

**EFFECT OF STRATEGIC ANALYSIS, CHOICE AND
IMPLEMENTATION ON HOSPITALITY INDUSTRY
PERFORMANCE, KISUMU
COUNTY, KENYA**

BY

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**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL
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ABSTRACT

Hospitality institutions are increasingly embracing the practice of strategic planning in anticipation that this may translate to improved performance. However, strategic planning studies have mainly focused on the direct relationship between strategic planning and performance and have not given attention to specific stages that make up the strategic planning process. The relationship between strategic planning stages on performance in the hospitality industry particularly in Kisumu County, the major tourism hub in western tourism circuit whose bed capacity is as low as 10-20% is not known. The purpose of this study therefore was to investigate effect of strategic analysis, choice and implementation on hospitality industry performance in Kisumu County, Kenya. Specific objectives were to: establish effect of strategic analysis on performance; examine effect of strategic choice on performance; and determine effect of strategic implementation on performance in hospitality industry in Kisumu County. The study was guided by the theory of strategic planning and performance in a conceptual framework that related strategic choice, analysis and implementation to hospitality industry performance. These are the strategic analysis, strategic choice and strategic implementation. A correlational survey research design was used with a target population of 100 managers from 100 hospitality outlets in Kisumu County. A stratified sampling technique was employed to select 80 managers for the study. Primary data were collected by administration of questionnaires. A pilot study of five managers revealed an alpha $\alpha=.854$ indicating instrument reliability. Based on multiple regression analysis, the study found: strategic analysis ($\beta=.416$, $p=.000$), strategic choice ($\beta=.362$, $p=.000$) in relation to performance. Meaning strategic analysis and strategic choice each has a positive relationship to performance. Strategic implementation ($\beta=.074$, $p=.514$) however implied its inability to predict performance. The study concluded that strategic analysis and strategic choice both have positive effect on hospitality industry performance, therefore recommended continual use of strategic analysis and careful strategic choices given their effect on performance. This study is significant in informing hospitality industry, policy makers and strategic management academicians.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the present day's global economy, hospitality and tourism is considered the world's largest, most important service sector and the most dynamic industry (Stancious, Teodorescu, Pargaru, Viadol & Balesc, 2011). This industry has been growing and has become a major source of income and employment for many countries. The hospitality and tourism industry, as suggested by Ardahaey (2011), is considered a major economic contributor in many countries worldwide, adding value to foreign exchange, supporting export industries and protecting for countries' environmental, social, cultural and historic resources. Governments, therefore, are becoming increasingly aware of the positive benefits of tourism in terms of generating foreign exchange revenues, attracting foreign investment and creating employment opportunities, not to mention its spillover benefits to other segments of the economy. As global competition heightens, developing countries, as reported by ABC Investment (2011), are working hard to promote tourism as a driver of sustainable economic development. In 2010, the hospitality and tourism industry generated 9.3% of the global GDP and assured around 236 million jobs (World Travel and Tourism Council, 2011).

Hospitality industry is a broad category of fields within the service industry; including hotels for accommodation, restaurants, event planning, theme parks, transportation and cruise line. The term has been used in this study to refer to hotels and restaurants. Kisumu County is one of the 47 counties in Kenya situated in Kenyan Western region and covering 0.36% of the total mass in Kenya. The county has experienced low bed capacity between 10-20% despite aggressive marketing by the government to open up the Western Tourism Circuit (Nyanza, Rift Valley and Western provinces) for hospitality and tourism (Nzuve & Nyaega, 2011). The ever-growing hospitality clientele due to the expansion of Kisumu Airport to international standards and devolved system of governance on the other hand demands for high quality hospitality services. The appropriateness of the strategic planning process employed by the hospitality outlets in the County therefore

prompted further study to investigate the reasons for low bed capacity. The concept and practice of strategic planning has been embraced worldwide across various sectors because of its perceived contribution to organizational effectiveness. Organizations from both the private and public sectors have taken the practice of strategic planning seriously as a tool that can be utilized to fast track their performances. Strategic planning is arguably important ingredient in the conduct of strategic management. Steiner (1979) noted that the framework for formulating and implementing strategies is the formal strategic planning system. Porter (1985) noted that despite the criticism leveled against strategic planning during the 1970s and 80s, it was still useful and it only needed to be improved and reorganized. Greenley (1986) noted that strategic planning has potential advantages and intrinsic values that eventually translate into improved firm performance.

Many of the studies on the relationship between strategic planning and firm performance were done between 1970s and early 1990s, in the developed economies. These studies focused on the direct relationship between strategic planning and firm performance. Prior studies within the African context by Woodburn (1984), Adegbite (1986) and Fubara (1986) related strategic planning and better performance. However, link between strategic analysis and firm performance has been omitted in these studies therefore not known. Strategic analysis is not clear in relation to firm performance.

More recently, Kraus and Schwarz (2006) found that planning formalization has a positive effect on organizational performance in Austrian organizations. In Nigerian banks, Taiwo & Idunnu (2007) found that strategic planning enhances better organizational performance. Within the context of Turkish manufacturing organizations, Glaister *et al.* (2008) found a significant positive relationship between the formal planning process and organizational performance. Like their Turkish counterparts, Egyptian organizations have been found to believe that strategic planning practice is positively related to strategic planning effectiveness (Elbanna, 2008).

Orbit (2008) classified hotel star rating as follows; five stars are given to luxury hotels, which treat customers very well, with first-class service and accommodations. These hotels' restaurants are often renowned for their famous chefs and delectable dishes. Other amenities include valet parking, concierge service, room service, well-equipped fitness centres and state-of-the-art business centres. Four-star hotels are deluxe and offer

comfort, class and quality. These hotels would usually be in a prime location and other amenities may include proximity to desirable shopping areas and restaurants, valet parking, concierge service, room service, well-equipped fitness centres and state-of-the-art business centres. Pinea and Phillips (2005) studied the influence of star rating on performance in Chinese hotels and found that overall the higher the star rating, the better the performance. The star rating could not explain the poor performance in hospitality outlets in Kisumu County since most outlets are not rated. Hotel location, according to Zailani, Fernando and Mohamed (2011), is a strategic issue that attracts and influences customers to choose a certain hotel. The best location offers exceptional views of or proximity to the city, beach, airport or hillsides. Normally, where hotels are located in the city, people are staying there to enjoy the city's ancient buildings and its shopping malls and streets. Nevertheless, where hotels are located on beach, people are staying there to enjoy the sand, sunrise and sunset. The studies by Pinea and Phillips (2005), Zailani et al. (2011) supported examination of the relationship between strategic choice and performance giving an example of the right choice in location and its influence on customer turnover. However, these studies were done on star rated hospitality outlets hence the result for non star rated Kisumu county hospitality outlets is unknown.

