

**OPERATION STRATEGY AND PERFORMANCE IN THE HOTEL  
INDUSTRY: A STUDY OF HOTELS IN NAIROBI, KENYA.**

**BY**

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## **DECLARATION**

This Project Research is my original work and has never been presented for a Degree or any other award in any other University.

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## **DEDICATION**

This Research Report is dedicated to my parents Samuel Ng'ang'a and Susan Kariuki, who showed me and lived practically the virtues of humility, sacrifice and hard work. My late brother Patrick Irungu who always believed in me. My sister Joyce and brother Anthony for their support and encouragement throughout the program.

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## **ABSTRACT**

The purpose of the study was to establish the influence of an operations manager on performance in the hotel industry in Nairobi, Kenya. The objectives of the study were to determine the operation strategies adopted by hotels in Kenya; to investigate if the operations strategy is dependent on star classification and to establish the relationship between operations strategy and performance in the hotel industry in Kenya.

The study utilized a survey design. It employed face to face interviews and semi structured interviews as tools to collect data.

The study reveals that most hotels have incorporated the operations management department which largely contributes to the overall performance of the hotel. At the same time strategies such as consumer segments, emerging markets, business model and quality service delivery are applied. Both financial and non financial measures are used by the hotels in determining the extent of performance.

The operations strategies in the hotels are changed oftenly mostly by the management. The management should consider involving the other staff in the drafting of the strategies and in their amendments too. This ensures that all the staff are involved in ensuring that better performance results are achieved.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background to Study

Competition in most industries has intensified significantly in recent years, and this trend towards *hyper-competition* is expected to continue. At the same time, globalization provides new opportunities for companies in the form of new, previously untapped markets, for their products as well as new sources for raw materials and components at significantly lower costs. As a result of this globalization of business, managers must extend their vision beyond their own national borders when developing operations strategies (Naisbitt and Abridene, 2000).

According to Davis and Meyer (1998) three factors that are significantly affecting the way in which business is being conducted: (a) connectivity, (b) speed, and (c) intangibility. They suggest that the combination of all three is causing changes to occur in business at such a rate that managers can only view business today as a blur.

All three factors are directly related to advances in technology. Technology has also dramatically affected one of the basic concepts in operations strategy: that of making trade-offs between priorities. With advances in technology, managers no longer have to make pure trade-offs between competitive priorities as they once did. Instead, today's technology allows firms to compete on several priorities simultaneously namely; Competitive Priorities.

The key to developing an effective operations strategy lies in understanding how to create or add value for customers. Specifically, value is added through the competitive priority (ies) that are selected to support a given strategy. Skinner and others initially identified

four basic competitive priorities. Slack et al (2004), argues that there are four basic competitive priorities namely: cost, quality, delivery, and flexibility. These four priorities translate directly into characteristics that are used to describe various processes by which a company can add value to the products it provides.

The concept of operations strategy plays an important role in determining the overall long term success of an organization. Developing an operations strategy means looking to new ways to add value for the customer in the goods and services that the firm produces and delivers. Value can have many meanings. Managers must therefore align the operations strategy of their firm with the strategies of other functional areas and with the firm's overall business strategy.

The combination of the globalization of business coupled with advances in technology has created a hyper-competitive environment in which managers must constantly be looking for new and innovative strategies to stay ahead of the competition. To properly implement these strategies, managers need to clearly understand the core capabilities of their firm and focus their resources on maintaining and improving these capabilities. Successful firms today are looking to develop strategies that integrate goods and services into a single product offering or "bundle of benefits," which attempts to solve problems for customers rather than just selling them products (Johnstone et al, 2004).

### **1.1.1 Operations Strategy**

Operation strategy concerns the pattern of strategic decisions and actions which sets the role, objectives and activities of operations (Slack et al 2004).

Operations strategy literature has often been contextualized within manufacturing paradigms. (Brown and Cousins, 2004) provided a summary of how the firm's operations were linked to specific modern manufacturing. Over time the impact of operations strategy has developed beyond the realm of operations management into wider aspects of business strategy (Anderson et al. 1991, Meredith and Vineyard 1993, Ward et al. 2007).

Operational Strategy is concerned with how each part of the business is organized to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, people etc. Operations strategy is the development of a long-term plan for using the major resources of the firm for a high degree of compatibility between these resources and the firm's long-term corporate strategy (Slack 2010).

For an operations strategy to be successful the customer's needs and expectations must be understood and ways to achieve the same put in place. As much as a strategy would be put in place to meet the needs of the customer aspects of corporate strategy namely: marketing, operations and financial strategy must also be considered to ensure that the business is competitive in its field and as well is in a position to meet its financial obligations through making profits. This can be achieved by transforming resources by use of processes, infrastructure, capabilities (James and Ventus, 2011)

For this particular study strategies such as consumer segments that determines the clients to target, emerging markets that enables a hotel to know the levels of competition, business models that distinguishes a hotel from others and quality service delivery that ensures that the best is offered will be looked into at length.

### **1.1.2 Firm's Performance**

Performance of any organization is one of the mechanisms to gain people's commitment towards achieving the stated objectives of the organization. Increased competition, rapid change, reduced resources and mounting employee expectations, have all combined in such a way that organizations are being expected to achieve more out of less (Neely et al 2006). The changing Kenyan economic and demographic structure has led to changes in life style at a faster pace than economic growth. The demographic imbalance complicates the task of creating and providing different services as per demanded by the different customers. Thus, measurement of these services becomes complex especially in hotel industry. Experimental approach to the service delivery processes in Kenyan hotel industry also hinders in effective implementation.

Traditionally, companies in hotel services place heavy emphasis on the use of financial measures although they are historical by nature. The role of non-financial indicators, such as customer satisfaction, quality assurance, productivity, employee development etc. becomes important as they determine the competitiveness of a business as well as its ability to sustain profitability in the future. Incorporation of non-financial indicators in performance measurement process is crucial particularly in the face of intense competition, shorter product (service) life cycle and rapid advances in technology, which characterize the contemporary business. Also, the changes in performance measurement practices should incorporate the changes in business environment and environmental variables in Kenyan hotel industry.

### **1.1.3 Hospitality Industry in Kenya**

The Kenyan hospitality industry evolved at the coast due to Arab traders and the railway line construction workers. Their presence necessitated the building of the first catering establishment at the coast which was known as the Grand Hotel of Mombasa built at the present site of Manor Hotel. After the country fell under the British colonization, there was need to access Uganda and the railway was constructed leading to more catering units established along the railway line for the workers. By 1960, some hotels such as Norfolk had reached international five stars rating. Later in 1975, hospitality training was also started at Kenya Utalli College but as Mayaka (2005) reports, had a limited capacity. To supply the growing demand, there was proliferation of private and public universities and colleges which had a varied curriculum. (Waudu,2012).

Kenya has close to 500 licensed hotels of international standards to choose from. Kenya hotels present the most diverse range of accommodation to suit every taste. Class, elegance, ambiance and quality service are the major distinguishing factors of Kenya's hotels and game lodges (Kenya Space, 2008).

Kenya hotels are graded in accordance with the star classifications system. They range from the small town hotels to the five star town and beach hotels. The game lodges are luxurious and are situated in rural surroundings that are symbolic of Kenya's scenic splendor. Smaller or budget hotels and beach villas offer comfortable accommodation and good service at very reasonable rates. One of the fastest growing sectors of the economy of our time is the hotel industry. The hotel industry alone is a multi-billion dollar and growing enterprise. The emerging positive trend in the tourism industry



indicates that hotel industry is like a reservoir from where foreign exchange flows (Ministry of Tourism- Kenya, 2012).

The Hotels & Restaurants Authority (HRA) under the Ministry of Tourism is charged with the responsibility of classification. “The classification of tourist facilities world over is becoming increasingly important as a sure means of providing tourists with information on what they can expect from various classified facilities. It also helps improve on service delivery and standards.

On the basis of standards-depending on location, facilities, infrastructure and amenities provided. This classification brings about categories such as 5 star,4 star,3 star approved with continuous control on the quality of services offered.

On the basis of nature-heritage hotels, beach resort hotels, wild resort hotels, government approved hotels, residential hotels, and commercial hotels.

## **1.2 Statement Of the Problem**

Due to liberalization of economic and globalization, the service industry is facing a lot of competition and hence has to adapt to change in order to excel. The hotel industry has not been spared and is under a lot of pressure from consumers of its services to provide unique and efficient services. There are therefore a number of operation strategies that have been introduced to ensure efficiency and effectiveness in hotel operations in order to meet internal and external customer requirements.

With the fast growing hotel industry, many hotels have got different operations strategies that put them above their competitors. Some of these operations strategies are: leadership

strategies, personal contact strategies and extensive staff training strategies, strategies on the quality customer service, physical attractiveness, range of product offerings, unique product features, safety and security systems, and information technology among others. However it is not clear which of these strategies are used by the Kenya hotels. (Rilley, 2010)

There are several studies carried in related areas, some of these researches are, Effects of liberalization of international trade in services in the tourism sector in Kenya: a case study of the Hotel, Tours and Travel Industry (Kinyori,2010), Strategic performance measurement within an operations strategy context: a survey of Kenyan practices( Makori,2001),The nature of operations strategy and its contribution to performance, the case of kplc (Okeri,2005). A survey of operations strategy practices of small scale export market farmers in Kenya the case of French bean farmers by( Mbugua,2005)

Kinyori(2010) in his study found out that hotel industry alongside the scenic views was a major contributor to the tours and travel industry, Makori(2001) in his study in 2001 brought out the link between performance and the operations strategy in general practices which was well brought out in the research carried out by Okeri(2005) in which he sought to prove that performance was directly linked to strategies applied.

Flanagan (2005) in his study on Irish Hotel Industry established that year-on-year sales growth increased revenue as part of a growth strategy which were greatly contributed by management of costs and improvement of the hotel's financial position, the need to win

new and retain existing customers, improved satisfaction and quality ratings, gaining best value from existing customers.

As much as these studies are based on operations strategy, this study builds on these past researches with a focus on hotel industry and looks at the link between strategies and performance.

The research questions therefore are:

what are these operation strategies and how can they work to the benefit of the hotel industry?

Which of the strategies are applied by the Kenyan hotel industry?

### **1.3 Objectives of the study:**

The objectives of this study therefore are to:

1. To determine the operation strategies adopted by hotels in Kenya.
2. To investigate if the operations strategy is dependent on star classification.
3. To establish the relationship between operations strategy and performance in the hotel industry in Kenya.

### **1.4 Value of the Study**

The purpose of this study is also to find ways and means of successfully integrating diverse and unique operation strategies. This will improve the hotel industry and ensure improved service provision that eventually lead to effectiveness and

competitive advantage which works for the advantage of their clients. This study will help:

The hotel industry to acknowledge the importance of the various strategies in their operations. The customers to know of the various strategies applied by the hotel industry and how the same would help to increase their value.

The study will also be beneficial to other scholars for future researches.

The study will help the managers in the hotel industry realize that with the changes in globalization and technology they need to review their strategies so as to keep up with the increasingly competitive market.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviews the various concepts related to the study. They include operations strategy process, content, core operations strategies and performance measures both financial and non financial. It also presents the theoretical and empirical findings of studies related to operations strategies and performance measures of organizations.

