EFFECT OF STRATEGIC MANAGEMENT PRACTICES ON ORGANIZATIONAL PERFORMANCE IN THE HOTEL INDUSTRY - NAIROBI, KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

SUMMER 2018
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A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

SUMMER 2018
STUDENT’S DECLARATION

I, the undersigned, declare that this 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.

Signed: _____________________________    Date: _________________________

Susan Gathara (ID: 624405)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: _____________________________    Date: _________________________

Mr. Patrick Mulindi

Signed: _____________________________    Date: _________________________

Dean, Chandaria School of Business
ABSTRACT

This research project looks at the effect of strategic management practices on organizational performance in the hotel industry. A case study of three star hotels in Nairobi, Kenya was undertaken. The main objective of the research project was to establish the influence of Michael Porters three generic strategies and their effects on organizational performance in hotels in the three-star category in Nairobi, Kenya.

The specific objectives were to establish the effect of Porter’s differentiation strategy on organizational performance, to investigate the effect of Porter’s Low-Cost strategy on the organizational performance and to find out the effect of Porter’s Focus strategy on the organizational performance. The study adopted a descriptive research design. Since the whole population of five hotels was small, a census was undertaken. This figure represents all the three-star hotels in Nairobi City that had been licensed to operate by the Tourism Regulatory Authority. Questionnaires were issued to the respondents as a method of data collection.

The data that was collected was coded and analyzed using IBM SPSS version 20.0 for the regression function, correlation coefficients, and Cronbach alpha. The study established a linear relationship between independent variables and the dependent variable. The Cronbach alpha for cost leadership, differentiation and market focus were 0.778, 0.914 and 0.941 respectively; implying internal consistencies amongst the respondents’ answers.

The research established that the hotels have adopted the low cost strategy through cost cutting initiatives. Adoption of these measures has resulted in lower production costs which gives the hotel an ample margin to lower the price of their services. The study also found that the hotels have diversified product ranges consisting of both innovative low priced and high priced luxury goods and services on offer. There is also uniqueness adopted in customer service which is coupled with the use of technology to respond to customer queries. The findings also indicate that the five three-star hotels have adopted the Porter’s focus strategy. The hotels have tailor made their goods and services to conform to the requirements of their specific customer niches; repeat customers and new customers. The hotels also focus on production high quality goods and services. Additionally, they are able to adjust to the dynamic consumer tastes and preferences to suit the changing customer needs.
The research further recommends that a similar research should be done to establish the effect of strategic management practices on organizational performance among three star hotels but in a country where the population size is large. Similarly, studies should be carried out for other star-rated establishments and non-rated establishments across the world.
ACKNOWLEDGEMENT

I would like to express my gratitude firstly to the Almighty God, for his grace that has enabled me complete my research project. To my supervisor, Professor Patrick Mulindi, for his guidance and support throughout this journey, his assistance and patience has been remarkable. To the hotels that were a part of this study, it would not have been possible without their contributions. To my parents Mr. and Mrs. Gathara, for their encouragement, support, and wise words that kept me going. To my siblings and relatives who have been a part of this journey, I would also like to say a big thank you!

This would not have been possible without either of the people who have walked with me through this journey.

To all I say, God bless you.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

The Hotel industry plays an important role in developing countries not only in economic development, but also in poverty alleviation and job creation. The economic impact of the hotel industry differs from one country to another and is dependent on several factors including the availability of suitable materials and equipment and operating supplies, availability of skilled staff, need for expatriates and imported labor, and the various taxes levied on the hotel or the guest (Cain, 2012). Kenya being a developing country, the hotel industry plays a great economic role, and is an attractive market for both local and foreign investors. The total Travel & Tourism contribution to the GDP in Kenya was KES682.0bn (USD6.7bn), making up 9.8% of GDP in 2016; it is forecast to rise by 5.9% in 2017, and to rise by 5.6% per annum to KES1,245.9bn (USD12.3bn), 9.5% of GDP in 2027 (World Travel and Tourism Council, 2017).

Hotel industry investors are finding room for growth in the luxury accommodation sector as seen by recent expansions by major international chains and low-cost chains similarly looking to expand outside of the capital (Schulz & Omweri, 2012). Given the fast rate at which the hotel industry is growing and the increased competition they are facing; it has become crucial that all hoteliers formulate appropriate sustainable strategies that will gain them a competitive advantage. This may be done through taking advantage of the organizations individual competitive advantages and using those advantages towards retention and growth of their market share (Cain, 2012).

Porter (1996) defines strategy as a broad and complex concept that is primarily concerned with two things, the decision on the direction one wants business to head, and the steps that would need to be taken to drive the business there. He suggests that strategy is the creation of a unique and valuable position which involves a set of different activities. The success or failure of an organization is therefore determined by the way these activities are performed (Evans, Campbell and Stonehouse, 2006), making strategic thinking and strategic management the most-important actions of any organization. According to Kinyili and Omwenga (2016) the strategic management process involves the analysis of cross-functional business decisions before proceeding to implement them, the objective
being to achieve better alignment of corporate policies and strategic priorities. They additionally noted that strategic management typically involves the analysis of internal strengths and weaknesses, the formulation and execution of action plans followed by an evaluation to assess the degree to which the action plans have been successful, making changes where desired results are not achieved.

Strategic management consists of the analysis of decisions and actions an organization undertakes to create a sustainable competitive advantage. Competitive advantage is defined as the value that a firm is able to create for its buyers, which exceeds the firm's cost of creating it (Porter, 1985). Strategic management practices refer to all policy decisions made by the management to achieve their competitive advantage. This is done through the planning and formulation of strategies and action plans put in place to deliver the desired renewal and change within an organization. Its overall objective is to achieve better alignment of corporate policies and strategic priorities and is a crucial tool used to plan for predictable changes as well as unforeseen changes in the organizational environment (Kinyili & Omwenga, 2016).

In the hotel industry, strategic management practices serve an undeniable purpose making them factors that cannot be ignored when developing sustainable strategies for the organization. According to Marriot (1997) good fortune, structure and strategy are the critical requirements for successful companies and individuals. Phillips (1996) suggests that there is a positive association between hotel performance and the strategic planning. Bordean and Borza (2014) observed that the hotel manager’s ultimate goal is to obtain the best results with minimum effort and at the lowest investment. They additionally noted that the use of strategic management offers the highest level of satisfaction in comparison with any other management technique used and that the best results with minimal investment can be accomplished if the managers are able to choose the best strategies and therefore obtain a competitive advantage.

Porter (1980, 1985) identified three generic marketing strategies (Cost leadership, Product differentiation and market focus). These strategies are useful in establishing a competitive advantage because they characterize strategic positions at the simplest and broadest level. Porter (1985), argued that by adeptly pursuing the cost leadership, differentiation, or focus strategies, businesses can attain a significant and enduring competitive advantage over their rivals (Porter, 1985).
Cost leadership is defined as providing a product/service within an industry at a lower cost relative to the competitors. Porter (1985) noted that a firm serving a broad scope or operating in many related industry segments can benefit from a cost advantage. A low cost strategy can shield a firm against competitor’s rivalry as the low cost per unit they enjoy will still earn the firm returns (Porter, 1980). He further added that a low cost position defends a firm against powerful buyers, as the buyers can only drive down the price to that of the next most cost efficient producer, while it also protects the firm from powerful suppliers by leaving room for flexibility to adjust with input cost increases. To achieve an overall cost advantage position, firms therefore have to enjoy a large market share in order to benefit from scale economies and cost advantages that provide substantial entry barriers (Minarik, 2007). Tanwar (2013) further added that to successfully maintain this strategy, there must be a continuous search for cost reductions in all departments of the business (Tanwar, 2013).

Product differentiation is a strategy where a firm seeks to be unique in its industry along known dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs (Porter, 1985). Due to the fact that customers see the product to be unrivaled and unique, price elasticity of the demand is reduced, with their customers tending to be more brand loyal (Munyasi, 2014). The features of product/service uniqueness can be associated with product/service design, the brand image, technology associated/incorporated to the product/service, product/service features, customer’s service among many others. Organizations may then charge a premium for its product/service, making this strategy a viable one for earning above average returns in a specific industry because the resulting brand loyalty lowers customers' sensitivity to price (Tanwar, 2013).

The third generic strategy, Focus, targets a particular buyer group/segment of the product line, or geographic market and rests on the choice of a narrow competitive scope within an industry. Firms pursuing this strategy form a competitive advantage by catering for the specific needs and wants of their niche market. This strategy has two variants; cost focus, where an organization seeks a cost advantage in its target segment, and differentiation focus, where the organization seeks differentiation in its target segment. Cost focus
exploits the differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments (Porter, 1985).

Organizational performance, as defined by Burnes (2000), is the ability of an organization to measure its achievements by comparing the inflow and outflow of its financial ratios as a result of strategic management practices. It is concerned with the overall productivity in an organization in terms of stock turnover, customers, profitability and market share (Mutindi, Namusonge & Obwogi, 2013). Organizational performance can be classified into financial measures, and non financial measures which enable managers make decisions not only on financials but also other measures that the reflect market conditions (Atkinson Brander-Brown, 2001). It has been argued, that in the service industry, non-financial measures such as customer satisfaction and service quality serve as better indicators of organizational performance than financial measures do (Ittner and Larcker, 2003). This is because non-financial measures are more valuable in evaluating and motivating managerial performance, therefore complementing short-run financial figures as an indicator of progress toward a service firms’ long term goals. These factors are also considered to be more reflective of the overall corporate strategy (Justinian, 2015).

Looking at Porter’s generic strategies and their impact on organizational performance, we notice an undeniable link. The low cost strategy, whose basis is built on producing and distributing goods and services at a lower cost than competitors; together with aggressive pricing makes this strategy a successful way to achieve sustainable competitive advantage by reducing and controlling the costs (Porter, 1985; Pulaj, E. Kume, V. Cipi, A, 2015). Some of the ways to realize this strategy and achieve the required organizational performance are through economies of scale, control and reduction of administrative costs, the curve of experience and technology (Porter, 1985).

The differentiation strategy primarily assures customers of the superior nature of a company’s product to that of competitors, the firm’s prime objective is to meet the needs of their client by offering unique features which allows the firm to charge a premium price (Porter, 1985). Pulaj et al (2015) noted that firms that differentiate their product/service successfully set a higher price than competitors to justify the high costs of being unique or different. This strategy impacts organizational performance through the realization of higher income compared to competitors due to brand loyalty, quality and lower demand elasticity of consumers (Porter, 1985). The focus strategy is aimed at
focusing on a particular buyer group, market segment, or geographic region. The strategy rests on the premise that the firm is thus able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly. As a result, the firm achieves either differentiation from better meeting the needs of the particular target, or lower costs in serving this target, or both (Porter, 1980). Ultimately, the company generates higher profits through the integration of a range of activities associated with differentiation and low cost in a target market (Pulaj, 2015).

1.2 Statement of the Problem

Scholars in the past have focused their research on the strategic drivers in the hotel industry. Mutindi et al (2013) looked at the effects of strategic management drivers on organizational performance in the Kenyan coast. The findings of this research were that strategic management drivers significantly and positively influenced the hotel performance. Similarly, Muthoka & Wario (2014) studied the effects of strategic management drivers on the tourism sector in Kenya as a whole, their findings established that strategic management drivers had a significant effect on the performance of the Tourism sector in Kenya. In another study on the effect of strategic management drivers and its performance on the hotel industry in the Kenyan Coast, Uzel (2015) revealed that there was a positive relationship between the individual strategic management drivers and hotel performance. In a study on the operation strategy and its performance on the hotel industry, Wangui (2013) found that the incorporation of an operations management department largely contributed to the overall performance of the hotel. Operations strategies such as consumer segments, emerging markets and quality service delivery positively impacted performance in the hotel industry.

