SUPPLY CHAIN MANAGEMENT PRACTICES IN FIVE

STAR HOTELS IN KENYA

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A Management Research Project Submitted In Partial Fulfillment of
the Requirements for the Award of Master of Business Administration
(MBA), School of Business, University of Nairobi

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DECLARATION

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

Signed: Eric Mogire
Date: Qs/jji.S?!!

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

Signed: 7v&.... . . . . . . . . ^jM^'i
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DEDICATION

This research project is dedicated to the Lord Almighty God for His grace and strength and my parents Mr. Mogire Robi and Mrs. Isabellah Mogire for their inspiration, love and parental care.
ACKNOWLEDGEMENT

I am greatly thankful to my supervisors, Mr. Ombati Thomas and Mr. Tom Kongere for their selfless and generous guidance, patience, support, dedication, understanding, encouragement and availability for consultations thus making this project a reality. I also want to appreciate the managers of five star hotels in Nairobi who responded to the questionnaires for taking their precious time when the hotels were quite busy.

I am also indebted to the staff of the School of Business Administration especially the various lecturers who prepared me for this study. I will not forget my fellow colleagues for their support, assistance and encouragement.
ABSTRACT

The hotel industry is one of the biggest industry in Kenya's economy. With the turbulent nature of the tourism industry, hotels face various challenges thus calling the need to improve efficiencies within the hotels and their whole supply chains. The study sought to explore the supply chain management practices preferred by the five star hotels in Kenya and the challenges they face while implementing supply chain management.

In order to satisfy the objectives of the study, a survey was conducted in all the seven five star hotels in Nairobi. The findings revealed that most five star hotels have implemented supply chain management. However, it was evident that most five star hotels have not paid much attention to formal information sharing with customers about production costs as a supply chain management practice. It was also established that the major challenges to implementing supply chain management in the hotel industry were the lack of understanding the supply chain management concept and the turbulent nature of the hotel industry.

The study therefore recommends that all five star hotels in Kenya should endeavor to fully understand the supply chain management practices to drive them to world class status to ward off competition. The government should also offer tax holidays to five star hotels to protect the industry which plays a significant role in Kenya's economy.
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<table>
<thead>
<tr>
<th>3 PL</th>
<th>Third Party Logistics</th>
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<tbody>
<tr>
<td>ERP</td>
<td>Enterprise Resource Planning</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>JIT</td>
<td>Just In Time</td>
</tr>
<tr>
<td>Ltd</td>
<td>Limited</td>
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<tr>
<td>PPC</td>
<td>Production Planning and Control</td>
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<tr>
<td>SC</td>
<td>Supply Chain</td>
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<td>see</td>
<td>Supply Chain Council</td>
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<td>SCM</td>
<td>Supply Chain Management</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>TQM</td>
<td>Total Quality Management</td>
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<td>WAP</td>
<td>Wireless Application Protocol</td>
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CHAPTER ONE: INTRODUCTION

1.1 Introduction
This chapter provides the conceptual background of the study by introducing the idea of SCM practices and challenges in the five star hotel industry in Kenya. It also gives the statement of the problem, the objectives of the study and the significance of this study.

1.2 Background of the study
Supply chain management has become a potentially valuable way of securing competitive advantage and improving organizational performance since competition is no longer between organizations, but among supply chains. Organizations have realized that it is not enough to improve efficiencies within an organization. To be competitive, their whole supply chain has to be efficient. The understanding and practicing of supply chain management has become an essential prerequisite for staying competitive in the global race and for enhancing profitably (Childhouse et al., 2003, Moberg et al., 2002, Power et al., 2001 & Tan et al., 2002).To gain a competitive advantage, an organization needs to be flexible and innovative in its operations. Lyson and Farrington (2006) perceive competitive advantage as a special edge that enables an organization to deal with market dynamics and environmental forces better than its competitors do. Supply chain management in most cases is sought to sustain competitive advantage.

Supply chain management is an issue of great concern in many industries as companies realize the importance of creating an integrated relationship with their suppliers and customers. This is a new discipline and is still evolving and as a result many definitions have emerged. For the purpose of this study, a supply chain is defined as three or more organizations directly linked by one or more of the flows of products, services, finances, and information from a source to a customer (Mentzer et al., 2005). In the context of this study, supply chain management involves managing complex flow of information, materials and money across multiple areas both within and among companies.
According to Helo and Szekely (2005), the major aim of supply chain management is to achieve goals related to total system performance rather than optimization of a single phase in a supply chain. In essence, supply chain management integrates supply and demand within and across companies. Successful firms have successfully managed their supply chains to realize the benefits of minimizing inventory by reducing uncertainty, increasing customer service and building a competitive advantage. To realize these benefits, some activities have to be undertaken in an organization to promote effective management of its supply chain. Li et al. (2006) concluded that the set of activities undertaken in an organization to promote effective management of its supply chain is what constitutes supply chain management practices.

1.2.1 The Hotel industry in Kenya

The Hotels and Restaurants Act 494 of the laws of Kenya defines a hotel as a premise on which accommodation is supplied or is available for supply with or without food or services to five or more adult persons at one time in exchange for money or money's worth.

The hotel industry in Kenya is driven by tourism. It is therefore difficult to discuss hotel industry without relating it to tourism. Matanda (2005) says that the hotel industry has gone through turbulent times in the last two decades. He further argues that the close partnership between the hotel industry and the turbulent tourism industry helps to explain the turbulent environment that the hotels operate in.

The major challenge facing tourism in Kenya is insecurity; especially that involving politically motivated tribal clashes. Over the years since 1992, the political violence has adopted a predictable cycle in each election year. The worst was 2007/2008, due to disputed presidential elections; the impacts are still being felt four years later. The 2010 referendum on the proposed constitution heightened the political temperatures in the country. In such scenarios especially in a developing country like Kenya, political disorder results to cancellation of some international bookings. The main product in the hotel industry, the room, is perishable and cancellations affect revenue margins of these
hotels. Related to the political disorder challenge is terrorism. For some reasons, Kenya has been a soft target from terrorists. Tourism is an ideal target for terrorist attacks especially due to the nature of the industry. Gold (2001, as cited by Mwaura 2003) asserts that tourism has a high profile worth billions and is under close scrutiny by the media giving it a high ransom value.

The current famine in most parts of the country has also led to skyrocketing food prices. This continues to eat into the hotel profit margins. The looming global oil crisis has caused havoc in the aviation industry resulting to a spiral effect on airfares charged to touring visitors.

According to Kenya Tourism Board, poor infrastructure, insecurity and poor marketing of tourist destinations can be seen as the major causes of underperformance in the tourism sector. The major problem faced by Kenya's marketing bid is lack of finances. For instance data from Ministry of Tourism in the 2010/2011 financial year, the tourism ministry was permitted 560 million shillings and South Africa which is its competitor was permitted 5.6 billion shillings.

1.2.2. Five star hotels in Nairobi
The Hotels and Restaurants Authority has a mandate of classifying hotels in Kenya based on set standards (See Appendix III). The last classification of hotels and restaurants in Kenya was carried out in 2002. The hotels in Kenya are rated into five classes referred to as stars; one star to five stars (See Appendix IV).

