Competitive Strategies and Organizational Performance of Hotels in Nairobi County, Kenya

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Abstract - Hotels cannot thrive if they do not cater to clients' unique preferences, even if those preferences span a broad range. Nowadays, hotels require clear strategies to achieve their goals in the industry. The study's objective was to analyze how hotel performance in Nairobi County, Kenya, was affected by their competitors' strategies. One of the most important objectives of the study was to investigate how factors such as cost leadership, product differentiation, focus strategy, and technology advancements have influenced the organizational performance of hotels in Nairobi County. The resource-based perspective theory, Michael Porter's competitive forces theory, and Ansoff's development strategy served as the foundation for this investigation. The method of research known as descriptive research was used in this study. The county of Nairobi, which contains a total of 367 hotels, was the focus context. A sample size of 191 based on the population, which consists of 367 respondents representing hotels, was targeted. The management teams of hotels located in Nairobi County was given questionnaires to fill out in order to gather the necessary information. In order to analyze the quantitative data both inferential and descriptive statistics were used. Descriptive analysis was done using mean, frequencies and standard deviation. Inferential statistics from a multiple regression study, yielding a weighted estimate equation, was used to make predictions about the relationship between competitive strategies and organizational performance. From the results, it was revealed that a unit change in cost leadership holding other factors constant would lead to an increase on organizational performance of hotels in Nairobi County. At the same time, the p-value statistic meant that cost leadership significantly influenced organizational performance. From the results, it was shown that holding other factors constant, a unit change in product differentiation would lead to an increase in organizational performance of hotels in Nairobi County. The study revealed that product differentiation has significant effect on organizational performance. The findings showed that holding all the factors constant, a unit change in focus strategy would lead to an increase on organizational performance of hotels in Nairobi County. The results show that the p-value indicated that focus strategy had significant effect on organizational performance. The study recommends that policy makers and strategists working for hotels in Nairobi County should give more weight on cost leadership strategies when making decisions on competitive strategies and that the management of among hotels in Nairobi County should be seeking new ways of improving their focus strategy as they seek to enhance competitive strategies for improved organizational performance. This study further recommends that the sales and marketing teams for hotels in Nairobi County should improve on the product pricing mechanisms and systems as a competitive strategy.

Index Terms - Competitive Strategies (CS), Organizational Performance (OP), Cost Leadership (CL), Product Differentiation (PD), Focus Strategy (FS)

I. INTRODUCTION

The advancement of globalization in the service sector has brought about changes in the competitive landscape of global markets, the nature of international trade relations, and the impact of policies and government frameworks. Consequently, these developments have led to a more dynamic business environment and a fairer market structure that is characterized by liberation, interdependence, and technological advancements. Businesses now require the agility to quickly respond to changes in the market, overcome new obstacles, and gain an edge over the competition. Long-term strategies are what provide businesses an edge in a competitive market by allocating limited resources in an unpredictable environment. From the CEO on down to the lowest-level employee, strategies may be found at all levels of a business (Thompson, 2006).According to Thompson and Strickland (2010), a company's competitive tactics include its past and present efforts to increase sales, lessen the impact of rivals' activities, and strengthen its position in the market. According to Brown (2009), a thorough comprehension of the competitive laws that establish an industry's allure is crucial to the development of effective competitive tactics. According to Lester (2009), a company's competitive strategy is what allows it to choose which sectors or markets to compete in now and in the future. Firms with well-thought-out and implemented competitive strategies tend to outperform those without, as acknowledged by Jonsson and Devonish (2009).
Hotels play an important role in Kenya's tourism sector since no nation can hope to attract visitors without them. The government of Kenya has reportedly taken constructive action to boost growing industries including the tourism industry, as reported by Economic Survey (2007). The Kenya Hotels and Restaurants Regulations Act (1988) specifies the several categories into which Kenyan hotels fall. Hotels must be rated legally, and the scale runs from five stars (the very best) to one star (the very worst). On February 16, (2001), Legal Notice No. 30 was issued outlining the rules that the Hotels and Restaurants Authority must abide by. According to the Economic Survey (2007) estimates that more than 100,000 wage-earning employments in Kenya are supported by the hotel industry. Taxi drivers, souvenir vendors, and distributors all benefit from this market (Oduori, 2006). Businesses in the hospitality industry have the problem of satisfying the tastes of a diverse clientele while maintaining a consistent level of service. Therefore, survival among operators in the hotel business requires cost competitiveness and adaptability in services and goods. Therefore, hotels need to develop marketable strategies that set them apart from the competition (Krishna, 2010). The value of an organization's performance is largely determined by its strategy. Hotels, like any other company, need to engage in a wide variety of activities in order to secure advantageous positions and initiate worthwhile initiatives necessary to achieve their short- and long-term goals.

