STRATEGIC CHANGE MANAGEMENT PRACTICES AND PERFORMANCE OF COMPANIES IN THE HOSPITALITY INDUSTRY IN KENYA

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DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature……………………………………..….Date………………………………

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D61/67941/2013

The research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this work to my father Bruce Ogaga, my late mother Gladys Atemo and all those who supported me in the completion of this project.

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ABBREVIATION AND ACRONYMS

DCT:	Dynamic Capabilities Theory
RBT:	Resource Based Theory
RBV:	Resource Based View
KAHC:	Kenya Association of Hotel Keepers and Caterers
HRA:	Hotel and Restaurant Authority
VRIN:	Valuable, Rare, Inimitable and Non-Substitutable

ABSTRACT

Organisations are environment serving and thus have to align themselves well so as to cope with the ever changing business environment. Their ability to manage and survive change has become increasingly important in an environment characterised by high competition and intensified globalisation of markets. The hospitality industry has faced adverse changes in the recent years than other sectors mainly due to the insecurity issues and political instability in the country that has resulted in many international tourists opting to visit other tourist destinations such as Tanzania. Both the uncertainties as well as the increasing competitive environment, with new hospitality companies, both local and international brands penetrating the Kenyan market have forced organization to critically think of strategic change management practices that will enable them to improve their performance and also create a competitive edge. The implementation of such strategies eventually determine the success or otherwise of the organization. Strategy is about performance and it explains why some organizations succeed and others fail. It is a unifying theme that gives coherence and direction to actions and decisions of an individual or organization. An organization strategic goal is to position optimally in its competitive environment in anticipation of environmental changes.The analysis of a firm's strategy involves the interaction between the strategic choice and its environmental context.The environment in which organizations operate is constantly changing with different factors influencing the organizations. This study sought to establish the strategic change management practices adopted by companies in the hospitality industry in Kenya and how these strategies influence on the company's performance. In this study, the researcher used both primary and secondary data. Primary data was collected using a research questionnaire that targeted both the middle and top level management. Data was analyzed through Microsoft Excel Spreadsheets and Statistical Package for social science (SPSS). The quantitative data was also analyzed using descriptive statistics such as frequencies, percentages and mean. The study draws conclusions, suggestions and recommendations that would contribute to high success in change management. In addition, the paper highlights areas for further research related to change management.

CHAPTER ONE

INTRODUCTION

1.1Background of the Study

From time to time, organizations undergo catastrophic upheavals so much so that changes are so sudden and extensive that they alter the trajectories of entire industries, overwhelm the adaptive capacities of resilient organizations, and thereby affecting firm performance (Meyer et al., 1990). In order to survive and attain sustainable competitive advantage, the successful companies must adopt strategies that would help them in managing the changes (Porter, 1996).The practices involved in managing the changes experienced by organizations is important as it helps the companies learn how to anticipate and respond to environmental changes in order for them to reposition themselves in the face of changing competitive conditions. This is what underscores the difference between the successful and unsuccessful companies.

The resource based view theory receives great attention in the strategic management literature. Its orientation towards internal analysis of the firm offers to human resource strategic management a valuable conceptual framework, through which to analyze the ways in which firms try to develop their human resources with the aim of transforming them in a sustained competitive advantage (Wright and McMahan, 1992). The second theory guiding this relationship is the dynamic capability theory. The term ‘dynamic capabilities’ refers to the firms’ ability to integrate, build and reconfigure internal and external resources and functional competences to deal with environments which are constantly evolving (Teece et al., 2007). The study will also be supported by the open systems theory (Burnes, 2000).

The performance of large hospitality firms in Kenya plays an important role in the country's economic development. Firm performance rather than environmental characteristics, such as environmental uncertainty, appears to be the most important objective in the relationship between the strategic decision making process and strategic decision effectiveness.

1.1.1 Strategic Change Management Practices

Organizations are faced with a number of changes on a daily basis in their operations, such as launching a new product or restructuring the organization. These changes may arise due to the fact that the organization feels the need to reposition itself in the dynamic and competitive industry, or from management fads such as business process engineering, culture change and total quality. In order for them to cope with the change successfully, they must carefully plan and implement the change. Through strategic change, the firm is able to align itself with the external environment. Change experienced by the organizations is also necessary for it enables them to continue to thrive, meet and exceed the competition of industry competitors. The content of strategic change school focuses on the strategy change's motives and results whereas the process school focuses on the role of leaders in the process of strategy change.

Change can be classified by the extent of the change required, and the speed with which the change is to be achieved (Johnson and Scholes, 2008). The firm may experience the strategic change through competition forces from other companies, changes in economic conditions that push it to adapt and change their strategies. The basic assumption in the literature is that some managers are able to change strategy for their firms better than others and the firms with the ability to match their information processing needs to environmental change perform better.

1.1.2 Firm Performance

Most scholars focusing on Organizational performance define performance as a dependent variable that produces variations in performance (Chakravathy, 1986). Studies on the organizational performance have been able to provide a broad direction for future research, however face a challenge in identifying the specific organization factors that bring about the variations in firm performance. Partitioning the variation in performance between industry, corporate, and seeking to explain an important portion of the observed dispersion in business unit profit rates must use the business unit as the unit of analysis and must focus on the sources of heterogeneity within industries (Rumelt, 1995)

In order for firms to perform well, they must learn how to optimally utilize the resources at their disposal. Daft (2013) defined performance as the organization's ability to attain its goal by using resources in an efficient and effective manner. Firm performance is determined by the success of selling products and services in the market, and, by the effectiveness of organizing and transforming inputs into sellable outputs (Nickel, S.J. 1996).

Measuring the firms performance has however proven to be a challenge over the years. In order to effectively determine the progress of the firm's performance, various factors ranging from employee satisfaction to shareholder wealth at the center of strategic management must be measured (Kaplan & Norton, 1992). Most strategic management theories either implicitly or explicitly underscore performance implications, since performance is the time test of any strategy (Schendel and Hofer, 1979). The ability of firm to measure its performance is important and enables it to perform better than firms whose performance cannot be measured. This is because the strategy being implemented can be monitored closely and corrected whenever I t does not match up to the set organizational goals.

1.1.3 The Hospitality Sector in Kenya

The hospitality industry may be defined as the act or practice of being hospitable; the reception and entertainment of guests, visitors or strangers, Oxford English Dictionary (2011). The scope of this industry and its characteristics has been defined by highlighting both its tangible and intangible features in the service delivery whereas other scholars prefer describing the industry by exploring the stakeholder's involved, mutual benefits generated and the industry's impacts to the society and economy.

The hospitality industry is a broad field as it includes a variety of activities in the Service industry. The various activities that take place in the hospitality industry are such as restaurants, lodging, events planning. King (1995) identifies a difference between private and commercial hospitality, where private hospitality refers to the acts by individuals towards individuals in a private setting such as the home and commercial hospitality is defined as meals, beverage, lodging and entertainment provided for profit. People often perceive tourism as an industry in itself; however, it is an integral part of the hospitality industry and falls under commercial hospitality.

Kenya has relied on the tourism and hospitality industry to earn its foreign exchange since it attained independence. The hospitality industry is with no doubt one of the fastest growing sectors compared to other sectors in the global economy, and it has greatly benefited from the globalization that has occurred over the years. In every fast growing industry, the challenges facing it are inevitable. These challenges are increased competition, economic issues, technological issues, marketing issues and cost management. The industry's dependence upon the nation's economy is directly related to the business travel, hence when the economy slows down, business travel also slows and the occupancy and rack rates decreases. It is not only the nation's economy, but also the economies of individual countries, that play a big role in the industry's financial success. Therefore companies must pay close attention to the global trends and keep up with the fast pace of technology so that they may remain competitive.

1.1.4 Companies in the Hospitality Industry in Kenya

The hospitality industry in Kenya is very competitive due to the high number of established and upcoming hotels in the recent years. Hotels in Kenya are dispersed all over the country; however the major cities, Nairobi and Mombasa have the highest concentration of hotel infrastructures in the country, and are most preferred by tourist. Nairobi remains the focus of attention in Kenya, having attracted billions of shillings in the hospitality industry with seven companies recently entering the market. These companies are Best Western, Country Lodge with Novotel and Ibis, Accor, Carlson Rezidor with Radisson Blu and Park Inn, DUSIT, easy Hotel and Villa Rosa Kempinski. Nairobi has entered the global hospitality map with 11 new hotels in different stages of completion and set to open in the near future. As a result, the addition of these new hotels will add 1469 rooms in the market thus making Kenya the fifth most attractive destination in Africa for international hotel chains, (Africa Pipeline Survey, W Hospitality, 2013). This therefore explains why Kenya's hospitality and tourism industry has the quickest turnaround ahead of other sectors such as agriculture and mining.

The principal umbrella organization uniting Kenyan hotels, lodges, restaurants, membership clubs and prominent airline caterers is the Kenya Association of Hotel Keepers and Caterers (KAHC), founded in 1944. The association performs variety roles for the benefits of its members. Kenya's hospitality industry is also under the wing of the Hotel and Restaurant Authority (HRA) which was established to regulate and standardize hotels and restaurants and aims at ensuring that all the hospitality firms maintain the set quality as well as comply with the relevant laws and regulations hence promoting excellence in the hospitality sector.

