STRATEGIC ADAPTABILITY AND INNOVATION IN THE TRAVEL INDUSTRY IN NAIROBI

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STRATEGIC ADAPTABILITY AND INNOVATION IN THE TRAVEL INDUSTRY IN KENYA: A CASE STUDY OF NAIROBI

BY

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I, the undersigned, declare that this project is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

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ABSTRACT

The purpose of the study was to explore how strategic adaptability is changing company operations and influencing innovation in the travel industry in Kenya. The study sought to answer the following research questions: what is the relationship between strategic adaptability and innovation patterns in the travel industry? What is the relationship between strategic adaptability and managerial factors in the travel industry? What are similarities and differences in the innovation approach of organizations in the travel industry?

The study used a descriptive research design. The target population comprised 446 member firms of Kenya Association of Tour Operators and Kenya Association of Travel Agents based in Nairobi. A sample size of 53 travel and tour firms representing 12 per cent of the population in Nairobi was selected. The sampling unit was top managers of the travel and tour firms. Proportionate stratified sampling was used. Data was analyzed using correlation techniques and results were presented in figures and tables.

The findings showed that innovation was positively correlated with both internal and external structuring. The level of agreement was highest for firms always striving to improve customer service and the existing organizational competency (knowledge, skills and attitude) being able to withstand changes in the travel industry. External structuring had significant effect on innovation especially on the firms’ competitive advantage being based on understanding customer's needs. Most firms also frequently and systematically measured customer satisfaction.

With respect to strategic adaptability and managerial factors, managerial factors were positively correlated to both internal and external structuring. Most firms always responded appropriately to major shifts in the travel market as well as analyzed risks and opportunities associated with addressing innovation issues. Majority of the firms identified potential revenue streams through new products, services or business models, developed new product and work processes continuously and devoted more resources to new products/services that met current and future market needs.
The study findings showed that majority of the firms had prospector and analyzer orientation with respect to innovation approach. Most firms either valued being “first with new products, markets and technologies” or were seldom first to market but frequently fast followers with a more cost-efficient or innovative product.

It was recommended that managers in the travel industry should be aware of and willing to adapt to the transformation of the travel industry in order to remain competitive and innovative. Tour operators and travel in Kenya should enhance their adaptive capacity within and outside their own firms. Future research could undertake a comparative analysis of how strategic adaptability is changing company operations and influencing innovation between travel industries in different countries.
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LIST OF ABBREVIATIONS

GDS - Global distribution system(s)
ICT - Information communication and technology
KATA - Kenya Association of Travel Agents
KATO - Kenya Association of Tour Operators
R&D - Research and development
SME - Small and medium enterprise(s)
UK - United Kingdom
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Tourism and travel is a very dynamic industry significantly exposed to global competition and characterized by interminable transformation. In a competitive environment that is anything but static, successful firms need more than static processes (Davis, Miller, & Russell, 2006). In spite of its growth over the recent years, the travel sector in Kenya remains susceptible to a highly vacillating and competitive environment. The highly unpredictable and competitive environment is having profound impact on the travel industry (Abdul-Hamid, 2011) with travel agents facing reduced incomes due to increased use of the internet by the travellers and industry principals. This has resulted in travel agency managers having to adapt their operations to the emerging changes in the business environment.

Innovation has become one of the top priorities for firms that want to remain competitive in a knowledge/creative economy over the last ten years (Ribiere & Tuggle, 2009). Although most innovations fail due to various internal and external factors, technological innovation is central to the progress of economic and social prosperity. Various studies (Andrew, Haanaes, Michael, Sirkin, & Taylor, 2009 and Capgemini, 2008) report the importance given by executive to the implementation of innovation management practices. Majority of travel agents fall within the category of small and medium enterprises (SMEs) and are mostly private or family run (Abdul-Hamid, 2011) yet previous studies of innovation activity in the hospitality industry (Sundbo, Orfila-Sintes, & Sørensen, 2007) suggest that large firms are more innovative than small firms.

The fact that the internet has had a profound and lasting effect on business is beyond question (Gharavi & Sor, 2006) and businesses are searching for approaches and models that will allow them to grow and prosper using the internet. Travel and tourism was recognized in 2004, as the top industry in terms of volume of online transactions (Werthner & Ricci, 2004). Within the industry, air travel sales were the largest in terms of revenue generated through online channels followed by online hotel bookings (Marcussen, 2008). The dramatic
development of information communication and technologies (ICTs) in travel and tourism arena (BuhalIs, 2003) has had an unpredictible impact on the hospitality domain. Heisterberg and Verma (2014) postulate that the five technological developments converging to change the engines of modern business are cloud computing; mobile power – smart phone, tablet or laptop; social media platforms; video communication and big data about customers, prospects, products, vendors and competitors.

According to Riel, Calabretta, Driessen, Hillebrand, Humphreys, Krafft and Beckers (2013) tourists and travelers have complex and often highly individualized needs and desires that can only be satisfied through a complex set of services that together produce their holiday or travel experience. Tourists make use of a service constellation that consists of a broad range of services e.g. public rail, road, and air transportation, lodging, booking and ticketing services, restaurants, museums, resorts, and travel review services. These services play a mutually supporting, facilitating or complementary role (Riel, Semeijn, & Pauwels, 2004) with many service providers involved in the production of the mutually interdependent services that together comprise a trip (Zehrer, 2009) due to the fragmented nature of the industry.

According to Gharavi and Sor (2006) technology induced changes in the travel industry can be classified into three distinct categories namely industry-wide distribution (the ability to communicate with a wider range of potential customers and suppliers means that products can be readily tailored to customer needs); internal customer centric supplier systems (the development of improved and improving internal systems of each member of the supply chain) and; customer centric decision support (improved decision support systems linking customer needs and desires with distribution and revenue generation).

During the last few years there has been increased use of the internet by the travel agencies, and there have been noted many good practices of small agencies in local markets that are using the internet as a tool and doing very well. Moreover the travel agents have positive attitudes towards internet applications and believe they can take advantage of internet technology (Maselli, 2002). The results of previous studies have shown that travel agencies do not exploit the full potential and benefits of electronic commerce (Vrana & Zafiropoulos, 2006).
Nevertheless, research on this topic is limited (Line & Runyan, 2012) and insufficient; the numerous changes in the travel industry need particular attention in terms of strategy, innovation and management (Schmallegger & Carson, 2008). Given this background and the significance of the travel sector in the tourism industry in Kenya, the current research study provides a supply-side perspective of change experienced by the travel industry, how the industry members adapt and innovate.

Tour operators and travel agents play an important role as intermediaries within the travel industry in Kenya. Conventionally, retail travel agencies came into being and flourished as intermediaries between the wholesale travel companies (or tour operators), airlines, hotels, cruise companies etc., and the customer. Today, information technology and communication (ICT) has provided an entirely new set of challenges and opportunities for the travel industry (Buhalis & Licata, 2001), and changed the competitive environment for intermediaries in the travel market.

The main source market for Kenya is Europe with a share of 43 per cent followed by Africa at 24 percent, America at 13 percent, Asia at 12 per cent, Middle East at 5 per cent and Oceania at 3 per cent ((KIPPRA), 2013). The travel industry was chosen because the sector includes a set of firms that are homogenous in production and in competitive setting; it represents a high relative weight in the totality of tourist expenditure and is indispensable for the development of the remaining services required of a tourist destination.

Kenya was selected because it is one of the leading tourist destinations in sub-Saharan Africa and provides a good example of a developing country that has embraced tourism as a tool for socio-economic development (Akama & Kieti, 2007). The Kenyan travel market is highly competitive with 110 retail travel agents that have KATA membership and 420 tour operators with KATO membership.

Independent travel agents worked in isolation from each other representing a few airlines, hotels, cruise lines and ground transport companies, before the mass use of the internet. While the operating procedures of each firm to which the travel agents were connected was different, the technology that connected geographically separate firms was also expensive and used the proprietary software of large suppliers (Gharavi & Sor, 2006). Airlines and
other providers of travel services used these barriers to dictate their terms and prices (Harris & Howard, 1997). However, before the widespread use of the internet in the tourism industry, the dominant players were the large suppliers of tourist products like the airline, hotel chains and some resort owners. The travel agents were true agents in that they each represented a small number of non-competing major players (Gharavi & Sor, 2006).

Today, as the internet is becoming a distribution channel the tasks of the traditional intermediaries, travel agents and tour operators, are not only changing but are being given new roles (Vrana & Zafiropoulos, 2006). Simply using the internet as a means to establish presence or to become known to the internet users is not enough. The technology available to the retail travel market in Kenya includes a number of mega computerized global distribution systems (GDS) such as Galileo, Sabre, Wordspan and Amadeus. The majority of these were developed by domestic and international firms as proprietary software (Gharavi & Sor, 2006). The systems are designed to be a one-stop solution to most of the travel needs of the retail travel agent. They integrate air travel services, accommodation and car rental services.

1.2 Problem Statement

Today’s highly unpredictable and competitive environment is having a profound impact on the travel industry both locally and globally. According to Abdul-Hamid (2011) several factors ranging from the increase of fuel prices and airport charges have caused an increase in the cost of travel. Travelers have generally increased their use of the internet and social networks to make their own travel arrangements while the reduction or removal of the airline commission by airlines continues to challenge travel agencies profitability. Overall, the travel agencies are threatened by the uncertainties in their operating environments, decreasing market share and profit margins.

The majority of travel intermediaries (tour operators and travel agents) in Kenya fall within the category of small and medium size enterprises (SMEs) and most are private firms with a few being large corporations. Travel agencies, for more than 20 years, had monopoly on two aspects of air travel: information and ticketing (Amadeus, 2007) and acted as retailers of the tourism product while the tour operators assumed the role of wholesalers in the distribution channel. Currently, the travel consumers have access to more information and can exchange
this information more easily and therefore have a much greater influence over the online and offline content. The customers are driving change.

The emerging business climate is more punishing than ever to the slow-moving and the inefficient. Old ways of managing information and organizations may have worked in the past, but they are already constraining some organizations and dooming others (Davis, Miller, & Russell, 2006). Consequently, strategic adaptability has become increasingly critical for all environment serving organizations. However, the conceptual link between innovation practices and strategic alignment in the travel and tourism industry is not well understood as the different terminologies and models make it difficult to establish the relationship between different concepts (Adams, 2006).

While a review of the extant literature demonstrates wide-ranging relationships between strategic adaptability and innovation (Kumar, Boesso, Favotto, & Menini, 2012; Zhou & Li, 2009 and Ha-Brookshire, 2009) little research has examined the similarities and differences in strategic adaptability and innovation within and between firms in the travel industry in the same country. Differences in the strategic adaptability and innovativeness are critical because the ability to adapt to changes in the market can have a major effect on the firm’s competitiveness and survival.

1.3 General Objective

The general objective of the study was to explore how strategic adaptability is changing company operations and influencing innovation in the travel industry in Kenya.

1.4 Specific Objectives

The specific objectives of this study were:

1.4.1 To establish the relationship between strategic adaptability and innovation patterns in the travel industry.

1.4.2 To evaluate the relationship between strategic adaptability and managerial factors in the travel industry.

1.4.3 To examine similarities and differences in the innovation approach of organizations in the travel industry.
1.5  **Significance of the Study**

The results of the study may be of benefit to the following:

1.5.1  **Travel Firms**

All existing firms in the travel industry in Kenya will benefit from the study as it will suggest strategy orientations to enable companies to develop and sustain competitive advantage in a changing environment characterized by cut throat competition. The findings will assist the travel and tour managers to identify dynamic capabilities and strategic orientations and opportunities which they could exploit in order to improve on their competitiveness.

1.5.2  **Potential Investors**

The study may also help potential investors in forming a better understanding of the tourism industry and enable them to make well informed investment decisions.

1.5.3  **Kenya Government**

Government agencies and policy makers may use the results to formulate positive national policies based on a framework that is relevant and sensitive to the forces influencing the tourism industry in Kenya.

1.5.4  **Other Researchers**

This study contributes to the field of strategic management, especially on the relationship between strategic adaptability and innovation in the travel industry. An assessment of the Kenyan context adds new knowledge to existing research.

