative. This means that as the level of turbulence increases the creativity and innovativeness of the firm should match.

Secondly that responsiveness of the firm's capability should match the aggressiveness of its strategy. When the environment is repetitive, the firm is driven by precedents. This works well in a closed system. However, when the environment is very turbulent (unforeseen), the firm should adopt an open system, that entails, embracing a total commitment to creativity.

Thirdly, that the components of the firm's capability must be supportive of one another. The firm's internal capabilities such as financial base and research and development coupled with the strategic formulation process should adapt to the environmental turbulence or change. If one of the factors shifts to a higher level the rest should follow suit.

2.2 The Concept of Strategic Issues

The literature review on strategic issue management based on Kenya Context is scanty (Nganga, 2011). However, a lot of information based on the western countries is available. This gap has been complemented by the global trends impacting on Kenya's environment as reported by the local dailies and the Internet. Igor Ansoff (1980), one of the first scholars in the strategy field defines strategic issue as. "A forthcoming development, either inside or outside of the organisation, which is likely to have an impact on the ability of the enterprise to meet its objectives". The strategic literature pays particular attention to the impact, which the strategic issue may have on a company. The business and society literature on strategic issues focuses on the

potential gap between the company actual performance and the performance as perceived or expected by the company stakeholders. Post (1983) defines strategic issue as "a gap between what the organization's relevant publics expect its performance to be and the organization's actual performance. Thus, the extension of study of strategic issue management especially in transition economies is important because it is less known (McKenzie, 2000). A replication study conducted in the republic of Estonia (former Soviet Union) indicates that classification of strategic issues differs in terms of number of strategic issues, threat or opportunity when compared to the western counterparts (McKenzie, 2000).

Since strategic issue can emanate from within the organization or from the environment within which the organization is operating, use of strategic models as practised in the developed nations would require modification and adaptation because environmental factors in Africa take a different dimension (Aosa, 1992). The strategic moves undertaken by management always enables the organization achieve its targets (Thompson & Strickland 1993). Therefore, all these differences in issue analyses based on environmental variations are expected to be manifested in a developing country like Kenya.

2.3 Matching Firm's Resources to Environment

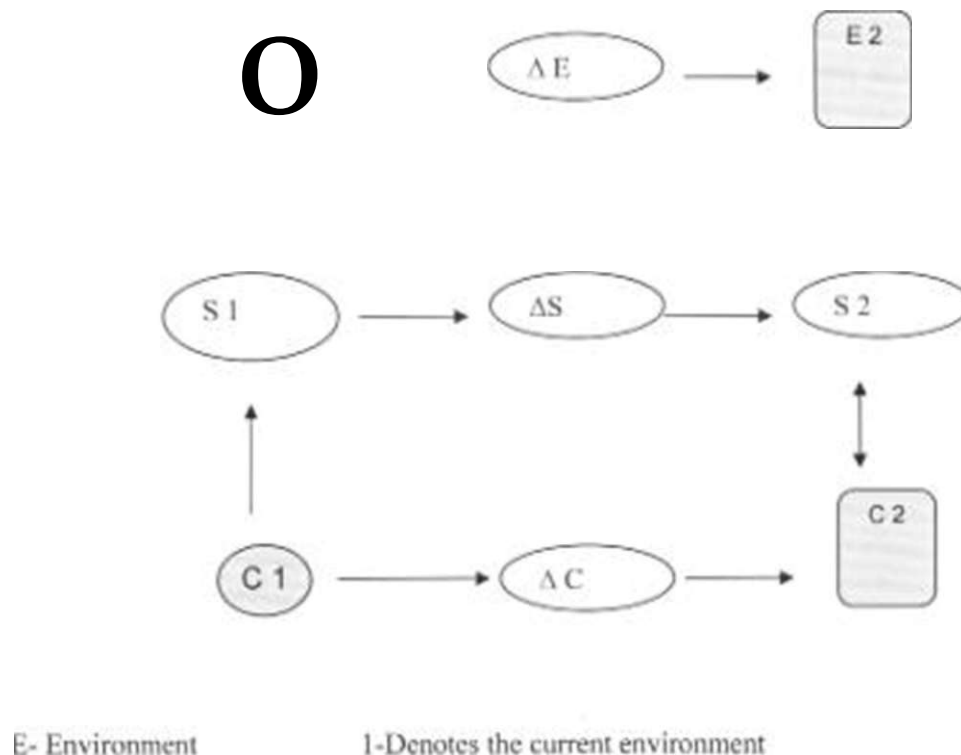
According to Ansoff and McDonnell (1990), strategic issue management (SIM) relies heavily on strategic surveillance through environmental scanning and special alert controls. It employs the technique of object gap analysis to ensure that operational controls are in place. This requires organizational capabilities, which facilitate

management response to surprising changes. They propose that for a firm to deal effectively with the surprising changes it requires to invest in a strategic surprise system.

For the firm to be able to invest in a strategic surprise system to enable it close the environment and capability gap, it is paramount to design the capabilities (managerial as well as functional) which will enable it to initiate and support the new strategic response (Ansoff and McDonnell, 1990). The planned response and the capability design must be put in practice to avoid organizational resistance (Ansoff and McDonnell, 1990). This match is best viewed using the diagram presented here below.

Figure 1: Firms adaptation to environment

Adapted: Managing firms adaptation to environment (Ansoff and McDonnell, 1990)



S- Strategic response 2- denotes the future environment

C-Internal capability

According to Oomens & Bosch (IWO), scholars have developed a great deal of time and effort drawing up models presenting the issue management process as a sequence of steps to be executed. These are: scanning or monitoring the environment, issue identification, prioritization, analysis, strategic decision and action programs, implementation, and evaluation.

2.4 Features of Strategic Issue Management

Strategic issue management has four important features: First, the issue arrives suddenly, it's unanticipated. Secondly, it poses novel problems in which the firm has little prior experience. This is because the future may have no relationship with the past. New products continue to penetrate the market because companies have invested in their research and development divisions. The past is recognized only as something not to be repeated (Ansoff and McDonnell, 1990).

Third, failing to respond implies either a major financial reversal or loss of a major opportunity. If a firm fails to respond to such issues, they can escalate and cause negative publicity and financial damage. A well-known example of such an issue is the commotion caused for Shell over the dumping of the Brent Spar oil platform in the North Sea. (Oomes and Bosch, 1999).

Fourth, the response is urgent and cannot be handled promptly enough by the normal systems and procedures (Ansoff and McDonnell, 1990). More importantly, business

as usual approaches seems very difficult to justify in the post - industrial era. Waiting to act until "fuzzy" environmental signals become clearer, rather than investing in learning more about them now. means losing competitive leadership to others (Stoffels. 1994).

For a firm to handle events noted here above, it requires to invest in a strategic surprise system (Ansoff and McDonnell. 1990). The system requires an emergency communication network, an information evaluation and assignment centre, repartitioning the responsibilities of the top management, a strategic taskforce network, training of the strategic taskforce in prompt response to novel problems and exercise the networks under non crisis conditions

2.5 Strategic Issue Management Practices.

Real time strategic issue responses are necessary to facilitate the firms' preparedness in handling the impending issues that may have profound impact on the firm (Nganga. 2001). In his presentation to the issue management council (IMC). Jacques (2005) proposed a nine best issue management best practice indicators. He broadly classified them under structure, implementation and integration.

Under structure, he recommended the establishment of a mechanism to identify current and future issues through environmental scanning / issue analysis. When reviewing the structure, management should consider the following reference Points. There should be designated individuals to formally monitor key information sources such as news media, journals, research, websites, and external conferences and peer industry activities. The organization sought to actively participate in trade

associations including monitoring and lobbying of legislation, new regulations and relevant litigation at local, national and international levels, use phone or email hotlines, allow employees to elevate issues with management (anonymity available), ensure Community Advisory Panels or third party focus groups are actively promoted and existence of an established process is in place to receive, evaluate and prioritize scanning inputs from both internal and external sources

Secondly, the organization to adopt a formal process to assign and manage issues. The following reference Points are important. Establish policies or procedures describing the Issue Management process including roles and responsibilities and documentation, have formal prioritization tools to optimize Issue assignment such as impact matrix, risk evaluation and prioritization analysis, ensure that Issue strategy development tools or worksheets are consistently used, make sure that Issue status files and position statements are regularly updated and information to be maintained to facilitate future access to the last status and lessons learned

The third factor requires Out responsibility for stewardship of the issue management process be clearly assigned and mechanisms put in place to build organizational expertise in the discipline. This should take care of the following reference points: Job descriptions should show clear responsibility for the Issue Management process, an Issue Management Centre of expertise to provide resources to improve Issue Management awareness and effectiveness at all levels of the organization. Then, the Issue Management Process Steward then formally monitors Issue teams to eliminate redundancy, promote consistency of policy and messages and optimize resource deployment conducts formal training so that it's available for Issue Management

Teams to properly implement the process. The Operational issue Management processes should then be regularly reviewed and benchmarked.

At the implementation stage, the fourth critical factor is "Ownership" of each major issue being clearly assigned at an operational level with accountability and results linked to performance reviews, the following reference points should be taken into account. The Issue owner is clearly identified on all documentation and communication. Action plans and time-lines are set out at both group and individual operational activity. The Issue progress is assessed and evaluated against formalized operational or tactical goals while personal and team issue achievements relate directly to salary and bonus assessment. The management authorizes resources such as task teams to address particular issues.

