STRATEGIC RESPONSES AND PERFORMANCE OF INTERNATIONAL HOTELS IN NAIROBI

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DECLARATION

This research is my original work and has not been submitted for a degree in this or any other university.

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

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DEDICATION

This research project is dedicated to my husband Nzatu for his unwavering support and sincere understanding throughout the programme, daughter Ivy who is my source of strength every single day, my parents Bernard and Regina whose encouragement and inspiration began way back not forgetting my siblings for their patience all through this journey. May God bless you.

TABLE OF CONTENTS

DECLARATION .... **ii**

ACKNOWLEDGEMENTS .... **iii**

DEDICATION .... **iv**

LIST OF TABLES .... **viii**

LIST OF ABBREVIATIONS AND ACRONYMS .... **ix**

ABSTRACT .... **x**

CHAPTER ONE: INTRODUCTION **1**

1.1 Background of the Study 1

1.1.1 Concept of Strategic Responses 2

1.1.2 Firm Performance 4

1.1.3 The Hospitality Industry in Kenya 4

1.1.4 The International Hotels in Nairobi 5

1.2 Research Problem 6

1.3 Research Objectives 8

1.4 Value of the Study 8

CHAPTER TWO: LITERATURE REVIEW **10**

2.1 Introduction 10

2.2 Theoretical Foundation 10

2.2.1 Institutional Theory 10

2.2.2 Environment Dependency Theory 11

2.2.3 Performance Theory 12

2.3 Concept of Strategy 13

2.4 Firms and the Operating Environment 14

2.4.1 Organizational Competitiveness 15

2.5 Strategic Responses and Performance 16

2.5.1 Innovation Strategy 16

2.5.2 Expansion Strategy 17

2.5.3 Mergers and Acquisitions Strategies 17

2.5.4 Strategic Alliance Strategy 18
2.5.5 Cost and Differentiation Strategies 19
2.5.6 Competitive Advantage Strategy 20
2.5.7 Globalization Strategies 20
2.6 Empirical Studies and Research Gaps 21

CHAPTER THREE: RESEARCH METHODOLOGY 23
3.1 Introduction 23
3.2 Research Design 23
3.3 Population of the Study 23
3.4 Data Collection Method 24
3.5 Data Analysis 24

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION 26
4.1 Introduction 26
4.2 Response Rate 26
4.3 Work Experience 26
4.4 Respondents' Work Position 27
4.5 Ownership Structure 28
4.6 Descriptive Statistics 29
4.7 Correlations 38
4.8 Regression Analysis 40
4.8.1 Analysis of Variance 40
4.8.2 Regression Coefficients 41
4.9 Discussion of Findings 42

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 45
5.1 Introduction 45
5.2 Summary 45

5.3 Conclusion.. 46
5.4 Recommendations 47
5.5 Limitations of the Study... 48
5.6 Suggestions for Further Research 48

REFERENCES.. 49

APPENDICES 56
Appendix I: Questionnaire 56
Appendix II: List of International Hotels in Nairobi.. 60

LIST OF TABLES

Table 4.1: Respondents' Work Experience 27

Table 4.2: Respondents' Position 27

Table 4.3: Ownership Structure 28

Table 4.4: Expansion Strategy 29

Table 4.5: Innovation Strategy.. 30

Table 4.6: Mergers and Acquisitions Strategy.. 31

Table 4.7: Strategic Alliances Strategy... 32

Table 4.8: Cost Advantage Strategy 33

Table 4.9: Differentiation Strategy 34

Table 4.10: Competitive Strategy 35

Table 4.11: Globalization Strategy 36

Table 4.12: Performance.. 37

Table 4.13: Summary of Descriptive Statistics.. 38

Table 4.14: Correlation Matrix 39

Table 4:15: Regression Summary.. 40

Table 4.16: ANOVA.. 41

Table 4.17: Regression Coefficients 42

LIST OF ABBREVIATIONS AND ACRONYMS

CBD: Central Business District

KNBS: Kenya National Bureau of Statistics

PESTEL: Political, Ecological, Social-Cultural, Technological, Environmental and Legal

TRA: Tourism Regulatory Authority

ABSTRACT

The objective of this study was to establish the strategic responses that aid performance in the international hotels in Nairobi. The aim was to answer the research question on what are the strategic responses to aid performance do international hotels operating in Nairobi adopt in order to succeed in the changing external environment? The Target population were 22 international hotels operating in Nairobi. The study specifically targeted those who are registered and licensed to transact hospitality business in Nairobi. The study used a census because of the relatively low population size of the targeted respondents. All the 22 respondents participated in the study, Out of the 22 respondents, 15 respondents completed and returned the questionnaires, translating to 68% response rate. A semi-structured questionnaire was used for data collection. Descriptive and inferential statistics were used to analyse the data. The analysed data was presented in form of frequency tables and pie charts. The study found out that strategic responses influence the performance of the international hotels in a dynamic environment. The strategic responses that were adopted by the international hotels were innovation strategies, expansion strategies, mergers and acquisition strategy, strategic alliances, cost and differentiation strategy and globalization strategy. The study established that the international hotels have been able to adopt the strategies to a relatively large extent in their operation, and thus enhanced their performance through reduction of the costs of operations, enhancement of profitability, competitiveness and sustainability of the international hotels. The study recommends that the international hotels should regularly scan their external environment in order to ensure the appropriate strategic responses are adopted in the organization. The study further recommended that future studies be done to assess how organizational factors influence the strategic responses of international hotels to external environmental factors which were not the concern of this study and the need to distinguish the characteristics of the firms such as total assets, market share and organizational structure in order to look at how different groups responds to the dynamic environmental factors and the strategic responses adopted in those firms.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Internal and external environmental factors affect performance of businesses in the world. These factors include political, ecological, social cultural, technological, environmental, attitude and concerns of consumers, legal and competition while the internal factors include organisational structure, policies, values, leadership, motivated, hardworking and talented staff among others. These factors affect organisations to an extent that businesses have to develop strategies to utilize opportunities and mitigate the negative effects emanating from the external environment in their operational decisions and performance. Grant (2005) the certainty of survival and success of an organisation is pegged on strategy formulation and execution to meet the interests of all stakeholders. For businesses to succeed and survive in the ever turbulent external environment, they have to craft strategies that will propel them to attain a competitive advantage over their rivals. Therefore, businesses have to keep re-evaluating their strategies to keep up with the progressively competitive environment they operate in despite how well versed they are in their business (Kotler, 2000).

The study was anchored on theories advanced to explain strategies adopted by firms to improve performance in the turbulent environment. The theories that guided the study are environment dependency theory, institutional theory and performance theory. The study tried to understand the strategic responses adopted by various international hotels in order to improve performance. Environmental dependence theory depicts that organizations are open systems where its internal environment will continuously interact with the surrounding environment (Kirui, 2014) and therefore, this will have an overall influence on their business performance. According to Meyers and Rowan (1977), institutional theory stipulates that organization decisions are driven by both efficiency goals and social cultural factors and concerns for legitimacy. Performance theory on the other hand presupposes that an organisation is a structured entity established for achievement of specific goals (Schechner, 2003).

Hospitality industry which is part of tourism industry is greatly influenced by the external environmental factors. However, the strategic responses adopted by firms in the sector have enabled it to become the second highest foreign exchange earner in Kenya. This has made the government of Kenya to make tourism sector part of the economic pillar of vision 2030. The objective of vision 2030 is to make Kenya a globally competitive and prosperous country with a high quality of life by the year 2030. This would be achieved by transforming Kenya into a newly industrialised middle income country (Muli, 2010). Businesses in Kenya are faced with similar challenges in their operations and strive to come up with the best strategies which may improve their performance. This study focused on international hotels whose operating environment is increasingly becoming volatile and uncertain due to intense competition in the Kenyan market.

1.1.1 Concept of Strategic Responses

Grant (2005) posits that strategy is about the survival and prosperity of a firm by formulating and implementing strategies that meet organizations goals and objectives. Firms that engage in strategic management tend to succeed than those who do not. Firms which use strategic management concept show high organizational performance, customer satisfaction and increased competitive edge over similar business rivals. However, according to Porter (1988) businesses would need to operate with certain differentiated principles and characteristics in order to adapt to environmental change. Johnson, Scholes and Whittington (2008) observe that strategy is the future capacity and direction of a firm which create advantage in an environment that is changing through its capabilities and organisation of resources so as to meet stakeholder expectations. Aosa (2011) argues that, strategy implies the creation of a fit between the internal and external characteristics aimed at solving an organisations' strategic problem. Porter (1988) contends that strategy is concerned with succeeding or winning in an environment that is competitive through creation of a sustainable competitive environment.