### **2.2 Strategy within the Organization**

Strategy in a business organization is essentially about how the organization seeks to prosper within its environment over the long-term. The decisions and actions taken within its operations have a direct impact on the basis on which an organization is able to do this. The way in which an organization secures, deploys and utilizes its resources will determine the extent to which it can successfully pursue specific performance objectives.

Slack *et al.* (2004: p.67) argue that an ‘operations strategy concerns the pattern of strategic decisions and actions which set the role, objectives and activities of operations’. Their use of the term ‘pattern’ implies a consistency in strategic decisions and actions over time. This concept is consistent with management guru Henry Mintzberg’s view of strategy as being a ‘pattern in a stream of actions’ (Mintzberg and Waters, 1985). Mintzberg sees strategy as being realized through a combination of deliberate and emergent actions.

An organization can have an intended strategy, perhaps as a set of strategic plans. However, only some of this intended strategy may be realized through deliberate strategy.

Some of the intentions may be unrealized. Strategies which take no regard of operational feasibility are likely to become unrealized, remaining merely as a set of intentions.

Strategy may also emerge from actions taken within the organization, which over time form a consistent pattern. Actions of this kind will, almost inevitably, arise from within the operations of the organization. So, whether planned or otherwise, the organization's operations are bound to have a major impact on the formation of organizational strategy.

It is often believed that strategy is an issue that is somehow separate from day-to-day organizational activities. Taken to extremes this can result in strategy being regarded as some kind of cerebral activity performed by superior beings who need to be removed from day-to-day operational pressures. Mintzberg is amongst those who point to the dangers of managers becoming detached from the basics of the enterprise.

In the previous studies researchers have tried to link operations strategy with the overall performance in an organization. In this study it is no different; however the study will narrow down to the service sector. In the past studies much has been done in the manufacturing sector.

An organization's operations function is concerned with getting things done; producing goods and/or services for customers. Operations management is important because it is responsible for managing most of the organization's resources. However, many people think that operations management is only concerned with short-term, day-to-day, tactical issues.

From the diagram below it is evident that operations strategy seeks to achieve long term corporate success and add value to the customer.

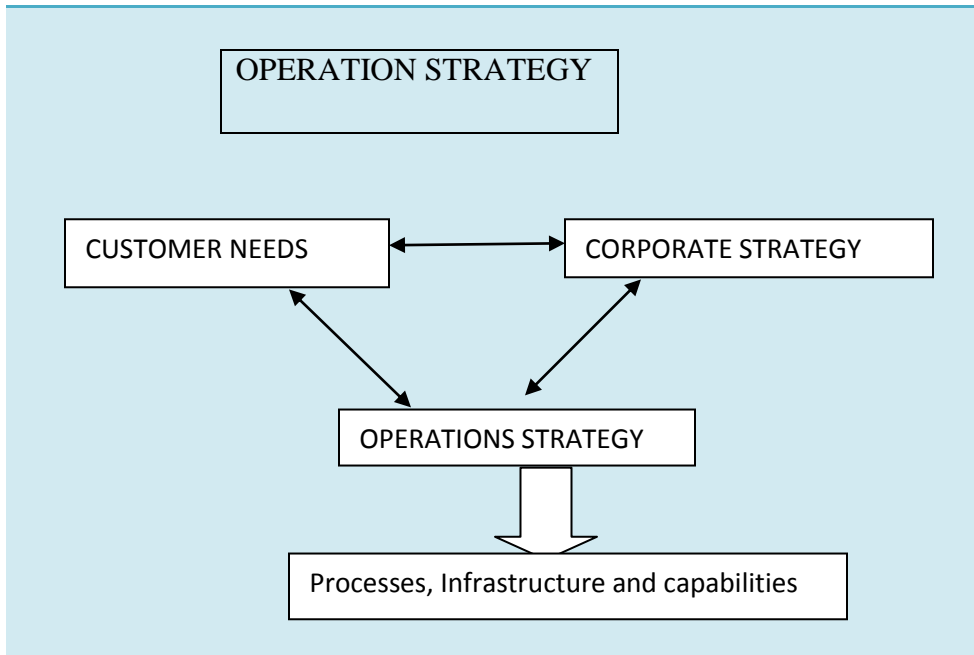


Fig 1. Integrating strategy with infrastructure, capabilities, processes. (liabotis,2007.)

### **2.3 Operations Strategy Process**

Operations strategy has a vertical relationship in the corporate hierarchy with business and corporate strategies, and horizontally with the other functional strategies, most notably with marketing strategy. Operations strategy might come about in a top-down or a bottom-up process with regard to business and corporate strategies.

Similarly, an operations strategy might be developed in response to market requirements (i.e. market-led) or be based on the capabilities of its operations resources (i.e. operations-led). As illustrated in the Figure below this gives rise to four perspectives on

operation strategy (Slack and Lewis, 2002). Each perspective places a different emphasis on the nature of the operations strategy process.

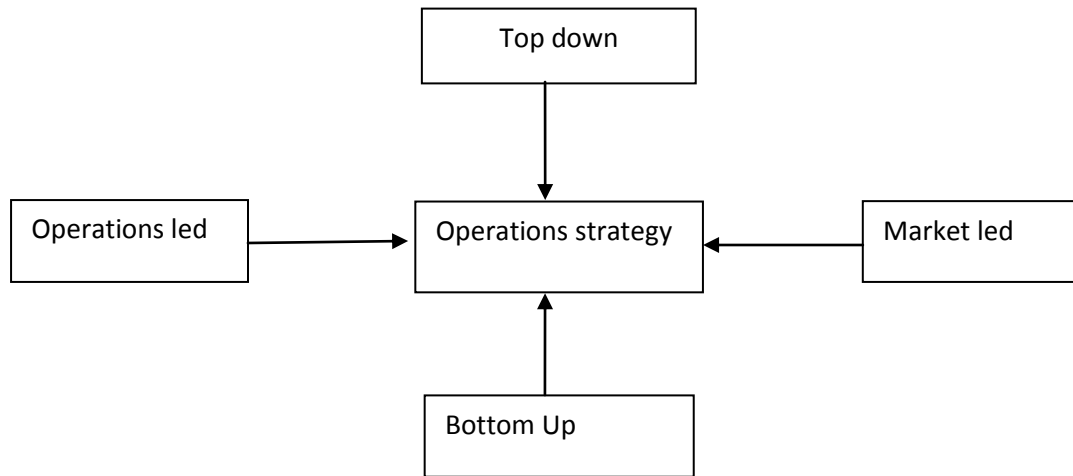


Fig 2.Operations strategy process

## 2.4 Contents for Operations Strategy

Unfortunately, the application of these concepts into actual business strategies may have been insufficient (Hayes and Pisano, 1994). It is still difficult today to find those companies which use their operations function as a competitive weapon. One reason is the difficulty to "operationalize" the content of operations strategy (Hum and Leow, 1996).

Fundamental changes must be made in the working of the management team before setting corporate strategy according to the key sources of operating excellence. Strategic analysis and performance "scorecards" may often be major deficiencies, leading to lack of commitment to operating priorities (Kaplan and Norton, 1996). Moreover, for those who have attempted to apply a rigorous operations strategy, the prescribed models may not be completely implemented as firms may come to focus only on just a few winning



strategies (Ahmed *et al.*, 1996). The difficulties with the content of operations strategy may be caused by the fact that it is frozen within a "market-based" instead of a "resource-based" view of strategy. Wernerfelt B.(1984)

## **2.5 5 Core Operational Strategies**

Gustafson,(2013) states that Operational strategies are methods companies use to reach their objectives. By developing operational strategies, a company can examine and implement effective and efficient systems for using resources, personnel and the work process. Service-oriented companies also use basic operational strategies to link long- and short-term corporate decisions and create an effective management team.

There are 5 core operational strategies namely; corporate strategy, Customer-driven Strategies, Developing Core Competencies, Competitive Priorities and Product and Service Development. Corporate strategies involve seeing a company as a system of interconnected parts. The additional core strategies that a company uses should support the corporate strategy and use cross-functional interactions.

## **2.6 Operations Strategy in Services**

The process of operations strategy is termed according to how strategic decisions are made in an organizational setting (Ho,1996). Definitions of strategy always mention enhancement of the competitive position in the marketplace through resources building or positioning (Swink and Way, 1995). Skinner (1969) identified a set of decision areas through which manufacturing objectives are achieved.

Later research proves a generally high agreement; even though many authors have developed different sets of manufacturing decision areas (Mills *et al.*, 1998). However, traditionally OM literature has addressed service operations strategy to the development of the service delivery system in order to match the customer expectations with customer perceptions (Armistead, 1992).

Models and frameworks have been suggested to explain this process through different services classifications and schemes (Johnston, 1994; Nayyar, 1992; Normann, 1984; Sampson, 1996; Schmenner, 1986). However, only a few studies analyze the differentiation and interaction between the different dimensions congruing the service operations strategy. In this context, Arias-Aranda (2002) proposed a model based on the three basic operations strategies identified in service literature according to the firm's focus of activities.

These basic operations strategies pursued by service industries are process, service or customer-oriented operations strategies. Arias-Aranda (2002) identified nine structural and infrastructural decisions that lead to a determined service operations strategy. These are type of operations layout, PUSH/PULL orientation of the service delivery process, degree of process standardization, number of different services offered, use of information technologies (cost reduction vs service improvement), back and front office activities relationship, human resources specialization, degree of customer participation, and new service design and development.

Strategy Performance measures reflect how well the different competitive priorities fit in the implemented operations strategy (Suarez *et al.*, 1996). For service industries, effective performance measures related to operations strategies require a shift from

measures that focus on manufacturing efficiency to those capturing the critical success factors related to customer initiated demands (Abernethy and Lillis, 1995).

## **2.7 Operations Strategy in Hotel Industry**

One of the most important factors affecting the success of hotel managements in today's global competitive environment is to be able to create difference. Zerenler et al. (2007) asserts that in order to stay competitive, the organizations should redefine their basic strategies, rediscover the sector they are in and have the ability to create difference in their products and services. And Aksu (2000) states that in order to be able to sell products or goods in a market full of competitors, one should have the capacity to meet demands and expectations of the customers.

Today, it became an important obligation to realize the differentiation occurred in customers' demand before the competitors. Accordingly, organizations which can offer the products and services having new and different characteristics in the fastest way are able to survive. In terms of hotel establishments, although predicting how the future developments shall progress and contribute to the establishment is very important, this case requires a hard effort due to sector's structural characteristic.

In such an environment, the working of hotel establishments with increasing performance and customer satisfaction level depends on their strategical thinking and to be able to apply them (Seymen, 2001)

## **2.8 Performance Measures In The hotel Industry**

Hotels have to adopt effective and strategic performance measurement tools in order to obtain the stated benefits. For the full benefit of measurement to be exploited, it is important for hotels to maximize the appropriateness and effectiveness of measurement activities at all levels of their operations. This is true for all industries including Kenyan hotels.

Hotels have always been evaluated by performance measurement models that emphasize financial aspects of performance (Brander-Brown and Harris, 1998; Neely, 1999). Such measures of performance have been criticized for lacking of neutrality; encouraging short-termism; and lacking balance (Kaplan and Norton, 1992). However, when evaluating an organization's performance, hotels have recognized that the industry should consider not only financial figures, but also non-financial aspects. Studies by Neely (1998) and Daly (1996) suggested that a comprehensive performance evaluation system has greater predictive validity than one that is purely financially oriented.

