

**PERFORMANCE MANAGEMENT AND COMPETITIVENESS OF  
FOUR AND FIVE STAR HOTELS IN NAIROBI-KENYA**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT  
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## **DECLARATION**

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

Signed \_\_\_\_\_

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This strategic management research project has been submitted for examination with my approval as the candidate's University Supervisor.

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## **DEDICATION**

This project is dedicated to my best friend Jeremiah Shiraku, my brother Alex Makori and my friends Michael Mwangi, Michael Wanjihia and Linda Kanana without whom my academic potential will not have been realized. Their support in monetary terms, time and advice during the preparation of this project was the gem that saw me through.

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## **ABBREVIATIONS AND ACRONYMS**

**KPI's**

Key Performance Indicators

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## **ABSTRACT**

This study was based on performance management and competitiveness of four and five star hotels in Nairobi. The study was guided by the knowledge based view, the resource based view and dynamic capabilities theory. The objectives of the study were to determine the extent to which four and five star hotels in Nairobi practice performance management and to establish the influence of performance management on competitiveness of four and five star hotels in Nairobi. The study employed a survey design to conduct the research. Structured questionnaires were used as the data collection instrument. Respondents in this study were heads of department, director/ leadership team members, regional managers or any other key personnel in the hotels. The study concluded that hotels have performance management systems though they are not effective and that performance was monitored on a continuous basis. In addition, the study concluded that there is a strong positive relationship between performance and competitiveness and that performance management influences competitiveness. The study recommended that the management of hotels should emphasize the preparation of personal development plans for employees, employee development should be based on core competences, the hotels should develop mechanisms to collect employee feedback and the management of hotels should invest more in training and development.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Organizations are required to be more effective and efficient, execute better on business strategy and do more with less in order to become competitive. This has brought about the increased emphasis on effective performance management in organizations. Strategy implementation involves decisions regarding how the organization's resources will be aligned and mobilized towards the objectives. Goals and measures are established to guide the direction taken by the organization, measure performance and control implementation. Performance management therefore forms part of the implementation process of the strategy undertaken by an organization.

Performance can either be individual or organizational. Organization performance is a function of individual performance. The individuals form part of the resources of the organization which are either tangible (plant, people and finance) or intangible (non physical items like information and knowledge). Wernerfelt (1984) advanced the resource based view is based on the premise that competitive advantage of a firm lies in the application of a bundle of the firms resources at its disposal. The environment is however not static and more emphasis is put on the organizations ability to change, innovate, be flexible and learn to adapt to rapidly changing environment. Dynamic capabilities therefore refer to the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments (Teece, Pisano, &

Shuen, 1997). The resource based view is advanced through the knowledge based view that considers knowledge as the most strategically significant resource of a firm. The management and manipulation of these resources to achieve set performance targets affects how the organization competes in the market place.

The employees in an organization form part of the resources of the organization. Performance is driven by managers through their line employees to achieve both individual and organizational objectives and performance targets. Knowledge relevant to the achievement of these objectives is imparted to the employees who use it to achieve individual goals that contribute to the overall achievement of the organizational goals. The organization has to configure its resources and competences to adapt to any changes in the operating environment to remain successful. An organization will compete and achieve competitive advantage through being a cost leader, a differentiator or focusing on a particular niche (Porter, 1985). These three strategies are achieved by linking performance indicators to the strategic objectives of the organization and managing performance to ensure it facilitates innovation, efficiency and effectiveness. It is therefore paramount to understand the relationship between performance management and the organization's ability to compete.

Nairobi is the business hub for Kenya and Africa for many organizations such as the United Nations. The increase in the number of multinationals in the city gave rise to the need for increased bed capacity that has led to the increase in the number of four and five star hotels in the hospitality industry that was thriving. In the recent past, the country and more precisely Nairobi has been the victim of terrorism attacks the largest one being the attack on Westgate Mall. The country has been hit by travel advisories from the western

countries. The result of this has seen tourists airlifted from Mombasa and sent back home with approximately twenty hotels closing down and sending countless employees home. Filling rooms has become a challenge yet hotels have employees on a regular payroll. Performance management has thus become critical in efforts to cut costs, break even, make profits and remain competitive in the market place.

### **1.1.1 The Concept of Competitiveness**

The Oxford dictionary defines competitiveness as having or displaying a strong desire to be more successful than others. Feurer & Chaharbaghi (1994) define competitiveness as being relative and not absolute. It depends on shareholder and customer values, financial strength which determines the ability to act and react within competitive environment and the potential of people and technology in implementing the necessary strategic changes. David (2011) defines a firm's competitive advantage as anything that a firm does especially well when compared to rivals. A destination is competitive if it can attract and satisfy potential tourists and this capability is determined both by tourism specific factors and by a much wider range of factors that influence the tourism service providers (Enright & Newton, 2004). In line with the definition by Enright & Newton (2004), hotels form part of a tourist destination.

Further, Thompson & Strickland (2003) say that a company has competitive advantage whenever it has an edge over its rivals in attracting customers and defending against competitive forces. They further continue to say that there are many routes to competitive advantage, but the most basic is to provide buyer with what they perceive as superior value-a good product at low price, a superior product that is worth paying more for, or a

best value offering that represents an attractive combination of price, quality, features, service and other attributes buyers find attractive. Exploitation of an organization's competitive advantage is achieved through competitive strategies.

Competitiveness affect the way an organization will give its offerings to the market environment. Johnson, Scholes &Whittington (2008) say that following the resource based view of strategy; strategy is about exploiting the strategic capability of an organization in terms of its resources and competences to provide competitive advantage and/or yield new opportunities. Varmah (2012) argues that in order to achieve competitive advantage, firms are required to make strategic choices about the type of competitive advantage they seek to attain and the scope within which it will attain it. Firms will choose strategies that will give them competitive advantage in the industry within which they operate. Harrison (2010) explains that a competitive advantage is best gained when the company has resources be it labor, know-how or products that are difficult to imitate.

### **1.1.2 Performance Management**

Armstrong (2006) defines performance management as a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors. Successful performance is therefore pegged on both individual and group performance. Hartle (1995) stated that performance management should be integrated into the way the performance of the business is managed and it should link with other key processes such as business strategy, employee development and total quality management.

Performance management in hotels is pegged on common performance indicators across the industry. Wadongo, Odhuno, Kambona & Othuon (2010) used the modified results and determinants model to determine key performance indicators in the Kenyan Hospitality industry. They identified competitiveness and financial performance as result measures that relied on determinant measures which focus on those activities and factors necessary to achieve the organization's strategic goals. The activities aimed at achieving non-financial measures and how well the industry players performed in these indicators determined their competitiveness and resultant financial performance that was posted.

The success of hotels in Kenya is determined by both financial and non-financial measures. The hotels fall in the service industry and in this industry the quality of service delivered to customers is very important and critical to the success of the hotel. Customer satisfaction therefore plays centre stage in the activities of the hotel because a satisfied customer means a repeat client and referral both by the client and the hotel that result in future business. In this regard, hotels will have non-financial measures like quality of service and innovation.

### **1.1.3 The Hotel Industry In Kenya**

The hotel industry falls under the hospitality industry. The hospitality sector is a service-giving sector, which evolved in line with the coming of the transportation industry that necessitated the building of the first catering establishment and others thereof, Kamau & Waudu (2012). According to Ottenbacher, Harrington & Parsa (2009), it includes Lodging (Hotels, Motels) Foodservice (Restaurants, Caterings), Leisure (Vacations, Parks, Sightseeing, and Hiking), Conventions (Meetings, Trade Shows), Travel (pleasure, business) and attractions (fairs, gatherings, shows).

Hotels are classified based on particular overall standards, (Laws of Kenya, 1986).The Hotel and Restaurants Authority under the Ministry of Tourism is charged with the responsibility of classification. The rating based on standards is star type of rating that is most common worldwide where we have 1-star, 2-star, 3-star, 4-star, 5-star and other hotels.According to Johanna (2010), currently every country tends to have its own rules and requirements for determining Hotel classifications in spite of the recognized body. This brings inconsistencies of the star-classification of Hotels.Hotels assessment is based on the facilities they have and the service quality they offer.Ayele (2012), states that hotels in Kenya present a diverse range of services to suit the tastes of customers with class, elegance ambience and quality of services being the major distinguishing factors for the hotels. He further argues that despite the high quality of Kenyan hotels, competition for resources and market share in the hotel industry in Kenya is very high. The new hotels opening up head hunt from the existing hotels and this result in high costs of staff retention in terms of salaries and benefits. The travel advisories as a result of terrorism attacks have not spared the industry either.

