EFFECTS OF GROWTH STRATEGIES ON ORGANIZATIONAL PERFORMANCE IN FIVE STAR HOTELS IN NAIROBI

BY

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UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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EFFECTS OF GROWTH STRATEGIES ON ORGANIZATIONAL PERFORMANCE IN FIVE STAR HOTELS IN NAIROBI

BY
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A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirements Master of Business Administration (MBA)

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SUMMER 2019
STUDENT’S DECLARATION

I, the undersigned, pronounce this is my unique work and has not been submitted to some other institution or university other than to the United States International University-Africa (USIU-Africa) in Nairobi, Kenya for academic credit.

Signed: ___________________________  Date: __________________________

Dennis Mwangi (ID: 653965)

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

Signed: ___________________________  Date: __________________________

Timothy Okech, PhD

Signed: ___________________________  Date: __________________________

Dean, Chandaria School of Business
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ABSTRACT

The general objective of this study was to establish the effects of growth strategies on organizational performance of five star hotels in Nairobi. The following research questions guided the study; what is the impact of product development on organizational performance of Five Star Hotels in Nairobi? What is the impact of diversification on organizational performance of Five Star Hotels in Nairobi? And what is the impact of market penetration on organizational performance of Five Star Hotels in Nairobi?

The study used a descriptive research design to integrate various components of the study, a population of 125 managers working in five star hotels in Nairobi were targeted with a sample size of 95 managers. Stratified sampling technique was deployed for this particular study. A structured questionnaire was used to collect data. Data analysis was conducted using Statistical Package for Social Sciences version 24 to obtain both descriptive and inferential statistics. These included frequency tables, charts, mean and standard deviation. Inferential statistics included correlational, ANOVA and regression analysis.

In determining the impact of product development on organizational performance in five star hotels, the findings indicate that there exists a significant relationship between product development and organizational performance, r (0.886); p-value < 0.01. The study further established that product development accounts for 78.6% in variability in organizational performance. This study sought to determine the impact of diversification on organizational performance of five star hotels. The findings of the study revealed that there exists a significant relationship between diversification and organizational performance, r (0.799); p-value < 0.01. The study established that diversification strategy accounts for 71.9% variability in organizational performance. This study sought to determine the impact of market penetration on organizational performance of five star hotels. The findings of the study revealed that there exists a significant relationship between market penetration and organizational performance, r (0.799); p-value < 0.01. The study established that market penetration accounts for 63.3% in organizational performance.
This study concludes that there is a significant and positive relationship between product development and organizational performance. This study concludes that product development is essential for the organization that seek to have a strong aspect or presence and domination in the market. This study also concludes that product development enhance innovation. This study concludes that diversification strategy is crucial for risk diversification in the organization. Diversification strategy gives the organization an opportunity to leverage its investments especially when it comes to pursuing growth in a selected market segment. This study concludes that there is a significant and positive relationship between market penetration and organizational performance. Market penetration is regarded as the mode in which a particular product gains a market share in a particular market.

This study recommends that five star hotels should emphasize use product development strategy in creating new products and services that will attract consumers throughout the seasons of the year. Product development strategy will help five star hotels in creating a sustainable competitive advantage as they compete in the hotel industry which is dynamic in nature.

This study recommends that five star hotels should use diversification strategies to expand their market share by investing in related industries such as tourism services to attain a good market share in the industry. Five star hotels can diversify by investing in event planning as well as tourism activities that will contribute in revenue generation for the hotels.

This study recommends that five star hotels should use market penetration strategies to attract customers in engaging with the services and products offered by the hotels in the hospitality industry. Five star hotels should invest in marketing campaigns and advertisement in order to create awareness of their products and services in the hotel industry.
ACKNOWLEDGEMENT
I acknowledge Professor Okech for his supervision to making this project a success. I would also like to acknowledge Professor Francis Wambalaba for his guidance in developing the proposal.
DEDICATION

I dedicate this project to my family, friends and colleagues.
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LIST OF ABBREVIATIONS

ANOVA: Analysis of Variance
SPSS: Statistical Package for Social Sciences
MBA: Master of Business Administration
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Growth strategies refer to the strategic planning tools that offer a framework to help company executives, senior managers and marketers devise strategies for future growth (Blackburn, Hart, & Wainwright, 2013). These strategies include; market penetration, product development, and diversification strategies. PepsiCo in the United States has implemented market penetration as its primary intensive growth strategy. The strategy supports business growth through increased sales to attain a bigger market share. For instance the company uses aggressive marketing in attracting more customers. The company’s strategic objective linked to their intensive growth strategy is to minimize costs and prices to attract more consumers despite market saturation (Calloway, 2018).

Most organizations, hotels included require various growth strategies to thrive and attain competitive advantage over their competitors in the hotel industry. Given the dynamic nature of the hospitality industry, many hotels ought to change their marketing strategies quite often to cope with the dynamic needs in the market and also remain ahead of competition (Nzioka & Njuguna, 2017). To attain sustainable competitive advantage, organizations need to identify their main strengths and position themselves in such a manner that is above competition in that segment, this is crucial for companies since the business environment is turbulent and organizations should align themselves with the changes being brought by new players in the sector (Allen & Helms, 2006).

In United States, the industry practitioners have long argued that the hotel investors play critical roles in the hotel industry and they implement various strategies that aim to improve performance of their hotels (Xiao, O’Neil, & Mattila, 2012). In the hospitality industry, there are different corporate players including management companies, franchisors and hotel investors. In the US hotel industry, the hotel owner is typically an individual or institution that is a legal possessor of the realities of the hotel. In many instances, those who invest in the hotel industry are not involved in the operations of the hotel (Kazan & Özer, 2016). Firms in the hotel industry are profit driven entities since the hotel developers and owners of the hotel property seek an acceptable return on investment. This makes strategic management practices serve an undeniable purpose when developing strategies that offer sustainable advantage to the organization.
Yoshikuni and Albertin (2018) suggest that there is a positive association between the performance of the hotel and growth strategies that are used by the hotel industry to achieve their future prospects.

In order to create a distinct competitive advantage over rivals, a company should select the right combination of target markets and the marketing mix. Firms in the hospitality industry continue to seek new ways of acquiring, retaining and increasing business as the cost of losing consumers has proved detrimental (Bhatia & Thakur, 2018). The players are now using product development strategy which requires them to offer new services and capture more customers. Some hotels continue to develop new services or variants of the existing ones in order to enhance their market growth as well as presence (Bresciani, Vrontis, & Thrassou, 2015). Hotels that have the ability develop new services in the hospitality industry tend to attract, satisfy and thus retain consumers are more likely to survive than those firms that do not take that approach. Having a successful product development strategy allows hotels to build a long term relationship with their clients, hence, developing brand loyalty (Tsiotsou & Vlachopoulou, 2011).

It is however difficult for a business organization to remain competitive as well as thrive in the dynamic business environment without applying various marketing strategies to its operations (Mitchelmore & Rowley, 2013). They further indicate that one of the most important questions in the business environment is why some firms succeed while others fail. This has influenced research on the drivers of a firm’s performance. It has also been argued that for a company to be successful it has to record returns and identify organizational performance drivers’ right from the top to the bottom of the company. Nzioka and Njuguna (2017) view this performance as the formula assessment for the functioning of an organization based on certain parameters like effectiveness, productivity, and employee morale with the aim of gaining a sustainable competitive advantage.

Performance of companies has traditionally been measured by considering the revenues or profits that are made at the end of the year using key financial ratios (Kazan & Özer, 2016). Despite the development of performance measurement systems in the hospitality industry, there is a reluctance of the hotel industry to use balanced measures but rather rely on financial measures. According to Rinaldo and Solimun (2017) organizational performance is a multi-dimensional construct consisting of revenues and a cost-based

In developed nations like Italy, the hotel industry is a key sector within the tourism industry since it is crucial to the provision of all other tourism services making it the most basic element of tourism (Bresciani, Vrontis, & Thrassou, 2015). Consequently, the investors in the hotel industry find room for growth in the luxury hospitality sector as seen by major international hotel chains and low cost chains that are similarly looking to expand outside of the capital. With the fast rate at which the hotel sector is expanding and the increased competition it has become increasingly important that all firms in the hotel industry formulate appropriate sustainable strategies that will give them a competitive edge (Armstrong, 2013). This can be done through taking advantage of the organizations individual competitive advantage and using those advantages towards retention and growth of their market share. Tourism services in particular have become of immense value to several nations and this is the actual scenario where multinational enterprises compete to attain a competitive advantage (Weber, Geneste, & Connell, 2015).

In Ghana, the tourism and the hospitality industry has been experiencing several setbacks with its associated growth over the past few years. Despite the challenges that face the hotel and restaurant sub-sector, a lot more hotels are being built and relatively expanding. The sub sector in Ghana seems to be experiencing perfect competition that allows free entry of new companies with little or no hindrance at all (Gyamfi, 2015). Evidence can also be adduced in support of the fact that the hotel industry is growing and therefore competition. As a result of competition hotels are rapidly gaining prominence since the demand of consumers stimulate these kind of changes. Competition in this sector has contributed to reshaping firms operation objectives from product-centric to consumer-centric (Agyapong, Mensah, & Ayuuni, 2017). The facts that the consumers push for affluence for new but less expensive services leaves firms in the hotel industry with no choice than to increase their performance as it was not the case in the recent years. The hoteliers in Ghana today face numerous setbacks from factors in this dynamic business environment which affect their business performance. These setbacks have brought about the adoption of specific business and functional strategies to achieve better performance and competitive advantage (Mensah, 2014).
Some hotels that have been adopted by Ghanaian hotels in order to stay competitive include accessibility decisions, location selection, relationship marketing, environmental management, offering quality services and the hotel internet usage (Agyapong, Mensah, & Ayuuni, 2017). Scholars like Mahmoud and Hinson (2012), have also highlighted some other competitive strategies such as relationship marketing and environmental management. The hotels industry can also grow with a more customer-oriented approach like market orientation and position that can enhance hotel performance.

Hotels are now paying close attention to the delivery of superior customer value in achieving better organizational performance. The investigation into the market orientation of hotels may offer insights with the overall understanding of the marketing concept in context of service in the hotel industry particularly in the developing nations like Ghana. Owing to the changing nature of Ghana’s hotel landscape with an opening of an increasing number of multinational hotels in Ghana and the fact that the growth of hotels can often be used as a proxy for tourism growth, the Ghanaian hospitality industry offers a good context to explore how market orientation is adopted and practiced (Arthur & Mensah, 2016).

In Egypt, the marketing strategy of hospitality industry is put up on segmentation, positioning and targeting. Companies in the hotel industry have realized the diverse groups and needs in consumer markets, aiming for customers who can be satisfied in a superior way and then placing its offering so that the target market identifies the company’s unique offerings and images (Nassar, 2012). This kind of positioning, therefore, helps consumers know the real difference among the competing services or products so that they can choose the one that is of most value to them. Effective positioning starts with differentiating a firm’s offering, such that it gives customers more value and then steps taken to deliver this value along with communicating this position to the target market (Bonaglia & Goldstein, 2016). Importantly, the aspect of positioning is closely linked to business strategy. The consequence of using the strategy of positioning is the successful creation of the buyer-focused-value offer making it a persuasive reason to why the target market should use the service.