Hospitality organizations are turning to performance measurement and management in order to qualify for the International Organization for Standardization standard certifications. General business pressures, the achievement of the coveted five-star rating and membership to international hotel associations have created the need for effective key performance indicators. Furthermore, organizations that have already implemented the balanced scorecard performance measurement system have shown much better results (Malinga,2004 in de Waal, 2007).

Despite the development of performance measurement systems in the hospitality industry, various researchers (Brander-Brown and McDonnell, 1995; Atkinson and Brander-Brown, 2001; Harris and Mongiello, 2001) have pointed to the reluctance of the hospitality industry to use balanced measures and rely solely on financial measures. de Waal (2007) contends that overall lack of management skills and expertise often makes organizations in developing countries to concentrate more on introducing and copying performance measurement systems from the Western world, which are not always the best suited to local circumstances.

This raises the question what are the key performance indicators in the Kenyan hospitality. In addition, the impact of managerial demographic characteristics on key performance indicators is not clear.

### **2.8.1 Financial performance indicators**

Performance of an organization has traditionally been measured by looking at the revenues or the profit made at the end of the year, or using key financial ratios. Venkatraman and Ramanujam (1986) reviewed ten different types of measurement and generalized the results into three dimensions: financial performance, business performance, and organization effectiveness. Ryan and Trahan (1999) used three key dimensions of performance, profit margin, total assets turnover, and equity multiplier.

Hoque and James (2000) used a similar technique in asking managers to indicate by self-rating their organizations performance on several financial indicators. Financial measures

are associated with a number of fundamental weaknesses, including: limitations in their accuracy, neutrality, summarized, and irrelevant due to the accounting period delay.

Dominance of result over determinant measures and emphasis on the short term often at the expense of strategic issues; little appreciation of the links and relationships between key areas and aspects of an organization; and an overall lack of balance (Lynch and Cross,1995).Atkinson and Brander-Brown(2001)study indicates that the majority of the hotels almost exclusively monitor financial dimensions of performance with little or no attention being paid to non-financial or determinant dimensions.

In particular, it has been suggested that, the hotel industry appears to concentrate on financial measures (Brander-Brown and McDonnell, 1995). The work of Harris and Mongiello (2001) suggests that financial measures are prominent, but not dominant, in a hotel general managers' decision making. According to Beatham et al. (2004), businesses measure their performance in financial terms, profit, and turnover. Financial measures and accounting measures are the traditional means of performance measurement.

To remain competitive, firms now need to consider non-financial or operational results as measured by competitiveness.

### **2.8.2 Non-financial performance indicators**

Several research findings (Harris and Mongiello, 2001; Atkinson and Brander-Brown,2001) in performance management are advocating an emphasis on both financial and non-financial dimensions such as competitiveness, service quality, customer satisfaction, organizational flexibility, resource utilization, and technology.

It is important for performance measures to direct attention to such non-financial factors as service quality and customer satisfaction (Fitzgerald et al., 1991). It is also widely considered essential that an organization's performance measures are linked to its strategic intent, its competitive environment, revenue management, market orientation and service delivery process within hotels (Fitzgerald et al.,1991;Kaplan and Norton, 1992; Haktanir and Harris, 2005).

Furthermore, there has been an increasing recognition within the hotel industry of the importance and value of people; employees as well as guests in the service delivery process, which has led to suggestions that hotels need to develop better performance information relating to such key areas as employee morale and employee satisfaction(Fwaya, 2006; Fitzgerald et al., 1991). In addition, Harris and Mongiello (2001) argue that even though a hotel is thought of in a service context, in reality it encompasses three different types of industrial activity (rooms, beverage, and food) that exhibit different business orientations. These three orientations call for a diverse set of performance indicators. Chan (2004) reported on the use of non-financial measures in the balanced scorecard as a performance management system to support reporting on various management activities.

## **2.9 Summary**

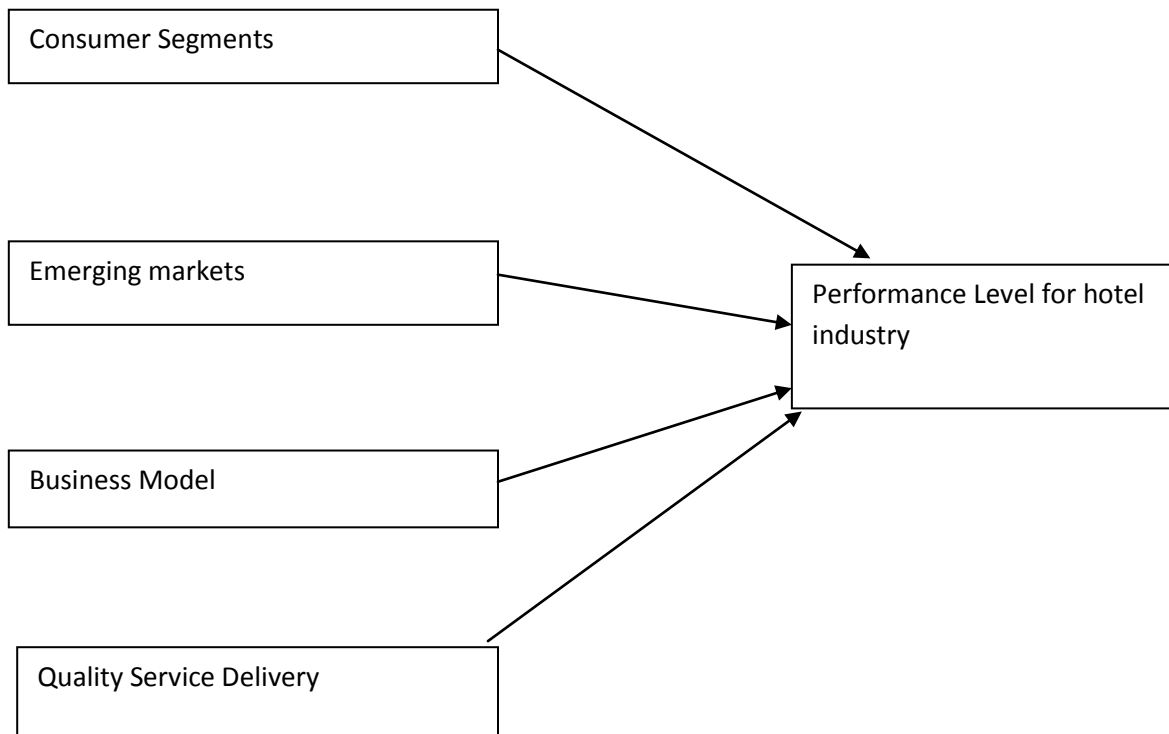
In the literature search it became apparent that there are gaps in the literature including the specific links between operations strategy and the service sector; and the links between these two with performance in service delivery. It is these areas that shall be examined in the primary research. Following the literature review undertaken, the

decision is to focus the research on the pivotal question of whether there is any relationship between the nature of the operations strategy, including its process and content and operational performance. In doing so, the aim is to provide a clear motivation for subsequent research. Bearing in mind that it is the independent variable for the study, it is essential to build a model of the OS process. Both pragmatic and empirical OS models reinforce the notion that OS process is primarily a matter of alignment.

## Conceptual Framework

### Independent variables

### Dependent variable





## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter deals with the description of methods that will be applied in carrying out the research. It covers research design, population of study, sampling design, data collection, and data analysis. The research instrument to be used is in Appendix 1.

### **3.2 Research Design**

Descriptive research design of a survey type will be used. According to Kothari (2004) descriptive research includes cross sectional surveys and fact-finding enquiries and describes the state of affairs as it exists at present. A descriptive research design helps to ascertain and be able to describe the characteristics of the variables of interest in a situation and portrays the characteristics of a particular situation and it has the advantages of accuracy and flexibility (Kombo and Tromp, 2006).

### **3.3 Population of the Study**

The target population for this study will be all classified hotels based in Nairobi recognized by the ministry of tourism. They are 59 in number (Ministry of Tourism 2012). These hotels will include 10 5 star hotels, 11 4 star hotels, 25 3 star hotels, 12 2 star hotels and 1 1 star hotel.

### **3.4 Sampling Design**

The study shall adopt the stratified random sampling technique. The technique shall involve the star classification of hotels. Random sampling shall be used to select

representative hotels from each classification. The 50% rule shall be used to select 5 hotels in the 5 star classifications, 6 hotels in the 4 star classified hotels, 13 hotels in the 3 star classified hotels, 6 hotels in the 2 star classified hotels and 1 in the 1 star classified hotels in Nairobi. This will make a sample size of 31 classified hotels. The researcher will target operations managers if available, if not the overall managers from each of the selected hotels.

STAR CLASSIFICATION OF HOTELS	TOTAL NO.OF HOTELS	NUMBER TO BE PICKED	PERCENTAGE (%)
5 star hotels	10	5	50
4 star hotels	11	6	54
3 star hotels	25	13	52
2 star hotels	12	6	50
<b>1 star hotel</b>	<b>1</b>	<b>1</b>	<b>100</b>
<b>Total No. of hotels</b>	<b>59</b>	<b>31</b>	<b>53</b>

### 3.5 Data collection

Primary and secondary data will be used for the study. Primary data will be used by use of questionnaires. The questionnaire will consist of three sections where the first section will collect general information including the bio data of the respondents, the second section will collect information on the various operations strategies applied in the hotels

while the third section will seek to establish the relationship between the operations strategies and performance among the hotels.

Secondary data will be collected from available literature done by other researcher's journals, magazines, hotels' annual reports and ministry of tourism reports.

### **3.6 Data Analysis**

Data analysis will begin with editing, coding and tabulation of the data according to the research questions. The data will be keyed in using Statistical Package for Social Sciences (SPSS) for analysis. Descriptive statistics like mean and standard deviation shall be used to summarize the findings.  $X^2$  will be used to investigate if there is a difference in strategies adopted by different types of hotels.

Frequency tables, bar graphs, means, standard deviation and percentages shall be used to present information. The information will serve three functions in relation to the research objectives: To determine the operations strategies applied by the various hotels, to establish whether the various classification of hotels dictate what strategies to be used and establish the relationship between the operations strategies applied with performance in hotels in Nairobi, Kenya.