Strategic responses are those reactions either reactive or proactive that organisations undertake in order to align themselves with the external environment (Porter 1988).These reactions can be reactive if an organisation responds to them after they have occurred elsewhere and have started affecting their businesses. Similarly, they can be proactive if an organisation is able to foresee and plan for them before they affect their businesses. These reactive or proactive forces are firm's structures and processes, technology, human resources and financial resources. The firm's environment is volatile and keeps on changing continuously necessitating organisations to keep changing their strategies in order to survive the harsh environmental conditions brought about by the forces.

It is important that firms observe environmental changes in the environment so as to ensure continuity of their business processes. Pearce and Robinson (2007) stated response strategies as a group of decisions and plans that proceed strategic planning. A firms' objectives are the goals that which when put into action form part of the organisations competitive strategy.

1.1.2 Firm Performance

This is a measure of performance of a company that depends on the company's efficiency and the market where it operates. It may also be defined as the power of a business to implement activities better rather than its competitors (Almajali, Alamro & Al-Soub, 2012). Pandey (2007), the concern of a firms' performance is its ability to utilize its assets to earn sufficient revenue for long run business sustainability. Gary and Birger (1989) concluded that organizational factors influenced its profitability more than that of its economic factors. Weiss and Hartle (2008) depicts that successful organizations realize the importance of ongoing performance measurement practices.

According to Wernerfelt (1984) organizations performance could be assessed using resource based view. Day (2004) posits that organizational performance can be linked with human resource productivity, organizational learning, quality improvement and market orientation. Therefore, the study adopted firm's performance measurement aspects such as star ratings; quality of service delivery and products; expansion to other regions; innovation; customer and employee satisfaction; human resources and employee morale; effectiveness and efficient utilization of the firm's assets. In this study the later definition was adopted.

1.1.3 The Hospitality Industry in Kenya

Hospitality industry is a subset of tourism industry. Tourism sector is currently the second largest contributor to the Kenyan economy after agriculture. Due to its importance, the government came up with sessional paper No. 8 of 1969 on its growth which defined the targets to be achieved and outlined the areas where the government and private investors would participate in.

The hospitality industry in Kenya comprises of hotels, resorts, catering, lodges, tourism among other services. The hospitality industry as well as other industries in the global arena has had its share of environmental turbulence with issues such as stiff competition, technological changes, political interferences, economic melt downs, rise of a well-informed consumer and social cultural challenges affecting its stability. Sustainability and environmental management are most critical strategic and management issues facing firms in the hospitality industry (Kamalul Ariffin, Khalid & Wahid, 2013).

The Hospitality industry in Kenya contributes immensely to overall GDP making the industry a key factor in improving the Kenyan economy. Most importantly, the hospitality industry is a key pillar of Economic progress in Kenya's Vision 2030 which aims at achieving 10% p.a. economic growth rate until the year 2030 (Mwamba, 2010).

In the past few years, the hospitality industry in Kenya and other counterparts in Africa such as Nigeria, has experienced major growth of the hospitality industry. The Kenyan market is increasingly witnessing an increase in international hotels either opening branches and/or setting up operations in the country.

1.1.4 The International Hotels in Nairobi

In Kenya between the years 2013 and 2014, KNBS 2015 reported that tourism earnings rose from over Kshs. 73 Billion to Over Kshs. 97 Billion. This general growth of the tourism industry earnings has led to expansion and new investments in hotels in Kenya. There are new international hotels that are emerging in the Kenyan market majority of which are located in Nairobi city. Nairobi is the capital city of Kenya. The city has a rich history in tourism industry. After Kenya's independence, international hotel chains began to open branches in Nairobi and tourism became one of the pillars for economic growth. Since then the international hotels have increased Kenya's economy today.

Due to its location and airport, Nairobi has distinct competitive advantage in east and central Africa. However, the city faces competition in the tourism industry due to high volatility of demand as a result of frequent terror attacks (Mwamba, 2010).

There are new hotels that are venturing in the Kenyan market. Hotels such as Hemingway's, Kempinski, Four Points by Sheraton hotel, Tribe hotel, Radisson blu, Sankara among others are hotels that have recently opened and are thriving in the turbulent environment notwithstanding the five star ratings which is a show of growth and positive development. It is this emergence of new hotels that are thriving in the Kenyan market amidst the volatile external environment that triggered the need to study its opportune strategies in order to assess the strategic responses required by new and emerging hotels, that would mitigate external environmental pressures as well as to determine the external environmental challenges faced by the entire hotel industry.

1.2 Research Problem

Porter (1988) posits that organizations do not exist in a vacuum. They exist as open systems constantly interacting with the external environmental forces to determine their effectiveness and performance. It is therefore important for management of any firm to establish components of external environment that are likely to change in the near future. Organisations get their inputs such as raw materials, labour, services and machinery and outputs such as customers, products, competitors, etc from the external environment. Organisations have for one reason or another realised that they cannot survive without the inclusion of the external environment. Hence, organisations are environment serving. This realization has made a classical pool of competition on the part of businesses to compete for the customer and the scarce resources available in the market.

Roeller and Waverman (2001) posits that organizations need to respond effectively and efficiently to challenges/problems and opportunities as they arise to meet the ever increasing customer expectation of service standards and availability. Therefore, organizations should focus on the way services should be provided other than relying on the traditional internal concerns. Further, organizations should focus on major opportunities for improvement in order to create a competitive environment (Ansoff, 1987).

The hospitality industry in Kenya faces numerous strategic challenges emanating from the political, social, economic, legal and technological environment. Frequent changes in the environment affects the international hotels among other related hospitality institutions. Most of these hotels either merge or are acquired by others after operating for a short period or do not depict any observable growth after operating for a long duration. This is despite observable opportunities and sometimes threatening situations in the environment. Several studies on strategic responses have been undertaken in various sectors of the Kenyan economy. Bosibori (2012) found out that operation strategies are critical to the success of airline industries Njoroge (2013) observed that real estate sector in Kenya adopts operations strategies to respond to diverse needs of the customers. Nyamunga (2001) concluded that strategic responses determine competitiveness of large manufacturing firms in Kenya. Sascha (2010) examined the influence of business strategy on project portfolio management and its success.

There have been major changes in the environment ranging from political instabilities, inflation, terrorism, demand/market shifts and social cultural dynamics which have taken place but some international hotels have either remained the same in size, services and facilities, or new ones have come into the market. However, none of the international hotels has closed down due to environmental challenges and yet a number of local hotels have either closed down or have been sold out due to challenges in the industry. None of the previous studies has ever covered the international hotels especially their success factors in Kenya. Most of the studies focused on firms' competitive environment and yet no two organisations are perfectly similar and thus whatever works for one company may not work for the other. This is because the managerial processes at international hotels are different from those of industries covered in previous studies due to differences in environmental and organisational factors. This study therefore tries to answer the question "what strategic responses to aid in performance do international hotels operating in Nairobi adopt in order to succeed in view of changes in the environment?

1.3 Research Objectives

The objective of this study was to establish the strategic responses that aid performance adopted by the international hotels in Nairobi in response to the turbulence in the external environment.

1.4 Value of the Study

This study will benefit the international hotels and all other related industries to understand the strategies being employed in the Kenyan hotel industry and how the same hotels can better their performance through employment of such strategies.

This study will be of value to the management of international hotels as the study will be a source of information on the different strategies that have been employed by other Kenyan hotels in changing their fortunes in a turbulent environment. From the study, the management of the hotels will be able to identify their appropriate strategies to be adopted and ways in which to customize the strategies to their individual hotel situation.

The legislative part of the Government of Kenya under Tourism Regulatory Authority and the Kenya Association of Hotel keepers and caterers will gain immense benefit in that it will help them to come up with better policies governing the hotel industry as a significant part of the drive towards achieving Vision 2030.

The study will facilitate formulation of appropriate strategic framework to assist organizations in their survival and wealth creation. Further, the research will be used to develop new models for implementing strategies where organizations are operating in new and foreign markets.

It will also be of value to academicians and researchers, hotels, policy makers, investors and the government. To the researchers and academicians, the research will provide more insight into the implication of strategies on organisational performance and build their body of knowledge for more expounded research which they will use as a reference for future studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter analyses available literature on strategic responses and performance of international hotels in Nairobi. The first part of this chapter analyses scholarly work on theoretical foundations related to hotel strategies and performance. The second part reviews empirical studies related to the topic.

2.2 Theoretical Foundation

This section identifies theories supporting the strategies adopted by international hotels to especially improve the organization's performance and ensure survival. The overarching theories in this study are environment dependence theory, institutional theory and performance theory.

2.2.1 Institutional Theory

This theory was advanced by Meyer and Rowan (1977) who assert that the evolution of formal structures in an organization can be affected to a large extent by institutional factors more than market forces. Innovation structures that increase technical efficiency are totally accepted and adopted by organizations. All organizations adopt formal structures even if the form doesn't improve efficiency. They further argue that 'institutional myths' may be ceremonial in an organization for it to gain legitimacy. Legitimacy therefore, helps ensure organizational survival.

