GROWTH STRATEGIES AND PERFORMANCE OF HOTELS IN KWALE COUNTY, KENYA

BY

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OCTOBER, 2015

DECLARATION

I declare that this research project is my original work and that to the best of my knowledge it has never been presented for an award of diploma or degree in this or any other university.

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

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D61/65531/2013

This research project has been submitted to the school of Business, University of Nairobi for examination with my approval as the supervisor of the above student.

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DEDICATION

This research work is dedicated to my beloved wife Maureen and my two daughters Nicole and Monica for their endless support, encouragement, understanding and prayers during my studies, research and compilation of this report.

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ABBREVIATIONS AND ACRONYMS

KHCA	Kenya Hoteliers and Catering Association
KUC	Kenya Utalii College
PLC	Product Life Cycle
TRA	Tourism Regulatory Authority
USA	United States of America
WTTC	World Travel and Tourism Council

ABSTRACT

This is a research project on the growth strategies and performance of hotels in Kwale County, Kenya. The objectives of the research were to find out the growth strategies adopted by hotels in Kwale County using the Ansoff growth model and to establish the relationship between growth strategies and performance. Cross sectional survey was adopted as the research design and it focused on all the 32 vocational hotels within Kwale County. The data was mainly primary data and it was collected by use of close ended questionnaire with some few open ended questions for elaboration purposes. The questionnaires were dropped and later picked from the respondents who comprised of the general managers, Assistant Managers, Operations manager and financial controllers of hotels within Kwale County depending with who was available during the dropping time. The above were targeted as they are the once who are directly concerned with decision making on growth strategies and performance management in hotels. The researcher used descriptive design to find out the growth strategies adopted and the relation between growth strategies and performance. The response rate was 90.63 % as 29 out of 32 respondents successfully filled the questionnaires. Descriptive statistics were used to summarize the data and they include percentages, frequencies, and bar graphs while qualitative analysis was done in prose. The findings revealed that product development, market penetration and market development strategies were the strategies adopted by majority of the hotels with a few adopting diversification strategies. The relationship between the growth strategies adopted and performance was determined through regression analysis where R was 0.628 implying that there was strong positive relationship between growth strategies and performance. However, R^2 showed that only 39.4% of the variation in the performance of hotels in Kwale County could be explained by the variation of the growth strategies which were product development, market penetration, market development and diversification. From the regression model, none of the aspects of product development, market penetration and market development growth strategies is significant since all their p-values are greater than the level of significance of 0.05. It would therefore not be appropriate to use this model to predict performance of hotels in Kwale County because all the individual parameters were not significant in explaining the performance.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

According to Moeller (2008), firm growth is an integrated approach affecting every functional area and strategy within the organization. Firm growth therefore is concerned with how an enterprise plans to execute fundamental changes to grow its business (Mascarenhas, 2002). Business growth take place in many ways and can be divided into two broad categories- organic and inorganic growth. Organic growth is growth from within which is planned and slow increase in the size and resources of the firm. A firm can grow internally by ploughing back its profit into the business every year leading to growth of production and sales turnover of the business, increase in the sales of existing products or by adding new products, innovation of technology and products to fill gaps in the market place (Burner 2004). Inorganic growth strategies refer to external growth and involve a mergers, acquisition and joint ventures. Firms that choose to grow inorganically can gain access to new markets and fresh ideas that become available through successful merger and acquisition (Domadaran 2002)

The study was guided by three theories; Product life cycle (PLC), Population ecology and evolutionary theory. Product life cycle theory was founded on the notion that products pass through cycle or stages of life as humans do. The stages are introduction, growth, maturity, saturation and decline. The stages may be examined both in terms of sales and output (quantity) and in terms of the number of firms operating within the industry or providing the product. According to Weber (1976) the product life cycle theory provides an intuitively appealing and readily understandable framework of analysis for considering future growth opportunities and pitfalls. Population ecology theory says that organizations exist within a population or field of similar organizations and those organizations which survive are those that respond appropriately to their environment while Evolution theory says that as organizations age and grow another phenomenon emerges. The prolonged growth is what is termed as the evolution period because only modest adjustments appear to be necessary for maintaining growth under same pattern of management. They are appropriate for this study because they anticipate growth requirements of firms at different periods of time.

Hotels in coast region operate in a dynamic business environment with a lot of Competition for resources and market share hence have become more complex to manage and difficult to meet the challenge of customer demands as well as complicated service technologies and production processes. Kamau (2008) stated that the Kenya tourism sector which hotels in the coast depend on has been facing numerous challenges which have posed a threat to their survival and growth. These challenges include competition for resources, skilled labour and market share, socio-cultural changes, technological changes, economic challenges, changes in Customers' expectation and preferences, terrorism and globalization.

1.1.1 Growth Strategies

To ensure survival, success and growth firm need to be able to manage threats and exploit opportunities. This requires the formulation of strategies that constantly match capabilities to environmental requirements. A strategy is a long term plan of action designed to achieve a particular goal, most often winning. Ansoff (1987), Views Company's strategy as the game plan management has for the company in the chosen arena for competing successfully, pleasing customers and achieving good business performance. Johnson & Scholes (2002) define strategy as the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a challenging environment to meet the needs of markets and to fulfil stakeholder expectations.

Growth is a multi-faceted phenomenon that is commonly associated with firm survival, achievement of business goals and success or the scaling up of activities (Storey, 1994).Thompson and Strickland (2003) states that growing the business can be taken to mean crafting and implementing strategies that will bring profit to the business, attracting and pleasing customers, competing successfully with other competitors in the industry, conducting operations and improving the company's financial and market performance. This implies that even well-crafted strategies will fail if not properly executed and a sound strategy is only part of the success equation. According to Moeller (2008), firm growth is an integrated approach affecting every functional area and strategy within the organization. Firm growth therefore is concerned with how an enterprise plans to execute fundamental changes to grow its business (Mascarenhas, 2002). A growth strategy therefore is a tactic used by management to expand the consumer market for company's products.

Growth can be promoted internally by investing in expansion or externally by acquiring additional business divisions. Internal growth include development of new or changed products while external growth typically involves diversification which means the acquisition of businesses that are related to current product lines or that take the corporation into new areas (Daft, 2008). Therefore, growth strategies ultimately require achievement of a fit between the external situation and internal capabilities (Mintzberg et al 2003). Moeller (2008) states that to reinforce ones company growth potential; the creation of new businesses, creating new market space, firms might focus on a new set of client need or address new or meanwhile underserved customer segments or they might introduce new forms of delivering value.

1.1.2 Firm Performance

Performance is a complex concept that has been explored in numerous studies. For example, Ford and Schellenberg, (1982), in the early research of business performance, there was considerable disagreement about how it should be conceptualized. However, over time an improved understanding has developed and performance has been conceptualized in the literature in two fundamental ways, by the drivers of performance and results that are the performance outcomes (Neely et al., 2000). Researchers have classified the drivers of performance according to internal and external factors and the impact they have on managerial decision-making (Pelham, 1999). Understanding the internal and external factors and how they affect a firm's operations is central to effective performance management. A firm's internal environment has been described in terms of structure; strategy; culture; resources; and the roles and responsibilities of individuals, as well as processes and systems (Brignall and Ballantine, 1996).

The external environment in which an organization operates on the other hand is often referred to its market or industry. For many firms, it is the external environment that causes the greatest challenges as it is always unpredictable and uncontrollable and, even for the most successful managers, can impact negatively on business performance (Brignall and Ballantine 1996). To measure business performance, it is important to understand that the results are the outcomes of the drivers and how they are managed. In the early studies of performance, results were mostly defined and measured by the firm's financial outcomes (Harris and Mongiello, 2001). The limitations in using only financial measures of performance are that they are lagged indicators which are the result of management action and organizational performance and not the cause of it (Brignall and Ballantine, 1996). Over time the importance of nonfinancial measures emerged as it was acknowledged and the traditional performance measures could not provide information for the development of strategy. The non-traditional approach to performance measurement, which combines both nonfinancial and financial measurement activities, provides a number of benefits including the ability to identify simple measures for a specific situation; the assistance provided to strategy development; and the opportunities for greater involvement of staff for continuous improvement (Brignall and Ballantine, 1996).

