FIRM STRATEGY AND KEY SUCCESS FACTORS IN THE TOURISM INDUSTRY IN KENYA

By

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DECLARATION

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

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DEDICATION

I dedicate my work to my parents George Odenyo and Florence Odenyo for their love and Education concern, and for their sacrifice and patience over my study period. The crown for this work is a true realization of their dream. I also thank my brothers and my sisters for cooperating during my academic period and for their indirect and unconditional support in the attainment of this certificate.

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ABSTRACT

The purpose of this study was to identify firm strategy and key success factors in the tourism industry in Kenya. Private tour companies have been tasked to develop the sector, which has been identified as a potential area that will contribute in helping the economy to a rate of 10%. The funds generated have will be used to invest in the people of Kenya as highlighted in the vision 2030 handbook. The objective of the study was to determine if strategy exists in the sector and how the various strategies have been matched to the various competitive factors to enhance a sustainable competitive advantage. The study covered 30 tour and travel firms in the tourism private sector. The research design was in form of a descriptive survey intended to identify the key success factors and strategies employed by private tour firms in Kenya and to establish whether they base their strategies on the key success factors. The researcher used primary sources of data since the objective was to determine if strategy exists in the sector and how strategy has been matched to the various competitive factors in order to get a sustainable competitive advantage. The data was collected using questionnaires; it was then coded and tabulated to facilitate statistical analysis using SPSS. Descriptive statistics was used to transform the data collected into standard form for relative comparison. The study found out that the key success factors that were important in influencing strategy were marketing, technology and service quality. Strategy alliances and human resource were also important and were ranked second to the first pair of factors. The findings of the study were found to be consistent with other previous studies on the subject of industry key success factors.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

This paper aims to identify the key success factors in the tourism industry in Kenya and the strategies used to build on these factors so as to compete better with each other regionally and internationally to develop the economy of Kenya. The paper will explore the key success factors and how they have been related to strategy. Despite the development registered under the economic recovery strategy for wealth and employment creation (ERS) the country continues to face constraints including poor infrastructure, inadequate institutions reforms and inefficiency in production at firm and household levels. Upon the expiry of ERS Kenya embarked on a plan known as Kenya vision 2030. The plan aims to transform Kenya into "a newly- industrializing middle income country providing a high quality of life to its citizen in a clear and secure environment."

The vision's economic pillar aims to achieve an average economic growth rate of 10% per annum and sustaining the same till 2030. To achieve the above some sectors of the economy were identified as potential areas where the resources to steer the economy to the target set would be got. They included; agriculture, tourism, wholesale and retail, financial services, business process outsourcing and trade. This paper thus is written at this particular time to analyze the strategies and key success factors, to critic the tourism sector and offer recommendations and that can be adopted to develop the tourism sector to meet the expected returns which will be invested in the people of Kenya as highlighted in the Kenya vision 2030 handbook.

1.1.1 Concept of strategy

Strategy is a much used and abused word and means different things to different people and organizations. Like many other concepts in the field of management, there is no agreed all other embracing definition of strategy. Strategy is an elusive and somewhat abstract concept (Ansoff, 1984). This means it consists of pattern of moves and approaches derived by management to produce successful organization performance. To be strategic implies foresight, a holistic view and an understanding of how to define objectives and achieve them. Thus, a company's strategy is all about how management intends to grow the business, how it will build a loyal clientele and outcome rivals, how each functional piece of business (research and development, production, sales and marketing, distribution and human resources) will be operated. The best indicators of a company's strategy are its actions in the marketplace and the statements of senior managers about the company's currents business approaches, future plans, and efforts to strengthen its competitiveness (Thompson, Strickland and Gamble, 2007).

Mintzberg (1984) defined strategy as a plan, a ploy, a pattern, a position and a perspective. Strategy as a plan is some form of consciously intended course of action which is created ahead of the event it governs. Strategy as a ploy is a maneuver to outwit an opponent. Strategy as a pattern is a pattern that emerges from a stream of actions. Strategy as a position is about positioning the organization in order to achieve or maintain a sustainable competitive advantage.

1.1.2. Industry Key Success Factor

An industry's key success factors (KSFs) are those competitive factors that most affect industry members ability to prosper in the market place. The particular strategy elements, product attributes, resources, competencies, competitive capabilities and market achievements that spell the difference between strong competitor and weak competitor and sometimes between profit and loss (Thompson, Strickland and Gamble, 2007).

Key success factors by their very nature are so important to future competitive success that all the firms in the industry must pay close attention to them or risk becoming uncompetitive. Identifying key success factors, in light of prevailing and anticipated industry and competitive condition is always a top priority analytical strategy making consideration. Company strategists need to understand the industry landscape well enough to separate factors most important to competitive success from those that are less important. Correctly diagnosing the industry's KSFs raise the company chances of crafting a sound strategy. The goals of company strategists should be to design a strategy aimed at stacking up well on all future key success factors and trying to be distinctively better than rivals (Thompson, Strickland and Gamble, 2007)

By identifying KSFs managers are able to envision the ideal strategy for building competitive edge in the industry. Key success factors are therefore an integral part of a company strategy. A company with perceptive understanding of industry success factors can gain sustainable competitive advantage by devoting its energies to being distinctively better than rivals at succeeding in these factors (Thompson, Strickland 19953-

