

**APPLICATION OF PORTER'S GENERIC STRATEGIES
FRAMEWORK IN HOSPITALITY ESTABLISHMENTS IN
NAIROBI //**

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BY

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**Management research project presented in partial fulfillment
for the requirements of the degree of Master of Business
Administration.**

University of Nairobi.

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DECLARATION


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

Sign:-  _____

Date:- 21/10/2003

Mr. Charles K. Gitonga

This management project has been submitted for examination with my approval as university supervisor.

Sign:-  _____

Date:- 21/10/2003

Dr. Martin Ogutu

DEDICATION

This project is dedicated to my parents, Gerald and Anselmina Gitonga who have been a source of great inspiration in achieving my goal, to my Wife H.W. Kariuki, Children Faith, Joy and Samuel, my brothers and sisters. Thank you for loving me, supporting me and believing in me for all those years.

To all my colleagues who have continuously given me encouragement. Thank you and God bless you abundantly.

TABLE OF CONTENTS

	Page
Declaration	ii
Dedication	iii
List of Tables	vi
Acknowledgement	vii
Abstract	viii

CHAPTER ONE

1.0	Introduction	1
1.1	Background	1
1.2	Statement of the Research Problem	2
1.3	Objectives of the study	4
1.4	Importance of the study	5

CHAPTER TWO

2.0	Literature review	6
2.1	Porter's Model for Competitor analysis	6
2.2	Application of the model	9
2.3	The quest for competitive advantage	10
2.4	The competitive strategy identification process	11
2.5	Establishing a favorable market position	12
2.6	Competitive strategies in Kenyan Hospitality industry	13

CHAPTER THREE

3.0	Research methodology	14
3.1	Scope of the study	14

3.2	The Population	14
3.3	Sampling design	15
3.4	Data Collection	16
3.5	Data Analysis	16
CHAPTER FOUR		
4.0	Data Analysis and Findings	17
4.1	Application of Porter's Model	19
4.2	Factors influencing the model's application	21
4.3	Challenges faced in the application	23
CHAPTER FIVE		
5.0	Conclusions	25
5.1	Summary, discussions and Conclusions	25
5.2	Limitations of the study	27
5.3	Recommendations for further research	28
5.4	Recommendations for policy and practice	28
References		
Appendices		

LIST OF TABLES

	Page
Table One :- Porter's Generic Strategies	6
Table Two :- Population and Sample of study	15
Table Three :- Importance attached to each component of the Model	19
Table Four :- Rate of introduction of new products/services	20
Table Five :- Factors influencing the choice of the Generic Strategy	22
Table Six :- Problems/ Challenges faced in application of the Model	23

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ABSTRACT

The study investigates the application/use of porter's generic strategies in hospitality establishment in Kenya with the concentration on Nairobi. The research considered 80 hospitality establishments in Nairobi as the population. A sample of 35 establishments was randomly selected within the three strata. Out of the 35 establishments selected, 12 establishments responded reflecting a response rate of 34.28%.

The data was collected using a questionnaire where the method of "drop and pick later" was adopted. Data analysis was done by use of frequency tables and relative percentages especially on the bio data and content use of mean scores and content analysis in the area of application of the model. Content analysis was emphasized because open ended kind of questions adopted throughout the questionnaire.

The study concludes that there is general application of the generic strategies as propounded by porter. Of the establishments studied, 70% use cost leadership, 91.6% use differentiation, 75% use focus, while there is evidence that approximately 60% of the respondents use all the three generic strategies or a combination of the strategies.

It is also evident that 100 % of the respondents gather external information from about competitors on a regular basis and continuously review their strategies in order to create competitive advantage.

This trend is more pronounced especially now when the industry has been going through some downturn. Differentiation seems to be a major strategy,

especially in order to counter the enormous competition and the very unpredictable external environment the industry deals with especially the customer with the ever-changing tastes and preferences.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

The hospitality industry spans a cross section of sectors namely hotels, restaurants, industrial catering facilities, airline catering, shipping line catering cruise ships, members' clubs and hospital catering amongst others. The hospitality industry comprises those businesses that provide services, primarily accommodation, food and beverages, not only to those travelling for pleasure, but also the business traveler, or for those recuperating in certain homes e.g. nursing homes and hospitals.

Consequently, of the elements making up the leisure industry, cruise ships, restaurants, and to a lesser degree, airlines form a part of the hospitality industry – as do all hotels, and not only those servicing the pleasure traveler. (Gray et al, 1983) states that the hospitality industry does not represent an easily recognizable business sector. It is a loosely connected assemblage of two industry groups i.e. the lodging and the food service industries.

Hospitality means kindness in welcoming strangers or guests.

The word comes from the Latin word hospes, meaning guest, and developed into hospice, a place of shelter for travelers.

These days, the services (or products) offered to the modern traveler by hospitality establishments can cater for every human comfort.