1.2 Research Problem

Over the years, the major concern in strategic management has been to improve performance in organizations. The concept of strategic management helps managers to analyse the relevant environmental and internal conditions, in order to anticipate the opportunities and threats and therefore improve organizational performance (Porter, 1980). It is imperative for organizations to continuously study the environment and respond to its dynamism, heterogeneity, instability and uncertainty so that they are able to retain their competitive advantage (Waruingi, N.N., 2012).

It is evident that the performance of companies in the hospitality industry in Kenya has stagnated over the past few years due to various environmental challenges that have affected the operations at the hotels and other companies in the hospitality industry. In the wake of these changes it is expected these companies would embrace strategic planning as a way of securing business success (Aosa, 2011). One of the major challenges that have caused negative impacts on Kenya's hospitality industry is domestic terrorism. 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). Kenya has had its fair share of attacks with the major one targeting the US Embassy in 1998, however the dynamics have changed and the attacks are now focussed on Kenyans due to our government's intervention in

Somalia. These attacks have affected the tourism industry. The sector's earnings have fallen for three years consecutively, and in 2013 the tourism earnings reflected a drop of 2.1%, international visitors stood at 1.09 million from 1.23 million the previous year (Business Daily, Money Markets, 2015) Potential tourists have opted to visit our neighbouring countries instead of Kenya due to security concerns.

A number of studies have been carried out and documented such as external environment, strategic responses and performance (Kim and Lim, 1988; Venkatraman and Prescott, 1990) as well as external environment and performance (Machuki and Aosa, 2011). There have also been studies done locally in regards to the response strategies towards the dynamic changes in the environment; Waruingi (2012) focussed on the response strategies adopted by Serena Group of Hotels towards the environmental challenges in East Africa, the methodological gap in her study is that it took a case study approach whereas this current study is a sample survey. The contextual gap is that it focussed on the environmental challenges in East Africa whereas the context of this current study is in Kenya. Mohamed (2008) focused on response strategies by commercial banks in Kenya to business environmental conditions. Kipkoech (2013) focused on the strategies adopted by Multinational Enterprises towards political changes. While these studies have revealed the practices adopted by different organisations when faced with various types of environmental changes, it's important to eventually measure how the organisations perform with respect to the implemented strategic change management practices. This study therefore sought to address the inherent gap by answering the question: Which strategic change management practices have the companies in the hospitality industry adopted to ensure firm performance?

1.3 Research Objective

The broad objective is to assess the relationship between strategic change management practices on firm performance in the hospitality industry in Kenya.

The specific objectives are:

i. Determine the strategic change management practices adopted by the companies

ii. Establish whether the performance of the firms in the hospitality industry is related to the strategic change management practices adopted.

1.4 Value of the Study

The study will help in theory building, managerial practice and policy formulation. In theory building, it will contribute towards literature for researchers who would like to carry out further research, especially strategic management scholars in their quest to increase the frontiers of knowledge. It will also offer significant contribution to the already existing theories like resource based view theory, dynamics capabilities theory and open systems theory.

Secondly, the findings of this study will be beneficial to managers of all cadres by contributing towards the process of implementation of best practices in firm performance improvement. This will be made possible in examining how the firm's strategic change management practices' decisions is affected by the top management and in turn the effect of managers' decisions on firm performance. This would help in designing a governance framework that is able to optimize financial and non-financial benefits for them.

Finally, the study will contribute towards policy formulation on the key role of strategic change management practices on the firm performance in the hospitality firms. Such policies will provide guidance on which appropriate policies can be employed in the hospitality firms with the aim of improving business competitiveness and give it competitive advantage over other firms.

1.5 Chapter Summary

This chapter covers the background of the project, a brief discussion on the study variables and the context. The study variables discussed include strategic management practices and firm performance, whereas the context of the study is the hospitality industry in Kenya. This chapter has also shed light on what other scholars have done and the gaps that need to be filled.

Further, the chapter gave an over-view of the theories that anchor the study variables namely the RBT, the DCT, and the open systems theory. The main objective which is to establish the relationship between strategic change management practices on firm performance is also presented. Specific objectives drawn from the main objective are then summarized. Finally, the chapter explains the value of the study. The next chapter covers a comprehensive literature review.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the different streams of strategic management literature relevant to the study thus presenting a broader context in terms of past scholarly works about strategic change management practices and firm performance. It captures the theoretical and empirical reviews of the literature as well as relates the concept of the study to discover respective knowledge gaps and conceptual model.

The first section examines the schools of thought and paradigm in strategy with a main focus on the resource based view theory, Teece's (1997) dynamic capabilities framework and the Open systems theory. It then turns to the second section which focuses on the conceptual framework applications of the companies in the hospitality industry in Kenya. Thirdly, the final section has a summary of the previous studies.

2.2 Theoretical Foundation

This study is premised on three key theories, namely the resource based view theory, the dynamics capabilities theory and finally the open systems theory.

2.2.1 Resource Based View Theory

The idea of viewing firms on the basis of the type of resources they poses goes way back to the seminal work of scholars such as Penrose (1959), and Selznik (2957) also touched on it with his notion of distinctive competencies. The theory was later defined by Wernefelt B. (1984) and finally Barney (1991) elaborated on it in his several works. The resource based theory (RBT) views the firm as a bundle of resources, comprising of assets, capabilities, organizational processes, firm attributes, information and knowledge.

The difference in combining these resources is what brings out the competitive advantage from other firms.In analyzing sources of competitive advantage; the resource-based view has two assumptions. Firstly, a firm within an industry may be heterogeneous with respect to the strategic resources they control. Secondly, the model assumes that these resources may not be perfectly mobile across firms, and thus heterogeneity can be long lasting. The resource-based model of the firm examines the implications of these two assumptions for the analysis of sources of sustained competitive advantage. “Resources are valuable when it enables a firm to conceive of or implement strategies that improve the firm's efficiency and effectiveness" (Barney, 1991).

Resources that are strategically important bear certain characteristics such as valuable, rare, inimitable and non-substitutable. The relevance of the Resource Based View theory is supported by the understanding that the firm’s resources and its products are interdependent, implying that in order for products to be manufactured, the resources must be put to use and most resources can also be utilized in several products. In order for the companies to attain a sustainable competitive advantage, they should have attained an economic value through producing goods and services that yield greater benefits however the economic cost incurred to exploit the resources is lower or the same as their competitors (Peteraf and Barney, 2003).

The companies with superior benefits are therefore at a better position to enhance customer loyalty and perceived quality (Fang, and Zhao, 1993), thus enabling the firms utilize their resources with the aim of improving its performance by gaining a differentiation-based competitive advantage by selling its goods at either a parity price or a premium price. A superior cost structure enables the firm to attain greater flexibility pricing and also the ability to increase availability surplus (Zou et al., 2003) hence the firm gains an efficiency based competitive advantage.

2.2.2 Dynamics Capability Theory

Closely linked to the resource-based view theory is the dynamic capabilities theory (DCT) which can also be applied by a company as a tool for achieving competitive advantage and long term success (Teece et al., 1990; Peteraf, 1993) The academic literature of the dynamic capability grew out of the resource-based view of the firm and the concept of routines in the evolutionary theories of organizations (Nelson and Winter, 1982).

This theory argues that capabilities are a firm's capacity as well as abilities to deploy resources, usually in combination using organization's processes, procedures and demand effect as well as other resources (Teece, 1997; Pearce et al, 2012).Scholars have further advanced the theory that resources influence performance especially if organizations acquire valuable, rare, inimitable and non-substitutable (VRIN) ones (Teece et al 1997).

2.2.3 Open Systems Theory

Organisations are open systems operating in turbulent environment and change is inevitable since the past's determinants of success may be the future's determinants of failure (Kotter, 1996). The open systems theory emerged in the 1960s, offering a more holistic and humanistic approach to businesses which the traditional approaches failed to take into account, such as environmental influences.

The concept of this theory therefore refers to organizations that conduct their businesses and are influenced by the dynamic changes in their external environment. The organization's environment is assumed to be objectively determined and manifested as a source of threats and opportunities (Chaffee, 1985). The organizations may be influenced by various forces in its macro-environment including Political, economic, social, technological, environmental and legal. This is because organizations are environment serving and dependent (Ansoff and McDonell, 1990).

2.3 Strategic Change Management Practices

Strategic change management in the hospitality industry has gained tremendous attention, especially due to the recent turbulent and discontinuous changes experienced in Kenya. Change can originate from the external sources or internally as a management response to issues faced by the company. The difference between the change faced by companies in the previous eras and today is evident by its nature, the speed at which the changes occur and the complexity of change. Companies today are therefore expected to develop effective strategies for managing these changes in order to survive in the competitive environment and also achieve their strategic intents. The formulation of these strategies entails aligning a firm's strengths and weaknesses with the problems and opportunities in the environment (Andrews, 1971). Some of the effective approaches used are such as Kotter's 8 step change model.

Kotter's change model involves a set of eight phases that are used at the organization's strategic level with the intent of changing its vision and subsequently transform it. These eight steps begin with creating a sense of urgency among the people with the aim of enticing them so that they can willingly accept and participate in the change. Secondly, the change leaders should build a coalition by creating a group of fellow managers who are powerful and energetic enough to counteract resistance. Thirdly, it is necessary that the change leaders create a vision as well as the most suitable strategies that will help in achieving the company's vision and eventually expedite the change (Kotter, 1996). Fourthly, the change vision created in step three must be communicated to the employee. The fifth step involves an empowerment exercise that will encourage the employees to embrace the changes.