Fifth, the Progress against key issues should be formally reviewed with organizational "owners" on a regular basis and the status of each to be monitored at the highest management level, Issue ownership should take into account the following reference points. The Issue teams meet and report on a regular basis. They should have existing recognized processes to formally evaluate progress against strategic objectives. The chief executive officer should be regularly briefed on key issues including status and plans (e.g. weekly or fortnightly), live processes should then be established to record and implement management feedback while management formally reviews Issue Position statements and actively participate in regular status updates (e.g. quarterly).

The Executive Committee or Board of Directors has fiduciary oversight of issue management, has mechanisms in place to report progress to Directors and /or external

stakeholders; and authority to intervene in the event of non-compliance or misalignment. The following reference point* should be considered Board level management has direct issue involvement (e.g. public policy or environmental affairs committee or nominated Director to lead or maintain the Issue process and related policy). The issue reports are available to external stakeholders (e.g. Annual report, Corporate Social Responsibility report), while organization external web-site provide issue updates and mechanism for stakeholder feedback, have established procedures existing for the Board to intervene where necessary and to penalize non-compliance. The board utilizes an executive level external Issue or a Stakeholder Advisory Board.

The final phase would then constitute the integration stage. The top management should ensure that formal channels exist for managers at all levels to identify and elevate potential issues for possible integration into broader strategic planning, including external stakeholder management. This must be done in light of the following reference points: That strategy planning should specifically review current and future issues and their financial impact throughout the business life cycle. The external stakeholder then advocates formally report findings and feedback. Business or new product reviews identify and addresses potential issues while "issue scanners" are formally identified and trained. Managers should then actively encourage outside-in perspectives and employee participation.

The eighth factor for consideration is the Management of current and future issues to be well embedded within the strategic planning and implementation processes of organisational clients or owners. The following reference points should be considered: Training programs to promote Issue Management as a standard operating

procedure, the leadership of the business or operating unit owns the issue and receives regular updates. Issue owners should be members of core management while issue Management plans are fully aligned with Business Plans to ensure optimum synergy and minimize duplication or internal conflict. The Chief Executive officer briefing book must then integrate issues into Annual General Meeting, analyst briefing and other shareholder communication.

The ninth and final factor identifies issue Management to be recognized and organizational) positioned as a core management function which is not confined to a single function or department. The following reference points should be put into account, the Issue Management team leadership and membership should reflect diversity of function or department. Issue Management is recognized in job descriptions across all key functions and departments while individual issue managers and process owners participate in key management groups appoint Issue champions from senior management of impacted departments and they also issue process training which is scheduled and monitored for all levels of participation including employee orientation.

As a rejoinder, Mills (Issue management council, 2005) shared an overview of key methodologies that comprise her organization's award-winning "generic" issue management process. She proposed a five-prong approach as follows: First, systematically identify issues by scanning the environment and stakeholders relations, the information should be entered into issues management database. Secondly, issue analysis follows through research on issues, vulnerability check, stakeholder analysis and issues evaluation. Thirdly, Issue action by finalizing on strategy, tactics and

action plans, while integrating public affair. Fourth stage involves issuance of change strategy'. This would put into consideration the policy and position factors, the change strategy options consensus and officer sign off and die message development. Fifth, evaluation of results which includes research from feedback, accomplish goals, and archiving. As a member of the issue management council (2005), she believes that the process is an effective tool which is adaptable.

AnsotV and McDonnell (1<W0) proposed four analytical techniques for strategic issue management. These are use of simple environmental impact analysis. Cross-impact analysis, ranking approach and the F.uroquip matrix.

The first one is the simple environmental impact analysis which diagnosis one event/trend at a tune and does not concern itself with their interdependence. Threats/opportunities ami future strengthsAveaknesscs can be identified from the continuous surveillance of three sources (external environmental trends, internal capability trends and performance trends).

The second it the issue ranking approach which involves a continuous environmental surveillance through trend analyses (external environment, internal environment and internal performance).

SWOT identification. Impact and urgency of the trends are estimated and presented as key strategic issues to top management at frequent meetings and whenever a new major threats or opportunity is perceived. Fhcn together with planning start", top management sorts' issues into one of the four categories.

Highly current issues of far reaching effect which require immediate attention (i.e.: urgent issues). Moderately urgent issues of far reaching effect that can be resolved during the next planning cycle (i.e. postponable issues). Non-urgent issues of far-reaching effect which require continuous monitoring (delayable issues) and issues those are "false alarms" and can be dropped from the further consideration (i.e. minor issues).

The urgent issues are assigned for study and resolution, either to existing organization units, or to special task forces. Top management both for strategic and tactical implications monitors the resolution of issues. The list of issues is kept up-to-date through periodic review by the top management

The third technique is the crow impact analysis, which can be added to estimate the likelihood of simultaneous occurrence of several events/trends. This analysis produces clusters of events/trends, which are likely to impact together on the firm and facilitates identification and preparedness of probable future disaster scenarios or opportunity scenarios

The fourth method, "Euroquip matrix" analyses issues after the ranking has been done and after the synergy analysis. Further the positive or the negative synergy evaluations is done for the issues impact and issue urgency. A positive synergy occurs when strengths and or weaknesses are applicable to responding to threats and opportunities. A negative synergy occurs when neither strengths nor weaknesses help in with threats and opportunities.

2.6 Organizing For Strategic Issues

Oomens & Bosch (1999) using a strategic perspective suggests that there are three ways of organizing for strategic issues: Corporate level. Functional level and process-oriented. However, the location and the focus of the analysis influence the decision-making on strategic issues. If the analysis is made at the corporate level and the focus is on corporate issues, the decision-making tends to be centralized. If the location and the focus are at the business and operating company level, this produces a more decentralized decision-making process. As soon as an important strategic issue has been identified, they should be allocated to a particular person in staff or in line management, who will be responsible for monitoring and managing it. According to Oomens and Bosch, (1999), there is general consensus in the literature that senior managers should be responsible for important strategic issues and that staff members should play a supporting, advising and coordinating role. There is also consensus that issue management should be part of strategic decision making process, that is, formal planning and appraisal session, and that top management commitment to issue management is crucial.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This is a survey research. Tull and Albaum (1973) define a survey research as a systematic gathering of information from a sample of respondents for the purpose of understanding and predicting some aspects of the behaviour of the population of interest. The study aimed to establish the current strategic issue management techniques in the hotel industry, to achieve this, a descriptive survey was applied. The survey method allows an in-depth and a complete investigation for a pioneer study of this nature while making generalization of information collected where applicable. Nganga (2001) and Mkamunduli (2005) successfully used the survey method in their studies.

3.2 Population

The population of interest included 311 classified hotels in Nairobi and Mombasa which were awarded a three star and above because of their strategic position as centres of tourist attraction. According to the Kenya Gazette notice Number 5693 of 23rd July 2004, there were 47 classified hotels which had been awarded three star and above. Nineteen (19) were in Nairobi and twenty eight (28) were in Mombasa. The Kenya Gazette notice number 5693 of 23rd July 2004 has 110 classified hotels in Kenya, the sample selected constitutes 42.73% of the total classified hotels in Kenya, hence acceptable for a census study. The selection of the three star hotels and above was deemed appropriate because such hotels have developed management capabilities and continue to deploy resources to meet the needs of the changing environment. The choice for the Nairobi and Mombasa hotels was done because these hotels constitute

the hub of the hotel industry. They are likely to set the pace in virtually all issues that may affect the industry. Most of the other pinyen constitute lodges and restaurants which may follow behind when major policy issues require to be implemented without being carried in the two major cities.

Table 1: Population sampling

Classification/Region	Nairobi	Mombasa	Total	percentage
Five star	8	3	11	23%
Four star	1	8	9	20%
three star	10	17	27	57%
total	19	28	47	100

Source: The Kenya Gazette Number 397

3.3 Data Collection

The data collection was through self-administered questionnaires with closed and open-ended questions (see appendix II). As much as possible, a 5-point Likert scale was used to determine the extent of strategic issues involved. The closed ended questionnaires enabled the researcher to collect quantitative data based on the frequency while open-ended questions gave the respondent complete freedom of response. Previous researches on strategic issue management in companies indicate that the respondents chosen are mainly Chief executive officers (CEO) (Gekonge, 1999). However, in many hotels, the general managers are the ones mainly involved in the running of the day-to-day business operations. A hotel with a group chain may have a managing director, whom may be considered to be the chief executive officer. The following approach was followed. First, contact by telephone numbers to the general manager to persuade him/her to participate in the survey and use of

personalized COVCT letter explaining the purpose of the study and questionnaires through the drop and pick method. While picking the questionnaires, clarifications were made while counterchecking any unanswered questions.

3.4 Data Analysis

The results of the study (editing, coding and entry into the computer) was analysed by the use of descriptive statistics such as the measures of the central tendency, mean and standard deviation, frequency distribution and percentages. Frequency tables were used for arraying data obtained to facilitate working out percentages. The statistical package for the social sciences (SPSS) was used to carry out the analysis.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Introduction

This chapter contains the data analysis and findings of the study. The data in this study was summarized and presented in the form of tables, frequencies and percentages. Total of 47 questionnaires were distributed to various hotels in Nairobi and Mombasa. However, only 35 hotels responded by completing and returning the questionnaires, representing 74.46% of the response rate. The data analysed is based on profiles of classified hotels in Kenya, practices of strategic issues management by these hotels, factors impacting on strategic issues management practices, benefits and challenges.

4.2 Respondents Organisation's Profile

4.2.1 Class or Hotel

The classification of hotels was considered important because it has a huge bearing on resource deployment capabilities to issues management and the strategy formulation to the environmental turbulence. The data captured the grade of the hotel from three star, four star, and five star. Table 2 below shows their response.