1.6  **Scope of the Study**

The travel industry was chosen because the sector includes a set of firms that are homogenous in production and in competitive setting; it represents a high relative weight in the totality of tourist expenditure and is indispensable for the development of the remaining services required of a tourist destination. Furthermore, the travel industry periodically undergoes some amount of market turbulence and likely to produce greater uncertainty than static environments. Only one industry was selected so as not to confound managerial perceptions and the objective measures of the environment. Kenya was selected because it
provides a good example of a developing country that has embraced tourism as a tool for socio-economic development.

1.7 Definition of Terms

1.7.1 Adaptability

It is the ability of an individual or organization to alter itself or its responses to the changed circumstances in the operating environment (Sanchez, Lago, Ferras, & Ribera, 2011).

1.7.2 Industry

It is a group of firms that produce and offer a product or class of products that are close substitutes for each other (Keegan & Green, 2005).

1.7.3 Innovation

A specific set of activities that offer competitive advantage to a company (Sanchez, Lago, Ferras, & Ribera, 2011). Innovation is one of the key ways that firms adapt to and manage their business environments.

1.7.4 Organizational adaptation

It is the ability of the organization to form and execute effective strategy. The ability to adapt, however, goes beyond (Miles & Snow, 2003).

1.7.5 Strategy

Strategy is concerned with making major decisions affecting the long term direction of the business (Drummond, Ensor, & Ashford, 2008). It concerns decisions deliberately taken to establish what offering (goods or services) the business is to offer to what customers in the future and against what competition, so as to meet its financial objectives.

1.7.6 Strategic adaptation

It is a dynamic and concurrent process of quickly and intelligently responding to changes (Bennis, 2009) in the external environment, while managing internal interdependencies efficiently in order to maintain organizational viability. Strategic adaptation process is the summation of two dynamics: internal structuring and external structuring (Child, 1997).
1.7.7 Strategic orientation

A pattern of responses that an organization makes to its operating environment in order to enhance performance and gain competitive advantage (Hambrick, 1983).

1.8 Chapter Summary

This chapter introduced the background of recent research into strategic adaptability and innovation and their influence on corporate behavior of organizations in the travel industry in Kenya. The primary purpose, objectives, research questions, justification and scope of the study were also explained. The purpose of the study was to explore how strategic adaptability is changing company operations and influencing innovation in the travel industry in Nairobi. The objectives of the study were to establish the relationship between strategic adaptability and innovation patterns in the travel industry, to evaluate the relationship between strategic adaptability and managerial factors in the travel industry, and to examine similarities and differences in the innovation approach of organizations in the travel industry.

The rest of the report is presented as follows:

Chapter two summarizes the relevant background information in the extant literature regarding the theoretical relationship between strategic adaptability, innovation and organizational behavior presented in previous empirical and conceptual studies. Chapter three outlines the research methods used to conduct the study. The choice of the research design, population, sampling and industry is discussed. Data collection and statistical methods for analyzing and interpreting data are presented. Chapter four presents the results of the empirical study by examining the observed characteristics of the sample and data. Results of the statistical tests are presented, analyzed and explained on the basis of the specific objectives and research questions. Chapter five discusses the major findings of the study structured according to the specific objectives in Chapter 1. Empirical results are compared and contrasted with findings of previous studies and general theoretical background presented in Chapter 1 and 2. The chapter concludes with discussion on the limitations of the study and recommendations for future research.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

Firms that operate in dynamic business environments must be able to change and adapt in order to remain competitive and achieve their objectives with ambient circumstances. Travel and the technological revolutions are shaping our society and changing the travel sector. Hence, destinations and travel firms alike must find ways to adapt and build their value propositions on concrete and relevant actions.

2.2 Strategic Adaptability and Innovation

Strategic adaptation can be viewed as a process that entails both internal and external alignment or structuring by the firm. Internal structuring emphasizes internal actions addressed to adapting organizational agents to new environmental conditions while external structuring focuses on actions that modify the firm’s relationship with its environment (Sanchez, Lago, Ferras, & Ribera, 2011) such as competitor orientation, market and customer focus. Dynamic industry situations often require firms to adapt to the environment by changing their strategic orientations, but building strategic adaptability into a firm requires the presence of certain decision-making processes and organizational support mechanisms (Dibrell, Davis, & Craig, 2008) that affect the perceptions of opportunities in their industry environments. Currently, advances in technology are arguably the most potent drivers of change within the global travel industry. The social media is set to impact the competitive landscape of many a firm.

According to Garcia-Pont and Nohria (2002) firms in the same industry segment do not always respond to the environmental changes in the same way. Some firms anchor their reactions to changes in the environment to the behaviour of other firms that are strategically similar to themselves, while others may adopt a more independent stance by emphasizing new product or market innovations (Kamalesh, Boesso, Favotto, & Menini, 2012). Technology innovation has the power to transform consumer expectations, disrupt
competitive dynamics, and reshape the travel distribution chain. The most innovative firms are those that actively deploy emerging technologies to gain competitive advantage.

The diversity of options available for adapting to the environment has led to the advancement of a number of classification systems that describe strategic structures of firms based on their innovation orientation. Some of the classifications relate to a company’s innovation efforts based on research and development (R&D) expenditure (Freeman, 1974), a firm’s timing of entry into an emerging industry (Ansoff & Stewart, 1967), and the rate at which the firms change their products and markets (Miles & Snow, 2003). To attract customers firms need to employ product and service innovation.

Drummond, et al, (2008) emphasize that major business decisions are by their nature strategic and tend to focus on: Business definition (defining the scope (or range) of the firms’ activities and determine the markets in which the organisation will complete; core competencies (the skills and resources needed in order to prosper within the defined markets and they can be used to optimum advantage); an integrative approach (coordinating the different functions and/or activities within the firm in order to achieve common goals); and consistency of approach (strategy should provide a consistency of approach, and offer focus to the firm).

Although innovation is one of the key ways by which organizations adapt to and manage their environments, firms in the same industry segment do not always react similarly to the environmental changes in the same manner. Hence, strategic orientation as a strategic choice drives the way the firms acquire, allocate and utilize resources to create dynamic capabilities in fast changing environments (Zhou & Li, 2009).

According to Sánchez, Lago, Ferràs, and Ribera (2011) strategic adaptability is a process composed of a set of external responses (new products, new ways of relationships with suppliers and customers, vertical integration or disintegration, expansion or contraction of domestic markets, etc.) and internal responses (redefining the company’s architecture, organizational chart, incorporating new knowledge, process re-engineering, new incentive systems, change in organizations’ culture, etc.).
2.2.1 Internal Structuring
While strategic adaptability lies in between strategic opportunism and strategic commitment, adaptability often influences strategic success as firms read signals and trends from the business environment and change and adapt accordingly (Jacobs, 2010). Adaptation distinguishes the more vibrant aspects of strategic management and is primarily directed at implementing strategic plans and adjusting the operating and administrative systems of the firm according to the plans (Drejer, 2002).

Internal alignment measures such as strategic planning, corporate leadership, approach to workers and, external alignment measures such as market and customer focus, technological and innovation capacity, strategic partnerships, and corporate social responsibility are proposed as grouped variables for measuring a firm’s strategic adaptability (Eunni, Post, & Berger, 2005). The dynamic process of adjusting to environmental change and uncertainty while managing internal interdependencies is immensely complex covering numerous choices and activities at several organization levels (Miles & Snow, 2003). However, the complexity of the adjustment process within the organization can be penetrated by searching for patterns in the behavior of firms within the industry in order to describe the process of strategic adaptation.

The adaptive process (also known as the adaptive cycle) which is consistent with the strategic-choice approach to the study of organizations posits that organizational behavior is only partially predicted by environmental settings and that the choices that top managers make are critical contributors of organizational structure and process (Miles et al., 1978). These numerous and complex choices can be viewed as three broad ‘problems’ of organizational adaptation namely: the entrepreneurial problem, the administrative problem, and the engineering problem. Therefore, it is indicative that effective firms carve out and maintain viable markets for their products/services by constantly rearranging their roles, relationships and managerial processes to achieve their vision and mission.

2.2.2 External Structuring
Previous efforts to understand the processes through which top-level decision makers learn about external environment and implement their responses have led many scholars to study the link between individuals’ cognitive representations of the environment and organizational
actions (Hambrick & Mason, 1984; Daft & Weick, 1984). According to the interpretive view of meaning and action, key organizational decision makers are confronted by a continuous stream of complex and disruptive dynamics that need formalized, consistent and comprehensive framework to analyze and adapt the firm’s strategic posture (Ansoff & McDonnell, 1990). Identification of strategic issues enables the decision makers to analyze and selectively prioritize some evolving developments while disregarding others.

The delta model as indicated in Figure 2.1 encompasses a set of frameworks and methodologies for articulation and implementation of effective corporate and business strategies (Hax & Wilde, 2001) for adaptive management. The model links strategy with execution by selecting a distinctive strategic position and then integrating it with a firm’s collective processes. The triangle, a set of three distinct strategic options for the company to achieve customer bonding; the adaptive processes, which link strategy and execution; the metrics, which align aggregate and granular metrics to strategy; and the experimentation and feedback process, for business transformation and monitoring performance, respectively. The triangle shows three distinct strategic options: the best product, customer solutions and the system lock-in strategic option.

According to Hax and Wilde (2001) the core activities of the firm are embodied in three adaptive (business) processes that capture the essential task of execution namely: operational effectiveness, customer targeting and innovation. Adaptive organizations concern themselves with both the strategy and the capability needs of the firm simultaneously (Ansoff & McDonnell, 1990). Forecasts are made not only of future threats and opportunities, but also of the kind of capabilities which will be essential for success in the future environment.

According to Miles and Snow (2003) organizational adaptation is a dynamic process of adjustment to the change and environmental uncertainty of maintaining an effective alignment with the environment while internal interdependencies are efficiently managed. Floyd and Lane (2000) postulate the concept of adaptation to changes in core competencies and/or the strategic positioning of the firm and refer to it as ‘strategic renewal’ instead of strategic adaptation.
Further, Eunni, Post and Berger (2005) theorized adaptation strategy as a firm’s ability to obtain the correct alignment of strategy, structure and culture inorder to position it competitively in the market and alignment with its external environment inorder to successfully face changes in its environment.

## 2.3 Innovation Approaches of Organizations

There are numerous approaches to creativity theory (Ahmed & Shepherd, 2010). Many scholars provide varying perspectives and meaning of innovation. While Drucker (1985) observes that innovation is the specific tool of entrepreneurs and the means by which they exploit changes as an opportunity, Tushman and Nadler (1996) focus on the firm by positing...
that innovation is the creation of any product, service or process which is new to the business unit. These viewpoints illustrate the variety of meanings ascribed to innovation both as a value-adding process and an outcome.

2.3.1 Innovation Formats and Adaptability

As the world economic system progressively globalizes and the free market gains wide acceptance in emerging and transitional economies (Tan, 2001) innovation in creating new products/markets and new organizational practices becomes increasingly important for firms in global competition. Firms will gradually find it difficult to survive just on their past successes because of increasing globalisation (Ohmae, 2001) and increased competition (Kelly & Storey, 2000).

According to Ahmed and Shepherd (2010) the different formats/types of innovation manifests itself through two broad categories: those that are within a firm’s control (strategic innovation, process innovation and product innovation) and those that reciprocally influence or are outside the firms’ field of influence (social innovation, political innovation and philosophical innovation). Organizational innovation influences, and is consequently also influenced by external relationships (Ahmed & Shepherd, 2010; Eunni, Post, & Berger, 2005). Strategic innovation usually involves either a significant adaptive shift in the organization’s current business model or an adoption of a new business model; process innovation refers to the change in the conduct of a firm’s organizational activities; and product innovation referring to new technology-driven or market-driven product/services (Ahmed & Shepherd, 2010).

