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# Financial Investment Modes and Strategic Readiness of Star-Rated Hotels in the COVID-19 Pandemic Environment in Kenya

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***Abstract:***
*The hotel industry in general is a great investment option for generating income and building long-term wealth. The hospitality industry, especially in the developing world context, is fraught with risks that limit investment in the industry and these risks have been further compounded by the emergence of the COVID-19 global pandemic which, though under control, presently has put the levels of strategic readiness of the industry into question. This paper, therefore, explores the influence of financial investment modes on strategic readiness of star-rated hotels in Kenya in the COVID-19 context. The study was guided by the Modern Portfolio Theory and used a cross-sectional study design targeting star-rated hotels in Kenya from which 120 were selected using systematic random sampling. Using data collected through questionnaires and interview schedules, the study found that financial investment modes have a significant influence on strategic readiness of star-rated hotels in the COVID-19 pandemic environment in Kenya. Most hotels were working on a mix of financing instruments that will ensure financial sustainability even after the pandemic. The hotels' levels of readiness have an important impact on their financial instrumentation prospects. The study recommends that the star-rated hotels should also reposition themselves strategically in the investment market so as to enable them attract more investment from both the private sector and the public sector to enable them build more resilience in times of crisis.*

***Keywords:*** *Strategic alliance readiness, competitiveness, pandemic environment, star-rated hotels, COVID-19*

## 1. Introduction

The hotel industry is one of the most competitive industries on earth, responsible for billions of dollars in revenue and employing millions directly and indirectly. Hotel properties are an important property investment sector (Newell & Seabrook, 2006). The hospitality industry in general is a great investment option for generating income and building long-term wealth (Fitz Patrick, Davey, Muller & Davey, 2013). The hotel industry is, however, also one of the most vulnerable industries in terms of crises (Coppola, 2010). The outbreak of the novel coronavirus (COVID-19) has struck a blow to industries across the globe, but perhaps none so fierce as the one dealt to hospitality and travel. At the onset of the global COVID-19 pandemic in March 2020, data published by the global hospitality data indicated a sharp drop of occupancy rates of nearly 96% in the entire global hotel (Rodríguez-Antón & Alonso-Almeida, 2020). With the virus spreading in many regions and fragmented government responses, uncertainty and fear led to a near standstill in travel, widespread hotel cancellations, and restaurants are faced with shifting business entirely to takeout and delivery.

As a result of the COVID-19 crisis, hotel organizations across the industry adjusted growth estimates for 2020, with projected earnings to be conservatively 40-50% less than what was predicted before the outbreak, depending on the length of the pandemic (Verma, Chande & Ekka, 2020). Global revenue for travel and tourism is estimated to decrease by 34.7% to an estimated $447.4 billion. The original 2020 forecast was $712 billion in revenue. The tourism industry lost 1.5% of global gross domestic product after four months of being shut down (UN Conference on Trade and Development [UNTCAD], 2020).

In the early months of the pandemic in the US, the country's hotels lost in excess of $46 billion, and nearly 4.8 million hospitality and leisure jobs (Shapoval *et al*., 2021). Lodging operations such as the American Hotel & Lodging Association (AHLA) in the USA projected occupancy rates below 20% in the last few months of 2020 (AHLA, 2020). European tourism was expected to take the biggest hit from COVID-19. Revenue for the travel and tourism industry in Europe will decrease from $211.97 billion in 2019 to roughly $124 billion in 2020 (Antipov & Pokryshevskaya, 2022). The World Tourism and Travel Council (WTTC) warned that the Asia and the Pacific region would be the most affected. In China, for example, compared to 2019 figures, occupancy was down by as much as 68% in early 2020. The Indian hotel industry's total revenues are, therefore, projected to fall anywhere from US$ 8.85 billion to US$ 10 billion, reflecting a drop of 39% to 45% over the previous year (Verma *et al*., 2020). All over the African continent, both international and local hotels closed for a while owing to tourist decline estimated to be between 1% and 3% as a result of the COVID-19 pandemic. This translated into a loss of $30 to $50 billion in spending by international visitors (WTTC, 2020).

