SUPPLY CHAIN MANAGEMENT PRACTICES AND COMPETITIVE ADVANTAGE IN THE HOTEL INDUSTRY IN NAIROBI REGION

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DECLARATION

This research project is my original work and has not been submitted for examination in any other University.

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

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DEDICATION

I dedicate this project to my beloved wife Grace Mukami, my son Nathan and Daughter Melanie for their patience, understanding and support as I pursue further studies in supply chain management.

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LIST OF ABBREVIATIONS

ANOVA	-	Analysis of Variable
CA	-	Competitive Advantage
KAHC	-	Kenya Association of Hotel Keepers and Caterers
NT	-	Network Theory
PWC	-	PricewaterhouseCoopers
SC	-	Supply Chain
SCM	-	Supply Chain Management
SMEs	-	Small and Micro Enterprises
SPSS	-	Statistical Package for the Social Sciences
TRA	-	Tourism Regulatory Authority
USA	-	United State of America

ABSTRACT

Increasing levels of competition in the hotel industry has made institutions to devise ways in which to remain competitive. One such way for these firms is implementation of supply chain management practices. The key concern is whether implementing these practices actually lead to competitive advantage. The main objective of this study was therefore to examine the relationship between supply chain management practices and competitive advantage among classified hotels in Nairobi region. The study used the primary data that was collected through the use of questionnaire which was administered to 43 heads of supply chain department in each of the classified hotels in Nairobi region. Out of these, 28 questionnaires were received and analyzed using Statistical Package for the Social Sciences. The study revealed that the extent to which each of the practices (lean supply chain practice, strategic supplier partnership, and inventory management and supplier development) had been adopted within the hotel industry varied. While the results showed that lean supply chain practices had been adapted to a small extent, strategic supplier partnership and supplier development had been adopted to a moderate extent with inventory management being adapted to a greater extent. However, none of these practices was a significant predictor of competitive advantage. This could be because the hotels had adopted these practices to moderate extent. The findings further showed that cost leadership and service differentiation contribute to hotel competitive advantage. Some of the major challenges such as lack of proper IT infrastructure to allow integration on the part of the supplier and system incompatibility among the supply chain partners were rated as major impediment to the implementation of supply chain management practices. Hotels therefore should find ways to mitigate these challenges, probably through early supplier involvement.

CHAPTER ONE

INTRODUCTION

1.1 Background

Globalization and technology advancement have contributed to stiff competition in the business environment (Koh et al., 2007). This has made organizations to continuously develop and implement practices that enhance their competitiveness in the industry (Polen, 2012). One such area is within supply chain management (SCM) (Folinas et al., 2004). Proper supply chain (SC) management has become a critical aspect of gaining competitive advantage (CA). As a result, competition among firms have shifted to supply chains over the years (Mbuthia & Rotich, 2014). To achieve this, firms have sought to integrate their internal functions with those of their partners in SC while still focusing on realizing sustainable growth in profit (Kaliani et al., 2016). Folinas et al. (2004), further opines that for organizations to achieve efficient SC integration, information management and sharing becomes a central and vital aspect.

SCM has evolved as a function that enhances competitiveness for organizations (Spina et al., 2015). The introduction of technology has supported the evolution of SC operations making it possible for sparsely located companies to form alliances with the view of meeting customer demands effectively (Folinas et al, 2004). The benefits that come with the adoption of SCM practices are numerous and may include increased sales turnover as a result of customer satisfaction, superior product quality and increased market share (Habib, 2011). According to Lockamy and McCormack (2004) organizations are progressively implementing SCM practices to minimize costs, increase market share, and build solid customer relations.

SCM practices have been viewed as components for success to organizations. The choice of SCM practice influences strategic business outcome. Some of these practices such as lean supply chain practices, supplier development, green supply chain, reverse logistics, just in time among others are changing means in which organizations produce and sell their product (Moenga, 2016). Li et al. (2006) infers that proper SC management has become essential for securing competitive advantage.

This study was supported by the theory of competitive advantage (CA) and the network theory (NT). According to Brati (2011), CA is the ability of a firm to create a strong position over its

competitors in the industry while Wellenbrock (2013) posit that NT is concerned with identifying the relationship among the SC members.

1.1.1 Supply chain management practices

SC is a network of independent organizations "linked together through the products and services that they separately or jointly add value in order to deliver them to the end consumer" (Lu, 2011). It has also been defined by Janvier (2011) as a chain of activities and distribution alternative that ensures sourcing of goods and transforming them in to the final product before the final distribution to customers.

SCM is made up of value chain network of different organizations with a commitment to provide resources and information aimed at achieving efficient operation (Koh et al., 2007). According to Thoo et al. (2017), it is made up of partners who are either directly or indirectly involved in production and delivering goods or services to customers both in upstream and downstream sides through physical distribution. The midterm goals of SCM includes, enhancing productivity, minimize inventory cost and lead time while in the long term, it may involves increased market share and SC integration (Yap & Tan, 2012).

SCM practices are activities that are undertaken by firms to efficiency in its operations. It is also defined as established activities and processes utilized by an enterprise to successfully integrate supply and demand with a focus of enhancing firms operation (Li et al., 2006). Guilherme et al. (2015) asserts that implementation of SCM practices may involve changes in the organizational structure by linking internal functions and integrating them those of partner organizations.

In exploring the role of SCM practices and competitive advantage in the hotel industry in Nairobi region, this study was anchored on the following supply chain practices, lean practices, supplier development, strategic supplier partnership and inventory management.

1.1.2 Competitive Advantage

High customer expectation and rapid technology change have led to stiff competition in the current business environment. This has necessitated the adoption of the SC practices among

firms with the aim of achieving competitive advantage (CA) (Brati , 2011). Tracey et al. (1999) defines CA as competencies that makes a firm distinctive from the rest in the industry.

Stonehouse and Snowdon (2007) posit that competitive advantage is categorized into four; differentiation, cost leadership, cost focus and differentiation focus. According to Stonehouse et al. (2007) , cost leadership is achieved when an organization is committed to become the low cost producer in the industry while differentiation is the essences of managing customer perception by producing products or services which are more superior to those of its competitors so as to make them buy the product at a premium price. Gowen and Tallon (2003) posit that competitive advantage in SCM can be achieved by the adoption of leading edge SCM practices such as "supplier quality evaluation, partnering with suppliers, customer satisfaction evaluation, competitive benchmarking, and continuous improvement teams"

Responsive SCM contributes to competitive advantage due to its adaptiveness to demand fluctuation and the ability to over overcome the environment uncertainty and shorter lead time (Inda et al., 2012). SCM is involved with the effective utilization of supplier's internal process such as technology and capacity to enhance their competitiveness (Brati , 2011).

1.1.3 Hotel industry in Kenya

Kenya hotel industry falls under the Ministry of Tourism and Wildlife. The industry is regulated by Tourism Regulatory Authority (TRA). The industry is subdivided into nine regions namely Nairobi, North rift, South rift, Western, Eastern, North Eastern, Coast, Central and Northern. The Nairobi region covers Nairobi, Machakos and Kajiado counties (TRA, 2018).

There are 189 registered hotels with the Kenya Association of Hotel Keepers and Caterers KAHC) out of which 53 are in Nairobi (KAHC, 2018). According to TRA (2018), 178 hotels in Kenya are classified into 2 and 5 stars with Nairobi region having 43 classified hotels with a capacity of 5,284 rooms and 7,637 beds in total. Nairobi region, therefore has the highest number of classified hotels in the country. TRA is charged with the responsibility of hotel classification. In classifying the hotels, factors such as location, building design, hotel capacity, information services, beverage cooling systems, waste collection, security, human resource

policy are some of the feature that the regulator considers in determining the classification (Tourism Act Authority Regulations, 2014).

The current hotel occupancy in Nairobi region has grown significantly in the past few years (Cyton, 2017). The year 2010 saw the entry of the Crown Plaza and Sankara hotels with a room capacity one hundred and sixty-two and one hundred and fifty-six respectively. These two hotels have proven popular and successful (PWC 2018). Additionally, in 2013, Belgium based Rezidor hotel group also joined the growing list of entrants in Nairobi with two hotels: Radisson Blue and Park Inn (Payne & Paret, 2012). According PWC (2018) close to 13 hotels, among them, Ramada, Best Western, Hilton Garden Inn, Radisson, Marriott and Mövenpick are projected to enter the Nairobi market by 2021. The above views have been supported by Jones (2018) who posited that the industry has undergone a high supply growth cycle in the past months, with more than two thousand rooms jointing the industry in Nairobi alone. Jones (2018) adds that, with close to eight thousand five hundred rooms in existence, and about one thousand rooms anticipated to join the the industry in the near future in, Nairobi is nearing the end of its supply growth cycle. These entries put pressure on existing hotels there by making them to devise means by which to counter the intense competition (Nzioka & Njuguna, 2017).