Studies focused on porter’s generic strategies include the application of Porter’s generic strategies framework in hospitality establishments in Nairobi (Kariuki (2003), This study focused on testing the application of Porter’s Generic Model with special attention on what components of the model are applied where and to what extent. The results found that, of the examined establishments, 70% use cost leadership, 91.6% use differentiation, 75% use focus, while there is evidence that approximately 60% of the respondents use all the three generic strategies or a combination of the strategies. In a separate study, the application of porter’s generic strategies at the Lukenya Getaway Limited done by Munyaka (2016) established that the establishment does not practice the focus and cost
leadership strategies primarily, however they are used in the organization to support the main strategy which is differentiation strategy. Other studies carried out include factors affecting performance of hotels and restaurants in Kisii County, Kenya by Ongiri, Iravo and Munene (2013); Gyamfi (2015) studied the effects of porter’s generic strategies on performance of hotels in Kumasi; while Abebaw (2012) examined the positioning strategies adopted by five star hotels in Nairobi, Kenya and the moderation role of managerial capabilities and achieving competitive advantage through knowledge management practices by the hotels in the Kenyan coast by Gichuki (2014).

Previous studies such as Mutindi et al (2013), Muthoka & Wairo (2014) and Uzel (2015) have focused on the drivers in the hotel industry, with their main objective being to establish a relationship between those drivers and organizational performance. While those that focused on strategic positioning, specifically Porter’s generic positioning strategies were carried out on a different sample population, for example Gyamfi (2015) studied their effects in Ghana, while Abebaw (2012) looked at the five-star classification of hotels in Nairobi, and Gichuki (2014) looked at the Kenyan coast. This research therefore aims to bridge the gap, by focusing on Porters generic strategies and their effect on organizational performance within the three-star category of establishments in Nairobi, Kenya. The selection of three star hotels was based on the research gap presented by previous studies. Given the above mentioned literature that previous scholars have done, none has focused specifically in that category of hotels. This research will seek to establish strategic practices and their effect on organizational performance using both financial and non-financial performance measures. The financial indicators of organizational performance in this study included growth of sales and market share, while the non-financial indicators used include customer satisfaction and service quality.

1.3 Purpose of the Study

The purpose of this study was to establish the influence of Michael Porters three generic strategies (i.e. Differentiation, Low cost and Focus strategies) and their effects on organizational performance in hotels in the three-star category in Nairobi, Kenya.

1.4 Research Questions

1.4.1 What is the effect of implementing Porter’s Low-Cost strategy on the organizational performance of hotels in Nairobi?
1.4.2 What is the effect of applying Porter’s differentiation strategy on organizational performance of hotels in Nairobi?

1.4.3 What is the effect of applying Porter’s Focus strategy on the organizational performance of hotels in Nairobi?

1.5 Significance of the Study

1.5.1 The Hotel Industry

The hotel industry in Kenya is at a mature stage but it faces a lot of challenges (Kieti and Akama, 2007). This study will therefore be beneficial to hoteliers, as it will provide insight on various efficient and effective strategic practices widely used in the industry, therefore enhance the organizations competitiveness and service delivery.

1.5.2 The Government

Findings and recommendations from this research will assist the relevant tourism related government organizations and policy makers, by serving as a reference point for future policy formulation in the fields of strategic management and hotel organizational performance. The results from this study give a clear view of strategic practices employed in the hotel industry (or the lack thereof) Giving insight on the countries current position and capabilities in the hotel industry.

1.5.3 Scholars

This study will be useful to scholars in providing insight on the application of Porter’s generic strategies in the hotel industry.

1.6 Scope of the Study

The study focused on three-star category of hotels in Nairobi, Kenya. The target populations were three-star hotels that were at least six years old at the time of conducting the study. The qualification of the hotels for the study depended on availability and scrutiny of the official registration documents and the classification by the Tourism Authority of Kenya. All the sampled hotels operate within the Nairobi County. The data was gathered from March 2018 to April 2018.
1.7 Definition of Terms

1.7.1 Strategy

These are approaches, tactics, process adjustments and realignment of organizational objectives that are intended to give an organization a competitive edge in the market (Johnson and Scholes, 2005).

1.7.2 Strategic Management

It is a long-term approach of creating competitive edge for the organization as well as sustainability by reviewing, refining and implementing identified best approaches, tactics, process adjustments and realignment of organizational objectives over a specified period of time (Pearce and Robinson 2007).

1.7.3 Strategic Practices

These are select new routine best approaches by hotels towards realizing strategic management goals of a hotel (Mintzberg et al., 1976).

1.7.4 Organizational Performance

The organizational performance concerns the accepted metrics in determining the health and responsiveness of a hotel with respect to customer service delivery, financial status, and regulatory compliance (Burnes, 2000).

1.7.5 Competitive Advantage

Sometimes referred to as competitive edge, competitive advantage concerns the gained leverage by an organization over rivals by implementing certain approaches that rivals may not be aware of or are poorly implementing (Porter, 1985).

1.7.6 Low cost Leadership

It is a deliberate phenomenon by an organization to achieve highest efficiency in the market and leverage on it (Porter, 1985).
1.7.7 Product Differentiation

Product differentiation occurs when an organization seeks to create perceived uniqueness of its product from those of rivals through qualitative processes and in particular, advertising (Porter, 1985).

1.7.8 Focus

Focus is simply targeting that enables an organization to exclusively cater for the needs of a particular segment by treating the identified population uniquely (Porter, 1985).

1.8 Chapter Summary

The above introductory chapter discusses at length the background of this research together with the objectives and scope of the study. It explains the various terms that used in the study. Crucial terminologies have been defined to increase understanding of the paper as a whole.

The next chapter looks at various literature that is of a similar nature to this one. Research questions are further backed up here by previously published literature. Chapter three gives the research methodology in depth; detailing the research techniques that were used in the collection of primary data for analysis in later chapters.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on Porters three generic strategies (Cost leadership, Product differentiation and Focus) and their effects on organizational performance. Theoretical approaches to each topic are also highlighted and their effect on organizational performance discussed.

2.2 Effect of Porters Low Cost Strategy on Hotel Performance

Becerra, Santaló, and Silva (2013) indicate that a cost leadership strategy seeks to help an organization gain a competitive advantage in the market. The organization must focus on reducing its cost of operation as much as possible. In a study on the application of low-cost strategy in the hotelier industry, Leonidou, Leonidou, Fotiadis, and Zeriti (2013) noted that the strategy can lead to competitive advantages for organizations including enhancing power over suppliers and clients. Both Cheng (2013) and Agyapong and Boamah (2013) agree that to develop the low-cost strategy, organizations have to command a high market share that yields high sales volume. The managers of the affected firms can benefit from experience and learning. Becerra, Santaló, and Silva (2013) and Cheng (2013) suggest that technology should be employed to ensure products are produced at the least possible cost. High production levels are attainable by embracing product standardization which helps lower unit cost. In overall, organization leaders should ensure the high performance of factors that allow for a reduction in the unit cost of production.

For Cheng (2013), cost reduction strategy is as a result of investing in technology and best practices. The low-cost strategy is largely a manifestation of progression in underlying areas of an organization. In a study of cost strategy in the hospitality industry, Agyapong and Boamah (2013) observed that when carefully implemented low-cost strategy can be a long-term competitive strategy on the realization that technology and best practices are the pillars for the tactic. Leonidou, Leonidou, Fotiadis, and Zeriti (2013) emphasizes that cost reduction that invokes technology and best practices have higher chances of continuance. Scientific or technological breakthroughs can be protected by an organization through patenting. While competitors can easily respond to any incremental changes with time, it is difficult to acquire patented technology or processes
from the rival. Cheng (2013) and Becerra, Santaló, and Silva (2013) indicate that cost reduction in a company’s operation can be realized by use of new techniques and tools in operational management including the relocation of production to areas of least labor cost.

However, Becerra, Santaló, and Silva (2013) study on application in the hospitality industry cautions that cost reduction influenced by technology is short-term. The risk of relying on cost reduction strategy arises from changes in technology and the relative ease of competitors acquiring same or similar technology. External activities in the industry may also hasten acquisition of technology leading to loss of cost reduction strategy competitive edge due to technology. Cheng (2013) and Leonidou, Leonidou, Fotiadis, and Zeriti (2013) provide instances where the government appealed to hoteliers to implement energy-saving solutions at their establishments. Such a development will eventually erode the competitive edge pioneer hotels that had implemented energy-sufficient systems had. Cheng (2013) goes further to argue that state business registration demanding that companies create and maintain a company website as another development that inadvertently makes competitive advantage due to use of technology short-lived. The low-cost advantage informed by technology tends to be short-term due to the high possibility of rivals acquiring and incorporating the technology into their operations.

Leonidou, Leonidou, Fotiadis and Zeriti (2013), Cheng (2013) and Agyapong and Boamah (2013) studies corroborate argument that organizations with competitive edge anchored on cost leadership tend to outperform their rivals. Becerra, Santaló, and Silva (2013) reported the presence of a relationship between the strategic positioning of companies and their production efficiency in the United States. Hotels can focus on innovation, infrastructure, and competence of employees in cost reduction attempts. Performance measurement tools can be deployed to continually assess production cost performance of an organization. According to Cheng (2013) Balance Score Card is a useful metrciation tool that accommodates both non-financial and financial aspects of an organization. The Balance Score Card allows organization’s management to evaluate internal processes, customer management, finance, and organizational growth. The Agyapong and Boamah (2013) study imply that cost leadership should take into account both qualitative and quantitative aspects of organizational processes and resources.
Agyapong and Boamah (2013) present cost leadership strategy as one that intended at giving the lowest cost for a good or service. An interpretation of Porter’s cost leadership strategy indicates that it is about organizing and managing business activities to be the lowest cost producer of products or services in the entire industry. Low-cost producers typically sell standard products, no-frills products, made available to a large customer base, placing great emphasis on reaping from cost advantages from all sources (Porter, 1985). Cheng (2013) study appears to partially differ with the Agyapong and Boamah (2013) argument that having a low-cost position will yield the firm above-average returns in its industry regardless of strong competitive forces. The assumption by Becerra, Santaló, and Silva (2013) is that the cost position the firm enjoys above its competitors translates to it earning returns after their competitors have competed away their profits through rivalry. However, the studies by Leonidou, Leonidou, Fotiadis and Zeriti (2013), Cheng (2013) and VV discovered that cost leadership tends to be short-term as competitors eventually catch up by the acquisition of technology and embracing process re-engineering.

Leonidou, Leonidou, Fotiadis and Zeriti (2013), Becerra, Santaló, and Silva (2013) and Cheng (2013) concur that maintaining the lowest cost position in an industry facilitates the organization to defend against their competitors. The view by Cheng (2013) and Agyapong and Boamah (2013) builds on the Thompson, Strickland & Gamble (2008) posit that for a firm should establish a cost advantage over their competitors, the firm should involve activities such as capturing all economies of scale through indivisibilities and the specialization and division of labor; taking full advantage of learning or experience curve effects, through increased dexterity and improved coordination or organization; operating facilities at full capacity and adopting labor-saving operating methods through automation, efficient utilization of materials, increased precision and using online systems; pursuing efforts to boost sales volumes through product design; improving supply chain efficiency by minimizing input costs through local advantages, bargaining power and supplier cooperation; and outsourcing of non-core activities. Thompson et al (2008) introduce the new concept in limiting the cost of production by embracing value chain analysis involving the elimination of unnecessary activities.

According to Agyapong and Boamah (2013), Becerra, Santaló, and Silva (2013) and Leonidou, Leonidou, Fotiadis and Zeriti (2013), the sources of cost leadership vary from
industry to industry. Cheng (2013) echo the Porter ten cost drivers that create a cost advantage. These include economies of a scale, learning, and the pattern of capacity utilization, linkages, interrelationships, timing, discretionary policies, location, and institutional factors. The Becerra, Santaló, and Silva (2013) reinforce the findings of other studies on the realization that attaining a low overall cost position often requires a high relative market share or other advantages such as favorable access to raw materials. Leonidou, Leonidou, Fotiadis, and Zeriti (2013) differs slightly from Cheng (2013), Lo (2012) and Cheng (2013) studies by arguing that cost leadership can lead to more innovation thus implying a reinforcing effect between cost leadership and innovation. Firms aiming to achieve a low-cost position may also benefit through economies of scale, resulting from high volume sales. The underlying concept in cost reduction depends on allowing fixed costs to be spread over a large amount of output, making bulk purchases to benefit from discounts or choosing a location for activities where costs are low.