The hospitality business is a massive industry encompassing all forms of transport, tourism, accommodation, eating, drinking, entertainment and recreational activities.

From the early 60's to the late 80's the industry grew by leaps and bounds but in the 90's the trend slowed down due to certain changes in the economic, political and social environments. It is said to be the world's fastest growing industry.

In Kenya the 1997 ugly political events at the Coast and the Rift Valley, brought a lot to bear. The industry is currently the third largest foreign exchange earner after Horticulture and tea from tourism earnings alone and creates employment to approximately 250,000 Kenyans directly. Indirectly the number could be doubled especially when one thinks of the multiplier effect.

Consequently, it provides livelihood to approximately 1,000,000 of the population. It contributes to approximately 12 percent of the gross domestic product (GDP) an eighth of the entire economy, and represents 15 per cent of our foreign exchange earnings. (Economic Review, 2001).

Mitra, (2001) contends that the industry has certain strengths in good pricing strategies, good customer care, good management, variety and diversity of the menu. Today the industry is very cost conscious, takes differentiation as a major strategy in creating competitive advantage and focus on the key result areas/markets is a concern for all.

1.2 RESEARCH PROBLEM

Changes in the environment impact on organizations in one way or another as all are dependent on that environment.

Loss of revenues, increased operating costs and the imminent collapse of the industry led to the players adjusting their ways of doing things.

The traditional approaches of relying solely on the traditional markets could not work for all. Competition became stiff not only from within (Internal) but also from other destinations like South Africa and the emerging new markets of East Asia.

The Kenyan Hospitality Industry has to respond in such a way that the objectives of the organization are achieved as best as possible in the prevailing environment.

This research seeks to establish the existing nature of competition and the kind of strategies companies have adopted in order to differentiate themselves and subsequently create competitive advantage by putting in place the right cost leadership strategies and focusing on the various aspects critical to the success of the enterprise.

Various people have researched on the existence of competitive strategies in other industries, e.g. Karanja, (2002), has looked at competitive strategies in the real estates the perspective of porter's generic Model. Murage, S.N. has looked at the competitive strategies adopted by members of the Kenya Independent Petroleum Dealers Association.

It is only recently that interest in the hospitality industry has started building especially in the Kenyan Context. Mitra, (2001) has looked at strategic planning practices within hotels and restaurants in Nairobi. This industry has a number of unique variables that expose it to more challenges compared to other industries. It is very sensitive to external influences for example given the negative travel advisories by the British and United States Governments to their citizens in the second quarter of the year 2003.

People regard the services offered as luxuries and not necessities, being an export business it is prone to the variations in the exchange rates such that for example when the Kenyan Shilling gains on the other international currencies, our destination becomes expensive. At the same time, our cultural inclination and understanding of hospitality and tourism makes it difficult at times to market it domestically hence the difficulties experienced in promoting domestic tourism as observed in the Tourism Diversification and Development report by Tourism Trust Fund,(2000) a Government of Kenya and European Union Initiative.

It is on this basis that the study will try to identify the various competitive strategies various organizations apply in order to create the needed competitive advantage. More concentration will be on testing the application of Porter's Generic Model, and especially which component of this model is applied where and to what extent.

1.3 OBJECTIVES OF THE STUDY

The objectives of this study are to:

1. Determine the use of Porter's generic strategies in the hospitality industry.
2. Identify factors influencing the use of Porter's generic strategies.
3. Determine the challenges faced in implementing Porter's generic strategies.

1.4 IMPORTANCE OF THE STUDY

- (a) This study will serve to create awareness both for managers (Practitioners) and owners.
- (b) It will help the Ministry of Tourism and industry in setting out its strategies and tourism policies, to make Kenya a more competitive destination.
- (c) Kenya Tourism Board will be able to use the study in its marketing activities, to enhance the competitive position of this country.
- (d) There will also be additional knowledge to the existing literature.

CHAPTER TWO

LITERATURE REVIEW

2.1 CONCEPTUAL FRAMEWORK:- PORTER'S GENERIC STRATEGIES

Generic strategies allow organizations to gain competitive advantage from three different bases and there are two “basic sources of competitive advantages a firm can possess”. Low cost or differentiation, (Porter, 1985). Combining these with the “scope” of a particular business – the range of market segments targeted – then organizations end up with generic strategies for achieving above average performance in an industry; Cost leadership, Differentiation, and Focus (namely narrow scope), as shown in Table 1.

TABLE 1:- PORTER'S GENERIC STRATEGIES

		Competitive Advantage	
		Cost Leadership	Differentiation
Competitive Scope	1.	Cost Leadership. Broad Scope	2. Differentiation Broad Scope
	3A.	Cost Leadership. Narrow Scope	3B. Differentiation Narrow Scope

Source: Porter (1985:12).

