

THE STRATEGIC RESPONSES OF TOURIST

HOTELS TO THE CHANGES IN THE

ENVIRONMENT:

A CASE OF TOURIST HOTELS IN NAIROBI

UNIVERSITY OF NAIROBI
LOWER KISumu LIBRARY

BY:

MUGAMBI M.G.

**A MANAGENT RESEARCH PROJECT SUBMITTED IN
PARTIAL FULFILMENT OF THE REQUIREMENTS OF
MASTER OF BUSINESS ADMINSTRATION (MBA) DEGREE,
FACULTY OF COMMERCE,
UNIVERSITY OF NAIROBI**

2003.

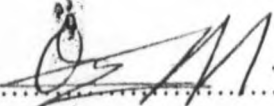
DECLARATION

This management research project is my original work and has not been presented for a degree award in any other University.

Signed...  Date... 30/10/2003

Mugambi Mathew Gichuru.

This management research project has been submitted with my approval as a University supervisor.

Signed...  Date... 30/10/2003

Dr. Martin Ogutu

Department of Business Administration

Faculty of Commerce

University of Nairobi

DEDICATION

I wish to dedicate this project to my parents,
brothers, sisters and Hilda.

Graciously I recognize their support and encouragement.

Above all, I would like to specifically say,
for a **mum** who new that I needed to be
educated to be a better person in life,
this is a special dedication to her.

ACKNOWLEDGEMENT

I take this opportunity to express my sincere appreciation to my supervisor Dr. Martin Ogutu, for his tireless effort, commitment and ideas that were valuable in this project.

I thank the **University of Nairobi** for giving me the opportunity to pursue my postgraduate studies by awarding me a **MBA scholarship**.

I would like to recognize all the lecturers in the faculty of commerce who academically took care of me for the six years I spent in this faculty.

My appreciation to my classmates, with whom we weathered through the storms of MBA together, giving each other a shoulder to lean on when life became quite difficult. Specifically I thank Mugambi M'ncebere, Phyllis Muturi, Melioth Njenga, Kelly Otieno, Winnie Okoth, Nzili and the rest now that I cant name them all.

Many thanks to all managers of tourists' hotels that cooperated and participated in my study and helped me get the much-required data for the success of this project.

I am grateful to my parents for their love and support, my brothers and sisters for their concern and encouragement. To my fiancée Hilda for her patience, love and understanding through out my study.

Without a friend's smile life can be gloomy. Ann Gachengo's and other friend's smiles brightened my low moments. I thank all the MBA Fellowship members for the fellowship they gave me as we shared.

Finally, Alice of the B.COM office tirelessly coped with the role of typing this project and I acknowledge her contribution.

To all of you, accept my blessings, "MAY THE ALMIGHTY GOD ABUNDANTLY BLESS YOU". THANK YOU.

TABLE OF CONTENTS.

Declaration.....	i
Dedication.....	ii
Acknowledgements.....	iii
Table of contents.....	iv
List of tables.....	vi
List of abbreviations.....	vii
Abstract.....	viii

CHAPTER ONE: INTRODUCTION

1.1 Background.....	1
1.2 The Research Problem.....	3
1.3 Objectives of the study.....	4
1.4 Importance of the study.....	5
1.5 Organization of the study.....	5

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategic responses and behaviour of firms.....	6
2.2 Factors that affect tourist hotels.....	9
2.3 Trends and performance of tourist hotels and tourism.....	10

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 The population.....	12
3.2 Data Collection.....	12
3.3 Data analysis method.....	13

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction.....	14
4.2 Environmental factors that have changed.....	17
4.3 The general impact of environmental changes.....	18
4.4 Strategic responses.....	18

4.5 The influence of environmental changes on hotels.....	21
4.6 Constraints hotel face while responding to changes.....	22
4.7 Dependency on tour agents and operators.....	23
4.8 Effect of poor publicity by the media.....	24
4.9 Other sectors that affect tourism.....	24

CHAPTER FIVE: CONCLUSIONS

5.1 Introduction.....	26
5.2 Summary, discussions and conclusions.....	26
5.3 Recommendations for policy and practice.....	29
5.4 Limitations of the study.....	30
5.5 Recommendations for further research.....	30

REFERENCES.....	31
------------------------	-----------

APPENDICES

Appendix I	Letter of introduction.....	34
Appendix II	Questionnaire.....	35.
Appendix III	List of hotels selected for the study.....	43.

LIST OF TABLES:

Table 1: Tourists earning from 1988 – 1997-----	3
Table2: Percentage share of visitors by purpose -----	11
Table 3: The number of days tourists stay in the hotel by purpose-----	11
Table 4: Hotel classification -----	14
Table 5: System of hotel ownership-----	15
Table 6: Rank ordering of regional sources of tourists-----	15
Table 7: Rank ordering of clients visiting the hotel-----	15
Table 8: Trends of tourist hotel business-----	16
Table 9: Methods used by hotels top get business-----	16
Table 10: Rate of change of environmental factors-----	17
Table 11: The nature of change of environmental factors-----	17
Table 12: Change of long-term planning-----	18
Table 13: The relevance of long-term planning-----	18
Table 14: How long term planning has changed-----	19
Table 15: Adjustment on restructuring strategies-----	19
Table 16: Adjustment of selective shrinking strategies-----	20
Table 17: Adjustment of marketing strategies-----	20
Table 18: Adjustment of cost management strategies-----	21
Table 19: Extent of influence of environmental changes on the hotel-----	21
Table 20: Internal constraints-----	22
Table 21: Levels of management in the hotels-----	22
Table 22: External constraints-----	23
Table 23: Hotel dependence on tour operators and foreign tourist agents-----	23

LIST OF ABBREVIATIONS.

KAHC-----Kenya Association Of Hoteliers and Caterers

KTB-----Kenya Tourism Board

WTO-----World Trade Organisation

WTO-----world tourism organisation

ABSTRACT

Tourist hotel industry has been affected by the changes of environmental factors that have taken place. One major factor whose change has heavily affected this industry is the global security and safety. These changes have reduced the number of tourists visiting Kenya and thus increasing competition for the few tourists by the hotels.

This study set out to document the environmental factor-changes that have affected tourist hotels, the strategic responses of tourist hotels to those changes and the constraints they have faced in their effort to respond to the changes in the environment. This was guided by the following objectives: First, to find out the changes of the environmental factors which have affected tourist hotels. Second, to determine the strategic responses that have been applied by the tourist hotels to those changes. Third, to establish the constraints these hotels have faced as they respond to those changes.

Primary data was collected using open ended and closed ended questionnaire for a census of 21 hotels. The data was there after analysed using descriptive statistics which involved use of tables, mean scores, and percentages.

The study found out that most of the hotels are not owned in a chain of a group of hotels and they get most of their clients from Europe and America. Thus all the travel advisories against citizens from these regions have heavily hit tourist hotels. Hotels said their business is fluctuating and unpredictable and most had changed their long-term planning.

The analysis revealed that several environmental factors have changed both positively and negatively. It showed that firms have tried to respond to the negative factor changes to ensure their survival and success. They have done this by using strategies like shrinking selectively, restructuring, marketing and cost management strategies.

It was also established that hotels have experienced both internal and external constraints as they respond to those changes. One of the major internal constraints is lack of finances and major external constraints include rigid government policies and competition among others. To succeed therefore hotels will need to understand the environmental changes that have taken place, craft the right strategies and overcome the constraints they face.

CHAPTER 1:INTRODUCTION

1.1 Background

The environment consists of variables that form the context within which firms exists (Hunger and Wheelen, 1995). Environmental conditions affect and influence strategies developed by an organization for its survival and success. Environmental factors affect strategic management practices (Hussey, 1990).