In the context of Kenya, there has been an increased international competition among destinations and hotels in Kenya. This calls upon the Kenyan tourism sector and the players in the hospitality industry to adjust their growth and competitive strategies in
order for them to compete successfully both locally and internationally (Bukirwa, 2017). Kenya is a renowned tourist destination that competes with other countries like South Africa, Egypt, Morocco, Tunisia, Tanzania and Seychelles. The competition calls upon the hospitality firms in Kenya to adopt the kind of growth strategies that would give the hoteliers an advantage over its competitors. In order to survive, the firms competing in the hospitality industry must be agile enough to respond to the pressures to compete on levels unrivalled in the past (Ngandu, 2014). A focus is shifting to the internal processes in order to offer the firms in the hospitality industry the best opportunity to take on the unique challenges facing them today. According to Wadongo, Edhuno and Othuon (2010) in order for the players in the hotel industry to know if they are competitive in the industry that faces a lot of competition, the implementation of sufficient competitive strategies is crucial to achieve the desired competitive advantage as well as the market share.

1.2 Statement of the Problem

Worldwide, all organizations exist in an “open” environmental system which means that they either impact or are impacted by the external environmental conditions that are largely beyond their control (Gyamfi, 2015). The external conditions in which the business operates in calls upon managers to look beyond the limits of their company's own operations. Therefore, regardless the industry in which the business exists they have to formulate competitive strategies in response to the dynamic business environment (Fantazy & Salem, 2016). This will help them in coping up with competition. Globally, hotel industry is facing various challenges such as dynamic customer needs and tastes, the rise in demand for quality customer service, staff turnover and the increasing technology in the hotel industry (Bukirwa, 2017). These challenges demand that the hotel owners and managers devise their growth strategies in order to become competitive in the hospitality sector.

The hotel industry is unique and has low barriers of entry and high barriers to exit the market, this has increased the threat of new entrants and rivalry among the existing firms (Ngandu, 2014). Consumers on the other hand, they have high bargaining power since there many options that they can make choices from, hence, formulating competitive strategies becomes crucial for the firms in the hotel industry. Numerous studies have been conducted locally on various strategies that can be used by the hotel industry to improve performance. For instance, Ngadu (2014) conducted a
study on the influence of competitive strategies on performance of hotels in Thika Town and established that differentiation strategies had a strong relationship with performance of hotels, Nyawira (2016) investigated the relationship between marketing strategies and performance of large hotels in Nairobi County and established that marketing strategies application had a positive impact of performance of hotels, Hassan (2018) carried a study on the effects of strategic organizational practices on the performance of hotel industry in Kenya and established that strategic management practices were major drivers of performance in the hotel industry. Nevertheless, none of these studies has covered the impact of growth strategies on business performance of the hotel industry. There exists a gap that needs to be addressed, therefore, this study sought to determine the effects of growth strategies on organizational performance of five star hotels in Nairobi.

1.3 Purpose of the Study

The purpose of this was to establish the effects of growth strategies on organizational performance in five star hotels in Nairobi.

1.4 Research Questions

The following research questions guided the study:

1.4.1 What is the effect of product development on organizational performance of Five Star Hotels in Nairobi?

1.4.2 What is the effect of diversification on organizational performance of Five Star Hotels in Nairobi?

1.4.3 What is the effect of market penetration on organizational performance of Five Star Hotels in Nairobi?

1.5 Significance of the Study

Below are some of the beneficiaries of this study:

1.5.1 Hotel Industry

The hotel sector is expected to benefit from the findings of this study as they get to understand the impact of various growth strategies on their performance. This would help the players in the hotel industry to make informed decisions that can help their businesses grow as well as gaining a competitive advantage in the market.
1.5.2 Researchers and Scholars

Researchers and scholars are also expected to benefit from the findings of this study with additional knowledge relating to growth strategies and the organizational performance of various companies. Researchers and scholars can also use this study in their literatures as they analyze the contributions of various readers on the subject matter.

1.5.3 Policy Makers

The policy makers are expected to benefit from the findings of this study as it highlights the effects of growth strategies on organizational performance in five star hotels. The policy makers will be able to come up with policies that can guide the players in the hospitality industry and create a favorable environment that will enhance business performance.

1.6 Scope of the Study

This study focused on the effect of growth strategies on organizational performance in five star hotels in Nairobi. The study targeted senior managers, middle level managers and lower level managers that work in five star hotels in Nairobi County. The study targeted managers since they are the ones involved in key decision making that pertains to the expansion as well as growth of the business. The study was limited to five star hotels located in Nairobi. In addition, the study was conducted between the period; January to April 2019.

1.7 Definition of Terms

1.7.1 Strategy

Strategy refers to a high plan in order to achieve one or more goals under conditions of uncertainty that is the plan of action that directs how organizational policies as well as practices are framed and executed to effectively assign the structure and manage corporate scarce resources to achieve organizational goals (Ogbechie, 2018).

1.7.2 Growth Strategies

Growth strategies refers to strategic planning tool by Igor Ansoff that offers a framework to help company executives, the senior managers and marketers to devise the strategies for future growth or prospectus (Blackburn, Hart, & Wainwright, 2013).


1.7.3 Organizational Performance

According to Hinson (2016), organizational performance refers to the actual output or the results of the organization as measured against the intended outputs and the outputs can be looked in three specific areas that is financial performance, product market performance and the shareholder returns.

1.7.4 Product Development

Product development is the series of steps of the complete process that brings a new product into the market by considering conceptualization, the design, the development and marketing of the newly created or rebranded good or service in the market (Fantazy & Salem, 2016).

1.7.5 Market Penetration

According to Johanson and Leigh (2011), market penetration refers to the successful selling of the service or product in an intended market and can be measured in terms of sales volume of the existing good or service in respect to the total target market for the product or service.

1.7.6 Diversification strategy

Diversification strategy refers to the strategy that a company adopts for the development of its business which involves widening the scope of the company across various products and market sectors (Ibrahim & Kaka, 2012).

1.8 Chapter Summary

This chapter has presented the background of the problem, statement of the problem to offer clarification of gaps it intends to solve, purpose of the study has been stated and research questions that will offer guidance to achieve the objectives of the study have been presented in this chapter. Chapter of this study covers the literature review followed by chapter three covering the research methodology that was used in conducting the study. Chapter four presents the results and findings of the study. Chapter five presents the discussion, conclusion and findings of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents a literature review based on the research questions introduced in chapter one. The first section presents the literature on the impact of product development on organizational performance followed by the impact of diversification on organizational performance and the impact of market penetration on organizational performance.

2.2 Product Development and Organizational Performance

Product development is part of a major focus and an approach by companies that seek to have a strong aspect or presence and domination in the market (Saban, Lackman, & Peace, 2015). It is part of a scheme to attain uniqueness in the products that it tries to channel out into the market. Product development aims at offering additional advantages to the customers by offering newer or additional characteristics to the products (Revilla & Knoppen, 2012). Often, the effort towards product development is aimed towards addition of different characteristics to the products, making it unique thus offering an advantage to the customer. Zack, McKeen and Signgh (2013), in their writing on product development indicate that product development can take the form of modification of the products in terms of its general presentation or still creation of an entirely new product in order to cover the interest of the targeted market thus having the direct benefit on the consumers of the product.

Product development is an interchange term with innovation of the product. Both processes assume the conversion of a product into an entirely new product or the modification for the sole purpose of fitting into the interest of the consumers (Farrell & Gallagher, 2014). Martinsuo, Suomala and Kannianen (2013), indicate that product development is often a strategy towards combating competition or trying to be ahead of the pack in the market segment. In today’s business environment, competition has become rife and part of a growth strategy and market strategy is the adoption of product development and innovation. According to Blackburn et al. (2013), the major expectation by consumers from the producers of products and services (organizations) is meeting the expectation of producing products and services that are satisfying to the consumers. An organization stands to lose both in market performance and other aspects such as revenue.
Armstrong (2013), argues that is out of stiff competition that the organization face in the market that they are forced to develop new products and strategies in order to retain their market position or rather have a better edge in terms of competition in the market. Chen (2016), in the article in differential leadership, team conflict and new product development also explains that another reason for product development by organization is the varying customer needs and changes in consumer habits by customers. Consumer behavior keeps on evolving at a rather faster pace and it is up to the effort of the companies to actually adapt to the changes and make the needs to suit the preferences of the customers. Menon and Lukas (2014), in their writing on product life cycle and development also articulated the reason for product development is the evolutions in terms of technology. Technology is shifting at a very rapid pace and thus there is need for organizations to fit their products to match up with the trends in technology or rather incorporate technology into their products in order to fit to the needs of the consumers.

In the study by Healy, Ledwith and O’Dweyer (2014) they state that there are fundamental reasons and a number of factors that lead a company to setting up its own approaches to new product development. Such factors can be listed as the size of the industry, type of products and the number of products that it channels out. The factors dictate how the organization is going to conduct the process of product development. Some industries actually focus their product development to putting additional technical specification to their products (Arthur & Mensah, 2016). Others focus their development towards easing the time of development of the product that is reducing the amount of time it takes to produce a product and consequently focusing on the mass production of the product.

Reddi and Moon (2012), in their writings posit that for a smooth product development process, there are two basic factors that come into play. These are the processes towards the production of the product and the personnel that will be entrusted to handle the process towards production. Mahmoud and Hinson (2012), observe that the personnel aspect of product development involves the management of the organization, the persons that handle the product right from the production line to the market level and the feedback from the consumers of the product. These three stakeholders interact and try to look at the many ways in which to develop a new product or make improvements to the products.
Fantazy and Salem (2016), also contribute to the common agreement among scholars that product development is out of an intensive market research by the organization.

According to Linzalone (2008), that product development is as a result of globalization that has seemed to affect world market. In his argument he indicates that globalization has enabled companies reach newer markets and consequently offers competition to the dominant companies in those markets. In order to survive the market turbulence brought about by globalization, there is the need for companies to engage in product development. In his study on the performance of new products. Park (2010), observes that best performing companies generate their revenues from the new products they launch in the market. Therefore, there is the need for firms to constantly engage in the new product development in order to register impressive sales figures.

2.2.1 Product Strategy

Pelijhan (2018) explains that the product strategy is the combination of market strategies that the firm or organization has over a product in the market. Gyamfi (2015), also defines product strategy as the road map in which the product takes in the market. This adds to the definition of product strategy as the vision of the product in the market landscape. The product strategy is always defined by the marketing department in the organization. Product strategy outline defines how the product is poised to perform in the market compared to other competing products. Healy et al. (2014), state that, product strategy is about the general imagination of the product in the market. The outcomes of the products are to be visualized by the team that is tasked to guide the product in the market. In a product strategy, there should be a vivid and clear vision of who the target market of the products is and what are their consumer patterns and behaviors.

