



**EFFECTS OF STRATEGIC MANAGEMENT DRIVERS ON ORGANIZATIONAL PERFORMANCE IN  
THE TOURISM SECTOR IN KENYA**

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### ***Abstract***

*This study sought to establish the effects of strategic management drivers on organizational performance in the Tourism Sector in Kenya. The study objective where to establish the strategic management drivers in the Tourism industry in Kenya and to establish the effects of strategic management drivers on performance in the Tourism sector in Kenya. Every strategic management driver was recorded against the set variables while quantitative data was analyzed through the use of SPSS version 17 where frequencies of the responses were given. The coded data in the SPSS spread sheet was analyzed using descriptive statistics where frequency, percentages, mean score and standard deviation of the responses was given and then presented inform of tables and charts for easy understanding. The study established that Strategic management drivers had a significant effect on the performance of the Tourism sector in Kenya. The Tourism sector needs to have a clear strategic planning and implementation of strategies that can help improve on the performance of the sector.*

**Key Words:** *Strategic management drivers, tourism performance, Kenya*

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## **1.0 Introduction**

### **1.1 Background of the study**

The environment in which organizations operate is constantly changing with different factors influencing the organizations. This is because organizations are open systems that operate in environment that carries with it a myriad of challenges and uncertainties. For them to deliver efficiently, they must learn to appreciate the present challenges and cope with the increasingly competitive environment which calls on firms to rethink their strategies (Pearson & Robinson, 2005). The days when companies could wait for clients to walk to their organizations are long gone thus organizations must realize that their services and products regardless of how they are cannot sell themselves (Kotler, 2000).

Iravo et al , (2013) state that one of the important questions in business has been why some organizations succeed and why others fail ( Awino, 2011) asserts that for an organization to be successful it has to record high returns and identify performance drivers from the top to the bottom of the organization Njihia et al, (2013) highlight performance measurement as one of the tools which helps firms in monitoring performance, identifying the areas that need attention, enhancing motivation, improving communication and strengthening

accountability. Performance of an organization can be measured using different approaches. The financial perspective, customer perspective, internal business perspective and innovation and learning perspective. (Kaplan & Norton, 1992). The financial perspective identifies the key financial drivers of enhancing performance which are profit margin, asset turnover, leverage, cash flow, and working capital (Odhuno & Wadongo, 2010). The customer focus describes performance in terms of brand image, customer satisfaction, customer retention and customer profitability. Internal processes involve the efficiency of all the systems in the organization while innovativeness is concerned with the ease with which a firm is able to adapt to changing conditions. The balanced scorecard retains the financial aspects as key in measuring performance while it adds other drivers of future performance (Mucheru, 2008).

### **1.2 Statement of the problem**

Kenya's Gross Domestic Product (GDP) is estimated to have expanded by 4.7 per cent compared to a growth of 4.6 per cent in 2012 ( ROK, 2014). According to a World Bank report (2013) on Kenya economic update, the economy was weak in early 2012, mainly due to high interest rates resulting from high inflation which peaked at the end of 2011. With the significance improvement of the economy,

Tourism sector which is a major revenue earner for Kenya suffered a number of setbacks that led to contraction in international visitor arrivals, resulting in a decline in tourism earnings in 2013. The number of international visitor arrivals decreased by 11.2 per cent from 1,710.8 thousand in 2012 to 1,519.6 thousand in 2013. Consequently, tourism earnings decreased by 2.1 per cent from KSh 96.0 billion in 2012 to KSh 94.0 billion in 2013. (KNBS, 2014). The hotels and restaurants sector recorded a contraction of 4.5 per cent in 2013 compared to a growth of 2.6 per cent in 2012. Insecurity concerns together with serious shocks that emanated from insecurity fears of the general elections, the natural disaster and global terrorism negatively on the tourism sector.