The question, however, was how the COVID-19 pandemic affects the future investment scenario in the industry. Research by Binggeli *et al*., (2020) suggests that recovery to pre-COVID-19 levels could take until 2023—or later. Further, the WTTC estimates that once the outbreak is over, it could take up to 10 months for the industry to recover (WTTC, 2020). Investors are providing similar views of hotel companies' prospects, as seen in the underperformance of US lodging Real Estate Investment Trusts (REITs). Like so many industries, hospitality will also see both subtle and substantial shifts in the post-pandemic era. Investors were already pessimistic. While publicly traded hotel companies performed much worse than the broader market (bottoming out at a 60 percent share price decrease, 25 percentage points below the S & P 500), lodging REITs, which make up a large portion of publicly traded hotel groups, have fared even worse. Mid-cap REIT share prices fell by as much as 70 percent in 2020, and some small-cap funds fared even worse. Shareholders' confidence in REITs fell, as many assume that with component properties hit hard, REITS will not be able to pay dividends, their primary value proposition (Binggeli *et al*., 2020).

In the Chinese hospitality market, an examination of the impact of COVID-19 on the Chinese Hotel Sector by Zhang, Xu and Cui (2020) using data from 124 hotel investors/owners and 374 hotel operators revealed that in the hotels that the investors represent, 40% of the hotels had an 80-100% decrease in revenue compared to 2019. In terms of recovery and investment Outlook; more than half of the operators and investors/owners, who participated in the survey, thought that hotel market will fully recover within 2020; 67% of the investors/owners' hotel projects are going to proceed as normal when the situation is under control; 26% of investors/owners are going to re-evaluate the projects. Since hotel development projects usually require a large initial investment, suspending the ongoing project will cause even more damage. As a result, most of the projects were expected to proceed with the long-term investment activities being less likely to be influenced by the outbreak while the short-term investments were affected. According to Chen (2011), however, widespread crisis not only decreased the hotel revenues but increased the perceived risk of investments in the hotel industry as well (Chen, 2011). A theoretical perspective would, therefore, suffice to understand the investor reactions to such crisis events in the hotel industry.

#### 1.1.1. Modern Portfolio Theory (MPT)

The MPT theory was pioneered by Harry Markowitz in 1952 in his paper 'Portfolio Selection'. Mahdavi *et al*., (2013) argues that an investment's risk and return characteristics should not be viewed alone, but should be evaluated by how the investment affects the overall portfolio's risk and return (Hui, Fox & Gurevitch, 2017). Modern portfolio theory shows that an investor can construct a portfolio of multiple assets that will maximize returns for a given level of risk. Likewise, given a desired level of expected return, an investor can construct a portfolio with the lowest possible risk. MPT makes the assumption that investors are risk-averse, meaning they prefer a less risky portfolio to a riskier one for a given level of return (Rachev & Mittnik, 2000). This implies that an investor will take on more risk only if he or she is expecting more reward. The hospitality industry, especially in the developing world context, is fraught with risks that limit investment in the industry and these risks have been further compounded by the emergence of the COVID-19 global pandemic which though, under control, presently has put the levels of crisis preparedness of the industry and government in question. The MPT, therefore, gives the study insight into investment trends under the COVID-19 global pandemic landscape in the country.

#### 1.1.2. Hospitality Industry Performance in Kenya

Kenya has continued to attract global investors who are setting up international standard hotels (Gachanja, 2019). As a result of these popular and established hospitality brands being set up in Kenya, there has been an increase in the sector's confidence. The country's hospitality industry contributes an average of 10% to the country's GDP, which is higher than the continent's average of 8.1%. It's worth mentioning that the travel and hospitality sector in Kenya is the country's second foreign exchange earner after agriculture. Following declined performance between 2011 and 2015 due to security risks posed by terrorism, the sector showed signs of recovery in 2016 with a 13.4% growth in international arrivals and increase in bed occupancy to 30.3% from 29.1% in 2015. Since then it has been on an upward trend leading to the WTTC applauding Kenya's hospitality industry for remaining resilient, and successfully overcoming the threat of terrorism, crises, and disasters and returning to growth with remarkable speed.