Flexibility which is the ability to change, can appear either be adaptive or spontaneous. Adaptive flexibility can appear under pressure to adapt to a challenging environment while spontaneous flexibility appears as a spontaneous preference for change for intrinsic reasons. Flexibility varies between and within individuals as well as organizations depending on the pace and ease with which they react to a challenging environment (Thurston & Runco, 1999; (Michie & Maura, 2005). Innovation is one of the ways by which individuals and firms can adapt since it is concerned with behavioral and social processes whereby individuals, groups or firms seek to attain desired changes or avoid the penalties of inaction.
In rapidly changing technology and business environment, companies across the travel industry are experiencing major disruptions by new and disruptive technologies and business models. The most successful firms incorporate disruptive thinking into all their business and management practices to gain distinctive competitive value propositions (Heisterberg & Verma, 2014). Firms in the travel industry need agile business processes that allow them to adapt quickly to evolving markets, customer needs and business environment.

2.3.2 Typologies of Innovation

Although innovations are not identical, they usually consist of an element of novelty. Many scholars (Miles & Snow, 2003; Den Hertog, 2000; Gadrey, Gallouj & Wenstein, 1995) have proposed different innovation typologies, thereby enhancing the development of innovations. For instance, the Miles and Snow (2003) typology focuses on the “dynamic process of adjusting to environmental change and uncertainty” (p.3) and considers the adjustment between external and internal factors.

In the Miles and Snow (2003) typology, there are four distinct adaptive strategies of firms or business units namely: prospectors, defenders, analyzers and reactors. Prospectors are firms that maintain a competitive position aggressively by continually maximizing new market opportunities and pioneering new innovation (Slater, Hult, & Olson, 2010); while defenders are firms that seek to locate and maintain a line of products or services avoid unnecessary risk and focus on efficiency of existing operations.

Analyzers are between the defenders and prospectors and use efficiency in stable markets and innovate in dynamic markets, and the reactors are organizations that adapt only when environmental pressures force them to do so. Reactors are also called “creative imitators” (Slater, Hult & Olson, 2010), by absorbing and improving innovations of competitors. Miles and Snow (2003) contend that the success of a firm depends on a process of external (the environment) and internal (strategy, structure, process and ideology) fit.

Den Hertog (2000) presents a typology of five types of innovation, describing them by their linkages with the three types of actors as well as the role played by the actors. First, the supplier-dominated innovation, which is often considered to be the dominant type of innovation in services. Innovations from external suppliers are disseminated and
implemented by service industry users who, in their turn, satisfy the needs of their clients. Typical for a supplier-dominated innovation, at least initially, is little scope for user industries to influence the actual product delivered by the supplier. The adopting firm often has to bring about some organisational changes in order to be able to use the innovation – to adapt its firm and employees – and to offer more efficient and higher quality services as a result.

Second, innovation within services is where the actual innovation and implementation take place in the service company itself. Innovation within services is often induced by strategic considerations. Such innovations may be technological, non-technological or (as in many cases) a combination of the two. Third, the client-led innovation in which the service company is responding to needs clearly articulated by the clients. Although, in a sense, every successful innovation is a reaction to a perceived market need. The complexity of demands in the corporate market is commonly greater than in personal market and there are more non-standard or custom-built elements in the product and services mix as one progresses away from retail banking applications through to corporates of different size.

Fourth, the innovation through services: it is a more complicated type of innovation process taking place and found mostly in business-to-business service industries. The service company influences the innovation process taking place within the client company. The service company may provide knowledge and/or resources that support the innovation process in various ways. Despite these inputs much, if not all, of the innovation process takes place at the client’s site. Fifth, the paradigmatic innovation where the innovation affects all actors in a value chain, and can thus be called a paradigmatic innovation. It involves complex and pervasive innovations affecting suppliers, customers and the service companies itself. When driven by fundamentally new technologies, such innovations are labelled technological revolutions or new technology systems. Similarly, they may also be driven by regulations, resource constraints and other dramatic changes that require innovation to take place across many elements of the value chain, implying completely new infrastructures, new types of knowledge and adaptation on the part of intermediate and final users in the financial sector.

According to Gadrey, Gallouj and Wenstein (1995) there are four types of service innovations as follows: innovations in service products; architectural innovations which
bundle or un-bundle existing service products; innovations which result from the modification of an existing service product; and innovations in processes and organization for an existing service product. Although it is evident from the extant literature that the types of new product developments provide the basis for describing the innovative nature of new services, not much work has been done to investigate the innovation approaches in the travel industry. Since the study examines the difference in innovation patterns of various firms within the travel industry in Nairobi, using the Miles and Snow classification typology appears to be the most suitable framework.

2.3.2 Innovation and Competitive Strategy

The theoretical link between innovation and company competitiveness from a long-term perspective can be traced back to the definition of strategic adaptation (Sanchez, Lago, Ferras, & Ribera, 2011). Strategy must adapt continuously and implementation must respond to market changes and to greater understanding of the market that becomes apparent only during implementation. A firm’s actions must be aligned with its strategic position and the results must give feedback for adapting the strategy.

Innovation, the gainful deployment of ideas, has a significant role to play in pursuit of competitive advantage. There exists a rich body of knowledge in the strategy literature on the nature and causes of competitive advantage (Powell, 2001), ranging from the industry positioning approach (Porter, 1985), the commitment explanation (Caves & Ghemawat, 1992), the dynamic capability approach (Teece, Pisano, & Shuen, 1997) and the resource based view (Enz, 2010). An innovation generates long-term advantage to the firm when customers feel that the enhanced performance has value for them. Service and service delivery can be, and increasingly are, a competitive weapon (Johnston & Clark, 2001) in the travel industry.

Ma (2004) posits that there are three generic types of competitive advantage: ownership-based, access-based, or proficiency-based. Thus a firm can achieve competitive advantage through ownership or possession of certain valuable assets, factors or attributes, unique resource endowment or reputation. It could also achieve competitive advantage in the form of superior access to factor market and product market. Moreover, a firm could enjoy
competitive advantage through its own superior knowledge, competence or capabilities in conducting and managing its business processes (Teece, Pisano, & Shuen, 1997) - producing quality products at lower costs and delivering the right products and/or service to its customers in the right place at the right price and time through the right channels. The three types of generic competitive advantages are not only important for a firm’s superior performance in general but are also important for its success global competition in particular (Ma, 2004).

The capability-based theory of competitive advantage suggests that a firm can achieve sustainable competitive advantage (SCA) through distinctive capabilities by the firm (Prahalad & Hamel, 1990) and that the firm must constantly re-invest to maintain and expand existing capabilities in order to inhibit imitability (Mahoney, 1995). The capability-based theory recognizes the crucial role played by the entrepreneurial key decision makers of the firm building and sustaining a competitive advantage (Weerawardena, 2003). Whilst the relationship between innovation and competition has been well documented, researchers have argued that a firm’s capability to learn from market changes is both a source of both innovation and competitive advantage.

Resource-based view attributes priority to the content aspect of strategy, and leaves the managerial aspect that underlies the creation and management of resource-based strategies (Mahoney, 1995). Although capabilities are resource dependent, resources do not exclusively determine what the firm can do and how well it can do it. A key ingredient in this relationship is entrepreneurial key decision maker of the firm. The resource based theory argues that competitive advantages lie in firm-specific resources possessed by the firm (Montgomery & Wernerfelt, 1988). Accordingly, organisational capabilities are viewed as a resource; however a growing number of researchers argue that this conceptualization of resources restricts the identification of factors, which play a key role in the value creation and service delivery process.

Kim and Mauborgne (2005) challenged conventional strategic thinking by proposing the blue ocean strategy which focuses on making the competition irrelevant by value innovation - creating a leap in value for buyers and the firm, thereby opening up new and uncontested market space instead of focusing on beating the competition. Value innovation, which is the
cornerstone of the blue ocean strategy, is created in the region where a firm’s actions favourably affect both its cost structure and its value proposition to buyers; it occurs only when firms align innovation with utility, price and cost positions. Consequently, firms will need to be continually innovative and to strive for the creation of new ideas and new products.

Hax and Wilde (2001) identified the three fundamental processes that are always present and are the repository of the key strategic tasks: operational effectiveness, customer targeting and innovation. Hax and Wilde argued that a firm’s actions must be aligned with its strategic position and the results must give feedback for adapting the strategy. They point out that first reflection to take place in the process of defining the strategy of the company is to decide on the relevant strategic positioning since this captures the essence of how the company chooses to compete in its relevant market place, or how the firm decides to attract, to satisfy, and to retain the customer.

The ability to change continuously is a critical factor in the success of firms as advantages last only until competitors have duplicated or outmanoeuvred them. Ultimately the innovator will only be able to exploit its advantage for a limited period of time before its competitors launch a counterattack (D’Aveni, 1994). Thereafter, the original advantages begin to erode and a new initiative is needed. Continuous change is often played out through product innovations as firms change and ultimately even transform through continuously altering their products.

Winning in global competition, more than ever, requires a firm to establish a defensible position; and sustain its ownership based competitive advantage; to create and improve access to foreign suppliers and distribution channels as well as access to the state-of-the-art of the best of the technologies (Ma, 2004); and to excel in the learning race (Hamel, Doz, & Prahalad, 1989) and nurture core competence and skills that can be leveraged in the global market place (Prahalad & Lieberthal, 2003). Consequently, a firm has to look deeply and systematically into what it has, what it knows and does, and what it can get.
2.4 Strategic Adaptability versus Managerial and Organizational factors

Resources include “all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc. controlled by a firm that enables the firm to conceive of and implement strategies that improve efficiency and effectiveness” (Barney, 1991). Extant literature has identified various skills, abilities and behaviours of employees that are significant in the effective prevalence of strategic processes in firms. However, employees ability to explore and acquire new knowledge that will enable a firm to quickly meet its ever changing needs has been viewed as the most important and critical factor.

2.4.1 Adaptability and Managerial Factors

There is considerable ambiguity in the management and leadership literature about the nature of flexible leadership and how to assess it. Flexible and adaptive leadership involves decision makers who are able to accurately diagnose the situation, vary and align their behavior to the situation. Numerous terms have been used to describe such leaders as follows: flexible, adaptable, agile, and versatile (Kaiser, Lindberg & Craig, 2007). For example, flexibility is required within the same position as conditions change for a leader, and flexibility is also required when moving from one type of leadership position to another with different responsibilities and challenges.

Although the amount of research explicitly focused on flexible and adaptive leadership is still limited, there is increasing interest in the subject as its significance becomes more evident. Adaptive leadership is becoming more important for most key decision makers in organizations as the pace of change increases (Dess & Picken, 2000) Although industries often are typified by their instability, all industries at some point experience turbulent environments of varying degrees (Calantone, Garcia & Dröge, 2003).

Ansoff and McDonnell (1990) describe environmental turbulence by two categories: changeability (which comprises of complexity of the company’s environment, and the relative novelty of the successive challenges which the company encounters in the environment; and predictability (i.e. the rapidity of change - this is the ratio of the speed with which challenges evolve in the environment to the speed of the company’s response, and
visibility of the future which assesses the adequacy and the timeliness of the information about the future.

Burke and Cooper (2004) posit that the types of changes that increase the need for flexibility, adaptation, and innovation by leaders include: increased globalization and international commerce, rapid technological change, changing cultural values, a more diverse workforce, more use of outsourcing, new forms of social networking, increased use of virtual interaction, more visibility of leader actions, and concern for outcomes besides profits (e.g., ethical actions, social responsibility, environmental impact, and sustainability).

Key decision makers role expectations in some firms are often based and dependent on outdated beliefs or inapt norms and values (e.g., gender role stereotypes, centralization, intolerance for any failures, or reward and recognition based on seniority rather than performance etc.). Therefore, it may be essential for leaders to influence people to change their assumptions and beliefs about what is appropriate and effective, especially when the beneficial effects of innovative approaches are not immediately obvious. It can be argued that being although being adaptive often includes finding innovative ways to deal with new problems and opportunities, the types of decisions and actions needed for effective leadership may not always be consistent with traditional role expectations in the firm.