A five star rated hotel can be visualized as a luxury hotel offering exceptional accommodation and other amenities probably catering for holiday makers and vacation interested groups. For a hotel to be rated as a five star, it is expected to offer exceptional service quality. They offer service quality in terms of day and night housekeeping, information for guests and discounts on local attractions.
Hotel features for a five star hotel requires valet parking, a fitness center and a health center. The entire building is wholly detached and the locality is of high international standards. Many of these hotels also offer other services such as a casino, lounge or nightclub. Room Features must have exceptionally high quality furnishing and decorations. The staff members are expected to be the best in the market. The hotel should have a high ratio of staff to guests.

The hotels that are five star rated have recognition and expectations from guests on the standards of facilities and services. Customers are made aware of the value of services they expect from the five star rated hotels. Suppliers are also made to understand the value of products they deliver to the supply chain.

1.3 Statement of the problem
Kenya is a strategically important country in East Africa. Many international meetings and conferences are held in Nairobi. This creates a huge demand for accommodation of international standards in the five star hotels. With more companies opening their regional head offices in Nairobi, the demand for accommodation is expected to increase in the future. With the liberalization of the Kenyan market in 1990s, the hotel industry has seen many entrants and exits of many five star hotel players. This has resulted to competitive pricing and numerous market wars in the hotel industry. Political anxiety, turbulent tourism industry, unfavourable weather conditions, technological advancement and the global changes are other challenges that have negatively affected the growth of the hotel industry.

The challenges portrayed above cannot be ignored because the hotel industry plays a significant role in the economy. These roles include contribution to the local economy as foreign exchange earners, employers of labour, outlets of products from other industries and source of social amenities. To ensure sustained operational efficiency, SCM practices have to be put in place in the five star hotel industry.
Burgess et al (2006) noted that SCM has become very important but there appears to be little research that is focused on SCM practices. A number of studies had been conducted regarding the Kenyan hotel industry in general. Kamau (1997) studied strategic planning practices utilized by hotels and restaurants in Nairobi. Mwaura (2003) studied the marketing strategies in the hotel industry in Kenya in the age of terrorism and on five star hotels in Nairobi. Further research by Muya (2006) explored strategic issue management practices by classified hotels in Kenya. Muthoni (2007) went a step further to study TQM practices in the hotel industry in Kenya on 3-5 star hotels operating in Nairobi.

In Kenya, a number of studies on SCM practices had been conducted. Mwanyota (2004) on his study about SCM and ERP Systems with a focus on supermarkets tried to establish the factors hindering full integration of SCM and ERP systems. He established the major hindrances to be technology used, financial constraints, organization culture, size of the firm, infrastructure and customer and supplier resistance to change. He further assessed the contribution of SCM and ERP systems to supermarkets. He established that SCM fosters a spirit of shared ownership of problems and solutions among supply chain partners, interdepartmental co-operation and collaboration and rapidly adapting to changes in the external environment.

Orukoh (2007) study on SCM practices in Numerical Machining Complex Ltd-a manufacturing company tried to establish SCM practices and experiences in SCM. He established that the company had not institutionalized a collaborative relationship with its suppliers and suggested that effective communication, continuous improvement, competitiveness culture, quality control and review were required as good SCM practices. Mwirigi (2007) went a step further to study green supply chain management practices by manufacturing firms in Kenya. She established four green supply chain management practices namely green marketing, design for environment, reverse logistics and green marketing. The major challenges in green supply chain management practices were lack of government support, high investment costs and lack of understanding on the green supply chain management concept.
Ngari (2008) study on SCM practices at the University of Nairobi established that the university is yet to fully embrace the SCM practices. She concluded by suggesting that further study need to be done to find out challenges that impair effective implementation and use of SCM practices in the University of Nairobi. Awino (2009) in her study on SCM best practices used in the large private manufacturing sector in Kenya found out that these best practices are universal, since they compare well with other studies of SCM best practices globally.

It was evident that from the previous studies there was no known study that had looked at SCM practices adopted by five star hotels in Kenya. The study therefore sought to addresses the following questions; which SCM practices were preferred by five star hotels in Kenya? and what were the challenges that were encountered while implementing the SCM in the five star hotels in Kenya?

1.4 Objectives of the study
The research was intended to address the following objectives with regard to supply chain management practices in the five star hotels in Kenya.

i) To determine the supply chain management practices preferred by five star hotels in Kenya.

ii) To determine challenges encountered while implementing supply chain management by five star hotels in Kenya.

1.5 Significance of the study

i) To the hotel industry players, findings from this study will provide an insight into the various supply chain management practices in use that have ensured sustained competitiveness in the five star hotel industry.

ii) To the other firms dealing with the hotel industry players, findings from this study will enable them have a better understanding of the five star hotel industry and enable them make well informed business decisions.

iii) To the academicians and researchers, they may use the findings from this study as a source of reference. Besides, the study will be a basis for further research
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction
This literature reviews various studies and theories in relation to supply chain management practices employed by various organizations

2.2 Supply Chain Management
Over the past few years, more emphasis has been placed on gaining competitive advantage by organizations locally and internationally by incorporating supply chain management practices in their operations. Many organizations have realized the importance of creating an integrated relationship with their suppliers and customers. This simultaneous integration of customer requirements, internal processes and upstream supplier performance is referred to as supply chain management (Tan et al., 1999). SCM is still evolving and as a result many other definitions have emerged. Although perspective can be different, they are same in terms of the main philosophy.

A supply chain can be defined generally as three or more organizations directly linked by one or more of the flows of products, services, finances, and information from a source to a customer (Mentzer et al., 2005). In the context of this study, SCM involves managing complex flow of information, materials and money across multiple areas both within and among companies. The aim is to achieve goals related to total system performance rather than optimization of a single phase in a supply chain (Helo & Szekely, 2005). With the current business environment, organizations cannot battle entirely as individuals. They must rely on the other organizations in their supply chains to successfully compete in the global market.

As a discipline, supply chain management first appeared in the mid 1980s. According to Sherer (2005), the term SCM was coined by Keith Oliver in 1982 and has its roots in the control of fulfillment activities that support the linear physical flow of goods from suppliers to manufacturers to distributors to retailers. However, the term is now commonly used to encompass every effort involved in producing and delivering a final product or service, from supplier's supplier to the customer's customer (SCC, 2005).
Adopting supply chain management practices is a key aspect that will ensure sustained growth in the five star hotel industry. Coyle, Bardi, and Langley (1996) assert that the main objective of supply chain management is to improve a company's competitive position in the global marketplace and to sustain that position despite the competitive forces and the rapidly changing consumer needs. The growth of supply chain aims to improve profitability, customer response and ability to deliver value to the customers and also to improve the interconnection and interdependence among firms.

Supply Chain Management in the five star hotel industry can be viewed to comprise of relationships of hotels with their suppliers (backward-linkage) and tourism intermediaries (forward-linkage). Failure of one entity in the hotel supply chain will consequently affect performance of the whole hotel supply chain. For instance, hotels will be affected by the poor inputs from their suppliers. Moreover, the performance of travel intermediaries who are responsible for promoting, bringing and selling the products to customers and managing the activities of carrying the customers to the hotels will affect the performance of the five star hotels even though the products and services of the hotels are of high-quality.

2.3 Supply Chain Management Practices
SCM practices have been defined as a set of activities undertaken in an organization to promote effective management of its supply chain (Li et al., 2006). Studying SCM practices can contribute to finding a better understanding about SCM. While interest in SCM is increasing day-by-day, there is no consensus about the set of indicators that can adequately address the topic "Supply Chain Management Practices."