Hsu (2016), also insist that product strategy encompasses three different mixes that is the market and needs, key features and differentiators, and business goals. Product strategy requires a long term vision by the organization. It is a serious work of research in which it requires to have the data on the different market needs, and the business goals that the product aims to undertake. Gautam (2015), in his reference on the high technology companies explains that products strategy and its utilization of imagination is rather a process that should be approached in a very skillful manner. The outcomes of the products strategies may not be always favorable and in turn lead to losses in investments by organization.
2.2.2 Effective Project Management

Mathur, Jugdev and Fung (2013), define a project as an endeavor to create something new and unique. In their studies on project management indicate that project in their sense are short-lived in that they are periodical undertakings by organizations and not part of the core objectives by the organization. Product development can be sometimes a complex affair especially if the product has to have radical modifications in its nature. Different teams have to be brought together in a project to develop the new products and put the products into trial. These aspects require coordination from the different teams tasked with developing the product. The more complex a product development process is, the more it will take in terms of coordinating effort to complete the project (Menon & Lukas, 2014).

Bourouni, Noori and Jafari (2014), also add that project management in its form, points to a coordinated and a systematic effort to producing new products for the market. It is a process of control by the managers of the team tasked with the project management. Feedbacks from the markets have to be accurately reported in order to do extra modification or to eliminate some aspects of the product. Ajmal, Malik and Saber (2017) also observe that it is a process of outsourcing for new ideas for incorporation into the product. It is a learning process by the organization in what the do’s and the don’ts for the products and a particular market are.

2.2.3 Quality Management and Efficiency

There has to be a measure in how the process of product development is taking shape when it comes to product development through quality management practices (Fantazy & Salem, 2016). For measure of performance, only limited parameters can be accounted for as some other processes are far too complex for organizations to measure (Hassan, 2018). The most important measures in a product development project is the amount of time the product takes to get developed and the cost it takes to get developed. Quality as an aspect in the process of development should be taken into serious consideration (Ardyan, 2018). Quality influences the turnover of a product from the production line. Cost of production is a factor that influences the final product in the market. The higher the cost of production, the more the product will cost at market level. It is thus imperative for organization to look into the aspect of cost of production a new product into the market
and the expected return from the product. Cost control will help reap maximum return on
the product and more importantly its quality.

Gyamfi (2015), explain that efficiency and effectiveness seem to be a common
denominator in terms performance. In his definition explain efficiency as the process of
utilizing a resources in an effective manner that does not seem to have any sort of
wastages. Aarseth, Rolstadås and Andersen (2013), argue that efficiency maximizes
performance. A measure of performance has elicited debates among many scholars.
Scholars have not agreed on a universal standard way of measuring performance. There is
a standard that has been developed in order to measure performance which is referred to
as the performance prism. The performance prism bases its score on five different but
interrelated aspects namely stakeholder satisfaction, stakeholder contribution, strategies,
processes, and capabilities.

2.3 Diversification and Organizational Performance

Sharma and Anand (2018) state that diversification is a risk strategy that organizations
employ through having a different range of products in its portfolio. They further explain
that diversification aims at increasing the market share by the organization and
consequently increasing profitability in the organization. According to Weiss (2016)
diversification is a dictate of the market risk. After the risk levels have been worked out,
it is prudent for the organization to work out a proper exit strategy in an event that a
particular portfolio does not perform as expected or when the outcomes in the long run
may not be favorable to the organization. Burkirwa (2017), indicates that diversification
can also be seen as a strategy of penetrating into the new market segments by the
organization. In diversification, organizations try to explore new market segments in
order to reap maximum benefits and increase on its market base.

According to Hassan (2018), diversification and market performance stand to be the most
researched concepts in the business circles today. However, the relationship between
diversification and market performance seem to be blurry in the outcomes. This is for the
reason that the different methodologies that are used to measure the two parameters. Chen
(2016), argues that the blurriness in the two aspects, diversification and market
performance is out of the factors such as the negligence of various market strategies. This
is because the dynamics of the different industries in which these organizations are placed
affect the organizations in different ways. Diversification can also be looked at as the tool...
of domination in a market. Domination in diversification can be used as a tool in which the organization can give various choices and options in the market therefore overriding the consumers with its products in the market. Mensah (2014), observes that in large firms and more established markets, business managers have used diversification as a tool for market domination in that there is always an option from the same organization in the market.

Bhatia and Thakur (2018), further points out that in trying to increase their portfolio in the market, there is an observation in the sharp increase of buyouts and mergers in the American corporate scene. This can be attributed to trying to increase the return on investments following pressure from the shareholders. Armstrong (2013), observes that diversification brings with itself complexity in managing the organization. With the increase in portfolio or the entrance of new markets, there comes the need of skill and talent invited to the organization, to help manage and cope with the scope of work. With time this proved challenging and the outcomes from diversification did not seem to be favorable to organizations.

In the study of the effect of diversification in the organizations in North America, Hashai (2015), observes that there are mixed results from diversification by firms. His comparison of firms that choose diversification versus the firms that chose to focus on a particular market and develop it to the best interest of the consumer, he found out that firms that chose to diversify performed rather poorly than the non-diversified firms. He concludes that diversification did not work out properly for firms in north America owing to the complex nature of markets the firms found themselves in and the strain in terms of resources both financial and personnel wise that were required. In a study by Dhandapani and Upadhyayula (2015), on the acquisition made by top 100 firms in the United states, he notes that more than twenty years down the line, the firms have already disengaged from the acquisitions or there is low business profitability from the acquisitions. He notes that the firms came to a sudden realization that the rush to acquire new markets and competitors was in futility as there was not a good business sense in making the acquisitions.

Delbufalo, Poggesi and Borra (2016), tried to examine the impact of diversification on the firms in Italy. He noted that there is an increased tendency of firms to invest in regions outside china such as Australia and other eastern pacific countries. They noted that the reason that advised the corporates to conduct the diversification was the need to reach
newer markets before the competitors and the need to raise extra revenues. In their study, they noted that markets in China are very competitive and had a negative effect on the revenues that were being generated. Goryni, Nowak and Walniak (2014), on the effect of diversification in the pharmaceutical industry in Germany, he notes that the pharmaceutical industry is becoming less and less profitable in Germany. He notes that diversification in the pharmaceutical industry has to incorporate the element of technology as more and more health care treatments are moving towards integrating the aspect of technology in a bid to reach newer markets. The business model of these businesses have be pegged towards technology as it is of little or no meaning for a business to adopt technology whereas its core model does not make use of technology (Bresciani, Vrontis, & Thrassou, 2015).

In the investigation of diversification in insurance industries in Kenya, Ngandu (2014), notes that diversification has been of much value to the insurance sector in Kenya. Insurance firms that are found to diversify their markets and products are registered as better performers compared to the industry players who choose to operate on their core products. He notes that with the increase in wealth and incomes by citizens of the country, there is a rise of uptake in other insurance product such as health, education and insurance. Inoti, Onyuma and Muiru, (2014), in their study further points out that telecommunication industry especially in the emerging markets is under fierce increase in competition. There is a rise in investments by firms that are more established into the emerging markets. This has led to the diversification by firms into other technological products such as mobile data in a bid to retain their profitability and market share.

Efficient companies allocate resources to the activities for which they can enjoy a comparative advantage (Connolly, 2008). Other functions are increasingly outsourced, for instance outsourcing production of goods and services to a company that has a competitive advantage in terms of quality, cost and reliability is emphasized by most companies that seem to be having production costs in the home country (Liu, Huo, & Zhao, 2015). Outsourcing contracts enables firms to assess productivity in terms of the internal service activities and only undertake the actions of outsourcing if the providers can offer better comparable service. Cost reductions due to the differences in labour costs lead to the outsourcing and positive changes in inputs and the output being produced can be altered by profits and the growth in productivity (Brewer, Ashenbaum, & Ogden, 2013). According to Bagga (2015) outsourcing activities does not only result in a shift of labour
but also the productivity differences between outsourcing contract offering company and the outsourcing contract receiving companies. Outsourcing also permits companies to rely on management teams in other companies in overseeing tasks in which they are at a relative disadvantage, and increasing the managerial focus and resource allocation to the what the company does best.

2.3.1 Risk Diversification

Thourmrungroje and Tansuhaj (2005), investigated the relationship between risk and diversification and they found out that the decision to diversify is advised by the risk levels that the organization will face out of diversification. The level of risk and the use of resources when trying to undertake a diversification process. They concluded that the level of risk affected the diversification process in that when the level of risk was high, there was less likelihood that the process of diversification will be undertaken by the firm. Fantazy and Salem (2016), advised that the management of the organization should investigate the level of risk that the company may face when they seek to conduct any type of diversification. Farrell and Gallagher (2015), further indicates that the level of risk also depends upon the level complexity in the nature of the markets. Highly complex markets attract a higher level of risk than the less complicated markets. A managed level of risk on the portfolios will help increase the level of return by the organization. In highly regulated industry, the levels of risk can be ascertained since there is availability of data and research. Firms can use the data to calculate the level of risk they may face should they think of diversifying to a particular portfolio or market segment and make decision as to whether it is right to take the steps.

Hashai (2015), further explains that diversification has an effect on capital structure by firms. It takes a lot of resources to conduct diversification by firms both in form of personnel and financial capital. In the process of trying to conduct diversification both in terms of product and in terms of market, there ought to be a thorough analysis the financial situation of a firm and the type of diversification that they wish to conduct. He further advises that firm’s size should not be an impediment to diversification. Small firms can look at an affordable channel for diversification. They can observe their market share and the loyalty of their customers and then think of diversifying if the odds look right. Small and medium firms can adopt a diversification policy in which they choose to
enter a market in a risk controlled way. By this, the firms choose what they can be able to manage rather than choosing to diversify randomly than they can afford to risk.

### 2.3.2 Leverage

Farrell and Gallagher (2015), also added that businesses can leverage on resources to take advantage of the market condition thereby ripping the best and avoiding any form of dominance by other players. By diversifying efficiently, there is a maximum return on the investment. Furthermore, they tried to explain the relationship between leveraging and managing risk and the process of diversification. Lindquist (2015), also found out that when a well-established firm tried to conduct a diversification, making leverage of its resources, there was a likelihood that the firm will succeed in the market since it has the advantage of capital to support any aftermath that may occur from the consequence of diversification. Lindquist (2015), also found out that better established companies stood a better chance of succeeding in the process of diversification if they used their established brand to push in their endeavors in the new product segment or the new market segment.

Diversification strategy gives the organization an opportunity to leverage its investments especially when it comes to pursuing growth in a selected market segment (Bhatia & Thakur, 2018). It is essential for the company’s profitability as well as growth to have a significant leverage on its value that is a result of diversification strategy, since the company accumulates its income from various sources that it has invested in.

### 2.4 Market Penetration and Organizational Performance

Armstrong (2013) explains that market penetration is the mode in which a particular product gains a market share in a particular market. It can also refer to the way in which a particular product or brand shares a recognition in a particular market segment. All the modes of market penetrations are as a result of how effective the marketing strategy is effective. Thiam (2012), indicates that Market penetration majorly focuses on gaining more and more customers in a market niche. It is majorly about harvesting customers in a market segment to try products by the organization. Market development however focuses on developing customer relations. Market development is in essence trying to cement a deeper relationship with the customer in order to win the customer’s loyalty in the long run.
Ekwulugo (2013), indicates that a way of also trying to dominate a particular market in order to rip from its full benefit is trying the different market penetration strategies. Also in another study by Ardyan (2018) found out that the majority of organizations in the united states used market penetration strategies in order to gain a foothold in the markets they wished to control. He further points out that that market penetration can take various forms. Each form is dependent on the kind of marketing strategy that the firm will choose to adopt into their grand plan of market penetration. Market penetrations that assume a pricing strategy tend to control the prices of their products in the market. The prices can be low in order to try and have the advantage of attracting more customers, dominate the market with their products and also discourage new investments by other organizations into the market in which they are trying to be dominant.

