

**EFFECT OF TERRORISM ON FIVE STAR HOTELS IN**

**NAIROBI, KENYA**

**BY**

**AYODO SAMUEL OMONDI**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE OF MASTER OF BUSINESS  
ADMINISTRATION DEGREE, SCHOOL OF BUSINESS, UNIVERSITY OF  
NAIROBI**

**NOVEMBER, 2015**

## DECLARATION

This research proposal is my original work and has not been presented for any award in this or any other institution.

Signature..... Date.....

**Ayodo Samuel Omondi**

**D61/64944/2013**

This research proposal is submitted for examination with my approval as university supervisor.

Signature..... Date.....

**Prof. Martin Ogutu**

**Department of Business Administration,**

**School of Business,**

**University of Nairobi.**

## **ACKNOWLEDGEMENTS**

I am gratefully indebted to all those who have contributed to the success of this dissertation. First and foremost I recognize and uphold my Almighty Lord whose power has made me come this far. My sincere gratitude goes to my supervisor, Prof. Martin Ogutu for tirelessly and willingly sharing his scholarly experience and for making this dissertation a success undertaking. He has been available for consultation, his professional guidance and supervision added value to this work.

Many thanks go to the hotels for their support they gave me during data collection. Their response assisted and enabled the study to be what it is.

## **DEDICATION**

To my parents: For their care and relentless sacrificial support towards the pursuance of my basic education and responsible parenting. I heartily wish you the love, mercy and the unfailing love of God.

To my immediate family: For being so engrossed in everything that I do, your psycho-social support, love and visionary encouragement. Continue being closely- knit and to enjoy God's providence and shelter! Amen

To the memory of all civilians and security agencies personnel who have lost their lives through terrorist acts may their lives not have been in vain.

## **ABBREVIATIONS AND ACRONYMS**

SPSS	Statistical Packages for Social Science
ANOVA	Analysis of Variation
KTB	Kenya Tourism Board
CID	Criminal Investigation Department
UK	United Kingdom
US	United States
BCP	Business Continuity Planning
NSIS	National Security Intelligence Service

# TABLE OF CONTENTS

<b>DECLARATION .....</b>	<b>i</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iii</b>
<b>DEDICATION .....</b>	<b>iv</b>
<b>ABBREVIATIONS AND ACRONYMS.....</b>	<b>v</b>
<b>LIST OF TABLES .....</b>	<b>x</b>
<b>ABSTRACT .....</b>	<b>xi</b>
<b>CHAPTER ONE : INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study .....	1
1.1.1 Concept of Terrorism.....	2
1.1.2 Firm Performance of Hotels in Kenya .....	5
1.1.3 Hotels in Nairobi, Kenya .....	6
1.1.4 Five Star Hotels in Nairobi, Kenya.....	7
1.2 Research Problem .....	8
1.3 Research Objectives.....	10
1.4 Value of the Study .....	10
<b>CHAPTER TWO : LITERATURE REVIEW.....</b>	<b>11</b>
2.1 Introduction.....	11
2.2 Theoretical Foundations of the Study .....	11

2.2.1 Globalization Theory .....	11
2.2.2 Stakeholders Theory .....	12
2.3 Effects of Terrorism.....	13
2.4 Strategies to Deal with Terrorism .....	16
2.5 Effect of Terrorism on Firm Performance .....	18
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>20</b>
3.1 Introduction.....	20
3.2 Research Design .....	20
3.3 Study Population.....	21
3.4 Sample Design .....	21
3.5 Data Collection .....	22
3.6 Data analysis .....	22
<b>CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND RESULTS.....</b>	<b>24</b>
4.1 Introduction.....	24
4.1.1 Response Rate .....	24
4.2 Demographic Characteristics of The Respondents .....	25
4.2.1 Number of Years The Hotel Has Been in Operation .....	25

4.2.2 Number of Years of Operation in The Kenyan Hotel Industry .....	25
4.2.3 Effect of Terrorism on the Hotel .....	26
4.3 Effects of Terrorism on Perfomance of the Hotels .....	27
4.4 Strategies to Deal With Terrorism .....	29
4.5 Correlation Analysis .....	32
4.6 Regression Analysis.....	33
4.7 Discussion .....	35
<b>CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECCOMENDATIONS .....</b>	<b>38</b>
5.1 Introduction.....	38
5.2 Summary of the Findings.....	38
5.3 Conclusion .....	40
5.4 Reccomendations .....	42
5.4.1 Management Policy Reccomendation .....	42
5.4.2 Management Practice Reccomendation.....	43
5.5 Limitations of the Study.....	44
5.6 Suggestions for further research .....	45
<b>REFERENCES.....</b>	<b>46</b>
<b>APPENDICES .....</b>	<b>50</b>



<b>APPENDIX I: APPENDIX I: INTRODUCTION LETTER.....</b>	<b>50</b>
<b>APPENDIX II: QUESTIONNAIRE .....</b>	<b>51</b>
<b>APPENDIX III: LIST OF FIVE STAR HOTELS.....</b>	<b>56</b>

## **LIST OF TABLES**

Table 4.1: Response rate .....	24
Table 4.2: Number of years in operating since incorporation.....	25
Table 4.3: Period in Operations in the Kenyan Hotel Industry.....	26
Table 4.4: Effect of Terrorism on the Hotel.....	26
Table 4.5: Effect of Terrorism on Performance.....	27
Table 4.6 Strategies to deal with Terrorism.....	29
Table 4.7 Corellation Matrix.....	32
Table 4.8 Model Summary .....	33
Table 4.9 ANOVA.....	33
Table 4.10 Regression Coefficients .....	34

## **ABSTRACT**

Terrorism can negatively impact growth, performance and strategies. This research study was aimed at identifying the effects of terrorism on five star hotels in Nairobi, Kenya. The issue of global terrorism has assumed a frightening and dangerous dimension across the globe to an extent that an individual's safety in a nation cannot be absolutely guaranteed, Kenya in the recent past has experienced its share of terrorism and terrorist related activities with big magnitudes reported in Nairobi County and its environs. Terrorism raises the risk and cost of doing business irrespective of the nature of business. The main objectives of this research were to understand the effect of terrorism on five star hotels in Nairobi, Kenya and to seek out possible strategies to deal with terrorism. The value of the study is to assist the five star hotels in the analysis of direct and indirect effects of terrorism on performance variables in order to come up with business continuity plans, business resilience strategies, crisis management programs and disaster planning and recovery measures for the business survival in the event of and after the acts of terrorism. The study used a descriptive survey research design to explain how terrorism has impacted on performance by five star hotels operating in Nairobi, Kenya. The target population was five star hotels operating in Nairobi, Kenya. The researcher targeted 23 five star hotels whose list is attached as appendix three. The researcher got a sample size of 5 five star hotels. The researcher also used systematic random sampling to come up with a sample size. Structured questionnaires were used to collect primary data. The questions format was based on a five point Likert scale. After distributing and collecting the questionnaires, they were coded and edited for completeness using SPSS. The study observed that performance variables and strategies of five star hotels were clearly affected by the level of terrorism acts in the country. Tourists were more likely to visit hotels in countries that did not prove a threat to their safety.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Terrorism in the past decade has become both a national issue and international issue that require immediate attention due to its intensity. Terrorism has caused millions of lives globally, hundreds of thousands of lives regionally and thousands of lives locally, leaving many children orphans and dozens of parents childless and those who live to tell the experience of this traumatizing event are left traumatized forever. Other than the loss of lives, terrorism has caused serious damage to physical property of firms both nationally and internationally. The firms that suffer the most in terms of public image are the firms in the tourism industry or firms that rely on tourists to keep their businesses afloat. This is because when a terroristic attack hits a certain the country, there is panic and the tension that there is a likelihood of a repeat attack in the same location in the attacked country or city or town. Due to this fact, the tourists become scared to visit a certain country, especially after the governments of their home countries issue travel advisories concerning countries hit by terror. This action goes to hurt businesses in the tourism sector, because survival of any business is customer presence and without customer presence then there is no business at all.

One theory of terrorism is the stakeholder theory. The stakeholder theory argues that firms are characterized by their relationships with various groups and individuals such as employees and customers. The globalization theory also is a theory that identifies with terrorism. Globalization contributes to dreams and rising expectations but also it leads to broken dreams, unfulfilled

achievements and hopes for the future (Nassar 2004). Terrorism can therefore be seen as breeding a gap between expectations and achievements. Krugman (1980) in his attempt to explain globalization also tried to show how trade is altered when markets are not perfectly competitive and production of specific products possess economies of scale.

The tourism industry consists of distributors, transporters, public sector organizations and regulatory bodies. The distributors consist of travel agents, tour operators, firms selling on the internet, call centers handling customer service and travel suppliers. These are people that distribute products and services of travel to the consumers. Public sector organizations are government departments with responsibility for the industry. Another important group of firms in the tourism industry include accommodation firms as well as conference or exhibition organizers. These include firms such as hotels, villas, apartments, cottages and camping parks. Their performance in the recent past has not been that convincing due to terroristic attacks that have been rocking the country and the world at large. They are firms that use to perform very well but due to terroristic activities and reduction in the number of tourists visiting their performance reduced drastically. This paper aims to concentrate on hotels more than any other firm in the tourism industry.