With the continuous growth evident in the industry, survival depends on the practices that a firm employs to remain competitive. This is supported by the fact that, regardless of the superior qualities of services offered by the hotels in Kenya, competition for resources and market share remains stiff. As a result, study examined the contribution of SC practices on the competitive advantage in hotels in Nairobi region.

1.2 Research Problem

Today SCM has become an important aspect in the management of business operations due to the unpredictable business environment. As a result, organizations must deploy responsive and matching mechanisms such as SCM practices to mitigate the risk that come with these challenges (Moenga, 2016). SCM practices needs to be adopted by firms to achieve sustainable competitive edge (Li et al., 2006). These practices should be sufficiently agile, adjustable and matched with the existing environmental conditions (Annan et al., 2013).

Political instability, competition, travel advisory issued by foreign governments and increasing supply (increase in the number of hotel establishments) are some of the main challenges facing

the hotel in Kenya (Cyton, 2017). Ngandu (2014) adds to the list, demanding customer needs and tastes, demand for skilled personnel, staff turnover and increasing demand for more professional services by customers. Mutindi and Namusonge (2013) further posit that global competition as yet another challenge facing the industry. In Nairobi, the impact of intense competition due to the ever-rising number of hotel establishment cannot be under rated (Payne & Paret, 2012). The presence of new international establishments such as Radisson Blue, Park Inn, Hilton, Villa Rosa Kempinski further set the competition a notch higher due to their internationally known brand (Cyton, 2017). These challenges calls for managers to look beyond the limits of their operation in order formulate SCM practices that could assist them in navigating the competition in the industry (Ngandu, 2014).

Considerable studies have been done on SCM practices and competitive advantage. Internationally, a study by Li et al. (2006) on 196 manufacturing firms in the USA, revealed that SCM practices such as "strategic partnership with suppliers, customer relationship management, level of information sharing, strategic supplier partnership, customer relationship, information sharing, quality of information sharing, information sharing, and postponement" leads to competitive advantage and improved organization performance. Polen (2012) researched on manufacturing industry in the USA, and concluded that supply chain management practices impacts positively on competitiveness of an organization. Polen (2012) based the study on the following practices, "demand management, supplier relationship management, reverse logistics, manufacturing flow management, customer relationship management, and order fulfilment" among others. A study by Wijetunge (2017) on small micro enterprises in Sri Lanka revealed that there exists a positive link between SCM practices, organizational performance and competitive advantage. Finally, Thoo et al. (2017) concluded the effective tool for achieving competitive advantage for small and micro enterprises (SMEs) is through the implementation of SCM practices.

In Kenya, Mbuthia and Rotich (2014) researched on retail chain stores and concluded that competitive advantage is derived from other organizational functions than supply chain. Watiri and Kihara (2017) focused the East Africa Cement Company Limited and concluded that customer relationship as one of the SCM practices helps in creating loyalty which leads to organizational competitive advantage. Mogire (2012) conducted a study on SCM practices in Kenya but with a focus in the hotel industry. The study did not have the competitive advantage either as a variable or among the objectives. (Watulo, 2017) studied supermarkets in Nairobi

and concluded that SCM practices have positive contribution to organization's competitive advantage.

From the above, the studies that were conducted on the international stage were based on manufacturing and SMEs whose findings may not be applicable for the hotel industry. In Kenya, the studies replicated SCM practices that were originally studied by Li et al. (2006). These practices included, "customer relationship, information sharing level, information quality, postponement and extent of outsourcing". Moreover, this study was conducted on the manufacturing industry and the retail industry. The findings too may not be applicable in the hotel industry.

Based on above findings and to the best of my knowledge, it is evident that no studies have been carried out to address SCM practices and competitive advantage in the hotel industry and more specifically in Nairobi region. This study hence sought to fill the identified gap by answering the following questions: To what extent have SCM practices been adopted by hotels in Nairobi region? What is the relationship between SCM practices and competitive advantage among the hotels in Nairobi region? What are the challenges faced in the implementation of SCM practices by the hotels in Nairobi region?

1.3 Objectives of the study

The study was based on the following objectives:

i. To establish the SCM practices adopted by hotels in Nairobi region.
ii. To determine the relationship between SCM practices and competitive advantage among the hotels in Nairobi region.
iii. To determine the challenges faced by hotels in Nairobi region in the implementation of SCM practices.

1.4 Value of the study

The hoteliers are to benefit from the results of study by leveraging on the supply chain practices such as supplier development, lean supply chain practices, strategic supplier partnership and inventor management can offer competitive advantage to them. For instance, as a result of having effective inventory management system hotels are expected to realize the benefit such, short lead time, quality, and cost reduction (for both ordering and holding stock). On the other

hand, lean practices ensure reduced production cost, reduced time to market through continuous improvement. Better service quality may lead to advance classification of the hotel hence attracting potential business investor who may pump additional funding in the hotel business and also make it a preferred destination for customers. Customers, as external stakeholders, are expected to get value for their money due better services offered in the hotel.

Government institutions, and more specifically Ministry of Tourism and Wildlife are to find the research important and use it as a yard stick to improving the industry competitiveness thereby making Nairobi a destination of choice for international conferences. This will lead to a growth in the sector hence positive contribution the larger Kenyan economy.

This will benefit future researchers and academicians who may want to contribute the body of knowledge in this area.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of relevant literatures which are related to the research problem. It highlights what previous studies have presented on the concept of SCM practices. It covers areas such as theoretical framework SCM practices and conceptual framework.

2.2 Theoretical framework

Theoretical framework act as the blue print of the study. It is the guide with which the study is built and supported (Grant & Osanloo, 2014). Network Theory and Competitive Advantage was applied to support the study. This was because of their relevancy to the objective of the study and to the research topic.

2.2.1 Network theory

Network Theory (NT) is one of the greatest theories for SCM having been introduced in the last decades. The theory is concerned with identifying the relationship among the SC members (Wellenbrock, 2013). According to Håkansson and Ford (2002), the SC network is a complex model whose specific context depend on the relationship among its members. Thorelli (1986) defines SC network, as more than two firms involved in long term relationship which is beneficial for every organization. The ability of the network to effectively perform is built on investments and actions of the other partners involved in the process. A firm's competitiveness depends on the relationship with its partners along the supply chain. The relationship should symbiotic. on how well its partners cooperate. This theory enables the conceptual analysis of reciprocity in cooperative relationship among partners (Watiri & Kihara, 2017). This theory supports the study by laying the ground within which supply chain networks are developed and operated by organizations. Proper understanding of a firms' SC network assist in the identification of the right SCM practice to be adopted.

2.2.2 Competitive advantage theory

CA is the capability of a firm to develop a strong position for its products and services over its industry competitors (Brati , 2011). Tracey et al. (1999) argued that it is composed of "distinctive competencies that sets an organization apart from competitors, thus giving them

an edge in the marketplace". For a firm to achieved CA it must be in a position to produce products and services that have an higher economic value as compared to those of its industry competitors. (Yunas et al, 2016). Value is the price the purchaser is prepared to pay for a product or a service. Greater value, stems from offering lower prices than that of a competitor or offering a product that has unique characteristics in order to attract high pricing (Porter, 1985). The component of the CA is made up of "price, quality, delivery dependability, product innovation and time to market" (Yunas et al., 2016).

There are four categories of CA (Porter,1985). However, the study dwelt on cost leadership and differentiation. Cost leadership is the capability of a firm to achieve low cost within the industry. By achieving low cost, a firm is said to have achieved CA. For an organization to achieve cost leadership it must employ several practices like effective inventory management, outsourcing, accurate demand forecasting, supplier partnership, supply chain integration etc. (Haim & Narentheren, 2014). Cost leadership can be achieved effectively when customers do not pay too much attention on other aspects such as brands, price sensitivity and their bargaining power. For a firm to achieve cost leadership, there should be emphasis on the minimization of cost through out the processes which should involve activities rated to process innovation (Porter, 1985).

Haim and Narentheren (2014) further posit that for effective cost leadership to be realized, firms must have unique capability to effectively manage material requirements and the process of product creation. This view has also been corroborated by Lo (2012) who stated that cost leadership can be achieved successfully by implementing design process which minimizes cost and operational activities.