The sixth step involves the process of creating short term wins through positive reinforcement. The final step in Kotter's model is to anchor the changes in the corporate world. In order for the implemented changes to be permanent, they must be reinforced by demonstrating the relationship between new behaviors and organizational success change (Kotter, 1996).

The companies in the hospitality industries have therefore been forced to match their activities to the dynamic environment they operate in through the listed change management models. Ansoff (1965) asserts that when a firm fails to respond to a threat, their losses continue to accumulate. Some of the strategies adopted are the outsourcing strategy, which involves the companies hiring an independent outside company to carry out certain duties on its behalf. For instance, an upcoming hotel instead of incurring the costs of a human resources department may decide to contract these services from a recruitment firm.

Most hotels have adopted this strategy with the aim of reducing their payroll costs, especially in situations whereby an employee is being paid a higher salary exceeding his outcome. Outsourcing is growing at a rapid rate throughout the world because organizations view it as a way to achieve strategic goals, improve customer satisfaction and provide other efficiency and effectiveness improvements (Hamel and Prahalad, 1994).

Product strategy and Product innovation strategy involves the process of improving the products and services offered by the companies with the aim of remaining relevant in the market and eventually attaining sustainable competitive advantage. The two strategies slightly differ, product strategy has a goal of increasing the sales of the hotels' product or services in the current cycle (Ashmore, 1991) whereas the product innovation strategy's main focus is the future trends in competition and market share, as it strives to innovate its current products or come up with new products that will meet the demands of the upcoming markets.

Technology is one of the most dynamic aspects in the environment, and a determinant of an organizations growth and sustainability in the competitive environment. However, many organizations are still reluctant to adopt the new technology and are blinded with the belief that it does not matter due to its commoditization (Carr, 2003).

Companies in the hospitality industry have also adopted the restructuring strategy. Restructuring often occurs when a company changes its strategy (Bateman and Zeithmal, 1990).It is evident that the most profitable and productive hotels have actively embraced the process of restructuring and reengineering its operations. Whereas most organization restructure with the intent of attaining competitive advantage, most hotels such as Sarova hotels, resorts and span have adopted this strategy as a survival tactic due to the adverse economic climate caused by insecurity in the country.

2.4 Firm Performance

A firm's performance is reflected by its productivity and profitability levels in the market it operates in. It relates to the firm's efficiency and effectiveness, thus managers must understand the organization's goals and strategies in order to achieve organizational effectiveness. In this study, the firm's performance will be reflected through the results obtained from the effects of strategic change management practices on companies (Barney, 1991)

There are various ways of measuring the firm's performance, ranging from reporting mechanism, such as financial reports, to others systems employed with the intention of controlling certain aspects within the organization, such as the performance of the products which is measured though customer's satisfaction, and employees whose performance is monitored through various performance tools such as appraisals. In most companies in the hospitality industry, the key performance indicators are tracked by Kaplan's performance management tool, the Balance score card which is designed to provide the organization with a framework that will help it in managing its resources. According to Kaplan (1992), the organizations employ performance measurements systems increasingly so that they can develop an understanding of their competitive position within the business environment.

Kaplan's performance measurement provides a range of both financial and non-financial information to measure the organization's performance. The tool involves four main perspectives, financial perspective, customer perspective, internal business processes and the learning and growth perspective. The organization tracks the progress of its performance financially through the use of budgetary control, and other financial indicators such as return on investments, which basically summarize the readily measurable economic conditions of the decision and actions already taken by the organization. This is the most direct reflection of company's performance progress. Secondly, the customer perspective focuses on the satisfaction the customers get from the companies' products and services, which is tracked through the market share, customer loyalty and satisfaction. Thirdly, the internal business process perspective focuses on the organization's operational goals that are responsible for the overall success. The management team in the organization therefore analyses the performance of the current processes with the aim of identifying and prioritizing those that yield customer and shareholder satisfaction. Kaplan's fourth and final perspective is learning and growth perspective. The organization measures its success through human capital, training, information systems and other intangible assets that lead to innovation and eventually success.

2.5 Strategic Change Management Practices and Firm Performance

According to past research, poor performance acts as a catalyst to organizational change when managers take actions in response to a decline in performance (Cyert and March, 1963; Kiesler and Sproull, 1982).March and Simon (1958) argued that poor performance will lead organizations into problem-motivated search, which in turn will lead to pressures for change. It is only when poor performance signals that an existing manner of operating is inappropriate do managers attempt to change an organization to respond to environmental changes (Tushman and Romanelli, 1985). Managers of organizations that are performing poorly are in a position to more easily overcome resistance to change and may be able to use poor organizational performance to legitimate changes that may be politically difficult otherwise (Finkelstein and Hambrick, 1996). At an individual level, prospect theorists (Kahneman and Tversky, 1979) have also argued that, under conditions of adversity, failure to meet performance targets will lead to increased change and risk seeking.

A consistent characteristic of the strategy paradigm, regardless of perspective (Astley and Van de Ven, 1983) is the assumption of a link between a firm's strategic profile and its external context (Venkatraman and Prescott, 1990). Studies that link external environment and performance are rare, yet performance is contingent upon organization's appropriate alignment with environmental changes (Machuki and Aosa, 2011).

According to a study by Abdullahi (2000) on the response strategies by Kenya insurance companies following liberalization found out that despite the adverse economic reforms in Kenya have resulted to a turbulent business environment, it is necessary for the organizations to respond to the changes. Literature on the external environment of an organization and its direct and indirect impact on organizational performance and outcomes have been in formative stages since insinuations (Osborn and Hunt, 1974).

For as long as a firm's performance is above a threshold level, it will have the tendency to persist in repertories and routines established earlier (Nelson and Winter, 1982). Oster (1982) noted as long as performance is satisfactory, firms will continue to allocate internal resources using whatever rule of thumb they've used in the past. The longer the firms have been successful, the greater the extent to which resistance to change and inertia will prevail (Boeker and Goodstein, 1991), and the less likely it will be that changes in external environment. In the Kenyan context, Aosa (2011); and Awino (2011), have managed to link strategy to performance in their investigations.

2.6 Empirical Studies and Knowledge Gaps

There are a number of conceptual and empirical gaps in conceptualization where studies have considered either of the conceptual variables and linkages in isolation or in combination with other variables that are not part of this study. The review reveals contextual gaps courtesy of studies that have been done in other jurisdictions, and also methodological gaps where different research methods were used.

Some of the foreign studies are such as, "Environment, generic strategies and performance in a rapidly developing country", (Kim and Lim, 1988), conducted in Korea. The findings revealed how firms without a clear cut generic strategy performed less well than those using generic strategies. The knowledge gap being addressed is that this study is being carried out in the Kenyan context, and introduces the strategic change management practices. Venkatraman and Prescott, (1990), also carried out a study on the performance impact on Environment- Strategy Co-alignment: An empirical test of its performance implications. The study limited itself to the ‘external fit’. The gaps will therefore be addressed by the introduction of strategic change management practices towards the changes in the environment.

In the Kenyan context, Machuki and Aosa (2011) carried out a study on the influence of external environment on the performance of Publicly Quoted Companies in Kenya; however the conceptual gap is that the study did not consider the influence of strategic change management practices on the firm’s performance. Waruingi (2012)’s study on the response strategies adopted by Serena Group of Hotels to deal with environmental challenges in East Africa. The current study aims to fill the methodological gap from Waruingi’s case study by using a sample survey, and has also introduced the dependent variable focusing on the performance of the companies. A study of the strategic responses by Kenya Insurance companies following liberalization, by Abdullahi (2000) did not address the conceptual gap on the performance of these companies. This study will therefore endeavour to meticulously fill the extent knowledge gaps.

2.8 Chapter Summary

Chapter two was devoted to a detailed literature review. The aim of the literature review was to generate an understanding of the independent variable and how it relates to firm performance. The review was important to help the study appreciate what existed. A detailed description of the three main theories that guided the study, namely, the resource based theory, the dynamic capabilities theory and the open systems theory was provided. They formed the theoretical foundation of the study.

The chapter also presented extensive previous theoretical and empirical literature review on the variables of the study and a summary of previous empirical studies that generated the knowledge gaps. Chapter three will present the research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the proposed plan to be undertaken in the study. This specific sub topic includes the research design that will be adopted, population of the study, sample, data collection and data analysis to be applied.

3.2 Research Design

The term research design can be described as the blue print for fulfilling research objectives and answering research questions. It expresses the framework or configuration of the relationships among study variables, and also guides the researcher in the process of data collection, analysis and interpretations of the research findings (Cooper and Schindler, 2011; Nachmias & Nachmias, 2008). This study adopted a descriptive cross-sectional survey.

The purpose of this study was to explain the effects of strategic change management practices on firm performance of companies in the hospitality industry. A cross sectional survey made it possible for the researcher to collect data across different hospitality companies, and afforded one the opportunity to capture the population's characteristics and test its hypothesis quantitatively. The chosen research design was therefore deemed ideal for the study as it was carried out once and captured data at one point in time. It was also used to explain how factors are related in different organizations (Saunders et al, 2009).

