

EFFECT OF CHANGING BUSINESS ENVIRONMENT ON THE PERFORMANCE OF
THE SERVICE INDUSTRY: A CASE OF FIVE-STAR RATED HOTELS IN
NAIROBI COUNTY, KENYA

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THIS THESIS IS SUBMITTED TO THE SCHOOL OF PROFESSIONAL STUDIES IN
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DECLARATION

This thesis is my Original work and has not been presented for academic credit in any other University, Institution or College.

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DEDICATION

This thesis is dedicated to my lovely husband Peter who supported me morally and financially, his sacrifices were unfailing and I am indebted to him. Lots of love goes to my son Asher for always inspiring me to work hard. Through this research writing journey my Dad and Mom supported me financially and mentored me a lot, I appreciate them for that. Last but not least my siblings, colleagues, and friends have also contributed immensely to the success of writing this paper, May almighty God bless them abundantly.

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ABSTRACT

Service Industry is one of the major drivers of the economy in Kenya. The industry supports the economy through foreign exchange earnings, employment, revenue paid through tax and generally promotes economic stability in the nation. However, the environment within which the industry operates is complex and dynamic. With the rapid changes of environmental factors; Economic, International, Technological and Political, the performance of the service industry is affected, which adversely affects the GDP growth rate in a country. The objective of this study was to establish the effect of changing business environment on the performance of the service industry with focus on five-star rated hotels in Nairobi County. The specific objectives of the study were; to determine the effect of economic aspects, technological aspects, international aspects and political aspects on the performance of the service industry. In this study, descriptive research design was used, where precise and relevant information were presented. The target population of the study were 10 five-star rated hotels in Nairobi County and the sample were 10 five-star rated hotels in Nairobi County which was picked through census. The study used both qualitative and quantitative data which was collected by use of both primary and secondary means, where questionnaires, recorded data and reports were utilized. A pilot study was carried out on three respondents to verify the suitability of the research instruments. Data was analyzed and presented through the use of SPSS software version 24.0. The study findings revealed that the business environment had significant effect on the hotel performance; the economical aspect contributed 32.6% to the hotel performance, the technological aspects contributed 46.51% to the hotel performance, international aspects contributed 37.33% to the hotel performance while political factors contributed 45.83% to the hotel performance. The study revealed that hotel managers should do proper scanning of the business environment for any change to be effected in the business operation as the environment change. The study recommends that government enact favorable policies and business regulations to encourage more investments in the service industry.

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LIST OF ABBREVIATIONS AND ACRONYMS

CBK:	Central Bank of Kenya
CEO:	Chief Executive Officer
EAC:	East Africa Community
FEPA:	Food and Environment Protection Act
GA:	General Accidents Insurance Limited
GDP:	Gross Domestic Products
GNP:	Gross National Product
HR:	Human Resource
ICT:	Information Communication Technology
KAHC:	Kenya Association of Hotel Keepers and Caterers
KNBS:	Kenya National Bureau of Statistics
KSHS:	Kenya Shillings
NACOSTI:	National Commission for Science, Technology and Innovation
NAFDAC:	National Agency for Food and Drug Administration and Control
NSE:	Nairobi Stock Exchange
OP:	Organization Performance
PESTI:	Political, Economic, Social, Technological and International
PWC:	PriceWaterhouseCoopers

SMEs:	Small Medium Enterprises
SPSS:	Statistical Package for the Social Science
TRA:	Tourism Regulatory Authority
US:	United States
VAT:	Value Added Tax

DEFINITION OF SIGNIFICANT TERMS

Business: For this study, this is any economic or commercial undertaking that focuses on attaining profits and business sustainability.

Environment: For the significance of this study environment is the entirety of the surrounding of an organization for an extensive concept. It is all impacts and conditions that impact the environment and affect any advancement of the whole organization.

Business Environment: For the purpose of this study, this is the combination of external and internal factors that have effects on the operations of a business. It is made out of two noteworthy classifications; the external (Political-legal, Economic, social-cultural, Technological and physical environmental factors) and internal environment (visions, missions, and structure of the organization).

External environment: In this context, external environment contains a broad dimension in the organization surroundings which forms the complete perspective of the business. It includes; the political, economic, socio-cultural, technology and international factors.

Internal environment: In this study, this are data which are obligatory by the management in organizations. It is comprised of clients, competitors, suppliers, law regulations, financiers and key partners. Also included is the visions, missions, structure of the management, business owners, staff and the physical environment.

Organizational performance: In this study, Organization Performance is the capability measure of an organization to achieve or realize its purpose and mission.

Change: In this circumstance, change is defined as a process of learning where organizations respond to opportunities and threats posed by the environment.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Business organization major objectives is to grow, make profits and survive in the environment where they operate. The environment within which business organizations function is a multi-focus, complex, dynamic and has an effect on organizations. According to Daft (2010) goals of an organization are inclined by the environment through the constraints that are brought by the environment. The constraints subjected by the environment should be in competition form, which sets the limit on the goal specified by the organization. For example, when trade union asks for salary increment, it will have an effect on the dividends of the shareholder.

As alluded by Schiffer and Weder (2001) business environment is anything, which surrounds business organization and includes; Political, economic, social-cultural, technological, physical environment and legal issues (PESTEL). It has an effect on the strategies, process, decision, and subsequently on the performance in the business. It is composed of aspects which are beyond the internal business control. It can provide opportunities or threats to organizations. Since business has a demand on society and society has demands on business, managers in the organization are obligated to interact with the environmental factors external or internal in their organizations and respond to any change. As suggested by Hamilton and Webster (2018), the entirety of these inter-relationships amongst the society and the business are what the management regards as the business environment.

The survival of the organization and its success depends on appropriate adoptions in a multifaceted and the dynamism in the environment. It is important for top management in the

organization to ascertain opportunities and the threats in the external environment. It ought to respond expeditiously so that competitive advantage over its rivals can be realized. Consequently, any organization has a duty to search or look unto its environment continuously. The advancement and stability of a business greatly depend on how it adapts to the changes in the environment in which it operates in. The hotel sector in Kenya is one of the service industries which are vastly affected by the changing business environment due to the nature of its operation. Eisenhardt, Shona, Brown, and Kathleen (1997) asserted that businesses should realize that the environment will not change in their favor, but for them to keep updating their systems to take on the changes in the environmental, and keep up with the pace so that they are not taken out of business due to obsolescence.

1.1.1 Global Perspective

The international markets environment has become profoundly large with the development of the worldwide market economy. Okumu, Altinay, and Chathoth (2010) asserted that the flow of investment from West to East markets and the exportation of raw materials to the west has steered the interdependence among economies. The technology advance has led to the knowledge economy where firms are being driven towards knowledge management practice. According to Horner and Swarbrooke (2016), the focus is on the development of core competencies using a resource-based perspective. Fitzsimmons and Fitzsimmons (2004) also realized that the global service industry includes firms that have operations in various national contexts. They include; the hotels, airlines, casinos, restaurants, cruises and any other travel related business.

Considering the recurrent nature of businesses globally, multinationals corporations are capable of balancing the expansions and downturns effectively by applying international strategies. For instance, Enz (2009), affirmed that Marriott hotels can manage business cycles related to leisure travel by operating hotels in the Northern and Southern Hemispheres. When leisure travel is down in the winter months in Europe, the firm could balance this downturn by benefiting from the summer months in Australia. Globalization comes with an increased possibility of risk exposure, which could be managed effectively by applying various ways of ownerships (franchising, management contracts, and alliance ownership). Cho, Bonn, and Kang (2016) further discussed that strategic alliance in businesses in the northern regions and southern region of India, further made it more important for multinationals like McDonald's' to formalize the scanning process.

1.1.2 Local Perspective

Service industry in Kenya is the major driver of economy as stated by Auka (2012). Ngugi, *et al* (2017) mentioned the hotel industry is one of the service industries which provides accommodation, food, drinks and other leisure/recreation activities. Tourism provide relaxations and various fan activities like sightseeing of wild animals, nature walk and picnics as posited by Mayaka and Prasad (2012). Through foreign earning hotels have recorded enormous growth in the collection of revenue. The growth of the hotel industry was associated with a number of factors like the advancement of technology, which made it easier for the guests to make bookings among other services.

The Kenyan hotel scene is primed for expansion as global brands and local investors look to capture the growing number of business travelers, it is a very beautiful country known for its

wide range of National parks and game reserve. Rogerson (2014) revealed that the country is also known for its warm and humid climate along the Indian Ocean coastline and the warm and humid climate around Lake Victoria. According to Mayaka and Prasad (2012), Service industry was recognized to have contributed to a great extent in the economic development. Awino, Machuki, and Ogaga (2017) asserted the possibility of Kenya giving 16 new Five-star hotels in the next five years thereby raising the country's hotel rooms by a greater margin. Cytonn Real Estate (2017) affirmed that the completion of the new facilities will increase hotel capacity by 14 percent. The major reason of this research study was to investigate to what degree the business environment (economic, technological, international and political) influenced the performance of the hotel industry in Kenya.

1.1.3 Performance Concept

Performance in organizations has been communicated with many contradictory definitions which is not a new occurrence amongst the scholars and entrepreneurs. It has been a basis of influence to the actions taken by companies and the degree to which an organization realizes its goals. As indicated by Folan and Browne (2005), performance is explained as a combination of productive resources made up of human, physical, and capital resources. It is likewise seen as the proportion of how managers use the assets of the organization proficiently and adequately to achieve the objectives of the organization as implied by Jones and George (2009).

The performance, as contributed by Richard *et al* (2009), includes the actual output estimated against the planned or anticipated yield. There are several indicators used for measuring performance in organizations. For example, financial related (productivity, turnover, deals, and

liquidity) and non-financial related (aggressiveness, nature of administration, adaptability of the organization, asset usage and inventiveness). Accordingly to Wadongo, Odhuno, Kambona, and Othuon (2010), non-financial related measures of performance were regarded to be increasingly powerful. In this study, both monetary and non-monetary measures were considered in measuring the performance of hotels. It was measured in view of profitability, occupancy rate and the number of new products invented

1.2. Statement of the problem

According to Kigera (2016), there is significant impact of the business environment to the service industry performance. For example government policies such as taxes and government spending, affect the country's economy. The governments keeps on changing many rules and regulations, and this has had an effect on businesses operating in the country. According to Cytonn Real Estate (2017) report, Kenya's economy was estimated to have expanded by 4.9 per cent in 2017. However, this was not realized. Comparatively, in 2015 the occupancy rate was 32.4 per cent, as at 2016 the occupancy rate was at 34.1 per cent while in 2017 the occupancy rate declined to 31.3 percent as reported by PWC (2018). In view of this, the researcher ought to investigate the effects of the changing business environment on the performance of the service industry with focus on the five-star rated hotels in Nairobi County.