The environment within which companies operate is constantly changing and firms have to respond to these changes. Strategic planning has developed as a response to increasing challenges caused by high levels of environmental turbulence. Strategy helps firms to cope with change by designing appropriate strategic responses (Pearce and Robinson, 1988). Successful firms continually scan their environment in order to identify future economic, competitive, technological and political discontinuities, which could affect its operations (Ansoff and McDonnell, 1990). In every industry a successful firm continuously reassesses competitive factors, which will bring future success. Whenever historical strategies do not match the future success factors, the firm develops new strategies or leaves the industry. Ansoff and McDonnell (1990) observed that strategic diagnosis helps determine the firm's strategic responses which will ensure success.

The Kenyan as well as global environment in which firms operate has been continuously changing. Firms have been faced with dynamism in the environment in the globalization of world markets, worldwide economic recession, increased competition and other environmental changes. The other major factor that continues to impact on the global business is the concern on global security and safety. This has been affected by mainly terrorism and also the outbreak of incurable disease like SARS.

Over the last thirty years, tourism in the global economy has grown rapidly in volume and in terms. Many less developed countries like Kenya have declared it a priority sector in their development agenda (de kadt, 1979, WTO, 2000). Tourism at the turn of 21st century is growing faster than predicted. According to preliminary results released by

WTO, the industry grew by an estimated 7.4% in 2000. Kenya was among the countries that enjoyed a strong growth.

However, recent projections of the aftermath of the terrorism attacks of the September 11, 2001 showed an adverse effect on tourism (Dieke 2000). The Iraq war and more terrorist threats are expected to adversely affect tourism performance globally. The outbreak of SARS, which seriously affected the travel industry, also affected tourism. Tourism industry has unique Characteristics which are exogenous to circumstances affecting this sector which include exchange rate changes, political events, global security, discretionary nature of holiday making and tourism distribution systems, among others.

In spite of competition from other destinations, Kenya is still one of the foremost tourist destinations in Africa (Dieke, 2000). Kenya was one time recording a big influx of visitors going on safari. This sector is a major employer as it currently employs approximately over 219,000, which is 11% of the total workforce in Kenya (KTB, 2001). In view of the proven potential of the tourism sector, the government formulated sessional paper No.8 of 1969 on the development of tourism in Kenya. It defined the growth targets that it hoped to achieve as well as areas where it would partner with private investors to develop tourism industry. One of the major fields covered by this policy paper was development of tourist infrastructure and superstructure as well as tourist facilities, with emphasizes on better quality accommodation in tourist hotels.

Importance of tourism

Tourism impacts the economy through forward and backward linkages expressed as demand for goods and services in different industries most of which are channeled through tourist hotels (KTB website). The tourist dollar has a multiplier effect whose absence would affect the general government revenue collection. For instance in 2002, over one billion shillings was collected as value added tax in hotel establishments and approximately Ksh 400 million was received from catering levy (Nduta, 2003).

Table 1: The following table shows tourism earnings from 1988 to 1997.

Year	Ksh. Millions
1988	6986
1989	8640
1990	10660
1991	11880
1992	14260
1993	24440
1994	28100
1995	25000
1996	25600
1997	22640

Source: Central Bureau of Statistics

Any change in the tourism industry impacts and affects tourist hotels, which wholly depend on tourists for their operations. Due to dynamic environmental factors, which affect tourism, tourists hotels must keep on developing new strategies for survival and success in the changed environment which require different success factors (Pearce and Robinson 1988). This has led to the tourist hotels to do strategic issue analysis so as to determine the impact and response to significant developments that affect them.

Therefore all environmental changes that have taken place have affected and influenced tourist hotels performance. Tourist hotels are still responding to these changes. Failure to develop successful strategic responses and overcome the constraints preventing their execution can lead to the collapse and death of tourist hotels.

1.2 The Research Problem

Business environment within which tourist hotels have been operating has experienced several changes. Global security and safety issues that are heavily influenced by terrorism have brought changes in the tourism industry. Strategic issue analysis has become necessary to help tourist hotels respond appropriately to the changes in the environment (Ansoff and McDonnell 1995). Change of environmental factors has reduced the influx of tourists to Kenya because they have opted for alternative destinations that pose a big threat to Kenya as competitors. Tourist hotels provide an avenue through which the government generates foreign currencies as well as taxes to finance its operations.

The survival and success of tourist hotels to the changes in the environment depends on how they respond to environmental changes. To respond to the changes, hotels need to understand the environmental factors that have changed. The success of their responses depends on how they will tackle the constraints they encounter. This study aims at determining the environmental factors that have changed, the way hotels have been responding to those changes and the constraints they face in their effort to respond.

Several studies have been carried out on strategic responses of firms to the changes in the environment in a number of industries. Bett (1995) studied the impact of economic reforms on the dairy industry in Kenya. Kombo (1997) carried out a study on the strategic responses of motor vehicle franchise holders in Kenya. A study on the strategic responses of East African Breweries limited to the changes in the environment was done by Njau (2000). Chepkwony (2001) studied the strategic responses of oil industry in Kenya to the changes in the environment. Thiga (2002) studied the responses of airline industry to the changes in the environment. In these studies it was generally found out that firms made adjustments to their strategic variables depending on their uniqueness to ensure survival. However no study has been carried out on the factor changes in the tourism hotels, the strategic responses they have put in place and the constraints they have faced as they try to respond to the changes of environmental factors. This study seeks to focus on tourist hotels and generate information to fill the existing knowledge gap. What changes of environmental factors has taken place, what strategic responses are tourist hotels applying to these changes and which constraints do these hotels face in instituting those strategic responses?

1.3 Objectives of the study

The main objectives of the study are:

1. To find out the changes of environmental factors, which have taken place in tourist hotels industry.
2. To determine the strategic responses that tourist hotels have applied to the changing environmental conditions.
3. To establish the constraints that tourist hotels face in their response to the environmental changes.

1.4 Importance of the study

It is expected that the findings of this study will be important to the following: First, the hotel managers as it will inform them of the pertinent changes of environmental factors and how to respond to them and constraints involved. Second, the potential investors in tourist hotel business in enabling them assess and forecast the future of the business. Third, the tourism sector stakeholders like Kenya Tourism Board (KTB) and Kenya Association of Hotels and Caterers (KAHC), in sensitizing them on the changes affecting the hotels and how they are responding. This will help them decide on how to advice the players in this industry. Finally, to the academicians, the findings will lay foundation for understanding reponses of tourist hotels to changes in the environment and for further research on tourist hotels. It will also contribute to the body of knowledge on strategic responses.

1.5 Organization of the study

Chapter 1 consists of introduction, which gives the background of the study. It also includes the statement of the research problem, objectives and importance of the study, and organization of the study. Chapter 2 has the literature review on strategic responses and strategic behavior of firms, the factors that affect tourist hotels and, trends and performance of tourist hotels. Chapter 3 addresses the research methodology including the population of interest, Data collection and Data analysis method. Chapter 4 deals with the data analysis and findings of the study. Chapter 5 has conclusions involving summary, discussions and conclusions, states the limitations, gives recommendations for further research and the implications for policy and practice.

CHAPTER 2: LITERATURE REVIEW

2.1 Strategic responses and behavior of firms

Definition of strategic responses

Pearce and Robinson (1988) define strategic responses as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objectives. It is thus a reaction to what is happening in the environment of organizations. Porter (1991) pointed out that an organization needs to know the underlying sources of competitive pressure to develop an actionable strategic agenda. When firms face unfamiliar discontinuities in the environment there is need to revise their strategies.

Dimensions of strategic decisions

A firm needs to understand which decisions facing a business are strategic and thus needs strategic management attention (Pearce and Robinson 1988). Strategic issues have the following dimensions: first, they require top-management decisions. This is because strategic decisions over arch several areas of the firm's operations. Second, they require large amounts of the firm's resources. They involve substantial allocation of people, physical assets, or moneys that either must be redirected from internal sources or secured from outside the firm. Third, they often affect the firm's long-term prosperity. Strategic decisions ostensibly commit the firm for a long time, typically five years. However, the importance of such decisions often lasts much longer. Fourth, strategic issues are future oriented. Strategic decisions are based on what managers forecast rather than what they know. It involves projections that will enable the firm select a strategy that is appropriate. Finally, strategic issues involve considering the firm's external environment. Business firms are open systems that affect and are affected by external conditions. This makes it important for firms to look beyond their operations.