1.1.3 Hotel Industry in Kenya

Hotel industry in Kenya evolved at the coast region for the first time because of the coming of Arab traders and railway line construction workers in the region. Their presence necessitated the building of the first catering establishment at the coast, which was known as the grand Hotel of Mombasa built at the present site of Manor Hotel. Following the construction of railway, there was a growing demand for catering and the Hotel industry service. This led to the demand for trained personnel and in 1975, the Kenya Utalii College was established but with a limited capacity to train personnel for this industry (Wadogo 2010)

According to Wadongo (2010), the hospitality industry has made a significant contribution for the economic development of the Country and has become a source of job opportunities for many people. Wadogo (2010) argued that the World Travel and Tourism Council (2009) explained that Hospitality industry in Kenya contributed 509,000 jobs in 2007 and forecast that the industry will contribute 628,000 jobs in 2017 with a great percentage coming from hotel industry. The warm temperatures in most parts of the coastal region attract tourists making tourism the main source of the economy in the region since it creates employment to thousands of residents in the hotel industry, tour operators, and suppliers among other local traders. Estimates indicate that approximately 300, 000 visitors visit the Coast annually, growth strategies are therefore important to hotel managers in this region (Mark 2010).

1.2 Research Problem

No business exist in vacuum and it is no doubt that they are being constantly subjected to forces of change they face in the economic, competitive, technological and political environment. All organizations regardless of their size are environment dependent hence as the external environment changes, organizations find themselves in unfamiliar environment and have to respond by integrating changes and internalizing the ability to adapt to their new environment for survival and growth (Gathiri 2012). However, firms should struggle for continuous growth while keeping the aim of increasing or simply maintaining their sales and profit levels to ensure their survival (Claver et al, 2006)

Hotels in coast region operate in a dynamic business environment characterised by intense Competition for resources and market share hence have become more challenging to manage and sustain their growth rate. Kamau (2008) stated that the Kenya tourism sector which hotels in the coast depend on has been facing numerous challenges which have posed a threat to their survival and growth. These challenges include competition for resources, skilled labour and market share, socio-cultural changes, technological changes, economic challenges, changes in Customers' expectation and preferences and insecurity due to terrorism and globalization. The dynamism of this environment calls for appropriate growth strategies that will enhance good performance.

Related studies have been done on growth strategies. McCarthy (2000) in a study on growth strategies of hotels in USA argued on the achievement and growth of organization using Ansoff's growth strategy. Flanagan (2005) in his study on Irish Hotel Industry established that year in year out sales growth increased revenue as part of a growth strategy which were greatly contributed by management of costs, improvement of the hotel‘s financial position, the need to win new and retain existing customers, improved satisfaction and quality ratings and gaining best value from existing customers. Nancy (2010) carried a survey on business growth strategies used by commercial banks in Kenya and focused on the basic growth strategies being used by Commercial Banks in Kenya and especially in the last ten years up to year 2010 to grow and maximize return to their shareholders and the study showed that most banks are doing a good job in application of growth strategies to boost their growth. This includes penetrating into the existing markets and getting new businesses and coming up with new products that suited different groups in the market. On the issue of growth in the hotel industry, the literature on growth is sparse and therefore a need to explore the hotel industry in Kenya. This study will seek to answer the research question: Is there a relationship between growth strategies and performance of hotels in Kwale County?

1.3 Research Objectives

The Research objectives of this study are:

i. To establish the growth strategies of hotels in Kwale County.
ii. To determine the relationship between growth strategies and performance.

1.4 Value of the Study

This study will be of value to various stakeholders. First, it will be useful to the practitioners in the hotel industry such as the managers of hotels and investors in the hotel industry who will be able to asses and make informed decisions about their services or products in the current or potential markets and be able to apply appropriate growth strategies to grow their firms and improve performance.

Second, the study will be of value to the policy makers in both the county and central government while planning and formulating policies that will encourage investment in the hotel industry which will significantly contribute to the Kenyan economy.

Finally the study will contribute to the existing body of knowledge in the area of growth strategies in the hotel industry and form a basis for further research on growth strategies and performance of hotels.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter discusses the relevant literature information on the study topic in line with the research objectives. It begins with the theoretical foundation of the study then the empirical review of the literature and concludes with summary of the literature.

2.2 Theoretical Foundation of the Study

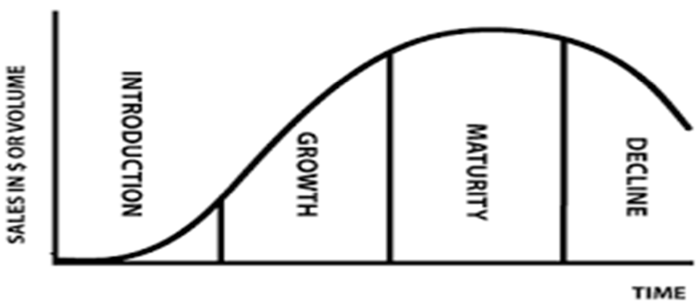
The ability of a company to compete effectively and grow in the increasingly competitive global market is influenced to a large extent by the cost as well as the quality of its products and the ability to bring products onto the market in a timely manner. It has been recognized that a life cycle engineering approach to the design of products has a great potential to achieve these goals. An engineering design should not only transform a need into a description of a product but should ensure the design's compatibility with related physical and functional requirements. Therefore, it should take into account the life of the product as measured by its performance, effectiveness, productivity, reliability, maintainability, supportability, quality, recyclability, and cost (Fabrycky and Blanchard 1991).The three theories that guided the study are critically reviewed; the product life cycle theory, population ecology theory and evolution theory.

2.2.1 Product Life Cycle Theory

The idea of the product life cycle may be traced all the way back to Kuznets (1930) who studied the time series of output and prices for a number of products. His research suggested a product life cycle. Arthur (1970) argues that all strategic issues can be understood within the framework of phases or stages of an industry or product life cycle. However, current work has moved away from the product life cycle towards a theory of endogenous evolution, embedded in the industry life cycle. The evolution of a product in a competitive industry is said to go through a number of stages from invention and early development to decline and eventual death. The stages may be examined both in terms of sales and output (quantity) and in terms of the number of firms operating within the industry or providing the product.

Over the past 20 years or so, scholars have been most keen on examining the number of firms and the net entry (which is defined as the number of firms entering the industry, minus the number of firms exiting the industry). If we examine the number of producers in any given industry, we may decompose the evolution of that industry into four distinct stages introduction, growth, maturity and decline as shown in figure 2.1.

Figure. 2.1 Product Life Cycle



Source: Marketing Management, 8/e by Kotler, Philip.

At the introduction, following the invention of the product, a small number of producers exist within the industry. Growth illustrates the time when the industry finds itself in a high growth phase. During this phase abnormal profits will tend to attract new firms into the industry and output will also exhibit high growth. Maturity is a period where the number of firms stabilizes before falling off again while Decline is one where net entry stabilizes until some fundamental disturbance hits the industry. It need not be assumed that any given product must pass through each of the four stages during its lifetime (Ward 2000).

The evolution of a competitive industry therefore seems to follow some clear path (Norman 1977). Variations, sometimes important, may exist, but every industry goes through these clear stages. The life of the (narrowly defined) industry, or product, starts with a discrete event, namely the invention of the product and its introduction into the market. The product life cycle can only commence once the new product is marketed and an initial supplier is willing and able to supply the product to one or more customers. If the product meets some demand on the market, then an industry is born. In as much as the industry takes off, the initial firm producing the product will benefit from abnormal profits due to its situation as a monopolar. If there are few or no barriers to entry, the abnormal profits of the producing firm will attract other firms to enter the market (Norman 1977). These entrants in turn will contribute to develop the market for the product and will attempt to differentiate themselves through innovation. This innovation activity will lead to the creation of new profits, which again will attract more entrants. The price of the good will rapidly decrease, reflecting the movement from monopoly to oligopoly, to monopolistic competition and possibly to perfect competition. The industry growth of sales and output will therefore initially be very high and rising but later decline (Norman 1977).