2.1.1 COST LEADERSHIP

This strategy aims at the low cost producer in an industry. Cost Leadership is realized through gaining experience, investing in large-scale production facilities, using economies of scale, and carefully monitoring overall operating costs.

Businesses following this strategy ensure that their processes made them the lowest cost producer or supplier in the market. Striving to be the industry's overall lowest cost provider is a powerful competitive approach in many markets where buyers are price sensitive. Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions from experience, tight cost curve control and cost maximization in various functions (Porter, 1980).

The sources of cost advantage vary depending on the characteristics of the industry, but can include determinants such as economies of scale, preferential access to raw materials and superior proprietary technology. Cost leadership is only effective if the company can command prices close to the industry average and does not have to give away its cost advantage by discounting prices.

The cost leadership strategy benefits the firm in that it is able to withstand intense price competition and buyers may appreciate the offer for low prices (Thompson et al, 1998). New entrants are also deterred by low cost capabilities and supply price increases are more easily absorbed.

These segment opportunities can arise from product specifications, buyer characteristics and even geographical location. Focus can be based on differentiation that targets a specific segment of the market with unusual needs that are not being met by others.

Alternatively, in cost focus, the company may have specialized machinery that can handle specific market needs efficiently, such as the ability to handle short production runs (Pearce and Robinson Pp. 250). While these classifications are useful in providing an overall understanding of the sources of competitive advantage, they are often difficult to apply to a company's situation. However, there are different ways in which a company can look at these variables to help it identify potential sources of competitive advantage.

2.2 APPLICATION OF THE MODEL TO INDUSTRY

Among many others, Miller (1992) has questioned Porter's notion of having to pursue one strategy or else be caught "in the Middle". Might such strategic specialization not "cause inflexibility and narrow an organization's vision" Miller cites the example of Caterpillar, Inc., which differentiated itself by making the highest quality earthmoving equipment in the world. Its preoccupation with precision and durability led it to forget about efficiency and economy rendering it vulnerable to Japanese competition. Baden-Fuller and Stopford (1992) in contrast, point to Benetton, which has been able to produce higher fashion at low cost and on large scale.

These authors conclude that there are enormous rewards for those who can resolve the “dilemmas of opposite.” Gilbert and Strelbel (1988) also discuss “out placing” strategies, where firms (such as Toyota) enter a market as low-cost producers and then differentiate to capture even more market share.

2.3 THE QUEST FOR COMPETITIVE ADVANTAGE

In any industry, be it attractive or not, some companies will always outperform others. Every company has to have some degree of competitive advantage in order to survive. If this advantage is minimal, as is the case in industries where products or services are identical, companies usually struggle to remain profitable and ensure growth.

The basis for generic strategies imply different organizational arrangements, control procedures and incentive systems. Large firms with greater access to resources typically compete on cost leadership and or differentiation basis, whereas smaller firms often compete on focus basis.

Competitive advantage can be as simple as having a favorable location, as is the case for some restaurants, gasoline service stations and convenience stores. For most industries, it is much more complex. It derives from a combination of product appeal, pricing marketing practices, distribution capability amongst other factors. Outstanding performers usually obtain their competitive advantage from more than one source. Ideally competitive advantage should be sustainable in that the strategy that provides it cannot be initiated by competitors.

2.4 THE COMPETITIVE STRATEGY IDENTIFICATION PROCESS

Many models of the strategic management process have been suggested. The various models basically involve formulation, implementation and evaluation of strategy. The focus of this study will be on application of Porter's generic strategy. Competition in any industry is rooted in its underlying economics, and competitive forces exist that go well beyond the established combatants in a particular industry.

An organization's competitive strategy can be thought of as the means by which it attempts to link with, respond to, integrate with or exploit its environment. (Schaffer, 1990). The organization's "patterns of decisions" reflect its strategy and the position of the firm in its environment. The strategy determines the coherence and internal consistency of the company in its environment, gives the firm identity, and allows it to mobilize its strengths. It also determines whether the firm will be successful.

The strategy addresses the organization's environment as a set of problems and opportunities that the organization can seize upon and solve (Andrews, 1980).

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2.5 ESTABLISHING A FAVORABLE MARKET POSITION

It is almost impossible to establish competitive advantage while trying to be all things to all people. Organizations that attempt to do so tend to end up so diluted that they do not do anything exceptionally well. The strategic decision on what market segment to pursue is important to the establishment of competitive advantage because it defines what you must do well and helps one focus his/her efforts.

The combinations of the value can define market positions provided and the price charged. The value-based market positions are usually more profitable. It is therefore a common strategy to try to move upward in the market by introducing a premium line. This was the case with Honda (Acura) and Black and Decker (DeWalt). This requires careful separation of brands to minimize the association between them in the perception of the market.