Differentiation on the other hand is the essences of managing customer perception by producing products or services which are more superior to those of its competitors so as to make them buy the product at a premium price (Stonehouse et al., 2007). This theory supports the study by identifying means by which CA can be achieved through effective cost leadership and service differentiation implementation.

2.3   Supply chain management

Many firms have shifted their focus to delivering value to customers due intense competition in the business environment, by striving to provide superior goods and services that are

valuable than those of their competitors. These organizations have also made their supply chain to be more responsive in meeting customer demand competitive advantage with a view of achieving competitive advantage (Inda et al., 2012). SC is defined by Christopher (1998) as "organization network involved in various processes and activities that generate value in the form of goods and services for the end customer".

SCM on the other hand is a "chain of facilities and distribution alternatives that performs the functions of obtainment of products, transformation of these products into intermediate and finished goods, and the distribution of these finished goods to customers" Ganeshan & Terry (1995). Managing SC effectively has become potential in gaining competitive advantage. This has made organizations to shift competition in the industry to SC by ensuring effective integration of their internal functions (Mbuthia & Rotich, 2014). SCM has been recognized by firms as a way of gaining competitive among industry players (Li et al., 2006).

The midterm objective of SCM includes increasing productivity, stocks and lead time minimization while in the long term, aim focuses on growing market share and SC integration (Yap & Tan, 2012). In the long run, accrued benefits to an organization with forward-thinking SCM capabilities include, but not limited to, "enhanced customer responsiveness, customer satisfaction, increased flexibility for changing market conditions, improved customer retention and more effective marketing" (Habib, 2011). The adoption of a set of SCM practices is mandatory for a firm to continue striving in the current business situation (Nagati & Rebolledo, 2013).

2.4   Supply chain management practices

There are many definitions for SCM practices Li et al., (2006). According to Yap (2012), " it is a set of activities undertaken in an organization to promote effective management of its SC". Ibrahim (2012) defined it as a set of comprehensive functions which are performed by a firm aimed at enhancing the performance of its internal SC. Thoo et al. (2017) posit that "it encompasses approaches and activities applied by an organization to successfully balance supply and demand the aim of enhance the performance of its SC".

In this turbulent business environment, SCM becomes an important area of business management (Moenga, 2016). This therefore require equally corresponding management

practices such as creating effective SCM practices that promote agility and adaptability which are linked to the dynamic environmental conditions with the aim of achieving sustainable competitive advantage. According to Li et al. (2006) these practices may include, "supplier partnership, outsourcing, minimizing cycle time, continuous improvement of process flow, and information sharing". (Wijetunge, (2017), identifies these practices as, "Just in time, integration of SC, information sharing, customer service management, postponement, lean practices and geographical proximity". While Spina et al., (2015) recognizes these practices as collaboration, supply and demand management, inventory management, and logistics management. Ibrahim & Hamid (2012) acknowledged these practices as customer management, supplier's management, information sharing and supply chain integration. Moenga (2016) studied SCMP practices such as "collaboration, information sharing and inventory management".

The myriad SCM practices at the disposal of any firm come with its own challenges. According to Moenga (2016), these challenges may include, lack of management policies to guide the adoption and the implementation process, environmental uncertainty, quality problems, poor management, higher cost of operation, lack of supply chain linkages. Koech and Ronoh (2015) documented these challenges as, complex network, lack of trust, lack of responsiveness from suppliers, difficulty in making decisions for every player in the SC. Annan (2013) list these challenges as high logistics cost, lack of relevant expertise, concentration on core activities, high customer expectation, storage capacities, lack of corporation among departments.

SCM practices provide strategies and methods of making organizations work together thereby leading to mutual benefits such as "lower inventories, lower costs, higher productivity, greater agility, shorter lead times, higher profits and greater customer loyalty which may lead to competitive advantage" (Moenga, 2016). In exploring the role of SCM on CA of the hotel industry in the Nairobi region, the study was limited to the practices discussed below.

2.4.1   Inventory management

Proper inventory management along the supply chain represents a huge opportunity for business since it impacts on both service and cost. Due to uncertainty of demand and period required manufacture and transport inventory, it is therefore important to have some amount inventory within the SC to meet customer demand (Neale et al., 2004).

Inventory is "the value or quantity of raw materials, supplies, work in progress and finished stock that are kept or stored for use as and when required". Raw materials are the components that are used in the manufacturing of the final good whereas supplies include maintenance, repair and operating inventory. Work-in-progress are items that are currently being processed and are yet to be completed. Finished goods are items that have been fully processed awaiting distribution to the final customer organization (Kwadwo, 2016).

Inventory management is the practice of ensuring that adequate stock is held by a firm with the aim of meeting customer demand. Effective inventory management offers avenues for business to create sustainable competitive advantage and improves their competitiveness as a result of the reduction in the cost associated with holding just enough stocks. It involves striking a balance between the conflicting economics of holding stock and not wanting to hold (Naliaka & Namusonge, 2015).

According to Millar (2015) holding inventory allows firms to be responsive to customer demands. The cost incurred as a result of inventory storage is to ensure that customer demands are met in the most efficient manner. This cost should therefore be minimized as possible. Masudin et al. (2018) posit that inventory contribute highly in organizations physical investment. This therefore, calls for the development of strategies in managing inventory in order to ensure business continuity. Effective inventory control makes it possible for customer needs to be met on a timely basis hence contributing to organizations competitive advantage.

For effective inventory management organizations must adopt electronically enabled inventory management system with the ability to provide real time data to chain partners whenever there is demand. Inventory management system such as "Just in Time (JIT), Vendor Managed Inventory (VMI")" are just but some inventory management system that an organization can adopt for prudent stock management.

2.4.2 Strategic supplier partnership

SC partnership is the most common form of hybrid organizations. The adoption of this practice has been currently in the increase with a focus to managing the relationship between firms in SC (Spekmane et al., 1998). SC partnership is defined "as a strategic coalition of two or more

firms in a supply chain to facilitate joint effort and collaboration in one or more core value creating activities such as research, product development, manufacturing, marketing, sales, and distribution" (Wijetunge, 2017). It focuses on the long-term affiliation among supply chain partners to leverage their internal capacity to achieve greater performance (Li et al., 2006).

Strategic partnership with SC members allows the organization to operate efficiently with a few selected suppliers who handle critical items (Agus & Hassan, 2008). The aim of SC partnership is to maximize benefits accrued and sharing the same equally among supply chain partners (Spekman et al., 1998). The practices provide firms with varied options on how they can enhance the productiveness of their operations. These option include having product distribution outlet without the actual presence of the firm to save on cost and proper planning on resources and outsourcing of certain services (Brati , 2011). This can be achieved by accomodating the strategic and operational capabilities of supply chain partners to increase productivity. These benefits may include "reduced total cost of acquisition, possession, and disposal of goods and services" (Guarnieri & Almeida, 2015).

2.4.3 Lean supply chain practices

Lean is the continuous process of eliminating waste within the organization. Waste is the non-value activity from the customer point of view (Myerson, 2012). Lean is a process of eliminating waste with the goal of creating value for business stake stakeholders (Nightingale, 2005). It is a concept aimed at enhancing organizational performance through a steady and continuous waste elimination. It aims at minimizing costs while enhancing the efficiency of the production process (Czarnecka et al., 2017). According Daud and Zailani (2011) these waste may include, "waiting, conveyance , excess inventory, movement, defects and unused employee creativity, and overproduction". Myerson (2012) categorised these wastes as Muda-are non-value adding activities, Mura-unevenness or variability, Muri- over burdening employees or processes.

Firms practicing lean supply chain practices recognize what consumers value and concentrates on continuous waste minimization of its key process without interfering with the original concept. The eventual objective is to create a perfect value for consumers with a focus on waste minimization (Daud & Zailani, 2011). According to Nightingale, 92005), doing away with

waste across entire value streams, instead of each stage, lead to processes that allows effective utilization organizations resources.

Ugochukwu et al., (2012) concluded that for lean to succeed in an organization, its implementation process must include all the supply chain partners. Puvanasvaran et al., (2010) acknowledges employees attitude is important in the effective implementation of lean hence the need to align their skills to this philosophy. Czarnecka et al. (2017) highlighted that lean processes includes; "identification of the problem, analysis of the problem, removal of the causes, check remedies and standardization of solutions".

2.4.4 Supplier development

Lukhoba and Muturi (2015) defines supplier development as the collaborative advancement of vendors technical, delivery and financial capability to aid in their continuous improvement in the long run. According to Shokri et al. (2010), it is "the act of providing support to a supplier in order to improve their product or performance or their general capabilities".

