COMPETITIVE STRATEGIES AND PERFORMANCE OF STAR-RATED HOTELS IN NAIROBI CITY COUNTY, KENYA

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D53/CTY/PT/25740/2018

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS, ECONOMICS AND TOURISM IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT OPTION) OF KENYATTA UNIVERSITY

MAY 2023
DECLARATION

This study project is entirely unique to me and hasn’t been forwarded to another institution of higher learning for an Honor.

Signature: ___________________________ Date: ________________

Brian Roy Ouma

D53/CTY/PT/25740/2018

As the project's supervisor at Kenyatta University, I have given my approval for this submission.

Signature: ___________________________ Date: ________________

Supervisor

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Business Administration Department

Kenyatta University
DEDICATION

I dedicate this work to my parents for their unflinching support and motivation over the whole duration. To my classmates, I appreciate your steadfast support.
ACKNOWLEDGMENT

First, I am extremely indebted to the All-Powerful God for the mercies that have made my academic career successful. I want to thank my whole family and friends for their unwavering commitment to assisting me. Particular thanks are due to Dr. John Mutinda for his guidance, support, and assistance in handling this proposal.
# TABLE OF CONTENTS

DECLARATION ........................................................................................................ ii
DEDICATION ........................................................................................................... iii
ACKNOWLEDGMENT ............................................................................................... iv
TABLE OF CONTENTS ........................................................................................... v
LIST OF TABLES ....................................................................................................... vii
LIST OF FIGURES .................................................................................................... viii
ABBREVIATIONS AND ACRONYMS ..................................................................... ix
OPERATIONAL DEFINITION OF TERMS ............................................................. x
ABSTRACT ................................................................................................................ xi
CHAPTER ONE ......................................................................................................... 1
INTRODUCTION ....................................................................................................... 1
  1.1 Background to the Study ............................................................................... 1
  1.2 Statement of the Problem ............................................................................ 10
  1.3 Objective of the Study .................................................................................. 11
  1.4 Research Questions ...................................................................................... 12
  1.5 Significance of the Study ............................................................................. 12
  1.6 Scope of the Study ....................................................................................... 13
  1.7 Limitation of the Study ............................................................................... 14
  1.8 Organization of the Study .......................................................................... 14

CHAPTER TWO ....................................................................................................... 16
LITERATURE REVIEW .............................................................................................. 16
  2.1 Introduction .................................................................................................... 16
  2.2 Theoretical Literature Review ...................................................................... 16
  2.3 Empirical Literature Review ........................................................................ 19
  2.4 Summary of Literature Review and Research Gaps .................................... 25
  2.5 Conceptual Framework ................................................................................ 30

CHAPTER THREE ................................................................................................... 32
RESEARCH METHODOLOGY ................................................................................. 32
  3.1 Introduction .................................................................................................... 32
  3.2 Research Design ............................................................................................ 32
  3.3 Target population ........................................................................................... 32
  3.4 Sampling Design and Sample Size ............................................................... 33
3.5 Data collection Instrument ................................................................. 34
3.6 Pilot Test .......................................................................................... 34
3.7 Data Collection Procedures ............................................................... 36
3.8 Data Analysis and Presentation ......................................................... 36
3.9 Ethical Considerations ..................................................................... 37

CHAPTER FOUR ...................................................................................... 38
RESEARCH FINDINGS AND DISCUSSION .............................................. 38
4.1 Introduction .................................................................................... 38
4.2 Background Information .................................................................. 38
4.3 Descriptive Findings ..................................................................... 43
4.4 Correlation Analysis ....................................................................... 49
4.5 Regression Findings ....................................................................... 51

CHAPTER FIVE ....................................................................................... 55
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS ....................... 55
5.1 Introduction .................................................................................... 55
5.2 Summary ....................................................................................... 55
5.3 Conclusions of the Study ................................................................. 58
5.4 Recommendations for Policy and Practice ...................................... 59
5.5 Suggestion for Further Studies ......................................................... 61

REFERENCES ......................................................................................... 62
APPENDICES ......................................................................................... 70
Appendix I: Research Questionnaire ....................................................... 70
Appendix II: List of Star-Rated Hotels in Nairobi County ......................... 74
Appendix III: Graduate School Authorization Letter .................................. 78
Appendix IV: NACOSTI Research Permit ................................................ 79
LIST OF TABLES

Table 2.1 Summary of Empirical Research Gaps .......................................................... 27
Table 3.1 Target population .................................................................................. 33
Table 3.2 Reliability Results .................................................................................. 36
Table 4.1 Respondents’ Age ................................................................................... 40
Table 4.2 Period as Managing Director .................................................................. 41
Table 4.3 Length the Hotel has been Operational .................................................. 42
Table 4.4 Descriptive Findings for Market Development Strategies ....................... 43
Table 4.5 Descriptive Findings for Differentiation Strategies ................................. 45
Table 4.6 Descriptive Findings for Innovative Strategies ....................................... 46
Table 4.7 Descriptive Findings for Organization Performance ............................... 48
Table 4.8 Correlation Findings .............................................................................. 49
Table 4.9 Regression Summary .............................................................................. 52
Table 4.10 ANOVA Summary ............................................................................... 52
Table 4.11 Regression Coefficients ...................................................................... 53
LIST OF FIGURES

Figure 2.1 Conceptual Framework ................................................................. 30
Figure 4.1 Response Rate ............................................................................. 38
Figure 4.2 Gender of Respondents ................................................................. 39
Figure 4.3 Education Attainment of Respondents ......................................... 41
Figure 4.4 Number of Employees ................................................................ 42
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
</tr>
<tr>
<td>COVID 19</td>
<td>Coronavirus Disease 2019</td>
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<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
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<td>KTB</td>
<td>Kenya Tourism Board</td>
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<td>NACOSTI</td>
<td>National Commission for Science Technology and Innovation</td>
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<td>RBV</td>
<td>Resource-Based View</td>
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<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>TRA</td>
<td>Tourism Regulatory Authority</td>
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</tbody>
</table>
**OPERATIONAL DEFINITION OF TERMS**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Differentiation strategy</td>
<td>It is a plan that enables a business to offer distinctive goods and services in comparison to those offered by its rivals.</td>
</tr>
<tr>
<td>Innovation strategy</td>
<td>This is the plan of advancement and development of a product or service to gain a competitive advantage.</td>
</tr>
<tr>
<td>Market development Strategy</td>
<td>This is a strategy that focuses on reaching new markets with existing products or services.</td>
</tr>
<tr>
<td>Marketing strategy</td>
<td>It is a plan through which sales are increased to realize a competitive advantage.</td>
</tr>
<tr>
<td>Organization performance</td>
<td>This is the accomplishment an organization attains after a specific duration of time in line with the set goals.</td>
</tr>
<tr>
<td>Competitive strategy</td>
<td>A plan that is formulated and developed to assist a firm in performing various activities differently from its rivals.</td>
</tr>
<tr>
<td>Star rated hotel</td>
<td>This is a system used to evaluate key features, amenities, and quality of services provided.</td>
</tr>
<tr>
<td>Generic strategies</td>
<td>These are strategies developed by Michael Porter that describe how an organization can achieve a competitive advantage across a chosen market.</td>
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ABSTRACT

The hospitality industry operates in a very dynamic environment, this makes it vulnerable to the changes and these in many ways have consequences on its day to day operation. Subsequently, firms within the hospitality industry should be proactive to these changes, and to remain ahead of the competition should formulate and adopt competitive strategies to gain competitive advantage in the environment they operate in and thus improve on their performance. This study strived to examine the effects of competitive strategies on the performance of star-rated hotels in Nairobi County, Kenya. The specific objectives of the study were, to establish the effect of market development strategy, to examine the effects of innovative strategy, and to determine the effects of differentiation strategy on the performance of the star-rated hotels. The study was based on the resource-based view theory and supported by the balanced scorecard model. The research study employed a descriptive research design as it allowed analysis of different variables at the same time. The target population was 83 registered star-rated hotels in Nairobi City County Kenya where the respondents comprised of chief operating officers or any other top rated managers of the hotels. The study was a census study and therefore the target population was the sample size. The study employed on primary research data with a structured research questionnaire being administered in the study. The study undertook a pilot test on 10% of the participants. The pilot's participants were excluded in the final analysis. The collected research data was analyzed with the use of Statistical Package for Social Sciences version 25. The research utilized descriptive, correlation, and regression analysis. The analyzed research data was displayed via Bar Graphs, Charts, and Tables. The study was able to obtain 81% of the responses from the management team within the hotels. The study concluded there is a favorable and statistically significant impact of competitive strategies on the performance of star-rated hotels in Nairobi County. There is need to ensure that hotel operations increase in efficiency in order to meet the set efficiency benchmarks set for provision of services and products. The findings led to the conclusion that innovative, differentiation and market development strategies have a favorable and substantial impact on the performance of the hotels. The study recommends that the hotels develop new and fresh ways of leveraging new market opportunities. This can be utilized by employing market segmentation and niche market approaches. The hotel needs to set more goals for itself, such being able to focus on potential customers much more efficiently, which will improve customer satisfaction, customer retention, and market share. The study further recommends that the hotels invest more in financial innovation by adopting better accounts management that ensures managing and storage of the customer data effectively.
CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Technology development, globalization and higher standards of living in the 21st century have been accompanied by an improvement in customer tastes and competition, prompting businesses to respond in a variety of ways to remain competitive. This is especially true in the services sector where businesses are adopting competitive strategies to offer more unique products and services (Adimo, 2018). Adopting the best competitive strategy, however, requires organizations to continuously monitor and respond to the environment as strategic appropriateness entails businesses match available resources and activities to the environment in which they operate (Mutinda & Mwasiaji, 2018). According to Banker, Mashruwala and Trimpathy (2015), focusing on core capabilities that provide the business with long-term advantages constitute the foundation of sustainable performance.

The environment is dynamic and uncertain and competition is unavoidable and, therefore, strategies that enhances an organization’s attractiveness have significant influences on its competitive positioning (Gomes, Najjar, & Yasin, 2018). Hassan and Hilman (2017) are assertive that companies desiring to stay competitive have to adopt appropriate strategies. The hospitality sector is one such sector where increased competition has seen competitive strategies being increasingly considered essential to gaining a competitive edge (Wang, Yang, & Yang, 2019). Indeed, as per the resource based theory, despite organizations using similar resources, the way they handle the resources is key to generating unique values and competitive advantage. Hotels become
competitive when a large number of arrivals prefer their products and services over those offered by their rivals (Siongok, 2021).

The hotel industry is characterized by stiff competition, dynamic product and service changes and hotels need to adopt strategies that will enable them to expand their operations in a sustainable manner. According to Gursoy and Swanger (2016), for instance, an increase in demand for personalized services has seen hotels adopting more customer-centric approaches in Europe. In Argentina, Alvarez, Sensini, Bello and Vazquez (2021) reported that hotels were responding to underperformance by strengthening their budgeting, performance evaluation and decision support systems. On the other hand, AlKahtani, et al. (2021) reported that hotels in Pakistan leveraged human resource development and capacity building strategies to facilitate employee empowerment, satisfaction and engagement.

In Indonesia, Krisnawati, Sule, Febrian and Hassan (2016) opine that hotel managers in the country mostly adopt low cost and differentiation strategies, affirming that unique products and services improve the hotels’ image. Nigeria’s Anorue and Moghalu (2021) revealed that during the Covid-19 pandemic, hotels prioritized customer relationship management strategies to ensure their hotels are more accommodative during lockdowns. Locally, Njuguna, Namada and Muchara (2019) study showed increased investment in innovations and digital technologies to improve access to digital services and enhance customer service during the pandemic and according to Aengwo (2016), the use of cost leadership strategies, application of differentiation strategies and focus strategies all improve hotel performance.