1.3. Objectives of the study

1.3.1. The general objective

This study intended to investigate the effect of changing business environment on the performance of the service industry, a case of five-star rated hotels in Nairobi County, Kenya

1.3.2. Specific objectives

- i) To determine the effect of the economic aspect on the performance of the service industry
- ii) To establish the effect of technology aspect on the performance of the service industry
- iii) To investigate the effect of the international aspects on the performance of the service industry
- iv) To establish the effect of political aspect on the performance of the service industry

1.3.3. Research Questions

- i) What is the effect of the economy on the performance of the service industry?
- ii) What is the effect of technology on the performance of the service industry?
- iii) What is the effect of international aspects on the performance of the service industry?
- iv) What is the effect of politics on the performance of the service industry?

1.4. Significance of the Study

The study of business environment (PESTI) is beneficial to the business because it would contribute to the firm endurances and sustainable development. It reveals the opportunity and threats that are within the environment so that business can utilize on the available opportunity and face the challenges which are posed by the threats. Growth of business is also well guided when the surrounding factors are well known. Internal factors of environment for example; having efficient employee, efficient resource utilization, and efficient utilization of cost can make a business strong, for that reason it has to be reviewed all the time. Having knowledge of the business environment is a constant learning practice in any organization. Proper scrutiny of the environment helps the management team tackle the challenges brought by the

environment, therefore stiff competition faced by firms can be handled more effectively. The research findings would enable hoteliers to understand the overall business environment in which they operate in globally and mitigate any challenges. This would update them of any changes whenever it may happen, thus enabling them to stay competitively at the top of the market. The research study ought to be used as a reference for further studies by Scholars.

1.5. Scope of the Study

The business environment which impacts the performance of organizations are several including; political, economic, social-cultural, technological, environmental, customers, suppliers, competitors, regulators, strategic partners, and financiers. However, this study focused on economic, technological, international and political variables only. The latter factors were discussed and its effect on the performance of service industries were also analyzed by studying the Five-star rated hotels. The geographical range was limited to Nairobi County in Kenya. Only Five-star rated hotels were studied in this research, other service industries were outside the range of this research. At the time of this research study, there were only ten (10) Five-star rated hotels in Nairobi County, Kenya according to Tourism Regulatory Authority (2014).

1.6. Limitation of the Study

This research study had potential limitations. First, the study investigated the effects of changing business environment on performance of the service industry in only five-star rated hotels. While the findings represented the generalization of the business environment effects on the performance in the service industry, there are other star rated hotels which could have been considered for the study.

Secondly, in this research study, the business environment factors were majorly the economic, technological, international and political factors. While the findings represented the generalization of the business environment effects on the performance, there are other factors like social-cultural and ecological factors which were not include in the study. Lastly, the researcher had expected 100 percent response rate, however 86 percent responded.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter gave a review of the literature from past research addressing similar subject of study. It presented the theoretical review, conceptual framework, empirical review on the political environment, economic environment, technological environmental, international environment and finally on the performance of the service industry. Critique of the existing study, summary and research gaps were also discussed.

2.2. Theoretical review

The study reviewed three theories and their application to the performance of organizations. The theories assisted in understanding changing business environment and their effect on organization or industry performance. The theories included theory of Change, open system approach theory and the Chaos theory.

2.2.1 Theory of Change

According to Sarayreh, Khudai, and Barakat (2013, change is a basic part of each business, therefore the knowledge of managing change is essential since it is inevitable. Theory of change management which is referred to as Emergent Theory by Barnard and Stoll (2010) alluded that change is unpredictable and happens very fast and can be difficult to manage from top-down approach. They declared that there are various theories that enlightens on organizational change. Including; Lewin's Change Theory which is balanced, objective and systematized. The theory emphasizes on the powers driving change and does not consider

individual factors that influence change in the study. Social Cognitive Theory is also another theory of change that suggest behavioral change is influenced by both personal and environmental factors. The theory focusses its analysis on the components of behavior.

In overseeing change in organizations, managers adopt different strategies depending upon what is targeted for the change. Wehrich and Koontz (2005) consider change management as a fundamental way to deal with circumstances and is about individuals and targets leadership in all dimensions of the organization. It ponders that organizations cannot change but it's the people who need to change their behavior for the success of the organization. Rogers (2014) contend that the Theory of Change can be utilized for strategic plan or program intending to distinguish the present circumstance regarding needs and opportunity and also to build up strategies to accomplish the objectives. Further, Pieterse, Caniëls, and Homan (2012) said organizational change in the end, prompts consistent learning that keeps up with the competition. Five-star rated hotels in Kenya can embrace change by; persistently scanning the environment, develop new vision, repositioning hotels in the new market segments and continuously developing management and staff capabilities through trainings and empowerment.

2.2.2 Open Systems Theory

An open system is a structure which frequently communicates with the outside environment. The firms are influenced by different needs in the environment, which it cannot directly control. This factor could be political, economic, environmental, social-cultural, and technology related aspects. Yoon and Kuchinke (2005) stressed that organizations which often interact with the external environment are highly effective due to its open nature system.

High performing organizations often make efforts to know their environments by using environmental scanning approach, marketing research, and assessments. These kinds of organizations as noted by Hill, Jone, and Schilling (2014) are effective as they consistently try to understand the external environment. These organizations often tries to influence the external environment using various means like; advertising, public relations, promotions, educating the industry and the local leaders, advocacy and lobbying. Open system in this case recognizes the significance of external environment.

According to Horner and Swarbrooke (2016, Open system approach is grounded on the principle which states that no organization can stay for long if it overlooks on the external elements such as the suppliers and the government regulations. It is indispensable to have an Open system approach since firms do not function in a predictable and stable environment. Internal tasks are evaluated alongside the changes in the external environment. The External elements enforce pressure and challenges which compels organizations to respond, follow, adapt and transform. According to Cole (2004) Organizations depend on the environments to get inputs, which is processed and supplied out to be of value on the environment. Yoon *et al* (2005) identified some aspects within the environment which are of relevance to the industry's goals setting and achievement. They include materials, customers, capital, labor, regulatory bodies and competitors. This theory consequently affirms that it is necessary for organizations to function in an open system in order to have a competitive advantage. Additionally, for organizations to adapt to the dynamic environment, suitable responses should be put in place.

2.2.3 Chaos Theory

Chaos theory was originally a scientific rule that portrays the unpredictability of the system, which include ecological factors like the weather and the ecosystems. The whole structure is subject to the smallest of parts alluded Hersey, Blanchard, and Johnson (2007). In organizations, it is important to consider the smallest of parts, since each part of the system can possibly change randomly. This is the reason the Chaos Theory can likewise be connected to organizations. Todnem (2005) stressed the fact that the organization's environment is never steady and for these reasons the chaos theory demonstrates the requirement for viable leadership, well guiding visions, good values, open communication and resilient organizations norms and beliefs. Dolan, Garcia, and Auerbach (2003) mentioned that during the 1980s, Peter composed a handbook on Chaos theory, which was explicitly planned for managers. He demonstrates how organizations can manage the vulnerabilities emerging from the environment including competing for market and the fluctuating worldwide economy. He further alluded that Peter's handbook showed that the changing worldwide economy and innovation are proof of plainly obvious confusion.

Organizations ought to react to these progressions and not opt aside, watch and acknowledge them. It is particularly the rigid hierarchical structures that cause the absence of adaptability in organizations. According to Todnem (2005), human beings live in the world flipped around, and survival relies upon grasping the opportunity. These are reason contemporary organizations must rebuild and change in accordance with the environment, develop their business sector and remain mindful of the rapid innovative change. Organizations must believe that they can achieve their objectives in different ways and they should start focusing on the

things which they can effectively achieve. They will be effective on the grounds that they are open to change and willing to grasp it. By being interested in working together and managing issues creatively, organizations can endure the chaos theory. Indeed, even the littlest changes and adjustments may produce a scope of considerable advantages.

2.3. Conceptual Framework

Conceptual Framework is an explanation of the relationship between independent variables and the dependent variable. It is explained by Mugenda and Mugenda (2003) as the structure of the forms and shapes of the study and that which holds together all other elements in a logical configuration. Kothari (2017) believes that the conceptual framework is a central point to look at the problem which is illustrated diagrammatically to provide a virtual relationship of the variables in the study.

In this study the conceptual framework illustrated the relationship between the business environment factors and its effect on the performance of the service industry. The independent variable was the business environment which included the economic aspects, technological aspects and international aspects while the dependent variable was the performance of the service industry. The moderating variable which was the political aspects was also important because it affects the performance of the service industry.

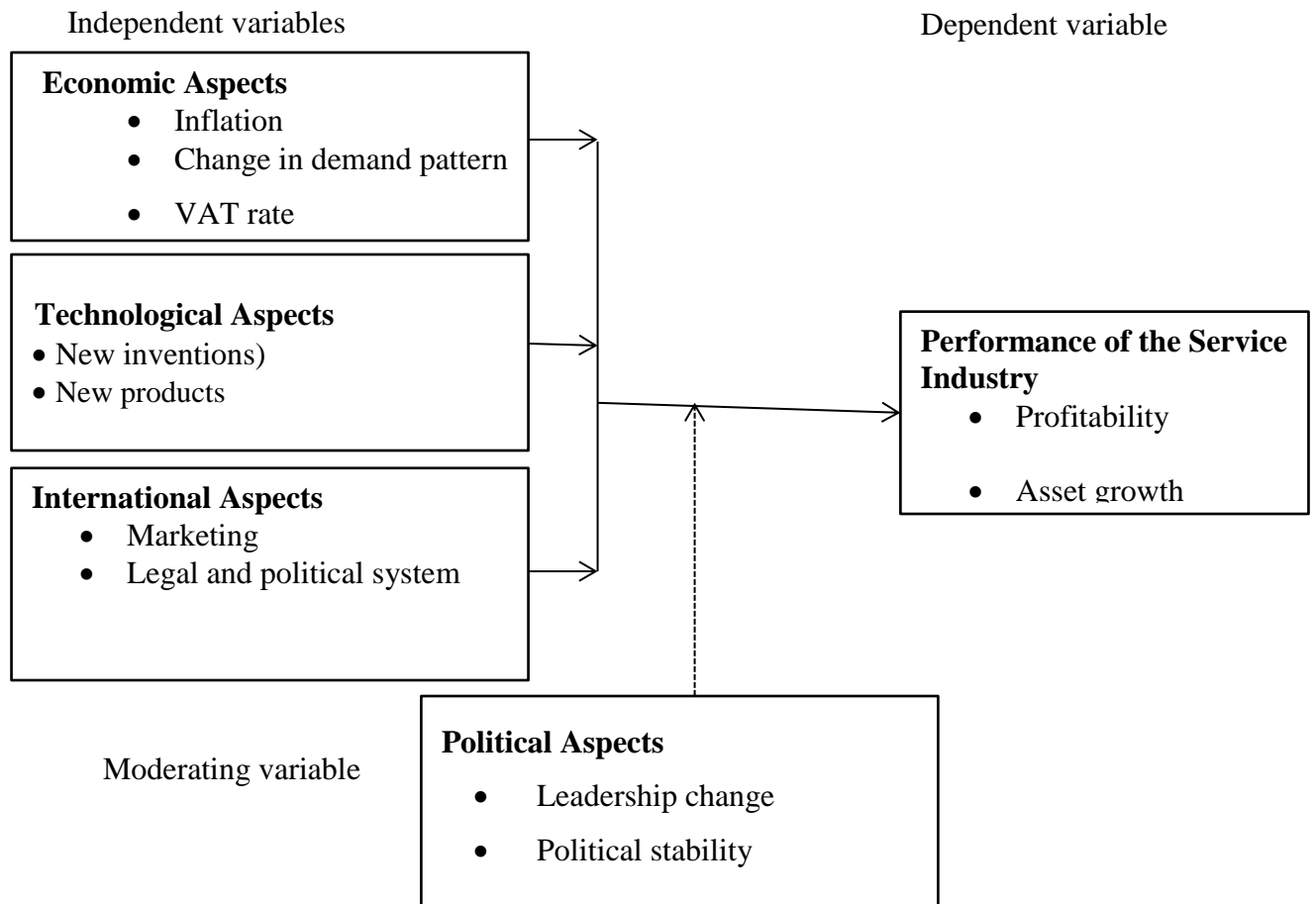


Figure 2. 1: Conceptual Framework

2.4. Empirical Review

Business environment has various variables which impact organizations differently. Most of studies have provided different approach adopted by organizations in responding to the dynamic business environment. Ansoff and McDonnell (2010) contend that strategic responses involve changes to organizational behavior and may take many forms depending on the environment in which it operates. Ajayi (2016) in his paper examined the impact of external business environment on the organizational performance of Small and Medium Scale

Enterprises in Osun State, Nigeria. The specific objective was to explore the effect of political and economic environment on organizational performance.