The economic environment has made Kenya an attractive environment for multi-national businesses such as General Electric, Coca Cola, Cisco Systems, IBM and Citibank that have opened foreign subsidiaries in Kenya. The expansion of the airports and road infrastructure have also played a role in the growth because of the ability to handle many more tourists and access to attractive destinations is cheaper. The naming of the wild beast migration in Maasai Mara among the Seven Wonders of the World has also seen an increase in the number of tourists visiting the destination to witness this. The attractiveness of this industry has seen the opening up of new hotels like Vila Rosa

Kempinski and Dusit D2 with others under construction. Nairobi is also a hub for e-commerce that makes it easier to do business and a market for the same business. Nairobi is also arguably the most important point in Africa transit given the statistic of travel and connections.

#### **1.1.4 Four and Five Star Hotels in Nairobi**

Hotels are classified to analyze the market sector which aid in comparisons, analysis of performance, identifying market gaps, marketing strategies and customer requirements. In addition, hotels are classified to describe the type of hotel for advertising and promotional purposes based on location, form of ownership, facilities, type of client, standard, star rating and size. All hotels in Nairobi are town hotels based on the category classification as per Hotels and Restaurant Act Cap 494. Town hotels are hotels located within the city of Nairobi and any other municipality or township. In determining the classification of a hotel, the Authority shall take into consideration all the factors affecting the overall standard of the hotel and in particular the structure of the hotel buildings and the amenities provided; the standard of cleanliness throughout the hotel; the quality of the food; the degree of comfort afforded, the quality of the equipment and furnishings, the proportion of bathrooms to the number of guest rooms and the number of private bathrooms in proportion to the hotel.

Nairobi has seen an increase in the number of hotels namely Windsor Golf and Country Club, Sankara Hotel, Tribe hotel, Hemingways and Villa Rosa Kempinski. These entrants have increased the competition in the market as they all try to get a piece of the clientele. In addition, all of them are sourcing from a limited labor market. Further, the international chains like Villa Rosa Kempinski and Hemingways bring in their



international experience that means that changes in the already existing players in the industry to survive. New hotels mean new state of art rooms and restaurant services and the old players have to look for ways to remain competitive by undertaking initiatives like renovations that are competitive. All these factors thus mean that hotels have to properly manage their available limited resources so as to perform and remain competitive.

Moss (2004) states that pressure from competing destinations remain a threat and as such the need to re-examine Kenya's product offering in order to repackage and reposition it vis-à-vis the competition. This poses a challenge for the hotels being that they fall under the tourism industry. This means that they have to constantly monitor and review their strategies about their products and services. Performance management therefore becomes a critical aspect of competitiveness.

## **1.2 Research Problem**

Researchers have acknowledged that generic competitive strategy and external conditions have their impact on competitive performance (Tang, Wang, & Zhang, 2007). The performance of a hotel with regard to the competition reflect on the decisions made at the planning stage for the performance in order to achieve the direction the hotel is pursuing and their position and perspective in the market place. The environment is not static but keeps changing especially due to technological changes and thus, the organizations have to be flexible enough to adapt to the changes with the aim of satisfying their customers if they are to remain competitive. Aosa (1992) emphasizes this fact by stating that industries respond to customers demand by becoming innovative in approaching the changed environment; they adopt strategies to improve customer services. Performance

management is therefore an essential element that will determine how the hotels will compete in the market and a means through which the competitive strategies of the various hotels will be achieved.

The hotel sector has a large contribution to the Gross Domestic Product (GDP) in the country as per the Kenya National Bureau of Statistics (Statistical Abstract 2013). The hotel sector made the following contribution to the GDP between the year 2010 -2012 in percentage form (GDP%: IN 2010: 1.7, IN 2011: 1.7 and IN 2012: 1.6). This contribution represents growth and normalization in the industry. The hotel industry has however been under a state of high competition. Kamau & Waudo (2012) found that Hotel industry in Kenya is in a high competitive market. The new five star hotels that have come up have left hotels struggling to maintain their market share. Further, Kuria, Peter & Alice (2011) revealed that star Hotels have critical problem of skilled man power, specially chefs, and capacity to compete globally. The new hotels will head hunt for experienced and qualified staff from the already existing hotels which in turn leads to staffing issues that affect performance and high cost of labor to maintain the qualified, experienced and trained personnel. In addition, the security situation in the country is affecting the industry tremendously. United States of America issued a travel advisory in June 19<sup>th</sup> 2014 warning their citizens of the risk of traveling to Kenya. The United Kingdom has issued similar warnings which have led to tremendous low occupancies in the city's five star hotels and others in general. Performance management has become a critical tool at this time of austerity to ensure that the hotels achieve their performance targets while at the same time break-even, remain competitive and achieve their strategic objects.

Wadongo *et al*,(2010) investigated the key performance indicators in the Kenyan Hospitality industry where they concluded that the hospitality managers in Kenya almost exclusively monitor competitiveness and financial dimensions of performance with little or no attention being paid to non-financial or determinant measures. This study failed to look at the relationship between the performance indicators and competitiveness. Ayele (2012) investigated the positioning strategies adopted by five star hotels in Nairobi. Kuria, Wandari & Alice (2011) researched on the factors influencing labor turnover in three and five star hotels in Nairobi. They failed to look at how the capability of this labor affected the ability of the hotels to compete in the market. The above literature on research has not looked at the relationship between competitiveness and performance management of hotels. What is the extent to which five star hotels in Nairobi conduct performance management? Does performance management influence competitiveness of five star hotels in Nairobi?

### **1.3 Research Objectives**

The research objective of this study is:

- i. To determine the extent to which four and five star hotels in Nairobi practice performance management.
- ii. To establish the influence of performance management on competitiveness of four and five star hotels in Nairobi.

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

This research will be useful in theory building as it will contribute to the general understanding of performance management and competitiveness. Further, it advances the knowledge about the theories that form the basis of this study.

This research seeks to bridge the current gap that exists in the body of knowledge. The concept of competitiveness and performance management has been reviewed independently in the past. This research will seek to marry the two concepts and establish a link in the relationship between the two concepts.

This research will also contribute to the existing body of knowledge through the information that will be available to researchers and scholars. The research seeks to act as a stimulus for further research in this area of study. Scholars in other disciplines of business management will use the literature from this research in theory building in their areas of specialty.

The government would find the findings of this research very helpful by linking strategy to performance management which lead to competitiveness and affecting the ability of the country to compete as a nation. The managers of the four and five star hotels will benefit from understanding the importance of performance management in a turbulent economy. In addition, they will also learn the importance of linking performance to strategy to achieve competitiveness. Hotels in other categories and the hospitality industry in general will benefit from the research on the linkage of strategy and performance management.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter entails the literature on performance management and competitiveness in hotels. It covers the theoretical foundation, firm competitiveness and performance management. Finally, the relationship between performance management and competitive advantage is reviewed.

#### **2.2 Theoretical Foundation**

The course that an organization is charting is achieved through strategy. Johnson, Scholes & Whittington (2008) define strategy as the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. The configuration of resources and competences occurs at the implementation stage of the strategy and performance management is one of the methods for configuration and management of the said resources and competences. This definition borrows from several theories.

Mahoney & Pandian (1992) state that a resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier. Barney (1991) summarizes the criteria for evaluating resources as VRIN i.e. Valuable, Rare, In-imitable and Non Substitutable. Wernerfelt (1984) found that it is possible to identify classes of resources for which resource position barriers can be built

up. Organizations that are able to identify these resources and exploit them to achieve position barriers achieve target levels of performance and become competitive in the market. Wernerfelt (1984) concluded that resource barriers were defined as partially analogous to entry barriers. These act as a source of attractiveness in the industry perspective. Grant (2001) concluded that the key to a resource based approach to strategy formulation is in understanding the relationship between the resources, capabilities, competitive advantage and profitability.....and that this required the design of strategies which exploit to maximum effect each firm's unique characteristics. Mills, Platts & Bourne (2003) concluded that the resource categorization helps focus attention on the drivers of change by identifying those resources with potential dynamic capability.