Table 2: Grade of Hotel

Grade	Frequency	Percent
Three star	15	40
Four star		25.7
Five star	11	34.3
Total	35	100.0

Source: Research data

The findings in table 2 above show that majority of the respondents fall under three star at 10%, four star at 25.7% while five star at 34.3%. The data shows that majority of the respondents came from three star category. When a hotel classification goes up, the resource requirements by the stakeholders' increases (see Appendix iii)

4.2.2 Hotel Ownership

The Ownership of a firm greatly determines the structure to be adopted by the organization, the leadership style, capital requirements, level of innovation, operating procedures among others.

The data captured shows if a hotel is wholly owned, have group ownership, wholly local, individually owned or government owned. Table below shows the study findings.

Table 3: Hotel Ownership

Ownership	Frequency	Percent
Wholly foreign	4	11.4
Group ownership/Partnerships	13	37.1
Wholly local	14	40.0
Individuals	3	8.6
Government	1	2.9
Total	35	100.0

Source: Research data

It is evident from the tabulation that the most of the hotels have a local ownership at 40 %. Groups and partnerships at 37.1%. wholly foreign at 11.4%, individuals at 8.6% while one is owned by the government. The group ownership structure may greatly determine the type of organisation structure and therefore the management

style to be adopted when making urgent and critical decisions. An entrepreneurial approach to decision making may not be possible when the organizational structure is tall.

4.2.3 Number of Branches

The number of branches determines the degree of decentralisation of critical decisions and the level of delegation one may find in a company. The role of the corporate level strategy may have an impact on the decision making process, table 4 indicates the respondents' outcomes,

Table 4: Number of Branches

Response	Frequency	Percent
Yes	21	60.0
No	14	40.0
total	35	100.0

Source: Research data

It is evident from the table above that the most of the hotels have branches with 60% having branches at 60% while 40% had no branches. With the existence of branches, a firm will have to decide whether to retain a corporate level decision making process to address issues emanating from within the hotel or delegate to the local management. When a firm has more than two branches, delegation of authority, in many cases, is a preferred method in decision making.

4.3 STRATEGIC ISSUE MANAGEMENT PRACTICES.

4.3.1 Flexible business plans

For a company to adapt to the ever changing environment, a flexible business plan should be put in place. 11m take the form of contingency plans in case there is a radical shift in environmental parameters. Table 5 below shows the results of the study.

Table 5: Flexible Business Plans

Response	Frequency	Percent
Yes	30	85.7
No	5	14 J
Total	35	100.0
Source: Research dala		

It is evident that 85.7% of the respondents have business plans in place to allow adjustments with clianges in operating environment while 14.3% do not have business plans This finding is critical because for companies to be able to respond effectively in their operating environment, flexible plans should be put in place to accommodate such changes. While 85.7 % ofthe hotels have flexible plans in place, the rest should put flexible plans in place to adapt to the changing environment. When the environment changes, a strategy shitt will follow.

4.J.2 Commitment to Strategic Issues.

The analysis ofstrategic issues affecting a firm is not a one time affair. A firm is an open system. It must give and take from the environment. Ihc data below sought to

establish from live respondents how regularly the issues affecting the hotels are updated, the timeframe captured here was monthly, quarterly, semi-annually, and annually.

Table 6: commitment to Strategic Issues.

Duration	Frequency	Percent
Monthly	15	42.9
Quarterly	10	28
Semi annually	3	8.6
Annually	2	5.8
No response	5	
Total	35	100.0

Source: Research data

It is evident from the table above that 42.9% of the respondents prepare strategic issues on a monthly basis, quarterly at 28%, semi-annually at 8.6% while annually at 5.8%. The results affirm that monthly review of strategic issues raises the level of preparedness for management. Such hotels are therefore likely to respond to strategic challenges and have a competitive advantage compared to the others.

4.3.3 Rating of Issue Management Practice

Strategic issue management enhances the growth, profitability and social legitimacy of a company. The sooner an organization starts to participate in the development of an issue, the greater the chance of influencing the outcome. The study sought to find out the rate of strategic issue management practices by management. The respondents were requested to indicate whether issue management was highly practised, not practised at all or partially practised. The table below shows the outcome of the study.

Table 7: Rating of Issue Management Practice

Rate	Frequency	Percent
Highly practiced	18	51.4
Not practiced	·	-
Partially practiced	17	48.6
Total	35	100.0

Source: Research data

The results of the study show that most hotels practice strategic issue management rated at 51.4% while partial practice stand at 48.6%. From the results it can be deduced that the hotels make use of strategic issue management system. However, there is need to sensitise the hotel management on the importance of strategic issue management to enable the industry reap full benefit. The hotel managers are advised to go an extra mile and unravel the mystery in issue management if they wish to remain competitive.

4.3.4 Management perception on SIM to future Success of firms

Issue management has been proven to add strategic value to the enterprise. The issues require to be viewed from the context of strength, weakness, opportunity and threat. It serves as an early warning system. This study sought to establish the management's perception on the role played by strategic management to the future success of the organisation. The respondents were requested to rate the importance attached to strategic issue management as follows: No importance, of limited importance, important, very important and essential. Table 8 below shows outcome of the study.

Table 8: SIM and the Future success of a firm

Importance	Frequency	Percent
Of no importance	0	0
Of limited importance	0	0
Important	18	51.4
Very important	4	11.4
Essential	13	37.1
Total	35	100.0

Source: Research data

Results reveal that 51.4% of the hotels find it important to undertake strategic issue management, very important at 11.4% while essential at 37.1%.

4.3.5 Long Term Planning

Strategy formulation is a long term thrust which takes several years to implement. The study sought to establish if hotels undertake planning for their business. The respondents were requested to indicate a Yes or No. Table 9 shows the results of the study.

Table 9: Long Term Planning

Response	Frequency	Percent
Yes	12	34.3
No	23	65.7
Total	35	100.0

Source* Research data

The above results show that Most of the hotel that responded did not carry out long term planning in their hotel at 65.7% while those who carried out long term planning was at 34.3%.

4.3.6 Planning Horizon

Because strategy formulation is long term, constant revisions may be quite unnecessary. Revisions can be a very time absorbing exercise and if they are conducted annually, overloads management. The study sought to establish among the companies that carry out long term planning, their preferred planning horizons. The respondents were to indicate short term as less than one year (<1 year), medium as 1-3 years and long term over three years (>3 years)

Table 10: Planning Horizon

Horizon	Frequency	Percent
Short term <1 year	0	
Medium 1-3years	4	33
Long term >3 years	8	67
Total		100.0

Source: Research data

For the hotels that engage in long term planning, the findings show that most of them undertake planning over a period of 3 years at 67 %, while medium term , 1-3 years at 33%. An important disclosure from the questionnaire showed that the long term planning is carried out by the international hotels due to their affiliation to the corporate bitdiev This statistic, when compared to the ownership structure indicates that a huge number of hotels that are locally owned do not practice long-term planning.

4.J.7 Decision making pattern

The mode of decision making is very important when strategic issue resolution is required. The data to be captured was tendency to centralise decision to top mangers, tendency to delegate decisions to lower managers and tendency lo use inter departmental committee taskforce.

Table 11: Mode of Making Decision

Mode of decision making	Frequency	Percent
Tendency to centralise decision lo top mangers	16	45.7
Tendency to delegate decisions to lower managers	6	17.1
Tendency to use inter departmental committee taskforce	10	28.6
No response	3	8.6
Total	35	100.0

Source: Research data

The results show that the prevailing mode of making critical strategic decisions is the tendency to centralise decision to top managers at 45.7%, tendency to use inter departmental committee taskforce at 28.6%, tendency to delegate decisions lo lower

managers at 17.1%. This trend may be good for the organisation because of the need to make decision* and also allocate resources without hurting other needy areas.

4.3.8 Suggested Issue Management Processes

While several processes have been proposed regarding the way strategic issue management can best be handled, other recommendations were advanced by respondents to ensure strategic issues are captured, analysed and implemented. Some of the suggestions include the use of competition analysis, customer feedback systems, monthly and weekly board meetings, general manager's meetings, reviewing operational issues regularly (weekly), assigning responsibility to department heads, making structures flat, staff empowerment and self-tracking system of issues.

4.3.9 Staff Empowerment

The staff involvement may play a huge role when the data capture is required. Staff provide information, expertise and advice needed to make decisions. The study sought to find out how the employees in the hotels are empowered to handle strategic issues. The respondents were supposed to indicate whether they are empowered through training, involved in identifying solutions or totally excluded, table 12 summarises the results

Table 12: Empowerment

Kinpowerment	Frequency	Percent
Training	28	80.0
Involvement in identifying solutions	6	17.1
Excluded	1	2.9
Total	35	100.0

Source: Research data

It is clear that majority of the staff are empowered by training at 80% while 17.1% through involvement in identifying solutions. Only one of the respondents felt that excluding staff is necessary. Training is a critical weapon which allows management to update the staff on the current developments and the techniques required to overcome imminent threats. It also allows dissemination of new ideas and hastens the sorting of critical issues at operational level.

4.3.10 Strategic Issue Management Documentation

The database management requires regular updates. Archiving of data enables the organisation to access information in the future. It acts as a good reference point. The study sought to establish if hotels have a documentation process in their companies to handle strategic issues. They were supposed to assign a Yes or a No. Table 13 gives a summary of findings.

Table 13: Proof of Documentation

Response	frequency	Percent
Yes	7	20.0
No	28	80.0
Total	35	100.0

Source: Research data

The results above show that documentation process in the companies is poor at 80% while 20% agreed to the documentatton process. It is a fundamental weakness in issue management. The hotels should endeavour to put in place a documentation policy to enable data to be captured throughout the year.