1.1.3. Tourism Industry in Kenya

The tourism sector has managed to hold on to the gains of 2011 despite fears of a downward trend due to the concluded elections. The total arrivals of 2012 declined with a slight margins standing at 1,780,769 compared to 1,785,382 for 2011 (0.3%). Estimated receipts from tourism in 2012 at Kshs 96.02billion, a 1.92% drop from Kshs 97.90billion realized in 2011. Arrivals at JKIA Nairobi grew by 1.7% while Moi international airport Mombasa declined with 20% Europe is the main source market for Kenya with a share of 43%, followed by Africa at 24%, the Americas at 13%, Asia at 12%, Middle East at 5% and Oceania at 3%. A decline has been noted in the number of visitors from sources like UK, Italy and Germany. The sharp decline of 14.6% in the number of visitors from Italy was occasioned by the economic downturn in the Euro zone and the uncertainty of the elections while the 2012 London Olympics restricted the number of visitors from UK. In the categories of regional emerging markets, Uganda is Kenya's biggest market. Uganda recorded a 30% growth while Tanzania and South Africa recorded a decline of 30% and 6% respectively. China and the Middle East grew by 10% and 92%. Holiday remained the major purpose of traveling to Kenya accounting for 75% of all arrivals. Business arrivals stood at 8% with conference arrivals taking 3%.

The tourism private sector industry in Kenya has traditionally had seven active private sector bodies representing the association of tour operators, hotel keepers and caterers, travel agents, air operators, budget hotels, Mombasa and Coast tourism and the eco-tourism society of Kenya. The above bodies form the Kenya Tourism Federation which is the umbrella body representing the private sectors. The members of the federation are ; Kenya

Association of Air Operators , Kenya Association of Travel Agents , Eco-Tourism Society of Kenya , Mombasa and Coast Tourism Association, Kenya Association of Hotel Keepers and Caterers and Kenya Association of Tour Operators. The federation has highlighted one hundred and sixteen (116) companies as the top tour and travel firms that are guaranteed to make holidays to be fun, adventurous and exciting.

The key tourism products are; the coast product: this includes coastal beaches such as South Coast, North Coast, Malindi, Lamu. Marine Parks, water sports such, as diving, jet skiing. The Safari product: includes wildlife parks, premium parks such as Masai Mara, Amboseli, Nakuru. Wilderness parks like Tsavo, Meru, Samburu. Sanctuaries such as Nairobi safari park. Scinarios like Hells gate, Shimba Hills. Niche products: eco-tourism, sports tourism, cultural tourism and lake tourism. Conference and business Tourism products: located in Nairobi and includes business segments and conference segment such as KICC and Bomas of Kenya. The tourism industry in Kenya is under- developed. The challenges slowing down the rate of growth of the sector must be addressed in order to increase the attractiveness of the industry. The challenges include; poor state of security, political instability, cross boarder trafficking of small arms, wildlife poaching and travel advisory to Kenya.

1.2 Research Problem

An industry's key success factors (KSFs) are those competitive factors that most affect industry members ability to prosper in the market place. Key success factors by their very nature are important to future competitive success that all firms in the industry must pay attention to them. This means how well a company's product offering, resources, and capabilities measure up against an industry's KSFs determines just how financially and competitively successful that company will be. A sound strategy incorporates the intent to stack up well on all of the industry's key success factors and trying to be distinctively better than rivals in one (or possibly two) of the KSFs (Thompson Strickland and Gamble, 2007).

The private firms in the tourism industry have been tasked to develop the sector, the tourism sector has been identified as "under-developed" and more potential can be realized from tourism. At large the sector has been identified as a potential area that will help grow the economy to a rate of 10% as the funds generated here will be used to invest in the people of Kenya in areas such as health, housing, education, water etc. The sector players are now trying to come up with strategies to make them more competitive and have realized one method of being competitive is leveraging their strategies on the key success factors.

Kariuki (2007) in his survey of KSFs on firms in the Insurance sector found the key success factors in areas such as core competencies, marketing strategies, product attributes, company resources and marketing positioning. Thus, the insurance companies based their strategies on the above factors. Maina (2006) in his study on KSFs in the Banking industry found the KSFs to be use of technology, the banks business location, product ranges, corporate governance, cost of service and service delivery. Thus, the banks based their strategies on the above competitive factors. Mbugua (2005) in his study on KSFs in the Petroleum industry found KSFs related to technical skills, KSFs in the area of human resources, location, customer focus, government policy and monopoly to be most favorable thus the strategies were based upon the above competitive factors. However few studies have been done to investigate the KSFs in the tourism industry in Kenya. Through identification of this research gap, this study therefore seeks to reduce the existing gap and wants to determine the KSF's in the industry and establish the strategies adopted by the firms to take advantage of the competitive factors.

From the above three previous studies the researcher tends to explore the tourism industry in light of the below questions;

1. What KSFs characterize the tourism industry in Kenya?
2. Do firms in the tourism industry base their strategies on the industry's KSFs?

1.3 Objective of the study

The study had two objectives:

i. To determine if strategy exists in the sectors

ii. How strategy has been matched to the various key success factors (competitive factors.)

1.4 Value of the study

The study will benefit stakeholders in sectors of the economy like the tourism and hospitality industries. It will be important to those who intend to adopt key success factors to improve their business. It will aid managers and owners of firms in determining key success factors in the industry. With the knowledge of KSF managers will be in a position to craft their strategies as per the competitive factors explained in this study.

The study will be of value to Academicians who will be able to use this study as a point of reference and also help them to develop topical issues in the areas of strategic management and tourism in general. It can be considered as a contribution to the KSFs theory as it will be one of the few papers analyzing the tourism industry. It is important to note that few studies have been conducted in this industry both in the country and internationally. Understanding the keys success factors in the tourism industry will be critical to senior management of the firms and the government at large in terms of strategic planning processes and also in the regulation of the sector.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

Literature review is a systematic process of identification, location and analysis of documents containing information related to the research problem under investigation. In this chapter, an overview is made of the scholarly contribution in the area of firm strategy and industry key success factors. It also brings into perspective various theoretical models developed by different scholars to provide a backdrop for the arguments and counter arguments that inform the theories driving this research.

