STRATEGIC INNOVATION STRATEGIES AND PERFORMANCE OF FIVE STAR HOTELS IN MOMBASA, KENYA

Kula, B., & Kavale, S.

STRATEGIC INNOVATION STRATEGIES AND PERFORMANCE OF FIVE STAR HOTELS IN MOMBASA, KENYA

[1*] Kula, B., & [2] Kavale, S.

[1*] MBA Candidate, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya

[2] Doctor, Lecturer, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya

ABSTRACT

The purpose of the study is to investigate the strategic innovation strategies and organizational performance of selected five-star hotels in Mombasa, Kenya. The study focused on selected five star hotels in Mombasa, Kenya. The specific objectives of the study were to investigate the effect of business model innovation, process innovation, service innovation and organizational innovation on organizational performance of selected five-star hotel in Mombasa. The study findings were of significance to the hotel management, policy makers and scholars and other researchers. The diffusion of innovation theory, Schumpeter theory of innovation, organizational innovation theory and disruptive innovation theory formed the theoretical foundation of the study. The study used cross-sectional research design and descriptive research design to establish the link between the study variables. The management and supervisory staff of the selected five-star beach hotels in Mombasa formed the population of interest, which were 97 respondents. The study utilized stratified sampling technique to group the population into similar strata and use random sampling technique to select a sample size of 78 respondents using Slovin mathematical formula. Primary data was collected by use of structured questionnaire. Pilot study was carried out on three respondents to determine the validity and reliability of data collection instruments. Collected data was checked for correctness and analysed quantitatively by use of Statistical Package for Social Science (SPSS) version 25 tool. Descriptive analysis was determined by use of mean and standard deviation while regression analysis was determined by model summary, ANOVA and regression coefficients. Correlation analysis was computed to determine the nature of relationship between the variables. The study findings revealed that hotels update their business models periodically to adapt to changing dynamics and this action makes the business model adopted by the hotel to be responsive. The hotel internal processes are integrated by the business model which is an end-to-end system. The study concluded that the hotel identifies and eliminates non-value adding activities in the service process to enhance efficiency. It was concluded that the hotel has smart door lock systems which can be accessed remotely and the payment process of the hotels is automated thus enabling online room booking capability. The study concluded that the hotel has real-time query application which enables guests to query anything concerning hotel service. The study recommended that the hotel management should design a database which should be dynamic to enable knowledge management. This knowledge should be applied to improve the hotel service practices.

Key Words: *Business Model Innovation, Process Innovation, Service Innovation, Organizational Innovation*

INTRODUCTION

Globally the environment of conducting business is metamorphosing rapidly more than ever witnessed. This rapid change is attributable to emergence of novel technologies which disrupt existing technologies (Tajeddini, Altinay, & Ratten, 2017). Faced with this kind of uncertain environment, many established businesses including hotels have become conscious of the need to acquire sustainable competitiveness so as to match and outwit their competitors. There are various ways a business can achieve competitive advantage over peers and includes new market entrance, new business model development or even undertake strategic innovations (Suoto, 2018). The hotel industry globally has recorded tremendous growth in the last decade by registering an expansion of 25 percent in new hotels (Tajeddini, Altinay, & Ratten, 2017). Strategic innovation issues have been rendered more important today in virtually every industry due to rapid advances in technology and information symmetry which translates to product information accessibility at no cost as well as availability of substitutes in the market (Nybakk & Jenssen, 2016).

In Africa perspective, strategic innovation is significant factor for provision of firm's sustainable competitive advantage and profitability (Nybakk & Jenssen, 2016). According to Mintzberg, Ahlstrand and Lampel, (2016), organizational direction can be created by strategy innovation by providing the direction of firm's strategic efforts by focusing the strategic effort through coordination promotion and providing employees with an understanding of the firm by promoting reduction of ambiguity. In service industries like mobile telecommunication, where the industrial forces of competitive environment are strong, firms are required to constantly innovate and think strategically (Schmenner, 2016).

From the outset it is imperative to define a strategy which refers to a firm plan that presents a company with expected course of action and guides the company when handling situations (Lusweti, 2016).

It is about the creation of a market niche which has a potential to generate revenue for the company and provide competitive edge against the firm competitors. If a strategy provides a firm with competitive advantage over its competitors then it is a good strategy. The firm competitiveness springs from the firm's ability to generate competitive advantage that provides a clear-cut distinction from other competitors in the industry (Jin, Hewitt, & Thompson, 2016).

Consequently, innovation is the process of turning an idea into a product or service that creates value. It is the application of better solutions to the new problems (Frame & White, 2017). For a firm to penetrate new markets or increase share of existing markets, it must embrace innovation (Gunday *et al.*, 2016). Companies have started to hold dear the innovation due to increased global competition and technology dynamics. Therefore, inventions entail crucial element of the company strategies for many reasons like applying for manufacturing processes that are more productive, to improve the market, to look for positive image in the perception of the customer and hence to increase justifiable competitive advantage.

Strategic innovation is the formulation and putting into action new processes, business ideas which are future-focused (Bitar, 2016). Strategic innovation puts a challenge to a company to stretch beyond its existing boundaries and immerse itself in a creative exploration of the possibilities of the realm. The strategic innovation provides the company with the ability to check competition by creating increased value in the long run (Jin *et al.*, 2016).

In the global scope, the change forces occasioned by digital technologies have enabled digital transformation in virtually every sector and more specifically hotel sector. The customers have embraced digital technologies like online hotel bookings and automated check in/out as well as automated payment processes. Consequently, traditionally the systems of information in the hotels have been highly fragmented which means that the application for various hotel functions have

Page: - 629 -

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

been autonomous without any form of interconnection. However, with the advent of technology and informed customers the hotel sector have been forced to innovate in order to remain competitive in the market. The upsurge in third-party booking sites (e.g., hotels.com, TripAdvisor, and booking.com) have offered potential hotel guests varieties prior to reservation choice decision. Also the hotels have implemented integrated management system so as to remain economically competitive.