The design was also appropriate because of the purpose of the study, scope, nature of data to be collected as well as the type of analysis to be performed (Cooper and Schindler, 2011). This design was used among other researchers by Aosa (1992), Munyoki (2007), Awino (2007) and Machuki (2011).

3.3 Population of the Study

A study population encompasses the entire groups of individuals, objects, items, cases, articles, or things with common characteristics existing in space at a particular point of time (Mugenda and Mugenda, 2009).In this study, our population of interest consisted of 220 hotels fully registered under the umbrella body of Kenya Association of Hotels and Caterers (KAHC), a professional body fully recognised by the government of Kenya and K.T.B this is according to the hotels listed by KAHC, 2014.

3.4 Sample Size and Sampling Design

The sampling size was calculated through the proportionate stratified random sampling, thus resulting to a sample size of 74 hotels. The proportionate stratified random sampling design was used in selecting the hotels which form part of the three hotel ranking categories, five stars, four stars and three stars. The three hotel ranking categories form the population strata; hence from each stratum the population stratified sampling will be used in determining the number of hotels to select per stratum.

The equation used to calculate the strata size is as follows;

$n_h = (N_h / N) * n$

Where

n_h= Sample size for the stratum

N_h= Population size for stratum

N = Total population size

n = Total sample size

Table 3.1: Sample Selection

Hotel ranks/ Stratum	Total No. of Hotels**(n)**	Sampling Fraction**(N_h / N)**	Sample size (10% of population) **(N_h / N) * n**
Five star	60	0.27	16.2
Four star	80	0.36	28.8
Three star	80	0.36	28.8
Total	**220**	**0.99**	**73.8**

(Source: KAHC, 2014)

The number of each stratum was established then a proportionate stratified random sampling method was used to select the specific members of the stratum which will constitute sample population.

3.5 Data Collection

Data collection for this research was dependent on both primary and secondary data. Primary data covered data relating to performance relevant to the study, such as the environmental dimension and types, strategic responses and types of organizational capabilities. The secondary data on the other hand were obtained from the hotels' annual handbooks, financial reports and the Kenya Association Hotel and Caterers (KAHC, 2014) was used to gather information focusing on the companies' economic and financial performance within a five year period beginning 2010 to 2014. The main instrument used in collecting the primary data was a structured questionnaire, containing both closed and open ended questions in order to collect the qualitative and quantitative data from the informants. The questionnaire was divided in to three sections. The first section was designed to obtain general information of the company the second section consisted of questions on the strategic change management practices adopted by the companies and the third section consisted of questions measuring the performance of the companies.

This questionnaire was administered to the senior and middle level managers in the hotels as they are directly involved in the development, planning, managing and monitoring the implementation of the strategic change management practices in the organisation. The questionnaire was administered through a 'drop and pick later' method.

3.6 Data Analysis

Data analysis refers to the process of editing and reducing accumulated data to manageable size, developing summaries, looking for patterns and applying statistical techniques (Cooper and Schindler, 2011). In this study, the data was analyzed through Microsoft Excel Spreadsheets and Statistical Package for social science (SPSS). The quantitative data was also analyzed using descriptive statistics such as frequencies, percentages and mean.

3.7 Chapter Summary

This chapter has presented the research methodology adopted for the current study. The chapter explained that this study was a descriptive cross sectional survey design because data was collected in a large number of organizations at one point in time. Further the population of the study was defined and the sample size and design of these companies in the hospitality industry in Kenya was calculated using a proportionate stratified random sampling method.

This chapter also highlighted the data collection methods used to obtain both the primary and secondary data, which include a research questionnaire that was distributed to the respondent in the listed hospitality companies and the hotel's handbooks, financial reports and KAHC, 2014 were used to collect the secondary data. The data analysis method was equally described. The next chapter presents findings of descriptive data analysis and interpretation of results.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on to assess the relationship between strategic change management practices on firm performance in the hospitality industry in Kenya**.** The data was gathered exclusively from the questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study.

4.2 General Information

4.2.1Organisations Age of Business

The study sought to find out the organizations age of business in years. From the Figure 4.1, most of the organizations were 5 and under years thus giving a figure of 45%, 33% of the organizations were 6 to 10 years, 22% of the organizations were between 10 and above years.

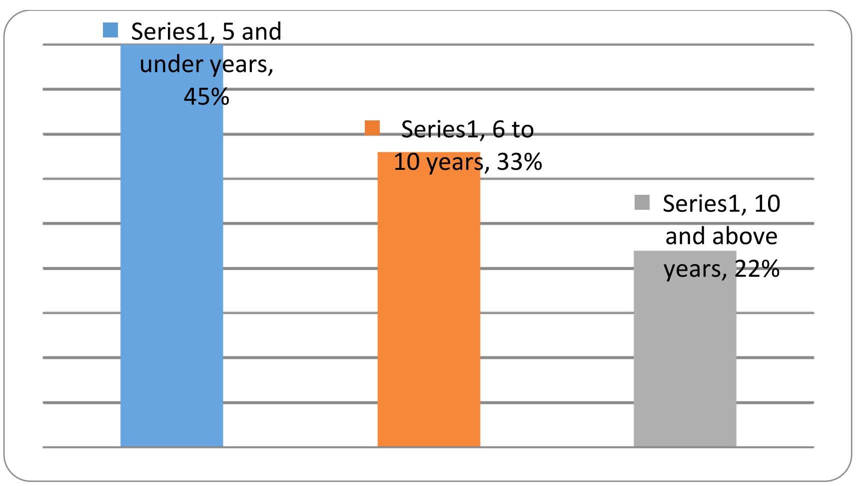

Figure 4.1 Organisations Age of Business

Source: Field Data (2015)

4.2.2 Number of Employees

The study sought to find out the number of employees working in the selected companies in the hospitality industry in Kenya. The findings in Figure 4.2 reveal that 53% of the respondents were 200 and below, 22.8% of the respondents were in 201 and 400 Number of Employees while 19.3% were 401 and above.

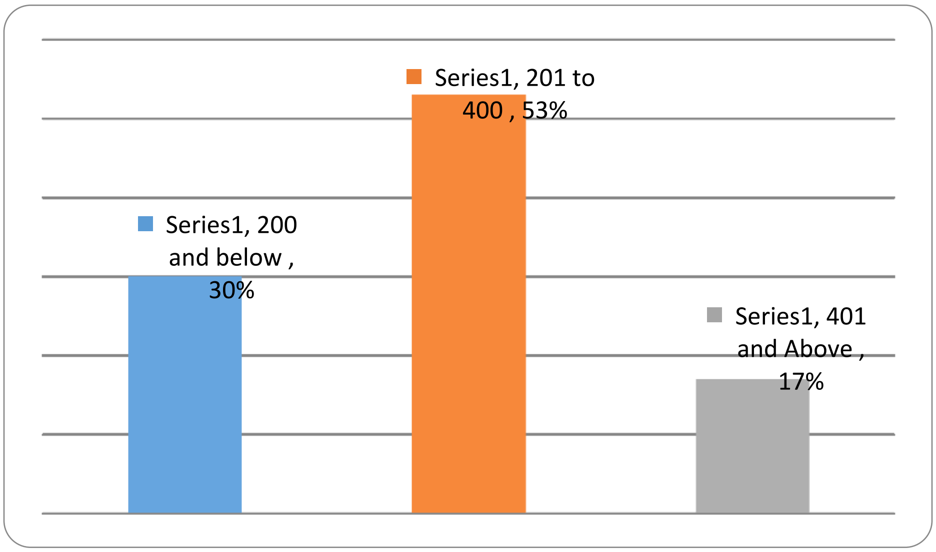

Figure 4.2 Number of Employees

Source: Field Data (2015)

4.2.3 Does the Organization have any other Branches?

The study sought to find out whether the organization has any other branches. As per this study' findings, majority of the respondents 78% indicated Yes the organization had other branches while the remaining 22% indicated No the organization had no any other branches. As shown in Figure 4.3.

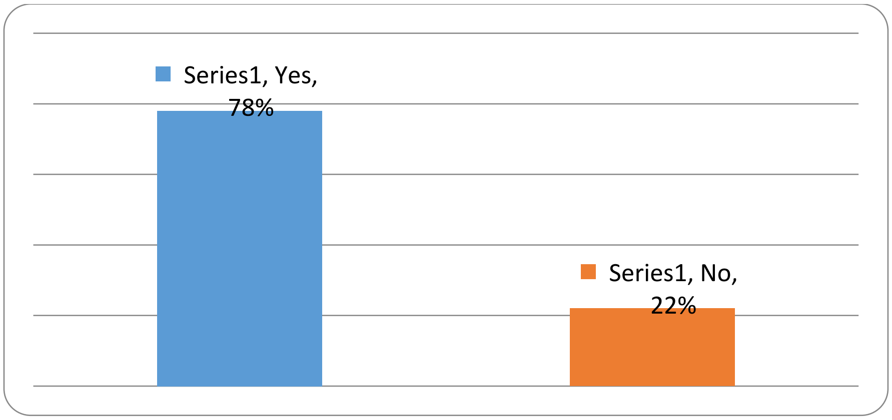

Figure 4.3Does the Organization have any other Branches

Source: Field Data (2015)

4.2.4 Organizations' Rank in the Industry

The study found it paramount to determine which ranking category do the companies belong to. The findings of the study are displayed in Figure 4.4. According to the analysis it was evident that majority of the hotels were five star which was represented 54%, followed by four star with 20%, three star with 14% and None indicated 12%.