Strategic behavior of firms

Firms need strategy for direction, focusing of effort, to define the organization and to provide consistency (Mintzberg, 1987). Aosa (1992) observed that the modern approach to strategic planning has developed as a response to increasing challenges caused by high

levels of environmental turbulence. Strategy helps an organization cope with changes in the environment (Pearce and Robinson, 1988). Schneider and Meyer (1991) stated that assessment of environmental threats and opportunities and organizational strengths and weaknesses are core to developing strategic responses. Strategic diagnoses help the organization in determining changes to be made to its strategies and internal capabilities. Boynton and Victor (1991) observed that firms need to respond to change with stable and long-term, yet flexible and responsive process capabilities. Strategies should generally avoid any fundamental change in character of a business as well as major changes of the business interface with the customers.

The following actions, which constitute the strategic responses, should be considered to better understand how firms behave when the environment changes.

Restructuring

Restructuring is based on the notion that some activities within a business's value chain are more critical to the success of its strategy than others (Pearce and Robinson, 1988). Managers need to make the strategically critical activities the central building blocks for designing organization structure. The structure must be designed to ensure timely integration with other parts of the organization. Process restructuring aims at bringing the company to an acceptable level of performance. It covers activities like marketing, product development, and service delivery with the aim of cutting costs. Cost improvement can be achieved through outsourcing of services. Functional restructuring involves laying off redundant staff or training the staff in functional skills where they are encouraged to acquire new skills. Downsizing may occur by reducing workload as well as eliminating functions. Downsizing helps firms to lower overheads, speed up response time, and eliminate red tape (King, 1997).

Shrinking selectively

When an environment changes significantly, a firm can undertake selective shrinking. Whiltington (1989) observed that this could involve focusing on specific market segment that provide a profitable core of higher margins. It could also involve withdrawal from unprofitable market segments. Morine (1980) suggested sale of investment to get funds

with higher rates of returns in the principal activities of the business. Also cut backs could be necessary if the business is a low margin one that faces cash-flow problems.

Marketing

An economic downturn that reduces the consumer's purchasing power reduce opportunities for sale of improved products and services. Marketing is therefore a more desirable alternative to increase volume instead of cutting profit margins or continually discounting prices (Morine, 1980). Firms wishing to thrive in an economic downturn should not be cutting back on marketing and product development. Marketing improvement activities have helped firms to survive during the recession periods.

Marketing policies need to be redefined in line with customer shifts for more value adding products or services (Slatter, 1992). A firm needs to keep in constant touch with its existing client base, introduce quick adjustments to its portfolio, and refocus on clients needs. Attention should be given to reliable after sale service and aesthetic features of the product (Morine, 1980).

Cost cutting

In most businesses, cost reduction is a faster method to achieve greater profits than increasing sales volume. Cost cutting helps to tackle a cash-flow crisis within a business (Slatter, 1992). Hence, the adoption of cost cutting strategies minimize wastage and unnecessary expenditure during a down turn (Whiltington, 1989). The typical cost cutting measures include: First, reduction of working hours and wages as well as bonuses. Second, human resource changes by retrenching unproductive employees, compulsory upgrading of skills and knowledge of workers and promoting based on ability and not seniority. Third, time management by handling paper work only once and holding fewer meetings to save time. Fourth, overhead reduction is used in turn around strategy and could involve reducing unnecessary travel. Finally, rationalizing personnel where only the core personnel are retained and utilized fully to minimize overheads.

2.2 Factors that affect tourist hotels:

Tourist hotels like other firms are affected by the macro-environmental factors. First, changes of economic factors affect demand for hotel products and services (WTO, 2000). The global recession has been seen to reduce the earnings of tourist hotels as well as affect the currency exchange rate. Economic conditions influence income of consumers given the rise in both real and disposable income in the tourists country's of origin, has made it possible for more tourists to consume tourism products and services (Jenkins, 1990). This explains why Western Europe, USA, Canada and Japan are the leading tourists generating countries (Dieke 2002).

Economic conditions also affect pricing strategies pursued by firms. Tourism industry has different market segments which are affected differently by the price (Jenkins, 1990). These segments are business travelers, pleasure travel, meeting and conferences travel, personnel travel and incentive travel.

Second, Consumer tastes and preferences is mainly determined and influenced by demographic factors. Age has become a more important factor in determining consumption of hotel services. For example in Western world, young professionals (aged 25 – 40 years) constitute a major travel market (WTO, 2000). The old (55-64 years) who have retirement savings and relatively high disposable incomes for leisure travel, seek out high-class hotel accommodation. As demographic factors change, consumers' tastes also change and this requires the hotels to adjust accordingly (Moline, 1980).

Third, the Social- cultural changes affect the hotel business mainly if changes are attributed to tourists visiting destination Kenya (Nduta, 2003). Some of these social changes include the family size, the psychological prejudices to leisure time and retirement age (Ekwulungo et al, 2002). Tourist hotel industry is benefiting from reduced retirement age in the industrialized countries, where the life expectancy has also risen. This has increased retirees' leisure time and income for pleasure spending. Younger tourists are visiting tourists' destinations after retirement and they tend to spend more days in hotels thus generating more business to those hotels (Slatter, 1992).

Fourth, Political-legal changes are very crucial for tourism industry, which is very sensitive to security in a given destination. Political stability boosts travel while instability and war reduce both the volume of travel and the duration of stay. Terrorism risk in a given destinations reduces tourist business (Dieke, 2000). The most severe terrorist impact was felt after September 11, 2001 bombing of WTO in America. This induced global terror causing most of airlines to reduce travel routes. Given America is one of the major sources of tourists to Kenya; the tourism industry in Kenya was heavily affected. This caused less business to hotels that meant hotels had to take some strategic measures to adjust to lower rate of tourist influx.

Fifth, Publicity from the international media coverage of events in a country affects travel. Negative publicity of a given region discourages travel (Dike, 2000). KTB has been formed to help improve the publicity of Kenya as a destination. Films and other documentaries made in a given country impacts positively on the country as a tourist destination.

Sixth, technological changes have affected all sectors. Internet marketing has revolutionized the way companies market their products. Tourism industry has a great advantage as hotels can sell themselves to visitors with specific reference to Kenya (KTB 2001 and economic survey, 2000). Online transactions have developed very rapidly during the past few years shaping tourism industry. Internet has offered Kenya a chance to compete internationally. Incidence of Boeing technology has increased tourists access to Kenya. This has also helped to reduce traveling costs for tourists visiting Kenya (Ekwulungo et al 2002).

2.3 Trends and performance of tourist hotels and tourism

Tourism remains one of the most important sources of foreign exchange to Kenya. Tourism generates an average of ksh. 25 billions annually. As per the economic survey, 2002, tourism receipts in 2001 improved as compared to 2000. However there was a marginal decline in international arrivals of 1.4 percent. This was attributed to the lack of air travel confidence associated with September 11th, 2001 terrorist attacks in U.S.A. The

length of stay by visitors continued to decline. The following Table 2 shows the percentage of visitor arrivals in 2001.

Table 2: Percentage share of visitors' arrivals by purpose of visit.

Purpose of visit	Percentage (%)
Holiday	73.3
Transit	15.4
Business	9.3
Others	2.0

Source: *Economic survey, 2002*

The decline in visitor arrivals was attributed to global recession in major tourists generating countries. Although holiday has dominated the main purpose stated by most visitors arriving to Kenya, its share declined from 80 percent in 1997 to 73.3 percent in 2001. Also visitors on business visits dropped from 10.2 percent to 9.3 percent. However visitors on transit increased from 7.2 percent to 15.4 percent. The major sources of hotel business – Holiday and business visitors/tourists - were seen to decline.