### **1.1.1 Concept of Terrorism**

Over the past several decades many authors have attempted to define terrorism but they have never agreed on a universal definition. Jongman (1988) defined terrorism as an anxiety-inspiring method of repeated violent action, employed by clandestine individual, group, or state actors, for idiosyncratic, criminal, or political reasons, whereby in contrast to assassination the direct targets of violence are not the main targets. The immediate human victims of violence

are generally chosen randomly or selectively from a target population, and serve as message generators.

The first type of terrorism that is common is religious Terrorism. This type of Terrorism can be motivated by religious ideologies and grievances. Religious terrorism is particularly dangerous due to the fanaticism of those who practice it and their willingness to sacrifice themselves for the cause. Another type of terrorism is State Terrorism. This type of terrorism can be defined as the systematic use of terror by a government in order to control its population, but this type of terrorism should not be mistaken for state sponsored terrorism.

Right Wing Terrorism is also another type of terrorism that aims to combat liberal governments and preserve traditional social orders. Left Wing Terrorism on the other hand seeks to overthrow capitalist democracies and establish socialist or communist governments in their place. Pathological terrorism which is another use of terrorism by individuals who utilize such strategies for the sheer joy of terrorizing others who are innocent. Issue Oriented Terrorism is another type of terrorism that is carried out for the purpose of advancing a specific issue. Separatist Terrorism seeks to cause fragmentation within a country and establishment a new state. The last type of terrorism is Narco-Terrorism which refers to organizations that gain funds through the sale of drugs. In the case of Kenya we are mostly experiencing issue oriented terrorism and religious terrorism.

Terrorism has gone to destroy lives, businesses and even states at large. Terrorism has brought fear and those that are involved in this life threatening event are left traumatized forever. The atmosphere of distrust brought about by terrorism increases the business running costs. The almost unpredictability of the terrorists events render the business plans useless. The tension and the pressure that terror brings in the society change the tourism preferences of people in

particular, thereby influencing international trade. The increase in the security costs against terror extends distribution cycle and raises marketing costs. Based on the lack of confidence which brought by the terrorism, the marketing of some goods becomes more risky which led to decreases in businesses. For example in Kenya how we are constantly enhancing security in shopping malls, hotels and or airports goes to increase the running costs immensely. Terror targets the goods and supply chains that give the country competitive advantage.

The major aim of terrorist is to ruin the morale of people and security forces and create panic by intimidating people and the targeted society. The other aim of terror is to shake the authority of state by degrading the public institutions, security forces and other public officers in the eyes of public opinion (Varol 2007). Terror is not there merely to kill and ruin but rather to demonstrate its superiority by intimidating society by its activities (Koknel 2006).

Recent terrorist attacks in Kenya have affected both the national and the global economy. The direct economic costs of terrorism, including the destruction of life and property, responses to the emergency, restoration of the systems and the infrastructure affected, and the provision of temporary living assistance, are most pronounced in the immediate aftermath of the attacks and thus matter more in the short run. The cost of terror attack and insecurity in Kenya has slowed down infrastructure development hotels and other businesses. The indirect costs of terrorism have the potential to affect the economy in the medium term by undermining consumer and investor confidence. In Kenya we can see the many travel advisories imposed on Kenya by European countries reducing the tourist inflow into the country.

### **1.1.2 Firm Performance of Hotels in Kenya**

Kenya has been ranked in the top six emerging markets in Africa. There is a lot of market in Kenya and most investors believe it is the next big thing. This has made Africa and most so Kenya the preferred tourism destination but Terrorism has made this reality a bit difficult. This is because over the past five years, as terrorism increases investments reduce and the number of tourists that visit Kenya keep reducing due to the fact that they are afraid of their lives and losing all the fortunes if they invest. This reduction in tourist arrivals at the sea ports and international airports in Kenya has led to reduction in service revenue thus leading to reduction in total revenue and increase in total costs due to increase in security measures and increases in marketing and advertisement costs to assure potential foreign clients of their safety and promise to get their money's worth.

These reduction in business activity has led many firms in Kenya more so firms in the hotel sector to close down completely, closing some of the branches and even going to the extent of firing most of their staff due to lack of funds to support operations. The total costs have increased so much due to increase in operating costs brought about by introduction of tight regulations by the government as a result of terrorism that has rocked the country in the recent past. This has forced firms to adapt to the harsh environment conditions and those who do not adapt die in the end. Kenya is very promising but terrorism had made experiencing this goal a bit difficult.

There are several performance indicators used by firms in the tourism industry and in this paper the researcher will be concentrating mostly on five star hotels. One of the most important performance indicator is sales, marketing and function management. Under this indicator the firm will concentrate on the number of customers, Sales per head across all area, Marketing



and advertising costs, the number of inquiries that turn into actual sales, response rates, press mentions, bookings in the current week and month and coming up and also in peak times, number of inquiries about large bookings and functions, especially if you have undertaken a campaign to promote them.

### **1.1.3 Hotels in Nairobi, Kenya**

The hotel industry is an industry that has been there for centuries and it has slowly evolved over the years. Hospitality economic sector is a service-giving sector, which evolved in line with the coming of transportation industry and start of trading (Kamau and Waudu 2012). It is one of the oldest professions and is major economic activity all over the World. According to Ottenbacher, Harrington and Parsa (2009), it includes Lodging (Hotels and Motels) Foodservice (Restaurants and Caterings), Leisure (Vacations, Parks, Sightseeing and Hiking), Conventions (Meetings and Trade Shows), Travel (pleasure and business) and attractions (fairs, gatherings and shows). This industry is a labor-intensive service giving economic sector and gives job opportunities to millions of people. Hotels can be regarded as part of hospitality sector and it is a commercial establishment providing lodges, meals, and guest services. (<http://www.businessdictionary.com/definition/hotel>). Hotels include; 5-star, 4-star, 3-star, 2-star, 1 star and other Hotels. In this study we will be concentrating on 5-star hotels.

Hotels in Kenya present various range of services to suit tastes of customers. Class, elegance, ambiance and quality services are the major distinguishing factors of the hotels. Hotels in the industry are operating in high competition, (<http://www.kenya-space.com/hotels/>). These hotels in the recent past have brought in a lot of funds for the government in terms of tax, making it a reliable source of revenue. According to Wadongo, Odhuno, Kambona, and Othuon (2010) the Hospitality industry made a significant contribution for the economic development of the

Country. The hotel industry has always been at an all-time high but over the past decade the volume of tourists coming in at our international airport and through the Indian Ocean has declined drastically and the revenues have reduced due to terroristic activities that have rocked the country.

#### **1.1.4 Five Star Hotels in Nairobi, Kenya**

Nairobi boasts of very beautiful hotels that are ranked worldwide. The five star Hotels are the most luxurious ones in the market of Hotel industry in Nairobi, Kenya and have state of the art rooms, transportation, leafy gardens, and large pools. Some of these hotels are even located by the game park such as the Ole Sereni. Some of the services that five star Hotels provide for their customers are full-service meals and drinks at any hour and entertainments. Points that differentiate 5-star Hotels from other star Hotels are: reception opened for 24 hours, multilingual staff, doorman service, spacious reception hall with several seats and beverage service, personalized greeting for each guest with fresh flowers, mini bar and food and beverage via room service during 24 hours, internet PC in the room and ironing service, Shoe polish service. In case of 4-star Hotels, reception open for 18 hours, no ironing service, no shoe polish service, no personal care products in flacons, there is no service of internet PC in the room and no personalized greetings ([http://en.wikipedia.org/wiki/hotel\\_rating](http://en.wikipedia.org/wiki/hotel_rating)).

Despite the good facilities and high quality competition has become very high of late especially with the reduction of tourist arrivals in the country due to increase in terroristic attacks. Tourists normally go to affect the performance of these five star hotels because most of the visitors of these hotels are foreign visitors. They are normally quite expensive and thus average Kenyans cannot afford to wine and dine at these luxury hotels. Due to this reduction in clientele they have been forced to resort to aggressive competitive advantage strategies

## **1.2 Research Problem**

Terrorism goes to damage the public image of a country which in turn reflects the public image of the firms in that country. The firms that suffer the most in terms of public image are the firms in the tourism industry or firms that rely on tourists to keep their businesses afloat. The firms that the researcher believes have been affected by terrorism the most are hotels. For the last decade businesses have suffered a lot due to terroristic attacks and their sales just keep on plummeting and firms need to be very careful on how they deal with such an issue, because if not properly dealt with their firms might end up collapsing and die.