Value-based positions also usually rely on intangible appeals, particularly when it is difficult to demonstrate real differences. As David Ogilvy, an advertising pioneer once observed, "If your product is not demonstratively better than your competitor's, it pays to use emotion. Competitive advantage requires the ability to serve the chosen market better than competitors. A value-based position requires the ability to provide a differentiated product or service.

A price-based position requires cost leadership. The issue then becomes one of achieving operational effectiveness, which is primarily a challenge of implementation. (CMA Management Magazine February 2000).

2.6 COMPETITIVE STRATEGIES IN THE KENYAN HOSPITALITY INDUSTRY

The Hospitality Industry's competition and its analysis can be done by looking at the various dimensions.

Positioning:- The way we present our product or service that helps us stand out from the Competition. How we want our customers to remember us helps us identify what is unique to us. Tactics used as firms Jockey for position – using tactics like price competition, product introduction and advertising slugfests. (Porter, 1979) in his article “How Competitive Forces Shape Strategy”

Other dimensions of competition considered in the hospitality industry include; Price which could be either low or high, Luxury which is considered as either practical or opulent, Fashion which can be seen as mainstream or trendy, Location which is either urban or high Street, Service which could be non – existent or exemplary and Selection regarded as either unique/few or abundant.

With dwindling returns on investment, cost concerns are paramount in all operations. Differentiating oneself is critical especially in an industry flooded by all kinds of service providers. For instance the Klub houses and Kengeles Management group have evidently used this strategy to create competitive advantage.

Focus as a strategy has been adopted by establishments that need to fulfil the needs of small groups of consumers. This is the case seen in the exclusive members clubs and some speciality restaurants.

CHAPTER THREE

RESEARCH METHODOLOGY

This section presents the research design that the researcher used in order to meet the objectives of the study. This included the population, sample size, data collection instruments and data analysis techniques.

3.1 SCOPE OF THE STUDY

The study focused on the application of porter's generic strategies and competitor analysis. It also looked at the factors influencing the use of porter's generic strategies and the challenges in implementing these strategies.

The study was carried out within Nairobi. This is because a number of the hospitality establishments are headquartered in Nairobi the capital city of Kenya, and thus most of the corporate and strategic decisions are made here. The study concentrated on hotels and restaurants of three star classification and above and the members clubs.

3.2 POPULATION OF INTEREST

The population of study was all the establishments herein referred to as the hospitality organizations i.e. hotels and restaurants of three star classification up to five star. This excluded hospital catering facilities, industrial catering units and airline catering facilities in Nairobi but included members' clubs. Hospitality facilities are those offering services in the areas of accommodation, food and beverages and comfort to their clients. The star of the hospitality establishment describes the type of services offered and facilities available.

According to the Ministry of Tourism and Wildlife’s catalogue of licensed Hotels under the Hotels and Restaurants Authority Act Cap. 494, Laws of Kenya, there are more than 80 classified Hotels and Restaurants operating in Nairobi. The list of these Hotels and Restaurants inclusive of the other hospitality establishments that was considered as the population of study are in Appendix 1.

Of all the listed, only those classified as three star and above were taken for the sample of study. Otherwise, hospitality properties can be categorized as:-

- Hotels (Coastal, Town, and Lodges)
- Restaurants (Speciality, Fast Food)
- Members clubs
- Industrial catering establishments
- Airline catering.

3.3 SAMPLE DESIGN

A sample of 35 establishments was taken through stratifying the population of study. The population was stratified into three strata based on the classification. Simple random sampling was used using a sample without replacement method as illustrated in Table 2.

TABLE 2: - POPULATION AND SAMPLE OF STUDY

Class	Population	Sample
Three Star	40	15
Four Star	25	10
Five Star	15	10
Totals	80	35

Source of the list of population members is the Hotel and Restaurant Authority Directory 1997.

3.4 DATA COLLECTION

Primary data for purposes of this study was collected using a questionnaire. The respondents to the study were persons vested with the responsibility of managing the organizations and setting strategy in the hospitality establishments under study. The questionnaires were administered on a drop and pick-latter basis. This method has been used in similar studies in Kenya (Ngunjiri, 1987; Aosa, 1992; Karemu, 1993; Shimba, 1993; Njuguna, 1996). In some cases this was supplemented by personal interviews with the respondents in order to clarify any issues that were not clear and gain further insights and clarifications where needed. The questionnaire had both open and closed questions. A letter of introduction (sample attached) was given to each respondent prior to the research.

3.5 DATA ANALYSIS

Before processing the responses the completed questionnaire was edited for completeness and consistency across respondents and to locate omissions. To enable the responses to be grouped into categories, coding was done. Descriptive statistics were used to summarize the data. These included frequencies and percentages, use of factor analysis, mean scores and close tabulation to determine the relationship between various factors and the challenges. Content analysis was extensively used especially given the nature of questions used, in the second part of the questionnaire where there were many open-ended questions.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

This chapter presents analysis and findings of the research. A total of 12 establishments responded representing 34.28% of the sample taken. Out of the 12 respondents, 66.7% were hotels, 16.6% restaurants and the 16.6% were members clubs.