As from 2020, however, the COVID-19 pandemic has had a significant impact on the investments in the hospitality sector in the country. The industry outlook suggests that, in the medium term, majority of demand is expected to come from local tourists and virtual tourism. In addition, as the hospitality sector starts to recover, travel patterns are expected to shift toward drive-to-resort destinations and less dense markets where tourists can be in open spaces and avoid large groups of people. Also, the COVID-19 experience could also permanently change preferences as video conferences prove cheaper and more convenient alternatives; this may affect the demand for hotels. All these developments after reopening of the economies could shape the future of investment in the hotel industry in the country and beyond. However, investors' reaction to the impact of COVID-19 on the star-rated hotels in Kenya and especially the readiness of the industry to possible changes in investor patterns and investments outlook has yet to be established. Therefore, this paper examined the influence of financial investment on strategic readiness of star-rated hotels in the COVID-19 pandemic environment in Kenya. Strategic investment is the deliberate allocation of financial assets for the capitalization of a business over a long period (Chevalier-Roignant *et al*., 2011).

## 2. Materials and Methods

The study applied both qualitative and quantitative approaches in a cross-sectional study design to assess the strategic alliance readiness of the star-rated hotel for competitiveness in the COVID-19 pandemic environment in Kenya.

The study focused on star-rated hotels due to their international and local competitiveness, their size (Bayo-Moriones *et al*., 2010) and also their longevity in the hotel sector in the region and specifically in Kenya. There are 211 Star-rated hotels in Kenya according to data from Kenya's Tourism Regulatory Authority (TRA) (2017). The hotels, which range from 1-star to 5-star, are located in a total of 19 out of the 47 counties of Kenya. Therefore, the unit of analysis was the Star-rated hotels, while the unit of observation was the hotel managers. To obtain the required sample size, the study used the Nassuima (2000) formula which yielded a sample size of 120 star-rated hotels. The study used systematic random sampling to select the star-rated hotels while purposive sampling was used to select the managers as recommended by Oso and Onen (2011).

Questionnaires and interview schedules were used for data collection and were administered to the top management as data collection instruments in the study. The constructs used in the instruments were derived from the literature review on certification, preparedness and competitiveness. Following Veal (2017), the study used both instruments after pilot testing them for correctness and accuracy on 14 non-participating (10% of the sample size), non-star-rated hotels sample from different counties in Kenya. Gathii *et al.,* (2019) explained that concerns often arise in analysis owing to the validity of the instruments that can affect the internal and external validity of the study. The instruments were, therefore, then given to independent experts for evaluation for face and content validity as well as for conceptual clarity and investigative bias. The constructs had a communality value of more than 0.49 and were, therefore, all retained. The internal consistency method was used to determine the reliability of the questionnaire whereby the Cronbach's alpha coefficient for all the sections of the questionnaire was calculated, resulting in an overall reliability index of 0.825 which was above the 0.7 threshold recommended by Cronbach and Azuma (1962).

Data was analyzed using both descriptive and inferential statistical methods aided by the Statistical Package for Social Sciences (SPSS) software. Descriptive statistical analysis was done using frequencies, percentages, means and standard deviations to describe the basic characteristics of the data. Inferential data analysis was done using the bivariate regression analysis to assess the relationship between variables and to test the hypothesis. The decision rule was to accept the hypotheses if the corresponding p-values were greater than $p > 0.05$ and reject otherwise. The bivariate regression equation was assumed to hold under:

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$………………………………………………………….. (i)

Where,

Y is the dependent variable- Strategic Readiness of the star-rated hotels in the COVID-19 pandemic context in Kenya.

$B_0$ is the intercept

$\beta_1$ are the coefficients of the independent variables

$X_1$ represents Financial Investment Modes

## 3. Results

The study administered 120 instruments to the respondents and 101 were returned duly filled and useable for the study purposes. This represented an 84% response rate which was considered acceptable for the study purposes.