2.4.2 Employees’ Adaptive Behaviour

Employee’s adaptive behaviours are directly linked with learning, an individual’s adaptability (includes his/her ability, skills, motivation) and willingness to change according to the changing environment (Ployhart & Bliese, 2006). Customer-oriented firms demonstrate a continuous, proactive disposition toward identifying and meeting customers’ expressed and latent needs while competitor-oriented firms identify their strengths and weaknesses in comparison with the competitors in terms of resources, cost position and financial performance by actively collecting competitor-related information and monitoring rivals’ behaviour.

Teece (2007) argues that it is vital to ascertain the nature and foundations of capabilities that are desirable to sustain business performance. The author examines the rationale and nature of dynamic capabilities to sustain superior performance in a global, open and spread out
economy with rapid innovation and concludes that these foundations include processes, procedures, organizational structures, decision rules, disciplines and different skills. Cox and King (2006) postulate that employers are looking for a more flexible, adaptable workforce as they seek to transform their firms into being more flexible and adaptable in response to the change customer and market needs. Dynamic capabilities can be understood as the ability to: feel and shape opportunities and threats, seize opportunities, and maintaining competitiveness through increasing, combining, protecting and when necessary, reconfiguring the organizational resources (Teece, 2007).

According to Martinez-Sanchez, Vela-Jimenez, Perez-Perez, & de Luis-Carnicer (2009) employees in core areas are responsible for innovation activities, and firms will seek to support and protect them from adjustments to environmental uncertainties. In their survey of 242 UK manufacturing firms, Michie and Sheehan (2003) studied innovation and human resource flexibility and established that the use of innovative work practices was positively correlated with all categories of innovation, especially process innovation.

2.4.3 Organizational Adaptation

Organizational adaptation is a process of adjustment to the change and environmental uncertainty, of maintaining an effective alignment with the environment while internal interdependencies are efficiently managed (Miles & Snow, 2003). The process is considered a dynamic process, with adaptation being the strategic aspect needed to achieve competitive advantage in a long term perspective. The process of adaptation is not seen as phenomenon, but rather as a result of complex interactions that consider the changes in the external environment on one side, and on the other side the internal environment. Further, the process of adaptation is affected by previous decisions on strategic positioning according to this stream of research. While organizational characteristics enable firms to design and implement certain strategies, routines that take a firm to learn, adapt, change and renew itself constantly can be considered dynamic routines (Teece, Pisano, & Shuen, 1997).

According to Hambrick (1983) strategic orientation is a pattern of response that a firm makes to its operating environment in order to enhance performance and gain competitive advantage. Several classification schemes describe different strategic archetypes depending
on various factors like the firm’s timing of entry into an emerging market (Ansoff & Stewart, 1967), firms’ innovation efforts based on R&D expenditure (Freeman, 1974), and the rate at which they change their products and markets (Miles & Snow, 2003).

According to Sánchez, et al (2011) this ‘systemic’ approach tries to reconcile contingency theory and strategic positioning thinking and distinguishes internal structuring and external structuring. Child (1997) posits that strategic adaptation process comprises two tangled dynamics: an internal structuring and an external structuring. The internal structuring consists internal actions addressed to adapt organizational agents to new environmental conditions, while external structuring comprise of actions that modify the firm’s relationship with its environment such as launching new products or changing suppliers.

Eunni, Post and Berger (2005) well-defined adaptation strategy as a firm’s ability to obtain the correct alignment of strategy, structure and culture (internal alignment) inorder to position it competitively in the market, and alignment with its environment inorder to successfully face changes in its environment (external alignment). They further proposed some internal alignment measures (corporate leadership, strategic planning and approach to workers) and external alignment measures (technological and innovation capacity, corporate social responsibility, market ad customer focus and strategic partnerships).

Advances in technology are arguably the most potent drivers of change within the global travel industry (Offutt & Schetzina, 2012). The authors argue that technology innovation has the power to transform consumer expectations, disrupt competitive dynamics and reshape the travel distribution chain. New digital platforms directly connecting consumers with companies and destinations have become additional game changers for travel intermediaries in the tourism supply value chain. Technology oriented firms accummulate rich technological knowledge stores through past experience and processes such as heavy investments in R&D, quick acquisition of new technologies and collection of up-to-date technology information (Zhou & Li, 2009). The most innovative companies are those that actively deploy emerging technologies to gain competitive advantage.

Although travellers are increasingly easier to reach, they also have access to more information and opportunities to reach the suppliers. Several business travel management
agencies have been adopting information communication and technology solutions for streamlining their processes, lowering operational costs, and adopting more flexible structures (Bray, 2002). Yet the principals (e.g. scheduled airlines, low cost carriers, hotels, car rental companies etc.), in their attempt to disintermediate traditional travel distributors as well as drive and develop direct relations with their travelers, are changing their policies mainly towards the reduction and recently on the elimination of commission paid to travel agents (Sigala, 2007).

2.5 Chapter Summary

The chapter reviewed literature on strategic adaptability and innovation in the travel industry. These two constructs are discussed within the context of the fierce pressures of the fast changing travel industry environment. Strategic adaptability is categorized into internal and external structuring within the context of managerial factors and organizational choices. The effect of adaptability on innovation as well as innovation approaches of organizations are also discussed.

Chapter 3 outlines the research methods used to conduct the study. The choice of the industry and sample is discussed. Assessment of reliability and validity are discussed. The statistical methods for analyzing and interpreting data are presented.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this study was to explore how strategic adaptability is changing company operations and influencing innovation in the travel industry in Kenya. This chapter describes the research methodology used to undertake the study: the research design, population and sampling design, data collection method and data analysis methods.

3.2 Research Design

Numerous definitions of research design abound, but no single definition imparts the full range of important aspects as is evident from the following definitions: it is a master plan specifying the methods and procedures for collecting and analysing the needed information (Zikmund, 2003); a framework or blueprint for conducting the marketing research project and details the procedure necessary for obtaining the information needed to structure and/or solve marketing research problems and lays the foundation for conducting the project (Malhotra, 2007); constitutes the blueprint for the collection, measurement and analysis of data (Cooper & Schindler, 2014); the plan and structure of investigation so conceived as to obtain answers to research questions; its purpose is to design a study that will test hypotheses of interest, determine possible answers to the research questions and provide the information needed for decision making (Sekaran & Bougie, 2013).

Similarly, different research design dimensions exist, but no single classification system defines all variations that must be considered (Cooper & Schindler, 2014). While Zikmund (2003) states that business research can be classified on the basis of either technique (experiments, surveys, observational studies) or function (exploratory, descriptive or causal), Malhotra (2007) argues that research designs may be broadly classified as either exploratory or conclusive (descriptive and causal). Zikmund (2003: 54) further states that classifying business research on the basis of purpose or function allows one to understand how the
nature of the research problem influences the choice of the research method (exploratory, descriptive or causal).

Exploratory research is used to provide insights into, and an understanding of the problem confronting the researcher (Malhotra, 2007) while conclusive research is designed to assist the decision maker in determining, evaluating, and selecting the best course of action to take in a given situation and may be either descriptive or causal. The major purpose of descriptive research is to describe characteristics of a population or phenomenon and seeks to determine the answers to who, what, when, where and how questions (Zikmund, 2003).

According to Dillon, Madden and Firtle (1994) the choice of an appropriate research design depends on the value of information provided by alternative courses of action and the requirements of the research objective and questions. Consequently, it can be concluded from the definitions that research design is the blueprint for the collection, measurement and analysis of data for conducting any research project. The researcher used the descriptive research design to describe the characteristics of the population, determine possible answers to the research questions and provide the information needed for decision making.

3.3 Population and Sampling Design

3.3.1 Population

Cooper and Schindler (2014) define a population (also referred to as universe) as the total collection of elements about which we wish to make some inferences. It is the total entities in which we have interest, i.e. the collection of individuals, objects or events about which inferences will be made (Diamantopoulos & Schlegelmilch, 2005). The target population is the complete group of objects or elements relevant to the research project (Hair, Money, Page, & Samuel, 2007).

A population element is the individual participant or object on which the measurement is taken (Cooper & Schindler, 2014) in line with the research objectives. It is also referred to as a case or unit of observation and analysis. When the population elements are highly homogeneous, samples are highly representative of the population. The listing of all population elements from which the sample will be drawn is known as the sample frame. The
target population of the study is the tour operators and travel agencies in Nairobi as indicated in Table 3.1.

The study focused on tour operators and travel agents in Nairobi. As shown in Table 3.1 the geographical distribution of tour operators and travel agents in Kenya indicates that most of the tour operators (85 percent) and travel agents (79 percent) are located within Nairobi region.

### Table 3.1: Tour Operators and Travel Agents in Kenya

<table>
<thead>
<tr>
<th>Location</th>
<th>Tour operators</th>
<th>Travel agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairobi region</td>
<td>359</td>
<td>87</td>
</tr>
<tr>
<td>Coast region</td>
<td>55</td>
<td>14</td>
</tr>
<tr>
<td>Rift valley &amp; Western region</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Central region</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>420</strong></td>
<td><strong>110</strong></td>
</tr>
</tbody>
</table>

Source: KATO and KATA directories (2014)

The target population were travel agents and tour operators in Kenya. The population elements in the study were managers of the travel agents and tour operators and their equivalents. The head of business units and managers were selected because they are more likely to be knowledgeable about the application of strategy and innovation in the organization.

Tour operators and travel agents were selected because they act as intermediaries between various supply sectors (accommodation, transport, entertainment, attractions etc.) and segments of demand in the tourism industry and have far greater power to influence and direct consumer demand compared to other industries. Also, consumers tend to make greater use of travel agents and tour operators when purchasing complex products or travelling to remote destinations.

### 3.3.2 Sampling Design

#### 3.3.2.1 Sampling Frame

The sampling frame provides a working definition of the target population (Hair, *et al.*, 2007). It is the listing of all population elements from which the sample will be drawn.
(Cooper & Schindler, 2014; Hair, et al., 2007). According to Wegner (2000) a sampling frame is a database of target population members containing contact information (such as telephone and fax numbers, e-mail addresses and physical addresses). Ideally, it is the complete and correct list of all the elements in the population from which the sample is drawn. The sampling frame of the study is the 2013 KATA and KATO directories as shown in Table 3.1. The travel agents and tour operators in Kenya are members of KATA and KATO respectively, and are bound by their respective association’s constitution and code of ethical and professional standards which promote free trade while safeguarding the interests of the tourists and travellers.

The process of sampling involves any procedure using a small number of items or parts of the whole population to make conclusions regarding the whole population (Zikmund, 2003). According to Cooper and Schindler (2014), the sampling decisions flow from two decisions made in the formation of management-research question hierarchy: the nature of the management question and the specific investigative questions that evolve from the research question.

Selection of the sampling method to use in a study depends on a number of related theoretical and practical issues (Hair, et al., 2007). These include considering the nature of the study, the objectives of the study, and the time and budget available. According to several authors (Zikmund, 2003 and Hair, et al., 2007) traditional sampling methods can be divided into two broad categories: probability and non-probability sampling methods.

Probability sampling method where each element in the sample frame has a known and equal nonzero chance to be selected (Zikmund, 2003). In probability sampling, sampling elements are selected randomly and the probability of being selected is determined ahead of time by the researcher (Hair, et al., 2007). Non-probability sampling method where the researcher is not able to determine the chance of a single element from the sample frame of being selected (Zikmund, 2003). The inclusion or exclusion of elements in a sample is left to the discretion of the researcher.

The study used tour operators and travel agencies as the sampling unit or unit of observation. General Managers, Managing Directors or their equivalents were selected because they play
key roles in decision making of their firms and can articulate ideas, thoughts and experiences about strategic adaptability and innovation.

### 3.3.2.2 Sampling Technique

Selection of the sampling method to use in a study depends on a number of related theoretical and practical issues (Hair, *et al.*, 2007). These include considering the nature of the study, the objectives of the study, and the time and budget available. According to several authors (Cooper & Schindler, 2014; Zikmund, 2003; Hair, *et al.*, 2007) traditional sampling methods can be divided into two broad categories: probability sampling method and non-probability sampling method. The inclusion or exclusion of elements in a sample is left to the discretion of the researcher.

