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Effect of Strategic Management Practices on the Organizational Performance of Star Rated Hotels in Nairobi County, Kenya

Michael Kiarie Kanyongo
Student, Department of Commerce and Economics Studies,
Jomo Kenyatta University of Agriculture and Technology, Kenya
Dr. Jared Deya
Lecturer, Department of Commerce and Economics Studies,
Jomo Kenyatta University of Agriculture and Technology, Kenya

Abstract:
Kenya's hotel industry in faces many challenges ranging from operating, marketing, technological and economic, and that impede its performance. As of 2015 Kenya had a supply of approximately 58,000 beds, translating to an annual bed capacity of 21 million, against an occupied bed capacity of 5.8 million and a bed occupancy rate of 29.1% indicating there is an oversupply in the industry. Total revenue per available room in the country has been declining over the last five years; with a CAGR of 5.8% as at 2015 averaging at USD 81. In spite of this, there is scarcity of empirical information in relation to the effect of strategic management practices on the organizational performance of the star-rated hotels in Nairobi County, Kenya. This study aimed at determining the effect of strategic management practices on the performance of Star-rated hotels in Nairobi County, Kenya. Specifically, the study examined the effect of strategic planning, corporate governance, monitoring and evaluation and quality management on the organizational performance of hotel industry in Nairobi County, Kenya. The target population of the study was 120 management staff of five, four, three and two-star hotels in Nairobi County. The study used Statistical Package for Social Sciences (SPSS version 23) for analysis. Additionally, the study used a multiple regression analysis for the purpose of analysing the relationship between the study variables. The study results indicated that the strategic planning affected organizational performance of star-rated hotels in Nairobi County; corporate governance had a positive influence on organizational performance of star-rated hotels in Nairobi County. Further it is evident that organizational performance in star-rated hotels is affected by how an organization undertakes constant and regular testing of the company monitoring and evaluation activities

Keywords: Organizational performance, strategic planning, corporate governance, monitoring & evaluation, quality management

1. Background of the Study

World over, the hotel industry has been recognized as one of the most important sectors that have a significant positive correlation to tourism industry and therefore no country or region can expect to attract tourists unless it has a robust and efficient hospitality industry (Segal, 2015).

Hotel is a major enterprise in modern economy and in Kenya; its history is not long. It started at the Coast initially by the Arabs and later due to the railway line construction workers (Kamau & Waudo, 2012). The Government of Kenya after independence was motivated by the numbers, and undertook to construct hotels to encourage more visitors into the country.

Hotels are classified to analyze the market sector which aid in comparisons, analysis for performance, identifying market gaps, marketing strategies and customer requirements. In addition, hotels are classified to describe the type of hotel for advertising and promotional purposes based on location, form of ownership, facilities, type of client, standard, star rating and size.

1.1. Statement of the Problem

The hotel industry in Kenya plays a critical role in the country's economic growth, particularly given its complementing role to the country's tourism sector and job creation. However, the industry faces a myriad of challenges that negatively impact on its performance including declining numbers of foreign tourists, stiff competition, continuously changing consumer demands, difficulties in finding and keeping valued clientele, utilization of new and changing technologies, instabilities due to post-election violence, shortage of skilled staff, poor infrastructure, insecurity, inefficient organizational processes and management issues.

There seems to be a lack of local empirical evidence as to the effect of strategic management practices on the performance of the star-rated hotels in Kenya as existing studies on the subject have been based on other sectors.
With the decline in the hotel industry's performance, a study is needed on the effect of strategic management practices on star-rated hotels in Nairobi County. The gaps identified in previous studies are important and that is why this study chose these variables (strategic planning, corporate governance, control and evaluation and quality management) because previous studies identified them as gaps and that they are viewed as central to performance and productivity in hotels.

1.2. Objectives of the Study

1.2.1. General Objective

The general objective of this study was to determine the effect of strategic management practices on the organizational performance of star-rated hotels in Nairobi County.

