ISSN 2349-7831

International Journal of Recent Research in Social Sciences and Humanities (IJRRSSH)
Vol. 5, Issue 2, pp: (203-207), Month: April - June 2018, Available at: www.paperpublications.org

# EFFECT OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF HOTELS IN KENYA, SURVEY OF HOTELS IN LAIKIPIA COUNTY

[1]MURIUKI ANTONY MAINA, [2]DR. SAMMY ODARI

***Abstract:*** **The General objective of this study was to find out the effect of competitive strategies and their effect on performance of hotels in Kenya. The specific objectives were to establish the effect of strategic alliance on performance of hotels and to determine how technological advances relate to performance. The study adopted descriptive research design. The study used a target population of 170 employees from the various departments while the sample size of 51 employees was determined to be at 30%, since it has been argued that such a sample size is adequate for a descriptive survey study. Stratified random sampling technique was also used to select respondents in the study population since it ensured that all the respondents have an equal and unbiased chance of participating in the study. A descriptive research design as well as use for the questionnaires. Quantitative data was analyzed using tally sheet and presented by use of tables. In addition, multiple regression analysis was used to establish the relationship between the dependent variable and independent variables. The study concluded that strategic alliances enhances quality of service, cost savings and results in maintaining competitive edge through Synergy and shared knowledge. The study further found out that technological advance was statistically significant in affecting the hotel's performance; leading to a conclusion that technological advances are an important resource in influencing hotels' performance, that resources significantly and positively affect the performance of hotels in Kenya through strong personnel and processes and that service quality is an antecedent of performance of hotels in Kenya.**

***Keywords:*** **Competitive advantage, Competitive strategy and Outsourcing.**

## 1. INTRODUCTION

For hotels to succeed in a competitive global environment, they need good strategies. A strategy is a firm's theory about how to compete successfully, a unifying theme that gives it coherence to its various actions (Peng, 2009). Strategy can be seen as the matching of resources and activities of an organization to the environment in which it operates (Johnson & Scholes, 2002). It can also be defined as the search for strategic fit between organization's internal resources and competence on the one hand and the external environment on the other.

**Statement of the problem:**

Hotel Sector play important role in the Kenyan economy mainly through its contribution to the country's GDP and employment. Hotel sector in Kenya contributed 8.5% of the Gross Domestic Product (GDP) and created 80% of new jobs in the year 2016; with recording a 7.5% increase in job creation compared to the previous year. Competitive advantage comes from an ability to meet customer needs more effectively, with products or services that customers value more highly or more efficiently at lower costs. (Thompson, Petraf, Gamble & Strickland, 2010).

ISSN 2349-7831

International Journal of Recent Research in Social Sciences and Humanities (IJRRSSH)
Vol. 5, Issue 2, pp: (203-207), Month: April - June 2018, Available at: www.paperpublications.org

A number of studies have been conducted on the competitive strategies and performance relationship, but mixed results have been presented. Many studies have found a positive relationship between competitive strategies and performance (Jimenez Jimenez & Sanz-Valle, 2011; Calantone, Cavusgil & Zhao, 2002; Damanpour, Walker & Avellaneda, 2009; Atalay, Anafarta & Sarvan, 2013). Other studies found that the competitive strategies- performance relationship is positive, but only in certain conditions. For instance, Danneels (2000) asserted that big organizations are more likely to have experience with competitive strategies projects and thus better performance as opposed to small organizations. Further, Mansury and Love (2008) found that the presence and extent of competitive strategies only have a positive effect on the growth of a firm but no effect on its productivity. While assessing the competitive strategies - performance relationship, different studies have used different measures to evaluate performance, a factor that has drawn mixed findings. Damanpour (1990) observed that the strength of competitive strategies and firm performance relationship depends on how performance is measured. Generally, outcome level measures of competitive strategies have been based on financial metrics (Avlonitis, Papastathopoulou & Gounari, 2001).