In the context of the current research, five star hotels compete with a host of lower ranked hotels that offer similar services and products, but at lower cost to the customer.
Five star hotels usually target high class customers by offering personalized services, quality atmosphere, class, and consistent high class services. However, according to Wanjiku and Kungu (2022) the number of customers to five-star hotels in Nairobi has been dwindling and the emergence of the Covid-19 pandemic only exacerbated the pressure to attract and retain customers. As the industry recovers, five-star hotels will need to develop competitive strategies that can enhance competitiveness. Aengwo (2016) observes that Porter’s generic strategy will provide this framework.

1.1.1 Competitive Strategies

Competitive strategies are measures taken by businesses to increase the effectiveness of their operations, draw in more clients, and ensure that they can satisfy changing client wants and react quicker than the competition to obtain an edge in a market that is constantly changing (Kyengo, Ombui, & Iravo, 2016). Thompson and Strickland (2010) defined competitive strategy as the steps firms make to increase the value of their products and services to customers as a means of attracting buyers, withstanding competitive pressure and improving competitive position. Competitive strategies emerged from Porter’s (1980) proposed generic competitive strategies framework which identified cost leadership, differentiation and the scope of activities for which a firm seeks implement to achieve them. The cost leadership facet directs managements to achieve minimal cost in production and service delivery, the differentiation aspect focuses more on the generation of unique and different products while the focus aspect rests on the selection of a narrower segment or group of segments in the industry to effectively address (Mungai & Ogot, 2017).

Porter (1980) contends that companies can generate competitive advantage either by diversification or by low cost, meaning that adopting differentiation or cost leadership
improves how businesses compete. Previous researchers have used this framework in examination of how to achieve competitiveness. As observed by Theuri, Ndiao and Mathenge (2021), proper planning and application of differentiation strategies improves the uniqueness of a firms’ products. Indeed, the researchers agreed with Porter’s (1980) assertions that in periods of crisis or high competition, a business can optimize its performance by ensuring their products are unique both in price and presentation.

Researchers utilizing Porter’s framework in examination of competitive advantage have singled out market development and differentiation variables (Bukirwa & Kising’u, 2017), cost leadership and product differentiation variables (Chege, 2016), and cost leadership, product differentiation and focus strategy (Aengwo, 2016). During the pandemic, Valdez-Juárez, Castillo-Vergara and Ramos-Escobar (2022) showed increased competitiveness of firms that adopted open innovations such as electronic commerce while according to Nikbin, et al., (2022), firms that adopted a mix of market strategies comprising product, price, promotion, and place were more competitive in the post-COVID-19 world. Indeed, Odhiambo and Muriuki (2022) infer that social media marketing significantly increased the competitiveness of bars and restaurants in Kenya during and after the pandemic. The researcher avers that social media facilitated product, service and market differentiation, as well as market development. These study show the influence of innovation strategies, market development and differentiation strategies. These variables will assessed in relation to the Kenyan market.

Differentiation involves the portrayal of a product or service a manner that gives it distinct qualities as the basis for competitive advantage (Bukirwa, 2017). Differentiation strategists seek to improve profits by producing products with one or
more attributes that many buyers in an industry perceive as important. Therefore, differentiation makes a business unique due to its ability to offer products that are not accessible by competitors (Adimo, 2018). Differentiation can be accomplished through differences in design, brand image, technology, features, customer service, and dealer network (Aengwo, 2016). Semuel, Siagian and Octavia (2017) aver that hotels can differentiate themselves by providing unique services, personalizing customer service, or providing unique product offers and packages.

A market development strategy is a competitive growth strategy that aims to boost sales and gain long-lasting competitive edge (Abdulai & Tewari, 2017). Market development is a competitive growth that strategy focuses on reaching new markets with existing products or services through segmentation and target marketing (Gerstlberger, Præst Knudsen, & Stampe, 2014). The researchers argue that marketing development strategies aim to increase an organization’s presence in the market and can be achieved through adoption of different marketing strategies such as marketing to previously untargeted audiences, using new channels of promotion or targeting specific markets by producing a new channel. As affirmed by Wanjiku and Kungu (2022), star hotels in Kenya responded to the Covid-19 pandemic by designing products, reducing prices and offering new packages specifically specifically to appeal to local markets. (Wekesa, 2022) shows how outsourcing reduced cost and increased te outreach of hotels during the pandemic.

Innovation is the creation of fresh concepts and turning those concepts into novel goods or services leading to the growth of a business (Rajapathirana & Hui, 2018). Innovative tactics promote new ideas to existing goods, procedures, management techniques, marketing strategies, or any other organizational qualities that result in improved value.
Campo, Diaz, and Yagüe (2014) observed that innovation improves operational efficiency and overall effectiveness. Dzhandzhugazova, Blinova, Orlova, and Romanova (2016) in their study on the hospitality industry concluded that innovative marketing, improved service innovations, and the application of emerging digital technologies have been vital to driving the performance of the industry. In Nigeria, Tafida (2022) affirmed that innovations in customer interfaces influence customer access and satisfaction. These observations were made locally by Muriithi, Ngari and Mwangi (2023) who revealed that creatively upgrading technology standards for front desk, reservations and in-room amenities enhanced competitiveness.

The tourism sector plays a key role in national development and the sector’s competitiveness has become increasingly important. Competitive tourist destinations can attract and satisfy potential tourists. The Kenya Tourism Report (2018) affirms that star-rated hotels have to adopt competitive strategies as a means of achieving strategic advantage and maintaining a competitive edge in competitive markets and turbulent operating environments. With the pandemic shifting business operations, this study will investigate how differentiation, market development and innovative strategies influence hotels’ competitiveness.

1.1.2 Organization Performance

de Waal (2018) describes organizational performance as a multi-dimensional entity, the assessment of which depends on a number of organizational elements. According to Memia (2018), performance is an organization's capacity to achieve its unique, mission-, vision-, and goal-specific goals and objectives. Almatrooshi, Singh, and Farouk (2016) outlined organizational performance as the accomplishment of a firm’s strategic goals and objectives. Holbeche (2012), concluded that organizational performance may be
seen as a marketing mechanism where businesses actively interact with product marketplaces for customers and the financial aspect. Musau et al. (2017) analyzed the effectiveness of the organization using metrics for profitability, dependability, responsiveness, adaptability, and cost. Bhatti et al. (2015) listed some of the indicators utilized as performance metrics in their study, which included; quality, cost, reliability and timeliness. Nikolaou and Tsalis (2013) offered broader performance metrics, such as non-financial metrics including product quality, market share, company image, and interpersonal interactions.

The performance of organizations is expressed in the form of profitability, growth, service delivery among others. Organizations aim to maximize the value of equity and maximize the value of the organization and its stock (Iselin, Mia, & Sands, 2008). Kaplan and Norton (1996) questioned the only reliance on financial indicators for their unreliability since they place a greater emphasis on material resources while disregarding factors like consumer perceptions and corporate operations. In their approach, Kaplan (2009) advocates for the balanced scorecard, which is the all-inclusive evaluation of a company's success and is renowned for including both monetary and non-monetary factors in evaluating an organization's performance.

The balanced scorecard comprises four essential performance indicators: financial viewpoint, customer perspective, internal processes perspective, as well as learning and growth/organizational capability (Kaplan & Norton, 2015). According to the authors, the financial indicator reveals information about the financial health of a business, including earnings, income, cost reductions, and efficient resource usage. Customers' value, contentment, and retention are considered while evaluating an organization's success (Kaplan, 2012).
Internal processes analyze organizational performance using the criteria of the effectiveness and caliber of the provided goods and services (Philbin, 2011). Organizational capacity/learning and growth evaluates organizational performance via human capital, infrastructure, technology, knowledge/skills, and other capacities that are vital to breakthrough performance (Kaplan & Norton, 2014). These balance scorecard measures of organizational performance was adopted in the current research. However, star rated hotels do not publish their financial statements and since it is hard to ascertain available results, this study will rely on non-financial metrics such as the number of bookings and hotel activities engaged in which are important indicators that hotels are active and operational (Aengwo, 2016).

1.1.3 Star-Rated Hotels in Kenya

One of the six pillars of economic growth named by the Kenyan government in its Vision 2030 plan is tourism. To market the nation as a top travel destination with a high-end, varied, and identifiable encounter, the government hopes to negotiate certain cooperative ventures with private investors (Hassan, Gunkevych, & Rismani, 2018). The government is entrusted with positioning Kenya among the top 10 travel locations around the globe by providing a high-end, diversified, and a rare type of visitor encounter of her rivals can match (Muli, 2019). Kenya has developed a strong reputation in the hotel sector, which comes in second in terms of the country's foreign exchange earnings behind agriculture (Hassan, Gunkevych, & Rismani, 2018). In Kenya, Nairobi County has the greatest number of star-rated hotels, with five star-rated hotels having a market share of roughly 9.3% as at end of December 2017 (Kenya tourism report, 2018). This signifies their importance to the hospitality industry.
Hotels that can provide new services for the hospitality sector are more likely to draw in, satisfy, and keep customers than businesses that do not adopt that strategy (Magablih & Muheisen, 2013). Kenya has benefited greatly from the rising worldwide competition among destinations. However, the hotel industry in the country has been experiencing a steady drop in occupancy rates. The rate was 40.3% in 2011, 36.4% in 2012, 36.1% in 2013, 31.6% in 2014 to 29.1% in 2015, with a reported expansion in 2017 and 2018, at 30% and 32.5%. The drop resumed in 2019, standing at only 30.8% (KNBS, 2020; Cytonn-Real-Estate, 2017). The CIEC (2020) report affirms that Kenyan hotels' occupancy rates are below average and significantly vary by location of the nation. This calls upon the Kenya's tourist industry and the organizations within the hotel sector help create or modify their competitive strategy so they may compete successfully on a local and global level (Bukirwa, 2017).

Star-Rated hotels are the biggest and most attractive players in the hotel industry. Their income and activity form a bulk of the hospitality sector’s productivity and they play a key role in shaping the country’s image to high value customers. Poor performance of star-rated hotels is likely to affect lower ranked hotels, lead to job instability and threaten the sector’s economic productivity. The last two decades has seen an increase in studies assessing factors that influence competitiveness among star rated hotels (Kuria, Alice, & Wanderi, 2012; Muthuri, 2014; Ndung’u, 2016; Nagele & Awuor, 2018; Njuguna, Namada, & Muchara, 2019; Nyokabi, 2019). Success factors identified vary significantly, and they include the provision of excellent services, good relationship management, information technologies integration, proper brand positioning, and efficient training and employee empowerment. Musembi and Ragui (2021) called for hotel management to adopt competitive strategies to address the challenges associated with low occupancy rates and reduced income. In Kenya, star-
rated hotels are classified and regulated by the Tourism Regulatory Authority (TRA). The research examined on the 83 hotels operating within Nairobi County that are star-rated by the authority (Tourism Regulatory Authority, 2021).

1.2 Statement of the Problem

Today organizations engaging in business have to contend with the complexities of a shifting market that they depend on for survival (Salavou, 2015). In Kenya, hotels have been experiencing a turbulent operating environment with Lock (2021) reporting that between 2015 and 2019, the country’s hotels experienced a low occupancy rate of 31-34% compared to a 72% for Italy and 86% for Spain. This is a low rate and threatens the sustainability of luxury hotels which according to Eisen and Resco (2020) need an average of 40-50 % occupancy to remain operational. The Covid-19 pandemic exacerbated the financial situation of these firms as the unexpected fall in arrivals, operations and bookings resulted in the closure of several high end hotels such as Raddisson Blue, Serena and The Norfork Hotel (Sahoo, Awuor, & Panigrahi, 2021). Muli (2019) indicated that the poor performance among these star-rated hotels should concern the managements and calls on the adoption of competitive strategies.