2.2. Theoretical foundation

The theories that will help us understand the topic clearly are the competitive advantage theory and the resources based theory.

2.2.1. Competitive Advantage Theory

One of the characteristics of strategic management and decisions is that they are normally about trying to achieve some advantage for the organization over competition. To be successful, a company must do better than its competitors of satisfying target consumers. A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justify high prices (Barney, 1991). Therefore, sustainable competitive advantage is about developing this advantage over competitors and being able to sustain that position of doing better than them. Therefore, the company's strategies must be geared to the needs of the consumers and also to the strategies of competitors, hi this way, strategic decisions are sometimes conceived as the search for effective positioning in relation to competitors so as to achieve advantage. The first step in achieving competitive advantage is competitor analysis and the second step is coming up with competitive strategies based on the analysis (Kotler and Armstrong, 2002). Competitor analysis is the process of identifying key competitors; assessing their objectives, strategies, strengths and weaknesses, and reaction patterns and selecting which competitors to attack or avoid.

Competitive strategies are strategies that strongly position the company against competitors' and that give the company the strongest possible strategic advantage.

Figure 2.1: Step Analysis Competitors

Identifying the company's competitors	-------- ►	Assessing competitors objectives, strategies, strength & weaknesses		Selecting which competitors to attack or avoid

Source: Kotler P. and Armstrong, G (2002) Principles of marketing 9th edition pg 682

In identifying their firm's current and potential competitors, executives consider several important variables. The first variable is "How do firms define the scope of their market?" the more similar the definition of firms, the more likely the firms will view each other as competitors. The second variable is "How similar are the benefits the consumer derive from the products and services that other firms offer?" The more similar the benefits of the products or services, the higher the level of substitutability between them (thus increasing competition). The third variable is "How committed are other firms to the industry?"

This question is the most important because it sheds light on the long term intentions and goals. To size up the commitment of potential competitors to the industry, reliable intelligence data are needed which may relate to potential resources commitments (Pearce and Robinson, 2005). Some of the common mistakes made by organizations in identifying competitors include overemphasizing current and known competitors while giving inadequate attention to potential entrants, overemphasizing large competitors while ignoring small competitors, overlooking potential international competitors; assuming that competitors will continue to behave in the same way they have behave in the past; misreading signals that may indicate a shift in the focus of competitors or a refinement of their present strategies or tactics; overemphasizing competitors; financial resources, market position and strategies while ignoring their intangible assets, such as top - management team; assuming that all the industry are subject to the same constraints or are open to the same opportunities; and believing that the purpose of the strategy is to outsmart the competition, rather than to satisfy customer needs and expectations.

Competitive advantage is, in very basic words, a position a firm occupies against its competitors. The primary factors of competitive advantage are innovation, reputation and relationships. Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. Many competitive advantage types are unsustainable, as competitors will eventually attempt to replicate, what the first company has succeeded in doing. However, a sustainable competitive advantage is possible when other companies cannot duplicate what the one holding the advantage has been able to do (Porter, 2004).

2.2.2. Resources Based theory

It was firstly coined by Birger Wernefelt in 1984 to advance the idea that strategy of a firm is a function of the complement of the resources held. The essence of the resources based model is that competitive advantage is created when resources that are owned exclusively by the firm are applied to developing unique competencies. Companies are different collection of resources (tangible and intangible assets/ capabilities). No two companies are alike in terms of the resources they hold.

Many managers and writers have adopted a new perspective on understanding the firm's success based on how the firm uses its internal resources; i.e. the resources based view (RBV) of the firm (Pearce and Robinson, 2005). Each firm develops competencies from these resources and, when developed especially well, they become the source of the firm's competitive advantage. These are the key core competencies that not only enable the creation of new products and services, but also they are skills that enable a business to deliver a fundamental customer benefit (i.e. What is it that causes customers to choose one product over another, and even be willing to pay more for this product?).

The resources based view has set forth some guidelines that help determine what constitutes a valuable asset, capability of competence, are that it should be scarce because when a firm possess a resources and few, if any others do, and it is central to fulfilling customers needs, then it becomes a distinctive competence for the firm. Second is avoiding imitability from competitors, for example, through patent or registered trademarks. The third & fourth quality is a propriability and durability, which view as continued innovation to ensure durability in the face of changing environment (i.e. the slower a resource depreciates, the more valuable it is). Finally, it should be sustainable (without cheaper alternatives). Core competences should change in response to changes in the company's environment; be flexible and evolve over time (Pearce and Robinson, 2005).

2.3. Firm Strategy

Porter (1996), a firm's refer to how a company competes in a particular business. Firm strategy is concerned with how a company can gain competitive advantage through distinctive ways of competing. After conducting an analysis of the internal and external environment, a firm will then move to selecting a strategy. Porter (1991) stipulates that a firm can achieve a higher level of performance over a rival by adopting any of the three strategies; (1) low cost leadership strategy, that is supplying an identical product or service at a lower cost, (2) the differentiation strategy, that is by supplying a product or a service that is unique in such a way that the customer is willing to pay a premium cost that exceeds the additional cost of differentiation or, (3) the focus strategy, the is, by striving to have a special appeal to one or more groups of consumers or industrial buyers, focusing on a firms cost or differentiation.