However certain performance measures such as cost reduction, efficiency and effectiveness have largely been ignored due to the difficulty in linking such measures with competitive strategies activities (Oke et al., 2007). Many of these studies have focused on commercial banks as opposed to service firms, and have analyzed only one type of competitive strategies – technological advances (McDermott & Prajogo, 2012). This has given only a partial understanding of the subject of competitive strategies and greatly contributed to the existing knowledge gap. It is against this background that this study sought to determine the relationship between competitive strategies and performance while concentrating on four types of competitive strategies.

**Objectives:**

i. To what extend does strategic alliances effect the performance of hotels in Kenya?

ii. What roles do technological advances have on the performance of hotels in Kenya?

iii. In what role does resources influence on the performance of hotels, in Kenya?

iv. How does service impact on the quality of the performance of hotels in Kenya?

## 2. THEORETICAL REVIEW

**Agency cost theory (ACT):**

Agency theory explains how to best organize relationships in which one party (the principal) determined the work, which another party (the agent) undertook (Eisenhardt, 1989). The theory argued that under conditions of incomplete information and uncertainty, which characterize most business settings, two problems arise: adverse selection and moral hazard. Adverse selection is the condition under which the principal cannot ascertain if the agent accurately represents his ability to do the work for which he is being paid. Moral hazard is the condition under which the principal cannot be sure if the agent has put forth maximal effort (Eisenhardt, 1989).

**Diffusion theory:**

According to Schneberger & Jost, (1994), diffusion is defined as the process by which an innovation is adopted and gains acceptance by members of a certain community. A number of factors interact to influence the diffusion of an innovation. There are major factors that influence the diffusion process, innovation being among the many (Rogers, 1995). This theory addresses the themes of strategic alliances on performance of hotels in Kenya and the level, use and effectiveness of technology in the hotel sector. Diffusion theory ties together Technology & effect of strategic alliances on performance of hotels in Kenya.

**Resource-Based View Theory:**

This theory was developed by Pfeffer and Salancik (1978).The Resource-Based View (RBV) is an economic tool used to determine the strategic resources available to a firm. The fundamental principle of the RBV was that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal. To transform a short-run competitive advantage into a sustained competitive advantage, it required that these resources be heterogeneous in nature and not perfectly mobile. Effectively, this translated into valuable resources that are neither perfectly imitable nor substitutable without great effort (Hoopes, et al 2003).