Empirical studies have been conducted on several hotels across the globe examining their performance. For instance, Tavitiyaman, Zhang, and Qu (2012) revealed that competitive strategies have a direct effect on the financial performance of hotels in the United States. The study also found a positive moderating effect of organization structure on the relationship between the selected strategies and hotel performance. Nair (2019) in their study indicated that non-pricing and pricing-based strategies were key to providing a competitive edge in the hotel industry in Qatar. Hinson et al (2017) found out that market orientation and positioning were key to advancing the
performance of star-rated hotels in Ghana. The reviewed empirical studies have indicated that various aspects of the competitive strategies of firms are key to hotel performance. The studies have however not been conducted locally and do not employ the same metrics of competitive strategies on organization performance considered in this study. Hence, this research was vital in improving this research gap.

The Kenyan hotel business needs to be adaptable enough to handle pressure to compete at levels that are unmatched in the past if it is to survive (Muli, 2019). In her study, Nyawira (2016) found that the use of marketing methods improved the performance of hotels. According to Hassan's (2018) research, strategic management techniques significantly influenced how well the hotel business performed. Murimi and Wadongo (2021) reported that better management of revenues would improve the performance of star-rated hotels, while Ndunda (2021) established a strong nexus between customer relationship management practices and customer loyalty. Gitongu (2021) evidenced the influence of employee training on hotels’ performance. The relationship between competing tactics and the performance of star-rated hotels in Kenya has received little documented research, particularly given the unstable operating climate brought on by the impacts of Covid-19. Hence this study examined on filling this empirical research gap by ascertaining the impact of competitive strategies on the performance of star-rated hotels in Nairobi County, Kenya.

1.3 Objective of the Study

1.3.1 General Objective

The general objective of this study was to examine the influence of competitive strategies on the performance of star-rated hotels in Nairobi City County, Kenya.
1.3.2 Specific Objectives

i. To establish the effect of market development strategies on the performance of star-rated hotels in Nairobi City County, Kenya.

ii. To examine the effect of differentiation strategies on the performance of star-rated hotels in Nairobi City County, Kenya.

iii. To determine the effect of innovative strategies on the performance of star-rated hotels in Nairobi City County, Kenya.

1.4 Research Questions

i. How do market development strategy impact the performance of star-rated hotels in Nairobi City County, Kenya?

ii. How do the differentiation strategy influence the performance of star-rated hotels in Nairobi City County, Kenya?

iii. How do innovative strategy affect the performance of star-rated hotels in Nairobi City County, Kenya?

1.5 Significance of the Study

1.5.1 To management

The study was beneficial to management as they were sensitized on the competitive strategies necessary for adoption for better performance. It will also enable the managers in the hospitality sector without the strategies to adopt the competitive strategies to improve their performance. Additionally, they would also be aware of which particular competitive strategies to modify in order to keep themselves competitive and boost their performance.
1.5.2 To policymakers

To policymakers, the study was crucial in elaborating on the competitive perspective of hotel firms. The information gathered via this study will assist the government in developing laws and regulations aimed at improving the performance of the hotel business by encouraging the adoption of improved management skills and competitive tactics. The information presented in this research study regarding the advantages of effectively implementing competitive strategies in hotels and associated facilities was helpful to the government and regulatory agencies. Additionally, it will make it easier to put these ideas into reality by creating effective rules that are pertinent. Due to the sensitivity of the hotel business, this will ensure that the hotels adhere to the competitive services that meet client requests.

1.5.3 To research

Researchers and academics can learn about the effects of competitive strategies on business performance from the research's findings. The study will also act as a catalyst for more research to create the necessary body of knowledge on the topic and as an empirical source for ongoing research. To the potential investors, the study was effective as the success of implemented strategies was the key element in attracting new investors to the hotel sector in the country.

1.6 Scope of the Study

The study's territorial scope was on the listed star-rated hotels that are operational in Nairobi City County, these areas were chosen because of ease of accessibility to the researcher. A report by Tourism Regulatory Authority (2021), shows that about 83 star-rated hotels are operational within the County. The conceptual scope of the study
concentrates on the relationship amongst competitive strategies, and the performance of star-rated hotels. The competitive strategies were examined through market development strategy, differentiation strategy, and innovation strategy. The organization's performance was measured as guided by the balanced scorecard model. The theoretical scope of the study was anchored on resource-based view theory and balanced scorecard model. The methodological scope of the study was a quantitative approach.

1.7 Limitation of the Study

The research study was restricted to the assessment of the non-financial performance of the star-rated hotels and did not collect any financial data. This can make it more difficult to use the research findings in a financial setting. Further, the study was limited to star-rated hotels only within Nairobi County; thus, excluding other star-rated hotels across the country may limit the generalisability of the findings. The study focused on the Covid-19 in accessing the research respondents hence the researcher utilized electronic data collection techniques such as google forms to complement physical data collection. This reduced the time consumed during data collection. The researcher also anticipated a lack of objectivity from the answers sourced from the respondents. This limitation was countered by assurances to the respondents that the responses was confidential and their identities will not be revealed.

1.8 Organization of the Study

The research study was arranged into five chapters. The first chapter focused on contextualization of the variables, exploring the research problem, stating the objectives and research questions guiding the study. The second chapter focused on the literature
review with a focus on the theoretical, empirical, research gaps, and conceptual framework. The third chapter focused on the research methodology that guided the study in solving the research problem. The fourth chapter included a variety of findings deriving from the analysis of the acquired data. The last chapter focused on the summary, conclusions and recommendations drawn from the research.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter centred on the literature review. The chapter discussed the theoretical literature and reviews empirical research in consistent with the objectives of the study. Further, the chapter presented the study gaps and the conceptual framework identifying the association between competitive strategies and organizational performance.

2.2 Theoretical Literature Review

The resource-based perspective theory and the balanced scorecard technique served as the study's pillars. The dominant theory of the study was the resource-based view theory and was anchored on the independent variables of the research.

2.2.1 Resource-Based View Theory

Resource-Based Theory traces its origin to Penrose (1959). Barney (1991) is among other authors credited for linking firms' performance to competitive advantage. The theory, that has been employed to evaluate how organizations distribute their finite resources to acquire and employ combative skills, is viewed as a theory of the firm's competitive advantage (Bromley & Rau, 2016). The resource-based view theory by Barney (1991) explains how businesses can be able to adapt and strategically position themselves in the competitive environment (Barney, 2001). Lockett, Thompson, and Morgenstern (2009) assert that a company should have useful internal resources, uncommon, unique, and incomparable. A company should take care of and safeguard the resources it has recognized as having these evaluations since doing so can boost organizational performance (Karyani & Rossieeta, 2018).
According to the theory, an organization is made up of resources that are universal (Almarri & Gardiner, 2014). It highlights the businesses’ performance-improving skills and systems. The theory outlines how a company may create and use a competitive advantage based on the resources it already has (Barney & Mackey, 2016). An organization in a competitive environment is made up of numerous developing skills under dynamic management to produce results that are above average. As a result, instead of industry structures, various organizations over time are driven by specific resources and competencies (Balashova & Gromova, 2016).

Taher (2012), deduced that for every business to benefit from a long-lasting competitive advantage and increased long-term performance, organizations should establish their core competencies and utilize their core capabilities successfully. The resource-based view has frequently come under fire for failing to explain how businesses should build and use these resources in the changing settings in which they operate (Kull, Mena, & Korschun, 2016; Taher, 2012) however, the theory continues to be a significant theoretical framework for improving comprehension of how competitive capabilities (strategies) might influence an organization’s success.

RBV theory is thus pertinent to this study because it clarifies the significance of discovering uncommon, non-imitable, and non-substitutable competitive tactics that may be important to enhancing organizational performance with star-rated hotels in Kenya.

2.2.2 The Balanced Scorecard Model

The Balanced Score Card (BSC) model was developed from the works of Kaplan and Norton (1996) and is a multi-faceted performance management tool that includes both
financial and non-financial metrics that can be employed by firms to measure performance. Kaplan and Norton (2001), asserts that the Balanced Score Card A reasonable performance measuring instrument that connects strategic direction with anticipated results. Recent innovations in performance measuring methods used by organizations include the business excellence model, shareholder value analysis, and activity-based costing (Ofori-Kuragu, Baiden, & Badu, 2016).

This study is premised on the balanced scorecard perspectives in anchoring the dependent variable organization performance. Four perspectives that define the balanced scorecard are: customer, learning and growth, internal company process, and monetary viewpoint. The stakeholders who the company serves and who are served by it are regarded to as the client. The learning and growth elements primarily address the need for employee development (Kaplan, 2012). According to Kaplan (2012), Internal procedures enhance customer satisfaction and revenue-generating operations, which provide businesses a competitive edge. The model's outcomes measurement is crucial for assisting businesses in developing creative tactics that add value for customers.

For instance, introducing new items adds value to clients and continuously enhances operational effectiveness, which leads to market expansion and profit margin (Kaplan & Norton, 1996). The financial viewpoint, on the contrary, examines the financial health and resource use of a business. Prior to now, when financial metrics are more strategically oriented, institutional departments were dependent on annual budget allocation with performance judged on percentages. Using the BSC approach, businesses may increase customer loyalty in the areas of quality, quantity of performance, product and service, timeliness, and cost (Kaplan & Norton, 2015).
The Balanced Score Card is adopted in this study as it points out how to apply the model in performance measurement. The approach incorporates numerous measuring parameters. The balanced scorecard technique was used to determine how well the research performed. Hence, it was applicable in the current research in identifying the performance measures used in star-rated hotels.

2.3 Empirical Literature Review

This section reviews various empirical studies and how they relate to the current study premise. Various gaps informing the survey was addressed in this part in accordance with the study's aims.

2.3.1 Market Development Strategies and Organization Performance

In a study in Iran, Nasihatkon, Kheiri, and Miralbell (2016) focused on social media and e-marketing in Parsian International Hotels. The study was quantitative with 140 marketers considered in the data collection. The study results indicated that social media marketing is an important market development tool within the Iranian hospitality industry. The study however noted that utilization of YouTube has increased within the hospitality industry. However, Parisian hotels are yet to fully utilize the internet and more specifically social media marketing to improve their opportunities. The study does not identify how the various e-market development tools influence the performance of the hotels which was evaluated in this research.

Oliveira, Renda, Correia and Antonio (2022) researched on segmentation practices and their impact on customer preferences with specific focus on the use of segmentation to group customers with similar language. The study used online data collected from Trip Advisor and focused on English, French and Portuguese overnight stay tourists.
According to the findings, while factors such as room quality and service influenced customer satisfaction across all languages, preferences vary significantly depending on their place of origin. The researchers ascertained that hotels can use segmentation to market certain features to specific visitors, as features such as beaches appealed more to French speakers than English tourists.

Abdul-Hamid (2019) examined the sustainability market orientation and business performance of Star Rated Hotels in Ghana. The study was grounded on a positivism research philosophy with research data collected from 225 star-rated hotels in the country. The study employed panel least-squares in the analysis and the findings demonstrated a favorable and substantial correlation between hotel performance in Ghana's hotel industry and sustainability market orientation. The study showed that sustainable technology did not mediate the effect of market orientation on the performance of the hotels. Further, it was ascertain that the competitive edge of the hotels was essential to their success. The study is conducted in Ghananian hotels while the current study examines the performance of star-rated hotels in Kenya.

Wawira (2016) did a research on the effectiveness of marketing tactics for big hotels in Nairobi County. The research was descriptive with 30 five-star and four stars hotels within the county considered in the population. The findings showed that penetration pricing was the most dominant strategy with niche marketing, product development, and promotional strategies also being utilized. The study showed that product development, market development, and penetration strategies had a favorable impact on the hotels' performance. The study noted that pricing strategies were not a significant predictor of hotel performance. The research only focussed on marketing strategies,
while this study expanded and cover innovative and differentiation strategies within star-rated hotels.