Of the respondents 30% were categorized as three star, 20% four star and 50% five star. Each of these establishments indicated that they have operated in the Kenyan Hospitality industry as follows: - 8.3% six years and above, while 91.7% over fifteen years. Sixty percent of the establishments have units all over the country i.e. they are not just single unit operations but can be referred to as chain operations. These are operational in the cities, at the coast, the National Parks and all areas where hospitality services can viably be offered.

At the time of commencement of operations, 25% had less than 50 employees, 12.5% had between 51 and 100 employees, 12.5% had between 101 and 150, 12.5 had between 151 and 200 while another 25% had over 300 employees. Of the respondents, 83.3% stated that they had a Mission/vision statement, while 75% embrace the formal process of strategy formulation i.e. use of meetings and other forms of communication channels established by the organization and 25% use the informal process. From the findings, there is general agreement that organizations greatly respond to changes in the environment with 50% stating that this takes place to a very great extent and another 25% to a great extent.

Majority of the establishments i.e. 75%, recognize that the current state of competition in the whole industry, is very stiff, and its because of this that 75% of the respondents have changed the way they compete in the industry. This is through use of various strategies including use of Porter's Generic Strategies.

There is 45.5% that targets a market segment or a class of customers, and another 54.5% dealing with all segments of the market. A proportion of 27.3% state that providing a service that is very different from the competitors is seen as a base for competition as compared to 72.7% who state that charging fair prices, lower than the competition would be an appropriate base.

On the level of importance establishments attach to various aspects of competition, the following results: -

- i. Forty one point seven percent (41.7%), attach more importance on the cost structure of the competition, 58% on the variety of products/services offered by the competition, and the same percentage score is attached to the quality of products/services offered.
- ii. The above compares favorably with a 41.7% that indicate the kind of market segment catered for is important and another group that equally states that location and convenience to the market of competitors is most important.

After the above general findings the researcher focuses on the presentation according to the order of the objectives of the study.

4.1 APPLICATION OF PORTER'S MODEL

The first objective sort to determine whether the hospitality industry was applying

Porter's Generic Strategies. The data collected was through some open ended questions and was set in a 5 point rating scale i.e. 1-5. The data was analyzed using mean scores and the results are as shown in Table 3.

TABLE 3. IMPORTANCE ATTACHED TO EACH COMPONENT OF THE MODEL.

Component	No. of Respondents	Minimum	Maximum	Mean	Standard Deviation
Goals of Competitors	12	1	5	3.67	1.37
Current strategies used	12	2	5	3.92	0.9
Cost structure	12	2	5	3.5	1.09
Variety of Products/services	12	3	5	4.5	0.67
Quality of Products/services	12	3	5	4.42	0.79
Kind of Market segmentation	12	3	5	4.08	0.79
Location and convenience	12	2	5	4.08	1

Source: Questionnaire.

Respondents were required to show how the various establishments value each of the aspects that represent Porter's generic strategies. After use of content analysis the research found the following emerging trend.

The results from the Table 3 indicate that the variety of products and services offered and the quality of these products and services are of greatest importance, followed by the kind of market segmentation and location/convenience of an establishment to the market.

Cost structure though quite significant in the value attached, is of less importance. It seems to have a higher standard deviation than all the other strategic considerations. The mean score for each of the establishments is above 4 out of a scale of 5. This is in support of the earlier assumption that the industry applies the various strategies as propounded by Porter in his generic model. Other than the above factors, it is evident that organizations regularly introduce new products and services as shown in Table 4.

TABLE 4: - RATE OF INTRODUCTION OF NEW PRODUCTS/ SERVICES.

RATE	FREQUENCY	PERCENTAGE
As soon as possible	3	27.3
Very often	3	27.3
As often as necessary	5	45.5
Not deliberate	1	8.3
Total	12	100.0

Source: Questionnaire

Of the respondents, 45.5 % introduce new products and services as often as necessary.

In addition to the above strategies, it is observed that 75% of the respondents carry out refurbishment or renovations, while remaining 25% do not, an indication of the high degree of responsiveness to changing trends and the nature of products/service offer which is very much client based.

Downsizing and re-engineering though not necessarily part of Porter's generic model are also given a high level of attention by the establishments, with 50% stating that they have actually carried out refurbishment and or downsizing in the recent times. This is specifically attributed to what has happened in the industry from 1997 to date. Staffing levels have actually gone down over the years.

4.2 FACTORS INFLUENCING THE APPLICATION OF THE MODEL

The second objective sort to determine the factors that influence the application of the model in the hospitality industry. The kind of data collected was by use of open-ended questions and the 5 point rating scale was used.