Over reliance on a few suppliers who are competent has driven organizations to implement supplier development (Nagati & Rebolledo, 2013). Suppliers play an important role in a firm's competitive advantage (Tungjitjarurn, et al., 2012). They must not only supply the buying organization with products of superior quality, but also with reliable deliveries which contribute greater value to the product (Shokri et al., 2010).

The activities involved in supplier development vary considerably. According to (Abdullah & Lall, 2003) these activities may include aspect such as "supplier evaluation, feedback of supplier performance, raising performance expectations, education and training for supplier personnel, supplier recognition, placement of engineering and other buyer personnel at the suppliers' premises, and direct capital investments by the buying firm in the suppliers firm". However, the purpose of this practice may be short term or long term.

Development of suppliers can take two approaches; direct and indirect. The direct involvement may include "creating supplier quality awareness, reporting quality problems, evaluation of supplier performance and provision of feedback and offering technical assistance". While in direct activities may include aspects such as evaluation and clarity of communication and

evaluation (Shokri et al., 2010). Provision of training and incentives has considerable effect on delivery time and supplier pricing. However, early supplier involvement and financial support have contributed to the supply of the right quality of product or service. According to Shokri et al. (2010), there are many benefits that can be achieved through effective implementation of supplier development as practice. This benefit may include, improved supplier operation, enhanced product and service quality.

According to Lukhoba and Muturi (2015), supplier development implementation activities encompasses, "introduction of competition into the supply base, suppliers appraisal, setting performance expectations, recognition and awards, the promise of future benefits, training and education of the supplier's personnel, exchange of personnel between the buying firm and the supplier, and direct investment in the supplier by the buying firm".

2.5   Conceptual framework

SCM practices   **Competitive advantage**
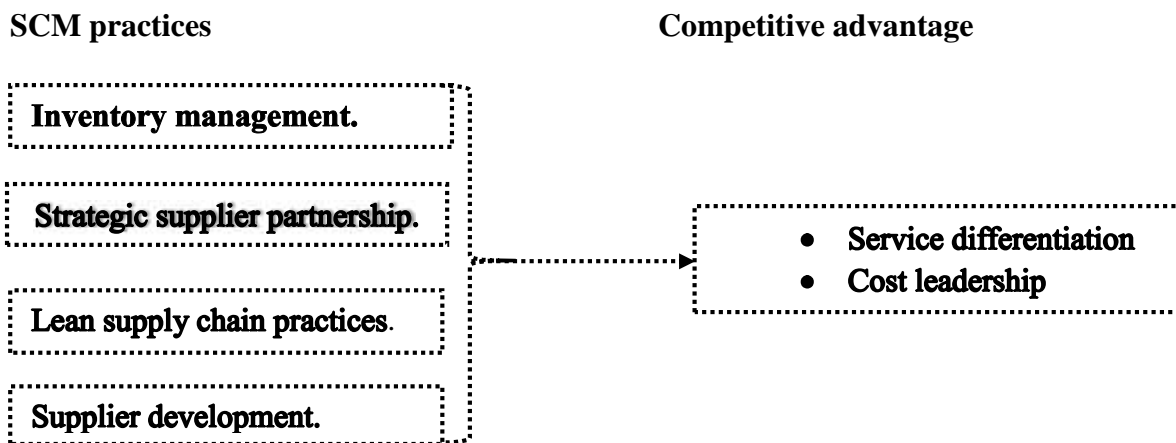
Source: Author (2018)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The study adopted a descriptive research design to investigate the application of SCM practices among the hotels in Nairobi region and its effect on their competitive advantage.

3.2 Population

The population was drawn from classified hotels in Nairobi region. This was because Nairobi had substantial number of hotels that gave a fair view of the industry. Moreover, most of the hotels had their headquarters in Nairobi there by making it easier to access the respondents. According to TRA (2018), there are 43 classified hotels in Nairobi region ranging from two to five stars. The study adopted censures method by studying all the 43 classified hotels.

3.3 Data Collection

The Primary data was collected for the study using questionnaires. The questionnaire was administered to heads of supply chain department in each of the hotels. The questionnaire was divided into general information, SCM practices section, SCM practices implementation challenges and competitive advantage sections. The competitive advantage section was further subdivided into service differentiation and cost leadership. A five-point Likert scale was used for sections B, C and D of the questionnaire. The questionnaires were administered through physical distribution and a window period of four days was provided for data collection.

3.4 Data Analysis

Data was analyzed using descriptive statistics. The findings were presented in the form of mean, percentages, frequencies and standard deviations. Linear regression was used to establish the relationship between SCM practices (lean practice, inventory management, supplier development and strategic supplier partnership) and competitive advantage. Statistical Package for Social Sciences (SPSS) was used to analyses the data. The regression equation was as follows:

$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4 X_4 + e$

Where: Y = Competitive Advantage,   = Constant

X_1 = Strategic supplier partnership

X_2 = Lean supply chain practices

X_3 = Inventory management

X_4 = Supplier development

b_1, b_2, b_3 and b_4 are the regression coefficient of the dependent variables

e= Error.

Y was measured by combining the mean for both service differentiation and cost leadership

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter present the data analysis, research findings and discussions.

4.2 Response rate

A total of 43 questionnaires were administered to respondents who were heads supply chain department in each of the classified hotels. A total, 28 questionnaires were received representing 65%.

4.3 Distribution of respondents per region

These sub regions were Nairobi, Machakos and Kajiado. The findings were as shown in Table 4.1. A total of 26 hotels were in Nairobi county while Machakos and Kajiado had one hotel each. This implied the hotels in each of the three-region responded to the study thereby giving a fair representation of each sub region.

Table 4.1 Distribution of respondents per region

County	No. of hotels per county	Frequency	Percent
Nairobi	39	26	**60.05**
Machakos	1	1	**2.33**
Kajiado	3	1	**2.33**
Total	43	28	**64.71**

Source: Research Data, 2018

4.4 Distribution of respondent per level of management

Respondents were to indicate whether they were in the top, middle, or lower management level. Up to 75% of the respondents were in top management with 25% at the middle management level. None of the respondent were from lower management level. This therefore inferred that the respondents were part of the organization's decision-making organ thereby able to respond confidently on the aspect asked in the questionnaire. Table 4.2 shows a summary of the findings.

Table 4.2 Distribution of respondents per level of management

Management Level	Frequency	Percent
Top management	21	75.0
Middle Level	7	25.0
Total	28	100.0

Source: Research Data, 2018

4.5 Distributions of hotels in years of operation

The findings were as shown in Table 4.3. The analysis revealed that majority of the hotels representing 28.6% were established between 1-10 years ago while 7.1% were established over 40 years ago. The result implied that most of the hotels had been in operation long enough to know the trend of their operation.

Table 4. 3 Distribution of hotels per year of operation

Years	Frequency	Percent
Less than one year	1	3.6
1 - 10 Years	8	28.6
11 -20 years	6	21.4
21- 30 Years	6	21.4
31- 40 Years	5	17.9
Over 41 years	2	7.1
Total	**28**	**100.0**

Source: Research Data, 2018

4.6 Hotel workforce distribution

The findings on the number of employees per hotel was provided as show in the Table 4.4. The analysis showed that 39.3% of the hotels had a workforce of less than 100 staff while 3.6% had staff in the rage 401-500.

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Table 4.4 Hotel workforce distribution

Range	Frequency	Percent
Less the 100 staff	11	39.3
101 - 200 Staff	5	17.9
201 -300 Staff	7	25.0
301- 400 Staff	4	14.3
401- 500 staff	1	3.6
Total	28	100.0

Source: Research Data, 2018

4.7 Hotel ratings distribution

The result was as shown in Table 4.5. The analysis revealed that 32.1% were from four stars hotels, 25% from two-star hotels. The three and four stars were 21.4% each. All the hotel classifications were therefore represented.

Table 4. 5 Hotel ratings distribution

Hotel ratings	Frequency	Percent
Two-Stars	7	25.0
Three- Stars	6	21.4
Four stars	9	32.1
Five Star	6	21.4
Total	28	100.0

Source: Research Data, 2018

4.8 Respondents length of service distribution

As shown in Table 4.6, the highest of respondents representing 42.9% had worked for the organization for between 6-10 years followed. This was followed by those who had worked for more than 11 years at 32.1%. Up to 14.3% had worked for between 2-5 years with 10.7% having worked for less than 2 years. Given that the majority of the respondent had worked for more than 6 years and above, the respondent could therefore authoritatively give the information required for the study having been in the institution long enough to know the business trend.