The researcher implements the sampling plan after all the details of the sampling design have been agreed upon (Hair, *et al.*, 2007). The target population has been defined, the sampling frame has been chosen, the sampling method has been selected, and the appropriate sample size determined. If the sampling unit is companies, then the type of companies must be specified as well as the titles and perhaps names of individuals that will be interviewed. Many details must be decided on before a final sample plan is accepted and implemented because once data is collected it is too late to change the sampling design.

The researcher used probability sampling method in the study to allow for objective evaluation of the precision of sample results of the characteristics of interest and to make inferences or projections about the target population from which the sample is drawn. The proportionate stratified sampling was used because it has a higher statistical efficiency than simple random sampling, and it provides a self-weighting sample since the sample frame is readily available.

### 3.3.2.3 Sample size

The determination of the appropriate sample size consists of complex factors that need to be taken into account simultaneously including elements in the target population, the type of sample required, time available, budget, required estimation precision, and whether the findings are to be generalized and, if so, with what degree of confidence (Saunders, Lewis, & Thornhill, 2016; Hair, *et al.*, 2007). Although formulas based on statistical theory can be
used to compute the proper sample size (Zikmund, 2003), alternative “ad hoc” methods are often used for pragmatic reasons, such as budget and time constraints (Hair, et al., 2007). According to Hair, et al. (2007) when statistical formulas are used to determine the sample size three decisions must be made: the degree of confidence, the specified level of precision (amount or margin of acceptable error) and the amount of variability (population homogeneity).

The more samples you select and plot, the closer the overall mean of the samples will be to the mean of the population and vice versa. While a sample size needs to be sufficiently large, there is some disagreement as to what sufficiently large means. However, it is generally agreed that a sample size of 30 is large enough (Terrell, 2012).

The sample size of 53 (42 tour operators and 11 travel agents) representing 12 per cent of the population was determined as being adequate (Mugenda & Mugenda, 2003) by the researcher in this study. The sample size was selected from Nairobi region only since a total of 84 percent (446 out of 530) of the travel agents and tour operators in Kenya are located in Nairobi region as indicated in Table 3.1.

3.4 Data Collection Methods

Research design can be classified by the approach used to gather primary data. There are two alternatives: observation approach and communication approach (Cooper & Schindler, 2014) depending on the directions in which investigative questions may lead. Information about past events is often available only through surveying or interviewing people who remember the events, while information about opinions and attitudes is learnt through communication-based research. The researcher determines the appropriate data collection approach largely by identifying the types of information needed – investigative questions the researcher must answer (Cooper & Schindler, 2014).

The cross-sectional study involved surveying the respondents using a questionnaire in order to seek information about past events on strategic adaptation, innovation and social business. The research used a survey because the approach is versatile and can expand geographic coverage at a fraction of the cost and time required by observation. The goal of the survey is...
to derive comparable data across subsets of the chosen sample so that similarities and differences can be found.

3.5 Research Procedures

The questionnaire was developed using the key parameters identified in the literature review on strategic adaptability, innovation and managerial and organizational factors. The key parameters were based on the specific research objectives and aligned to the research problem.

The questionnaires were developed from the literature derived from chapter two. The questions asked were a function of the research objectives and of the survey design used in the study. Principles associated with questionnaire design were applied (Cooper & Schindler, 2014). The appropriateness of the questionnaires was confirmed through evaluation by three academics knowledgeable about strategic adaptation and innovation and through a pre-test with a five corporate decision makers in the tourism and travel industry in Nairobi. The comments and answers given in the pre-test were used to refine the questionnaire before it was used in its final form. The sample used in the pre-test was not part of the main sample of the study.

A cross-sectional survey was done using a self-administered questionnaire after the pilot study because the data on various segments of a target population was collected at a single moment in time to make comparisons among segments.

The measurement and scaling procedures are discussed in the next section.

3.5.1 Reliability

Reliability refers to the degree to which measures are free from error and therefore yield consistent results if repeated measurements are made on the characteristic (Zikmund, 2003 & Malhotra, 2007). A reliability coefficient can be determined where the sum of item variances will be compared to the variance of the sum scale. This coefficient can vary from 0 to 1 and a value of 0.6 (60%) or less will indicate unsatisfactory internal consistency reliability (Malhotra, 2007). Reliability is a necessary but sufficient condition for validity (Dillon, Madden, & Firtle, 1994) but a reliable instrument may not be valid (Zikmund, 2003).
The researcher used previously established methods of measurement to ensure reliability of the questionnaire.

3.5.2 Validity

Validity, according to Malhotra (2007), is the extent to which differences in observed scale scores reflect true differences among objects on the characteristic being measured, rather than due to systematic or random errors. A researcher can utilize various types of validity (face, content, construct and criterion-related) to prove whether he/she has measured the truth. Face validity is the measure of the construct being logically and reasonably related to the construct. Content validity is “the representativeness or sampling adequacy of the content….of a measuring instrument” (Kerlinger, 1986, p. 147), while construct validity examines the logical relationships among variables (Babbie, 2014). Finally, criterion-related validity refers to the ability of a measure to predict some other (criterion) variable and is usually of most interest in practical research rather than theoretical investigations.

The researcher assessed face, content and construct validity of the measurement instrument through assessment by five knowledgeable academicians and travel industry managers.

3.5.3 Generalizability

Generalizability refers to the degree to the extent to which one can generalize from observations at hand to a universe of generalizations (Malhotra, 2007). The set of all conditions of measurement over which the investigator wishes to generalize is the universe of generalization. These conditions may include items, interviewers, situations of observation, and so on. A researcher may wish to generalize a scale developed for use in personal interviews to other modes of data collection. Likewise, the researcher may generalize from a sample of items to the universe of items, from a sample of items of measurement to the universe of times measurement, from a sample of observers to a universe of observers, and so on.

The measuring instrument was evaluated in terms of reliability, validity, sensitivity and generalizability.
3.6 Data Analysis

The plan of data analysis was done after the questionnaire had been developed and all the aspects associated with data analysis were addressed. Editing procedures were conducted to make the data ready for coding and transfer to data storage. The purpose was to ensure the completeness, consistency and reliability of data (Zikmund, 2003: 454).

Data codes were assigned and the data was captured (Zikmund, 2003) and processed using Statistical Package for Social Sciences (SPSS version 22). Assigning numerical symbols permitted the transfer of data from the survey to the computer. Data collection tools were standardized by pre-testing to assure reliability of the tool and validating the results.

Critical aspects in the questionnaire were cross-tabulated with classification or demographical questions in the questionnaire to determine the level of association (Zikmund, 2003). The purpose of categorizations and cross-tabulation was to allow the inspection of differences among groups and to make comparisons. Cross-tabulating results of business research helped clarify the research findings as they pertain to industry, market, and organisational segments.

This being a descriptive study, descriptive and inferential statistics were used to analyse the data. Regression analysis was used to determine the relationship between strategic adaptability and innovation patterns, as well as the relationship between strategic and innovation patterns in the travel industry. The following regression equations will be used for analysis:

\[\text{INNOV} = \alpha_0 + \alpha_1 \text{INT\_ST}_1 + \epsilon \] \hspace{1cm} (Equation 1)

Where by:

- INNOV - Innovation
- \(\alpha_0\); The intercept of the equation;
- \(\alpha_1\); Coefficient of Internal Structuring
- INT\_ST\(_1\); Internal Structuring

\[\text{INNOV} = \alpha_0 + \alpha_1 \text{EXT\_ST}_1 + \epsilon \] \hspace{1cm} (Equation 2)

Where by:
INNOV - Innovation
$\alpha_0$: The intercept of the equation;
$\alpha_1$: Coefficient of External Structuring

EXT_ST: External Structuring

$$\text{INNOV} = \alpha_0 + \alpha_1 \text{MNG\_ORG}_1 + \varepsilon \ldots \ (\text{Equation 3})$$

Where by:

INNOV - Innovation
$\alpha_0$: The intercept of the equation;
$\alpha_1$: Coefficient of Managerial and organizational factors

MNG\_ORG: Managerial and organizational factors

$$\text{INT\_ST} = \alpha_0 + \alpha_1 \text{MNG\_ORG}_1 + \varepsilon \ldots \ (\text{Equation 4})$$

Where by:

INT\_ST: Internal Structuring
$\alpha_0$: The intercept of the equation;
$\alpha_1$: Coefficient of Managerial and organizational factors

MNG\_ORG: Managerial and organizational factors

$$\text{EXT\_ST} = \alpha_0 + \alpha_1 \text{MNG\_ORG}_1 + \varepsilon \ldots \ (\text{Equation 5})$$

Where by:

EXT\_ST: External Structuring
$\alpha_0$: The intercept of the equation;
$\alpha_1$: Coefficient of Managerial and organizational factors

MNG\_ORG: Managerial and organizational factors

Measures of dispersion (range, standard deviation and variance) and measures of relative standing (percentiles, z-scores and t-scores) was used to determine similarities and differences in the strategic adaptability of tour operators and travel agents as well as the innovation patterns of tour operators and travel agents. Descriptive statistics was used to describe the similarities and differences in the innovation approach of organizations in the travel industry.
3.7 Ethical considerations

There are six ethical considerations when undertaking business research (Polonsky & Waller, 2005; Cooper & Schindler, 2014; Davis, 1997) as follows: voluntary participation without deception or coercion; informed consent of the participants; confidentiality and anonymity; communicating the results; ethical issues specific to the study; and potential for harm.

The researcher sought informed consent of the participants before data was collected. Prior to their involvement participants were instructed about the nature of the research (Cooper & Schindler, 2014) and guarantee given that all data will be treated with confidentiality and anonymity. There was no potential for harm of being a participant in this study (Polonsky & Waller, 2005; Sekaran & Bougie, 2013).

3.8 Chapter Summary

The chapter outlined the research methodology used to explore the research questions in this study. This chapter provides justification for the use the descriptive research design used in the study. Sampling procedure and techniques for data analysis are discussed. The results from this study are detailed in the next chapter.

Chapter 4 presents the results of the empirical study by examining the observed characteristics of the sample and data. Results of the statistical tests will be presented, analyzed and explained on the basis of the specific objectives and research questions.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the analysis of data based on descriptive and inferential statistics. The first section presents general information about the respondents, followed results and findings presented in order of the specific objectives. This comprises a section om internal structuring and innovation, external structuring and innovation, effect of managerial and organizational factors on internal structuring and the effect of managerial and organizational factors on external structuring. A total of fifty three questionnaires were administered, out of which 33 were successfully completed and returned. The response rate was 62 per cent.

4.2 General Information

This section presents general information such as the primary department of the respondent in the organization, the respondent’s role in the organization, age, gender and the number of years of their work experience in the organization.

4.2.1 Primary Department

The respondents were asked to indicate their primary department in the organization. Figure 4.1 shows that majority of the respondents (52%) were from tour operations and general management (21%).

![Figure 4.1: Respondents' Primary Department](image)

Figure 4.1: Respondents' Primary Department
4.2.2 Role in the Organization

The respondents were asked to indicate their role in the organization. As indicated in Figure 4.2 majority of the respondents were managers (30%) and heads of business units (27%).

![Figure 4.2: Respondent Role in the Organization](image)

4.2.3 Age of the Respondents

The mean age of the respondents was 38.2(±5.2) years within the range of 27 to 50 years as shown in Figure 4.3.

![Figure 4.3: Age Distribution](image)
4.2.4 Gender/Sex

The study sought to establish the proportion of either gender engaged by the travel industry. Table 4.1 shows that 57.6 per cent of the respondents were male, while 42.4 per cent were female.

Table 4.1: Gender Distribution

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>19</td>
<td>57.6</td>
</tr>
<tr>
<td>Female</td>
<td>14</td>
<td>42.4</td>
</tr>
</tbody>
</table>

4.2.5 Years of Experience

The respondents were asked to indicate the number of years of their work experience in the organization. Respondents had worked in the organizations for an average of 11.1 (±6.3) years within the range of 3 to 29 years as indicated in Figure 4.4.