II. MOTIVATIONS FOR RESEARCH

Numerous studies have examined the link between alternative approaches and outcomes, but experts have drawn conflicting findings. Several researches (Jimenez Jimenez & Sanz-Valle (2011), Damanpour, Walker & Avellaneda (2009), and Atalay, Anafarta & Sarvan (2013) have shown a link between strategic competition and victorious outcomes. Competing techniques have been proven to improve overall performance in other research, but only under certain conditions. For instance, González Rodrguez, Rodrguez, and Rodrguez (2015) investigated a competitive success model for the hotel sector and found that competitive tactics positively impacted hotel market share. Fwaya et al. (2012) looked at the connection between competitive positioning and hotels in Kenya and found that it had a positive impact on market share. Krisnawati and Sule (2016) interviewed hotel managers in Bali, Indonesia to assess the link between competitive strategy and hotel performance. The market share of hotels in Mombasa County was also unknown to Bukirwa and Kising'u (2017), despite the fact that competitive tactics had a substantial effect on the performance of the organizations studied. Ngandu (2014) looked at the effect of competitive strategies on hotel performance and concluded that only corporate growth and differentiation were adopted by Thika town's hotels. Hilman and Kaliappen (2014) studied the Malaysian hospitality business; however they neglected to explain the connection between a company's differentiation strategy and its market share and performance. According to Gheribi (2018), certain international hotel chains have acquired a sizable portion of the Polish hotel industry while charging far less than domestic competitors. In this analysis, organizational effectiveness is compared to other variables such as market share, corporate growth, and competitiveness. The aforementioned empirical studies have also shown gaps in the area, both philosophically and in terms of scope and location. While this sheds light on the connection between rival strategies and company performance, it only scratches the surface. Given this context, the purpose of this research was to examine the correlation between hotels' competitive strategies and their performance in Nairobi County, Kenya.

III. THEORETICAL REVIEW

This study was guided three theories of resource-based view theory, Michael Porter's competitive forces and Ansoff's growth strategy. The RBV approach to strategic management decision making places more emphasis on the company's strategic capabilities as the foundation for its dominance than on establishing a perfect fit between the organization and its environment. You can't create value until you have the resources (material, human, and institutional) to do so. According to Ekundayo and Ajayi (2009), a company's skills reveal how well it can manage its operations and make the most of its resources. Capabilities may be conceived of as intricate packages of learned know-how and experience that are put to use in operational procedures. According to Clegg et al. (2011), every given capability is constantly threatened by the higher-order abilities of competitors, as well as degradation and replacement. Intangible assets are essential to the RBV method to understanding competitive advantage since they are far more difficult to acquire and copy than physical assets. In resource-based theory, rather than looking outside the organization for inspiration, attention is placed on internal factors. It's well understood that a company's bottom line and its capacity to create value from its assets (both physical and intangible) are inextricably linked.

Intense rivalry, the danger of new entrants or replacements, the strength of providers, and the power of consumers are the five factors of competition identified by Porter (2008). He argues that the starting point for formulating a strategy is an awareness of the factors that influence competitiveness in a certain industry. Using critical strategic practices, it is feasible to effectively relate generic strategies to organizational performance. According to Porter, most organizations do well when pressures are moderate, but when they're high, no company achieves exceptional returns on investment. The hotel industry, for example, has a unique mix of the five elements, necessitating a specialized strategy. He then shows that low-cost, differentiation, focus, and combination techniques are the building blocks of generic strategies. As a strategic typology, they are the norm for any and all businesses. This model is an effective framework for determining the key competitive factors in a market and measuring the relative significance of those forces. Focus, distinctiveness, and cost leadership are the three tactics in question. Cost leadership is the strategy in which a company maintains a lower overall cost than its competitors. He elaborated, saying that competitive strategies shape the actions and choices of managers and workers into a unified, company-wide game plan, with the goal of improving the firm's position in relation to its rivals.