The questionnaire was created to collect information from the respondents based on a sample size of 150. The collected data were analyzed using multiple regression analysis. The findings showed that the external business environment (Social-cultural, political, economic, technological) had an impact on organizational performance (increase in sales, effectiveness, achievement of corporate goals efficiency). Therefore it is important for organizations to be keen on their surrounding environment by doing constant scanning of the environment. Hoskisson, Eden, Lau, and Wright (2000) established that reinsurance corporation response to changes in the economic environment was through the increasing level of capitalization and investment diversification.

Kondo and Shigeoka (2013) conducted a study which established that Insurance response to changing environment was through generic strategies of cost leadership, differentiation and focus. Other responses included product diversification, market development and use of modern technology together with improved distribution and fair pricing. Barako *et al* (2006) in their study of Kenya Insurance industry established that operations were influenced by political, economic, social-cultural and technological factors. Majority of the firm's response was through the adoption of strategic response such as new product development, differentiation, and cost advantage. The study population consisted of all the insurance companies in Kenya. Data was collected through structured questionnaires, which were given to the Chief Executive Officers (CEO) and senior managers of the insurance companies. The study covered 44 insurance companies that were registered members of the Association of

Kenya Insurers. The study revealed that the environment determines the appropriateness of the strategic response.

Business environment manifests a continuous change that requires timely response to assure survival and success of the organization. Ansoff and McDonnell (2010) observe that organizations face unfamiliar and changing business environment and they should revisit and revise their operational strategies to match the turbulence and the unpredictable level. Organizations operating in a dynamic business environment cannot write a 5-year strategy and keep it in the shelves for implementation. But rather is required to conducting an environmental scan to identify new opportunities and threats. According to Hersey *et al* (2007), Different changes occur in business environment at different time frames thus requiring different tactics by the organizations in order to survive.

Organizations adapting to major environmental changes is a major challenge and this has been a common topic of study in the organizations. Daft (2010) mentioned that the external environment influences the survival and success of the organization .Therefore it is important to scan the environment in order to align the internal capabilities of the organization to the environment. Weihrich and Koontz (2005) explain environmental complexity in the dimension of task environment whereas most researchers including Schiffer and Weder (2001) consider complexity as a characteristic of the organizational environment. Boyne and Meier (2009) discussed the relationship between environmental turbulence and organizational stability, and consider environmental turbulence to have a damaging effect on organizational stability, growth, and performance. Internal environment change is therefore considered as the best response to environmental turbulence. This is what is considered as creating correspondence

between general and task environment. Organizations conduct environmental scanning in order to identify the forces within the environment. Subsequently to respond to the external environment to stay afloat in the ever-changing environment that they operate in asserted Cho, et al (2016).

2.4.1 Economic Aspects

Economical components includes the nature and the directions of the economy on which the firm operates. According to Nzube and Omolo, (2012) economical components directly affects performance in organizations in different capacities. Scholes, Johnson, and Whittington (2002) recognize business cycles, GNP patterns, monetary supply, interest rates, inflation, unemployment and disposable income as among the elements that influence the economic environment, which subsequently affects the performance in organizations. The economic system of a nation comprises of the structure and procedure that it uses to allocate its resources and direct its business operations. David and David (2013) implied that economic factors indicators include; Financial markets, for example, interest rates, inflation, currency value and unemployment level can influence global business.

In his study on the strategies employed by Serena hotels to manage environmental difficulties in east Africa, Lock and Lawton (2016) utilized both primary and secondary information. Primary data was acquired through the interview guide which was sent to the heads of departments, in engineering, finance and accounts, operations, human resources, information technology, sales and marketing, and the administration. In 2015 Korir, Rotich and Bengat examined five-star rated and four-star rated hotel in Nairobi. In their research, they realized strategic practices in the organization have an affirmative and huge impact on hotel

performance. Because of various components, a drop in the hotel business was sensed in Nairobi. The population of the study was, forty one both four and five-star hotels. A sample of 146 was given the questionnaires but only 105 returned them. Analysis of data was later done using descriptive and inferential statistics.

2.4.2 Technological Aspects

According to Hayes (2018) technology is understood as the systematic application of technical or other organized knowledge to practical tasks. Technology innovation changes quick and to keep up with its speed, Businessmen ought to be ever cognizant to adopt the technological changes in the business. Mwai (2016) stated that technological factors require monitoring to ensure that a firm is not rendered obsolete in addition to promoting innovation. Technological variables include new inventions, the rate of technology improvement, the rate of technology obsolescence and new platforms for technology. As propounded by Porter (2011) creative technological adaptations can promote prospects for new products and services or improvement in existing products and services. Technology aspects have the capability to impact international business decision making processes. According to Gamble and Thompson (2014), around 80% of technology change has been on product innovation in the service industry.

The market environment keeps changing profoundly because of the evolution in innovation. The techno-environment condition might be the most affected force in altering the style of working and resolution of the organization. Technological Innovation is changing quickly and each innovation replaces the older one. Organizations that neglect to envision and keep up with the new inventions discover their items get obsolete soon. Kotler *et al* (2015) mentioned that;

firms must track technological trends and determine whether their products are fulfilling the customer demands or not. Waithaka, Bula and Kimencu (2016) investigated on the impact of technology change on the performance of firms recorded on the Nairobi securities trade, Kenya. The findings of the study emphasize the role and significance of technology to firm productivity. With new inventions, industries are significantly drifting towards reliance on technology in order to ensure consistency and increase in efficiency.

2.4.3 International Aspects

The global sector can directly affect many organizations, and it has turned out to be extremely significant recently, declared Scholes *et al* (2002). International events can influence all domestic sectors of the environment as well. Okumu et al (2010) attested that, Nations and organizations around the globe are connected as never before .The economic, political, and socio cultural changes in one part of the world eventually affect other areas. Transparency in the legal and political systems, especially in the West, have enabled firms to use franchising as a mode of development in the international Context. Mason (2015), proclaimed that Thomas Middelh of Germany's Bertelsmann AG, which purchased U.S. publisher Random House, put it this way: "There are no German and American companies. There are only successful and unsuccessful companies."14U.S.-based Ford Motor Company owns Sweden's Volvo, while the iconic American beer Miller is owned by a South African company.

Toyota is a Japanese corporation, but it has manufactured millions of vehicles in North American factories. The technology behind Intel's Centrino wireless components was born in a lab in Haifa, Israel, and Chinese researchers designed the microprocessors that control the pitch of the blade on General Electric's giant wind turbines.According to Prajogo (2016)

National laws affect international business in a variety of ways. There may be legal rules relating to specific aspects of business operations such as off-shore investment, the environment, ways in which financial accounts are prepared and disclosed, corporate taxation, employee rights and pensions provisions. National laws may also affect the company's internal organization for example health and safety policies and human resources management. There are many kinds of regulations that might be imposed to restrict trade such as restricting access to high technology goods, boycotting the countries goods or refusing loans.

Many countries impose legal restrictions if any foreign business is shutting their business in order to protect the rights of employees of home countries. In China without the endorsement of the Chinese government, no foreign business can work, revealed Cho *et al* (2016). Many of the ethical and dilemmas in international business are rooted in the fact that political systems, law economic development, and culture vary significantly from nation to nation. In the international business setting, the most common ethical issues can be employment practices, human rights, environmental regulations, corruption, and the moral obligation of multinational corporations. As said by Mason (2015), the political system of any state consists of the structure and process by which it is governed.

Moutinho and Vargas-Sanchez (2018) believed that human beings live in a world which is organized as a patchwork of nation states within which different people live, with their own systems of government exerting authority over the affairs within their territory. Grouping within those territories may arise from time to time which seek a measure of independence from the central authorities. In some countries most of the people on a national level conduct campaigns against foreign goods and products that are being sold in their countries which could result in loss of sale,

increased cost of public relation campaigns to improve public image. Thompson (2014), posited that in some countries there is Mandatory labor benefits legislation system could result increased operations costs of the organization in international business. One of the important impact to be considered is kidnappings terrorist threats and other violence in international business could be resulted disturbing produce of goods, increased security costs and as well as soaring in managerial costs. Communist government in Eastern Europe and China expropriated private firm after the Second

2.4.4 Political Aspect

Pearce and Robinson (2007), states that the direction and stability of political factors are a major consideration for managers when formulating firm's strategy. Political factors define the legal and regulatory parameters within which the firms must operate. Political factors to be considered are tax policies, stability of the government, entry mode regulations, social policies and trade regulations. This may place strain on how a firm operates and may impact negatively on the firm's performance. There are political factors which benefit the firm such as patent laws and government subsidies.

Oyenanji (2014) believed that a stable political environment enhance growth and development and also encourages both foreign and local investors. As regards to legal environment, it encourages the business organization to stay abreast to any business legislation. For business organization to be legally fit, the big ones need to establish the legal departments while the small ones hire the service of legal experts. In Nigeria, the present political dispensation does not encourage investors both foreign and local. Mark and Nwaiwu (2015) asserted that politics influence the legal environment which consist of laws, regulations that improvement in the

enabling environment leads to greater levels of investment by various sectors, more wealth, job creation and ultimately more poverty reduction. Government passes regulations on industries, this has considerable effect and impacts on business. The regulatory is set up by government to prevent the public from certain business practice.