Figure 4.4: Years of Experience in the Organization
4.3 Organizations’ Approach to Innovation

Most of the respondents (46%) described their company's approach to innovation as one that locates and maintains a secure niche by protecting the company's position in a relatively stable product or service area (defenders) as shown in Figure 4.5. Thirty three per cent (33%) indicated that their company values being “first with new products, markets and technologies” (prospectors) while twenty one per cent (21%) described their company as being seldom first to market but frequently a fast follower with a more cost-efficient or innovative product (analyzers).

As can be seen in Figure 4.5, majority of the respondents classify their firms as either defenders or prospectors in their approach to innovation.

![Figure 4.5: Description of Company's Approach to Innovation](image)

4.4 Internal Structuring and Innovation

Six Likert-type questions were used to tap the idea of internal structuring and innovation to which majority of the respondents agreed or strongly agreed with mean for each question ranging from 4.0 to 4.5. The level of agreement was highest (89.1%) for the companies always striving to improve customer service as shown in Table 4.2. Most respondents (86.7%) also affirmed that the existing organizational competency (knowledge, skills and attitude) can withstand changes in the industry.
To determine the relationship between internal structuring and innovation, the items for each variable were reduced using factor analysis. In this case the factor accounting for the largest variation among the items and having the largest Eigen values were adopted. The developed factors were then regressed against the dependent variable as shown in Table 4.3, Table 4.4 and Table 4.5.

As indicated in Table 4.2 the level of agreement by the respondents indicating that their company always strived to improve customer service was 89.1 per cent, while the level of agreement was 86.7 percent for the organizations competency being able to withstand changes in the industry. All statements measuring the level of agreement on internal structuring and innovation were above 80 per cent indicating significant levels of agreement.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neither agree nor disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Level of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Everybody in my organization is encouraged to take reasonable risks to increase effectiveness of the firm and reduce waste</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>9</td>
<td>18</td>
<td>4.2</td>
<td>83.6%</td>
</tr>
<tr>
<td>Our existing organizational competency (knowledge, skills and attitude) can withstand changes in the industry</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>7</td>
<td>20</td>
<td>4.3</td>
<td>86.7%</td>
</tr>
<tr>
<td>Our company values employees</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>9</td>
<td>15</td>
<td>4.0</td>
<td>80.0%</td>
</tr>
<tr>
<td>The roles that we (employees) play in the company are continuously reviewed to align our skills to organizational needs</td>
<td>0</td>
<td>3</td>
<td>2</td>
<td>19</td>
<td>9</td>
<td>4.0</td>
<td>80.6%</td>
</tr>
<tr>
<td>Our company is capable of reacting speedily to changes in the market</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>14</td>
<td>12</td>
<td>4.1</td>
<td>81.8%</td>
</tr>
<tr>
<td>Our company always strives to improve customer service</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>11</td>
<td>19</td>
<td>4.5</td>
<td>89.1%</td>
</tr>
</tbody>
</table>

The *Model Summary* in Table 4.3 shows the correlation coefficient of .550 and coefficient of determination ($r^2 = 0.303$).
Table 4.3: Model summary for Internal Structuring and Innovation

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.550</td>
<td>0.303</td>
<td>0.280</td>
<td>0.84851881</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Internal structuring and innovation

As indicated in the Table 4.3, the model explains 30.3 per cent (r square 0.303) of the variations in innovation due to internal structuring. Table 4.4 shows the ANOVA results of the independent variable - internal structuring.

Table 4.4: ANOVA - Internal Structuring and Innovation

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>9.680</td>
<td>1</td>
<td>9.680</td>
<td>13.445</td>
<td>0.001b</td>
</tr>
<tr>
<td>Residual</td>
<td>22.320</td>
<td>31</td>
<td>0.720</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>32.000</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Innovation
b. Predictors: (Constant), Internal structuring and innovation

Table 4.4 shows that significance level of is 0.001 (p = .001) which is below 0.005, and therefore there is a statistically significant relationship between internal structuring and innovation.

Table 4.5: Coefficients - Internal Structuring and Innovation

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-7.133E-017</td>
<td>0.148</td>
<td>0.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Internal structuring and innovation</td>
<td>0.550</td>
<td>0.150</td>
<td>3.667</td>
<td>0.001</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Innovation

As shown in Table 4.5 internal structuring had a significant effect on innovation (t=3.667, p-value=0.001). A unit increase in internal structuring increased innovation by 0.55 times.
Internal structuring significantly depended on managerial and organizational factors (p-value<0.001).

4.5 External Structuring and Innovation

Five Likert-type questions were used to tap the idea of external structuring and innovation to which majority of the respondents either agreed or strongly agreed with mean for each question ranging from 3.7 to 4.8 as indicated in Table 4.6. The statement with highest mean (4.8) was ‘our competitive advantage is based on understanding customer’s needs’ also had the highest level of agreement (95.8%).

While 16 out 33 of the respondents strongly agreed that everybody in the organization was encouraged to be creative in their jobs, they also strongly agreed that the business objectives of their organizations were driven primarily by customer satisfaction. Similarly, 31 out of 33 respondents agreed or strongly agreed that their company frequently and systematically measure customer satisfaction as shown in Table 4.6.

**Table 4.6: External Structuring and Innovation**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neither agree nor disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Level of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our competitive advantage is based on understanding customer’s needs</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>27</td>
<td>4.8</td>
<td>95.8%</td>
</tr>
<tr>
<td>Our salespeople regularly share competitor's information</td>
<td>1</td>
<td>5</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>3.7</td>
<td>73.3%</td>
</tr>
<tr>
<td>Our company frequently and systematically measure customer satisfaction</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>20</td>
<td>11</td>
<td>4.3</td>
<td>85.5%</td>
</tr>
<tr>
<td>In our organization everybody is encouraged to be creative in their jobs</td>
<td>0</td>
<td>5</td>
<td>4</td>
<td>8</td>
<td>16</td>
<td>4.1</td>
<td>81.2%</td>
</tr>
<tr>
<td>Our business objectives are driven primarily by customer satisfaction</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>14</td>
<td>16</td>
<td>4.3</td>
<td>86.7%</td>
</tr>
</tbody>
</table>

To determine the relationship between external structuring and innovation, the items for each variable were reduced using factor analysis. In this case the factor accounting for the largest variation among the items and having the largest Eigen values were adopted. The developed factors were then regressed against the dependent variable.
The *Model Summary* in Table 4.7 shows the correlation coefficient of .624 and coefficient of determination ($r^2 = 0.390$).

**Table 4.7: Model Summary for External Structuring and Innovation**

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), External structuring and innovation

Table 4.8 shows the ANOVA results of the independent variable - external structuring. As indicated in Table 4.8 the strength of the correlation and, the high F value (19.789) is statistically significant ($p < .001$).

**Table 4.8: ANOVA - External Structuring and Innovation**

<table>
<thead>
<tr>
<th>ANOVAa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Innovation
b. Predictors: (Constant), External structuring and innovation

External structuring had significant effect on innovation ($p < .001$) as indicated in Table 4.9. A unit increase in external structuring increased innovation by 0.62 times ($\beta=0.624$, $t=4.448$). External structuring significantly depends on managerial and organizational factors ($p$-value<0.001).

As shown in Table 4.9 external structuring had a significant effect on innovation ($t=4.448$, p-value=0.000). A unit increase in internal structuring increased innovation by 0.624 times. External structuring significantly depended on managerial and organizational factors ($p$-value<0.000).
Table 4.9: Coefficients - External Structuring and Innovation

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-3.952E-017</td>
<td>0.138</td>
<td>0.000</td>
<td>1.000</td>
</tr>
<tr>
<td>External structuring and innovation</td>
<td>.624</td>
<td>0.140</td>
<td>0.624</td>
<td>4.448</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Innovation

As shown in Table 4.9 external structuring had a significant effect on innovation (t=4.448, p-value=0.000). A unit increase in internal structuring increased innovation by 0.624 times. External structuring significantly depended on managerial and organizational factors (p-value<0.000).

4.6 Effect of Managerial and Organizational Factors on Internal Structuring

Five questions from the Likert scale were used to tap the effect of managerial and organizational factors on internal structuring. Table 4.10 provides the results of these items.

Table 4.10: Effects of Managerial and Organizational Factors on Internal Structuring

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neither agree nor disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Level of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>In my organization employees are free to take independent action</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>14</td>
<td>3.7</td>
<td>74.5%</td>
</tr>
<tr>
<td>My company analyses risks and opportunities associated with addressing innovation issues</td>
<td>0</td>
<td>2</td>
<td>7</td>
<td>12</td>
<td>12</td>
<td>4.0</td>
<td>80.6%</td>
</tr>
<tr>
<td>My company encourages it employees to experiment with new tour packages, software, work processes etc.</td>
<td>0</td>
<td>3</td>
<td>8</td>
<td>14</td>
<td>8</td>
<td>3.8</td>
<td>76.4%</td>
</tr>
<tr>
<td>My company always responds appropriately to major shifts in the travel market</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>18</td>
<td>9</td>
<td>4.1</td>
<td>81.2%</td>
</tr>
<tr>
<td>Our existing competencies in the company can withstand the challenges brought about by new technology</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>18</td>
<td>7</td>
<td>3.8</td>
<td>77.0%</td>
</tr>
</tbody>
</table>
The item with the highest mean (4.1) as shown in Table 4.10 was my company always responds appropriately to major shifts in the travel market, while the item with lowest mean (3.7) was employees in my organization are free to take independent action. The level of agreement ranged between 74.5-81.2 per cent.

To determine the relationship between managerial and organizational factors and internal structuring, the items for each variable were reduced using factor analysis. In this case the factor accounting for the largest variation among the items and having the largest Eigen values were adopted. The developed factors were then regressed against the dependent variable. The Model Summary in Table 4.11 shows the correlation coefficient of .578 and coefficient of determination ($r^2 = 0.334$).

Table 4.11: Model Summary for Managerial/Organizational Factors and Internal Structuring

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.578a</td>
<td>0.334</td>
<td>0.312</td>
<td>.82915701</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Managerial and organisational factors

Table 4.12 shows the ANOVA results of the independent variable – managerial and organizational factors.

Table 4.12: ANOVA - Managerial/Organizational Factors and Internal Structuring

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>10.687</td>
<td>1</td>
<td>10.687</td>
<td>15.545</td>
<td>0.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>21.313</td>
<td>31</td>
<td>0.688</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>32.000</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Internal structuring
b. Predictors: (Constant), Managerial and organisational factors
As shown in Table 4.12 the strength of the correlation and the high F value (15.545) is statistically significant \((p < .001)\). This result means that there is a strong positive correlation between internal structuring and managerial/organizational factors.

Table 4.13 indicates that managerial and organizational factors had significant effect on internal structuring \((p < .001)\).

### Table 4.13: Coefficients - Managerial/Organizational Factors and Internal Structuring

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.561E-016 0.144</td>
<td>.578 0.147</td>
<td>0.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Managerial and organisational factors</td>
<td>0.578 0.147  .578 3.943</td>
<td>(10^{-016})</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Internal structuring and innovation

A unit increase in managerial and organizational factors increased internal structuring by 0.58 times \((\beta=0.578, \ t=3.943)\). Internal structuring significantly depends on managerial and organizational factors \((p\text{-value}<0.001)\).

### 4.7 Effect of Managerial and Organizational Factors on External Structuring

Six survey items were used to tap the effect of managerial and organizational factors on external structuring as shown in Table 4.14. While most respondents (28 out of 33) agreed or strongly agreed that their company identifies potential revenue streams through new products, services or business models only one disagreed. All items had a mean ranging from 3.9 – 4.1 and the level of agreement ranging from 78.2 – 81.8 per cent.

To determine the relationship between managerial and organizational factors, and external structuring, the items for each variable were reduced using factor analysis. In this case the factor accounting for the largest variation among the items and having the largest Eigen
values were adopted. The developed factors were then regressed against the dependent variable.

