



SELECTED FACTORS AFFECTING STRATEGY FORMULATION FOR HOTEL INDUSTRY IN KENYA: A CASE STUDY OF WINDSOR GOLF HOTEL AND COUNTRY CLUB, NAIROBI

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Abstract: Kenya's hotel industry is vastly affected by any minimal adjustments in their market area. Poor performance and unsuitability in these hotels is attributed to lack of, or poorly formulated strategies. It is upon this background that this paper aims to establish the factors which affect strategy formulation in Kenyan hotels. This is the main objective of the study. Specifically, the study purposes to find out how sales turnover and capital investment affect hotel strategy formulation. The researcher believes that this paper will help improve strategy formulation and furthermore help hotels to achieve their purpose. The paper adopted a descriptive research design targeting a population of 110 potential subjects from which a sample size of 56 respondents was drawn. Sample selection was done using stratified random sampling techniques. Data was collected using questionnaires. The collected data was analyzed using tabulated description and statistical commentary. Data analysis was done with the help of SPSS Program. Data presentation was done using tables, charts and graphs. 45 out of 56 staff of Windsor hotel participated and responded to the research questionnaires which represents 81% response rate. Validity and reliability were ascertained through adequate coverage of research objectives, peer review and expert judgment. A pilot study conducted at Utalii Hotel and re-administered to the same respondents confirmed consistency. The paper established that the majority of respondents (over 70%) agreed that sales turnover and capital investment affect strategy formulation in hotels. From the above findings, a vast majority believe that all the factors play a crucial role in strategy formulation. It is thus concluded that sales turnover and capital investment are key determinants when formulating strategy for classified hotels in Kenya. This paper recommends that top management commit key resources needed in preparing quality sales turnover reports that are crucial in formulating strategy. The paper further recommends that hotels commit their resources on investing in quality facilities that enhance strategy formulation initiatives. It is also recommended that these investment initiatives be done frequently and at all levels in the organization. It is therefore recommended that hotels develop mechanisms that adopt sales turnover and capital investment to guide in strategy formulation. The subject of strategy formulation has been studied for many decades but theoretical and empirical investigations remain limited.

Index Terms – strategy formulation, sales turnover, and capital-investment

I. INTRODUCTION

The hospitality industry in Kenya is lauded as one of the economy's top earners. The industry over the years has recorded impressive annual returns. This has been due to the increased tourism activities both locally and internationally. The present political stability and goodwill plus the obvious beauty and attractions offered by the country have largely contributed to this positive effect. The hotel industry is much an important part of hospitality as tourism is, ensuring exemplary accommodation is offered to the many guests who step foot in the country. Hotels and civilization have been interconnected for centuries. Hotels simply started by the need of rest and food for weary travellers at the time mobility was limited as the industrial revolution that developed transportation methods had not yet come of age. Facilities offering guests hospitality have been in existence since early biblical times.

In the Ancient era the inns available were not sophisticated as they only offered along with food and drink, cots or benches in rooms or halls where privacy was non-existent. The Greeks developed thermal baths in villages designed for rest and recuperation. Later, the Romans built mansions to provide accommodation for travellers on government business. By the 18th century Britain had reputed itself as the most established destination for fine hotels. The term hotel was used for the first time by the fifth Duke of Devonshire to name a lodging property in London sometime in AD 1760 (Tourism notes editors, 2018). The Golden era saw a lot of travels across Europe thus termed as the 'Grand tour era'. This is the period in which the hotel industry had a big boom across European countries, it saw countries like Switzerland, Germany, France, Italy etc. establish lodgings with recreation and transportation amenities.

During the 1800's the Royal Hotel was built in London, The Tremont House in Boston was the first deluxe hotel in a city center and offered inside toilet and an "à la carte" menu, The Holt Hotel in New York City was the first to provide a lift for luggage, L'Hôtel des Bergues was built in 1834 in Geneva, In 1840, L'Hôtel des Trois Couronnes was established in Switzerland and the Baur au Lac in Zurich, The "Bayerischer Hof" was built in Munich in 1841, followed in 1852 by the "Vier Jahreszeiten" and The Grand Hôtel in Paris in 1862.