Dynamic capabilities refer to the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments (Teece, Pisano, & Shuen, 1997). It is about the firm investing in internal resources such as systems, assets, processes, knowledge, and technology that position it ahead of the competition resulting in lower production costs, superior level of quality in their products or differentiated products. The performance of the firms will be pegged on how much they invest in and configure their competences and resources to be able to perform in the market, adapt to the changing environment and compete successfully in the market place.

Successful implementation of strategy therefore requires a framework that would relate measures of success and performance to strategy. The balanced scorecard is a tool for strategy implementation that considers both financial and non financial measures in order to achieve strategic objectives. The balance scorecard is pegged on four perspectives which are financial, customer, internal business processes and innovation and learning.

Wadongo *et al.* (2010) identified competitiveness, financial performance, quality of service, flexibility, resource utilization and innovation as performance dimensions that determine performance indicators for the hospitality industry. The key performance indicators for the hotel industry are therefore pegged on this framework.

### **2.3 Competitiveness, Performance Management and Competitive Advantage**

Longman's Advanced American Dictionary (2000) defines competitiveness as the ability of a company or a product to compete with others and the desire to be more successful than other people. Competitiveness of a firm can therefore be taken as its ability to do better than comparable firms in sales, market shares, or profitability (Lall, 2001). Cook & Bredahl (1991, pp.1472 –1473) argue that competitiveness can be viewed from a choice of geographic area, product or time.

Competitiveness is synonymous with a firm's long-run profit performance and its ability to compensate its employees and provide superior returns to its owners (Buckley, Christopher & Presscot 1988, p.176). This can be explained to mean that competitiveness is measured in terms of financial performance. Tangen (2003), states that the success of a manufacturing system or company has been evaluated by the use of financial measures. However, there has been a paradigm shift with emphasis being placed on the non-financial measures which are critical and contribute both to the financial success of a firm and the overall competitiveness of the same firm. Work done by scholars is also indicative of this shift in the focus of the success and performance measures. Kaplan and Norton (1996) came up with the balanced scorecard which was a strategy implementation tool that considered both financial and non-financial measures of performance that gave a wholesome and balanced approach.

In strategic management, the concept of competitiveness is coined and discussed under competitive advantage. Johnson, Scholes & Whittington (2008) in their definition of strategy refer to this concept as an advantage for the organization over the competition. David (2011) defines competitive advantage as anything that a firm does especially well compared to rival firms. When a firm can do something that the rivals cannot do, or has something that the rivals desire, that can represent a competitive advantage.

The sources of a firm's competitiveness can either be internal sources or external sources. Internal sources arise from within the firm while external sources are industry or country based factors. Cater (2005) classified internal sources as tangible and intangible, and employee related and firm related. Internal intangible firm-related sources mostly include organizational resources, transformational and output-based capabilities (Lado *et al.*, 1992), and the knowledge of the firm as a whole. Internal intangible employee-related sources mostly include a firm's strategies, human resources, managerial capabilities, and the knowledge of individuals. Internal tangible firm-related sources include physical and financial resources and input-based and some functional capabilities.

The internal sources of competitive advantage therefore determine a firm's competitiveness and can either be static or dynamic. Static sources focus on resources and assets as a basis of competitive advantage. It is emphasized by the resource based view. Dynamic sources refer to management processes that transform and deploy those assets so as to achieve performance. This source is emphasized by the dynamic capability theory. Johnson, Scholes & Whittington (2008) discuss the capabilities for maintaining and sustaining competitive advantage as being rare, inimitable, non-substitutable and dynamic. A firm must strive to achieve sustained competitive advantage by continually



adapting to changes in external trends and events and internal capabilities, competencies, and resources; and by effectively formulating, implementing, and evaluating strategies that capitalize upon those factors, David (2011). Porter (1980) identified the three generic strategies for achieving competitive advantage as being cost leadership, differentiation and focus.

The management of a hotel will therefore configure resources and manage performance to achieve competitive advantage. Armstrong & Baron (2005) define performance management as a process which contributes to the effective management of individuals and teams in order to achieve high levels of organizational performance. As such, it establishes shared understanding about what is to be achieved and an approach to leading and developing people which will ensure it is achieved. Performance management is a continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization, Aguinis (2009). Further, Cole & Kelly (2011) define performance management as any system for improving management effectiveness by means of standard-setting, appraisal and evaluation; combines informal day to day aspects with formal appraisal interviews and goal-setting.

Performance management is therefore a concept that is integrated. As stated by Hartle (1995), performance management 'should be integrated into the way the performance of the business is managed and it should link with other key processes such as business strategy, employee development and total quality management'. Armstrong (2006) views performance management as being integrated in four senses. Vertical integration is about linking or aligning business, team and individual objectives. Functional integration is

about linking functional strategies in different parts of the business. Human resource integration is about linking different aspects of human resource management to achieve a coherent approach to the management and development of people. Finally, it is the integration of individual needs with those of the organization. The business objectives are derived from the strategy of the organization that is also the basis of functional strategies in an organization. Strategy determines how the organization will compete in the market place as it is the game plan that is followed by management. Performance management is therefore crucial in the competitiveness of organizations as it links and aligns the objectives of the business, team and individuals. Achievement of business goals are a function of performance management.

Organizational performance involves the recurring activities to establish organizational goals, monitor progress towards the goals and make adjustments to achieve those goals more efficiently and effectively. The goals set are derived from the strategy and are geared towards the key performance indicators (KPIs) in the industry. KPIs are quantitative and qualitative measures used to review an organization's progress against its goals (Bauer, 2005). To complement traditional financial measures of business performance, KPIs are related to a diverse set of performance measures, including financial performance, customer relations, internal business process, learning and growth (Gascho & Salterio, 2000). These goals that the employees are reviewed against and that affects the performance of the organization and its ability to compete in the market should be specific, measurable, achievable, realistic and time bound.

The literature above directs us to the fact that hotels have to look at both variables in totality and not individually if they are to become successful. The first variable which is performance is a driver of the second variable which is competitiveness. Johnson, Scholes & Whittington (2008) explained that competitive advantage and superior performance of an organization is explained by the distinctiveness of its capabilities. They further explain that core competencies are likely to be the skills and abilities to link activities or processes through which resources are deployed so as to achieve competitive advantage. In order to achieve this advantage, they must relate to an activity or process that underpins the value in the product or service features, the competences must lead to levels of performance that are significantly better than competitors and the competences core competencies to achieve superior performance through training and development.

Organizations with effective performance management systems are able to evaluate and measure individual performance and optimize productivity by aligning individual employee's day-to-day actions with strategic business objectives. The strategic business objectives are formed from the organization's strategy that is the game plan followed by management to compete and achieve sustainable competitive advantage. A well crafted and excellent strategy can only guarantee success if properly implemented.

Performance management works hand in hand with the strategy that the organization has undertaken. Chandler (1962) defines strategy as the determination of an organizations long term goals, then adopting courses of action and allocating resources necessary to achieve the goals. Performance management is therefore a course of action adopted by and organization to achieve its goals. Porter (1980) defines strategy as a broad formula for how a business is going to compete, what its goals should be and what policies will be

needed to carry out those goals. Performance management is one of such policies for the organization.

Strategic capability underpins the performance of an organization. Johnson, Scholes & Whittington (2008) define strategic capability as the resources and competences of an organization needed for it to survive and prosper. If an organization is to achieve competitive advantage, it will do so on the basis of capabilities that its rivals do not have or have difficulty in obtaining. Further, in a changing environment, strategic capabilities that achieve competitive advantage in such dynamic conditions are dynamic capabilities.

Performance management is strategic in the sense that it is concerned with the broader issues facing the business if it is to function effectively in its environment, with the general direction in which it intends to go to achieve longer-term goals (Armstrong, 2006). The hotels have to continuously scan their environments to exploit the available opportunities and counter the threats and risk that are in existence or are probable to occur.

The economic view holds that organization performance is designed through the alignment of resources, knowledge and vision to create competitive advantage by responding with unique capabilities to environmental changes. In other words, organization performance is an alignment of firm strengths with external opportunities (Porter, 2010). Competitiveness is therefore a function of performance. Performance management is a means through which the strategies of the organization and competitive advantage thereof are achieved.