Table 4.14: Influence of Managerial and Organizational Factors

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neither agree nor disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Level of agreement (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company devotes more resources to new products/services that meet current and future market needs</td>
<td>0</td>
<td>2</td>
<td>7</td>
<td>11</td>
<td>13</td>
<td>4.1</td>
<td>81.2%</td>
</tr>
<tr>
<td>Our company places great emphasis and value on strategic planning</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>14</td>
<td>12</td>
<td>4.0</td>
<td>80.6%</td>
</tr>
<tr>
<td>Our company identifies potential revenue streams through new products, services or business models</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>19</td>
<td>9</td>
<td>4.1</td>
<td>81.8%</td>
</tr>
<tr>
<td>Our company develops new product and work processes continuously</td>
<td>0</td>
<td>1</td>
<td>8</td>
<td>12</td>
<td>12</td>
<td>4.1</td>
<td>81.2%</td>
</tr>
<tr>
<td>We respond rapidly to competitive actions that threaten our company</td>
<td>0</td>
<td>4</td>
<td>5</td>
<td>13</td>
<td>11</td>
<td>3.9</td>
<td>78.8%</td>
</tr>
<tr>
<td>Top management regularly discusses competitor's strategies</td>
<td>3</td>
<td>1</td>
<td>5</td>
<td>11</td>
<td>13</td>
<td>3.9</td>
<td>78.2%</td>
</tr>
</tbody>
</table>

The Model Summary in Table 4.15 shows the correlation coefficient of .769 and coefficient of determination ($r^2 = 0.591$).

Table 4.15: Model Summary for Managerial/Organizational Factors and External Structuring

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Managerial and organisational factors on external structuring

47
Table 4.16 shows the output of the ANOVA analysis and whether we have a statistically significant difference between the group means. The significance level is 0.000 ($p = .000$), which is below 0.05.

**Table 4.16: ANOVA - Managerial/Organizational Factors and External Structuring**

ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>18.908</td>
<td>1</td>
<td>18.908</td>
<td>44.770</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>13.092</td>
<td>31</td>
<td>0.422</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>32.000</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: External structuring
b. Predictors: (Constant), Managerial and organisational factors

As indicated in Table 4.16 the strength of the correlation and the high F value (44.770) is statistically significant ($p < .001$).

As shown in Table 4.17, managerial and organizational factors had significant effect on external structuring ($p < .001$). A unit increase in managerial and organizational factors increased external structuring by 0.77 times ($\beta=0.769$, $t=6.691$). Internal structuring significantly depends on managerial and organizational factors ($p$-value<0.001).

**Table 4.17: Coefficients - Managerial Factors and External Structuring**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Managerial and organisational factors on external structuring</td>
<td>1.931E-016</td>
<td>0.113</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.769</td>
<td>0.115</td>
<td>0.769</td>
</tr>
</tbody>
</table>

a. Dependent Variable: External structuring and innovation
4.8 Correlational Analysis for the Variables

As shown in the Table 4.18 the variables are highly correlated at 1 per cent significance level. For instance, the correlation between internal structuring and innovation is 0.547, while the correlation between internal structuring and, managerial and organizational factors is 0.578. Similarly, the correlation between external structuring and managerial and organizational factors is 0.769.

Table 4.18: Correlations

<table>
<thead>
<tr>
<th></th>
<th>Internal structuring and innovation</th>
<th>External structuring and innovation</th>
<th>Managerial and organisational factors on internal structuring</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pearson Correlation</strong></td>
<td>1</td>
<td>0.547**</td>
<td>0.578**</td>
</tr>
<tr>
<td><strong>Sig. (2-tailed)</strong></td>
<td></td>
<td>0.001</td>
<td>0.000</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>33</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td><strong>External structuring and innovation</strong></td>
<td>.547**</td>
<td>1</td>
<td>0.769**</td>
</tr>
<tr>
<td><strong>Pearson Correlation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sig. (2-tailed)</strong></td>
<td>.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>33</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td><strong>Managerial and organisational factors on internal structuring</strong></td>
<td>0.578**</td>
<td>0.769**</td>
<td>1</td>
</tr>
<tr>
<td><strong>Pearson Correlation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sig. (2-tailed)</strong></td>
<td>0.000</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>33</td>
<td>33</td>
<td>33</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

Given the high correlation between the variables, the researcher used simple linear regression model to resolve the problem of multi-collinearity among the independent variables as well achieve the research objectives 1 and 2 discussed in section 1.3.1.

4.9 Chapter Summary

The findings in chapter four show that there is a positive correlation between strategic adaptability and innovation patterns in the travel industry. Similarly, there is also a positive correlation between strategic adaptability and, managerial and organizational factors. Although there are differences and similarities in the innovation approach of organizations, most firms in the travel industry value being “first with new products, markets and technologies” or being seldom first to market but frequently fast followers with more cost-
efficient or innovative products. The conclusions and recommendations resulting from these findings are discussed in the next chapter.

Chapter five will present all the major findings of the study structured according to the specific objectives in Chapter 1. Empirical results will be compared and contrasted with findings of previous studies and general theoretical background presented in Chapter 1 and 2. The chapter will be concluded by a discussion on the limitations of the study and will be enhanced by recommendations for future research.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter originates with a summary of the study. The summary outlines the objectives, methodology used and key findings of the study. The findings are then discussed in view of the literature. The discussions proceed based on the specific research questions and objectives. These are used to draw conclusions and make recommendations for improvement as well as suggest directions for future research.

5.2 Summary

This study proposed to explore how strategic adaptability is changing company operations and influencing innovation in the travel industry in Kenya. The study sought to answer the following research questions: what is the relationship between strategic adaptability and innovation patterns in the travel industry? What is the relationship between strategic adaptability and managerial factors in the travel industry? What are similarities and differences in the innovation approach of organizations in the travel industry?

The study used a descriptive research design. The target population comprised 446 member firms of Kenya Association of Tour Operators and Kenya Association of Travel Agents based in Nairobi. A sample size of 53 travel and tour firms representing 12 per cent of the population in Nairobi was selected. The sample size was selected from Nairobi region only since a total of 84 percent (446 out of 530) of the travel agents and tour operators in Kenya are located in Nairobi region. Proportionate stratified sampling was used since it has a higher statistical efficiency than simple random sampling, and it provides a self-weighting sample since the sample frame was readily available. Data was analyzed using correlation techniques. The results were presented in figures and tables.

The findings showed that majority of the respondents 46 per cent described their company's approach to innovation as one that locates and maintains a secure niche by protecting the company's position in a relatively stable product or service area.
In terms of strategic adaptability, the findings indicated that internal structuring had positive effect on innovation (t=3.667, p-value=0.001). A unit increase in internal structuring increased innovation by 0.55 times. Internal structuring significantly depended on managerial and organizational factors (p-value<0.001). Similarly, the findings on external structuring showed that the strength of the correlation between external structuring and innovation had high F value (19.789) which was statistically significant (p < .001). Hence, external structuring had significant effect on innovation (p < .001). A unit increase in external structuring increased innovation by 0.62 times (β=0.624, t=4.448).

Managerial and organizational factors had effect on internal structuring (p < .001). A unit increase in managerial and organizational factors increased internal structuring by 0.58 times (β=0.578, t=3.943). Both internal and external structuring significantly depends on managerial and organizational factors (p-value<0.001). A unit increase in managerial and organizational factors increased external structuring by 0.77 times (β=0.769, t=6.691). Internal structuring significantly depends on managerial and organizational factors (p-value<0.001).

5.3 Discussion

Findings were classified into three main areas: (1) the relationship between strategic adaptability and innovation patterns in the travel industry, (2) the relationship between strategic adaptability and managerial factors in the travel industry and, (3) the innovation approach of organizations in the travel industry.

5.3.1 Strategic Adaptability and Innovation Patterns

In terms of strategic adaptability, the findings indicated that internal structuring had positive effect on innovation (t=3.667, p-value=0.001). A unit increase in internal structuring increased innovation (β=0.550, t=3.667). Similarly, the findings on external structuring also showed that the strength of the correlation between external structuring and innovation had high F value (19.789) which was statistically significant (p < .001). Hence, external structuring had significant effect on innovation (p < .001). A unit increase in external structuring increased innovation (β=0.624, t=4.448). This agrees with previous findings that firms which thrive are those are quick to read and act on signals of change with products,
services, processes and strategies (Zhou & Li, 2009). The findings were also consistent with findings of Michie and Sheehan (2003) which established that the use of innovative work practices was positively correlated with all categories of innovation.

Innovation is one of the ways by which firms can adapt since it is concerned with behavioral and social processes whereby firms seek to attain desired changes or avoid the penalties of inaction. Michie and Maura (2005) concur with the above statement by indicating that flexibility varies between and within individuals as well as organizations depending on the pace and ease with which they react to a challenging environment.

This study revealed that the travel industry requires firms to adapt to the environment by building strategic adaptability through enhancing innovation. The findings complement Dibrell, Davis and Craig (2008) idea that a firm requires the presence of certain decision-making processes and organizational support mechanisms to influence the perceptions of opportunities in their industry environments.

In rapidly changing technology and business environment, companies across the travel industry are experiencing major disruptions by new and disruptive technologies and business models. The most successful firms incorporate disruptive thinking into all their business and management practices to gain distinctive competitive value propositions (Heisterberg & Verma, 2014). Firms in the travel industry need agile business processes that allow them to adapt quickly to evolving markets, customer needs and business environment.

In relation to the existing organizational competency (knowledge, skills & attitudes) being able to withstand changes in the industry the respondents’ (mean of 4.3) level of agreement was 86.7 per cent, while the level of agreement for the companies always striving to improve customer service was 89.1 per cent with a mean of 4.5. These findings are consistent with previous studies which also indicate that firms which are customer-oriented exhibit continuous and pro-active disposition towards identifying and meeting customers’ needs (Kamalesh, Boesso, Favotto, & Menini, 2012).

The findings indicate that firms in the travel industry do not always respond to the environmental changes in the same way. Some firms anchor their innovation patterns to the behaviour of other firms that are strategically similar to themselves, while others adopt a
more independent stance by emphasizing new product or market innovations. The most innovative firms are those that actively and continuously adapt to their operating environment.

### 5.3.2 Strategic Adaptability and Managerial Factors

Managerial and organizational factors had a significant effect on internal structuring (p<.001). A unit increase in managerial and organizational factors increased internal structuring by 0.58 times ($\beta=0.578$, t=3.943). This findings support the argument by Miles et al. (1978) that organizational behavior is only partially predicted by environmental settings and that the choices that top managers make are critical contributors of organizational structure and process. It is suggestive that effective firms in the travel industry in Nairobi create and maintain viable markets for their products offerings by rearranging their managerial processes to achieve their vision and mission.

From the study findings both internal and external structuring significantly depends on managerial and organizational factors (p-value<0.001). A unit increase in managerial and organizational factors increased external structuring ($\beta=0.769$, t=6.691). This finding is consistent with the argument that employees’ ability to explore and acquire new knowledge that will enable a firm to quickly meet its ever changing needs (Barney, 1991). This has been viewed in the extant literature as the most important and critical factor. Managerial skills, abilities and behaviours of employees are significant in the effective prevalence of strategic processes in firms within the travel industry.

The findings suggest that managerial and organization factors significantly influences a firm’s strategic adaptability. This finding differs with the notion that an effective organization must develop norms and beliefs that support its capacity to receive and interpret signals from its environment (Denison & Mishra, 1995) instead of interpreting signals and taking managerial decisions to respond to structural changes. It can be argued that strategic adaptability can be influenced by managerial activity for the purpose of improving innovation.

Most managers also indicated that their companies always responded appropriately to major shifts in the travel market (mean score, 4.1) as well as analyzed risks and opportunities.
associated with addressing innovation issues (mean score, 4.0). While the lowest ranked item was that employees in the organization were free to take independent action (mean score, 3.7), the level of agreement ranged between 74.5-81.2 per cent.

Although the amount of research explicitly focused on flexible and adaptive leadership is still limited, the findings in this study indicate that adaptive leadership is important for most key decision makers in organizations as the pace of change increases (Dess & Picken, 2000). Although industries often are typified by their instability, all industries at some point experience turbulent environments of varying degrees (Calantone, Garcia, & Dröge, 2003).