The reduction in business activity has led many hotels in Kenya more so firms in the hotel sector to close down completely, closing some of the branches and even going to the extent of firing most of their staff due to lack of funds to support operations. The total costs have increased so much due to increase in operating costs brought about by introduction of tight regulations by the government as a result of terrorism that has rocked the country in the recent past. This has forced firms to adapt to the harsh environment conditions and those who do not adapt die in the end.

There are previous studies that have been done both locally and internationally that are related to this topic of study but not much study has been carried on the effect of firms in the tourism industry in Kenya especially focusing on hotels. Luwigi (2006) did a study on the effects of the threat of terrorism on hotel property. Wakanini (2014) also did a study on the influence of terroristic activities on tourism business strategies. The first study mentioned focused on hotels in general and the other one focused on the entire tourism industry. The researcher intends to focus on individual firms in the Kenyan tourism industry especially in the Nairobi area. The researcher also plans to look at how terrorism has gone to affect the sales as well as other

performance indicator factors such as total costs on the firms in the Kenyan tourism industry. Wakanini focused on the tourism business strategies but the researcher intends to look how the firms in the tourism industry come up with new business strategies to overcome these terror attacks and survive in the industry. Bennet and Bray (2008) carried out a study on the impact of terrorism on tourism. They concentrated on Kenya and Egypt. The top weekly (2009) did an article on the effects of terrorism in India and Thailand and how they have grossly affected tourism in the named areas. This paper will solely be focusing on the effects of damages caused by the Al-shabaab terror group based in Somalia and attacking Kenya due to Kenyan military presence in Somalia.

To the best of the researcher's knowledge there are not many studies that have been done regarding effect of terrorism on five star hotels in the tourism industry. From previous attacks it can clearly be seen that terrorism has a huge effect on hotels in the tourism industry in Kenya. The studies done have been focusing on the entire tourism industry in Kenya or the effect of terrorism across the entire East African region, this study seeks to close the knowledge gap and attempt to answer the following questions; what is the effect of terrorism on five star hotels in the tourism industry in Kenya? What are the strategies adopted by firms to deal with terrorism in Kenya?

### **1.3 Research Objectives**

This study addresses the following two objectives:

- i. Determining the effect of terrorism on five star hotels in the tourism industry in Nairobi, Kenya.
- ii. Determine strategies adopted by firms in the hotel industry to deal with terrorism.

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

This study aims to bring to light new knowledge regarding the effects of terrorism on firms in the tourism industry and specifically the hotels in the tourism sector. It aims to go as far as informing us of the new strategies that have been put in place in the recent past to deal with terrorism activities.

It will also be contributing value to the terrorism theories of stakeholder and globalization theory by showing the effects that terrorism has on firms in the tourism industry. This study will go to show how people engage in terrorism after weighing the cost and benefits of their actions and arriving at a rational choice.

The researcher will go as far as revealing strategies adopted by firms in the tourism industry which in turn reflect on the managerial policy that they formulate. These policies strive to aim at reducing the effect of terrorism and reduce costs incurred in the end.

The study will be valuable to the managerial practice in the tourism industry in Kenya because it will aid managers in determining which practices will suit them in dealing with effect of terrorism and enable them survive in the harsh business environment brought about by terrorism.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter will review the theoretical literature review and literature related to the effect of terrorism on firms in the tourism industry in Kenya. Section 2.2 will discuss the theoretical foundations related to this study. Section 2.3 will be looking at literature regarding the effects of terrorism in general while section 2.4 will be concentrating on strategies to deal with terrorism. Section 2.5 will be discussing the effect of terrorism on firm performance.

#### **2.2 Theoretical Foundations of the Study**

This section will be looking at theories that are related to this topic of study and how they are relevant to our study. The theories that the researcher will review in this study are the globalization theory and the stakeholders' theory.

##### **2.2.1 Globalization Theory**

Nassar (2004) has probably written the most interesting piece on globalization theory as it relates to terrorism. He does provide a robust introduction to the complex topic of globalization. Globalization contributes to dreams, fantasies, and rising expectations, but at the same time, it leads to dashed hopes, broken dreams, and unfulfilled achievements. Terrorism breeds in the gap between expectations and achievements. Rich people or nations are seen as wanting power and wealth, and poor people or nations are seen as wanting justice. In brief, globalization theory holds that if the oppressed and disgruntled poor people of the world were simply given the chance to find peaceful means for achieving justice, terrorism would not

thrive. Krugman (1980) in his attempt to explain globalization also tried to show how trade is altered when markets are not perfectly competitive and production of specific products possess economies of scale. He focused on two types of economies of scales that is; internal and external economies of scale.

From the explanation of the globalization in the previous paragraph we can now show how it relates to our situation in Kenya. In Kenya for example the Al-Shabaab keeps on directing terroristic attacks on our country due to the fact that there is Kenya military presence in Somalia. In this perspective the Kenyan military is a part of the cause of the attacks. The firms in the country then in turn suffer due to the attacks directed at Kenya by the Al-Shaabab. The total costs of the firms in the country increase as a result of increase in operational costs which in turn leads the firms to increase their cost of products and services reducing their profit margin.

This theory tries to bring the idea under this topic of study but there are a few limitations. The first limitation being that it does not fully explain the effects of terrorism on hotels in the tourism industry but effect of international businesses generally. The theory also fails to address mitigation measures as a result of terrorist attacks on businesses. The globalization theory will be important in this study as it will goes to show the cause of terroristic attack on firms as well as the effects of terroristic attacks on the total costs of the firm.

### **2.2.2 Stakeholders Theory**

A stakeholder is any group or individual who can affect or is affected by the achievement of an organization's objective (Freeman 1984). The stakeholder theory argues that firms are characterized by their relationships with various groups and individuals such as employees and

customers. The stakeholder theory continues to argue that the stakeholders of businesses are neither the owners of a business nor the beneficiaries of its activities. Some of these groups are internal while others are external.

In this instance we can link the stakeholders' theory with effects of terrorism on five star hotels in the hospitality industry. This is because when terroristic attacks occur in certain country it goes to affect the frequency of inflow of tourists who are a stakeholder to firms in the tourism industry in Kenya. This study will be beneficial in helping us understand how the effects of terrorism go to affect the stakeholders of the firms in the tourism industry in Kenya. One widely used and useful model for understanding how stakeholders exert influence on organization objectives was proposed by Mendelow (1991). According to the model by Mendelow stakeholder power refers to the ability of the organization while the stakeholder interest refers to the willingness to influence the organization. We can see that the tourists have the power to influence the revenues as well as strategies employed by firms in the tourism industry as a result of terrorism in Kenya hence they have the right to be termed as a stakeholder in this case.

### **2.3 Effects of Terrorism**

Over the past several decades many authors have attempted to define terrorism but they have never agreed on a universal definition. Jongman (1988) defined terrorism as an anxiety-inspiring method of repeated violent action, employed by clandestine individual, group, or state actors, for idiosyncratic, criminal, or political reasons, whereby in contrast to assassination the direct targets of violence are not the main targets. Terrorist have different purposes for their operations, its purpose is not to kill as much people as possible, rather to get the masses under influence by terrorist activities (Kislali, 1999). The immediate human victims of violence are



generally chosen randomly or selectively from a target population, and serve as message generators. Scott Stewart, *Evolution and Trends in Terrorism* Tradecraft (2012) explain that terrorism is constantly evolving and adapting due to countermeasures against terrorism. Gabriel (2005) defined Terrorism as the organized use of violence against civilians or their property, the political leadership of a nation, or soldiers (who are not combatants in a war) for political purposes.

Meisels (2008) claimed that Terrorism is the intentional random murder of defenseless non-combatants, with the intent of instilling fear of mortal danger amidst a civilian population as a strategy designed to advance political ends. One other aim of terror is to create a sense of “we” and “they” partition promoted by the radical circles (Kokdemir 2003). There are several other definitions that were advanced by other authors but these definitions give us a clear picture of what terrorism actually is. In all definitions we can see terrorism as wanting to alter the environment through damage. This damage in turn goes to harm businesses that are a part of the alteration. These individuals are often inspired or motivated by some larger political movement that they are not actually a part of, but nonetheless draw spiritual and emotional sustenance and support from (Hoffman, 1997).

Firms may be able to discourage terrorist attack by maintaining an impeccable environmental and human rights record within their areas of operations (The Economist 2000). There are several types of terrorism that have been experienced in different parts of the world. One main of terror is to shake the authority of state by degrading the public institutions, security forces and other public officers in the eyes of public opinion (Varol 2007). The first type of terrorism that is common is religious Terrorism. This type of Terrorism can be motivated by religious ideologies and grievances. Religious terrorism is particularly dangerous due to the fanaticism

of those who practice it and their willingness to sacrifice themselves for the cause. Examples of religious terrorism is the 9/11 attack in the United States that saw the destruction of a lot of property and loss of lives all in the name of 'jihad'. Baily (2001) in a policy report, outlined and commented briefly on US fiscal policies responding to the impacts of 9/11. Many prominent groups can be linked to this type of terrorism such as Al-shabaab and Al-Qaeda. Gregg (2014) termed religious terrorism as acts of unrestrained, irrational and indiscriminate violence.