Figure 2.2: Generic Strategies

Competitive advantage

Lower cost Differentiation

Competitive scope Broad target

Narrow target

Cost leadership	Differentiation
Cost focus	Differentiation focus

Source: Porter, M.E (2004) Competitive Advantage pg. 12

Under the cost leadership, strategy the company works hard to achieve the lowest cost. In order to achieve and sustain a low cost position, a firm requires capabilities such as having secured suppliers of scarce raw material, being in a dominant market share position and having a high degree of capitalization (Pearce and Robinson, 1991). Only one firm can be a cost leader in an industry and if this is the only difference between a firm and a competitor, the best strategies choice is the low cost leadership role (Malburg, 2000). The success of this strategy is highly dependent on how best the firm can tighten their cost controls to ensure no leakage. The firm may have access to raw materials or superior proprietary technology, which helps lower cost. Low prices lead to higher demand and therefore to a large market share.

Differentiation, which is the second generic strategy, involves the company concentrating on creating a highly differentiated product line and marketing programme so that to come across as the class leader in the industry. Most customers would prefer to own this brand if the price isn't too high. According to Porter (2004), the firm selects attributes that many buyers in an industry perceive as important and uniquely positions itself to meet those needs. It's rewarded for its uniqueness with a premium prices.

The third kind of strategy is focus strategy. Here a firm targets a specific segment of the market (porter 1980). Competition here can be based on range, geographical area, or the service line. This dimension isn't a separate strategy parse se but describes the scope over which the company should compete based on cost leadership or differentiation. The firm can choose to compete in the mass market with a broad scope or in a defined, focused market segment with a narrow scope (Porter and Robinson, 1991). In either case the basis of competition will still either be cost leadership or differentiation.

Other forms of strategies can include the grand strategies. These kinds of strategies provide basic direction for strategic actions. They indicate how long- term objectives can be achieved. Different strategies will fit different situations. These strategies include Market development, product development, and concentration and innovation strategies. Market development strategy consist of marketing present products, often with only cosmetic modification, to customers in related market areas by adding channels of distribution or by changing the content of advertising or promotion (Pearce and Robinson, 1991). It allows firms increase their market by identifying new users for exiting products and services and new demographical psychologically, or geographically defined market. The whole idea in this strategy is selling present products in new markets products development involves the substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels. The idea is developing new products for present markets.

Concentrated growth strategy focuses on increasing market share in existing markets. Here firms direct its resources to the profitable growth of a single product, in a single market, with a single dominant technology. Concentration may involve increasing the rate of use of a product by current customers; attracting competitors customers; and/or attracting non users, new customers etc. the idea here behind this strategy is increasing use of present products in present markets. Finally, the innovation strategy involves creating a new product life cycle and thereby making similar existing products obsolete. Due to the high bargaining power of buyers and the industries in which firms operate, it has become evident that, firms are expected to make periodic changes and improvements in the products they offer in order to remain competitive. The aim here is to reap the high returns associated with customer acceptance of a new or improved product.

2.4. Industry Key Success Factors

Thompson and Strickland (1995) defined an industry's key success factors as those things that mostly affect the ability of industry members to prosper in the market place. They refer to the particular strategy elements, product attributes. Resources, competencies, competitive capabilities and business outcomes that spell the difference between profit and loss. Key success factors concern what every industry member must be competent at doing or concentrate on achieving in order to be competitively and financially stable. Key success factors are so important that all firms in the industry must pay close attention as they are prerequisites for industry success. Key success factors have a direct bearing on the company profitability.

2.4.1 Marketing

Marketing is the process by which companies create customer interest in products or services. It generates the strategy that underlies sales techniques, business communication and business development. It's an integrated process through which companies build strong customer relationships and create value for their customers and for themselves. Marketing is used to identify the customer, to keep the customer, and to satisfy the customer (Kotler, 1991). Me Cathy and Perrault, (1993) noted that marketing of tourism goods and services is a unique and highly specialized branch of marketing. The practice of advertising, promoting, and selling products and services is in many ways far more complex than the selling of consumer packaged goods, automobiles, electronics, or other forms of goods or services. The environment in which product and services are marketed is becoming more competitive, making the task of marketing services increasingly challenging and specialized.

2.4.2 Service Quality

Service quality can be seen as extent to which a service meets customer needs and expectations (Lewis and Mitchell, 1990). Service quality can thus be defined as the difference between customer expectation of service and perceived service. If expectations are greater than performance, the perceived quality is less than satisfactory and hence customer dissatisfaction occurs. Service quality has been recognized as having the potential to deliver strategic benefits, such as improved customer retention rates, whilst also enhancing operational efficiency and profitability (Cronin 2003). Services, by definition are intangible and easily duplicated. They can be divided into high-touch or high-tech services. High-touch services are mostly dependent on people in the service process producing the service, whereas high use of automated systems, information technology and other types resources are regarded as high tech services (Gronroos, 2000).

2.4.3 Strategic Alliance

This is where two or more organizations share resources and activities to pursue a strategy. Through cooperation, the need to obtain material skills, innovation,, finance or access to markets may be readily available (Wortzel H.V and Wortzel, 1997).There are various forms of strategic alliances such as licensing, franchising, subcontracting, and joint ventures.

According to Shaw and Williams (2002), franchising is a contractual agreement whereby a firm allows another to sell products and provide services on its behalf for a certain fee. This is also evident in the tourism industry. Licensing is where the right to manufacture a patented product is granted for a fee. With subcontracting, a company chooses to subcontract a particular service or part of a process. For example increasingly in public service responsibility for waste removal, information technology services may be subcontracted to private companies (Schoels and Jhonson, 2004)Joint Venture is a strategic alliance that occurs when two or more organizations enter in to a temporary partnership or consortium for purpose of exploiting opportunities presented by a changed environment. Joint ventures enhance partnering organization competitiveness.