Odhiambo (2015) explored the impact of the marketing mix on performance and found that retail stores in Kenya's footwear industry employed a pricing strategy that included premium pricing, price promotions, and discounts. This led to higher sales and more market penetration for retail outlets. The study further indicated that the marketing mix had a considerable and favourable impact on the retailers' performance. The research was premised on the retail industry in Kenya whereas the current study examined the performance of hotels in Kenya.

2.3.2 Differentiation Strategies and Organization Performance

Junior, Silveira-Martins, Miura, and Abreu (2020) analyzed marketing competences, service differentiation, and performance of executive hotels in the Santa Catarina State, Brazil. The research targeted 153 executives drawn from the hotel industry and employed both factor analysis and confirmatory factorial analysis approaches. The study results revealed that service differentiation has been essential to the success of the executive hotels in the United States. The research showed that improving service quality, enhancing customer engagement, and maintaining competitive service offerings are vital to driving hotel performance. Conversely the research is restricted to service differentiation while the current research focused on other areas of differentiation strategies and how they impact hotel performance.

According to Adimo (2018), the factors that contribute to the superior performance of organizations include the standard of the goods and services delivered, the size of the firm, the brand, the product, the logistics system, and the marketing approach. The
emphasis is that differentiation is mainly achieved by having a unique feature, responsive customer service, rapid innovations, and technological leadership. The however, study is not confined to the hotel industry which limits the applicability of the results in the current research scope.

In a study in West Africa, Dirisu, Iyiola, and Ibidunni (2013) testing the influence of product differentiation as a tool for competitive advantage and optimal organizational performance in the manufacturing industry revealed that high-quality products, product design, new product development, and customer satisfaction increased companies’ sales growth and profitability. Differentiation also enhanced the overall capability of organizations by helping them to attract customers and maintain a competitive edge over their competitors. The examination however was not limited to the hospitality industry which is the primary subject of this study. Further, the study does not consider more competitive strategies as adopted in the current review.

Njuguna, Namada, and Muchara (2019) explored the effect of differentiation strategy and firm structure on the performance of star-rated hotels. The study was predicated on a positivism research philosophy with a correlation descriptive research guiding the study. The population of the study was the general managers and functional managers from 3, 4 and 5-star rated hotels in Kenya. The regression results highlighted that the differentiation strategy influenced the performance of the hotels. However, there was no significant influence of diversification strategy-firm structure alignment on the performance of the hotels. The study demonstrated that brand image, customer service, innovation, and quality were key to improving room occupancy, profitability, and market share. The study does not cover other competitive strategies adopted in the
current survey and is limited in the measurement of hotel performance since it did not incorporate the BSC perspectives.

Chege (2016) revealed that by pursuing the differentiation strategy, Small and Medium-Sized Enterprises (SMEs) in Kenya improved their efficiency and performance by offering customers products that stood out from their competitors due to their quality, value, packaging, and personalized service. The attributes and features enhanced customer satisfaction, built brand loyalty, limited the threat of substitutes, and protected the SMEs from their rivals. The research however is focused on how differentiation strategy affects customers in SMEs while this study reviews differentiation strategy's effect on firm performance.

In a study in the local banking industry, Ngari and Bichanga (2017) showed that financial institutions in Kenya have adopted the differentiation strategy which majorly enhances customer satisfaction and hence the need for other commercial banks to build market teams to handle different market niches, promote innovation which ensures they offer highly differentiated products and services for specific customer needs. The research is however limited only to differentiation strategy while the current study examined on how competitive strategies impact the performance of star-rated hotels in Kenya.

### 2.3.3 Innovative Strategies and Organization Performance

A study by Nuskiya (2018) to assess the relationship between technology and the performance of the employees in Sri Lanka shows how technology resulted in reduced workload, increased satisfaction, improved employee motivation, reduced absenteeism, and increased employee skills. The study showed that firms that have adopted
technology reach competitive advantages in their industry through employee performance. The study is however concentrated on employee performance whereas the current study examines the interaction between innovative strategies and organizational performance.

Hernández-Perlines, Ariza-Montes, Han, and Law (2019) study focussed on innovative capacity, quality certification, and performance in the hotel sector in Spain. The study focussed on 102 star-rated establishments and utilized electronic methods during the quantitative data gathering procedure. The study showed that at least 27.5% of the performance of the hotels is influenced by the innovative capacity. Findings also showed that quality certification positively moderates the interaction between innovative capacity and hotel performance. The study showed that improvement in service innovation, process innovation, and innovative products are key to hotel outcomes. The study is focused on the Spanish hotel industry while this review examined the performance of Kenyan star-rated hotels.

Rakhmadi (2019) assessed the influence of human resources competency and performance management systems on the performance of employees at Hotel Narita Surabaya. The study collected research data from 40 employees and relied on a regression analysis approach. The results showed that improving human resource competencies significantly influenced the performance. The study also noted that an effective management system was a significant predictor of employee performance with 65.7% of the changes attributed to training programs, review of employee performance, working hour arrangements, development of employee contracts, and rewarding employees.
Asadi, Pourhashemi, Nilashi, Abdullah, Samad, Yadegaridehkordi, and Razali (2020) studied how green innovation affected the performance of sustainability in the Malaysian hotel business. The study was quantitative with data collected from 183 hotels within the country. The data analysis used the partial least squares model. The findings indicated that green innovation procedures had a beneficial effect on the environmental and economic performance of the hotels. The study showed that shifting to green practices and innovations within the hotels can be key to driving sustainability which is vital to maintaining the performance of the hotels. The research was only targeted the green innovations and does not expand into other innovative strategies and the way they influence hotel performance. This was considered in the current study.

Xuhua, Spio-Kwofie, Udimal, and Addai (2018) reviewed the adoption of entrepreneurial innovation strategies to drive the small hotels’ growth in Ghana. The study population was derived from 2,915 small-scale hotels with random sampling applied in the course of acquiring data. The study utilised correlation and regression techniques in the analysis. The study indicated that entrepreneurial innovation strategies positively improved the efficiency and growth of the hotels. The study noted that the implementation of service, process, management, and marketing innovations can be critical to driving the growth of the hotels. Furthermore, incorporating innovation strategies into the strategic plans of the hotels will directly contribute to the patronage and growth of the hotels. The study however does not incorporate the BSC perspectives in analyzing the performance of the star-rated hotels.

2.4 Summary of Literature Review and Research Gaps

The review of the empirical literature was vital in understanding what is known concerning the competitive strategies and performance of hotels. The various gaps
established in the review are summarized below. The studies by Junior, Silveira-Martins, Miura, and Abreu (2020), and Nuskiya (2018) did not focus on investigating the performance of star-rated hotels in Kenya. Further, the study by Nasihatkon, Kheiri, and Miralbell (2016) specified investigating the effect of social media use on organizational performance. Abdul-Hamid (2019), in the study, adopted panel least-squares in data analysis and focused on market orientation and hotels’ performance. Although based in Kenya, the study by Wawira (2016) explicitly examined how marketing tactics affected hotel performance. The current specified competitive strategies.

The study by Odhiambo (2015) used similar competitive strategies when measuring their impact on performance. However, the study was from the retail industry, which is not exclusively centered around the hotel industry. While the current study incorporated the BSC when measuring performance, Njuguna, Namada, and Muchara (2019) were different since it measured financial results as the indicator of performance. Similarly, Hernández-Perlines, Ariza-Montes, Han, and Law (2019) measured quality aspects of performance, using the TQM model to determine the effect of innovative practices. In the study by Asadi, Pourhashemi, Nilashi, Abdullah, Samad, Yadegaridehkordi, and Razali (2020), performance was measured through the green innovation perspective. The current study incorporated various measures of performance, including green performance and financial performance, as identified by the BSC model. Table 2.1 contains the gaps that were observed..
### Table 2.1 Summary of Empirical Research Gaps

<table>
<thead>
<tr>
<th>Author</th>
<th>Title of study</th>
<th>Findings</th>
<th>Research Gap</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asadi, et.al. (2020)</td>
<td>Influence of green innovation on sustainability performance in the Malaysian hotel industry</td>
<td>The findings indicated that green innovation procedures had a positive effect on the environmental and economic performance of the hotels.</td>
<td>The study was only limited to green innovations.</td>
<td>This study will assess more differentiation strategies adopted in Kenya.</td>
</tr>
<tr>
<td>Chege, Wang, and Suntu (2020)</td>
<td>Impact of information technology innovation on firm performance in Kenya</td>
<td>The study established that investment in information communication technology, reliance on digital technologies, social networking, and establishing ICT resources is vital to supporting SME performance</td>
<td>The research study was on general SMEs.</td>
<td>These findings will be expounded to a specific segment of hotels – star rated to address performance challenges in the sector</td>
</tr>
<tr>
<td>Abdul-Hamid (2019)</td>
<td>Sustainability market orientation and business performance of Star Rated Hotels in Ghana</td>
<td>The study showed that sustainable technology did not mediate the effect of market orientation on the performance of the hotels</td>
<td>The study is conducted in hotels in Ghana</td>
<td>The current research explored the performance of star-rated hotels in Kenya.</td>
</tr>
<tr>
<td>Hernández-Perlines, et.al. (2019)</td>
<td>Innovative capacity, quality certification, and performance in the hotel sector in Spain</td>
<td>The study showed that at least 27.5% of the performance of the hotels is determined by the innovative capacity</td>
<td>The study is focused on the Spanish hotel industry and only reviews innovative capacity.</td>
<td>This research reviewed the performance of star-rated hotels in Kenya.</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Title</td>
<td>Summary</td>
<td>Limitations</td>
<td>Scope</td>
</tr>
<tr>
<td>-----------</td>
<td>-------</td>
<td>---------</td>
<td>-------------</td>
<td>-------</td>
</tr>
<tr>
<td>Njuguna, Namada, and Muchara (2019)</td>
<td>Effect of differentiation strategy, and firm structure on the performance of star-rated hotels</td>
<td>The study revealed that brand image, customer service, innovation, and quality were key to improving room occupancy, profitability, and market share.</td>
<td>The study does not cover other competitive strategies adopted in the current survey and is limited in the measurement of hotel performance since it did not incorporate the BSC perspectives.</td>
<td>The current study focused and cover more competitive strategies not adopted in the previous research.</td>
</tr>
<tr>
<td>Xuhua, Spio-Kwofie, Udimal, and Addai (2018)</td>
<td>Adoption of entrepreneurial innovation strategies to drive the small hotels’ growth in Ghana</td>
<td>The study noted that the adoption of service, process, management, and marketing innovations might be crucial to fostering the expansion of hotels.</td>
<td>The study was on small hotels.</td>
<td>These findings well be queried in the context of star rated hotels.</td>
</tr>
<tr>
<td>Chege (2016)</td>
<td>Differentiation strategy, Small and Medium-Sized Enterprises (SMEs) in Kenya</td>
<td>The attributes and features enhanced customer satisfaction, built brand loyalty, limited the threat of substitutes, and protected the SMEs from their rivals.</td>
<td>The research however is focused on how differentiation strategy affects customers in SMEs</td>
<td>This study reviewed how various competitive strategies influence the performance of star-rated hotels.</td>
</tr>
<tr>
<td>Wawira (2016)</td>
<td>Marketing strategies and performance of large hotels in Nairobi County</td>
<td>The study showed that product development, market development, and penetration strategies had a positive relationship with the performance of the hotels.</td>
<td>The research only focused on marketing strategies.</td>
<td>The current research focused and cover innovative and differentiation strategies within star-rated hotels.</td>
</tr>
<tr>
<td><strong>Oliveira, Renda, Correia and Antonio (2022)</strong></td>
<td>Hotel customer segmentation and sentiment analysis through online reviews: an analysis of selected European markets</td>
<td>Segmentation improves hotels’ ability to provide services and products that may be more appealing to specific customer segments.</td>
<td>This study specified language segmentation which is one factor of the differentiation strategy.</td>
<td>These findings will be expanded to examine how other factors such as price segmentation can influence customer preferences</td>
</tr>
</tbody>
</table>
2.5 Conceptual Framework

A conceptual framework is a hypothesized model depicting the connection between factors grammatically or diagrammatically (Mugenda & Mugenda, 2008). The below conceptual framework is the relationship between competitive strategies and organizational performance of star-rated hotels in Nairobi City County, Kenya.

