RESPONSE STRATEGIES TO CHANGES IN THE ENVIRONMENT
ADOPTED BY THREE STAR HOTELS IN NAIROBI

BY

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DECLARATION

This research is my original work and has not been submitted for a degree in any other university.

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

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I acknowledge God the most high who provided and guided. To my mother Sarah, we struggled with focus from nursery and we have never given up, I valued all along your good wishes for me and I still value them to date. You inspired my thought and my actions. My sisters and brothers; the anticipation for our good life since our father’s death has been too motivating to listen to your cheers. My success means our success. I also acknowledge the Ministry of Tourism officials and all hospitality stakeholders who showed interest and assisted with relevant information. To my immediate family members my wife Esther, Sam and Abby; I treasure and cherish you. You missed me while away for studies but I missed you more than you imagined. The University fraternity has been supportive just as crowned by my supervisor Dr. James Gathungu. You converted us for the goodness of this country and service to humanity, your guide was the best though challenging. My employer the Kenya Institute of Education gave me a lot of support and tolerance.

I thank you all; God knows my sincere gratitude and prayers for your blessings.
DEDICATION

I dedicate all this to my mother Sarah who never gives up in life. She made it amidst a multitude of challenges. You were a strong foundation of my life I will love you always and beg your spirit of hard work, Focus, determination and love never to leave us.
ABSTRACT

Three star hotels mainly owned by private firms in Kenya have a very big stake in development of hotel industry and requires strategic management for growth and sustainability. The objectives of this study were to identify strategies adopted by three star hotels in Nairobi in response to numerous changes in the environment and to identify the extent to which changes in the environment affect the strategic direction of three star hotels. The study was descriptive survey. The population of the study was the entire three star hotels in Nairobi as gazetted on 23rd July 2004 gazette notice number 5693 of the republic of Kenya, which totaled to eight with seven respondents head of operational departments per each hotel giving a total of 56 respondents. The study found out that most of the three star hotels have basic practices of strategic management and are influenced by environmental forces towards strategic management. They are mainly reactive and not proactive in strategic planning. Due to private ownership, strategic response is highly influenced by entrepreneurial leadership by the owners. Amongst the major recommendations is that there is a great need of proprietors to allow professionalism so as to achieve much speedier growth of three star hotels to other levels. There is also a need to involve all staff on issues of strategic management for understanding and ownership of business structures. Further, there is also a need to establish intensive research for the hotels with professional forums for business information sharing. The limitation of the study was that it was conducted in Nairobi city whereas there are other types of three star hotels at the coast and in the parks whose management may be influential to hospitality business trend.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In today's fast-changing competitive environment, firms' competitive positions are constantly challenged by the emergence of new technologies, products, markets and competitors. Flexibility and adaptability have become key management concepts to develop a sustainable competitive advantage, and successful firms apply them in new organizational strategies that put into question many conventional tenets on organizations and their management. These strategies involve a decentralized and responsive work organization, based on co-operative relations not only within the firm but also in its relations with customers, suppliers and competitors. However, firms are also increasingly resorting to traditional market mechanisms through the use of contingent workers and arms'-length subcontracting relations. The search for a system's flexibility, responsiveness and reliability on the one hand, and low costs on the other, has led to the reconfiguration of the design and production activities and thus advocated the changes in the overall supply chain management.

All businesses operate as open systems (Pearce and Robinson, 2002). They constantly interact with its environment to survive. Organizations are also environment dependent. They depend on environment for survival. Organizations require money, equipment, human resources, etc from the environment as input. Resources go through transformation process in the company. The finished products as output go to the environment. It is important that the product has to be accepted in the environment for
company’s success. An organization should be able to maintain the system, because any interference spells death for the organization. The firm’s environment consists of remote environment, industry environment and operating environment. The organization ought to know how and what to respond to; know whether the action should be proactive or reactive in order to increase market share and safeguard customers. This requires new skills to help counter these challenges in the environment. Failure to align the internal capability of the firm to its environment spells doom for the organization (Aosa, 1992).

One of the environmental influences to a business arises from competition. Organizations have to respond strategically to environmental factors in order to be sustainable. Increased competition threatens the attractiveness of an industry and reduces the profitability of the players (Hamel and Prahalad, 1994). To succeed in the long term, organizations must compete effectively and out-perform their rivals in a dynamic environment. To accomplish this they must find suitable ways for creating and adding value for their customers as competition exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the environment. Firms therefore focus on gaining a competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core strengths, firms are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage (Hamel and Prahalad, 1994). According to Johnson and Scholes (1997), core strengths are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains.
1.1.1 Concept of strategy

A strategy is a pattern or plan that integrates an organization's major goal, policies and action sequences into a cohesive whole (Porter, 1980). Johnson and Scholes (1999) defined strategy as "the directions and scope of an organization over a long term, which achieves advantage for the organization through its configuration of the resources within a changing environment, to meet the needs of the markets and fulfill stakeholder's expectations". Strategy is described as creating a fit between the external characteristics and internal organization conditions to solve a strategic problem. The problem occurs when there is a mismatch between internal characteristics of the organization and the opportunity existing in the external organization. Strategic management is therefore concerned with deciding on a strategy and planning how the strategy is to be put into effect through strategic analysis, strategic choice, strategic implementation and control (Johnson and Scholes, 1993). The strategic management process allows an organization to take advantage of key environmental opportunities to minimize the impact of external threats, to capitalize upon internal strengths and overcome weakness. A large number of research studies have concluded that organization's that have adopted strategic management are likely to be more profitable and successful than those that do not (Fred, 1996).

Strategies which are implemented within an organization should support the culture associated with the firm. The proposed strategy should preserve, emphasize, and enhance the culture, in accordance with the culture supporting the proposed strategy. Environment is a key factor to a firm's success. Environment can be relatively stable or highly turbulence. Each level of environmental turbulence; has different characteristics, requires
different strategies and requires different firm capabilities (Ansoff and McDonell, 1990). Thus there is need for continuous strategic diagnosis. Strategic diagnosis is a systematic approach to determining the changes that have to be made to a firm’s strategy and internal capability in order to assure the firm’s success in the future environment. Based on appreciation that periodic planning systems are not able to perceive and respond to threats and opportunities in a turbulent environment.

Pierce and Robinson (2002) argue that even if an organization has no outstanding competencies and capabilities, managers still must tailor strategy to fit the firm’s particular resources and capabilities. They identify three levels of strategy namely corporate level, business level and functional level. The corporate level involves the setting of objectives and forming strategies at the corporate level, usually by the Board of Directors and the Chief Executive Officer. Decisions at this level are characterized by greater risk, cost and profit potential, as well as longer time horizons and greater need for flexibility. It includes decisions such as choice of business, dividend policies and priorities for growth. The business level involves translating general statements of direction and intent developed at the corporate level into concrete, functional objectives and strategies for individual business divisions or strategic business units. This is carried out by the business and corporate managers. The functional level is carried out by managers of products, geographic and functional areas. They are the implementers and executioners of a company’s strategic plans. It involves the development of annual objectives and short term strategies in areas such as production, operation, research and development, marketing, finance and accounting.
As the environment changes, firms must change strategies to survive. With each new strategy, new capabilities are developed. The adoption of dynamic perspective on strategy alignment necessitates a shift in emphasis towards dynamic capabilities. Dynamic capabilities described an approach to strategy that tries to identify the dimensions of firm specific capabilities that can be sources of advantage and to explain how combinations and competencies and resources, can be developed, deployed and protected. The operating environment involves factors in immediate situations that may provide many of the challenges a particular firm faces in attempting to acquire needed resources or in striving to profitably market its goods and services. Among the most prominent of these factors are a firm’s competitive position, customer profile, reputation among suppliers and creditors. The operating environment differs from remote environment in that the businesses can be much more proactive as opposed to reactive in strategic planning than is the case with remote factors.