It is also noted that the past studies did not give attention to the individual stages that make up the strategic planning process, that is strategic analysis, strategic choice and strategic implementation yet the extent to which each of the strategic planning stages is addressed could have implications on the realization of the expected corporate goals. The studies therefore do not help to address the existence of performance challenges despite the formality of planning practiced by the institutions. Kisumu County was chosen for this study because it is the hub of tourism activities in the Kenyan Western tourism circuit and its growth would positively impact the entire circuit.

1.2 Statement of Research Problem

There has been low bed occupancy of 10%-20% in Kisumu County, Kenya. Despite planning process currently being practiced in most of the hospitality outlets in the county, bed occupancy is still low. The extent to which strategic analysis, choice and implementation is practiced may have implications on performance among the outlets in the County. This could be contributing to the low bed occupancy. Therefore the purpose

for this study was to investigate the effect of strategic analysis, choice and implementation on the hospitality industry performance in Kisumu County, Kenya.

1.3 Objectives of the Study

The overall objective of this study was to investigate the effect of strategic analysis, strategic choice and strategic implementation on hospitality industry performance in Kisumu County. The specific study objectives were to;

- i. Establish effect of strategic analysis on hospitality industry performance in Kisumu County.
- ii. Examine effect of strategic choice on hospitality industry performance in Kisumu County.
- iii. Determine effect of strategic implementation on hospitality industry performance in Kisumu County.

1.4 Research Hypothesis

- i. Ho: There is no relationship between strategic analysis and hospitality industry performance in Kisumu County.
- ii. Ho: There is no relationship between strategic choice and hospitality industry performance in Kisumu County.
- iii. Ho: There is no relationship between strategic implementation and hospitality industry performance in Kisumu County.

1.5 Scope of the Study

This study was conducted to investigate the effect of strategic analysis, strategic choice and strategic implementation on hospitality industry performance in Kisumu County, Kenya. The research was done in sampled hospitality outlets within Kisumu County between June and December 2014.

1.6 Justification of the Study

The findings of this study may be helpful to the hotels, restaurants, policy makers and academicians. The hotel industry in the region is facing several challenges which have been affecting performance. These challenges include shortage of skilled staff, poor infrastructure, insecurity, lack of strategic plans and poor organizational processes among other challenges (Onyango & Kipchumba 2012). Similarly, Kenyan hotels have become more complex to manage because of the demands of the dynamic business environment.

Kisumu County tourism and hospitality industry require a conference center which can take more than 1500 delegates, a 200 roomed and above hotel and a floating restaurant (Anyal, 2013). Subsequently, the research findings were found ideal for students pursuing career opportunities in the industry since the study helped to outline the gaps for further study on performance in hospitality and tourism industry in the region.

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1.7 Conceptual Framework

It is conceptualized that firms that have effectively embraced strategic planning, record better performance compared to those that have not. Hofer and Schendel (1978), Henderson (1979), Greenley (1986), Miller and Cardinal (1994) and David (1997) argue that firms record improved performance once they effectively embrace strategic planning. Carrying out the various stages in the strategic planning process is expected to facilitate the realization of organizational effectiveness. By defining a company's purpose and goals, strategic planning provides direction to the organization and enhances coordination and control of organization activities.

Porter (1980), Greenley (1986), Miller and Cardinal (1994), Hax and Majluf (1996) and Grant (1998) argue that an objective analysis of external and internal environment facilitates the establishment of the firm-environment fit and improved decision-making. In addition, Porter (1980), Quinn (1980), Ohmae (1983) and Kotter (1996) noted that the identification of strategic issues and, strategy analysis and selection facilitates the achievement of efficient allocation of resources, sustainable competitive advantage, and improved innovation. It is also perceived that the development of implementation program, evaluation and control systems facilitates smooth execution and implementation of the planned tasks.

Strategic planning is a core task of senior management which involves fourteen (14) processes (Armstrong, 2010). These processes are designing objectives, planning strategy, establishing goals, developing company philosophy, policies, procedures, organization structures, establishing personnel and facilities, capital, establishing standards, programs and operational plans and institutionalization, evaluation and control. Dan (2009) narrows the stages to five and states that, "strategic planning process involves the implementation of strategy in an organization which should be managed through a sequence of steps". These steps include setting of objectives, analysis of environmental trends & capabilities, evaluation of the available options and planning, implementation, operationalization and institutionalization of strategy. The five stages were further condensed to three for purpose of this study as explained by Wendy (1997), that strategic planning process comprises of three main elements which helps turn an organizations vision or mission into concrete achievable. These are the strategic analysis, strategic choice and strategic implementation. The strategic analysis encompasses setting the organization's direction in terms of vision, mission and goals. Therefore this entails articulating the company's strategic intent and directing efforts towards understanding the business environment. Strategic choice stage involves generating, evaluating and selecting the most appropriate strategy. Strategy implementation stage consists of putting in place the relevant policies and formulating frameworks that will aid in translating chosen strategies into actionable forms hence improved firm performance.

Figure 1.1 presents the conceptualized relationship between Strategic analysis, strategic choice and strategic implementation with the hospitality industry performance in Kisumu County.