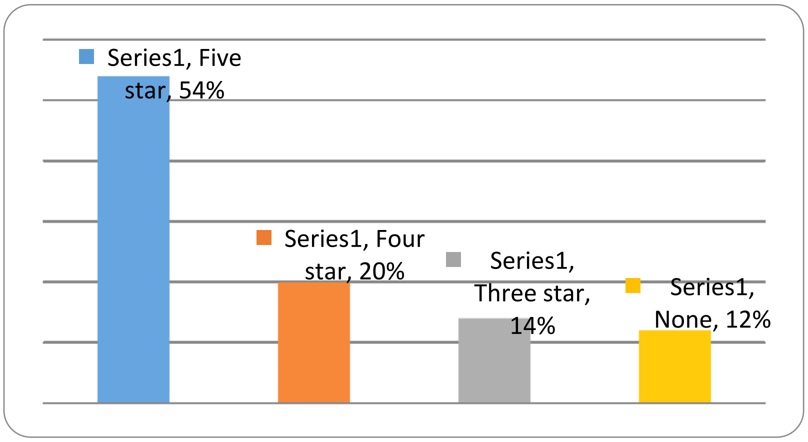

Figure 4.4 Organizations Rank in the Industry

Source: Field Data (2015)

4.2.5 Organization's Type of Ownership

The study sought to know the Organization's type of ownership. The findings as shown in Table 4.5 were 35% of the respondents indicated that the Organization's type of ownership was Part private- Part government owned followed by 30% of the respondents who indicated that the Organization's type of ownership was Government owned, further 21% of the respondents who indicated that the Organization's type of ownership was Privately owned while 14% of the respondents who indicated that the Organization's type of ownership was Sole proprietor as shown in the Figure 4.5.

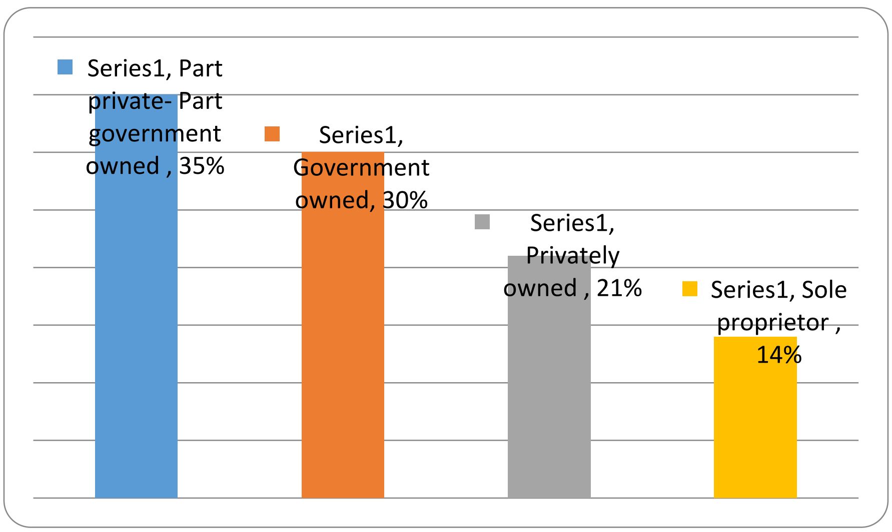

Figure 4.5 Organization's Type of Ownership
Source: Field Data (2015)

4.2.6 The Scope of the Organization's Business

The study found it necessary to find out the scope of the organization's business. The findings of the study are displayed in Figure 4.6. Based on the findings, majority of the respondents 53% indicated that the scope of the organization's business was nationally, 36% indicated Internationally while the remaining 11% indicated that the of the organization's business was regionally.

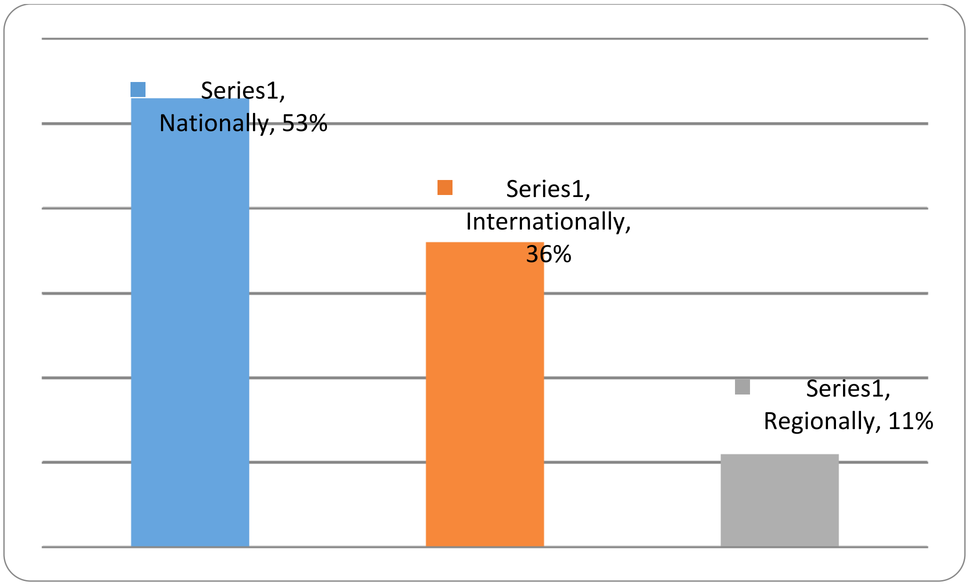

Figure 4.6 Scope of the Organization's Business

Source: Field Data (2015)

4.2.7 Does the Organization have any Strategic Alliances?

The respondents were asked to indicate whether the organization has any strategic alliances. The majority (95%) of the respondents indicated that the organization has strategic alliances while 5% disagreed. The findings of the study are displayed in Figure 4.7.

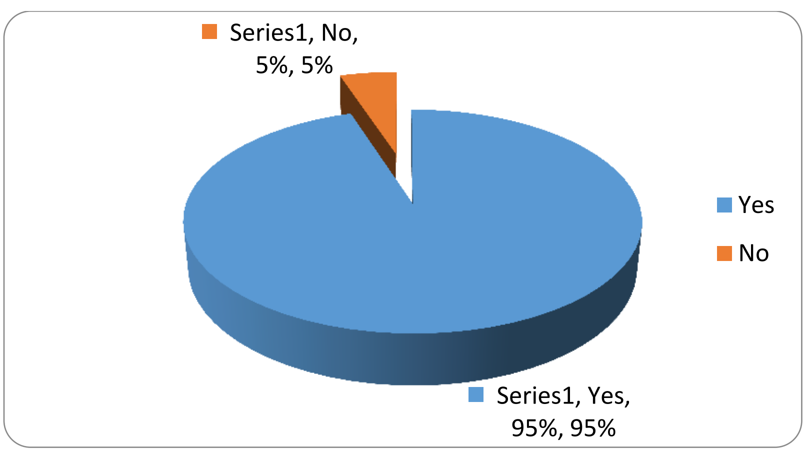

Figure 4.7Does the Organization have any Strategic Alliances

Source: Field Data (2015)

4.3 Strategic Change Management Practices

4.3. 1 Level of Agreement with Statement on Strategic Change Management Practices

The respondents were asked to indicate the extent to which the hotel implemented the following strategic change management practices into the operations. The findings were presented in Table 4.1

Table 4.1:Level of Agreement with Statement on Strategic Change Management Practices

Cost reduction	No extent	Little extent	Moderate extent	Large extent	very large extent	**Mean**	**Stdev**
Laying off staff to reduce direct labor costs	23	40	37	21	31	3.9	0.22
Salary reduction initiatives	34	41	24	31	27	4.1	0.24
Pursuing employee benefits and allowances cost reduction	49	40	11	41	31	4.4	0.26
Freezing or reduction in planned pay rise	54	46	20	34	39	4.5	0.28
Freezing on recruitment	47	53	38	23	42	4.5	0.27
b) Outsourcing							
Out sourced duties that were formerly done by staff	54	46	31	28	42	4.5	0.28
Strategic partnership with suppliers/ other companies	41	44	14	18	31	4.3	0.25
c) Restructuring							
Office Restructuring/ over-hauling the internal structure of a company	29	17	33	21	39	3.5	0.20
Reduction of bureaucracy and the number of corporate layers	6	43	11	31	9	3.1	0.19
Acquiring or merging with related companies	0	6	69	26	10	2.8	0.19
Down size (Retrenching employees so as to have a lean business)	34	41	24	21	39	4.1	0.24

d) Technology							
Adopting latest technology	49	40	11	28	34	4.4	0.26
Innovation in terms of technology, products and services	54	46	38	35	30	4.5	0.28
e) Differentiation							
Differentiation of products and services in relation to the quality, content and package.	29	17	33	21	41	3.5	0.20
f) Communication							
Is there a communication plan to the employees on the changes the company goes through and why the change is necessary	29	17	33	21	31	3.5	0.20
g) Resources							
Combine some of the firm's resources with those of other firms to create a competitive advantage	23	40	37	29	31	3.9	0.22
Produce diversified products and services from the same resources to the customers	34	41	24	43	29	4.1	0.24
h) Policies							
Provide plans and policies aimed at managing the organization's operations	54	46	29	24	38	4.5	0.28
i) Leadership							
Do the leaders help the employees in adapting to the changes in the environment	29	17	33	21	18	3.5	0.20
Does the company's strategic leadership practices support the ongoing changes	6	43	11	31	9	3.1	0.19

As indicated in Table 4.1, from the findings, respondents agreed with the statement that laying off staff to reduce direct labor costs; salary reduction initiatives, pursuing employee benefits and allowances cost reduction, freezing or reduction in planned pay rise and freezing on recruitment as shown by a mean of 0.22, 0.24, 0.26, 0.28 and 0.27

respectively. Further respondents were neutral on the statement that out sourced duties that were initially performed by staff and form strategic partnership-suppliers with other companies as shown by a mean of 0.28 and 0.25 respectively.