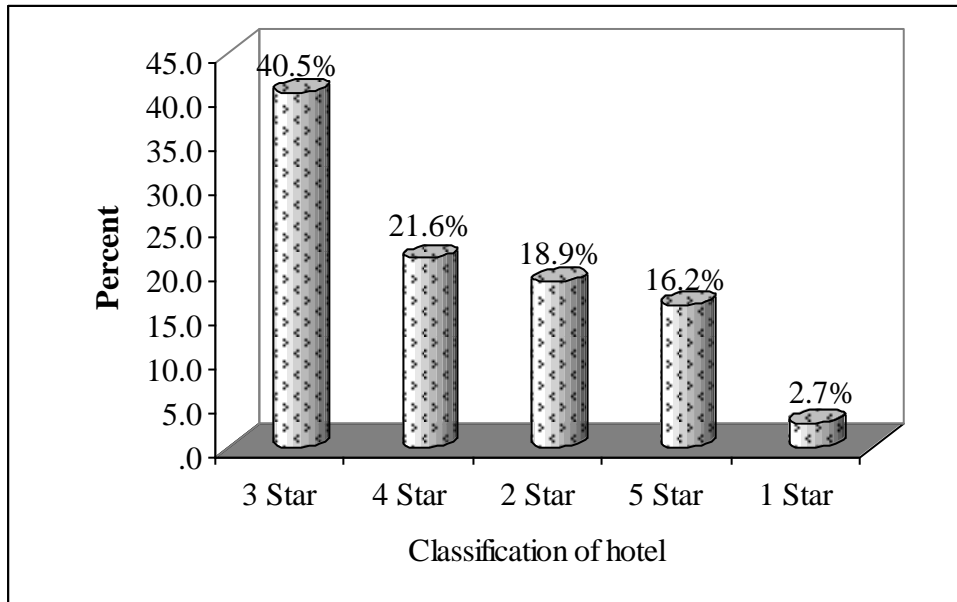
# **CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION**

## **4.1 Introduction**

This chapter represents data analysis, findings, presentation and interpretation of findings. The purpose of the study was to establish the influence of an operations manager to performance of hotels within Nairobi, Kenya. The data was analyzed using descriptive statistics where frequencies, percentages as well as standard deviation guided the researcher to interpret the data. The chapter is presented according to the research objectives including the questionnaire return rate; position held by the respondents, presence of an operations manager, those who substitutes them in case they are not there, availability of written operations strategies, as well as the influence of operations strategy to overall performance of the hotel.

## **4.2 Hotel Classification**

Majority of the respondents (40.5%) who were interviewed were from 3 star hotels, 21.6% from 4 star hotel, 18.9% from 2 star while 16.2% were from 5 star hotel. Only very small proportions (2.7%) were from 1 star hotel.



**Figure 4.1: Classification of hotel**

Most of the respondents therefore will be from 3 star classifications. This indicates that the study on whether the operation strategy depends on the star classification will be most aligned to 3star classification which has a majority. This brings to the conclusion that there are more 3 star hotels due to the affordability of the facilities by both the hotel providers and their customers.

### **4.3 Characteristics of Respondents**

Personal information of the staff was based on the position held, working experience, and whether the respondent have any relevant professional qualification.

#### **4.3.1 Position Held by Respondents**

The table below shows various positions that were held by various respondents who were interviewed. Majority of them were logistics manager (16.2%), finance manager (14.9%), operations manager (14.9%), Branch manager (12.2%), and Marketing manager (12.2%).

<b>Position</b>	<b>Frequency</b>	<b>Percent</b>
No answer	1	1.4
Administration manager	1	1.4
Assistant Hotel Administrator	3	4.1
Branch Manager	9	12.2
Finance & Administration manager	2	2.7
Finance Manager	11	14.9
Front Office Administrator	3	4.1
Hotel Administrator	5	6.8
Hotel Management	1	1.4
Logistics Manager	12	16.2
Managing director	1	1.4
Marketing manager	9	12.2
Operations manager	11	14.9
Sales & Marketing Manager	3	4.1
Sales Manager	2	2.7
<b>Total</b>	<b>74</b>	<b>100.0</b>

*Table 4.1: Position Held by respondents*

From the table above it is evident that the respondents are varied and not majorly from operations department this only indicates that the responses will be objective and not biased making it easier to link the strategies to the overall performance of the hotel.

### **4.3.2 Work Experience in Hotel Industry**

The statistics in the table below shows that the mean number of years respondents had worked in hotel industry was 4 years with a standard deviation of 1.720 for a total N=74 respondents who were interviewed. A mode of 4 indicates that most respondents had worked in hotel industry for 4 years which is in line with the mean. Least number of years respondents reported to have worked in hotel industry was 1 year while the maximum was 10 years.

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N	74
Mean	3.84
Median	4.00
Mode	4
Std. Deviation	1.720
Minimum	1
Maximum	10

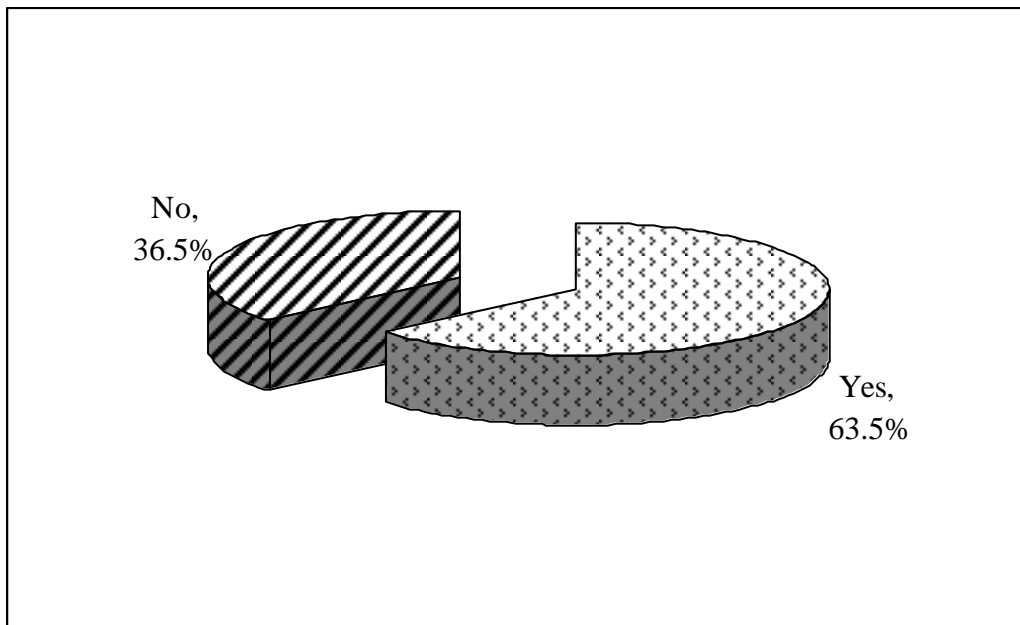
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***Table 4.2: Statistics on work experience in hotel industry***

With a mode of 4, this indicates that a number of the respondents have worked for a reasonable period of time to be in a position to learn the various operations strategies adopted and know their influence on the performance of the hotel.

### 4.3.3 Professional qualification and Experience

A vast majority of the respondents (63.5%) reported that they had relevant professional qualification to work in a hotel whereas 36.5% of them said that they didn't have relevant professional qualification. This indicates that in some hotels there were workers who didn't have relevant professional qualification.



*Figure 4.2: Possession of relevant professional qualification and experience.*



**Relevant Professional qualification and experience.**

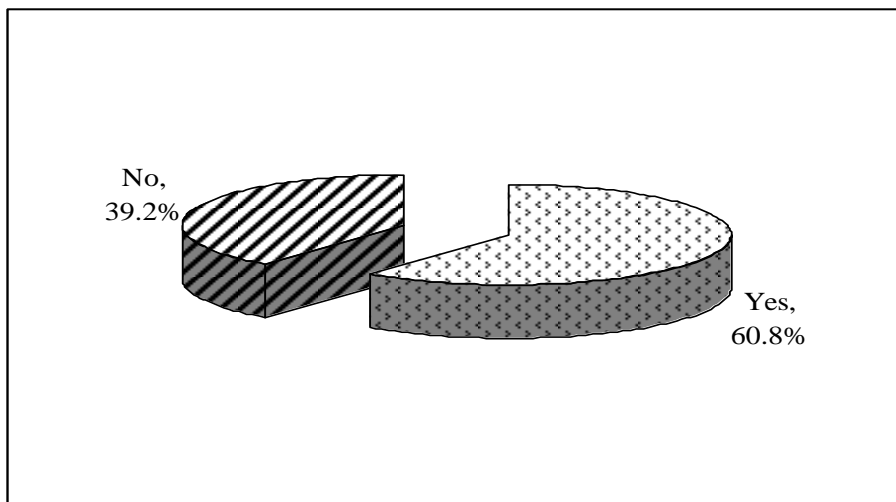
<b>Professional qualification</b>	<b>Frequency</b>	<b>Percent</b>
No response	26	35.1
Administration & Ecotourism Management	1	1.4
Administration manager	1	1.4
Degree in hotel management	1	1.4
Diploma in catering	1	1.4
Diploma in Hotel Administration	1	1.4
Diploma in hotel management	1	1.4
Diploma in Hotel operations & management	1	1.4
Eco-tourism management	7	9.5
Ecohim/Logistics operation	1	1.4
Ecotourism Management	1	1.4
Front Office/Customer service	1	1.4
Front Office/Hotel Administration	2	2.7
Hospitality & catering	1	1.4
Hospitality management	4	5.4
Hotel Administration	2	2.7
Hotel Administration & catering	1	1.4
Hotel Administration & Management	2	2.7
Hotel Management	10	13.5
Hotel Operations & Catering Services	2	2.7
Hotel Operations Management	4	5.4
MBA Hotel management/operations	1	1.4
MBA Operations Manager	1	1.4
Personal relation/customer services	1	1.4
Total	74	100.0

***Table 4.3: Professional qualification held***

From the responses qualification on hotel management and eco tourism management are the most held qualifications. This indicates the importance of possessing relevant qualification, with the qualification the respondents will be in a position to evaluate the strategies applied and give adequate information with this regard.

#### **4.4 Presence of Operations Manager in the Hotel**

It was observed that majority of the hotels sampled had operations manager as reported by 60.8% of respondents with only 39.2% of them saying that there was no operations manager in the hotels they were working in. The researcher wanted to know who operates as operations manager for the hotels that didn't have an operations manager and the responses were as given in the table below.



***Figure 4.3: Availability of operations manager in hotel***

From the study it is noted that there are some hotels where there are no operations managers, however with the response as above most hotels have operations managers in place. This is just an indication that the hotels have recognized the importance of having an independent department concerned with the running of the hotel. The presence of

operations managers qualifies the responses with regard to the operations strategies applied and their influence to performance of the hotel.

#### 4.4.1 Operations Management

In Hotels where there were no operations manager, the position was mostly held by branch manager, Hotel manager and marketing manager.