## **2.4 Knowledge Gaps**

The above literature has shown that the two variables have been looked at as individually and not in their totality. The proponents of competitiveness and competitive advantage explain what they are and the strategies that the organizations and the hotels can undertake to achieve them. Johnson, Scholes & Whittington (2008) viewed competitive advantage and superior performance as resultant measures of the distinct capabilities that an organization has. Armstrong & Baron (2006) looked at performance management as a process that contributes to effective management aimed at achieving higher levels of performance.

Hartle (1995) championed the paradigm shift in his definition when he explained that performance management should be integrated to performance of the organization and linked to the strategy of the organization. Wadongo *et al.* (2010) used the modified results and determinants model to identify key performance indicator for the Kenyan hospitality industry where financial performance and competitiveness were some of the dimensions. The hospitality industry has been researched in totality but not hotels on their own. This study therefore seeks to bridge this gap by linking the performance of the hotels to their competitiveness that will identify the determinant measures for competitiveness.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the procedures that were adopted in conducting the study. The issues discussed in this section include the research design, the population of the study, data collection methods and data analysis.

#### **3.2 Research Design**

The research was conducted through a survey study. The method secures information concerning the phenomena under study from all or a selected number of respondents of the concerned universe. The researcher examined those phenomena which exist in the universe independent of his action (Kothari, 2004). The study collected self-report data from study participants.

This method was selected because surveys are standardized to ensure they are reliable and are valid. Standardization is also important so that the results can be generalized to the larger population. The main reason and advantage of this is that surveys are less expensive, they allow the researchers to collect a large amount of data in a relatively short period of time and they can be created easily and administered easily.

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

Kothari (2004) defines population as a universal set of the study of all members of real or hypothetical set of people events or objects to which the researcher used to generalize the result. Thus, population refers to the total of items about which information is desired. The population of this study was classified star hotels in Nairobi according to Ministry of Tourism.

In particular, the study was focused on the rated four and five star hotels. The purpose of the population is to show the number of the larger group that the researcher intended to manipulate so as to get the required information. The total population of classified four and five star hotels will be covered in the study.

### **3.4 Data Collection**

The study used primary data as the source of information. The study collected data through the use of questionnaires. The questionnaire was used because it would help collect a large amount of data in a large area within a short time thus saving time on the study (Orodho & Kombo, 2002). This method was free from bias of the interviewer and respondents had adequate time to give well thought out answers. They were administered through drop and pick to the relevant respondents. Respondents targeted were heads of departments, leadership team members/directors, regional managers and any other relevant key personnel. Each hotel filled in one questionnaire.

The researcher then booked appointments with the relevant employees of each of the hotels that were followed by visits on the respective appointment dates. The questionnaires were themselves administered to the relevant respondents. The questionnaire was intended to be filled by either by a director/leadership team member, a regional manager, a head of department or key personnel in the hotel.

### **3.5 Data Analysis**

Kothari (2004) defines data analysis as a procedure that includes the process of packaging the collected information, putting it in order and structuring its main components in a way that the findings can be easily and effectively communicated. The

returned questionnaires were first checked for completeness, reliability and verification. Editing, coding and tabulation of the data according to the research questions followed the first step.

Analysis was then done using Statistical Package for Social Sciences (SPSS). This data was analyzed by descriptive statistics including the mean and standard deviation that will give us the distribution of the years that the hotels have been in existence in the country. Finally, Pearson's correlation analysis was used to determine the relationship between performance management and competitiveness of four and five star hotels in Nairobi. The results were presented in tables.



## **CHAPTER FOUR**

### **DATA ANALYSIS, FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

This chapter represents findings of the study and the supporting discussions. It has two sections. Section one represents descriptive statistics while section two evaluates the variables in light of the objectives of the study.

The study employed a cross sectional design and data was collected by use of questionnaires. A total of 22 questionnaires were distributed to respondents out of which 13 were returned representing a response rate of 59%. The returned questionnaires were checked for completeness before being keyed in for analysis.

#### **4.2 Analysis of Data Collection**

The questionnaires sought information on general information and respondents perceptions on the various aspects defining performance management and competitiveness. The questionnaires also sought information on improvement initiatives targeted at improving competitiveness. The outcomes were as explained below.

##### **4.2.1 Hotel Classification**

Majority of the respondents who filled in the questionnaires were 5 star hotels that represent 53.8% while the rest with 46.2% were 4 star hotels. Most of the respondents therefore were from 5 star rated hotels. This indicates that the study on performance management and competitiveness will be mostly aligned to 5 star hotels as they are the majority. However, the difference between the two is 7.6% and as such the study is very applicable to the 4 star hotels.

#### 4.2.2 Respondents Year of Establishment

The study sought to understand the number of years that the hotels analyzed in the study have been in existence in the country. The analysis found the following statistics

**Table 4.1: Distribution of organizations in terms of year of establishment**

Year of Establishment	Frequency	Percentage
before 1990	4	30.8
2001-2010	7	53.8
2011 and beyond	2	15.4
Total	13	100.0

From the table above, 30.8% of respondents were established before the year 1990, 53.8% between 2001 and 2010, and 15.4% were established between 2011 and beyond. The above table demonstrates that majority of the hotels were established between 2001 and 2010. These statistics are in line with the increase in the level of tourism in the country demonstrated by the contribution to the gross domestic product in section 1.2. This necessitated increase in bed capacity that created a market for hotels for which investors' established new hotels that catered for corporate companies who sought conference facilities and the tourists that came to visit the country.

The above statistics also indicate that majority of the hotels (84.6%) have been in operation for over four years. This indicated that these hotels have garnered experience in this market which informs their decision making. In addition, increase in the number of

hotels implied increase in competition for the limited trained personnel and the hotel clients. Moreover, the statistics above reflect a trend indicating that the industry is growing progressively through the entrance of more hotels over time.

#### **4.2.3 Respondents Job Position**

The study targeted heads of department, leadership team members, regional key managers or key personnel in the hotel. Among the 13 respondents, 7 were heads of department while 6 were key account managers in the sales department. The respondents chosen were relevant to this study because key information that was collected in this study on performance management and competitiveness was only privy to senior executives.

The information collected from the key account managers who were in the sales department was crucial to the competitive aspect of this study. Competiveness and strategies adopted thereof by the hotels is core to the sales and marketing departments and the relevant heads. All employees are evaluated on performance and would have the necessary information on performance while information on competitiveness is very well understood by the sales and marketing departments as they work with this information on a daily basis. The heads of department or the senior managers above them are aware of the information on competitiveness as they cascade to their junior staff the relevant actions to be undertaken in order to remain competitive.

#### 4.2.4 Hotel Ownership

The study sought to establish the ownership of the hotels that were sampled. The Table below represents the findings.

**Table 4.2: Distribution of Organizations in Type of Ownership**

Type of Ownership	Frequency	Percent
Locally	5	38.5
Internationally	5	38.5
both locally and internationally	3	23.0
Total	13	100.0

The frequency above indicated that 5 (38.5%) of the respondent were locally owned, 5 (38.5%) were internationally owned and 3 (23%) were owned both locally and internationally. The hotels that are owned locally represent a significant percentage of the industry. This indicates that the industry is very promising to local investors who have tapped into the market and created job opportunities. The locals took advantage of their knowledge of the country, economic environment and industry dynamics to attract and increase their market share. The locals have advantages that include suppliers who provide quality at a cheaper rate and the understanding of the local business environment including the law that regulates the type of business.

Hotels that are owned internationally bring with them their international experience with the difference clientele. In addition, they bring with them international standards which the other hotels strive to achieve to remain competitive. This has seen the improvement of the level of services that is offered in the industry. International hotels have central purchasing departments for guest supplies from international suppliers where they enjoy economies of scale which enables compete on the basis of cost.

The hotels that are owned both locally and internationally represented a trend that was slowly picking up in the industry. The reason for this being, that these hotels enjoy the advantages of locally owned hotels and the internationally owned hotels. This trend has seen the adoption of franchising as a strategy where the local investor owns the hotel and the physical asset while the international investor manages the hotel.