According to Bonaglia and Goldstein (2016), organization performance is how effective the organization achieves its well down laid goals and strategies. It is how the organization employs its different strategies towards making sure that it has a good grip or footing in the market segment in which it selects. Organization performance is a measure success by the organization. A well ranked performance score by the organization is an indication that all the adopted strategies are working in the right way for the company. Organization performance encompasses three basic elements in the organization. The elements include the market performance, financial performance and the shareholder return. A good market performance is an indication of a proper grip in the market segment and thus the ability of the organization to have better financial records and thus offer good return on shareholder investments (Blackburn, Hart, & Wainwright, 2013).

Agyemag and Ryan (2013), further points out that in order to achieve a market penetration success, there is the need for the organization to invest in a proper marketing strategy. A good marketing strategy makes the difference if the organization is to receive a proper market penetration in whichever segment it chooses to diversify in. There ought to be a comprehensive guide to marketing that is deeply embedded to every other strategy adopted by the organization. A marketing strategy is important in that it provides a guide into how the different aspect of production will take place. A good marketing strategy is the ultimate edge of an organization to its competitors. Tsiotsou and Vlachopoulou (2011), indicates that in trying to adapt to the strategy of pricing in order to gain a market penetration, it is always prudent to take in stock of the performance of the
products in the market. It is not obvious that a low pricing strategy will work for any organization that seeks to make use of it. There are mixes of other factors that try to influence how successful the product will be in the market despite the pricing strategy that the organization will use in order to have a market advantage.

2.4.1 Pricing

Pleshko, Heiens and Peev (2014), found out that there exist a strong correlation between the pricing strategy of a product and the organization performance. Organizations are seen to perform better in a market segment when it has its pricing strategy to its focus. Pricing and quality of product seem to share a strong correlation. They found out that better quality products with a higher price seem to enjoy a better market domination than poor quality products with a low pricing strategy. In his study on the Apple Company, Dolata, (2017), found out that the reason for better performance of Apple products in the market was due to the quality of products from their production line. Despite the high pricing strategy, apple has been able to dominate the Smartphone market and the reason for this was a better quality of products.

In a study in the export market by organization, West, Ford, and Ibrahim (2015), notes that there are different elements that do affect the prices of products in the international market. The reasons for the different pricing strategy was out of the PESTEL model that mostly focused on political factors, economic factors, social factors, technological factors, environmental forces and legal forces. All these forces combined have a direct effect on the final price of the product. West, Ford, and Ibrahim (2015), states that market pricing works to enable the product gain a foot hold in the market. Penetration pricing helps the organization in trying to gain acceptance in the market. The penetration pricing strategy should be such that it offers the feeling to customers that the products are of better advantage compared to the competitors’ products. Penetration pricing strategy can be used to launch a new product portfolio effectively or gain a market share in a new market segment.

West, Ford, and Ibrahim (2015), also adds that pricing strategy is also a tool for domination in a market segment. Pricing strategy indicates a sort of market power in the organization. Pricing is associated with a particular brand. Each brand seems to have earned a price in the eye of the consumer. There are products that are associated with the wealthy, though they may not be as expensive as they seem to be. The prices of these
products therefore tend to go up. They further points out the fashion and alcoholic beverage industry. Although the product production process is the same with most other products, the product brand distinguishes itself in the shelf and therefore attracts a better price (Hinson, 2016).

In his study Bukirwa (2017) points out that there are areas that pricing seemed to be fixed by particular aspects in the market such as regulation. Price control has been used to control inflation and protect industries thus the general macro-economic outlook of a particular country. A case point is referred to the oil industry. In this kind of industry, there are regulations that govern the maximum price a particular product will sell. In such cases, the market is always fair and that the players coordinate. The players can use other kinds of strategies to gain a better advantage in the market. Pricing strategy should also rely on the information on the ground and then compare to the performance of a particular product (Bonaglia & Goldstein, 2016). West, Ford and Ibrahim (2015) on the other hand argue that the aspect of adjusting the price in respect to the adjustments in the market trends help reap a maximum benefit for an organization.

### 2.4.1 Promotion strategy

Many research studies have shown that there is need for a good promotional mix by organizations in order to achieve the best outcomes or performance through market penetration (Allen & Helms, 2006). A study by investigated the outcomes of using the different promotional strategies in trying to have a better market performance. In the study, promotion mix such as advertising helped the customers in getting to know the product. Advertising tried to get the product exposed to the different market segments (Bhatia & Thakur, 2018). The study also found out that promotional mix like personal selling allowed the organization get the proper feedback in terms of how their products are being received in the market. Personal selling also created a chance and an opportunity to influence the particular customer into buying the product.

Few if any products can survive in the market without a proper promotional mix (Turnbull, 2011). There is need for a good promotional mix however well the product is placed or ranked in the market. Promotional strategy is the optimal use of all promotional mix elements namely advertising, personal selling, public relations, and sales promotions in order to articulate better in the market. Promotional mix has been seen as an effective strategy to gaining a better presence in the market (Blackburn, Hart, & Wainwright, 2013).
2.4.2 Product Distribution

Distribution strategy is an important aspect of a marketing mix in that they are the ultimate channels in which the products reach the market (Matikainen, Terho, & Juppo, 2016). They found out that the efficiency in the distribution system also influences the product pricing strategy. An expensive mode of distribution is a sure way of increasing the final prices of the products in the market. Distribution systems should focus on the economies of scale. When a company should make their distribution systems efficient and utilize the economies of scale in the distribution chain in order to have a competitive market advantage (Ardyan, 2018). Distribution strategy should also cover the aspect of timeliness in delivery. According to Chen (2016) the faster the products arrive in the market the better it offers an advantage to the organization. The products should always be on demand such that they are available at any moment of request. In their study, Brenes, Montoya, and Ciravegna (2014) also found out that the distribution strategy of a product in an organization is interlinked with its overall market performance. In his studies, he point out the effective distribution strategy that Samsung makes use of. At the launch of product conference, the consumer can order for their devices using any channels such as online or in the shops. The products are always available.

Distribution strategies by the company are subject to various factors in the market. They include such factors as legal factors, the volumes in which the market absorbs, and the geographical location of the market (Dhandapani & Upadhyayula, 2015). All these factors will have an overall effect on the final price of the product in the market. In the general outlook of the petroleum industry in Kenya, Peter, Namusonge, Waema, and Ngonzo, (2014) commends the petroleum industry regulator in trying to apply the competitive open tender system to have only one bidder have the right to import the petroleum products. They insist that the policy helps in bringing down the cost of logistics and distribution in the market as only the bidder with the capacity to import is encouraged to do so. He insists that if everyone was encouraged to import, there would be price differences in which other stakeholders would be forced to sell their products at a higher cost to cover for the cost of their distribution.

2.5 Chapter Summary

This chapter has presented the literature review on the effects of growth strategies on organizational performance by reviewing what various authors and scholars have documented on the subject. The first section has covered the literature on the impact of
product development on organizational performance followed by the impact of diversification on organizational performance and the impact of market penetration on organizational performance. The next chapter will present the research methodology that was adopted in carrying out this study followed by results and findings in chapter four, with the summary, discussion, conclusion and recommendations provided in chapter five.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was used in carrying out the study to effectively address its objectives. The first section presents the research design of the study, followed by population and sampling design, data collection methods, research procedures and data analysis methods.

3.2 Research Design

Research design refers to the set of methods and the procedures used in collection and analysis measures of the study variables specified in the research problem (Abu-Bader, 2012). According to Grinnel (2016), research design can also be defined as the overall strategy the researcher uses in integrating different components of the study in a logical and coherent way, thus, ensuring that the research problem was addressed effectively. Furthermore, he indicates that there are various types of research design including; explanatory, exploratory, descriptive survey and causal research design. This particular study adopted the use of descriptive survey design. Descriptive survey design refers to the scientific method that involves observing and describing the behaviors of the subject without any influence (Zurmuehlin, 2013). The design was adopted because it enabled the researcher to gather respondent’s perceptions, opinions, attitudes and beliefs about the phenomena under investigation.

3.3 Population and Sampling Design

3.3.1 Population

Population constitutes as all the elements, individuals or items that meet the selection criteria for a group to be investigated or studied and from which a representative sample can be drawn to represent the entire population (Cooper & Schindler, 2014). The population of this particular study were managers from five star hotels in Nairobi namely: Villa Rosa Kempinski, Sarova Stanley, Fairmont the Norfolk Hotel, the Nairobi Safari Club and Intercontinental Hotel.
Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Five Star Hotel</th>
<th>Population</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Villa Rosa Kempinski</td>
<td>31</td>
<td>25</td>
</tr>
<tr>
<td>Sarova Stanley</td>
<td>27</td>
<td>22</td>
</tr>
<tr>
<td>Intercontinental Hotel</td>
<td>33</td>
<td>26</td>
</tr>
<tr>
<td>Fairmont the Norfolk Hotel</td>
<td>21</td>
<td>17</td>
</tr>
<tr>
<td>Nairobi Safari Club</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Sampling frame is the list or a device that can be used in defining the target population that the researcher intends to investigate. Sampling frame highlights set of elements from which the researcher is able to select a sample to represent the entire target population (White, 2012). The sampling frame of this study was obtained from the Human Resource office of the respective five star hotels.

3.3.2.2 Sampling Technique

Sampling technique is the technique that the researcher uses to ensure that various groups that are either heterogeneous or homogenous are well represented in the final sample selection to be used in the study (Abu-Bader, 2012). Since the population was stratified the study deployed stratified sampling technique. Stratified sampling technique refers to a method of sampling from a population which can be portioned into subpopulations (Cooper & Schindler, 2014). The study used stratified sampling technique enabling the researcher to select managers from various five star hotels involved in the study.

3.3.2.3 Sample Size

Sample size refers to the number of units that is chosen from the target population from which information is gathered to fulfill the objectives of the researcher (Cooper & Schindler, 2014). For this study the sample size was determined using the Yamane’s formula.

\[ n = \frac{N}{(1 + Ne^2)} \]
Where, \( n = \) sample size

\( N = \) Study Population, =125

\( e = \) Alpha level of 0.05

Substituting these values, the sample size was:

\[
n = \frac{125}{1 + 125(0.05^2)}
\]

\( n = 95 \)

The sample size of this study was 95 managers.