3.1 Strategic Investment in Star-Rated Hotels in the COVID-19 Pandemic Context.

The study sought to assess the perception of Strategic Investment in star-rated hotels in the COVID-19 pandemic context in Kenya. The results are presented in Table 1.

| **Statement** | **SA %** | **A %** | **N %** | **D %** | **SD %** | **Mean** | **Std. Dev** |
|---|---|---|---|---|---|---|---|
| COVID-19 pandemic has significantly reshaped the investment landscape in the hotel industry | 26 | 48 | 10 | 9 | 7 | 3.76 | 0.845 |
| The hotel is working on a mix of financing instruments that will ensure financial sustainability even after the pandemic | 24 | 52 | 12 | 10 | 2 | 3.86 | 0.714 |
| Our levels of readiness have an important impact on our financial instrumentation prospects | 31 | 46 | 15 | 8 | 0 | 4 | 0.621 |
| We are lobbying for favorable government investment policies to aid our post-pandemic recovery | 29 | 48 | 13 | 8 | 2 | 3.95 | 0.82 |
| We expect friendly tax policies that can encourage different investors into the hospitality industry in the country | 27 | 44 | 13 | 8 | 8 | 3.74 | 0.995 |
| Stimulus packages may also help in financially readjusting to post pandemic recovery | 26 | 41 | 16 | 11 | 6 | 3.71 | 0.847 |
| As a hotel we are aware of the financial risks brought about by uncertainty due to the pandemic | 25 | 42 | 20 | 10 | 3 | 3.76 | 0.83 |
| Aggregate Score | | | | | | 3.826 | 0.8103 |

*Table 1: Perceptions on Financial Investment in Star-Rated Hotels in COVID-19 in Kenya*

The findings in Table 1 show that with an aggregate mean of 3.826; SD = 0.8103 that there was agreement on the effect of strategic investment on strategic readiness of star-rated hotels and their competitiveness in the COVID-19 pandemic environment in Kenya. The standard deviation is also below 1 suggesting that there was low variation on the agreement which is constructive. Majority of the respondents agreed that COVID-19 pandemic has significantly reshaped the investment landscape in the hotel industry (mean = 3.76). Most hotels were working on a mix of financing instruments that will ensure financial sustainability even after the pandemic (mean = 3.86).

The hotels' level of readiness has an important impact on their financial instrumentation prospects (mean = 4.00). The hotels were also lobbying for favorable government investment policies to aid their post-pandemic recovery (mean = 3.95). As such, the hotels were expecting friendly tax policies that can encourage different investors into the hospitality industry in the country (mean = 3.74). There was general agreement (mean = 3.71) that stimulus packages may also help in financially readjusting to post pandemic recovery. The hotels were also aware of the financial risks brought about by uncertainty due to the pandemic (mean = 3.76). The findings generally imply that there was need to have strategic investment on strategic readiness of star-rated hotels and their competitiveness in the COVID-19 pandemic environment in Kenya.

*3.2. Strategic Investment in Star-Rated Hotels in the COVID-19 Pandemic Context*

The strategic readiness of star-rated hotels in the COVID-19 environment in Kenya was also evaluated and results are presented in Table 2.

| Statement | SA% | A% | N% | D% | SD% | Mean | Std. Dev |
|---|---|---|---|---|---|---|---|
| We have been able to open new hotel branches in areas with high visitor potential | 10 | 9 | 11 | 45 | 25 | 2.86 | 1.26 |
| Our new branches are fully resource independent | 7 | 12 | 8 | 44 | 30 | 2.65 | 0.957 |
| We have been able to acquire hotels from other investors and rebrand them successfully | 12 | 4 | 30 | 43 | 11 | 2.82 | 0.719 |
| Our growth strategies have led to good returns on investment | 13 | 20 | 23 | 39 | 5 | 3.04 | 1.258 |
| Our hotels are attracting more international visitors of late | 5 | 16 | 14 | 27 | 38 | 2.91 | 1.006 |
| Our bookings outlook has improved considerably | 5 | 15 | 15 | 40 | 24 | 2.89 | 1.256 |
| Investors are showing considerable interest in partnering with us | 3 | 25 | 17 | 21 | 34 | 2.87 | 0.962 |
| We have been able to absorb many new employees while maintaining a low staff turnover rate | 7 | 22 | 13 | 46 | 12 | 3.09 | 0.922 |
| We have been able to increase our product portfolio | 9 | 15 | 8 | 29 | 39 | 2.8 | 0.843 |
| Aggregate | | | | | | 2.881 | 1.020 |