Various studies have been conducted to identify these different SCM practices. Koh et al. (2007) determined the underlying dimensions of SCM practices and tested empirically a framework identifying the relationship among SCM practices, operational performance and SCM-related organizational performance for SMEs in Turkey. The set of twelve SCM practices identified were: close partnerships with suppliers; close partnerships with
customers; supply chain benchmarking; JIT supply; e-procurement; few suppliers; many suppliers; strategic planning; outsourcing; subcontracting; holding safety stock and 3PL. Li et al. (2005) also attempted to develop and validate a measurement instrument for SCM practices. Their instrument had six empirically-validated and reliable dimensions which included strategic supplier partnership; customer relationship; information sharing; information quality; internal lean practice and postponement. Another study by Chin et al. (2004) examined the practices in developing and implementing SCM strategies for Hong Kong manufacturers. The five SCM practices used were: building customer-supplier relationship; employing information and communication technologies; re-engineering material flows; changing corporate culture and identifying performance measures.

Chen and Paulraj (2004) study on the development of SCM practices identified a set of four reliable and valid practices significant to SCM. These practices were: Supplier base reduction; long-term relationship; cross-functional teams and supplier involvement. Ulusoy (2003) identified four SCM practices while assessing the supply chain and innovation management in the manufacturing industries of Turkey. They are: logistics, supplier relations, customer relations and production. Similarly a study conducted by Lee and Kincade (2003) proposed six major dimensions of SCM: partnership; information technology; operational flexibility; performance measurement; management commitment and demand characterization.

Kuei et al. (2001) on the other hand used eleven supply quality-management practices to study and test manager's perception on the association between supply-chain quality-management practices and organizational performance. The eleven factors were: top-management leadership; training; product design; supplier quality management; process management; quality data reporting; employee's relations; customer's relations; benchmarking; supplier selection; and supplier participation.

Based on the highest incidences in the definition of SCM, on the discussion of SCM practices and previous research topics, Ana et al. (2011) study on measuring supply chain
management practices summarized the supply chain management practices as shown in table 2.3 below

**Table 2.3: Supply Chain Management Practices**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Practice</th>
<th>Meaning</th>
<th>Code</th>
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<tbody>
<tr>
<td>Supply chain integration</td>
<td>Customer integration</td>
<td>Integration of the products development in the downstream supply chain (customer)</td>
<td>V1</td>
</tr>
<tr>
<td></td>
<td>Supplier integration</td>
<td>Integration of the products development in the upstream supply chain (suppliers)</td>
<td>V2</td>
</tr>
<tr>
<td></td>
<td>Customer involvement in the plans</td>
<td>Involvement of the downstream supply chain in products/services/marketing plans</td>
<td>V3</td>
</tr>
<tr>
<td></td>
<td>Supplier involvement in the plans</td>
<td>Involvement of the upstream supply chain in products/services/marketing plans</td>
<td>V4</td>
</tr>
<tr>
<td></td>
<td>Supplier collaboration demand forecasting</td>
<td>Collaboration of the upstream supply chain members with demand forecasting</td>
<td>V5</td>
</tr>
<tr>
<td></td>
<td>Customer collaboration demand forecasting</td>
<td>Collaboration of the downstream supply chain members with demand forecasting</td>
<td>V6</td>
</tr>
<tr>
<td></td>
<td>Supplier collaboration stock planning</td>
<td>Collaboration of the upstream supply chain members with stock planning</td>
<td>V7</td>
</tr>
<tr>
<td></td>
<td>Customer collaboration stock planning</td>
<td>Collaboration of the downstream supply chain members with stock planning</td>
<td>V8</td>
</tr>
<tr>
<td></td>
<td>Supplier collaboration production planning</td>
<td>Collaboration of the upstream supply chain members with production planning</td>
<td>V9</td>
</tr>
<tr>
<td></td>
<td>Customer collaboration production planning</td>
<td>Collaboration of the downstream supply chain members with production planning</td>
<td>V10</td>
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</table>
management practices summarized the supply chain management practices as shown in table 2.3 below

**Table 2.3: Supply Chain Management Practices**

<table>
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<th>Construct</th>
<th>Practice</th>
<th>Meaning</th>
<th>Code</th>
</tr>
</thead>
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<td>Supply chain integration</td>
<td>Customer integration</td>
<td>Integration of the products development in the downstream supply chain (customer)</td>
<td>VI</td>
</tr>
<tr>
<td></td>
<td>Supplier integration</td>
<td>Integration of the products development in the upstream supply chain (suppliers)</td>
<td>V2</td>
</tr>
<tr>
<td></td>
<td>Customer involvement in the plans</td>
<td>Involvement of the downstream supply chain in products/services/marketing plans</td>
<td>V3</td>
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<tr>
<td></td>
<td>Supplier involvement in the plans</td>
<td>Involvement of the upstream supply chain in products/services/marketing plans</td>
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<td></td>
<td>Supplier collaboration demand forecasting</td>
<td>Collaboration of the upstream supply chain members with demand forecasting</td>
<td>V5</td>
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<tr>
<td></td>
<td>Customer collaboration demand forecasting</td>
<td>Collaboration of the downstream supply chain members with demand forecasting</td>
<td>V6</td>
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<td>Supplier collaboration stock planning</td>
<td>Collaboration of the upstream supply chain members with stock planning</td>
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<tr>
<td></td>
<td>Customer collaboration stock planning</td>
<td>Collaboration of the downstream supply chain members with stock planning</td>
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<td>Supplier collaboration production planning</td>
<td>Collaboration of the upstream supply chain members with production planning</td>
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<tr>
<td></td>
<td>Customer collaboration production planning</td>
<td>Collaboration of the downstream supply chain members with production planning</td>
<td>V10</td>
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<tr>
<td></td>
<td>Creation of multifunctional teams</td>
<td>Creation of multifunctional logistics and quality teams that include members of other teams</td>
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<tr>
<td><strong>Information sharing</strong></td>
<td>Cost information sharing customer</td>
<td>Formal information sharing about production costs with customers</td>
<td>V12</td>
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<td></td>
<td>Information sharing product launching supplier</td>
<td>Formal information sharing about new products launching with suppliers</td>
<td>V13</td>
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<td></td>
<td>Participation in customer marketing</td>
<td>Participation in the customers' marketing effort</td>
<td>V14</td>
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<tr>
<td><strong>Customer future needs</strong></td>
<td>Determine customer future needs</td>
<td></td>
<td>V15</td>
</tr>
<tr>
<td><strong>Supplier communication future strategy</strong></td>
<td>Communicate suppliers of future strategies</td>
<td></td>
<td>V16</td>
</tr>
<tr>
<td><strong>Customer service management</strong></td>
<td>Customer feedback</td>
<td>Obtain final customers feedback on services adequacy</td>
<td>V17</td>
</tr>
<tr>
<td><strong>Customer relationship</strong></td>
<td>Customer support new product decision</td>
<td>Consult customers to support decisions about new products</td>
<td>V18</td>
</tr>
<tr>
<td></td>
<td>Consult customer production programming</td>
<td>Consult customers about production programming changes</td>
<td>V19</td>
</tr>
<tr>
<td><strong>Supplier relationship</strong></td>
<td>Consult supplier production programming</td>
<td>Consult suppliers about production programming changes</td>
<td>V20</td>
</tr>
<tr>
<td></td>
<td>Supplier support product development</td>
<td>Consult customer to support new products development</td>
<td>V21</td>
</tr>
<tr>
<td><strong>Postponement</strong></td>
<td>Assembly near customer</td>
<td>Assembly products near final customer</td>
<td>V22</td>
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</table>