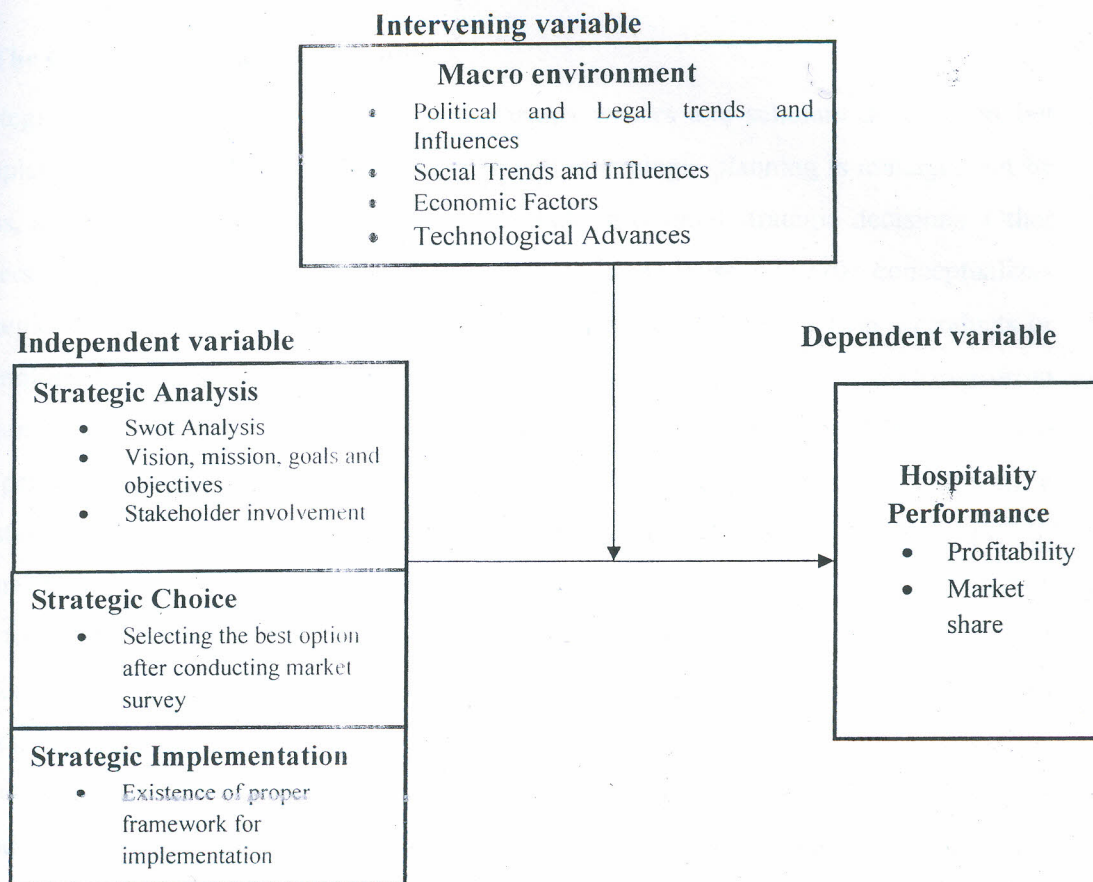


Figure 1.1: A conceptual model on the relationship between strategic analysis, choice and implementation with hospitality industry performance

Source: Adapted from; Robert *et al.* (2012).

The arrows in the diagram indicate the relationship between strategic analysis, strategic choice and strategic implementation on the strategic planning stages side with their respective dimensions and hospitality performance measured in terms of market share and profitability. The macro-environment used as intervening variable in the framework includes political, economic, socio-cultural and technological forces. Hospitality companies have limited, if any, control over PESTE influences; but major changes in any one PESTE factor can significantly impact on the business. PESTE factors are constantly changing. These changes affect consumers, drive market demand, and influence the competitive environment (Kotler *et al.* 2003). It was therefore conceptualized that major changes in any one of the strategic planning stages affects the performance in the hospitality industry in Kisumu County.

CHAPTER TWO

LITERATURE REVIEW

2.1 The Concept of Strategic Planning

Strategic planning has been explained by various writers and scholars in different but complementary ways. Drucker (1954) contends that strategic planning is management by plans, an analytical process and is focused in making optimal strategic decisions. Other writers have expanded on Drucker's (1954) definition. Ansoff (1970) conceptualizes strategic planning as the process of seeking a better match between a firm's products or technology and its increasingly turbulent markets. He looks at it in terms of change from a familiar environment to an unfamiliar world of strange technologies, strange competitors, new consumer attitudes, new dimensions of social control and above all, a questioning of the firm's role in society. Sharing this view, Hofer and Schendel (1978) define strategic planning as an evolution of managerial response to environmental change in a focus moving from internal structure and production efficiency, to the integration of strategy and structure and production innovation, multinational expansion and diversification.

Wendy (1997) explained strategic planning as the process of developing and maintaining consistency between the organization's objectives and resources and its changing opportunities. Wendy (1997) further argues that strategic planning aims at defining an approach to doing business that will lead to satisfactory profits and growth. Steiner (1979) defines strategic planning as the systematic and more or less formalized effort of a company to establish basic company purposes, objectives, policies and strategies. It involves the development of detailed plans to implement policies and strategies to achieve objectives and basic company purposes. On the same breath, Bateman and Zeithml (1993) view planning as a conscious, systematic process during which decisions are made about the goals and activities that an individual, group, work unit or organization will pursue in the future. It provides individuals and work units a map to follow in their future activities. Hax and Majluf (1996) supporting this argument explain strategic planning as a disciplined and well-defined organizational effort aimed at the complete specification of a firm's strategy and the assignment of responsibilities for execution. From these diverse views expressed, strategic planning in its general and basic understanding can be said to

be a process of selecting organizational goals and strategies, determining the necessary programs to achieve specific objectives en route to the goals, and establishing the methods necessary to ensure that the policies and programs are implemented. However, the studies by Bateman and Zeithml (1993) did not clearly articulate the effect of strategic planning stages on performance to help establish the reasons for negligible performance among the hospitality outlets in Kisumu despite the existing demand.

2.2 Strategic Planning and Performance

The history of strategic planning dates back to long-range planning (Cappelli, 2005). Strategic planning was therefore a proactive alternative to long-range planning which was found to be obsolete because it was not increasing firm's true value. Strategic planning is a core task of senior management which involves fourteen (14) processes (Armstrong, 2010). These processes are designing objectives, planning strategy, establishing goals, developing company philosophy, policies, procedures, organization structures, establishing personnel and facilities, capital, establishing standards, programs and operational plans and institutionalization, evaluation and control. Pearce and Robinson (2008) view strategic planning as an organizational process that is vision driven and that aims at developing the future value of an organization. Dan (2009) states that, "strategic planning process involves the implementation of strategy in an organization which should be managed through a sequence of steps". These steps include setting of objectives, analysis of environmental trends & capabilities, evaluation of the available options and planning, implementation, operationalization and institutionalization of strategy. Dan (2009) mentions the steps involved in the strategic planning process which are in line with the concept of the study but did not establish the relationship between the steps and performance in the hospitality industry.

Barney and Hesterly (2006) are of the view that the process of strategic planning has to be designed such that it meets the specific needs of the organization. The strategic planning process involves the mission and vision of the organization, environmental analysis, selection of objectives and analyzing strategic choices (Porter, 2004). Johnson and Scholes (2003) assert that there is not any best way of conducting the process of strategic planning in an organization and therefore strategies should be formulated explicitly and implicitly. Hotels have acknowledged the importance of strategic planning just like other

organizations. This is because strategic planning helps organizations to clearly identify and prioritize their objectives, and targets (Johnson and Scholes, 2003). Strategic planning has to be done under a conducive strategic planning environment which has the appropriate structures for proper coordination and cooperation. Managers' perception is also very important to the strategic planning process because they are the initiators as well as the implementers of the plans (Balogun, 2003). The influence of specific strategic choice in the hospitality outlet which could as well affect the performance is not known.