Another type of terrorism is State Terrorism. This type of terrorism can be defined as the systematic use of terror by a government in order to control its population, but this type of terrorism should not be mistaken for state sponsored terrorism. Jackson (2008) claimed that there is not enough analysis on state terrorism and that more analysis should be done on state terrorism.

Right Wing Terrorism is also another type of terrorism that aims to combat liberal governments and preserve traditional social orders. Right Wing terrorism is commonly characterized by militias and gangs. Left Wing Terrorism on the other hand seeks to overthrow capitalist democracies and establish socialist or communist governments in their place. They want to attack the established system in order to do away with class distinction. Pathological terrorism which is another use of terrorism by individuals who utilize such strategies for the sheer joy of terrorizing others who are innocent. Terror mainly seeks to inflict psychological harm in society with minimum use of power (Sandler-Enders, 2004). Issue Oriented Terrorism is another type of terrorism that is carried out for the purpose of advancing a specific issue. Commonly these issues are social in nature or deal with the environment. Separatist Terrorism seeks to cause fragmentation within a country and establishment a new state. Terror is not there

merely to kill and ruin but rather to demonstrate its superiority by intimidating society by its activities (Köknel, 2006). This type of terrorism is typical of minorities within a nation-state that desire their own, commonly due to discrimination from the majority group. The last type of terrorism Narco-Terrorism which refers to organizations that gain funds through the sale of drugs. It can also deal with the use of violence by those groups or gangs designed to make the sale of their drugs easier (Ehrenfeld 1990).

Recent terrorist attacks in Kenya have affected both the national and the global economy. Scott Stewart, *Evolution and Trends in Terrorism Tradecraft* (2012) explain that terrorism is constantly evolving and adapting due to countermeasures against terrorism, technology and target sets. The direct economic costs of terrorism, including the destruction of life and property, responses to the emergency, restoration of the systems and the infrastructure affected, and the provision of temporary living assistance, are most pronounced in the immediate aftermath of the attacks and thus matter more in the short run. The cost of terror attack and insecurity in Kenya has slowed down infrastructure development hotels and other businesses. The indirect costs of terrorism have the potential to affect the economy in the medium term by undermining consumer and investor confidence. In Kenya we can see the many travel advisories imposed on Kenya by European countries reducing the tourist inflow into the country.

#### **2.4 Strategies to Deal with Terrorism**

Safety and Security, Environmental uncertainty are major factors that hinder Companies operation in all sectors of the economy. Hemmington (2007) argued that Terrorism is the most direct example of environmental uncertainty in the world and it has serious impact on economic development of any region or country. Any economic sector operating in the world

cannot be out of such environmental uncertainties and it has a negative impact on the economic development in the World in general and in Hospitality industry in particular. This is because; Hospitality industry operation has direct relation with the operation of Tourism services. Hotels, Restaurants and Lodges are destination of Tourists and any uncertainty problems related with Tourist movement can affect the Hospitality business. Currently, the Hotel industry is struggling to recover from the effect of terrorism on its operation. Hospitality industry is operating in the global competitive environment and impact of Terrorism affects the business operation. Safety and Security is again another factor, which has negative impact on the Hospitality industry operation and profitability (Punpugdee 2005). The Author argued that safety involves protecting employees and customers with in the hotel premises from potential injury or death, while hotel security deals with preserving the property of Customers and Hotel properties. Because of this, Hotels can develop Positioning as the best service giving Firm by formulation of Positioning Strategy on the bases of Safety and Security issues.

Due to the uncertainty of terrorism and other geopolitical disruption factors, international businesses bear the costs of political risk insurance. Insurance policies for acts of terrorism are impossible to price and therefore impossible to write ( Levinsohn 2002). The computer models determine the probability of terrorist attack and expected level of damage by way of statistics, engineering, and other technical procedures (O'Brien, 2000). Proper risk modeling enables corporate managers in hotels to determine the actual amount of terrorism risk insurance coverage required for their particular business. Hotel Managers then can share the risk modeling results with insurance underwriters to negotiate lower premiums or reduce coverage levels.

## **2.5 Effect of Terrorism on Firm Performance**

Kenya as a tourism destination is experiencing negative perception on security matters with respect to perceived threats of terrorism and costs associated with managing terrorism. Travel Advisory notes as a result of terroristic attacks on the Kenyan soil especially from the US and UK governments that also affect other European citizen's interest to travel to Kenya. While the government has taken several preventive measures, it is still necessary for the Kenya Tourism Board (KTB) to develop a crisis management strategy in order to reduce the aftermath of such horrendous acts in the future (Redfern 2003). The crisis management practices in the Israel tourism sector can offer valuable information as far as crisis management is concerned (Reichel, 2003).

Before September 11th, travel and tourism was the world's largest industry, accounting for one in every 12 jobs. When the massive \$3.6 trillion industry almost ground to a halt after the terrorist attack, the ripple effects extended well beyond the United States, exposing the vulnerability of countries too dependent on international tourism (World watch Institute 2012). Scholars agree that terrorists have much to gain by targeting tourists (Sonmez, Apostolopoulos, and Tarlow, 1999; Lepp and Gibson, 2003). Terrorists have recognized the political significance of international tourism and have repeatedly and tragically communicated this; terrorism that targets tourism can be disastrous and the consequent events can result in a serious tourism crisis (Sonmez, Apostolopoulos, and Tarlow, 1999).

On the 7th of August 1998, the Al Qaeda network simultaneously executed twin attacks in Tanzania and Kenya, targeting the US embassy. In 1998, the US embassy bombing in Kenya led to a 7% fall in tourism numbers. As a result of the embassy bombing, hotels in Kenya received numerous cancellations. The US embassy in Kenya was severely damaged and the

news spread throughout the world via the media. A few Americans and over two hundred Kenyans lost their lives while thousands more were injured (Kelley et al 2003). On Thursday, November 28, 2002, terrorists believed to be linked to Al Qaeda bombed the Paradise Hotel in Kikambala on the North Coast of Kenya in a deadly attack. These attacks triggered fears in the hospitality industry, with tourism suffering a setback due to a drop in the number of incoming tourists (Agutu, 2003).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter contains the research methodology which was used in the study. Section 3.2 begun with the discussion of the overall research design, while Section 3.3 discussed the target population and the sampling procedure, which was used. Section 3.4 and 3.6 presented the data collection techniques and instrument that was used in data collection and the justification for the choices. The technique of data analysis was contained in Section 3.6

#### **3.2 Research Design**

According to Bryman & Bell (2007), research design is a general plan that provides a framework for the choice of data collection techniques and data analysis procedures. A descriptive cross-sectional survey was used for this study as it analyzed different hotels in Kenya in order to identify the effect of terrorism on five star hotels in the hotel industry in Kenya.

The descriptive study is one which information is collected without changing the environment while a cross sectional study is one which involves a one-time interaction (snapshot) with the unit of analysis. The benefit of this cross-sectional study design is that it allows researchers to compare many different variables at the same time. The five star hotels as the unit of analysis was analyzed at the same time and information necessary for the study gathered.

### **3.3 Study Population**

According to Borg et al (1996), population refers to the biggest cluster that researchers desire to study. The study population was all the hotels in tourism industry in Kenya and the target populations was five star hotels in Kenya. This population was believed to provide the information necessary for the research study.

The study employed random sampling. In random sampling, each unit of analysis (five star hotels) has an equal probability of being chosen. This sampling technique was representative and it is a fact that the identified hotels equally had the information that was required. The study therefore sought responses from the hotels in Nairobi. The hotels sampled represented the whole sector. According to the Kenya Tourism Board (2013) there are 174 hotels and to the best of the researchers knowledge there are 23 five star hotels that can be found in Nairobi, Kenya. This study randomly selected 5 five star hotels based in Nairobi for the research.

### **3.4 Sample Design**

The researcher got a sample size of 5 five star hotels. Cooper and Schindler (2003) advocate for a random sampling process in which a researcher randomly selects the lists from the population of the study. The researcher also used systematic random sampling. Systematic random sampling is where a sample is chosen by selecting a random starting point and then picking each *i*th number in succession from the sampling frame.



The sampling interval  $i$ , was determined by dividing the population size  $N$  by the sample size  $n$  and rounding to the nearest integer. With the population size of 23 hotels and a sample size of 6 five star hotels required then the sampling interval  $i$ , was 5.

### **3.5 Data Collection**

The purpose of data collection was to obtain information on the effect of terrorism on five star hotels in the tourism industry. The study was mainly quantitative in nature as written responses were received from the respondents. The respondents were managers and support staff. Filling of the questionnaire was on a voluntary basis as the researcher had no direct contact with managers and support staff at the five star hotels that were chosen to be studied.

Mugenda and Mugenda, (1999) argue that for a research instrument to be reliable, it must be capable of yielding consistent results when used more than once to collect data from two samples drawn randomly from the same population. The researcher carried out pilot tests of the instruments to establish the reliability. The instruments that were used for the pilot phase were adjusted accordingly to reflect the issues that arose during pre-testing.