On restructuring the respondents agreed with the statement that office restructuring/ over-hauling the internal structure of a company, reduction of bureaucracy and the number of corporate layers, acquiring or merging with related companies; down size, by retrenching employees so as to have a lean business as shown by a mean of 0.20, 0.19, 0.19 and 0.24 respectively. Further respondents agreed that adopting latest technology and the companies' innovation in terms of technology, products and services as shown by a mean of 0.26 and 0.28 respectively.

On differentiation of products and services in relation to the quality, content and package, a communication plan to the employees on the changes the company goes through and why the change is necessary, ability to combine some of the firm's resources with those of other firms to create a competitive advantage, production of diversified products and services from the same resources to the customers, providing plans and policies aimed at managing the organization's operations, the leaders willingness in helping the employees adapt to the changes in the environment and whether the company's strategic leadership practices support the ongoing changes, the respondents agreed with the mean of 0.20, 0.20, 0.22, 0.24, 0.28, 0.29 and 0.19 respectively.

4.4 Strategic Change Management Practices and Firm Performance

4.4.1 Level of agreement with the Statements Regarding the Percentage to which the Company Practices has Improved

Table 4.2: Level of Agreement with the Statements regarding the Percentage to which the Company Practices has Improved

Performanators	0%	25%	50%	75%	100%	Mean	Stdev
Percentage by which the company's profits have increased over the years	23	40	37	41	52	3.9	0.22
Percentage by which the company's product quality has improved over the last five years	34	41	24	42	28	4.1	0.24
Percentage by which the company's productivity has improved over the past five years	49	40	11	31	62	4.4	0.29
Percentage by which the company delivers goods and services to its customers on time	54	46	29	41	21	4.5	0.38
Percentage by which the company provides exceptional service to its customers	47	23	40	37	42	33	3.32
Percentage by which the company's product quality has improved over the last five years	44	44	23	30	39	4.1	0.43
Percentage by which the company's core competencies are identified and measured	40	44	18	43	38	4.4	0.27
Percentage by which company's product leadership strategy is pursued	47	23	40	37	0	0	0.39
Percentage by which the company's internal business processes have improved over the last five years	32	40	24	44	38	4.1	0.44
Percentage by which the company undertakes training need assessment	49	40	11	42	37	4.4	0.26

Percentage by which the company sets aside sufficient funds for training and development	34	41	24	46	35	4.1	0.24
Percentage by which the company's structure is supportive of all processes	52	40	31	36	56	17	0.45
Percentage by which the company's operational efficiency has improved over the last five years	42	40	54	25	47	4.4	0.32
Percentage by which the company combines all its resources	49	46	11	26	43	0.61	
Percentage by which the company's production activity involves coordination and corporation of terms of resources/members of the organization.	50	41	34	40	34	0.51	

From the findings, respondents agreed with the statement that percentage by which the company's profits have increased over the years; percentage by which the company's product quality has improved over the last five years, percentage by which the company's productivity has improved over the past five years; percentage by which the company delivers goods and services to its customers on time; percentage by which the company provides exceptional service to its customers; that percentage by which the company's core competencies are identified and measured; that percentage by which the company's product leadership strategy is pursued; that percentage by which the company's internal business processes have improved over the last five years; that percentage by which the company undertakes training need assessment; that percentage by which the company sets aside sufficient funds for training and development; that percentage by which the company's structure is supportive of all processes; that percentage by which the company's operational efficiency has improved over the last five years as shown by a mean of 0.22, .024, 0.29, 0.38, 0.32, 0.43, 0.27, 0.39, 0.44, 0.26, 0.24, 0.45, 0.32, 0.61 and 0.51 respectively.

4.4.2 The Financial Indicators that are used to Measure a Company's Performance

From the findings, As shown in table 4.8 below, majority of the respondents were of the opinion that their organizations successfully did well in the year 2011, 2012, 2013, 2014 and 2015 respectively on Net Income After Tax, Return on Average Capital Employed, Market share, Sales and Cost Reduction.

Table 4.3 The Financial Indicators that are used to Measure a Company's Performance

Financial indicators	2010	2011	2012	2013	2014
Net Income After Tax	13m	13.4m	14m	14.8m	15.3m
Return on Average Capital Employed	14.3m	15.2m	15.8m	18.1m	18.5m
Market share	17m	15m	16.3m	16.7m	18.9m
Sales	20m	19m	18.3m	19.5m	20.5m
Cost Reduction	1m	500000	563000	630000	689000

4.5 Discussion of Findings

The findings of this study revealed that the dynamism in the environment of companies in the hospitality industry is increasing at a very fast rate and the competition is also high due to the development of new hotels such as Radisson blu setting up their branches in

Kenya, and poaching employees from key hotels thus the need to adopt strategic change management practices in order to cope with the dynamic environment. Companies must therefore understand their business environment, especially due to the adverse and dynamic changes that occur. This is in comparison to the explanation given by Thompson, Strickland and Gamble (2008) on how the contemporary business environment is characterised by turbulence and dynamism and compels organizations to continually craft and execute business strategies that offer sustainable competitive advantage. Companies must therefore understand how to effectively compete in the market place by adopting strategies and developing new competencies.

The findings in this study revealed that companies which have the ability to combine their resources and utilise them optimally perform better than companies who don't focus on effective utilisation of their resources. These findings are presented in comparison with the theoretical foundations and other studies done on strategic change management practices and firm performance. One of the major theories used in this study is the resource based view of a firm which explains that each firm has resources and capabilities, and the companies' ability to exploit these resources to their competitive advantage is what determines their performance. Peteraf (2003) explains that a firm is able to reach sustainable competitive advantage when it employs resources that cannot be imitated by competitors thus creating a competitive barrier.

The findings of the study revealed that cost control measures in the companies is a responsibility assigned to supervisors and departmental heads, who are required to control the expenses incurred by employees in their respective departments. Most of the hotels have a system called the Materials Control System, through which the supervisors requisition the needed materials and these items must be approved by the departmental heads before they are issued. This system is used to derive a report which is then reviewed and feedback is given.This is effective as it ensures that cost control measures are adhered to consistently. Teece et al., (2007), in the dynamics capabilities theory was of the opinion that the greatest advantage lies in producing quality products at lower costs and delivering the right products and/or service to its customers in the right place at the right price and time through the right channels.

The findings in this study revealed that companies in the hospitality industry perform better than their counterparts when they are involved in more than one activity through diversification or differentiation. The various activities these companies can be involved in are such as accommodation, restaurants, spas and health facilities, thus increasing their market base in the industry as compared to other companies. In comparison to this, Porter (1999) states that firms must perform one or more value creating activities in a way that creates overall value than their competitors in order to achieve competitive advantage. A blend of the various strategies adopted above by Sarova hotels has been linked to the robust growth through differentiating strategies from those of its competitors. The value provided can be measured by the regular guests who visit their facilities including the willingness of the customers to pay a particular price.

4.6 Chapter Summary

The chapter has presented findings regarding the respondents and the firm demographics. It also presented the findings of descriptive statistics of the study variables. Descriptive findings were discussed based on the frequencies, mean scores and standard deviations. The results indicated that most of the respondents were in agreement with the statements on strategic change management practices and their relation to firm performance, indicating an increase in firm performance on companies that embrace strategic change management practices such as cost reduction, outsourcing, restructuring, adopting latest technology, product differentiation, communication, resources, policies and company's strategic leadership practices as indicated in Table 4.1.

Firm performance was then measured based on employee perception on the percentages by which various company practices have improved as indicated in Table 4.2. The companies' financial performance which include Net Income After Tax, Return on Average Capital Employed, Market share, Sales and Cost Reduction for the years 2011, 2012, 2013, 2014 and 2015 whose figures were highlighted in Table 4.3.

Managers of the hospitality companies whose performance had not improved should constantly scan the environment to be aware of what is happening. As the environment becomes more dynamic, managers should look for ways to scan the environment for opportunities and to adjust its resources and processes to meet future challenges presented by the environment. The next chapter presents the summary, conclusion and recommendations of the study.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study was undertaken with the aim of determining the strategic change management practices on firm performance on companies in the hospitality industry in Kenya. This chapter presents answers to research questions, summary and conclusions of the study. It also presents the proposed future studies that would widen the knowledge base of the relationship between strategic change management practices on firm performance in the hospitality industries in Kenya.