Table 4.6 Respondents length of Service distribution

Length of service range	Frequency	Percent
Less than 2 years	3	10.7
2 – 5 years	4	14.3
6 – 10 years	12	42.9
11 years and more	9	32.1
Total	28	100.0

Source: Research Data, 2018

4.9 Distribution of hotels sales turnover

The findings for sales distribution was as indicated in Table 4.7. The sale turn over for the majority of hotels (28%) while 10% of the hotels had a turnover of up to 50 million respectively.

Table 4.7 Distribution of hotels sales turnover.

Turn over range (KES)	Frequency	Percent
Up to 50 million	3	10.7
51 to 100 million	6	21.4
101 - 150 million	8	28.6
151 - 200 million	7	25.0
Over 201 million	4	14.3
Total	28	100.0

Source: Research Data, 2018

4.10 Adoption of SCM practices

The study assessed the extent to which classified hotels in Nairobi region had adopted SCM practices. The independent variable SCM practices was composed of four constructs with each being an average several practices. Each practice was rated on a five-point Likert scale with 1 being "not at all" and 5 being to "a very great extent". The following subsections reviews the results obtained from each of these practices.

4.10.1 Strategic supplier partnership practices adoption.

This construct was measured using 8 practices. As presented in Table 4.8, the practice with the highest mean score was quality consideration in supplier selection, with a mean of 4.46. This meant that this practice was implemented to a large extent by the classified hotels in Nairobi region. Having joint problem solving and shared vision with suppliers had the lowest rating of 3.29, meaning that the practices had been adopted to a moderate extent. The grand mean for strategic supplier partnership was 3.78 implying that the classified hotels in Nairobi region had implemented the practice to a moderate extent.

Table 4.8 Extent of strategic supplier partnership practices adoption.

No.	Factors	N	Mean	Std. Dev
1.	We consider quality to be important in the selection of supplier that we work with.	28	4.46	.744
2.	We have long term relationship with suppliers	28	4.36	.731
3.	We approach the partnership with a collaboratively on selected key items	28	4.18	.723
4.	We have structured and managed approach to communications and engagement across all dimensions of the relationship	28	3.75	1.236
5.	We do plan and goal setting with suppliers	28	3.57	1.034
6.	We have a joint approach to business risk sharing.	28	3.36	.826
7.	We have a shared vision with suppliers	28	3.29	1.301
8.	We have joint problem solving with the suppliers	28	3.29	1.117
	Grand mean		**3.78**	**.964**

Source Research Data, 2018

4.10.2 Inventory management practices adoption.

As shown in Table 4.9, Keeping of stock records had the highest rating of 4.75. This meant that the practice was implemented by the hotels to a large extent. Categorization of stock in terms of value (ABC analysis) had the lowest mean of 3.93 inferring that this practice was implemented to a moderate extent. The grand mean for inventory management was 4.41 higher

than that of strategic supplier partnership. This implied that inventory management as a practice had been adopted to a large extent by classified the hotels in Nairobi region.

Table 4.9 Extent of inventory management practices adoption

	Factor	N	Mean	Std. Dev.
1.	We keep records of stock usage rates for decision making	28	4.75	.518
2.	We track the cost of stock in store	28	4.71	.535
3.	We have integrated stock management system with the vendor	28	4.57	.634
4.	We have a pre-defined re-order level for all stocks	28	4.54	.838
5.	We have dedicated professional staff in charge of inventory	28	4.46	.576
6.	We do demand forecast for the inventory	28	4.43	.634
7.	We have a defined quantity that are economic to order for each stock	28	4.39	.832
8.	We have long term relationship with suppliers	28	4.36	.731
9.	We have automated the stock management system (real time tracking of inventory)	28	4.00	1.217
10.	We categories our stock in terms of value (ABC analysis)	28	3.93	.716
	Mean		**4.41**	**.723**

Source Research Data, 2018

4.10.3 Supplier development practices adoption

Supplier development construct was measured using 8 items and the result was as displayed in Table 4.10. The lowest rating was 1.37 for the provision of capital to suppliers to boost their financial capacity. This means that the practice had not been adopted at all. The highest rated practice was procuring from small upcoming suppliers with a mean of 4.22. This meant that the practice had been adopted to a greater extent. The grand mean for supplier development was 3.036. This implied that the practice, supplier development, was adopted to a moderate extent by the hotels in Nairobi region.

Table 4.10 Extent of supplier development practices adoption

	Factor	N	Mean	Std. Dev
1.	We offer training to our suppliers to build their capacity on the organization's expectation	28	1.81	.786
2.	We provide capital to suppliers to boost their financial capacity	28	1.37	.742
3.	We provide technical support to our suppliers to build their technical capacity to meet the organizations needs	28	3.15	.613
4.	We provide on-time feed back to our suppliers and make recommendation on areas of improvement	28	3.48	1.156
5.	We encourage intensive information exchange with suppliers	28	2.26	1.095
6.	We collaborate with suppliers on material improvement and certification	28	4.48	.700
7.	We reward and recognize best performing suppliers	28	3.11	.974
8.	We involve supplier in new product development process	28	3.44	.974
	We buy also buy from small upcoming suppliers	28	4.22	.751
	Grand Mean		**3.03**	**0.866**

Source Research Data, 2018

4.10.4 The adoption of lean supply chain practices.

A total of 5 items were used to measure lean supply chain practice. The responses were analyzed and the result was as shown in Table 4.11. Outsourcing of services had the highest mean rating of 3.96. This implied that this practice had been implemented to a moderate extent. The lowest rated practice was having automated procurement system to increase efficiency with a mean of 1.26. This implied that the activity was not being practiced. The grand mean for the lean supply chain practice was 2.78 being the lowest of all practices under study. It is inferred that lean supply chain practices were being implemented by the hotels in Nairobi region to a small extent.

Table 4.11 Extent of lean supply chain practices adoption

Factor	N	Mean	Std. Dev.
1. We do outsource certain services	28	3.96	.808
2. We work with a few suppliers	28	3.48	1.156
3. We aggregate all the organizational requirement and procure at once	28	3.48	1.156
4. We have streamlined our supply chain internal process to improve efficiency.	28	2.74	1.318
5. We have fewer process approval chain that is automated.	28	1.78	1.155
6. We have automated our procurement system to increase efficiency.	28	1.26	.447
Grand Mean		**2.78**	**1.01**

Source: Research Data, 2018

4.11   Competitive advantage

The competitive advantage construct was measured using service differentiation and cost leadership. Each of these two indicators had twelve (12) activities which were measured on a scale of 1-5 where 1 meant strongly Agree and 5 strongly disagree. The results were as discussed below.

4.11.1 Differentiation of services among the hotels

The result of the service differentiation is as shown in Table 4.12. A total of 12 items were used to determine the extent to which each of the activity contribute to the hotel CA. The lowest rated activity was that "the hotel is preferred by customers due to its ability to effectively handle customer complaints" with a mean of 1.07. This inferred that the activity contributes to the hotel competitive advantage. The activity, "the hotel is preferred by customers for its online booking facilities" had a mean of 2.6 implying that the respondents agreed that the activity contributes to their organizations competitive advantage. The grand mean for the construct differentiation, was 1.81. This implied that the respondents strongly agreed that differentiation contributes to organization competitive advantage.

Table 4. 12 Differentiation of services offered by the hotel

No.	Differentiation factors	N	Mean	Std. Dev.
1	The hotel is preferred by customers due to its ability to effectively handle customer complaints.	28	1.07	.262
2	The hotels attract customers due to the availability of internet facilities in rooms enabling them to transact their personal businesses seamlessly.	28	1.11	.315
3	The hotel is preferred by customers since it offers additional facilities (e.g. gym sauna, sauna etc.)	28	1.11	.315
4	The hotel attracts customers due to its intensive security system.	28	1.25	.441
5	The hotel is preferred by customers since it allows settlement of bills by credit cards.	28	1.29	.600
6	The hotel is preferred by customers since it encourages customer to provide feedback and take action on such feedback	28	1.50	1.036
7	The hotel is preferred by customers to its ability to offer variety of food that caters for local and international customers.	28	1.89	1.197
8	The hotel attracts customers due to its ability to offers airport transfer to customers.	28	2.39	1.449
9	The hotel is preferred by customers due to its convenient location hotel	28	2.43	1.526
10	The hotel attracts customers due to reasonable room prices.	28	2.46	1.666
11	The hotel is preferred by customers due to the tidiness of our facilities.	28	2.54	1.575
12	The hotel is preferred by customers for its online booking facilities	28	2.68	1.588
	Grand Mean		**2.68**	**1.588**

Source Research Data, 2018

4.11.2 Cost leadership activities among hotels

The cost leadership, just like differentiation was measured using 12 activities. The result is as indicated in Table 4.12. The activities "the hotel considers price in all its product and service negotiations with the suppliers." and "the hotel subjects high value procurement needs to competitive procurement process to get value for money", were rated the lowest with a mean of 1.00. This implied that all the respondent strongly agreed that these activities contributes to the hotel competitive advantage. On the other hand, the activity, "the hotel treats suppliers as extended parts of the organizations and helping them with the technology, systems and skills aimed at cost reduction." was rated the highest with a mean of 4.36. This implied that the respondent disagreed that the said activity contributes to their organization competitive advantage. In general, the grand mean of cost leadership was 2.22. This implied that the respondent agrees that the cost leadership activities contributes to their hotel competitive advantage.