Source: Ana et al., (2011)

Strategic supplier partnership represents the long-term relationship between the organization and suppliers. A strategic partnership emphasizes direct, long-term association and encourages mutual planning and problem solving efforts (Gunasekaran et al., 2001). Strategic supplier partnership enables companies to work more effectively
with a few important suppliers who are willing to share responsibility for the success of
the product. Effective supplier partnership can be a critical component of a leading edge
supply chain (Noble, 1997). Eventually effective supplier partnership will help an
organization to focus on utilizing their suppliers' processes, technology and capability to
enhance competitive advantage. Increasing competitive pressure and the rapid pace of
technological change are motivating companies to focus on partnership with suppliers as
a means of distributing risks and enhancing business processes, through the development
of joint skills and shared inter-organizational routines (Anderson & Christensen, 2000;
Trent & Monczka, 1999).

Customer relationship comprises the entire array of practices that are employed for the
purpose of managing customer complains, building long-term relationships with
customers and improving customer satisfaction (Tan et al., 1998; Claycomb et al., 1999;
Li et al., 2006). The good relationship with customers is required to ensure effective
supply chain management. Close customer relationship allows an organization to
differentiate its products from the competitors and sustain customer loyalty.

Information sharing refers to the extent to which critical and proprietary information is
communicated to one's supply chain partner (Monczka et al., 1998; Li et al., 2006).
Information sharing has two aspects: quantity and quality and both of aspects are
important for SCM practice (Morberg et al., 2002, Li et al., 2006). While information
sharing is important, the significance of its impact on SCM depends on what information
is shared, when and how it is shared and with whom (Holmberg, 2000). Companies need
to view their information as a strategic asset and ensure that it flows with minimum delay
and distortion (Li et al., 2006).

Quality of information sharing includes such aspects as the accuracy, timeliness,
adequacy and credibility of information exchanged (Li et al., 2006; Moberg, 2002). A lot
of companies emphasize quality as a means to stay competitive in the marketplace over
the long run. They have a reputation of high quality as representing future market share
for new customers and maintaining market share for existing customers over their
lifetime. Furthermore, improving quality can provide long-term financial savings (Franca et al., 2010). Information sharing is necessary to reduce uncertainty and lower inventory levels. The overall goal of an information technology (IT) system is to improve a company's communication capability.

Postponement is the delayed differentiation of products on the supply chain. It allows an organization to be flexible in developing different versions of the products in order to meet changing customer needs, and to differentiate a product or to modify a demand. Postponement needs to match the type of products, market demands of a company and structure or constraints within the manufacturing and logistics system (Pagh and Cooper, 1998). To achieve this, supply chain partnership among companies and the coordination of the partners is very important.

2.4 Supply Chain Management Practices adopted by hotels

Suppliers of raw materials, components, and services (such as expertise and especially skilled labour) to the luxury accommodation industry can be a source of power over the business. The luxury accommodation industry is highly dependent on its suppliers as quality needs to be assured (Kiessling, Balekjian & Oehmichen, 2009). Contracted suppliers must deliver both fast and high standard inputs. Intercontinental hotel group in the United States recognises the significant role it plays in the local economic development. Goods and services are sourced locally in order to support local suppliers. The intercontinental hotel also understands the need to promote responsible business practices by those same suppliers.

According to the CBRE research special report of 2009 most five star hotels in China operate under pure management business model. With this model, hotel operators usually act as agents running the hotel business for the property owners who are mostly domestic developers. The hotel owners pay management fees to hotel operators based on profits and revenues, and other pre-agreed expenses like marketing and royalty fees. International brands in China which run most of the five star hotels maintain a competitive edge over most domestic operators in terms of their global networks,
marketing and reservations systems. For instance by integrating internet, call centre, sms and WAP with the hotel's central management system, 7 Days Inn has lowered its commissions paid to intermediaries and 55% of its transactions are done though the e-commerce platform. 7 Days Inn has also formed a trans-regional alliance of small and medium domestic branded budget hotels which offers support for network system platforms, member systems and hotel guidance management. Technology has been a key driver of growth for the hospitality sector. New technologies for jobs like real-time inventory access, seamless exchange of operational information and collation of key performance data, have transformed the hotel and restaurant business. And the biggest positive from this process has been the enhanced customer experience, leading to higher loyalty. Thus, technology has increased profits for restaurants and hotels, and also helped in reining in costs on a long-term basis by reducing manpower and improving the quality of service.

Hotels are responding with amenities that are generally better in quality and often offer guests more than they might expect at a particular price level. The experience provided by Buij Al Arab is claimed to be so unique. Saigeetha et al. (2010) asserts that the personalized customer service at Buij Al Arab seven star hotel in Dubai has redefined luxury in hospitality.

2.5 Benefits of Supply Chain Management
SCM helps an organization to create and sustain a competitive advantage. The intense global competition of the 1980s forced world-class organizations to offer low cost, high quality and reliable products with greater design flexibility (Tan et al., 2001). SCM has continued to be adopted by organizations as a medium for creating and sustaining a competitive advantage (Ireland & Webb, 2007). Christopher (1992) says the central objective of effective SCM is to create a major source of competitive advantage for the organization to differentiate itself in the eyes of its customers from its competitors by operating at lower cost.
Many organizations implement SCM with the aim of improving customer service through increased frequency of reliable product deliveries. SCM is a strategic management tool used to enhance overall customer satisfaction that is intended to improve a firm's competitiveness and flexibility (Giunipero & Brand, 1996). Fisher (1997) says that SCM focuses on the organization's total capabilities towards satisfying its customers better than its competitors. Companies that can effectively manage and share information within the supply chain have a significant customer service tool. Information is key to a company's ability to provide excellent service. An open communication channel between buyers and suppliers is necessary to receive feedback on customer service. Information must be accessible and usable by the entire supply chain to ensure proper customer service levels.

SCM helps in efficient management of inventory. The current business trend is to reduce or eliminate inventory wherever possible, but it is important to understand the balance between customer service and inventory. SCM strives to minimize the uncertainty involved in business transactions among firms in the supply chain which leads to building safety stock inventory (Coyle, Bardi & Langley, 1996). Reducing uncertainty can lower inventory levels held within the supply chain by reducing the number of suppliers a firm deals with and enhancing the relationships with the remaining firms. Sharing information about anticipated demand, orders, and production schedules reduces uncertainty and can lead to lower safety stock inventory (Coyle, Bardi & Langley, 1996). Information sharing helps to reduce uncertainty and leads to lower inventory levels. It is not necessary that all channel members have access to the same information, but only the information which is needed for them to better manage their supply chain linkages (Cooper & Ellram, 1993).

SCM is an incentive to establish partnerships among parties in the chain and implies that most or all members of the channel coordinate their efforts (Giunipero & Brand, 1996; Cooper & Ellram, 1993). The shift to close partnerships has resulted in more long-term agreements and thus an overall reduction of suppliers used by a company. Developing partnerships is a current trend in maintaining a competitive advantage. Involvement from
all supply chain participants allows for better products to be marketed because everyone has input.