2.2.1 Low-cost Strategy in the Hotel Industry

Hambrick (1996) stated that effective strategies should fit in with the specific features of the industry environment. This efficiency may be rooted in the production and distribution processes such as economies of scale and marketing, or in the managerial focus of cost control, consisting of employee productivity and economical asset use. In the hotel industry, cost leadership is a particularly effective strategy if the hotel possesses a distinctive competency in their management of materials and the production process (Lewis and Chambers, 2000). Efficiency is achieved through a continuous search for cost reductions regarding all aspects of the business. Hotels can successfully achieve this strategy through efficient cost saving methods with regards to hotel design and operational activities (Lo, 2012).

Hotels that achieve a low cost position do not however have to be the lowest cost providers. If a hotel can benefit from the lowest costs while charging a price similar to that of their competitors, they will enjoy higher profits. This goes to say that a cost leader does not have to be a price leader (Enz, 2011). Lewis and Chambers (2000) provided examples of economy hotels, such as Microtel in the United States and Formula 1 in France. Both of these economy hotel chains have successfully implemented a cost-leadership strategy through efficient cost-saving hotel designs and effective operational cost reduction. Drljaca (2006) noted three types of processes in the hotel industry through
which they can be innovative and achieve lower costs. These are through achieving a large market share, ensuring better efficiency than their competitors and performing a value chain analysis in their processes, including the management, core and support processes.

2.3 Effect of Porter's Differentiation Strategy on Hotel Performance

In a study on the application of differentiation strategy in the hotel industry, Köseoglu, Topaloglu, Parnell, and Lester (2013) state differentiation strategy as seeking to make a product stand out in the market as compared to competitor products. A firm differentiates itself from its competitors in the industry if they are able to provide a valuable unique product to their buyers. Unlike the low-cost strategy, this approach does not primarily focus on costs but rather on the firms offering. A firm that can achieve and sustain differentiation becomes the above average performer in an industry if its price premium exceeds the extra cost incurred in being unique (Mutunga & Minja, 2014). The motivation for pursuing a differentiation strategy is to offer unique products or services to customers so as to obtain a premium price (Lo, 2012). Leonidou, Leonidou, Fotiadis, and Zeriti (2013) justify the higher price as necessary to cover the extra costs incurred in offering the unique experience. Differentiation strategies are designed to appeal to customers with a special sensitivity for a particular product attribute (Pearce et al, 2005). Both the views of Becerra, Santaló, and Silva (2013) and Mutunga and Minja align with those of Porter that suggest that differentiation is achieved along a firm’s value chain, and any value activity is a potential source of uniqueness.

For emphasis, Leonidou, Leonidou, Fotiadis and Zeriti (2013) and Mutunga and Minja (2014) insist that to achieve differentiation, the product often requires a perception of exclusivity, making it difficult to achieve a large market share due to higher prices charged. This strategy will imply a trade-off possessing a low-cost position, as the activities that go into the creation of this product are costly. Köseoglu, Topaloglu, Parnell, and Lester (2013) differ from Espino-Rodríguez and Lai (2014) in the realization that differentiation should also focus on the external aspects of the firm, such as brand image, product features, and technology and distribution network. Brand image concerns what consumers think of a brand. Becerra, Santaló and Silva (2013) reminds that a strong brand image draws consumer loyalty due to the high perception of quality, uniqueness, reliability and other factors that consumers attach to brands. Both the Luck and Lancaster
(2013) and Espino-Rodríguez and Lai (2014) study echo Porter’s argument that differentiation facilitates a company’s erection of entry barriers and reduces buyers’ bargaining power through customer loyalty and price inelasticity.

Katila, Chen and Piezunka (2012) noted that another variable to differentiation lies in the ability of the company to adapt adequately to change through the integration of learning theories and competitive dynamics. The evolutionary learning theory and their competitive dynamics enrich the firms understanding with regards to performance effects of competitive moves by competition based on differences in landscapes, relative invisibility by rivals and distinct starting positions.

The market differentiation strategy has been widely adopted in the hospitality industry. According to Lo (2013) it is hard to come across a a successful hotel that does not employ some form of segmentation, branding or price fences. In the study by Köseoğlu, Topaloglu, Parnell, and Lester (2013), differentiation in the hospitality industry can be attained in several ways. According to Espino-Rodríguez and Lai (2014), differentiation in the service industry can be achieved via exploiting product features, complementary services, personnel, location, technology, creative advertising and service innovations among others. Luck and Lancaster (2013) emphasize that certain resources are more applicable to the creation of sustainable differentiation compared to others. Luck and Lancaster (2013) indicates that brands and reputations are difficult to imitate while certain service features may be easy to replicate. The arguments by Lo (2012) aligns with the Cheng (2013) study that intangible resources such as organizational culture are difficult to replicate which qualifies such resources as an effective competitive advantage.

Espino-Rodríguez and Lai (2014) underscore that the attributes exploited to differentiate the organization from competitors must be critical to customers. The advantage of exploiting such attributes according to Luck and Lancaster (2013) is that they can help build customer loyalty that may lead to higher prices and greater profit margin. Luck and Lancaster (2013) advances the view that greater benefits can be realized from a hard to replicate product attribute that is beneficial to the customer. Köseoğlu, Topaloglu, Parnell, and Lester (2013) suggest that innovating in the hospitality industry is difficult and replication of products is easy.
According to Lo (2012), first implementers of an innovation stand a better chance of enjoying a significant advantage in the hospitality industry. The overall argument by Espino-Rodríguez and Lai (2014) and Cheng (2013) emphasizes that the hospitality industry is highly competitive. Espino-Rodríguez and Lai (2014) pursue a different approach in attaining product differentiation by recommending that categorization of competitors is elemental ineffective differentiation. Luck and Lancaster (2013) indicates that competitors can be categorized into brand competitors, product competitors, generic competitors, and total budget competitors. The brand competitors tend to market products with similar attributes and benefits to the same market segment at similar prices. For product competitors, they compete in the same commodity class but sell the products with different benefits, features, and prices. The generic competitor category plays avail different products that address the same problem. The total budget competitors compete for few financial resources of the same market segment. Köseoğlu, Topaloglu, Parnell, and Lester (2013) insists that brand competitors represent a critical threat to an organization’s segment as customers view the different product offerings as direct substitutes for one another.

2.3.1 Differentiation Strategy in the Hotel Industry

Luck and Lancaster (2013) indicates that the hotel industry practices market differentiation strategy widely. Lo (2012) supports the popularity of this strategy in the hospitality industry occurs because hospitality services are complex and satisfy self-identity and social affiliation needs, thus creating tremendous opportunities for differentiation. Köseoğlu, Topaloglu, Parnell, and Lester (2013) caution that whereas the potential for differentiation is high in service businesses, the ease of imitation can create the risk of other brands attempting similar strategies, a situation known as competitive convergence. Despite each chain's effort to differentiate, many brands become more alike that consumers cannot truly distinguish them from each other, therefore in order to understand and benefit from the differentiation strategy it is important to comprehend customer lifestyles and aspirations so that the hotel's distinctive offerings are valued by customers (Enz, 2011).

In tandem with Köseoğlu, Topaloglu, Parnell, and Lester (2013) study, Luck and Lancaster (2013) and Cheng (2013) realized that resources that are intangible such as
high-performance organizational culture are difficult to imitate, therefore serving as a strong competitive advantage for the firm. Whereas resources that are tangible are easier to imitate, such as hotel room fittings, furniture, and design (Enz, 2011). The key to success when deploying a differentiation strategy is that customers must be willing to pay more for the service than it costs your hotel to provide it. Luck and Lancaster (2013) suggests that the implementation of Porter’s Differentiation strategy in the hospitality industry should involve the creation of superior products, high performance, and customer experience. Lo (2012) advises that provision of a high level of service can offer an opportunity to differentiate between hotels. The other steps in attaining product differentiation for a hotel include having access to superior distribution channels, In the hospitality industry, hotels that have branches at prime or strategic locations can leverage this phenomenon as a competitive edge over newcomers in the industry. The creation of a reputable brand name through innovation, design and superior product offers will contribute towards product differentiation (Munyaaka, 2016).

Las Vegas hotels serve as an example of differentiation in the hotel industry; they are seen to upscale facilities and emphasize the tangible evidence of product while maintaining the intangible but warm reception of human interaction, convenient and easily accessible location together with the exclusivity of unique shows across the globe (Woo, 2007). The Marriott and Hilton hotels demonstrate differentiation through the high-quality experiences offered to both their business and personal travellers (Bordean and Borza, 2014). Cheng (2013) noted that hotels that have a high ratio of staff to guests tend to exhibit high service levels.

According to Woo (2007) the secret to Marriott Hotel’s growth and market dominance lies in the value chain implementation that lead to employee satisfaction which in turn translates to guest satisfaction. They achieve this through their recruiting processes, adequate training sessions and incentives offered to various races apart from the traditional labor market. Chic & Basic is another example of a Barcelona based hotel company that offers hostel accommodation. This is a unique differentiated product that offers the business a competitive advantage. Chic & Basic have incorporated a new hip and modern design offering special amenities for the consumer looking to stay in a hostel accommodation. Their hostels are set up in low cost locations with a distinctive space, with adequate but low cost staff and various other amenities not commonly found in such
type of accommodation. They offer a differentiated design to its guest while keeping their staffing and over head costs low (Enz, 2011). A very critical aspect of the differentiation strategy therefore lies in keeping costs not directly related to their source of differentiation low (Munyaka, 2016).

2.4 Effect of Porters Focus Strategy on Hotel Performance

When implementing the focus strategy, firms can either build it in line with a cost based focus or a differentiation based focus, both serving a particular niche in the market (Munyaka, 2016). Qin, Adler, and Cai (2012) introduce focus strategy as an approach that gives attention to a narrow market segment or niche market. Like Cheng (2013), Altuntaş, Semercioğlu, Mert, and Pehliva (2014) finds the niche strategy as aligning with an organization’s competitive advantages with the market characteristics to yield desired sales volumes, revenues and ultimately profits. Firms pursuing the strategy either focus on achieving a cost advantage or product differentiation. Hence the strategy has two variants; cost focus and differentiation focus (Hill & Jones, 2004).

Cost focus exploits differences in cost behavior in some segments. However, while this aims to exploit cost differences, it does not necessarily mean that the establishment will be the cost leader in their industry. The firm will instead offer lower prices to its consumers based on other competitors in their same target market (Munyaka, 2016). A firm pursuing cost focus will find a means of achieving a cost advantage based on drivers of cost control, reconfiguration of their value chain or a combination of both. Due to the fact that cost value activities and efficiency of value chains may vary from segment to segment, the firm that dedicates their efforts to a carefully selected segment in their industry will often be able to lower their costs significantly (Porter, 1998).

Differentiation focus on the other hand exploits the special needs of buyers in certain segments. This type of focus strategy requires an organization to offer unique product/services that satisfy the needs of a niche/lean market. The unique features that a firm provides are often very specialized. An example of this is focusing on sales through a particular channel, such as the internet, or targeting particular markets, such as Breezes resorts, which is an establishment that has branded themselves as catering for childless couples (Ketchen and Short, 2012).
Porter added that both variants of the focus strategy rest on differences between a focuser’s target segment and other sectors in the industry (Porter, 1985). A focused strategy should target market segments that are less vulnerable to substitutes or where the competition is weakest, and the firm can earn an above-average return on investment (Ouma and Oloko, 2015). The scope for this market is, however, smaller for the company pursuing this strategy. A firm pursuing the focus strategy serves certain niche market which has a potential and which they are interested in it (Justinian, 2015).