In Africa, hotels have been reluctant in adopting hotel technologies and innovation, but with the hospitality industry thriving and investors setting their sights on further tapping into its potential, developments in hotel technology on the continent will have to speed up in order to satisfy global travellers who are used to digital accommodations, meet guest demand and provide competitive levels of guest service and engagement (Kingi, 2016). With most of this technology coming from outside Africa's borders, it makes it hard to constantly invest in this ever-changing technological landscape. A major overhaul of a hotel's existing infrastructure is also often cost-prohibitive, so hotels have to do their homework and be selective of what they install.

Regionally, the hotel sector quest to achieve competitiveness is a challenging expedition and this signifies the urgency of the hotels to innovate strategically so as gain sustainable competitiveness against competitors in the industry. Innovation plays supreme in the hotel sector in knowledge production and its absorption by the hotel so as to improve the hotel's competitiveness in the industry (Nieto, 2016). As Hospitality units require innovations for their success since innovation brings about operational efficiency and service quality which could be capable of matching or even exceeding expectations of the client (Sanjeev & Bandyopadhyay, 2016). Besides innovation in hotels can be a source of competitive advantage as it offers a platform for the hotel to have distinctive competence (Chang, Gong & Shum, 2017).

Schumpeter in 1934 as cited by Gunday, Ulusoy, Kilic, and Alpkan (2017) avers that at the introductory phase, innovative novel products encounter slim direct competition, and this offers relatively exorbitant profits to the introducing entity. However, with time these abnormal profits are diluted as the innovation is imitated and competing entities emerge. This adverse effect can be mitigated by the sustained introduction of novel innovations which have been found to lead to sustainable sales increase over a long period of time.

Statement of the Problem

Hotel sector is the most competitive in the hospitality industry and it is bombarded with endless loop of transformation (Gallouj & Weinstein, 2017). Innovation becomes pivotal in the environment of extreme competition like in the hotel case to lower operational costs and improve quality of the market offerings. This has forced the hotels to seek sustainability and competitiveness in the spectrum of strategic innovation (Suoto, 2018). Various studies have proved that strategic innovations in the hotel sector have potential to improve hotel productivity by lowering operational costs and adding value to the services offered to the customers (Bilgihan & Nejad, 2017). It is evident from the extensive literature reviewed that innovations have transformational implication on the overall hotel operational efficiency and productivity. However, despite the praises fronted for innovations on service performance in hotels, beach hotels have continued to record huge losses as a result of declining sales. According to Business daily (2020) the financial performance of hotels in 2018 was Kshs. 280,613 million and in 2019 the profits reduced to a total of Kshs 128,328 million.

In 2020, the hotel industry which relies exclusively on tourist arrivals recorded adverse performance. Many nations in the world were put on lockdown thus automatically locking their citizens from flying to various destinations as tourists due to COVID 19 pandemic. This has affected sales of hotels particularly those at the Coast. A report of Kenya

Tourism Federation (KTF) has shown that many Coast hotels have recorded occupancy rate of below 10 percent in 2020 making most of the hotels to close shops. Many five star hotels in Mombasa have embraced strategic innovations. For instance, Sarova Whitesands beach resort has invested in latest innovations which range from keyless rooms for customer, robotics service, automatic check-in and check-out and on-line room bookings with a virtual reality view. However, despite all these innovations having been deployed in the hotel, the number of customers who have booked the beach hotel has declined over the last three years (Business daily, 2020). Consequently, the sales turnover of the hotel has tanked by 38.6 percent in revenue (Business daily, 2020). The hotel customers repeat visit rate has reduced in the last three years (Business daily, 2020) and this translates to unsatisfied customers.

Various local studies have been done on strategic innovation. Gitonga, (2016) study was limited to processes of innovation and the role of top management in telecommunication sector. A study was conducted by Odhiambo (2017) focusing on Safaricom Ltd innovation strategies. Karanja (2017) conducted a study on the innovation strategies adopted by insurance companies in Kenya. A study by Karanja, (2017) focused on innovation strategies and how the impact companies dealing with insurance cover in Kenya. Based on the reviewed empirical literature, there is empirical paucity on the literature directed towards addressing the issue of strategic innovations and performance of beach hotels. It is against this background that this study examined the relationship between strategic innovation strategies and performance of five star beach hotels in Mombasa, Kenya.

Objectives of the Study

The general objective of the study was to investigate the effect of strategic innovation strategies on performance of five-star beach hotels in Mombasa, Kenya. The specific objectives were;

- To establish the effect of business model innovation on performance of five-star beach hotels in Mombasa, Kenya
- To determine the effect of process innovation on performance of five star beach hotels in Mombasa, Kenya
- To examine the effect of service innovation on performance of five star beach hotels in Mombasa, Kenya
- To establish the effect of organizational innovation on performance of five star beach hotels in Mombasa, Kenya

This study was guided by the following null hypotheses;

- **$H_0$1:** Business model innovation has no significant effect on performance of five star beach hotels in Mombasa, Kenya
- **$H_0$2:** Process innovation has no significant effect on performance of five star beach hotels in Mombasa, Kenya
- **$H_0$3:** Service innovation has no significant effect on performance of five star beach hotels in Mombasa, Kenya
- **$H_0$4:** Organizational innovation has no significant effect on performance of five star beach hotels in Mombasa, Kenya

LITERATURE REVIEW

Theoretical Review

Schumpeter Theory of Innovation

The proponent of the theory is Peter Schumpeter in 1934. The theory postulates that businesses through inventors or research and development creates innovations which earns profits for the business. Within a not so long time, imitators' chip in motivated by abnormal returns and roll out the innovation in large scale which eventually renders the innovation less attractive. According to Schumpeter, the innovation will emerge over again before the economy equilibrates and he emphasized that entrepreneur motivation to seek novel opportunities potential to generate good

Page: - 631 -

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

revenue would expand and enrich income circular flow.