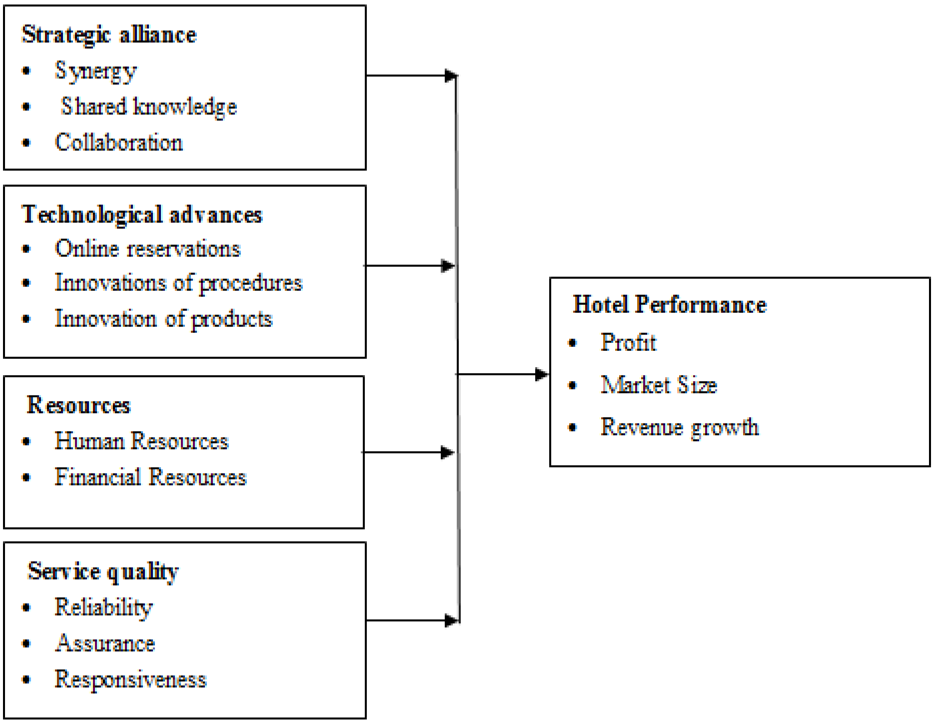
ISSN 2349-7831

International Journal of Recent Research in Social Sciences and Humanities (IJRRSSH)
Vol. 5, Issue 2, pp: (203-207), Month: April - June 2018, Available at: www.paperpublications.org

**Transaction Cost Economic Theory:**

Transaction cost theory explains why companies exist and why companies expand or source out activities to the external environment. The transaction cost theory supposes that companies try to minimize the costs of exchanging resources with the environment, and that hotels try to minimize the bureaucratic costs of exchanges within the company. Hotels are therefore weighing the costs of doing business against the bureaucratic costs of performing activities in-house. A firm's interactions with the market may not be under its control (for instance because of sales taxes), but its internal allocation of resources is within a firm, market transactions are eliminated and in place of the complicated market structure with exchange transactions is substituted the entrepreneur who directs production. Transaction cost theory concentrates on the relative efficiency of different exchange processes (Tirole, 1988).

**Conceptual framework:**




**Independent Variables** **Dependent Variable**

**Research gaps:**

A number of local studies have been done on the competitive strategy but to the researchers knowledge no studies have focused on the competitive strategy in relation to performance of hotels in Kenyan context. For instance Emeka, (2015) studied the effect of Strategy Formulation on Organizational Performance in Nigeria. Kamau (2012) studied the challenges influencing implementation of competitive strategy in telecommunication industry; Lusweti, (2010) researched on employee retention management practices in the telecommunication industry;Mathu, (2009) studied public targeting technique in public relations in telecommunication industry. From the above studies it's quite evident that there they is no studies that have focused on the effect of competitive strategy on the performance of hotels in Kenya in Kenyan context. In the absence of local empirical studies, it is often difficult to evaluate the effect of competitive strategy on the performance of hotels in Kenya in the local perspective. It is this knowledge gap that the researcher sought to bridge by conducting a study on the effect of competitive strategy on the performance of hotels in Kenya.

## 3. RESEARCH METHODOLOGY

The research design used in this study was descriptive research design. The target population of this study comprised of both managerial and employees of hotel in Laikipia County.170 employees were selected from those hotels to form a target population. The study used a sample of 51 respondents.The researcher used questionnaires as research instruments to collect data. The statistical Package for Social Sciences (SPSS) was used for data analysis purpose.

ISSN 2349-7831

International Journal of Recent Research in Social Sciences and Humanities (IJRRSSH)
Vol. 5, Issue 2, pp: (203-207), Month: April - June 2018, Available at: www.paperpublications.org

## 4. RESULTS AND DISCUSSION

**Regression Results:**

**Table 4.1: Significance of Independent Variables**

| Variables | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 2.215 | .562 | | 4.785 | .000 |
| Strategic alliance | .870 | .175 | .565 | 4.750 | .000 |
| Technological advances | .675 | .160 | .358 | 1.720 | .000 |
| Resources | .575 | .065 | .270 | 1.645 | .003 |
| Service quality | .367 | .075 | .219 | 2.068 | .000 |

The results in Table 4.13 indicate that Strategic alliance significantly and positively influenced performance of hotels in Kenya ($\beta = 0.870$; $t = 4.750$; $p < 0.05$).This indicates that strategic alliance improves performance of hotels in Kenya.