According to Pearce and Robinson (1988) strategic responses are a set of decisions and actions that result into formulation and implementation of plans designed to achieve a firm’s objectives. In order to effectively achieve the firm’s objectives, these set of plans and actions must be strategically fit to the complexities and dynamism of a rapidly shifting environment. Firms largely are open systems where there is continuous interaction and interfaces with the external environment. Strategic responses are the strategies that firms take and largely triggered by continuous changes in the external environment. Timely response is critical to avoid adverse effects or missed opportunities.
Costs of none response could be lost accumulative profits and cost of reversing the loss. Strategic response may include development of new products, new markets, new process, new services, and new strategies for attaching the market, restructuring, marketing, information technology, leadership and culture change. Firms need strategy to sustain and grow profitability, revenues, market share and most importantly-acceptance.

1.1.2 Hospitality industry in Kenya

Kenya lies along the East coast of Africa covering an area of 586,350 sq.km with an estimated population of 30 million. Agriculture is the mainstay of the economy. Tourism is currently the second largest contributor to the economy after Agriculture. Hospitality industry exists as a subset of Tourism industry.

Hospitality industry in Kenya dates back to pre-independence days and history has it recorded that as early as the 1930's, overseas visitors and explorers had started coming to Kenya mainly for big-game hunting expeditions while others came in search of solitude and serenity. These expeditions were locally referred to by the Swahili word "Safari". Among the early visitors were Statesmen, Royalties and celebrities such as Theodore Roosevelt, Her Majesty Queen Elizabeth II, and Ernest Hemingway respectively.

At that time, there was already a relatively well developed but limited hospitality infrastructure. The available accommodation was spartan but ideal for both the visitors as well as the settler community in Kenya. However; soon after independence, the Kenya Government realized the enormous potential of the nascent Tourism industry and hence undertook to upgrade the existing infrastructure and superstructure as well as investing in
additional facilities. To achieve its goal, the Government encouraged local and foreign entrepreneurs to invest in the tourism and hospitality industries thus paving the way for the future development of the sector. 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 which defined the growth targets that it hoped to achieve in the years ahead as well as outline the areas where the Government would participate jointly with the private investors in developing the Tourism industry.

The growth in demand for Hotel accommodation and other hospitality facilities increased proportionately. It is worth noting however that the 20% average growth rate targeted then was somewhat over ambitious considering both internal and external factors that were to come into play in the future. The future of the moment is today where we see a dynamic Hospitality industry where the need to have a home away from home has tremendously and continuously increased. Kenya is currently in a high demand of standard hotel beds in the midst of many diverse environmental developments. Conference tourism, Sports tourism, Cultural tourism, Agritourism, Venture tourism and Business tourism has made the hotel business to have a great potential for growth in Kenya. This leaves Hospitality industry with a lot of opportunities. Strategic management therefore is inevitable to enable investors, government, industry professionals and scholars with a duty to spur exploitation of these opportunities for the industry. This is clearly seen in the government strategic plans like the vision 2030 economic pillar. Hospitality industry today covers a diverse infrastructural facilities categorized into Town Hotels, Vacation Hotels, Lodges, Tented Camps, Villas, Cottages, Serviced Apartments,
Motels, Restaurants and Institutional centers.

A look at the Nairobi Three Star Town Hotel response strategies will therefore be a major input in developing strategic insights to the players in the Hospitality industry in order to satisfy any existing and future demand.

1.1.3 Hotel sub-sector

Hospitality industry features a wider scope of services and facilities providing a "home away from home". The infrastructure of the Hospitality industry is diverse and among them is the star rated hotel which ranges from one star to five stars in Kenya. The Hotel and Restaurant classification is provided under section 29 subsections 2 of the Hotel and Restaurant act, cap 494, which gives the Minister Powers to make provision for the classification of Hotels and Restaurant and the standards appropriate to each class of establishment. The rating exercise is authenticated by the Ministry of Tourism in liaison with the Hotels and restaurant authority and other stakeholders in the industry. The rating criterion is predetermined on the basis of several factors like the location, surrounding physical environment, architectural designs and features, hotel capacity, infrastructure, hours of service, communication infrastructure, the type of services and facilities offered to targeted market segment. This exercise is done upon industry request or as determined by the Minister for Tourism and the results published in the Republic of Kenya gazette showing specific rated hotels according to the tourism regions commonly known as circuits. City hotels lead all other regions in both business and influence in regard to quality, services and facilities. Due to changing trends of demand in hospitality business, there is an increased need of hotel accommodation to cater for non holiday making
visitors. By April 2010, the Kenya Tourism Board statistics showed an increase of business and conference visitors by 21.10 % and sports 11.60%. In 1994 to 1996 Kenya was among the first ten leading countries in bed occupancy in the world (Medlick and Ingram 2000) this coupled with other factors increases the need for more star rated hotels in Nairobi. Top European and U.S hotel chains e.g. the Star wood hotel and resorts and Rezidor hotel groups of Belgium have since seen the opportunities and launched their business in Kenya due to increased country’s standing as a conference tourism destination. The impending entry into the market was as a means to address the shortage in bed capacity that had long stressed the sector as evidenced during the Tourism boom of year 2007. This signals the beginning of increased competition in the hotel sub sector of the Hospitality industry.

1.2 Statement of the problem

Organizations have to be able to respond effectively to challenges, problems and opportunities as they arise, Waverman, (2001). The customer has increasing expectations of service standards and availability. In response, organizations should work towards an outward-focused view of the way services should be provided, a fundamental shift from the traditional focus on internal concerns. At the same time, major opportunities for improvement may arise from developments such as competitive environment, the changing taste of consumers and the availability of additional financial resources. In many cases the response to the problem or opportunity will require the continuous attention of the organization.

The hospitality industry in Kenya faces numerous strategic challenges emanating from
the political, social, economic and technological environments. Frequent changes in these environment affects the three star hotels amongst other rated hospitality institutions. Most of the three star hotels easily close down or diversify after operating for a short period or does not depict any observable growth to be graduated to higher ratings even after operating for a long duration. This is despite an observable opportunities and sometimes threatening situations in the environment. Over a long period since early 1990s, there have been major changes in the environment ranging from political instabilities, inflation, terrorism, demand/market shifts and social cultural dynamics which have taken place but some three star hotels remains the same in size, services and facilities whereas others have gone out of the business either by diversification or by closure. None of the known three star hotels have grown to a five star rating.