With the declining performance of the sector, Tourism has been identified by the - The Group of Twenty (also known as the G-20) an international forum for the governments and central bank governors from 20 major economies, as one of the sectors that can spur the global economic recovery (WTO, 2012). Kenyan vision 2030, regional stability and security, and a stable global economic environment, together with the government need to effectively respond to the changing policy environment can be a platform to the Tourism sector revival (KIPPRA, 2013). It is

therefore important to closely identify the strategic management drivers of performance involved in the translation of business strategies into deliverable results in an organization like the tourism sector. The capacity of tourism to drive growth and create jobs needs to be accompanied by strong supportive private and public policy drivers. Strategic drivers of performance are closely linked to specific strategies and value drivers in order to maximize organizational performance. Therefore this study seeks to establish the effects of Strategic Management drivers on organizational performance in Tourism sector in Kenya.

### ***1.3 Objectives of the Study***

The study seeks to address the following specific objectives

To establish the effects of strategic management drivers on organizational performance in the Tourism sector in Kenya

### ***1.4 Literature Review***

#### ***2.1 Strategic management drivers***

Strategic management drivers of performance involve the translation of business strategies into deliverable results Uzel et al. (2003). It combines financial, strategic and operating

principles to gauge how a company is able to meet its targets Mshenga & Owuor, (2009). Strategic drivers of performance are closely linked to specific strategies and value drivers in order to maximize organizational performance. A firm is considered to have a competitive advantage when it is able to create more economic value than rival firms. This is the difference between the perceived benefits gained by a customer that purchases a firm's product or services and full economic costs of these products and services (Barney, 2006). Measures of competitive advantage are derived from the relationship between competitive advantages, accounting performance and economic performance, which then can be used to develop strategies (Barney, 2006). Countries require competitive identity which brings up the issue of image and marketing Kolter & Gertner, (2002). It is important for an organization to identified four key dimensions to achieve competitive performance: stakeholders, internal process, resources and organizational management. Among the performance measures that received much attention is effectiveness.

Given the dynamic business environment, it is argued by many researchers (Pringle & Kroll, 1997; Chan et al., 2004,) that intangible knowledge-based resources are more likely to lead to sustained competitive advantage, as tangible resources have been weakened due to

globalization and other changes in the economic landscape. This argument is enforced by Schweizer (2005) who argues that a firm's core competence defines the value of the business model as well as allowing the firm to decide what kind of business model is more suited for a given competitive situation. As a result, the business driver's proposition includes the component core competence and the three criteria it has to live up to in order to lead to sustained competitive advantage. The notion of core competence is defined as: "the collective learning in the organization" (Prahalad & Hamel, 1990). Especially the coordination of production skills and the integration of technologies. In addition, in order for a competence to become a core competence, it has to 1) provide access to more than one market, 2) give a significant contribution to the end product/products and 3) be difficult for competitors to imitate (Hamel & Prahalad , 1994).

## **2.2 Tourism performance**

It goes without saying that safety and security is clearly linked to inbound tourism well-being just to "stay in the game." This is especially important in developing regions that suffer from political instability or governmental inefficiencies, which can often result in high crime rates and stunted economic development. The performance of an organization in an environment translates to its

output and contribution to growth of the environment and the economy in general. In a world that is ever more volatile and an environment that is ever changing, new capabilities in tourism management and sector development are vital if an economy is to become more resilient against disruptive events and to prepare for long-term stability. Long-established destination-management techniques such as advertising campaigns or the presence of industry fairs are increasingly being displaced. Communicating with travelers online through various direct or indirect channels requires many destination managers and developers to redesign their existing marketing capabilities. At the same time, destinations need to rethink their positioning among competing countries to prepare for short-term demand shocks and long-term shifts of traveler flows Booz & Company, (2013).

To prevail under more volatile market conditions and continue benefitting from a vibrant tourism sector, policy makers should identify and focus on their country's key competitive advantages over other countries and differentiate the traveler's experience in their country from the experience to be had elsewhere. At the same time, they should monitor the shifting trends in international customer origins and profiles. It is important to examine existing destination marketing and

tourism development planning in the context of the challenges of a more volatile macroeconomic environment. Established destinations need to pool their efforts on innovations,

Multi-stakeholder cooperation and flexibility if they are to respond successfully to demand from emerging regions. Developing destinations should consider effective short-term turnaround strategies to strengthen their sectors and reestablish their attraction for the international traveler by focusing on long-term sector development and making sustainability a core of destination development and marketing. Despite increasing instability induced by economic, political, and environmental challenges, tourism is expected to remain a significant driver of future economic growth. This would mean that Kenya can be defined as a tourist destination, which would then ensure that there are sufficient products and activities that can attract both domestic and international travelers.