4.3.11 Champion of Strategic Issues Management

The issue champion is a critical resource in issue management. The resource is responsible for reviewing notes clarifying details, adding additional intelligence, forwarding this material to the appropriate executive and also communicating to the staff through staff issue bulletin. The study sought to establish whether there is a resource dedicated to champion the identification and implementations of strategic issues in the firm. The resources to be identified were the Chief executive officer, general manager, Head of department, supervisors and consultants. Table 14 below shows the outcome of the study

Table 14: Champion of Strategic Issues Management

Champion	1	2	3	4	5
	%	%	%	%	%
Chief Executive Officer	0	5.6	35	31.4	28
General Manager	5.6	8.6	2.9	28.6	60
Heads of Departments	2.9	4.4	15.7	29	48
Supervisors	2.8	22.9	31.4	28.6	45.7
Consultants	2.9	19.9	28.6	23	25.6

Source: Research data

The results show that the general manager is the one responsible in the identification of strategic issues in the organization at 60%. The second most is the heads of departments at 48%. The third, supervisors at 45.7%. at fourth is the chief executive at 28. % while the least considered is the consultant at 25.6 %. The results indicate that strategic issue resolution is more of an internal affair that require internal resources to address it in time.

4.3.12 Recorded Strategic Objectives

While annual objectives may have a lot of similarity in content, the environment tends to vary from one year to another. Such variations should be recorded to allow management to make comparison when setting similar goals. The study set out to establish if hotels have recorded strategic issue objectives for the current year. The respondents were requested to tick against a Yes or No. Table 15 below shows the outcome of the study

Table 15: Recorded Strategic Objective

Response	Frequency	Percent
Yes	34	97.1
No	1	2.9
Tutul	35	100.0

Source: Research data

The results above show that 97.1% of the hotels have recorded strategic issues objective for the current year. The results mean that they stand a better chance to refer issues in future if the same objectives may not have been captured.

4.3.13 Targets and fall back strategy by management.

Due to the changing environment, it is always necessary to apply the emergent strategies to achieve the organisational objectives. The intended strategy may not be achieved due to the turbulence in the environment, largely affected by the external dynamics. The study set to establish the managements fall back strategy when the targets /objectives /benchmarks are not met. The respondents were requested to indicate whether they report the variance to the top management only, report to lop management and include it in the list of issues to be investigated and actioned or any other process that they may And useful to be incorporated in this survey, l able 16 summarises the results of the findings.

Table 16: Action taken

Action	Frequency	Percent
Report the variance to the top management only	1	3
Report to top management and include it in the list oil issues to be investigated and auctioned.	21	60
Mo response	11	31
Others-Report Variance to top management and HOD* aik include action being taken on variances	2	6
Total	35	100.0

Source: Research data

The results above show that 60% report the variance to top management and include il in the list of issues to be invested when targets/objectives -benchmarks are not met while 3 % reports the variance to the top management. It was not clear why 31% did not respond to the question. I low ever. 6 % recommended that the variance is reported

to top management and heads of department together with an action plan on how the variances would be addressed.

4.3.14 Technique used to analyse strategic issues

In this specific section, the terms practices, techniques and methods were used interchangeably, to realize this objective, the respondents were requested to indicate which method/technique /practice was used to analyse strategic issues. The techniques to be captured were SWOT based on current information only. Simple environmental impact analysis. Cross impact analysis method based on SWOT. Issue impact and ranking method and Euro quip matrix method based on SWOT. Table 17 shows the outcome of the techniques used.

Table 17: Methods/Techniques

Methods and techniques	Frequency	Percent
SWOT based on current information only	9	25.7
Simple environmental impact analysis method based on SWOT	6	17
Cross impact analysis method based on SWOT	4	11.4
Issue impact and ranking method based on SWOT	15	43
Euro quip matrix method based on SWOT	1	2.9
Total	35	100.0

Source: Research data

The results reveal that most of the respondents use Issue impact and ranking method based on SWOT method at 43%. Simple environmental impact analysis method based on SWOT at 17.1%. cross impact analysis method based on SWOT at 11.4,

SWOT based on current information only at 25.7% while Furo quip matrix method based on SWOT at 2.9%. The Hotel management is thus advised to use issue impact and ranking method based on SWOT to analyse strategic issues. All the respondents agreed that they estimate the urgency of the issues identified and action those that are critical through prioritization process as summarised in table 18 below.

Table 18: Response on treatment of Urgent **issues**

Response	Frequency	Percent
Yes	35	100.0
No	0	0
Total	35	100

Source: Kescareh data

4.3.17 Involvement of Officer to handle urgency Issues

The study also set to establish those issues that are not very urgent but needs continuous monitoring throughout the year by a specified officer. The respondents were required to indicate Yes or No. Table 19 summarises the results.

Table 19: Involvement of Officer

Response	Frequency	Percent
Yes	22	62.9
No	7	20.0
No response	6	17.1
Total	35	100.0

Source: Rest-arch data

The results presented above show that 62.9% of the respondent agreed that issues not very urgent but needs continuous monitoring throughout the year can be assigned to a specified officer while 20% did not agree. This finding underscores the importance of assigning such tasks to an issue manager.

4.3.18 Postponement of issues to nest year

The postponement of issues that arc not very urgent is critical because of resource allocation. Table 20 below summarises the findings of the study.

Table 20: Postponement of issues

Response	Frequency	Percent
Yes	14	40.0
No	7	20.0
No response	14	40.0
TOTAL	35	100.0

Source: Research data

The results presented above show that 40% agreed that those issues which are not very urgent arc postponed to next years plans while 20% did not agree.

4.3.10 Action Taken on I'rcent Issues requiring immediate attention

The study sought to find out what action is taken on urgent issues requiring immediate action. The data to be captured was ; where practical, immediately alter operation plans to accommodate the issue .where impractical . immediately refer it to top management for further analysis and always wait until the next planning period and incorporate it there. Tabic 21 below shows the findings of the study.

Table 21: Action Taken on urgent issues

Action	Frequency	Percent
Where practical, immediately alter operation plans to accommodate the issue	28	80.0
Where impractical, Immediately refer it to top management	3	8.6
Always wait until the next planning period and incorporate it there	0	0
No response	4	11.4
Total	35	100.0

Source: Research data

The results presented above show that 80% of the respondents' action where practical and immediately alter operational plans to accommodate the issues while 8.6% would refer the issue to top management/special "task execution start" for further analysis if impractical.

4.3.20 Local Hotel Management empowerment

The hotel management can play a huge role in issue resolution if they are empowered to make certain decisions. The study sort to establish whether the hotel management have authority to make certain decisions. The respondents were to indicate whether it has capacity to review of strategic issues, accept or reject strategic issue proposal or to offer advisory role in strategic issue management process within a likert scale of 1-5 where 1 represented not applicable while 5 represented to a great extent. Table 22 gives the results of the study.

Table 22: Management empowerment

Activities	I	2	3	4	5
	%	%	%	%	%
Review of strategic issues	2.9	17.1	28.6	40	0
Accept or reject strategic issues proposal	11.4	20	40	28.6	0
Offer advisory role in strategic SIM process	11.4	8.6	31.4	48.6	0

Source: Research data

The above results show that "offering of advisory role in Strategic Issues Management process" scored -18.6%, accept or reject strategic issues proposal ill 10%. While the local management may offer advisory role in issue resolution, the level of empowerment to implementation the decisions is low

4.3.21 Perception of Strategic Issues Management.

Issue resolution require management to understand several concrnns within the organization. The issue cannot be confined to top management alone. The study sought to establish the perception of respondents on various issues relating lo strategic issue management practices. The respondents were required lo rank the issue as not applicable as 1 to a less extent as 2. to a moderate extent as 3. to a great extent as 1 and to a very great extent as 5. Table 23 below shows the outcome of the study.

M mean

K rank from 1 -12

Table 23: Perception rating of Strategic Issue Management

Statements	1	2	3	4	5	m	R
	%	%	%	%	%	-	-
The management understands how critical it is to address strategic issues	8.6	2.9	8.6	48.8	31.4	3.91	1
The resources required to handle strategic issues are adequate	-	8.6	37.1	34.3	20	3.66	2
Strategic issue management holds a place in our hotel	11.4	-	31.4	45.7	11.4	3.46	3
Clear channels of communication exist to disseminate strategic issues to staff?	11.4	11.4	20	45.7	11.4	3.34	4
There is a feeling of teamwork in the strategic issue committee?	11.4	11.4	31.4	25.7	20	3.31	5
Strategic issue management is a motivating activity to undertake	8.6	11.4	37.1	31.4	11.4	3.26	6
The strategic issue committee is highly respected and held with high esteem	11.4	22.9	20	25.7	20	3.20	7
The top management takes active interest in the output of strategic issue committee?	22.9	8.6	8.6	31.4	20	3.19	8
Strategic issue management is incorporated in our annual plans?	22.9	11.4	8.6	28.6	20	3.13	9
Strategic issue logs are clear to all the line managers	11.4	34.3	17.1	25.7	11.4	2.91	10
Strategic issues management is allocated ample time by top management?	11.4	31.4	-	45.7	11.4	2.69	11
The importance of strategic issue management is clear to everyone in the hotel	11.4	4.3	20	8.6	20	2.86	12

Source: Research data.

From the table above it can be deduced that management understands how critical it is to address strategic issues in their organisations. However, the allocation of time by top management and the understanding of issue resolution by hotel teams requires

more effort from management team so that issues can be addressed effectively. The importance attached to each factor has been ranked from I to 11, one being the most valued factor.