However, the rate of growth will quickly slow down (often within a few years) as the rate of entry becomes greater than the growth rate of profits. The effect of this is the so called shake out, where a number of the less efficient competitors will exit the industry (Norman 1977). Eventually, the nature of innovations and of competition in the industry will change, in such a way that the growth rate of sales and output stabilize and will eventually converge to zero, or even negative growth(Paine 1977). The price of the good will diminish more slowly towards the end of the growth of the industry and may even stabilize and increase as the market becomes a niche, and the number of competitors goes down (Paine 1977)

2.2.2 Population Ecology Theory

Organizational ecology aims to explain how social, economic and political conditions affect the relative abundance and diversity of organizations and to account for their changing composition over time. Research in organizational ecology is grounded in three observations. First, aggregates of organizations exhibit diversity. Second organizations' have difficulty devising and executing changes fast enough to meet the demands of uncertain, changing environments. And, third, organizations arise and disappear continually. Given these observations, ecological analyses formulate organizational change and variability at the population level, highlighting differential creation of new and demise of old organizations and populations with heterogeneous attributes. This formulation contrasts adaptation approaches, which explain organizational diversity in terms of ongoing organizations' leaders' cumulative strategic choices. Changes in organizational populations reflect the operation of four basic processes: variation, selection, retention, and competition (Aldrich 1979; Campbell 1965; McKelvey 1982).

Variations result from human behaviour. Any kind of change, intentional or blind, is a variation. Individuals produce variations continuously in their efforts to adjust their behaviour to others in the organization and to adjust the organization's relationship to the environment. The centrality of issues of coordination and control in organization theory is a testament to the commonness of variation inside organizations. Organizational variations provide the raw material for selection processes. Some variations prove more beneficial to organizations than others in acquiring resources in a competitive environment and are thus selected positively by managers inside organizations. Similarly, investors, customers, and government regulators in the resource environment select among the variations in place among organizations competing for resources.

When successful variations are known, or when environmental trends are identifiable, individuals can attempt to copy and implement these successful variations in their own organization, or they can attempt to forecast, anticipate, plan, and implement policies in the context of the predictable trends. But when successful variations are unknown, because, for example, the behaviour of consumers and competitors is unpredictable, the probability of choosing the correct variation and implementing it successfully is low. Even when effective variations are identifiable, ambiguity in the causes of success may frustrate attempts at implementation and imitation. Under such conditions, variations can be viewed as experimental trials, some of which are consciously planned and some of which are accidental, some of which succeed and some of which fail. Whether or not they are known, over time, successful variations are retained as surviving organizations come to be characterized by them (Capon 2008).

If the survival odds are low for organizations with a particular variant, it does not mean that these organizations are destined to fail. Rather, it means the capacity of individuals to change their organizations successfully is of great importance. Ecological approaches do not remove individuals from responsibility for or influence over their organization's success and survival individuals do matter. Leaving aside whether their actions are intelligent or foolish, planned or improvised, individuals can clearly influence their organizations' futures. Under conditions of uncertainty and ambiguity, however, there are severe constraints on the ability of bounded rational individuals to consistently conceive and implement changes that improve organizational success and survival chances in the face of competition. Thus, in a world of high uncertainty, adaptive efforts turn out to be essentially random with respect to future value (Hannan & Freeman 1984).

2.2.3 Evolution Theory

As organizations age and grow, another phenomenon emerges: prolonged growth that is termed the evolutionary period. Most growing organizations do not expand for two years and then contract for one; rather, those that survive a crisis usually enjoy four to eight years of continuous growth without a major economic setback or severe internal disruption (Bourgeous 2001). The term evolution seems appropriate for describing these quiet periods because only modest adjustments appear to be necessary for maintaining growth under the same overall pattern of management. The speed at which an organization experiences phases of evolution and revolution is closely related to the market environment of its industry. The hotel industry in a rapidly expanding market will have to add employees quickly; hence, the need for new organizational structures to accommodate large staff. Whereas evolutionary periods tend to be relatively short in fast-growing industries, much longer evolutionary periods occur in mature or slow-growing industries. Evolution can also be prolonged, and revolutions delayed, when profits come easily. For instance, companies that make grievous errors in a prosperous industry can still look good on their financial statements; thus, they can buy time before a crisis forces changes in management practices.

In the “Five Phases of Growth,” each evolutionary period is characterized by the dominant management style used to achieve growth; each revolutionary period is characterized by the dominant management problem that must be solved before growth can continue (Johnson 2008). Creativity in the birth stage of an organization, the emphasis is on creating both a product and a market. The founders of the company are usually technically or entrepreneurially oriented, and they generally disclaim management activities; their physical and mental energies are absorbed entirely by making and selling a new product. Communication among employees is frequent and informal. Decisions and motivation are highly sensitive to marketplace feedback; management acts as customers react. All the foregoing individualistic and creative activities are essential for a company to get off the ground. But as the company grows, those very activities become the problem. Larger production runs require knowledge about the efficiencies of manufacturing. Increased numbers of employees cannot be managed exclusively through informal communication, and new employees are not motivated by an intense dedication to the product or organization. Additional capital must be secured, and new accounting procedures are needed for financial control (Johnson 2008).

The company's founders find themselves burdened with unwanted management responsibilities. They long for the good old days and try to act as they did in the past. Conflicts among harried leaders emerge and grow more intense. When hotels survive the first phase by installing a capable business manager they embark on a period of sustained growth under able, directive leadership. Although the new directive techniques channel employees' energy more efficiently into growth, they eventually become inappropriate for controlling a more diverse and complex organization. Lower-level employees find themselves restricted by a cumbersome and centralized hierarchy. They have come to possess more direct knowledge about markets and machinery than do their leaders at the top; consequently, they feel torn between following procedures and taking initiative on their own (Johnson 2008).

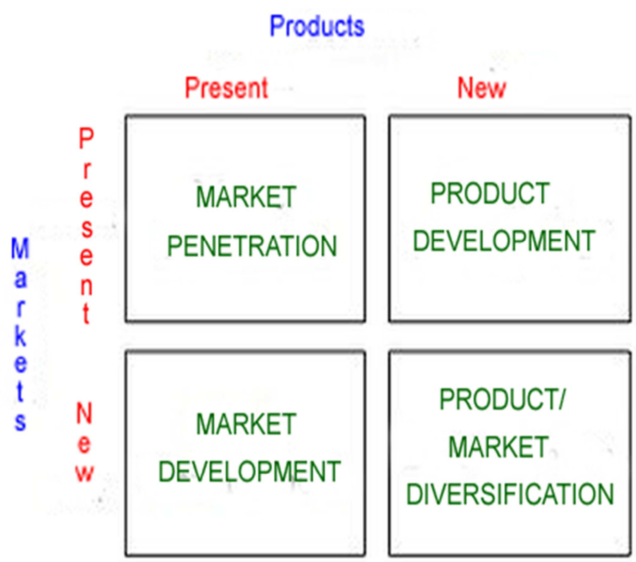
The next era of growth evolves from the successful application of a decentralized organizational structure. It exhibits these characteristics: Much greater responsibility is given to the managers of plants and market territories. The evolutionary period of the coordination phase is characterized by the use of formal systems for achieving greater coordination and by top-level executives taking responsibility for the initiation and administration of these new systems (Earl 1994). The last observable phase emphasizes strong interpersonal collaboration in an attempt to overcome the red-tape crisis. Where Phase 4 was managed through formal systems and procedures, Phase 5 emphasizes spontaneity in management action through teams and the skilful confrontation of interpersonal differences. Social control and self-discipline replace formal control. This transition is especially difficult for the experts who created the coordination systems as well as for the line managers who relied on formal methods for answers (Earl 1994).

2.3 Ansoff Growth Model

The Ansoff product /market growth matrix provides a simple way of generating four basic alternative directions for strategic development. This model explicitly considers growth options and an organization basically has a choice between penetrating still further within its existing market, develop new product for existing markets or take its existing products into new markets or full diversification by taking new products to new markets.