**Table 3.2: Sample Size Distribution**

<table>
<thead>
<tr>
<th>Five Star Hotel</th>
<th>Population</th>
<th>Sample Size</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Villa Rosa Kempinski</td>
<td>31</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td>Sarova Stanley</td>
<td>27</td>
<td>21</td>
<td>23</td>
</tr>
<tr>
<td>Intercontinental Hotel</td>
<td>33</td>
<td>25</td>
<td>26</td>
</tr>
<tr>
<td>Fairmont the Norfolk Hotel</td>
<td>21</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>Nairobi Safari Club</td>
<td>13</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125</strong></td>
<td><strong>95</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**3.4 Data Collection Methods**

Data collection is the process of collecting data from the respondents that form the target population of the study in a systematic manner in order to address the research questions effectively (Cooper & Schindler, 2014). This study used a structured questionnaire as the primarily tool for collecting primary data. The questionnaire was based on five scale measurements that is 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5-strongly agree. The questionnaire was used since it was considered to be the main instrument for data collection in a survey research, hence, making it ideal tool for collecting data to address the research objectives as it enables the researcher to set standardized questions that follow a fixed scheme to collect data on one or more specific topic (Merriam, 2016).

**3.5 Research Procedures**

Research procedures is a detailed sketch or framework depicting step by step on how the researcher is going to carry out the research in meeting the research objectives of the
study (Cooper & Schindler, 2014). After completion of the proposal, approval was sought from the supervisor, upon its approval, a letter of introduction was sought from the University introducing the researcher to the respondents. The letter was used to apply for the research permit from National Commission for Science, Technology and Innovation. Once the permit was granted, a pilot test was carried out using a ten percent of the respondents to test the validity and reliability using Cronbach’s Alpha. After conducting a pilot study, any identified weakness or errors that was found in the questionnaire, they were corrected before administering the research instrument for the actual study. With the help of a research assistant the researcher physically visited the five star hotels and located the respondents for data collection. A drop and pick was adopted giving the respondents a maximum of one to two weeks to fill the questionnaires. After two weeks, the questionnaires were collected and cross-checked for data analysis. The findings were presented using in tables and figures.

3.6 Data Analysis Methods

Data analysis is the process of research inspection, transformation and modeling of data into meaningful information with the purpose of discovering useful information and drawing inferences that can enhance decision-making (Cresswell, 2014). The study made use of both descriptive and inferential statistics. Descriptive statistics analyzed frequencies, percentages, means and standard deviation, while inferential statistics included correlation, ANOVA and regression analysis. Statistical Package for Social Sciences (SPSS) version 24 was used for data analysis.

3.7 Chapter Summary

The chapter has presented the research methodology that was used in conducting the study. The chapter has presented its research design, followed by the target population and sampling design. Other sub-sections included data collection, data analyses and research procedure. The next chapter presents the results and findings of the study followed by summary, discussion, conclusion and recommendations.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents results and findings of the study obtained from the target respondents. The first section highlights the response rate and general information of the respondents. The second section presents the findings on the impact of product development on organizational performance, third section covers the findings on the impact of diversification on organizational performance and fourth section covers the impact of market penetration on organizational performance.

4.2 Response Rate and General Information

This section provides the response rate of the study and demographic information of the respondents covering the following variables; gender of the respondents, age of the respondents, number of years in service, management level and work department.

4.2.1 Response Rate

This study had an overall response rate of 83% that is 79 questionnaires out of 95 were dully filled and returned to the researcher. 17% accounted for 16 questionnaires that were not answered by the respondents as highlighted in Table 4.1.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>79</td>
<td>83</td>
</tr>
<tr>
<td>Did Not Respond</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.2 General Information

Demographic information of the respondents were also identified, the variables presenting respondents demographics included; gender, age bracket, number of years in service, management level and work department.
4.2.2.1 Respondents Gender

When the respondents were asked to indicate their gender, 46% of the respondents were male and 54% were female as shown in Figure 4.1. This implies that the hotels had a diverse gender representation of the respondents.

Figure 4.1: Respondents Gender

4.2.2.2 Respondents Age

When the respondents were asked to indicate their age bracket, 19% of the respondents were above 48 years, 26.6% aged between 41-47 years, 34.2% aged between 34-40 years, 3.8% aged between 26-33 years while 26.5% aged between 18-25 years as indicated in Figure 4.2. This implies that there was a good distribution of age among the target respondents.

Figure 4.2: Respondents Age
4.2.2.3 Number of Years in Service

When the respondents were asked to indicate the number of years they had worked for the organization, 7.6% had worked for a period of 0-1 year, 24.1% had worked for a period of 2-4 years, 40.5% had worked for a period of 5-7 years, 21.5% had worked for 8-10 years and 6.3% worked for more than 10 years. This implies that the respondents had sufficient knowledge on the information being sought in this study.

![Number of Years in Service](image)

**Figure 4.3: Number of Years in Service**

4.2.2.4 Management Level

When the respondents were asked to indicate their level of management, 16.5% were top level managers, 40.5% were middle level managers and 43% were lower level managers as shown in Figure 4.4. This implies that the respondents involved had sufficient information on the information sought in this study.

![Management Level](image)

**Figure 4.4: Management Level**
4.2.2.5 Work Department

When the respondents were asked to indicate their work department, 19% work in customer service department, 23% in marketing departments, 20% in restaurant, 15% in accommodation, 12% in logistics, and 11% in finance as shown in Figure 4.5. This implies that the respondents had sufficient information on the information sought in this study.

![Work Department Chart]

Figure 4.5: Work Department

4.3 The Impact of Product Development on Organizational Performance

This study sought to determine the impact of product development on organizational performance. The findings are presented in terms of both descriptive and inferential statistics.

4.3.1 Descriptive Statistics for Product Development and Organizational Performance

The findings shown in Table 4.2 highlights the respondent’ feedback on the impact of product development on organizational performance in five star hotels in Nairobi. The responses were tabulated in means and standard deviation, derived from a Likert Scale of 1-5, where; 1= strongly disagree, 2- disagree, 3-neutral, 4-agree and 5-strongly agree.

The findings show that respondents agreed that product development is crucial for their business success, with a mean of 4.32 and SD = 0.994. The respondents agreed that product development in the organization ensures quality of the product is met, mean = 4.32 and SD = 0.959. The findings also show that the respondents were in agreement that technological innovation of products has enhanced business performance, mean = 4.24 and SD = 0.804. The study also shows that respondents agreed that product development
enables the organization to come up with product management strategy, with a mean of 4.33 and SD = 0.571. The respondents agreed that innovation has influenced organizational restructuring, with a mean of 4.34 and SD = 0.890. The respondents were also in agreement that product development enhances project management execution in the organization, with a mean of 4.49 and SD = 0.714. The respondents agreed that product development is crucial for quality standards of products set by regulators, with a mean of 4.29 and SD = 0.719.

The findings indicate that the respondents are in agreement that product development enhances new ideas and creativity, with a mean of 4.38 and SD = 0.685. The respondents of this study agreed that product development ensures that the product design is in line with the needs of the customer, with a mean of 4.14 and SD = 0.843. The respondents agreed that product development plays a big role in total quality management on the company’s products and services, with a mean of 4.39 and SD = 0.687.

Table 4.2: Descriptive Statistics for Product Development and Organizational Performance

<table>
<thead>
<tr>
<th>Product Development Factors</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product development is crucial for your business success</td>
<td>79</td>
<td>4.32</td>
<td>.994</td>
</tr>
<tr>
<td>Produce development in the organization ensures quality of the product is met.</td>
<td>79</td>
<td>4.34</td>
<td>.959</td>
</tr>
<tr>
<td>Technological innovation of products has enhanced business performance</td>
<td>79</td>
<td>4.24</td>
<td>.804</td>
</tr>
<tr>
<td>Product development enables the organization to come up with product management strategy.</td>
<td>79</td>
<td>4.33</td>
<td>.571</td>
</tr>
<tr>
<td>Innovation has influenced organizational restructuring</td>
<td>79</td>
<td>4.34</td>
<td>.890</td>
</tr>
<tr>
<td>Product development enhances project management execution in the organization.</td>
<td>79</td>
<td>4.49</td>
<td>.714</td>
</tr>
<tr>
<td>Product development is crucial for quality standards of products set by regulators.</td>
<td>79</td>
<td>4.29</td>
<td>.719</td>
</tr>
<tr>
<td>Product development enhances new ideas and creativity</td>
<td>79</td>
<td>4.38</td>
<td>.685</td>
</tr>
<tr>
<td>Product development ensures that the product design is in line with the needs of the customer.</td>
<td>79</td>
<td>4.14</td>
<td>.843</td>
</tr>
<tr>
<td>Product development plays a big role in total quality management on the company’s products and services.</td>
<td>79</td>
<td>4.39</td>
<td>.687</td>
</tr>
</tbody>
</table>

Valid N (listwise) 79
4.3.2 Correlation between Product Development and Organizational Performance

Correlational analysis was carried out to establish the relationship between the independent variable (product development) and the dependent variable (organizational performance). The findings in Table 4.3 presents a correlation between product development and organizational performance. The findings revealed a positive and significant relationship between product development (independent variable) and organizational performance (dependent variable), $r (0.886); p$-value < 0.01.

<table>
<thead>
<tr>
<th>Correlation between Product Development and Organizational Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Table 4.3:</strong> Correlation between Product Development and Organizational Performance</td>
</tr>
<tr>
<td><strong>Correlations</strong></td>
</tr>
<tr>
<td><strong>Variable</strong></td>
</tr>
<tr>
<td><strong>Organizational Performance</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Product Development</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>.</strong> Correlation is significant at the 0.01 level (2-tailed).</td>
</tr>
</tbody>
</table>

4.3.3 Regression Test for Product Development and Organizational Performance

Regression analysis was carried out to determine the underlying relationship between the independent variable product development and dependent variable organizational performance.

The results in Table 4.4 indicate the model summary derived from the regression test for product development and organizational performance. The computations deduced an adjusted R square value of (0.783). This implies that product development accounts for 78.3% variability in organizational performance and 21.7% variability is attributed to factors outside product development.

<table>
<thead>
<tr>
<th>Model Summary between Product Development and Organizational Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Table 4.4:</strong> Model Summary between Product Development and Organizational Performance</td>
</tr>
<tr>
<td><strong>Model Summary</strong></td>
</tr>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>a. Predictors: (Constant), Product development</td>
</tr>
</tbody>
</table>
The ANOVA test findings presented in Table 4.5, show that the Fisher statistic value is 282.259 with a p-value of 0.000. This indicates that; F (1, 77) = 282.259, p = 0.000 (p-value< 0.01). This implies that there exists a substantial variance between the independent variable product development and dependent variable organizational performance.

**Table 4.5: Analysis of Variance for Product Development and Organizational Performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>11.289</td>
<td>1</td>
<td>11.289</td>
<td>282.259</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>3.080</td>
<td>77</td>
<td>.040</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>14.369</td>
<td>78</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Product Development

The coefficients Table 4.6, indicates the beta coefficient values for the variables under study are computed as, constant (β0) = 0.590 and beta for product development (β1) = 0.861. The p-value for product development is recorded as 0.001 (p=0.001, p-value < 0.01). The regression equation was established as follows:

Y (organizational performance) = 0.590 + 0.861 X1.

The findings imply that there exists a significant statistical association between product development and organizational performance. The findings thus imply that for every unit change in product development, there will be a 0.861 unit change in organizational performance.

**Table 4.6: Coefficient Table for Product Development and Organizational Performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.590</td>
<td>.223</td>
<td></td>
<td>2.644</td>
</tr>
</tbody>
</table>
| Product
Development | .861      | .051       | .886 | 16.801| .000  |

a. Dependent Variable: Organizational Performance
4.4 The Impact of Diversification on Organizational Performance

This study sought to establish the impact of diversification on organizational performance. The findings are presented in terms of descriptive and inferential statistics.