The History of Strategy as Formulated By Hotels in Europe

The ingenious entrepreneurs of the time honed staff hospitality skills which revolutionized this industry and welcomed the modern era in hotels. In this era transportation had become faster and safer with the development of aircrafts and ropeways in mountainous regions. Unfortunately, the hotel industry in Europe took a huge beating following the two world wars. There was destruction of hotel and other establishments across Europe and the great depression that followed witnessed slow economic growth. America at this time was at an innovative high as the hotelier entrepreneurs broke away from the traditional way of European inns to luxury city hotel lodgings and affordable motels targeting the mass movement across Europe and the motor travels that rose in the 1950s. From this period to date the hotel industry has continued to grow worldwide and technologically sophisticated. By the early 2000's the hospitality industry in Europe had grown exponentially, technology had greatly improved, making travelling around the world a lot easier and much accessible to many people. It had also made the world a global village as it was now much easier for people to communicate with each other from different geographical locations. The revolution in the transport industry contributed to the increase of hotels around Europe.

Strategy Formulations Used in Asian Hotels, Thailand

The amount of strategic management research and publication of findings on strategic management practices for Southeast Asia seems exceedingly small compared with the Western countries. According to Haley and Tan (2000), the strategic management style in Southeast Asia differs from that practiced in the West because of the lack of information necessary for sound strategic decision-making. The lack of information, especially information on the external environments of the organizations operating in the region, poses a serious challenge to traditional forms of strategic planning and management. Hofstede (1994) argued that the reason for differences in decision-making styles was ethnic and cultural dimensions. Haley and Stumpf (1989) found these differences traceable to personality type. Later, Haley (1997) found evidence that there may be significant personality type differences between the managerial cadres of different nationalities thereby giving support to Hofstede (1994)'s arguments. The truth probably is a combination of all these different explanations. (Haley and Tan 1999: p.1)

Southeast Asia generally has had three major clusters of large businesses (Haley and Tan 2000): the state-owned or government linked corporations, the oversea Chinese family businesses, and the multinational companies. - The state-owned or government linked corporations: strategic planning and management were often patterned after the countries' plans for economic growth and development. - The overseas Chinese family business: strategic decisions were characterized by an intuitive, entrepreneurial and fast decision-making style, and paternalistic management. This approach is based on business sense, experience and their individual propensity to take risk. The multinational companies: generally, the decisions to relocate manufacturing operations constituted internal decisions to maximize operational efficiency rather than decisions to serve local markets which require much greater understanding of the local environment.

The study of Ghosh and Chan (1994) asserted that planning activities of the organizations in Southeast Asia appeared ad hoc and reactive. Many successful Southeast Asian executives' decision styles do not correspond to the conventional, corporate analytical model taught in business schools and used so successfully in more mature economic environments. The Southeast Asian style approximates an experience based, intuitive, idiosyncratic model, well suited to an uncertain environment with little information. Thailand is a developing country that is shifting from an agriculture-based economy to a more industrialized and service-based economy. The hotel industry, as a part of tourism industry, has a significant role in boosting economic activity of the country and brings in foreign currency. The growth of the hotel industry accelerates employment creation, revenue distribution, and helps provide a better standard of living to the local community.