Ajayi (2016), assessed the influence of political environment on performance of international hotel chains operating in Nairobi, Kenya. The study collected primary data by use of a questionnaire. Data collected was analyzed through descriptive statistics, multiple linear regressions was undertaken with a view of examining the cumulative effect of the independent variables (Political environment and its impact) on the dependent variable(performance of International Chain Hotels). The results concluded that there is a positive influence of each independent variable on dependent variable with the other independent variables held constant.

It was additionally researched by Kotler, Burton, Deans, Brown and Armstrong (2015) that the changing political environment affects global enterprises, innovative movement, and firm execution. Austin and Wennmann (2017) surveyed the impact of the political condition on the performance of global hotel networks working in Nairobi, Kenya. The investigation gathered primary information by utilization of questionnaires. Multiple linear regression was used to analyze the data with a perspective on looking at the total impact of the independent variable (Politics and its effect) on the dependent variable (International Hotel's performance).

2.4.5 Performance of the Service Industry

The possibility of organization performance based on a mix of beneficial resources made up of human, physical, and capital assets, for the real reason of satisfying stakeholders, mentioned Carton and Hofer (2006). It is likewise seen as the proportion of how managers use the assets

of the organization proficiently and adequately to achieve the objectives of the organization just as fulfilling every one of the partners implies Jones and George (2009). OP, as contributed by Richard *et al* (2009), includes the genuine yield estimated against the planned or anticipated yield. Changing business situations impact how the service industry operates and subsequently its performance. Adaptions made to suit the firm in perspective on the unstable and multifaceted environment might be seen as a key reaction. Successful key reactions call for constant checking of both internal and external business environment so as to stay up to date with every environmental variable that supports present and future business activities of a firm as suggested by Thompson *et al* (2007).

As per Barnard and Stoll (2010) firms have adjusted to being "learning organization" so as to successfully adapt to environmental instability so that the performance of the service industry is not in jeopardy. There are various indicators used in measuring the performance in organizations. For example, financial related (productivity, turnover, deals, and liquidity) and non-financial (aggressiveness, nature of administration, adaptability of the organization, asset usage and inventiveness). The utilization of present-day innovation rises as an imperative pointer of hierarchical execution. Wadongo, Odhuno, Kambona, and Othuon (2010) hold the view that money-related execution ought not to be utilized in authoritative execution on the grounds that monetary measures are related with various shortcomings, incorporating constraint in their exactness, and lack of bias, outlined and insignificant because of the bookkeeping time frame delay.

Accordingly, Wadongo *et al.* (2010) said non-financial related measures were regarded to be increasingly powerful. In this investigation, the contentions were blended and performance

clarified as a multidimensional build and consequently, both monetary and non-budgetary measures were considered in surveying performance of hotels. It was measured in view of profitability; the quantity of new items invented or created an increment in the number of clients in the hotel.

2.5. Research Gap

The hotel industry exists in a business environment which is continually influenced by changes in external and internal variables. Awino *et al* (2017) researched on the strategy in corporate business and the performance of Kenyan organizations where they analyzed the impact of the corporate strategy on the organization performance .This proved not to be conclusive in determining the organization performance, he therefore suggested future research on environmental components influencing the performance of a business. Aosa (2012) likewise examined the impact of the external environment on corporate performance. From the findings after the analysis was done the overall result was statistically not significant. He therefore suggested further study on other business environment that influence the performance of the service industry.

Ajayi (2016) contemplated the impact of external business condition on the performance of medium and small Enterprises in Osun State in Nigeria, where they investigated the effect of political and economic environment on the organization's performance. Subsequently, most of this research address fundamentals issues in the hotel business but none among them have exhausted on the general effects of changing business environment on the performance of the service industry in the hotel sector. This study attempted to fill in the gaps where previous scholars have also suggested required furthers studies. Therefore, the effects of changing

business environment on performance in the service industry in Kenya with specific interest on Five-star hotels in Nairobi County was studied in detail.

2.6. Summary

This Chapter displayed the theoretical and empirical review guiding objectives and the conceptual framework. The theories studied included; the chaos theory, theory of change and open system theory. On the empirical study a few investigations were examined as guided by the study target factors including; economic, international, technological perspectives and political angles which were measured against the performance. With respects to external environment, there is no generally apprehended procedure concerning how the circumstances ought to be evaluated and estimated. Lenz (2011) argued that environment plays a major role in organization performance by a large extend. This uncertain issue has been a basis of inconsistency in empirical outcomes, referenced Richard (2009). He further proposed that both the external and the internal business environment are candid and significant to an organization's efficiency. The external environment is pertinent to organizations and main contributor to performance. Scholes *et al* (2002) presumed that this environmental dynamism has been found to affect the broad representation of an organization's performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

Chapter three explained the methodology that was applied in the collection and analysis of data. It included thoughtful description of the procedure and design that was used in data collection. Research design, population, sampling method, instruments of data collection and analysis methods was discussed.

3.2. Research design

Research design is a plan of realizing the objectives of the research and responding to the questions in the research study as implied by Kothari (2017). It is a plan which determine the procedure and methods for gathering and analyzing the required data. Adams, Khan, Raeside, and White (2007) alluded that the researcher in this situation must have reasonable knowledge on the source of data, technique design, the sampling technique, the schedule and the cost required.

This study used the descriptive research design. According to Kothari (2017) descriptive research studies are designed to obtain relevant and precise information concerning the current status of a problem or phenomenon and whenever possible to draw valid general conclusions from the facts discovered. Descriptive design was appropriate for this study since it gave precise and relevant information which were presented as independent variables (economic, technology, international and political) and dependent variables (performance of the service industry).

3.3. Target Population

Mugenda and Mugenda (2008) describe the population as a total collection of people, objects, things, cases, articles or things with similar qualities or attributes. Blumberg, Cooper and Schindler (2008), mentioned that in research, the population would refer to the collection of components in which study problem exists. Not all units in the population were incorporated into the target population. The total population of Classified Hotels in Nairobi region, Kenya were 44, but the target population which is Five-star rated hotels were only 10 as reported by Tourism Regulatory Authority (2018).

3.4. Sampling frame

Kothari (2017) interpreted sampling frame as a list which contains the names of all the particulars of the population. The researcher was required to formulate and organize the list if the secondary data could not provide. Sampling frame should be precise, complete, correct and consistent. It is imperative for the source list to depict the population as much as possible. In this study, the sampling frame was a list with 44 hotels received from the County government of Nairobi in 2018, from which Five-star rated hotels were selected as reported by Tourism Regulatory Authority (2018). The list of the hotel classification is attached at Appendix III.

3.5. Sample and sampling technique

3.5.1 Sample

A census study was done on all the ten (10) Five-star hotels in Nairobi County as shown in Appendix III. Census, as described by Kothari (2017), is a complete entry of all details in the population. It is referred to as a census survey. It can be supposed that in such study, when all things are incorporated and no component is left, then there is a tendency of getting accurate

information. Census method is usually utilized when the population is not big. According to Mackey and Gass (2015), the selected respondents institute what is technically referred to as a sample and the process of selection is called sampling technique.

3.5.2 Sampling Technique

According to Kumar (2011), a sample design is explained as a definite plan for obtaining a sample from a given population. It involves the technique or the procedure the researcher adopted in selecting items for the sample. Sample design may as well lay down the number of items to be included in the sample i.e., the size of the sample. Sample design is determined before data are collected. Adams *et al* (2007) defined sampling technique as selecting a suitable sample for the purpose of determining parameters or characteristics of the whole population.

Purposive sampling method was utilized to pick the respondent. The respondents were the line managers who included the marketing officers, front office managers and the finance managers. The total sample size was 30 respondents. The respondents' job positions were trusted to provide the relevant information that was needed by the researcher. The respondents were issued with the questionnaire forms which they were required to respond to honestly.

3.6. Data Collection Instruments

Data was gathered by both primary and secondary means. Primary data was collected by use of questionnaires. The secondary information was gotten internally through already recorded data and reports. Kothari (2017) identified a number of merits in using of a questionnaire, including low cost even when the population is large and is widely spread geographically, It is free from the bias of the interviewer; answers are in respondents' own words, respondents have

adequate time to give well thought out answers and lastly respondents who are not easily approachable can also be reached conveniently.

In this research study, Semi structured questionnaires were utilized to get information from the respondents. Mugenda and Mugenda (2008) proposed that when questions are introduced in a matrix model, they are simpler to finish and thus the respondents are probably not going to be put off. The questionnaire was divided into two sections (see Appendix II). Section A captured the general background information of the respondents and the hotel; section B covered the various variables i.e. the effect of Economic environment, Technological environment, international environment, and political environment and the measurement on the performance of the service industry (selected Five-star hotels) in Nairobi County, Kenya. Secondary data included the periodic and internet sources also supported this study.

3.6.1 Pilot Test Study

According to Kothari (2017), in any study where data collection from the field is involved, testing the instruments for comprehension and efficiency is essential. The pilot test was done to verify suitability of research instruments before the actual research was carried out. According to Morse, Barrett, Mayan, Olson, and Spiers (2002) the purpose of piloting is to test the research process and protocol, which are often referred to as feasibility studies since the pilot study tests how possible the design is in reality. The pilot test in this study were done on three respondents. Despite the small number in the pilot test, the respondents provided their views which were used in the improvement of the instrument.

3.6.2 Validity

Kothari (2017), states that validity is the most critical criterion that indicates the degree to which an instrument measures what it is supposed to measure. Accordingly Wisker (2007) validity is concerned with the meaningfulness of research components. According to Kumar (2011) Research validity can be divided into two groups: internal and external. “Internal validity refers to how the research findings match reality, while external validity refers to the extent to which the research findings can be replicated to other environments”

To test the validity of the research instrument, few sample questionnaires were distributed to the respondents for their response and understanding of the questions. The test constituted three respondents, who represented 10% of the sample size as recommended by Mugenda and Mugenda (2008).The respondents were requested to respond on the clarity of the questions presented to them, which included the economic aspects, technological aspects, international aspects, political aspects and its effect on the performance of the service industry.

3.6.3 Reliability

Mugenda and Mugenda (2008), stated that Reliability is a measure of the degree to which a research instrument yields the same results or data after repeated trials .Kumar (2019) stressed that the greater the degree of stability and consistency in an instrument the greater it is reliable. Consistency is the extent to which instruments used for data collection constantly produce similar results. In other words, it is reliability of the instruments to have uniform outcome. To estimate the reliability of the instruments, Cronbach’s Alpha (1952) was utilized which Mugenda (2008) argued as the most commonly used coefficient of internal consistency. A computer software using SPSS was used to analyze reliability. Sekaran and Boogie (2016) state that Cronbach’s Alpha ranges

between 0 to 1 with values of 0.7 and above being more reliable. In this study, the questionnaire had all the variables above 0.7 and an overall reliability of 0.975 which means a good internal consistency.

3.7. Data collection procedure

Kombo and Tromp (2016), explains the data collection procedure as a process of gathering information and then measuring them on the variables in the study. In this research, primary and secondary data collection procedure was used. According to Kothari (2017), primary data are those that are collected afresh and for the first time while secondary data are those that have already been collected by others and are retrieved from storage.