4.4.1 Descriptive Statistics for Diversification and Organizational Performance

The findings shown in Table 4.7 highlight the respondent’s feedback on the impact of diversification on organizational performance in five-star hotels in Nairobi. The responses were tabulated in means and standard deviation, derived from a Likert Scale of 1-5, where; 1= strongly disagree, 2- disagree, 3- neutral, 4- agree and 5- strongly agree.

The findings revealed that the respondents agreed that diversification is significant for your business performance, with a mean of 4.41 and SD = 0.725. The findings revealed that diversification enables your hotel to leverage its resources effectively, with a mean of 4.35 and SD = 0.785. The respondents agreed that diversification enhances risk minimization in your investments, with a mean of 4.34 and SD = 0.732.

The findings revealed that the respondents agreed that diversification influences good decision making on profitable investments, with a mean of 4.24 and SD = 0.536. The respondents agreed that risk mitigation strategies are reinforced through diversification in the organization, with a mean of 4.28 and SD = 0.767. The respondents of the study agreed that diversification is critical for your market expansion, with a mean of 4.49 and SD = 0.658.

The findings of the study revealed that the respondents were in agreement that diversification presents business opportunities to leverage on, with a mean of 4.48 and SD = 0.677. The respondents agreed that diversification is a priority for new customer acquisition strategies, with a mean of 4.49 and SD = 0.749. The respondents agreed that diversification enhances new product and service features to enhance customer loyalty, with a mean of 4.51 and SD = 0.696. The respondents were also in agreement that that diversification enhances new service and product development in the organization, with a mean of 4.22 and SD = 0.745.
Table 4.7: Descriptive Statistics for Diversification and Organizational Performance

<table>
<thead>
<tr>
<th>Diversification</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversification is significant for your business performance.</td>
<td>79</td>
<td>4.41</td>
<td>.725</td>
</tr>
<tr>
<td>Diversification enables your hotel to leverage its resources effectively.</td>
<td>79</td>
<td>4.35</td>
<td>.785</td>
</tr>
<tr>
<td>Diversification enhances risk minimization in your investments.</td>
<td>79</td>
<td>4.34</td>
<td>.732</td>
</tr>
<tr>
<td>Diversification influences good decision making on profitable investments.</td>
<td>79</td>
<td>4.24</td>
<td>.536</td>
</tr>
<tr>
<td>Risk mitigation strategies are reinforced through diversification in the organization.</td>
<td>79</td>
<td>4.28</td>
<td>.767</td>
</tr>
<tr>
<td>Diversification is critical for your market expansion.</td>
<td>79</td>
<td>4.49</td>
<td>.658</td>
</tr>
<tr>
<td>Diversification presents business opportunities to leverage on.</td>
<td>79</td>
<td>4.48</td>
<td>.677</td>
</tr>
<tr>
<td>Diversification is a priority for new customer acquisition strategies.</td>
<td>79</td>
<td>4.49</td>
<td>.749</td>
</tr>
<tr>
<td>Diversification enhances new product and service features to enhance customer loyalty.</td>
<td>79</td>
<td>4.51</td>
<td>.696</td>
</tr>
<tr>
<td>Diversification enhances new service and product development in the organization.</td>
<td>79</td>
<td>4.22</td>
<td>.745</td>
</tr>
</tbody>
</table>

Valid N (listwise) 79

4.4.2 Correlation between Diversification and Organizational Performance

Correlational analysis was carried out to establish the relationship between the independent variable (diversification) and the dependent variable (organizational performance). The findings in Table 4.8 presents a correlation between diversification and organizational performance. The findings revealed a positive and significant relationship between diversification (independent variable) and organizational performance (dependent variable), r (0.848); p-value < 0.01.

Table 4.8: Correlation between Diversification and Organizational Performance

<table>
<thead>
<tr>
<th>Correlations Variable</th>
<th>Organizational Performance</th>
<th>Diversification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.848**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>N</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
4.4.4 Regression Test for Diversification and Organizational Performance

Regression analysis was carried out to determine the underlying relationship between the independent variable diversification and dependent variable organizational performance.

The results in Table 4.9 indicate the model summary derived from the regression test for diversification and organizational performance. The computations deduced an adjusted R square value of (0.715). This implies that product development accounts for 71.5% variability in organizational performance and 28.5% variability is attributed to factors outside diversification.

Table 4.9: Model Summary for Diversification and Organizational Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.848*</td>
<td>.719</td>
<td>.715</td>
<td>.22898</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Diversification

The ANOVA test results presented in Table 4.10, indicate that the Fisher statistics value is 197.034 with a p-value of 0.000. This indicates that; F (1, 77) = 197.034, p = 0.000 (p-value < 0.01). This implies that there exists a substantial variance between the independent variable diversification and dependent variable organizational performance.

Table 4.10: Analysis of Variance between Diversification and Organizational Performance

<table>
<thead>
<tr>
<th>ANOVAa</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Regression</td>
<td>10.331</td>
<td>1</td>
<td>10.331</td>
<td>197.034</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>4.037</td>
<td>77</td>
<td>.052</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>14.369</td>
<td>78</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Diversification

The coefficients Table 4.11, indicates the beta coefficient values for the variables under study are computed as, constant (β0) = 0.611and beta for diversification (β1) = 0.846. The p-value for diversification is recorded as 0.004 (p=0.004, p-value < 0.01). The regression equation was established as follows:

Y (organizational performance) = 0.611 + 0.846 X1.

The findings imply that there exists a significant statistical association between diversification and organizational performance. The findings thus imply that for every
unit change in diversification, there will be a 0.846 unit change in organizational performance.

Table 4.11: Coefficient between Diversification and Organizational Performance

<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>1</td>
<td>(.611)</td>
<td>.265</td>
</tr>
<tr>
<td></td>
<td>(.846)</td>
<td>.060</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance

4.5 The Impact of Market Penetration on Organizational Performance

This study sought to determine the impact of market penetration on organizational performance. The findings are presented in terms descriptive and inferential statistics.

4.5.1 Descriptive Statistics for Market Penetration and Organizational Performance

The findings shown in Table 4.12 highlights the respondent’ feedback on the impact of market penetration on organizational performance in five star hotels in Nairobi. The responses were tabulated in means and standard deviation, derived from a Likert Scale of 1-5, where; 1= strongly disagree, 2-disagree, 3-neutral, 4-agree and 5-strongly agree.

The findings of the study revealed that the respondents agreed that market penetration influences pricing methods, with a mean of 4.38 and SD = 0.704. Respondents agreed that market penetration enables the company to come up with a pricing strategy, with a mean of 4.29 and SD = 0.663. The respondents agreed that market penetration enables the company to match its price with a desired market share they attract, with a mean of 4.39 and SD = 0.724.

The findings also revealed that the respondents were in agreement that market penetration is crucial for business performance, with a mean of 4.51 and SD = 0.596. The respondents agreed that market penetration is essential for promotion strategies, with a mean of 4.32 and SD = 0.589. The respondents of this study were in support of the statement that market penetration enhances marketing activities that focus on attracting more consumers to the product, with a mean of 4.47 and SD = 0.695.

Furthermore, the findings of this study revealed that market penetration enhances search for new product distribution channels, with a mean of 4.27 and SD = 0.711. The
respondents also agreed that market penetration enables access to new customers in the market, with a mean of 4.33 and SD = 0.729. The respondents agreed that market penetration influences the company to meet its targets, with a mean of 4.37 and SD = 0.683. Respondents also agreed that market penetration is essential for enhancing competitive advantage over competitors, with a mean of 4.43 and SD = 0.592.

Table 4.12: Descriptive Statistics for Market Penetration and Organizational Performance

<table>
<thead>
<tr>
<th>Market Penetration</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market penetration influences your pricing methods.</td>
<td>79</td>
<td>4.38</td>
<td>.704</td>
</tr>
<tr>
<td>Market penetration enables the company to come up with a pricing strategy.</td>
<td>79</td>
<td>4.29</td>
<td>.663</td>
</tr>
<tr>
<td>Market penetration enables the company to match its price with a desired market share they attract.</td>
<td>79</td>
<td>4.39</td>
<td>.724</td>
</tr>
<tr>
<td>Market penetration is crucial for business performance.</td>
<td>79</td>
<td>4.51</td>
<td>.596</td>
</tr>
<tr>
<td>Market penetration is essential for promotion strategies.</td>
<td>79</td>
<td>4.32</td>
<td>.589</td>
</tr>
<tr>
<td>Market penetration enhances marketing activities that focus on attracting more consumers to the product.</td>
<td>79</td>
<td>4.47</td>
<td>.695</td>
</tr>
<tr>
<td>Market penetration enhances search for new product distribution channels.</td>
<td>79</td>
<td>4.27</td>
<td>.711</td>
</tr>
<tr>
<td>Market penetration enables access to new customers in the market.</td>
<td>79</td>
<td>4.33</td>
<td>.729</td>
</tr>
<tr>
<td>Market penetration influences the company to meet its targets.</td>
<td>79</td>
<td>4.37</td>
<td>.683</td>
</tr>
<tr>
<td>Market penetration is essential for enhancing competitive advantage over competitors.</td>
<td>79</td>
<td>4.43</td>
<td>.592</td>
</tr>
</tbody>
</table>

Valid N (listwise) 79

4.5.2 Correlational Analysis for Market Penetration and Organizational Performance

Correlational analysis was carried out to establish the relationship between the independent variable (market penetration) and the dependent variable (organizational performance). The findings in Table 4.13 presents a correlation between market penetration and organizational performance. The findings revealed a positive and significant relationship between market penetration (independent variable) and organizational performance (dependent variable), r (0.799); p-value < 0.01.
Table 4.13: Correlational Analysis for Market Penetration and Organizational Performance

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Organizational Performance</th>
<th>Market Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>Pearson Correlation 1</td>
<td></td>
</tr>
<tr>
<td>Organizational Performance</td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td>Market Penetration</td>
<td>Pearson Correlation .799**</td>
<td>1</td>
</tr>
<tr>
<td>N</td>
<td>79</td>
<td>79</td>
</tr>
</tbody>
</table>

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

Regression analysis was carried out to determine the underlying relationship between the independent variable market penetration and dependent variable organizational performance.

The results in Table 4.14 indicate the model summary derived from the regression test for market penetration and organizational performance. The computations deduced an adjusted R square value of (0.633). This implies that market penetration accounts for 63.3% variability in organizational performance and 36.7% variability is attributed to factors outside market penetration.

Table 4.14: Model Summary between Market Penetration and Organizational Performance

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>.799a</td>
<td>.638</td>
<td>.633</td>
<td>.25987</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Market penetration

The ANOVA test results presented in Table 4.15, indicate that the Fisher statistics value is 135.768 with a p-value of 0.000. This indicates that; F (1, 77) = 135.768, p = 0.000 (p-value < 0.01). This implies that there exists a substantial variance between the independent variable market penetration and dependent variable organizational performance.
Table 4.15: Analysis of Variance between Market Penetration and Organizational Performance

ANOVAa

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>9.169</td>
<td>1</td>
<td>9.169</td>
<td>135.768</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>5.200</td>
<td>77</td>
<td>.068</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>14.369</td>
<td>78</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Market Penetration

The coefficients Table 4.16, indicates the beta coefficient values for the variables under study are computed as, constant (β0) = 0.378 and beta for market penetration (β1) = 0.900. The p-value for market penetration is recorded as 0.009 (p=0.009, p-value < 0.01). The regression equation was established as follows:

Y (organizational performance) = 0.378 + 0.900 X1.