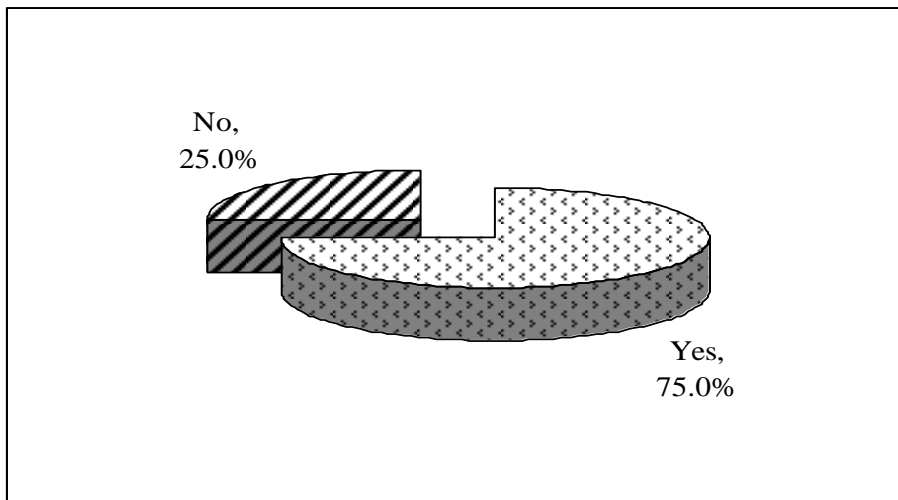
	Frequency	Percent
No response	46	62.2
Area Manager	2	2.7
Branch Manager	8	10.8
Director	2	2.7
Finance manager	1	1.4
Hotel Administrator	1	1.4
Hotel Manager	6	8.1
Marketing manager	5	6.8
Sales & marketing manager	1	1.4
Sales & Marketing manager	1	1.4
Sales manager	1	1.4
<b>Total</b>	<b>74</b>	<b>100.0</b>

*Table 4.4: Staff who carry out operations management duties in the hotel where there is no operations manager*

From the study it's important to note that in hotels where there was no operations manager there was someone who carried out their duties. As indicated above; most of whom were branch managers, hotel managers and marketing managers. With this, it is therefore important to note that an operations department is of importance. Since their expected duties are carried out even in their absence, the responses from the managers will be sufficient for the study.

#### **4.4.2 Availability of Written Operations Strategy**

About three quarter of the respondents who were interviewed (75.0%) reported that there was a written operations strategy in their hotel with only 25.05 of them saying that it was not in existence.



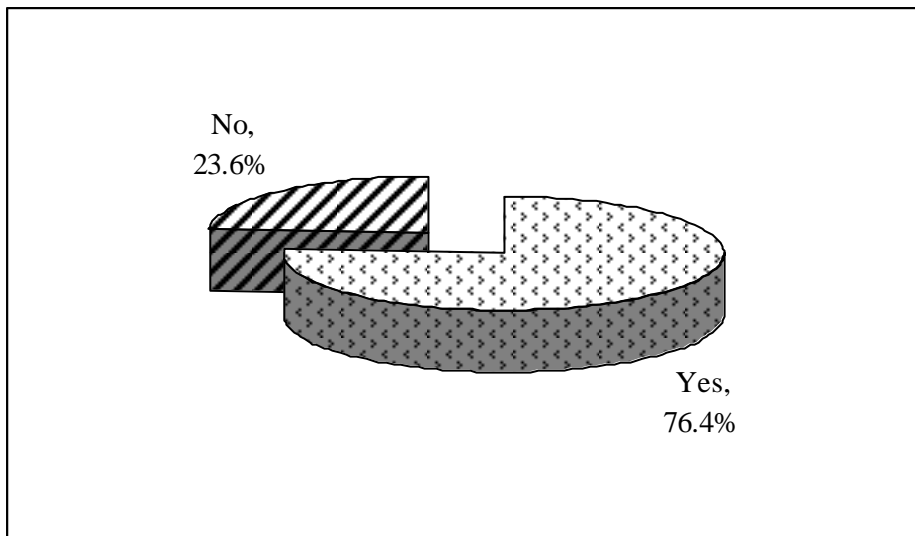
***Figure 4.4: Availability of written operations strategy that contributes to overall performance in the hotel***

The availability of written operations strategies makes it easier for this study since reference can be made to confirm whether the operations strategies indicated are in operational, how often they are changed and whether they are reflected in the

performance of the hotel. The written operations strategies are easier to compare with the star classification.

#### **4.4.3 Influence of Operations Department on Performance in the Hotel.**

A vast majority of the respondents (76.4%) reported that presence of operations department in their hotel contributes to better performance in the hotel management with 23.6% of them saying that it does not affect the performance of the hotel management. From the results it is clear that operations department is very important for better performance of the hotel management.



***Figure 4.5: Does presence of operations department contribute to better performance in the hotel management***

From the above it is important to note that the operations department contributes to better performance in the hotel. Studies from Malinga, (2004) and de Waal,(2007) suggested that a comprehensive operations system has a greater predictive validity and translates to better performance than one that is not.

## 4.5 Operations Strategies Applied by Hotels

The study revealed that almost all hotels sampled apply the under mentioned operations strategies to very much. It was clear that respondents had a positive perception that consumer segments, emerging market and quality service delivery were much applied operation strategies in the sampled hotels as indicated by the following means (4.67, 4.06, 4.93) respectively. Although a good number of respondents said that business model was either much or very much applied, 29.1% of them felt that it was only applied a little or very little.

Operations strategies	N	Mean	Very much	Much	Moderate	Little	Very little
Consumer segments strategy	72	4.67	80.6%	9.7%	6.9%	1.4%	1.4%
Emerging market strategy	72	4.06	45.8%	31.9%	8.3%	9.7%	4.2%
Business model strategy	72	3.47	33.3%	19.4%	18.1%	19.4%	9.7%
Quality service delivery strategy	72	4.93	94.4%	4.2%	1.4%	-	-

***Table 4.5: Extent hotel apply the above operations strategies***

From the above it is important to note that most hotels are concerned with service delivery to their customers thus a higher mean, (4.93) this generally increases their customer range in return increasing their profitability .Consumer segments strategy if well implemented helps to put the hotels way above their competitors by trapping a larger market and also capturing the upcoming markets through the emerging market strategy.

The business model strategy is the least owing to the fact that it is of no much importance to the clients who largely contribute to the profitability.

#### **4.5.1 Comparison of Hotel Classification and Application of Consumer Segments.**

It was observed that majority of the hotels applied consumer segments strategy very much as shown in the table below. A chi- square test gave a p-value= 0.910 which was greater than the level of significance implying that we do not reject the null hypothesis and conclude that there was no significant relationship between classification of hotels and application of consumer segments strategy.

<b>Hotels</b>	<b>Very little</b>	<b>Little</b>	<b>moderate</b>	<b>Much</b>	<b>Very much</b>	<b>Total</b>
5 Star	-	-	9.1%	18.2%	72.7%	100.0%
4 Star	-	-	12.5%	18.8%	68.8%	100.0%
3 Star	3.4%	3.4%	3.4%	6.9%	82.8%	100.0%
2 Star	-	-	7.1%	-	92.9%	100.0%
1 Star	-	-	-	-	100.0%	100.0%
<b>Total</b>	<b>1.4%</b>	<b>1.4%</b>	<b>6.9%</b>	<b>9.7%</b>	<b>80.6%</b>	<b>100.0%</b>

*Table 4.5.1: Consumer segment operations strategy*

The above analyses indicate that hotels vary in their consideration of consumer segments as a strategy. It's important to note that 1 and 2 star classified hotels consider consumer segment as important, this is because they are most interested in capturing and retaining customers with the resources that they have in hand.

#### 4.5.2 Comparison of Hotel Classification and Application of Emerging Markets Strategy.

Majority of the respondents from 2 star hotels to 5 star hotel reported that they apply emerging market strategy in their hotels either much or very much. Half of the respondents from 1 star said that they apply it much while the other half said that they apply it a little. A chi square test was carried out to compare the significant of the relationship between hotel classification and application of emerging markets strategy. A p-value of 0.904 which was greater than the significant value (0.05) indicates that we do not reject the null hypothesis and we conclude that the relationship between hotel classification and application of emerging markets strategy was statistically insignificant.

<b>Hotel</b>	<b>Very little</b>	<b>Little</b>	<b>moderate</b>	<b>Much</b>	<b>Very much</b>	<b>Total</b>
5 Star	-	9.1%	9.1%	36.4%	45.5%	100.0%
4 Star	6.3%	12.5%	6.3%	31.3%	43.8%	100.0%
3 Star	3.4%	10.3%	10.3%	34.5%	41.4%	100.0%
2 Star	7.1%	-	7.1%	21.4%	64.3%	100.0%
1 Star	-	50.0%	-	50.0%	-	100.0%
<b>Total</b>	<b>4.2%</b>	<b>9.7%</b>	<b>8.3%</b>	<b>31.9%</b>	<b>45.8%</b>	<b>100.0%</b>

*Table 4.5.2: Emerging markets operations strategy*



The emerging market strategy seems to be much adopted by the 2 star hotels, this could be due to the fact that despite being lowly ranked the 2 star hotels use this strategy to continue being in operation. The above analyses help in comparing the star classified hotels with regard to emerging markets.

### 4.5.3 Comparison of Hotel Classification and Application of Business

#### Model.

Apart from three star hotels, more than half of the respondents from the other hotels reported that they apply business model strategy in their hotels. To compare whether the relationship between the application of business model and classification of hotels was statistically significant, a chi square test was carried out that gave a p-value=0.173 which was greater than the level of significant implies that the relationship between business model and hotel classification was statistically insignificant. In general it was clear that there was no statistical significant relationship between operations strategies applied by different hotels.

<b>Hotel</b>	<b>Very little</b>	<b>Little</b>	<b>moderate</b>	<b>Much</b>	<b>Very much</b>	<b>Total</b>
5 Star	-	9.1%	9.1%	27.3%	54.5%	100.0%
4 Star	6.3%	18.8%	6.3%	18.8%	50.0%	100.0%
3 Star	10.3%	34.5%	20.7%	13.8%	20.7%	100.0%
2 Star	21.4%	-	28.6%	28.6%	21.4%	100.0%
1 Star	-	-	50.0%	-	50.0%	100.0%
<b>Total</b>	<b>9.7%</b>	<b>19.4%</b>	<b>18.1%</b>	<b>19.4%</b>	<b>33.3%</b>	<b>100.0%</b>

*Table 4.5.3: Business model operations strategy*

The business model strategy is much adopted by the 5 star hotels. This is an indication that they would want to stand out. The above analysis is important in comparing the star classified hotels as far as their composition is concerned.

#### **4.6 Perspectives to Better Performance in Hotels**

Perspectives such as increasing profits, maintaining market positions, responding to clients needs, geographic coverage, opening of branches in developing towns were considered to determine their importance in improving the performance of the hotels.

#### **Ranking Perspectives in Order of Importance in The Hotel Industry**

A mean of 4.6 (increasing profit), 4.6 (maintaining market positions) and 4.9 (responding to clients needs) indicates that respondents had a positive felt that this perspective were most important in better performance of hotels. However, geographic coverage (3.5) and opening of branches in developing towns was considered neither important nor unimportant by respondents in improving performance of hotels. It was observed that a vast majority of the respondents (92.8%) ranked response to clients’ needs as the most important perspective.

