

Strategic Planning Practices of Hotels in Kenya

Lilian M. Gikutha, Florence W. Njau, Naghea Jilo
Kenya Utalii College, Nairobi, Kenya

This study broadens perspectives of strategic planning procedures in hotels by analyzing hotel managers' perspectives on hotel strategy formulation and planning. The study was a descriptive quantitative study that targeted managers from various Kenyan hotels. 180 questionnaires were returned from a sample of 280 hotel managers who had attended management development programs at a hospitality school. The primary goal of the study was to analyze two aspects of the strategic planning process: strategy formulation and strategic planning. The findings revealed that hotels in Kenya have developed methods and are keen on scanning their external environments. However, with the product offerings being so comparable, competitive analysis played an important role in the context. Creating a unique or specialty offering was not a popular option for most hotels. Cost-cutting was the most favored strategic inclination to achieve desired results. The balanced scorecard was underutilized in the sector. While managers were involved in the strategic planning process, other lower cadre employees were not, they were provided with the targets for the hotels' organizational goals to be achieved. The findings reveal that with similar products and services, the industry creates a hostile business climate with fierce rivalry and must invest in the most obvious alternative of cost reduction to survive. Alternative product innovation is not common in this industry for developing a differentiation approach that allows a property to control a market.

Keywords: hotels, strategy formulation, strategic planning

Introduction

Strategy is the concept of how a firm regulates its actions in order to run a successful business by competing and generating returns for its stakeholders. Moreover, it is a business plan that shows a company's understanding of how, when, and where it should compete in the competitor's landscape, as well as what aims and objectives it should endeavor to pursue. It is also viewed as a process of looking for actions to take among possible alternatives that begin with top management and are carried out at all levels of organizations to reach the goals (Bawomo, 2020). The achievement of an adequate match or fit between an organization's environment and its strategy, structure, and operations has a favorable impact on its performance. Wheelen, Hunger, Hoffman, and Bamford (2017) posit that strategic management's three most highly valued benefits are a clearer awareness of a firm's strategic goal, a stronger focus on what is strategically important, and a better knowledge of a fast-changing environment. As the world's environment gets more complicated and changeable, today's strategic organizations use management as one method of making the environment more manageable.

Lilian M. Gikutha, DbA., deputy director research, Research Department, Kenya Utalii College, Nairobi, Kenya.
Florence W. Njau, Ph.D., director research, Research Department, Kenya Utalii College, Nairobi, Kenya.
Naghea Jilo, MSc in Environmental Studies, research assistant, Research Department, Kenya Utalii College, Nairobi, Kenya.

Strategic management according to Dachyar and Sahir (2020) is a process of evaluating, planning, and implementing changes to a company's competitive edge. The evaluation phase is concerned with the internal and external environments of the firm. Developing business models, competitive strategy, corporate direction, acquisitions, and collaborative action are all part of the planning process. Leadership is required during the implementation phase to construct an appropriate organizational structure, process strategic control, develop a management culture, and steer the firm through corporate governance. Stefan et al. (2019) claim that by using SWOT analysis, the organization may prepare methods for achieving sales targets and competitive strategies that will be used to grow their business (Habimana, Mutambuka, & Habinshuta, 2018).

Strategic planning is a well-known management practice in today's businesses. According to George, Walker, and Monster (2019), the concept fueling its popularity is that it is a successful practice, in both public and commercial organizations that has a positive impact on organizational performance. Strategic planning has a positive, moderate, and significant impact on organizational performance in both the private and public sectors, as well as globally. Organizations that have followed the approach have earned significant benefits by attaining or exceeding organizational goals. To do this, strategic planning must be incorporated into regular managerial procedures. The process must be formal to the extent that strategic planning incorporates internal and external analysis as well as the formation of goals, strategies, and plans. It is critical for improving organizational performance. In addition, it is especially successful at increasing organizational effectiveness. According to Bryson, Edwards, and Van Slyke (2018), strategic planning includes elements such as an analysis of the organization's mandate, mission, and values; an analysis of the organization's internal and external environment; and the identification of strategic issues based on these analyses, as well as the formulation of strategies, goals, and plans to address the issues.