The model presents strategic grids that can assist firms identify their future strategic growth direction and is used when firms are planning for growth. Ansoff presented a matrix that focused on the firm's present and potential products and market (consumers). In this model, potential areas where competencies and generic strategies can be deployed are depicted in four broad alternatives; market penetration, market development, product development and diversification as shown in figure 2.2.

Fig. 2.2: Ansoff Growth Strategy Matrix



Source: Kottler (2000), Marketing Management, Millennium Edition. New Jersey, prentice hall.

Market penetration is where an organization takes an increased share of its existing markets with its existing product range while product development is where organization delivers modified or new products to existing markets. On the other hand market development is where existing products are offered in new markets while diversification is a strategy that takes an organization away from both its existing markets and its existing products.

A firm can use market penetration to develop the market with current products. Market penetration in existing markets aims at encouraging current customers to use more of the current product, to use it more often, or to use it in new ways. According to Walker et al (1999**)** penetration can be achieved through the following two possible strategic objectives: To increase the customers' awareness by means of heavy advertising, extensive sales force efforts, extensive introductory sales promotions, quick expanding of offerings and free trial offers. To increase the customers' ability to buy by means of penetration pricing, extended credit terms, heavy use of trade promotions and the offering of engineering, installation and training services.

Through product development, organisations can grow by developing new product line extensions or by means of new product offerings. New products can also be called innovations. An innovation or innovative product is a product perceived as new by a potential consumer (Lamb et al, 2000). Existing products can be changed by means of product modification or current packaging may be changed. Potential consumers will regard such product as new and different from the existing product.

Market development is a growth strategy where a new market is entered by an existing product dealing with the ways in which consumers become aware of, test and eventually accept or reject a new product item. The primary objective of market development is to secure future volume and profit growth (Walker et al, 1999). This objective has become even more important in recent years due to the rapid advancement in technology and more intense competition globally. A steady flow of new products and services and the development of markets, including those in foreign countries, are essential for the continued growth of most organisations. The marketing function plays a pivotal role in the development of the market by means of speeding up innovations, and by utilising marketing strategies during the different product life cycle phases. Chances for new market entry success by using current products are dependent upon the management of the new product development process (Jenkins, Forbes, Duranni and Banerjee, 1997).

Organisations can develop markets and seek growth by diversifying their operations. Diversification is typically more risky or it involves learning new operations and dealing with unfamiliar customer groups. According to Walker et al (1999) diversification can happen through: Vertical or horizontal integration and related or unrelated diversification.

2.4 Empirical Evidence of Growth Strategies and Performance

Jayne (2010) carried out a study on unpacking the growth of hotel chains in Africa: Enterprises and patterns and found out that the hotel industry is of critical importance for the global tourism economy as it represents one of the primary infrastructural elements for tourism development (The Economist, 2013).

Maureen (2013) in a study on business growth strategies and organisation performance in chase bank Limited found out that the Bank has adopted various growth strategies to enhance the banks performance. The strategies used to enhance competitive advantage include taking excessive risks, increasing their reliance on non interest sources of revenue, increasing operational efficiency as reflected in improved efficiency ratios and burden rates banks facing relatively higher competition seek out alternative sources of revenue as captured by a higher proportion of revenues derived from non-interest sources, increasing operational efficiency as reflected in improved efficiency ratios and burden rates, altering the risk level of asset portfolios through modifications to the banks underwriting standards whether underwriting standards are declining in the level of the bank’s perceived competitive environment.

Truphena (2014) in a study on Quality management practices and performance of hotels in Nairobi found that the quality of service in hotel industry is an important factor of successful business. The existing trend of complete quality management in hotel industry ensures the achievement of competitive advantage of hotel companies and is therefore the subject of contemporary research into service quality in hotel industry

Yu (1987) in a study on successful growth strategies of three Chinese Domestic hotel Companies reveals that hotel chains in China had undergone tremendous changes since the government changed its policies in 1979 with the Open Door Policy. In 2001 the stock of accommodations in China stood at 10,400 properties and 945,000 rooms and by 2010 had nearly doubled (CNTA 2010). The increase in supply was driven partially by the growth in international arrivals which grew by 7% in 2010 alone. But the growth was also driven by Chinas own increasingly affluent population who are traveling more and more within their own country (Pine& Qi 2004). Both Chinese owned hotels and foreign owned hotels have great potential for future growth however the threat of oversupply remains a critical issue (Okoroafo 2010).

2.5 Summary of the Literature Review

From the literature review, it can be concluded that there is need to carry out studies concerning growth strategies and performance of hotels in Kwale County. The knowledge gap unearthed from the studies done before tends to focus just on either growth strategies or performance within various industries, but the need for growth strategies and performance within the hotel industry has been overlooked. The current study intends to fill the identified gap by seeking to establish the impact of growth strategies adopted by hotels in Kwale County and the relation between these strategies and performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter entails the research design that was adopted by the researcher, the method that was used for data collection as well as how the researcher undertook data analysis.

3.2 Research Design

To meet the objectives of the study, the researcher used a survey design. A survey design was the most appropriate because it enabled the researcher to find out the growth strategies adopted by hotels and the relationship between growth strategies and performance.

3.3 Population of the Study

The population of study comprised all the hotels within Kwale county but the target population were the thirty two (32) vocational hotels within Kwale County which were registered and licenced by the Tourism Regulatory Authority under the Tourism Act no. 28 of 2011.

3.4 Data Collection

Research data for this study comprised the primary data. The primary data was collected by use of close ended questionnaires with a few open ended questions for elaboration purposes. The researcher used questionnaires because they were easier to analyse as they are in immediate usable form, easier to administer and lastly they are economical to use in terms of time and money. The questionnaires were dropped in all the 32 hotels and later picked after the respondents completed them on their own. The respondents were the general managers, assistant managers, financial managers, financial controllers and operation managers depending with whoever was available at the dropping time. The respondents were considered because of their wide experience in hotel industry and the crucial role they play in decision making on growth strategies and performance of hotels. .

In order to improve the response rate and quality of data gathered, the researcher dropped the questionnaires to the respondents and picked them later after completion.

3.5 Data Analysis

Based on the fact that the questionnaires were quantitative, the data was analysed through descriptive statistics (Mean, percentages and frequency tables) using Excel, SPSS and other computer based analytical software. During analysis, the researcher presented the information using tables and graphs accompanied by narrative explaining them

Regression and correlation analysis was used to analyse the data which was done using the SPSS software. The following regression model was used: $\mathbf{Y = a+ b_1X_1 +b_2X_2+b_3X_3+b_4X_4+ €}$ **;** Where, **Y** is Performance (Dependent variable), **a** is Constant, $\mathbf{b_1}$ is coefficient of product development strategies, $\mathbf{b_2}$ is coefficient of market penetration strategies, $\mathbf{b_3}$ is coefficient of market development strategies while $\mathbf{b_4}$ is the coefficient of diversification strategy. X_1 is the product development strategies, X_2 the market penetration strategies, X3 the market development strategies and X4 the diversification strategies while € is the Error term.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings and analysis of data collected from the respondents with respect to the objectives of the study. First, there is an analysis of the profile of hotels within Kwale County, Secondly, the growth strategies adopted and finally Regression and correlation analysis of the growth strategies and performance of the hotels within Kwale County. The data is statistically analysed using mean, frequency and percentages and presented in pictorial forms of tables and graphs.

4.2 Profile of the Respondent Hotels

The profile comprise of the response rate of the target population, operation period of the hotels, size of the hotel by number of rooms, number of branches per hotel, respondent's target market and the hotel business market trend.

4.2.1 Response Rate

The study targeted 32 vocational hotels within Kwale County but only 29 successfully filled the questionnaires. This represents a response rate of 90.63% as shown in Table 4.1. This response rate is good for analysis and reporting; a response rate of 60% is good and that of 70% and over is excellent (Mugenda 2003). It implies adequacy in analysis and representation of the population of the study.