### **4.3 Performance Management**

It was observed that majority of the respondents had an effective performance management system as reported by 54% of the respondents who agreed while only 31% of the respondents strongly agreed. 7.5% of the respondents disagreed while another 7.5% neither agreed nor disagreed to having an effective performance management system. This fact is depicted by the mean of 4.08 scored by the respondents. These statistics indicated that majority of the hotels have a performance management system though in some hotels it is not effective. The descriptive statistics represented in the below table depict the various aspects of performance management that were collected in this study.

**Table 4.3: Descriptive Statistics depicting aspects of performance Management**

Aspects Of Performance Management	N	Mean	Std. Deviation
Individual performance targets are based on departmental and organization objectives	13	4.31	.630
Departmental KPI's are always linked to organizational objectives	13	4.23	.725
Key performance indicators are used in evaluating performance	13	4.23	.599
The relationship between hotel and team objectives is clearly defined	13	4.15	.689
Core competences are regularly evaluated to ensure that they remain relevant to the organization	13	4.15	.689
Our organization has an effective performance management system	13	4.08	.862
Objectives are adjusted to match changes in the environment	13	4.00	.707
We develop key performance indicators for the organization	13	4.00	.913
There is clear and evident relationship between hotel, team and individual objectives	13	4.00	.707
Individual contribution to organizational productivity is regarded as the key to improved performance	13	4.00	1.000
The link between individual and team objectives is clearly explained	13	3.92	.954
Performance management and employee feedback are key performance drivers in the hotel	13	3.85	.801
The hotel links employee development to core competences	13	3.62	.768
Our organization prepares Personal development plans as part of the larger strategic plans	13	3.62	1.261

#### **4.3.1 Individual performance Targets**

The respondents ranked the highest the individual performance targets of the employees being based on departmental and organizational objectives. This was scored a mean of 4.31 that indicated most of them agreed to it. This indicates that the hotels derive the performance targets of the individual employees from the larger organization objectives. The percentage of achievement of the departmental and organizational targets and objectives rely heavily on the achievement of the targets of the individual employees.

The objectives of the departments and the organization are derived from the strategies that the hotels are pursuing to become competitive in the market. The statistic therefore found performance to be paramount to the achievement of the objectives of the hotels and the success of the set objectives and strategies undertaken. Goal / objective setting was paramount to hotels and the objective set determined the direction taken by the respective hotels and the activities that will determine their operations.

#### **4.3.2 Key Performance Indicators**

Majority of the respondents agreed to developing key performance indicators for the hotels as this scored a mean of 4.0. These indicators are used to rank the performance of the hotel. However, some respondents disagreed to this fact which is an indication the practice is not consistent across the industry.

The respondents indicated that key performance indicators for the departments were linked to the objectives of the hotels. Based on the ranking, they scored a high mean of 4.23. This demonstrates that key performance indicators of the various departments are aligned to the goals of the hotel and as such the various departments work towards a common goal which is the overall objectives of the respective hotels.

The statistics also indicated that majority of the respondents ranked highly the fact that key performance indicators were used in the evaluation of performance with a mean score of 4.23. Performance evaluation checked how well the key performance indicators ranked and the percentage of achievement of these indicators. Individual employee targets will therefore be set in a manner that reflects these indicators.

#### **4.3.3 Core Competences**

The research sought to establish whether the hotels evaluated core competences that formed the basis of performance management, on a regular basis to ensure they remained relevant to the organization. The statistics shown in table 4.3 indicate the respondents scored a mean of 4.15. This statistic indicates that the respondents agreed but the practice was not consistent across the industry.

The respondents did not rank highly the fact that the hotel linked employee development to core competences. This is indicated by a mean of 3.62 that was scored by the respondents. This indicates that employee development may be linked to other factors and not necessarily core competences.

#### **4.3.4 Objectives Alignment and Relationships**

The respondents indicated that the relationship between hotel and team objectives was clearly defined. This achieved a mean score of 4.15. This indicates that the employees understood the relationship that existed between the objectives of the individual teams and those of the hotel.



The respondents agreed to their being a clear and evident relationship between the hotel, team and individual objectives. The relationship demonstrated is not very strong as a mean of 4.0 is what was achieved. This indicates that this relationship is not so evident though there are some aspects of the same where the links can be seen.

The respondents rated lowly the link between individual and team objectives to be clearly explained. The score achieved was a mean of 3.92. This indicates that the employees are not made to clearly understand their role in the achievement of team objectives by their superiors.

The respondents ranked highly the fact that the objectives are adjusted to match changes in the environment and customer preferences as indicated by a mean of 4.0. This indicates that the hotels respond to changes in the environment and adopting new courses of actions/objectives so that they remain relevant and competitive in the market place. The hotels will change their objectives to satisfy changes in customer tastes and preferences since the customer determines the performance success of the hotel.

The respondents agreed that individual contribution to organizational productivity was regarded as being key to improved performance. This is reflected by a mean score of 4.0. This statistic indicates that emphasis is placed on individual performance because improvement on the individual's performance has an impact on performance improvement in general.

Performance management and employee feedback were not ranked highly as being key performance drivers in the hotel. This is indicated by the mean score of 3.85. From the statistic, employee feedback is not taken seriously by the management. This fact affects performance because an unhappy and unsatisfied employee will have his performance affected the issues raised and not addressed.

#### **4.3.5 Performance Management Reports**

The researcher sought to establish the frequency in the production of the performance management reports in the hotels. The results are shown in the table below. Majority (61.5%) of the respondents produce these reports continuously, 15.4% produce them quarterly, another 15.4% produce them bi annually while 7.7% produces them annually. This depicts that majority of the hotels, monitor what is happening to performance continuously and corrective actions and mechanism are in place to correct any deviations that occur with regard to the desired performance.

**Table 4.4: Frequency of production of performance management report**

Production Frequency	Frequency	Percent
Valid Quarterly	2	15.4
bi annually	2	15.4
Annually	1	7.7
Continuous	8	61.5
Total	13	100.0

#### 4.4 Competitiveness

The researcher sought information on descriptive statistics that depicting aspects of competitiveness as indicated in the table below. These aspects are based on the factors that determine the competitiveness of the various hotels in the industry. The performance of the hotels on these aspects determined their ability to compete in the market place relative to the other hotels in the same market. Hotels that looked out for these factors are able to identify new trends in the market or changes in the environment and make the relevant changes by taking corrective actions which in the end enabled them remain competitive in the market or even improve their status in the same market.

**Table 4.5: Descriptive Statistics depicting aspects of Competitiveness**

Aspects of Competitiveness	N	Mean	Std. Deviation
Competitor surveys are conducted to evaluate our position relative to the competitors	13	4.62	.506
Our hotel Focuses on specific markets where it provides the best service	13	4.38	.650
We always conduct sales blitz	13	4.23	.599
We have highly Differentiated products for our clientele	13	4.15	.801
Customer satisfaction surveys inform our decision making process	13	4.15	1.068
The hotel has a well supported competitive strategy	13	3.85	.987
Competitor surveys inform our performance improvement plans	13	3.85	1.068
Our market share has been consistently increasing	13	3.62	1.121
Our occupancy levels are better than our competitors	13	3.54	.776
The sales growth (%) has consistently increased	13	3.38	1.044
We pride ourselves as Cost leaders in the market	13	3.38	1.121
Valid N (listwise)	13		

#### **4.4.1 Competitor Surveys**

Competitor surveys were the most highly rated aspect of competitiveness by the respondents. From the table, this aspect scored a mean of 4.62. This indicates that majority of the hotels evaluate their environment which consist of the hotels to find out what their strengths are so that they can use the same information to guide their action in improving where they were weak. In addition, they would identify weaknesses and lapses in their rival hotels which they take advantage off to have a better position in the market and improve their competing ability. Moreover, these surveys enabled the hotels to identify key activities and projects that would affect the status of the competition in the market. These projects and activities would be at the back of the minds of the planners depending on their impact.

The respondents agreed to some little extent that competitor surveys inform their performance improvement plans as this aspect scored a low mean of 3.85. Elements of service standards noted for improvement from competitors could be incorporated through training of the service staff that came into contact with the guest to improve the level of service which in turn impact on the guest experience. However, some activities by the competitors like installation of state of art screens and teleconferencing facilities in the conference rooms require huge capital investments.