The concept of strategic planning has been widely adopted by hotels but its dimensions, roles and impact to the performance of the overall hotel management is not predictable. Creating a winning strategy is not a one-time event because a good strategy today might not be successful tomorrow. Changes in the business environment are leading to new and greater demands on strategic planning systems. Jehad and Adel (2013) assert that there are several planning systems used by hotels in order to manage change and these systems have evolved in order to cope with the continuously changing environment. Strategic plans can help hotels communicate their goals, strategies and operational tasks to internal and external stakeholders. Higher planning formality is beneficial for firms that operate in highly competitive environments like hotels and this may assist them to meet competitive threats more systematically (Law and Jogaratnam, 2005). A hotel can adopt strategies in both the internal and external environment. The internal environment includes the physical and social factors within the boundaries of the hotels or specific decision units that are taken directly into consideration in the decision-making behavior of individuals in those systems (Richard *et al.*, 2009). Internal environment also can refer to the amount of attention devoted to a hotel's recent history and current situation, its past performance and an analysis of its strengths and weaknesses. On the other hand, external orientation involves the ability to obtain reliable research information in order to learn about external environmental opportunities and threats (Dincer *et al.*, 2006). These opportunities and threats refer to those relevant factors outside the boundaries of the hotel or specific decision units that are taken directly into consideration (Pine and Phillips, 2005). Johnson and Scholes (2003) state that for a formal planning process to assist in strategy development, it must include mechanisms to embrace proper customer services, efficiency of operating processes, alternating and retaining high quality employees, and analysis of financial strengths and weaknesses. The external orientation may create

analysis of investment opportunities, analysis of competition and reforming market research.

Wheelen and Hunger (2008) conclude that strategic planning attempts to look ahead to where you want to be together with the budget to get there. In the recent times, the hotel industry has identified the importance of strategic planning by defining the mission of their businesses so that they are better able to give themselves a direction to focus their activities. Strategic planning helps managers to identify a clear-cut concept of their hotels and as a result of this, makes it possible to formulate plans and activities that will bring them close to their goals (Pearce and Robinson, 2008). Kenyan hotel managers operate in a world that is ever changing and nothing is static whether in technology, politics or society. They therefore have no choice but to come up with strategic planning as a tool for the future prospects of their hotels. The studies omit a clear framework of strategic planning process with well defined and implemented dimensions particularly in the hospitality industry.

The literature on the relationship between strategic planning and organizational performance falls into two main categories. Griggs (2002) stated that the first category relates planning to improved profitability, while the second recognizes that good planning is a key to success. The prescriptive strategic management literature (e.g. Glaister & Falshaw, 1999; Aldehayyat, 2011) advocates the positive relationship between strategic planning and organizational performance. In their meta-analysis, Schwenk and Schrader (1993) reviewed 26 articles researching businesses organizations and found a positive relationship between strategic planning and organizational performance. Greenley (1994) reviewed 29 pieces of research and found evidence supporting a relationship between strategic planning and organizational effectiveness. Miller and Cardinal (1994) reviewed 26 published researches and that strategic planning positively affected organization effectiveness. The reviews directly related strategic planning to performance but short in relating strategic analysis, choice and implementation to performance.

2.3 Relationship between Strategic Analysis, Strategic Choice and Strategic Implementation and Performance

Strategic planning applies a systems approach by looking at a company as a system composed of subsystems. It permits managers to look at the organization a whole and the interrelationships of parts, rather than deal with each separate part alone without reference to others. Therefore, it provides a framework for improved coordination and control of an organization's activities. Strategic planning provides a basis for other management functions. Steiner (1979) observes that strategic planning is inextricably interwoven into the entire fabric of management. It provides a framework for decision-making throughout the company and forces the setting of objectives, which provides a basis for measuring performance. Managers are able to spend time, efforts and resources in activities that pay off. Setting of goals and targets on the other hand facilitate evaluation of organization performance. Individuals in an organization will strive to achieve clear objectives that are set. Therefore it is important to establish the relationship between each of the stages that make up the system with performance.

2.3.1 Strategic Analysis and Performance

Although strategic planning should be ongoing, a logical place to start the process is with strategic analysis. One can use knowledge gained from strategic analysis to generate and evaluate ideas that result in an overall direction of the firm. Strategic direction is manifested in the firm's mission, vision, and values. Strategic direction, combined with the knowledge gained from strategic analysis, can then be used to develop competitive strategies, as well as plans for implementing them. Goal setting should occur at some point, and a logical place to do it is during planning.

Strategic analysis can also open up channels of communication between high-level managers and subordinates, allowing them to share ideas and perspectives. This participative process can help subordinates accept changes more readily after decisions are made. Strategic planning provides a basis for other management functions. Steiner (1979) observes that strategic planning is inextricably interwoven into the entire fabric of management. It provides a framework for decision-making throughout the company and forces the setting of objectives, which provides a basis for measuring performance. Managers are able to spend time, efforts and resources in activities that pay off. Setting of goals and targets on the other hand facilitate evaluation of organization performance.

Individuals in an organization will strive to achieve clear objectives that are set. It is argued that strategic planning results in a viable match between the firm and its external environment. Strategy concerns an analysis of the firm's environment, leading to what the firm, given its environment, should achieve. Environmental scanning and analysis allows the firm to be connected to its environment and guarantees the alignment between the firm and its environment. Environmental analysis reveals the market dynamics, business opportunities and challenges, customer expectations, technological advancements and the firm's internal capacities and this provides the basis for strategy selection. Kotter (1996) argues that the strategic planning process can be used as a means of repositioning and transforming the organization.

Thompson *et al.* (2007) postulate that the essence of good strategy making is to build a market position strong enough and an organization capable enough to produce successful performance despite unforeseeable events, potent competition, and internal difficulties. Quinn (1980) explains that well formulated strategies helps marshal and allocate an organization's resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents. Indeed Ohmae (1983) contends that strategic planning enables a company to gain, as effectively as possible, a sustainable edge over its competitors. Bryson (1989), Stoner (1994) and Viljoen (1995) share Ohmae's contention, pointing out that strategic planning assists organizations to develop a comparative advantage or an edge over competitors and creates sustainable competitive advantage. Greenley (1986) points out that a range of potential benefits to intrinsic values accrues to both the company and external stakeholders from the use of strategic planning. The literature supports the need to establish the relationship between strategic analysis and performance. The literature however does not relate strategic analysis to performance in the hospitality industry, and therefore its effect is not known.