For this reason, Qin, Adler, and Cai (2012) and Altuntaş, Semerciöz, Mert and Pehliva (2014) argue that the strategy segments markets and focuses on a selected few based on demographics that their product will efficiently satisfy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market (Tanwar, 2013). The firm looks to gain a competitive advantage through effectiveness rather than efficiency with this strategy. Firms pursuing focus strategies should possess the ability to identify their target market segment and both assess and meet the needs and desires of buyers in that segment better than any other competitor (Bordean et al, 2011).

Through identifying and serving a narrow market, a firm using the focus strategy can maintain high levels of profitability. Firms that set out to use Focus as their strategy must avoid deviating from their niche target market. Therefore, they need to concentrate fully on their resources and efforts in order to adequately serve and retain their market, making them less susceptible to turbulence in their competitive industry (Bordes, 2009).

Qin, Adler, and Cai (2012) highlighted that the charging of premium prices occurs due to customer loyalty and the tendency of customers to associate the product and brand for the targeted market segment. Altuntaş, Semerciöz, Mert and Pehliva (2014) advice that targeted marketing are critical in managing to make the public learn to associate the brand and product with a certain market segment. With time, the public tends to believe that a certain brand and product can be trusted with the specific market segment needs. When such happens, the firm can charge a premium for the product. Focus strategies offer competitive advantages to an organization by the creation of customer loyalty, higher brand equity, and accommodating of premium pricing something that competitors may not enjoy.
Altuntaş, Semerciöz, Mert, and Pehliva (2014) indicate that organizations employing a focus strategy with time accumulate expertise about the product that they offer in the market. New entrants in such circumstances may find it difficult to match up and this gives the firm further leverage in the market. The gained expertise itself constitutes a source of competitive advantage for several reasons according to Qin, Adler, and Cai (2012). New entrants to the market segment have to incur high costs to produce products for the target market which is sensitive to quality. The new player may produce a product that is quality but does not necessarily match the market leader which implies reduced sales. Reselling the product to another market segment may not occur as the product is customized for the target market segment. The alternative of hiring expertise workers or training the current ones will only add to the cost of production making overall production untenable.

However, as Altuntaş, Semerciöz, Mert, and Pehliva (2014) caution the focus strategy has limitations due to limited demand for specialized products. The target market segment may also disappear. Competitors may even offer narrower focus edging out the business. Qin, Adler, and Cai (2012) argue that the risk in focus strategy includes changes in the market segment and high cost of production to respond to changes in the target market segment. Altuntaş, Semerciöz, Mert, and Pehliva (2014) observes that expansion when employing focus strategy implies going into new markets including developing of new skills. The focus strategy can be costly if the product is a technological product due to frequent changes in technology. Fortunately for the service industry, the focus strategy has lesser risk compared to tangible products.

2.4.1 Focus Strategy in the Hotel Industry

As a strategy, focus has been widely adopted by hotels and other hospitality establishments as a measure of satisfying the needs of smaller, niche groups (Kariuki, 2003). For hotels, it is imperative to conduct a comprehensive market segment that captures both the quantitative and qualitative market needs. The core competencies of hospitality organizations include the skills available within the establishment, processes implemented and the assets available which all contribute to the hotels competitive advantage (Cheng, 2013).
The consideration when developing a focus strategy includes a differentiable market, market segments that exhibit relative stability, and relatively stable purchasing power of the target market segment. When implementing Porter’s Focus strategy in the hospitality industry, the establishment needs to identify their target clientele, consider their geographic destination and ensure they are able to cater to their select target market (Evans et al, 2003).

The focus strategy can take on two forms. It can either be aligned to differentiation or low cost. It is argued by Harrison and Enz (2005) that it is difficult to emphasize low cost as a focus element in the hotel industry, this is due to the fact that it is hard to please specific segment in the absence of differentiation. Qin, Adler, and Cai (2012) and Altuntaş, Semerciöz, Mert, and Pehliva (2014) reinforce this by stating that a focus strategy in the hotel industry that is responsive to market price is difficult to attain. The focus strategy application in the hospitality industry implies higher price charges and higher expectations from the customers. Gehrels (2007) pointed out that hotels need to strive for uniqueness in order to distinguish themselves from competitors in the eyes of their consumers. As earlier suggested by Altuntaş, Semerciöz, Mert, and Pehliva (2014), abrupt changes in the hotel service industry are not as common as the core service pillars persist.

Qin, Adler, and Cai (2012) give targeting millennials as an example of focus strategy. The Altuntaş, Semerciöz, Mert, and Pehliva (2014) study focused on hotels that target millennials and discovered market research is critical before contemplating focus strategy. In the study, Qin, Adler, and Cai (2012) observed that millennials have unique preferences that separate them from other generations of customers. Köseoglu, Topaloglu, Parnell, and Lester (2013) study report that millennials prioritize experiential aspects of hotel service over other considerations. The hotel in question developed a target product that seeks to attract millennials. Some of the features of the product include a free pickup from the airport, provision of high-speed Wi-Fi, flexible meal times, and allowing adequate privacy for the millennial customers. The hotel also provides free but returnable selfie sticks for its millennial clients. The main mode of contacting customers is through social media applications. A hotel can also target millionaires that have unique preferences. Examples of hotels using the focus strategy include Four Seasons, which focuses on the elite market, with different and unique tastes. The Burj Al Arab hotel is another example of a hotel employing the focus strategy. This hotel is shaped as a sail
ship, and built on a man-made island; the target market for the Burj Al Arab, similar to the Four Seasons is the elite in the society. Including celebrities, members of royal families and other wealthy individuals (Bordean et al., 2010). As the case of exclusive member and sports clubs, and specialty restaurants, Focus as a strategy has been widely implemented in the hospitality industry as a way of catering to the needs of small segments of the market (Kariuki, 2003). For an establishment to succeed in the focus strategy, it is necessary that a specialization of resources and skills are possessed for its success.

2.5 Porters Generic Strategies and their Effect On Organizational Performance

2.5.1 Low-cost Strategy and Organizational Performance

A low-cost leader will usually excel at achieving cost reductions and efficiencies (Pearce et al, 2005). While the objective of this strategy is to produce low-cost products and services, the organization still places emphasis on the quality and value of these goods and services as well (Kaliappen & Hilman, 2013). It also defends the firm against great buyers because buyers can exert power only to drive down prices to the level of the next most efficient competitor, while also providing a defense against powerful suppliers by providing more flexibility to cope with input cost increases. The factors that lead to a low-cost position usually provide substantial entry barriers regarding scale economies or cost advantages. Finally, a low-cost position usually places the firm in a favorable position vis-à-vis substitutes about its competitors in the industry.” Because scale economies and cost advantages tend to defend a firm against great buyers and suppliers and provide substantial entry barriers, achieving a low overall cost position often requires a high relative market share. That means that cost advantages can create value for a firm by reducing the five threats posed to an organization which is the threat of entry by competitors, existing rivalry within the industry, the threat of substitute products available, the suppliers bargaining power and the buyer bargaining power (Minarik, 2007).

The success of this strategy is largely based on a considerable market share and/or preferential access to raw materials, components, labor, among other critical inputs. Without one or more of these advantages, the strategy can easily be mimicked by competitors (Tanwar, 2013). Porter (1980) additionally noted that to achieve a low-cost position, a firm may be required to design products that are manufactured with ease,
while maintaining a wide product line to spread costs and serve all major customer groups in order to achieve volumes. He stated that implementing this strategy may, in turn, require heavy capital investments towards state of the art equipment, aggressive competitive pricing and startup losses that will be incurred while the firm still builds its market share. Once achieved, however, the low-cost position provides high margins which can be reinvested in new equipment and modern facilities in order to maintain cost leadership.

2.5.2 Differentiation Strategy and Organizational Performance

Porter (2005) argued that the differentiation strategy requires a firm to provide a truly unique product/service to its consumers for them to perceive it of being high value and gain their loyalty. He continued to add that differentiation may be achieved in various ways such as through its design, brand image, technology, features, customer service, and dealer network. According to Porter, this strategies foundation is exceeding the buyer’s desired performance by raising the product/service offering. This is achieved by helping to meet the buyer’s non-economic goals and satisfying their needs in a better way. If a firm successfully earns a premium price in excess of differentiation cost then it returns will be above average resulting in improved organization performance (Munyasi, 2014).

A differentiation strategy is appropriate where the market is highly competitive or saturated, the market is not price-sensitive, there is a niche in the market that is under-served or un-served completely and where the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy (Pollitt and Bouckaert, 2000). Minarik (2007) categorized the bases of differentiation into three. The first being the implementation of differentiation through focusing directly on the product/services attributes (i.e. product features, complexity, the timing of introduction and location); secondly, differentiation by the firms focus on their relationship with its consumers. This can be done through product/service customization, marketing and strengthening of the product/service reputation/brand. Lastly, differentiation can be implemented by focusing on linkages within or between firms, which includes linkage between functions within the firm, linkage with other firms, product mix, distribution channels and service support. Ideally, the firm should differentiate itself along with several dimensions. Porter (1985) concluded that a firm will only be an above-average performer if its price premium exceeds the extra costs associated with differentiation. A
firm choosing this strategy must therefore always look for ways that lead to a premium price that is greater than their cost of differentiating.

2.5.3 Focus Strategy and Organizational Performance

This strategy aims at serving a particular target or segment of the industry well, as opposed to either overall cost leadership or differentiation strategies, to achieve their objectives industry-wide (Minarik, 2007). Porter (1985) pointed out that a focus strategy may provide a means for achieving a cost advantage that rests on using focus to control cost drivers, reconfiguring the value chain, or both. Porter continued to say that the most dramatic improvements in relative cost position through focus usually stem from employing a different and tailored value chain to serve the target segment. He stated that successful focus strategies frequently stem from innovative segmentation of an industry. Adding that industry segments grow, partially, out of product varieties, buyer groups, or geographic areas that require a different value chain or in which cost drivers differ.

Porter (2005) mentioned that the focus strategy has two variants; cost focus and differentiation focus. Cost focus looks to exploit differences in cost behavior while differentiation focus seeks to exploit the special needs of the buyers in a certain segment by adopting a narrow focus; the company ideally focuses on a few target markets. Reck and Long (2008) stated that the choice of cost focus or differentiation lies in the needs of the target market in comparison to the resources and capabilities of the firm. They further said that a firm should typically look to gain a competitive advantage through product innovation and/or brand marketing rather than through efficiency. This strategy is most considered to be the most suitable for relatively small firms but can be used by any company.

Porter (1985) ascertained that if a firm can achieve a sustainable cost focus or differentiation focus in its segment and the segment is structurally attractive, it will lead to them being above average performers in its industry. He further went to express that segment structural attractiveness is a crucial condition because some segments in the industry are much less lucrative than others. A focused strategy should target market segments that are less vulnerable to substitutes or where competition is weakest in order for them to earn an above-average return on investment, through this the organization performance is expected to improve (Reck and Long, 2008).
2.6 Chapter Summary

This chapter aimed to provide an understanding, based on previously published literature, on various strategic management practices and their effect on organizational performance that was further researched in this study. Given this basis, the next chapter discusses the research methodology which guides this study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the methodology that governs the study. It entails the research design, target population, sampling techniques and data collection instruments. The validity and reliability of data collection tools has also been reviewed. The chapter also discusses the data collection procedures, data analysis and presentation and ethical considerations.

3.2 Research Design

The study adopted a descriptive research design. A descriptive research design is undertaken with the aim of describing the phenomena being studied. Descriptive research is used to obtain information concerning the current status of the phenomena. This type of research describes "what exists" with respect to variables or conditions in a situation. The methods involved range from surveys which describes the status quo, the correlation study which investigates the relationship between variables, to developmental studies which seek to determine changes over time.