Table 4.1 Response Rate

Response	**Frequency**	**Percentage (%)**
Response	29	90.63
Non responses	3	9.37
Total	**32**	**100**

Source: (Research Data, 2015)

4.2.2 Years of Hotels in Operation

Age of an organization is a key aspect in coming up with a profile of the respondent as it determines the history and experience of an organization in the market. The number of years that each hotel has been in operation was attained by asking the respondents how long their hotels had been in operations and they were to choose from the five alternative using Likert scale of less than 5 years, 5-10 years, 11-15 years, 16-20 years, 21-25 years and over 25 years. The results showed that 17.24% of the hotels had been in operation for less than 5 years, 17.24% had operated for between 5 and 10 years; 10.34% had operated for between 10 and 15 years; 17.24% had operated for between 16 and 20 years, 27.59% had operated for between 21 and 25 years and finally 10.34% had operated for more than 25 years as shown in Table 4.2 below. This implies that the hotel industry within Kwale County is mature and still growing as hotels are still being established. This is important in position of each hotel in the market as some will use their historical architecture, period of operation and performance while some will base on the modern architecture and technology to attract a different market segment. Hence it is important factor while making decision on the growth strategy to adopt in order to improve performance

Table 4.2 Years of Hotel in Operation

Period hotel has been in operation	**Frequency**	**Percentage (%)**
Less than 5 year	**5**	**17.24**
5 to 10 years	5	17.24
11 to 15 years	3	10.34
16 to 20 years	5	17.24
21 to 25 years	8	27.59
Over 25 years	3	10.34
Total	**29**	**100**

Source: (Research Data, 2015)

4.2.3 Size of Hotels by Number of Rooms

The number of rooms of a hotel is a key factor in determining the market share of the hotel and is also a key indicator of the hotel performance in terms of occupancy rate. The occupancy rate will determine the revenue, profits and return on investment of the hotel hence in hotel industry it is an area that cannot be overlooked when planning for growth and performance enhancement. The aim of the researcher was to establish the size of the hotels by their number of rooms in Kwale County by asking the respondent to tick the number of rooms they have among the alternative of less than 50 rooms, 51-100 rooms, 101-150 rooms, 151-200 rooms and over 200 rooms. The results showed that 48.28% of the hotels have less than 50 rooms; 3.45% have between 51 and 100 rooms; 17.24% have between 101 and 150 rooms; 10.35% have between 151 and 200 rooms and finally 20.69% have over 200 rooms as shown in Table 4.3.

Table 4.3 Size of Hotels by Number of Rooms

Number of Rooms	**Frequency**	**Percentage (%)**
Less than 50	14	48.28
51 to 100	1	3.45
101 to 150	5	17.24
151 to 200	3	10.35
Over 200	6	20.69
Total	**29**	**100**

Source: (Research Data, 2015)

This implies that each hotel occupancy rate determines its market share in Kwale County which is imperative in decision making on the growth strategies to adopt.

4.2.4 Number of Hotel Branches

The number of branches opened by an organization is one of the indicators of the growth rate of an organization. Therefore the aim of the researcher was to find out the number of branches owned by the respondent hotels. The researcher found out this by asking the respondent to indicate the number of branches they had by choosing from the five alternatives provided of none, One, Two, Three and Over Four branches. From Table 4.4 below, the study established that 44.83% of the hotels have no branches; 20.69% have one branch each; 13.79% have two branches each; 10.34% have three branches each and 10.34% have more than 4 branches.

Table 4.4 Number of Hotel Branches

Number	**Frequency**	**Percentage (%)**
None	13	44.83
One	6	20.69
Two	4	13.79
Three	3	10.34
Over Four	3	10.34
Total	**29**	**100**

Source: (Research Data, 2015)

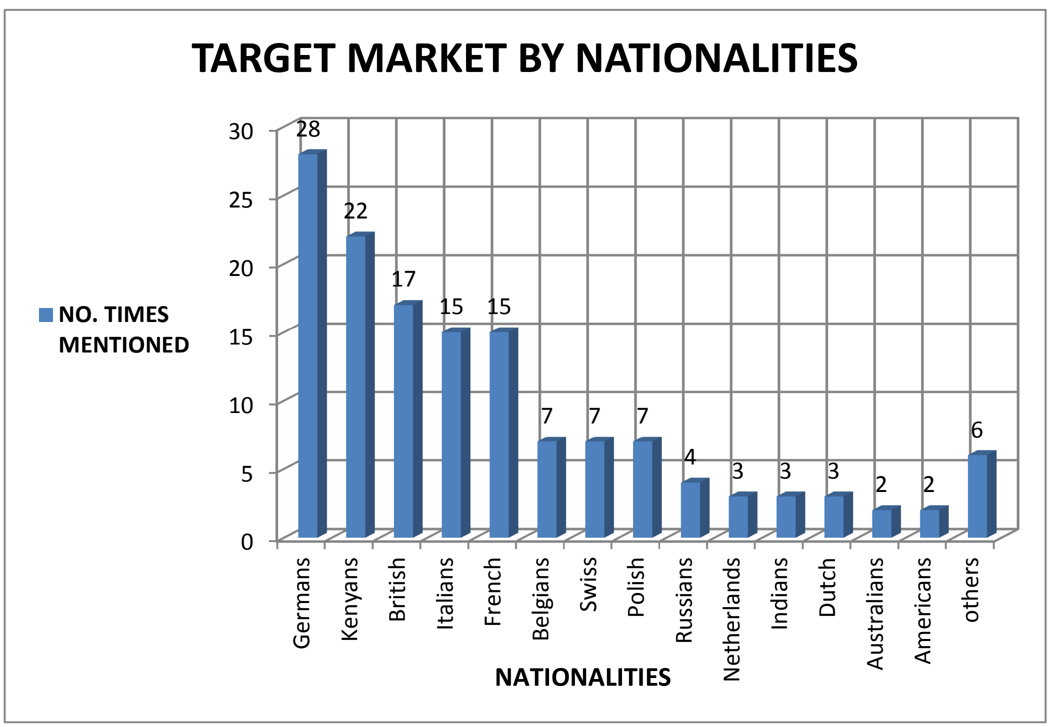
This implies that more than half of the respondents' hotel had grown and established branches to increase their market share either within or outside Kwale County.

4.2.5 Target Market by Nationalities

No products or services of an organisation can serve everybody in the market hence imperative for every organization to identify its Niche market in order to understand it better and serve it well. Therefore, the aim of this section was to find out an overview of the target market of hotels in Kwale County. Each respondent was asked to name five nationalities of guests that are common in their hotels.

Out of the 29 respondents, the findings showed that 28 hotels were commonly visited by Germans, 22 hotels were commonly visited by Kenyans, 17 hotels by British, 15 hotels by French and Italians each, Belgians, Swiss and Polish were common in only Seven hotels, Russians in four hotels while Netherlands, Dutch and Indians were only mentioned by 3 hotels and only two respondents mentioned Australians and Americans, as shown in Figure 4.1 below.

Figure 4.0 Target Market by Nationalities



Source: Research Data 2015

This implies that the five main nationalities of guests that visit hotels within kwale County are Germans, Kenyans, British, Italians and French followed by Belgians, Swiss and Polish with a small number from Russians, Netherlands Indians, Dutch Australians and Americans in a descending order. Therefore these findings are relevant in decision making on growth and marketing strategies that can boost performance in terms of revenue and profits.

4.2.6 The Hotel Business Market Trend

The market trend shows how businesses performed in the past, present and the future direction it is likely to take. The aim of this section was to find out the perception of the respondent on how they perceived hotel business in the past, during the research time and how they felt it would be in the near future.