Independent Variables

<table>
<thead>
<tr>
<th>Market development:</th>
<th>Dependent</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Market segmentation</td>
<td>Organization Performance:</td>
</tr>
<tr>
<td>• Niche marketing</td>
<td>• Customer perspective</td>
</tr>
<tr>
<td>• New distribution channels</td>
<td>• Growth/leaning perspective</td>
</tr>
<tr>
<td>• Promotional offers</td>
<td>• Internal processes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Differentiation strategy:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Responsive customer service</td>
<td></td>
</tr>
<tr>
<td>• Product/service customization</td>
<td></td>
</tr>
<tr>
<td>• Optimal pricing</td>
<td></td>
</tr>
<tr>
<td>• Branding practices</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Innovative Strategy:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Service innovation</td>
<td></td>
</tr>
<tr>
<td>• Process innovation</td>
<td></td>
</tr>
<tr>
<td>• Digital technologies</td>
<td></td>
</tr>
<tr>
<td>• Financial innovations</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.1 Conceptual Framework
Source: Research Data (2022)

From the above conceptual framework, market development, differentiation strategy and innovative strategy are the independent variables while performance of star-rated hotels...
is the dependent variable. Market development aims at introducing the hotels existing products and services into newer markets this in turn leads to more market share for the hotels as more customers for example are made aware of the existing hotel services and thus gaining more on their competitors. Differentiation strategy looks into being unique by offering distinct product and services from competitors it involves having better branding for example as compared to your competitors this in turn creates more customer awareness which in turn leads to better performance of the firm. Innovation strategy looks into development and advancement of products and services, this in turn leads to introduction of newer or improved products and services to the customers.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter described the study techniques the researcher used to help address the issue at hand. The chapter reviewed the research design, the population, sampling, and data gathering techniques. Further, the data analysis and presentation of the results were discussed, and lastly the ethics that guided the study.

3.2 Research Design

Kothari (2004) states that research design is a framework that specifies methods and procedures for collecting and analysing data. Descriptive research design study is a type of study concerned with characteristics of an individual or a group. (Malit, 2018) ascertains that descriptive research design helps in discovering information that can help build up correct character of a cluster. This research utilized a descriptive research design. This research design ensures the collection of data that is quantitative and this enhances quantitative analysis of the collected data using either inferential or descriptive statistics (Mittal, 2010). This research design was anchored on a quantitative descriptive research design which supported the examination of the study variables in the present context. Furthermore, the design supported the utilization of quantitative analysis techniques.

3.3 Target population

A population is a whole group that has at least one similar trademark (Pickard 2013). Populations do not just consist of individuals; they can also include, but are not limited to, species, organizations, structures, motor vehicles, ranches, objects, or events.
According to TRA (2021), there are 83 registered star-rated hotels in operation in Nairobi City County. The study targeted the 83 star-rated hotels in Nairobi County Kenya. The study examined on the managing directors who was selected for this study as they are responsible for the development of strategic plans and policies, they also know the performance of the hotels and can provide information on the competitive strategies and performance of the hotels. The managers are further considered for the survey since they are expected by their day-to-day professional duties to have an understanding of the organization working. Further, they’re mostly among the key personnel retained in hotels that have seen significant downsizing of their employees due to Covid-19.

### Table 3.1 Target population

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Hotels</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Director</td>
<td>83</td>
<td>83</td>
</tr>
<tr>
<td>Target Population</td>
<td></td>
<td>83</td>
</tr>
</tbody>
</table>

Source: (Tourism Regulatory Authority, 2021)

### 3.4 Sampling Design and Sample Size

Sampling frame is the source data that includes every component of a research population and is used to create the study sample (Babin & Zikmund, 2012). The sampling frame enables researchers to design the framework of the study by confining the research to a specific scope. The sampling frame for this research was star-rated hotels in Nairobi County. Sampling technique refers to the tactics used by the researcher in selecting a sample size from which the researchers draw inferences (Mittal, 2010). The research study utilized census
thus the target population was the sample size. The sample size for the study was 83 participants drawn from the registered star-rated hotels in Nairobi County.

3.5 Data collection Instrument

The researcher employed primary data for the purpose of achieving the study objectives. Pickard (2013) reaffirmed the importance of questionnaires as a tool for gathering data in a research project. A systematic research questionnaire was used by the study to collect data. The research questionnaire was developed as guided by the empirical studies and the operationalization of the study variables. Demographic data was gathered in the first phase of the questionnaire, and remarks on competitive tactics was included in the second phase using a Likert scale (market development, differentiation, and innovative strategies). Statements on how the organization's success is measured within star-rated hotels was found in the questionnaire's last phase.

3.6 Pilot Study

The study ensured that the study research tool is pretested with 10% of the population to support reliability and validity testing.

3.6.1 Validity of Research instrument

Validity explains how the study methodology accurately assesses the variables it was designed to examine (Miller, 2012). To address flaws in the instrument's design, questionnaires was subjected to pilot testing for content validation. A sample of 10% of the sample size (10 individuals) from the star-rated hotels was considered for the piloting. In order to verify that all study constructs are included in the examination, the
research performed construct validity, which focuses on the evaluation of the research instrument.

### 3.6.2 Reliability of research instrument

The reliability of the study was assessed by taking into account the extent to which equivalent results might be produced if the research procedures were used by another researcher (Taherdoost, 2016). It is necessary for the results to be comparable to those that would be acquired from another researcher using similar techniques (Pickard, 2013). High validity and reliability are required for research projects to be of high quality. Consistency was evaluated using the Cronbach alpha test. For the purposes of this inquiry, a reliability coefficient (Cronbach alpha) of 0.7 or higher for each of the variables was regarded as adequate. The results of the reliability test are illustrated below
Table 3.2 Reliability Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market development</td>
<td>.749</td>
<td>7</td>
<td>Accepted for survey</td>
</tr>
<tr>
<td>Differentiation strategies</td>
<td>.757</td>
<td>7</td>
<td>Accepted for survey</td>
</tr>
<tr>
<td>Innovative strategies</td>
<td>.742</td>
<td>6</td>
<td>Accepted for survey</td>
</tr>
<tr>
<td>Organization performance</td>
<td>.890</td>
<td>8</td>
<td>Accepted for survey</td>
</tr>
</tbody>
</table>

Source: Research Data (2022)

3.7 Data Collection Procedures

A research procedure is a process that a researcher follows to carry out a study (Walliman, 2010). This study ensured that a scientific approach is employed during the study. The researcher made sure that all the star-rated hotels are contacted in advance of the data collection team delivering the research questionnaires. Where not possible to drop off and pick up, google forms are used to support electronic data collection. The study acquired the authority was granted by the Kenyatta University and the National Commission for Science, Technology, and Innovation.

3.8 Data Analysis and Presentation

The data was modified and coded using numbers for each response to the questions. The study used a quantitative approach in the analysis of the collected research data using SPSS 25. Descriptive statistics such as frequency means and standard deviation was employed in presenting a summary of the research responses. The inferential analysis was carried out to ascertain the relationship amongst the variables. The strength of the relationship between the variables was tested using multiple linear regression analysis that produced the Analysis of Variance (ANOVA) which aids in estimating the
statistical significance of the relationship. To further explain the research findings, frequency distribution tables and charts was used to display the data. The research used the following model;

\[
OP = \alpha + B_1 X_1 + B_2 X_2 + B_3 X_3 + \epsilon \quad \text{Equation 3.1}
\]

Where,

OP is the organizational performance of star-rated hotels

\(X_1\) is market development strategies

\(X_2\) is the differentiation strategies

\(X_3\) is the innovation strategies

\(\epsilon\) is the error term

\(\beta_1 - \beta_3\) are coefficients of the independent variables

3.9 Ethical Considerations

The investigation made sure that ethical standards are followed during the investigation. The study ensured that the Kenyatta University Graduate School is consulted for research permission. Additionally, the investigation submitted a request for a research permission to the NACOSTI. The study confirmed that respondents' anonymity is kept, which ensured that confidentiality is maintained throughout the research procedure. In order to guarantee that the participants' involvement in the research is voluntary, the study sought their permission. Additionally, the study data was safely secured to prevent illegal access. This helped to maintain the responders' confidentiality.
CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The chapter of the research is a critical component since it allows for the presentation of the research findings. In detail the chapter focused on the response rate, the demographic profile of the participants, descriptive findings, correlation analysis, diagnostics and lastly the regression findings.

4.2 Background Information

The section focused on the response rate obtained and the demographic profile of the respondents who participated in the survey.

4.2.1 Response Rate

The study sought to obtain survey data from a pool of 83 managers identified from the star-rated hotels recognized by the TRA (2021) directory. The survey was able to obtain 81% (n= 67) responses from the management team within the hotels with only 19% of the participants not able to respond within the required time period. The response was deemed adequate and suitable for the conduct of the quantitative analysis as it was beyond the required 60% standard as exhibited in figure 4.1

![Response Rate](image)

**Figure 4.1 Response Rate**

Source: Research Data (2022)
4.2.2 Demographic Information

The research queried the respondents on various demographic characteristics and the findings are shown in this section.

4.2.2.1 Gender of Respondents

The responders were requested to indicate their gender profile and findings highlighted that majority of the management staff, 51% (n = 34) were female participants with only 49% (n = 33) drawn from male respondent as shown in figure 4.2. The analysis pointed out there was high concentration of female staff within the hospitality industry which is key to enhancing diversity within the management team.

![Figure 4.2 Gender of Respondents](image)

Source: Research Data (2022)

4.2.2.2 Age of Respondents

The research analysed the age profile of the responders and findings are exhibited in the Table 4.1 below.
Table 4.1 Respondents’ Age

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>21-30 years</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>31-40 years</td>
<td>8</td>
<td>11.9</td>
</tr>
<tr>
<td>41-50 years</td>
<td>50</td>
<td>74.6</td>
</tr>
<tr>
<td>51-60 years</td>
<td>7</td>
<td>10.4</td>
</tr>
<tr>
<td>Above 61 years</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>67</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2022)

The findings illustrated that majority of the responders 74% (n = 50) were within the age 41-50 years, 12% (n = 8) were 31-40 years of age with 10% of the participants between ages 51-60 years. The results were a reflection there is inclusivity in terms of age across the senior management team of the star-rated hotels in Nairobi County.

4.2.2.3 Highest Education Level Attained

The survey analysed the education attainment among the hotel management team and findings demonstrated that 48% (n = 32) had an undergraduate degree, 43% (n = 29) attained a postgraduate degree with only 9% attaining a diploma certificate. The findings showed there was high education qualification among the management team which is critical to running large institutions such as the star-rated hotels.
4.2.2.4 Length of Period as Managing Director

The study reviewed how long the respondents have held their management position and the responses obtained were analyzed and exhibited in Table 4.2

Table 4.2 Period as Managing Director

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3 years</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>4-6 years</td>
<td>19</td>
<td>28.4</td>
</tr>
<tr>
<td>7-10 years</td>
<td>19</td>
<td>28.4</td>
</tr>
<tr>
<td>10+ years</td>
<td>27</td>
<td>40.3</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Data (2022)

The analysis showed that most of the responders 40% (n = 27) have worked for over 10 years in the hospitality industry, 28% (n = 19) were in the industry for between 4-6 years and 7-10 years respectively. The results implied that the management team have diverse experience in the hotel industry which is critical to provision of responses which can reliably be utilized in answering the study problem.
4.2.2.5 Number of Employees in the Hotel
The analysis of the responses showed that most of the hotels 46% (n = 31) had at least 101-200 employees, 36% (n = 24) have between 0-50 employees with only 18% having between 51-100 employees. The findings revealed that the hotels have adequate personnel that can support the operations of the institutions which can enhance the attainment of performance as shown in figure 4.4

![Number of Employees Pie Chart]

**Figure 4.4 Number of Employees**
Source: Research Data (2022)

4.2.2.6 Year of Hotel in Operations
The study examined how long the hotels have been in operation within the country and the analysis is exhibited in Table 4.3

<table>
<thead>
<tr>
<th>Length the Hotel has been Operational</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-10</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>11-20</td>
<td>13</td>
<td>19.4</td>
</tr>
<tr>
<td>21-30</td>
<td>41</td>
<td>61.2</td>
</tr>
<tr>
<td>30+ years</td>
<td>11</td>
<td>16.4</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Data (2022)
The above analysis revealed that 61% (n = 41) of the hotels have operated for 21-30 years, 19% (n = 13) have existed for at least 11-20 years with 16% being in operation for over 30 years. The findings demonstrate that the diverse years in existence are key to providing responses on how various competitive strategies have affected the organization performance of the hotels in Nairobi County.