There are many local studies that have been done in Kenya regarding strategic responses to environment challenges. Some of them include; Kombo (1997) did strategic responses by firms facing changed environmental conditions in motor vehicle franchise holders and found out that they made substantial adjustment in their variables in order to survive in a competitive environment. Kiptugen (2003) researched on strategic responses by Kenya Commercial Bank to a changing competitive environment and established that Kenya Commercial Bank responded to its changing competitive environment through restructuring, marketing, embracing information technology and culture change; Kandie (2001) did strategic responses by Telkom Kenya Ltd in a competitive environment and found out that although Telkom Kenya has responded to its environment, financial constraints and lack of managerial empowerment considerably limited the organization’s capacity to respond. Atheru (2007) worked on strategic responses by meteorological
department to the needs of their customers and found out that Kenya Meteorological Department did not have adequate capacity to respond to the needs of their customers.

None of the studies had covered the Hospitality industry in Kenya especially on three star hotels. Most of the studies also focused on firm’s competitive environment. No two organizations are perfectly similar and thus whatever works for one company may not work for the other. This is because the managerial processes at three star hotels are different from those of industries covered in previous studies due to the difference in environmental and organizational factors. This research therefore tries to answer the question. What response strategies do three star hotels operating in Nairobi adopt to changes in the environment?

1.2.1 Research Questions

a) What strategies do three star hotels operating in Nairobi adopt in response to numerous changes in the environment?

b) What is the extent to which changes in the environment affect the strategic direction of the three star hotels in Nairobi?

1.3 Research objectives

a) To identify strategies adopted by three star hotels in Nairobi in response to numerous changes in the environment.

b) To identify the extent to which changes in the environment affect the strategic direction of the three star hotels in Nairobi.
1.4 Significance of the study

The study will aid various stakeholders: The three star hotels owners will obtain details on challenges facing the industry and the details of strategic responses to the challenges. In addition the study will provide the justification to the responses adopted depending on the success obtained.

The policy makers will obtain knowledge of the hospitality industry dynamics and the responses appropriate; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the industry. It will also be influential to policy makers especially towards promotion of investment in Hospitality industry and attainment of vision 2030 on increment of Hospitality institutional capacities in Kenya.

For Researchers and Educators, this study will form the foundation upon which other related and replicated studies can be based on.

Investors can also gain an insight on the business and its strategic position within the environment, which can assist them in determining the viability of their investments.

The scholars may use the results of this study as a source of reference. The findings of this study can be compared with strategic responses in other sectors to draw conclusions on various ways an organization can respond to changes in the environment. It will also benefit consultants who endeavor to provide assistance to successful running of organizations in developing and sustaining a competitive edge in their environment.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews strategic details as discussed by other writers in the field of strategic management. It enables clarification of strategic responses proposed by strategic theories, generic competitive strategies and common strategic responses to the environment practiced in the modern business world.

2.2 Strategy

Strategy is an essential part of any effective business plan. By using an effective competitive strategy, an organization finds its industry niche and learns about its customers (Porter, 1980). Porter (1985) asserts there are basic businesses strategies differentiation, cost leadership, and focus and a company performs best by choosing one strategy on which to concentrate. However, many researchers feel a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Hlavacka et al., 2001).

Decisions on competitive factors require a careful evaluation of resources and environmental variables. Resources include all assets, capabilities, organizational processes, attributes, information, and knowledge that enable a firm to define and implement strategies to compete, Porter (1981). Barney (1991) classified these resources into three major categories: physical capital resources, human capital resources, and organizational capital resources. Because of resources limitations, Skinner (1974) suggested that it would be difficult to focus on more than one competitive factor at a time.
in any particular firm or manufacturing facility. Limiting a firm to a single competitive factor is similar to Porter’s (1980) assertion that a firm can only choose either cost or differentiation as a basis for competition. The implication of Porter (1980) is that any firm attempting to achieve both cost and differentiation as its competitive factors is almost guaranteed low profitability, Kotha and Orne (1989). However, this proposition has been challenged by many world-class manufacturing firms as they simultaneously maintain many competitive factors.

The perception of competitive factors can vary from one level of management to another. Swamidass (1986) found that while chief executives emphasized quality and technology, manufacturing managers focused on reducing cost and keeping delivery promises. A mismatch of competitive factors between chief executives and manufacturing managers in the same firm could be a potential problem in the effective use of the manufacturing function. Porter’s (1980) strategic positioning model builds upon the assumption that five forces determine industry attractiveness. Three forces represent the “horizontal” competitive relationships, namely the rivalry among competing firms, the threat of new entrants and the threat of substitutes. Two other forces reflect the firm’s “vertical” linkages with external actors, namely buyer and supplier power. An interesting characteristics of the five forces model is that industry structure, at least when used for strategy prescription at the firm level, is viewed as partly endogenous. This means that there is a reciprocal relationship between industry structure and firm behavior. Entry barriers do not just result from a given industry structure but may be induced or challenged by firms. In this context, the five forces could be seen as the “opportunities-threat” component in a conventional SWOT-analysis (strengths, weaknesses,
opportunities and threats). In contrast, the resource-based view focuses on the “strengths-weaknesses” component of SWOT analysis. It does this by identifying valuable (as perceived by customers), non-substitutable, non-imitable, firm-level competences as the basis of superior performance, (Barney 2001). A resource-based perspective has sometimes also been adopted for purposes of industry-analysis. Industry capabilities are defined as resources that are shared by incumbents but are not available to outsiders. These include trust relations, and specific ways of diffusing and sharing technological knowledge, (Foss 1997). An integrative perspective has recently been introduced, (Teece and Pisano 1998). In this, dynamic capabilities include special company strengths to cope with the shifting character of the environment. More specifically, this approach focuses on the key role of strategic management in appropriately adapting, integrating and re-configuring company strengths towards changing environments, company goals and objectives to gain a competitive advantage (Ross, 1999).

2.3 Generic Strategies

Differentiation is one of Porter's key business strategies. When using this strategy, a company focuses its efforts on providing a unique product or service (Hlavacka et al., 2001). Since, the product or service is unique; this strategy provides high customer loyalty (Porter, 1985). Product differentiation fulfills a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share. The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support. Firms following a differentiation
strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The quality may be real or perceived based on fashion, brand name, or image.

Some key concepts for establishing differentiation include: speaking about the product to select panels, writing on key topics affecting the company in the association's magazine or newsletter, becoming involved in the community, being creative when composing the company's portfolio, offering something the competitor does not or cannot offer, adding flair and drama to the store layout, providing e-commerce, making access to company information and products both quick and easy, using company size as an advantage, training employees with in-depth product and service knowledge, offering improved or innovative products, emphasizing the company's state-of-the-art technology, quality service, and unique products/services, using photos and renderings in brochures and selecting products and services for which there is a strong local need (Darrow et al., 2001).

Cost leadership is another generic strategy that focuses on gaining competitive advantage by having the lowest cost in the industry. In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy (Malburg, 2000). The organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage (Malburg, 2000). For an effective cost leadership strategy, a firm must have a large market share. There are many areas to achieve cost leadership such as mass production,
mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials (Malburg, 2000). Porter (1985) purports only one firm in an industry can be the cost leader and if this is the only difference between a firm and competitors, the best strategic choice is the low cost leadership role. Lower costs and cost advantages result from process innovations, learning curve benefits, and economics of scale, product designs reducing manufacturing time and costs, and reengineering activities. A low-cost or cost leadership strategy is effectively implemented when the business designs, products, and markets a comparable product more efficiently than its competitors. The firm may have access to raw materials or superior proprietary technology which helps to lower costs.