2.4.4 Human Resources

Human resource management is the strategic and coherent approach to the management of an organization's most valued asset-the people working there who individually and collectively contribute to the achievement of the objectives of the business (Armstrong,

2006) The human resources management function includes a variety of activities, and key among them is deciding what staffing needs you have and whether to use independent contractors or hire employees to till these needs, recruiting and training the best employees, ensuring they are high performers, dealing with performance issues, and ensuring your personnel and management practices conform to various regulations. Activities also include managing your approach to employee benefits and compensation, employee records and personnel policies. However, they should always ensure that employees have and are aware of personnel policies, which conform to current regulations. These policies are often in the form of employee manuals, which employees have (Armstrong, 2006). Human assets are major key success factors in any industry. Human assets are the core of any organization as they create an organizations products and offer service.

2.4.5 Technology

Technology is made up of discoveries in sciences, product development and in machinery, process, and automation and information technology. It also includes a combination of knowledge, information and ideas (Murugi, 2003).Recent advances in technology have created a surge in "technology based self service" (Dabhollcar et al.2003).Such developments are changing ways that services firms and consumers interact, and are raising a host of research and practice issues relating to the delivery of E-service. E-service is becoming increasingly important not only in determining the success or failure of electronic commerce (Yang 2001), but also in providing consumers with a superior experience with respect to the interactive flow of information. When a customer is in direct contact with the technology there is greater control such as with internet banking .However if there is an absence of direct contact, such as with internet banking (since technology itself is not visible to customers who are able only to press numbers on their telephone keypad) it is assumed that there is less control perceived by the customer during this transaction. This installation of customer friendly technology (such as menu driven automated teller machine telephone and internet banking services) as means of delivering traditional financial services has become common place in recent years as a way of maintaining customer loyalty and increasing market share.

2.5 Firm Strategy and Key Success Factors

Key success factors by their very nature are so important to future competitive success that all firms in the industry must pay close attention to them or risk being uncompetitive. Identifying key success factors in light of prevailing and anticipated industry and competitive conditions is always a top priority analytical strategy making consideration. Company strategists need to understand the industry landscape well enough to separate the factors most important to competitive success from those that are less important (Thompson, Strickland and Gamble, 2007). Correctly diagnosing the industry's key success factors raises the company's chances of crafting sound strategy. The goal of the company strategists should be to design aimed at stacking up well on all future key success factors and trying to be distinctively better than rivals. By identifying the key success factors managers are able to envision the ideal strategy for building a competitive edge in the industry. Key success factors are therefore an integral part of company strategy. A 'company with perceptive understanding of industry success factors' can gain sustainable competitive advantage by devoting its energies to being distinctively better than rivals at succeeding in these factors (Thompson and Strickland, 1995)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology describes the steps that were followed in conducting the study. At this stage techniques of obtaining data are developed and data will be collected to test hypothesis. The steps which were used in collecting the data are described in detail; this will help other researchers in understanding the study (Mugenda and Mngenda, 2003)

3.2 Research Design

According to Donald and Pamela (1998) a study concerned with whom, what, which and how of a phenomenon is called a descriptive design. The study aims at understanding what are the perceived key success factors in the tourism industry and if the companies have leveraged their strategies based on the key success factors. According to Kothari (2004), Research design is the arrangement conditions for collection of data and analysis in a manner that aims to combine relevance to the research purpose with economy in procedure. Having stated the above the research design was in the form of a descriptive survey intended to establish key success factors employed by private tour companies.

3.3 Population of the study

The target population consisted of all the 116 private tour companies tasked with tourism functions of which most are based in Nairobi and few located in strategic parts of the country. The companies have been recommended by the Kenya Tourism Federation.

3.4 Sample and Sample Design

A Sample size of thirty companies had been selected from the list of one sixteen companies. This researcher had adopted the list as a sample frame. These companies are the representatives of the population. The Kenya Tourism Federation members (KTF) are categorized into different group membership, that is, hotels, tour operators, restaurants and entertainment, airlines, allied businesses, corporates and institutions. Therefore, the researcher's choice of stratified random sampling method

3.5 Data Collection

The research used primary sources of data since the objective was to get the perceptions and ideas of the companies on the key success factors and strategies to build on them. The primary data was collected by drop and pick method using a questionnaire. The questionnaire was divided into two sections with the first section seeking background information of the respondents and the second capturing the area of the study. The questionnaire had both structured and unstructured questions. The questionnaire had been pretested to select a sample, which was similar to the actual sample, which the researcher planned to use in the study. Procedures used in presenting the questionnaire were identical to those which were used during the data collection.

The respondents were managing directors, travel consultants and marketing managers plus their equivalents. The researcher administered one questionnaire in each of the tour companies. To improve on the response rate a follow up was done through phone calls Cooper and Emory (1995) cite this approach as a way of improving on the response rate.

3.6 Data Analysis

Once receiving back the questionnaires from the respondents, the data was thoroughly checked to ensure completeness, consistency and accuracy. The data was coded and tabulated to facilitate data analysis. The researcher tried to maximize the reliability and validity of the data collected. For reliability and validity to exist in the data, the data collection technique yielded information that was not only relevant to the research hypotheses, but also correct. Descriptive statistics was used to transform the data in to standard form for relative comparison. This enabled the researcher to meaning fully describe the distribution of scores or measurements using few indices or statistics (Mugenda and Mugenda 2003).