2.3.2 Strategic Choice and Performance

Bryson (1989), Stoner (1994) and Viljoen (1995) argue that strategic planning assists in providing direction so members know where the organization is heading and where to expend their major efforts. It guides in defining the business the firm is in, the ends it seeks and the means it uses to accomplish those ends. McCarthy and Minichiello (1996) noted that a company's strategy provides a central purpose and direction to the activities

of the organization and to the people who work in it. Adding to this argument, Kotter (1996) contends that the primary goal of strategic planning is to guide the organization in setting out its strategic intent and priorities and refocus itself towards realizing the same. David (1997) argues that strategic planning allows an organization to be more proactive than reactive in shaping its own future, initiate and influence (rather than just respond to) activities, and thus to exert control over its destiny. It assists in highlighting areas requiring attention or innovation.

The process of strategic planning shapes a company's strategy choice. It reveals and clarifies future opportunities and threats and provides a framework for decision making throughout a company. It helps organizations to make better strategies through the use of more systematic, logical and rational approach to strategic choice. Steiner (1979) noted that strategic planning stimulates the future on paper and it encourages and permits a manager to see, evaluate and accept or discard a far greater number of alternative courses of action than he might otherwise consider; defining firm's corporate direction, appraisal of business environment, identification and analysis of firm's strategic issues, strategy generation, evaluation and selection, development of implementation, evaluation & control systems. Kotter (1996) and David (1997) both agree that strategic choice helps in stimulating better firm performance but do not demonstrate how strategic choice affects performance in the hospitality industry.

2.3.3 Strategic Implementation and Performance

Effective strategies are of no value if they are not properly implemented. Strategy implementation involves ensuring that a firm has proper strategic controls and organizational designs. Of particular importance is ensuring that the firm has established effective means to coordinate and integrate activities within the firm as well as with its suppliers, customers, and alliance partners. In addition, leadership plays a central role. This involves many things. Paramount among these, however, is ensuring that the organization is committed to excellence and ethical behavior as well as consistently being entrepreneurial in creating and taking advantage of new opportunities. Stoner (1994) and Viljoen (1995) argue that strategic planning tends to make an organization more systematic in terms of its development and this can lead to a greater proportion of the organization's efforts being directed towards the attainment of those goals established at

the planning stage, that is, the organization become more focused. Strategic planning applies a system approach by looking at a company as a system composed of subsystems. It permits managers to look at the organization a whole and the interrelationships of parts, rather than deal with each separate part alone without reference to others. Therefore, it provides a framework for improved coordination and control of an organization's activities. The studies by Stoner (1994) and Vilijoen (1995) assumes that strategic planning will ensure systematic organizational processes hence leading to greater performance without considering the external environmental determinants which moderates the hospitality industry.

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2.4 Empirical Review

Empirical studies have been done to establish the relationship between strategic planning and firm performance with varied conclusions. The initial studies include that done by Thune and House (1970). Thune and House (1970) studied 36 companies employing the approach of examining the performance of each company both before and after formal strategic planning were initiated. This covered both formal and informal planners. The comparison showed that formal planners outperformed the informal planners on all the performance measures that were used. Herold (1972) in an attempt to cross-validate Thune and House (1970) study, surveyed 10 companies, comparing performance of formal and informal planners over a 7-year period. Based on the survey results, He concluded that formal planners outperform informal planners and hence, supporting the results of Thune and House (1970). Gershefski (1970) in his survey compared the growth of sales in companies over a 5-year period before strategic planning was introduced, and over a period of 5 years after planning was introduced. The results of the comparison led Gershefski to conclude that companies with formal strategic planning outperformed companies with little planning. Ansoff (1970) studied 93 firms using various variables of financial performance. The findings revealed that companies, which do extensive strategic planning, outperformed the other companies. The studies compared performance in presence or absence of strategic planning in firms but did not study the effect of strategic choice on performance hence not known.

Karger and Malik (1975), taking a similar approach to that taken by Ansoff, compared the values of a range of variables of planners to those of the non-planners and based on the

results concluded that the planners outperformed the non-planners. Greenley (1986) examining empirical data from nine surveys (8 in USA and 1 UK within the manufacturing business) on the relationship between strategic planning and company overall performance noted mixed conclusions with five studies concluding the existence of the relationship while the rest conclude that higher levels of performance did not necessarily relate to the utilization of strategic planning. The benefits of strategic planning were also investigated in two separate surveys by Al-Bazzaz and Grinyer (1980) and Ang and Chua (1979). Although these empirical studies had a different emphasis, they were more concerned with what the respondents perceived the advantages of strategic planning to be. Al-Bazzaz and Grinyer (1980) found that the areas the respondents perceived as benefiting most from strategic planning were: awareness of problems, strengths and weaknesses 85%, profit and growth 48%, Information and communication 40%, systematic resource allocation 35%, coordination and control 29%, Moral and industrial relations 17%. The short coming in the studies by Al-Bazzar and Grinyer (1980) is that the results were only based on perceived advantages of strategic planning by the respondents but objective relationship between strategic choice and performance remained unknown.

In a similar study Ang and Chua (1979) found the advantages to be: The ability to explore more alternatives 66%, Faster and better quality decision-making 58%, more timely information 49%, Better understanding of the business process 45%, more accurate forecasts 43% and Cost savings 27%. According to the above-mentioned arguments, there seems to be sound theoretical support for the assumption that strategic planning can and should improve performance. Despite the intuitive appeal of these arguments, other researchers have countered that explicit strategic planning is dysfunctional, or at best irrelevant. Therefore the knowledge on the relationship of the strategic planning stages and performance require further study to explain the arguments by some researchers that strategic planning is dysfunctional or irrelevant. This is because the entire process must be effectively worked out for the success of the firm. Miller and Cardinal (1994) employed a meta-analytic approach using data from 26 previously published studies and concluded that strategic planning positively influences firm performance. Caeldries and VanDierdonck (1988) surveyed 82 Belgian Business firms and reported a link between strategy and performance. They noted that strategy enables a firm to strengthen its competitive position, and facilitates integration and coordination of members' behavior.