In the focus strategy, a firm targets a specific segment of the market (Davidson, 2001). The firm can choose to focus on a select customer group, product range, geographical area, or service line (McCracken, 2002). Focus also is based on adopting a narrow competitive scope within an industry. Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the
niche has not been pursued by rival firms (David 2000).

There are a number of theories that clarifies the concept of strategy in a deeper manner. Processual approach theory does not subscribe to rational strategy-making forwarded by Classical approach. However they do not either agree with the evolutionary perspective of leaving the profit-maximizing outcomes to the market. According to McGrea (2005), organizations and markets are wrought with confusion and mess. The best Processual method is not to strive for the ideal but to work with what the reality offers. This theory believes that rational economic man is not possible because we cannot overlook all factors at the same time. Human nature is simply flawed.

Evolutionary approaches as reflected in the Evolutionary theory do not rely on top management’s skill to plan and act rationally. Instead of depending on managers, they believe that markets will determine profit maximization and not the managers. Whatever methods the managers will adopt, the best performance will be the ones that survive. Rational methods are not the basis for this approach because it is ‘evolution that is nature’s cost-benefit analysis’ (Einhorn and Hogarth 1988). Competition is not overcome by detached calculation such as in classical perspective but by constant struggle for survival in the jungle. The biological principle of natural selection is at the core of evolutionary theory wherein the most apt strategies often translate in the best performance allowing them to survive and progress. The weaker performers are driven out of the market.
According to Whittington (2002), classicists see profitability as the highest goal of business and rational planning as the means to attain it. The strategic aim of a business is to earn a return on capital, and if in any particular case the return in the long run is not satisfactory, the deficiency should be corrected or the activity abandoned. Systemic theory shows that the organization is capable of planning and acting effectively. According to Cox and Dale (2002), economic activity cannot be separated from social relations such as family, state or religion. These social factors influence the means and ends of a systemic approach and define what the suitable behavior is for their members. In this approach, the organization is not just made up of individuals but of social groups with interests. The strategy then depends on the social environment of the firm.

2.4 Strategic Responses

Organizations are environment dependent and serving (Ansoff and McDonell, 1990) note that strategic responses involve changes to organization's strategy behavior to assume success in transforming future environment. Strategy is a bridge between the resources and the opportunities and risks the firm faces in the environment. It incorporates the competitive moves and approaches to deliver the best performance and satisfaction to all stakeholders. The choice of the responses depends on the speed with which a particular treat or opportunity develops in the environment. Well developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining competitive edge. Some of the strategic response may include development of; new products, new markets, new process, new service, new strategies for entering the market, restructuring, marketing, information Technology, leadership and culture change.
Activities within a business value chain are more critical to the success of the business strategy than others. Business process reengineering popularized by consultants Hammer (1996) is one popular method. Business process reengineering is intended to regularize a company so that it can best create value for customer by eliminating barriers that create distance between employees and customers. It involves fundamental rethinking and radical redesign of business process to achieve dramatic improvements for instance, cost, quality service and speed. Reengineering and value orientation have led to downsizing, outsourcing and self management as themes of influencing original structure.

Downsizing is eliminating the number of employees' particularly middle level management. It results to increased self management, larger span control and more work for those that remain. Outsourcing means obtaining work that was previously done by employees inside organization from sources outside the company who can perform better. It is a source of competitive advantage. Activities that can be outsourced include; information processing, various personnel activities, security among others. According to Rugman and Verbeke (2000) restructuring also entails removal of structural barriers and creation of learning organizations capable of continued re-generation from the variety of knowledge, experience and skills of individuals within a culture which encourages mutual questioning and challenge around a shared purpose of vision.

Marketing can be defined as a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others (Kottler, 2000). It can also be defined as the process of planning and exercising the concept of pricing, promotion and Distribution ideas, goods
and services to create exchanges that satisfy individual and organizations objectives. Marketers’ argue that the company assets have little value without the existence of customers. The key company task therefore is to attract and retain customers. Customers are attracted through competitive superior offering and retained through satisfaction. A marketer’s task is to develop a superior offering and deliver customer satisfaction. Organizations therefore need to embrace marketing concepts that rest on five pillars namely; marketing focus, integrated/coordinate marketing, profits, products and competition, (Boddewyn 1998). The company must define the boundaries of its markets. It should know those customers that are members of their market. This can be done through a process known as segmentation. The company should determine the needs and wants of the customers from the customers’ point of view but not the company’s (Kottler, 2000). Customers’ needs must be identified and satisfied as these results into customer loyalty which is a source of company goodwill. The marketing function, where the various marketing functions such as advertising, marketing research, sales and branding must work together. They must be well coordinated from the customer’s point of view. Country wide orientation marketing must be embraced by other departments. They must think customer. Marketing is not a department but much of a co-wide orientation. Teamwork must be fostered among all departments. This requires the practice of internal as well as external marketing. Whereas the latter is directed at people outside the firm, the former is the task of hiring, training and motivating employees to serve customers well. Internal marketing must strengthen external marketing. Managers must consider customers as the true profit centers hence adopt a modern organizational chart. The ultimate purpose of the marketing concept is to help organizations achieve their
objectives (Kottler, 2001). In the case of private firms, the major one is profit. However, they should aim for profits through customer satisfaction. The concept recognizes the existence of competition. However, a company should offer superior customer value. It should serve customers better than competitors.

Most companies do not embrace the marketing concept until driven to it by circumstances. Various events forcing companies to adopt the market concept includes sales decline and slow growth in sales forces some companies to search for new markets. Most companies therefore realize they need marketing skills to identify new opportunities and to address the issue of changing buying patterns where most companies operate in markets characterized by rapidly changing customer needs. Such companies need more marketing know-how if they are to track buyers’ changing values (Kottler, 2003). Increasing competition also force complacent companies to think about marketing. A number of strategic marketing variables can be manipulated in response to a changing competitive situation. They include adjusting of target market; diversification and development of new product, distribution changes, advertising, promotion and establishment of relationship market.

Business Strategic Analysis models help the business answer the question how to succeed in the market place. A choice has to be made among various strategic options. The strategic option chosen must be one that will enhance the organizations competitive position (Ansoff and McDonell, 1990). The company may chose to employ market penetration by serving the present market with present products. The company will concentrate on protecting and building the market share. Product development strategy
will entail serving the present market with new products using existing and new competencies and diversification. Market penetration strategy is used where the company decides to enter into new markets with present products. This may entail identifying new product uses, or identifying new segments or new territories to serve. Diversification strategy is employed where the company decides to enter new markets with new products. This is the most challenging zone for a company to operate in. Success will depend on use of both existing and new competencies.

The computer and developments in Telecommunication are most important aspects of Information Technology (IT) that have transformed business environment and processes. Automation of business processes has led to a drastic improvement in productivity and reduction in costs while Telecommunications has improved the speed with which information is transmitted thus facilitating speedy decision making. IT has become indispensable ingredient in organizations in several strategic to meet challenges of change they include internet, intranets that support business operations and using it in Business Process Reengineering (BPR). IT is also used to develop new products, services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry (O’Brian, 2002).