Such changes would require planning, budgeting and capital expenditure approvals that meant that they could not be undertaken immediately but in subsequent periods subject to availability of funds. In addition, the hotels would strive not to copy what competitors are

doing by not incorporating this in their performance improvement plans. Rather, they would strive to become better than the competitors by promoting factors like innovation that would give them an edge over their competitors.

#### **4.4.2 Focus Aspect in Hotels**

The hotel focusing on specific markets where it provides the best service was ranked the second highest aspect with a mean score of 4.38. This indicated that the hotels were established purposely to serve the needs of particular clientele which ranges from business travelers to leisure travelers. These clients have needs for example business travelers would require conference facilities, tele-conferencing equipment, wifi and computer ports to enable them to work while leisure traveler require excursions, shopping and sightseeing activities.

The focusing aspect is affected by the location of the hotel. If the hotel is located in particular region, it will focus first on the nature of business that surrounds it as that forms its primary market. This is because most clients want convenience with time being a precious commodity; they want to spend as minimal time as possible in traffic.

#### **4.4.3 Sales Blitz**

The respondents agreed to always conducting a sales blitz by ranking this aspect and achieving a mean score of 4.23. This is because during the sales blitz, they engage the various personnel who come into contact in one way or the other with the customer and they visit the various organization with brochures indicating the range of services offered, answer any queries raised, patch previous problems and handout samples of the products that are offered by the hotels to be tried out. This exercise is used as a means to bond with the client.

The sales blitz are conducted on a routine basis so that the customer/ client is always reminded of your existence in the market because once you are out of sight you are out of the mind of the customer. This activity is also used as an instrument to gather customer feedback about the hotels as this is critical to this industry that is service oriented. Sales blitz are a means of the various organizations meeting the relevant personnel who will address their various needs making communication easy.

#### **4.4.4 Differentiated Products and Cost Leadership**

The hotels agreed to having highly differentiated products for their clientele by ranking this aspect and achieving a mean score of 4.15. Majority of the hotels will offer accommodation, food, conferencing and health facilities. The range of products offered in each category determines the edge that the hotel has in the market over the rest.

Accommodation is differentiated through the various room categories that have distinct features like bed types, size and room amenities. Food is differentiated by offering a range of menus for conferencing depending on cost, specialty a la carte menus and specialty foods from different parts of the world. Health facilities are differentiated by the use of the unique programs offered in the gym, swimming pool and massages.

The hotels did not pride themselves as being cost leaders in the market as they achieved the lowest mean score of 3.38. The reasons being, that hotels pride themselves in selling the highest rates in the market. The hotels strive to bring down their food and beverage costs that would increase their revenue margins but this only accounts for a small percentage on the bottom line.

#### **4.4.5 Customer Satisfaction Surveys**

A big number of the respondents agreed that customer satisfaction surveys informed their decision making process by scoring this aspect a mean of 4.15. The customer surveys give the guest an opportunity to rate the services and that are offered within the hotel based on their experience. Feedback is important as it forms the basis for improvement of the services that are offered to the guest which enhance their experience and leading to customer satisfaction that is a factor that affects repeat business.

There are customers who are in the extreme end of the continuum. A guest might rate the services very highly though they were not as good, or very low even though some elements were outstanding. In addition, customers are affected by the recency effect where they base their judgment on a single thing that went wrong during their stay. The above factors therefore brings out the limitation on how much dependence can be placed on this surveys since there can be elements of bias.

#### **4.4.6 Competitive Strategy**

The respondents agreed that there was a competitive strategy though it was not well supported as indicated by the mean of 3.85. Hotels will have strategies set to achieve their targets though the relevant structures needed to support these strategies will not be in place. In addition, these strategies may not be well supported by the management of these hotels as they will focus on other priorities. Further, some hotels have the strategy informally and work towards achieving these goals though it may not be written down in black and white.

#### **4.4.7 Market Share, Occupancy and Sales Growth**

The aspect of the market share of the hotels being consistently increasing was among the lowly rated aspects as it achieved a mean score of 3.62. The market share for these hotels increases when they acquire new clients who boost their occupancies and subsequent revenues. New entrants in the industry change the matrix as they have to all get a piece of the pie and therefore the market share might drop or remain the same. Changes in tastes and preferences of the customer also affect their choice of the hotels and thus impacting on the market share. Environmental changes beyond the control of management for example the Alshabab threat affected the business especially for Hilton Hotel due to its location and proximity to a bus terminus.

The hotels conducted comparisons with other hotels to enquire about the occupancies. The respondents however did not rate highly the fact that their occupancies were better than their competitors as they achieved a mean score of 3.54. This aspect is explained by the changes in the environment which the management does not have control over like the Alshabab threats. In addition, new hotels affect the business of the already existing hotels as they source for business from the same clients. New hotels take time before penetrating the market as the product is new and has not been effectively sampled for it to be recommended. Guest will be in comfortable in hotels they have been to before or those recommended by their friends and colleagues.

The growth in sales consistently is among the factors that scored a very low mean of 3.38. This is because the growth in sales is affected by the occupancy levels of the hotels. When the hotels run low occupancies then sales are low. In addition, sales are affected by the average room rate. When the hotels are running high occupancies, they are able to sell



very high average rates due to limited space and vice versa. In addition, the type of product the hotel is offering affects how much the room can be sold for making it advantageous for new properties while old hotels have to invest in renovations to upgrade their rooms.

#### 4.4.8 Competitiveness Improvement Initiatives

These are the initiatives undertaken by the hotels to ensure that they remain competitive in the market. These initiatives were rated by the respondents based on the weight they carry for the respective hotels and the results are depicted in the table below.

**Table 4.6: Descriptive Statistics depicting aspects of competitiveness improvement initiatives**

Competitiveness Improvement Initiatives	N	Mean	Std. Deviation
We have consistently been able to maintain our star rating classification	13	4.69	.630
We consider Location as one of our strongest advantages	13	4.54	.776
Our hotel prides itself in ambience and authentic experience	13	4.54	.877
The management takes keen interest on the speed and depth of resolving guest queries	13	4.54	.519
We offer guest loyalty programs in our hotel	13	4.46	.877
Our hotel is able adjust to guest needs and wants	13	4.38	.870
We Deliver guests services and products on time	13	4.23	.725
Our hotel has come up with innovative products managed by highly qualified teams	13	4.23	.725
Facilities renovations impact on the ability to sell and rates offered	13	4.23	1.013
We heavily invest in expertise, training and development of sales team	13	4.15	.899
We meet customer requirements in a timely manner	13	4.15	.801
Our Brand reputation is unequalled by any other	13	4.15	1.214
We conduct regular promotions as a way of thanking our customers	13	4.15	.801

The competitive set affects market penetration	13	4.08	.760
The number of employee training and development programs has gone up consistently	13	4.08	.862
The hotel has invested in Staff up-sell skills	13	4.08	.760
The number of innovated products and services per year has consistently risen	13	4.00	.707
Our facilities are well maintained with state of the art equipment	13	4.00	.913
The hotel has invested in training and development of the teams	13	4.00	.913
Our products are second to none	12	4.00	1.044
There are minimal instances equipment breakdown	12	3.83	.835
Pricing has always been treated as important in our hotel	13	3.77	.832
Valid N (listwise)	11		

Maintaining the star rating classification was rated the highest with a mean score of 4.69. This initiative directly impacted on the guest perception of the hotel in terms of the quality of services and facilities they expect in the hotel. A drop in the star rating therefore implied that the quality has gone down on the eye of the guest changing their whole perception of the hotel. That factor made it extremely important for the hotels to maintain their star rating.

Three initiatives by the hotels scored the second highest rating with a mean of 4.54. The hotels considered location as one of the strongest advantages that they had. Location determined the traffic to the hotel, the type of guests the hotel would get and the amenities that surrounded the hotel which was a selling point. The second initiative was that the hotels had pride in the ambience and authentic experience that they offered to their clients. The hotels have to create an environment that is welcoming to the guest. In addition, the most memorable thing that the guest remembers about their stay in the hotel is the experience they had. Lastly, the respondents felt that the management took keen

interest in the speed and depth of resolving guest queries. The main reason being that if the queries were not resolved in a timely manner, it would cost the hotel time, money in terms of complimentary items offered to the guest to appease them, reputation and a lost client.