Research authorization permit from NACOSTI was first acquired before the collection of raw data was done. Thereafter, data was collected through administering of the semi-structured questionnaires to the respondents using the drop and pick later technique. Adams *et al* (2007) observed that collecting data through the questionnaires saves time since it is possible to collect a huge amount of information especially when the population of interest is large. The questionnaires had both open-ended and closed-ended questions. In the construction of questionnaires, Kumar (2019) stressed the importance of having clear questions which are easily understood and highly interactive. The questionnaire was divided into two sections, A and B. Section A, provided for the general background information of the hotel and the respondent profile while section B, covered the objectives of the study. All questionnaires were accompanied by an introduction letter which explained the purpose of collecting information.

3.8. Data processing and analysis

Kothari (2017), asserted that after data is collected it has to be processed and analyzed. Data analysis was also described by Mugenda & Mugenda (2008) as the process of ordering, structuring and giving meaning to collected data. The raw data that was collected was first edited to detect errors and omissions. Editing as suggested by Kothari (2017) is done to assure that the data are accurate, consistent, uniformly arranged to facilitate coding and tabulation. After editing, coding was done, this involved assigning numerals and symbols to answers which helped place responses to limited number of categories. Mackey and Gass (2015) further explained that Coding is necessary for efficient analysis and through it the several replies may be reduced to a small number of classes which contain the critical information required for analysis.

Data was analyzed by use of quantitative methods, where SPSS software (version 24.0) was utilized to aid in data analysis and presentation. This study investigated the effect of changing business environment on the performance of the service industry in the Five-star rated hotel in Nairobi, Kenya. In analyzing the quantitative data, Descriptive statistics was used to establish the behavior of data in the study where the mean, standard deviation and variance were evaluated. Pearson product moment correlation and multiple regression model was used to understand the relationship between independent variables (political aspects, economic, technological and international aspects) and the dependent variable (performance). The models were used because they clearly gave an equation that best shows the effect independent variables had on the dependent variable. It also showed which variable had stronger effect on the dependent variable. The multiple regression model is as shown below

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

Y = Dependent variable (performance of the service industry)

β_0 = is the constant

$\beta_1 - \beta_4$ = are the regression coefficient for each independent variable

X1 = Independent Variable number 1 (economic aspects)

X2 = Independent Variable number 2 (Technology aspects)

X3 = Independent Variable number 3 (International aspects)

X4 = Independent Variable number 4 (Political aspects)

ε = Error term

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter showcases the findings of the research study and the discussion of the results. It is divided into two key sub-sections; general characteristics of the respondents and the hotel, and the variables being investigated for example the economic, Technological, International and Political aspects and the performance in the service industry. This chapter also explains techniques that were used to analyze data.

4.2 Response Rate

The response rate was 86.67% which was derived from the 26 respondent who returned the questions out of the 30 respondents who had been targeted for the research study. Fincham (2008) believes a response rate of 60% and above for most research should be the goal of researchers. In this study, the response rate was high at 86.67% and sufficient to enable the generalization of the results to the target population.

Table 4. 1: Response Rate

Respondents	Number of questionnaires distributed	Number of questionnaires returned	Response Percentage
Marketing Officer	10	9	90
Front Office Manager	10	9	90
Finance Manager	10	8	80
Total	30	26	86.67

4.3. Demographic Characteristics

The background characteristics of the hotel and the profile of the respondent were examined through a number of indicators aimed at eliciting useful information.

4.3.1 Gender of Respondents

The study sought to determine the gender of the respondents who took part in the study. The findings obtained indicate that male respondents were the majority forming 73.08 % (19) of the respondents while female respondents were 26.92% (7) as shown in Figure 4.1. There were more males than females in the middle level of management of the hotels. In Nairobi, these findings are consistent with Gitau, Gesage and Mugambi (2006) who found out that Kenyan hotels are predominantly male-dominated. Despite male managers being more in leadership and decision making positions in the hotel industry in Nairobi, Kiamba (2008) believes females are better managers than males and have a better return on equity. In this regard, there was a need for considerable attention for female managers to reach parity with their male counterparts. Pursuing equality of opportunity for all is a good idea for which the hotel industry need to realize.

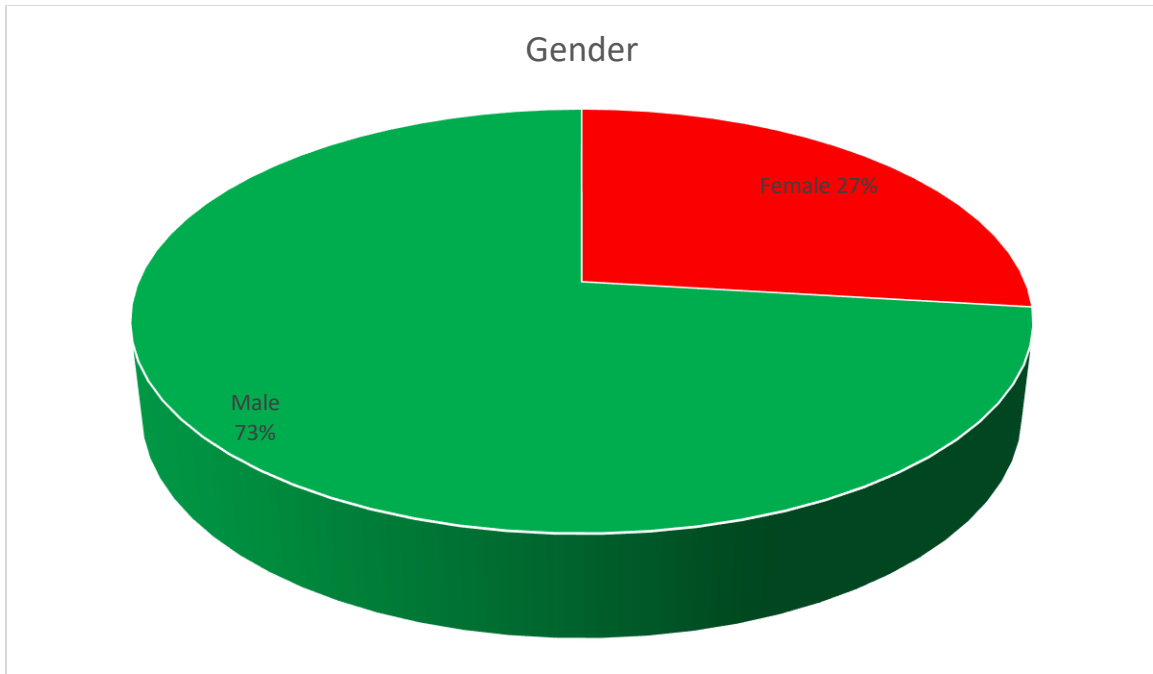


Figure 4. 1: Gender of Respondents

4.3.2 Age

The study sought to determine the age of the respondents who took part in the investigation. The findings indicate that those who were between the age of 35-45 were the majority forming 42.3% of the responses, followed by those who were between 46-55 years at 26.9% while those over 55 years formed 19.2% of the responses and the lowest response was from the age group of under 35 years which formed 11.5 % as shown in Table 4.2. The results show hotels had many youthful managers. The study also reveals that older people with experience were gradually decreasing from managerial positions. Age is related to maturity and in a sense is good but as managers grow older, they tend to focus more on exit and retirement and less on work which causes a void in the management. The implications for the study are that different age groups give diverse views about the issues in the study. This would help during the analysis by mining insights in the divergent views.

Table 4. 2: Age of Respondents

Age of respondents	Frequency	Percent
Under 35	3	11.5
35-45	11	42.3
46-55	7	26.9
Over 55	5	19.2
Total	26	100.0

4.3.3 Academic Qualifications

Education is important in the workplace because it is considered to have a positive and significant effect on productivity. This statement was corroborated by Australian Workforce and Productivity Agency (2013) that an increase in the average level of education by one year would on average; result in a 3 to 15 percent growth in GDP per Capita in the long run. The Agency also notes that additional year of learning increases an individual wage by between 5 and 16 percent. In view of this, the study sought to find out the academic qualifications of the managers who took part in the research. The results showed 50% of the respondent had Bachelor's degrees. Considerably above a quarter (26.9 percent) had a Master's degree and 19.2% had Diploma certificate. Only one respondent had a Ph.D. qualification which formed 3.8%. Educations affect a person's attitude towards society in general and work in particular. It plays a big role in self-perception and impacts on work processes and shapes human relationships and motivation. It affects how the managers react to a study like this and whether they find it important to participate. In nearly all the hotels, the managers filled the

questionnaires though it took quite a time to have them ready for collection. Figure 4.2 gives the study findings on the level of education of the study respondents.

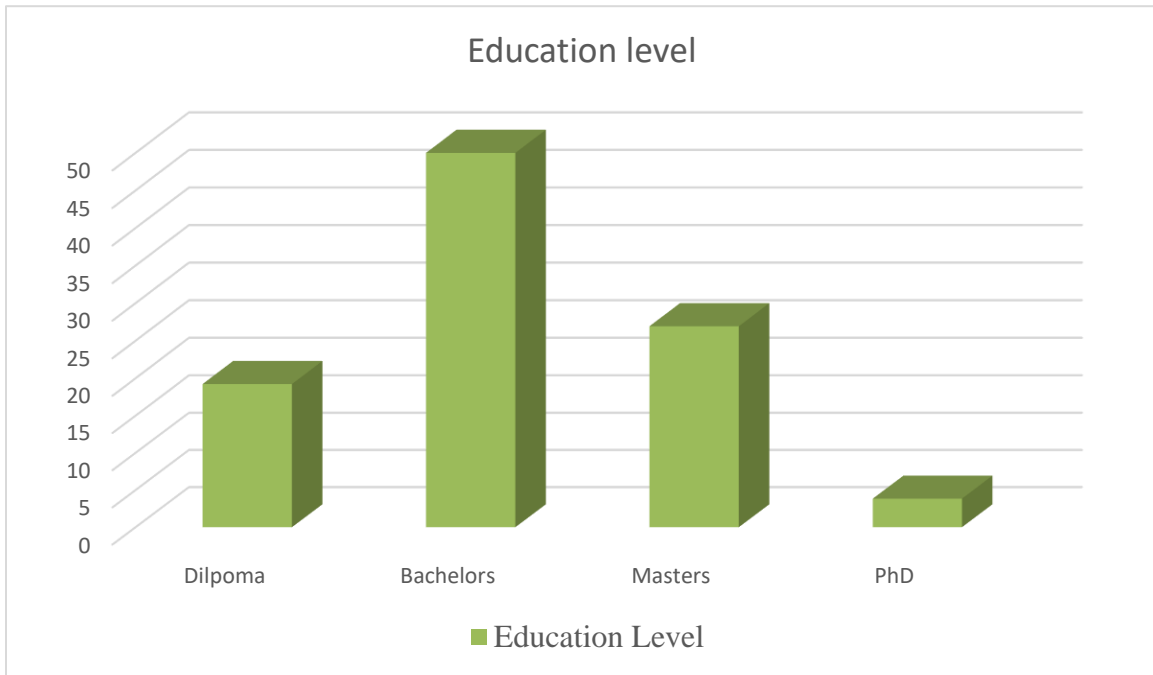


Figure 4. 2: Level of Education

4.3.4 Work Experience

Institutional memory is important to managers because it helps them reflect on hotels past performance and map out strategies in tackling challenges and opportunities in their endeavor to improve performance. The study sought to determine the period the respondents had been the line managers in their current hotel. The findings obtained, shown in Table 4.3 reveals that the majority of the respondents had been working in the hotel industry for a period of 1-5 years forming 53.8% of the responses, followed by those who had worked for over 5 years constituting 38.5 %. The least responses of less than one year experience were only 2 which formed 7.7% of the responses, this category of individuals may not comprehensively internalize dynamics of the hotel and utilize hotel's useful latent resources. The implication of

the respondents' experience for this study was the quality of information they provided based on institutional memory. Those with a longer stay in the hotel had the opportunity to reflect more on the hotel.