The potential of changing the culture of a government is influenced by the beliefs of strategic leaders and the extent of strategic need. According to (Kottler, 1990), leadership is about coping with change. Leadership has become very important in recent years due to businesses becoming more competitive and volatile. Pearce and Robinson (2002), indicates that organizational leadership involves action in first guiding the organization to
deal with constant change by embracing change, clarifying strategic intent and shaping culture to fit with opportunities and challenges that change afterwards. Also it entails identifying and supplying the organization with operating managers who are prepared to preside leadership and vision (Poynter 1995). Organizational culture is a set of important assumptions, often unstated that members of an organization share in common (Whitley, 1999). Organizational culture similar to an individual’s personality is an intangible yet ever present theme that provides meaning, direction and the basis of action. Insightful leaders nurture key themes or dominant values within organizations that reinforce the competitive advantages they posses or seek, such as quality, differentiation, cost and speed. Most typical beliefs that shape organizational culture is belief in being the best; belief in superior quality and service, belief in importance of people as individuals and a faith in their ability to make a strong contribution, importance of details of execution and customers should reign supreme.

Total Quality Management is one approach to develop a culture of quality. Total Quality Management ideas and principles focuses on management and continuous improvement of all operations, functions and above all processes of work it is built around an intense focus of customer satisfaction on accurate measurement of every critical variable in business operation, continued improvement of products, services and work relationships based on mutual trust and teamwork (Khanna and Palepu, 1997). An important tool of Total Quality Management is bench marking whose objective is to identify the “best practices” in performing an activity to learn how to lower costs, have fewer defects or other outcome linked to excellence are achieved.
2.5 Conceptual Framework

There are four major variables that may be looked at when studying the Hospitality industry in Kenya. Hospitality industry is mainly a service industry whose products are very intangible, highly volatile and homogenous. Some managers may capitalize on restructuring strategies and marketing while others may capitalize on information technology and governance. These may be reliable in attempting to study response strategies adopted by the three star hotels in Nairobi.

Figure 2.1 shows relationship existing between independent variables and dependent variables a model which will be adopted for this study.

*Figure 2.1 Conceptual Model*

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructuring</td>
<td>Strategic response to changes in the environment</td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
</tr>
<tr>
<td>Information Technology</td>
<td></td>
</tr>
<tr>
<td>Leadership and Culture</td>
<td></td>
</tr>
</tbody>
</table>
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction.

This chapter gives an overview of the methodology used to undertake this research project specifically on research design, population of the study, data collection, and data analysis.

3.2 Research design

The research design was a survey of the three star hotels operating in Nairobi. It has been observed that a survey is feasible when the population is small and variable. When all items of the population are covered, no element of chance is left and highest accuracy is obtained. Three star hotels in Nairobi city are closely located within the city giving advantage in accessibility and convenience to the research survey process.

3.3 Population of the Study

The population of the study consisted of all three star hotels operating in Nairobi classified and gazetted as three star town hotels. This was according to the special issue of the Republic of Kenya gazette notice of 13th June 2003 and the latest Kenya gazette notice of 23rd July 2004 under the classification of Hotels and Restaurants Regulation 1988. The Hotel and Restaurant Authority and the Ministry of Tourism therefore recognizes eight (8) three star hotels operating in Nairobi as at June 2010. In every hotel, we will interview seven head of functional areas.
3.4. Data Collection

The study used primary data; this was collected through self-administered questionnaires. Structured questionnaire was applied which consisted of both open ended and closed ended questions designed to elicit specific responses for qualitative and quantitative analysis. A questionnaire is a useful tool for collecting data from respondents because of the need to provide a means of expressing their views more openly and clearly. Respondents included the General Manager, Operational Manager, Front office Manager, Food and beverage Manager, Executive housekeeper, Procurement Manager and Marketing Manager in each hotel. The questionnaire was administered through “drop and pick later” method. The respondents were expected to give an insight into some of the strategies commonly put in place to ensure strategic response to changes in the environment.

3.5 Data Analysis

The data attained from the administered questionnaire was analyzed using descriptive statistics (measures of central tendency and measures of variations) and inferential statistic tools. In particular, the descriptive analysis employed tables and pie charts to summarize the respondent answers. Regression analysis was also used to come up with the model expressing the relationship between the dependent variable (strategic response to changes in the environment) and predictor variables (restructuring, marketing, information technology, leadership and culture). Correlation analysis was used to check on the overall strength of the established and adopted models.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION.

4.1 Introduction

The research objective was to establish response strategies adopted by three star hotels in Nairobi to changes in the environment. This chapter presents the analysis and findings with regard to the objective and a discussion on the same.

4.2 Characteristics of surveyed hotels

A total of 56 (fifty six) questionnaires were issued out in the eight three star hotels in Nairobi to capture responses of key functional managers in each hotel. The completed questionnaires were edited for completeness and consistency. Of the 56 questionnaires used, only 42 (forty two) were returned from six hotels. The remaining 14 from two hotels were not returned. The returned questionnaires' represented a response rate of 75%.
Figure 4.1 presents the type of ownership and management of three star hotels surveyed.

**Figure 4.1 Type of ownership and management**

Source: Researcher, 2010

Most of the respondents (74.7%) said the hotels they work for are privately owned while 25.3% said the hotels are publicly owned. Majority of the hotels are privately owned and therefore the findings confirms that majority of the three star hotels operating in the city are privately owned. Strategic planning is an organization's process of defining its operational strategy, or direction, and making decisions on allocating its resources. The study tried to establish the extent of to which external forces influences the strategic planning which started by studying presence of strategic plans in the three star hotels under study.
4.3 Duration of Strategic Plan

Figure 4.2 presents the duration of the strategic plans of the three star hotels.

![Figure4.2.Duration of strategic plan](image)

Source: Researcher, 2010

This shows that 52.9% of the respondents said the hotel they work for have strategic plans which covers 1-5 years, 29.4% said their strategic plans covers 1-3 years while 17.6% said theirs covers 1-10 years. The strategic plans designed should be able to fulfill the strategies which the hotels have put in place.
4.4 Restructuring
Restructuring was a main aspect featured which the study tried to establish the use of standard operating procedures in functional departments.

Table 4.1 presents application of the standard operational procedure manual.

Table 4.1 Usage of standard operating procedure manual.

<table>
<thead>
<tr>
<th>Usage</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>42</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher, 2010

The findings in table 4.1 above show that 100% of the hotels have standard operating procedure manuals. These therefore will guide the hotels to ensure that within a certain period of time they should have achieved some targets thus enabling the achievement of the designed strategic plans. It also reflects that business processes are systematic and can be subjected to restructuring in a systematic way so as to meet strategic goals in response to changing environments. Strategic planning should be conducted in time to identify the organizational goals to be achieved at least over the coming fiscal year, resources needed to achieve those goals, and funds needed to obtain the resources. It was realized that the frequency of review depends on the extent of the rate of change in and around the organization after respondents gave the following feedback.
Table 4.2 presents the frequency of review of the operating procedures manuals.

**Table 4.2 Frequency of review of standard operating procedure manual**

<table>
<thead>
<tr>
<th>Manual review period</th>
<th>Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>After every 6 months</td>
<td>14</td>
<td>33.3</td>
<td>33.3</td>
</tr>
<tr>
<td>Annually</td>
<td>21</td>
<td>50.0</td>
<td>83.3</td>
</tr>
<tr>
<td>None of the above</td>
<td>7</td>
<td>16.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher, 2010

The findings show that majority of the hotels revises their standard operating procedure manual annually, 33.3% carry out their reviews after every 6 months and 16.7% review their manuals on a period not cited. This is in line with the accepted practice of the yearly review to match with the budget planning for the coming fiscal year.