The theory by Schumpeter laid down distinction between the innovator and inventor where innovator is tasked with bringing new combinations like new products, new services, new processes, new markets while inventor conceptualizes something new. According to Schumpeter, when the new combination enters the market and it is normalized, the innovator ceases to be known as an innovator. Service firms including hotels develop new technologies with a motive of gaining value through process efficiency and lowered operational costs. Therefore, the Schumpeter theory of innovation is a suitable theory to explain the effect of service innovation in ensuring improvement in hotel performance.

Organizational Innovation Theory

The proponent of the organizational innovation theory is Sullivan in 1998 and the theory argues that innovation in an organization is a sum of knowledge accumulation through learning which culminates from trial and error process that is entrenched through collective as well as individual experimentation. According to the theory, innovation process nature will trigger organizations to either employ strategies to aid in developing such innovation or adapt alternative strategies known as adaptive strategies that ensure survival of the organization by invoking status quo rather than venturing in an uncertain innovation process.

In a business setting, organizational innovation generally relates to the employment of novel ways of running the organizing basically through organizing and leading. It is any addition to the organization that disrupts the traditional way of executing managerial function, that is, practices and principles or alters existing organizational functions and structure in a bid to improve performance of the organization (Hamel, 2015). Inthe same vein, Birkinshaw, Hamel and Mol (2016) are of the view that the theory sets the process for improved practices of management in an organization

through enhanced structures and processes thus culminate in to improved organizational goals attainment. Chandler (2014) argues that the organizational innovation is synonymous to novel methods development of coordinating and effectively utilizing the essential organizational resources which include human resources, financial resources and technological resources. This theory is suitable to explain organizational innovation and its effect on hotel performance.
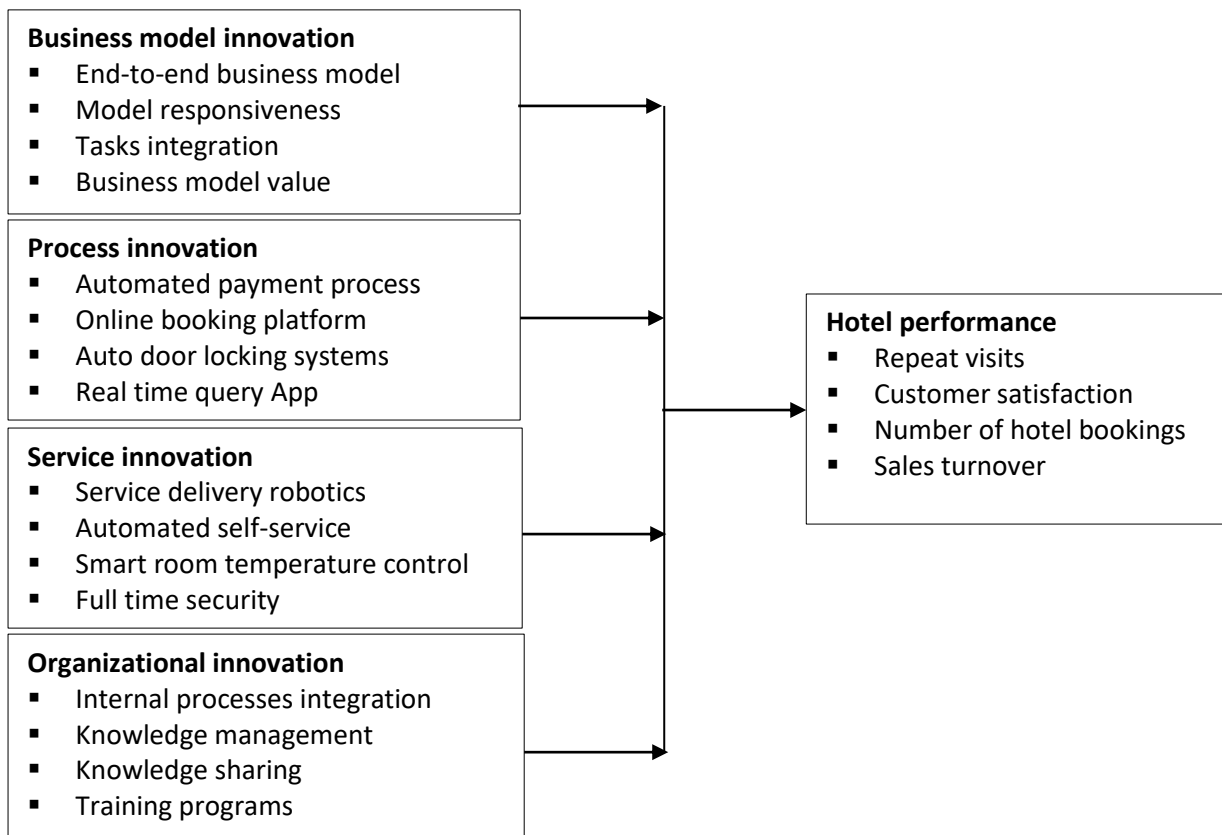
Disruptive Innovation Theory

Disruptive innovation theory was first coined by Clayton Christensen in 1997 and the theory holds that when novel innovation is born and deployed in the market it triggers a network which eventually renders obsolete and redundant firms, products and processes which have been in existence prior to the innovation (Christensen, 2016). In most cases disruptive innovations spring from the outsider firms rather than already established firms who prefer to maintain status quo. It takes time and resources to come up with disruptive innovation however when it is ripe and introduced in the market it spreads like bushfire and diffuses at a higher rate thus dislodging existing products, services or processes.