Oliveira and Martin (2011) posit that institutional theory stresses that institutional environments shape organization structure and actions. The theory stipulates that organizational decisions are driven by both efficiency and socio-cultural factors as well as legitimacy concerns. Therefore, institutions are made up structures, routines and cultures which operate at various levels. It is due to pressures of legitimacy that firms appear similar. Further, firms are likely to be influenced to respond to strategies by externally isomorphic pressures from trading partners, competitors, government and customers.

2.2.2 Environment Dependency Theory

Every organization is established with specific goals and objectives in mind. For business organization, three economic goals guide their strategic direction, whether or not they are explicitly stated in their mission statement. These are survival, growth and profitability (Aldrich & Pfeffer, 1976). However, organizations operate in a dynamic environment and they need to adapt and respond appropriately, hence the need for strategic management (Pearce & Robinson, 2003).

According to Ansoff and McDonnel (1990) organizations are environment serving because they cannot entirely control their own activities and thus external forces influence them. It suggests that organizations exist in a framework of volatility and impacts how organizations perform in the environment. Environmental dependence theory assumes that organizations are open systems where an organization's internal environment is heavily influenced by the changes taking place in the external environment (Kirui, 2014). This means organizations should frequently monitor any external environmental changes and develop strategies of achieving a competitive edge. The degree of competitiveness is dependent on how fast an organization responds to its environmental demands which in turn determines the market share.

The success and survival of any organization depends on how well it is able to relate and competitively position itself in the environment (Pearce and Robinson, 2007). Jackson and Morgan (1982) contend that when the business environment changes, organizations must adjust to survive and those that are successful in their adjustment may use any of several possible strategies.

It thus calls for all organizations regardless of the sector in which they are to formulate competitive strategies in response to this turbulent environment. This will enable them cope with competition. For effective strategic responses, continuous examination of both the internal and external environment is mandatory in order to control activities of the organization (Thompson & Strickland, 2003).

2.2.3 Performance Theory

This theory was developed by Schechner (2003). He presupposed that an organization is an entity established for achievement of specific goals and objectives. It consists of human, physical, financial and informational resources. When these resources are combined, they lead to certain goals. Business organizations, primarily are set up for profit by undertaking legally accepted activities. An international hotel is also a business organization meant to offer a wide variety of products and services for useful gains. Organizations are purpose driven, with maintained boundaries and socio-cultural systems of human activities (Aldrich, 2009).

Organizations try to improve the performance of their businesses by enhancing the productivity of individuals and resources employed. Evaluation of strategy and performance assists the organization to determine whether it is in line with its goals and objectives over a given time period whereby variations from the norms are standardized to reflect and maintain set expectations. Researchers over a period of time have explored and came up with determinants to measure firm's performance (Dess & Robinson, 2011). Today, international hotels performance can be established in a number of ways such as productivity, market share, innovation, customer and employee satisfaction, efficiency and effectiveness of utilization of a firm's assets, human resource and employee morale, quality of products and services. These aspects can be used to evaluate performance of any organisation.

2.3 Concept of Strategy

Chandler (1962) defined strategy as the identification of the basic long term goals and objectives of a firm, the adoption of action plans, and the distribution of available resources necessary for identifying these goals. Schindel and Hoffer (1979) suggest that strategy provides a direction of focus to an organization, and enables an organization achieve its objectives and goals by responding to changes in the external environment. Porter (1985) argues that strategy is a collection of reactive and proactive action plans that form a defensible position in order to cope successfully with the industry's competitive forces.

Strategy involves the development of appropriate action plans that enable an organization attain competitive advantage in the industry over time. Johnson et al. (2008) elaborated strategy as the long term direction and overall scope of an organization which may lead it to competitive advantage in a turbulent environment by proper allocation of its resources and competencies all aimed at meeting shareholder expectations.

2.4 Firms and the Operating Environment

Hit, Ireland and Hoskins (2007) suggest that the external environment of a firm is divided into three majors: the general, industry and competitive. The general environment comprises of factors that generally influence all the firms within an industry. They include: economic, socio-cultural, demographic, political/legal, global and technological, commonly categorized as PESTEL factors. The industry environment consists of factors that distractively affect a firm and its strategic responses. Porter (1985) developed a five-force model that helps determine the attractiveness of an industry. These are: the risk of new competitors entering the industry, threat of potential substitutes, the bargaining power of buyers, the bargaining power of suppliers, and the degree of competition between existing businesses. Competitor analysis comprises of how firms collect, analyse and elucidate information about industry competitors.

A firm's internal environment comprises of an organization's resources, competencies and capabilities. It identifies the capabilities to build on and the weaknesses to overcome. These provides the foundation for competitive advantage. Resources are the source of an organization's capabilities and core competencies. Effective deployment of these resources in an organizational's activities and processes is what leads to organizational competencies which over time become core competencies. Core competency distinguishes an organization from its competitors and reflects its personality (Hitt et al., 2007).

The information gathered after external and internal environmental scanning leads to the formulation of long-term organizational goals and objectives that are to be pursued. They provide directions, allow synergies, aid in evaluation, establish priorities and reduce uncertainties. Drucker (1974) popularized the concept of management by objectives in organizations by stating that they should be specific, measurable, achievable, realistic and time-bound. Strategy formation represents the specific steps to be taken to accomplish organizational objectives. The purpose of this is to enable the firm position itself from competitors by either performing activities differently or performing different activities. Porter (1985) defined generic strategies that allow firms to gain competitive advantage. They are cost leadership, differentiation and focus.

2.4.1 Organizational Competitiveness

Organizational competitiveness refers to the firm's capacity to improve their revenues for prosperity. It is anchored on costs and the ability of a firm to utilize technology to produce differentiated products and services. Firms' innovation capacity, technological activities, brand, quality of goods services and human resources are widely seen as important sources of competitiveness for business units (Johnson & Scholes, 2002). Further, Nonaka and Teece (2001) opine that the organization needs to grow faster in terms of knowledge than its competitors so as to have a competitive advantage. Researchers of strategic management have embraced and utilized external knowledge within itself and between firms in a context of increasing global competitive pressures (Child & Faulkner, 1998).

Organizations sustained competitive operation must always be anchored on a continuous renewal of the organization's structure; direction in form of strategy, and capacities to serve the frequently changing demands of the internal and external customers (Moran &Bright man, 2001). Recent changes in technology and economics as well as increased competitiveness in many industries, are leading to further growth in the number, variety, and shape of strategies. Kotler and Armstrong (2010) defined competitive advantage as a product or service that an organization’s customers value more profoundly than similar offerings from its competitors. Similarly, competitive advantage can also be achieved through efficient utilization of human resources (Peters, 1989). This may include training and development, staff motivation and even employee innovativeness.

2.5 Strategic Responses and Performance

Strategic responses are reactive or proactive forces that may impact an organization in order to formulate an effort to beat competition and improve performance (Porter, 1988). Kiptugen (2003) suggests that these may include restructuring, diversification, marketing, information technology and cultural change. However, the study explored the influence of the strategies: expansion, innovation, mergers and acquisitions, strategic alliances, cost and differentiation, competitive and globalization strategies on performance of international hotels in Nairobi.

2.5.1 Innovation Strategy

An innovation strategy is a way to increase market share or firm’s profits through product and service innovation. An innovation strategy must create solution through improvement or breakthrough. According to King, Turban, McKay, Marshal, Lee and Viehland (2008), an organization strategy is a formula for accomplishing its goals and objectives and subsequent plans and policies for accomplishing those goals. Innovation is a critical requirement for growth and profitability goals of an organization (Ngugi & Karina, 2013).

Innovation strategy is a specialized form of differentiation strategy (Peng, 2009) and this strategy aims at delivering perceived valuable and unique products to its customers. Innovation strategy offers three advantages: firstly, it allows for sustainability in competitive advantage where product innovators are the first to get 'monopoly profits' until competitors emerge. Secondly, with innovation viewed as a new way of doing business firms may create novel products and services offerings and a new market subsequently. Finally innovation enhances entrepreneurship, especially in SMEs (Peng, 2009). The innovative firms are subsequently inspired for more innovations as they gain financially.

2.5.2 Expansion Strategy

Expansion strategy is guided by the product/market expansion matrix (Ansoff, 1990) which is based on the organization's markets and products. Pearce and Robinson (1997) observes that market development entails introducing current products or services into new geographical locations, and is appropriate when an organization's strengths match the customers instead of the product. Pearce and Robinson (1997) further argue that the aim of product development is to increase sales through modification of current products or services. The study suggests that companies should use Ansoff's strategies of market penetration, market development and product development.