Strategic planning is an all inclusive process. For ownership of any process, undertaking or embracing of the right working attitudes, it is necessary for leaders to share responsibilities and task in revising set procedures. The instrument administered inquired on the cadre of staff involved in the revision of standard operating procedure manual.
Table 4.3 presents the level of staff in the hotels involved in revision of standard operating procedures.

Table 4.3 Cadre of staff involved in reviewing standard operating procedure manuals

<table>
<thead>
<tr>
<th>Cadre of staff reviewing manuals</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management and supervisors</td>
<td>28</td>
<td>66.7</td>
<td>66.7</td>
</tr>
<tr>
<td>All staff involved</td>
<td>14</td>
<td>33.3</td>
<td>100.0</td>
</tr>
<tr>
<td>External consultants</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher, 2010

The analysis in table 4.3 above shows that majority of the respondents (66.7%) said that the standard operating procedure manuals are reviewed by the senior management and supervisors while 33.3% said all staffs are involved in the revision of the standard operating procedure manual. None of the hotel uses external consultant to revise the standard operating procedure manual. The revision of the manuals should be consultative so that inputs from all the stakeholders on how to achieve the desired objectives are taken into consideration and owned up.
Figure 4.3 shows the number of times that organization structure changes in 5 years.

The findings show that 66.7% of the respondents said that their organization structure has not changed over the last five years while 33.3% said it has changed. The organizational structure determines the flow of information in the hotel and therefore lack of change in majority of the hotels indicates that there is smooth flow of information and management of the hotel.

4.5 Marketing
On other aspects of the study, all hotels outsourced outside catering and banqueting equipments when faced with big events. Pest control services were also outsourced by all hotels. Major reasons for outsourcing given were due to convenience and cost cutting measures. The major occurrences in the world which were featured as the main events with impact to business was the political post election violence’s, terrorism, geographical occurrences and market demand related events which were believed to have mainly affected business in the hospitality industry. These events caused three star hotels to shift to domestic tourism by cutting down the rates, rescheduling of
reservations, focusing on conferencing business, extending guest stay at reduced rates, changing menus to fit customers demand and food availability. Due to droughts, drilling of own borehole to supply the hotel with water was done in two hotels. Restructuring purchasing of major basic commodities especially fruits and vegetables also occurred in all hotels. The referendum related activities was the most memorable positive event to the respondents while the post election violence of 2008 in Kenya was the most memorable negative event.

In scanning the environment it is expected that research function targeting performance of competitors influences strategic response.

The study looked at the presence of the function by the three star hotels and found the following results in figure 4.4 below

*Figure 4.4 Hotels that undertakes research.*

Source: Researcher, 2010
The analysis represented above show that majority of the respondents (83.3%) said their hotel does business related research while 16.7% said it does not conduct business related research. The research function enables the hotel to ensure that the strategies which they put in place are able to lead the hotels to achieve its desired objectives with reliable information about the market.

4.6 Information Communication Technology

Figure 4.5 below presents an overview on the extent of information technology adaptation in the three star hotels in Nairobi.

Figure 4.5. Departments computerized

Source: Researcher, 2010

In regards to whether all the departments are computerized in the surveyed hotels, it was realized that 66.7% of the respondents said that the departments are computerized while 33.3% said that the departments were not computerized. Adaptation of modern technology by all departments in the hotel will enable easier access of information by the staff in any department and at any time. On what hotels do to keep up with the dynamism
of technology, it was realized that management trains the staff on the latest technology, consistently updates the system, ensuring that the hotel has an information technology support department, undertaking annual system audit and allocating more resources to the information technology department annually so that they can do regular research on information technology changes and also product benchmarking.

4.7 Leadership & Culture

The level of leadership influence to the performance and strategic direction of the hotels was assessed and the following result in figure 4.6 was realized.

*Figure 4.6. The strength of leaders towards improving the hotel performance*

![Bar Chart]

Source: Researcher, 2010

Majority of the respondents (66.6%) rated the strength of their leaders improving the hotels performance as strong, 16.7% said it was too strong while 16.7% said it was fairly
hotels performance as strong, 16.7% said it was too strong while 16.7% said it was fairly strong. This may be related to the fact that most of the hotels are privately owned and leadership is influenced by owners. Nevertheless, the hotel performance needs all the hotel employees to work together, with the leaders being in the forefront to ensuring that they guide the employees on the best way to achieve high performance. The most influential way adopted by the leaders in order to motivate staff in the hotel included annual salary reviews/remuneration, staff development and promotion, creation of good working environment and social welfare, organizing end of year party for the staff, offering transport facilities especially at night, letters of recognition, service charge, recognition of employees at the end of the year.

Strategic planning moves with values for realistic attainment of mission and vision. Value based systems are self sustaining and reliable without much waste of strategic resources. The assessment of these values was based on some key practices which researchers may attribute to successful organizations.

Table 4.4 below presents responses on most practiced values by the three star hotels.

<table>
<thead>
<tr>
<th>Value</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honesty</td>
<td>7</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Professionalism</td>
<td>14</td>
<td>33.3</td>
<td>50.0</td>
</tr>
<tr>
<td>Team work</td>
<td>21</td>
<td>50.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
The most practiced value according to the respondents is teamwork with 50.0%. 33.3% said its professionalism while 16.7% said its honesty. The value perceived to be most practiced may be due to the nature of hotel services of inseparability and interdependence of all functional areas. None of the respondents chose diligence and openness as a practiced value. Generally all the values should be practiced by all the hotel employees if the hotel is to achieve its desired objectives.

4.8 General Information

About the industry efficiency in information circulation the study attempted to look at the sources of information in the industry which may be relied upon for strategic responses.

Table 4.5 presents common ways of getting competitor information.

**Table 4.5 Common ways of getting competitor information**

<table>
<thead>
<tr>
<th>Source</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through hearsay</td>
<td>35</td>
<td>83.3</td>
<td>83.3</td>
</tr>
<tr>
<td>From industry magazines/reports/journals</td>
<td>7</td>
<td>16.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The main source of information about the competitors according to the respondents was through hearsay with 83.3% while through industry magazines, reports and journals were indicated by 16.7%. Competitor friendly forums and Kenya bureau of standards never featured in the responses. The hotels should have thorough information about the competitors and the market trends so that it can be able to counter the competitors’ and
develop new strategies immediately to keep the industry vibrant.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings from the respondents and conclusions in every aspect of the questionnaire. The recommendations are categorized as per the conceptual model in chapter two and as informed by the data analysis and theoretical strategic management concepts.