The study also showed a correlation coefficient of .578 and coefficient of determination (r² = 0.334) between managerial factors and internal structuring. This is indicated a positive linear correlation between managerial factors and strategic adaptability. Burke and Cooper (2004) posit that visibility of leader actions increases the need for flexibility, adaptation, and innovation by leaders.

5.3.3 Innovation approaches of organizations

In order to gain an understanding of firms’ overall approach to innovation, respondents were asked to categorize themselves according to the Miles and Snow (1978) approaches to innovation. The findings indicated that 46 per cent of the firms were defenders (companies which have a stable set of products or services and compete primarily on the basis of price, quality and service), 33 per cent were prospectors (companies that constantly examine the market in a quest for new opportunities and thrive in changing business environments that have elements of unpredictability) and 21 per cent of the firms were analyzers (companies which have characteristics from both defenders and prospectors and seek a balance between stable and changing domains).

In the Miles and Snow (2003) typology defenders (46% of the respondents) are firms that seek to locate and maintain a line of products or services avoid unnecessary risk and focus on efficiency of existing operations. Rather than seek new growth opportunities and innovation most organizations in the travel industry followed the defender strategy by concentrating on protecting their current markets, maintaining stable growth, and serving its current customers.
Slater, Hult and Olson (2010) clarify that prospectors (33% percent of the respondents) are firms that maintained a competitive position aggressively by continually maximizing new market opportunities and pioneering new innovation. These organizations are highly innovative and constantly seek out new markets and new opportunities and are oriented toward growth and risk taking.

Further the study revealed that analyzers (21% of the respondents) are firms that both maintained market share and sought to be innovative, although usually not as innovative as an organizations that use a prospector strategy. They are firms that are between the defenders and prospectors and use efficiency in stable markets and innovate in dynamic markets.

The study revealed that there were no reactors (Slater, Hult & Olson, 2010) in the travel industry in Nairobi. These indicates that there were firms in the travel industry absorbed and improved innovations of competitors. Although Miles and Snow (2003) contend that the success of a firm depends on a process of external and internal fit, firms in the travel sector exhibited only three out of the four innovation approaches in the Miles and Snow typology.

According to Ahmed and Shepherd (2010) the different formats/types of innovation manifests itself through two broad categories: those that are within a firm’s control and those that reciprocally influence or are outside the firms’ field of influence. The study revealed the existence of both innovation types based on Ahmed and Shepherd’s classification.

### 5.4 Conclusions

#### 5.4.1 Strategic Adaptability and Innovation Patterns

Innovation was significantly influenced both internal and external structuring. There was higher levels of innovation for firms that always strived to improve customer service and the existing organizational competency (knowledge, skills and attitude), and surviving changes in the travel industry. As the changing business environment erodes the traditional ways of doing business in the travel industry, most firms are compelled to respond and adapt to these changes in order to survive the competitive pressure. External structuring had significant effect on innovation especially on the firms’ competitive advantage being based on understanding customer's needs, and frequently and systematically measuring customer
satisfaction. It can be concluded that anticipating and satisfying customer needs as well as continuously improving employee skills was critical to the travel firms in Kenya.

5.4.2 Strategic Adaptability and Managerial Factors

Managerial factors were positively correlated to both internal and external structuring. Most firms always responded appropriately to major shifts in the travel market as well as analyzed risks and opportunities associated with addressing innovation issues. Majority of the firms identified potential revenue streams through new products, services or business models, developed new product and work processes continuously and devoted more resources to new products/services that met current and future market needs. These trends are shaping the travel industry and survival will require that firms in the travel industry give greater attention to strategic adaptability by providing greater value-added benefits that will enable them differentiate from their competing sources of travel related products and services.

5.4.3 Innovation approaches of organizations

Majority of the firms had prospector and analyzer orientation with respect to innovation approach. Most firms either valued being “first with new products, markets and technologies” or were seldom first to market but frequently fast followers with a more cost-efficient or innovative product. Most firms located and maintained secure niches by protecting their position in a relatively stable product or service area, or simply valued being “first with new products, markets and technologies”. Other firms were seldom first to market but were frequently fast followers with more cost-efficient or innovative products. Although majority of the firms in the travel industry recognize the importance of innovation, many firms still achieved success by specializing in particular areas and using established and standardized technical processes to maintain low costs.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Strategic Adaptability and Innovation patterns

Innovation is one of the strategic ways by which organizations in the travel industry adapt to and manage their environments and improve organizational performance. Yet, firms that are
strategically similar and located in the same industry do not necessarily always respond to the environmental changes in the same way. To succeed in the travel industry, the travel and tour managers must shift from producing the best products in the market to creatively deliver the most suitable product offering for their customers. Since travel organizations have their own unique capabilities, attributes and decision making processes each firm should innovatively address the threats and opportunities in their own ways.

5.5.1.2 Strategic Adaptability and Managerial Factors

Increasingly unpredictable and rapid changes in the travel industry require that organizations come to grips with this strategically significant dynamic in order for them to survive. The only kind of strategy that makes sense in the face of unpredictable change is a strategy to become adaptive. Companies should also leverage their signal reading capabilities to make interventions in real time and circumvent any slow-moving decision hierarchies. Managers should regularly train their employees and enable them to quickly adapt to new environmental conditions and consistently modify their company’s relationship with the business environment. Organizational leadership and management should enhance the creation and adaptation of viable organizational context that employees can easily and appropriately learn and adapt.

5.5.1.3 Innovation Approaches in Organizations

Innovation plays an increasingly crucial role in the travel industry, and is especially important for the tour operators and travel agencies. While it may not be entirely possible to discount the importance of managerial factors in a firm’s innovation approaches, the ability of organizations in the travel industry to foster innovation must be aligned to organizational support mechanisms and encouraging decision-making processes. Managers should form and support work environments that inspire employees toward continuous learning and open search behaviors in order to exploit on innovation opportunities.

5.5.2 Recommendations for further research

Future research could undertake to study the relationship between strategic adaptability innovation patterns and performance (sales growth, profit per employee etc.) in the travel industry. In addition, the limitation of the sample scope to travel and tour firms based in
Nairobi makes generalization of the study findings to the experience of travel industry in the entire country difficult. Therefore, statistical estimates can be increased by using a larger sample that takes into account travel and tour firms based in other parts of the country. Future research direction could also take the angle of the effect of managerial and organizational factors on strategic adaptability and innovation approaches.
REFERENCES


APPENDIX I: QUESTIONNAIRE

Dear respondent,

This questionnaire contains questions on how managerial and organizational factors affect strategic adaptability and innovation in the travel industry. It is divided into five small sections. Please note that completing this questionnaire is voluntary and the information you provide is anonymous and strictly confidential. Your responses will be used for academic purposes only. The questionnaires will be analyzed collectively and no individual response or questionnaire will be traced to the respondent or their company. For any further clarification, feel free to contact:

Fredrick N. Oduori – Tel: +254 722 481 780
United States International University

SECTION A: GENERAL INFORMATION

1. What is your primary department in the organization?
   □ Finance
   □ Human Resources
   □ Information technology
   □ Sales/Marketing
   □ General management
   □ Tour operations
   □ Other (please specify) _____________________

2. Which of the following best describes your role in the organization?
   □ CEO/General Manager/Managing Director
   □ Head of business unit, section or department
   □ Manager
   □ Other (please specify) _____________________

3. What is your age (in years)? __________

4. What is your gender/sex? (Please tick one) □ Male □ Female

5. Indicate the number of years of your work experience in the organization. ______

SECTION B: INTERNAL STRUCTURING AND INNOVATION

Please answer the following enterprise-wide level questions to the best of your ability or knowledge.
6. Indicate to what extent you do agree with the following statements:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Everybody in my organization is encouraged to take reasonable risks to increase effectiveness of the firm and reduce waste</td>
<td>□ □ □ □</td>
</tr>
<tr>
<td>b) Our existing organizational competency (knowledge, skills &amp; attitudes) can withstand changes in the industry.</td>
<td>□ □ □ □</td>
</tr>
<tr>
<td>c) Our company values employees.</td>
<td>□ □ □ □</td>
</tr>
<tr>
<td>d) The roles that we (employees) play in the company are continuously reviewed to align our skills to organizational needs.</td>
<td>□ □ □ □</td>
</tr>
<tr>
<td>e) Our company is capable of reacting speedily to changes in the market.</td>
<td>□ □ □ □</td>
</tr>
<tr>
<td>f) Our company always strives to improve customer service.</td>
<td>□ □ □ □</td>
</tr>
</tbody>
</table>

SECTION C: EXTERNAL STRUCTURING AND INNOVATION

7. Please indicate to what extent do you agree with the following statements:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Our competitive advantage is based on understanding customers' needs.</td>
<td>□ □ □ □</td>
</tr>
<tr>
<td>b) Our salespeople regularly share competitors' information</td>
<td>□ □ □ □</td>
</tr>
<tr>
<td>c) Our company frequently and systematically measures customer satisfaction.</td>
<td>□ □ □ □</td>
</tr>
<tr>
<td>d) In our organization everybody is encouraged to be creative (or innovate e.g. develop new ways of doing things) in their jobs.</td>
<td>□ □ □ □</td>
</tr>
<tr>
<td>e) Our business objectives are driven primarily by customer satisfaction.</td>
<td>□ □ □ □</td>
</tr>
</tbody>
</table>

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SECTION D: EFFECT OF MANAGERIAL & ORGANIZATIONAL FACTORS ON INTERNAL STRUCTURING

8. Please indicate to what extent do you agree with the following statements:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Extent of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement</td>
<td>Strongly disagree</td>
</tr>
<tr>
<td>f) In my organization employees are free to take independent action (e.g. selling new tour packages, new destinations etc. without referring to the manager for approval).</td>
<td>□</td>
</tr>
<tr>
<td>g) My company analyzes risks and opportunities associated with addressing innovation issues (e.g. environmental, legal, competitive, reputational or operational).</td>
<td>□</td>
</tr>
<tr>
<td>h) My company encourages its employees to experiment with new tour packages, software, work processes etc.</td>
<td>□</td>
</tr>
<tr>
<td>i) My company always responds appropriately to major shifts in the travel market</td>
<td>□</td>
</tr>
<tr>
<td>j) Our existing competencies (knowledge, skills &amp; attitudes) in the company can withstand the challenges brought about by new technology (e.g. social media, mobile phone applications etc.)</td>
<td>□</td>
</tr>
</tbody>
</table>

SECTION E: EFFECT OF MANAGERIAL & ORGANIZATIONAL FACTORS ON EXTERNAL STRUCTURING

9. Which statement best describes your company’s approach to innovation? (Please tick one).

<table>
<thead>
<tr>
<th>Statement</th>
<th>Tick one</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Locates and maintains a secure niche by protecting the company’s position in a relatively stable product or service area.</td>
<td></td>
</tr>
<tr>
<td>b) Our company responds to product and market changes only when forced by environmental pressures.</td>
<td></td>
</tr>
<tr>
<td>c) Our company values being “first with new products, markets and technologies.”</td>
<td></td>
</tr>
<tr>
<td>d) Seldom first to market, but frequently a fast follower with a more cost-efficient or innovative product.</td>
<td></td>
</tr>
</tbody>
</table>
10. Please indicate to what extent do you agree with the following statements:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neither agree or disagree</th>
<th>Strongly agree</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Our company devotes more resources (e.g. human, financial etc.) to new products/services that meet current and future market needs</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>b) Our company places great emphasis and value on strategic planning</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
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<td>c) Our company identifies potential revenue streams through new products, services or business models</td>
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<td>d) Our company develops new product and work processes continuously</td>
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<td>e) We respond rapidly to competitive actions that threaten our company</td>
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<td>f) Top management regularly discusses competitor's strategies</td>
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Comments/Suggestions:.................................................................................................................................
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Please include your email address below if you would like to receive aggregated results of the study.

Email: _____________________________________________________________

Thank you for taking time to complete the survey.
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<td>4. Printing and binding draft copies</td>
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## APPENDIX III: IMPLEMENTATION SCHEDULE

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<th>Week 7</th>
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