1.2.2. Specific Objectives

The study was based on the specific objectives here below:
- To establish effect of strategic planning on the organizational performance of star-rated hotels in Nairobi County.
- To determine the effect of corporate governance on the organizational performance of star-rated hotels in Nairobi County.
- To evaluate the effect of monitoring and evaluation on the organizational performance of star-rated hotels in Nairobi County.
- To examine the effect of quality management on the organizational performance of star rated hotels in Nairobi County, Kenya.

2. Literature Review

2.1. Theoretical Framework

The study was guided by the Resource-Based View, the Stakeholder Theory, Kirkpatrick Theory and Edward Deming Theory of Quality Management.

2.1.1. Resource-Based View

The RBV argues that organizations should not try to achieve strategic fit with the external environment but aim to maximize their internal resources to create and dominate future opportunities (Saqib & Rashid, 2013). This theory is therefore relevant to the current study because it describes how hotels can make use of their existing resources and capabilities to formulate strategic plans that would help them achieve competitive advantage leading to enhanced organizational performance (Wang & Ahmed, 2017).

2.1.2. Stakeholder Theory

The stakeholder theory offers a multi-dimensional approach for enterprise strategic management. The theory generally identifies five primary stakeholder groups for a company: three of them, shareholders, customers, and communities, define the external expectations of a company's performance; the other two, suppliers and employees, participate with the company to plan, design, implement and deliver the company's products and services to its customers (Jensen, 2010). This theory is therefore relevant to the current study as it emphasizes that efforts in aggregating the strategic importance of various stakeholder groups can aid the firm determine the best strategic approach to tie in all interested parties towards the endeavor of securing the organizational objectives (Grant, 2016).

2.1.3. Kirkpatrick Theory

The Kirkpatrick model theory of evaluation, espouses four (4) levels of evaluation which provides valuable information and that together creates a "chain of evidence" for the effectiveness of a program. The four levels are reaction, learning, behavior and results (Yardley & Dornan, 2012). This theory is relevant to the current study as it provides a framework through which an organization can evaluate the effectiveness of its staffs' understanding of organizational strategies and the degree to which the staffs alter their behaviour to support the realization of organizational goals (Clark, 2012).

2.2. Empirical Review of Variables

Ahmed and Hamdan (2015) in Bahrain examined the impact of corporate governance on performance of 42 firms quoted in Bahrain Stock Exchange. Overall, the study found that corporate governance mechanisms had a positive influence on the performance of firms listed in the Bahrain Stock Exchange.

Oyinlola (2014) focused on selected banks in Ilorin Metropolis of Kwara State in Nigeria. The study concluded that strategy evaluation tools were integral to an organization's outstanding performance and survival in today's dynamic and highly competitive business environment.

In a study whose purpose was to establish the influence of strategic management practices on the performance of construction firms in Kenya, Kanyora (2015) did a case of Reliable Concrete Works Limited, Kenya. The study established that strategy evaluation tools had a strong and positive correlation with performance of the construction firm. Further, the

study established that monitoring and evaluation tools such as portfolio analysis and goal setting were important in enhancing the performance of the construction firms. To ensure sustainability of competitive edge and improved organizational performance, the study observed that strategy evaluation and control tools were of primary importance.

3. Research Methodology

The study adopted a descriptive research design. The design is appropriate for this study as it helped the researcher to describe the link between strategic management practices and performance of the hotel industry in Nairobi County in Kenya, as it currently exists without manipulation of variables.

The target population of this study was the management staff of 5-star, 4-star, 3-star and 2-star hotels in Nairobi County. The study targeted three management staffs (namely, Senior Managers, Middle level Managers - (Hotel Manager, Food and Beverage, Front Office, Marketing, Human Resources and Room department) and Junior/Assistant Managers) from each of these 40 hotels, giving the study a target population of 120management staff.

Statistical Package for Social Science (SPSS version 23.0) was used for data analysis. The multiple regression analysis has been chosen because the study has more than one independent variable. In addition, multiple regression analysis is also helpful in establishing the relationship between study variables.