The study used primary data. For primary data, the data collection instrument was the questionnaire. The questionnaire was structured so as to provide conformity in the answers given by the respondents. These questionnaires were sent to hotels via email and also face to face handing out of the questionnaires was carried out.

### **3.6 Data analysis**

Data analysis is the process of inspecting, cleaning, transforming and modeling data with the goal of highlighting useful information, suggesting conclusions and supporting decision

making. The output of data analysis enabled the study to infer the sample characteristics to the population. The study employed descriptive data analysis which was to determine the level of the effect of terrorism on firms in the tourism industry.

Responses from the questionnaire were coded and rated to determine the impact of the challenges. The responses from the data collection instrument enabled the study to establish the effect of terrorism on firms in the tourism industry and also strategies that have been employed to encounter this effect. The findings of the study were analyzed using both descriptive and inferential statistics. The data was represented using tables for ease of understanding. SPSS was used in the analysis of the data.

## CHAPTER FOUR

### DATA ANALYSIS, INTERPRETATION AND RESULTS

#### 4.1 Introduction

This chapter presents research findings, analysis of the data and interpretation of the data collected from the respondents. It also presents the discussion on the effect of terrorism on five star hotels in the tourism industry in Kenya and determines strategies adopted to deal with terrorism. The data was collected using a questionnaire and reports were produced in form of tables and figures and qualitative analysis done in prose.

##### 4.1.1 Response Rate

A total of 23 questionnaires were administered out of which 18 were filled and returned giving a response rate of 78.26%. This response rate was made a reality after the researcher dropped the questionnaires and made personal visits, emails and phone calls to the respondents reminding them to fill and return the questionnaires.

**Table 4.1: Response Rate**

	<b>Frequency</b>	<b>Percentages</b>
Response	18	78.26%
Non response	5	21.74%
<b>Total</b>	<b>23</b>	<b>100%</b>

## **4.2 Demographic Characteristics of the Respondents**

### **4.2.1 Number of Years the Hotel has been Operating since Incorporation**

The study sought to find out the period that the hotels had been in operation since their incorporation. The findings were as shown in the Table 4.2 below.

**Table 4.2: Number of Years in Operating Since Incorporation**

	<b>Frequency</b>	<b>Percent</b>
1 to 5 years	2	11.1
over 10 years	16	88.9
<b>Total</b>	<b>18</b>	<b>100.0</b>

From the Table 4.2 above, 11.1% of the companies had been operating for a period of between 1-5 years since their incorporation, while 88.9% of the hotels had been operating for a period of over 10 years since their incorporation. However none of the hotels sampled had been operating for a period of either less than one year or a period of between 6-10 years. These findings show that majority of the hotels that responded had been in operations long enough to be able to compare the performance of the hotels prior to terrorism activities and during terrorist activities in Kenya. This shows that the findings provided better describe the performance of the hotels in each of the two periods.

### **4.2.2 Number of years in Operation in the Kenyan Hotel Industry**

The study sought to find out the period that the hotels had been in operations in the Kenyan Hotel Industry. The findings were as shown in the Table 4.3below.

**Table 4.3: Period in Operations in the Kenyan Hotel Industry**

	<b>Frequency</b>	<b>Percent</b>
1 to 5 years	2	11.1
6 to 10 years	2	11.1
over 10 years	14	77.8
<b>Total</b>	<b>18</b>	<b>100.0</b>

The findings show that 11.1% of the hotels had been operating in the Kenyan hotel industry for a period of between 1 and 5 years and 6 to 10 years respectively while majority 77.8% had been operating in the Kenyan Market for a period of over 10 years.

#### **4.2.3 Effect of Terrorism on the Hotel**

The study sought to find out if the five star hotels had been affected by terrorism. The findings were as shown in the Table 4.4 below.

**Table 4.4: Effect of Terrorism on the Hotel**

	<b>Frequency</b>	<b>Percent</b>
Yes	14	77.8
No	4	22.2
<b>Total</b>	<b>18</b>	<b>100.0</b>

From the findings majority of the hotels had been affected by terrorism as supported by 77.8% while 22.2% said that the hotels they worked for had not been affected by terrorism.

The respondents were then asked to give the acts of terrorism that had been directly or indirectly experienced by the hotel and most of the respondents mentioned religious terrorism as the most common act of terrorism that they experienced. However other acts of terrorism such as state terrorism and right wing terrorism had also been experienced by majority of the hotels. The respondents were further asked what the target of terrorist and terrorism acts were and it was established that Buildings, Human beings and Businesses were the major targets of the terrorism acts.

### **4.3 Effects of Terrorism on the Performance of the Hotels**

The study sought to establish the effect of terrorism on the various hotels and the results were as shown below in the Table 4.5.

**Table 4.5: Effect of Terrorism on Performance**

	<b>Mean</b>	<b>Std. Dev</b>
Sales	3.42	1.73
Operating cost	4.0	1.28
Security cost	4.58	0.90
Marketing and advertising Costs	4.42	0.67
Tourist arrivals in the country	4.92	0.29
Rise and risk insurance	4.83	0.39
Inquiries on bookings	4.08	0.10
Number of customers	4.42	1.08
Number of bookings that actually turn into sales	3.92	1.31
Increase in the number of cancellations	3.92	1.44

Increase in the prices of services and packages offered by the Hotel	2.92	1.24
Increase in response rates	4.08	1.24

When the respondents were asked on the effect of terrorism on sales said that it was little effective with a mean of 3.42 and a standard deviation of 1.73. On the effect of terrorism on operating cost the respondents revealed that this had been effective with a mean of 4.0 and a standard deviation of 1.28. When the respondents asked about the effect of terrorism on Security cost said that terrorism had been very effective on the security cost with a mean of 4.58 and a standard deviation of 0.90. On the effect of terrorism on marketing and advertising cost of the hotels the respondents revealed that terrorism had been effective on the marketing and advertising cost of the hotels with a mean of 4.42 and a standard deviation of 0.67.

When the respondents asked about the effect of terrorism on tourist arrivals in the country said that terrorism was very effective on the arrival of tourist in the country with a mean of 4.92 and a standard deviation of 0.29. On the question of the effect of terrorism on risk and insurance the respondents revealed that terrorism had been very effective on risk and risk insurance with a mean of 4.83 and a standard deviation of 0.39. When asked about the effect of terrorism on inquiries and bookings the employees said that terrorism has been very effective on the number of bookings and inquiries in the hotels 4.83 and a standard deviation of 0.10.

When asked on the effect of terrorism on number of customers the respondents revealed that terrorism was very effective on the number of customers in the hotels with a mean of 4.42 and

a standard deviation of 1.08. The respondents were asked on the effect of terrorism on the Number of bookings that actually turn into sales, the respondents said that terrorism had been effective on the number of bookings that actually turn into sales with a mean of 3.92 and a standard deviation of 1.31. When asked on the effect of terrorism on increase in the number of cancellations the respondents revealed that terrorism had been effective on the increase of number of cancellation with the mean of 3.92 and a standard deviation of 1.44.

The respondents were further asked on the effect of terrorism on increase in the prices of services and packages offered by the Hotel the respondents said that terrorism was little effective on the increase in the prices of services and packages offered by the Hotel with a mean of 2.92 and a standard deviation of 1.24. When asked on the effect of terrorism on the increase in response rates the respondents revealed that terrorism was effective on the increase in response rates with a mean of 4.08 and a standard deviation of 1.24.

#### 4.4 Strategies to Deal with Terrorism

The study further sought to establish the strategies that the five star hotels had adopted in order to deal with terrorism. The findings were as shown in the Table 4.6 below.

**Table 4.6 Strategies to deal with Terrorism**

	Mean	Std. Dev
Employment of adequate security personnel	5.00	0.00
Installation of security cameras and gadgets to detect any suspicious activity	4.83	0.39
Educating employees on terrorism related issues	4.75	0.45



---

Employment of an adequate plan to recover from a terroristic attack	4.42	1.16
Adequate procedures laid out all over the hotel on how to react in case of a terrorist attack in the hotel	4.50	0.90
Risk Insurance cover taken against terrorist attacks	3.75	1.54
Employment of crisis management specialist to help the hotel in recovering from terrorist attack	3.83	1.47
Creation of a business continuity planning unit to combat any future terrorist activities	3.67	1.67
Ample protection to the employees of the hotel	4.75	0.45
Computer models to negotiate lower deals on insurance premiums	3.67	1.30
Coordination with security forces such as CID and NSIS on terrorism related issues	4.58	0.79
Conducting drills in preparation of future terroristic attacks	3.92	1.56

---

When the respondents were asked to give the effectiveness of employment of adequate security personnel as a strategy the respondents revealed that this was very effective with a mean of 5.0 and a standard deviation of 0.00. When asked how effective installation of security cameras and gadgets to detect any suspicious activity was, the respondents revealed that this was very effective with a mean of 4.83 and a standard deviation of 0.39. When asked the effectiveness of Educating employees on terrorism related issues the respondents said that this strategy was very effective 4.75 and a standard deviation of 0.45.