Table 4. 3: Work Experience

Period	Frequency	Percent
Less than 1 year	2	7.7
1-5 years	14	53.8
Over 5 years	10	38.5
Total	26	100.0

4.3.5 Size of Hotels in Terms of Bed Capacity

The study sought to determine how big the hotels were in terms of bed capacity. It is assumed that bigger hotels take advantage of economies of scale in tackling costs and increasing marginal profits. The findings obtained reveal that the majority of the hotels had bed capacity of 151-200 beds forming 46.2 % of the responses, followed by those with a bed capacity of over 250 beds at 34.6%, below 100 beds was 11.5% while those with bed capacity of 201-250 beds were the least with 7.7% of the total responses. The study shows variance in bed capacity classification in the hotels as shown in Figure 4.3. The study assumed that star-rated hotels are often visited for data collection and that the line managers were supportive in giving information.

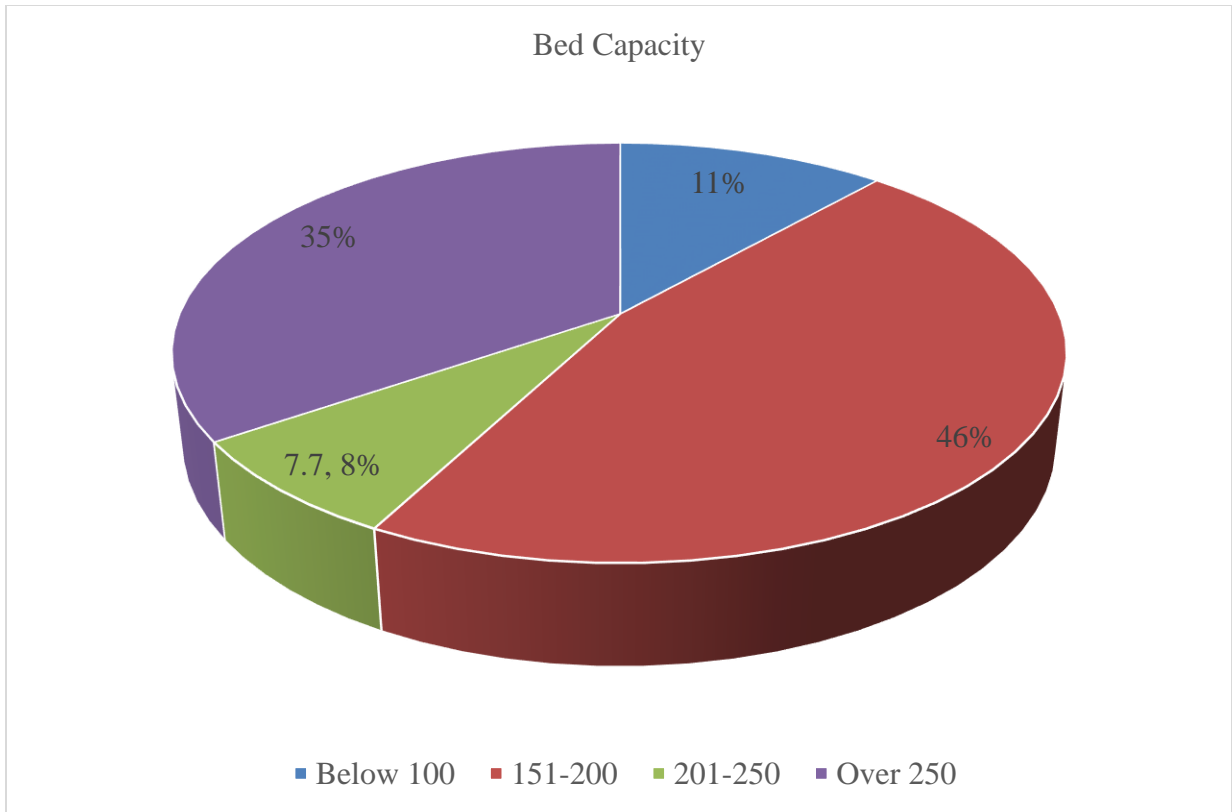


Figure 4. 3: Bed Capacity of Hotels

4.4 Discussion of the Findings.

This section discusses the findings of the study. It begins with descriptive statistics, followed by inferential statistics. Descriptive statistics were used to establish the behavior of data in the study. The features of the mean, standard deviation and variance were observed in the variables (Economic aspects, Technology aspects, International aspects, and measure of hotel performance). To evaluate the relationships between the dependent and independent variables, Pearson product moment correlation and multiple linear regression analysis were done and the findings presented in the following subsections.

4.4.1. Effects of Economic Aspects on Performance of Five-star Rated Hotels in Nairobi County, Kenya

In the first objective of the study, the researcher sought to determine the effects of the economic aspect on the performance of the service industry. Questions were posed to the respondents to facilitate the investigation. The findings are indicated in Table 4.4, Table 4.5 and Table 4.6

Table 4. 4: Descriptive Statistics for Economic Aspects

Dimensions of economic aspects	N	Mean	Std. Dev.	Variance
1. High inflation rate lowers spending power of the guests	26	3.62	.496	.246
2. The unemployment rate in the country affects the growth of your business	26	4.19	.402	.162
3. Shifts in interest rates have adverse effects on demand patterns in the hotel industry	26	3.00	.431	.283
4. Change in demand patterns affect the performance of the hotel industry	26	3.62	.496	.246
5. Exchange rates affect the spending power of guests	26	3.81	.402	.162
6. Increase in VAT has directly influenced the performance of the hotel industry	26	4.38	.804	.646
Valid N	26			
Mean Score		3.77		

The study found that the high inflation rate lowered the spending power of the guests at 24.6%, while an increase in VAT has directly influenced the performance of the hotel industry at the highest rate (64.6% These finding asserts the need for economic environment scanning so that

the needs are objectively met to impact the performance positively in Five-star rated hotels in Nairobi County. The findings above agree with Scholes, Johnson, and Whittington (2002) who observed that recognize business cycles, GNP patterns, cash supply, financing cost, inflation, joblessness and disposable income as among the elements that influence the economic environment, which subsequently affects the performance in organizations.

Table 4. 5: Correlations Matrix of Economic aspects with the Performance

	Coefficients	Std. Error of Coefficient	t-values	p-value
(Constant)	4.481	5.30	0.912	0.000
Economic aspects	0.571	1.222	1.467	0.000

** . Correlation is significant at the 0.05

According to Table 4.5, economical aspect had positive and significant relationship with the performance of Five-star rated hotels in Nairobi County, Kenya, where the correlation coefficient was 0.571 and the significant value was 0.000. This means that there is a statistically significant relationship between the economical aspect and performance of Five-star rated hotels in Nairobi County, Kenya. Therefore, an improvement in Economical aspects (low inflation rate, growth in employment rate, increase in domestic tourism, increase in demand, lower VAT rate) will effectively improve the performance (profitability increase, asset growth, market share expansion) of Five-star rated hotels in Nairobi County. The analysis agrees with Scholes, Johnson, and Whittington (2002) who recognized business cycles, GNP patterns, cash supply, financing cost, inflation, joblessness and disposable income as among the elements in the economic environment that subsequently affects the performance in organizations in terms business growth and profitability.

Table 4. 6: Regression Results on the Relationship of Economy and Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Economic aspects	0.571	0.3260	0.3011	0.3638

From the results shown in table 4.6, the economical aspect contribution to the performance of the five-star rated hotels was 32.6% .Therefore, an improvement in Economical aspects (low inflation rate, growth in employment rate, increase in domestic tourism, increase in demand, lower VAT rate) will effectively improve the performance (profitability increase, asset growth, market share expansion) of Five-star rated hotels in Nairobi County. The findings agree with Nzuve and Omolo, (2012) who stated that economical components directly affect the potential engaging quality of the different systems.

4.4.2. Effects of Technological Aspects on Performance of Five-star Rated Hotels in Nairobi County, Kenya

The researcher also sought to establish the effects of technology aspect on the performance of Five-star rated hotels in Nairobi County, Kenya. Various questions were posed to the respondents to facilitate this investigation. The findings are as shown in Table 4.7, Table 4.8 and Table 4.9.

Table 4. 7: Descriptive Statistics for Technological Aspects

Dimensions of Technological aspects	N	Mean	Std. Dev.	Variance
1. New inventions in software improve service delivery process	26	4.00	.512	.263
2. New inventions of hardware technology influence the effectiveness of service delivery	26	3.81	.402	.162
3. Frequent Development of new products (food, drinks, accommodation, etc.) positions you well in the market.	26	3.81	.402	.162
4. New technological discoveries and innovation has improved Safety and security in the hotel	26	4.00	.512	.263
5. The hotel keeps up with the trend of technological advancement	26	4.42	.504	.254
Valid N (list wise)	26	3.92		
Means Score				

The study found that new inventions of hardware technology influence the effectiveness of service delivery at 16.2%, and that the hotel keeps up with the trend of technological advancement at the rate of 25.4% .This finding asserts the need for hotels to keep up with trends in technology for improvement in performance (efficiency in service delivery).Gamble and Thompson (2014), observed that Market environment keeps changing profoundly because of the progression in innovation. The techno-environment condition might be the most affected force in altering the style of working and resolution of the organization. Technological Innovation is changing quickly and each innovation replaces the older one.

Table 4. 8: Correlations Matrix of Technological aspects with the Performance

	Coefficients	Std. Error of Coefficient	t-values	p-value
(Constant)	4.481	5.30	0.912	0.000
Technological aspects	0.682	1.324	1.226	0.000

** . Correlation is significant at the 0.05

According to the findings as illustrated in Table 4.8 technology aspects had a positive and significant correlation with the performance of Five-star rated hotels in Nairobi County, Kenya, where the correlation coefficient was 0.682 and the significant value was 0.000. This could be argued to imply that the level of effective use of technology contributed to the performance of Five-star rated hotels in Nairobi County, Kenya. It was concluded that technology aspects changes rapidly and to keep up with its speed, Businessmen ought to be ever cognizant to adopt the technological changes in the business.