*Table 2: Strategic Readiness of Star-Rated Hotels in the COVID-19 Environment in Kenya*

Table 2 indicates that with an aggregate mean of 2.881 and standard deviation of 1.020, most of the hotels were performing below average in terms of competitiveness. This could be majorly attributed to the pandemic effect that led to the slowing down of the industry. Most hotels had not been able to open new hotel branches in areas with high visitor potential (mean = 2.86) and, were also not able to acquire hotels from other investors and rebrand them successfully (mean = 2.82). The bookings outlook were still low (mean = 2.89) and fewer investors were showing considerable interest in partnering with most of the hotels (mean = 2.87). Most hotels also had not been able to increase their product portfolio (mean = 2.80).

*3.3. Regression Analysis of Strategic Investment in COVID-19 on Strategic Readiness of Hotels*

Bivariate regression analysis was carried out to evaluate the relationships between the dependent and independent variable. The findings are summarized in Table 3.

| Model Summary | R | R Square | Adjusted R Square | Std. Error of the Estimate | |
|---|---|---|---|---|---|
| | 0.216 | 0.046656 | 0.0422283 | 7.0188779 | |
| ANOVAa | Sum of Squares | df | Mean Square | F | Sig. |
| Regression | 229.521 | 1 | 229.521 | 4.6589394 | 0.03331 |
| Residual | 4877.200 | 99 | 49.264646 | | |
| Total | 5106.721 | 100 | | | |
| **Model Coefficients** | **Unstandardized Coefficients** | | **Standardized Coefficients** | **t** | **Sig.** |
| | B | Std. Error | Beta | | |
| (Constant) | 8.202 | 1.964 | | 4.1761711 | 0.0000 |
| Strategic Investment | 0.198 | 0.091 | 0.216 | 2.1758242 | 0.030748 |
| a. *Dependent Variable: Strategic Readiness of the Star-Rated Hotels* | | | | | |

*Table 3: Regression Analysis*

Table 3 indicates that Strategic Investment in star-rated hotels significantly influenced their strategic readiness in the COVID-19 pandemic environment in Kenya ($\beta = 0.216$, $p < 0.05$). The results further suggest that the model with alliance readiness as the independent variable could explain 4.2% (adjusted R-Square) of the variations in the dependent variable, strategic readiness. This, therefore, led to the rejection of the corresponding null hypothesis;

- H0: Strategic Investment readiness in star-rated hotels does not influence their strategic readiness in the COVID-19 pandemic environment in Kenya

The study, therefore, accepts the view that Strategic Investment has a significant moderating effect on the relationship between strategic readiness of star-rated hotels and competitiveness in the COVID-19 pandemic environment in Kenya.

*3.4. Strategic Investment in the Star-Rated Hotels for COVID-19 Pandemic*

The study also collected views using interview schedules on financial investment modes and strategic readiness of star-rated hotels in Kenya in the COVID-19 pandemic environment. Table 4 shows the responses from the respondents.