When asked about how effective employment of an adequate plan to recover from a terroristic attack was, the respondents said that this strategy was effective with a mean of 4.42 and a standard deviation of 1.16. When asked on the effect of adequate procedures laid out all over the hotel on how to react in case of a terrorist attack in the hotel the respondents said that this was very effective with a mean of 4.50 and a standard deviation of 0.90.

When asked on the effect of risk and insurance covers taken against terrorist attacks the respondents showed that this strategy was effective with a mean of 3.75 and a standard deviation of 1.54. Regarding the effectiveness of Employment of crisis management specialist to help the hotel in recovering from terrorist attack, the respondents showed that this strategy was affective with a mean of 3.83 and a standard deviation 1.47. When asked on the effect of Creation of a business continuity planning unit to combat any future terrorist activities, the respondents showed that this strategy was effective with a mean of 3.67 and a standard deviation of 1.67.

Regarding the effect of ample protection to the employees of the hotel the respondents showed that this strategy was very effective with a mean of 4.75 and a standard deviation 0.45. When the respondents were asked on the effect of the use of computer models to negotiate lower deals on insurance premiums the respondents showed that the strategy was effective with a mean of 3.67 and a standard deviation of 1.30. When asked on the how effective coordination with security forces such as CID and NSIS on terrorism related issues was, the respondents showed that this was very effective with a mean of 4.58 and a standard deviation of 0.79. When asked of the effect of conducting drills in preparation of future terroristic attacks, the

respondents revealed that this strategy was effective with a mean of 3.92 and a standard deviation of 1.56.

#### 4.5 Correlation Analysis

Pearson’s correlations analysis was conducted at 95% confidence interval so as to establish the relationship between the effect of terrorism on five star hotels in the tourism industry in Kenya and strategies adopted by firms in the hotel industry to deal with terrorism.

From table 4.7 below, there is a positive correlation between effect of terrorism on five star hotels and strategies adopted by firms of magnitude 0.69. The independent variables also had a positive significant correlation relationship with P-values of 0.01 and 0.02. A correlation coefficient value (r) ranging from 0.10 to 0.29 is considered to be weak, from 0.30 to 0.49 is considered medium and from 0.50 to 1.0 is considered strong.

**Table 4.7: Correlation Matrix**

		The effect of terrorism on five star hotels	Strategies adopted by firms in the hotel
the effect of terrorism on five star hotels	Pearson Correlation	1	
	Sig. (2-tailed)	0.011	
	N	18	
strategies adopted by firms in the hotel	Pearson Correlation	0.69	1
	Sig. (2-tailed)	0.02	
	N	18	108

#### 4.6 Regression Analysis

The study carried out linear regression analysis to test the influence of the independent variables on the dependent variable. The findings are shown in the tables below.

**Table 4.8: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.79	0.62	0.60	0.18

From the findings the R is 0.79, R-Square is 0.62 and the adjusted R is 0.60. 60.2% of the variations in the effect of terrorism on five star hotels can be attributed to the combined effect of the strategies adopted by firms in the hotel. This means that 39.2% of the changes in the changes can be attributed to other factors.

**Table 4.9: ANOVA**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	22.498	2	11.25	1.74	0.021
Residual	116.31	18	6.46		
Total	138.81	20			

The probability value of 0.02 indicates that the regression relationship was highly significant in predicting how the effects of terrorism on five star hotels influence the strategies adopted by firms in the hotel. The F critical at 5% level of significance with 2 numerators and 18

denominator degrees of freedom was 3.56. Since F calculated is less than the F critical (value = 3.56) this shows that the overall model was significant.

**Table 4.10: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	4.31	0.21		8.44	0.01
Strategies adopted by firms in the hotel.	0.68	0.51	0.42	1.33	0.04

From the table 4.10, the regression model can be written as:

$$Y=4.312 + 0.682X_1$$

Where Y = effects of terrorism on five star hotels and  $X_1$ =strategies adopted by firms in the hotel.

The regression equation above has established that taking all factors into account constant at zero, effects of terrorism on five star hotels will have an autonomous value of 4.312. The findings presented also show that taking the independent variables at zero, a unit increase in strategies adopted by firms in the hotel would lead to a 0.682 increase in the effects of terrorism on five star hotels. All the variables were significant as the P-values were less than 0.05.

#### **4.7 Discussion**

The study sought to find the relationship between terrorism and five star hotels in Nairobi, Kenya. From the results of this study the researcher found out that terrorism affects five star hotels immensely. The variables that were affected by terrorism include sales, operating cost, Security cost, marketing and advertising cost, risk and insurance, inquiries and bookings, number of customers, number of bookings that actually turn into sales, increase in the number of cancellations, increase in the prices of services and packages offered by hotels, increase in response rates.

The effect of terrorism on sales was little effective, on operating cost the respondents revealed that this had been effective, on Security cost it had been very effective, On marketing and advertising cost of the hotels it was effective, on tourist arrivals in the country it was said to be very effective, on risk and risk insurance the respondents revealed that it had been very effective on risk and risk insurance, on inquiries and bookings the employees said that it has been very effective, on number of customers the respondents revealed that it was very effective, on the number of bookings that actually turn into sales it had been effective, on increase in the number of cancellations the respondents it was found that it was effective, on increase in the prices of services and packages offered by the Hotel it was little effective, on the increase in response rates the respondents revealed that terrorism was effective.

These findings can be supported by Agutu (2003) who found out that terroristic attacks triggered fears in the hospitality industry, with tourism suffering a setback due to a drop in the number of incoming tourists.

The study has shown that for every effect, there are response strategies to deal with the effects and so it is important to formulate the strategies for competitive advantage in the industry. Gabriellsson et al. (2008) stated that a good response strategy has to have at least four components that is scope which defines companies and business, competence which is an indication of the level and patterns of the company's competition, competitive advantage which ensures the unique position a company develops vis-à-vis its competitors, and synergy which is the joint effects that are sought from the company's resources deployment and the company scope decisions. This study has shown that these four components are present in the five star hotels whereby the hotels are defined by the industry which they are operating, their response to presence of past strategy making decisions, individual strategies which is shown by the difference in response to effects of terrorism and using their resources to achieve these strategies.

The strategies employed by five star hotels in Nairobi, Kenya include employment of adequate security personnel, installation of security cameras and gadgets to detect any suspicious activity, educating employees on terrorism related issues, employment of an adequate plan to recover from a terroristic attack, adequate procedures laid out all over the hotel on how to react in case of a terrorist attack in the hotel, risk Insurance cover taken against terrorist attacks, employment of crisis management specialist to help the hotel in recovering from terrorist attack, creation of a business continuity planning unit to combat any future terrorist activities, ample protection to the employees of the hotel, computer models to negotiate lower deals on insurance premiums and coordination with security forces such as CID and NSIS on terrorism related issues.

Mintzberg (1987) pointed to five types of strategies: strategy as plan, strategy as ploy, strategy as pattern, strategy as position, and strategy as perspective. The five star hotels in this case have practiced strategy as position where strategy is determined by factors outside the firm in order for them to be sustainable in the industry due to terrorism acts.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECCOMENDATIONS**

#### **5.1 Introduction**

This final chapter contains the summary and conclusion of the study with regards to the effects of terrorism on five star hotels in Nairobi, Kenya. The chapter looked at the summary of the study and presented the conclusion of the study based on the results of the analysis. The limitations of the study and the study recommendations were finally presented.

#### **5.2 Summary of the Findings**

Five star hotels in the country have been affected by terrorism in the recent past and they have been trying to come up with strategies to mitigate the effects of terrorism on their hotels. In the last few years tourism in the country has been hit following terrorism acts and travel advisories by foreign countries. This has led to adverse effects on their performance variables such as sales, operating costs, tourist arrivals as well as the total overall cost. These hotels have been forced to come up with mitigating strategies to deal with terrorism. Little research had been done in respect to effect of terrorism on five star hotels and so a gap was identified, objectives of the study created and research questions formulated from these objectives.

In the study, primary data was collected through the questionnaire and designed in a way to answer the research questions and sent to the five star hotels. The study had identified a population of 23 from the Kenya space hotels website and a sample size of 5 five star hotels was randomly selected. There were 18 respondents out the 23 questionnaires handed out giving

a response rate of 78.2% and both descriptive and inferential statistics analysis done. From the analysis done, it was noted that from the hotels interviewed 88.9% of the hotels had been operating for a period of over 10 years and the remaining had been operating for a period of 1-5 years.

It was noted that most hotels believed that their hotel had been directly or indirectly affected by terrorism. The performance variables that had been affected most were tourist arrivals in the country followed by risk and insurance, security costs, the number of customers, marketing and advertising costs, inquiries on bookings, increase in response rates, number of bookings that actually turn into sales, increase in the number of cancellations, sales and lastly increase in the prices of services and packages offered by the hotel.