4.2.6.1 Past Market Trend

The past market trend was established by asking the respondents how they felt the hotel business was in the past few years and they chose from the five alternatives of ; Worse, Bad, Fair, Good and Better. From the findings, 17.24% of the respondents said that the hotel business had been worse; 51.72% said it had been bad; 31.03% said it had been fair while none deemed it better. This implies that majority of the respondents felt that hotel business performance was bad as shown in Table 4.6 Below

Table 4.5 Past Hotel Business Trend

Respondents views	**Frequency**	**Percentage (%)**
Worse	5	17.24
Bad	15	51.72
Fair	9	31.03
Good	**0**	**0.00**
Better	**0**	**0.00**
Total	**29**	**100**

Source: (Research Data, 2015)

4.2.6.2 Hotel Occupancy Rate

Occupancy rate is one of the performance indicators in hotel industry hence important in performance management. The aim of the researcher was to find out the performance of the hotels in Kwale County in terms of bed occupancy during the time of data collection. Respondents were asked to state their hotel occupancy rate during the time they were filling the questionnaires and Likert scale was used where they were to choose from the five responses; Less than 20%, 21-40 %, 41-60% , 61-80% and 81-100% . From the findings, 20.69% of the respondents hotels were less than 20% full, 48.28% were between 21 and 40 % full while only 6.89% were between 61 and 80 % full as shown in Table 4.11 below.

Table 4.6: Hotels Occupancy Rate

Percentage rate	**Frequency**	**Percentage (%)**
1 to 20%	6	**20.69**
21 to 40%	14	**48.28**
41 to 60%	7	**24.14**
61 to 80%	2	**6.89**
81 to 100%	0	**0.00**
Total	28	**100.0**

Source: (Research Data, 2015)

This implies that the hotel capacity was being underutilized as the demand was far less than the supply which calls for more strategies and tactics to increase the demand in order to improve performance.

The low occupancy rate was attributed to the fact that hotels depend on tourism sector which was by then just picking from low to high season. However in comparison to the past, the occupancy rate was still below average and majority of the respondents attributed that performance to insecurity in Kenya hence in a question where the responded were asked what they thought could be done to improve their growth and performance, most said that the government need to enhance security to win back the confident of international tourists who were still perceiving Kenya in general and Coast region in specific as insecure.

4.2.6.3 The Future Trend of Hotel Business in Kwale County

The aim of the researcher was to find out the confidence level of the respondents about the future of their business by asking them what their opinion was on the future of hotel business within the next few years within Kwale County by stating wether they thought it will either be Worse, Bad, Fair, good or better and 48.28 % thought that it will be fair, 27.57 thought it will be good and only 24.14% believed it will be better as shown in Table 4.14 below

Table 4.7: Future of Hotel Business in Kwale County

Percentage rate	frequency	Percentage (%)
Worse	0	0.00
Bad	0	0.00
Fair	14	48.28
Good	8	27.59
Better	7	24.14
Total	29	100.00

Source: (Research Data, 2015)

4.2.7 Hotel Strategies During Low Business Season

Since hotels in Kwale County mainly depend on international tourists and tourism has both low and high season, the researcher was interested in finding out how the respondents manage business during the low season. The researcher established this by asking the respondents an open ended question on how they manage business during low season. Almost half of the respondent said that they send their staff on leave and close their hotels for renovation while more than half of the respondents said that they lower their rates and change focus from the international tourist to domestic tourist by promoting seminars and conferences.

4.3. Growth Strategies Adopted.

The study sought to establish the growth strategies adopted by hotels within Kwale County using Ansoff growth model. The respondents were asked to indicate the extent of adoption of the various Ansoff growth strategies which include product development, market penetration, market development and diversification. A 5-point Likert scale was used to rate the extent of adoption of the strategies whereby 1 point was accorded to 'no extent', 2 points to 'little extent', 3 points to 'moderate extent', 4 points to 'great extent' and 5 points to 'very great extent'. The results showed that the respondents rated product development as the highest growth strategy adopted by most hotels in Kwale County with a mean of 4.09 followed by market penetration with a mean of 4.06, while the mean of market development was 3.98, and finally that of diversification was 3.68 as shown in Table 4.8 which presents an analysis of the growth strategies as adopted by the respondents.

Table 4.8: Growth Strategies Adoption

Growth strategy	**Mean**	**Rank**
Product development	4.09	**1**
Market penetration	4.06	**2**
Market development	3.98	**3**
Diversification	3.68	**4**

Source: (Research Data, 2015)

This implies that most hotels in Kwale County adopted product development strategy followed by Market penetration and market development respectively while a few adopted diversification strategy.

4.4 Impact of Growth Strategy on Performance

The study sought to establish the extent to which respondents' related adoption of growth strategies and performance in the hotel business. The respondents were requested to indicate the extent to which they agreed with the statements that touched on growth strategy and performance. A 5-point Likert scale was used to rate the extent to which the respondents agreed with the assertions 1 point was accorded to 'strongly disagree', 2 points to 'disagree', 3 points to 'Don't know', 4 points to 'Agree' and 5 points to 'strongly agree'.

Table 4.9 on the following page presents an analysis of the ranking of the respondents' feedback on the assertions. The results show that the respondents rated Increased revenue/sales of the hotel as the highest with mean of 4.16 as a consequence of adopting the above growth strategies, followed by Improved occupancy rate at a mean of 3.97; then Increased profits of the hotel at a mean of 3.78; increased geographic coverage of the hotel at mean of 3.69; increased number of guests visiting the hotel at 3.65; reduced guests complaints at 3.48; increased market share of the hotel at 3.18; increased general business of the hotel at 3.13 and finally improved market share of the hotel at 3.09 in descending order of adoption.

Table 4.9: Impact of Growth Strategies on Hotels' Performance

The growth strategies adopted have:	Mean	Rank
Increased revenue/sales of the hotel	4.16	**1**
Increased profits of the hotel	3.78	**3**
Increase market share of the hotel	3.18	**7**
Improved market share of the hotel	3.09	**9**
Increased geographic coverage of the hotel	3.69	**4**
Reduced guests complaints	3.48	**6**
Increased number of guests visiting the hotel	3.65	**5**
Increased general business of the hotel	3.13	**8**
Improved hotel occupancy rate	3.97	**2**

Source: (Research Data, 2015)

4.5 General Impact of Growth Strategies on the General Performance of Hotels

After the researcher established the impact of growth strategies on various performance variables, each respondent was asked his opinion on the general impact of all the growth strategies adopted on the general performance by asking the respondents to rate whether performance had drastically reduced, reduced, Not Changed, improved or drastically improved.

The findings showed that 7.14% of the respondent rated their performance to have reduced; 10.71% rated their performance to have not changed while 78.57% rated their performance to have drastically improved as a result of adopting the growth strategies as shown in Table 4.10.

Table 4.10: Performance after Adoption of Growth Strategies

General Performance	Frequency	Percentage (%)
Drastically reduced	0	**0.00**
Reduced	2	**7.14**
Not changed	3	**10.71**
Improved	22	**78.57**
Drastically improved	1	**3.57**
Total	28	**100.0**

Source: (Research Data, 2015)

This implies that majority of the respondent believed the growth strategies they had adopted had improved their hotels performance**.**

4.6 Relation Between Growth Strategies and Performance

In order to find the relation between growth strategies adopted and the performance of hotels a regression analysis was done to determine the effect of independent variables (Ansoff growth strategies) on the performance of hotels within Kwale County

The linear regression model used took the following form:

$$Y= \beta_0 +\beta_1X_1 +\beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where: Y is the dependent variable which is performance; β_0 is the Y intercept; β_1, β_2, β_3 and β_4, are the coefficients of the predictor variable and X_1, X_2, X_3 and X_4 predictor variables. Performance being the dependent variable was regressed against growth strategies being the independent variables yielding the results discussed in the following subsections.

4.6.1 Regression Analysis of Growth strategies and Performance

A regression analysis of the relationship between performance and growth strategies done yielded the results as shown in Table 4.13 below.