A survey of the three star hotels operating in Nairobi was undertaken. According to Emory (1995), a survey is feasible when the population is small and variable and hence the researcher was able to cover all the elements of the population. A survey is also considered to be more efficient and economical than observation or interviews. Other justifications for this type of research design is based on three factors; time, nature and sampling. The time available for the research was short and the sample was small.

3.3 Target Population

Cooper & Schindler (2003) define target population as the entire group of people events or objects that a study focuses on as the subject of analysis. This study targeted the five Kenyan hotels conferred with the three star statuses by the Tourism Regulatory Authority under the Tourism Act No.28 of 2011 which are located in Nairobi.

According to the Tourism Regulatory Authority, there were a total of five 3-star rated hotels operating in Nairobi as at 31st October, 2016. These hotels are; The Clarion Hotel, Ngong Hills Hotel, Heron Portico Hotel, The Panari Hotel and Marble Arch Hotel. The
Clarion hotel has a total of 62 rooms with a bed capacity of 67, Ngong Hills Hotel has 110 rooms and 165 beds, Heron Portico has 109 rooms and 218 beds, The Panari Hotel has 136 rooms with 280 beds whereas The Marble Arch Hotel has 41 rooms with a bed capacity of 57.

The study population consisted of all managers of the five hotels that are licensed under the Tourism Act. The choice of managers as the population is informed with the fact that they constantly interact with all aspects of the hotel business. Managers interact with employees, customers and the owners of the businesses. These managers are therefore better placed to understand the requirements of this research project and responded appropriately to the expectation of the research project.

3.4 Sampling Design

Kothari (2004) formula for determining the sample size was used as shown below.

\[ s = \frac{Z^2 p(1-p)}{1 + \frac{Z^2 p(1-p)}{e^2 N}} \]

Where;
Z is is the Z-score value of 1.96 for a confidence level of 95%
P is is the assumed 50% normal response distribution. This is used because it is assumed that the population is skewed.
e is the margin of error of 5%
s is the sample size

Calculated as follows:

\[ s = \frac{1.96^2 \times 0.5(1-0.5)}{0.05^2} = 5 \]

The sample size is 5 hotels which equals the total population.
3.5 Data Collection Methods

Data collection instruments are tools or methods used to collect data from participants in a study (Cooper & Schindler, 2003). This study adopted the use of questionnaires to collect data from the respondents during the survey. As a mechanism for obtaining information and opinion, questionnaires had a number of advantages compared to other methods such as phone interviews, one on one interviews and focus group discussions. The questionnaires permitted respondents enough time to consider their responses carefully without interference from, for example, an interviewer. Costs of preparing, issuing and collecting data using questionnaires are lower than interviews and through this method; respondents receive a uniform set of questions which makes comparisons to be easily done. The use of questionnaires also increase anonymity and allows respondents to genuinely respond to questions.

The questionnaires had both open ended and closed ended questions. The choice of use of questionnaires was informed by the knowledge that filling questionnaires uses less time as compared to other methods such as interviews.

3.6 Reliability

Reliability is the scientific evidence or verified explanation that a research instrument has achieved the intended results or outcome of which it was supposed or intended to achieve (Peil 2003). Reliability was calculated using Cronbach’s Alpha method to test internal consistency. It involved a single administration of the instrument; interviews thus yielding greater internal consistency. A reliability coefficient of 0.70 and above is acceptable as appropriate for this study. Cronbach alpha is chosen to establish the degree of consistency and accuracy of items in the questionnaire (Kothari, 2004).

3.7 Data Collection Procedure

An introductory letter was sought from the University. This letter was written by the university and addressed to the respondents to seek audience with managers of the three star hotels. The letter was a general introductory letter. The letter and the questionnaires were then delivered to the respondents and each was given seven days to fill. The respondents were a restaurant manager, marketing manager, general manager, operations manager and an assistant hotel manager of the five 3-star rated hotels in Nairobi; The
Clarion, Ngong Hills Hotel, Heron Portico, Panari and Marble Arch hotels respectively. Some of questionnaires which were filled on day of delivery were collected the same day.

The participants were not required to provide their names, contacts or personal information during the data collection process to seal their identity. Each question on was developed with a specific research question in mind. A Likert scale was used to rate their responses whereas open-ended questions allowed the respondents to explain further in areas were not clear.

3.8 Data Analysis

The descriptive and inferential analysis was used in this study. This was used to summarize and relate variables in the study. The data collected was analyzed using IBM SPSS version 20.0.

A regression model was extracted from IMB SPSS data that had been analyzed and applied to show the relationship between variables. The reason why a regression model was necessary is that it shows the direction, strength and relationship between variables. The regression model was as follows:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \alpha \]

Where;

\( Y \) is the dependent variable organizational performance.
\( \beta_0 \) is the regression coefficient; \( \beta_1, \beta_2, \beta_3 \) and \( \beta_4 \) are the slopes of the regression equation.
\( X_1 \) is cost leadership as the independent variable.
\( X_2 \) is differentiation as the independent variable.
\( X_3 \) is market focus as the independent variable.

\( \alpha \) is an error term normally distributed about a mean of 0 and for purposes of computation, \( \alpha \) is assumed to be 0

A correlation analysis was also done to determine the extent of the relationship between variables.
3.9 Data Presentation

The data was classified, tabulated and summarized using descriptive measures, percentages and frequency distribution tables. Tables were used to present the response rate and the respondents’ profiles. Tables and graphs were used for presentation of findings based on the variables in this study. The tables include a Likert chart rating for responses with 5 being very great extent, 4- great extent, 3-moderate extent, 2-minimum extent and 1-no extent. An analysis of variance (ANOVA) was also done and critical values together with the means were presented in a table extract from IBM SPSS Version 20.0 software. An explanation of the data is also accompanying the tables and figures. Similarly, a correlation analysis between the variables was also carried out to establish the relationship between these variables. The findings are reported in chapter four.

3.10 Chapter Summary

This research adopted a descriptive research design. A survey of the three-star hotels in Nairobi was undertaken. The population size was five based on the operators who were licensed by the Tourism Regulatory Authority in December 2016. These operators are The Clarion Hotel, Ngong Hills Hotel, The Heron Portico, The Panari Hotel and Marble Arch Hotel. Using Kothari (2004) formula, the sample size obtained was five, a figure similar to the population size. Questionnaires were administered to a restaurant manager, marketing manager, general manager, operations manager and an assistant hotel manager of these hotels respectively. The sampled respondents were chosen given the fact that they understand all aspects of the hotels they work in and were therefore in an informed position to respond to the questions in this research study. Data was collected and analyzed using IBM SPSS version 20.0 and findings presented in chapter four in the form of descriptions and tables.
CHAPTER FOUR

4.0 DATA ANALYSIS, AND FINDINGS

4.1 Introduction

Chapter four contains a presentation of findings in the form of tables. The biography of respondents and their responses to the questions have also been captured. The chapter also contains an analysis of the findings using descriptive statistics and adequate explanations of the findings. An analysis of variance (ANOVA) in responses has also been done and reported in this chapter.

4.2 Response Rate

Five questionnaires were administered to the sampled hotels and the respondents were a restaurant manager, marketing manager, general manager, operations manager and an assistant hotel manager. All the five questionnaires were filled and returned. This figure represents 100% response rate. As per Mugenda and Mugenda (2003) a response rate of above fifty percent is adequate for data analysis. The study response rate of 100% surpasses this threshold and is thus adequate for purposes of data analysis. The results are shown in table 4.1.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned</td>
<td>5</td>
<td>100</td>
</tr>
<tr>
<td>Unreturned</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Author, 2018*

4.3 Respondents’ Profile

4.3.1 Gender

The research was conducted with 100% of the responses coming from male respondents and 0.0% from female respondents as shown in the table below. The findings indicate that there is a gender imbalance among the managers of three star hotels in Nairobi Kenya. The findings in gender cannot be used to conclude that imply there exists a gender
imbalance in the industry since it is not clear whether the other gender is well distributed within other positions.

Table 4.2: Gender

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>5</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Female</td>
<td>0</td>
<td>0.0</td>
<td>00.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author, 2018

4.3.2 Age of the Respondents

Participants were requested to give their age bracket. Results in table 4.3 show that majority of the respondents were aged between 42-49 years. Twenty percent were aged 34-41 years and another 20 percent were aged above 50 years. There was no respondent below 31 years of age.

Table 4.3: Age Bracket of the Respondent

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-25 years</td>
<td>0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>26-33 years</td>
<td>0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>34-41 years</td>
<td>1</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>42-49 years</td>
<td>3</td>
<td>60.0</td>
<td>60.0</td>
<td>80.0</td>
</tr>
<tr>
<td>50 years and above</td>
<td>1</td>
<td>20.0</td>
<td>20.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author, 2018

4.3.3 Duration of Service

On duration of service, the study found out that majority of the respondents, 4 (80%) have worked for more between 11-15 years at the hotel they are currently working at. One respondent (20%) has worked at the hotel between 6-10 years. Given the many years of service, the respondents could adequately answer the questions in the questionnaires because they required someone who had been at the specific hotels to give informed
responses. This implies that their understanding of the processes at the hotels were relevant to the research questions. Hence their responses were critical for this study. The findings are indicated in table 4.4

Table 4.4: Period Under Employment At The Hotel

<table>
<thead>
<tr>
<th>Period Under Employment</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>1</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>11 to 15 years</td>
<td>4</td>
<td>80.0</td>
<td>80.0</td>
<td>100.0</td>
</tr>
<tr>
<td>16 to 20 years</td>
<td>0</td>
<td>0.0</td>
<td>0.0</td>
<td>100.0</td>
</tr>
<tr>
<td>More than 21 years</td>
<td>0</td>
<td>0.0</td>
<td>0.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author, 2018

4.3.4 Level of Education

On the findings, 80% of the respondents held post graduate qualifications whereas one was a graduate. The findings indicate that the three-star hotels have employed graduate professionals to manage the hotels and steer them towards profitability in this competitive industry. This implies that the respondents could adequately comprehend the research and that their responses were sufficient to answer the research questions.

Table 4.5: Highest Level of Education

<table>
<thead>
<tr>
<th>Highest Level of Education</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>0</td>
<td>0.0</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Diploma</td>
<td>0</td>
<td>0.0</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Graduate</td>
<td>1</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>4</td>
<td>80.0</td>
<td>80.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author, 2018
4.4 Porter’s Low Cost Strategy

This study found that 20% of the three-star hotels sell standard products that are readily available to a large market to a very great extent. Sixty percent of the respondents indicated a great extent whereas the remaining 20% of the hotels were doing it on a moderate level.

Majority of the three star hotels (80%) produce goods and services at a lower cost and offer these goods to their customers at a lower cost than the industry competitors to a moderate extent. The study found that the costs of producing goods and services in the hotel are lower compared to the competitors to a very great extent for 20% of the hotels. Sixty percent of hotels sourced their products from suppliers who offered discounts at a minimum extent.

The low cost of goods had contributed to an increase in consumption at a minimum extent for 40% of the hotels. The bulk of the respondents (60%) felt that at no extent has the low cost contributed to the changes in consumption. This change could be attributed to other factors.

All the respondents indicated that their hotels have made use of social media and the internet to market their goods and services. They findings also indicate that the hotels had outsourced at least one of these services; accounting, auditing, marketing, human resources management. Furthermore, the respondents indicated that their hotels were to a very great extent continually emphasizing the importance of cost cutting and internal efficiency. The findings also indicate that cost of producing goods and services directly affects the rate of consumption and accessibility by consumers to a very great extent.