The fundamental idea behind SCM is the management of information. It encourages organizations to adopt current information, process and product technologies in enhancing the organization's performance. This ensures the organization is not rendered technologically obsolete in its business operations (Krajewski & Ritzman, 1999). This will give an organization a competitive edge over its competitors in the market since information is an important asset.

2.6 Challenges in Supply Chain Management

Despite the increasing popularity of SCM, most organizations have not fully implemented it to exploit the benefits. Most challenging aspect of SCM is the lack of understanding of the supply chain management concept. However, supply chain management is a long, complex and dynamic process. Its successful implementation needs to be associated with a thorough understanding of the concept itself (Whiple & Frankel, 2000; Savage, 1990; Neely, 1998). It requires new organizational arrangements and culture (Neely, 1998) which in most cases requires high investment in resources and more time to develop. This emphasizes the need of co-ordination and development of more effective and long term relationships amongst supply chain partners.

The success of any supply chain is associated with a new culture based on shared learning, greater transparency and trust. With the increasing fierce competition and reliance on outsourcing, SCM faces a challenge of how to sustain and continuously improve co-ordination and integration of all supply chain members. Information can be more readily shared and knowledge disseminated throughout the organizations in the chain (Mowery, 1998). This has led to increasing adoption of partnerships and inter-organizational alliances to exploit mutual benefits of sharing information, resources and other key assets. However, its implementation is closely dependent on the ability to create, manage and reshape relationships amongst the supply chain members.
The holistic approach is associated with the effective management of interfaces between all organizations involved (Von Hippie, 1996) and the integration of both upstream and downstream processes (Harland et al., 1999; Christopher & Juttne, 2000). SCM has shifted from internal structure of organizations to external linkages and processes which is dependent on interaction between the organization and its environment. The increasing interest of organizations to compete globally has led to need for organizations to ascribe to international standards to have a competitive advantage.

In conclusion, the need for supply chain management is quite evident but very few researches have been recorded for the Kenyan situation. Supply chain management as a discipline is taught as a supplementary subject by most universities in Kenya which clearly indicates the lack of professionals in the industry.

### 2.7 SCM Practices Research Framework

Because the concept of SCM is still in development, there are several theoretical frameworks and research methodologies need to be developed in the study of SCM (Tage, 1999). Based on Li et al. (2005) and other previous studies, Ana et al. (2011) came up with a SCM practices research framework which has four principal SCM components (factors) as shown in table 2 below.

#### Table 2.7: SCM practices principal components

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labels</td>
<td>SC integration for PPC support</td>
<td>Information sharing about products and targeting strategies</td>
<td>Strategic relationship with customer and supplier</td>
<td>Support customer order</td>
</tr>
<tr>
<td>Constructs</td>
<td>Supplier collaboration stock planning (V7)</td>
<td>Consult customer production planning (V19)</td>
<td>Supplier involvement plans (V4)</td>
<td>Assembly near customer (V22)</td>
</tr>
<tr>
<td></td>
<td>Supplier collaboration production planning (V9)</td>
<td>Consult supplier production planning (V20)</td>
<td>Customer involvement plans (V3)</td>
<td>Cost information sharing customer (V12)</td>
</tr>
<tr>
<td>Customer collaboration stock planning (V8)</td>
<td>Decision support new customer product (V18)</td>
<td>Customer marketing participation (V14)</td>
<td>Multifunctional team creation (V11)</td>
<td></td>
</tr>
<tr>
<td>Customer collaboration production planning (V10)</td>
<td>Customer feedback (V17)</td>
<td>Customer future needs (V15)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer collaboration demand forecast (V6)</td>
<td>Supplier support product development (V21)</td>
<td>Supplier integration (V2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier collaboration demand forecast (V5)</td>
<td>Supplier communication future strategy (V16)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer integration (V1)</td>
<td>Information sharing product launching supplier (V13)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ana et al., (2011)

The four principal components are based on the highest incidences in the definition of SCM, on the discussion of SCM practices and current research topics (integration, relationship, information exchange, matching of supply and demand). The four principal components combine various SCM practices. Component one (Supply chain integration for production planning and control) combines supply chain practices related to supply chain integration. They support the production planning and control support (PPC). Component two (Information sharing about products and targeting strategies) combines supply chain practices related to information sharing, customer service management, customer relationship and supplier relationship. On the other hand, component three (strategic relationship with customer and supplier) comprises of supply chain practices related to supply chain integration and information sharing. Component four (support customer order) consists supply chain practices on postponement, information sharing and supply chain integration.
Based on theory on SCM practices in the hotel industry, Ana et al. (2011) research framework adequately covers the SCM practices in the hotel industry. Therefore this SCM practices research framework will be adopted to determine the extent to which SCM practices have been adopted in the five star hotels in Kenya.

*Figure 1 SCM practices framework*

Source: Ana et al., (2011)
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter describes the research design, the population and how the data is to be collected and analyzed.

3.2 Research Design
This study adopted a survey design. This research design was considered appropriate as it deals with many members in the population spread all over the country where it is not possible to study all of them and hence calling for sampling in order to come up with generalizations about the whole population. In addition, survey design has less bias compared to other designs like in-depth case study (Gilbert, 2005).

3.3 Population
The population of the study was five star hotels in Kenya. According to Kenya Gazette Supplement No. 9, February 16, 2003, there are nine five star hotels in Kenya which are further categorized into town or vocational hotels. (See Appendix V)

3.4 Sample
The sample of the study was five star hotels in Nairobi. According to Kenya Gazette Supplement No. 9, February 16, 2003, there are seven five star hotels in Nairobi. (See Appendix V). The choice for Nairobi is made because these five star hotels constitute the hub of the five star hotel industry in Kenya.

3.5 Data Collection
In order to determine the SCM practices in the five star hotel industry and the challenges encountered while implementing these supply chain management practices, semi-structured questionnaires were used to collect primary data. These questionnaires had both open-ended questions that aimed to elicit qualitative responses from the respondents and close ended questions that aimed to elicit quantitative data for statistical analysis.
The questionnaire had three sections: section one targeted general information of the participant and the organization. Section two sought to identify the SCM practices adopted in the five star hotels in Kenya while the third section addressed the challenges encountered while implementing supply chain management. The respondents to the questionnaire were managers drawn from supply chain department, procurement department, operations/front office department and sales/marketing department at the five star hotels in Nairobi. This made it easier to get adequate and accurate information necessary for the study.

3.6 Data Analysis

Data analysis was done by checking the questionnaires for correct completion and entries checked for consistency and accuracy. Then it was arranged to simplify coding and tabulation. To determine the SCM practices adopted by the five star hotels in Kenya and the challenges encountered while implementing supply chain management, descriptive statistics was used by way of percentages, proportions and frequency distributions to analyze the data. This informed the researcher as to the perceived importance of the identifiable SCM practices and challenges across the respondents.
4.1 Introduction

This chapter covers data analysis, discussions and findings of the research. The data was summarized by means of statistical averages (including rankings) and presented in the form of tables and charts. Out of 28 questionnaires distributed, 22 were completed and returned representing a response rate of 78.57%, which was considered satisfactory for subsequent analysis.