Pealtie (1993) observed that the main reason for the introduction of formalized strategic planning is to improve company performance through the development and implementation of better strategies. Pealtie (1993) noted that managing a large business without a plan is like trying to organize a car rally without a map, not impossible, but difficult. Published research from Africa also indicates that strategic planning is an effective tool in improving firm performance. Imoisili (1978), studying indigenous and multinational companies in Nigeria, concluded that the more effective companies are found among organizations which maintain consistency between environmental perception and management practices, do long-term planning, use more flexible control systems and have smaller spans of control. Fubara (1986) did a survey in Nigeria and observed that companies that engage in formal planning experienced growth in profits. The studies by Pealtie (1993), Imoisili (1978) and Fubara (1986), supports the importance of SWOT analysis as component of strategic analysis but were not done directly in hospitality industry therefore may not be relevant for hospitality institutions within Kisumu County.

It has been argued that although there is a general perception and belief that strategic planning improves organization effectiveness, if wrongly pursued the anticipated value may not be tapped. Steiner (1979) points out that a wrong strategy or a wrongly formulated strategy may not translate into the anticipated value for the organization. Johnson, Scholes and Whittington (2005), note that strategic drift occurs when the organization's strategy gradually moves away from relevance to the forces at work in its environment. Tourangeau (1987) shares these sentiments but cautions that strategic business planning cannot be expected to cure all that ails an organization i.e. addresses other shortcoming of the management process, but can best be seen as a partial solution to management problems. Strategic planning, or any other management technique is of limited value by itself, only a partnership with all parts of the management particularly execution, controls and rewards can result in synergy and lead to substantial advancement. In their survey to see how successful companies translates their strategies into performance, Mankins and Steele (2005) observed that companies typically realize only about 60 percent of their strategies potential value because of defects and breakdowns in planning and execution. Hofer and Schendel (1978) argue that strategy is important and therefore its formulation should be managed and not left to chance. Most

researchers concur that strategic planning improves performance but omits the extent of the relationship between each stage and performance.

2.5 Summary of Literature Review

The literature reviewed supports the need to establish the relationship between strategic analysis, strategic choice and strategic implementation with performance but not specific to the hospitality industry hence may not help solve the challenges faced by the hospitality outlets in Kisumu county. Strategic planning process comprises of three main elements which helps turn an organizations vision or mission into concrete achievable goals. These elements are not studied in detail to establish their effect on hospitality industry performance. Empirical literature also revealed that companies which do formal and extensive strategic planning outperformed the others that do informal and haphazard planning. This supports strategic planning as a tool to improve. The relationship between the strategic planning process and performance had been studied but recommendations made for further study on the specific stages and the external environmental factors as moderators. The studies also generalized the organizations yet every organization has its own environmental features.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The researcher used a correlational survey research design because it was best suited to achieve the purposes of the study. The survey research is one in which a group of people or items are studied by collecting and analyzing data from only a few people or items considered to be representative of the entire group. This method was used by much of the previous research in similar areas (e.g. Ghobadian *et al.* (2008); Elbanna, 2010; Aldehayyat, 2011). The study involved collecting data from hospitality outlets like hotels, travel companies and visitor attractions within Kisumu County.

3.2 Study Area

The study was conducted within Kisumu County namely. Its coordinates are 0°6'S 34°45'E at an altitude of 1,131 m (3,711 ft). The County covers 0.36% of the total land mass in Kenya; over an area of 2,085.93 km² hugging the Winam Gulf's northern to south-eastern shores on Lake Victoria. It is bordered by the County of Vihiga and County of Nandi to the north, County of Kericho to the east, County of Homa Bay to the south, Winam Gulf and Siaya County to the west. The County by population is ranked the 12th most populous county of all the 47 Counties of Kenya. Having a total of 968,909 people living there, it is host to 2.51% of the total population in Kenya. The County has a density of 4.3 people per household (Kenya National Bureau of Statistics, 2009).

The County is endowed with a large fresh water lake which is the main attraction to tourists. It is the largest tropical fresh water lake in the world. It has a surface area of 68,800km², although only a small part (about 6%), belongs to Kenya territorially. The choice of the study area was informed by the fact that it is the tourism hub for the western tourism circuit hence its growth would positively affect the entire region. The study area map is appended as Appendix I.

3.3 Target Population

The study targeted hospitality managers to form the population. Since managers, as suggested by Bart *et al.* (2001), Aldehayyat and Anchor (2008), are the most capable

persons to provide valid responses to questions related to the hotels' strategies, one manager from each hotel was considered as research target respondent. With one management staff for 100 hospitality outlets in the study area, a population of 100 respondents was available for sampling.

Table 3.1: Number of Hotels and other hospitality outlets in Kisumu County

Categories by number of rooms/ capacity	No of Hotels in the category
10-30	10
31-50	11
51-70	5
71-90	3
Above 100	1
Others (Restaurants, tour companies, attraction sites)	70
Totals	100

Source; (Anyal, 2013) Kisumu Hotel Managers Group

3.4 Sampling Frame

For some studies, the population may be small enough to warrant the inclusion of all of them in the study. But a study may entail a large population which cannot all be studied. That portion of the population that is studied is called a sample of the population (Nworgu, 1991). A sample in this study was, therefore, a smaller group of elements drawn through a definite procedure from an accessible population. The elements making up this sample are those that are actually studied.

Stratified sampling technique was used to select the hospitality outlets from each category for the study. Categories by number of rooms or capacity were obtained from the classification list provided by the Kisumu hotel managers above. This formed the various strata. A random sample from each stratum was taken in a number proportional to the stratum's size when compared to the population. These subsets of the strata were therefore pooled to form a random sample. The classified hospitality outlets were selected for the study because they have a clear and consistent organizational structure which implies that the results can be generalized without a lot of errors. Kothari (2012) notes that stratified

3.5.2 Data Collection Procedure

Data collection instruments were distributed to the sampled respondents through drop and pick later method. There was a pilot study conducted on five respondents for purposes of reliability and validity before the actual study. The researcher presented the pilot questionnaires to the selected managers and provided assistance where possible in clarifying the questions. The hotels used in the pilot testing excluded the ones used in the final sample of the research. Zikmund *et al.* (2009) recommend that the questionnaire pre-tests should be done by personal interviews in order to observe the respondents reactions and attitudes. The respondents were given a duration of two days to fill in the questionnaires upon which the duly filled in questionnaires were collected. In some areas, explanations and clarifications were provided for proper comprehension and reliable data. A five point Likert type scale was used to capture the extent of the degree of improvement the organization needed in order to perform effectively in a particular planning stage or area. High scores indicated that the hospitality outlet needed significant improvement in those categories while low scores indicated that the organization was doing well.