Tourism development is inextricably linked to the expansion and upgrading of a country's hotel capacity. Hotels, in particular, are a vital component of the national tourist offer. Their importance to tourism development and national economic development is undeniable. Given current trends and severe competition in tourism, hotel management must adapt and reorient towards modern business forms in order to provide new strategic prospects for attaining company objectives (Oda, Zhaku, & Iseni, 2022). The accommodation service industry is one facet that plays a significant part in the worldwide development of tourism; lodging services are currently growing rapidly, and each must compete fiercely to continue growing and developing. Hundreds of documented lodging providers offer diverse services and complete facilities. Competition is viewed using various aspects of the industry such as services offered, facilities available, and even the prices offered.

The Ministry of Tourism data show a remarkable increase in the number of tourists from year to year, which shows a large increase which indicates the need to support this growth situation in lodging services in terms of competitiveness for the guest in hotels. SWOT analysis is important in corporate strategic planning and management for developing a more effective competitive strategy based on internal and external aspects that exist in the business.

Objectives of Study

- (1) To determine strategy formulation of hotels in Kenya.
- (2) To investigate the strategic planning attributes in Kenyan hotels.

Research Methodology

The study targeted 280 hotel managers from around Kenya who were enrolled in a management development program at a hospitality school. The managers, the majority of whom were department heads, were found to be ideal target respondents as it was expected they would supply accurate information, given that they are expected to be involved in strategic planning processes in their organizations. 180 responses were obtained via questionnaire from 113 hotels. Data were analyzed in a descriptive design approach, with tables indicating the survey results.

Results and Discussion

The respondents were managers in hotels from seven counties and are presented below:

Hotel Attendance by County

Table 1

Distribution of Hotels per County

| County | No. of hotels | Percentage |
|----------|---------------|------------|
| Nairobi | 49 | 27% |
| Mombasa | 14 | 8% |
| Nakuru | 12 | 7% |
| Kisumu | 11 | 6% |
| Machakos | 11 | 6% |
| Kwale | 9 | 5% |
| Laikipia | 7 | 4% |

A total of 113 hotel locations were captured in this survey, with Nairobi County having the most number of hotels at 27%, followed by Mombasa at 8%, then Nakuru at 7%. Kisumu and Machakos had 6% attendance while Kwale and Laikipia had 5% and 4% respectively. Other counties represented were: Baringo, Kiambu, and Narok (four hotels), Kajiado, Kilifi, and Murang'a (three hotels), Isiolo, Nyeri, Taita Taveta, and Tharaka Nithi (two hotels). Eldoret, Elgeyo Marakwet, Embu, Kakamega, Kirinyaga, Makeni, Naivasha, Rift Valley, Samburu, Turkana only had one hotel each.

Elements of Strategic Planning

Table 2

Elements of Strategic Planning

| Aspect | Yes | No |
|---|-----|----|
| The organization has a vision statement | 98% | 2% |
| The organization has a mission statement | 97% | 3% |
| The organization has core values | 98% | 2% |
| The organization has documented strategic plans | 93% | 7% |
| The organization has long-term and medium-term goals and objectives | 92% | 8% |

Considering the elements of strategic planning in an organization as captured in this survey, it was found that 98% of the hotels had vision statement while only 2% had no vision statements, 97% had mission statements while 3% had no mission statements, 98% had core values while 2% had no core values, 93% had documented strategic plans while 7% had no documented strategic plans, 92% of the hotels had long-term and medium-term goals and objectives while 8% had no long-term and medium-term goals and objectives.