4.1.1 Nature of Ownership

The respondents were asked to indicate the nature of ownership of their hotels. From the research findings, it was established that 72.73% of the five star hotels in Kenya are owned by foreigners while 27.27% of them is owned by both locals and foreigners. There is no five star hotel owned by locals in Kenya as shown in chart 4.1.1 below. This suggests that the five star hotel industry in Kenya is dominated by foreigners who run international chain hotels.

Chart 4.1.1 Nature of Ownership

Source: Research data (2011)
4.1.2 Number of employees

The researcher wanted to establish the number of employees that work in each of the five star hotels. From the research findings, it was established that 59.09% of the five star hotels in Kenya have between 151 to 200 employees followed by 31.52 % of the five star hotels which have more than 200 employees. None of the five star hotels in Kenya have less than 100 employees as shown in chart 4.1.2 below. This shows that five star hotels have heavily invested in human resources and the number of employees is more than visitors in any given time.

Chart 4.1.2: Number of employees

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>101-150</td>
<td>9.09%</td>
</tr>
<tr>
<td>151-200</td>
<td>31.82%</td>
</tr>
<tr>
<td>Above 200</td>
<td>59.09%</td>
</tr>
</tbody>
</table>

Source: Research data (2011)

4.1.3 Existence of Supply Chain Department

The researcher also wanted to establish whether there exists a supply chain department in the five star hotels. From the research findings, it was established that 72.73 % of the five star hotels in Kenya have supply chain management departments while 27.27 % of them do not have a supply chain management department within their organization structure as shown in chart 4.1.3 below. This shows that most five star hotels have realized the benefits of supply chain in an organization.
4.1.4 **Duration of existence of Supply Chain Department**

Respondents were asked to indicate the duration by which their supply chain departments have been operational. From the research findings, it was established that 54.55% of the five star hotels in Kenya have had their supply chain management departments for 6-10 years while 36.36% of them have had their supply chain management department for more than 10 years. None of the five star hotels have a supply chain department operating for less than one year as shown in chart 4.1.4 below. This suggests that five star hotels have adopted supply chain management into their operations for a long period.

**Chart 4.1.4 Duration of existence of Supply Chain Department**

Source: Research data (2011)
4.2.1: Supply chain management practices that support supply chain integration for product planning and control.

The researcher wanted to know the supply chain management practices that five star hotels have adopted to ensure supply chain integration for product planning and control. From the research findings, it was established that 95.5% of the five star hotels have collaborated with both suppliers and customers during stock planning. 86.4% have collaborated with suppliers during production planning while 81.8% have collaborated with customers during demand forecasting. However, it is only 59.1% of the five star hotels that have collaborated with suppliers during demand forecasting as shown in Table 4.2.1 below. This means that five star hotels emphasize on stock planning with both suppliers and customers to ensure efficient inventory management. The current business trend is to reduce or eliminate inventory wherever possible. SCM helps to reduce uncertainty in the supply chain thus avoiding the bull whip effect in a given supply chain.

<table>
<thead>
<tr>
<th>SCM Practice</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaboration with suppliers during stock planning.</td>
<td>21</td>
<td>95.5</td>
</tr>
<tr>
<td>Collaboration with customers during stock planning</td>
<td>21</td>
<td>95.5</td>
</tr>
<tr>
<td>Collaboration with suppliers during production planning.</td>
<td>19</td>
<td>86.4</td>
</tr>
<tr>
<td>Collaboration with customers during demand forecasting</td>
<td>18</td>
<td>81.8</td>
</tr>
<tr>
<td>Integration with customers during products development</td>
<td>17</td>
<td>77.3</td>
</tr>
<tr>
<td>Collaboration with customers during production planning</td>
<td>14</td>
<td>63.0</td>
</tr>
<tr>
<td>Collaboration with suppliers during demand forecasting</td>
<td>13</td>
<td>59.1</td>
</tr>
</tbody>
</table>

Source: Research data (2011)
4.2.2: Supply chain management practices that support information sharing about products and targeting strategies

Respondents were asked to select supply chain management practices that have been adopted in their hotels to support information sharing about products and targeting strategies. From the research findings it was established that 100% of the five star hotels in Kenya obtain final customer feedback on services adequacy. 95.5% of the five star hotels consult customers on decisions about new products and communicate with suppliers on future strategies. However, only 72.7% of the five star hotels in Kenya that consult customer during new product development as shown in table 4.2.2 below. This means that information is key to any company to provide excellent service. Information should be easily accessed by all members in the supply chain to ensure excellent customer service levels.

Table 4.2.2: Supply chain management practices that support information sharing about products and targeting strategies

<table>
<thead>
<tr>
<th>SCM Practice</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtain final customer feedback on services adequacy</td>
<td>22</td>
<td>100</td>
</tr>
<tr>
<td>Consult customers on decisions about new products</td>
<td>21</td>
<td>95.5</td>
</tr>
<tr>
<td>Communicate with suppliers on future strategies</td>
<td>21</td>
<td>95.5</td>
</tr>
<tr>
<td>Consult customers about production programming changes</td>
<td>19</td>
<td>86.4</td>
</tr>
<tr>
<td>Formal information sharing with suppliers on new products launching</td>
<td>18</td>
<td>81.8</td>
</tr>
<tr>
<td>Consult suppliers about production programming changes</td>
<td>18</td>
<td>81.8</td>
</tr>
<tr>
<td>Consult customer during new products development</td>
<td>16</td>
<td>72.7</td>
</tr>
</tbody>
</table>

Source: Research data (2011)
4.2.3: Supply chain management practices that support strategic relationship with customers and suppliers.

The researcher wanted to know the supply chain management practices that five star hotels have adopted to ensure strategic relationship with customers and suppliers. From the research findings it was established that 100 % of five star hotels in Kenya involve customers in products/services/marketing plans and they also determine future customer needs. However, only 63.6 % involve suppliers in products/services/marketing plans as shown in table 4.2.3 below. This suggests that five star hotels in Kenya have established long-term partnerships among parties in the supply chain. Developing long term partnerships is a current trend in maintaining a competitive advantage.

Table 4.2.3: Supply chain management practices that support strategic relationship with customers and suppliers

<table>
<thead>
<tr>
<th>SCM Practice</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel determines customer future needs</td>
<td>22</td>
<td>100</td>
</tr>
<tr>
<td>Involving customers in services/marketing plans</td>
<td>22</td>
<td>100</td>
</tr>
<tr>
<td>Hotel participates in the customers' marketing effort</td>
<td>21</td>
<td>95.5</td>
</tr>
<tr>
<td>Integration with suppliers during product development</td>
<td>18</td>
<td>81.8</td>
</tr>
<tr>
<td>Involving suppliers in services/marketing plans</td>
<td>14</td>
<td>63.6</td>
</tr>
</tbody>
</table>

Source: Research data (2011)

4.2.4: Supply chain management practices that support customer order

Respondents were asked to select supply chain management practices that have been adopted in their hotels to support customer order. From the research findings it was established that 81.8 % of the five star hotels in Kenya created multifunctional logistics and quality teams that include members of other departments while 72.7 % of them assemble products near the customer. However, 45.5 % of the five star hotels in Kenya formally share production cost information with their customers as shown in table 4.2.4 below. This means that five star hotels have realized the holistic approach associated with effective management of interfaces in an organization to satisfy the customer needs.
Table 4.2.4: Supply chain management practices that support customer order

<table>
<thead>
<tr>
<th>SCM Practice</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Created multifunctional logistics and quality teams that include members of other teams/departments</td>
<td>18</td>
<td>81.8</td>
</tr>
<tr>
<td>Assemble products near final customer</td>
<td>16</td>
<td>72.7</td>
</tr>
<tr>
<td>Formal information sharing with customers about production costs</td>
<td>10</td>
<td>45.5</td>
</tr>
</tbody>
</table>

Source: Research data (2011)

43.2: Other supply chain management practices

Respondents were also asked to list any other supply chain management practices in five star hotels in Kenya that were not included in the questionnaire. From the research findings it was established that they include measuring performance of suppliers, outsourcing non core activities, benchmarking other hotels supply chains and supplier quality management. This implies that the list of supply chain management practices cannot be comprehensively covered.