4.3 Descriptive Findings

The research questionnaire was developed using Likert scale statements and the analysis applied for the summary of the responses was presented using means and standard deviation. The findings are summarized in accordance with the survey's goals.

4.3.1 Market Development Strategies

The first research variable reviewed the various market development strategies deployed by star-rated hotels and the results are displayed in Table 4.4

<table>
<thead>
<tr>
<th>Table 4.4 Descriptive Findings for Market Development Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Our hotel continuously engages in geographical segmentation to reach and serve more markets</strong></td>
</tr>
<tr>
<td>67</td>
</tr>
<tr>
<td><strong>Our hotel ensures that our product and service offering are tailored to the needs of our various market segments</strong></td>
</tr>
<tr>
<td><strong>Our hotel employs niche marketing approaches to develop and leverage on new market opportunities</strong></td>
</tr>
<tr>
<td><strong>Our hotel continuously reviews the various marketing channels employed for consistency with the changing hotel environment</strong></td>
</tr>
<tr>
<td><strong>Our hotel relies on market feedback in the rollout of new and emerging distribution channels</strong></td>
</tr>
<tr>
<td><strong>Our hotel continuously relies on package offers to drive patronage to our establishments</strong></td>
</tr>
<tr>
<td><strong>Our hotel employs various forms of market promotional approaches i.e., cost, service and product to enhance our reputation within the market</strong></td>
</tr>
<tr>
<td><strong>Overall score</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2022)
The results noted strong agreement among respondents the hotel continuously engages in geographical segmentation to reach and serve more markets (Mean = 4.313, dev = .582). With a mean of 4.253, the results demonstrated strong agreement the hotel uninterruptedly reviews the various marketing channels employed for consistency with the changing hotel environment. The respondents agreed that the hotel employs various forms of market promotional approaches i.e., cost, service and product to enhance our reputation within the market (Mean = 4.029, dev = .737). The managers agreed the hotel continuously relies on package offers to drive patronage to our establishments (Mean = 3.970, dev = .758). The overall mean was 4.0959 showing that the hotels managers were in agreement that undertaking market development strategies was vital to the attainment of the organization goals. Consistent with the above findings Gerstlberger, et.al (2014) notes that firms need to focus on expanding their markets, service range and introducing new products that will enhance their performance. Uchegbulam and Akinyele (2015) views showed that adopting channel diversification and supplier networks will help meet new networks which are key to strengthening the market position. Kandpal and Kavidayal (2013) contends that improving the market development strategies through product and service diversification will result in better returns and market share.

4.3.2 Differentiation Strategies

The second variable reviewed in the survey were the differentiation strategies within the hotels and the findings are exhibited in Table 4.5
Table 4.5 Descriptive Findings for Differentiation Strategies

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our hotel ensures that our service offering is centered on our customers</td>
<td>67</td>
<td>4.0299</td>
<td>.81594</td>
</tr>
<tr>
<td>to ensure increased patronage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our hotel has developed responsive customer service to ensure that all</td>
<td>67</td>
<td>3.9851</td>
<td>.70695</td>
</tr>
<tr>
<td>complaints are attended to promptly</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our hotel continuously customizes our product offering to the needs of</td>
<td>67</td>
<td>4.2985</td>
<td>.73886</td>
</tr>
<tr>
<td>our customers and the market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our hotel regularly reviews our service offering to ensure it meets</td>
<td>67</td>
<td>4.4328</td>
<td>.70117</td>
</tr>
<tr>
<td>the best global practices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our hotel has developed packaging pricing to ensure that our products/services are optimally priced</td>
<td>67</td>
<td>4.1493</td>
<td>.60936</td>
</tr>
<tr>
<td>Our hotel relies on our brand identity and recognition to enhance the</td>
<td>67</td>
<td>4.0746</td>
<td>.61085</td>
</tr>
<tr>
<td>attraction and patronage to our establishments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our hotel regularly conducts a review of our brand management practices</td>
<td>67</td>
<td>4.3582</td>
<td>.62040</td>
</tr>
<tr>
<td>to ensure they are fostering the standards of the establishment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td></td>
<td>4.1898</td>
<td>0.6862</td>
</tr>
</tbody>
</table>

Source: Research Data (2022)

Respondents strongly agreed the hotel regularly reviews our service offering to ensure it meets the best global practices (Mean = 4.432, dev = .701). To a strong agreement (Mean = 4.358, dev = .620) the hotel regularly conducts a review of our brand management practices to ensure they are fostering the standards of the establishment. Analysis of the responses revealed strong agreement (Mean = 4.298, dev = .738) the hotel continuously customizes our product offering to the needs of our customers and the market. The research showed agreement the hotel has developed responsive customer service to ensure that all complaints are attended to promptly (Mean = 3.985, dev = .706). The overall mean showed there was strong agreement that differentiation
strategies were critical to the achievement of the performance goals of the star-rated hotes as indicated by mean of 4.1898. Banker, Mashruwala and Tripathy, (2014) affirmed that differentiation is critical to the firm as it helps in entering new market, improving service offering and improving the customer service provision. Newton, Gilinsky Jr. and Jordan (2007) research were of the view that product customizations and building better relationships within the firm enhances patronage and standards within the firm. Semuel, Siagian and Octavia (2017) were of the view that application of differentiation practices is central to the business creating value and provision of high-quality products and excellent services.

4.3.3 Innovative Strategies

The third variable adopted in the research analyzed the innovative strategies used by star-rated hotels and the results are displayed in Table 4.6

Table 4.6 Descriptive Findings for Innovative Strategies

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our hotel relies on emerging technologies to spur improvements in our service offering</td>
<td>67</td>
<td>4.1791</td>
<td>.64960</td>
</tr>
<tr>
<td>Our hotel ensures that utilization of digital technologies is encouraged in serving our customers to enhance reliability and convenience</td>
<td>67</td>
<td>4.1791</td>
<td>.67252</td>
</tr>
<tr>
<td>Our hotel has deployed innovative processes in our operations to foster the efficiency and effectiveness in service offering</td>
<td>67</td>
<td>4.1194</td>
<td>.74919</td>
</tr>
<tr>
<td>Our hotel is continuously adopting digital technologies such as social networking to drive customer engagement</td>
<td>67</td>
<td>4.1642</td>
<td>.79003</td>
</tr>
<tr>
<td>Our hotel utilizes digital signages and other platforms in conducting promotional activities thus increasing our coverage and presence globally</td>
<td>67</td>
<td>3.8358</td>
<td>.70918</td>
</tr>
<tr>
<td>Our hotel has adopted financial innovations to ensure there is seamless payment solutions and management of our accounts</td>
<td>67</td>
<td>3.7313</td>
<td>1.08127</td>
</tr>
<tr>
<td>Overall</td>
<td></td>
<td>4.0348</td>
<td>0.7753</td>
</tr>
</tbody>
</table>

Source: Research Data (2022)

The results revealed agreement the hotel relies on emerging technologies to spur improvements in our service offering (Mean = 4.179, dev = .649). Respondents were
in agreement the hotel has deployed innovative processes in our operations to foster the efficiency and effectiveness in service offering (Mean = 4.119, dev = .479). The study showed agreement the hotel is continuously adopting digital technologies such as social networking to drive customer engagement (Mean = 4.164, dev = .790). Findings demonstrated that respondents agreed the hotel has adopted financial innovations to ensure there is seamless payment solutions and management of our accounts (Mean = 3.731, dev = 1.081). Overall mean of 4.0348 supported the assertion that managers within the hotels pay attention to innovative strategies as a key component of achieving better performance. Yu, et.al. (2013) revealed that through innovation the firms have proved successful in increasing effectiveness and reliability in their service offering which has significantly improved their growth. Kogabayev and Maziliauskas (2017) contends that through innovation practices firms have enhanced their value to the customers and reinforced the competitive edge in the industry. Campo, Diaz, and Yagüe (2014) survey showed that adoption of innovative practices has been critical to fostering efficiency and effectiveness within firms. In their research Dzhandzhugazova, et.al. (2016) affirmed that improved service innovations, and the application of emerging digital technologies have been vital to driving the performance of the industry.

4.3.4 Organization Performance

The dependent variable for the study focused on the organization performance of the star-rated hotels as shown in the Table 4.7
### Table 4.7 Descriptive Findings for Organization Performance

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The hotel focuses on ensuring that we enhance and maintain our</td>
<td>67</td>
<td>3.8507</td>
<td>.87479</td>
</tr>
<tr>
<td>core customer values</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel routinely reviews our service/product offering to</td>
<td>67</td>
<td>3.9254</td>
<td>1.01971</td>
</tr>
<tr>
<td>ensure we sustain the customer satisfaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel has put in place mechanisms to ensure that we</td>
<td>67</td>
<td>3.7761</td>
<td>.79431</td>
</tr>
<tr>
<td>continuously retain our customer base to meet our goals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel ensures that our operations meet our efficiency</td>
<td>67</td>
<td>3.5970</td>
<td>.95441</td>
</tr>
<tr>
<td>benchmarks in provision of services/products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel has developed a control system to enhance the</td>
<td>67</td>
<td>3.4328</td>
<td>1.00339</td>
</tr>
<tr>
<td>attainment of the quality dimensions stated in our mission</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel continuously supports internal learning within our</td>
<td>67</td>
<td>3.5373</td>
<td>1.00496</td>
</tr>
<tr>
<td>team to foster productivity in the team</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel supports the continuous development of the human</td>
<td>67</td>
<td>4.0299</td>
<td>.60227</td>
</tr>
<tr>
<td>capital capacity to enhance the provision of services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel relies on the knowledge and skills our employees to</td>
<td>66</td>
<td>4.0455</td>
<td>.64287</td>
</tr>
<tr>
<td>foster our productivity and achievement of performance goals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td></td>
<td>3.7743</td>
<td>0.8621</td>
</tr>
</tbody>
</table>

Source: Research Data (2022)

The participants were in agreement the hotel relies on the knowledge and skills our employees to foster our productivity and achievement of performance goals (Mean = 4.045, dev = .642). The results indicated agreement among participants the hotel supports the continuous development of the human capital capacity to enhance the provision of services (Mean = 4.029, dev = .602). As shown by a mean of 3.925 the participants agreed the hotel routinely reviews our service/product offering to ensure we sustain the customer satisfaction. Findings revealed the hotel has implemented procedures to guarantee that we continuously retain our customer base to meet our goals (Mean = 3.776, dev = .794). There was further moderate agreement (Mean = 3.432) the hotel has developed a control system to enhance the attainment of the quality dimensions stated in our mission. The overall mean was an indicator of a positive
improvement in the performance of the star-rated hotels as revealed by a mean value of 3.7743.