The respondents were then asked to give the acts of terrorism that had been directly or indirectly experienced by the hotel and most of the respondents mentioned religious terrorism as the most common act of terrorism that they experienced. However other acts of terrorism such as state terrorism and right wing terrorism had also been experienced by majority of the hotels. The respondents were further asked what the target of terrorist and terrorism acts were and it was established that buildings, human beings and businesses were the major targets of the terrorism acts.

In regard to strategies, the respondents believed that strategies that were mostly applied included employment of adequate security personnel, Installation of security cameras and gadgets to detect any suspicious activity, educating employees on terrorism related issues, Employment of an adequate plan to recover from a terroristic attack, adequate procedures laid

out all over the hotel on how to react in case of a terrorist attack in the hotel, Ample protection to the employees of the hotel and coordination with security forces such as CID and NSIS on terrorism related issues. The strategies that were moderately applied included Risk Insurance cover taken against terrorist attacks, employment of crisis management specialist to help the hotel in recovering from terrorist attack and creation of a business continuity planning unit to combat any future terrorist activities.

The hotels claimed that in the future they will buy more advanced security apparatus and they were confident they had a bright future in the Kenyan Hotel Industry. They also believed increasing more manpower as well as improving security measures. Most hotels are also striving to be the best in the industry in the future.

### **5.3 Conclusion**

Tourism is an important sector for the economy and its sustainability is important for the Kenyan economy. For decades tourism alongside agriculture have the industries that bring in most revenue to Kenya in terms of income to the firms as well as revenue for the government but terrorism has become a threat to this cash cow called tourism and that is why it was necessary to do this study to show just how much effect terrorism has had on firms in the tourism industry. To the best of the researcher's knowledge, five star hotels were the ones that were most affected by terrorism and that is why the researcher decided to a study on the effects of terrorism on five star hotels in Nairobi, Kenya. From the findings of the study it can be possible to draw conclusion that terrorism has had a huge effect on five star hotels.

The first objective of the study was to determine the effect of terrorism on five star hotels in the tourism industry in Kenya. The literature identified a couple of performance variables that could be affected by terrorism. The included Sales, operating cost, security cost, marketing and advertising Costs, tourist arrivals in the country, rise and risk insurance, inquiries on bookings, number of customers, number of bookings that actually turn into sales, increase in the number of cancellations, increase in the prices of services and packages offered by the hotel and increase in response rates. From the analysis done it can be concluded that the performance variables that had been affected most were tourist arrivals with in the country with a mean of 4.9 followed by risk and insurance with a mean of 4.8, security costs with a mean of 4.6, the number of customers with a mean of 4.4, marketing and advertising costs with a mean of 4.4, inquiries on bookings with a mean of 4.0, increase in response rates with a mean of 4.0, number of bookings that actually turn into sales with a mean of 3.9, increase in the number of cancellations with a mean of 3.9, sales with a mean of 3.4 and lastly increase in the prices of services and packages offered by the Hotel with a mean of 2.9.

The second objective of the study was to determine the strategies adopted by hotels to deal with terrorism. The literature identified a couple of strategies and from the analysis it can be concluded that the strategy that was applied most was employment of adequate security personnel with a mean of 5.0 , installation of security cameras and gadgets to detect any suspicious activity with a mean of 4.8, educating employees on terrorism related issues with a mean of 4.8, employment of an adequate plan to recover from a terroristic attack with a mean of 4.4 , adequate procedures laid out all over the hotel on how to react in case of a terrorist attack in the hotel with a mean of 4.5, ample protection to the employees of the hotel with a

mean of 4.8 and coordination with security forces such as CID and NSIS on terrorism related issues with a mean of 4.5. The strategies that were moderately applied included Risk Insurance cover with a mean of 3.8 taken against terrorist attacks, employment of crisis management specialist to help the hotel in recovering from terrorist attack with a mean of 3.8 and creation of a business continuity planning unit to combat any future terrorist activities with a mean of 3.6.

## **5.4 Recommendations**

The study was able to identify the research gap and fill the gap. From the study, effects were identified and the strategies to deal with them were identified. The five star hotels are very important stakeholders who would take the tourism sector to the next level once their effects are addressed. The study therefore provided managerial recommendations for both the policy and practice. These will help for better management of the hotels and the sector as a whole in order to achieve its goals.

### **5.4.1 Managerial Policy Recommendations**

The government should put in place policies and regulations that will assist better management of five star hotels and other stakeholders regarding security. Certain regulations such as the new security regulations are a big challenge to hotels in general, and the government should look for ways to assist in addressing these challenges faced by the firms in the hotel industry in conforming to the security regulations. Also, using the stakeholders' theory the government should come up with policies to level the competition field for five star hotels and attract more tourists in the country. The intergovernmental bodies dealing with tourism, security and

infrastructure should work together to fully utilize the resources available to harness maximum value from the sector.

The study recommends that the government should liaise more with the five star hotels and provide more protection by coming up with policies that encourage the interaction of five star hotels and the security agencies of the government. These costs are eating into the hotels revenue making most of them suffer to the extent that they neglect other operating costs. With the government offering more policemen to the hotels the guests will feel safe and the hotels will incur fewer costs in regard to security.

Parliament should tirelessly work hard and come up with policies that will aid the security agencies in catching these terrorists that keep on causing havoc to businesses in our country and paralyzing operations. Such policies include those regarding border control. This will help the hotels much because the sooner the terrorist attacks come to a halt the faster the hotel industry will get back to enjoying supernormal profits.

#### **5.4.2 Managerial Practice Recommendation**

The study also recommends that the government should invest more in the tourism industry so that they can carry out marketing campaigns across the globe to sample some of Kenya's beautiful and amazing features while ensuring the safety of the potential tourists when they visit Kenya. This will go to increase the inflow of tourist arrival in the country increasing inflow of tourists in the hotels and thus this will go to increase the tax revenue earned by the government.

The study also suggests that hotels should strive towards creating a business continuity planning unit in their management structure. This will enable them be more prepared in case of a terroristic attack. Creation of a business continuity planning unit will help them return to normal operations fast as a result of a terroristic attack.

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

In the course of carrying out the study, a few limitations were experienced. One of the challenges experienced was the response time by the five star hotels. Some of the respondents took long to submit back the questionnaire prompting a reminder to them. Due to the project timelines the researcher had to work with the available 18 respondents.

The second limitation is that there was an element of biasness in the sense that most interviewees exhibited vast business knowledge and limited knowledge on terrorism structures, organization and execution and also the future of terrorism in Kenya as well.

Another limitation encountered during the course of the study was the few local studies done in the hotel sector. This showed little research has been done in the sector and therefore adequate material for literature review was not sufficient to nourish the study fully. However, the international studies available were able to assist in coming up with comparisons.

The fourth limitation is that Terrorism is a very sensitive topic and almost all information with regard to terrorism is classified and access denied by security agencies and as a result some of the questions were not answered honestly.

The last limitation was that there was constraint to funds to finance the study. The researcher would have loved to travel all over the country and to research on five star hotels in other counties but the funds did not allow the researcher to do so.

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

The study suggests that more research should be done on the hotel sector. This study mostly concentrated on the five star hotels, the researcher suggests that more research should be carried out on the effects of terrorism on the other types of hotels such as the 4 star hotels, 3 star hotels, 2 star hotels and 1 star hotels. This will give us a much broader view of understanding the adverse effects of terrorism on the hotel sector just how much terrorism has affected the inflow of tourists through the airports and sea ports.

The study also suggests that more research can be carried out on five star hotels in other counties such as Mombasa and Kisumu counties. This study only concentrated on five star hotels in Nairobi County, research on the counties can help us see the effects of terrorism on five star hotels.



## REFERENCES

- Alavosius, M. P., Braksick, L. W., Daniels, A. C., Harshbarger, D., Housmanfar, R., & Zeilstra, J. (2002). The Impact of Terrorism on the US Economy and Business. *Journal of Organizational Behavior Management*, 22 (4).
- Agutu, M. (2003, June 6). Agency to underwrite terrorism risks. *Daily Nation*. Retrieved March 12, 2004, from <http://www.nationaudio.com>.
- Alexander, Yonah et al (1979) *Terrorism: Theory and Practice*. Boulder, CO, Westview Press.
- Blomberg, S. B., Gregory, D.H., & Weerapana, A. (2004). Economic Conditions and Terrorism. *European Journal of Political Economy*.
- Blomberg, S. B., Gregory D.H., Orphanides, A.(2004). The Macroeconomic Consequences of Terrorism. *Journal of Monetary Economics*, 51.
- Blomberg, S. B., Gregory, D. H., & Weerapana, A.(2004). An Economic Model of Terrorism. *Conflict Management and Peace Science*.
- Blomberg, S. B., Gregory D. H., Weerapana, A. (2004). The Economic Consequences of Terror. *European Journal of Political Economy*, 20(2), June

Giannakopoulos N.,(2012). Counterterrorism Effectiveness: The Impact on Life and Property Losses, *EUSECON Policy Briefing*, 19, DIW Berlin, German Institute for Economic Research.