The results contained in Table 5, indicate that the main factors playing a major role in the choice of the strategy or application of the model, is the type of venture (profit/service) with a 19.4% of the responses in support of this view while cost of implementation scores a 16.1% and competition and customer tastes and preferences follow at 12.9% each in that order.

**TABLE 5. FACTORS INFLUENCING THE CHOICE OF THE
GENERIC STRATEGY.**

Factor	Code	Count	%age of responses	%age of cases
Mission,vision,values of Company	1	2	6.5	16.7
Type of venture(profit/service)	2	6	19.4	50.0
Co.'s Social responsibility	3	2	6.5	16.7
Purchasing power	4	2	6.5	16.7
Competition	5	4	12.9	33.3
Customer tastes and Preferences	6	4	12.9	33.3
Economic forces	7	1	3.2	8.3
Costs of implementing a strategy	8	5	16.1	41.7
Lack of understanding (stakeholders)	9	2	6.5	16.7
Conservatism/ Resistance to change	10	3	9.7	25
Totals		31	100.0	258.3

Source: - Questionnaire

4.3 CHALLENGES FACED IN THE APPLICATION OF THE MODEL

The third objective sort to establish the kind of challenges faced by the hospitality industry in the application of Porter's generic strategies. The data was analyzed using content analysis and the results are as in the Table 6.

TABLE 6: - PROBLEMS AND CHALLENGES FACED IN APPLICATION OF THE MODEL

ITEM	CODE	COUNT	%age OF RESPONSES	%age OF CASES.
Changing time/Customer driven processes	1	5	17.2	45.5
Difficulty Changing	2	4	13.8	36.4
Ignoring customer suggestions/ Ideas	3	3	10.3	27.3
Cost	4	2	6.9	18.2
Competitors	5	5	17.2	45.5
Political Landscape	6	1	3.4	9.1
Limited Resources	7	2	6.9	18.2
Economic Situation	8	1	3.4	9.1
Security issues/Global Terrorism	9	2	6.9	18.2
Lack of documentation	10	3	10.3	27.3
Resistance to Change	11	1	3.4	9.1
Total		29	100	263.6

Source: - Questionnaire.

From the data in Table 6, it is evident that changing times and customer driven processes and competition are the major challenges faced by the industry with a 17.2% response.

Lack of documentation, and failure to incorporate customer ideas/suggestions in one's strategies seems to be another major challenge to the industry. This probably leads to implementing strategies that have no support of the past performances or repeat clients. Ranking lowest of the challenges is the political situation and resistance to change which seem not to present a major problem with a percentage score of 3.4% each.

CHAPTER FIVE

CONCLUSION

5.1 SUMMARY, DISCUSSIONS AND CONCLUSIONS.

In this section the results of the study are summarized, discussed and conclusions drawn. This is done in the order of the objectives. The first objective sort to determine the application of Porter's generic strategies in the hospitality industry.

The results indicate that more than 58.3% of the establishments use the generic strategies as propounded by Porter. The hospitality industry embraces most of the generic strategies proposed by Michael Porter. There is wide spread use of cost leadership, differentiation and focus and especially during these periods when the economic performance of the industry is at its lowest. Cost leadership strategies in order to lure that evasive client and differentiation are seen as some of the major strategies that are being used to create competitive advantage in this industry.

The implication of these results is that one might not survive in this industry if one ignores some of these strategies whether deliberately or not. The stiff competition not only from within but also from without has really sounded a bell to many practitioners. As 50% of the respondents indicated strategies that were hitherto unheard of in this industry like downsizing and reengineering are no longer a domain for the other industries but also the hospitality industry.

Staffing levels have actually gone down as one looks at the numbers that establishments used to have a few years back, yet changing tastes and preferences, new product demands and quality service are some of the items on a customers agenda.

The research seems to relate to what is happening in other industries especially the service sector of the economy. From the foregoing, the following conclusions are drawn: -

Application of Porter's Generic Strategies is widespread within the hospitality industry and this is irrespective of whether one is a three star, four star or five star. It also seems to cut across all sectors of the industry.

The second objective sort to determine the factors that influence the application of Porter's generic strategies in the hospitality industry.

The results indicate that there are certain dominant factors that influence the application of Porter's Generic Strategies. The most pronounced ones are: -

- (i). Type of venture (profit or service)
- (ii). Competition
- (iii). Customer tastes and Preferences
- (iv). Cost of implementation of the various strategies

This is in consistency considered when one is implementing any kind of strategy. (Mitra, S. 2001). From the foregoing, the following conclusions are drawn:- There is a general acceptance across the board that the same factors influences application of the model whether one is in a three, four or five star or even where one looks at the industry as categorized into restaurants, hotels or Members clubs.