Table 4. 13 Cost leadership activities among hotels

No.	Cost leadership activities	N	Mean	Std. Dev.
1.	The hotel considers price in all its product and service negotiations with the suppliers.	28	1.00	.000
2.	The hotel subjects high value procurement needs to competitive procurement process to get value for money	28	1.00	.000
3.	The hotel has automated financial management system to allow for cost tracking.	28	1.18	.390
4.	The hotel conducts market survey to ascertain the prevailing market price prior to procuring an item.	28	1.18	.390
5.	The hotel offers products and services whose quality matches the prices of its competitors.	28	1.25	.441
6.	The hotel consolidates its purchases to gain from economies of scale when buying.	28	1.39	.685
7.	The hotel has entered into framework agreement with suppliers for frequently used items to avoid repeat procurement cost.	28	2.00	1.540

No.	Cost leadership activities	N	Mean	Std. Dev.
8.	The hotel complies with statutory requirements to avoid attracting cost associated with government penalties and fines.	28	2.07	.766
9.	The hotel considers total cost of ownership in the procurement on capital procurement to leverage on post procurement cost.	28	3.61	1.343
10.	The hotel has made it mandatory for suppliers to provide their cost structure prior to being on list of preferred suppliers.	28	3.64	1.311
11.	The hotel does importation of strategic items to leverage on competitive international prices.	28	4.00	1.089
12.	The hotel treats suppliers as extended parts of our organizations and helping them with the technology, systems and skills on their supplies on cost reduction.	28	4.36	.826
	Grand Mean	**28**	**2.22**	**0.73**

Source: Research Data, 2018

4.12 Relationship between SCM practices and competitive advantage

Linear regression analysis was used to determine the relationship between SCM practice and competitive advantage. The values for the independent variables were obtained by finding the average mean for supply chain management practices while that of the dependent variable was obtained by combining the mean for the construct differentiation and cost leadership. Regression analysis was them run on SPSS.

4.12.1 Model Summary

In Table 4.15, the adjusted R^2 is 0.300. This therefore means that 30% of the variance in CA could be explained by the SCM practices that hotels had employed.

Table 4. 14 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.636[a]	.404	.300	.18016
a. Predictors: (Constant), Supply chain Practices				

Source: Research Data, 2018

4.12.2 Analysis of variables

Analysis of variable (ANOVA) provides statistical techniques which are used for testing the significance of a regression model. From the Table 4.16 the model significant value of 0.015(F.3.898) which is less than the alpha of value of 0.05 (5%). This implied that the regression analysis was statistically significant.

Table 4.15 Analysis of variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.506	4	.127	3.898	.015[b]
	Residual	.746	23	.032		
	Total	1.253	27			
a. Dependent Variable: Competitive Advantage						
b. Predictors: (Constant), Supply chain management practices						

Source: Research Data 2018

4.13.4 Regression coefficients analysis

The results in Table 4.16 indicate that none of the practices is a significant predictor of competitive advantage since they all had significant values that were greater than the P value of 0.05.

Table 4.16 Regression coefficients analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.312	.458		7.233	.000
	X_1	-.001	.106	-.005	-.014	.989
	X_2	-.199	.176	-.367	-1.130	.270
	X3	.314	.166	.629	1.890	.071
	X_4	.136	.128	.353	1.064	.298
a. Dependent Variable: Competitive advantage						

Source: Research Data, 2018

4.13   SCM practices implementation challenges

This construct was measured using 14 challenges. Each challenge was rated on a five-point Likert scale with 1 being "strongly agree" and 5 being "strongly disagree". The result of the analysis was as presented in Table 4.12. The greatest challenge that was found to be facing the hotels in the implementation of SCM practice was "system incompatibility among the supply chain partners" with a mean score of 1.32. However, the respondents were not sure whether lack of clear guideline in supply chain was an impediment to the adoption of SCM practices

with a mean of 3.680. The grand mean of all the challenges was 2.88 implying that the respondents agreed that these challenges affect the adoption of SCM practices in general.

Table 4.17 SCM practices implementation challenges

No.	Challenges	N	Mean	Std. Dev.
1.	Lack of clear policy guideline on supply chain	28	3.68	1.362
2.	Lack of motivation from the staff making it difficult to implement the practices	28	3.57	1.574
3.	Lack of internal capacity among the supply chain staff	28	3.54	1.319
4.	Lack of trust and commitment to long-term goal from your organization	28	3.54	1.232
5.	The role of supply chain management in hotel operations is yet to be recognized by the top management.	28	3.50	1.667
6.	The organization has no influence over its suppliers to influence them in the adoption of the supply chain practices	28	3.32	1.124
7.	Lack of top management support in the adoption of supply chain practices	28	3.07	1.359
8.	Lack of trust and commitment to long-term goal from the supplier	28	2.96	1.401
9.	Lack of problem-Solving Procedure to deal with potential conflict	28	2.79	1.315
10.	Suppliers unwilling to provide support needed for the success of these practices.	28	2.71	1.013
11.	Insufficient capital investment commitments for thereby hindering the implementation of supply chain practices.	28	2.25	1.076
12.	Fear of depending on a few suppliers hence tying the organization to explore other available suppliers	28	2.14	.803
13.	Lack of proper IT infrastructure to allow integration on the part of the supplier	28	1.93	1.245

No.	Challenges	N	Mean	Std. Dev.
14.	System incompatibility among the supply chain partners	28	1.32	.476
	Grand mean		**2.88**	**1.212**

Source Research Data, 2018

4.14 Discussion of findings

The first objective was to determine the extent to supply chain practices have been adopted among the hotels in Nairobi region. The findings showed that lean supply chain practices had been adopted to as small extent, strategic supplier partnership and supplier development had been adopted to a moderate extent with inventory management being adopted to a greater extent. Since lean supply chain practices had been adopted to a smaller extent, it is advisable for firms to consider increasing the implementation of supply chain management activities that promotes the adoption of the practice. Lean has been proven by previous studies too be a concept that contributes to organizational performance through a steady and continuous waste elimination (Czarnecka et al., 2017). Similarly, organizations should continue to enhance the adoption of other practices such as strategic supplier partnership and supplier development that had been adopted to moderate extent to enhance their competitiveness in the industry. Previous studies have asserted that proper management of supply chain practices has become a critical aspect of gaining competitive advantage. This has made firms to shift competition from among themselves to supply chains (Mbuthia & Rotich, 2014).

The second objective was to determine the relationship between SCM practices and competitive advantage. The result revealed that there was no relationship between SCM practices and competitive advantage. This could be due to the inability of the hotels to effectively integrate their supply chain internal function with those of suppliers. Guilherme et al. (2015) asserts that the implementation of SCM practices may involve changes in the organizational structure by linking internal functions and integrating them with the external function of partner organizations. The study revealed integration of supply chain functions with those of suppliers as a major challenge that was facing the hotels.

The study also revealed that effective adoption of SCM practices have been curtailed by numerous challenges. System incompatibility among the SC partners and lack of proper IT

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infrastructure to allow integration on the part of the supplier were found to be affecting the adoption of these practices. In order to achieve system integration among supply chain partners, previous studies have revealed that firms must integrate their internal function with those of their partners in supply chain while still focusing on realizing sustainable growth in profit (Kaliani et al., 2016). This can be effectively achieved if a firm identify a few strategic suppliers to work with. Folinas et al. (2004), had also opined that for organizations to achieve efficient SC integration, information sharing is a factor that cannot be left out.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings and conclusions. It also gives the recommendations and suggestions for further research.