4.3.22 Investing On Strategic Issue Management

Resource allocation in issue management is very important. When the environment changes, the strategy and resources must align themselves accordingly. The study sought to find out to what extent hotels consider strategic issue management as a project worth investing in. The respondents were requested to tick one of the considerations from "not applicable", "to a less extent", "to a moderate extent", "to a great extent" and "to a very great extent". Table 24 gives the details of the study.

Table 24: Investing on Strategic Issue Management

Extent	Frequency	Percent
Not applicable	0	0
Less extent	0	0
Moderate extent	18	51.4
Great extent	9	25.7
Very great extent	8	22.9
Total	35	100.0

Source: Research data

The above results show that 51.4% of the respondents consider investing in strategic issue management as a project worth investing to moderate extent, 25.7% considers it at great extent while 22.9% consider it a very great extent. The results indicate that hotels may not reap full benefits of the Strategic issue management as a project. They therefore have to do more to actualise the gains arising from strategic issues.

management. Hotels have to engage more resources if the gains offered by strategic issue management are to be realised (Ansoff, 1990)

4.3.23 Time Taken In Urgent and Critical Decisions.

Ranking is a fundamental step when addressing issue resolution. It determines the priority order for dealing with and expending resources on an issue. The respondents were requested to indicate their ranking by ticking the appropriate box. The respondents were required to rank the factors from 1 to 11 according to importance. (1 most important and 11 least important.)

Table 25: Important Factor*.

Factor	1	2		4	5	6	7	8	9	10	11	Ranking
	%	%		%		%			%		%	N
Amount of funds involved	51.4	11.4	0	1	0	0	8	0	86	86	11.4	1
Profitability results	26	45.9	29	0	16	20	0	20	0	0	0	2
Changing environment	22.9	11.4	34.1	11.9	0	0	20	20	0	0	0	3
Majority shareholders	15.7	25.7	0	28.6	9	0	0	0	12.9	0	17.1	
Top management	14.3	8.6	17.1	0	0	11.4	0	10	20	0	0	5
Infrastructure	28.6	0	16.6	8.6	0	20	8	0	11.4	11.4	2.9	6
Industry competition	28.6	22.9	11.4	20	0	22.8	0	0	0	17.1	0	7
Employee attitude	20	0	17.1	20	8.6	0	20	0	20	0	0	8
Innovation	20	16.6	0	0	40	11.4	31	4	0	11.4	0	9
Organisation structure	20	17.1	11.4	11.4	16	0	0	0	0	20	0	10
Company size	20	45.7	0	11.4	29	11.4	8	0	0	0		11

Source: Research data

The results presented above show amount of funds involved is a critical factor in issue management followed closely by profitability implications and the changing environment number. The involvement of the shareholders may be a significant factor when the funding of projects is considered

4.4 Factors Influencing Strategic Issue Management Practices.

4.4.1 Business Environment

The swiftness to perceive business environmental dynamics and changes may affect strategic issue management. To this effect, the respondents were asked to indicate prevailing operating environment for the last five whether it was turbulent, relatively stable, and irregular. A total of 10 % said the environment was turbulent followed by relatively stable at 34.3 % while irregular was at 25.7%.

Table 26: Business Environment.

Rate	Frequency	Percent
Turbulent	14	40.0
Relatively stable	12	34.3
Irregular	9	25.7
Total	35	100.0

Source: Research data

The findings allude to the fact that a proactive approach to respond to the intricate decisions of the business is required. Such level of turbulent would therefore ignite regular changes in the annual operating plans of the companies, Revisions are expected in organisations operating budget so that changes may be accommodated.

4.4.2 Environmental trends affecting business growth

The study sought to establish key environmental factors that have had an impact on the operating environment for the past five years. The respondents were thus asked to rank (in terms of major, minor and no impact) the level of competition, change in top management, infrastructure, insecurity, number of training programs and the number of promotional campaigns. The table below shows the outcome of the study.

Table 27: Operating Environment

Variable	Major		Minor		No impact	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Increased competition	17	48.6	21	60	7	20
Change in top management	7	20	24	68.6	4	11.4
Infrastructure	17	48.6	15	42.9	3	8.6
Insecurity	20	57.1	9	25.7	6	17.1
Number of training programs	1	11.4	18	51.4	0	0
Number of promotional campaigns	11	31.4	17	48.6	3	8.6

Source: Research data

The findings indicate that insecurity had the most impact at 57.1% . followed by both infrastructure and Increased competition at 48.6%. number of promotional campaigns at 31.4%, change in top management at 20% while Number of training programs had the least at. 11.4%. According to Muruga (2005), Kenya can be combat ready if

resources are deployed to make functional the anti-terrorism police unit. He asserts that enactment of laws may develop operational capacity to deal with terrorist threats together with training and timely intelligence through effective collaboration between the government and the Muslim leaders to help minimise any fall out from impending investigations. The components of the firm's capability must therefore be supportive of one another to realise their objective. Apart from internal resources deployment, the government should increase the budget allocation to deal with marketing of Kenya as a tourist destination. This may greatly improve the degree of competitiveness within the country and the positive perception to potential market around the world such as China

4.4.3 Management sensitivity to environment

Capacity to interpret the external variables in the environment affecting competitiveness of the firm is crucial, the firm should seek ways of handling the diverse issues using appropriate strategies

The respondents were therefore required to highlight whether or not external environment, internal environment or external performance trends affect strategic issues management and therefore respond proactively to environmental changes. The data was captured as shown in the table below

Table 28: management sensitivity to environment

Strategic issue	Yes		No	
	Frequency	Percent	Frequency	Percent
External environment	31	88.6	4	11.4
Internal environment	35	100	-	.
Performance trend	35	100	-	-

Source. Research data

The results above show that hotels operating in Kenya do study external environmental trend at 88.6%. The internal capabilities and performance trend were at 100%. These hotels are therefore most likely to respond proactively to myriad environmental dynamics in their operations. This would involve continuous surveillance and identification of urgent issues/factors, which need immediate action in responding to surprising changes, both inside and outside the enterprise.

4.4.4 Issues identification by Respondents

Organisational capacity to identify issues is very crucial. The management should be able to identify signals that give direction to the identification of an opportunities or minimising threats. The sought to establish whether management demonstrate a clear understanding of issue identification.

Table 29: Respondents identification of issues.

Strategic issues	Frequency	Percent
1 IK visa introduction and insecurity	7	28.0
Weather and Cultural differences	3	9
Change of management	4	11
Sales strategy shift	3	8.6
Market price resistance by customers	4	11.4
Competition rivalry-	4	12
Staff development and staff retention	3	8.6
Profitability issues	4	11.4
Total	35	100.0

Source: Rest-arch data

From the tabulation it can be observed that the insecurity and the introduction of Visa fees stands at 28%, followed by competitive rivalry at 12%, Market price resistance by customers and profitability issues at 11.4%. This finding asserts to the analysis of issues impacting on the industry where insecurity was rated at 57.1%. Also, some respondents indicated that the volatile weather conditions have impacted negatively on the profitability levels. The government and the hotel management must develop operational changes to deal with insecurity and therefore address profitability margins. Perception of customers on the security levels is a key determinant of occupancies in the local hotels especially by international bodies.

4.4.5 Performance Measurement

The purpose was to find out the important measure to the future success of the organization. The data captured here was profitability, market share, and management share, management of customer, liquidity and innovation. The table below shows the findings.

Table 30: Performance Measures.

Performance measure	1	2	3	4	5
	%	%	%	%	%
Profitability	60	28.6	11.4	8.6	20
Market share	25.7	28.6	20	28.6	0
Management of customers	31.4	11.4	28.6	2.9	0
Liquidity	11.4	37.1	11.4	0	0
Innovation	8.6	20	0	0	0

Source: Rest-arch data

It can be deduced that profitability measure was considered the most important at 60%, management of customers at position two with 31.4%, Market share at number three with 25.7 % response rate liquidity at number four with 11.4% response rate, innovation at number five 8.6 % response rate. The hotel management must not only consider profitability as a performance measure but also the management of customers to achieve annual targets. The return on capital ratio can be misleading and may camouflage the big picture if not well managed.

4.4.6 Management pro-activeness to SIM actions

Timely resolution of issues is crucial if an outcome is to be influenced. Passing of time reduces management choices. The study sought to establish at which rate the top management response to tackling strategic issues. The data was categorised as very fast, fast, sometimes or do nothing. The table below shows the results of the study.

Table 31: Response Rate by top management

Kate	Frequency	Percent
Very fast	7	20.0
Fast	23	65.7
Sometimes	5	14.3
Do nothing	0	0
Total	35	100.0

Source: Research data

The findings indicate that top management respond to tackling strategic issues in the hotels as "fast" at 65.7%. Sometimes at 14.3% while very fast at 20%. To maximise on the strategic issue management as an effective tool it's paramount for hotels to

institutionalise real time system in future and adopt an immediate (very fast) culture to respond to upcoming issues.

4.4.6 Engagement considerations to Strategic Issue Management

Prior information and resources are necessary for the implementation of SIM systems. However, prioritisation of such parameters is a huge requirement before engaging on issue management. The study sought to find out how the respondents would rate the following factors mentioned below before engaging in strategic issues management in their organisations. The respondents were requested to indicate 1 as the least considered to 5 as the most considered factor.

Table 32: Engagement consideration

Factor	1	2	3	4	5
	%	%	%	%	%
Need of target customers	20	8.6	22.9	20	28.6
Other hotels and stake holders	20	8.6	11.4	40	11.4
Past experience	14.3	28.6	31.4	20	0
Industry policy	11.4	11.4	20	31.4	8.6
Hotel capabilities	20	8.6	8.6	31.4	29
Opinion of consultants	11.4	2.9	10	28.6	0

Source: Research data

It can be deduced that hotel capabilities and need for target customers are considered most important factors before engaging in strategic issues management at 29% and 28.6 % respectively. At number three is other hotels and stake holders at 40%. At four is past experience at 28.6% while the least considered factor is the opinion of consultants and industry policy 11.4%.