### ***3.0 Research Methodology***

#### ***3.1 Research Design***

Research design refers to how a researcher puts a research study together to answer a question or a set of questions. There are two types of research designs:- Case study and a Survey. This research was conducted through a survey of the Tourism partners in Kenya. Further, since the

study was carried out on more than one firm, a survey provided a more insightful approach for it allows comparison.

**3.2 Research Instrument, Data collection and Data Analysis**

This study made use of primary. The primary data was obtained through data collected using semi structured questionnaire rated on Likert scale. The questionnaire had three major sections. The first section comprised general information, the second brought out the strategic management drivers used by Tourism Industry in Kenya, and the third section focused on the effects of the strategic management drivers on performance of the Tourism Industry. The target respondents included the management staff in each of the partners of the Tourism Industry, The researcher administered the questionnaire through “drop and pick” to respondents of the study. The data was then analyzed and every strategic management driver was recorded against the set variables while quantitative data was analyzed through the use of SPSS version 17 where frequencies of the responses were given. The coded data in the SPSS spread sheet was analyzed using descriptive statistics where frequency, percentages, mean score and standard deviation of the responses was given and then

presented inform of tables and charts for easy understanding.

**4.0 Results and Discussion**

**4.1 General Information**

**Table 4.1: Duration of respondent in the industry**

Period of Operation	Frequency	Percentage
0-5 Years	0	0
5 - 10 years	2	12.5
10 -15 years	5	31.3
15 - 20 years	6	37.5
20 - 25 years	1	6.2
25 - 30 years	2	12.5
Over 30 Years	0	0
<b>Total</b>	<b>16</b>	<b>100.0</b>

The results in table 4.1 above, indicate that most of the respondents in the Tourism industry have been in the industry for long (37.5) which means that they have worked in the sector for a period of between 15-20 years, then followed by (31.3%) of those who have worked between 10 -15 years, while very few of the respondents (6.2%) of them have been in the industry for a period of between 20 - 25 years.

**Table 4.2 Existence of strategy implementation department**

Existence of Department	Frequency	Percent
Department	16	94.1
No Department	1	5.9
<b>Total</b>	<b>17</b>	<b>100.0</b>

As indicated in Table 4.2 above, the majority of the Tourism partners in Kenya under this study, (94.1%) do have a strategy implementation department while only (5.9%) of the firms do not have a strategy implementation department.

**4.2 Strategic management drivers**

Under this section, the researcher sought to establish the various strategic management drivers in the Tourism industry in Kenya. The respondents were required to give feedback on a scale of 1-5 where 1= not at all; 2= little extent; 3= moderate extent; 4= great extent; 5= very great extent. The findings have been presented in table 4.3 below and their interpretation given thereof.

**Table 4.3 Strategic Management drivers**

	Mean	Standard Deviation
Regulatory and taxes	2.59	1.121
Technology	2.59	1.064
Employee motivation	2.71	1.047
Ethics	2.47	.943
Politics	2.94	1.478
Change	2.71	1.105
Customer needs	3.18	.883
Corporate culture	2.88	1.111
Strategic planning	3.18	1.185
<b>Grand mean</b>	<b>2.73</b>	<b>1.104</b>

From the results illustrated in the table 4.3 above, it is clear that there are several distinct strategic management drivers in the tourism sector in Kenya. These include; customer needs, strategic planning, politics, employee motivation, corporate culture and change in the industry. All the four strategic drivers had a mean score of 2.6 and above, an indication that they are the major strategic management drivers to the industry. The managers must always address and keep them on check for the good performance of the industry.

A number of drivers were found to have insignificant effect on the strategic management drivers on Tourism performance



in Kenya. These include: Ethics, Regulatory and taxes and Technology. These drivers have a mean score below 2.6 .This indicates that the Tourism sector should not give much attention to these drivers since they do not pose any significant threat in the industry.