Table 4.11 Regression Analysis of Growth strategies and Performance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.				
	B	Std. Error	Beta			F	R	R^2	Psig ANOVA
(Constant)	-5.425	8.284		-.655	.519	3.905	0.628	0.394	0.014
Product development	.603	1.565	.068	.385	.703				
Market penetration	2.524	1.966	.279	1.284	.211				
Market development	4.490	2.250	.451	1.996	.057				
Diversification	-2.140	1.672	-.233	-1.280	.213				

Source: (Research Data, 2015)

From Table 4.13, R (0.628) shows a strong positive relationship between growth strategies and performance of hotels in Kwale County. R^2 shows that 39.4% of the variation in the performance of hotels in Kwale County can be explained by the variation of the growth strategies which are product development, market penetration, market development and diversification. The P-values in the ANOVA table was used to determine the regression model significance. Overall, the model is significant since the P value of 0.014 is less than the level of significance of 0.05. From the above regression analysis table, the following regression model is developed.

$$\text{Performance}(\text{Y}) = -5.425 + 0.603\text{X}1 + 2.524\text{X}2 + 4.490\text{X}3 - 2.140\text{X}4$$

Where Y is performance, X_1 is product development; X_2 is market penetration; X_3 is market development; X_4 is diversification. The model shows that product development (X_1), market penetration (X2), and Market development are positively related to performance of hotels in Kwale County while diversification is negatively related to performance as shown by their coefficient values. From this model, it can also be inferred that none of the aspects of product development, market penetration and market development growth strategies is significant since all their p-values are greater than the level of significance of 0.05. It would therefore not be appropriate to use this model to predict performance of hotels in Kwale County because all the individual parameters are not significant in explaining the performance.

4.6.2 Correlation Analysis of Performance and Growth Strategies

Correlation analysis was carried out to determine the relationships, directions and strengths between the dependant variable (Performance) and product development, market penetration, market development and diversification. Table 4.11 on the following page shows the correlation matrix between growth strategies and performance

The coefficients of correlation from table 4.11 and the associated significance revealed that first, there exists a negative and not significant relationship between product development and performance as shown by the negative coefficient of correlation (-0,001) and significance (0.498) that is greater than the level of significance of 0.05. Secondly, there is a positive and significant relationship between performance and market penetration as shown by the positive coefficient of correlation (0.522) and significance (0.002) that is less than the level of significance.

Table 4.12. Correlation Matrix Between Growth Strategies and Performance

Correlations						
		Performance	Product development	Market penetration	Market development	Diversification
Pearson Correlation	Performance	1.000	-.001	.522	.552	.001
	Product development	-.001	1.000	-.155	.126	.357
	Market penetration	.522	-.155	1.000	.641	.151
	Market development	.552	.126	.641	1.000	.372
	Diversification	.001	.357	.151	.372	1.000
Significance (1-tailed)	Performance	.	.498	.002	.001	.497
	Product development	.498	.	.211	.257	.029
	Market penetration	.002	.211	.	.000	.217
	Market development	.001	.257	.000	.	.024
	Diversification	.497	.029	.217	.024	.

Statistical values in sig. (1-tailed) represent the P-values (P< 0.05)

Source: (Research Data, 2015).

Third is that there exists a positive and significant relationship between performance and market development as shown by the positive coefficient of correlation (0.552) and significance (0.001) that is less than the level of significance of 0.05 and finally, there exists a positive but not significant relationship between performance and diversification as shown by the positive coefficient of correlation (0.001) and significance (0.497) that is greater than the level of significance of 0.05. Generally, the findings showed that there is a strong positive relationship between growth strategies and performance of hotels in Kwale County implying that hotels adopt these strategies to enhance performance.

4.8 Discussion of the Key Findings

The study sought to establish the effect of selected growth strategies on the performance of hotels in Kwale County. The study established that there exists a positive relationship between the selected growth strategies and the performance of hotels in Kwale County. This relationship was seen to be significant and hence very dependable in explaining the overall performance.

In times of uncertainty and certainty, product development did not have much influence on the performance of the hotels in Kwale County but Market penetration and market development were seen as strategies that greatly influenced performance of the hotels especially during certain and uncertain times. Any adjustment on the strategies be it positive or negative had a significant influence on the resultant performance.

From the model developed, it can be deduced that keeping all the strategies constant, the level of performance would be 5.425; a unit change in product development would lead to a change in performance by -0.001; while a unit change in market penetration would affect performance by 0.522 units; a unit change in market development would affect performance by 0.522 units; and finally, a unit change in diversification would affect performance by 0.001 units.

This study resonates with other researches that have been carried in regards to strategy and performance of going concerns. West and Fair (1996) defined performance as a function of an organization's ability to align its strategies to the various changes in the environment to enhance competitiveness. The study established a relationship between strategy alignment to structure and performance. Kandie (2009) analysed the relationship between strategy and performance of Kenyan SMEs and found there is a positive and significant relationship moderated by leadership.

Findings from analysis at the Strategic Business Unit level were that, strategy and performance show significant alignment within a functional form organization, defensive, efficiency-seeking strategies generally require more formal, bureaucratic, and centralized structures and controls, strategies that deal with greater uncertainties and seek innovative directions require looser, organic structures, and more liaisons and technical people, and although the environment can be an important mediating variable, strategy-structure fit improves performance.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary discussion on the growth strategies and performance of hotels in Kwale County. A conclusion discussing the general findings of the research is highlighted followed by recommendation based on the findings of the study. The limitations of the study and suggestions on areas of further research are discussed at the end of the chapter.

5.2 Summary of the Findings

The study targeted 32 respondents out of which 29 successfully filled the questionnaires. This represents a response rate of 90.63%. In terms of size by the number of rooms and the period of operation, more than 50% of the respondents have more than 50 rooms and over 65% of the responded have been in operation for more than 10 years.

All the respondents target both international and domestic tourist. They focus on the international tourist during the high season and embark on the domestic tourists during the low season whereby they lower their rates to attract domestic tourist. The research revealed further that majority of their international guests comes from Europe and United Kingdom; Germans, British, Italians, French, Belgians and Swiss who formed the largest percentage of the guests in their hotels. On the number of branches, it was revealed that 51.72 % of the respondents do not have any other branch while 48.28 % of respondents have at least one branch outside Kwale County implying that they adopted market development strategy by opening new branches in other geographical areas to increase their market share.

About the growth strategies adopted, majority of the respondent adopted product development strategy by modifying and improving their products and services followed by market penetration strategy by extensively advertising through internet, tour operators and exhibitions and reducing the rates during low season to attract the domestic market. They also adopted market development strategies by changing the target market where by during the high season they focus on the international markets of Europe and United Kingdom and during the low season they turn on to the domestic market. Only a very small percentage of the respondents adopted diversification by venturing into tour operations and airport transfers.

Businesswise, majority of the respondent felt that the business was bad within the last 3 years and many are still not sure if it will ever go back to its previous state. However, during the time of data collection 69% of the respondent had less than 40% occupancy rate and 65 % of the respondent were not sure if it was going to improve much better despite their efforts. They attributed this to the insecurity which had made the market generating regions issue travel advisories and warnings to their citizen and believed that their growth strategies could be much more effective if the Kenyan government enhanced security to win back the confidence of the international tourist who still perceive Kenya as insecure.

The findings showed a strong positive relationship between growth strategies and performance of hotels in Kwale County through the following model.

$$\textbf{Performance (Y)} = \mathbf{-5.425 + 0.603X1 + 2.524X2 + 4.490X3 - 2.140X4}$$

Where by (X_1) is product development, (X_2) is market penetration, X3 is market development while X4 is diversification. However, only 39.4% of the variation in the performance could be explained by the variation of the growth strategies hence it is not appropriate to use this model to predict performance of hotels in Kwale County because all the individual parameters are not significant in explaining the performance.

5.3 Conclusion

The study concluded that indeed hotels in Kwale County had adopted product development, market penetration and market development growth strategies which had a positive impact on the performance as evidenced by increased revenue/sales, increased profits, increased market share and position, reduced customer complaints, increased number of guests and increased general business of the hotel. This result are consistent with Tourki (2010), who argued that many organizations which have adopted alternative growth strategies have experienced improved overall performance and have had several chances of surviving in the global competitive environment.

The study further concluded that indeed there is still hope for the hotel business industry in spite of the ups and downs experienced in the County. There existed a positive relation between the growths strategies which if properly harnessed could be used to ensure definite improvement in the general hotel business in the County.