The Thai hotel industry is dependent on the world situation, including economic activity, world oil prices, terrorism, and epidemics. The September 11, 2001 crisis had a significant impact on the Thai tourism industry and the Thai government realized the importance of the hotel business and its difficulties in the challenging environment. Therefore, several measures were launched by the Thai government to encourage the hotel operators such as a safety policy, and international marketing promotion. In addition, there are several factors which impact hotel management in Thailand, namely size of the hotel, type of hotel ownership, economy, government policy, and socio cultural aspects. Tougher competition in a more unpredictable world has increased managerial uncertainty and difficulty. Strategic management as a means to deal with the pace of change both within and outside the organization is necessary for effective hotel management. A strategic dimension to their managerial activities is required in order to have the capacity to provide a sense of strategic direction to guide the enterprises constructively into the future. The strategic management and decision-making style in Thailand which is similar to its Southeast Asian neighbors, differs from that practiced in the West. The main reasons for these differences were the lack of information necessary for sound strategic decision-making (Haley and Tan 2000), differences in ethnic and cultural dimensions (Hofstede 1994), and personality type. (Haley and Stumpf 1989)

Strategy Formulation by Hotels in Africa

In Africa, the UNWTO is playing a key role in assisting African countries by technically advising on international best practices and standards with regard to hotel industry growth. The organization has also helped technically train assessors to implement the strategic implementation systems. This is a crucial role as many African Countries economies are still developing. UNWTO is implementing several projects on hotel business reliability in Africa: Morocco (with UNDP funding) and Ethiopia (with World Bank funding), Seychelles (with Ministry of Tourism and Culture funding) and Republic of Congo (with UNDP funding). (UNWTO, 2016)

South Africa is among the top established economies in Africa. In 2002 the government introduced a new national system which is now the accepted quality benchmark, operated by the Tourism Grading Council of South Africa (TGCSA). Since its inception the system has undergone through multiple revisions in order to better the grading criteria (TGCSA, 2020).

Emerging of Hotels in Kenya

One of the fastest growing sectors of the economy in Kenya is the hotel industry. The hotel industry alone is a multi-billion dollar and growing enterprise. Kenya has close to 500 licensed hotels of international standards to choose from. Kenyan hotels present the most diverse range of accommodation to suit every taste. Class, elegance, ambiance and quality service are the major distinguishing factors of Kenya's hotels and game lodges (Kenya Space, 2008). The Kenyan hospitality industry evolved at the coast due to Arab traders and the railway line construction workers. Their presence necessitated the building of the first catering establishment at the coast which was known as the Grand Hotel of Mombasa built at the present site of Manor Hotel. After the country fell under the British colonization, there was need to access Uganda and the railway was constructed leading to more catering units established along the railway line for the workers. By 1960, some hotels such as Norfolk had reached international five stars rating. Later in 1975, hospitality training was also started at Kenya Utalli College but as Mayaka (2005) reports, had a limited capacity. To supply the growing demand, there was proliferation of private and public universities and colleges which had a varied curriculum. (Waudu,2012)

Statement of the Problem

The hotel industry in Kenya is mostly unprepared for extreme circumstances. In times of crisis such as the ongoing Covid-19 pandemic, hotels and other hospitality outlets have downsized or closed shop due to unsustainable performance. Lack of strategy or poorly formulated strategies are perceived to be the causes of this poor performance. Strategy formulation has become of great importance especially with the ever-growing challenges in the hotel industry. Most hotels have resorted to adopting and implementing management decisions that have been seen to work elsewhere in as much as strategy formulation is concerned. However, this has not been successful. While many studies have looked at various factors for strategy formulation, it is important to note that this has not been exhausted. Many hotels continue struggling to balance between the high quality demands and profitability. Few researches have been done to solve this problem of unsustainable performance in the hotels. It is upon this background that this study aims to establish the factors which affect strategy formulation in Kenyan hotels, using Windsor Golf Hotel and Country Club as a case study.

Objectives of the paper

- To investigate how sales turnover affect strategy formulation for hotels in Kenya.
- To determine the effect of capital investment on strategy formulation in hotels.

RESEARCH METHODOLOGY

Research Design

This paper adopts descriptive design to establish the factors affecting strategy formulation for classified hotels in Kenya.

Target Population

Target population is an entire group of individuals, events, objects or an item having common observable characteristics with information that the researcher is interested in. It is the total number of individuals the researcher intends to work with. The target population in this case was 110 employees of Windsor Golf Hotel and Country Club, comprised senior management, middle level management and support staff.