Duration the visitors stay.

The other way to measure tourist hotel performance is by considering the number of days stayed by visitors in the hotels. Generally since 1997 this has declined as tourists stay for a shorter duration in the hotel. This could mean either they are dissatisfied with the hotel services or destination services. This cuts on the income expected by hotels from accommodation charges as shown in the declining trends on Table 3.

Table 3: The number of days stayed by purpose of visit, ('000)

Purpose	1997	1998	1999	2000	2001
Holiday	960.30	7132.7	7754.6	7413.1	7123.2
Transit	785.4	646.0	712.1	814.8	699.0
Business	284.7	404.4	468.2	279.5	321.8
Total	10,673.1	8183.1	8934.9	8507.4	8144.0

Average 11.8 9.8 9.4 8.7 8.4

of days stay

Source: *economic survey 2002*

CHAPTER 3: RESEARCH METHODOLOGY

3.1 The population

The population of interest in this study consisted of classified tourist hotels, which are three star (3***) and above in Nairobi classified as per the Hotels and Restaurants Act (CAP 494). The list of all classified hotels that are based in Nairobi, which are three stars and above was obtained from the Directory of licensed hotels issued by the ministry of tourism in 1997, which was the most recent directory. The Directory indicates the hotel location and star level. There are 21 hotels from the directory that fitted this study's specifications. Given the number of tourist hotels is small (21), a census study was carried out.

3.2 Data Collection

This study used primary data. The primary data was be collected using a questionnaire containing both structured and unstructured questions (see appendix II). The questionnaires were administered using the 'drop and pick later' method, which was a modification of mail questionnaire. Each hotel was issued with one questionnaire. Respondents were managers who have been involved in crafting and implementing strategic responses in the hotels. These respondents included any one of the following: Managing Director, General Manager, Marketing Manager, or the financial controller/manager.

The questionnaire consisted of three sections I, II and III. Section I consisted of questions designed to capture general information on the characteristics of the hotel while section II captured the factors that have changed in the environment and the responses of tourist hotels to those changes. Section III addressed the constraints the hotels faced in implementing those responses.

3.3 Data analysis method.

This study used descriptive statistics in analyzing data. This involved use of frequency tables, percentages, rank ordering and mean scores. Frequency tables were used for arraying data obtained to facilitate working out percentages. Percentages revealed the proportions of different attributes being studied for relative comparison. Rank ordering helped rank different attributes of the hotel in the order of their representation. Mean scores and standard deviation were calculated to indicate the adjustments that had been adopted to strategic variables in response to the changes in the environment.

CHAPTER 4:DATA ANALYSIS AND FINDINGS

4.1 Introduction:

This chapter dealt with data analysis and interpretation of the research findings. The data in this study was summarized and presented in the form of tables, frequencies, percentages, mean scores, standard deviation and rank ordering. It documents whether the hotels have changed their mission, strategies and plans in response to the changes in the environment affecting tourism industry. This involved adjustments made in various strategic variables by the firm in response to changes in the business environment. Out of the twenty one firms targeted, only fifteen responded through filling a questionnaire which was administered through “Drop and pick later method”.

Table 4: Hotel Classification

Star level	Frequency	Percentage
Three star	5	33.3
Four star	4	26.7
Five star	6	40.0
	15	100.0

As Table 4 shows, 15 out of 21 hotels participated in the study. 33.3% of the hotels were classified as three star, 26.7% as four star and 40% were five star. The majority of the hotels – 40% - were classified as five star hotels. Given 15 representing 71.4% of 21 hotels targeted in the census study responded, these hotels’ response was considered representative of the attributes of hotels targeted for this study.

Table 5: System of Hotel Ownership

Ownership	Frequency	Percentage
Part of a chain of hotels	4	26.7
Only as one hotel	11	73.3
	15	100.0

Table 5 shows that only 26.7% of the hotels studied are owned in a chain of hotels, While 73.3% are owned as single hotels. These findings reveal that most of the tourist hotels are not owned in a chain of hotels but as single hotels and most of these hotels have restricted their operations only in Nairobi.

Table 6: Summary Rank Ordering of the Regional Sources of Tourists to Hotels Studied

Regional Source	Position Ranking
Europe	1
America	2
Africa	3
Asia	4
Australia	5

n = 15

From Table 6, it is seen that as far as the tourist source regions are concerned, Europe is number one source of tourists to Kenya while Australia generates the least tourist to Kenya. Africa is ranked third and mainly consists of domestic tourists.

Table 7: Rank Ordering Type of Clients Visiting the Hotel:

Client Group	Ranking	Ranking Score
Business clients	1	34
Leisure clients	1	34
Clients on transit	2	22

n = 15

As shown in Table 7, both leisure clients who are touring the country to enjoy wildlife and the environment, and business clients contribute equally to the hotel business. One of the respondents stated that they have specialized purely on corporate clients because they provide a more stable source of business. Clients on transit hardly spend over six hours in the hotel given most of them are connecting flights.

Table 8: Trends of Tourist Hotel Business

Trend	Frequency	Percentage
Growing	1	6.7
Declining	4	26.7
Fluctuating & Unpredictable	10	66.6
	15	100.0

Table 8 shows that 66.6% of the hotel observed that tourist hotels business is fluctuating and unpredictable. Most managers in these hotels said that this was due to unstable and unpredictable global security. 26.7% of the hotels observed that their business was declining and only 6.7% noted growth.

Table 9: Methods used by Hotels to get Business

Method	Yes		No	
	Frequency	Percentage	Frequency	Percentage
Direct marketing in source regions	12	80	3	20
Booking by tour operators	14	93.3	1	6.7
Domestic marketing	13	86.7	2	13.3
Walk-in-Clients	14	93.3	1	6.7

n = 15

From Table 9, it's seen that hotels get clients using all these methods. However, bookings by tour operators and walk-in clients are more preferred may be due to the less cost implications as there is less direct marketing involved. However different hotels use a varied combination of these methods.

4.2 Environmental Factors that have changed

Table 10: The Distribution of the rate of change of environmental factors

Factors	Mean score	Standard deviation
Global security and safety	4.8	0.4
Tourist family size on safari	2.9	0.93
Currency exchange rates	3.3	0.93
Money spent by tourist in the hotel	3.1	0.96
Means of communicating with tourists	3.3	0.87
Age of tourists visiting the hotel	3	1.03
Gender of tourists visiting the hotel	2.3	1.14
Competition (hotel & destination)	3.5	1.4

n = 15

Table 10 shows that global security and safety with a mean score of 4.8 and had undergone a very drastic change. Competition with a mean score of 3.5 had experienced a high level of change. Gender of the tourists visiting the hotels with the mean score of 2.3 experienced the least change.

Table 11: The Nature of Change of the Environmental Factors

Factors	Positive		Negative		<i>Difference</i>	
	Frqcy	%	Frqcy	%	Frqcy	%
Global security and safety	3	20	12	80	9	60
Tourist family size on safari	3	20	12	80	9	60
Currency exchange rates	9	60	6	40	3	20
Money spent by tourists in the hotel	2	13.3	13	86.7	11	73.4
Means of communicating with tourists	15	100	-	-	15	100
Age of tourists visiting the hotel	6	40	9	60	3	20
Gender/sex of tourists visiting in hotel	9	60	6	40	3	20
Competition	-	-	15	100	15	100

n = 15

From Table 11 the following factors had significant positive changes; means of communication, currency exchange rates and the gender of tourists visiting hotels. The other factors that had major negative changes are; global security and safety, tourist family size on safari, disposable income of tourists and competition.

4.3 The general description of the impact of environmental factor changes

All hotels observed that generally change of these environmental factors had negatively impacted on the hotels. They stated some of the following as the outcomes of the negative impact; reduced market share and profit margins, price competition leading to lowering of hotel rates, reduced business growth and change of target market.