The hotels agreed to have guest loyalty programs with a mean score of 4.46. These programs were used to appreciate the guest. The loyalty programs were a means of maintaining repeat guests who would always come back to earn their points that they would use to redeem air miles, free room nights, meals or spa treatments.

#### **4.5 Influence of performance management on the competitiveness**

The influence of performance management on competitiveness was evaluated using regression analysis. The variables of interest were computed as means of the various aspects that defined the attributes of performance management. These were regressed on the means of the attributes that defined competitiveness. The results were as shown in Table 4.7.

**Table 4.7: Influence of Performance Management on Competitiveness**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.633 <sup>a</sup>	.401	.347	.51158		
ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.929	1	1.929	7.369	.020 <sup>a</sup>
	Residual	2.879	11	.262		
	Total	4.807	12			
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.320	.969		1.362	.200
	Perfmgmt	.649	.239	.633	2.715	.020

a. Predictors: (Constant), performance management

b. Dependent Variable: competitiveness

The results in table 4.7 indicates that there is a strong positive relationship between performance management and competitiveness of four and five star hotels ( $R=.633$ ). 40% of the variation in competitiveness could be explained by the variation in performance management and the model was statistically significant ( $R^2=.401$ ,  $F= 7.369$ ,  $sig =.020$ ). The influence of performance management on competitiveness was also statistically significant ( $B=.649$ ,  $t=2.715$ ,  $sig=.020$ ) the findings in table 4.7 thus supported the influence of performance management on competitiveness of four and five star hotels.

The model defining the relationship was explained by the following equation

$$Y=1.32+.649x.$$

Due to the fact that the constant was not statistically significant (sig=.200) the equation was rewritten as  $Y=.649X$

Where Y represented competitiveness and

X represented performance management

The study further tested the influence of performance management on initiatives meant to improve on competitiveness. The results were as presented in Table 4.8 below.

**Table 4.8: Influence of improvement initiatives on Performance Management**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.320 <sup>a</sup>	.102	.002	.42883		
<b>ANOVA</b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.188	1	.188	1.024	.338 <sup>a</sup>
	Residual	1.655	9	.184		
	Total	1.843	10			
<b>Coefficients</b>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.310	.993		3.335	.009
	Perfmgt	.245	.242	.320	1.012	.338

a. Predictors: (Constant), improvement initiatives

b. Dependent Variable: performance

The results in table 4.8 indicated a positive but weak relationship between performance management and improvement initiatives ( $R=.320$ ). The model could only explain 10% of the variation in improvement initiatives and it was not statistically significant ( $R^2=.102$ ,  $F=1.024$ ,  $sig=.338$ ). The influence of improvement initiatives on performance management was also not statistically significant ( $B=.245$ ,  $t=1.012$ ,  $sig=.338$ ). The findings in table 4.8 did not therefore support influence of initiatives aimed at improving competitiveness on performance management.

#### **4.6 Discussion**

The study found that employee development was not linked to core competences in the hotels. This indicates that there is a gap in the number of employees who are trained on the relevant competences for the hotel. This finding is in line with the study by Agut et al. (2003) who identified a negative gap in most technical managerial competences (knowledge and skills). The highest knowledge need was in economic financial management and the highest skill was computing.

The study also found that most hotels do not invest heavily in training and development. As a result, most employees will still have the level of skills they had when they were employed. This affects the quality of service offered by the hotel. Wadongo et al. (2010) in their study identified the need for hotels and training institutions to enhance acquisition of generic managerial competences.

Cost leadership by the hotels was ranked the least because hotels want to achieve quality. This finding is consistent with the work of Cizmar (2007) who found that the leadership in cost control influences the profitability increase (or decrease of loss) in the short-term

period. However, the exclusive implementation of such a strategy for hotel industry in Croatia cannot be the long term sustainable strategy because of negative implications which it has in the degeneration of a hotel product. The reason given was that exclusive focus on strict controls of operational costs lead toward the decrease of hotel product quality. Further, exclusive control of development costs lead to lack of product innovations which subsequently influences the lack of new product developments.

The study results also indicated that management of performance was one of the key drivers of competitiveness in the hotel industry. The alignment of individual objectives and targets to the departmental and organization objectives and matching organizational objectives to environmental changes seemed to positively influence the competitive aspects of the organizations.

However performance management and employees feedback may not be key performance drivers in the hotel industry. Improvement initiatives targeting competitiveness did not influence the performance of hotels in Kenya. It may be possible that significant influence in performance of the hotels may be due to combination of factors that were not addressed by the scope of this project. Among other factors, there was general agreement that price was not important when considering competitiveness in both four and five star hotels.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The purpose of this study was to understand the relationship between performance management and competitiveness of four and five star hotels in Nairobi. This chapter therefore presents a summary of the main findings of the study, conclusions, recommendations, suggestions for further research and limitations of the study.

#### **5.2 Summary**

This study was pegged on two objectives. The first objective was to determine the extent to which four and five star hotels in Nairobi practice performance management. The second objective sought to establish the influence of performance management on competitiveness of four and five star hotels in Nairobi.

The study found that all the respondents have a performance management system. Majority of the respondents agreed to have an effective performance management system. The study also established that individual targets were based on departmental and organizational objectives. This fact supports the definition of Armstrong(2006) that performance management is an integrated approach to delivering sustained success to organization.

The study found that key performance indicators were developed for the hotels. In addition, the key performance indicators for the department were linked to the organizational objectives. Furthermore, the statistics indicated that the hotels use the key



performance indicators to evaluate the performance of both the employees and the hotel as a whole. Key performance indicators were therefore a critical aspect of the performance management in the hotels.

Individual contribution to organizational productivity was regarded as key to improved performance by majority of the hotels. However, the hotel did not link employee development to core competences which are underlying characteristics of people that enable them to deliver superior performance. Further, majority of the hotels did not develop personal development plans as part of their larger strategic plans for their employees that would enable them acquire the competences that were crucial to the hotel industry. Lastly, performance management and employee feedback were not considered key performance drivers in the hotel.

Competitor surveys and conducting sales blitz were considered important aspects of competitiveness. However, competitor surveys did not significantly influence the performance improvement plans. The hotels also agreed that they focused on specific markets where they provided the best service and highly differentiated their products to remain competitive.

The market share of the hotels has not been growing consistently as a result of the economic and competitive environment. In the same way, the sale growth has not been consistent. The respondents stated that their occupancies were not better than their competitors. Lastly, majority of the hotels were not cost leaders given that the hotels had to offer quality and pricing affected the ability of the hotels to compete.

### 5.3 Conclusion

The study came up with the following conclusions after the data analysis and presentation of the findings. Performance management was a key feature in all the hotels. The hotels have an effective performance management system to a large extent. There is development of key performance indicators for the organizations and departments that are used in evaluating performance. There is a link between the objectives of the hotel teams and the individuals though the relationship between individual and team objectives is not very clear. Lastly, these objectives are adjusted to match changes in the environment.

The feedback from employees and performance management in the hotels is not used to drive performance. Further, employee development is not linked to core competences that are key to the achievement of superior performance in the hotels. This is evidenced by the poor performance in the sustainable growth of market share, sales growth and occupancy levels.

There is a strong positive relationship between performance management and competitiveness of four and five star hotel ( $R=.633$ ). The influence of performance management on competitiveness was statistically significant ( $B=.649$ ,  $t=2.715$ ,  $sig=.020$ ). The above statistics is in line with the second objective of this study and relates the objective positively being that there is a positive relationship between performance management and competitiveness. Performance management is therefore a predictor variable of competitiveness.

## **5.4 Recommendations**

This section represents the recommendations made based on the findings. The recommendations section was divided into three subsections namely contribution to knowledge, implications for managerial policy and implications for managerial practice.

### **5.4.1 Contribution to Knowledge**

This study provides more knowledge on the existing theories in performance management and competitiveness. The findings of this study concur with the dynamic capability theory because the objectives both for the hotels and the employees are adjusted to match changes in the environment. The hotels adapting to the changes in the environment keeps them up to date and are able to satisfy the needs of the customer.

This study has contributed to the body of knowledge by establishing a link between performance management and competitiveness in the hotel industry. This is a new area where further research can be conducted in different industries to see if the variables will remain the same. By undertaking of more research in this area, there will be a consolidation of information about the two variables and a theory can be developed to explain the relationship.