| **A. What Would You Comment on the Levels of Investment into the Hotel Industry During This COVID-19 Pandemic Period?** | **No. of Respondents** |
|---|---|
| They have been very low because we have seen other similar businesses close down | 3 |
| Very poor because of the business environment | 3 |
| We have been working hard together with the management and staff to ensure safety and well-being of our clients | 1 |
| It has been a challenge | 1 |
| I would not advocate for one invest in the hotel industry at the moment | 1 |
| Level of investment into the hotel industry is minimal | 3 |
| Hotels are not investing during this COVID-19 period because of the uncertainty | 2 |
| Hotels have had to increase their investment as guests have become more sensitive with regard to where they choose to stay | 1 |
| Level of investment in the hotel industry is currently very low | 1 |
| ***B. Is The Government Doing Enough to Improve Investment into the Hotel Industry During This COVID-19 Pandemic Period?*** | |
| The government has done nothing to improve investment in the hotel industry | 6 |
| It is not because there are a lot of taxes | 1 |
| The government is doing a good job by ensuring the best environment for hotels to work in | 1 |
| The government has done very little to improve investment in the hotel industry | 2 |
| We are lobbying for the government to come up with investment policies | 2 |
| Not really | 2 |
| Not enough | 2 |
| Government had announced grants to support the hotel industry but we have not received anything | 1 |
| Level of investment by the government is very low | 1 |
| Yes | 1 |

*Table 4: Strategic Investment Readiness of the Star-Rated Hotels for COVID-19 Pandemic*

The findings in Table 4 suggest that investments in the hotel industry were generally low at the moment as indicated by majority of the responses, such as: 'They have been very low because we have seen other similar businesses close down,' 'Very poor because of the business environment,' and 'Level of investment into the hotel industry is minimal.' One respondent explained this as arising from the uncertainties of the current period. Another respondent also observing the uncertainty asserted that, 'I would not advocate for one invest in the hotel industry at the moment.' However, there was a respondent who was of a contrary opinion indicating that, 'Hotels have had to increase their investment as guests have become more sensitive with regard to where they choose to stay.'

Most respondents were of the view that the government was not supportive of the hotel industry during the pandemic. This was evidenced by statements, such as: 'The government has done nothing to improve investment in the hotel industry,' 'Not really,' and 'Not enough.' One respondent asserted that the 'Government had announced grants to support the hotel industry but we have not received anything.' However, there were those who felt the government was responsive in encouraging investment in the hotel industry. For instance, one respondent said, 'The government is doing a good job by ensuring the best environment for hotels to work in.' However, another respondent asserted, 'Level of investment by the government is very low.'

*3.5. Discussions*

The findings generally imply that there was need to have strategic investment on strategic readiness of star-rated hotels and their competitiveness in the COVID-19 pandemic environment in Kenya. Majority of the respondents agreed that COVID-19 pandemic has significantly reshaped the investment landscape in the hotel industry. This finding agrees with Zhang *et al*., (2020) whose study on the impact of COVID-19 on the Chinese Hotel Sector found that there had been a significant drop in revenue for the hotels compared to 2019 as expected. Consequently, only 67% of the investors/owners' hotel projects are going to proceed as normal when the situation is under control, while 26% of investors/owners were going to re-evaluate the projects. This was because hotel development projects usually require a large initial investment:

hence, suspending the ongoing project will cause even more damage. As a result, most of the projects will proceed; the long-term investment activities are less likely to be influenced by the outbreak, but the short-term will; and, it is important for hotels to stay competitive when the market is unstable, and a hotel can improve its competitiveness by many ways such as adjusting the market mix and distribution channels.

In the US, a research by Krishnan *et al*., (2020) found that while publicly traded hotel companies have done much worse than the broader market (bottoming out at a 60 percent share price decrease, 25 percentage points below the S&P 500), lodging REITs, which make up a large portion of publicly traded hotel groups, have fared even worse. Mid-cap REIT share prices fell by as much as 70 percent in 2020 and some small-cap funds have fared even worse. That's driven by the structure of the REIT, a pass-through vehicle required to pay out 80 to 90 percent of its net income as shareholder dividends. Shareholders' confidence in REITs has fallen, as many assume that with component properties hit hard, REITS will not be able to pay dividends, their primary value proposition.