Third objective sort to determine the type of challenges faced in the application of Porter's generic strategies. The results indicate that the major challenges are: - Lack of support from the stakeholders especially investors and to some extent employees who resist strategy implementation through their staff unions. Changing times and customer preferences and the social political environment within which the industry operates. Today HIV/AIDS is a major Challenge especially when it comes to recruiting and maintaining qualified manpower. This seems to be the case across more than 75% of the establishments studied. This is also seen to be the case in other industries (Njuguna, E.K 1996)

From the foregoing the following conclusions are drawn:-

- i. Managers and executives have a lot of challenges that not only originate from external environment but also within. The internal environment poses as much challenge and problems.
- ii. Lack of proper documentation and information flow, what could at times be referred to as throughputs are seen as what hinders proper strategy formulation and implementation.

5.2 LIMITATIONS OF THE STUDY.

A limitation for purposes of this research was regarded as a factor that was present, and contributed to the researcher getting either inadequate information or responses or if otherwise the response given would have been totally different from what the researcher received.

The following was therefore cited as the main limitation(s) in this research. Low response rate. Respondents had to continuously be reminded and at times soften spoken to in order to respond. Sometimes they did not see the use or benefit of such an exercise. Educational backgrounds of some of the Chief Executives who find it a challenge to their intellectual capability and therefore do not take it very well when challenged through questionnaires. Lack of documentation to the extent that one could not get appropriate responses to some questions. High staff mobility to the extent that the researcher is not able to follow up on the respondents or when one catches up with them they are not settled to address the issues.

5.3 RECOMMENDATIONS FOR FURTHER RESEARCH

There is still a big gap of knowledge especially in the field of strategy in the Kenyan Hospitality industry. There is need to further determine the extent of usage of the model in the hospitality industry by categorization, classification or otherwise. The degree to which education level and level of control influences formulation and implementation of strategy need to be researched on. Whether application of the specific strategy or model is dependent on the size, classification of the particular establishment.

5.4 RECOMMENDATIONS FOR POLICY AND PRACTICE

As one looks at the challenges faced in the implementation of the various strategies on needs to further research in order to see how investors and Governments and all others charged with policy formulation can play their roles effectively to support and create an enabling environment for the policy implementers.

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APPENDICES.

APPENDIX 1.

LIST OF ESTABLISHMENTS TO BE STUDIED

Those classified as 3* and above for Hotels and Restaurants. Members clubs are not classified.

1. The Norfolk Hotel
2. The Stanley Hotel
3. Windsor Golf Hotel and Country club
4. Hotel Inter-Continental
5. Safari Park Hotel
6. Nairobi Hilton Hotel
7. Nairobi Safari Club
8. Nairobi Serena
9. Grand Regency Hotel
10. Fairview Hotel
11. Utalii Hotel
12. Land Mark Hotel
13. Holiday Inn / May fair Hotel
14. Lenana Mount Hotel
15. Silver Springs Hotel
16. Boulevard Hotel
17. Ambassador Hotel
18. Hotel Milimani
19. Pan Afric Hotel
20. Six Eighty Hotel

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21. Marble Arch Hotel
22. Oriental Palace Hotel
23. Heron Court Hotel
24. Hotel Chiromo
25. Hotel Hermes
26. Hurlingham hotel
27. Meridian Court
28. Oakwood Hotel
29. Parkside Hotel
30. Sagret Equatorial Hotel
31. Solace Hotel
32. Sun Court Inn
33. West view Hotel
34. Abbey Hotel
35. Esperia Hotel
36. Fig Tree Hotel
37. Hillcrest Hotel
38. Hotel Mercury
39. Milimani Sagret Hotel
40. Sirona Hotel
41. Karangi Hotel
42. Kenya Continental Hotel
43. Kenya International Hotel
44. Kwaliti Hotel
45. Ngong Hills Hotel Ltd
46. Personic Hotel
47. Samagat Hotel

48. County Hotel
49. Akasaka Restaurant
50. Angus Restaurant
51. Arturo Restaurant
52. Bistro Hotel
53. Carnivore Restaurant
54. China Garden Restaurant
55. Giorgios Italian Restaurant
56. Hong Kong Restaurant
57. International Casino
58. Lavarins Restaurant
59. Le Jardin De Paris
60. Mandarin restaurant
61. Minar Restaurant
62. Pagoda Restaurant
63. Red Bull Ltd
64. Steak House Restaurant
65. Tamarind Restaurant.
66. The African Heritage Café
67. The Horseman Ltd
68. Trattoria Restaurant
69. The Steak Palace
70. The Steers
71. The Nandoes
72. Kengeles Restaurant
73. The Green Corner
74. Home Park Caterers

75.Parklands Sports Club

76.Muthaiga Golf Club

77.Nairobi Club

78.Klub House

79.Methodist Guest House and Conference Center

80.Hardi Restaurant –Westlands

APPENDIX 2

LETTER OF INTRODUCTION

NAME OF COMPANY

ADDRESS

Attention

Dear sir/Madam

Ref: - Letter of introduction – Gitonga Charles K

I am a student at the University of Nairobi, pursuing a Master of Business Administration Degree. In Partial fulfillment of the requirements for this degree, I am required to carry out a Management Research Project on Competitive Strategies in the Kenyan Hospitality Industry. The focus will be on those located in Nairobi.