The foundation of strategic planning lies in well-defined elements that guide an organization's decision-making process. As we examine the strategic planning practices of hotels, we consider the presence of key elements: Vision Statement: A resounding 98% of hotels in our survey have a clearly articulated vision statement, Mission Statement and core values to shape their organizational structure. 97% of hotels have a mission statement, which outlines the purpose and direction of the organization hotels with documented strategic plans comprised of 93% of the hotels, providing a structured roadmap for achieving their goals with long-term and medium-term goals and objectives ensuring a forward-looking perspective in their strategic approach.

Strategy Formulation

Table 3

Strategy Formulation Aspects

| Aspects | SA | A | NS | D | SD | Total |
|---|-----|-----|-----|----|----|-------|
| The organization's plans are geared toward the vision | 65% | 31% | 1% | 2% | 1% | 100% |
| Staff are aware of the vision | 40% | 44% | 13% | 2% | 1% | 100% |
| The mission statement is well-known to the staff | 37% | 40% | 14% | 7% | 2% | 100% |
| Everyday activities are geared toward achieving the mission of the organization | 52% | 40% | 4% | 3% | 1% | 100% |
| The organization's culture demonstrated the core values of the organization | 46% | 41% | 6% | 6% | 0% | 100% |
| Core values are exhibited and actualized in the organization | 37% | 49% | 9% | 5% | 1% | 100% |
| Managers are competent in strategic planning | 41% | 46% | 8% | 3% | 1% | 100% |
| Management is involved in the development of the hotel strategy | 52% | 41% | 2% | 2% | 2% | 100% |
| Average | 46% | 42% | 7% | 4% | 1% | 100% |

A vast majority of respondents believe their organization's strategies are aligned with its vision, missions, and core values of the hotels and that the team is reasonably aware of the vision and mission. Furthermore, everyday activities contribute to the fulfillment of the organization's purpose. The fundamental values reflect the organizational culture and management plays an important part in the creation of the hotel's strategy.

Strategic Planning Practices

Table 4

Strategic Planning Practices

| Aspects | SA | A | NS | D | SD | Total |
|---|-----|-----|-----|-----|----|-------|
| The organization knows its opportunities and threats | 51% | 42% | 4% | 2% | 1% | 100% |
| The organization knows its strengths and weaknesses | 48% | 42% | 6% | 3% | 1% | 100% |
| The organization monitors the opportunities and threats and realigns itself accordingly | 42% | 45% | 6% | 6% | 1% | 100% |
| The organization is aware of its competition | 62% | 34% | 2% | 2% | 1% | 100% |
| The organization has a specific strategy | 49% | 39% | 7% | 4% | 2% | 100% |
| The organization in the last five years has formulated a specific strategy | 41% | 38% | 14% | 5% | 2% | 100% |
| The organization constantly monitors the extent of the success of its strategy | 39% | 47% | 10% | 5% | 1% | 100% |
| Constant evaluation is carried out to ensure the success of a strategy | 38% | 45% | 9% | 7% | 1% | 100% |
| The organization focuses on cost reduction as a strategy | 51% | 40% | 5% | 2% | 1% | 100% |
| The organization focuses on the creation of unique product as a strategy | 43% | 43% | 6% | 9% | 0% | 100% |
| The organization's action focuses only on a specific market as a strategy | 21% | 40% | 11% | 23% | 5% | 100% |
| Hotel departments know the activities to be carried out to achieve the strategy | 46% | 45% | 5% | 4% | 0% | 100% |
| Strategic plan is communicated to all employees | 35% | 45% | 6% | 11% | 3% | 100% |

Table 4 to be continued

| | | | | | | |
|---|-----|-----|-----|-----|----|------|
| Balance scorecard is considered when coming up with organizational strategy | 31% | 44% | 12% | 12% | 1% | 100% |
| Benchmarking is used to come up with organization strategy | 37% | 40% | 13% | 8% | 3% | 100% |
| Employee's views are considered when coming up with strategies | 25% | 49% | 14% | 9% | 4% | 100% |
| Average | 46% | 42% | 8% | 7% | 2% | 100% |

The majority of hotels have a thorough awareness of their business environment, with a high number identifying opportunities, risks, strengths, and weaknesses. Recognizing competition as an essential component of their approach, cost reduction is the most commonly implemented strategic objective, and the balanced scorecard and benchmarking are used fairly. The incorporation of employees' perspectives on strategy formulation is not a common practice.