Sample and Sampling Procedure

Sampling is the procedure a researcher uses to gather people, places or things to study. It is the process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of characteristics found in the entire group. A stratified random sampling was used to select 56 respondents who represent 50% of the total population. This technique ensured that different groups of the population are adequately represented in the sample comprising employees from all levels and departments.

Data Collection Procedure

The Researcher used questionnaires as the primary data collection instrument. The selection of the questionnaire was guided by the kind of data the researcher hoped to collect, the time available and the paper's objective. Additionally, secondary data from published and unpublished reports like dissertations, thesis, journal articles, books, internet materials and other relevant publication from the Ministry of Tourism and Culture was used to supplement the questionnaires.

Data Analysis Techniques and Procedures

The data collected was analyzed using descriptive statistics. Descriptive statistics include measures of central tendency and measures of variations. The process of data analysis involved auditing the filled questionnaires for completeness and consistency and checking for errors and omissions. The qualitative data collected was examined using content analysis where a thematic framework was developed. The quantitative data generated was examined using descriptive statistics and aided with the use of MS Excel and statistical package for social sciences (SPSS) version 28.

RESULTS AND DISCUSSION

Sales Turnover

The paper found out that sales turnover is a key aspect and informed the management on decisions. The majority (87%), respondents agreed to this finding. The sales turnover informed the strategy formulation process as a means of improving performance outcomes at the Windsor Golf Club and Country Hotel. The respondents (13%) who said NO shared that the strategy formulation is affected by all operations of the hotel and not tied down to sales performance only. The findings confirm the findings of a study conducted by Cicerale (2020), which found out that sales turnover affected strategy formulation in hotels in Europe. The study concluded that since hotels are businesses, all strategies and efforts should be aimed at increasing revenue so as to meet the profit targets. Kiplagat (2014), in his study summarizes and ties hotel sales turnover to strategy formulation by stating price differences may be explained in part by the overall performance of hotels.

Many of the respondents agreed to a great extent with 14 respondents and very great extent with 11 respondents that sales turnover affected strategy formulation at the hotel. There were 15 respondents who held contrary opinion on the statement and noted that there was no effect of sales turnover on strategy formulation. Only 5 respondents felt that sales turnover had an average extent of effect to strategy formulation of Windsor Hotel. The results show that many of the respondents held positive view on the effect that sales performance had on strategy formulation.

The results show that the highest mean score was on the statement on sales turnover reports being used to formulate strategies at ($M = 4.29$ and $SD = 0.737$). Many hotel operators placed high value to strategy formulation as it was used as a promotional and marketing tool. In 2019, hotels in Kenya recorded low occupancy rates hence getting little returns on their investment and need for formulating strategies that will help in improving the performance of the hotels, Economic Survey (2019). The hotel supported use of past sales performance to guide future sales strategies had ($M = 4.23$ and $SD = 0.744$) and on the statement of the decision making being guided by the previous performance had ($M = 3.96$ and $SD = 0.885$). This is similar to findings by Cicerale (2020) who revealed that employees are tasked with delivering quality experiences to the customers and hence impact on the performance of the hotel. The performance of previous seasons is compared to the current one and informed the processing of setting of objectives and strategies.

The respondents agreed that sales performance impacted strategy formulation at the hotel with ($M = 3.61$ and $SD = 0.745$). This was also stated by Kiplagat (2014) who revealed that hotel turnover rates was linked to the formulated strategy and this was in line with star ratings of the hotel. The results show that hotel generates annual sales reports with ($M = 3.54$ and $SD = 0.986$) and the sales were influenced by economic crises, government policies, economic growth, political situation, and terrorist incidents as shared by Dimitrić, *et al.* (2019). At the same time, Kivuva and Ondigi (2016) believe that customer satisfaction is the primary internal factor that affects a hotels turnover, hence the need to evaluate the performance of the sales aspect for years that will guide on how to formulate strategies that increase sales or retain current incomes.