5.2 Summary

From the findings majority of the three star hotels operating in Nairobi are privately owned thus the management of the hotel is run by the owner or a person appointed by the owner of the hotel as the manager. The study shows that all the hotels have a strategic plan which they consider extremely important since it outlines the organizations objectives, targets, means of achievements and responsibilities. The standard operating manual which all the hotels have will enable them to ensure that the strategies put in place by the hotels are met within the time set. Majority of the three star hotels review their strategic plans annually, this is in line with the accepted practice of the yearly review to match with the budget planning for the coming fiscal year. The senior management and the supervisors are the ones involved with the revision of the standard operating procedure manuals.
It was apparent that in majority of the three star hotels studied, there was no change of organizational structure in the last 5 years. Those which changed had a number of reasons advanced to be due to changing customer tastes and preferences, expansion of the hospitality wing of the group to improve profits, management change in order to align with the strategic plan and growth in business volumes. The services outsourced by the hotels are outside catering equipments like tents, tables and chairs, kitchen stewarding, gardens and paddocks maintenance, staff training, security, pest control and garbage collection. The reasons advanced for outsourcing the services is to reduce cost, concentrate on the core business, lack of in-house services in the organization, capacity of the hotel not coping with large numbers, lack of expertise in those areas and improvement of efficiency.

The major occurrences in the world which affected the business industry led hotels to shifting to domestic tourism by cutting down the rates, rescheduled reservations, focusing on conferences, extended guest stay at reduced rates, changed menus to fit customers demand, drilling own borehole to supply the hotel with water, restructuring purchasing of major basic commodities especially fruits and vegetables, budgetary reviews and a more intensive marketing to alternative market sources, aggressive marketing using all available marketing tools and adoption of product diversification. Increase in conferences business in Nairobi led to renovations of the hotel rooms, enhanced marketing, efficiency in all facilities, use of tents as conference rooms, coming up with affordable conference packages, proactive marketing through exhibition networking from senior management and tour operators and airlines.
The most memorable recent event that majority of the hotels highlighted as it affected them mostly was the post election violence, recent economic crunch and terrorism alert which made few tourist to come. The hotels reacted by ensuring that closer relationship is established with regular clients, cost cutting, assuring guests of their safety, diversification by embracing domestic tourism and offering seminar facilities. Further special treatment to corporate clients, extending marketing to Asia in order to compliment and reinforce the gains realized by the Kenya Tourist Board, increasing marketing budget and activities to counter negative impact, and upgrading of services to create memories for repeat customers were other strategies mentioned.

Respondents were of the opinion that the hotels usually conducts business related research as it assists the hotels to know more about their competitors and also whether the strategies which they have put in place ensure that they meet their intended objectives. However in a related question of how information is acquired there seemed to be no formal structures of acquiring information through structured research. Some of the hotels have not computerized all their departments and therefore there no interconnection of the whole hotel and these necessitate movement which leads to time wastage. The ever changing information technology has been kept up by the management by training the staff on the latest technology, consistently updating the system, ensuring that the hotel has an information technology support department, by undertaking annual system and operating system audit, allocating more resources to the information technology department so that they can do regular research on information technology changes and also product benchmarking. The hotel performance depends with the leadership of the hotel and therefore the management needs to be strong in order to guide the hotel and
these were confirmed by the respondents. The staff in the hotels were motivated by performance based remuneration, training and promotions.

5.3 Conclusions

Restructuring is a key activity to be managed in an open business system. This features restructuring of business systems commonly known as system reengineering and changes to organization structure. All three star hotels had very clear business systems and structures but the style of review did not seem to have any strategic value. Strategic planning should be conducted in time to identify the organizational goals to be achieved at least over the coming fiscal year, resources needed to achieve those goals (both financial and human resources) should be obtained systematically. These funds are included in budget planning for the coming fiscal year to avoid failure of restructuring due to lack of funds. The full strategic planning process should be conducted at least once every three years. The frequency of strategic planning review should be done regularly so that incase the hotel is not meeting its target, they can make changes at the appropriate time. The revision of the standard operating procedure manuals should be all inclusive so that every member of the staff feels valued as they know their views have been taken into consideration and also to avoid sabotage by the employees as they are the ones who are tasked with the duty to implement the strategies set. It is evident that the practice of excluding some members of the organization in the review of standard operating procedure manuals is not informed by the best practices towards proper strategic planning. The hotels should continue outsourcing some services if the cost of outsourcing is reasonable to give value for money and in order to give them time to concentrate on
their core activities.

There are certain organizational factors that are very crucial for any organization to remain on top of its game. Marketing is very important if a hotel is to gain and sustain competitive advantage over its competitors. The study carried out at three star hotels operating in Nairobi has indicated that the management and staff value good marketing. However it was seen to be more reactive than proactive. The fact that many respondents believed that post election violence negatively affected business may not be true if compared with terrorism which has a long term negative impact. This enables the researcher to conclude that marketers do not share the inner effect of external occurrences with factual statistical analysis. Marketing creates awareness of the hotel to both internal (staff) and external (customers) thus opening room for business. Further it was found out that some events in the environment may be deceiving in terms of perception towards their effect to business and may not be used to inform long term strategic responses.

Hotel infrastructure is very vital for the functioning of any hotel. The study shows that some hotels have not computerized their whole departments and therefore this makes it hard for the staff to access information they need from the un-computerized departments. The hotels should ensure that they computerize all the departments to ensure easy access of the information by all the staff whenever they are in the hotel. The hotel management should continue working to ensure that the hotel keep up with the ever changing information and communication technology. These activities include training the staff on the latest technology, consistently updating the system, ensuring that the hotel has an information technology support department, by undertaking annual system and operating
system audit, allocating more resources to the information technology department so that they can do regular research on information technology changes and also product benchmarking.

Leadership and culture is the act of guiding human and physical resources into dynamic organizational units which attain their objectives to the satisfaction of those served and with a high degree or morale and sense of attainment on the part of those rendering the service. We can only conclude that the success of any hotel is largely dependent on the kind of management steering the organization. The study shows that leaders have very strong influence to the strategic direction of the three star hotels studied with less professionalism as the most preferred value. This may be attributed to the private ownership which decision making is efficient and reliable to the owner's desire. It is therefore of great importance that the hotel management be strong enough to steer the hotel to greater heights with professionalism as the most proffered value amongst other values.

5.4 Recommendations

From the data collected, the theoretical background and the industry environment, the following recommendation may be of great importance to all stakeholders of the hotel industry.

Restructuring of business systems (standard operating procedure manual) should be all inclusive. This will enable all cadres of staff to own up any new response strategies for easier adoption and implementation. Regular systematic intervals of restructuring should be observed but not mandatory only when informed by research. This will enable proper
forecasting and identification of required resources. It will also prevent reactive kind of management which enhances the planning function.

It is important that the three star hotels enhance their marketing response strategies informed by research and through analytical data analysis on the impact of environmental occurrences to business turnover. Short term business windfalls and threats should not be the basis of strategic planning. Strategies to be adopted should address a wider scope of business aspects on a midterm or long term durations. Research activities and results should be shared to all stakeholders for the sake of objectivity and synthesis for best strategic responses. There is a need for hotel industry business professional forums to enable organized way of information sharing and dissemination. The legal bodies like the Kenya bureau of statistics, Kenya tourist board and other bodies may be a good player in such forums.

It is recommended that hotels keep up with the continuous training and adoption of technology especially for information management and efficiency. Due to dynamic trend of technology it is recommended to have a sinking fund to enable management of this dynamism. This will enable managers avoid pitfalls that may be caused by sudden change of technology.

Motivation of staff should be pegged to performance for sustainability and should not be seen to be historical. The hotels can adopt bonus based motivation and probably sustain the service charge which is pegged to a percentage of performance.