### **5.4.2 Implications for Managerial Policy**

The management in the hotel industry should emphasize the preparation of personal development plans for employees. These plans map the direction where the organization and the employee will go in the long run and it is broken down to specific, properly timed and achievable objects with an evaluation criterion.

The achievement of the set objectives will ensure the hotels are one step closer to their vision and the employees are better trained to handle their core functions. The hotel industry should base employee development plans on core competences. Thereasons being that when employees are developed on core competences, they develop unique characteristics that will enable them achieve superior performance. This will in turn lead to innovations by the employee who will be properly equipped to work and satisfied customers from the efficient and effective service offered to them.

#### **5.4.3 Implications for Managerial Practice**

The management should ensure that they have feedback mechanisms that will capture the employee feedback and take the relevant actions. This is because the employees are in operations and might identify laps and disconnects in service which will be detrimental to the hotel. The feedback mechanisms can be conducted through suggestion boxes, round tables and employee engagement surveys.

The hotel management should invest more in the training and development of its personnel. This will ensure that the employees are equipped with the necessary skills required to do the jobs apart from the minimum requirements that they had when they joined the hotel. The more equipped the employees the better their performance will be.

#### **5.5 Limitations of the Study**

This study was limited to four and five star hotels in Nairobi. This therefore means that information from the other star rated hotels was not included in this study and thus the findings, conclusions and recommendations are only limited to the two classes of classified hotels.

In addition, the study was only limited to the star rated hotels in Nairobi. This meant that all the other rated hotels in the country were not included in this study. The findings, conclusions and recommendations will be more applicable to the hotels in Nairobi than the other regions in the country.

Data collection from the respondents was a challenging task for various reasons. Hotels like the Hilton were not allowed by their company policy to offer any information about the company including filling in questionnaires. The respondents took a lot of time to give feedback that led to delay in data analysis. Some respondents did not fill in the questionnaires and thus their feedback was not included in this study.

### **5.6 Suggestions for Further Research**

Given the scope and limitation of this study, the researcher suggests the following areas for further research. The study can be extended to include three, two and one star rated hotels. In addition, the study could be extended to include hotels in Kenya and not just those that are in Nairobi.

A replica study should be conducted within the context of the sector other than the hotel industry for comparison purposes. This is because comparative research includes many variables and would provide a clear picture of the sector. In addition, comparative research verifies and tests theories by controlling contextual variation.

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# APPENDICES

## APPENDIX I: QUESTIONNAIRE

### PERFORMANCE MANAGEMENT AND COMPETITIVENESS OF FIVE STAR HOTELS IN NAIROBI

#### INTRODUCTION

This questionnaire seeks your views on performance management and competitiveness of five star hotels in Nairobi. Your response will be used for academic purposes only and will be treated with utmost confidentiality. Kindly take time to fill in the spaces provided.

#### SECTION A: Respondents Background

1. Name of the hotel .....
2. Year of establishment in Kenya .....
3. Is the hotel owned

Locally [ ]

Internationally [ ]

Or Both [ ]

4. What is your position in the hotel

Head of Department [ ]

Director/ Leadership team member [ ]

Regional Manager [ ]

Other Specify \_\_\_\_\_

## SECTION B: PERFORMANCE MANAGEMENT

1. Kindly indicate the extent to which you agree with the following statements

**Remarks: 1-Strongly Agree; 2-Agree; 3-Don't Know; 4-Disagree; 5-Strongly Disagree**

Aspects of Performance Management	Strongly disagree	disagree	Neither disagree nor agree	agree	Strongly agree
Our organization has an effective performance management system					
Core competences are regularly evaluated to ensure that they remain relevant to the organization					
Key performance indicators are used in evaluating performance					
We develop key performance indicators for the organization					
Departmental KPI's are always linked to organizational objectives					
Individual performance targets are based on departmental and organization objectives					
Our organization prepares Personal development plans for employees as part of the larger strategic plans					
The relationship between hotel and team objectives is clearly defined					
The link between individual and team objectives is clearly explained					
Individual contribution to organizational productivity is regarded as the key to improved performance					
There is clear and evident relationship between hotel, team and individual objectives					
The hotel links employee development to core competences and business strategy					
Objectives are adjusted to match changes in the environment and customer preferences					
Performance management and employee feedback are key performance drivers in the hotel					

2. How often is the hotel performance management report produced?

- Quarterly [ ]
- Bi-annually [ ]
- Annually [ ]
- Continuous [ ]

**SECTION C: FIRM COMPETITIVENESS**

1. To what extent would you agree to the following statements?

**Remarks: 1-Strongly Agree; 2-Agree; 3-Don't Know; 4-Disagree; 5-Strongly Disagree**

Aspects Depicting Competitiveness	Strongly disagree	disagree	Neither disagree nor agree	Strongly agree
The hotel has a well supported competitive strategy				
Our market share has been consistently increasing				
The sales growth (%) has consistently increased				
Our occupancy levels are better than our competitors				
Customer satisfaction surveys inform our decision making process				
Competitor surveys are conducted to evaluate our position relative to the competitors				
We always conduct sales blitz				
We pride ourselves as Cost leaders in the market with regard to food and beverage cost				
We have highly Differentiated products for our clientele with regard to variety of menus offered				
Our hotel Focuses on specific markets where it provides the best service				
Competitor surveys inform our performance improvement plans				

2. To what extent do you agree with the following statements about the hotel?

**Remarks: 1-Strongly Agree; 2-Agree; 3-Don't Know; 4-Disagree; 5-Strongly Disagree**

Aspects Depicting Competitiveness Improvement Initiatives	Strongly disagree	Disagree	Neither disagree	agree	Strongly agree
The hotel has invested in training and development of the teams					
The hotel has invested in Staff up-sell skills					
Our facilities are well maintained with state of the art equipment					
Facilities renovations impact on the ability to sell and rates offered					
There are minimal instances equipment breakdown					
Our hotel has come up with innovative products managed by highly qualified teams					
Our hotel is able adjust to guest needs and wants					
We meet customer requirements in a timely manner					
We Deliver guests services and products on time					
The number of employee training and development programs has gone up consistently					
The number of innovated products and services per year has consistently risen					
The management takes keen interest on the speed and depth of resolving guest queries					
We offer guest loyalty programs in our hotel					
Our hotel prides itself in ambience and authentic experience					
We have consistently been able to maintain our star rating classification					
We consider Location as one of our strongest advantages					
The competitive set* affects market penetration					
Pricing has always been treated as important in our hotel					
We conduct regular promotions as a way of thanking our customers					
Our products are second to none					
Our Brand reputation is unequaled by any other					
We heavily invest in expertise, training and development of sales team					

\*The competitive set refers to location, star rating, and conference space

**Thank you for participating**

## **APPENDIX II: Letter of Introduction**

University of Nairobi,  
College of Humanities and Social Sciences,  
School of Business.

Dear Respondent,

My name is Christine Makori, an MBA student in the school of business, University of Nairobi. I am conducting a research on performance management and competitiveness of five star hotels in Nairobi.

I will need some information to undertake this research which I humbly request your assistance as one of the hotels that have been selected to take part in the study.

Kindly, note that this information is purely for academic purpose and will be treated with strict confidence.

Yours Faithfully,

Christine Makori  
MBA Student

Prof. Martin Ogutu, PhD  
Supervisor

## **APPENDIX III: Ministry of Tourism List of star rated hotels in Nairobi**

### **Five Star Hotels**

1. Intercontinental Hotel
2. Fairmont the Norfolk
3. Sarova Stanley
4. Nairobi Serena Hotel
5. Windsor Golf and Country Club
6. Villa Rosa Kempinski
7. Tribe Hotel
8. Sankara Hotel
9. The Boma Hotel Nairobi
10. Safari Park Hotel
11. Hemingways Hotel

### **Four Star Hotels**

1. Hilton Nairobi
2. Ole Sereni Hotel
3. Crown Plaza Hotel
4. Eka Hotel
5. Boma Hotel
6. Panari Hotel
7. Laico Regency Hotel
8. Pride Inn Lantana Suites Hotel & Conferencing
9. Lavington Hill House
10. Sovereign Suites
11. Wasini Luxury Suites and Hotels

**Source: Ministry of Tourism 2013**