Further, technological advances have a significant and a positive effect performance of hotels in Kenya ($\beta = 0.675$; $t = 1.720$; $p < 0.05$). This result indicates that a technological advance is effective enough to enable the improvement in performance of hotels in Kenya..

Resources had significant and a positive effect on performance of hotels in Kenya ($\beta = 0.175$; $t = 1.651$; $p < 0.05$).The study established that knowledge that a hotel uses to build products and deliver services as well as adequate physical infrastructure positively besides strong personnel enhances the performance of hotels in Kenya.

Service quality had a significant and positive effect performance of hotels in Kenya ($\beta = 0.127$; $t = 2.096$; $p < 0.05$). This indicates that service quality were effective in influencing performance of hotels in Kenya. This has an implication that service quality is an antecedent of performance of hotels in Kenya Lack of increase in the hotels branches means that consumers may perceive service quality as low or poor, and therefore implies that consumers are not satisfied with services offered by hotels.

## 5. CONCLUSIONS

The study concludes further that strategic alliances enhances quality of service, cost savings and results in maintaining competitive edge through Synergy and shared knowledge. The study also found out that technological advance was statistically significant in affecting the hotel's performance; therefore, the research concludes that technological advances are an important resource in influencing hotels' performance. The study further established that resources positively influence the performance of hotels in Kenya. The study established that knowledge that a hotel uses to build products and deliver services as well as adequate physical infrastructure positively besides strong personnel enhances the performance of hotels in Kenya. The study finally concluded that that service quality is an antecedent of performance of hotels in Kenya Lack of increase in the hotels branches means that consumers may perceive service quality as low or poor, and therefore implies that consumers are not satisfied with services offered by hotels

## 6. RECOMMENDATION

This study recommends that the management should put more efforts on the strategic alliances to enhance quality of service and cost savings edge through enhancement of Synergy and shared knowledge. The study further recommends that the hotels must be focused in terms of their needs and using the right technology to achieve goals, rather, than acquiring technology because other hotels have it. The study also recommends that human capital, among other organizational resources, should be considered to be unique as one of the major contributors towards performance of hotels, since it was found to be positive and significant. Concerning the service quality, it is safe to recommend that the management of hotels should ensure that they provide sufficient services to their customers since they directly influence performance

**Suggestions for Further Research:**

The researcher recommends that a similar research should be conducted in other industries in Kenya. The current research can be duplicated but should use a longitudinal approach since performance is a process that occurs over time, implying that a longitudinal approach would have been appropriate. In hotel sector, competitive strategies have been done by

International Journal of Recent Research in Social Sciences and Humanities (IJRRSSH)
Vol. 5, Issue 2, pp: (203-207), Month: April - June 2018, Available at: www.paperpublications.org

different companies, which is a major concern. This is an area that requires further research to establish factors behind the need for multiple competitive strategies. In addition; an integrated study could be carried out on consumer behavior, pricing strategies and performance in the same industry

## REFERENCES

[1] Alchian , J. and Demsetz , D. (Eds) (1972). *Collaborating to Compete: Using Strategic Alliances and Acquisitions in the Global Marketplace*. New York: John Wiley.

[2] Amita , H. S., Pingry, D. E., & Thatcher, M. E. (2008). Managing the Knowledge Supply Chain: An Organizational Learning Model of Information Technology Offshore Outsourcing, *MIS Quarterly* (32:2), June, pp. 281-306.

[3] Atalay,, J., Anafarta, B. & Sarvan, M. (2003), *Mastering Alliance Strategy: A Comprehensive Guide to Design, Management and Organization.* Jossey-Bass/Wiley, San Francisco, CA.

[4] Barney Y. & Firsirotu, M.E. (1991) .Coping *With Strategic Uncertainty*. *Sloan Management Review*, 30(3), 7.

[5] Bernadette Soares, M.L (2007), "Segmentation and positioning in a basic industry", *Industrial Marketing Management*, Vol. 16 pp.9-18.