4.4 Strategic Responses

To establish current strategic responses of hotels to the changes in the environment, specific strategies were posed to the respondents to indicate the level of adjustments they have effected in response to the changes in the environment. The adjustments were ranked on a 5-point likert scale. A mean score and standard deviation was computed for each strategy, with 1 taken to mean the lowest level and 5 to mean the highest level. The strategic variables were restructuring, shrinking selectively, marketing and cost management as well as long term planning. These were considered to be major strategic variables hotels could pursue in responding to the changes of environmental conditions.

Table 12: The Distribution of Change of Long term Planning in response to changes in the environmental factors.

Change of Long term planning	Frequency	Percentage
Yes	12	80
No	3	20
	15	100

As per Table 12, 80% of the hotels had changed their long term planning while 40% had not changed.

Table 13: The Assessment of the Relevance of the long-term plans

Relevance	Frequency	Percentage
Very relevant	7	46.7
Quite relevant	8	53.3
Not relevant	-	-
	15	100

From Table 13, 46.7% of the hotels stated that the long-term plans were relevant while 53.3% said they were quite relevant. No hotel viewed long term plans as irrelevant.

For the firms that indicated they had changed long term planning as seen in table 14, i.e. 12 hotels representing 80% of all hotels interviewed, some had the planning duration increased while others had it reduced. From Table 14 below 66.7% of those hotels reduced the planning duration while 33.3% increased it.

Table 14: The Indication of how long term planning was changed

Change of planning duration	Frequency	Percentage
Increased	4	33.3
Reduced	8	66.7
Scrapped out	-	-
	12	100

In the following analysis only 13 hotels out of 15 responded to this question as the other two hotels termed information sought here “*very sensitive*”.

Restructuring

Table 15: Adjustment on restructuring strategies

Strategies	Mean score	Standard deviation
Retrenching redundant staff	2.2	1.1
Reducing the number of managers	2.4	1.15
Training managers on how to respond to crisis	3.5	1.22
Changing structure by reducing hierarchical layers	2.6	1.21
Change of corporate mission/visions	2.5	1.28

n=13

From Table 15, the mean score of 3.50 indicate quite high-level changes by firms training their managers on how to respond to crisis. This was the major approach pursued by most hotels. The other restructuring strategies which were significantly changed were the structure by reduction of hierarchical layers with a mean score of 2.6 and change of corporate mission/vision with a mean score of 2.5.

Shrinking Selectively:

Table 16: Adjustments of Selective Shrinking Strategies

Strategies	Mean Score	Standard deviation
Sale of some hotel properties	1.9	1.38
Targeting only a profitable tourist group	2.0	1.24
Withdrawing from unprofitable tourist groups	2.8	1.46
Centralization of crucial activities at head office	2.3	1.64
Outsourcing of non-core services	3.0	1.30

Table 16 shows that outsourcing of non-core services with a mean score of 3.0 was significantly changed. Hotels also changed their strategy by withdrawing from unprofitable markets as shown by the mean 2.8. Very few hotels pursued the option of reducing their hotel properties as indicated by the mean of 1.9.

Marketing

Table 17: Adjustments of Marketing Strategies

Strategies	Mean Score	Standard deviation
Increasing marketing activities budget	3.0	1.5
Adjusting marketing policies to tourist demands	3.3	1.26
Direct marketing in source countries	2.7	1.32
Partnering with KTB in doing marketing	3.2	1.5

n=13

From Table 17, significant levels of adjustments were made by increasing marketing budget, adjusting marketing policies and partnering with KTB in marketing all with the mean scores of 3.0, 3.3 and 3.2 respectively. Direct marketing with a mean score of 2.7 had a low-level adjustment. Marketing strategies received high-level changes may be because they are directly involved in generating business to the hotels.

Cost Management

Table 18: Adjustment of Cost Management Strategies

Strategies	Mean score	Standard deviation
Employing on contract basis	3.0	1.24
Reduction of employees remuneration	2.2	1.36
Retrenching excess staff	2.4	1.0
Automation of processes	2.8	0.95
Outsourcing of services	3.0	1.24
Reduction of idle capacity	2.6	1.14
Change of products/services quality & range	3.7	1.38

n=13

Table 18 shows that change of product/service quality and range with a mean score of 3.7 was the major cost management strategy. Some respondents said that change of product service quality and range was caused by reduced hotel charges to attract tourists. Other strategies that had high-level adjustments were employing on contract basis and outsourcing of services. However there was lower level of adjustments in reduction of employee remuneration with a mean score of 2.2.

4.5 The Distribution of the Influence of the Changes in the Environment on the hotel

In these questions 14 firms out of 15 responded to the question.

Table 19: How Environmental Changes have influenced the Hotel attributes

Factors influenced	Mean score	Standard deviation
Rates charged by hotels	3.6	1.50
Number of days tourists stay in the hotel	3.5	1.11
Changes of tourist group targeted	3.8	1.45
Closure of some hotels in the chain	1.5	1.24

n=14

Table 19 indicates that closure of some hotels in the chain was least influenced by the changes in the environment as seen from the mean score of 1.5. This is because most respondents operate as single hotels not in a chain. Factors that were greatly influenced by the changes in the environment were; rates charged by the hotel with a mean score of 3.6, number of days tourists stay in the hotel with a mean score of 3.5 and the most influenced of all the factors was the change of tourist group targeted with a mean score of

3.8. This was stated by most respondents who said they had started targeting local/domestic tourists given foreign tourists had reduced drastically.

4.6 Constraints that hotels face in responding to the changes in the environment

There are both internal and external constraints that hotels have been facing.

Table 20: Internal Constraints

Constraint	Mean Score	Standard deviation
Lack of finances	3.8	1.26
Employee resistance of new terms and conditions	2.6	1.30
Lack of owner(s) support	2.1	0.96
Badly planned responses	2.7	1.20
Poor communication on how to respond	2.5	1.20
Lack of management support	2.2	1.42

n=14

From Table 20, the major internal constraint is lack of finances with mean score of 3.8. This is because all the activities of the hotel require finances for proper response. Badly planned responses with a mean score of 2.7, employee resistance to new terms and conditions with a mean score of 2.6 and poor communication of how to respond with a mean score of 2.5 were all significantly restricting the hotel's responses.

Levels of Management in the Hotels

This is a major internal attribute that can be a big source of internal constraints given many levels will increase bureaucracy in administration.

Table 21: Levels of Management

Many Levels of management	Frequency	Percentage
Yes	9	60
No	6	40
	15	100

Table 21 shows that 9 hotels that represent 60% said they had many levels of management thus resulting to a tall structure while 40% had few levels thus indicating a flat structure. For the 9 hotels (60%) that said they had a tall structure of management, they sited the following as the constraints to the hotels ability to respond to the changes in

the environment. First, decision-making takes long due to dragging by the managers at different levels and this delays response. Second, there is rigidity in some levels due to bureaucratic rules and procedures. Third, some have daily management meetings for review and planning that take a lot of organization's time as managers spend more time planning and less time implementing their plans. Lastly, consensus building for all levels of management is difficult. This leads to divisions among managers and hence poor implementation of decisions to respond to changes.

External constraints to the hotels ability to respond to changes.

The response on this question was obtained from 13 hotels out of 15 hotels.

Table 22: External Constraints.

Constraints	Mean Score	Standard deviation
Government policies	4	0.88
Conditions of the infrastructure	3.8	1.23
Dynamic changes in tourism sector	3.9	0.83
Competition	3.2	1.25
Security	4.5	1.10

n=13

From Table 22, it can generally be observed that external factors have a very strong constraining effect on the hotels ability to respond to changes. Security with a mean score of 4.5 has the strongest effect followed by government policies with mean score of 4.0. Competition, conditions of infrastructure and dynamic changes in tourism with mean scores of 3.2, 3.8 and 3.9 respectively show fairly a strong effect on the hotels ability to respond to changes in the environment.