The findings imply that there exists a significant statistical association between market penetration organizational performances. The findings thus imply that for every unit change in diversification, there will be a 0.900 unit change in organizational performance.

Table 4.16: Coefficient Table for Market Penetration and Organizational Performance

Coefficientsa

<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>.378</td>
<td>.339</td>
</tr>
<tr>
<td>Market Penetration</td>
<td>.900</td>
<td>.077</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance

4.6 Chapter Summary

This chapter covered the findings on the effects of growth strategies on organizational performance in five star hotels in Nairobi. The main sections covered include; demographic information of the respondents, descriptive statistics for independent variables that is product development, diversification and market penetration. The chapter
also covered inferential statistics of the study variables which were implemented using correlation and regression test. The next chapter covers the summary, discussion, conclusion and recommendations based on the findings of the study.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion, conclusions and recommendations of the study in line with the study findings. Section 5.2 of the chapter presents a summary of the study, section 5.3 presents the discussion, and section 5.4 presents the conclusions while section 5.5 presents the recommendations of the study.

5.2 Summary

The general objective of the study was to establish the effects of growth strategies on organizational performance of five star hotels in Nairobi. The following research questions guided the study; what is the impact of product development on organizational performance of Five Star Hotels in Nairobi? What is the impact of diversification on organizational performance of Five Star Hotels in Nairobi? And what is the impact of market penetration on organizational performance of Five Star Hotels in Nairobi?

The study used a descriptive research design to integrate various components of the study, a population of 125 managers working for five star hotels in Nairobi were the target respondents drawing a sample size of 95 managers. Stratified sampling technique was deployed, and a questionnaire was used for data collection to address the research problem efficiently. Data analysis was performed using Statistical Package for Social Sciences version 24 and presented the results and findings using tables and figures. Descriptive statistics included mean, standard deviation, charts, while inferential statistics included correlation, ANOVA and regression analysis.

In determining the impact of product development on organizational performance in five star hotels, the study established that product development accounts for 78.6% in variability in organizational performance. The findings also indicate that there exists a significant relationship between product development and organizational performance, r (0.886); p-value < 0.01.

This study sought to determine the impact of diversification on organizational performance of five star hotels. The findings of the study revealed that there exists a significant relationship between diversification and organizational performance, r
The study established that diversification strategy accounts for 71.9% variability in organizational performance.

This study sought to determine the impact of market penetration on organizational performance of five star hotels. The findings of the study revealed that there exists a significant relationship between market penetration and organizational performance, $r (0.799); p\text{-value} < 0.01$. The study established that market penetration accounts for 63.3% in organizational performance.

5.3 Discussion

5.3.1 The Impact of Product Development on Organizational Performance

The first research question sought to determine the impact of product development on organizational performance. The findings revealed a significant relationship between product development and organizational performance. The findings are in line with the findings of Saban, Lackman and Peace (2015), who argues that product development is part of a major focus and an approach by companies that seek to have a strong aspect or presence and domination in the market. Revilla and Knoppen (2012), product development aims at offering additional advantages to the customers by offering newer or additional characteristics to the products. Often, the effort towards product development is aimed towards addition of different characteristics to the products, making it unique thus offering an advantage to the customer. According to Zack, McKeen and Singh (2013), in their writing on product development indicate that product development can take the form of modification of the products in terms of its general presentation or still creation of an entirely new product in order to cover the interest of the targeted market thus having the direct benefit on the consumers of the product.

The findings revealed that product development enhances technological innovation in the industry. According to Fantazy and Salem (2016), product development is an interchange term with innovation of the product. The author further indicates that both processes assume the conversion of a product into an entirely new product or the modification for the sole purpose of fitting into the interest of the consumers. According to Martinsuo, Soumala and Kannianen (2013), indicate that product development is often a strategy towards combating competition or trying to be ahead of the pack in the market segment. In today’s business environment, competition has become rife and part of a growth strategy and market strategy is the adoption of product development and innovation.
According to Blackburn et al. (2013) the major expectation by consumers from the producers of products and services (organizations) is meeting the expectation of producing products and services that are satisfying to the consumers. An organization stands to lose both in market performance and other aspects such as revenue turnover when the products and services that they channel out to the market do not meet the general expectations of the consumers.

The findings of the study revealed that product development plays a big role in total quality management on the company’s products and services. The findings indicate that Armstrong (2013), argues that is out of stiff competition that the organization face in the market that they are forced to develop new products and strategies in order to retain their market position or rather have a better edge in terms of competition in the market. According to Chen (2016), in differential leadership, team conflict and new product development also explains that another reason for product development by organization is the varying customer needs and changes in consumer habits by customers. Consumer behavior keeps on evolving at a rather faster pace and it is up to the effort of the companies to actually adapt to the changes and make the needs to suit the preferences of the customers. Menon and Lukas (2014) in their writing on product life cycle and development also articulated the reason for product development is the evolutions in terms of technology. Technology is shifting at a very rapid pace and thus there is need for organizations to fit their products to match up with the trends in technology or rather incorporate technology into their products in order to fit to the needs of the consumers.

Furthermore, the findings of this study indicated that product development enables the organization to come up with product management strategy. According to Pelijhan (2018) product strategy is the combination of market strategies that the firm or organization has over a product in the market. Gyamfi (2015), defines product strategy as the road map in which the product takes in the market. This adds to the definition of product strategy as the vision of the product in the market landscape. The product strategy is always defined by the marketing department in the organization. Product strategy outline defines how the product is poised to perform in the market compared to other competing products. Healy et al. (2014) state that product strategy is about the general imagination of the product in the market. The outcomes of the products are to be visualized by the team that is tasked to guide the product in the market. In a product strategy, there should be a vivid and clear
vision of who the target market of the products is and what are their consumer patterns and behaviors.

According to Hsu (2016) insists that product strategy encompasses three different mixes that is the market and needs, key features and differentiators, and business goals. Product strategy requires a long term vision by the organization. It is a serious work of research in which it requires to have the data on the different market needs, and the business goals that the product aims to undertake. Gautam (2015), in his reference on the high technology companies explains that products strategy and its utilization of imagination is rather a process that should be approached in a very skillful manner. The outcomes of the products strategies may not be always favorable and in turn lead to losses in investments by organization.

5.3.2 The Impact of Diversification on Organizational Performance

This study sought to determine the impact of diversification on organizational performance, the findings revealed a strong and positive relationship between diversification and organizational performance. The findings are in line with Bhatia and Thakur (2018), as they point out that in trying to increase their portfolio in the market, there is an observation in the sharp increase of buyouts and mergers in the American corporate scene. This can be attributed to trying to increase the return on investments following pressure from the shareholders. On the other hand, Armstrong (2015), argues that diversification brings with itself complexity in managing the organization. With the increase in portfolio or the entrance of new markets, there comes the need of skill and talent invited to the organization, to help manage and cope with the scope of work. With time this proved challenging and the outcomes from diversification did not seem to be favorable to organizations.

Hashai (2015), in his study on the effect of diversification in the organizations in North America, he observes that there are mixed results from diversification by firms. His comparison of firms that choose diversification versus the firms that chose to focus on a particular market and develop it to the best interest of the consumer, he found out that firms that chose to diversify performed rather poorly than the non-diversified firms. He concludes that diversification did not work out properly for firms in north America owing to the complex nature of markets the firms found themselves in and the strain in terms of resources both financial and personnel wise that were required. According to Dhandapani
and Upadhyayula (2015), on the acquisition made by top 100 firms in the United States, he notes that more than twenty years down the line, the firms have already disengaged from the acquisitions or there is low business profitability from the acquisitions. He notes that the firms came to a sudden realization that the rush to acquire new markets and competitors was in futility as there was not a good business sense in making the acquisitions.

The findings of the study show that diversification is crucial for market expansion in the business environment. These findings confirm with the findings of Mensah (2014) who observes that in large firms and more established markets, business managers have used diversification as a tool for market domination in that there is always an option from the same organization in the market. However, Hassan (2018), points out that diversification and market performance stand to be the most researched concepts in the business circles today. Furthermore, the author argues that the relationship between diversification and market performance seem to be blurry in the outcomes. This is for the reason that the different methodologies that are used to measure the two parameters. Chen (2016), argues that the blurriness in the two aspects, diversification and market performance is out of the factors such as the negligence of various market strategies. This is because the dynamics of the different industries in which these organizations are placed affect the organizations in different ways. Diversification can also be looked at as the tool of domination in a market. Domination in diversification can be used as a tool in which the organization can give various choices and options in the market therefore overriding the consumers with its products in the market.

This study found out that diversification enhances risk mitigation in the organization. The findings are in line with Sharma and Anand (2018) as they argue that diversification is a risk strategy that organizations employ through having a different range of products in its portfolio. They further explain that diversification aims at increasing the market share by the organization and consequently increasing profitability in the organization. According to Weiss (2016), diversification is a dictate of the market risk. After the risk levels have been worked out, it is prudent for the organization to work out a proper exit strategy in an event that a particular portfolio does not perform as expected or when the outcomes in the long run may not be favorable to the organization. Burkiwa (2017), argues that diversification can also be seen as a strategy of penetrating into the new market segments
by the organization. In diversification, organizations try to explore new market segments in order to reap maximum benefits and increase on its market base.

The findings of this study revealed that diversification is crucial for risk diversification. According to Thourmrungroje and Tansuhai (2005) who investigated the relationship between risk and diversification and they found out that the decision to diversify is advised by the risk levels that the organization will face out of diversification. The level of risk and the use of resources when trying to undertake a diversification process. They concluded that the level of risk affected the diversification process in that when the level of risk was high, there was less likelihood that the process of diversification will be undertaken by the firm. Farrell and Gallagher (2015), further indicate that the level of risk also depends upon the level complexity in the nature of the markets. Highly complex markets attract a higher level of risk than the less complicated markets. A managed level of risk on the portfolios will help increase the level of return by the organization. In highly regulated industry, the levels of risk can be ascertained since there is availability of data and research. Firms can use the data to calculate the level of risk they may face should they think of diversifying to a particular portfolio or market segment and make decision as to whether it is right to take the steps(Linzalone, 2008).