The study found that 100% of the hotels were constantly reducing labour costs through automation of processes to a moderate extent. Twenty percent of the hotels buy goods in bulk to a very great extent whereas 80% rated this being done on a great extent. All the respondents indicated that automation of processes and bulk purchases had improved efficiency to a moderate extent. The findings are summarized in table 4.6 below.
Table 4.6: Porter’s Low-Cost Strategy

<table>
<thead>
<tr>
<th>Description</th>
<th>Very Great Extent</th>
<th>Great Extent</th>
<th>Moderate Extent</th>
<th>Minimum Extent</th>
<th>No Extent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>The hotel sells standard products that are readily available to a large market</td>
<td>20%</td>
<td>60%</td>
<td>20%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>100%</td>
</tr>
<tr>
<td>The costs of producing goods and services in the hotel are lower compared to the competitors</td>
<td>0.0%</td>
<td>20%</td>
<td>80%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>100%</td>
</tr>
<tr>
<td>We tend to source products and services from those suppliers who provide discounts</td>
<td>0.0%</td>
<td>0.0%</td>
<td>20%</td>
<td>60%</td>
<td>20%</td>
<td>100%</td>
</tr>
<tr>
<td>We offer lower cost goods and services to the consumer as compared to our competitors</td>
<td>0.0%</td>
<td>0.0%</td>
<td>20%</td>
<td>60%</td>
<td>20%</td>
<td>100%</td>
</tr>
<tr>
<td>The lower cost of goods and services has increased consumption rate over the year</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>40%</td>
<td>60%</td>
<td>100%</td>
</tr>
<tr>
<td>The hotel uses social media and the internet to market its goods and services</td>
<td>64.0%</td>
<td>7.0%</td>
<td>13.0%</td>
<td>7.0%</td>
<td>9.0%</td>
<td>100%</td>
</tr>
<tr>
<td>The hotel outsourcing one or all of the following services: accounting, auditing, marketing, human resources management</td>
<td>81.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>10.0%</td>
<td>4.0%</td>
<td>100%</td>
</tr>
<tr>
<td>We are continually emphasizing the importance of cost cutting and internal efficiency</td>
<td>73.0%</td>
<td>20.0%</td>
<td>2.0%</td>
<td>5.0%</td>
<td>2.0%</td>
<td>100%</td>
</tr>
<tr>
<td>The cost of producing goods and services directly affects the rate of consumption and accessibility by consumers</td>
<td>91.0%</td>
<td>7.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>0.0%</td>
<td>100%</td>
</tr>
<tr>
<td>The hotel is constantly reducing labour costs through automation of processes</td>
<td>8.0%</td>
<td>1.0%</td>
<td>83.0</td>
<td>6.0%</td>
<td>2.0%</td>
<td>100%</td>
</tr>
<tr>
<td>The hotel purchases and produces goods in bulk to benefit from economies of scale</td>
<td>20.0%</td>
<td>80.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>100%</td>
</tr>
<tr>
<td>Outsourcing, Automation and bulk production/purchasing has improved our efficiency</td>
<td>3.0%</td>
<td>8.0%</td>
<td>87%</td>
<td>2.0%</td>
<td>0.0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Author, 2018
4.5 Porter’s Differentiation Strategy

The research found that all the five hotels have diversified their range of products and services that are offered to consumers to a very great extent. The findings also indicate that the five three-star rated hotels offered unique products to their customers to a very great extent. The rating for the position of the hotel in terms of innovation of goods and services in comparison to their competitors were 20%, 20%, 40% and 20% for a very great extent, great extent, moderate extent and minimum extent respectively. Eighty percent of the respondents indicated that their hotels offered luxury goods to a moderate extent whereas the remaining 20% ranked this measure in favour of a minimum extent on the Likert scale.

The preference for the high-priced luxury products compared to the standard products that the hotels offer was reported to be of a moderate extent. One respondent indicated that his hotel had a research and development department that aids in the improvement of quality of the goods and services offered whereas the other four have invested in research and development to a minimum extent.

One hundred percent of the respondents (100%) have an experienced sales and customer service force that provides superior assistance to clients in their hotels. Additionally, the use of technology in product differentiation was used to a minimum extent by the respondents and all the respondents boasted of having advanced technology compared to the industry competitors to a moderate extent. All the respondents indicated that their hotels benefits from consumer loyalty in their goods and services at a very great extent. The findings for the porter’s differentiation strategy are summarized in table 4.7 below.
### Table 4.7: Porter’s Differentiation Strategy

<table>
<thead>
<tr>
<th></th>
<th>Very Great Extent</th>
<th>Great Extent</th>
<th>Moderate Extent</th>
<th>Minimum Extent</th>
<th>No Extent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>The hotel offers a broad range of products and services to their consumers</td>
<td>45.0%</td>
<td>23.0%</td>
<td>17.0%</td>
<td>10.0%</td>
<td>5.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel offers unique goods and services to their clientele</td>
<td>41.0%</td>
<td>27.0%</td>
<td>14.0%</td>
<td>12.0%</td>
<td>6.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel leads in innovation of goods and services in comparison to their competitors</td>
<td>20%</td>
<td>19%</td>
<td>40%</td>
<td>20%</td>
<td>1.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel has high-priced luxury goods and services on offer</td>
<td>30.0%</td>
<td>25.0%</td>
<td>25.0%</td>
<td>13.0%</td>
<td>7.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Many consumers opt for the high-priced luxury products compared to the standard products that the hotel offers</td>
<td>13.0%</td>
<td>39.0%</td>
<td>32.0%</td>
<td>11.0%</td>
<td>5.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel has a research and development department that aids in the improvement of quality of the goods and services offered</td>
<td>3.0%</td>
<td>9.0%</td>
<td>14.0%</td>
<td>19.0%</td>
<td>7.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel has an experienced sales and customer service force that provides superior assistance to its clients</td>
<td>54.0%</td>
<td>27.0%</td>
<td>11.0%</td>
<td>7.0%</td>
<td>1.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel has invested in technology and human resource to aid in differentiation of their product</td>
<td>12.0%</td>
<td>4.0%</td>
<td>17.0%</td>
<td>51.0%</td>
<td>16.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel is technologically advanced as compared to their competitors</td>
<td>9.0%</td>
<td>13.0%</td>
<td>58.0%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel benefits from consumer loyalty in their goods and services</td>
<td>63.0%</td>
<td>17.0%</td>
<td>16.0%</td>
<td>3.0%</td>
<td>1.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

*Source: Author, 2018*
4.6 Porter’s Focus Strategy

On the findings, all the hotels tailor-made their products to cater to a specific market needs at a moderate extent. The responses also indicate that repeat customers accounted for majority of sales for 20% of the hotels to a very great extent, 20% to a great extent, 40% to a moderate extent and 20% to a minimum extent. One respondent indicated that his hotel produces products that are of higher quality that the industry competitors to a great extent whereas the other 4 respondents rated this factor as being done on a moderate extent and a similar response was recorded for preference of services in these hotels.

Eighty percent of the respondents’ hotels did not focus their marketing on any specific market niche, 20% did this on a minimum extent. All the three-star hotels do adjust to general changes in consumer tastes and preferences. A summary of the responses is recorded in the table 4.8 below.

**Table 4.8: Porter’s Focus Strategy**

<table>
<thead>
<tr>
<th>Response</th>
<th>Very Great Extent</th>
<th>Great Extent</th>
<th>Moderate Extent</th>
<th>Minimum Extent</th>
<th>No Extent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>The hotel tailors products to cater to a specific market</td>
<td>3.0%</td>
<td>11.0%</td>
<td>67.0</td>
<td>9.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Repeat customers account for the majority of the hotel sales</td>
<td>20.0%</td>
<td>20.0%</td>
<td>40.0%</td>
<td>20.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel’s products are of higher quality compared to the market competitors</td>
<td>0.0%</td>
<td>20.0%</td>
<td>80.0%</td>
<td>20.0%</td>
<td>20.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Consumer feedback has indicated that the consumers prefer our services compared to those of our competitors</td>
<td>0.0%</td>
<td>20.0%</td>
<td>80.0%</td>
<td>20.0%</td>
<td>20.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel focuses marketing efforts to a specific niche</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>20.0%</td>
<td>80.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel markets specialty products to its consumers</td>
<td>0.0%</td>
<td>0.0%</td>
<td>40.0%</td>
<td>60.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel adjusts to general changes in consumer tastes and preferences</td>
<td>20.0%</td>
<td>60.0%</td>
<td>20.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

*Source: Author, 2018*
4.7 Porter’s Generic Strategies

In a test on Porter’s generic strategies, the study found out that all the five three-star hotels in Nairobi had a comparative advantage in the market based on cost advantage and product differentiation. The five hotels also targeted high-end luxury product consumers, standard income earners and corporations when marketing their products.

The five respondents rated that their hotels benefited through efficiency and cost control to a very great extent. Similarly, the benefits that accrued through product differentiation were rated as being to a very great extent by 40% of the respondents and to a great extent by 60% of the respondents. Eighty percent of the hotels have benefitted from customer retention based on their strategies at a very great extent whereas the other 20% of the respondents have gained on a moderate extent and that these strategies have resulted in growth in sales to a similar extent, hence increased performance for all the hotels. These findings are summarized in table 4.9 below.

Table 4.9: Porter’s Generic Strategies

<table>
<thead>
<tr>
<th></th>
<th>Very Great Extent</th>
<th>Great Extent</th>
<th>Moderate Extent</th>
<th>Minimum Extent</th>
<th>No Extent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>The hotel has benefitted through efficiency and cost control</td>
<td>76.0%</td>
<td>19.0%</td>
<td>3.0%</td>
<td>2.0%</td>
<td>1.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The hotel has benefitted through product differentiation</td>
<td>40.0%</td>
<td>60.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Our strategies have helped us gain consumer retention</td>
<td>71.0%</td>
<td>9.0%</td>
<td>17.0%</td>
<td>3.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Our strategies have indicated a growth in sales</td>
<td>80.0%</td>
<td>0.0%</td>
<td>20.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>The overall performance through our strategies has improved</td>
<td>73.0%</td>
<td>18.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>2.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Author, 2018
4.8 Inference Statistics

4.8.1 Analysis of Variance (ANOVA Test)

An analysis of variance (ANOVA) was done by analyzing the variance between variables. This analysis is represented in ANOVA table 4.9.1 below which shows the difference between the means of variables.

The critical values of 0.053, 0.056 and 0.055 are greater than the p-value of 0.05. These findings imply that there is a statistically significant relationship between the independent variable; cost leadership, differentiation and market focus and the dependent variable being organizational performance. The findings are shown in table 4.10 below.

Table 4.10: Analysis of Variance (ANOVA)

<table>
<thead>
<tr>
<th>Source: Author, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sum of Squares</td>
</tr>
<tr>
<td>Cost Leadership</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Differentiation</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Market Focus</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

4.8.2 Regression Analysis

A regression analysis of the equation \( Y=\beta_1X_1+\beta_2X_2+\beta_3X_3+\alpha \); where organizational performance (Y), cost leadership (X_1), differentiation (X_2), market focus (X_3) and error term (\( \alpha \)) was done using SPSS version 20.0. The analysis yielded the beta coefficients for the independent variables as follows; \( \beta_1=0.777 \), \( \beta_2=0.753 \) and \( \beta_3=0.691 \). The findings are summarized in table 4.11 below.
Table 4.11: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.013</td>
<td>.123</td>
</tr>
<tr>
<td>Cost Leadership</td>
<td>.777</td>
<td>.235</td>
</tr>
<tr>
<td>Differentiation</td>
<td>.753</td>
<td>.198</td>
</tr>
<tr>
<td>Market focus</td>
<td>.691</td>
<td>.069</td>
</tr>
</tbody>
</table>

a. Dependent Variable : Organizational Performance
The regression equation can be denoted as:

\[ Y = 0.013 + 0.777X_1 + 0.753X_2 + 0.691X_3 \]

The coefficients of the regression equation are all positive. This implies that there is a positive linear relationship between organizational performance and cost leadership, differentiation and market focus in three-star hotels as indicated in the model above. The findings imply that for organization performance coefficient to shift by one unit, there must be a constant action equal to a shift in other factors by 0.013 units, 0.777 units of change in the coefficient of cost leadership, 0.753 units in the coefficient of differentiation, and 0.691 units in the coefficient of market focus.