4.4 Correlation Analysis

The research aimed at ascertaining the relation between the study variable and Spearman correlation was deemed appropriate due to the nature of the research data collected.

Table 4.8 Correlation Findings

<table>
<thead>
<tr>
<th>Spearman's rho</th>
<th>Organization Performance</th>
<th>Market Development</th>
<th>Differentiation Strategies</th>
<th>Innovative Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>67</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Development</td>
<td>Correlation Coefficient</td>
<td>.658**</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>67</td>
<td>67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differentiation Strategies</td>
<td>Correlation Coefficient</td>
<td>.378**</td>
<td>.500**</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.002</td>
<td>.000</td>
<td>.</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>67</td>
<td>67</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>Innovative Strategies</td>
<td>Correlation Coefficient</td>
<td>.792**</td>
<td>.561**</td>
<td>.312*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.010</td>
<td>.</td>
</tr>
<tr>
<td>N</td>
<td>67</td>
<td>67</td>
<td>67</td>
<td>67</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).
*Correlation is significant at the 0.05 level (2-tailed).
Source: Research Data (2022)
The first objective of the survey focused on analysing the effect of market development strategies on the performance of star-rated hotels in Nairobi County, Kenya. The test results above indicated that market development strategies have a strong positive and significant relation with organization performance $r (67) = .658^{**}$, $p = .000 < .05$. Consistent with our survey Nasihatkon, Kheiri, and Miralbell (2016) showed that improved e-marketing has been key to improving the performance of firms. Oliveira et al., (2020) opined that segmentation improves hotels’ ability to market specific unique products and services to groups of people with similar preferences and tastes which significantly led to better performance. Abdul-Hamid (2019) survey showed that market orientation and competitive marketing were critical to better performance within hotels.

The second objective sought to ascertain the effect of differentiation strategies on the performance of star-rated hotels in Nairobi County, Kenya. The test results above indicated that differentiation strategies have a weak positive and significant relation with organization performance $r (67) = .378^{**}$, $p = .000 < .05$. The findings are in line with Junior, Silveira-Martins, Miura, and Abreu (2020) who confirmed that service differentiation has been crucial to the success of executive hotels in US thorough better quality, customer engagement and competitive services. Adimo (2018) contends that differentiation through customer service, innovation, better marketing approach and branding is vital to enhancing firm performance. Dirisu, Iyiola, and Ibidunni (2013) found out that differentiation led to better profitability, customer satisfaction and service offering within organizations.

The third objective focused on establishing the effect of innovative strategies on the performance of star-rated hotels in Nairobi County, Kenya. The test results above indicated that innovative strategies a strong, favorable, and meaningful relationship
with organization performance $r(67) = .792^{**}$, $p = .000 < .05$. These results are in line with Nuskiya (2018) who showed that adoption of new technologies was critical to the productivity of employees within the firm. Hernández-Perlines, et.al. (2019) revealed that service innovation, process innovation, and innovative products are key to hotel performance. Rakhmadi (2019) concluded that effective utilization of new technological systems was better for institutional outcomes.

4.5 Regression Findings

The study adopted a multiple linear regression analysis to estimate the effect of competitive strategies on the performance of star-rated hotels in Nairobi County, Kenya. The overall regression findings are shown in Table 4.9
Table 4.9 Regression Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.845a</td>
<td>.713</td>
<td>.700</td>
<td>2.87554</td>
<td>1.555</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Innovative Strategies, Differentiation Strategies, Market Development

b. Dependent Variable: Organization Performance

Source: Research Data (2022)

The regression analysis output suggests a coefficient of determination $R^2 = .713$. This statistic signifies that holding other factors constant, the competitive strategies determine 71.3% of the variations in the organization performance of star-rated hotels in Nairobi County. This demonstrates that additional elements not taken into consideration by the model are responsible for 28.7% of changes in performance. These findings tally with Tavitiyaman, Zhang, and Qu (2012) who revealed that competitive strategies have a direct effect on the financial performance of hotels in the United States. Nair (2019) in their study indicated that non-pricing and pricing-based strategies were key to providing a competitive edge in the hotel industry in Qatar. Muli (2019) also recognized competitive strategies as a key factor that significantly leads to better performance within institutions.

Table 4.10 ANOVA Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>1295.549</td>
<td>3</td>
<td>431.850</td>
<td>52.227</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>520.929</td>
<td>63</td>
<td>8.269</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1816.478</td>
<td>66</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organization Performance

b. Predictors:(Constant), Innovative Strategies, Differentiation Strategies, Market Development Strategies

Source: Research Data (2022)
The ANOVA tests above yielded a $F$ – value $= 52.227$, $\text{Sig} = .000 < .05$. This suggests that the two variables' relationships are statistically significant. The study thus demonstrated that competitive strategies have a favorable and statistically significant impact on the performance of star- rated hotels in Nairobi County. The regression analysis's coefficients are exhibited in the table below;

**Table 4.11 Regression Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-7.801</td>
<td>3.818</td>
<td>-2.044</td>
<td>.045</td>
</tr>
<tr>
<td>Market Development</td>
<td>.449</td>
<td>.166</td>
<td>.277</td>
<td>.009</td>
</tr>
<tr>
<td>Differentiation Strategies</td>
<td>.043</td>
<td>.021</td>
<td>.025</td>
<td>.004</td>
</tr>
<tr>
<td>Innovative Strategies</td>
<td>1.089</td>
<td>.149</td>
<td>.649</td>
<td>.000</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: Organization Performance*

Source: Research Data (2022)

\[ Y = -7.801 + .449X_1 + .043X_2 + 1.089X_3 \]

The findings on the first objective on market development strategies showed $\beta_1 = .449$ was significant as shown by $\text{Sig} = .009 > .05$. The analysis revealed that changes in the level of market development strategies will contribute to the organization performance of star- rated hotels by a factor of .449. Wawira (2016) concluded that niche marketing, product development, and promotional strategies significantly contributed to better performance within hotels. Odhiambo (2015) study revealed that application of various marketing mix practices was vital to providing better performance within firms.
The second objective findings focused on the differentiation strategies which resulted in a $\beta_2 = .043$ was significant as shown by Sig = .004>.05. The analysis revealed that changes in the level of differentiation strategies will contribute to the organization performance of star-rated hotels by a factor of .043. Njuguna, Namada, and Muchara (2019) research concluded that differentiation through new brand image practices, customer service, innovation, and quality offering led to better hotel performance. Chege (2016) affirmed that differentiation strategies led to better efficiency and performance within firms. Ngari and Bichanga (2017) showed that differentiation strategies through niche marketing, innovative marketing and customer management led to improved performance.

The results on the third objective analyzed the innovative strategies and it yielded a coefficient $\beta_3 = 1.089$ was significant as shown by Sig = .000>.05. The analysis revealed that changes in the level of innovative strategies will contribute to the organization performance of star-rated hotels by a factor of 1.089. Asadi, et.al. (2020) research led to the conclusion that innovative practices have helped firm in expanding their sustainability and performance metrics. Xuhua, et.al. (2018) research affirmed that adoption of service, process, management, and marketing innovations can be critical to driving the growth of the hotels.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presented the summary of the study with focus on the objectives guiding the research. The chapter also focused on the conclusions based on the survey results, the recommendation of the research and suggestion for other areas for research.

5.2 Summary

The study sought to examine the influence of competitive strategies on the performance of star-rated hotels in Nairobi City County, Kenya. Specific objectives were to establish the effect of market development strategies, differentiation strategies and innovative strategies on the performance of star-rated hotels in Nairobi City County, Kenya. The study targeted the 83 star-rated hotels in Nairobi County Kenya which were recognized by the TRA (2021) directory. The study obtained survey data from the hotel’s managing directors who were selected for this study as they are responsible for the development of strategic plans and policies. The survey was able to obtain 81% of the responses from the management team within the hotels with only 19% of the participants not able to respond within the required time period.

A majority of the respondents were female who took up 51% of the responders with most of them between the age of 41 and 50 years. Almost all the respondents had acquired an undergraduate degree and more with only 9% not meeting this threshold. A majority of the respondents had been serving in the hotel sector for more than 10 years with most of the hotels they were serving having had at least more than 101 employees which was adequate personnel that can support the operations of the
institutions which can enhance the attainment of performance. This demonstrated that the study respondents were indeed appropriate for the study.

5.2.1 Market Development Strategies on the Performance of Star-Rated Hotels in Nairobi City County

The first objective of the survey focused on analyzing the effect of market development strategies on the performance of star-rated hotels in Nairobi County, Kenya and found that market development strategies have a substantial and favorable effect on organization performance. The study discovered that the hotel has managed to reach and serve more markets due to their continuous engagement in geographical segmentation. There was further evidence to suggest that the hotel has managed to cope with the changing hotel environment by continuously reviewing the various marketing channels employed for consistency. The analysis further indicates that the products and services offered by the hotels are not exactly tailored to the needs of the various market segments. Further, it was determined that to increase patronage to the hotels, the hotel does not rely continuously on package offers. The analysis also established that employing niche marketing approaches is essential in developing and leveraging of new market opportunities while also utilizing the market feedback to ensure creation of new and emerging distribution channels. The analysis also discovered that additional forms of market promotional approaches including costs, service and products are required to enhance the hotels reputation within the market.

5.2.2 Differentiation Strategies on the Performance of Star-Rated Hotels in Nairobi City County

The second objective sought to establish the effect of differentiation strategies on the performance of star-rated hotels in Nairobi County, Kenya and found that
differentiation strategies have a substantial and favorable effect on organization performance. The respondents were in agreement that their hotel regularly reviews their service offering to ensure it meets the best global practices and improve on performance. They were also in agreement that the hotels regularly conduct a review of their brand management practices to ensure they are fostering the standards of the establishment. The respondents further corresponded that continuous customization of their product offering to the needs of their customers and the market has also contributed to their performance. The respondents however disagree that their hotels have developed responsive customer service meaning that the hotels’ complaints are not exactly attended to promptly. The analysis further revealed that the hotels do not fully rely on their brand identity and recognition to enhance the attraction and patronage to our establishments. Packaging pricing was also reported to be vital in ensuring that the hotels’ products/services are optimally priced.

5.2.3 Innovative Strategies on the Performance of Star-Rated Hotels in Nairobi City County

The third objective focused on establishing the effect of innovative strategies on the performance of star-rated hotels in Nairobi County, Kenya and found that innovative strategies have a substantial and favorable effect on organization performance. The analysis showed that hotels are currently adopting and relying on emerging technologies to spur improvements in their service offering. The respondents further indicated that digital technologies are utilized to serve customers better while enhancing reliability and convenience. The respondents however disagreed that the hotels have adopted financial innovations and confirmed there is still some way to go to ensure there is a seamless payment solutions and management of accounts. They further
disagreed that the hotels utilize digital signages and other platforms to conduct promotional activities to increasing their coverage and presence globally. The analysis also established that continuously adopting digital technologies such as social networking is essential in driving customer engagement.

5.3 Conclusions of the Study

The study concluded there is a favorable and statistically significant positive effect of competitive strategies on the performance of star-rated hotels in Nairobi County. There is need to ensure that hotel operations increase in efficiency in order to meet the set efficiency benchmarks set for provision of services and products. The findings also suggest that the mechanisms put in place to continuously retain the customer base and meet the hotels goals are still not working as expected. Further, the study concludes that the control system developed by the hotels to enhance the attainment of the quality dimensions is also not working as required. The study further concluded that more emphasis should be added on enhancing and maintaining the organization’s customer values. The study also concluded that the deteriorating customer satisfaction can be improved and sustained by routinely reviewing the hotels’ service/product offering.

5.3.1 Market Development Strategies on the Performance of Star-Rated Hotels in Nairobi City County

Market development strategies were reported to strongly affect the organization performance. This implies that management had been able to successfully operate through the ever changing hotel environment specifically by continuously reviewing the various available marketing channels. The study further concluded that hotels in the country lacked the very important aspect of tailoring products and services offered by
the hotels to the needs of the various market segments and mostly produced same products and services for all markets.