5.2 Summary

From the findings of this study, it is evident that companies in the hospitality industry in Kenya have been faced with a number of changes thus forcing them to adopt the most suitable strategic change management practices in order to improve their performance. The study was guided by research questions and the discussion that follows summarizes the findings of the objectives.

From the finding of the study, it is evident that most companies in the hospitality industries have adopted strategic change management practices in order to improve their performance as well as attain sustainable competitive advantage. The trend in the business environment, especially in the hospitality industry now calls for strategic alliance for cost effectiveness in the service delivery and economies of scale for mutual benefits of the involved companies. Centralization is one of the strategies that has been widely adopted by most companies, and currently being implemented at Sarova hotels as it ensures all the activities in the company particularly those regarding planning and decision-making, become concentrated within the company's head office, whereby all of the important decision making powers take place at the center of the organization. Companies that have adopted this strategy have other branches in the country, hence centralization ensures that the head office synchronizes all the activities and manages the different branches from one point. This has improved the companies' performance because the set standards are applied to all branches. It has also benefited the companies through cost reduction as certain key activities that were initially carried out by different employees in the different branches have been entirely moved to the head office team thus reducing the staff numbers.

Technology as a strategic change management practices yield great performance, however, it has not been embraced fully by companies in the hospitality industry. Companies that have embraced technology are such as the Nairobi Upper hill hotel and Sarova Hotels. Early in the year, Sarova hotels managed to send a few of their key senior staff to India to train them on the newly adopted technology, STAAH channel manager which connects the hotels to the world's leading booking websites and also manages rom inventory from a central application. Adopting the latest technology not only makes it easier for international and local customers to access the hotels, but also reduces the need for a large work force in the reservations department.

The study further found out that on firm performance, the percentage on the various statements such as the company's profits have increased over the years, the company's product quality has improved over the last five years, whether the company's productivity has improved over the past five years, timely delivery of its goods and services to its customers whether the company provides exceptional service to its customers, identification and measurement of the company's core competencies, percentage by which the company's product leadership strategy is pursued, a percentage indication on the improvement of the company's internal business processes over the last five years, does the company undertake training need assessment, are funds set aside funds for training and development, is the company's structure is supportive of all processes and the percentage by which the company's operational efficiency has improved over the last five years as shown by a mean of 0.22, .024, 0.29, 0.38, 0.32, 0.43, 0.27, 0.39, 0.44, 0.26, 0.24, 0.45, 0.32, 0.61 and 0.51 respectively.

5.3 Conclusion

To conclude the above findings, the companies in the hospitality industry are faced with similar environmental challenges, however some companies perform better due to their ability to respond to these changes in proactively thus adopting strategic change management practices in good time to respond to these challenges. Poor performance will lead organizations into problem-motivated search, which in turn will lead to pressures for change. It is only when poor performance signals that an existing manner of operating is inappropriate do managers attempt to change an organization to respond to environmental changes.

The study found out that the companies in the hospitality industry have been faced with constant environmental changes in the past five years, thus resulting to the adoption of the most suitable strategic change management practices with aim of improving their performance. Pearce and Robinson (2011) notes that managers in organizations strive to make strategic choices that align the goals of the organizations to their existing environments. In this study, the firm's performance has been reflected through the results obtained from the effects of strategic change management practices on companies. Companies today are therefore expected to develop effective strategies for managing these changes in order to survive in the competitive environment and also achieve their strategic intents. The formulation of these strategies entails aligning a firm's strengths and weaknesses with the problems and opportunities in the environment.

The study also concludes on the importance of training and development of staff on new knowledge and skills, the use of value added services and approaches in management, effective dissemination of feedback and undertaking consumer satisfaction surveys. Employees equipped with the right skills are more effective and efficient in carrying out their tasks and delivering quality and timely services to their employees. One of the hotel as that have embraced this is the Sarova hotels, as they have a training called sarovanization whereby any new employee or trainee is taken through the Sarova brands and standards during induction. This has been beneficial to them as their business has grown and expanded over the years.

5.4 Recommendations of the Study

Based on the findings and the conclusions, the study recommends that the management of the hospitality industries should learnt to be more proactive than reactive towards the changes faced by the companies. This is important because it will help the team anticipate the changes, and as a result adopt strategies that will help the company adopt and cope before facing any adverse changes that will negatively affect their operations and hence performance. It was observed that most successful companies respond to the changes in good time.

It is also recommended that the management of the hospitality industries should involve their employees in a wider perspective in the strategy making process. Employees often resist the changes being introduced into the company because it was not clearly communicated to them and they may also not be psychologically prepared for it. Involving them will therefore increase the success of the implemented strategies as they will support it.

The management of the hospitality industries in Kenya should be strategic consisting of all the key factors that affect the relationship between strategic change management practices on firm performance. Due to the key role of resources management in strategic change management practices, there is need for proper allocation of essential resources for quality improvement. Based on the critical nature of the role of continuous improvement on strategic change management practices, the hospitality industries should establish the continuous improvement should be in line with the organizational objectives too improve profitability, market share and customer satisfaction.

5.4.1Implications on Theory Building

This study was mainly anchored in the resource based theory, dynamics capabilities theory and open systems theory. This study established that the resources possessed by the companies in the hospitality industry greatly influence their performance, thus supporting the resource based theory’s main postulation which concludes that resources possessed by organizations leads to superior performance. This study therefore adds the much needed empirical strength to this theory which critics have argued it is tautological and more of logical than empirically grounded.

The findings of this study also enhance the dynamic capabilities theory's postulations which emphasizes on how the companies' ability to combine, reuse, coevolve and renew resources is more important than the resources itself. Companies that possess unique resources and the ability to integrate, build and reconfigure internal and external resources and functional competences to deal with environments which are constantly evolving perform better than their competitors operating in the same sector (Teece et al., 2007). This theory therefore benefits in that the proponents will appreciate the need for observing capabilities in combination with the value of resources possessed and not in isolation.

The findings of this study have also demonstrated that firms do operate in open systems and their performance is subject to the changes occurring in their environment. This is supported by the statement that organizations are environment dependent and environment serving (Chandler, 1962; Ansoff, 1965) thus the need to align their strengths and weakness with the changing business environment.

5.4.2 Implications on Policy

The findings of this study have policy implications for companies in the hospitality industry in Kenya. The hospitality industry is one of the key sectors identified the help spur the country's economic growth. The performance of companies in this industry is therefore important and the results of this study will assist policy makers to make sound decisions on how these companies can cope with the dynamic environmental changes affecting their business operations. Managers of hospitality companies should be encouraged to be more proactive to the changes rather than reactive as they propel organizations to better performance.

From the descriptive statistics, the study established that innovation and technology had not been fully embraced by the companies in the hospitality industry in Kenya, despite their great contribution towards the companies' performance. The companies in the hospitality industry who adapt to the changes by upgrading their technology and innovating their products perform better than their counterparts who fail to do the same. Policy makers in the hospitality industry should therefore encourage companies to invest in the most recent technology and to be more innovative as this will lead to development of more products in the industry.

The results of this study show that strategic change management practices have a positive influence on the companies' performance. Companies that have adopted these practices are in a better position to proactively react to the changes in the environment hence improving on their performance. Policy can therefore be developed that encourages inculcating the best strategic change management practices within these companies.

5.4.3 Implications on Managerial Practice

This study concludes that the performance of companies in the hospitality industry is largely determined by the strategic change management practices adopted by the companies. Companies today are therefore expected to develop effective strategies for managing the environmental changes in order to survive in the competitive environment and also achieve their strategic intents. Pearce and Robinson (2011) notes that managers in organizations strive to make strategic choices that align the goals of the organizations to their existing environments.

This study has immense implication on managerial practice particularly with respect to cost management, product/service quality and development, the companies' internal processes and customer satisfaction. The managerial practices of most companies in the hospitality industry reveal that generic strategies are applied on customer satisfaction mostly by companies whose strategic stances are prospectors and reactors, and adopted the strategies of market penetration, diversification and differentiation as modes of strategic alliance.

5.5 Limitations of the Study

Since this was a study on an organization from one industry, the data gathered might differ from strategic change management practices that have been adopted by other organizations from different sectors. This is due to the fact that different sectors of the economy adopt different strategies that differentiate them from their competition. The study however, constructed an effective research instrument that sought to elicit general and specific information on the strategic change management practices adopted by various companies in the hospitality industry to improve their performance as well attain sustainable competitive advantage.

The financial aspect on the primary data collection method used, questionnaire posed a challenge to the respondents because most of them did not have access to this information. The study however tackled this by approaching key respondents in the finance departments to give information of the financial performance. The study also faced time constraints since the respondents were still overseeing operations at their stations. Data collection time had to be extended to factor in the frequent interruptions for duty calls. Further, the duration that the study was conducted was limited hence exhaustive and extremely comprehensive research could not be carried on all the strategies adopted. The study, however, minimized these limitations by targeting respondents holding key management level positions to obtain maximum information for the purpose of the study.