2.5.3 Mergers and Acquisitions Strategies

Mergers occur when firms come together voluntarily while acquisition result from firms developing their competencies and resources through taking over another organization. Ross, Westerfield and Jaffe (2004) assert that acquisition takes place when one firm completely absorbs another firm. Piaskoki and Finkelstein (2004) posit that acquisitions lead to operational efficiencies occasioned by economies of scale and scope.

Mergers and acquisition strategies enable organizations to achieve cost advantage and, product differentiation (Porter, 1985). Mintzberg and Quinn (1999) observe that the reason behind mergers is to increase profits and shareholders' value. A study by Kithitu, Cheluget, Keraro and Mokamba (2012) reveal that the increased profitability of newly formed organizations was realized more so after the second year as opposed to the first year of the merger/acquisition.

2.5.4 Strategic Alliance Strategy

This refers to a coalition or cooperation agreement formed between two or more firms to unite by partaking resources and operational activities to trail a common strategy. The alliance offers firms opportunity to access rare resource inputs, products distribution outlets, new markets and new technology. Acquisition of new technological capabilities is the driver of the strategic alliance. The strategy also facilitates quick entry into new markets where entry risks and development costs are perceived to be high. According to Harrigan (1986), organizations form alliances with other firms within the same industry or within other industries. Other alliances involve suppliers of new products and users as a way of coordination and formulation of dominant designs and technical standards.

Onje and Oloko (2016) reveal that other factors held constant, the increased presence of strategic alliances within the banking sector has greatly contributed to the profitability of Kenyan commercial banks. Nzengya (2013) notes that mergers are the most popular form of strategic alliance within banking industry in Kenya with the motive of maximizing profit and revenue as well as gaining competitive advantage. McConnell and Nantell (1985) argue that joint venture are used to reward parent companies share prices, while Powell, Koput and Smith-Doerr (1996) demonstrate that companies which have crystallized into many alliances have witnessed increased growth rate. Hagedoorn and Schakenraad (1994) further confirm a favourable correlation between entry into technology alliances and innovation rates.

2.5.5 Cost and Differentiation Strategies

Firms engage cost and differentiation strategies mainly to outsmart competitors and remain ahead of competition (Porter, 1985). Porter's Generic Value Chain model suggests that a cost advantage can be achieved through effective control of drivers of the value chain better than competitors or by introducing different sales approach, new distribution channel or new production process. Cost leadership strategy enables a firm to develop a sustainable cost benefit over competition to gain a bigger market share (Ansoff, 1987). To achieve differentiation advantage, a firm needs to alter value chain of individual activities to improve distinctiveness of the end products or services or by introducing structural changes such as forward or backward integration and re-branding. A firm must, therefore, have high level of innovation and technology to develop distinct products and services.

Rajiv, Raj and Arindam (2014) posit that both differentiation and cost leadership strategies positively influence contemporaneous performance. According to the study, differentiation strategy is better to a greater extent than a cost leadership strategy. Luliya, Sununta, Yuosre and Chotchai (2013) note that differentiation strategy of a firm has both direct and indirect significant impact on firms' performance.

2.5.6 Competitive Advantage Strategy

A competitive advantage can be achieved by delivering to a consumer greater value, either by lowering prices or providing more benefits and services that justifies higher prices. These two basic types of competitive advantage lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation and focus (Porter, 1986).

Competitive advantage is the value of an organization that enables it to differentiate itself from its competitors (Dube & Renaghan, 1999). The value can be measured by the price customers are willing to pay (Passamard & Kleiner, 2000). When customers perceive the service or product to have the required benefits they will purchase that service and will continue to do so over time (Wood, 2004). Hit et al. (2001) define competitive advantage as ‘something’ that occurs when an organization puts a value-creating strategy in place. The benefits cannot be copied, or would simply be too expensive to copy.

2.5.7 Globalization Strategies

Globalization is a process by which organizations enhance global influence or operate on an international scale. It is a worldwide integration of trade, financial, economy and communication. It implies a broader outlook of an interconnected and interdependent world with free transfer of capital goods and services across national frontiers. It may arise from the interchange of world views, products, ideas and other aspects of culture (Hitt et al., 2007).

Globalization strategy is an integrated thinking about business, its suppliers, production sites, markets, competitors and assessing every product or service from the perspective of both domestic and international market standards. It means achieving world standards in the field of world markets, local markets and integrating local and cultural differences so as to become truly global (Baum & Lampel, 2010). Global strategies require tight co-ordination of firms' products and services including pricing across international markets and locations. Therefore, firms that pursue global strategy are typically highly centralized (Porter, 1986).

2.6 Empirical Studies and Research Gaps

Organizations are obliged to the external environment in order to deal with its changes. Every business undertakes its operations in an environment that includes both general and competitive environmental factors. The general business factors in the environment are PESTEL factors whereas the competitive ones are customers, competitors, suppliers and creditors among others. The hotel industry which is a significant part of the hospitality industry and overall major contributor to the tourism revenue income in Kenya faces major pitfalls. Among others are, technological advancements, insecurity, political and economic instabilities. Previous research studies conducted in other related areas were response strategies adopted by organizations to changes in the environment in general. Other local researchers include, Muthoka (2013) and Ayele (2012) on strategies adopted to gain competitive advantage. Enz (2011), the role of strategy in competing successfully with other hotels a research conducted internationally. In contrast, none has focused on bringing out the continuous expansion and existence of international hotels in Kenya regardless of the harsh external business environment.

Therefore, this study sought to understand the strategic responses that these international hotels have adopted for survival and success in view of the volatile external environment. This study investigated the kind of external business environment the international hotels operates, the strategies they employ and how they adjust and amend their strategies in response to the opportunities and threats in the external business environment.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used in the study. This included; the research design, the target population, data collection procedures and finally data analysis and interpretation.

3.2 Research Design

The study used descriptive cross sectional research design. Cooper and Shindlle (2008), define descriptive survey as an attempt at describing a subject by way of creation of a profile of events or people, group of problems, through data collection, frequencies tabulation or their interactions. The design was suitable in the provision of data sufficient to facilitate analysis and generate precise inferences from variables that cannot be manipulated.

A cross-sectional survey was used to gather data on a population at a point in time. Mugenda and Mugenda (2012) depicts that, it is easy to obtain high reliability through presentation of all subjects with a standardized stimulus, which facilitates elimination of observer subjectivity. Thus, cross-sectional survey was considered to be ideal for collecting sufficient data on strategic responses and performance of international hotels.

3.3 Population of the Study

Mugenda and Mugenda (2012) argues that a population is a well-defined set of people, services, elements, events, group of things or households that are being investigated. Kenya Gazette (2017) indicates that there were 22 firms licensed to transact as hotels, registered under various different hotel star ratings ranging from 2star to 5star. In this study, all the international hotels in Nairobi were targeted.

3.4 Data Collection Method

Data was obtained from secondary and primary data sources. A semi-structured questionnaire comprising of open and closed ended questions was used to collect primary data. The closed ended questions provided more structured responses from respondents of each of the international hotels. The open ended questions provided additional data that may have been missed in the closed–ended questions. Walliman (2011) notes that the use of a questionnaire ensures confidentiality, saves on time and are easy to administer. The questionnaires were administered to top managers in each of the selected international hotels in Nairobi. The questionnaires were sent via electronic mail or hand delivery. Secondary data was obtained from hotel regulatory bodies and other related hospitality industry players such as tourism regulatory authority (TRA). A 5-point Likert type scale was used to measure the output of each item ranging from (1) - not at all to (5) very large extent.

3.5 Data Analysis

Data analysis employed the use of descriptive statistics, including standard deviations and means, and conducting inferential statistics (multiple regression) that gave a description and analysis of the variables numerically. Snijder and Bosker (2000) explain the purpose for multi regression analysis based on the conclusions drawn about the correlations between the dependent and independent variables. A multivariate regression model was used to analyse the influence of strategic responses on performance of the Kenyan international hotels in Nairobi as depicted.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon$$

Where;

Y = Firm's performance

β_0= Constant

β_1 β_2 β_3 β_4 β_5 β_6 β_7= Coefficients of determination

X_1= Expansion strategy

X_2 = Innovation strategies

X_3 = Mergers and acquisitions strategies

X_4 = Strategic alliance strategy

X_5 = Cost and differentiation strategies

X_6 = Competitive strategies

X_7 = Globalisation strategies

ε = Random Error Term

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the research data, results of its analysis and their presentation. This chapter also discusses the data in the context of the insights from the theoretical and empirical literature. This chapter also provides patterns on how the strategic responses of the international hotels in Nairobi have been implemented and their aid on the performance, and the insights therefore provides a good basis for drawing clear conclusions and recommending actionable plans that these organizations could use to improve their performance.