Table 4. 9: Regression Results on the Relationship of Technology and Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Technological aspects	0.682	0.4651	0.4021	0.6638

From the results shown in table 4.9, technological aspect contribution to the performance of the five-star rated hotels was 46.51%. It was inferred that if effective use of technology were adopted, the performance of Five-star rated hotels would as well improve. These findings correspond with Mwai (2016) who stated that technological factors require monitoring to ensure that a firm is not rendered obsolete in addition to promoting innovation. The

technological variables include new inventions, the rate of technology improvement, the rate of technology obsolescence and new platforms for technology.

4.4.3. Effects of International Aspects on Performance of Five-star Rated Hotels in Nairobi County, Kenya

The researcher further assessed the effects of the international environment on the performance of Five-star rated hotels in Nairobi County, Kenya. The findings are as shown in Table 4.10, Table 4.11, and Table 4.12

Table 4. 10: Descriptive Statistics for International Aspects

Dimensions of International aspects	N	Std.		
		Mean	Deviation	Variance
1. Government involvement in marketing and promotion of tourism product internationally has a direct impact on the number of guests received	26	3.58	.809	.654
2. There is a transparent legal and political system across the continent which improves performance	26	3.38	.496	.246
3. The hotel is in compliance with the labor laws policies of hiring workforce locally and abroad	26	3.81	.402	.162
Valid N (list wise)	26	3.59		
Means Score				

The study found that Government involvement in marketing and promotion of tourism product internationally has a direct impact on the number of guests received at the highest rate (65.4%). All the sampled hotels had foreign countries direct investments hence finding that International environment influences the performance of Five-star rated hotels in Nairobi County. As was observed in Prajogo (2016), National laws may likewise influence the internal organization, for instance, wellbeing and security policies and human recourses the board. There numerous sorts of guidelines may be forced to confine exchange, for example, limiting access to high innovation merchandise, boycotting the nation’s products or denying loans. Numerous nations force restrictions legally if any foreign business closing their business so as to ensure the privileges of workers of home nations.

Table 4. 11: Correlations Matrix of International aspects with the Performance

	Coefficients	Std. Error of Coefficient	t-values	p-value
(Constant)	4.481	5.30	0.912	0.000
International aspects	0.611	1.235	1.444	0.001

** . Correlation is significant at the 0.05

The above analysis indicated that the International environment had a positive and significant relationship with performance of Five-star rated hotels in Nairobi County, Kenya, where the correlation coefficient was 0.611 and the significant values was 0.001. This implied that the International aspects affected the performance of the Five-star rated hotels, where if the International aspects (marketing, transparency in legal systems) were enhanced, performance (increase in market shares and sales growth) would as well improve. These finding agrees with Scholes et al (2002) who declared that the global sector can directly affect many organizations,

and it has turned out to be extremely significant recently. Numerous nations force restrictions legally in any foreign business closing their business, so as to ensure the privileges of workers of home nations are maintained. In China without the endorsement of the Chinese government, no foreign business can work, revealed Cho *et al* (2016). National laws may likewise influence the internal organization, for instance, wellbeing and security policies and human recourses the board asserted Prajogo (2016). Another critical effect to be considered in international aspects is terrorism and threats of kidnappings and other brutality in global business which affects the production of goods and services, expanded security costs and administrative expenses. Gamble and Thompson (2014) also alleged Civil wars influence global businesses leading to the loss of treaties and wreckage of properties.

Table 4. 12: Regression Results on the Relationship of International aspects

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
International aspects	0.611	0.3733	0.3053	0.6038

From the results shown in table 4.12 the International aspect contribution to the performance of the five-star rated hotels was 37.33 %. These findings agree with Scholes et al (2002) who declared that the global sector can directly affect many organizations, and it has turned out to be extremely significant recently.

4.4.4. Effects of Political Environment on Performance of Five-star Rated Hotels in Nairobi County, Kenya

Finally, the researcher sought to establish the effects of political aspect on the performance of the service industry by studying Five-star rated hotels in Nairobi County, Kenya. The result is shown in Table 4.13, Table 4.14 and Table 4.15

Table 4. 13: Descriptive Statistics for Political Aspects

Dimensions of political aspects	N	Mean	Std. Dev.	Variance
1. Change in Leadership in a Country affects operations in the hotel	26	4.19	.402	.162
2. Good development and Maintenance of infrastructure by Government has influenced the number of guest visiting	26	3.81	.402	.162
3. Corruption in the Government systems affects the operations of business in the hotel	26	4.23	.430	.185
4. Government has an effective mechanism to curb terrorism in the country	26	3.23	.765	.585
5. Government has developed tourism related products to attract tourists in the country	26	3.38	.496	.246
6. Government has put a mechanism to encourage hotel business investors in the Country	26	3.62	.496	.246
7. Occupancy Rates During Political Electioneering Period In Kenya	26	2.42	.504	.254
Valid N (list wise)	26			
Means Score		3.74		

The study found the political and legal issues aspects have been influential in defining how the hotels can operate, prosper, and expand in local and international markets. The government

had an effective mechanism to curb insecurity in the country at 58.5% and average percentage were satisfied with political stability in Kenya. However, the occupancy rate greatly declined during the electioneering period (25.4%). These findings agree with Mark and Nwaiwu (2015) examined the effect of political condition on business execution of multinational organizations in Nigeria. The political condition was estimated as the level of political dependability and nonattendance of brutality while business execution was estimated by the benefit of the organizations for the period 1999-2013. The discoveries demonstrated that political condition has a negative noteworthy effect on the business performance of global organizations in Nigeria. Additionally, Kotler *et al* (2015) also concluded that the changing political environment affects global enterprises, innovative movement, and firm execution. The motivation behind the investigation was to comprehend and break down enterprise in developing markets through the perspective of intergovernmental organizations, worldwide administration and geopolitics, and the changing idea of the all-encompassing political framework.

Table 4. 14: Correlations Matrix of Political aspects with the Performance

	Coefficients	Std. Error of Coefficient	t-values	p-value
(Constant)	4.481	5.30	0.912	0.000
Political aspects	0.677	1.334	1.246	0.001

** . Correlation is significant at the 0.05

Finally, the analysis indicated that Political aspect had a positive and significant relationship with the performance of Five-star rated hotels in Nairobi County, Kenya, where the correlation coefficient was 0.677 and the significant value was 0.001. This indicated that the political aspects affected the performance of the Five-star rated hotels, where if the political aspects

were realized and controlled it would consequently lead to positive performance in the hotel. These findings correspond with Mark and Nwaiwu (2015) who examined the effect of political conditions on business performance of multinational organizations in Nigeria. The political factors was assessed at the level of political stability and absence of violence while business performance was estimated by the benefit of the organizations for the period 1999-2013. The findings demonstrated that political condition has a negative significant effect on the business performance of global organizations in Nigeria. Kotler, Burton, Deans, Brown and Armstrong (2015) also asserted that the changing political environment affects global enterprises, innovative movement, and firm execution.

Table 4. 15: Regression Results on the Relationship of Political aspects

Model Summary				
Model	Correlation Coefficient(R)	R Square	Adjusted R Square	Std. Error of the Estimate
Political aspects	0.677	0.4583	0.4274	0.6259

From the results shown in table 4.15, the political aspect contribution to the performance of the five-star rated hotels was 45.83 %.From the findings it is recommended that political aspect should be properly comprehended so that the performance of the Five-star rated hotels are not affected negatively. Correspondingly, Austin and Wennmann (2017) surveyed the impact of the political condition on the performance of global hotels based in Nairobi, Kenya. The researcher gathered primary information by utilization of questionnaires. Multiple linear regression was used to analyze the data.

4.4.5 Measure of Performance of the Five-star rated hotels in Nairobi County, Kenya

The study, in conclusion, measured the indicators of the performance of the service industry by studying Five-star hotels in Nairobi County, Kenya, for the period 2015, 2016 and 2017 .The results are shown in Table 4.16

Table 4. 16: Descriptive Statistics for Performance in the Hotels

Measure Of Performance	N	Mean	Std. Deviation	Variance
1. Profitability has decreased	26	4.00	.632	.390
2. Occupancy rate has declined	26	3.81	.749	.362
3. Growth of assets has been consistent	26	3.89	.602	.363
4. New Products has been developed frequently	26	3.19	.402	.162
5. The hotel has high quality and constant Service Delivery	26	4.19	.702	.563
6. Adaptation to new technology		4.23	.794	.576
Valid N (likewise)				
Means Score	26	3.89		

Table 4.16 indicates that Profitability had decreased consistently at 39.0%,while Occupancy rate had declined at 36.2 %.However, the growth of assets had been consistent at 36.3%,new product were developed frequently at 16.2%,adaptation to new technology was at 57.6% and the hotel had high quality and constant service delivery at 56.3%.

4.5. Summary of Correlation Analysis

In this section, a summary of the correlation analyses is presented. It seeks to first determine the degree of interdependence of the independent variables and also show the degree of their association with the dependent variable separately. These results are summarized in Table 4.17

Table 4. 17: Correlation Coefficients between the Variables

		Economical aspect	Technology aspect	International environment	Political aspect	Performance of Five-star rated hotels
Economical aspect	Correlation Coefficient					
	Sig. (2-tailed)					
Technology aspect	Correlation Coefficient	.562**				
	Sig. (2-tailed)	.000				
International environment	Correlation Coefficient	.435**	.624**			
	Sig. (2-tailed)	.000	.000			
Political aspect	Correlation Coefficient	.444**	.548**	.577**		
	Sig. (2-tailed)	.000	.000	.000		
Performance of Five-star rated hotels	Correlation Coefficient	.571**	.682**	.611**	.677**	
	Sig. (2-tailed)	.000	.000	.001	.001	.27

** . Correlation is significant at the 0.05

According to Table 4.17, at the 0.05 significance level, economical aspect had positive and significant relationship with the performance of Five-star rated hotels in Nairobi County, Kenya, where the correlation coefficient was 0.571 and the significant value was 0.000. This means that there is a statistically significant relationship between the economical aspect and performance of Five-star rated hotels in Nairobi County, Kenya. Therefore, an improvement in Economical aspects (low inflation rate, growth in employment rate, increase in domestic tourism, increase in demand, lower VAT rate) will effectively improve the performance

(profitability increase, asset growth, market share expansion) of Five-star rated hotels in Nairobi County

The analysis also indicates that the technology aspects had a positive and significant correlation with the performance of Five-star rated hotels in Nairobi County, Kenya, where the correlation coefficient was 0.682 and the significant value was 0.000. This could be argued to imply that the level of effective use of technology contributed to the performance of Five-star rated hotels in Nairobi County, Kenya. It was concluded that technology aspects changes rapidly and to keep up with its speed, Businessmen ought to be ever cognizant to adopt the technological changes in the business.

The analysis further indicated that the International environment had a positive and significant relationship with performance of Five-star rated hotels in Nairobi County, Kenya, where the correlation coefficient was 0.611 and the significant values was 0.001. This implied that the International aspects affected the performance of the Five-star rated hotels, where if the International aspects (marketing, transparency in legal systems) were improved performance (increase in market shares and sales growth) would as well improve.