The growth plan put out by Ansoff is only one of many competitive strategy models developed by several researchers, all aimed at enhancing the scope and comprehensiveness of research in this field. The Ansoff Matrix model is a strategic planning tool. The structure provided by the model has the potential to be advantageous for executives, senior managers, and marketers alike. Ansoff is widely acknowledged as one of the early scholars who recognized the social significance of strategy and the role of strategic management in driving organizational performance and institutional transformation. Our analyses were in line with the extensive body of research and concepts that ultimately coalesced under the framework of strategic planning. Ansoff's significant contributions to the framework of strategic planning are well recognized. The Ansoff Growth matrix is widely recognized as a prominent strategic planning tool used to analyze options for market penetration, product creation, market expansion, and diversification. No company can be successful indefinitely if it continues to rely on the same goods and customer base. As a result, businesses need marketing plans to make the most of their available human, material, and technological assets. Conglomerate diversification entails adding businesses that are unconnected to the core company, whereas concentration diversification involves adding businesses that are closely tied to the core business. When it comes to expanding their operations, businesses may take a few different approaches.

IV. EMPIRICAL REVIEW

Acquaah's (2011) research on company strategy in Ghana demonstrates that adopting a cost leadership stance leads to operational efficiency. Among these skills are the ability to cut expenses and prices, boost revenue and market share, and perform exceptionally well. Iranian company performance was studied by Valipour, Birjandi, and Honarbakhsh (2012), who aimed to determine whether strategy, cost leadership or product differentiation, was more successful. According to the findings of the study, there is a link between the use of financial leverage and performance. Furthermore, the intensity of this association increases when businesses place a higher priority on product differentiation rather than cost leadership. As a result, the business would do better if it adopted a cost leadership approach. However, if the business opts for a strategy of "product differentiation," it will see improved results.

Hilman and Kaliappen (2014) did research to determine whether the hotel business in Malaysia is affected by cost leadership strategy and process innovation. A cross-sectional survey was conducted across 54 different hotels in Malaysia ranging in quality from three to five stars. The research found that a strategic implementation perspective and strategic alignment across organizational initiatives led to significant gains in productivity. This research also found that the link between cost leadership approach and organizational success was somewhat mediated by process innovation. Businesses might achieve cost leadership by improving internal efficiency and optimizing resource usage to a greater extent than their competitors.

As a competitive business strategy, Rahman (2011) examines product differentiation as a means through which companies aim to acquire an edge over rivals by raising consumer valuations of their offerings above those of competitors. Companies who employ a product diversification strategy in order to meet the requirements of their diverse consumer base get a competitive edge. Quality has emerged as a key differentiator in the marketplace, especially when it comes to addressing the wants of certain consumers. Since difference is a business decision rather than a natural aspect of the market, it must be founded on the coordinated application of a set of resources. Therefore, a firm may be able to charge a premium price for its products if it can distinguish itself from competitors by offering service experiences that are tailored to the lives of consumers and brands that embody the ambitions of those customers. In addition, according to Rahman, the unique experience necessitates a greater price in order to recoup the additional expenses paid. The success of a hotel's differentiation strategy hinges on the staff's familiarity with its target market's lifestyles and goals, since this will determine whether or not the hotel's unique selling points will be appreciated.

In order to set themselves apart from the competitors, businesses might use a differentiation strategy, as outlined by Enz (2011). According to Enz, this tactic is often used in the hospitality sector due to the vast chances it presents for distinction due to the inherent complexities of providing services that cater to customers' desires for self-identity and social attachment. Furthermore, the possibility for distinction is high in service firms, and the ease of copying may lead to the deployment of comparable techniques by several brands. According to Enz, the effectiveness of a hotel's adoption of a differentiation strategy is contingent upon the guests' willingness to pay a higher price for the specific service than the hotel's investment in its development. Furthermore, a crucial aspect of the differentiation approach is the reduction of expenses in non-relevant sectors that do not align with the distinctive selling propositions. Many chain hotels, for instance, shy away from real estate investments in favor of marketing their own brands. The hospitality sector as a whole often employs this "asset-light" approach.