4.2 Response Rate

The researcher administered 22 questionnaires in the targeted respondents, and out of the 22 respondents, 15 respondents completed and returned the questionnaires, translating to a response rate of 68%; the study deemed this response rate as satisfactorily considering Kothari's (2004) suggestion that, for survey findings to be reliable, a study needs a response rate of at least 60%.

4.3 Work Experience

The study sought to establish the period over which the respondents had worked at their hotels. The results are presented in table 4.1.

Table 4.1: Respondents' Work Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	6-10 years	3	20	20	20
	11-15 years	8	53	53	73
	16-20 years	4	27	26	100
	Total	15	100	100	

Source: Primary Data (2017)

The results in table 4.1 show that the respondents (53%) had worked at their hotels for the period between 11 to 15 years, 27% of the respondents had worked in their organizations between 16 to 20 years while 20% of the respondents had worked in the International hotels for the period between 6 to 10 years. Therefore, most of the respondents had the work experience required to understand the issues of the strategic responses implemented in the international hotels that this study was investigating.

4.4 Respondents' Work Position

The study sought to know the positions that the respondents held in their organizations. The results are presented in table 4.2.

Table 4.2: Respondents' Work Position

Current position	N	%
Executive Manager	8	53
Finance and Strategy Managers	4	27
Operations Manager	2	13
Marketing Manager	1	7
Total	15	100

Source: Primary Data (2017)

The results in table 4.2 indicated that most of the respondents (53%) were executive managers of the hotels, while 27% were finance and strategy managers. Few of the respondents were operations managers (13%) and marketing managers (7%). Therefore, most of the respondents had been in the position that they were deemed so familiar and have the knowledge and skills concerning the understanding of the strategic responses implemented in the International hotels that this study was investigating.

4.5 Ownership Structure

The study sought to know the ownership structure of the hotels of the respondents. The results are presented in table 4.3.

Table 4.3: Ownership Structure

Ownership	**N**	**%**
Private Owner	3	20
Member of Consortium	7	47
Member of chain	5	33
Total	15	100

Source: Primary Data (2017)

The results in table 4.3 indicated that most of the hotels (47%) were members of a consortium, while 33% were members of a chain, and the least were private owned hotels which constituted 20% of the respondents' hotels. Therefore, it is noticed that most of the hotels in Nairobi were members of a consortium and chains thus their strategic responses will be applied in a number of hotels in the regions.

4.6 Descriptive Statistics

The respondents were asked to indicate the extent to which they agreed with expansion Strategy. Table 4.4 presents the relevant results.

Table 4.4: Expansion Strategy

Statements	N	Mean	Std. Dev.
Opening up subsidiaries in other countries/locations has enabled the hotel to grow, enter new markets, increase sales volume and gain immense market share.	15	4.34	0.0120
The hotel has focused introducing similar services/products to other new countries/locations	15	3.71	0.1360
The hotel ensures that its services delivery process is in line with consumer wants in new areas as opposed to its products	15	3.85	0.4333
The hotel's service and product development is biased towards increasing sales by modifying present products or services.	15	3.96	0.725
The hotel has established mechanisms to enable it grow via existing products and new products in existing markets.	15	3.69	0.0973
Average Score	15	3.91	0.28072

Source: Primary Data (2017)

The findings in table 4.4 suggest that opening up subsidiaries in other countries/locations has enabled the hotel to grow, enter new markets, increase sales volume and gain immense market share on expansion strategy was the highest with a mean score of 4.34 and standard deviation of 0.0120 while hotel has established mechanisms to enable it grow via existing products and new products in existing markets was the lowest with a mean score of 3.69 and standard deviation of 0.0973. The factors within expansion strategy warrants the sustainability of the organizational performance to achieve its corporate goals. If firms fail to adopt the expansion strategy, they lose their competitiveness and, ultimately, they will go out of business.

The respondents were asked to indicate the extent to which they agreed with innovation strategy. Table 4.5 presents the relevant results.

Table 4.5: Innovation Strategy

Statements		Mean	Std. Dev.
The hotel relies on new technologies to advance its business strategies and create customer satisfaction.	15	4.07	0.0880
The hotel has well established research and development (R&D) department and commits significant amount of resources for its operations.	15	4.01	0.2347
The hotel's innovation has facilitated entry into new markets and hence increase its market share in existing markets.	15	3.96	0.0960
The hotel's product innovation is driven by advancing technologies.	15	3.85	0.0093
The hotel's high growth rate can be attributed to its commitment to research and development	15	3.80	0.1547
The hotel's product innovation provides an essential link between its survival and prosperity efforts and overall corporate strategy.	15	3.69	0.2840
Average Score	15	3.89	0.28845

Source: Primary Data (2017)

The findings in table 4.5 indicates that the hotel relies on new technologies to advance its business strategies and create customer satisfaction as the highest with a mean score of 4.07 and standard deviation of 0.0880 while hotel's product innovation provides an essential link between its survival and prosperity efforts and overall corporate strategy was the lowest with a mean score of 3.69 and a standard deviation of 0.2840. The innovation strategy was observed to focus on the technological framework of the organization in order to sustain the customer service level and competitiveness.

The respondents were asked to indicate the extent to which they agreed with merger and acquisition strategy. Table 4.6 presents the relevant results.

Table 4.6: Mergers and Acquisitions Strategy

Statements	N	Mean	Std. Dev.
The hotel has put in place mechanisms that have enabled it combine the operations and achieve operating economies.	15	2.07	0.0880
The hotel develops its resources and competencies by taking over other organizations.	15	3.01	0.2347
The hotel's undertaking in mergers and acquisitions has enabled open up avenues of new markets opportunity.	15	3.96	0.0960
The hotel's endeavour to take over other hotels has brought operational efficiencies emanating from economies of scale and scope.	15	3.85	0.0093
The hotel involved in acquisitions through extension of the company's existing capabilities and resources to build its core competency	15	3.80	0.1547
Average Score	15	3.338	0.11654

Source: Primary Data (2017)

From the findings, undertaking in mergers and acquisitions has enabled it open up avenues of new markets opportunity is the highest with a mean sore of 3.96 and standard deviation of 0.0960, while hotel has put in place mechanisms that have enabled it combine the operations and achieve operating economies had the lowest mean score of 2.07 and standard deviation 0.0880. It is clear that the international hotels have adopted the merger and acquisition strategies but not to a large extent.

The respondents were asked to indicate the extent to which they agreed with strategic alliance strategy. Table 4.7 presents the relevant results.

Table 4.7: Strategic Alliances Strategy

Statements	N	Mean	Std. Dev.
The hotel has established a strategic fit/complementary structures.	15	4.07	0.0910
The hotel is involved in value creation to leverage unique resources and capabilities of the strategic partners.	15	4.51	0.0423
The hotel's senior management champion involvement in the alliance processes and governance relationship with its key strategic partners	15	4.67	0.0690
The hotel undertaking continuous value capture through knowledge sharing among key strategic partners.	15	3.96	0.0231
The hotel undertakes proper scrutiny in selecting suitable strategic partners and has put in place mechanisms to facilitate shared risk; shared reward; and appropriate scope.	15	3.98	0.4757
The hotel endeavours in coordination and appreciation among the collaborating partners mutual needs and ownership	15	4.03	0.0960
Average Score	15	4.20	0.1329

Source: Primary Data (2017)

The findings show that the hotel's senior management champion involvement in the alliance processes and governance relationship with its key strategic partners indicating the highest score with a mean of 4.67 and a standard deviation of 0.0690, while undertaking continuous value capture through knowledge sharing among key strategic partners indicated the lowest score with a mean score of 3.96 and standard deviation of 0.0231 this shows there is a large extend of the adoption of strategic alliances strategy in the international hotels through creation of structures, creation of unique resources such as technology, implementation of governance and creation of avenues of knowledge sharing that will tend to mitigate risks and allow for the creation of added value to customers by responding positively to the dynamic environmental changes.

The respondents were asked to indicate the extent to which they agreed with cost advantage strategy. Table 4.8 presents the relevant results.

Table 4.8: Cost Advantage Strategy

Statements	N	Mean	Std. Dev.
We have increased profits by reducing costs.	15	4.47	0.0870
We have managed to reduce overhead costs in the long run.	15	3.78	0.0352
We achieve low cost through bulk purchases.	15	3.97	0.0420
Lower prices attract low-income consumers.	15	4.32	0.0524
We offer low cost products of acceptable quality.	15	4.24	0.0832
Low prices affect organizations profit margins.	15	4.03	0.0960
Our low cost in the industry has minimized the number of new firms entering the industry.	15	4.02	0.0431
Our affordable prices has an influence on market share.	15	3.96	0.8600
Cost reduction has led to benefit from economies of scale.	15	3.54	0.9610
The hotel's profit is determined by its effectiveness in cost management to ensure that the amount the customer is willing to pay for the products and services exceed the cost of activities in the value chain.	15	3.42	0.970
Average Score	15	3.975	0.32299

Source: Primary Data (2017)

As the findings of table 4.8 shows, increasing of profits by reducing costs indicates the highest score of 4.47 and standard deviation of 0.0870, while the hotel's profit is determined by its effectiveness in cost management to ensure that the amount the customer is willing to pay for the products and services exceed the cost of activities in the value chain has the lowest score of 3.42 and standard deviation of 0.970, thus indicating that the implementation of the cost advantage strategy has been able to develop sustainable advantage in the competitive environment.