5.3.2 Differentiation Strategies on the Performance of Star-Rated Hotels in Nairobi City County

The study concludes that differentiation strategies had a favorable and statistically significant effect on organizational performance. Based on this objective, the study concluded that most hotels regularly reviews their products and service offering after a period of time and adopt different strategies to ensure it meets the best global practices and improve on performance. The study further revealed that hotels have an underdeveloped customer service system which comes out as unresponsive.

5.3.3 Innovative Strategies on the Performance of Star-Rated Hotels in Nairobi City County

A moderate positive relationship was also established between innovative strategies and organization performance. The study findings showed that most hotels are actively involved in the use of emerging technologies to spur improvements in their product and service offering. Further, these hotels have not managed to effectively utilize digital signages and other platforms to conduct promotional activities to increase their coverage and presence globally.

5.4 Recommendations for Policy and Practice

From the analysis, Market development strategies have significant effects on the organizational performance of hotels. The study recommends that the hotels develop new and fresh ways of leveraging new market opportunities. This can be utilized by
employing market segmentation and niche market approaches. This will ensure that the hotels target specific markets and develop their products and services for the needs of those markets thereby increasing the customer base. The study further recommends increasing of marketing channels by the hotels to increase revenue. This may be achieved by developing occasional package offers and any other offers to expand into new markets and gain new customers.

The analysis also revealed that differentiation strategies had a significant and positive effect on the performance of star rated hotels. The study recommends that the business should increase the research and development of available differentiation strategies that will suit the current hotel market demand. The hotel should further set to achieve objectives such as targeting customers considerably more precisely, which will increase customer happiness, customer loyalty, and market share. Due to the research and development's cost leadership advantage, the prices of the products and services will be more affordable than those of the competition. Additionally, the hotel's financial performance will improve as a result of the ability to differentiate its offerings and successfully predict market performance.

Innovative strategies were reported to significantly improve performance of hotels. The study recommends that the management of these hotels increasing the adoption of digital technologies in the hotel industry especially for customer engagement and marketing. Various technologies including social networking can be helpful for hotels to gain more customers and increase the satisfaction level of the already existing customers. The study further recommends that the hotels invest more in financial innovation by adopting better accounts management that ensures managing and storage
of the customer data effectively. Further, introduction of seamless and diverse payment solutions can be beneficial to the hotels.

5.5 Suggestion for Further Studies

The study only focused on the star rated hotels in the hospitality industry. Further studies should be conducted on the various other industries available in Kenya to investigate the competitive strategies used to improve their performance. The study also only considered competitive strategies in the review hence more study work should be considered evaluating various other aspects that affect the performance of a business. Further, the research only focused on star-rated hotel hence there is need to replicate the study among other hotels to get a better look at the performance of the industry.
REFERENCES


Banker, R. D., Mashruwala, R., & Tripathy, A. (2014). Does a differentiation strategy lead to more sustainable financial performance than a cost leadership strategy? *Management Decision*, 12, 4-26.


Taherdoost, H. (2016). *Validity and reliability of the research instrument; how to test the validation of a questionnaire/survey in a research. How to test the validation of a questionnaire/survey in a research.* Sage Publishers.


APPENDICES

Appendix I: Research Questionnaire

Dear Respondent, the enclosed questionnaire's aim is to collect data from employees of star-rated hotels. The questionnaire sought to get information on the effects of competitive strategies on the performance of star-rated hotels in Nairobi City County, Kenya. I respectfully seek your cooperation in answering the enclosed questions as completely as you can. Kindly tick the appropriate box. You are entitled to privacy and are not required to give personal details like your name anywhere while you respond.

Part A: Demographic Characteristics

1. your gender?
   Male [ ]  Female [ ]

2. your age?
   21-30 yrs  □
   31-40 yrs  □
   41-50 yrs  □
   51-60 yrs  □
   Above 61 yrs  □

3. Highest level of schooling attained
   Diploma  □
   Undergraduate Level  □
   Postgraduate Level  □

4. How long have you the managing director of the star-rated hotel?
   1-3 yrs  □
   4-6 yrs  □
   7-10 yrs  □
How many employees are within your hotel?

- 0-50
- 51-100
- 101-200
- 200+

How long has the star-rated hotel been in operation in Kenya?

- 0-10
- 11-20
- 21-30
- 30+ yrs

Part B: Effects of Competitive Strategies on Performance of Star-Rated Hotels in Nairobi County Kenya

Kindly indicated in the table with a checkmark (✓) or (✗) on a scale of
5 ⇒ Strongly Agree, 4 ⇒ Agree, 3 ⇒ Moderate Agree, 2 ⇒ Disagree, 1 ⇒ Strongly Disagree

<table>
<thead>
<tr>
<th>Market Development Strategies</th>
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<tbody>
<tr>
<td>1) Our hotel continuously engages in geographical segmentation to reach and serve more markets.</td>
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<td>2) Our hotel ensures that our product and service offering are tailored to the needs of our various market segments</td>
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<td>3) Our hotel employs niche marketing approaches to develop and leverage on new market opportunities</td>
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<td>4) Our hotel continuously reviews the various marketing channels employed for consistency with the changing hotel environment</td>
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<td>5) Our hotel relies on market feedback in the rollout of new and emerging distribution channels</td>
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6) Our hotel continuously relies on package offers to drive patronage to our establishments

7) Our hotel employs various forms of market promotional approaches i.e., cost, service and product to enhance our reputation within the market

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<tr>
<th>Differentiation Strategies</th>
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<tr>
<td>8) Our hotel ensures that our service offering is centered on our customers to ensure increased patronage</td>
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<td>9) Our hotel has developed responsive customer service to ensure that all complaints are attended promptly</td>
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<td>10) Our hotel continuously customizes our product offering to the needs of our customers and the market</td>
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<td>11) Our hotel regularly reviews our service offering to ensure it meets the best global practices</td>
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<td>12) Our hotel has developed packaging pricing to ensure that our products/services are optimally priced</td>
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<td>13) Our hotel relies on our brand identity and recognition to enhance the attraction and patronage to our establishments</td>
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<td>14) Our hotel regularly conducts a review of our brand management practices to ensure they are fostering the standards of the establishment</td>
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<th>Innovative Strategies</th>
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<tr>
<td>15) Our hotel relies on emerging technologies to spur improvements in our service offering</td>
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<td>16) Our hotel ensures that utilization of digital technologies is encouraged in serving our customers to enhance reliability and convenience</td>
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</table>
Our hotel has deployed innovative processes in our operations to foster the efficiency and effectiveness in service offering.

Our hotel is continuously adopting digital technologies such as social networking to drive customer engagement.

Our hotel utilizes digital signages and other platforms in conducting promotional activities thus increasing our coverage and presence globally.

Our hotel has adopted financial innovations to ensure there is seamless payment solutions and management of our accounts.

---

**Part C: Organization Performance of Star Rated Hotels**

Kindly indicate in the table with a checkmark (√) or (×) on a scale of:

5 ⇒ Strongly Agree, 4 ⇒ Agree, 3 ⇒ Moderate Agree, 2 ⇒ Disagree, 1 ⇒ Strongly Disagree

<table>
<thead>
<tr>
<th>Organization Performance of Star Rated Hotels</th>
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<tr>
<td>21) The hotel focuses on ensuring that we enhance and maintain our core customer values.</td>
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<td>22) The hotel routinely reviews our service/product offering to ensure we sustain the customer satisfaction</td>
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<td>23) The hotel has put in place mechanisms to ensure that we continuously retain our customer base to meet our goals</td>
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<td>24) The hotel ensures that our operations meet our efficiency benchmarks in provision of services/products</td>
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<td>25) The hotel has developed a control system to enhance the attainment of the quality dimensions stated in our mission</td>
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<td>26) The hotel continuously supports internal learning within our team to foster productivity in the team</td>
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Thanks for your involvement in this study.

Appendix II: List of Star-Rated Hotels in Nairobi County

1. The Sarova Stanley
2. Intercontinental Hotel
3. The Hilton Hotel
4. The Nairobi Safari Club
5. Fairview Hotel
6. Best Western Plus Meridian Hotel
7. The Heron Portico Hotel
8. The Clarion Hotel
9. Marble Arch Hotel
10. After 40 Hotel
11. Hotel Central Park and Conference Centre
12. Nairobi Transit Hotel
13. Hennesis Hotel
14. Mooreland Hotel
15. Lagos Hotel
16. Parklands Villa Hotel
17. Orynx Hotel
18. Hotel Medina
19. Lenana guest house and hotel
20. Villa Rosa Kempinski
21. Dusit D2 Hotel
22. La Maison Westlands
23. Tribe Hotel
24. Fairmount The Norfolk Hotel
25. Sankara Hotel
26. Southern Sun Mayfair
27. Golden Tulip Westlands
28. Pride Inn Lantana
29. Executive Residency by Best Western
30. Ibis Styles Nairobi Westlands
31. Azure Hotel
32. Pride Inn Raphta Nairobi
33. La Maison Royale Hotel
34. Jacaranda Hotel Nairobi
35. Zehneria Partico Nairobi
36. Hotel Emerald
37. Meltonia Hotel
38. Lotos Inn and Suites
39. Hemingway’s Nairobi
40. House of Waine
41. Ngong Hill Hotels
42. Radisson Blue Hotel Nairobi
43. Crowne Plaza
44. Sarova Panafric Hotel
45. Silver Springs Hotel
46. Kenya Comfort Suites
47. Town lodge
48. West Breeze Hotel
49. Hillpark Hotel
50. Swiss Lenana Hotel
51. Waridi Paradise Hotel and Suites
52. Four Points Hurlinghum
53. Royal Tulip Hotel
54. Double Tree Hotel
55. Wida Resorts Kilimani
56. Ole Sereni
57. Weston Hotel
58. The Boma Hotel
59. Crowne Plaza Nairobi Airport
60. Hilton Garden Inn Airport
61. Eka Hotel
62. Carnivore Restaurant
63. Boma Inn Nairobi
64. Summerdale Inn
65. Hotel Rio
66. Plus 254 Hotel
67. The Panari Hotel
68. Fahari Gardens Hotel
69. Seasons Airport Hotel
70. La Palms Hotel
71. Hotel Lamada
72. City Lodge Hotel
73. Windsor Golf Hotel and Country Club
74. Sports View Hotel Kasarani
75. Utalii Hotel
76. Elton Hotel
77. Kahama hotel
78. Mirema Hotel
79. The Luke Hotel
80. Sunstar Hotel
81. Sagret Hotel
82. The Nest Place
83. Sports view Hotel

Source: (Tourism Regulatory Authority, 2021)
Appendix III: Graduate School Authorization Letter

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: D53/CTY/PT/25740/2018

DATE: 27th September, 2022

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR BRIAN ROY OUAMA – REG. NO.

I write to introduce Brian Roy Ouma who is a Postgraduate Student of this University. The student
is registered for M.B.A degree programme in the Department of Business Administration.

Brian intends to conduct research for a M.B.A Project Proposal entitled, “Competitive Strategies
and Performance of Star-Rated Hotels in Nairobi City County, Kenya”.

Any assistance given will be highly appreciated.

Yours faithfully,

PROF. ELISHBA KIMANI
DEAN, GRADUATE SCHOOL

AM/0810
Appendix IV: NACOSTI Research Permit

Ref No: 151062
Date of Issue: 07/October/2022

RESEARCH LICENSE

This is to Certify that Mr., Brian Roy Ouma of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev. 2014) in Nairobi on the topic: COMPETITIVE STRATEGIES AND PERFORMANCE OF 3-STAR-RATED HOTELS IN NAIROBI COUNTY, KENYA for the period ending: 07/October/2023.

License No: NACOSTI/P/22/20810

151062
Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code

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