When introducing a novel innovation, the hotel should target premium market niche who are not price conscious rather demand quality offerings. This is because introducing a novel innovation consumes a lot of resources which the innovator hastens to recoup before the novelty becomes a tradition by itself. The hotel would charge premium to the high tier customers to maximize the returns (Christensen, 2016). Lieberman and Montgomery (2016) assert that novel innovation can only be capable of been introduced in the market by single firm or a small number of firms who coincidentally unveils the almost similar inventions simultaneously. The first movers been those entities who successfully commercialize novel innovation first before the competitors are normally the greatest beneficiaries. The hotels should exploit technology and mobile applications to develop

novel innovations and seek to introduce them first in the industry for them to maximize return (Tushman & Anderson, 2016). Therefore, disruptive innovation theory helps link process innovation and explains how it affects hotel performance.

Business model innovation
- End-to-end business model
- Model responsiveness
- Tasks integration
- Business model value

Process innovation
- Automated payment process
- Online booking platform
- Auto door locking systems
- Real time query App

Service innovation
- Service delivery robotics
- Automated self-service
- Smart room temperature control
- Full time security

Organizational innovation
- Internal processes integration
- Knowledge management
- Knowledge sharing
- Training programs

Hotel performance
- Repeat visits
- Customer satisfaction
- Number of hotel bookings
- Sales turnover

Independent Variables   Dependent Variable

Figure 1: Conceptual Framework

Review of Literature on Variables

Business Model Innovation: Comprehensive digitization involves the potential for disruptive change to the business models of companies. Especially in recent years, companies such as Amazon, Uber and Mister Spex have demonstrated with their digital business model innovations how the rules of competition and industry structures can fundamentally change within a very short period of time (Matt, 2016). Successful implementation of Business Models depends on more than just technological and financial resources. Rather, the successful positioning of a company in the digital age depends on management decisions. Managers of companies that do not have a platform-based business model are increasingly recognizing the importance of digital platforms (Olanrewaju &

Willmott, 2016). 40% of companies surveyed in a recent study indicated that having their own digital platform and participating in digital platforms will be a crucial factor for their success in the future. The digital platform acts as an intermediary between providers and consumers, enabling interactions between them that result in both direct and indirect network effects. In addition, both suppliers and consumers can switch their roles on a digital platform – a provider can also be a consumer and vice versa.

Process Innovation: Process innovation is the introduction of novel processes and techniques into the business operations to aid in process efficiency and lowered operational costs (Un & Asakawa, 2016). Process innovation often manifests as risky and complex undertaking which can only be sanctioned by knowledgeable and experienced individuals. The goal of process innovations introduction in a business is geared towards improving routine tasks which are repeated often to enhance efficiency (Tether, 2016).

Service Innovation: Service innovation is the conception of novel services perceived by service users as satisfying. Forfas (2016) developed multidimensional service innovation framework consisting of service process innovation, service product innovation and service business model innovation. An empirical investigation by Nooran (2016) pursued to bring to light the correlation between organization's competitiveness and service innovation. After data analysis the results showed that organization's customer relationship can be enhanced through service innovation.

Organizational Innovation: Organizational innovation is the introduction of novel business practices and methods as well as organization's internal and external relations aimed at enhancing firm's effectiveness (Mortensen & Bloch, 2016). The characteristics of organizational innovations include knowledge management practices aimed at storing best business practices in a database, employee training programs and interpersonal relationships training (Cerolli, 2014).

Hotel Performance: Tomal and Jones (2015) define organizational performance as the actual results or output of an organization as measured against that organization's intended outputs. Effective performance measures enable management to measure how well they are doing with respect to meeting set goals, customer's satisfaction, whether processes are in control and what needs to be improved which enables managers to make more intelligent decisions.

Empirical Review

Gunday, Ulusoy, Kilic and Alpkan (2017) carried out a study on the implication of process innovation, marketing innovations, product and organization innovations on firm performance. The study was based in Turkey and the study established that the firms' performance was positively impacted by strategic innovations. Jafari (2016) surveyed the impact of organizational innovation on product innovation, innovative performance and market of the company. The aim of this study was to examine the impact of organizational innovation on product innovation, market performance and innovative performance of the companies. Findings indicated that organizational innovation has significant impact on product innovation, market performance and innovative performance of the company.

Karanja and Gakure (2015) did a study on the importance of customer loyalty on fast moving consumer goods in the era of globalization: A case study of Unilever Nairobi Kenya, the study revealed that 57 per cent of the respondents indicated that customer loyalty was important in enhancing customer commitment to the FMCG goods to a very great extent. Customer loyalty helped in retaining the already established customers. Customer loyalty improved the brand image. Customer loyalty provided customer experience, which leads to repeated purchase. This finding could relate to this study of customer loyalty to telecommunication sector. Omwenga (2016) carried out a study on analysis of factors affecting customer satisfaction at Safaricom outlets in Nairobi Central Business District. The study established that the firm's product features, capacity to differentiate its products, perception on the fairness of the firm's product pricing and also customer service practices affect the level of customer satisfaction.

Odhiambo (2017) studied the impact of innovation strategies chosen by Standard Chartered Bank on its performance. The study utilized descriptive research design and target population was management of Standard Chartered Bank. Primary

Page: - 634 -

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

data was collected by use of questionnaire and data was analysed by use of statistical package for social science. The results showed that the bank has adopted technological innovation which facilitates global business and enhances banking processes and provides ease of banking services access by customers.

METHODOLOGY

The study used cross-sectional research design and descriptive research design. The target population of the study was management and supervisory staff of five star beach hotels in Mombasa County which included; Sarova Whitesands Beach Resort, Serena Beach Resort, Bahari Beach Hotel, Pride Inn Flamingo Beach Hotel and Nyali International Beach Resort. The population was drawn from the departments of Administration, Catering, Marketing, Finance, R&D, ICT, Customer care and Human Resource. The study employed stratified random sampling technique whereby the target population was divided into different groups and those with similar characteristics were grouped in the same stratum then sample for the study was selected at random from each stratum. Because the population is heterogeneous, the use of stratified random sampling technique ensured representation of all hotels. This study utilized quantitative data which was collected by use of a questionnaire. Research data for this study comprised the primary data and secondary data. The primary data was collected by use of close-ended questionnaires which were structured based on the research objectives. Secondary data was obtained from already existing sources which included hotel reports, published journals and existing relevant literature. The researcher used secondary data since it was less costly and easily accessible hence saves time.