3.5.3 Instrument for Data Collection

A closed ended questionnaire was constructed and used for primary data collection. The strategic planning stages were the main guide when constructing the instrument. The instrument was designed in four sections. The respondent's bio-data and business information was important for determining the location, size, type of organization, ownership and relevant skills available to practice effective strategic planning process was in section one. The second section had a set of questions to the existence and appropriateness of the strategic analysis. The third section contained a set of questions on the selection of strategic choice and finally, the fourth section focused on the relationship between strategic implementation and performance in the hospitality industry in Kisumu County. (Robert *et al.*, 2012). The data collection instrument is appended as Appendix II.

3.5.4 Reliability Tests

Pre-testing for reliability was carried out to check on the internal consistency of data measurement instrument. This entailed trying out the instrument tools to a small group of managers who are representative of the sample size. During the pre-test phase, the following were checked; the wording of questions, the content, the clarity of instructions, the layout and format. The duration of completing the instrument was also established. This helped to get the target responses as well. Five respondents were pre-tested. Cronbach's alpha was used to measure this reliability. Nunnally (1978) notes that coefficient alpha provides a good estimate of reliability. Alpha values of between 0.80 and 1.00 are considered reliable. Values of between 0.50 and 0.80 are acceptable while values of below 0.50 are considered less reliable and therefore unacceptable (Sekaran, 2003). The pilot result revealed that the instrument had an alpha $\alpha = .854$, therefore reliable.

3.5.5 Validity test

The questionnaire designed for the study was subjected to a validation process for face and content validity. Face and content validity have been defined by McBurney (1994) as following: face validity is the idea that a test should appear superficially to test what it is supposed to test; and content validity is the notion that a test should sample the range of behaviour represented by the theoretical concept being tested. In the validation process of this study, five copies of the questionnaire were given to five hospitality managers. These experts studied the questionnaire carefully to ascertain the appropriateness and adequacy of the instrument.

3.6 Data Analysis

Data preparation involved sorting, entries, and cleaning. Statistical analyses were applied to describe and establish existence and impact of strategic planning stages and firm performance levels. Descriptive statistics were used to describe the characteristics of collected data. In applied management studies, the Likert type scale is an acceptable technique for purposes of carrying out parametric statistical analysis. In addressing the study objectives, the Pearson's correlation analysis and multiple regression analysis technique were used. In this regard, the Pearson's product correlation coefficients (r) were computed. For multiple regression analysis, more than one independent variable was

examined against their effect on hospitality performance using man model. That is, strategic analysis, strategic choice and strategic implementation on performance (Higgins, 2006).

Therefore: $Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_i$ 3.2

Where:-

Y_1 = Dependent variable (Mean score of Hotel performance)

X_1 = Independent variable #1 (Mean score of Strategic Analysis)

X_2 = Independent variable #2 (Mean score Strategic Choice)

X_3 = Independent variable #3 (Mean score of Strategic Implementation)

β_0 = Constant

$\beta_1 - \beta_3$ = Regression coefficient for each Independent variable

ε_i = Random or stochastic term.

Hypothesis was tested at 95% confidence level ($\alpha = 0.05$). A two tailed test was carried out

3.7 Data Presentation

The analyzed data were therefore presented in tables to determine the effect of strategic analysis, choice and implementation on hospitality industry performance (Arasa *et al.*, 2012).

CHAPTER FOUR
RESULTS AND DISCUSSIONS

4.1 Measures of Firm Performance

Performance is the dependent variable in this study examined in terms of profitability and market share dimensions. Ranges of absolute values were used to capture profitability. After the initial pre-testing of the questionnaire, it was evident that respondents were more willing to indicate the range where their respective firms fall on the indicators of interest as opposed to stating the absolute values. As for the growth in market share, a five-point Likert scale was used. The banding of the profitability measures was harmonized with the market share expansion in an effort to providing an indication of overall performance. This was also aimed at facilitating analysis. The responses on the profitability indicators were indicated as very low, low, neutral, high and very high.

Table 4.1: Analysis of Profitability Indicators for all the Hospitality Outlets

	Frequency	Percent	Cumulative Percent
Very Low	10	12.5	12.7
Low	36	45.0	58.2
Neutral	20	25.0	83.5
High	10	12.5	96.2
Very High	3	3.8	100.0
Total	79	98.8	
System	1	1.2	
Total	80	100.0	

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Source: Survey Data, 2014

The results shown in Table 4.1 indicate that most hospitality outlets (58.2%) cumulatively do need low to very low improvement in profitability meaning their profitability was acceptable. The rest were neutral (25%) or needed marked improvement in profitability (16.3%) respectively.

Table 4.2: Analysis of Growth in Market Share Indicators for all the Hospitality Outlets

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Low	11	13.8	13.9	13.9
Low	46	57.5	58.2	72.2
Neutral	12	15.0	15.2	87.3
High	7	8.8	8.9	96.2
Very High	3	3.8	3.8	100.0
Total	79	98.8	100.0	
System	1	1.2		
Total	80	100.0		

Source: Survey Data, 2014

Table 4.2 indicates that cumulatively, 72.2% of respondents reported their organizations need very low to low improvements in terms of growth in market share. This implied their performance in this dimension was acceptable. Only 12.6% indicated they needed marked improvement in market share as a measure of profitability.

4.2 Measures of Strategic Analysis, Strategic Choice and Strategic Implementation

In order to establish the extent to which strategic planning is embraced, probing questions with respect to each of the specific stage were presented before the respondents. Table 4.3 presents a summary in respect to responses on the extent to which firms practice strategic planning as defined by the various strategic planning stages. The table reveals that of all the strategic planning stages, majority of the firms do very well in the stage of defining the business of the organization and hence setting the company direction with all the means or strategic analysis falling at 2.29 out of a possible maximum 5.0 and standard deviations of 1.632 for all the variables. Strategic choice came second with a mean of 3.09 and standard deviation of 1.182. The hospitality responses showed that the hospitality outlets were worst performing at the implementation stage of strategic planning with a mean of 3.62 and standard deviation of 1.202.

Table 4.3: Extent to which various Strategic Planning Stages are Performed

Strategic planning stage	N	Minimum	Maximum	Mean	Std. Deviation
Does your organization have a written mission statement, vision and objectives? (Analysis)	80	1	5	2.29	1.632
Does the organization use the strategic diagnosis to formulate the strategic plan options? (Choice)	80	1	5	3.09	1.182
Does the organization make strategic decisions based upon the strategic choices? (Implementation)	80	1	5	3.62	1.202

Source: Survey Data, 2014

These means and standard deviations were based on the data captured through a five point Likert type scale running from 1 to 5, representing “the degree of improvement the organization needed in order to perform effectively in that planning stage or area. High scores indicated that the Hospitality outlet needed significant improvement in those categories while low scores indicated that the organization was doing well” respectively.