43.1: Challenges facing supply chain management implementation

Respondents were asked to select challenges facing supply chain management implementation in five star hotels in Kenya. From the research findings it was established that 90.9 % of the five star hotels in Kenya lacked understanding of the supply chain management concept. 86.4 % of the five star hotels believed that the turbulent nature of the hotel industry and the current organization arrangement structure and culture limited implementation of supply chain management in five star hotels in Kenya. However, only 36.4 % of the five star hotels believe the government has not supported implementation of supply chain management as shown in table 4.3.1 below. This means that effective supply chain management has been hindered by lack of understanding the supply chain management concept. Supply chain management awareness should be conducted to ensure that supply chain management is fully accepted in the hotel industry.
Table 43.1: Challenges facing supply chain management implementation

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of understanding the supply chain management concept</td>
<td>20</td>
<td>90.9</td>
</tr>
<tr>
<td>Turbulent nature of the hotel industry</td>
<td>19</td>
<td>86.4</td>
</tr>
<tr>
<td>Current organizational arrangement structure and culture</td>
<td>19</td>
<td>86.4</td>
</tr>
<tr>
<td>Increasing fierce competition within the hotel industry</td>
<td>17</td>
<td>77.3</td>
</tr>
<tr>
<td>High investment costs in terms of technology</td>
<td>15</td>
<td>68.2</td>
</tr>
<tr>
<td>Lack of qualified supply chain management personnel</td>
<td>12</td>
<td>54.5</td>
</tr>
<tr>
<td>Lack of management support</td>
<td>11</td>
<td>50.0</td>
</tr>
<tr>
<td>Lack of government support</td>
<td>8</td>
<td>36.4</td>
</tr>
</tbody>
</table>

Source: Research data (2011)

43.2: Other Challenges facing supply chain management implementation

Respondents were also asked to list any other challenges facing supply chain management implementation in five star hotels in Kenya but have not been stated in the questionnaire. From the research findings it was established that they include fear of losing vital information to competitors and ever changing technology.

4.4 Discussions

To ensure there was a strategic relationship with customers and suppliers, five star hotels involved customers in their marketing plans and they usually determined future customer needs. Gunasekaran et al. (2001) asserts that strategic partnership emphasizes direct, long-term association and encourages mutual planning and problem solving efforts. The close relationship with customers allows five star hotels to differentiate their products from the competitors and hence sustain customer loyalty.

Customer feedback was adopted by all five star hotels to support information sharing. However, very few five star hotels had adopted formal measures to share information with customers about production costs. Holmberg (2000) agrees with the research findings as he asserts that information sharing is important but the significance of its impact on SCM depends on what information is shared, when and how it is shared and
with whom. Not all information should be shared. Five star hotels in Kenya have not fully implemented SCM due to the fear of losing vital information to competitors.

The study established that collaboration with suppliers and customers during stock planning were the major supply chain practices that were adopted by five star hotels to support supply chain integration. This is in agreement with Von Hippie (1996) as he asserts that this holistic approach is associated with the effective management of interfaces between all organizations involved. This helps in efficient management of inventory.

The study also established that the major challenge facing supply chain management adoption in five star hotels was lack of understanding the SCM concept. Successful implementation of SCM needs to be associated with a thorough understanding of the concept itself (Whiple & Frankel, 2000; Savage, 1990; Neely, 1998). The current nature of the hotel industry and current organizational arrangement structure and culture were also seen as obstacles to effective supply chain management in the hotel industry. Neely (1998) agrees that new organizational arrangements and culture need to be established to ensure effective supply chain management.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary
This study has determined the supply chain management practices preferred by five star hotels in Kenya and the challenges they face while implementing supply chain management.

The first objective of the study to ascertain the supply chain management practices preferred by five star hotels in Kenya has been compounded by the fact that most of the five star hotels have established supply chain management departments. It was found that most of the five star hotel supply chain departments have been in operation for over six years. Even though some five star hotels have not established supply chain departments, they have established procurement departments that perform the same duties of supply chain departments.

The study noted that five star hotels have collaborated with suppliers and customers during stock planning in order to support supply chain integration for product planning and control. To ensure successful information sharing about products and targeting strategies, all five star hotels in Kenya obtain final customer feedback on services adequacy. The five star hotels have also ensured there is wide customer consultation on decisions about new products and future strategies are communicated to suppliers.

Strategic relationships with suppliers and customers have been achieved by all five star hotels in Kenya through determination of future customer needs and by involving customers in services/marketing plans. It is necessary to create multifunctional logistics and quality teams that include other departments to support customer order. However some five star hotels have not implemented formal information sharing with customers about production costs.
The second objective of the study is backed by findings which revealed that there were challenges faced while implementing supply chain management as a result of lack of understanding the supply chain management concept. The turbulent nature of the hotel industry and the current organization arrangement structure and culture were found to have same hindrance to supply chain management adoption in five star hotels. A few hotels had been hindered by lack of government support to supply chain management adoption.

5.2 Conclusions

Even though most five star hotels in Kenya have adopted supply chain management practices to a very large extent, they have not fully embraced them in the operations of the hotels. This is evident from the way respondents replied to questions and the analysis arising thereof. This study has shown that even though there is high adoption of supply chain management practices in the five star hotel industry, most of them are concentrated on the upstream part of the supply chain.

Five star hotels should endeavor to fully embrace the supply chain management practices and use them in driving them to world class status to ward off any competition from neighbouring countries.

5.3 Recommendations

This study recommends that the supply chain concept should be addressed with great concern in the five star hotels in Kenya. The management of five star hotels in Kenya believes lack of understanding the supply chain management concept has derailed adoption of supply chain in the five star hotel industry in Kenya.

Supply chain management practice has a place in the Kenyan five star hotel industry if awareness is created. This calls for the need to address all the challenges that hinder implementation of supply chain management. The government should provide financial incentives to hotels and tax breaks to stimulate adoption of supply chain management during turbulent tourism periods. The players also need to invest more with the latest
technology innovations in supply chain management. To support customer order, formal information sharing mechanisms should be implemented to ensure the hotel supply chains works effectively.

5.4 Limitations of the study
This study was successfully undertaken but not without a few limitations. One such limitation was that some of the respondents declined to respond to the questionnaires. The time period covered by the study and the resources available to the researcher were also limited.