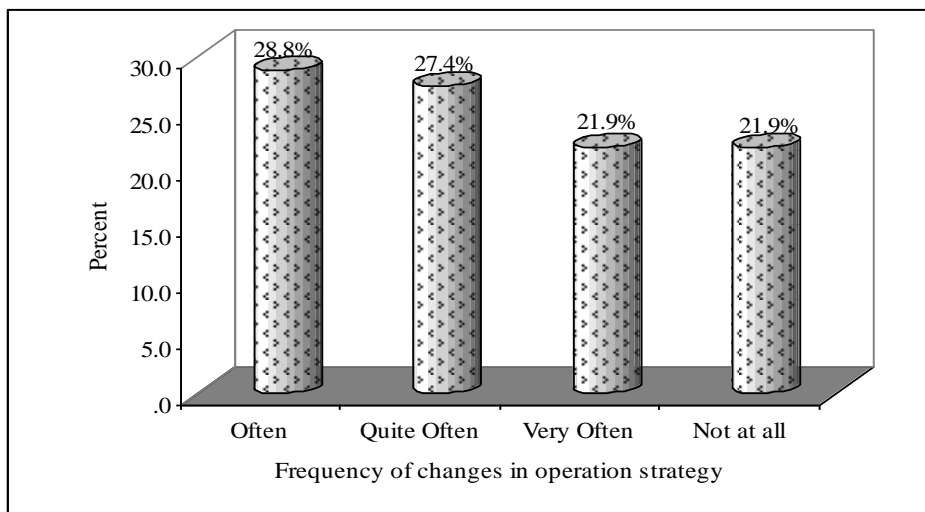
Perspective	N	Mean	Most important	Important	Moderate	unimportant	Most unimportant
Increasing geographic coverage	70	3.5	32.9%	17.1%	24.3%	21.4%	4.3%
Increasing profitability	70	4.6	72.9%	14.3%	11.4%	1.4%	-
Opening branches in developing towns	69	3.5	27.5%	21.7%	26.1%	21.7%	2.9%
Maintaining market positions	69	4.6	71.0%	15.9%	13.0%	-	-
Responding to clients needs	69	4.9	92.8%	5.8%	-	1.4%	-

***Table 4.6: Importance of the above perspectives in hotel performance***

In line with operations strategies and better performance for the hotels, responding to clients needs and increasing profitability are the most important. This leads to the conclusion that the hotels intent to give the best so as to get the best in return.

#### **4.7 Change of Operations Strategy**

Majority of the respondents (28.8%), reported that operations strategy were changed often followed closely by 27.4% who said that they were changed quite often, 21.9% said very often while another 21.9% said that they were not changed at all. The change in operation strategy could be the cause of poor performance in some hotels since it was observed that some hotel were changing them very often without giving them a chance to see the results.

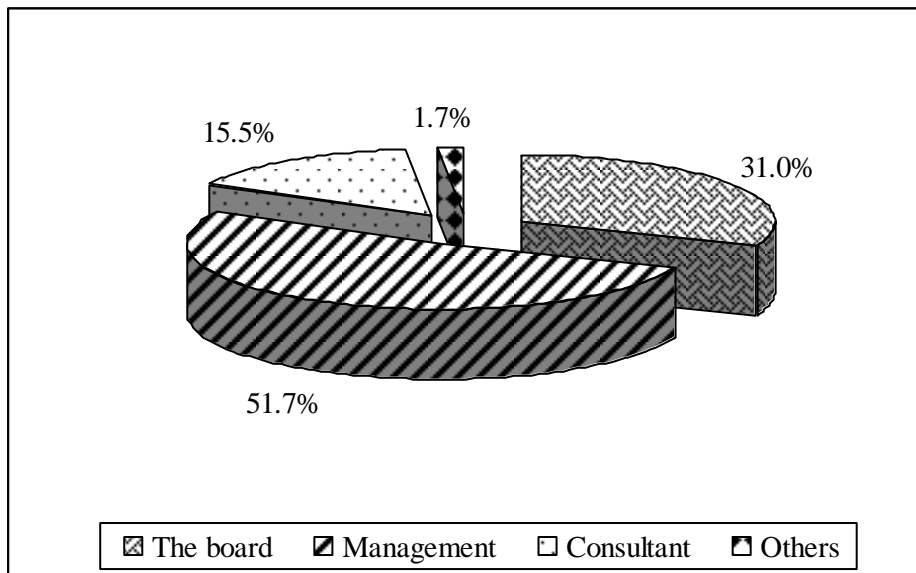


***Figure 4.6: How often hotel changed operation strategy***

Operations are changed as observed by the results above, however the rate at which they are changed is questionable since it would only indicate that little time is given to a specific strategy and sufficient results may not have been fully observed.

### 4.7.1 Staff in Charge of Changing the Strategy

Slightly more than half of the respondents (51.7%) reported that the management was in charge of changing the operations strategy followed by 31.0% who said the board while 15.5% of them said the consultant. Further, 1.7% of the respondents said that there were other people responsible for change in operation strategy other than those mentioned.



*Figure 4.7: Staff in charge of changing the operations strategy*

The change of the operations strategies by the management as indicated above shows their involvement. This indicates that the management is well aware of the strategies thus they form a good target as respondents.

### 4.8 Competition in the Hotel Industry

The table below shows the rating of the importance of perspective used by hotels to differentiate the hotel in hospitality industry from competition. All respondents from 1 star hotel considered branding as the most important perspective followed by three quarter of the respondents (75.0%) from 5 star and 56.3% from 4 star hotels that ranked

branding as the most important perspective that can be used to differentiate hotel in hospitality industry from completion.

On cost effectiveness and rates, more than half of the respondents from 1 star (50.0%), 64.3% from 2 star and 50.0% from five stars ranked it as the most important perspective that can be used to differentiate hotel in hotel hospitality industry from competition.

Further, 57.1% of the respondents from 2 star hotels ranked practice groups or industry sectors as the most important perspective to differentiate hotel hospitality industry from competition. Majority of respondents from 5 star hotels (58.3%) felt that it was neither important nor unimportant perspective compared to 43.8% of those from 4 star hotels and 50.0% from 1 star hotel who felt that this perspective was unimportant.

Finally, majority of respondents from all hotels rated quality of services as most important perspective that can be used by hotel to differentiate hotel hospitality industry from competition.

	Importance of branding in differentiating hotel industry from competition					Total
		unimportant	moderate	Important	Most important	
5 Star		-	16.7%	8.3%	75.0%	100.0%
4 Star		6.3%	18.8%	18.8%	56.3%	100.0%
3 Star		20.7%	20.7%	24.1%	34.5%	100.0%
2 Star		14.3%	28.6%	28.6%	28.6%	100.0%
1 Star		-	-	-	100.0%	100.0%
Total		12.3%	20.5%	20.5%	46.6%	100.0%
	Importance of cost effectiveness and rates in differentiating hotel industry from competition					Total
	Most unimportant	unimportant	moderate	Important	Most important	
5 Star	8.3%	16.7%	16.7%	8.3%	50.0%	100.0%
4 Star	-	-	18.8%	37.5%	43.8%	100.0%
3 Star	-	3.4%	34.5%	27.6%	34.5%	100.0%
2 Star	-	-	14.3%	21.4%	64.3%	100.0%
1 Star	-	-	50.0%	-	50.0%	100.0%
Total	1.4%	4.1%	24.7%	24.7%	45.2%	100.0%
	Importance of practice groups or industry sectors in differentiating hotel industry from competition					Total
	Most unimportant	unimportant	moderate	Important	Most important	
5 Star	-	25.0%	58.3%	16.7%	-	100.0%
4 Star	6.3%	43.8%	12.5%	31.3%	6.3%	100.0%
3 Star	-	13.8%	24.1%	37.9%	24.1%	100.0%
2 Star	21.4%	7.1%	7.1%	7.1%	57.1%	100.0%
1 Star	-	50.0%	-	50.0%	-	100.0%
Total	5.5%	21.9%	23.3%	27.4%	21.9%	100.0%
	Importance of quality of services in differentiating hotel industry from competition					Total
	Most unimportant	unimportant	moderate	Important	Most important	
5 Star	-	-	8.3%	33.3%	58.3%	100.0%
4 Star	-	6.3%	6.3%	6.3%	81.3%	100.0%
3 Star	-	3.4%	3.4%	3.4%	89.7%	100.0%
2 Star	-	-	-	7.1%	92.9%	100.0%
1 Star	-	-	-	-	100.0%	100.0%
Total	-	2.7%	4.1%	9.6%	83.6%	100.0%

**Table 4.8: Competition in the hotel industry.**

### 4.8.1 Financial Measures Used by Hotels In Nairobi, Kenya

When asked to explain how financial measures were used by hotels in measuring the performance, majority of the respondents 40.5% said that they were used to measure the profit margins followed by 18.9% who said that they were used to measure profit margins and operating costs. Others 13.5% said that financial measures were used to measure profit margins and return on investments. It was observed that most hotels used financial measures to measure their profit margins.

Explanation	Frequency	Percent
No response	1	1.4
Equity multiplier, operating cost	1	1.4
Equity multiplier, operating costs, profit margins	1	1.4
Operating costs	3	4.1
Profit margins	33	44.6
Profit margins, Operating costs	14	18.9
Profit margins, operating costs, assets turnover	1	1.4
Profit margins, total assets turnover	4	5.4
Profit margins, return on investments	10	13.5
Return on investments	1	1.4
Return on investment, operating costs	3	4.1
Total assets turnover	1	1.4
total assets turnover, return on investment	1	1.4
Total	74	100.0

***Table 4.8.1: Financial measures***

Most of the respondents considered profit margins and operations costs as the most important financial measures. This is an indication that most of the hotels are majorly concerned with making profits while spending little in their operations.

#### **4.8.2 Non Financial Measures Used by Hotels In Nairobi, Kenya**

The table below shows explanation of some non- financial measures that were used by hotels in measuring and managing the overall performance. Competitiveness, quality services and customer satisfaction were the most non financial measures that were explained by majority of the respondents that were used in measuring and managing the overall performance of hotels.



<b>Explanation</b>	<b>Frequency</b>	<b>Percent</b>
No response	1	1.4
Competitiveness	2	2.7
Competitiveness, Customer satisfaction	8	10.8
Competitiveness, resource utilization	1	1.4
Competitiveness, resource utilization, technology	1	1.4
Customer satisfaction	8	10.8
Customer Satisfaction, competitiveness	9	12.2
Customer satisfaction, Competitiveness, service quality	1	1.4
Customer satisfaction, competitiveness, Technology	2	2.7
Customer satisfaction, resource utilization	1	1.4
Organizational flexibility, competitiveness	1	1.4
Organizational flexibility, competitiveness, technology	1	1.4
Organizational flexibility, customer satisfaction	3	4.1
Organizational flexibility, resource utilization	1	1.4
Organizational flexibility, service quality, technology	1	1.4
Service quality	2	2.7
Service quality, Competiveness	13	17.6
Service quality, Customer satisfaction	11	14.9
Service quality, resource utilization	1	1.4
Technology, competitiveness	5	6.8
Technology, service quality, competitiveness	1	1.4
<b>Total</b>	<b>74</b>	<b>100.0</b>

*Table 4.8.2: Non Financial measures.*

Service quality, competitiveness and customer satisfaction are the most considered non-financial measures. This is an indication of how important a customer is to the hotel industry. Being a service industry, the quality of service offered to their clients is of much importance. To be competitive which is also important to the hotels their services must be unique and of good quality.

#### **4.9 Performance Measurement Systems**

Majority of the respondents (74.0%) ranked customers perspective as the most important perspective taken into account by hotels while introducing performance measurement system. A mean of 4.6 indicates that respondents had a positive perception towards the same. Financial perspective was also ranked as important or most important perspective by 67.1% of the respondents where a mean of 4.1 indicates that they positively felt that it was important in introducing the performance measurement system in hotels. However, majority of the respondents 63.0% (mean=2.4) rated employees perspective as unimportant or the most unimportant perspective taken into account by hotels while introducing performance measurement system. Further, shareholders' perspective was also ranked by avast majority of the respondents 74.9% (mean=1.8) as unimportant or the most unimportant perspective taken into account by hotels while introducing performance measurements system. About half of the respondents 49.3% (mean=3.2) rated hotels' internal business as neither important nor unimportant perspective taken into account.