4.8.3. Correlation Analysis between Variables

4.8.3.1. Cost Leadership and Differentiation

A correlation analysis between the cost leadership and differentiation reveals that \( r^2 = 0.517 \). This figure implies that there is a strong positive relationship between the two variables. The linear equation for the relationship between Cost leadership plotted against differentiation is given as \( Y = 0.9 + 0.67X \). This relationship is summarized in the figure 4.1 below.
4.8.3.2. Cost Leadership and Market Focus

A correlation analysis between the cost leadership and market focus reveals that $r^2=0.409$. This figure implies that there is a strong positive relationship between the two variables. The linear equation for the relationship between Cost leadership plotted against market focus is given as $Y=0.55+0.72X$. This relationship is summarized in the figure 4.2 below.
4.8.3.3. Differentiation and Market Focus

A correlation analysis between the differentiation and market focus reveals that $r^2=0.481$. This figure implies that there is a strong positive relationship between the two variables. The linear equation for the relationship between differentiation plotted against market focus is given as $Y=0.61+0.58X$. This relationship is summarized in the figure 4.3 below.

![Figure 4.3: Correlation between Differentiation and Market Focus](image)

4.9 Research Quality

The reliability and internal consistency was assessed by using the Cronbach’s Alpha. The test is used to confirm if questionnaires with multiple Likert scale questions are reliable. IBM SPSS Statistics software version 20 was utilized to calculate the Cronbach’s Alpha. Below are the results of the findings.
### Effect of Cost Leadership on Organizational Performance

#### Table 4.12 (a): Item-Total Statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
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</tr>
</thead>
<tbody>
<tr>
<td>.778</td>
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</table>

#### Table 4.12 (b): Item-Total Statistics

<table>
<thead>
<tr>
<th>Item</th>
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<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Cronbach's Alpha if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAR00001</td>
<td>47.1176</td>
<td>83.610</td>
<td>.270</td>
<td>.792</td>
</tr>
<tr>
<td>VAR00002</td>
<td>47.4706</td>
<td>75.515</td>
<td>.595</td>
<td>.767</td>
</tr>
<tr>
<td>VAR00003</td>
<td>47.2353</td>
<td>82.191</td>
<td>.458</td>
<td>.781</td>
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<tr>
<td>VAR00004</td>
<td>47.0588</td>
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<tr>
<td>VAR00005</td>
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<td>75.346</td>
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### Effect of Differentiation on Organizational Performance

#### Table 4.13(a): Reliability Statistics

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</table>

#### Table 4.13(b): Item-Total Statistics

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<thead>
<tr>
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<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Cronbach's Alpha if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAR00001</td>
<td>40.0588</td>
<td>114.309</td>
<td>.675</td>
<td>.917</td>
</tr>
<tr>
<td>VAR00002</td>
<td>39.8824</td>
<td>118.860</td>
<td>.700</td>
<td>.914</td>
</tr>
<tr>
<td>VAR00003</td>
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<td>113.559</td>
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</tr>
<tr>
<td>VAR00004</td>
<td>39.3529</td>
<td>115.368</td>
<td>.817</td>
<td>.909</td>
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<tr>
<td>VAR00005</td>
<td>39.6471</td>
<td>122.368</td>
<td>.687</td>
<td>.915</td>
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</table>
Table 4.14 (a): Reliability Statistics

<table>
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<tr>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
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Table 4.14 (b): Item-Total Statistics

<table>
<thead>
<tr>
<th>Item</th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Cronbach's Alpha if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAR00001</td>
<td>41.4118</td>
<td>133.632</td>
<td>.645</td>
<td>.945</td>
</tr>
<tr>
<td>VAR00002</td>
<td>41.4706</td>
<td>129.265</td>
<td>.835</td>
<td>.938</td>
</tr>
<tr>
<td>VAR00003</td>
<td>41.4706</td>
<td>130.265</td>
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<td>.941</td>
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<tr>
<td>VAR00005</td>
<td>41.5882</td>
<td>135.382</td>
<td>.773</td>
<td>.941</td>
</tr>
</tbody>
</table>

George and Mallery (2003) recommended a value of 0.7 or greater as acceptable for the reliability test (Waithera, 2015). From the results indicated above, based on the items tested for effectiveness in fraud in the effect cost-leadership on organizational performance, differentiation on organizational performance and market focus on organizational performance produced Cronbach’s Alpha values of 0.778, 0.914 and 0.941 respectively. This means that all the items tested in the Likert scale from the questionnaire possessed great internal consistency and the results can be relied on confidently. The study was conducted on five participants drawn from the 5 hotels in Kenya.

4.10 Chapter Summary

A positive relationship was established between cost leadership and organizational performance with the coefficient for cost leadership being 0.777. The findings are in agreement with Lo (2012) findings that hotels can successfully achieve better performance through efficient cost saving methods with regards to hotel design and operational activities.
The positive coefficient of 0.753 suggests that there is a proportional relationship between differentiation and organizational performance. This suggests that the hotels’ value chain has been a source of uniqueness that has contributed to better performance. The findings agree with Lo (2012) and Evans et al. (2003) that differentiation in the hotel industry has a positive effect on the performance of hotels.

Market focus strategy had a positive coefficient of 0.69. This finding means that the study is in 69% agreement that market focus affects organizational performance. A similar position is shared by Bordean et al. (2010) and Evans et al. (2003).
CHAPTER FIVE

5.0 SUMMARY, DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter outlines the study’s findings in summary. The chapter also draws out conclusions from the study’s findings and outlines recommendations based on the research objectives.

5.2 Summary of the Study

This research sought to establish the effect of Porter’s cost leadership strategy as an independent variable on organizational performance which was a dependent variable in three star hotels in Nairobi, Kenya. The research established that majority of the hotels produced standard products that were widely demanded by the general market. The findings further point to these products being priced at almost the same level as the market price average. Majority of the hotels have adopted a number of cost saving initiatives which aim at reducing the cost of production and increase the profit margin. The hotels have outsourced some of their services such as accounting, auditing, marketing, human resources management to third parties with an aim of reducing their costs. Furthermore, technology has been widely used to automate some of the hotels’ services and reduce the costs of hiring more employees. The hotels market their services using cheaper methods to increase their customer base and sales conversions. The internet and social media sites are being widely explored in marketing the services that these hotels offer. The research found that these management practices have widely contributed to a reduction of costs and increased the profit margin to a great extent for the majority of the three star hotels. In so doing, consumption has increased leading to positive growth in these organizations’ revenue.

While investigating the effect of Porter’s differentiation strategy on organizational performance, the study found that majority of the hotels offered luxury goods to their customers. In order to have these products at their disposal, the hotels have each invested in a research and development department that aims at researching new models and products and increase the quality of existing products. Technology has been widely used in product differentiation by the respondents. All the respondents boasted of having advanced technology compared to the industry competitors to a moderate extent. All the
respondents indicated that their hotels benefits from consumer loyalty in their goods and services at a very great extent. The findings point to the fact that there is uniqueness adopted in customer service which is coupled with the use of technology to respond to customer queries. The wide product range and uniqueness is a premise for attracting current and potential customers which in turn increase the customer base and customer loyalty. An increase in customer base and customer loyalty is a positive sign of organizational performance.

The research sought to establish if the Porter’s focus strategy had been adopted by the hotels under study. The research found that the hotels have tailor made their goods and services to conform to the requirements of their specific customer niches; repeat customers and new customers. The hotels also focus on production high quality goods and services. Additionally, they are able to adjust to the dynamic consumer tastes and preferences to suit the changing customer needs. This results in the attraction and retention of customers by the hotels.

An analysis of variance (ANOVA) for the variables was done. The critical values of 0.053, 0.056 and 0.055 were yielded for cost leadership, differentiation and market focus respectively. These values are greater than the p-value of 0.05. These findings imply that there is a statistically significant relationship between the independent variable; cost leadership, differentiation and market focus and the dependent variable being organizational performance.

A regression analysis of the equation $Y=\beta_1 X_1+\beta_2 X_2+\beta_3 X_3+\alpha$ was also done using IBM SPSS version 20.0. The variables were organizational performance ($Y$), cost leadership ($X_1$), differentiation ($X_2$), market focus ($X_3$ and error term ($\alpha$. The analysis yielded the beta coefficients for the independent variables as follows; $\beta_1=0.777$, $\beta_2=0.753$ and $\beta_3=0.691$ and a constant of 0.013. When plotted on a graph, the coefficients yield a linear relationship in form of the function $Y=0.013+0.777 X_1+0.753 X_2+0.691 X_3$.

5.3 Discussion

5.3.1 Effect of Low-Cost strategy on Organizational Performance

The findings of the study observed that the surveyed hotels enjoyed a comparative advantage in the market informed by cost advantage as well as product differentiation.
Efficiency and cost control was rated as critical to cost leadership by 5% of the interviewees. The establishment of a positive relationship between cost leadership and organizational performance with the coefficient for cost leadership at 0.777 affirms the Lo (2012) study outcome. Lo (2012) discovered that hotels can successfully enhance performance via efficient cost-saving methods with respect to hotel design and operational activities. According to Qin, Adler, and Cai (2012), the low-cost strategy covers the entire organizational processes from production, selling to post-sale periods. The cost leadership approach according to Becerra, Santaló, and Silva (2013) requires that existence of support processes and infrastructure. For instance, gains in marketing may imply that a hotel has a customer retention program, requisite technology, and quality customer service programs to increase chances of repeat customers.

Furthermore, the studied hotel's target market of standard income earners, corporations, and luxury consumers provided much-needed market diversification. As indicated earlier, Altuntaş, Semerciöz, Mert, and Pehliva (2014) cautioned against the dangers of focus strategy as it carries risks. Standardization of services gives benefits such as lowering the cost of production in the long-run, and acceptability of the product across the various market segments. Diversification of products gives a business a wide range of potential customers and minimizes risks occasioned by abrupt market changes such as technology and external market shocks. A hotel can also scale down on a product whose target market demand is consistently falling and redirect the resources to high performing products.

From the study, there is a strong positive relationship between cost leadership and differentiation. The implication of this finding is that cost leadership is elemental of other strategies that create competitive advantages especially the differentiation strategy. The findings in the study reinforce the Luck and Lancaster (2013), and Altuntaş, Semerciöz, Mert, and Pehliva (2014) findings that there is a positive relationship between cost leadership and organizational performance. Altuntaş, Semerciöz, Mert, and Pehliva (2014) argue that in the process of pursuing cost leadership, an organization inadvertently builds the other competitive advantage strategies which increase the overall competitiveness of an organization. The realization that there is a positive link between cost leadership and product differentiation eliminates the risk that cost leadership can occur at the expense of standard product quality.
5.3.2 Effect Differentiation Strategy on Organizational Performance

The understanding by Evans et al. (2003) is that hotel’s value chain provides a source of uniqueness that can contribute to improved organizational performance. The positive coefficient of 0.753 implies that there is a proportional relationship between organizational performance and differentiation.

Still, in differentiation strategy, the study outcome reports that all the surveyed hotels employ diversification of their products offered to consumers to the highest possible scale. The outcome of the study shows that the sampled hotels offer unique products to their customers to a very great extent. The market focus strategy coefficient of 0.69 reinforces the Bordean et al. (2010) and Evans et al. (2003) studies that assert market focus impacts organizational performance. The study findings are in tandem with Qin, Adler, and Cai (2012), and Ching (2013) study outcome on the application of differentiation strategy in the hospitality industry. Qin, Adler, and Cai (2012) study recommend pursuing diversification as an additional tool to address various market segments apart from being a source of competitive advantage to the organization.