The respondents were asked to indicate the extent to which they agreed with differentiation strategy. Table 4.9 presents the relevant results.

Table 4.9: Differentiation Strategy

Statements	N	Mean	Std. Dev.
We have increased income through our unique product.	15	4.53	0.6502
Our unique products create value of consumers.	15	4.12	0.0721
There is no other products like ours in the market.	15	3.24	0.0241
We are concerned about other companies imitating our products/services.	15	3.54	0.0024
We provide our customers with a wide array of unique products/services.	15	3.98	0.4757
The hotel has invested in high level innovation and technology to create unique products and services while minimizing production costs.	15	4.23	0.0670
The hotel's differentiation strategy allows it to sustain its current performance in the future to a greater extent vis-a-vis cost leadership.	15	3.19	0.0672
Average Score	15	3.8329	0.1941

Source: Primary Data (2017)

The findings from table 4.9 indicated that the hotels have increased income through offering unique products was the highest with a means score of 4.53 and standard deviation of 0.6502 while hotel differentiation strategy allows it to sustain its current performance in the future to a greater extent vis-a-vis cost leadership indicated the lowest mean score of 3.19 and standard deviation of 0.0672 this indicated there is a relatively large extend of differentiation strategy that has been implemented in the organization through the provision of unique products and services, provision of a wide range of products and services that is not being offered by any other organization.

The respondents were asked to indicate the extent to which they agreed with competitive strategy. Table 4.10 presents the relevant results.

Table 4.10: Competitive Strategy

Statements	N	Mean	Std. Dev.
The hotel undertakes price variations to stay ahead of its competitors.	15	4.23	0.0231
The hotel has established mechanisms that creates a cost advantage by controlling drivers of the value chain better than competitors.	15	3.87	0.7402
The hotel leverages its existing resources and capabilities in order to remain competitive.	15	3.71	0.5430
Through our unique product the business is able to compete in other areas other than price.	15	4.43	0.0250
Our hotel has lowest cost management compared to competitors.	15	3.84	0.0562
We offer high quality unique products compared to other hotels.	15	4.75	0.0719
Average Score	15	4.138	0.2432

Source: Primary Data (2017)

The findings shows that offering high quality unique products compared to other hotels has the highest mean score of 4.75 and standard deviation of 0.0719 while hotel has lowest cost management compared to competitors has the lowest mean score of 3.84 and standard deviation of 0.0562, hence there is a large extend of the adoption of competitive strategy in the organization through prices variation, value-chain, capabilities in the firms, possessing of the unique resources and efficiency of the operation that will attract customers despite changes in the external environment.

The respondents were asked to indicate the extent to which they agreed with globalization strategy. Table 4.11 presents the relevant results.

Table 4.11: Globalization Strategy

Statements	N	Mean	Std. Dev.
This hotel uses product or services which are acceptable across the globe.	15	4.53	0.0427
This hotel makes customers from other countries feel at home while in Kenya.	15	4.03	0.0460
The hotel's products and services are in tandem with the changing customer needs, shortening product life cycles, and increasing global competition.	15	3.96	0.9620
The hotel's engagement in globalization has strengthened its competencies and competitiveness.	15	4.21	0.0450
The hotel builds its core competency by introducing structural changes such as new production process, new distribution channels or different sales approach across the globe	15	3.54	0.0235
Average Score	15	4.254	0.22384

Source: Primary Data (2017)

From the findings hotel uses products or services which are acceptable across the globe indicated the highest mean score of 4.53 and a standard deviation of 0.0427, while the hotel builds its core competency by introducing structural changes such as new production process, new distribution channels or different sales approach across the globe showed the lowest mean score of 3.54 and a standard deviation of 0.0235. It is clear that globalization strategy has been implemented in the organization to a very large extend. The globalization strategy through provision of the products and services that are worldwide recognized, increased competencies that cut across many countries and increased global competition thus making the organization to respond positively to the changes in the external environment.

The respondents were asked to indicate the extent to which they agreed with performance indicators. Table 4.12 presents the relevant results.

Table 4.12: Performance

Statements	N	Mean	Std. Dev.
Performance is achieved through the effectiveness of the hotel's processes (number of clients served, quality of services and products etc).	15	4.31	0.0396
Performance is achieved through the efficient utilization of hotel's assets i.e. (cost per service, number of output per employee etc).	15	3.96	0.0024
Performance is measured by brand loyalty created among customers through exclusive products/services to achieve superior customer satisfaction and relevance in the hospitality industry.	15	4.21	0.0890
We charge a premium for unique product and quality service delivery which has increased the hotel's financial viability.	15	3.79	0.0571
Our performance is measured by employee and customer satisfaction index.	15	3.69	0.0974
Average Score	15	3.992	0.0571

Source: Primary Data (2017)

From the findings, Performance is achieved through the effectiveness of the hotel's processes (number of clients served, quality of services and products etc) indicated the highest score with a mean score of 4.31 and standard deviation of 0.0396, while performance is measured by employee and customer satisfaction index indicated the lowest score with a mean score of 3.69 and standard deviation of 0.0571, the respondents agree that strategic responses has enhanced the overall performance of the firm. For instance, customer satisfaction which has been enhanced through offering of unique products, and efficiency of the operations has made the firm to be able to increase their financial stability through creation of loyal customers.

Table 4.13: Summary of Descriptive Statistics

Strategic Responses	**N**	**Mean**	**Std. Dev.**
Expansion Strategy	15	3.91	0.28072
Innovation Strategy	15	3.89	0.28845
Mergers & Acquisitions Strategy	15	3.34	0.11654
Strategic Alliance Strategy	15	4.20	0.13291
Cost Advantage Strategy	15	3.98	0.32210
Differentiation Strategy	15	3.83	0.19420
Competitive Strategy	15	4.14	0.24321
Globalization Strategy	15	4.25	0.22384
Average Score	15	3.9425	0.1571

Source: Primary Data (2017)

From the findings, globalization strategy indicated the highest score with a mean score of 4.25 and standard deviation of 0.22384, while mergers and acquisition indicated the lowest score with a mean score of 3.34 and standard deviation of 0.11654, globalization strategy has been implemented in the organization to a very large extend. The globalization strategy enables the firm to be worldwide recognized, establish competencies that cut across many countries and increased global competition thus making the organization to respond positively to the changes in the external environment while mergers and acquisitions was implemented moderately in the firms to build on their core competencies and to mobilize the resources and capabilities.

4.7 Correlations

Correlation analysis was performed in order to examine the extent of the relationship between key variables of the study. Table 4.14 shows the correlation matrix.

Table 4.14: Correlation Matrix

	Organizational performance	Expansion Strategy index	Innovation Strategy index	Mergers and Acquisitions Index	Strategic Alliances Strategy Index	Cost and Differentiation Strategies	Competitive Strategies	Globalization Strategies
Organizational performance	1	0.08	0.12	0.14	0.15	0.09	0.18	0.24
Expansion Strategy index		1	0.09	0.21	0.13	0.11	0.23	0.07
Innovation Strategy index			1	0.04	0.23	0.05	0.43	0.22
Mergers and Acquisitions Strategy				1	0.42	0.27	0.17	0.31
Strategic Alliances Strategy					1	0.34	0.41	0.23
Cost and Differentiation Strategy						1	0.36	0.14
Competitive Strategy							1	0.09
Globalization Strategy								1

Source: Primary Data (2017)

The results in table 4.14 show, that there is a positive and moderate correlation between performance and the expansion strategy index (Pearson coefficient = 0.08), performance and innovation strategy index, correlate positively (Pearson coefficient = 0.12), performance and the mergers and acquisitions strategy index correlate positively (Pearson coefficient = 0.14), performance and the strategic alliances index correlate positively (Pearson coefficient = 0.15), performance and the cost and differentiation strategy index correlate positively (Pearson coefficient = 0.09), performance and the competitive strategy index, correlate positively (Pearson coefficient = 0.18, and performance and the globalization strategy index, too, correlate positively (Pearson coefficient = 0.24 meaning organizations that have adopted different strategies have also attained a modest implementation of other strategies in the organization.