According to Thompson et al. (2008), who developed the research on Porter's competitive strategies, the following factors make a concentrated strategy targeted at achieving a competitive advantage based on low cost or distinctiveness more appealing: The potential revenue and size of the specialized market is sufficient for success. The leaders of the industry do not realize the importance of the specialty to their own growth. Competitors that want to serve a wide variety of market segments can struggle to match the demands of both their core clientele and the more specialized purchasers who make up their niche markets.

Any business, regardless of size, may benefit from Tanwar's (2013) focus approach. It may be used as a targeting tactic to zero in on areas where return on investment is likely to be higher than average, such as those that are less susceptible to replacements or have less competition. Providing specialized goods and services, establishing credibility in the market, targeting consumers willing to pay a premium, and investing heavily in marketing staff are all crucial components of the focus differentiation approach.

VI. RESEARCH METHODOLOGY

The study's design was descriptive in nature and was to analyze how hotel in Nairobi County compete and what factors contribute to their performance. As reported by the Kenya Association of Hotel Keepers and Caterers (2023), Nairobi County was home to a collective count of 367 hotels, which served as the focal point of the research. The observational unit consisted of managers employed at hotels in Nairobi County. Stratified sampling was an ideal method in ensuring that there was no bias in selection of the respondents, therefore, it was used in picking employees to take part in the study. To determine sample size a formula by Yamane as follows assuming confidence level was 95% was used (Field, 2017). Using populace of 367 respondents /hotels, size of the sample based on the formula was 191. In this case, 191 employees in the management level were the sample size from the hotels in Nairobi County. Information in primary form was by questions that were structures and unstructured. Benefits of this were that it's faster and easy to collect the required information. Data collection was conducted via the administration of questionnaires to the respondents in management levels of hotels in Nairobi County. The surveys were collected from the field by the researcher after the participants had completed them, in order to facilitate the cleaning process. In order to analyze the quantitative data, inferential and descriptive statistics were used. In the process of elucidating the data, the researcher used statistical measures such as mean values, percentages, standard deviations, and frequency distributions. Inferential statistics derived from a multiple regression analysis which offered a weighted estimate equation, was used in the process of making predictions about the link between the two variables.

VII. RESEARCH FINDINGS, ANALYSIS AND PRESENTATION

The researcher conducted different tests to establish where the regression model was Bet Linear Unbiased Estimation. The study employed the normality test, multicollinearity test and heteroscedasticity test as shown below.

Table 1 Normality Test

N		Skewness	Kurtosis		
Statistic	**Statistic**	**Std. Error**	**Statistic**		**Std. Error**
Organizational Performance	149	-.931	.264	.291	.523
Cost Leadership	149	-.203	.264	-.733	.523
Product Differentiation	149	-.640	.264	.231	.523
Focus Strategy	149	-.118	.264	-.128	.523

The findings in Table 1 shows that the values of Kurtosis and Skweness for all the variables reviewed in this study were all within the range of n+2 and -2. This being the case, it can be deduced that the data set was normally distributed.

Table 2 Multicollinearity Test

	Collinearity Statistics	
	Tolerance	**VIF**
Cost Leadership	.150	6.652
Product Differentiation	.137	7.308
Focus Strategy	.938	1.066

The study results as indicated in Table 2 all the VIF values are within the range of 1-10. This suggests that the data reviewed in this study had no multicollinearity and thus is considered suitable for carrying out regression analysis.

Table 3 Heteroscedasticity Test

Breusch-Pagan/Cook-Weisberg test for heteroskedasticity
H_O: Constant variance
Variables: fitted values of organizational performance
Chi2 (1) =14.06
Prob > chi2 =0.0002

In this study Cook-Weisberg or Breusch was used to test for heteroscedasticity. As shown in the findings in Table 3 it was established that the p-value of 0.0002 was more that the significance levels of 0.05 this implies that the study rejects the homoscedasticity.
Regression analysis was conducted to establish the link between competitive strategies and organizational performance of hotels in Nairobi County, Kenya. The results from this included the model summary, the analysis of variance and the regression beta coefficients as summarized in the subsequent sections. The findings of the model summary were established and summarized as indicated in Table 4.