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

4.1. Introduction

Table 4.1: Positions held

	Frequency	Percent
Human resource manager	6	20.0
Marketing manager	7	23.4
Travel agent	8	26.6
Tours & travel consultant	9	30.0
Total	30	100.0

20% of the respondents were Human resource mangers; 23.4% were marketing managers; 26.6% of the respondents were travel agents and 30% were tours and travel consultants. The respondents job position was important, as this were the critical people who held the relevant information about the firms and the industry in general.

4.2. General information

Table 4.2: Number of years in positions

	Frequency	Percent
Less than 5 years	7	23.3
5- 10 years	11	36.6
11- 15 years	8	26.7
16- 20 years	4	13.4
21- 25 years	0	
Total	30	100.0

23.3% of the respondents have worked in the private firms for less than 5 years; 36.6% of the respondents had worked in the firms for between 5-10 years; 26.7% had worked in the firms for between 11-15 years and 13.4% had worked in the firm for between 16-20 years. No employee had worked in the firm more than 20 years. The employees work experience in the tour firms was important, because they had the history of the industry and were aware of the key success factors and the various strategies.

Table 4.3: Gender of Respondents

	Frequency	**Percent**
Male	17	56.7
Female	13	43.3
Total	**30**	**100.0**

According to the findings in the above table, the study found that most of the respondents were male as shown by 56.7% of the respondents, while female were shown by 43.3% of the respondents.

Table 4.4: Age of respondents

	Frequency	**Percent**
30 years and below	6	20.0
31 – 40 years	6	20.0
41- 50 years	9	30.0
51 years and above	9	30.0
Total	**30**	**100.0**

The respondents were also required to state their age bracket. According to the findings, respondents who were 30 years and below were shown by 20% of the respondents. Another 20% of the respondents were 31-40 years, 30% of the respondents were 41-50 years while another 30% of respondents were aged 51 years and above.

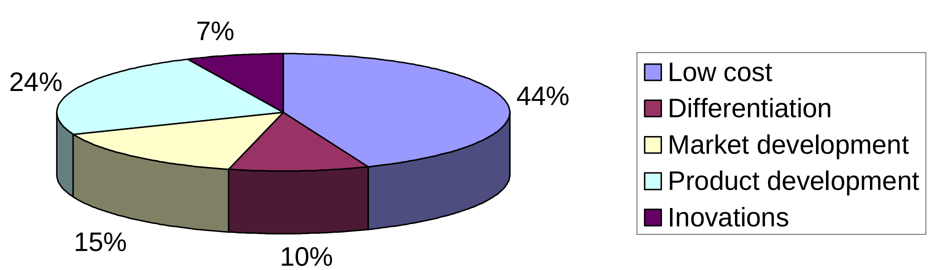
4.3. Company information

Table 4.5: Strategies pursued by the companies

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Concentrated growth & market development	1	3.3	3.3	- 3.3
Differentiation	1	3.3	3.3	6.7
Differentiation	1	3.3	3.3	10.0
Differentiation & amp; product development	1	3.3	3.3	13.3
Differentiation focus & amp; innovations	1			16.7
Differentiation focus & amp; product development	1	3.3	3.3	20.0
Differentiation focus, concentrated growth & innovation	1	3.3	3.3	23.3
Differentiation focus, innovation & market development	1	3.3	3.3	26.7
Differentiation, innovation & amp; product development	2	3.3	3.3	33.3
Differentiations, innovations	1	6.7	6.7	36.7

Low cost	2	3.3	3.3	43.3
Low cost, differentiation	2	6-7	6.7	50.0
Low cost, innovation	6	6.7	6.7	70.0
Low cost, market development	3	20,0	20,0	80.0
Low cost, product Development	3	10.0	10.0	90.0
Low cost, innovation	1	10.0	10.0	93.3
Low cost, innovation & market development	1	3.3	3.3	96.7
Low cost, market development	1	3.3	3.3	100.0
Total	**30**	**100.0**	**100.0**	

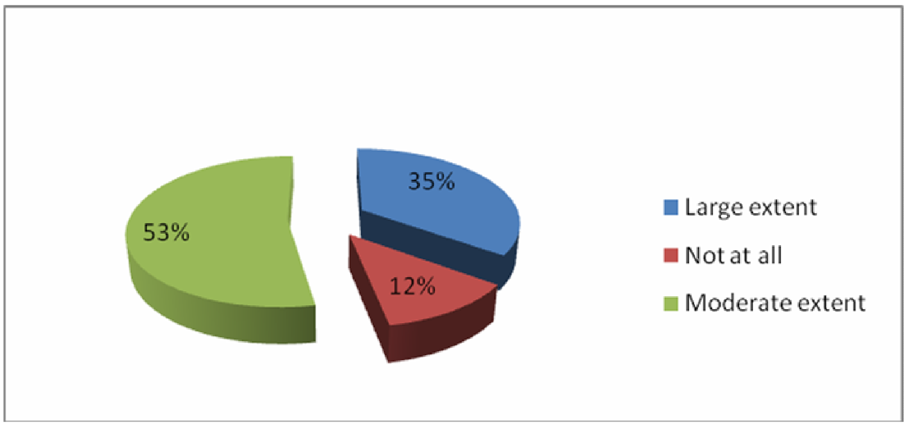
Figure 4.1: Strategies adopted



The study also sought to establish the strategies used by the private tour firms. From the study most of the respondents (44%) reported that they pursued a low- cost strategy, 24%

of the respondents said that they pursued a differentiation strategy, 15% of the respondents said market development was their strategy, 10% of the respondents indicated they pursued product development strategies, while the remaining 7% of the respondents indicated that they based their strategies based on innovations.