4.7 The effect of dependence on tour operators and foreign tourist agents.

Table 23: Hotels dependence on tour operators and foreign tourist agents

Depends on operators & agents	Frequency	Percentage
Yes	4	26.7
No	11	73.3
	15	100.0

In Table 23, it is seen only 26.7% of the hotels depend on tour operators and foreign tourist agents while 73.3% do not depend on them. For the firms that depend on tour

operators and foreign agents, the following was cited as the effects of their dependency on the way they responded to changes: First, lack of finances due to fewer or no tourists coming to the country through agents. Second, government controls and inspections, which mean they cannot do anything, that government does not approve. Third, tour agents and operators demand special rates and services that the hotel may not be able to offer as this affects hotels profitability.

4.8 The effect of poor publicity by the media about tourism in Kenya on the hotels ability to respond to changes:

Hotels stated the following as the effects of poor publicity. First, Poor publicity has counteracted the hotels sales and marketing efforts to persuade more tourists to visit Kenya. Second, it has caused hotels to change their target groups from foreign to domestic clients, which has proved quite challenging due to low income and low spending power of domestic tourists. Third, tourists stay only for a short duration due to fear, as they know from the media that Kenya is unsafe. Fourth, cancellation and postponement of tourists' visits and meetings. This affects both the hotels planning and income generation. Finally, poor publicity has caused hotels to reduce the rates charged to entice tourists to visit the hotel.

4.9 The other sectors that affect the hotels ability to respond to environmental changes and their effects were given as follows:

Transport sector

This has contributed to poor infrastructure. This has led to inaccessibility of tourists' locations; traffic jams slowing down tourist movement and highway robberies and carjacking, which target tourists.

Kenya Revenue Authority (KRA)

The VAT charged on the hotels is so high such that the rates and prices charged by hotels are quite inflated.

Communication sector

There are high tariffs charged for Internet services rendered to the hotels. This service also turns out to be quite unreliable due to frequent failures of Internet. There are congestions of cell phone services impairing communications.

Energy sector

The high cost of electricity affects operational cost of hotels. Rationing of electricity and partial blackouts have also affected the hotels service delivery and operations.

Manufacturing sector

Some local firms produce low quality goods or services forcing hotels to import those products thus adding to their costs. Also industrial unrest results to insecurity, which affects tourists' movement. It also affects availability of required commodities like sugar. This lowers the quality of services offered by hotels.

The other constraints that hotels face as they try to respond to the changes in the environment are as follows.

- Pollution problems that are caused by emissions and noise from vehicles and street family due to dirty conditions.
- Poor services of local authorities like water, garbage collection and street lighting.
- Technological changes which require a lot of investment to keep up with the changes.
- Inflation causing less spending by domestic tourists which also leads to hotels experiencing cash flow problems.
- Few formal training institutions for hotel staff which could help in training managers on how to help the hotels respond.
- Stringent labor laws and instability in trade unions.

CHAPTER 5: CONCLUSSIONS.

5.1 Introduction

This chapter presents the summary discussions and conclusions from the research findings as per the objectives of the study. Based on the findings, recommendations have been given on strategic responses to the environmental factors that have changed and the constraints hotels encounter in trying to respond to the changes in the environment. The limitations of the study as well as suggestions for further research will also be discussed.

5.2 Summary, discussions and conclusions

The first objective sought to find out the environmental factors whose change has affected tourist hotels. The results from the study show that several factors changed both positively and negatively in regard to the tourist hotels. Factors that changed positively were the means of communication, the currency exchange rate and the gender of tourists visiting the hotel. Factors that changed negatively are the global security and safety, tourist's family size on safari, money spent by tourists in the hotels and competition from other destinations and other hotels. Global security and safety, and competition were seen to have changed very drastically while tourist family size on safari and means of communication changed moderately.

The global security and safety has mainly been affected by terrorist threats and strikes that have led countries like USA and Britain to give traveling warning to their citizens who want to visit Kenya. Due to the risks involved in traveling to Kenya and the slump of the global economy that has affected the disposable income of tourists, the family size of people on safari has also been decreasing. This has resulted to few tourists visiting Kenya and in turn caused tourists to seek alternative destinations thus creating competition for the destination Kenya. Internal competition between hotels has also increased as hotels compete for the few tourists that are available. Means of communication has improved mainly due to invention of Internet and mobile phone technology. Internet has made communication more efficient and reliable mainly with the use of online transactions like booking and payment. It seems that these environmental

changes will continue into the future. Hotels therefore will need to continuously keep on doing environmental assessment to determine the nature and extent of change so as to adjust well to the changes. Due to all the changes that have taken place, most of the hotels observed that their business has been fluctuating and unpredictable while others said it is declining. All these were the outcomes of the factor changes in the environment.

The second objective was to determine the strategic responses of the hotels to the changes in the environment. The results showed that hotels have implemented different strategies in responding to the environmental changes. Some hotels stated that they changed their long term planning. Most of them actually reduced their planning period. This is may be to enable them respond quickly to the changes in the environment without distracting many other aspects of the hotels. Others which increased their planning period might have done so with many provisions for environmental changes where by adjustments could be done without affecting the other aspects of the hotel. In pursuit of restructuring strategies, some hotels responded by change of their corporate mission/vision. This was meant to give the hotels a more clear direction and values to pursue in order to survive. Hotels changed their structure by reducing the levels of managers so as to create a leaner organization with few centers of responsibility to make communication and decision-making more efficient in responding to the changes in the environment. Some of the hotels also undertook retrenchment of redundant staff to cut on employees cost. Hotels also responded through selective shrinking strategies. Here most of hotels have started outsourcing of non-core services. Some of them changed their target markets by withdrawing from unprofitable tourists groups. However, only few of them shrunk by sale of their properties in their hotel chains. This could be due to the fluctuation in tourism industry, which makes hotels hope that after some time tourism will pick again and they would need those properties. Marketing strategies that hotels utilized to respond to changes in the environment include; adjustment of marketing policies to meet tourist demands, deciding to market directly to tourists in their countries of origin, and partnering with KTB in marketing Kenya as a destination as well as their hotels. These strategies were meant to ensure that the hotels had a direct link with the tourists as opposed to dealing with them indirectly through tour operators and agents as it had been

happening. Due to the hard times caused by changes in the environment, most hotels used several cost management strategies. Hotels turned to employing on contract basis as opposed to permanent basis. They also opted to change the product/service quality and range to cater for the new target markets. Several hotels responded by automation of their processes, which would increase efficiency as well as cut cost. One of the major automation aspect pursued is the computerization of systems. It is seen that hotels used a variety of strategic responses to respond to changes in the environment. The strategic responses pursued by a hotel depend on its strengths. Thus hotels used strategic responses to ensure their survival and success in the changing environment.

The third objective was meant to establish the constraints both internal and external that hotels faced as they tried to respond to changes. It was found out that the major internal constraints that hotels faced were lack of finances, poor communication by managers on how to respond, badly planned responses and the employee resistance to change. Many levels of management might have caused poor communication given that most of the hotels said they had many levels of management. The major external constraints that hotels faced were; dynamic and unpredictable changes in the tourism sector, security problems, competition and strict government policies among others. These constraints influenced several aspects of the hotel like the rates charged by the hotel; the market group targeted by the hotels and the number of days tourists staid in the hotels. These external constraints affected all the hotels. Hotels faced a big challenge on how to address these constraints given they were beyond their control. Hotels resulted to adjusting accordingly to these constraints so as to ensure their survival.

5.3 RECOMMENDATIONS FOR POLICY AND PRACTICE

The study reveals that most of environmental factors facing tourist hotels have changed. These changes have adversely affected the hotels. After hotels understand the factors that have changed and how they are affecting their operations they require the hotel to continuously do situational analysis to know what factors have changed and also be proactive in tackling the factor changes in the environment.

Tourist hotels need to make strategic adjustments in response to the changed factors. Most of the firms have changed their long term planning duration. They made it shorter to enhance quick responses to the changing environmental. Tourist hotels responded to the changes in the environment by using the following strategies: restructuring, selective shrinking, marketing and cost management. Marketing practices formed the major strategic response method used by the hotels followed by cost management. Hotels face both internal and external constraints in their effort to respond to the changes in the environment.