#### **4.3 Effects of strategic drivers on performance**

Under this section the study sought to establish the effects of strategic management drivers on performance of the Tourism sector in Kenya. The respondents were required to give feedback on a scale of 1-5 where 1= not at all; 2= little extent; 3= moderate extent; 4= great extent; 5= very great extent. The findings have been presented in table 4.4 below and their interpretation given thereof.

**Table 4.4 Effects of strategic management drivers**

<b>Response Strategies</b>	<b>Mean</b>	<b>Standard Deviation</b>
Repeat visits	3.24	1.562
Automated booking	3.47	1.281
Good customer service	3.76	1.251
Clear strategic planning	2.0	1.015
Visitor Referrals	2.35	1.222
Political stability	3.12	.993
Low rate of terrorism attacks	2.53	1.231
Competitive positioning	3.59	1.121
Change management	1.94	1.029
<b>Grand mean</b>	<b>2.88</b>	<b>1.189</b>

The study sought to establish the effects of strategic management drivers on performance of the Tourism sector in Kenya. It is clear from the study findings that repeat visits, automated booking, good customer service, political stability, low rate of terrorism attacks and competitive positioning had a great effect on the performance of the industry. The strategic drivers above had a mean score of 2.5 and above which indicates that the drivers are having a positive impact to the industry performance.

From the study findings, it was established that several factors have not had a significant effect on the Tourism industry in Kenya in improving on its performance. These include: visitors referrals, change management and clear strategic planning. All these factors have mean score below 2.4. This means that the industry rarely emphasises on these drivers.

#### **4.4 Discussion of Findings**

This study sought to establish the effects of strategic management drivers on performance of the Tourism sector in Kenya. Strategic drivers are major component of the environment in which an organization operates. Porter (1985) states that Competition is at the core of success or failure of firms. While Competitive forces in the industry like rivalry , threat of substitutes, buyer power, supplier power, threat of new entrants and entry barriers, can either be

passive or active and this determines the profitability or the attractiveness of the industry which is key consideration for entry or exit. Strategic management drivers continually work to drive the rate of return on capital invested. If the returns are below the expected rate, in the long run the investor seeks alternative industries. The findings of this study are consistent with the works of Porter (1985) since the Tourism Industry in Kenya have come up with strategic drivers strategies to improve on the performance in order to remain relevant and avoid being faced off.

Managers are expected to perform and produce results in an environment that is becoming increasingly uncertain, confused and incoherent. The traditional signals and barometers which guided them to a given destination are changing around them as the internal and external environment with which they were familiar become pressured by the twin forces for change and consolidation in acute services. Therefore it is crucial to put into practice strategic drivers that can keep the industry at a good performance bar. These study findings are consistent with the theory of path dependency in that the causality dependency of the previous factors or strategies to the future results is inevitable. This therefore has triggered firms to enhance ways of production of quality products based on

customer needs and preference so as remain relevant in the competitive industry.

#### **4.5 Conclusion and Recommendation**

The study sought to establish the effects of strategic management drivers on performance of the Tourism Industry in Kenya. From the study findings, it can be concluded that Strategic management drivers have a significant effects on the performance of Tourism industry in Kenya. The study also concludes that in order to stay in pace with the changes in the operating environment, the Tourism sector also needs to embrace other strategic drivers like change management and have clear strategic planning to improve on the performance of the sector.

The researcher established that most of the firms have a strategy implementation department. It can therefore be recommended that the Tourism industry should put more emphasis on the strategy implementation departments on issues that can help the sector improve its performance.

#### **4.6 Suggestions for further Research**

The study aimed at establishing the effect of strategic management drivers on Tourism performance in Kenya. To this end therefore, a further study should be carried out to determine the challenges faced by the Tourism

industry in Kenya. In addition, the study also highly recommend that a study should be carried out in other industries to establish if strategic management drivers have effects on their performance. The operating environment, both external and internal have become very

turbulent and thus a study should be done to show how firms should cope with the volatile environment by formulating relevant strategies and effectively implementing them to deal with the ever changing environment.

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