4.3 Multiple Regression Analysis of Hospitality Industry Performance

A multiple regression analysis was performed in order to fulfill objectives 1, 2, and 3. The

Table 4.4 Model Summary

Predictors: (Constant), Strategic Implementation, Strategic Analysis, Strategic Choice

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788 ^a	.621	.606	.53601

Source: Survey Data 2014

mode summary is presented in Table 4.4.

The R=.788 statistic indicated the correlation between the dependent and independent variable (Field, 2005). This indicated that the independent variables (Strategic analysis,

choice and implementation) were positively associated with hospitality performance. The model's R square = .621 indicated that the model explained 62.1% of the total variance in hospitality performance. Moreover, the adjusted R square =.606 showed that the model shrinkage was acceptable, that is below .05 (Field 2005). Therefore the model was robust and suitable for prediction.

Table 4.5 ANOVA

Predictors: (Constant), Strategic Implementation, Strategic Analysis, Strategic Choice
 Dependent Variable: Performance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	35.325	3	11.775	40.984	.000 ^a
Residual	21.548	75	.287		
Total	56.873	78			

Source: Survey Data 2014

Table 4.5 shows that F= 40.984 (p=.000) is significant (Sakara, 2003). Therefore the model can be used for prediction.

The regression model is presented in Table 4.6. This result is used to accomplish objective 1, 2, and 3 respectively.

Table 4.6: Multiple Regressions for Hospitality Industry Performance

a. Dependent Variable: Performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.621	.234		2.659	.010
	Strategic Analysis	.256	.069	.416	3.687	.000
	Strategic Choice	.264	.095	.362	2.791	.007
	Strategic Implementation	.061	.094	.074	.656	.514

Source: Survey Data 2014

4.4 Effect of Strategic Analysis on Performance

From Table 4.6, the first objective sought to establish the effect of strategic analysis on hospitality industry performance in Kisumu County. The standardized beta coefficient for strategic analysis ($\beta=.416$, $P=.000$) indicating strategic analysis was significantly different from zero. The result implied that a unit standard deviation change in strategic analysis increases hospitality performance by .416 units. The result shows that strategic analysis significantly influences hospitality performance. The result confirms Harrison (2003) argument that competitive environment analysis through SWOT analysis has potential of improving firm performance though indirectly. This result therefore offers new evidence that is a direct relationship between strategic analysis and hospitality performance to be a positive significant relationship.

4.5 Effect of Strategic Choice on Performance

The second objective on strategic choice sought to examine the effect of strategic choice on hospitality industry performance in Kisumu County. The standardized beta coefficient for strategic choice ($\beta=.362$, $p=.007$) indicated a significant relationship between strategic choice and hospitality industry performance. The result implied that strategic choice was significantly different from zero. Therefore a unit standard deviation increase in strategic choice increased hospitality performance by .362 units. The study results supported Kotter (1996) who contended that the primary goal of strategic planning is to guide the organization in setting out its strategic intent and priorities and refocus itself towards realizing the same. Further, David (1997) argued that strategic planning allows an organization to be more proactive than reactive in shaping its own future, initiate and influence (rather than just respond to) activities, and thus to exert control over its destiny. It assists in highlighting areas requiring attention or innovation. The result however uniquely, directly related strategic choice to hospitality performance hitherto not known in literature. It showed that the relationship is a positive significant relationship.

4.6 Effect of Strategic Implementation on Performance

The third objective on strategic implementation sought to determine effect of strategic implementation on hospitality industry performance in Kisumu County. The standardized beta coefficient for strategic implementation ($\beta=.074$, $p=.514$). This indicated that

strategic implementation was not significantly different from zero. Therefore the result failed to predict the relationship between strategic implementation and hospitality performance given that its insignificance. This result does not support studies by Stoner (1994) and Vilijoen (1995) who assumed that strategic planning would ensure systematic organizational processes and implementation leading to greater performance. Therefore this study did not confirm the relationship between strategic implementation and hospitality performance and supporting the third hypothesis.

Many researchers have argued that strategic planning leads to effective company performance. The three hypotheses formulated for this study and conceptual framework were drawn from such arguments and also similar past studies. The researcher first explored the conduct of strategic planning within the studied sector and thereafter examined the effect of strategic analysis, choice and implementation on hospitality industry performance in Kisumu County. The findings from Kisumu County hospitality outlet are in agreement with the theoretical arguments by Hofer and Schendel (1978), Henderson (1979), Greenley (1986), David (1997) that companies record improved performance once they effectively embrace strategic planning. These findings are also in agreement with those of other studies which observed that indeed there is a relationship between strategic planning and firm performance. These included studies by Ansoff (1970), Gershefski (1970), Thune & House (1970), Caeldries & Van Dierdonck (1988) and Miller & Cardinal (1994) all of which concluded that there is a link between strategic planning and firm performance. The findings therefore, were indications the previous studies, carried out in other industries supported the ones from Kisumu County hospitality industry context. Therefore the relationship between strategic planning and firm performance could exist regardless of context.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The results of objective 1 showed significant positive relationship between strategic analysis and hospitality performance. The study further showed the results for objective 2 to be a significant positive relationship between strategic choice and hospitality performance.

Results of objective 3 however did not show any significant relationship between strategic implementation and hospitality performance.

5.2 Conclusion

From the results of objective 1, it can be concluded that strategic analysis has positive effect on hospitality industry performance. Based on objective 2 results, it can be concluded that of strategic choice has a positive effect on performance in hospitality industry in Kisumu County. No conclusion can be drawn on the results of objective 3 given they are not significant.

5.3 Recommendations

From conclusion on objective 1 of this study, the researcher recommends continual strategic analysis through careful SWOT analysis of the hospitality outlets within Kisumu County because it has a positive effect on performance. Based on the conclusion of objective 2, it is recommended that careful strategic choices should be made as these choices have positive effect on performance.

5.4 Limitations of the Study

The study was only conducted among the managers of various hospitality outlets without including the customers who are also major stakeholders in the strategic planning process. It did not adequately explore the effect of the intervening variable.

5.5 Suggestions for Further Studies

Further studies on relationship between strategic analysis, choice and implementation on hospitality industry performance in the region are suggested to adequately include the

customers. Also the statistically insignificant relationship observed in objective 3 for strategic implementation and performance could be further studied with a larger sample size to establish the relationship.

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