Tourist hotels should balance their responses as much as they can. They should take great care when they are adjusting some aspects of the hotel. For instance in cost management, change of product/service quality by lowering it should be done with a lot of care since it may be above the threshold point and it may affect clients perception and satisfaction leading to more loss of business. Hotels should take care of the internal constraints that generally are part of their weaknesses in SWOT analysis, which can be taken advantage of by their competitors. They should seek assistance from respective institutions that can help them address their internal constraints. Given external constraints are above hotels controls, hotels should understand this environment well and seek to adjust accordingly. The hotels should, through their association, KAHC seek a way to address external constraints. Therefore hotels should understand the changed environmental factors, apply appropriate strategic responses and overcome constraints to be able to survive and succeed in the fluctuating and unpredictable environment.

All firms face scarcity of resources, which create internal constraints. Firms should establish their resource base so as to be able to successfully respond. There are also external constraints that are beyond the control of hotels. Here hotels will have to adjust accordingly so as to fit in their external environment that they cannot change. Thus, the success of hotels in the environment will depend on their ability to respond to the changes that take place. This will be possible if they understand the changes that have taken place in the environment, craft and implement correct strategic responses, and

above all be able to overcome the constraints they face as they try to respond to those changes.

5.4 LIMITATIONS OF THE STUDY

First, this study focused on the top management involved in strategic issues. It proved extremely difficult to access the C.E.O. this made the research opt for other managers like the marketing, operations and financial managers. CEOs have a deeper understanding of strategic issues and would have given more clear responses.

Second, time allocated for the study was limited. The environmental changes are still taking place and hotels are still responding to these changes. This means that if some of the responses stated prove unsuccessful, hotels might do some adjustments. If this happens it will not be reflected in this study. Also most of the hotels are under heavy security guards due to terrorist threats. In some hotels the researcher was denied access or required to wait for long-term time due to security procedures he was required to go through which required more time thus reducing the number of respondents.

5.5 RECOMMENDATIONS FOR FURTHER RESEARCH

A longitudinal study should be carried out to establish how other players in the tourism sector have been responding to the changes in the environment and the constraints they are facing. Most of the hotel managers are trained in Utalii; a study should be carried out to find how well the hotel managers understand the issues of strategic management as this could affect how they carry out strategic practices. A study should be carried out to determine how hotels have been responding to the changes of the major factor of security threats after sometime to see whether there is any consistency.

REFERENCES

Ansoff, I.H.; and E.J McDonnell (1990), Implementing Strategic Management, Second Edition, Prentice Hall.

Aosa, E.; (Feb 1992) "An Empirical Investigation of Aspects of Strategy Formulation and Implementation with Large, Private Manufacturing Companies in Kenya". Unpublished PhD Dissertation, University of Strathclyde (Scotland).

Bett, S.K.; (1995), "Strategic marketing of dairy products in Kenya". An unpublished Master of business administration research project, University of Nairobi, Kenya.

Boynton, C.A.; and V. Bart (1991), "Beyond Flexibility Building and Managing the Dynamically Stable Organizational", California Management Review, Vol. 34 No. 1 pp 53-66.

Chepkwony, J. (2001) "Strategic responses of petroleum firms in Kenya to challenges of increased competition in the industry". An unpublished Master of business administration research project, University of Nairobi, Kenya.

De kadt, E. (1979), Tourism: Passport to Development, Oxford University Press.

Dieke, P.U.C. (2000). The Political Economy of Tourism Development in Africa. Elmsford, New York.

Ekwulungo, F.; Muhati J.; and P. Okoli (2000), "An Evaluation of the Kenya Tourist Board Website", Exploring the Horizons of African Business and Development. Vol. 3, pp. 116-124.

Francoise, L.S. (1995), "Tourism Development in Tourism Economies", Columbia Journal of the World Business . Vol. 30, No. 1. Pp 26-41.

Hunger, J.D.; and Wheelen T.L. (1999), Strategic Management, Year 2000. The Global Millennium. 7th Edition Prentice Hall (UK) Ltd.

Hussey, D.E.(1990) “Development in Strategic Management” International Review of Strategic Management. Vol. 1, pp 3- 25.

Jenkins, C.L. (1990), “Tourism Is the Future Demand Changing” In Quest (Ed) Horwath Book of Tourism. London Macmillan, pp 46-55.

KathLeen, M.E. (1990), “Speed and Strategic Choice. How Managers Accelerate Decision Making”, California Management Review, Vol. 32. Pp 39-54.

Kenya Tourism Board, 2001 Marketing Strategy and Plan. KTB.

Kenya Tourism Board.(2003), <http://www.kenyatourism.org>.

King, S. S. (1997),” Lessons from recession in central and Eastern Europe: From survival to continuous improvement,” Lessons from recession: A Management and communication perspective. State University of New York Press, pp. 151-178.

Kombo, H.K, (1997) “Strategic responses by firms facing changed environmental conditions – a study of motor vehicle franchise in Kenya”. An unpublished Master of business administration research project, University of Nairobi, Kenya.

Morine, F.J. (1980), Riding the recession: How to deal with shrinking markets and high inflation. Business books, London.

Mintzberg, H. (1987). “Why Organizations need strategy”. California Management Review, Organizational Approaches to Strategy.

Njau, G.M. (2000), “Strategic responses by firms facing changed competitive conditions – EABL ltd”._An unpublished Master of business administration research project, University of Nairobi, Kenya.

Nduta, T. (2003). “Loopholes. The Major Leakages to Tourism Earnings”. The East African. Business, pp 17.

Pearce, J.A II; and JR R.B. Robinson (1988). Strategic Management: Formulation, implementation and control, Fourth Edition, Irwin Inc.

Porter, M.E. (1991), "Towards Dynamic Theory of Strategy", Strategic Management Journal. Vol. 12 pp. 95-117.

Schneider, S.C.; and A.D Meyer (1991)."Interpreting and Responding to Strategic Issues". Strategic Management Journal, Vol. 12 pp 307-320.

Slatter, S. (1992), Gambling on growth: How to manage the small High Tech Firm. John Wiley & Sons.

Thiga, S.W (2002) "Strategic responses of Airlines operating in Kenya in the face of changing environmental conditions". An unpublished Master of business administration research project, University of Nairobi, Kenya.

Wagoki, S. (1998) "Prioritization of determining factors on the performance of tourism industry". An unpublished Master of business administration research project, University of Nairobi, Kenya.

Whiltington, R. (1989), Corporate strategies in recession and recovery: social structure and strategic choice. Unwin Hyman, London.

WTO World Tourism Organization (2000). Tourism Market Trends, Africa, 2000. Madrid, WTO.

APPENDICES

Appendix I: Letter of introduction

University of Nairobi
Department of Bus.Admin.
Faculty of Commerce
P.o Box 30197
Nairobi.

To Whom It May Concern:

Dear Respondent,

RE: REOUEST FOR RESEARCH DATA.

I am a postgraduate student at the University of Nairobi, Faculty of Commerce. In partial Fulfillment of the requirements for the award of the degree of Masters of Business Administration, am conducting a study entitled “ The strategic responses of tourist hotels to the changes in the environment: A case of tourist hotels in Nairobi ”. Your hotel has been selected to participate in this study.

For the purpose of completing my research, I wish to collect data through the attached questionnaire. I shall be grateful if you would kindly assist me by completing this questionnaire.

This information is purely for the purpose of my project and I pledge to you that it shall be treated with strict confidentiality. A copy of the final research report will be availed to you upon request.

Thank you for your cooperation.

Yours faithfully

MUGAMBI MATHEW GICHURU
MBA CANDIDATE.