Perspectives	N	Mean	Most important	important	moderate	unimportant	Most unimportant
Financial perspective	73	4.1	45.2%	21.9%	30.1%	2.7%	-
Customer's perspective	73	4.6	74.0%	14.4%	9.6%	-	-
Hotels' internal business perspective	73	3.2	12.3%	17.8%	49.3%	16.4%	4.1%
Competitive edge through learning and innovation perspective	73	3.7	37.0%	23.3%	17.8%	17.8%	4.1%
Employees' perspective	73	2.4	9.6%	11.0%	16.4%	35.6%	27.4%
Shareholders perspective	73	1.8	1.4%	1.4%	12.3%	47.9%	37.0%

***Table 4.9: Performance measurement systems.***

Customer perspectives and financial perspective with the highest mean is an indication that as much as hotels would like to consider giving the best to their customers getting the best in terms of profits at the lowest cost is also one of their priorities. Competitive edge is also considerably important since they are not singly in the market. Aspects such as shareholders and employees perspectives have the lowest mean indicating that they are least important compared to how well the hotel performs.

### 4.9.1 Performance Measures in the Hotel Industry

A vast majority of the respondents 91.8% (mean=4.8) positive felt that competition affected the performance measurement system very much. It was worth to note that all respondents (mean=5) positive felt that economic growth affected performance measurement system very much as compared to technology (mean=3.0) and globalization (mean=3.3) where respondents were not sure whether this perspectives affected the performance measurement system of the hotels. However, privatization (mean=2.4) was seen to have little effect if any on performance measurement system in hotels.

Perspective	N	Mean	Very much	Much	moderate	Little	Very little
Technology	73	3.0	31.5%	5.5%	15.1%	31.5%	16.4%
Competition	73	4.8	91.8%	1.4%	2.7%	4.1%	-
Privatization	73	2.4	2.7%	6.8%	34.2%	41.1%	15.1%
Globalization	73	3.3	30.1%	15.1%	15.1%	32.9%	6.8%
Economic growth	73	5	100.0%	-	-	-	-

***Table 4.9.1: Performance measures in the hotel.***

Economic growth has a proportional effect to performance as indicated by the above results. Competition has the second highest mean indicating that with a hotel being competitive it implicates good performance in the industry. This extends to globalization where the hotels would consider comparing with global hotels to ensure that they also adopt high standards of operations that translate to better performance.

Technology and privatization influence performance but to a lower extent as indicated by the above.

#### 4.9.2 Customer Perspectives

The study revealed that respondents had a positive perception that total number of rooms available (mean=4.6), total operating costs per annum (mean=4.26) and expertise of employees (mean=4.4) were most important perspective taken into account while considering customer perspective. When asked to rate the importance of daily room occupancy rate in considering customers perspective, majority of the respondents felt that it was neither important nor unimportant (mean=3.3).

Perspectives	N	Mean	Most important	important	moderate	unimportant	Most unimportant
Total number of rooms available	73	4.6	71.2%	15.1%	11.0%	2.75	-
Average occupancy rate per year	73	3.4	19.2%	27.4%	30.1%	17.8%	5.5%
Daily room occupancy rate	73	3.3	16.4%	32.9%	23.3%	20.5%	6.8%
Total operating costs per annum	73	4.3	53.4%	30.1%	5.5%	11.0%	-
Expertise of employees	73	4.4	74.0%	6.8%	8.2%	11.0%	-

*Table 4.9.2: Customer perspectives.*

Most hotels consider the total number of rooms available as one of the aspects that influence customer perspective. Expertise of employees and the total operating costs also affect to a considerable extent the customers' perspective.

### **4.9.3 Benchmarking Performance based on Financial and Non-Financial Measures**

It was revealed that hotels always compare with internal benchmarks while analyzing performance based on financial and non-financial measures as reported by 74.0% of the respondents. On whether they analyze the performance based on financial and non-financial measures by comparing with the industry/other hotels, 46.6% of the respondents said that they does this often. None of the hotel was seen not to have ever compared their performance based on financial and non-financial measures with industry or other hotels. Finally, majority of the respondents (31.5%) reported that they only compared with global players in the beginning while others (27.4%) said that they have never compared with global players to analyze their performance based on financial and non-financial measures.

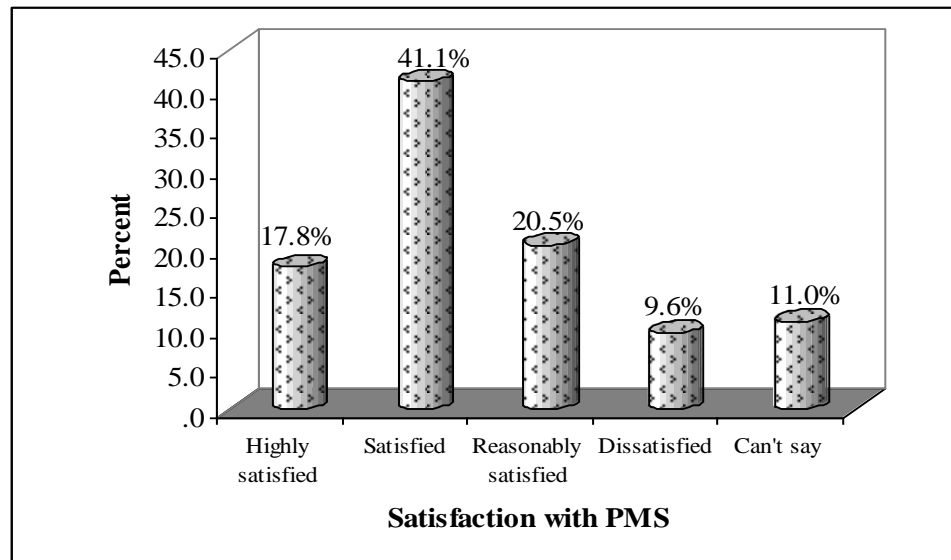
Benchmark	N	Always	Often	sometimes	In the beginning	Never
Compare with internal benchmarks	73	74.0%	2.7%	16.4%	5.5%	1.4%
Compare with industry/other hotels	73	27.4%	46.6%	21.9%	4.1%	-
Compare with global players	73	16.4%	9.6%	15.1%	31.5%	27.4%

***Table 4.9.3: Benchmarking performance.***

From the study above it is evident that the hotels did compare globally, with other industries and internally at whatever point. This is mainly to ensure that they are competitive and that they are performing well at any time .By comparing, it helps the hotel to single out the important strategies and mostly those that contribute to performance.

#### **4.10 Level of Satisfaction with the Present PMS in Hotel**

The study revealed that majority of the respondents (41.1%) were satisfied with the present performance measurement in their hotel followed by 20.5% who said that they were reasonably satisfied while 17.8% said that they were highly satisfied with performance measurement system in their hotel in this competitive era. However, 9.6% of the respondents said that they were dissatisfied while 11.05 could not tell whether they were satisfied or not.



**Figure 4.8: Level of satisfaction with the present performance measurement system**

From the above results it is important to note that most of respondents were satisfied with the performance measurement systems. Previous results indicate that good performance was reflected with the existence of an operations strategy department. The performance was measured from two perspectives i.e financial and non-financial.



## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary of the study, research findings, conclusions and recommendations, the chapter also gives suggestions for further studies.

### **5.2 Summary of the study**

The purpose of the study was to establish the influence of operations strategy to Performance of star classified hotels within Nairobi, Kenya. Equally, it evaluated the Various strategies used by the hotels in order to be competitive. It also analyzed the various aspects that the hotel considered important in the view of improving their operations and achieves better performance. The objectives of the study were to determine the operation strategies adopted by hotels in Kenya; to investigate if the operations strategy is dependent on star classification and to establish the relationship between operations strategy and performance in the hotel industry in Kenya.

The study utilized a survey design and targeted the management staff of star classified Hotels in Nairobi so as to get accurate information. A list of the staff that was interviewed was retracted from the Managing Director's office containing the names of staff. Three of the respondents were selected from the management team, consisting of either the Operations manager, finance manager, branch manager or sales and marketing manager.

All of the above respondents were selected using a systematic random approach. Both Primary and secondary data was used. Personal interviews were used to pre-test the

structured questionnaire that was developed to be administered in the survey. Secondary data was collected from the administrative and personnel reports and any other relevant materials for the study. To determine the reliability of the Instruments, the split-half method was used which established the coefficient of internal consistency.

For ethical purpose, an official introductory letter was got from the University of Nairobi. To assign meaningful numbers to responses variables were measured at interval scales. The open ended questions the researchers categorized responses given and assign numbers to them. Measures of central tendency and variability were analyzed using descriptive statistics. The median, mean and mode were also used.

### **5.3 Major Findings of the study**

This section presents the findings from the study. The section is organized into subsections based on demographic information, presence of an operations manager, Change of operations strategies, financial and non-financial measures and the influence of operations strategy on performance.

#### **5.3.1 Demographic findings**

From the study, the management team was as follows majority of them were logistics manager (16.2%), finance manager (14.9%), operations manager (14.9%), Branch manager (12.2%), and Marketing manager (12.2%).

From the findings, majority of employees at the hotels have working experience with the restaurant for at most 4 years

A vast majority of the respondents (63.5%) reported that they had relevant professional qualification to work in a hotel whereas 36.5% of them said that they didn't have relevant professional qualification. This indicates that in some hotels there were workers who didn't have relevant professional qualification.

### **5.3.2 Presence of Operations Manager**

It was observed that majority of the hotels sampled had operations manager as reported by 60.8% of respondents with only 39.2% of them saying that there was no operations manager in the hotels they were working in. In Hotels where there were no operations manager, the position was mostly held by branch manager, Hotel manager and marketing manager.

About three quarter of the respondents who were interviewed (75.0%) reported that there was a written operations strategy in their hotel with only 25.05 of them saying that it was not in existence.

### **5.3.3 Change of Operations Strategy**

Majority of the respondents reported that operations strategy were changed often. The change in operation strategy could be the cause of poor performance in some hotels since it was observed that some hotel were changing them very often without giving them a chance to see the results.

Slightly more than half of the respondents (51.7%) reported that the management was in charge of changing the operations strategy followed by 31.0% who said the board while 15.5% of them said the consultant. Further, 1.7% of the respondents said that there were other people responsible for change in operation strategy other than those mentioned.

### **5.3.4 Financial and Non-Financial Measures**

When asked to explain how financial measures were used by hotels in measuring the performance, majority of the respondents 40.5% said that they were used to measure the profit margins followed by 18.9% who said that they were used to measure profit margins and operating costs. Others 13.5% said that financial measures were used to measure profit margins and return on investments. It was observed that most hotels used financial measures to measure their profit margins.

Competitiveness, quality services and customer satisfaction were the most non financial measures that were explained by majority of the respondents that were used in measuring and managing the overall performance of hotels.

### **5.3.5 Influence of Operations strategy on Performance**

A vast majority of the respondents (76.4%) reported that presence of operations department in their hotel contributes to better performance in the hotel management with 23.6% of them saying that it does not affect the performance of the hotel management. From the results it is clear that operations department is very important for better performance of the hotel management.

