

Factors Influencing Strategy Choice in Five Star Hotels Performance in Nairobi, Kenya

Winnie Karimi Kinyua¹, Dr Nancy Rintari², Abel Moguche³

¹*Department of Business Administration, Kenya Methodist University, Kenya*

²*Department of Business Administration, Kenya Methodist University, Kenya*

³*Department of Business Administration, Kenya Methodist University, Kenya*

Abstract: This study focused on factors influencing strategy choice in five star hotels performance in Nairobi, Kenya. It was carried out with the realization that firms are endeavouring to be at standard with the worldwide change, accomplishing upper hand position and upgrading execution with respect to their rivals. Hotels in Kenya are struggling to design new and achievable strategic plans so as to have a stake in what is considered a lucrative market with the great potential for growth. The objective of the study was to assess the influence of customer satisfaction on strategy choice in five star hotels performance in Nairobi, Kenya. The study used descriptive research design which was quantitative and qualitative. The study used census study methodology. The study population consisted of 70 managers and unit managers of the five-star hotels in Nairobi, Kenya classified by Tourism Regulatory Authority. Secondary data was collected from books, journals, magazines and newspapers while primary data was gathered utilizing a self-administered questionnaire to the respondents. Data collected was analyzed using Statistical Package for Social Sciences (SPSS). Each key factor was recorded against the set variable while quantitative information was broken down utilizing descriptive statistics and inferential statistics. Hypothesis was tested at 5% level of significance. Analyzed data was presented in tables, diagrams and charts. The study used logistic regression to show the relationship between dependent variable, performance of five star hotels in Nairobi and independent variable competitive positioning. The study found that technology had significant relation with performance of five star hotels in Nairobi, Kenya. The study recommended that hotels should implement information technology in their operations so as to gain competitive advantage over their competitors and for research and development on global trends

Keywords: Hotel, Information Technology, Performance, Strategy, Strategy Choice

I. Introduction

1.1 Concept of strategy

Pearce and Robinson (2011) argued that a strategy concerns the pattern of strategic decisions and actions which set the role, objectives and activities of operations. Their use of the term pattern 'implies a consistency in strategic decisions and actions over time. Strategy is an action that managers take to attain one or more of the organizations goal. Strategy results from the detailed strategic planning process. According to Johnson, Whittington and Scholes (2011), Strategy can be categorized a number of different approaches to strategy as follows, a natural selection view where organizations are under great environmental pressure and have constantly to adapt to changes in their environment, a planning view where strategy occurs through highly systematized forms of planning, this is a rational approach to strategy, logical incremental view that is an evolutionary step by step approach to strategy. It is an adaptive approach but more controlled than the natural selection view, a cultural view is an approach to strategy based on the experiences, assumptions and beliefs of management overtime and which may eventually influence the organization as a whole, a political view is where strategy emerges after a variety of internal battles in which managers, individuals and other groups bargain and trade their interests and information, a visionary view where the strategy is dominated by an individual or a times a small group who have a particular vision of where the organization can and should be, this is an intuitive approach.

Mintzberg (1991) described strategy as 5 Ps that is plan, ploy, pattern, position and perspective. He describes a plan as a consciously intended course of action. A ploy is a sub-set of a plan and is a specific maneuver intended to outsmart a competitor. Strategy as a pattern that is, it emerges from a stream of actions. It is developed in the absence of intentions and without preconception. Strategy as a position is a means of

locating an organization in the environment. It indicates how an organization will develop a sustainable competitive advantage. Perspective is an approach to strategy that is both conceptual and cultural. It reveals the way an organization perceives the outside world. An organization with a strong perspective approach will be one where the senior management has a shared view or vision of the unique contribution the organization can make to the society. As much as a strategy would be put in place to meet the needs of the customer aspects of corporate strategy namely, marketing, operations and financial strategy must also be considered to ensure that the business is competitive in its field and as well is in a position to meet its financial obligations through making profits. This can be achieved by transforming resources by use of processes, infrastructure, and capabilities.

Strategy can be used to create a unique position. Kunc and Martin (2010) indicated strategy is the procedure of coming up with a unique and valuable position with means of another set of activities. A strategy can be seen as a combination of activities. Strategy means creating connection in the activities of a firm. If there was only one ideal position, there would be no need of strategy. The importance of strategic positioning is to outsmart competitors. Nevertheless, a unique position is not enough to guarantee a superior advantage. A competitive position will stimulate the current competitors to copy one or more of these activities. The success of strategy depends on the performance of a lot of issues and it is important to examine these issues. If these issues are not examined so as to come up with specific strategy then the chance of having a competitive position are next to nil. It is often argued that firms with a clear and consistent strategy will outperform firms without such a strategy. This was the main argument for Porter and Millar (2012) to define his generic strategies. Also in the Miles and Snow typology it is argued that at least prospectors, defenders and analyzers perform better than reactors. Okwach (2012) argued that strategies are changed over time and that in turbulent environments a change in strategy might be positive for the development in performance. In stable industries, some strategies should persist to enhance performance. The strategy is therefore influenced by the external environmental conditions as well.