4.4.7 Treatment of Strategic Plans and Critical Issues.

The need to differentiate urgent and strategic plans affecting the business is crucial. Strategic plans may follow the norms laid down by the management. However, the urgent and critical issues must be acted upon without delay. The study sought to establish if the planning and management team perceive and treat "strategic plans" and "Urgent and critical issues (factors) which affect the company between the planning cycle as the same. The outcome of the study is outlined here below

Table 33: Treatment

Response	Frequency	Percent
Yes	20	57.1
No	12	34.3
No response	3	8.6
Total	35	100.0

Source: Research data

The findings indicate that 57.1 % of the respondents treat the planning and urgent issues which affect the company between the planning cycle as the same while 34.3% made effort to separate them. This means that majority of the hotel management may not have a clear cut distinction between planning and strategic issue management. There is need to separate the two spectrums to avoid ambiguity in strategy formulation.

4.4.8 Annual pre-occupation on SIM by management

To track and enumerate the nature and frequency of issues the organization faces requires unrelenting effort on the part of the whole management team. There ought to

be a continuous preoccupation throughout the year with checking urgent and critical issues which may affect the daily operations.

Table 34: Tracking of SIM parameters

Response	Frequency	Percent
Yes	28	80.0
No	4	11.4
No response	3	8.6
Total	35	100.0

Source: Research data

The results show that 80% of the respondents are continuously preoccupied throughout the year with checking urgent and critical issues, which may affect their daily operations while 11.4% did not agree. 8.6% did not respond.

4.5 Benefits of strategic management

Strategic issue management has enormous advantages if the issues are addresses promptly, for a modern firm to achieve desired results, it's not enough to manage internal activities of the firm per se. The application of Strategic management not only enhances growth of the firm but also affirms the organisation's social legitimacy. To this end, the study sought to establish the major benefits realised as a result of practising strategic issue management in the hotel. The respondents noted the benefits are as follows. That strategic issue management enhances planning and prediction, therefore avoiding crisis management. Improvement in decision making process prevails while staffs get motivated and satisfied with their work. Because of training, the people skills greatly improve. Other benefits included focussed growth and expansion plans, improved predictability of issue identification, focused marketing

and sales planning horizons while customers get value for money. All this goes along way to improve profitability level of the hotels.

4.6 Challenges of Strategic Issues Management

Strategic issue management cannot be exercised without a share of its challenges. The study sought to establish the main challenges that the hotels have encountered when implementing strategic issue management. The respondents rated high the limited funds to support the strategic issues management. This is true because a good resource base is a critical success factor in making sure that the strategy and the environment are aligned in the same direction.

The differing opinion of the people involved also limits the implementation of strategic issues management. This would tend to support the view that strategic issues management implementation may not be very smooth if the structure is tall instead of a lean structure which can allow faster flow of information.

Resistance to change comes in because strategic issue management requires use of real time systems. McKenna (1997) asserts that real time wrecks hierarchical organisations by making possible instant access to activities of all types- anywhere, anytime all the time.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the major findings of the study, conclusions and recommendations.

5.2 Summary of the Findings

The Research findings found that majority of the hotels fall under three star at 40%, four star at 25.7% while five star at 34.3%. The resource requirements by the stakeholders' increases as upgrading goes up

Most of the hotels have a local ownership at 40%. groups and partnerships at 37.1%, wholly foreign at 11.4%, individuals at 8.6% while one is owned by the government. Most hotels have branches at 60%. With the existence of branches, a firm will have to decide whether to retain a corporate level decision making process to address issues emanating from within the hotel or delegate to the local management. Where a firm has more than two branches, delegation of authority, in many cases is preferred in decision making.

To be able to discharge the issue management effectively. 85.7% of hotels have business plans in place to allow adjustments with changes in operating environment while 14.3% do not have business plans. This is critical because for companies to be able to respond effectively in their operating environment, flexible plans should be put in place to accommodate such changes. The rest of the hotels should put flexible

plans in place to adapt to the changing environment. When the environment changes, a strategy shift follows.

Most hotels prepare strategic issues at 42.9% on a monthly basis, quarterly at 28%, semi-annually at 8.6% while annually at 5.8%. The results affirm that monthly review of strategic issues raises the level of preparedness for management. Such hotels are therefore likely to respond to strategic challenges and have a competitive advantage compared to the others.

Most hotels practice strategic issue management, rated at 51.4%, while partial practice stands at 48.6%. It can be deduced that hotels make use of a strategic issue management system. However, there is a need to sensitise hotel management on the importance of strategic issue management to enable the industry to reap full benefit. Hotel managers are advised to go an extra mile and unravel the mystery in issue management if they wish to remain competitive.

The study revealed that 51.4% of the hotels find it important to undertake strategic issue management, very important at 11.4% while essential at 37.1%. The findings indicated that most managers did not carry out long-term planning in their hotels. Those who carried out long-term planning were 34.3%. For the hotels that engage in long-term planning, the findings indicated that most of them undertake planning over a period of 3 years at 67%, while medium-term, 1-3 years at 33%. An important disclosure from the questionnaire showed that long-term planning is carried out by international hotels due to their affiliation to the corporate office. This statistic, when compared to the ownership structure, indicates that a huge number of hotels that are locally owned do not practice long-term planning.

The survey revealed that the prevailing mode of making critical strategic decisions is the tendency to centralise decision to top managers at 45.7% while tendency to use inter departmental committee taskforce was at 28.6%, tendency to delegate decisions to lower managers at 17.1% This trend may be good for organisations because of the need to make decisions and also allocate resources on priority basis.

It was clear that majority of the staff are empowered by training at 80% while 17,1% was through involvement in identifying solutions. Only one of the respondents felt that excluding staff is necessary. Training is a critical weapon which allows management to update the staff on the current developments and the techniques required to overcome imminent threats. It also allows dissemination of new ideas and hastens the sorting of critical issues at operational level.

The results further showed that documentation process in the companies was poor at 80% while 20% agreed to the documentation process. This is a fundamental weakness in issue management. The hotels should endeavour to put in place a documentation policy to enable data to be captured throughout the year.

To champion issue identification, the general manager came out as the one responsible in the organization at 60%. The second most being the heads of departments at 48%. third supervisors at 45.7%. chief executive at 28. % while the least considered are consultants at 25.6 % The results indicate that strategic issue resolution is more of an internal affair that may require internal intervention to resolve in time.

The study revealed that 97.1% of the hotels have recorded strategic issues objective for the current year. The results mean that they stand a better chance to refer issues in future if the same objectives may be captured or not.

On report of action required to resolve issue . the results showed that 60% report the variance to the top management and include it in the list of issues to be investigated when targets/objectives /"benchmarks are not met while 3 % reports the variance to the top management. However, 6 % recommended that the variance should be reported to top management and heads of department with an action plan on how the variances would be addressed.

On the techniques applied in issue management, the survey revealed that most of the hotels use Issue impact and ranking method based on SWOI method at 43 %. Simple environmental impact analysis method based on SWOT nt 17.1%, cross impact analysis method based on SWOT at 11.4. SWOT based on current information only at 25.7% while Euro quip matrix method based on SWOT at 2.9%. It's therefore recommended to use issue impact and ranking method based on SWOT to analyse strategic issues. All the respondents agreed that they estimate the urgency of the issues identified and action those that are critical through prioritization process.

The survey disclosed that 62.9% of the hotels agreed that issues that are not very urgent but needs continuous monitoring throughout the year can be assigned to a specified officer while 20% did not agree, This underscores the importance of assigning such tasks to an issue manager. Issues that are not very urgent are postponed to next year plans are lit 40% while 20% did not agree.

The outcome of the study revealed that 80% of the respondents' action were practical and immediately alter operational plans to accommodate the issues that need urgent attention while 8.6% would refer the issue to top management-special "task execution stall" for further analysis if impractical.

Empowering management on "offering of advisory role in Strategic Issues Management process" scored 48.6%, and to "accept or reject strategic issues proposal" at 40%. While the local management may offer advisory role in issue resolution, the level of empowerment to implement the decisions was low.

It can be deduced that management understands how critical it is to address strategic issues in their organisations. However, the allocation of time by top management and the understanding of issue resolution by hotel teams requires more effort from management team so that issues can be addressed effectively.

While resources allocation is critical, the survey showed that only 51.4% of the hotels consider investing in strategic issue management as a project worth investing to a great extent at 25.7% while 22.9% consider it to a very great extent. The results indicate that hotels may not reap full benefits of the Strategic issue management. They therefore have to do more to actualise the gains arising from use of strategic issues management. Hotels have to engage more resources if the gains offered by strategic issue management are to be realised.

The allocation of funds was rated a critical factor in issue management followed closely by profitability implications and the changing environment. The involvement

of the shareholders may be a significant factor when the funding of projects is considered

The survey alluded to the fact that a proactive approach to respond to the intricate decisions of the business is required. Such level of turbulent would therefore ignite regular changes in the annual operating plans of the companies. Revisions are expected in organisations operating budget so that changes can be accommodated.