The multiple regression model specification is as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

Y = Organizational performance (which is the dependent variable)

X_1 = Strategic planning

X_2 = Corporate governance

X_3 = Monitoring and evaluation

X_4 = Quality management

β_0 = Constant

$\beta_1, \beta_2, \beta_3$ and β_4 = Regression model coefficients

ε = Error term

The integrity of the model was assessed through analysis of variance. Test of significance was carried out for all variables using t-test at 95% level of significance.

4. Research Findings and Discussion

Table 1 below shows the number of questionnaires distributed and the number of questionnaires returned from the respondents including their percentage response rate.

Variable	Frequency	Percentage
Questionnaire Returned	102	85
Questionnaires Not returned	18	15
Questionnaires Issued	120	100.0

Table 1: Response Rate

4.1. Reliability Analysis

Validity was ascertained by gauging the respondents' ability to respond to the study questions. The closer the Cronbach Alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale and the closer the Cronbach coefficient is to zero (0), the less the internal consistency of the items in the scale. Table 4.2 presents the alpha values of the questionnaire items.

Variable	Number of Items	Cronbach's Alpha	Decision
Strategic Planning	10	.951	Reliable
Corporate Governance	10	.940	Reliable
Monitoring and Evaluation	10	.748	Reliable
Quality Management	10	.796	Reliable
Organizational Performance	10	.845	Reliable
Average	10	.856	Reliable

Table 2

4.2. Inferential Statistics

The study further applied general linear model to determine the effect of strategic management practices on the performance of star-rated hotels in Nairobi County. This included regression analysis, the model Summary, analysis of variance (ANOVA) and coefficient of determination.

4.2.1. Regression Analysis

The purpose of the study was to determine the effect of strategic management practices on the performance of star-rated hotels in Nairobi County. In this regard, multiple regression analysis was carried to further test the relationship between the variables.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.919[a]	.844	.838	.52097

Table 3: Model Summary
Predictors: (Constant), Strategic Planning, Corporate Governance,
Monitoring and Evaluation, Quality Management

The regression model adopted by this study can explain 84.4% of the variability in the data. This is indicated by the R Square value of 0.844 which shows that the data closely lies around the fitted regression line. The Adjusted R Squared Value of 0.838, which is less than the R-Squared Value, shows how well the model generalizes the relationship between the variables. In this study it can be deduced that only 83.8% of variation in the data is explained by the independent variables that actually affect the dependent variable.

4.2.2. Analysis of Variance

ANOVA[b]					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	165.670	4	41.417	132.3227	.000[a]
Residual	30.669	98	.313		

Table 4
a.   Predictors: (Constant), Strategic Planning, Corporate
Governance, Monitoring and Evaluation, Quality Management
b.   Dependent Variable: Organizational Performance

As shown in Table 4.4 on Analysis of Variance (ANOVA), an F-test Value of 132.3227, P<0.05 was obtained. The P value of less than 0.05, shows that there was overall significant relationship between all the independent variables and the dependent variable of the study.

4.2.3. Regression Coefficients

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.787	.845		2.116	.037
Strategic Planning	1.418	.062	1.036	22.803	.000
Corporate Governance	1.041	.448	.261	2.325	.022
Monitoring and Evaluation	.197	.481	.046	.409	.027
Quality Management	.098	.440	.027	.224	.002

Table 5
a. Dependent Variable: Organizational Performance

Based on the study findings, the hypothesis equation model becomes
Organizational Performance= $1.787 + 1.418 X_1 + 1.041 X_2 + 0.197 X_3 + 0.098 X_4$
From the findings in Table 4.5, the study found that holding Strategic Planning, Corporate Governance, Monitoring and Evaluation, Quality Management, at zero organizational performance is 1.787. It was established that a unit increase in strategic planning, while holding other factors (Corporate Governance, Monitoring and Evaluation, Quality Management) constant, will lead to an increase in organizational performance by 1.418 (p = 0.000).

Further, a unit increase in corporate governance, while holding other factors (strategic planning, Monitoring and Evaluation, and Quality Management) constant, will lead to an increase in organizational performance by 1.041 (p = 0.022). A unit increase in Monitoring and evaluation, while holding other factors (strategic planning, corporate governance, and Quality Management) constant, will lead to an increase in organizational performance by 0.197 (p = 0.027).