Based on the fact that the questionnaires were quantitative, the data was analyzed through descriptive statistics (Mean and standard deviation) and inferential statistics were computed through multiple regression and correlation analysis. The data collection tool used by the researcher was Statistical Package for Social Sciences (SPSS) version 25. Multiple regression analysis used because it provides estimates of net effects and explanatory power. Analyzed data was presented in frequency distribution tables so as to make it easy for research results description and explanation. The following linear regression model was adopted to test the statistical significance of the study predictor variables on dependent variable;

$$Y= \beta_\theta +\beta_1X_1+\beta_2X_2+\beta_3X_3+ \beta_4X_4+\varepsilon$$

Where:

Y= Hotel performance

β_θ = constant term

β_1-β_4 are the coefficient function of the independent variables,

X_1= Business model innovation

X_2= Process innovation

X_3= Service innovation

X_4= Organizational innovation

ε= Error term

FINDINGS AND INTERPRETATION

Descriptive Analysis

Business Model Innovation

The first objective of the study was to establish the extent of business model innovation aspects. Respondents were required to do this on a 5-point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results were displayed in Table 1.

The results showed that respondents agreed to the statement that the hotel business model is regularly updated and that the business model adopted by the hotel is responsive as indicated by a mean of 4.11 and mean of 4.32 respectively. Respondents also agreed to the statement that all the hotel internal processes are integrated by the business model with a mean of 4.05 and that the business model for the hotel is an end-to-end system as indicated by a mean of 4.17.

Table 1: Business Model Innovation

	Mean	Std deviation
Hotel business model is regularly updated	4.11	.662
Business model adopted by the hotel is responsive	4.32	1.003
All the hotel internal processes are integrated by the business model	4.05	.279
The business model for the hotel is an end-to-end system	4.17	.546

Process Innovation

The second objective of the study sought to establish the extent of process innovation aspects. Data was collected through the Likert-scale measuring the level of agreement of the respondents. The results were as presented in Table 2.

The results showed that respondents agreed to the statement that the hotel identifies and eliminates non-value adding activities in the service process and that the hotel has smart door lock systems as indicated by a mean of 4.57 and mean of 3.79 respectively. Further, respondents agreed that the hotel has automated hotel service payment process (Mean=4.48) and that the hotel has development online room booking platform with a mean of 4.17. Respondents agreed to the statement that the hotel has real-time querry application as indicated by a Mean of 4.77. The findings agreed with Gunday, Ulusoy, Kilic and Alpkan (2017) who studied process innovation, marketing innovations, product and organization innovations on firm performance and revealed the firms' performance was positively impacted by strategic innovations.

Table 2: Process Innovation

	Mean	Std. Deviation
The hotel identifies and eliminates non-value adding activities in the service process	4.92	.259
The hotel has smart door lock systems	3.79	.544
The hotel has automated hotel service payment process	4.26	.392
The hotel has development online room booking platform	4.48	.416
The hotel has real-time query application	4.77	.612

Service Innovation

The third objective of the study sought to determine the extent of service innovation aspects. The results were presented in Table 3.

The results in Table 3 showed that respondents disagreed to the statement that the hotel has developed robotics to respond to service calls from hotel guests as shown by a mean of 2.27. The respondents agreed that the hotel has designed self-service automation to hotel guests as indicated by a mean of 4.12. Respondents agreed to the statement that the hotel has smart room temperature controls (Mean=4.77) and that the hotel has round the clock reliable security system (Mean=4.50). Respondents further agreed that the hotel has smart water heater facilities as indicated by a mean of 4.95. The results were supported by the findings of Lin (2016) whose research concluded that positive influence of service innovation on marketing performance can be seen from the increase in the profitability of the company.

Table 3: Service Innovation

	Mean	Std. Deviation
The hotel has developed robotics to respond to service calls from hotel guests	2.27	.692
The hotel has designed self-service automation to hotel guests	4.12	.319
The hotel has smart room temperature controls	4.77	.403
The hotel has round the clock reliable security system	4.50	.732
The hotel has smart water heater facilities	4.95	.233

Organizational Innovation

The third objective of the study sought to determine the extent of organizational innovation. The results were presented in Table 4.

The results in table 4 revealed that respondents agreed to the statement that the hotel has database for knowledge management of best practices (Mean = 4.03. Respondents further agreed that there is training programs for hotel employees to improve their customer service skills as indicated by a mean of 4.74. Respondents agreed that the hotel has incubated culture of knowledge sharing to foster innovation (Mean=4.10) and that the internal processes of the hotel have been integrated (Mean = 3.99). The respondents agreed to the statement that the hotel has adopted lean structural practices as shown by a mean of 4.00.

Table 4: Organizational Innovation

	Mean	Std. Deviation
The hotel has database for knowledge management of best practices	4.03	.548
There is training programs for hotel employees to improve their customer service skills	4.74	1.023
The hotel has incubated culture of knowledge sharing to foster innovation	4.10	.264
The internal processes of the hotel have been integrated	3.99	.555
The hotel has adopted lean structural practices	4.00	.568

Correlation Analysis

The researcher further sought to establish the bivariate correlation between the variables. The results were shown in Table 5.

Correlation results in Table 5 revealed a positive and significant correlation between business model innovation and performance (r=0.375, P=0.000). Correlation results showed that there is a positive linear relationship between process innovation and performance (r=0.320, P=0.000). Further, correlation results indicated a moderate positive linear relationship between service innovation and performance (r=0.529, P=0.000). The correlation results showed a weak, positive linear relationship between organizational innovation and performance (r=0.146, P=0.000).