4.8 Regression Analysis

The objective of this study was to ascertain the relationship between strategic responses and the performance of international hotels in Nairobi. In order to establish the relationship between strategic responses and the performance of international hotels in Nairobi, a composite index of organizational performance was regressed on the indices of strategic responses which includes the expansion strategy, innovation strategy, mergers and acquisitions strategy, strategic alliances strategy, cost and differentiation strategy, competitive strategy and globalization strategy

Table 4:15: Regression Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.817[a]	.667	.619	.25000

a. Predictors: (Constant), supplier integration, internal integration

The multiple R for the regression is 0.817, suggesting that there is a strong, positive correlation between the values that the model predicts and the actual values of the dependent variable. The R Square is 0.667 and this means that about 66.7% of the variation in the international hotel performance can be explained by the variation in the extent to which they have attained strategic responses. The Multiple R and the R Square suggest that strategic responses affects the performance of international hotels in Nairobi.

4.8.1 Analysis of Variance

To establish if the regression model is significant, the study used the F test of significance of a regression model. Table 4.16 shows the result of the F test of a regression model

Table 4.16: ANOVA

Model		Sum of Squares	df	Mean Square	F	P-Value
1	Regression	2.628	7	.876	14.014	.000[a]
	Residual	1.312	8	.062		
	Total	3.940	15			

a. Predictors: (Constant), expansion strategy, innovation strategy, mergers and acquisition strategy, strategic alliances strategy, cost and differentiation strategy, competitive strategy, globalization strategy
b. Dependent Variable: Firm performance

The results in table 4.16 shows that the F test statistic used to test the significance of the regression model has a significance value of 0.00. Considering the model was tested for significance at the 0.05 level, a significance value of 0.00 means that, the regression model is statistically significant, indicating that strategic responses affects the performance of international hotels.

4.8.2 Regression Coefficients

After establishing the significance of the regression model, the next step was to examine the coefficients of the regression model. Table 4.17 shows the coefficients of the regression model.

Table 4.17: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	P-Value
		B	Std. Error	Beta		
1	(Constant)	1.218	.396		3.073	.006
	Expansion Strategy	.129	.181	.162	.712	.484
	Innovation Strategy	.361	.202	.462	1.788	.088
	M&A strategy	.112	.134	.253	.951	.631
	Strategic Alliances Strategy	.204	.124	.301	.572	.986
	Cost &Differentiation Strategy	.243	.406	.651	.431	.250
	Competitive Strategy	.187	.401	.578	1.081	.538
	Globalization Strategies	.403	.388	.558	1.245	.601

a. Dependent Variable: Organizational performance

The results in table 4.17 indicates that the coefficients of the regression model were significant predictors of the dependent variable. The regression coefficients were tested for significance at the 0.05 level, hence, none of the regression coefficients is significant because the significance values of the t-test statistics for all the coefficients are more than 0.05. Therefore, taken individually, none of the coefficients of the regression model is a significant predictor of organizational performance.

4.9 Discussion of Findings

The research findings from the analysis of the data supports Kiptugen's (2010) arguments that recognizes the expansion and diversification of the organizations products and services as a way of the organization to gain a competitive advantage which will eventually affect the performance of the firms. It was also recognized that the international hotels have adopted the innovation strategies to a larger extend as the results in the innovation strategy indicated. The innovation strategies which includes the establishment of the research and development department to allow for the articulation of the environment and identifying the opportunities in the external environment, in which it was consistent with the concept of Ngugi and Karina (2013) in which the innovation strategies are essential for the organization in order to be sustainable in a dynamic environment and also to improve the operational efficiency and increase the profitability of the organization in a competitive environment.

It was also established that most of the international hotels have not adopted the mergers and acquisition strategies in the organization in large extend, although it was observed that the hotels have adopted this strategies in order to increase the avenues of their operation which is consistent with the Ross, Westerfield and Jaffe (2004) assertion that acquisition enables the firms to have competencies and resources that the individual firm could not have achieved. The international hotels creation of avenues of the knowledge sharing that will tend to mitigate risks and allow for the creation of added value to the customers and respond positively to the dynamic environmental changes. The results is consistent with Harrigan (1986) assertion that alliances enable the organization to acquire technological capabilities, access to rare resources and formulation of design and structures that will enable the firm to gain access to improved performance in the industry. Customer satisfaction which has been enhanced through offering of unique products, and efficiency of the operations has made the firm to be able to increase their financial stability through creation of loyal customers. According to Day (2004) organizations leverage on the customer satisfaction and efficiency of their operations to enhance their performance, and this is what the findings in the preceding table suggest. For instance, when customers are satisfied with the organization’s services and products, there is no need for an organization to cut on the cost of the services for the services and the products will still attract and retain its customer base.

The globalization strategy through provision of the products and services that are worldwide recognized, increased competencies that cut across many countries and increased global competition thus making the organization to respond positively on the changes on the external environment, the findings supported by the arguments of Hitt et al (2007), globalization strategy looks on the broader outlook of the business ground of the organization that enables the organization to find an avenue of the bigger market share for its customer despite the changes in the external environment. The adoption of competitive strategy in the organization through prices variation, value-chain, capabilities in the firms, possessing of the unique resources and efficiency of the operation that will attract customers despite the changes in the external environment. The findings are consistent with the arguments of Passaamard and Kleiner (2000),that competitive strategy is essential for the organization especially for the organization that operates in a highly dynamic and competitive environment.

The implementation of the cost advantage strategy has been able to develop sustainable advantage in the competitive environment, as the argument of Ansoff (1987) that the cost leadership enables an organization to gain a bigger market share through the pricing mechanism that is actually lower than what is being offered by the competitors in the market place. The differentiation strategy through the provision of unique products and services, provision of a wide range of products and services that is not being offered by any other organization. The results is in line with Luliya, Sununta, Yuosore and Chotchai (2013) that recognizes the differentiation strategy through the provision of the unique products creates a competitive edge in the organization and it is the best strategy for the organization to respond to the changes in the external environment.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes findings of the study and draws the necessary conclusions. The findings provide valuable insight on how international hotels can improve performance through adoption of appropriate implementation of strategic responses in response to external environmental factors, and this chapter recommends necessary action in that regard. The chapter also highlights the limitations of the study and suggests areas for further research.

5.2 Summary

From the findings, it is apparent that the strategic responses are necessary in the performance of the international hotels for their operations in a dynamic external environment. The strategic responses includes innovation strategy, expansion strategy, mergers and acquisition strategy, strategic alliances strategy, cost and differentiation strategy and globalization strategy. The findings also indicated that most of the international hotels have been able to craft strategies to respond to the changes in the external environment.

International hotels in Nairobi have implemented the strategic responses in several ways that enhances their performance. These strategic responses on the turbulence of the external environmental factors have sought to reduce the costs of operation, enhance profitability, improve the sustainability of the hotels and enhance the competitiveness of the hotels in a highly competitive industry. Formal evaluation of the environment under which the international hotel operates helps the organization to implement the appropriate strategic responses in the firm.

The strategic responses have enabled the international hotels to improve their performance. Through these strategic responses, the firms have attained customer growth, increased profitability, expansion of the market share and sustainability of the firm in the market, and these beneficial aspects show the value of appropriate strategic responses in the firm in order to aid performance.

5.3 Conclusion

The strategic responses to the external environmental has an influence in the performance of the international hotels. The innovation strategies, expansion strategies, mergers and acquisition strategies, strategic alliances strategies, cost and differentiation strategies and globalization strategies have had an impact on the operations and performance of the international hotels. Often, the dynamic external environment have caused an increase in the operating cost, loss of competitiveness, loss of market share, decrease in the customer levels and decrease in the profitability of the firm. The effect of external environmental turbulence shows how the international hotels operates in a system, and they cannot afford to ignore, thus the need to implement appropriate strategic responses in order to sustain in the market and improve their performance.

As the study findings show, the strategic responses to aid performance have largely entailed measures meant to reduce cost, increase customer satisfaction, increase market share, improves the profitability of the firm and increase the sustainability of the firm in the competitive market. For instance innovation strategies have helped to reduce cost and increase customer satisfaction, expansion strategy have led to increased market share, mergers and acquisitions helped the international hotels to acquire capabilities they need to increase customers satisfaction, strategic alliances have helped to capture opportunities to increase their customer base, cost and differentiation strategy have helped the international hotels to increase their competitiveness in the market and globalization strategy have enabled the firm to enhance their operational efficiency and increase their market. The strategic responses have been beneficial to the performance of international hotels.

5.4 Recommendations

The international hotels firms in Nairobi should evaluate their performance regularly in order to determine the impact of the external environment. Considering the influence of external environmental factors on an organization, it is imperative that the international hotels understand the factors at play in their external environment, and regular performance evaluation will go a long way in helping them appraise these factors. If the international hotels decide to respond to external environmental factors without understanding them well, they might end up losing enormous resources.