Figure 4.2: Extent of importance of the KSFs in customer attraction



4.4. Key success factors in the tourism industry

Table 4.6: Extent to which of the key success factors are important in attracting customers

Factors	Mean	Standard deviation
Technology	3.9167	.79296
Service quality	3.7500	.75378
Marketing	4.3333	.65134
Human resource	2.5217	0.0173
Strategic alliance	3.5833	.79296

From the findings in the table, a five point Likert scale was used to interpret the respondents rating of extent to which the factors were important in attracting customers.

The factors that were rated as not important at all were assigned 1 while those rated extremely important were assigned 5. Within the continuum are 2 for a little in importance, 3 for moderately important and four for very important.

In relation to this respondents rated the following marketing showed a mean of 4.3333, technology showed a mean of 3.9167, service quality got a mean of 3.7500, strategic alliance got a mean of 3.5833 and lastly human resource showed a mean of 2.5217. Marketing being ranked as the most extremely important factor. The private tour firms are marketing themselves online (e-marketing). The firms have also resorted to direct marketing where there is a market team tasked with coming up with advertisements and holiday promotions. Other marketing tools that they have embraced are used of posters, magazines, brochures, rollups and flyers.

Technology being ranked very important has made the private firms to embrace the use of software’s which ease the agents ticketing and reservation process. The firms have a range of computers displaying latest hardware including telephones and printers. The respondents ranked service quality as moderately important. The areas they noted as important aspect of service quality were security, cleanliness, consistency. Communication, access and courtesy were equality mentioned by the respondents as what service quality meant for the firms.

Strategic alliance was considered to be a little important with companies having used tools such as licensing and franchising in Europe. The companies have partnerships with other firms in sub- Saharan Africa. The respondents revealed that though they had alliances with other companies the factor was not yielding a lot of results and little impact on the firm's turnover. Human resource was considered as the least important factor. The respondents revealed that the manpower was adequately available all they do is hive and afterwards train the employee on what ought to be done. In simpler terms, the respondents revealed that manpower in the firms was abundant and that it is saturated.

4.5. Strategies in the tourism industry

Table 4.7: Extent to which of the strategies have been related to the KSF

Factors	Mean	Standard deviation
Technology	3.833	1.19342
Service quality	3.6667	.65134
Marketing	3.9167	.79296
Human resource	3.1667	1.19342
Strategic alliance	3.5833	.79296

From the findings in the table, a five point Likert scale was used to interpret the respondents rating of extent to which their strategies have been related to the key success factors. According to the scale, the factors that were rated as not at all were awarded 1 while those rated as to a very great extent were awarded 5. Within the continuum are 2 for to a little extent, 3 for to a moderate extent and 4 for a great extent. The weighted mean was used to analyze the data. According to the researcher, those with a mean close to 5 were considered to a very great extent while those with a mean close to 1 were awarded not at all.

From the study marketing was related to strategy to a very great extent as shown by a mean of 3.91671, technology as shown by a mean score of 3.8333, service quality as shown by a mean score of 3.6667, strategic alliance as shown by a mean score of 3.5833 and lastly human resource being ranked least elated to strategy showing a means score of 3.1667.

4.6. Discussion of findings

The study revealed that private tour firms that embraced technology gave customers a user friendly atmosphere. Technology relevant to tourism made the firm able to keep with growth and development, networking with clients and other firms was easy and the firms were well informed of their environment. Marketing was found to relate to strategy through increasing the number of marketers, media prints, e-marketing, availing information on various products and positioning tour brands against competitors.

The study also revealed that service quality was related to strategy through introduction of 24 hours help lines and information availability at the information desks in the firms. Managers for key product segment, use of technology to improve service delivery and understanding the need of every customer were some of the areas where S.Q was out to task. Human resource was found to relate to the tour companies strategies through hiring of qualified personnel, continuous training process, and having a satisfying rewards and benefit system. Strategic alliance was related to strategy by the firms exercising or indulging in licensing with firms outside Kenya, and in joint ventures and sub-contracting other firms to run their operations with a certain fee.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on the summary of findings on firm strategy and key success factors in the tourism industry in Kenya, the conclusion of the study by the researcher, recommendations to mitigate some of the challenges, limitations of the study and recommendations for further research.

5.2 Summary of study findings

The objective of this study was to determine if strategy exists in the tourism sector and how strategy has been matched to the various competitive factors. The study found out that the key success factors that were important in influencing strategy were marketing, technology, service quality, strategic Alliance and Human Resource Kariuki (2007) did a similar study whose objective was to identify key success factors on firms in the insurance sector in Kenya. The findings of (Kariuki 2007) identified competencies, marketing, company resources, market positioning, and customer care as the key factors that must be considered for the business to be successful.

On the respondents rating of extent to which strategy matched to the competitive factors the study found that respondents rated the following as matched to strategy to a very great extent, marketing. Technology was rated to a great extent as being related to strategy. Service quality was rated to a moderate extent. As for Strategic Alliance and Human Resource the researcher summaries them as being equal and the respondents rated them to a little extent. This information revealed that for each of the factor the tour companies had a related strategy or matched their strategy to build up on the factors.

5.3 Conclusion of the study

From the findings, the study found that key success factors that were found to be important in the tourism industry in influencing strategy were marketing, Technology and Service Quality. Strategic Alliance and Human Resource were also concluded to be important but came in second after the first pair of factors. The study thus concludes that key success factors in Tourism Industry in Kenya were marketing, technology, Service Quality, Strategic Alliance and Human Resource, as they were very important considerations while crafting strategy.