Private owners seemingly command a lot of influence on strategic direction of the three star hotels. It is therefore important for education institution to have programmes
targeting improvement of leadership and strategic management skills to entrepreneurs in
the industry and not students of this career only. This will enable values of
professionalism be remembered in future research studies by respondents as seen for
teamwork.

The ministry of tourism should also have a regular mandatory legal schedule of hotel
classification which will enable updating of the gazette notice. It was observed that more
hotels of similar capacity are growing in the industry but very few owners apply for the
classification.

5.5 Recommendations for further research

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

5.6 Limitation of the study

This study was based on a survey limited to three star hotels in Nairobi. It did not cover
other three star hotels in the whole country and therefore the strategies which the
different star hotels uses may be different especially considering the rural environmental
changes.
REFERENCES


Atheru, K.K. (2007). *Strategic responses by Kenya meteorological department to the*


Kombo, H. K (1997) *Strategic responses by firms facing changed environmental condition in motor vehicle franchise holder's* Unpublished MBA project, University of Nairobi


*Needs of their customers*. Unpublished MBA project: University of Nairobi


Appendix I: Introductory Letter

MWAMBA NATHAN MUGAMBI,
UNIVERSITY OF NAIROBI,
P.O. BOX 30197,
NAIROBI.
Dear Respondent,

RE: COLLECTION OF SURVEY DATA.

I am a post graduate student at the University Of Nairobi School Of Business in partial fulfillment of the degree in Masters of Business Administration. I am undertaking a management research Project on the “Response Strategies Adopted by Three Star Hotels in Nairobi to Changes in the Environment. You have been selected to form part of this study following the latest Hotels and Restaurant classification gazette notice number 5693 of 23rd July, 2004.

This is to kindly request you to assist me to collect data by filling out the accompanying questionnaire which I will pick from your secretariat office. The information you will provide will be used exclusively for academic purpose. My supervisor and I assure you that the information you give will be treated with utmost confidentiality and will never be published whatsoever.

A copy of the final paper can be availed upon request.

Your cooperation will be highly appreciated.

Thanking you in advance

Yours faithfully,
Mwamba N. Mugambi                         Dr. James. Gathungu
MBA Student                                University Supervisor
                                            University of Nairobi
TO WHOM IT MAY CONCERN

The bearer of this letter, Muhangi Muhangi, Registration No. DB11886012006, is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like to urge students to do their projects on real problems affecting firms in Nairobi. We would therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM

DR. W.N. IRAKIL
CO-ORDINATOR, MBA PROGRAM
Appendix III: Questionnaire

1. BACKGROUND

a) Name of the hotel (optional) ........................................................

b) Year of establishment .................................................................

c) Type of ownership and management (tick where applicable)
   i) Private ownership □
   ii) Public Ownership □
   iii) A member of a consortium □
   iv) A Franchise □
   v) A member of a chain □

d) Hotel vision and mission statement

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

e) Please indicate the period of your [ ] year strategic plan.

1 – 3 years □

1 – 5 years □

1 – 10 years □

No strategic plan available

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2. RESTRUCTURING

a) Does the hotel have a standard operating procedure manual?
   a. Yes [ ] No [ ]

b) After how long is the manual revised. (please tick where appropriate)
   a. Monthly [ ]
   b. After every 3 months [ ]
   c. After every 6 months [ ]
   d. Annually [ ]
   e. None of the above [ ]

c) Who revises the operating procedure manual (Please tick where appropriate).
   i) Senior management and supervisors [ ]
   ii) All staff are involved [ ]
   iii) External consultants [ ]

D). a) what is your position in the hotels management structure?

b) Has your organization structure changed in the last five years?
   Yes [ ] No [ ]

c) What major reason caused the hotels organization structure to change?
   (Please name at most four reasons).

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

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

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What services do you outsource?

Why do you outsource the services mentioned above? (please give one reason for services mentioned above)

3. MARKETING

Between 1990 and 2010, several major occurrences in the world affected the Hotel industry business. How did your hotel generally respond to the following occurrences?

a) Volcanic ash in Europe April 2010
b) Drought(s)

c) Most recent economic crunch in Europe, America, Africa and other continents

d) Increase in conferences business in Nairobi

e) The current piracy on ships in Indian Ocean

f) Post election violence of 2008

g) The Nairobi bomb blast of 1998
h) Post election violence in Rift Valley and at the Coast of 1992

i) Which is the most memorable recent event that affected your business
   - Negatively
   - Positively

j) How did you react to the above memorable event for business sustainability? (please respond in the respective order of the above)

k) Does your hotel conduct business related Research?
   Yes ☐ No ☐

4. INFORMATION COMMUNICATION TECHNOLOGY (ICT)

i) Are your systems in all departments computerized?
   Yes ☐ No ☐

ii) What is normally done in your hotel to keep up with the ever changing ICT?

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

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iii) How do the hotel management and staff perceive application of modern
technology

5. LEADERSHIP AND CULTURE

i) How would you rate the strength of your leaders towards improving the hotels
performance? (Tick where appropriate).

a) Too strong □

b) Strong □

c) Fairly strong □

d) Not strong □

ii) Which is the most influential way adopted by the hotel leaders to motivate staff in
this hotel? (Name at least three starting with the most popular to the least
popular).

a) ......................................................................................................................................

b) ......................................................................................................................................

c) ......................................................................................................................................

iii) Which is the most practiced value in this hotel? (Tick at least one)

a) Diligent □

b) Honesty □

c) Professionalism □

d) Teamwork □

e) Openness & transparency □
6. GENERAL INFORMATION

How does your hotel get information about your competitors in Nairobi? (Tick where appropriate)

a) Through heresy

b) Through competitor friendly forums

c) From Kenya Bureau of Statistics

d) From industry magazines/reports/journals

e) Others

Any other comment related to the study!

Thank you very much for sparing your valuable time to respond to the questionnaire. In case of any queries please contact Nathan. M. Mwamba Tel: 0722623806, student researcher.
## APPENDIX IV: LIST OF THREE STAR HOTELS IN NAIROBI.

<table>
<thead>
<tr>
<th>THREE STAR HOTEL</th>
<th>CONTACT</th>
<th>CAPACITY</th>
<th>LOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Bounty Hotel</td>
<td>P. O. BOX 75200, Nairobi</td>
<td>100</td>
<td>Nairobi</td>
</tr>
<tr>
<td>Utalii Hotel</td>
<td>P. O. BOX 31052, Nairobi</td>
<td>105</td>
<td>Nairobi</td>
</tr>
<tr>
<td>Marble Arch Hotel</td>
<td>P.O. BOX 12224, Nairobi</td>
<td>77</td>
<td>Nairobi</td>
</tr>
<tr>
<td>Landmark Hotel</td>
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</tr>
<tr>
<td>Holiday Inn</td>
<td>P. O. BOX 66807, Nairobi</td>
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</tr>
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<tr>
<td>Silver Springs</td>
<td>P.O. BOX 61367, Nairobi</td>
<td>184</td>
<td>Nairobi</td>
</tr>
<tr>
<td>Six Eighty Hotel</td>
<td>P.O. Box 43436, Nairobi</td>
<td>544</td>
<td>Nairobi</td>
</tr>
</tbody>
</table>

Source.