5.3.3 The Impact of Market Penetration on Organizational Performance

This study sought to determine the impact of market penetration on organizational performance. The findings revealed that there exists a significant relationship between market penetration and organizational performance. According to Armstrong (2013), market penetration is the mode in which a particular product gains a market share in a particular market. It can also refer to the way in which a particular product or brand shares a recognition in a particular market segment. All the modes of market penetrations are as a result of how effective the marketing strategy is effective. Thiam (2012), indicates that Market penetration majorly focuses on gaining more and more customers in a market niche. It is majorly about harvesting customers in a market segment to try products by the organization. Market development however focuses on developing customer relations. Market development is in essence trying to cement a deeper relationship with the customer in order to win the customer’s loyalty in the long run.
The findings of the study show that market penetration enables access to new customers in the market. According to Ekwulugo (2013), indicates that as a way of also trying to dominate a particular market in order to rip from its full benefit is trying the different market penetration strategies. Also in another study by Ardyan (2018) found out that the majority of organizations in the united states used market penetration strategies in order to gain a foothold in the markets they wished to control. He further points out that market penetration can take various forms. Each form is dependent on the kind of marketing strategy that the firm will choose to adopt into their grand plan of market penetration. Market penetrations that assume a pricing strategy tend to control the prices of their products in the market. The prices can be low in order to try and have the advantage of attracting more customers, dominate the market with their products and also discourage new investments by other organizations into the market in which they are trying to be dominant.

The findings of the study revealed that market penetration influences pricing methods of the organization. According to Pleshko, Heins and Peev (2014), there exists a strong correlation between the pricing strategy of a product and the organization performance. Organizations are seen to perform better in a market segment when it has its pricing strategy to its focus. Pricing and quality of product seem to share a strong correlation. They found out that better quality products with a higher price seem to enjoy a better market domination than poor quality products with a low pricing strategy. In his study on the Apple Company, Dolata, (2017), found out that the reason for better performance of Apple products in the market was due to the quality of products from their production line. Despite the high pricing strategy, apple has been able to dominate the Smartphone market and the reason for this was a better quality of products.

West, Ford, and Ibrahim (2015) also adds that pricing strategy is also a tool for domination in a market segment. Pricing strategy indicates a sort of market power in the organization. Pricing is associated with a particular brand. Each brand seems to have earned a price in the eye of the consumer. There are products that are associated with the wealthy, though they may not be as expensive as they seem to be. The prices of these products therefore tend to go up. They further points out the fashion and alcoholic beverage industry. Although the product production process is the same with most other products, the product brand distinguishes itself in the shelf and therefore attracts a better price (Hinson, 2016).
Furthermore, the findings of the study show that market penetration is essential for promotion activities and plans in the organization. These findings confirm with the findings of Allen and Helms (2006), who argue that many research studies have shown that there is need for a good promotional mix by organizations in order to achieve the best outcomes or performance through market penetration. A study by investigating the outcomes of using the different promotional strategies in trying to have a better market performance. In the study, promotion mix such as advertising helped the customers in getting to know the product. Advertising tried to get the product exposed to the different market segments (Bhatia & Thakur, 2018). The study also found out that promotional mix like personal selling allowed the organization get the proper feedback in terms of how their products are being received in the market. Personal selling also created a chance and an opportunity to influence the particular customer into buying the product. According to Turnbull (2011), few if any products can survive in the market without a proper promotional mix.

5.4 Conclusion

5.4.1 The effect of Product Development on Organizational Performance

This study concludes that there is a significant and positive relationship between product development and organizational performance. This study concludes that product development is essential for the organization that seek to have a strong aspect or presence and domination in the market. This study also concludes that product development enhance innovation. Product development enhances innovation in that the organization involves itself in creativity with the attempt of creating new products and services that satisfy the needs of consumers.

5.4.2 The effect of Diversification on Organizational Performance

This study concludes that diversification strategy is crucial for risk diversification in the organization. Diversification strategy gives the organization an opportunity to leverage its investments especially when it comes to pursuing growth in a selected market segment. It is essential for the company’s profitability as well as growth to have a significant leverage on its value that is a result of diversification strategy, since the company accumulates its income from various sources that it has invested in.
5.4.3 The effect of Market Penetration on Organizational Performance

This study concludes that there is a significant and positive relationship between market penetration and organizational performance. Market penetration is regarded as the mode in which a particular product gains a market share in a particular market. This study concludes that market penetration majorly focuses on gaining more and more customers in a market niche. It is majorly about harvesting customers in a market segment to try products by the organization.

5.5 Recommendation

5.5.1 Recommendations for Improvement

5.5.1.1 The Impact of Product Development on Organizational Performance

This study recommended that five star hotels should emphasize use product development strategy in creating new products and services that will attract consumers throughout the seasons of the year. Since the hotel industry is competitive and highly driven by dynamic consumer needs, five star hotels should constantly monitor emerging needs of consumers and replicate these needs in the services as well as products being offered to their customers and enhance a competitive advantage.

5.5.1.2 The Impact of Diversification on Organizational Performance

This study recommended that five star hotels should use diversification strategies to expand their market share by investing in related industries such as tourism services to attain a good market share in the industry. This study recommends that five star hotels should deploy diversification strategy with the aim of spreading their risks in various investments for sustainability in the long-term.

5.5.1.3 The Impact of Market Penetration on Organizational Performance

This study recommended that five star hotels should use market penetration strategies to attract customers in engaging with the services and products offered by the hotels in the hospitality industry. This study recommends that pricing and promotion strategies should be used by five star hotels in in accessing new markets as well as customers to enhance a sustainable competitive advantage.
5.5.2 Recommendations for Further Studies

This study was limited to the effects of growth strategies on organizational performance in five star hotels in Nairobi. Future studies should widen the club by investigating on the effects of growth strategies on organizational performance in other sectors like manufacturing, education, real estate, construction industry and agriculture industry.
REFERENCES


APPENDICES

APPENDIX I: COVER LETTER

DENNIS MWANGI,
P.O. BOX 28730-00100,
NAIROBI.

Dear Sir/Madam,

RE: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH PROJECT

My name is Dennis Mwangi, currently pursuing my master’s degree at United States International University-Africa. In partial fulfillment for the award of the master’s degree in Business Administration (MBA), I am required to conduct a research in the area of my concentration. My study is entitled: “Effects of Growth Strategies on Organizational Performance in Five Star Hotels in Nairobi” I am writing to request for your participation in this study.

Kindly note that all the information you will provide will be treated as confidential and will not be shared with any third party, other than for the purpose of this study. Equally, your name will not be mentioned or referenced in any of the study materials.

Thank you in advance for your participation.

Kind Regards,

Dennis Mwangi
APPENDIX II: RESEARCH QUESTIONNAIRE

SECTION I: DEMOGRAPHIC INFORMATION

This section contains general questions. Kindly answer to the best of your knowledge

1. Kindly indicate your gender
   Male [ ]     Female [ ]

2. Kindly indicate your age range
   
<table>
<thead>
<tr>
<th>Age Range</th>
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<tbody>
<tr>
<td>18-25 Years</td>
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<td>26-33 Years</td>
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<td>34-40 Years</td>
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<td>41-47 Years</td>
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<td>48 and Above</td>
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3. Kindly indicate the number of years you have worked at your organization

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<td>0-1 years</td>
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<td>2-4 Years</td>
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<td>5-7 Years</td>
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<td>8-10 Years</td>
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<td>Above 10 years</td>
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4. Kindly indicate your level of management

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<td>Top Level Management</td>
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<td>Middle Level Management</td>
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<td>Lower Level Management</td>
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5. Kindly indicate your job department

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<td>Customer Service</td>
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<td>Marketing</td>
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<td>Finance</td>
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SECTION II: The Impact of Product Development on Organizational Performance

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5

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<th>No</th>
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<td>6.</td>
<td>Product development is crucial for your business success</td>
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<td>7.</td>
<td>Producing development in the organization ensures quality of the product is met.</td>
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<td>8.</td>
<td>Technological innovation of products has enhanced business performance</td>
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<td>9.</td>
<td>Product development enables the organization to come up with product management strategy.</td>
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<td>10.</td>
<td>Innovation has influenced organizational restructuring</td>
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<td>11.</td>
<td>Product development enhances project management execution in the organization.</td>
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<td>12.</td>
<td>Product development is crucial for quality standards of products set by regulators.</td>
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<td>13.</td>
<td>Product development enhances new ideas and creativity</td>
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<td>14.</td>
<td>Product development ensures that the product design is in line with the needs of the customer.</td>
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<td>15.</td>
<td>Product development plays a big role in total quality management on the company’s products and services.</td>
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SECTION III: The Impact of Diversification on Organizational Performance

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5.

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<td>16.</td>
<td>Diversification is significant for your business performance.</td>
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<td>17.</td>
<td>Diversification enables your hotel to leverage its resources effectively.</td>
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<td>18.</td>
<td>Diversification enhances risk minimization in your investments.</td>
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<td>19.</td>
<td>Diversification influences good decision making on profitable investments.</td>
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<td>20.</td>
<td>Risk mitigation strategies are reinforced through diversification in the organization.</td>
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<td>21.</td>
<td>Diversification is critical for your market expansion.</td>
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<td>22.</td>
<td>Diversification presents business opportunities to leverage on.</td>
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<td>23.</td>
<td>Diversification is a priority for new customer acquisition strategies.</td>
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<td>24.</td>
<td>Diversification enhances new product and service features to enhance customer loyalty.</td>
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<td>25.</td>
<td>Diversification enhances new service and product development in the organization.</td>
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SECTION IV: The Impact of Market Penetration on Organizational Performance

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5.

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<td>26.</td>
<td>Market penetration influences your pricing methods.</td>
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<td>27.</td>
<td>Market penetration enables the company to come up with a pricing strategy.</td>
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<td>28.</td>
<td>Market penetration enables the company to match its price with a desired market share they attract.</td>
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<td>29.</td>
<td>Market penetration is crucial for business performance.</td>
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<td>30.</td>
<td>Market penetration is essential for promotion strategies.</td>
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<td>31.</td>
<td>Market penetration enhances marketing activities that focus on attracting more consumers to the product.</td>
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<td>32.</td>
<td>Market penetration enhances search for new product distribution channels.</td>
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<td>33.</td>
<td>Market penetration enables access to new customers in the market.</td>
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<td>34.</td>
<td>Market penetration influences the company to meet its targets.</td>
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<td>35.</td>
<td>Market penetration is essential for enhancing competitive advantage over competitors.</td>
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Thanks very much for your participation
APPENDIX III: NACOSTI RESEARCH PERMIT

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Ref. No. NACOSTI/P/19/34882/31423

Date: 26th July, 2019

Dennis N. Mwangi
United States International University
P.O. Box 14634-00800
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “Effects of growth strategies on organizational performance in five star hotels in Nairobi.” I am pleased to inform you that you have been authorized to undertake research in Nairobi County for the period ending 25th July, 2020.

You are advised to report to the County Commissioner, and the County Director of Education, Nairobi County before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

GODFREY M. KALERWA, MSc, MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Nairobi County.

The County Director of Education
Nairobi County.
THIS IS TO CERTIFY THAT:

MR. DENNIS N MWANGI

of UNITED STATES INTERNATIONAL UNIVERSITY, 28730-100 Nairobi, has been permitted to conduct research in Nairobi County on the topic: EFFECTS OF GROWTH STRATEGIES ON ORGANIZATIONAL PERFORMANCE IN FIVE STAR HOTELS IN NAIROBI for the period ending: 25th July, 2020.

Permit No. : NACOSTIP/19/34882/31423
Date Of Issue : 26th July, 2019
Fee Received : Ksh 1000

Applicant's Signature:

Director General
National Commission for Science, Technology & Innovation