Conclusions

Strategy formulation stages take into consideration the Vision and Mission to ensure alignment with the strategies formulated. In the course of examining strategic planning procedures in Kenyan hotels, the findings reveal that strategy-formulated practices are followed by an analysis of the external environment, with a focus on competitiveness. The majority of hotel employees were well informed of their organization's strategic planning characteristics. Many hotels identified and tracked opportunities, challenges, strengths, and vulnerabilities. Most of their organizations have a clear plan in place that is constantly examined and evaluated for success. Most organizations have focused on cost reduction and have embraced a multi-market strategy rather than a specialized market strategy. Although monitoring occurs, the balanced scorecard is not commonly employed as a monitoring tool. It is not a common practice to solicit employee feedback when establishing an organizational plan. The strategic plan is communicated to all employees, and all hotel departments are informed of the activities required to achieve the goal.

Limitations and Recommendations

The study's limitations included not categorizing the hotels into distinct sorts because they would attract different clients and would most likely require differentiated strategic approaches. In the future, research can be conducted to explore the various strategic tactics used in various types of hotels, including business hotels, holiday hotels and lodges, and tented camps, to mention a few.

To design a plan, managers need to recognize the company's resources and skills. Correct resource management can reduce costs, increase efficiency, and increase productivity for the hotel, particularly with employees who have specific skills and are part of the hotel's product offering. It can also improve a hotel's competitiveness with little competition by keeping existing customers satisfied, which can be accomplished through new strategic approaches. Providing identical products and services makes the sector extremely competitive, which may result in a hostile business environment and the only way to stay ahead is to use strategic approaches based on a critical look at strategy planning practices.

References

- Bawomo, M. (2020). *Marketing strategy for hotel business: The secrets of improving hotel marketing performance in the tourism industry*. Germany: BookRix.
- Bryson, J. M. (2018). *Strategic planning for public and non profit organisations: A guide to Strengthening and sustaining organisational achievements*. New York: John Wiley and Sons.

- Bryson, J., Edwards, L., & Van Slyke, D. (2018). Getting strategic about strategic planning research. *Public Management Review*, 20(3), 317-339.
- Dachyar, A., & Sahir, A. (2020). Hotel revival strategy planning with SWOT-fuzzy AHP-TOPSIS: A case study of a 4-star hotel. In *Proceedings of the 11th Annual International Conference on Industrial Engineering and Operations Management* (pp. 7-11). Singapore.
- George, B., Walker, R., & Monster, J. (2019). Does strategic planning improve organisational performance? *Public Administration Review*, 79(6), 810-819.
- Habimana, T., Mutambuka, D., & Habinshuta, P. (2018). The contribution of SWOT analysis in the competitiveness of business enterprises in Rwanda. *Journal of Economic, Business and Management*, 6(2), 56-60.
- Oda, A., Zhaku, S., & Iseni, F. (2022). SWOT analysis in function of development of hotel enterprises in Struga. *Revista Shqiptare Social Ekonomike*, 1(107), 57-66.
- Stefan, D., Vasile, V., Oltean, A., Comes, C., Stefan, A., Ciucan-Rusu, L., & Timus, M. (2019). Women Entrepreneurship and sustainable business development: Key findings from a SWOT-AHP analysis. *Sustainability*, 13(9), 5298.
- Wheelen, T. L., Hunger, J., Hoffman, A., & Bamford, C. (2017). *Strategic management and business policy*. Boston: Pearson.