5.5 Suggestions for further research
This study was confined to the supply chain management practices in five star hotels in Kenya. It would be of interest for future researchers to establish how the supply chain management practices have been used to ensure competitiveness in the hotel industry. Similar surveys to this can be replicated in a few years to come to assess if these supply chain management practices have changed as more hotels attain the five star statuses.
REFERENCES


TO WHOM IT MAY CONCERN

The bearer of this letter...

Registration No.____

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/to coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

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

Section A: General Information

1. Name of hotel (Optional)

2. Indicate the nature of ownership of your hotel
   i) Locally owned ( )
   ii) Owned by foreigners ( )
   iii) Owned by both locals and foreigners ( )

3. Indicate the best representation of your hotel size in terms of employees
   i) Below 50 ( )
   ii) 51-100 ( )
   iii) 101-150 ( )
   iv) 151-200 ( )
   v) Above 200 ( )

Section B: Supply Chain Management Practices

1. a) Do you have a supply chain department in your hotel?
   i) Yes ( )
   ii) No ( )

   b) If yes, for how long has the department been in operation?
      i) Less than 1 year ( )
      ii) 1-5 years ( )
      iii) 6-10 years ( )
      iv) More than 10 years ( )
2. a) Tick the supply chain management practices that your hotel has implemented to support supply chain integration for product planning and control

<table>
<thead>
<tr>
<th>i) Collaboration with suppliers during stock planning.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ii) Collaboration with suppliers during production planning.</td>
</tr>
<tr>
<td>iii) Collaboration with customers during stock planning</td>
</tr>
<tr>
<td>iv) Collaboration with customers during production planning</td>
</tr>
<tr>
<td>v) Collaboration with customers during demand forecasting</td>
</tr>
<tr>
<td>vi) Collaboration with suppliers during demand forecasting</td>
</tr>
<tr>
<td>vii) Integration with customers during products development</td>
</tr>
</tbody>
</table>

b) Tick the supply chain management practices that your hotel has implemented to support information sharing about products and targeting strategies

<table>
<thead>
<tr>
<th>i) Consult customers about production programming changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>ii) Consult suppliers about production programming changes</td>
</tr>
<tr>
<td>iii) Obtain final customer feedback on services adequacy</td>
</tr>
<tr>
<td>iv) Consult customers on decisions about new products</td>
</tr>
<tr>
<td>v) Consult customer during new products development</td>
</tr>
<tr>
<td>vi) Communicate with suppliers on future strategies</td>
</tr>
<tr>
<td>vii) Formal information sharing with suppliers on new products launching</td>
</tr>
</tbody>
</table>

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c) Tick the supply chain management practices that your hotel has implemented to support strategic relationship with customers and suppliers

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Integration with suppliers during product development</td>
<td></td>
</tr>
<tr>
<td>ii) Involving customers in services/marketing plans</td>
<td></td>
</tr>
<tr>
<td>iii) Involving suppliers in services/marketing plans</td>
<td></td>
</tr>
<tr>
<td>iv) Hotel participates in the customers' marketing effort</td>
<td></td>
</tr>
<tr>
<td>v) Hotel determines customer future needs</td>
<td></td>
</tr>
</tbody>
</table>

d) Tick the supply chain management practices that your hotel has implemented to support customer order

i) Created multifunctional logistics and quality teams that include members of other departments

ii) Formal information sharing with customers about production costs

iii) Assemble products near final customer

e) Give any other supply chain management practices implemented in your hotel but have not been included in the above practices
Section C: Challenges facing supply chain management implementation

1. a) Tick the factors that have hindered implementation of supply chain management in your hotel

i) Lack of management support
ii) Lack of understanding the supply chain management concept
iii) Lack of government support
iv) High investment costs in terms of technology
v) Lack of qualified supply chain management personnel
vi) Increasing fierce competition within the hotel industry
vii) Turbulent nature of the hotel industry
viii) Current organizational arrangement structure and culture

b) Give any other challenges that hinder implementation of supply chain management in your hotel
Appendix III: Essential items for hotel classification

Menu

> Service staff
> Bar staff
> Wash hand basin
> Fume extraction
> Waste disposal
> Drainage
> Kitchen staff
> Change of linen
> Safe deposit
> Front office staff
> Refuse disposal
> Sewage treatment and disposal
> Vermin Proofing
> Water supply
> Electrical safety
> First aid
> Safety of swimmers
> Qualification of management staff
> Qualification of operative staff
> Medical examination
> Hotel insurance

Source: Government of Kenya, Ministry of Tourism, Kenya Gazette Supplement No. 9, (Legislative Supplement 9), February 16, 2003
## Appendix IV

### Hotel classification system

<table>
<thead>
<tr>
<th>Star(s)</th>
<th>Description of Facilities</th>
</tr>
</thead>
</table>
| *       | - Hotels with basic facilities and services meeting the quality standards  
          - In harmony and conformity with locality  
          - Separate and independent access for the hotel guests and delivery  
          - Reception staff in uniform and presentable  
          - At least ten lettable rooms  
          - 100 percent private bath rooms  
          - At least one restaurant that is well furnished and lit  
          - One meeting room not less than 40sqm  
          - Glass washing and drying machine shall be available  
          - Enough water storage capacity to last at least one day incase of supply breakdown  
          - Safe drinking water, portable and shall meet WHO standards  
          - Lifts shall be provided for buildings of four or more storeys including ground floor |
| **      | **Same as one star but should be;**  
          - With more comfortable facilities, offering some services and amenities  
          - Some claim to style and beauty  
          - Good quality and harmony of colours  
          - Enough water storage capacity to last at least three days incase of supply breakdown |
| ***     | **Same as two star but should be;**  
          - With excellent facilities and offer a wider array of services and amenities  
          - All rooms to be approached through a corridor except for cottages  
          - Good quality uniforms  
          - Restaurant should have a coffee shop or snack bar in addition |
| Provision of smoking and non smoking areas  |
| Safe deposit available though not necessary in the rooms  |
| Enough water storage capacity to last at least five days incase of supply break down  |

**Same as three star but should be;**

- Hotels with superior facilities, offering a wide range of services and amenities
- Mosquito nets available
- High quality furniture fittings
- Safe and portable drinking water that meets WHO standards
- Lifts should be provided for buildings of more than four storeys including ground floor

**Same as four star but should be;**

- Hotels with exceptional facilities, offering a full range of services and amenities
- Locality and environment of high international standards
- Building wholly detached
- Exceptionally high quality of furnishings
- Enough water storage capacity to last at least one week incase of supply break down
- Lifts should be provided for buildings of more than four storeys including ground floor and a service lift provided

**Source:** Government of Kenya, Ministry of Tourism, Kenya Gazette Supplement No. 9, (Legislative Supplement 9), February 16, 2003

**Where:**

- One star hotel
- Two star hotel
- Three star hotel
- Four star hotel
- Five star hotel
Appendix V: Five Star Hotels in Nairobi (Town Hotels)

1. Hotel Intercontinental
2. Laico Regency Hotel (Grand Regency Hotel)
3. Hilton Hotel
4. Fairmont Norfolk Hotel
5. Nairobi Serena
6. The Stanley
7. Safari Park Hotel

Other five star hotels outside Nairobi (Vacational Hotels)

1. Hemingways Resort-Watamu
2. The Whitesands Hotel-Mombasa

Source: Government of Kenya, Ministry of Tourism, Kenya Gazette Supplement No. 9, (Legislative Supplement 9), February 16, 2003