In certain cases, the changes in the external environment may require the international hotels to reduce their operating costs. However, inappropriate evaluation of performance could make a firm conclude that the changes in the external environment require it to develop new products or move in another geographical area, and if makes such a decision, it will not create value for the shareholders. Therefore, if international hotels want to aid their performance in responding to changes in the external environment, they have to invest in elaborate performance evaluation systems that help them get the right information before adopting the appropriate strategic responses.

5.5 Limitations of the Study

This study did not consider comprehensively on the external environmental factor that influence the performance of the international hotels. It will be important if these factors are considered in order to determine the extent of each external environment factor has an influence in the operation of the international hotels. For instance determining the influence of the changes of the political, economic, social and technological environment on the operations of the external environment.

Understanding the influence of each external environment factor will apparently give a comprehensive way in which the international hotels can adopt the appropriate strategic responses in order to aid the performance which will provide a comprehensive and clear insights.

5.6 Suggestions for Further Research

A study should be conducted to investigate how organizational factors influence the strategic responses of international hotels to external environmental factors. The study should group the hotels according to some of their distinguishing characteristics such as total assets, market share and the organizational structure.

Once the hotels have been grouped according to their characteristics, the research should look at how the firms in each group respond to the external environmental factors. If there are differences in how the firms in various groups respond to external environmental factors, then it will be clear that organizational factors shape the response to external factors. Insights on how organizational factors influence strategic responses are helpful because they will enable international hotels to decide the best way to deal with changes in the external environment.

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APPENDICES

Appendix I: Questionnaire

SECTION A: GENERAL INFORMATION

1. Name of the international hotel ____
2. Name of interviewee (optional) ____
3. Designation ____
4. For how long have you been working in this hotel:

   Below 5 years ☐

   6-10 years ☐

   11-15 years ☐

   16-20 years ☐

   Above 21 years ☐

5. Where was the hotel first established?
   Year ___________ Location ________________________________
6. For how long has your hotel been in operation in Kenya?

   a) Below 5 years ☐
   b) 6 -10 years ☐
   c) 11-15 years ☐
   d) 16 -20 years ☐
   e) Above 21 years ☐

7. Ownership type.
   a) Private owner ☐
   b) Public owner ☐
   c) A member of consortium (group of firms) ☐
   d) A member of a chain (group of similar businesses ☐

8. How many employees does your hotel have?
   a) below 50 ☐
   b) 51-100 ☐
   c) 101-150 ☐
   d) 151-200 ☐
   e) above 200 ☐

9. What is the rating of your hotel?
   a) 2 star ☐
   b) 3 star ☐
   c) 4 star ☐
   d) 5 star ☐
   e) Gold star ☐
   f) Not rated ☐

10. What strategic responses have your hotel adopted to enhance performance? (you can tick more than one strategy).
    a) Expansion strategy ☐
    b) Innovation strategy ☐
    c) Cost and differentiation strategy ☐
    d) Strategic alliance strategy ☐
    e) Mergers and acquisitions strategy ☐
    f) Globalization strategy ☐
    g) Competitive strategy ☐

SECTION B:

11. On a scale of 1-5, to what extent does your hotel adopt the following strategic responses?
    (1) Not at all (2) Less extent (3) Moderate extent (4) Large extent (5) Very Large extent

Expansion strategy	**1**	**2**	**3**	**4**	**5**
Opening up subsidiaries in other countries/locations has enabled the hotel to grow, enter new markets, increase sales volume and gain immense market share.					
The hotel has focused introducing similar services/products to other new countries/locations					
The hotel ensures that its services delivery process is in line with consumer wants in new areas as opposed to its products					
The hotel's service and product development is biased towards increasing sales by modifying present products or services.					
The hotel has established mechanisms to enable it grow via existing products and new products in existing markets.					
Innovation strategy					
The hotel relies on new technologies to advance its business strategies and create customer satisfaction.					
The hotel has well established research and development (R&D) department and commits significant amount of resources for its operations.					
The hotel's innovation has facilitated entry into new markets and hence increase its market share in existing markets.					

The hotel's product innovation is driven by advancing technologies.					
The hotel's high growth rate can be attributed to its commitment to research and development					
The hotel's product innovation provides an essential link between its survival and prosperity efforts and overall corporate strategy.					
Mergers and acquisitions strategy					
The hotel has put in place mechanisms that have enabled it combine the operations and achieve operating economies.					
The hotel develops its resources and competencies by taking over other organizations.					
The hotel's undertaking in mergers and acquisitions has enabled open up avenues of new markets opportunity.					
The hotel's endeavour to take over other hotels has brought operational efficiencies emanating from economies of scale and scope.					
The hotel involved in acquisitions through extension of the company's existing capabilities and resources to build its core competency					
Strategic alliance strategy					
The hotel has established strategic fit/complementary structures.					
The hotel is involved in value creation to leverage unique resources and capabilities of the strategic partners.					
The hotel's senior management champion involvement in the alliance processes and governance relationship with its key strategic partners					
The hotel undertaking continuous value capture through knowledge sharing among key strategic partners.					
The hotel undertakes proper scrutinizing in selecting suitable strategic partners and has put in place mechanisms to facilitate shared risk; shared reward; and appropriate scope.					
The hotel endeavours in coordination and appreciation among the collaborating partners mutual needs and ownership.					
Cost advantage strategy					
We have increased profits by reducing costs.					
We have managed to reduce overhead costs in the long run.					
We achieve low cost through bulk purchases.					
Lower prices attract low-income consumers.					
We offer low cost products of acceptable quality.					
Low prices affect organizations profit margins.					
Our low cost in the industry has minimized the number of new firms entering the industry.					
Our affordable prices has an influence on market share.					
Cost reduction has led to benefit from economies of scale.					
The hotel's profit is determined by its effectiveness in cost management to ensure that the amount the customer is willing to pay for the products and services exceed the cost of activities in the value chain.					
Differentiation strategy					
We have increased income through our unique product.					
Our unique products create value of consumers.					
There is no other products like ours in the market.					

We are concerned about other companies imitating our products/services.					
We provide our customers with a wide array of unique products/services.					
The hotel has invested in high level innovation and technology to create unique products and services while minimizing production costs.					
The hotel's differentiation strategy allows it to sustain its current performance in the future to a greater extent vis-a-vis cost leadership.					
Competitive strategy					
The hotel undertakes price variations to stay ahead of its competitors.					
The hotel has established mechanisms that creates a cost advantage by controlling drivers of the value chain better than competitors.					
The hotel leverages its existing resources and capabilities in order to remain competitive.					
Through our unique product the business is able to compete in other areas other than price.					
Our hotel has lowest cost management compared to competitors.					
We offer high quality unique products compared to other hotel's.					
Globalization strategy					
This hotel uses product or services which are acceptable across the globe.					
This hotel makes customers from other countries feel at home while in Kenya.					
The hotel's products and services are in tandem with the changing customer needs, shortening product life cycles, and increasing global competition.					
The hotel's engagement in globalization has strengthened its competencies and competitiveness.					
The hotel builds its core competency by introducing structural changes such as new production process, new distribution channels or different sales approach across the globe					
Performance indicators					
Performance is achieved through the effectiveness of the hotel's processes (number of clients served, quality of services and products etc).					
Performance is achieved through the efficient utilization of hotel's assets i.e. (cost per service, number of output per employee etc).					
Performance is measured by brand loyalty created among customers through exclusive products/services to achieve superior customer satisfaction and relevance in the hospitality industry.					
We charge a premium for unique product and quality service delivery which has increased the hotel's financial viability.					
Our performance is measured by employee and customer satisfaction index.					

Appendix II: List of International Hotels in Nairobi

Hotel	Location
1. Hilton Nairobi Limited	CBD
2. Nairobi Serena Hotel	Uhuru park
3. Best western plus Meridian Hotel	CBD
4. Hemmingways Nairobi	Karen
5. Tribe Hotel	Gigiri
6. Fairmont The Norfolk	CBD
7. Sankara Hotel	Westlands
8. Villa Rosa Kempinski	Westlands
9. Four Points by Sheraton	Westlands
10. Dusit D 2 Hotel	Westlands
11. Fair View hotel	Community
12. Intercontinental Nairobi	CBD
13. Crowne Plaza Hotel	Upperhill
14. Hotel Troy	Langata
15. Clarence House Nairobi	Westlands
16. The Monarch Hotel	Kilimani
17. Eastland Hotel Nairobi	Kilimani
18. County Lodge Nairobi	Community
19. Radisson Blu Hotel	Upperhill
20. Space international hotel	CBD
21. Lazizi premiere hotel	Embakasi
22. Holiday inn	Westlands

Source: The Kenya Gazette (2017)