In Kenya, Gikutha (2017) found that the hotel sector, which has been resilient even in crisis, was among those that have attracted foreign direct investment, despite the fact that it has experienced lately different setbacks, for example, the 2007/2008 post-election violence, insecurities, the burning of the airport and travel advisories from a few Western nations. However, in the context of the COVID-19 pandemic, Shah *et al*., (2020) found that the immediate challenge for hotel owners and operators has been cash flow management and forecasting. Businesses that were well-capitalized with healthy balance sheets have a distinct advantage when it comes to withstanding a sharp drop in revenue, and a potentially longer-term period of depressed demand. For hotel managers and owners, the focus will be on increasing liquidity and reducing cash requirements.

The hotels were also lobbying for favorable government investment policies to aid their post-pandemic recovery. This was important given the poor state of investments in the hotel industry during the pandemic. A study by Aharon *et al*., (2021) on COVID-19, government measures and hospitality industry performance showed that most of the government interventions were associated with a negative response in the returns of the hospitality industry, a response that became more negative as the COVID-19 pandemic evolved. This had a significant effect on the trends and fluctuations of investment in the hotel industry.

As such, the hotels were expecting friendly tax policies that can encourage different investors into the hospitality industry in the country. In Thailand, for instance, the government policies, which directly support and promote investment, can provide convenience and readiness to both Thai and foreign investors to invest and expand their business along with supporting a long-term expansion, due to the advantage of geographical location, richness in natural resources, availability of workforce, rules and legal supports and effective marketing (Charoenpo, Wisessuwan & Smith, 2015). According to the Kenya Ministry of Tourism (2020), the government had provided a financial stimulus in the form of Ksh.500 Million for marketing with the stipulation that more of it should be directed towards marketing domestic tourism. It had also provided tax relieves and other incentives to the sector.

The model showing that strategic investment moderated the relationship between strategic readiness of star-rated hotels and competitiveness in the COVID-19 pandemic environment in Kenya agrees with the findings of Shah *et al*., (2020) that COVID-19 pandemic has significantly reshaped the investment landscape in the hotel industry. Similar observations were made by Zhang *et al*., (2020) whose study on the impact of COVID-19 on the Chinese Hotel Sector found that there had been a significant drop in revenue for the hotels compared to 2019 as expected. A research by McKinsey (2021) found that while publicly traded hotel companies have done much worse than the broader market and the strategic re-orientation of hotel industry towards the reopened economies would be key to spurring investment in the sector.

## 4. Conclusions

Based on the foregoing findings, the study concludes that Strategic Investment has a significant moderating effect on strategic readiness of star-rated hotels in the COVID-19 pandemic environment in Kenya. Most hotels were working on a mix of financing instruments that will ensure financial sustainability even after the pandemic. The hotels' levels of readiness have an important impact on their financial instrumentation prospects. Investments in the hotel industry were generally low at the moment as evidenced by other similar businesses close down and a minimal level of investment into the hotel industry due to the uncertainties of the current period. However, contrary opinions also emerged indicating that the Hotels have had to increase their investment as guests have become more sensitive with regard to where they choose to stay. However, level of investment by the government in the hotel industry at the present time was very low.

Indeed, strategic investments in the hotel industry were especially important during this time of the Covid-19 global pandemic because, 'Hotels have had to increase their investment as guests have become more sensitive with regard to where they choose to stay.' This indicates that the hotels have to be ready in terms to meet their clients' requirements, preferences and the government guidelines on containment of the pandemic. The level of investment into the hotel industry during the COVID-19 pandemic was being largely determined by the government inputs, the investment policies and the business environment. Government through taxes and stimulus packages determined the direction and level for investment into the hotel industry. However, while this was the case, there were concerns that the government was not living up to its obligations. The business environment was also a determinant for investment into the hotel industry currently during the COVID-19 pandemic.

## 5. Recommendations

Drawing from the foregoing findings, the study recommends that despite the challenged business operating environment, the star-rated hotels need to focus on developing investment options and portfolios for diverse investors so that they can have adequate reopening cash and also maintain good cash flow during their operations. The star-rated hotels should also reposition themselves strategically in the investment market so as to enable them attract more investment from both the private sector and government to enable them build more resilience in times of crisis.

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