Capital Investment

The paper assessed the effect of capital investment had on strategy formulation. The findings indicate that 98% of the respondents stated a YES, agreeing that capital investment affected strategy formulation, while 2% of the respondents held contrary view on capital investment affecting the formulation of strategies at the hotel. Those respondents who were in agreement of the statement indicated the value of capital to operations and functioning of the hotel and hence it plays a big role and need for planning and strategizing for improved performance at the hotel. Those who held contrary opinion was due to the notion that in capital and investment is the aspect of the owners of the hotels and they do not take active direct role in running the affairs of the hotel. These findings are in line with Turner and Hesford (2019) which found a significant relationship between strategy formulation and capital investments. According to the study, capital expenditures have a significant benefit in terms of increased revenue, profit gains, lower repair and maintenance costs and higher customer satisfaction, outcomes that benefit hotel property performance. The study established that capital investment should be factored in strategy formulation.

18 respondents agreed to a great extent that capital investment affected the formulation of strategies at the hotel. Another 14 respondents agreed to a great extent and only 1 person had averagely agreed with the statement. 11 respondents did not think that capital investment affected strategy formulation and one person noted that capital investment had no effect on strategy formulation. The cited reasons included the fact that the hotel cannot run any of its operations with capital and financial input from the investors and the financial resources determined how all functions of the hotel will be. This informed the decision making process as well as the need for formulation of strategies that will guide the operations and lead the hotel to improved performances.

Most of the respondents agreed that conference hall capacity determined the hotel strategy formulation at ($M = 4.21$ and $SD = 0.766$), the capital investment done at the hotel helped to improve strategy formulation decisions with ($M = 4.12$ and $SD = 0.618$). The same sentiments were shared by Marriot (2016) that the property and capital injected in the hotel business determined its performance. The investors must consider the location of the hotel and its amenities which affects the hotel investment decision making and strategy formulation. The capital investment is done frequently at the hotel at ($M = 4.09$ and $SD = 0.782$) and the staff members were engaged and participated in strategy formulation ($M = 3.98$ and $SD = 1.032$) just as Baresa, *et al.* (2016) noted that managers played a crucial role in making capital investment decisions.

Investment decisions are linked to identifying, measuring and evaluation of risks and expected rate of returns will inform the strategy and the attractiveness of the investment decision. On the bed capacity determined the strategy that was formulated at the hotel ($M = 3.87$ and $SD = 1.009$). The findings are echoed by Rasmussen (2016) investments are based on committing resources to a specific venture in the hope of gaining future benefits. At the same time, Turner and Hesford (2019) shared that capital will include expenditures on property or equipment and in the case of the study; it will look at hotel facilities like bed capacity, conference halls and swimming pools and other amenities.

CONCLUSIONS

The paper revealed that sales turnover affected strategy formulation for classified hotels in Kenya. This was confirmed by 87% of the respondents who agreed that sales turnover affect strategy formulation for classified hotels in Kenya. It was concluded that sales turnover has a positive influence on strategy formulation. This means that with increased analysis of sales turnover, the formulation of strategy is likely to be more insightful. The study found out that capital investment affected the formulation of strategy in classified hotels in Kenya. This was attested to by the majority (98%) of the respondents who confirmed that capital investment affects the formulation of strategy in hotels. The study further concluded that capital investment has positive influence on strategy formulation. This means that capital investment can be used to enhance formulation process of a hotel strategy.

Recommendations

Sales Turnover

From the paper, it was evident that sales turnover is a critical factor in formulation of strategy. This study therefore recommends that hotel companies as well as other organizations who are formulating strategies consider sales turnover to qualify their initiatives. This study further recommends that top management commit key resources needed in preparing quality sales turnover reports that are crucial in formulating strategy.

Capital Investment

The paper found out that capital investment influence the formulation of strategy for classified hotels in Kenya. The study therefore recommends that hotels commit their resources on investing in quality facilities that enhance strategy formulation initiatives. It is also recommended that these investment initiatives be done frequently and at all levels in the organization.

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