Table 4 Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.773[a]	.598	.589	1.4683

a. Predictors: (Constant), Cost Leadership, Product Differentiation, Focus Strategy

From the results in Table 4 it was established that the value of R square was 0.598, which can interpreted to suppose that 59.8% change in the organizational performance of hotels in Nairobi County, Kenya is explained by its competitive strategies like cost leadership, product differentiation and focus strategy.

Table 5 gives a summary on findings of the ANOVA conducted at 5% level of significance.

Table 5 Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	596.096	5	149.024	29.358	.000[b]
Residual	401.013	144	5.076		
Total	**997.11**	**149**			

a. Dependent Variable: Organizational performance
b. Predictors: (Constant), Cost leadership, Product Differentiation, Focus Strategy

The ANOVA findings were established and summarized as indicated in Table 5. From the findings, F=29.358 & $p<0.05$. This means that competitive strategies significantly influence organizational performance of hotels in Nairobi County. The findings of the regression beta coefficients and the significance as determined through the p- values are shown in Table 6.

Table 6 Regression Coefficients and Significance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.428	1.463		10.546	.000
	Cost leadership	1.104	0.088	2.084	12.482	.000
	Product Differentiation	0.071	0.034	0.097	2.076	.039
	Focus Strategy	0.931	0.129	0.984	7.210	.000

a. Dependent Variable: Organizational performance

As shown in Table 6 the fitted regression model becomes:

$Y = 15.428+1.104X_1+0.071X_2+0.931X_3$

The first objective was to assess the influence of cost leadership on organizational performance of hotels in Nairobi County. From the results, it was established that a unit change in cost leadership holding other factors constant would lead to 1.104 unit improvement in organizational performance of hotels in Nairobi County. At the same time, the p-value is ($p<0.05$), this meaning that cost leadership significantly influenced in organizational performance.

In regards to the second objective, the study sought to establish how product differentiation influences organizational performance of hotels in Nairobi County. According to the study findings, it was revealed that holding other factors constant, a unit change in product differentiation would lead to 0.071 unit increment on organizational performance of hotels in Nairobi County. The study established that the p-value ($p<0.05$), meaning that product differentiation have a significant effect on organizational performance.

On the third objective the study sought to determine the influence of focus strategy on organizational performance of hotels in Nairobi County. According to the study findings holding all other factors constant, a unit change in focus strategy would lead to an increase of 0.931 per unit on organizational performance of hotels in Nairobi County. The results established that the p-value was less than 0.05, thus focus strategy had significant effect on organizational performance of hotels in Nairobi County.

VIII. CONCLUSION

The first objective of the study sought to assess the influence of cost leadership on organizational performance of hotels in Nairobi County. From the findings cost leadership had a positive regression beta coefficient that was significant. Thus, the study concludes that hotels in Nairobi County employed cost leadership and this contributed towards their organizational performance.

The second objective of the study was to establish how product differentiation influences organizational performance of hotels in Nairobi County. As per the findings, the regression beta coefficient of product differentiation was positive and significant. Hence, the study concludes that product differentiation was one of the competitive strategies embraced and it enhanced organizational performance of hotels in Nairobi County.

The third objective of the study was to determine the influence of focus strategy on organizational performance of hotels in Nairobi County. In view of the regression findings, the beta coefficient of focus strategy was positive and significant. Thus, the study concludes that focus strategy is a critical aspect of competitive strategies that drives organizational performance of hotels in Nairobi County.

IX. RECOMMENDATIONS FOR MANAGEMENT, POLICY AND PRACTICE

The results of regression analysis showed that cost leadership had the largest regression beta coefficient that was significant. Based on this finding, the study recommends that policy makers and strategists working for hotels in Nairobi County should give more weight on cost leadership strategies when making decisions on competitive strategies.

As per regression analysis, focus strategy had the second largest regression beta coefficient that was positive and significant. Hence, this study recommends that the management of among hotels in Nairobi County should be seeking new ways of improving their focus strategy as they seek to enhance competitive strategies for improved organizational performance.

The results of regression analysis were that product differentiation had the third largest beta coefficient that was also positive and significant. Hence, this study recommends that the sales and marketing teams for hotels in Nairobi County should improve on the product pricing mechanisms and systems as a competitive strategy.

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