5.6 Suggestion for Further Research

The study suggests that a study should be carried out in each individual hospitality companies in Kenya to provide a more detailed cause of key factors that affect the relationship between strategic change management practices on firm performance. Another suggestion is that another study should be conducted on other factors affecting the relationship between strategic change management practices on firm performance in different country.

Secondly, putting into consideration that the environment is dynamic and keeps changing, it is no doubt that the strategic change management practices that yield firm performance now may not work in the future. Further studies should therefore be carried out with aim of highlighting how these companies will alter their strategies to the changing environment.

5.7 Chapter Summary

The chapter has presented the summary of the findings of the study and these were discussed based on the objectives. Some of the findings supported previous results while others contrasted previous research findings. The chapter also presented the implications on theory building, implication on policy and implications on managerial practice in the field of strategic management.

Further, the study presented limitations of the study. It is however worthy noting that the limitations did not affect the validity of the findings in any way. This study was concluded by highlighting the suggested areas for further research and the study's contributions to knowledge have also been enumerated.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 4/09/2015

TO WHOM IT MAY CONCERN

The bearer of this letter YVONNE DIANA OGAGA

Registration No. D61/67941/2013

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

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

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
04 SEP 2015
P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX II: LIST OF COMPANIES IN THE HOSPITALITY INDUSTRY

1	Best Western Premier	Nairobi
2	Blue Post Hotel	Nairobi
3	Blue Waters Restaurant	Nairobi
4	Central Park Hotel	Nairobi
5	Clarion Hotel	Nairobi
6	Crowne Plaza	Nairobi
7	Diani Reef Beach Resort & Spa	Coast
8	Diani Sea Lodge	Coast
9	Diani Sea Resort	Coast
10	Eastland Hotel	Nairobi
11	Eka Hotel	Nairobi
12	Enashipai Resort & Spa	Nairobi
13	Fairmont The Norfolk	Nairobi
14	Fairview Hotel	Nairobi
15	Hemmingways Nairobi	Nairobi
16	Hemmingways Resort	Malindi - Watamu
17	Hill Park Hotel	Nairobi
18	Hilton Nairobi	Nairobi
19	Intercontinental Nairobi	Nairobi
20	International Hotel & Tourism Institute	Nairobi
21	Jacaranda Hotel Nairobi	Nairobi
22	Karen Blixen Coffee Garden & Cottages	Nairobi
23	Karen Country Club	Nairobi
24	Kentmere Club	Nairobi
25	Kenyatta International Conference Center	Nairobi
26	Kenyatta International Conference Centre	Nairobi
27	Kivi Milimani	Nairobi
28	Laico Regency Hotel	Nairobi
29	Maanzoni Lodge	Nairobi
30	Mara Serena Safari Lodge	Rift Valley
31	Medina Palms Malindi	Coast

32	Milele Beach Hotel	Coast
33	Milele Nairobi	Nairobi
34	Mombasa Beach Hotel	Coast
35	Mombasa Continental Resort	Coast
36	Msambweni Beach House & Private Villas	Coast
37	Muthaiga Country Club	Nairobi
38	Nairobi Club	Nairobi
39	Nairobi Safari Club	Nairobi
40	Nairobi Serena Hotel	Nairobi
41	Naivasha Kongoni Lodge	Nairobi
42	NasServair	Nairobi
43	North Coast Beach Hotel	Coast
44	Nyali International Beach Hotel	Coast
45	Ole Sereni Hotel	Nairobi
46	Pa Pweza Adamsville Beach Suites	Coast
47	Pangoni Beach Resort and Spa	Coast
49	Presbyterian Guest House & Conference Centre	Nairobi
50	Pride Inn Lantana	Nairobi
51	Radisson Blu	Nairobi
52	Red Court	Nairobi
53	Safari Park Hotel & Casino	Nairobi
54	Sankara Nairobi	Nairobi
55	Sarova Lion Hill Game Lodge	Rift Valley
56	Sarova Mara Game Camp	Rift Valley
57	Sarova Panafric	Nairobi
58	Sarova Whitesands	Coast
59	Sarova Taita Hills Game Lodge	Voi
60	Sarova Salt Lick Game Lodge	Voi
61	Serena Beach Hotel & Spa	Coast
62	Southern Palms Beach Resort	Coast
63	Southern Sun Mayfair	Nairobi
64	Swahili Beach	Coast

65	Swahili House	Coast
66	The Boma Nairobi	Nairobi
67	The Panari	Nairobi
68	The Sarova Stanley	Nairobi
69	The Tamarind Group	Nairobi
70	Tribe - The Village Market hotel	Nairobi
71	Upper Hill Country Club	Nairobi
72	Utalii Hotel	Nairobi
73	Villa Rosa Kempinski	Nairobi
74	Voyager Beach Resort	Coast
75	Windsor Golf Hotel & Country Club	Nairobi

APPENDIX III: RESEARCH QUESTIONNAIRE

Dear Respondent,

This questionnaire is designed to collect data from companies operating in the hospitality industry. It will be analyzed with the aim of establishing the effects of strategic change management practices on the firm's performance.

This data shall be used for academic purposes only and will be treated with strict confidence. Your participation in facilitating the study will be highly appreciated. The questionnaire has three sections and each section covers various objectives of the study.

SECTION A: DEMOGRAPHIC DATA

1. Name of the Organization ________________________
2. Location of Head office ________________________
3. Line of business ________________________
4. Organization's age of business in years (Tick whichever appropriate)

   5 and under [ ]

   6 to 10 [ ]

   10 and above [ ]

5. Number of Employees (Tick whichever appropriate)

   200 and below [ ]

   201 to 400 [ ]

   401 and Above [ ]

6. Does the organization have any other branches (Tick whichever appropriate)

Yes [ ] No [ ]

If yes, please indicate how many branches____________________________

7. Which ranking category does the hotel belong to (Tick whichever appropriate)

Five star [ ]

Four star [ ]

Three star [ ]

None [ ]

8. Organization's type of ownership (Tick whichever appropriate)

Sole proprietor [ ] Privately owned [ ] Government owned [ ]

Part private- Part government owned [ ]

9. What is the scope of the organization's business (Tick whichever appropriate)

Nationally [ ] Internationally [ ]

Regionally [ ]

10. Does the organization have any strategic alliances (Tick whichever appropriate)

Yes [ ] No [ ]

SECTION B: STRATEGIC CHANGE MANAGEMENT PRACTICES

11. To what extent has the hotel implemented the following strategic change management practices into the operations?Use the scale below to tick as appropriate. 1= No extent, 2= Little extent, 3= Moderate extent, 4= Large extent and 5= A very large extent.

a) Cost reduction	**1**	**2**	**3**	**4**	**5**
Laying off staff to reduce direct labor costs					
Salary reduction initiatives					
Pursuing employee benefits and allowances cost reduction					
Freezing or reduction in planned pay rise					
Freezing on recruitment					
b) Outsourcing					
Out sourced duties that were formerly done by staff					
Form strategic partnership-suppliers and other companies					
c) Restructuring					
Office Restructuring/ over-hauling the internal structure of a company					
Reduction of bureaucracy and the number of corporate layers					
Acquiring or merging with related companies					
Down size (either by retrenching employees so as to have a lean business)					
d) Technology					
Adopting latest technology					
Innovation in terms of technology, products and services					

e) Differentiation					
Differentiation of products and services in relation to the quality, content and package.					
f) Communication					
Is there a communication plan to the employees on the changes the company goes through and why the change is necessary					
g) Resources					
Combine some of the firm's resources with those of other firms to create a competitive advantage					
Produce diversified products and services from the same resources to the customers					
h) Policies					
Provide plans and policies aimed at managing the organization's operations					
i) Leadership					
Do the leaders help the employees in adapting to the changes in the environment					
Does the company's strategic leadership practices support the ongoing changes					

SECTION C: FIRM PERFORMANCE

PART 1

The following are some of the performance measures. Please indicate the extent to which your organization applies these performance indicators. Use the scale below to tick as appropriate. 0%= No extent, 25%= Little extent, 50%= Moderate extent, 75%= Large extent and 100%= A very large extent.

Performance Indicators	**0%**	**25%**	**50%**	**75%**	**100%**
Percentage by which the company's profits have increased over the years					
Percentage by which the company's product quality has improved over the last five years					
Percentage by which the company's productivity has improved over the past five years					
Percentage by which the company delivers goods and services to its customers on time					
Percentage by which the company provides exceptional service to its customers					
Percentage by which the company's core competencies are identified and measured					
Percentage by which the company's product leadership strategy is pursued					
Percentage by which the company's internal business processes have improved over the last five years					
Percentage by which the company undertakes training need assessment					
Percentage by which the company sets aside sufficient funds for training and development					
Percentage by which the company's structure is supportive of all processes					
Percentage by which the company's operational efficiency has improved over the last five years					
Percentage by which the company combines all its resources in an effective manner					
Percentage by which the company's production activity involves coordination and corporation of terms of resources/members of the organization.					

PART 2

Below are the financial indicators that are used to measure a company's performance. Kindly indicate the financial figures attained by your company in the respective years:

Statement	**2011**	**2012**	**2013**	**2014**	**2015**
Net Income After Tax					
Return on Average Capital Employed					
Market share					
Sales					
Cost Reduction					

THANK YOU FOR YOUR KIND COOPERATION AND PARTICIPATION