Page: - 637 -

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

Table 5: Correlation Coefficient

		Business model	Process innovation	Service innovation	Organizational innovation	Performance
Business model innovation	Pearson Correlation	1				
	Sig. (2-tailed) N	67				
Process innovation	Pearson Correlation	.684**	1			
	Sig. (2-tailed)	.000				
	N	67	67			
Service innovation	Pearson Correlation	.508**	.633**	1		
	Sig. (2-tailed)	.000	.000			
	N	67	67	67		
Organizational innovation	Pearson Correlation	.738**	.661**	.599**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	67	67	67	67	
Performance	Pearson Correlation	.375**	.320**	.529**	.146	1
	Sig. (2-tailed)	.000	.000	.000	.012	

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

Multiple Regression Results

The researcher analyzed pilot results by regressing dependent variable on predictor variables. The results of regression analysis were presented as follows.

The model summary results in Table 6 showed a moderate regression between the strategic innovation strategies and performance. In the model summary, the R^2 is 0.406 which indicated that independent variables explain 40.6 per cent change in hotel performance, while the remaining 59.4% are un-modelled determinants. The coefficient of correlation (R) is 0.637 implying a positive relationship between strategic innovation strategies and performance. This was tested for significance as follows:

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.637[a]	.406	.389	.29060

a. Predictors: (Constant), Business model innovation, process innovation, service innovation, organizational innovation
b. Dependent Variable: Performance

From the results in Table 6, the analysis of variance showed the P-value of 0.014 which is less than the significance level of 0.05 thus concluding that the model was statistically significant in explaining the relationship between strategic innovation strategies and performance.

Table 7: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	2.659	4	.665	10.556	.014[b]
1	Residual	3.892	62	.063		
	Total	6.551	66			

a. Dependent Variable: Performance

b. Predictors: (Constant), Business model innovation, process innovation, service innovation, organizational innovation

From Table 7, the model would appear as follows:

$$Y = 2.078 + 0.347X_1 + 0.312X_2 + 0.555X_3 + 0.131X_4$$

The model shows that hotel performance would increase by 2.078, given that all the other factors are held constant at zero. Further in the model it shows that a unit increase in business model innovation would lead to an increase in performance by 0.347. A unit increase in process innovation would lead to a positive increase in performance by 0.312. A unit increase in service innovation would lead to an increase in performance by 0.555, and a unit increase in organizational innovation would lead to an increase in performance by 0.131. The predictor variables had a significance level $p < 0.05$ implying that they were all significant.

Table 8: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	2.078	.671		3.098	.005
1	Business model innovation	.347	.152	.279	2.282	.000
	Process innovation	.312	.146	.123	2.136	.003
	Service innovation	.555	.168	.698	3.296	.001
	Organizational innovation	.131	.067	115	1.955	.042

a. Dependent Variable: Performance

Discussion of Key Findings

Regression analysis formed a basis for achieving research objectives adopted in this study. This was done by considering the p values corresponding to each variable of interest. The first objective of the study sought to investigate the effect of business model innovation on performance. Regression analysis conducted proved that there was a positively significant effect of the predictor variable on the outcome variable as indicated by the values $\beta_1 = 0.347$, t = 2.282, $p < 0.05$. The study concludes that a unit change in business model innovation would lead to 0.347 unit change in performance. Further, since the $p < 0.05$, the null hypothesis that business model innovation has no significant effect on performance is rejected.

The second objective was to establish the effect of process innovation on performance. Regression analysis result showed a positively significant effect of process innovation and performance as indicated by the values $\beta_2 = 0.312$, t = 2.136, $p < 0.05$. The study concludes that a unit change in process innovation would lead to 0.312 unit change in performance. On hypothesis testing, since $p < 0.05$ null hypothesis that process innovation has no significant effect on performance is rejected. The findings agree with Gunday, Ulusoy, Kilic and Alpkan (2017) who studied process innovation, marketing innovations, product and organization innovations on firm performance and revealed the firms' performance was positively impacted by strategic innovations.

Thirdly, the study sought to establish the effect of service innovation on performance. Regression analysis conducted showed that there was positive significant effect of service innovation on

Page: - 639 -

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

performance as indicated by the values $\beta_3 = 0.555$, t = 3.296, p<0.05. The study concludes that a unit change in service innovation would lead to 0.555 unit change in performance. On hypothesis testing, since p<0.05, the null hypothesis that service innovation has no significant effect on performance is rejected. The results are supported by the findings of Lin (2016) whose research concluded that positive influence of service innovation on marketing performance can be seen from the increase in the profitability of the company.

The study sought to investigate the effect of organizational innovation on performance. Regression analysis conducted showed that there was positive significant effect of organizational innovation on performance as indicated by the values $\beta_4 = 0.131$, t = 1.955, p<0.05. The study concludes that a unit change in organizational innovation would lead to 0.131 unit change in performance. On hypothesis testing, since p<0.05, the null hypothesis that organizational innovation has no significant effect on performance is rejected.

CONCLUSSIONS AND RECOMMENDATIONS

The study findings revealed that respondents agreed to the statement that the hotel business model was regularly updated and that the business model adopted by the hotel was responsive. Respondents also agreed to the statement that all the hotel internal processes are integrated by the business model and that the business model for the hotel is an end-to-end system.

The study results showed that respondents agreed to the statement that the hotel identifies and eliminates non-value adding activities in the service process and that the hotel has smart door lock systems. Further, respondents agreed that the hotel has automated hotel service payment process and that the hotel has development online room booking platform. Respondents agreed to the statement that the hotel has real-time query application.

The study findings indicated that respondents disagreed to the statement that the hotel has

developed robotics to respond to service calls from hotel guests. The respondents agreed that the hotel has designed self-service automation to hotel guests. Respondents agreed to the statement that the hotel has smart room temperature controls and that the hotel has round the clock reliable security system. Respondents further agreed that the hotel has smart water heater facilities.