5.2 Summary of findings

The majority of the hotels were located in Nairobi County while the rest were spread equally in Kajiado and Machakos counties. Out of these, 28.6% were established between 1-10 years ago. This was followed by those that had been in existence for between 11-20 and 21-30 years which recorded 21.4% each. Those that had been in existence for between 31-40 years and over 41 years were 17.9% and 7.1% respectively. Further, the findings revealed that 32.1% of these hotels were four stars hotels, 25% from the two-stars. The three and four stars accounted for 21.4% each. The total annual average turnover of the hotels was as follows; 28% had an average annual turnover of between 151-200 million Kenya shillings while 10.7% had up to 50 million Kenya shillings annual turnover. The hotels work force ranged from between less than 100 staff to over 500 staff. Out of this, 39.3% had less than 100 staff while 3.6% had over 500 staff. Accordingly, staff from 3 hotels had worked for the institution for less than 2 years while those from 9 hotels had worked for more than eleven years. The population of staff who were in top management were 21% while those that were in middle level management were 25%.

The first objective of the study was to establish the extent to which SCM practices adopted by hotels in Nairobi region based on four practices. To start with, strategic supplier partnership practices, had quality consideration during supplier selection as key consideration for the hotels while the least considered practice was having joint problem solving with suppliers. The grand mean for this practice was 3.78 implying that it had been implemented to a moderate extent by the hotels. Keeping of stock records in order to track cost was one of the most common activity under inventory management while on the other hand category management was the least implemented of this practice. The grand mean for inventory management was 4.41 higher than those of other practices. This implied that inventory management, as a practice, had been

adopted to a large extent by classified the hotels in Nairobi region. For supplier development, lowest rated activity was offering training to suppliers to build their capacity on the organization's expectation while the least was buying from small upcoming suppliers. The grand mean for supplier development was 3.036. This implied that the practice had been adopted to a moderate extent by the hotels. In conclusion, lean practices, the practice "we outsource certain services was the commonly practices activity by the hotels while the lowest rated practiced was "having automated our procurement system to increase efficiency. The grand mean for the lean supply chain practice was 2.78 being the lowest of all practices under study. It therefore inferred that lean supply chain practices were being implemented by the hotels in Nairobi region to a small extent.

The second objective of the study was to determine the relationship between SCM practices on competitive advantage among the hotels in Nairobi region. The study focused service differentiation and cost leadership components to measure competitive advantage. The result for service differentiation showed that, the lowest rated activity was the preference of the hotel by customers due to its ability to effectively handle customer complaints with a mean of 1.07 while the highest rated was "the hotel is preferred by customers for its online booking facilities" with a mean of 2.68. The grand mean was 1.81 inferring that the respondents strongly agreed that service differentiation contributes to organization competitive advantage. Similarly, for cost leadership, the price consideration and subjection of high value procurement to competition were deemed as important aspects with a mean of 1.00. This inferred that all the respondent strongly agreed that these activities contributes to the hotel competitive advantage. On the other hand, the activity treatment of suppliers as extended parts of the organizations and helping them with the technology, systems and skills aimed at cost reduction was rated the highest with a mean of 4.36. This implied that the respondent disagreed that the said activity contributes to their organization competitive advantage. In general, the grand mean for cost leadership was 2.22 indicating that the respondent agreed that the cost leadership activities contributes to their hotel competitive advantage. These findings were supported by regression analysis that was run on SPSS to determine the extent of the relationship between the two variables.

The third objective of the study was to determine the challenges faced by hotels in Nairobi region in the implementation of SCM practices. The greatest challenges that were facing the classified hotel in Nairobi region was system incompatibility among the supply chain partners and lack of proper IT infrastructure to allow integration on the part of the supplier with a mean of 1.93 and 1.32 respectively. On the hand, the least challenge that was facing the hotels was lack of clear policy guideline on supply chain. The grand mean of all the challenges was 2.88 implying that the respondents agreed that these challenges affect the adoption of SCM practices in general.

5.3 Conclusion

This study concludes that implementing SCM practices (lean supply chain practices, inventory management practices, supplier development practices and strategic supplier partnership) does not lead enhanced competitive advantage among the hotels in Nairobi region. This is because these practices except inventory management had been adopted to moderate extent by the hotels. Lean supply chain practices was adopted to a small extent out of the four the practices despite the fact that past research have confirmed that reduction of waste a cross the organization significantly increases the organizations competitiveness due to its ability to eliminates misuse of resources hence firm's profitability. The hotels should therefore re-examine the need for lean supply chain practices regulatory framework to facilitate waste reduction in their operations. Top management should promote awareness on the advantages of waste reduction to their staff, customers and suppliers alike. This would lead to an increase in profitability as a result of effective cost management. On the other hand, hotels should increase the implementation of other SCM practices to gain from competitive advantage.

The study also took much broader look at the competitive advantage variable by looking at both the service differentiation and the cost leadership aspects. The service differentiation resulted to be a major contributor to competitive advantage than cost leadership. As a result, it is recommended for the management of the hotels to consider improving on the activities that may lead to cost reduction in order to achieve increased competitive advantage.

It is recommendable for the hotels to carefully consider supply chain management practices that they would want to implement to increase in competitive advantage. Proper choice of SCM

practices may lead to competitive advantage. It is therefore expected that the findings of this study would careful selection of SCM practices to be adopted by hotels in this region.

5.4 Recommendation for the study

With many supply chain management practices at the disposal of an organization, rigorous evaluation processes on which ones to select and implement becomes a critical aspect that must be considered. Organizations should also increase the extent to which they operationalize these in order to achieve competitive advantage. While the implementation of these practices is hindered by various challenges, organizations are advised to assess the potential causes of these challenges in order to mitigate them.

5.5 Suggestion for further studies

This study was limited to hotel industry in Nairobi region (Nairobi, Machakos and Kajiado counties). Future studies replicating this research across multiple industries and sector would increase better understanding of the effect supply chain management practices on firms' competitive advantage. Further research should therefore, be done on other practices other than those that have been studied herein to further reveal the relationship between supply chain management practices and competitive advantage.

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APPENDICES

Appendix I: Research Questionnaire

The responses to this questionnaire was purely used for academic purposes and was treated with strict confidence. This questionnaire is divided into section A, B, C and D. You are requested to mark as appropriate.

SECTION A: GENERAL INFORMATION

1. Which management level do you fall under?

i.	Top	[ ]
ii.	Middle	[ ]
iii.	Low	[ ]

2. Within Nairobi region, please indicate the county location of your hotel.

i.	Nairobi	[ ]
ii.	Machakos	[ ]
iii.	Kajiado	[ ]

3. How old is your establishments in Kenya?

i.	Less the one year	[ ]
ii.	1 - 10 Years	[ ]
iii.	11 -20 years	[ ]
iv.	21- 30 Years	[ ]
v.	31- 40 Years	[ ]
vi.	Over 41 years	[ ]

4. How many employees do you have?

i.	Less the 100 staff	[ ]
ii.	101 - 200 Staff	[ ]
iii.	201 -300 Staff	[ ]
iv.	301- 400 Staff	[ ]
v.	401- 500 Staff	[ ]
vi.	Over 501 Staff	[ ]

5. What is the portfolio of your hotel classification?

i.	Two-Stars	[ ]
ii.	Three- Stars	[ ]
iii.	Four stars	[ ]
iv.	Five stars	[ ]

6. For how long have you served in the organization?

    i.   Less than 2 years   [ ]
    ii.   2 – 5 years   [ ]
    iii.   6 – 10 years   [ ]
    iv.   11 years and more   [ ]

7. Annual company turnover (KES)

    i.   Up to 50 million   [ ]
    ii.   51 to 100 million   [ ]
    iii.   101 - 150 Million   [ ]
    iv.   151 - 200 Million   [ ]
    v.   Over 201 Million   [ ]

SECTION B: SUPPLY CHAIN MANAGEMENT PRACTICES

With regard to supply chain management practices, rate the extent to which they have been adopted and are used in your organization. Use the scale 1 – 5. 1=not at all 2=to a small extent 3= to a moderate extent 4=to a large extent 5=to a very large extent.