Moreover, a unit increase in quality management, while holding other factors (strategic planning, Corporate Governance and Monitoring and Evaluation) constant, will lead to an increase in organizational performance by 0.098 (p = 0.002). This infers that Strategic Planning contributes most to organizational performance. At 5% level of significance and 95% level of confidence, Corporate Governance, Monitoring and Evaluation, Quality Management is significant in organizational performance.

The regression coefficients obtained show significant t-test values (P<0.05) for each of the independent variables (Strategic Planning t=22.803, P<0.05 thus this being the most significant Variable (t=22.803); Corporate Governance t=2.325, P<0.05; Monitoring and Evaluation, t=0.409, P<0.05 and; quality Management, t=0.224, P<0.05). This shows that all the variables have significantly relationship with the dependent variable (Organizational Performance).

5. Summary, Conclusions and Recommendations

5.1. Summary

The first objective of the study was to establish the effect of strategic planning on the organizational performance of star-rated hotels in Nairobi County. The respondents tended to agree to a strong degree to most of the Likert-type statements presented to them. With means ranging from 3.6176 and 4.6961, The respondents tended to agree strongly that success of strategy implementation is dependent on effective leadership, communication and coordination; Vision and Mission statement are relevant to Organizations activities and mandate; Strategic planning helps my organization make fundamental decisions and take actions that shape and guide what it does, with a focus on the future; Vision and Mission statement deliberately sets strategic direction.

The study sought to determine the effect of corporate governance on the organizational performance of star-rated hotels in Nairobi County. With the weighted means ranging from 2.2916 to 4.6275, the respondents tended to strongly agree to a great extent to the statement provided to them. The results of the study agreed strongly that an organization that has a well-defined code of ethics that governs how it conducts its business enhances its organizational performance. The study sought to determine the effect of monitoring and Evaluation on the organizational performance of star-rated hotels in Nairobi County. As shown by the means ranging between 3.942 and 4.5980, the respondents agreed to a great extent that organizational performance is affected by monitoring and Evaluation and that; organizations that undertake constant and regular testing of the company activities and the provision of regular feedback and reviews to provide insight into company operations.

The respondent tended to agree to a great extent to the statements provided to them with means ranging from 4.118 to 4.6863 that organizations that stresses the importance on obtaining feedback on its quality control systems from customers enhance organizational performance; it also concludes that Customer needs should be reviewed regularly to meet changing customer preferences and expectations; Customer requirements are effectively disseminated and understood throughout the workforce; and that top management are at the forefront of the quality management a strongly promote quality management and improvement activities and end up improving organizational performance.

5.2. Conclusion

Regarding the effect of corporate governance on organizational performance of star-rated hotels in Nairobi County, it is apparent that organizational performance in star-rated hotels are affected by a well-defined code of ethics that governs how it conducts its business and that organization's board that comprises of members from diverse academic and industry backgrounds helps enrich its decision making and finally ends up enhancing its organizational performance Regarding the effect of Monitoring and evaluation on organizational performance of star-rated hotels in Nairobi County, it is evident that organizational performance in star-rated hotels are affected by how an organization undertakes constant and regular testing of the company activities and the provision of regular feedback and reviews to provide insight into company operations.

As far as the effect of quality management on organizational performance of star-rated hotels in Nairobi County were concerned, it was evident that organizations that stress on the importance on obtaining feedback on its quality control systems from customers enhance organizational performance and that Customer needs should be reviewed regularly to meet changing customer preferences and expectations in any organization.

5.3. Recommendation

This study aimed at determining the effect of strategic management practices on the organizational performance of star-rated hotels in Nairobi County. There should be other studies investigating the influence of each of the variable of this study singly using other research methods so as to understand them more. Comparative studies in other services and manufacturing sectors could also be undertaken. This could play a vital role in checking the effects of the factors under investigation in guiding organizational performance in other sectors.

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