5.4 Limitations of the Study

Growth strategies that affect performance in hotel industry are varied and numerous in number. The study concentrated on just but a few strategies. Most of the respondents had tight schedules and had to be reminded often through phone calls before they could fill the questionnaires.

The concept of growth in hotel business was also not well understood and this posed challenges to many respondents. Hotel being service industry, the dynamic nature of the service delivery management may change after a period of time and the views provided are limited to a given time period. These findings may not be applicable across time.

5.5 Recommendations

Based on the findings of the study it is recommended that hotels in Kwale County adopt full implementation of these growth strategies to improved further performance. The management of the hotels in Kwale County will have to set up clear policies on their adoption and communicate to all the stakeholders on what it entails, what is expected, the potential benefits and challenges. The aim of this will be to embrace acceptance and ownership during adoption and implementation.

Continuous implementation and monitoring of these strategies in Hotels not only in Kwale but beyond is highly recommended. This is because of the benefits that can be realized if fully adopted. The hotels in adopting these strategies ought to do it in a holistic manner rather than in an isolated way to enjoy the great benefits of full implementation.

5.6 Suggestions for Further Research

The study hereby suggests further research on the other factors that do cause variation in performance in hotels business that are not included in this study. It is therefore recommended that more research be done not only in the hotel industry in Kwale but other counties to enable comparison of findings and for continued learning. This could also be extended to other areas within the wider service sector in Kenya.

Since this study lumped together a number of growth strategies, the study hereby recommends that future studies be done to analyse the relationship between each of these strategies on the performance of the hotel industry. This study can also be replicated after five or more years to ascertain whether the situation would have changed.

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APPENDIX I: INTRODUCTION LETTER

UNIVERSITY OF NAIROBI
MOMBASA CAMPUS

Telephone: 020-2059161
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Our Ref: D61/65531/2013

Tel: 020 2059161
Mombasa, Kenya

DATE: 28TH SEPTEMBER, 2015

TO WHOM IT MAY CONCERN

The bearer of this letter, **Khamala Maende Collins** of Registration Number **D61/65531/2013** is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

He is required to submit as part of his coursework assessment a research project report. We would like the student to do his project on ***Growth Strategies and Performance of Hotels in Kwale County, Kenya.*** We would, therefore, appreciate if you assist him by allowing him to collect data within your organization for the research.

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MOMBASA CAMPUS

Zephaniah Ogero Nyagwoka
Administrative Assistant, School of Business-Mombasa Campus

APPENDIX II: QUESTIONNAIRE

PART A: General Information

Your response/answers shall be treated with confidentiality and used for academic purpose only.

1) Name of the Hotel (optional) --
2) Respondent's Name or Position or Title (Optional) --------------------------------
3) How long has your hotel been in operation?

   Less than 5 years [ ]   5-10 Years [ ]   11-15 Years [ ]

   16- 20 Years [ ]   21-25 years [ ]   Over 25 years [ ]
4) How many rooms do you have?

   Less than 50[ ]   51-100[ ]   101-150[ ]   151-200[ ]   Over 200[ ]
5) How many other branches do you have?

   None [ ]   One [ ]   Two [ ]   Three [ ]   Over Four [ ]
6) What is your target Market?

   International tourists [ ]   Domestic tourists [ ]   Both international and Domestic tourists[]
7) Which are the five main Nationalities of guest that often come to your hotel? i.e Germans

   i…………………………………………………………………………………

   ii…………………………………………………………………………………

   iii…………………………………………………………………………………

   iv…………………………………………………………………………………

   v……………………………………………………………………………….…
8) How has been the hotel business in Kwale for the last 3 years in comparison to the past?

   Worse [ ]   Bad [ ]   Fair [ ]   Good [ ]   Better [ ]
9) How do you manage business during low season?

   …………………………………...

   ……………………………………………………………………………………

   ……………………………………………………………………………………

PART B: GROWTH STRATEGIES

These are the strategies that enabled your hotel to increase revenue, increase profit, increase room occupancy, increase number of guests, increase your Market share, position your hotel in the market, out do competitors and spread to other geographical areas.

1. Using a scale of 1-5 (with **1-Strongly disagree**, **2- Disagree**, **3- Don't Know**, **4- Agree** and **5- Strongly agree**) please indicate by use of a tick to what extent you agree with the following growth strategies that your hotel might have applied within the past 5 years.

Growth strategies	1	2	3	4	5
1.Product Development strategies					
Developed new products and services such as new menus, constructed new rooms, new swimming pools or new conference halls..					
Modified / improved/modernized your current products/services such as menus, rooms, conference halls, swimming pools and operation system					
2.Market Penetration strategies					
Advertising through internet, tour operators, sponsoring programmes and exhibitions					
Penetration pricing (Charge different rates based on the season/product to increase revenue and profit)					
Joint operation with neighbouring hotels to increase capacity to hold large functions such as conferences.					
3.Market Development strategies					
Changed your target market					
Opened new branches in other geographical areas.					
4. Diversification strategies					
Ventured into business related to hospitality such as construction of villas, tour operation, airport transfers					
Ventured into other businesses unrelated to hospitality industry i.e. Farming					

PART C: PERFORMANCE

1. To what extend do you agree with the following statements in relation to the growth strategies applied and the performance of your hotel? Use a scale of 1-5, where **1-Strongly Disagree, 2-Disagree, 3-Don't know, 4-Agree 5-Strongly Agree**

The growth strategies adopted by the hotel have:-	1	2	3	4	5
Increased revenue/sales of the hotel					
Increased profit of the hotel					
Increased Market share of the hotel					
Improved market position of the hotel					
Increase geographic coverage of the hotel					
Reduced guest's complaints					
Increased Number of guests visiting the hotel					
Increased general business of the hotel					
Improved hotel occupancy rate					

2. In a scale of 1-5, how would you rate your hotel's overall performance with respect to growth strategies applied within the last 5 years? Where **1= Drastically reduced 2= Reduced 3= Not changed 4 =Improved 5= Drastically improved**

   Drastically reduced…[ ] Reduced………….. [ ] Not changed…………...[ ]
   Improved……………[ ] Drastically improved..[ ]

3. What is your current hotel occupancy rate?

   1-20% [ ] 21-40% [ ] 41-60% [ ] 61-80% [ ] 81-100 [ ]

4. What is your opinion on the future of hotel business within the next three years? Worse [ ] Bad [ ] Fair [Good [ ] Better [ ]

5. What do you think need to be done for your hotel to grow further? ……………………………………………………………………………….
   ………………………………………………………………………………
   ………………………………………………………………………………
   ………………………………………………For more space please turn over.

Thank you for your time and co-operation

APPENDIX 3: LIST OF HOTELS WITHIN KWALE COUNTY KENYA

1) ALMANARA HOTEL
2) AMANI TIWI BEACH RESORT
3) BAOBAB BEACH RESORT & SPAR HOTEL
4) BLUE MARINE
5) BLUE MARLINE
6) BLUE SWALLOW HOTEL
7) CHALE ISLAND HOTEL
8) DIANI BAY HOTEL
9) DIANI REEF BEACH RESORT
10) DIANI SEA LODGE
11) DIANI SEA RESORT
12) FOREST DREAMS LODGE
13) HILLPARK HOTEL
14) INDIAN OCEAN BEACH HOTEL
15) KAZIKAZI BEACH HOTEL
16) KINONDO KWETU HOTEL
17) KUTAZAMA HOTEL
18) LEISURE LODGE AND GOLF RESORT
19) LEOPARD BEACH RESORT AND SPA
20) LOFTA HOTEL
21) MWALUGANJE HOTEL
22) OCEAN VILLAGE HOTEL
23) PAPILLION LAGOON RESORT
24) PRIDEINN HOTEL
25) PINEWOOD BEACH RESORT AND SPA
26) SENTIDO NEPTUNE PARADISE HOTEL
27) SHESHE BAHARINI BEACH RESORT
28) SHIMBA HILLS LODGE
29) SUN AND SAND BEACH RESORT
30) SOUTHERN PALMS HOTEL
31) SWAHILIBEACH RESORT
32) TWIGA LODGE

Source: Tourism Regulatory Authority 2015.