Czinkota, M.R. (2005). International Marketing and Terrorism Preparedness Paper presented before the congress of the United State, House of Representatives, 109TH Congress, Committee on small Business, Washington, D.C.

Chakravarthy, B.& Perlmutter, H. (1985). Strategic Planning for A Global Business. *Columbia Journal of World Business* 20, 3-10

Campbell, K. M., & Flournoy, M. A. (2001). To prevail: an American strategy for the campaign against terrorism. *Washington, D.C. Center for Strategic and International.*

Konstantinos, D. & Kutan, A.M. (2001). Regional effects of terrorism on tourism: Evidence from three Mediterranean countries. *ZEI Working Papers B 26-2001, ZEI - Center for European Integration Studies, University of Bonn.*

Walter, E., Parise, G.F.& Sandler, T. (1992). A Time-Series Analysis of Transnational Terrorism: Trends and Cycles. *Defense Economics.*

Gitu, N. D. (2003). Reviving tourism: Let's try a new approach. *The East Africa Weekly.*

Retrieved March 28, 2004, from <http://www.nationaudio.com>

Greenbaum, R. T., Dugan, L. & Lafree, G. (2007), The Impact of Terrorism on Italian Employment and Business Activity. *Urban Studies*, 44.

Harvey, M. G. (1993). A Survey of Corporate Programs for Managing Terrorist Threats. *Journal of International Business Studies Third Quarter*.

Israeli, A. A., & Reichel, A. (2003). Hospitality crisis management practices: The Israeli case. *international Journal of Hospitality Management*, 22(4), 353-372.

International Monetary Fund. (2001), *World Economic Outlook - The Global Economy After September 11, December 2001: A Survey by the Staff of the International Monetary Fund*, World Economic and Financial Surveys (Washington: International Monetary Fund).

Jamal, T. B., & Getz, D. (2000). Community Roundtables for Tourism related Conflicts: *The dialectics of consensus and process structures*. In Bramwell, B. & B. Lane (Eds.), *Tourism collaboration and partnerships: Politics, practice and sustainability* (159–182). Clevedon, UK: Channel View Publications.

Kwena, E. (2002). Tourism industry at a crossroad. *Daily Nation*. Retrieved March 12, 2004, from <http://www.nationaudio.com>.

Nitsch, V.& Schumacher, D. (2004). Terrorism and International Trade: An Empirical Investigation. *International Economics*.

Sandler, T.& Enders, W.(2004). An Economic Perspective on Transnational Terrorism. *European Journal of Political Economy*, 20( 2).

Tavares, J.(2004). The Open Society Assesses Its Enemies: Shocks, Disasters and Terrorist Attacks. *Journal of Monetary Economics*, 51.

Yaya, M.E.(2008). Turkish Tourism Industry, Terrorism and Warfare. *Defense & Peace Economics*.

## **APPENDICES**

### **APPENDIX I: INTRODUCTION LETTER**

To whom it may concern.

#### **RE: SURVEY OF MY RESEARCH PROJECT**

My name is Ayodo Samuel Omondi from the University of Nairobi. I am carrying out a research study on the effect of terrorism on five star hotels in Nairobi, Kenya. The research is purely for academic purposes and I am glad to inform you that your input will form part of the research study. I would request your assistance in filling the questionnaire and any information given will be treated with utmost confidentiality. Thank you in advance.

Ayodo Samuel Omondi,

Student,

University of Nairobi

## APPENDIX II: QUESTIONNAIRE

### SECTION I: BACKGROUND INFORMATION

Name of your Hotel..... Date of the interview.....

1. Please indicate your functional responsibility in the hotel.....

2. Indicate your position in the hotel.....

Please tick or mark a cross where appropriate.

3. How many years has your hotel been operating since incorporation?

a.) Less than one year ( )

c) 1 to 5 years ( )

b) 6 to 10 years ( )

d) Over 10 years ( )

4. How many years have you been operating in Kenyan Hotel industry?

a) Less than one year ( )

c) 1 to 5 years ( )

c) 6 to 10 years ( )

d) Over 10 years ( )

5. Does Terrorism affect your Hotel?

a) Yes ( ) b) No ( ) c) Not sure ( )

**SECTION II: TERRORISM IN KENYA**

6. Please tick the act (s) of terrorism that has been directly or indirectly experienced by your hotel.

a) Religious Terrorism ( )

b) State Terrorism ( )

c) Right Wing Terrorism ( )

d) Left Wing Terrorism ( )

(e) Issue Oriented Terrorism ( )

f) Narco- Terrorism ( )

g) Any other target please specify.....

7. What has been the target of terrorist and terrorism acts in your hotel? (You can tick/cross more than one answer)

a) Buildings ( )

b) Human beings ( )

c) Businesses ( )

d) Government infrastructure ( )

e) Places of worship ( )

f.) Any other target please specify.....

8. In answering this question and rest of the questions in this section, you are given a scale of 1 – 5 to help you respond easily; where:

**5= Very effective**

**4= Effective**

**3= Little effective**

**2 = Ineffective**

**1 = Very ineffective**

What is the effect of terrorism on the following performance variables?

<b>Performance Variables</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
a.) Sales	( )	( )	( )	( )	( )
b.) Operating Costs	( )	( )	( )	( )	( )
c.) Security Costs	( )	( )	( )	( )	( )
d.) Marketing and advertising Costs	( )	( )	( )	( )	( )
e.) Tourist arrivals in the country	( )	( )	( )	( )	( )
f.) Rise in Risk Insurance	( )	( )	( )	( )	( )
g.) Inquiries on bookings	( )	( )	( )	( )	( )
h.) Number of customers	( )	( )	( )	( )	( )
i.) Number of bookings that actually turn into sales	( )	( )	( )	( )	( )
j.) Increase in the number of cancellations.	( )	( )	( )	( )	( )
k) Increase in the prices of services.	( )	( )	( )	( )	( )



l) Increase in response rates.	( )	( )	( )	( )	( )
--------------------------------	-----	-----	-----	-----	-----

9. How would you rate your hotel in contribution to combating terrorism in Kenya in relation to the following strategies? (Use the scale as for question 8 above)

<b>Strategies</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
a.) Employment of adequate security personnel.	( )	( )	( )	( )	( )
b.) Installation of security cameras and gadgets to detect any suspicious activity.	( )	( )	( )	( )	( )
c.) Educating employees on terrorism related issues.	( )	( )	( )	( )	( )
d.) Employment of an adequate plan to recover from a terroristic attack	( )	( )	( )	( )	( )
e.) Adequate procedures laid out all over the hotel on how to react in case of a terrorist attack on the hotel.	( )	( )	( )	( )	( )
f.) Risk Insurance cover taken against terrorist attacks.	( )	( )	( )	( )	( )
g.) Employment of a crisis management specialist to help the hotel in recovering from terrorist attack.	( )	( )	( )	( )	( )

h.) Creation of a business continuity planning unit to combat any future terrorist activities.	( )	( )	( )	( )	( )
i.) Ample protection to the employees of the hotel	( )	( )	( )	( )	( )
j.) Computer models to negotiate lower deals on insurance premiums	( )	( )	( )	( )	( )
k.) Coordination with security forces such as CID and NSIS on terrorism related issues	( )	( )	( )	( )	( )
l.) Conducting drills in preparation of future terroristic attacks	( )	( )	( )	( )	( )

**SECTION III: HOTEL REACTIONS TO TERRORISM IN KENYA**

10. How has your hotel reacted to the increased Terrorism in Kenya?

.....

11. What are the measures your hotel has taken to counter terrorism exposures?

.....

12. What is the future of your hotel in the Kenyan tourism industry?

.....

Thank you so much for your cooperation in answering the questionnaire.

**AYODO SAMUEL OMONDI**

**APPENDIX III: LIST OF FIVE STAR HOTELS IN NAIROBI, KENYA**

1	NAIROBI SAFARI CLUB
2	LAICO REGENCY
3	SAFARI PARK HOTEL
4	OLE- SERENI
5	PANARI HOTEL
6	NAIROBI SERENA HOTEL
7	SANKARA
8	SAROVA STANLEY HOTEL
9	SOUTHERN SUN MAYFAIR NAIROBI
10	HILTON
11	INTERCONTINENTAL HOTEL
12	WINDSOR GOLF HOTEL AND COUNTRY CLUB
13	THE BOMA NAIROBI
14	HEMMINGWAYS NAIROBI
15	DUSITD2 NAIROBI
16	HOTEL LA MADA
17	VILLA ROSA KEMPISKI
18	PALACINA THE RESIDENCE AND THE SUITES
19	EKA HOTEL NAIROBI
20	GEM SUITES
21	THE FAIRMONT NOLFOLK HOTEL
22	TRIBE HOTEL
23	HOTEL ROYAL ORCHID AZURE
22	THE GIRAFFE MANOR
23	SOVEREIGN SUITES