The results of the study revealed that respondents agreed to the statement that the hotel has database for knowledge management of best practices. Respondents further agreed that there is training programs for hotel employees to improve their customer service skills. Respondents agreed that the hotel has incubated culture of knowledge sharing to foster innovation and that the internal processes of the hotel have been integrated. The respondents agreed to the statement that the hotel has adopted lean structural practices.

The study concluded that business model innovation has a significant positive relationship with performance. It is concluded that the hotels update their business models periodically to adapt to changing dynamics and this action makes the business model adopted by the hotel to be responsive. The hotel internal processes are integrated by the business model which is an end-to-end system.

The study concluded that process innovation has a significant positive relationship with performance. The study concludes that the hotel identifies and eliminates non-value adding activities in the service process to enhance efficiency. It is concluded that the hotel has smart door lock systems which can be accessed remotely and the payment process of the hotels is automated thus enabling online room booking capability. The study concludes that the hotel has real-time query application which enables guests to query anything concerning hotel service.

The study concluded that service innovation has a significant positive relationship with performance. The study concludes that the 5-star hotels are yet to deploy robotics to respond to service calls from

hotel guests. This could be attributed to lack of technological know-how and costliness. The hotels have designed self-service automation which autonomously serves the hotel guests and the hotels have installed smart room temperature controls in every residential room. The hotels have round the clock reliable security system as well as smart water heater facilities.

The study concluded that organizational innovation has a significant positive relationship with performance. The study concludes that the hotel has dynamic database which facilitates knowledge management to promote best practices. The hotel employees are internally trained with a view to prepare them for better customer service delivery. It is concluded that the hotel has inculcated knowledge sharing culture which fosters continuous improvement and innovation. The hotels have embraced lean structural practices to improve service delivery efficiency.

The study recommended that the 5 star hotels management should periodically review the existing business model to make the model up-to-date and effective. This is because the hotel sector should be responsive to changing tastes and preferences of the global customers. The internal processes of the hotels should be holistically integrated to improve efficiency in service delivery.

The study recommended that the management of the hotel, in an endeavor to improve the processes, should identifies all non-value adding activities in the service process so as to improve efficiency and lower service costs. It is recommended that the hotel should invest in state of the art technologies like smart door lock systems which can enable accessibility remotely. The management should automate all payment processes in the hotel and should develop the hotel's capacity to enable potential visitors to book and reserve rooms online.

The study recommended that the management of 5-star hotels should invest in robotics especially during this era of pandemic to minimize human contact during service delivery. This would reduce unnecessary human contact which further minimizes chances of disease outbreak in the hotel setting. The management should deploy self-service automation in the hotels which autonomously serves the hotel guests. Also due to the temperature fluctuations, the hotel rooms should be equipped with automatic temperature controls and the hotel security should be ensured.

The study recommended that the hotel management should design a database which should be dynamic to enable knowledge management. This knowledge should be applied to improve the hotel service practices. The management of the hotels should design tailor-made curriculums which should be adopted in teaching the staff on the best practices. This internal staff teaching should be conducted frequently. The hotel should cultivate the culture of knowledge sharing among employees by creating a conducive environment which rewards creativity.

Areas of Further Study
This study was limited on strategic innovation strategies and performance in the context of 5-star hotels. However, since only 40.6% change in hotel performance was explained by the adopted strategic innovation strategies that is, business model innovation, process innovation, service innovation and organizational innovation, the researcher recommends that a study be carried out on other strategic innovations and their effect on not only hotel performance by other service sectors performance.

REFERENCES

Allegro, S. & de Graaf, R. (2016). Innovation and strategy implementation: the key challenge in today's competitive atmosphere. *Handbook of hospitality strategic management.*

Aswani, S. (2017). *Strategic innovation and performance of public Universities in Kenya.* Unpublished MBA Project, University of Nairobi, Kenya.

Baversad, B., & Delavaripour, J. (2014). A study of the relationship between innovation, organizational learning and corporate performance, Martyr Chamran University, *Journal of Civilica*.

Bitar, J. (2016). The impacts of innovation on strategy management: Strategy in turbulent environments. *Management Strategique International*, *1*, 23-45.

Bowie, D., & Buttle, F. (2011). *Hospitality Marketing: An introduction Oxford*: Elsevier Buterworth – Heinemann.

Bryman, A., & Bell, E. (2012). *Business Research Methods.* Oxford University Press, Oxford.

Carvalho, L. M. C. & Sarkar, S. (2014), Market structures, strategy and innovation in tourism sector, *International Journal of Culture, Tourism and Hospitality Research*, 8(2), pp. 153-172. doi: 10.1108/IJCTHR-05-2013-0031

Cerulli, G. (2014). *The Impact of technological capabilities on invention: An investigation based on country responsiveness scores.* World Development, 59, 147–165.

Chang, Y. C., Linton, J. D., & Chen, M. N. (2013). Service regime: An empirical analysis of innovation patterns in service firms. *Technological Forecasting and Social Change,* 79(9), 1569–1582. https://doi.org/10.1016/j.techfore.2012.05.017.

Cooper, D. R., & Schindler, P. S. (2013). *Business research methods,* (12th, edition). McGraw-Hill Publishing, Co. Ltd. New Delhi-India.

Creswell, J.W. (2013), *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. Sage publications, London.

de Brentani, U. (2011). Success Factors in Developing New Business Services. *European Journal of Marketing* 25 (2): 33-59.

Euro Monitor (2017) *Post-Luxury Travel Part II: Unique Selling Points.* Retrieved from http://www.portal.euromonitor.com.sheffield.idm.oclc.org/portal/analysis/tab

Forfás, I. (2014). *Services innovation in Ireland-options for innovation policy*. Forfás.

Gallouj, F. (2015). Innovation in services and the attendant old and new myths. *The Journal of Socio-Economics*, *31*(2), 137-154.

Gitonga, T. (2016). *Innovation processes and the perceived role of the CEO in the telecommunication industry.* Unpublished MBA project. University of Nairobi.