The identification of industry key success factors and firm strategies is considered important as it creates a firms competitive advantage. Sustainability of a firms competitive advantage depends on how well the industry key success factors have been applied in strategic management of a firm (Ansoff 1984). The success factors must be maintained for a significant amount of time even in the presence of the competition. Sustaining the industry key success factors needs to be at the core of strategic development. This ensures that a company is growing and making profits.

5.4 Limitations of the study

The study was faced by various limitations. First, the study focused on only private tours and travel firms. This was due to limitations in time and other resources, which required the scope to be narrow enough to be manageable. However, this limited the richness of data since the respondents in the private firms may not have information on the key success factors and strategies applied by those firms in the public sector. This may therefore provide a limitation in generalizing the findings to other firms. However, this limitation is lessened by the fact that all major firms have also interests in the public sector and were represented in the study.

Another limitation was in data collection methods applied. The researcher applied the questionnaire only as the data collection instrument. Another data collection method such as interview would have complemented the questionnaire. However, this limitation was managed by making the questionnaire as comprehensive as possible and by having open questions in the questions in the questionnaire meant to probe further.

5.5 Suggestion for further research

The study concentrated firm strategy and key success factors in the tourism industry in Kenya and as such, the study cannot be generalized across the industries because other industries have different key success factors they use to gain a sustainable competitive advantage. This is because structures, systems, cultures, processes, leadership, capabilities, resources and objectives vary across industries. This shows that there is a gap thus need to do more research in other industries in order to get a broader view of key success factors that are used to sustain competitive advantage.

5.6 Recommendations for policy

First, the study recommends that private tour firms in Kenya should have a large network coverage and not just limit themselves to Eastern Africa. This is an important factor that tourists consider before making travel decisions and therefore in order for a tour firm to attract tourists and maintain them, there is need to cover a large area. Second, the findings of this study singled out marketing as the most important key success factor for firms in crafting their strategies. Respondents stressed that advertising and promotions are paramount to a company's well being because it results to new customers, more business with existing customers and fewer lost customer. The study recommends that in order for private tour firms to stay competitive they must identify main key success factors and relate their strategies to the factors. Once this has done performance will improve in terms of operations and profits.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Horace O. Odenyo,
University of Nairobi,
P.O. Box 30197
Nairobi

Dear Sir/Madam,

RE: <u>REQUEST TO FILL QUESTIONNAIRE FOR RESEARCH PROPOSAL</u>

I am a postgraduate student in the department of Business Administration, university of Nairobi. I am carrying out a research on "***Firm strategy and key success factors in the tourism industry in Kenya.***"

You are directly involved in the subject of this study, you have been chosen as a participant. I kindly request you to respond to all items in the attached questionnaire as honestly as possible. I assure you that the information provided will be treated confidentially and will be used for the purpose of research only and will be read in the libraries in a processed form that will not have individual effect.

Thanks in advance.

Yours sincerely,

Horace O. Odenyo

APPENDIX II: QUESTIONNAIRE

The questionnaire aim is to collect information on response by companies and agencies to establish what are the key success factors in the Tourism industry and whether they have leveraged their strategy on industry key success factors. All information will be treated confidentially and used for academic only.

Part A: BACKGROUND INFORMATION

1. Name of the company ....

2. Name of the respondent...

3. Current position held..

4. Number of years in current position..

5. Please indicate your gender   Male [ ]   Female [ ]

6. Please indicate your age bracket

30 years and below [ ]   41-50 years [ ]

31-40 ears [ ]   51 years and above [ ]

PART B: COMPANY INFORMATION

7. State whether your firm is state owned, private or foreign owned

____

8. In your own words what strategy does your company pursue?

____

9. Indicate the extent to which of the following factors to you are important in attracting customers

Rating						
KSF	Not important at all 1	A little in Important 2	Moderately Important 3	Very Important 4	Extremely Important 5	Comment
Technology						
Service Quality						
Marketing						
Human resource						
Strategic						

10. To what extent have you related strategy to which of the following?

Rating						
KSF	Not important at all 1	A little in Important 2	Moderately Important 3	Very Important 4	Extremely Important 5	Comment
Technology						
Service Quality						
Marketing						
Human resource						
Strategic						

11. For those KSFs that you have related to strategy, name the factor and give a brief description of the strategy.

KSF	Description
Technology	
Service Quality	
Marketing	
Human resource	
Strategic alliance	

Thank you.

APPENDIX III: LIST OF PRIVATE TOURS FIRMS

1. Charleston Travel Limited
2. Travel Shopper
3. Visit Africa
4. Jatco Taxis
5. Gyro Travel Agency
6. Safari Camp Services
7. Sarova Whitesands
8. Hamerkip Safaris
9. Flight 540
10. Africa point
11. Nyali Beach Hotel
12. Habib Tours & Trael
13. Equatorial Travels
14. Maridadi Safaris
15. Elide Tours & Safaris
16. Chronicle Tours
17. Access the World
18. CaaAfric Travel Limited
19. Ketty Tours Travel & Safaris
20. African Tropical Safaris
21. Prime Time Safaris
22. Alliance Express Rwanda
23. Crane Travels & Tours Limited
24. Travel Network Limited
25. Premier destination Africa
26. Kairi Tours & Travel
27. Sunshade Safari Camps
28. Cruzeiro Safaris
29. Nordic Tours & Travel
30. Beige Tours & Travel