II. Materials and Methods

A descriptive research design was applied in this study. This design helped in determining the factors that influence strategy choice in five star hotels performance in Nairobi, Kenya. The target population was unit managers and departmental managers of the Five Star Hotels in Nairobi who are directly involved in making strategic decisions and coordinating resources. The sample population was 70 respondents who were selected purposively. Secondary data was collected from books, journals, magazines and newspapers while primary data was gathered utilizing a self-administered questionnaire to the respondents

2.1 Reliability and Validity of research instrument

Cronbach's Alpha generated from SPSS (version 20) was used to measure the reliability. According to Tavakol and Dennick (2011), 0.7-0.95 is an appropriate Cronbach's Alpha. 46 questionnaires were used to test reliability which had a Cronbach's Alpha value of 0.727. This was acceptable as it is in the range of 0.7-0.95. The research instrument was validated in terms of content validity.

III. Results and Discussions

A total of 67 out of 70 questionnaires were filled and returned. This represented 97% response rate. The response rate was acceptable as the respondents were well represented.

3.1 Information Technology

Table 1 show that 56.7% of the respondents who were majority reported there was low implementation of technology in the hotels. 43.3% of the respondents reported there was high technology implementation in the hotels

Table 1: Technology

	Frequency	Percent
Low Technology	38	56.7
High Technology	29	43.3
Total	67	100.0

3.2 Logistic regression analysis

The study used logistic regression to show the relationship between dependent variable, performance of five star hotels in Nairobi and independent variable competitive positioning. Logistic regression was used since the dependent variable was measured categorically.

3.3 Omnibus Tests of Model Coefficients

The Omnibus test of Model Coefficients in Table 2 shows that there is an improvement in the new model in terms of predicting hotel performance given that the p-value observed was 0.000 that is less compared the significance level of 5 percent. The new model is in comparison to the performance of hotels in the absence of the predictors. Given that the predictors were added at once without stepwise considerations, the chi – square values are the same for step, block and Model. Therefore, the model significantly predicts hotel performance.

Table 2: Omnibus Tests of Model Coefficients

	Chi-square	df	p-value
Step	22.832	4	0.000
Block	22.832	4	0.000
Model	22.832	4	0.000

Table 3 shows the Nagelkerke R Square that shows the amount of variation in hotel performance explained by the model. The calculated Nagelkerke R Square was 0.385 meaning that the model was able to account for about 40 per cent of the variations in the dependent variable (hotel performance). This goes further to show that the model had significant predictive capacity corroborating the findings of the Omnibus test of model coefficients.

Table 3: Model Summary

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
75.035	0.289	0.385

Hosmer and Lemeshow chi-square statistic measures the goodness of fit of the model. It calculates whether the observed event rates match the expected event rates. In this case, Hosmer and Lemeshow statistic measures the null hypothesis that the model has a good fit against the null hypothesis that the model does not fit the data well. Results from Table 4 show that the observed p-value test was 0.536 that was more than the significance level of 5 percent. The null hypothesis failed rejection deeming the model to be fit for predicting the probability of high hotel performance.

Table 4: Hosmer and Lemeshow Test

Chi-square	df	p-value
6.036	7	0.536

From Table 5, the binary logistic equation which shows the relationship between the dependent variable (Hotel Performance) and independent variable (Technology).

$$\begin{aligned} \text{Ln (P/1-P)} &= -1.776 + 1.780X_2 \\ \text{Wald Statistics} & \quad 9.857 \quad 6.376 \\ \text{P-value} & \quad 0.002 \quad 0.012 \\ \text{Odds Ratio} & \quad 0.000 \quad 5.932 \end{aligned}$$

Where;

P: Probability of High Hotel Performance

Ln (P/1-P): Logit of High Hotel Performance

X₂: Technology

Table 5: Variables in the Equation

Independent Variables	B	S.E.	Wald Statistics	P - value	Odds Ratio
Technology:					
No Technology (reference)	-	-	-	-	1.000
Technology Present	1.780	0.705	6.376	0.012	5.932
Constant	-1.776	0.566	9.857	0.002	0.169
Dependent Variable: Hotel Performance					

3.4 Hypothesis Testing

The hypotheses of the study have been tested based on the p-values corresponding to the Wald statistics.

3.4.1 Hypothesis on Technology and Hotel Performance

The null hypothesis on technology was rejected with a p-value of 0.012 that was less than 5 percent. Marginal increase in technology increases the logit of hotel performance by 1.780 while holding other factors constant. A marginal increase in technology decreases the odds (likelihood) of hotel performance by 5.932 while controlling for the individual differences of other variables in the study.

3.5 Discussions

56.7% of the respondents who were majority reported there was low implementation of technology in the hotels. 43.3% of the respondents reported there was high technology implementation in the hotels. According to Bethapudi (2013) for hotels to be successful they need to implement ICT in their business practices. This will assist in communication with customers and reengineering of different products and service that meet the customer expectation and needs. The customers through ICT are also able to access information whenever they want from wherever they are.

IV. Conclusion

Technology was found to have a positive significant relationship with the performance of five star hotels in Nairobi, Kenya. Information technology implementation and advancement was recommended for hotels as it was found to be a key factor influencing the performance of five star hotels in Nairobi, Kenya. Information technological implementation and advancement was recommended as it would help a company in re-engineering of processes and provide efficiency in service and accessibility of information by customers about the organization and its products and services. The study was conducted on factors influencing strategy choice in five star hotels performance in Nairobi, Kenya. The study recommended that studies on the same should be done on other star rated hotels so as to find out the factors influencing strategy choice in their performance so as to remain competitive and for the hotels to introduce services and products which are seen to overtake hotels while using a longitudinal research design to check on whether the results change with time.

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