The main objective is to investigate the extent to which Porter's Generic Framework is applied. This is thus to request you to provide me with the required information to the best of your knowledge by filling out the attached questionnaire. The information collected will strictly be used for academic purposes and will be treated in the strictest confidence. Your Name or that of your organization will not be mentioned in the report.

A copy of the research project will be made available to you on request.

Your Kind assistance will be highly appreciated.

Yours faithfully,

Gitonga Charles K

MBA Student

Dr. Martin Ogutu

Supervisor

APPENDIX 3.

Questionnaire to be used to collect data.

The Questionnaire below has been in order to address the objectives of the study.

All questions relate to competitive strategies adopted by various organizations within the Hospitality industry.

Please answer all the questions.

If there are any issues that require clarification, kindly get in touch with the Researcher (Gitonga Charles K.) at Kenya Utalii College, Nairobi on Tel. 02861201/7 or 0722 846261 or e - Mail gitongack@Yahoo.com

A. GENERAL AND ORGANIZATIONAL INFORMATION.

1. Name of Respondent:- _____
2. Title of the Respondent:- _____
3. Years worked for the present Organization:- _____
4. Name of the firm/Organization:- _____
5. Ownership/Management of the firm...
Wholly local :- _____ Wholly Foreign.:- _____
Group Ownership:- _____ Individual :- _____
6. What type of establishment are you?
Hotel (), Restaurant (), Industrial catering ()
Hospital Catering ().
7. What is your classification?
One star () Two star () Three Star ()
Four star () Five star ().

B. APPLICATION OF STRATEGY AND COMPETITOR ANALYSIS.

1. How many years have you been operating in the Kenya hospitality industry? _____ Years.
2. (a) Do you have any other units/branch(s)
(b) If yes, Please give the actual number and where located.
Number of Units/Branches _____ Location _____
3. What is your capacity (i.e. No. of rooms/beds or seats)? _____
4. How Many employees do you currently have _____
5. When you started how many employees did you start with? _____
6. Does your organization have the following?
Vision statement. Yes () No ()
Mission Statement Yes () No ()
7. Which of the following describes your process of strategy formulation/
() Formal i.e. through meetings and elaborate documentation.
() Informal i.e. the responsibility of some individual and no elaborate documentation – not necessarily involving meetings.
8. To what extent does your organization respond to changes in the environment?
To a very great extent () To a great extent ()
To some extent () To a little extent ()
To no extent at all ()
9. How would you rate the state of competition in the Hospitality industry currently?
Very Stiff () Stiff () Fairly Stiff ()
Not stiff () Not sure ().

10 Would you say that over the past five years, you have changed the way you compete in the industry?

Yes () No ()

11 Please indicate the approach that is commonly used in your firms operations.

() Targeting a market segment / class of customers.

() Dealing with all segments of the market / No specific class of customers.

12 On what criteria do you base your competition? Tick where appropriate.

(a) Charging fair prices that are slightly lower than what your competitors are charging?

(b) Providing a service that is very different from others i.e. differentiated.

(c) You are not very particular about any of the above.

13 (a) Has your establishment developed any strategies for its operations?

Yes () No ()

(b) If Yes, What kind of strategies has it developed?

14 Have you changed these strategies over the years that you have been in Operation?

Yes () No ()

15 Do you intend to maintain the current strategies?

Yes () No ()

16 How are the current strategies in existent in your establishment developed?

17 Who is involved in the development of these strategies?

18 What problems or challenges have you experienced in developing, documenting and implementing the strategies so developed?

1. _____
2. _____
3. _____
4. _____

19 What are some of the factors that you consider, when coming up with the various strategies.

21 (a). Does your establishment regularly collect information about your Competitors? Yes () No ()

(b). If Yes, What kind of information and how do you gather it?

(c). Who is charged with this responsibility? _____

(d). Do you continuously monitor establishments that try to compete with you and whether they succeed or fail?

Yes () No ().

(e). Please explain and describe the Kind of competition, your establishment faces.

(f). Who are your major competitor(s)? and why do you consider them your competition?

Please indicate the level of importance your establishment attaches to the following aspects of competition. (Use the aspects of competition indicated in the table below and, the scale provided i.e. 1 = Least important up to 5 = Most important)

The goals of your competitors	1	2	3	4	5
Current strategies used by your competitors	1	2	3	4	5
Cost structure of your competition	1	2	3	4	5
Variety of products/services offered by your competition	1	2	3	4	5
Quality of products/services offered by your competition	1	2	3	4	5
Kind of Market segment catered for by your competition	1	2	3	4	5
Location and convenience to the market of your competition	1	2	3	4	5

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