## **5.4 Conclusions**

This subsection was organized in subsection based on the research objectives including: presence of operations manager and change of operations strategy; financial and non financial measures and influence of operations strategy on performance of the hotels in Nairobi, Kenya.

### **5.4.1 Presence of Operations manager**

From the study we find the most hotels have an operations manager in place. This helps in implementing the written strategies which are applied by most of the hotels. The study reveals that in hotels where the operations manager is not present there are managers who facilitate the operations activities so as to fill the gap.

### **5.4.2 Change of Operations Strategy**

From the study it is evident that most of the hotels do change their strategies often. The study sought to establish who among the management, the board, consultants would be responsible for the change of operations strategy. The study revealed that the management were the most responsible for the change in most hotels.

The fact that the operations strategies were changed so often only indicates that the hotels wanted strategies that would give quick results and didn't give much time for strategies that took long to show results.

### **5.4.3 Financial and Non-Financial Measures**

From the study it was clear that the hotels used both financial and non financial measures. Profit margins ,operating costs and return on investments were the most used financial measures.

Competitiveness, quality services and customer satisfaction were the most non financial measures that were explained by majority of the respondents that were used in measuring and managing the overall performance of hotels.

#### **5.4.4 Influence of Operations strategy on Performance**

The study revealed that operations strategy positively impacted performance in the hotel industry. The study revealed that almost all hotels sampled apply the under mentioned operations strategies very much; consumer segments, emerging market and quality service delivery. It was clear that respondents had a positive perception these strategies

#### **5.5 Recommendations**

- i. The researcher makes the following recommendations Operations department as a major driver to performance of any organization should be enhanced in hotels. Written operations strategy should be put in place.
- ii. The management of different firms in hotel industry should consider frequent training of employees on the importance of the quality on customer services especially through involving them in the drafting of operations strategies and also in changing them.
- iii. Hotel companies should take considerable time before changing the strategies to ensure that the results are seen before the changes are made.
- iv. Hotel businesses should also consider employing mechanisms of improving on Performance by comparing with hotels globally.

#### **5.6 Suggestions for further studies**

Given the scope and limitations of this study, the researcher suggests the following areas for further studies.

- i. The study should be undertaken under a cross-sectional descriptive design which would ensure elimination of any bias experienced in this study.
- ii. A replica of the study should also be carried out within the context of a sector other than the hotel industry for comparative purpose.
- iii. Other factors pertinent to customer service and influencing performance should also be carried out for further recommendation.

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## Appendix I: Questionnaire

This questionnaire has been set in relation to the objectives of the study. All questions relate to the importance of operations strategy and performance in the hotel industry.

### SECTION ONE: BASIC INFORMATION

1. What is the classification of this hotel?

- 1. 5 Star ( )
- 2. 4 Star ( )
- 3. 3 Star ( )
- 4. 2 Star ( )
- 5. 1 Star ( )

2. What position do you hold? \_\_\_\_\_

3. For how long have you worked for the Hotel industry? \_\_\_\_\_

4. Do you have any relevant professional qualifications?

YES ( )

NO ( )

### SECTION TWO: OPERATION STRATEGY

1. Is there an operations manager in the hotel?

YES ( )

NO ( )

2. Do you have a specific operations strategy that contributes to your overall performance in the hotel?

YES ( )

NO ( )

3. Do you think that an operations management department contributes to overall good performance in the hotel?

YES ( )

NO ( )

4. To what extent does your hotel apply the following operations strategies?

Use a 5-point scale: **1.Very little 2. Little 3.Moderate 4.Much 5.Very much**

<b>Operations Strategy</b>	1	2	3	4	5
consumer segments					
emerging markets					
business model					
quality service delivery					

5. What are the three most important goals of your strategy?

Rank the options below in order of their importance (on a scale of 1-5, where 5 being most important, 4 being important, 3 being neither important nor unimportant, 2 being unimportant and 1 being most unimportant).

S.No	Perspective	Rank (1-6)	Importance				
			5	4	3	2	1
I	Increase geographic coverage		5	4	3	2	1
II	Increase profitability		5	4	3	2	1
III	Open branches in developing towns		5	4	3	2	1
IV	Maintain market positions		5	4	3	2	1
V	Respond to client needs		5	4	3	2	1
VI	Any other perspective(please specify)		5	4	3	2	1

6. How often is the operations strategy changed?

Often ( )

Quite often ( )

Very often ( )

Not at all ( )

7. How do you differentiate your hotel in hospitality industry from the Competition? Rank the options below in order of their importance (on a scale of 1-5, where 5 being most important, 4 being important, 3 being neither important nor unimportant, 2 being unimportant and 1 being most unimportant).

S.No	Perspective	Rank (1-6)	Importance				
			5	4	3	2	1
I	Branding		5	4	3	2	1
II	Cost effectiveness and rates		5	4	3	2	1
III	Practice groups or industry sectors		5	4	3	2	1
IV	Quality of service		5	4	3	2	1
V	Technology capabilities		5	4	3	2	1
VI	Any other perspective(please specify)		5	4	3	2	1

### SECTION THREE: PERFORMANCE MEASURES

1. What type of performance measures are being used by your hotel as part of Measuring and managing the hotel's overall performance?

i. Financial measures ( )

ii. Non-financial measures ( )

iii. Financial and non-financial measures. ( )

2. Rank and rate the following perspectives taken into account while introducing performance measurement system (PMS) in order of their importance (on a scale of 1-5, where 5 being most important, 4 being important, 3 being neither important nor unimportant, 2 being unimportant and 1 being most unimportant)

S.No	Perspective	Rank (1-7)	Importance				
			5	4	3	2	1
I	Financial perspective		5	4	3	2	1
II	Customer's perspective		5	4	3	2	1
III	Hotels' internal business perspective		5	4	3	2	1
IV	Competitive edge through learning and innovation perspective		5	4	3	2	1
V	Employees' perspective		5	4	3	2	1
VI	Shareholders' perspective		5	4	3	2	1
VII	Any other perspective(please specify)		5	4	3	2	1

3. How has the following factors affected the Performance Measurement System of your hotel? Use a 5-point scale: **1.Very little 2. Little 3.Moderate 4.Much 5.Very Much**

S.No	Perspective	Rank (1-5)	Extent				
			5	4	3	2	1
I	Technology		5	4	3	2	1
II	Competition		5	4	3	2	1
III	Privatization		5	4	3	2	1
IV	Globalization		5	4	3	2	1
V	Economic Growth		5	4	3	2	1

4. Rank and rate the following perspectives taken into account while considering customer perspectives in order of their importance (on a scale of 1-5, where 5 being most important, 4 being important, 3 being neither important nor unimportant, 2 being unimportant and 1 being most unimportant).



S.No	Perspective	Rank (1-5)	Importance				
I	total number of rooms available		5	4	3	2	1
II	average occupancy rate per year		5	4	3	2	1
III	daily room occupancy rate		5	4	3	2	1
IV	total operating costs per annum		5	4	3	2	1
V	expertise of employees		5	4	3	2	1

5. Is your hotel using benchmarks to analyze the performance based on financial and non -financial measures?

Benchmark	Always	Often	Sometimes	In the beginning	Never
Compare with internal benchmarks					
Compare with industry/Other hotels					
Compare with global players					

6. Are you satisfied with the present performance measurement system in your hotel in this competitive era?

- i. Highly satisfied ( )
- ii. Satisfied ( )
- iii. Reasonably satisfied ( )
- iv. Dissatisfied ( )
- v. Can't say ( )

## Appendix II: GDP Growth

Kenya Facts and Figures 2012

### SOURCES OF GDP GROWTH, 2008-2011

Percentage					
Industry	2008	2009	2010	2011	
Agriculture and forestry		-64.0	-21.3	23.8	7.6
Fishing		-4.0	0.5	0.2	0.3
Mining and quarrying		0.9	-0.8	0.7	0.7
Manufacturing		22.6	4.8	7.7	7.3
Electricity and water supply	7.7	-2.5	3.7	-1.3	
Construction		16.3	14.9	2.8	3.5
Wholesale and retail trade, repairs		30.8	14.6	14.3	17.4
<b>Hotels and restaurants</b>		<b>-36.8</b>	<b>15.3</b>	<b>1.0</b>	<b>1.5</b>
Transport and communication		23.4	28.0	12.7	12.7
Financial intermediation		6.6	10.0	6.2	7.3
Real estate, renting and business services		12.9	5.8	3.0	4.3
Public administration and defence		1.4	1.9	1.3	1.8
Education		22.1	5.9	4.6	6.5
Health and social work		5.2	3.5	0.5	1.7
Other community, social and personal services	6.9	3.6	1.7	3.8	
Private households with employed persons		0.4	0.2	0.1	0.1
Less: Financial services indirectly measured		8.3	-3.9	0.9	-0.9
Taxes less subsidies on products		39.3	19.5	14.8	25.6
<b>GDP at market prices</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Kenya Facts and figures 2012 Kenya National Bureau of Statistics*

### **Appendix III: List of hotels in Nairobi to be sampled as per star classification.**

#### 5 Star hotels

1. Nairobi Serena Hotel.
2. The Boma Nairobi.
3. The Sarova Stanley.
4. Fairmont the Norfolk.
5. Intercontinental Hotel.
6. Windsor Gold Hotel & Country Club.
7. Nairobi Safari Club.
8. The Panari Hotel.
9. Villa Rosa Kempinsk .
10. Tribe Hotel.

#### 3 Star hotels

1. Laico Regency Hotel.
2. Hilton Nairobi.
3. Ole Sereni hotel.
4. Crowne Plaza Hotel Nairobi.
5. Eka Hotel Nairobi.
6. Prideinn Lantana Suites Hotel & Conferencing.
7. The Headquarters Inn.
8. Lavington Hill House.

9. Sovereign Suites.
10. Nomad Palace Hotel.
11. Wasini Luxury Suites & Hotels.

### 3 Star hotels

1. Oryx Hotel Nairobi.
2. The Heron Portic.
3. Sarova Panafric.
4. Meridian Hotel.
5. Jacaranda Hotel Nairobi.
6. Nairobi Transit Hotel.
7. Comfort Gardens-guest House.
8. Eden Gardens Hotel Nairobi.
9. Kivi Milimani Hotel.
10. Silvers Springs Hotel.
11. Boma inn Nairobi.
12. Delta Hotel.
13. Sentrim 680 Hotel.
14. Pride Inn Hotel Westlands.
15. Prideinn Rhapta Road.
16. The Strand Hotel.
17. Paris Hotel.
18. Hennessis Hotel.

19. La Jardine Hotel.
20. West Breeze Hotel.
21. Fahari Guest House.
22. Nairobi Tented Camp.
23. Daisy Home.
24. Safari Park Hotel and Casino.
25. Mokoyeti Resort.

## 2 Star Hotels

1. Sentrim Boulevard.
2. Blue Hut Hotel.
3. Hotel Ambassadeur.
4. Sirona Hotel.
5. Mvuli House B & B.
6. Khweza Bed & Breakfast.
7. Accacia Gardens.
8. Hartebeest Camp-Hostel.
9. Lukenya Gateway.
10. Hotel La Mada.
11. Hotel Kipepeo.
12. Hotel Pearl Palace.

## 1 Star Hotel

1. Kenya Comfort Hotel.