Appendix II: QUESTIONNAIRE

Section I

1. How is this hotel classified?
 - i) Three star []
 - ii) Four star []
 - iii) Five star []

2. In which class of ownership does this hotel belong (tick one)
 - i) Part of a chain of hotels in Kenya []
 - ii) Only one hotel in Kenya []

3. Indicate (with values 1 – 5) the order in which the following regions contribute tourists to your hotel.

Note:

1 → Indicates the region is the major source of tourists to your hotel(s)

5 → Indicates the region contributes the lowest number of tourist to your hotel.

(Put the value in the bracket)

- | | |
|-----------|-----|
| Australia | [] |
| America | [] |
| Asia | [] |
| Africa | [] |
| Europe | [] |

4. Rank the following groups of clients (from 1 – 3) depending on how they generate business to the hotel.
 - 1- Means the clients are the main source of business
 - 3 - Means the clients are the lowest source of business

- Business clients visiting the country on business purpose []
- Clients on transit who have transfers or connecting flight []
- Leisure clients visiting to enjoy nature and wildlife []

5. How would you describe the trend in tourist hotel business (Tick one)

- Growing []
- Declining []
- Fluctuating and unpredictable []

6. How does the hotel get its clients (Tick all the appropriate ways).

- Direct marketing in source countries []
- Bookings by tour operators []
- Domestic marketing to Kenyans []
- Walk-in clients (Domestic & foreign) []

SECTION II

1. What extent of change do you consider to have occurred in each of the following?

Use a rating scale of 1-5 where: 1 = no change at all & 5 = very drastic change.

Factor(s) that considerably changed	1	2	3	4	5
a) Global security and safety	()	()	()	()	()
b) Tourist family size on safari	()	()	()	()	()
c) Currency exchange rates	()	()	()	()	()
d) Money spent by tourist in your hotel	()	()	()	()	()
e) Means of communicating with tourists	()	()	()	()	()
f) Age of tourists visiting your hotel	()	()	()	()	()
g) Gender/sex of tourists spending in your hotel	()	()	()	()	()
h) Competition from other hotels	()	()	()	()	()

2. From the answers given in question one above how have these factors changed?
(Tick where appropriate).

The nature of change

- a) Global security and safety:
Improved []
Worsened []
- b) Tourist family size going on safari
Increased []
Declined []
- c) Currency exchange rates.
Better []
Worse []
- d) Money spent by tourist in your hotel
Increased []
Decreased []
- e) Means of communicating with tourist
Become better []
Become Worse []
- f) Age of tourists visiting your hotel
More older []
More younger []
- g) Gender/sex of tourists visiting your hotel
More men []
More women []
- h) Competition.
Increasing []
Decreasing []

3. How would you **generally** describe the impact of the changes of all the above stated factors on the tourist hotel business?

.....

4. Has there been any change in the long term planning of your hotel in response to the changed environmental factors?

Yes []

No []

How do you consider such long-term plans now as compared to the period before those environmental factors changed?

Very relevant []

Quite relevant []

Not relevant []

5. If your answer in No. 4 is **yes**, that long-term planning has changed, how has it changed? (Tick were appropriate).

The planning period has been increased []

The planning period has been reduced []

No long term plans done anymore []

6. For each of the following factor responses, please indicate (as per the key) the **level of adjustment** made in response to the changes in the environment factors.

Low-level Changes **High level changes**

a)		1	2	3	4	5
-	Restructuring					
-	Retrenching redundant staff	[]	[]	[]	[]	[]
-	Reducing the number of managers	[]	[]	[]	[]	[]
-	Training managers on how to respond to the crisis	[]	[]	[]	[]	[]
-	Changing structure by reducing hierarchical layers	[]	[]	[]	[]	[]
-	Change of corporate mission/vision	[]	[]	[]	[]	[]

b) Shrinking selectively	1	2	3	4	5
Sale of some hotel properties in the other parts of the country	[]	[]	[]	[]	[]
Targeting only a particular profitable tourist group	[]	[]	[]	[]	[]
Withdrawing from unprofitable tourist groups	[]	[]	[]	[]	[]
Centralization of crucial activities of head office	[]	[]	[]	[]	[]
Outsourcing of non – core services	[]	[]	[]	[]	[]

c) Marketing	1	2	3	4	5
Increasing the budget for marketing activities	[]	[]	[]	[]	[]
Adjusting marketing policies to tourist demands.	[]	[]	[]	[]	[]
Direct marketing in source countries of targeted tourists	[]	[]	[]	[]	[]
Partnering with KTB in doing marketing	[]	[]	[]	[]	[]

d) Costing	1	2	3	4	5
Employing on contract basis when there is business	[]	[]	[]	[]	[]
Reduction of remuneration to employees	[]	[]	[]	[]	[]
Retrenching excess staff	[]	[]	[]	[]	[]
Automation of processes	[]	[]	[]	[]	[]
Outsourcing of services	[]	[]	[]	[]	[]
Reduction of idle capacity	[]	[]	[]	[]	[]
Change of product /service range and quality	[]	[]	[]	[]	[]

7. To what extent have the changes in the environment influenced the following aspects of the hotel?

	Greatest extent			Least extent	
	5	4	3	2	1
i) Rates charged by the hotel	[]	[]	[]	[]	[]
ii) Number of days tourist stay in the hotel	[]	[]	[]	[]	[]
iii) Changes of tourist group targeted	[]	[]	[]	[]	[]
iv) Closure of some hotels in the chain	[]	[]	[]	[]	[]

Section III

1. a) How would you rate the following internal constraints to the hotels ability to respond to changes in the environment.

	Most restricting			Least restricting	
	5	4	3	2	1
Lack of finances	[]	[]	[]	[]	[]
Employee resistance to new terms & conditions	[]	[]	[]	[]	[]
Lack of <i>owners</i> support	[]	[]	[]	[]	[]
Badly planned responses	[]	[]	[]	[]	[]
Poor communication of how to respond	[]	[]	[]	[]	[]
Lack of <i>management</i> support	[]	[]	[]	[]	[]

2. Does your hotel have many levels of managers?

Yes [] No. []

If yes how does this affect the hotels response to changes in the environment? (Explain).

.....

3. Rate the following external constraints on their effect on hotels response to changes in the environment.

	Strong effect			Least effect	
	5	4	3	2	1
Government policies	[]	[]	[]	[]	[]
Condition of the infrastructure	[]	[]	[]	[]	[]
Dynamic changes in tourism sector	[]	[]	[]	[]	[]
Competition	[]	[]	[]	[]	[]
Security issues	[]	[]	[]	[]	[]

4. Has your dependence on tour operators and foreign tourist agents affected the way your hotel responds to the changes in the environment?

Yes [] No. []

If yes, please explain how.

5. How has publicity by the media on tourism in Kenya affected your ability to respond to changes?

- i)
- ii)
- iii)
- iv)

6. Please indicate other sectors that affect the hotels ability to respond and indicate how these sectors affect your hotel.

Sector I: (name of sector)

How:

Sector II:.....

How:

.....

.....

Sector III:

How:

.....

.....

8. Please indicate any other constraints in your view, that the hotel has faced as it tries to respond to the changes in the environment.

i)

ii)

iii)

iv)

Thank you for your time and your cooperation.

Appendix III: The list of hotels selected for the study.

	<u>Star level</u>
1. Hilton hotel international	5*
2. Hotel Intercontinental	5*
3. Nairobi Safari club	5*
4. Nairobi Serena Hotel	5*
5. New Stanley Hotel	5*
6. Safari Park Hotel	5*
7. The Grand Regency Hotel	5*
8. Windsor Golf Hotel	5*
9. Fair View Hotel	4*
10. Holiday Inn	4*
11. Utalii Hotel	4*
12. Ambassadeur Hotel	3*
13. Boulevard Hotel	3*
14. Castle Inn	3*
15. Hotel Milimani	3*
16. Hotel Six Eighty	3*
17. Paradise Hotel	3*
18. Lenana Mount Hotel	3*
19. Panafric Hotel	3*
20. Silver Springs Hotel	3*
21. The Oriental Palace Hotel	3*