On factors impacting on issue management the insecurity had the most impact at 57.1% . followed by both infrastructure and Increased competition at 48.6%, number of promotional campaigns at 31.4%, change in top management at 20% while Number of training programs had the least at 11.4%. According to Muruga (Daily Nation, 2005), Kenya can be combat ready if resources are deployed to make functional the anti -terrorism police unit. He asserts that enactment of laws could develop operational capacity to deal with terrorist threats together with training and timely intelligence through effective collaboration between the government and the Muslim leaders to help minimise any fall out from impending investigations, The components of the firm's capability must therefore be supportive of one another to realise their objective. Apart from internal resources deployment, the government should increase the budget allocation to deal with marketing of Kenya as a tourist destination. This may greatly improve the degree of competitiveness within the country and the positive perception by potential market around the world such as China and Japan

The Survey also revealed that hotels operating in Kenya do study external environmental trend at 88.6%. The internal capabilities and performance trend scored **100%**. These hotels are therefore most likely to respond proactively to myriad environmental changes in their operations. This would involve continuous

surveillance and identification of urgent issues/factors, which need immediate action in responding to surprising changes, both inside and outside the enterprise.

Other factors were considered crucial and which have an impact on issue management. It was observed that the insecurity and the introduction of Visa fees stands at 28%. followed by competitive rivalry- at 12%.market price resistance by customers and profitability issues at 11.4%. This finding asserts to the analysis of issues impacting on the industry where insecurity was rated at 57.1%. Also, some hotels indicated that the volatile weather conditions have impacted negatively on the profitability levels. The government and the hotel management must develop operational capacity to deal with insecurity and therefore address profitability-margins. Perception of customers on the security levels is a key determinant of occupancies in the local hotels especially by international tourists.

On performance measures, profitability was considered the most important at 60%. management of customers at position two with 31.4%, Market share at number three with 25.7 % .liquidity levels at number four with 11.4% , innovation at number five 8.6 %. The hotel management must not only consider profitability as a performance measure but also the management of customers to achieve annual targets. The return on capital ratio can sometimes be misleading and may camouflage the big picture if not well managed. The findings showed that top management response to tackling strategic issues in the hotels as "fast" at 65.7% sometime* at 14.3% while very fast at 20%. To maximise on the strategic issue management as an effective tool it's paramount for hotels to institutionalise real time system in future and adopt an

immediate (very fast) culture to respond to upcoming issues. This is the only sure way if they have to adapt to the competitive and changing environment.

Before engaging in strategic issue management, the management should put into consideration some factors. Hotel capabilities and need for target customers were considered most important factors before engaging in strategic issues

On strategic planning, the survey revealed that 57.1 % of the respondents treat the planning and "urgent issues" which affect the company between the planning cycle and the same while 34.3% made some effort to separate them. This means that majority of the hotel management may not have a clear cut distinction between planning and strategic issue management. There is need to separate the two spectrums to avoid ambiguity in strategy formulation. Also, the survey showed that 80% of the respondents are continuously preoccupied throughout the year with checking urgent and critical issues, which may affect their daily operations.

5.3 Conclusions of the study

Organizations do not operate in a vacuum but within an external environment. This environment consists of variables that form the context within which firms exist. To be able to effectively deal with the discontinuous and surprising environment, organizations should embrace strategic issue management systems to enhance their capacity to adapt and learn. At turbulence levels it becomes necessary to start the firms' response while the environment signals are still weak. This can be achieved if the firms implement systems that can detect, analyse and respond to these changes. This therefore means that managers must depart from the planned change practices and adopt real-time systems. Real time strategic response is based on the appreciation that the periodic systems of managing organizations may no longer be capable of

perceiving and responding to the threats and opportunities in a highly turbulent environment. The nature of strategic response of the firm enables it to reduce adverse effect or make the firm not miss an opportunity. Companies need to continuously monitor strategic issues throughout the year in order to be able to realize the full potential of investing in Strategic Issue Management. The issue impact and ranking method may help hotels discover more opportunities and therefore reduces adverse effects.

5.4 Recommendations for further studies

The following are suggestions of further studies that can be carried out.

The study should be extended to establish the practices of Strategic issue management in other related sectors in the hospitality sector. It would be affected by similar factors. These include tours and travel and the Airlines.

A study should be initiated to establish how Hotels with less than three star are doing to cope with strategic issue management challenges if the same factors were put into consideration. The likes and the dislikes of customer are very similar, save for spending power.

A research should be undertaken to determine the success level of companies that are using Strategic issue management system.

A research should be undertaken to determine whether other companies in different related industries prefer the use of simple environmental impact analysis method and the factors impacting on the choice of such technique.

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Appendix III

LETTER OF INTRODUCTION

DATE:

TO WHOM IT MAY CONCERN

Dear Respondent

HP: RFPVEST F»R RESEARCH DATA

The bear of this letter

Registration No:

Is a Master of Business Administration (MBA) student of the University of Nairobi.

He/She is required to submit a* part of his/her coursewoii assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would .therefore, appreciate if you assist him/her to collect data in your organisation for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organisations on request

Thank you

JACKSON MAALU
COORDINATOR. MBA PROGRAM

Appendix III

QUESTIONNAIRE

SECTION 1: COMPANY DATA

1. What's the name of your Hotel?
2. Please indicate your Job Title
3. When was your hotel started?
4. What is the grade of your hotel? tick the appropriate star
 - a) Three star ()
 - b) Four star ()
 - c) Five star ()
5. Kindly indicate the appropriate management and ownership of the hotel.
 - a) Wholly foreign ()
 - b) Group ownership ()
 - c) Wholly local ()
 - d) Individual ()
 - e) Government ()
 - f) Others (Please specify)
6. Does your company have branches and associated companies in Kenya?
 - Yes ()
 - No ()If yes, how many (I) in Kenya () and Outside Kenya ()

SECTION 2: THE ENVIRONMENT

8. How would you describe your business or operating environment within the last five years (tick one)
 - g) turbulent ()

- h) Relatively stable ()
- i) Irregular ()
- j) Others (Please specify) ()

9. Do you have business plans in place to allow adjustments with changes in the environment (tick one) Yes() No()

10. In year 2005 did the following have any impact on your Company

(Tick each according to the estimated impact- either Major, minor or none):

	Major Impact	Minor Impact	No Impact
a) Change in Time taken to make a decision	()	()	()
b) Changes in Top Management	()	()	()
c) Restructuring & Reengineering	()	()	()
d) Number of new services you introduced into the market	()	()	()
e) Number of your Training programs (or the amount spent on training)	()	()	()
f) Number of promotional campaigns	()	()	()
g) Others (Please specify)	()	<	()

SECTION 2: PRACTICES OF STRATEGIC ISSUE MANAGEMENT

(NB: For all the following, please tick as appropriate)

11. Do you normally study issues, which may affect your operations (both short & long term) coming from the following areas?

(NB: A strategic issue is a forthcoming development, either inside¹ or outside of the organization, which is likely to have an impact on the ability of the enterprise to meet its objectives)

External environment trend	Yes ()	No ()
Internal environment	Yes ()	No ()
Performance trend	Yes ()	No ()
Others specify		

12. In your view, what strategic issues have you encountered for the past five years due to change in operating environment (kindly list them down)

13. How do you rate the level of strategic issue management practices in your organization?

- Highly practiced ()
- Not practiced ()
- Partially Practiced ()

14. Do you prepare a list of key strategic issues for each year? Yes () No ()

If yes how often do you update this list?

- Monthly
- Quarterly
- Semi annually
- Annually
- Others (Please specify)

15. How important is strategic issue management to the future success of your organization?

- Of no importance ()
- Of limited importance ()
- Important ()
- Very important ()
- Essential ()
- Other (specify) _____

16. In your view, which is the most important performance measure in your organization? Please rank them according to level of importance (1 being the most important and 5 being the least important).

- Profitability ()
- Market share ()
- Management of customers ()
- Liquidity ()
- Innovation ()
- Others (specify)

17. How can you rate the top management response to tackling strategic issues in your hotel?

- Very fast ()
- Fast ()
- Sometimes ()
- Do nothing ()
- Other (specify) ()

18. Is long term planning carried out in your hotel? Tick

- Yes () No ()

19. If the answer is yes, what is the long-term planning horizon?

- Short term < 1 year ()
- Medium 1-3 years ()
- Long term > 3 years. ()

20. How would you rate the following factors before engaging in strategic issue management in your hotel (tick)

Key factors	Least considered			Most considered	
	1	2	3	4	5
Opinion of consultants					
Other hotel*					
Past experience					
Industry policy-					
Care competences					
Needs of target customers					
Other (please specify-)					

21. How can you describe the prevailing mode of making critical strategic decisions?

- () Tendency to centralize decision to top managers
- () Tendency to delegate decisions to lower managers
- () Tendency to use inter departmental commincc taskforce
- () Others (Specify)

22. Does your planning and management team Perceive and treat "strategic Plans" and "Urgent and critical issues (Factors)" which affect the company between the planning cycle as the same? Yes () No ()

(NB: Urgent and critical issues/factors are those perceived problems or happenings which have profound or major impact on the company and they must be acted upon without any delay).

23. Are you continuously preoccupied throughout the year with checking urgent and critical issues, which may affect your daily operations? Yes () NO ()

24. What structures have been put in place by top management to ensure strategic issues are captured analyzed and implemented? Kindly list them down

25. How are the employees in your hotel empowered to handle strategic issues? (tick)

- Training
- Involvement in identifying solutions
- Excluded
- Others (specify)

26. Is there a documented process in your company to handle strategic issues?

- Yes () No ()

27. Who champions the identification and the implementation of Strategic issues in your hotel?

NB; 1 Denotes least responsible while 5 denotes most responsible

The Chief Executive Officer (CEO)	
The General managers	
Business managers	
Supervisors	
Consultants	
Others (please specify)	

28. Does your company have recorded strategic issue objectives for the current year?"

- Yes() No()

29. Have you changed these objectives for the last 5 years?

- Yes() No()

30. What do you do when the targets/objectives/benchraarics are not met?

- Report the variance to the top management only
- Report to top management and include it in the list of issue to be investigated
- Others (Please specify)

31 .Which method / technique/practice do you use to analyze strategic issues?