No	Supply Chain Practices	1	2	3	4	5
	1. Strategic supplier partnership					
a)	We consider quality to be important in the selection of supplier that we work with.					
b)	We have a shared vision with suppliers					
c)	We have structured and managed approach to communications and engagement across all dimensions of the relationship					
d)	We have a joint approach to business risk sharing.					
e)	We approach the partnership with a collaboratively on selected key items					
f)	We have joint problem solving with the suppliers					
g)	We do plan and goal setting with suppliers					
h)	We have long term relationship with suppliers					
	2. Inventory Management					
a)	We have automated the stock management system (real time tracking of inventory					
b)	We have a defined quantity that are economic to order for each stock					
c)	We categories our staff in terms of value (ABC analysis)					
d)	We have integrated stock management system with the vendor					
e)	We have a pre-defined re-order level for all stocks					
f)	We track the cost of stock in store					
g)	We have dedicated professional staff in charge of inventory					
h)	We keep records of stock usage rates for decision making					
i)	We do demand forecast for the inventory					
	3. Supplier Development					
a)	We offer training to our suppliers to build their capacity on the organization's expectation					
b)	We provide capital to suppliers to boost their financial capacity					
c)	We provide technical support to our suppliers to build their technical capacity to meet the organizations needs					
d)	We provide on-time feed back to our suppliers and make recommendation on areas of improvement					
e)	We encourage intensive information exchange with suppliers					
f)	We collaborate with suppliers on material improvement and certification					
g)	We reward and recognize best performing suppliers					
h)	We involve supplier in new product development process					
i)	We buy also buy from small upcoming suppliers					
	4. Lean Practices					
a)	We do outsource certain services					
b)	We work with a few suppliers					

No	Supply Chain Practices	1	2	3	4	5
c)	We aggregate all the organizational requirement and procure at once					
d)	We have streamlined our supply chain internal process to improve efficiency.					
e)	We have fewer process approval chain that is automated.					
f)	We have automated our procurement system to increase efficiency					

SECTION C: COMPETITIVE ADVANTAGE

With regard to competitive advantage of your firm, please indicate the extent to which you agree or disagree with each statements' contribution to your organizations occupancy rate and cost leadership. The item scales are five-point Likert type scales with 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.

No	Competitive advantage factors	1	2	3	4	5
	a) Service differentiation					
1.	The hotel is preferred by customers due to the tidiness of our facilities					
2.	The hotel is preferred by customers due to its convenient location hotel					
3.	The hotels attract customers due to the availability of internet facilities in rooms enabling them to transact their businesses seamlessly.					
4.	The hotel attracts customers due to reasonable room prices.					
5.	The hotel is preferred by customers for its online booking facilities					
6.	The hotel attracts customers due to its intensive security system					
7.	The hotel is preferred by customers since it offers additional facilities (e.g. gym sauna, sauna etc.)					
8.	The hotel encourage customer to provide feedback and we take action on such feedback					
9.	The hotel is preferred by customers to its ability to offer variety of food that caters for local and international customers.					
10.	The hotel is preferred by customers due to its ability to effectively handle customer complaints					
11.	The hotels is preferred by customers since it allows settlement of bills by credit cards					
12.	The hotel attracts customers due to its ability to offers airport transfer to customers.					
	b) Cost leadership					
1.	The hotel offers products and services whose quality matches the prices of its competitors.					
2.	The hotel considers price in all its product and service negotiations with the suppliers.					
3.	The hotel consolidates its purchases to gain from economies of scale when buying.				+	
4.	The hotel has entered into framework agreement with suppliers for frequently used items to avoid repeat procurement cost.					
5.	The hotel does importation of strategic items to leverage on competitive international prices.					
6.	The hotel subjects high value procurement needs to competitive procurement process to get value for money.					
7.	The hotel considers total cost of ownership in the procurement on capital procurement to leverage on post procurement cost.					
8.	The hotel has made it mandatory for suppliers to provide their cost structure prior to being on list of preferred suppliers.					
9.	The hotel complies with statutory requirements to avoid attracting cost associated with government penalties and fines.					

No	Competitive advantage factors	1	2	3	4	5
10.	The hotel has automated financial management system to allow for cost tracking					
11.	The hotel conducts market survey to ascertain the prevailing market price prior to procuring an item.					
12.	The hotel treats suppliers as extended parts of our organizations and helping them with the technology, systems and skills on their supplies on cost reduction					

SECTION D: IMPLEMENTATION CHALLENGES.

State the extent to which you agree with the following statements concerning the extent to which your organization faces the following challenges. Use the scale of 1= strongly Agree 2= Agree 3= Not sure 4= Disagree 5= strongly disagree

No.	Challenges	1	2	3	4	5
1.	The role of supply chain management in hotel operations is yet to be recognized by the top management.					
2.	Insufficient capital investment commitments in supply chain activities thereby hindering the implementation of supply chain practices.					
3.	Lack of top management support in the adoption of supply chain practices					
4.	Lack of internal capacity among the supply chain staff					
5.	Lack of clear policy guideline on supply chain					
6.	Unwillingness of suppliers to provide the increased level of support					
7.	The organization has no influence over its suppliers to influence them in the adoption of the supply chain practices					
8.	Lack of proper IT infrastructure to allow integration on the part of the supplier					
9.	System incompatibility among the supply chain partners					
10.	Lack of trust and commitment to long-term goal from the supplier					
11.	Lack of trust and commitment to long-term goal from your organization					
12.	Lack of motivation from the staff of the company making it difficult to implement the practices					
13.	Lack of problem-Solving Procedure to deal with potential conflict					
14.	Fear of depending on a few suppliers hence tying the organization to explore other available suppliers					
15.	**Others (specify below and rate)**					
16.						
17.						

Appendix II: List of classified hotels in Nairobi region

No	Establishment	County	Capacity		Rating
			Rooms	**Beds**	
1.	Villa Rosa Kempinski	Nairobi	200	216	*****
2.	Hemingway's Nairobi	Nairobi	45	50	*****
3.	Sankara Nairobi	Nairobi	156	167	*****
4.	Fairmont The Norfolk	Nairobi	170	200	*****
5.	Tribe Hotel	Nairobi	137	154	*****
6.	The Sarova Stanley	Nairobi	217	440	*****
7.	Radisson Blu Hotel Nairobi	Nairobi	271	354	*****
8.	Dusit D2	Nairobi	101	122	*****
9.	Intercontinental Nairobi	Nairobi	326	372	*****
10.	The Boma Nairobi	Nairobi	148	178	*****
11.	Crowne Plaza	Nairobi	206	254	****
12.	Ole Sereni Hotel	Nairobi	134	206	****
13.	House of Waine	Nairobi	11	20	****
14.	Weston Hotel	Nairobi	120	154	****
15.	Southern Sun Mayfair Nairobi	Nairobi	171	212	****
16.	Fairview Hotel	Nairobi	127	133	****
17.	Sarova Panafric Hotel	Nairobi	162	324	****
18.	Silver Springs Hotel	Nairobi	160	180	****
19.	Hilton Nairobi Limited	Nairobi	287	334	****
20.	Nairobi Safari Club	Nairobi	146	186	****
21.	Windsor Golf Hotel and Country	Nairobi	130	205	****
22.	Amboseli Serena Lodge	Kajiado	92	184	****
23.	Amboseli Sopa Lodge	Kajiado	83	166	***
24.	Kibo Safaris Camp	Kajiado	60	120	***
25.	Maanzoni Lodge	Machako	272	421	***
26.	The Clarion Hotel	Nairobi	62	67	***
27.	Ngong Hills Hotel	Nairobi	110	165	***
28.	The Heron Portico	Nairobi	109	218	***
29.	Utalii Hotel	Nairobi	57	114	***
30.	The Panari Hotel	Nairobi	136	280	***
31.	Marble Arch Hotel	Nairobi	41	57	***
32.	Kenya Comfort Suits	Nairobi	88	120	***
33.	Sportsview Hotel Kasarani	Nairobi	94	188	***
34.	Boma Inn Nairobi	Nairobi	59	83	***
35.	Central Park Hotel	Nairobi	80	100	**
36.	Town Lodge	Nairobi	84	124	**
37.	Fahari Gardens Hotel	Nairobi	30	53	**
38.	Eton Hotel	Nairobi	58	116	**
39.	Jacaranda Hotel Nairobi	Nairobi	128	256	**
40.	West Breeze Hotel	Nairobi	26	34	**
41.	After 40 Hotel	Nairobi	63	101	**
42.	La Masion Royale	Nairobi	71	144	**
43.	Zehneria Portico	Nairobi	56	65	**

Source: (TRA, 2018)

Appendix III: Field introductory letter

UNIVERSITY OF NAIROBI
COLLEGE OF HUMANITIES & SOCIAL SCIENCES
SCHOOL OF BUSINESS

Telephone: 4184160-5 Ext 215
Telegrams: "Varsity" Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, KENYA

14 November 2018

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

INTRODUCTORY LETTER FOR RESEARCH
VICTOR ONDORO – REGISTRATION NO.D67/6598/2017

This is to confirm that the above named is a bona fide student in the Master of Science in Supply chain management (Msc.Supply Chain Management)option degree program in this University. He is conducting research on **"Supply Chain Management Practices and Competitive Advantage."**

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the research project. The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your assistance will be highly appreciated.

Thank you.

Jane Muturi
For: MSc Supply chain management Co-Ordinator,
School of Business