By implication, the respondents in the study identified differentiation of service as a commodity from the hotels they have visited. Most interviewees rate high what they consider as superior assistance. Luck and Lancaster (2013) and Köseoglu, Topaloglu, Parnell, and Lester (2013) studies had predicted that the hospitality industry provides significant space for hoteliers to differentiate their service. Like Becerra, Santaló, and Silva (2013) study, the findings in the study acknowledge the critical role that market research plays in giving a near accurate picture of customer needs and expectations. Qin, Adler, and Cai (2012) study emphasize that differentiation of products should focus more on features that customers consider vital when selecting the product. The findings of this study and the acknowledgment that market research through surveys provides hotels with an opportunity to appreciate what customers consider as critical features. The hotels should incorporate identifies critical features when differentiating their service packages.

In tandem with Luck and Lancaster (2013) and Becerra, Santaló, and Silva (2013) studies, the study observed that differentiation strategy competitive advantage tends to be short-lived. Investment in research and development is vital for a hotel to continue gaining a competitive edge over rivals. Opportunities for the surveyed hotels exist since they
utilized technology minimally when differentiating their services. The technology implemented by the sampled hotels may be underexploited because the respondents did not apportion resources to facilitate technology utilization after acquiring the technology in the organization. The findings affirm Espino-Rodríguez and Lai (2014) study observations that with time competitors can acquire sources of differentiation strategy and erode the unique advantages the market leader was enjoying.

5.3.3 Effect of Focus Strategy on Organizational Performance

The findings of the study indicate that the sampled hotels have custom products to address specific market segment needs to a moderate extent. Additionally, repeat clients accounted for the majority of sales at 20% of the hotels to a rating of a very great extent. They must produce high-quality products to sustain demand and competitiveness. Even with entry into the industry is limited due to the constraint of having to acquire highly skilled workers to produce above standard products for target market, a business cannot enjoy expansion unless the expansion is in a new market outcome of the study aligns with Becerra, Santaló and Silva (2013), and Espino-Rodríguez and Lai (2014) studies that observed that focus strategy creates overreliance of an organization products to a limited market segment. According to Becerra, Santaló, and Silva (2013), a business pursuing focus strategy depends heavily on its market segment and.

Expectedly, only one respondent reported to be producing higher quality products than industry competitors. The other respondents gave a moderate rating on the quality of their product compared to market leaders in the industry. Most players in the industry preferred not to focus their product on the market. As Cheng (2013) earlier asserts, focus strategy inherently creates a limited clientele base for a business. While the clientele base remains relatively fixed and limited, the cost of producing above standard products keeps on increasing. A business will have to price its products premium to increase its profit margins. Premium pricing additionally requires efforts to increase brand awareness and brand equity which pushes the costs even higher. Focus strategy gives business long-term competitive advantages but carries risk should significant changes in the market occur.

For this reason, the decision by the other hotels to abandon focus strategy merits. The advantage of not pursuing a focus strategy gives a hotel the flexibility to adjust its product offerings including selling the same product across different market segments. Becerra,
Santaló, and Silva (2013) further indicate that the business can also exploit this flexibility to contribute towards cost leadership as a source of competitive advantage. The majority of the respondents in the study at 80% did not find it necessary to focus their marketing on any specific market niche. The one that pursued focus strategy ensured that only a small fraction of the target market was focused. The motivation is not focusing or minimizing the size of the target market that is focused on is to lessen the risk due to significant market changes, employee turnover, and external market shocks.

5.4 Conclusion

5.4.1 Cost Leadership and Organizational Performance

It was established that the five three-star hotels applied the cost leadership strategy in managing themselves. In a research by Lo (2012) on an examination of hotels’ implementation of Porter’s generic strategy in China, it was found that cost management practices had a positive impact on the performance of an organization. Though her findings did not have a beta coefficient to indicate the extent of the relationship between the two variables, they are still in conformity with the findings of this research. The findings further agree with those of Minarik (2007) whose study was an investigation of the fundamental trade-off between Porter’s cost leadership and differentiation strategies. In his findings, Minarik (2007) established a positive relationship between cost leadership and the progress of an organization.

5.4.2 Differentiation and Organizational Performance

The findings established that the five three-star hotels applied Porter’s differentiation strategy in management. A beta coefficient of 0.753 for product differentiation was established. This implies that there exists a positive linear relationship between differentiation and organizational performance. These findings suggest that the hotels’ value chain has been a source of uniqueness that has contributed to better performance. The findings agree with Li (2012) and Evans et al. (2003) study on strategic management for travel and tourism, that differentiation in the hotel industry has a positive effect on the performance of hotels.
5.4.3 Focus and Organizational Performance

Market focus strategy was found to have been widely used by the respondents with an aim of increasing their customer base and sales. This variable had a positive coefficient of 0.69. The finding means that the study is in agreement that market focus is affected by organizational performance in a positive linear manner. A similar position is shared by Bordean et al. (2010) who studied the use of Porter's generic strategies in Romanian hotel industry. Evans et al. (2003) had similar findings when he studied Strategic Management for Travel and Tourism. Similar findings were reported by Ouma (2015) in a study on the relationship between Porter's generic strategies and competitive advantage, a case study of bus companies plying the Kisumu-Nairobi route, Kenya.

5.5 Recommendations

5.5.1 Recommendations Based on the Findings

Based on the study, the following are the recommendations based on finding and conclusions made.

5.5.1.1 Low-Cost Leadership Strategy

As a way of gaining a cost advantage, control of cost drivers is critical for most of the hotels. To improve on cost leadership an evaluation of the value chain should be done to enhance the hotels’ capability to gain the cost advantage. Secondly, finding and exploiting all potential cost drivers that allow for greater efficiency in each value-adding activity is not only necessary but important. The hotels should invest also in research and development initiatives that lower the production cost of existing products and offer low-cost products to the market as this industry is price sensitive. As the hospitality industry is unpredictable and dynamic, cost leadership should not be the main focus as the client’s diversity and heterogeneity may not be met through cost leadership.

5.5.1.2 Differentiation Strategy

In order to compete effectively, all the hotels should constantly reinvest in research and development activities that are likely to create new products. Investing in research and development will also help the hotels to understand the market dynamics. A wide product range offers clients the wide variety of goods and services to choose from. The hotels
should strive to broaden their physical products, marketing practices and service to the value chain. This will enable the firm to command a premium price, sell more of its products at a given price and gain equivalent benefits such as greater buyer loyalty during the off-peak seasons.

5.5.1.3 Focus Strategy

Due to the unpredictable and dynamic markets, the firm appeals to a wide fraction of clients and it’s also not specific to any one geographical area. This is because it needs to cushion itself from the off-peak or low seasons that the different clientele have at different times. Within the different groups though, the firm should focus on the main groups that bring in more revenue. In terms of operational focus, the firm should focus more on the value chain as this will increase differentiation in the product offered in turn increasing the revenues.

5.5.2 Recommendation for Further Studies

Additional studies are necessary to determine geographical location impact on hotel service differentiation strategy. There is a possibility that the conditions in Nairobi, Kenya may be dissimilar with those in other urban areas in Kenya and may significantly influence the outcome of the study. A similar study using secondary and independent data sources is necessary as the current one interviewed hotels that may have given favorable responses to create a favorable low-cost perception by taking advantage that most of the sampled hotels are not public listed companies. Another study is needed to establish the organizational performance of hotels that implement Porter’s strategy as individual components and those hotels that implement the strategies as a mixed strategy.


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The Bucharest University of Economic Studies, Bucharest, Vol. 16, No. 8. pp. 1238-1252


within the hotel industry: Romania vs. USA. Management & Marketing Challenges for the Knowledge Society. Vol. 6, No. 4, pp. 501-514


APPENDICES

Appendix I: Questionnaire

SECTION A: Respondent Details and Bio Data

1. Gender: □ Male □ Female

2. Age group in years: □ 18-25 years □ 26-33 years □ 34-41 years
   □ 42-49 years □ 50 years and above

3. Duration worked in this organization: □ <5 years □ 6-10 years □ 11-15 years □ 16-20 years □ 21 years and above

4. Highest level of education: □ Certificate □ Diploma □ Graduate
   □ Post graduate □ Others (Specify)

SECTION B: Effect of Porter’s Low Cost strategy on organizational performance of hotels in Nairobi

This section will look at the level of efficiency and cost control as per Porters low cost strategy.

To what extent do you agree or disagree with the following questions? Using the scale below

5 = very great extent, 4 = great extent, 3 = moderate extent, 2 = minimum extent and
1 = no extent.

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>The hotel sells standard products that are readily available to a large market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel offers standard services that are readily available to a large market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The costs of producing goods and services in the hotel are lower compared to the competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We tend to source products and services from those suppliers who provide discounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We offer lower cost goods and services to the consumer as compared to our competitors

The lower cost of goods and services has increased consumption rate over the year

The hotel uses social media and the internet to market its goods and services

The hotel outsources one or all of the following services; accounting, auditing, marketing, human resources management

We are continually emphasizing the importance of cost cutting and internal efficiency

The cost of producing goods and services directly affects the rate of consumption and accessibility by consumers

The hotel is constantly reducing labour costs through automation of processes

The hotel purchases and produces goods in bulk to benefit from economies of scale

Outsourcing, Automation and bulk production/purchasing has improved our efficiency

<table>
<thead>
<tr>
<th>SECTION C: Effect Of Porter’s Differentiation Strategy On Organizational Performance In Hotels In Nairobi</th>
</tr>
</thead>
<tbody>
<tr>
<td>This section will look at the extent to which products are differentiated in this hotel as per Porters Differentiation strategy. To what extent do you agree or disagree with the following questions? Using the scale below 5 = very great extent, 4 = great extent, 3 = moderate extent, 2 = minimum extent and 1 = no extent.</td>
</tr>
</tbody>
</table>

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<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The hotel offers a broad range of goods and services to their consumers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel offers unique goods and services to their clientele</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel leads in innovation of goods and services in comparison to their competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel has high-priced luxury goods and services on offer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Many consumers opt for the high-priced luxury products compared to the standard products that the hotel offers

The hotel has a research and development department that aids in the improvement of quality of the goods and services offered

The hotel has an experienced sales and customer service force that provides superior assistance to its clients

The hotel has invested in technology and human resource to aid in differentiation of their product

The hotel is technologically advanced as compared to their competitors

The hotel benefits from consumer loyalty in their goods and services

SECTION D: Effect Of Porter’s Focus Strategy On The Organizational Performance On Hotels

This section will look at the extent to which the hotel segments their market and targets their products/services as per Porters Focus strategy

To what extent do you agree or disagree with the following questions? Using the scale below
5 = very great extent, 4 = great extent, 3 = moderate extent, 2 = minimum extent and 1 = no extent.

<table>
<thead>
<tr>
<th>Statement</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>The hotel tailors products to cater to a specific market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repeat customers account for the majority of the hotel sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel’s products are of higher quality compared to the market competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer feedback has indicated that the consumers prefer our services compared to those of our competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel focusses marketing efforts to a specific niche</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The hotel markets specialty products to its consumers

The hotel adjusts to changes in general changes in consumer tastes and preferences

SECTION E: Effect of Porter’s Generic Strategies On Organizational Performance In Hotels

This section will look at the extent to which Porters generic strategies have impacted organizational performance

1) What comparative advantage does your hotel have in the market?
   - Cost Advantage
   - Product Differentiation
   - Both

2) What is the target market of the hotel?
   - High-end/Luxury
   - Standard income earners
   - Corporations
   - All of the above

To what extent do you agree or disagree with the following questions? Using the scale below:

5 = Much better, 4 = Better, 3 = Moderate extent, 2 = Worse and 1 = Much Worse.

<table>
<thead>
<tr>
<th>Statement</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>The hotel has benefitted through efficiency and cost control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>The hotel has benefitted through product differentiation</td>
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<td>Our strategies have helped us gain consumer retention</td>
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<td>Our strategies have indicated a growth in sales</td>
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<td>The overall performance through our strategies has improved</td>
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