Gunday, G., Ulusoy, G., Kilic, K., & Alpkan, L. (2017). Effects of innovation types on firm performance. *International Journal of Production Economics*, 133(2), 662–676. https://doi.org/10.1016/j.ijpe.2011.05.014.

Ittner, C., & Larcker, G. (2016). Coming up short on non-financial performance measurement. *Harvard Business Review*, 1(12), 88-95.

Jafari, N. (2014). *The survey of the effect of organizational innovation on product innovation, innovative performance and market*. Masters Thesis for financial management, Shahid Chamran University of Ahvaz.

Page: - 642 -

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

Jin, Z., Hewitt, N. & Thompson, J. (2014). Innovativeness and performance: Evidence from manufacturing sectors. *Journal of Strategic Marketing*, 12 (4), 255-266.

Karanja, M. (2017). *Innovation strategies adopted by insurance companies in Kenya*. Unpublished MBA Project, School of Business, University of Nairobi, Kenya.

Kothari, C. R. (2014). *Research methodology: Methods and Techniques.* New Age International.

Lehtinen, U., & Järvinen, R. (2015). The role of service characteristics in service innovations. *Nordic Journal of Business,* 64(3), 3–15.

Markides, C. (2012). Strategic innovation in established companies. *Sloan Management Review, 39*(3), 31-42.

Martin-Rios, C., & Parga-Dans, E. (2016). Service response to economic decline: Management innovation as enabler of organizational renewal. *Journal of Business Research,* 69(8), 2890–2900. https://doi.org/10.1016/j.jbusres.2015.12.058.

Martin-Rios, C., & Pasamar, S. (2018). Service innovation in times of economic crisis: The strategic adaptation activities of the top EU service firms. *R & D Management,* 48(2), 195–209. https://doi.org/10.1111/radm.12276.

Mugenda, M. O. & Mugenda, A. (2012), *Research Methods: Qualitative and Quantitative Approaches*, African Centre for Technology Studies, Nairobi, Kenya.

Mugo, S. N. (2016). *Innovations and Performance of Kenya's Wine Industry*. An unpublished MBA project, University of Nairobi.

Nieto, M. J., & Santamaría, L. (2010). Technological collaboration: Bridging the innovation gap between small and large firms. *Journal of Small Business Management,* 48(1), 44–69. https://doi.org/10.1111/j.1540-627X.2009.00286.x.

Noorani, I. (2017). Service Innovation and Competitive Advantage, *EuropeanJournal of Business and Innovation Research, 2* (1), 12-38.

Nybakk, E. & Jenssen, I. (2015). Innovation strategy, working climate, and financial performance in traditional manufacturing firms: An empirical analysis. *International Journal of Innovation Management.* 16 (2).

Noorani, I. (2014). Service Innovation and Competitive Advantage. *European Journal of Business and Innovation Research,* 2(1), 12-38.

Odhiambo, G. (2017). *Innovation strategies at Safaricom Ltd.* An Unpublished MBA Thesis. University of Nairobi, Kenya.

Olsen, M.D. & Connolly, D.J. (2015). Antecedents of technological change in the hospitality industry. *Tourism Analysis*, *4*(1), 29–46.

Oslo Manual. (2015). *Proposed Guidelines for Collecting and Interpreting Technological Innovation Data.* OECD.

Rogers, E. M., & Rogers, R. A. (2015). *Communication in organizations*, The Free Press.

Rubera, G. & Kirca, A.H. (2012), Firm Innovativeness and Its Performance Outcomes: A MetaAnalytic Review and Theoretical Integration, *Journal of Marketing*, 76 (3), pp. 130-147.

Page: - 643 -

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

Sandvik, I. L., Duhan, D. F., & Sandvik, K. (2014). Innovativeness and profitability: An empirical investigation in the Norwegian hotel industry. *Cornell Hospitality Quarterly*, 55(2), 165–185. https://doi.org/10.1177/1938965514520963.

Sanjeev, G.M. & Bandyopadhyay, R. (2016), Innovations in the Indian hospitality industry: an overview, *Worldwide Hospitality and Tourism Themes*, Vol. 8, No. 4, pp. 408-415. doi: 10.1108/WHATT-0026.

Senguo, R. A. & Kilango, N. C. (2016). Administrative Innovation Strategies for Improving Customer Satisfaction: Vodacom Tanzania, *European Journal ofBusiness and Management, 7* (15), 127-132.

Seyyed javadin, S. R. (2015). *The study of the effect of high commitment work system on knowledge and organizational innovation sharing*. Public management research, 8 (27), 44-23.

Suoto, J. E. (2015). Business model innovation and business concept innovation as the context of incremental innovation and radical innovation. *Tourism Management*, 51, 142–155. https://doi.org/10.1016/j.tourman.2015.05.017.

Tajeddini, K., Altinay, G., & Ratten, H. (2017). *Effect of customer orientation and entrepreneurial orientation on innovativeness: evidence from the hotel industry in Switzerland.* Tourism Management 31 (2), 21– 60.

Tavassoli, S., & Karlsson, C. (2015). *Firms' innovation strategies analyzed and explained.* CESIS Electronic Working Paper Series Paper No. 396. The Royal Institute of technology Centre of Excellence for Science and Innovation Studies (CESIS).

Tether, B. S. (2008). Do services innovate (differently)? Insights from the European in barometer survey. *Industry & Innovation,* 12(2), 153–184. https://doi.org/10.1080/13662710500087891.

Tseng C. & Kuo H. & Chou S. (2015). Configuration of innovation and performance in the service industry: evidence from the Taiwanese hotel Industry, *The Service Industries Journal*, *28*(7), 1015-1028.

Un, C.A., & Asakawa, K. (2015), Types Of R&D Collaborations And Process Innovation: The Benefit Of Collaborating Upstream In The Knowledge Chain, *The Journal of Product Innovation Management,* 32 (1), pp. 138-153.

Page: - 644 -

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com