(NR. 1 SWOT means analysis of the strengths, weaknesses, opportunities, and threats facing the company)

NR. 2 For the purpose of this question the words method, technique, practice implies the same thing the way you analyse strategic issues.

- SWOT based on current information only
- Simple environmental impact analy sis method based on SWOT (where each issue is analysed separately without considering the effect of other identified issues)
- Cross impact analysis method based on SWOT (where various related critical issues are grouped together the likelihood of simultaneous occurrence estimated and hence identify- possible future major loss'disaster or future major profit/opportunity)
- Issue impact and ranking method based on SWOT (Where critical issues arc ranked according to urgency and therefore grouped as to the following: urgent issues needing immediate action; those issues not very urgent to be p»*tponed to next years plans; those issues not very urgent but which need continuous monitoring throughout the year, those issues of lessor importance and hence dropped from the issues list)
- Euro quip matrix method based on SWOI where the impact/urgency of issues is done after the evaluation of the issue's impact and issue's urgency , fhis involves prior and vigorous assessment of whether the strengths and/or weaknesses are applicable to responding to threats/opportunities)
- Others (please specify)

NB: Please explain in few words how you execute the method'tcchnique/practice selected above. —

32.l>o you estimate the urgency of the identified issues? Ye* () No
()

33. Do you distinguish and thus prioritise these issues as;

- a) Those urgent & critical issues requiring immediate action Yes () No ()
- b) Those issues not very' urgent but needs continuous monitoring throughout the year by a specified officer Yes () No ()
- c) Those issues which are not very urgent and therefore postponed to next years plans Yes () No ()

d) Others (please specify)

34. If your answer in (31) (a) above is yes what action do you take on urgent issues requiring immediate action? Tick one as appropriate.

- Where practical, immediately alter operation plans to accommodate the issue
- Where impractical, immediately refer it to top management/special task execution staff for further analyses.
- Always wait until the next planning period and incorporate it there
- Other (Please specify)

To what extent is the hotel management have authority to do the following?

(1-Not applicable, 2-to a less extent, 3 to a moderate extent, 4 to a great extent, 5 to a very great extent)

Statement	1	2	3	4	5
Review of strategic issues					
Accept or reject strategic issues proposals					
Offer advisory role in strategic issues management process					

SECTION III: FACTORS IMPACTING ON STRATEGIC ISSUE MANAGEMENT PRACTICES

35. How important are the following factors in determining the time taken to make urgent and critical decision in your organization? Please rank them from 1 to 11 according to importance. (NB 1 - Most important and 11 - Least Important)

- () Company size (number of employees)
- () Organization structure
- () Majority shareholders
- () Top management
- () Infrastructure (road, telephone etc)
- () Industry competition
- () Employee's attitude towards accepting change.
- () Amount of funds involved
- () Innovation
- () Changing Environment
- () Profitability results
- () Others (specify) and give a ranking.

36. To what extent do the following statements apply to your organization? (Tick where appropriate) (1-Not applicable, 2=to a less extent. 3 to a moderate extent. 4= to a great extent, 5 to a very great extent)

Statement	1	2	3	4	5
Strategic issue management holds a place in our hotel					
Strategic issues management is a motivating activity to undertake					
The management understands how critical it is to address strategic issues					
The resources required to handle strategic issues are adequate					
Strategic issues management is allocated ample time by top management					
The importance of strategic issues management is clear to every one in the hotel					
The top management takes activities interest in the output of strategic issues committee.					
The strategic issues committee is highly respected and held with high esteem					

There is a feeling of teamwork in the strategic issues committee					
Strategic issue management is incorporated in our annual plan*					
Clear channels of communication exist to disseminate strategic issues to staff					
Strategic issue logs are clear to all the line managers					

37. To what extent do you consider strategic issue management as a project worth investing in? (Tick where appropriate)

- a. Not applicable
- b. To a less extent
- c. To a moderate extent
- d. To a great extent,
- e. To a very great extent

SECTION IV: BENEFITS AND CHALLENGES

38. List five major benefits realized as a result of practicing strategic issue management in your hotel.

39. Kindly list down the main challenges that you have encountered when implementing strategic issue management practices in your hotel

THANK YOU VERY MUCH.

Appendix III

Hotel Classification System

HOTEL CLASSIFICATION SYSTEM

STAR (S) DESCRIPTION OF FACILITIES

- 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 uniform and presentable
- At least ten lettable rooms
- 100 percent private bathrooms
- At least one restaurant that is well furnished and lit
- One meeting room with or not less than 10 sqms
- Glass washing and drying machine shall be available
- Enough storage capacity for water to last at least one day in case of 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 stores including ground floor
- Same as one star but:
 - 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 storeys including ground floor
- Same as two star but with excellent facilities, offering a wider array of services and amenities
 - All rooms shall be approached through a corridor except for cottages
 - Good quality uniforms
 - Restaurants should be the same as one star but with a coffee shop or a snack bar in addition
 - Provision for smoking and non smoking area
 - At least one percent of suites shall be suites
 - Safe deposits 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 <ul style="list-style-type: none"> Lifts shall be provided for buildings of four or more storeys including ground floor
STAR (S)	DESCRIPTION OF FACILITIES
	<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 be provided
	<p>Same as four star but</p> <ul style="list-style-type: none"> Hotels with exceptional facilities, offering a full range of services and amenities Location 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: The government of Kenya. Ministry of Tourism, Kenya (Legislative Supplement No. 0. (Legislative supplement 9), 1 February 16, 2005.

Where:

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

Appendix III

Essential Items For Hotel Classification		
Vacation hotels	Town Hotels	Lodges
Menu	Menu	Menu
Service Staff	Service Staff	Service Staff
Bar Staff	Bar Staff	Bar Staff
Wash Hand Basin	Wash Hand Basin	Wash Hand Basin
Fume Extraction	Fume Extraction	Fume Extraction
Waste Disposal	Waste Disposal	Waste Disposal
Drainage	Drainage	Drainage
Kitchen Staff	Kitchen Staff	Kitchen Staff
Numbering of Rooms	Numbering of Rooms	Numbering of Rooms
Change of Linen	Change of Linen	Change of 1 inch
Safe Deposit	Safe Deposit	Safe Deposit
Front Office Staff	Front Office Staff	Front Office Staff
Refuse Disposal	Refuse Disposal	Refuse Disposal
Sewage	Sewage	Sewage, treatment & disposal
Vermin Proofing	Vermin Proofing	Vermin Proofing
Water Supply	Water Supply	Water Supply
Electrical Safety	Electrical Safety	Electrical Safety
First Aid	First Aid	First Aid
Safety of Swimmers	Safety of Swimmers	Safety of Swimmers
Qualification of Management Staff	Qualification of Management Staff	Qualification of Management Staff
Department Heads	Department Heads	Department Heads
Qualification Of Operative Staff	Qualification Of Operative Staff	Qualification Of Operative Staff
Medical Examination	Medical Examination	Medical Examination
Hotel Insurance	Hotel Insurance	Hotel Insurance

Appendix III

Classified Hotels in Nairobi and Mombasa

Nairobi Classified Hotels-Over Three star

No. Hotel	Classification
1 Grand Regency	Five Star
2 Hilton Hotel Nairobi	Five Star
	The Norfolk
	The Stanley
	Hotel Intercontinental
P	Safari Park
P	Nairobi Serena 1 hotel
8	Windsor Golf anil country club
I	Fairview
10	Holiday Inn
11	Jacaranda Hotel
12	Silver Spring 1 hotel
13	Nairobi Safari Club
14	Marble Arch Hotel
15	Bounty Hotel
16	Ambassadeur 1 hotel
17	Six Eighty Hotel
18	litalii Hotel
U	innfnc Hotel
	Total No. of Nairobi Hotels

Mombasa Classified Hoick		
	Hotel	Classification
	White Sands Hotel	Five-Star
2	"Sun ~N" sand Beach Resort	Five star
3	Tcmingways Resort	-ive star
1	Travellers Beach Hotel	four star
s	Leisure Lodge Hotel	Four star
6	leopard Beach Hotel	four Star
7	LT1 kusko/i	Four star
8	Severin Sea lodge	Four star
9	Nvoli Beach Hotel	l our star
10	Mombasa Serena beach Hotel	Four-Star
U -	Indian Ocean Beach	Four star
12	Safari beach Hotel	Three star
13	^llioncc Jadini Beach Hotel	Three star
14	Aliance African Sa Lod*:c	Hircc star
15	Voyager Beach Resort	Three star
16	i'apillion Reef Limited	Three star
17	I urtle Bay Beach Hotel	l hrec star
18	Lawfords Hotel aiKl beach club	Three star
19	Mombasa Beach Hotel	Three slur
20	Dian Sea Resort	l hrec star
21	Dian Reef Grand Hotel	l hrec star
2 2 -	Baobab Beach Reson	Tluec star
23	Indian Beach Apt Hotel	Three star
24	Southern palms Beach Resort	l hrec star
25	Kilifi Baharini Reson	l hrec sur
26	Wobuni Residence Club	Three star
27	Baharini Beach Hotel	Three star
28	Reef Hotel	l hrec star
	[Mombasa Hotels	28
<p>Sourer: 1 hr Km%» GtMtr. Gn/ette Notice Number of 13th June 200J and the C»frtt< N»tkc Number lfc-Ui of 2.V.I Juh 2KM</p>		