Finally, the analysis indicated that Political aspect had a positive and significant relationship with the performance of Five-star rated hotels in Nairobi County, Kenya, where the correlation coefficient was 0.677 and the significant value was 0.001. This indicated that the political aspects affected the performance of the hotels, where if the political aspects were realized and controlled it would consequently lead to positive performance in the hotel.

From the above findings on the analysis of business environment targeting economic, international, technological and political aspects which were measured against the

performance, it was realized that all the factors affected the performance of the five-star rated hotels in Nairobi County, Kenya.

4.6 Summary of Regression Analysis

The following model is the regression equation representing the relationship between the performance of Five-star rated hotels in Nairobi County, Kenya as a linear function of the independent variables (economical aspect, technological aspect, international environment, and political aspect), with ϵ representing the error term.

Table 4.18: Regression Results of the Relationship between Variables

	Unstandardized Coefficients		Standardized Coefficients	t-values	t-critical	Significance
	Beta	Std. Error	Beta			
(Constant)	4.481	5.30		0.912	1.667	0.472
Economy	0.571	1.222	0.97	1.467	1.667	0.000
Technology	0.682	1.324	0.68	1.226	1.667	0.000
International	0.611	1.235	0.94	1.444	1.667	0.001
Political	0.677	1.334	0.78	1.246	1.667	0.001

$$Y = 4.481 + 0.571 + 0.682 + 0.611 + 0.677 + \epsilon \dots\dots\dots$$

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to investigate the effect of the changing business environment on the performance of the service industry, focusing on the five-star-rated hotels in Nairobi, Kenya. Specifically, the study determined the effect of economic factors, technological factors, International factors and political factors on the performance of five-star-rated hotels in Nairobi, Kenya. Data was collected from only the five-star-rated hotels in Nairobi where, marketing manager, front office manager, and finance manager were the respondents. They were selected because they manage operations that achieve performance goal in the hotel. This chapter, therefore, presents summary, conclusions, and recommendations of the study. Suggestions for further research are also given at the end of the chapter. The implications of the research are discussed and suggestions made on areas of further study. Some useful recommendations for all the stakeholders are proposed by this study at the end of the chapter to enlighten and enable them to craft viable solutions with regard to the problem statement based on the research findings.

5.2 Summary of Findings

Data analysis gave the following findings, which are summarized below.

5.2.1 Economical Aspects and Performance of the Service Industry.

The study found that economical aspect contribution to the performance of the five-star rated hotels was 32.6%.Therefore, an improvement in Economical aspects (low inflation rate,

growth in employment rate, increase in domestic tourism, increase in demand, lower VAT rate) will effectively improve the performance (profitability increase, asset growth, market share expansion) of Five-star rated hotels in Nairobi County

5.2.2 Technology Aspects and Performance of the Service Industry.

The study found that the technological aspect contribution to the performance of the five-star rated hotels was 46.51%. The study realized that new inventions of hardware and software technology influence the effectiveness of service delivery. It was inferred that if effective use of technology were adopted, the performance of Five-star rated hotels would as well improve.

5.2.3 International Aspects and Performance of the Service Industry.

On the third objective, the study found that the international aspect contribution to the performance of the five-star rated hotels was 37.33%. This implied that the International aspects affected the performance of the Five-star rated hotels, where if the International aspects (marketing, transparency in legal systems) were enhanced, performance (increase in market shares and sales growth) would as well improve. All the sampled hotels had foreign countries direct investments hence finding that International environment influences the performance of Five-star rated hotels in Nairobi County.

5.2.4 Political Aspects and performance of the service industry

Finally, the researcher established that the political aspect contribution to the performance of the five-star rated hotels was 45.83% .The study found that issues of insecurity were political and greatly influenced business. It was apprehended that political aspects affected the

performance of the Five-star rated hotels, where if the political aspects were realized and controlled it would consequently lead to positive performance in the hotel.

5.3 Conclusions

This study concludes that;

1. Business environment keeps changing profoundly because of the progression in innovation. The techno-environment condition might be the most affected force in altering the style of working and resolution of the organization. Technological Innovation is changing quickly and each innovation replaces the older one. This finding asserts the need for hotels to keep up with trends in technology for improvement in performance.
2. The political and legal issues aspects have been influential in defining how the hotels can operate, prosper, and expand in local and international markets. It influences the policies and decisions that impact all other environmental categories. Policies in terms of security-related issues, including safety, terrorism, economy, and so forth, are politically driven, so they impact the laws and the regulatory environment of businesses. They must be considered in order to track changes in the environment.

5.4 Recommendations

The study findings confirmed that the business environment is dynamic. In this regard, following recommendations were submitted;

1. There is need for the hotel managers to conduct economic environmental scanning frequently .This will help them get current information affecting business operations like the change in inflation rates, interest rate, VAT rates and change in demand

- patterns among other factors. When the environmental scan is done the changes will be objectively met to impact the performance positively in Five-star rated hotels in Nairobi County.
2. International aspects are also a fundamental aspects which needs attention by all the stakeholder in the hotel industry, including the investors, government, and the employees. For example terrorism and threats of kidnappings and other brutality has become a global concern mostly in hotels. It affects the production of goods and services, it increases security costs and administrative expenses. A joint efforts by all the stakeholders, should be put in place to mitigate this effects since they consequently affect performance in hotels and the service industry at large.
 3. In political perspective, it is important for hotel investors to keep track on various undertakings of the government like policies, laws and regulations (tax rate and foreign exchange rate) .The information will help them make decision wisely when they are expanding and growing their business.

5.5 Suggestion for Further Research

1. This study only focused on economic, technology, international and political environments on the performance of Five-star rated hotels in Nairobi County, Kenya. There is a need to undertake further studies to determine how other variables like social-cultural, leadership style, staff competence, systems, and goals influence performance of Five-star rated hotels in Nairobi and other major cities in Kenya.
2. This study only focused on external business environmental factors (economic, technology, international and political environments) on the performance of Five-star

rated hotels in Nairobi County, Kenya. There is a need to undertake further studies on internal factors of the business environment like employees' competence, management structure, and physical environment to determine how they influence the performance of Five-star rated hotels in Nairobi and other major cities Kenya.

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APPENDICES

Appendix I: Letter of Introduction

Jackline Chepkemboi Bett

Scott Christian University, Machakos

Mobile Number: 0724318947;E-mail:jcmutt@gmail.com

06.04.2019

Dear respondent,

Greetings!

I am a graduate student of Masters in Business Administration, Strategic Management option, at Scott Christian University. Currently, I am conducting a research study entitled ‘Effects of changing business environment on performance in the service industry, a case study of Five-star rated hotels in Nairobi county Kenya.’ As one of the selected respondents, you are humbly requested to take 15 minutes of your time to respond to the questionnaire honestly. Taking part in this voluntary exercise will be highly appreciated as it will enable me to complete the course successfully. The information given will be treated as confidential and shall only be used for academic purposes.

Thank you very much for your assistance.

Yours Sincerely,

Jackline C Bett

Appendix II: Questionnaire

Kindly tick or answer appropriately the questions provided. The information provided will not be published without your discretion, and as such will be treated as confidential.

SECTION A. HOTEL BACKGROUND INFORMATION

1. Kindly indicate your gender
 - a. Male
 - b. Female
2. Please tick appropriately the category of your age
 - a. Under 35
 - b. 35- 45
 - c. 45-55
 - d. Over 55
3. What is your nationality
 - a. Kenyan
 - b. Others (please specify).....
4. What position do you hold at the hotel?
 - a. Marketing Officer
 - b. Front Office Manager
 - c. Finance Manager
5. What is your highest academic qualification?
 - a. Certificate
 - b. Diploma
 - c. Bachelors
 - d. Masters
 - e. PhD
 - f. Others (please specify).....
6. For how long have you worked in the hotel industry?
 - a. Less than 1 year
 - b. 1-5 years
 - c. over 5 years
7. What is the bed capacity of your hotel?
 - a. Below 100
 - b. 100-150
 - c. 151-200
 - d. 201-250
 - e. over 250

SECTION B. RESEARCH QUESTIONS ON THE STUDY VARIABLES

1.) Effects of economic aspect on the performance of the service industry

Please indicate with a tick the extent you agree with the statement that your hotel performance has been influenced by economic aspects. Tick appropriately on a scale of 1 to 5 where 1 - Strongly Disagree (SD); 2 -Disagree (D); 3 -Neutral (N); 4 -Agree (A); 5 -Strongly Agree (SA)

S/No	STATEMENT	SA	A	N	D	SD
1.	High inflation rate lowers spending power of the guests					
2.	The unemployment rate in the country affects the growth of your business					
3.	Shifts in interest rates have adverse effects on demand patterns in the hotel industry					
4.	Change in demand patterns affect the performance of the hotel industry					
5.	Domestic tourist contribute a higher percentage of your guests					
6.	Exchange rates affect the spending power of guests					
7.	Increase in VAT has directly influenced the performance of the hotel industry					

2.) Effects of Technological aspect on the performance of the service industry

Please indicate with a tick the extent you agree with the statement that your hotel performance has been affected by Technological aspects. Tick appropriately on a scale of 1 to 5 where 1 - Strongly Disagree (SD); 2 -Disagree (D); 3 -Neutral (N); 4 -Agree (A); 5 -Strongly Agree (SA)

S/No	STATEMENT	SA	A	N	D	SD
1	New inventions of hardware technology influence the effectiveness of service delivery					
2	New inventions in software improve service delivery process					
3	Frequent Development of new products (food, drinks, accommodation, etc.) positions you well in the market.					
4	New technological discoveries and innovation has improved Safety and security in the hotel					
5	The hotel keeps up with the trend of technological advancement					

6. Do you have a website

Yes { } No { }

If yes how is it helpful to you?

.....

7. Have you invested in research and development as a primary source of product innovation and superior returns?

Yes { } No { }

If yes, to what extent has this research and development helped you in product innovation?

.....

3.) Effects of International aspect on the performance of the service industry

Please indicate with a tick the extent you agree with the statement that your hotel performance has been affected by international aspects. Tick appropriately on a scale of 1 to 5 where 1 - Strongly Disagree (SD); 2 -Disagree (D); 3 -Neutral (N); 4 -Agree (A); 5 -Strongly Agree (SA)

S/No	STATEMENT	SA	A	N	D	SD
1.	Government involvement in marketing and promoting tourism product internationally has a direct impact on the number of guests you receive					
2.	There is a transparent legal and political system across the continent which improves the performance					
6.	The hotel is in compliance with the labor laws policies of hiring workforce locally and abroad.					

7.) Please indicate the number of foreign countries your hotel has a direct investment.

- a. None{ } b. 1-4 { } c.5-9{ } d. above 9{ }

8.) Is your hotel ISO 9001:2008 certified on Quality Management System

- Yes { } No { }

If yes explain the benefit

.....

.....

9.) Is your hotel ISO 14001 certified on Environment Management Systems

Yes { } No { }

If yes explain the benefit

.....

10.) Is your hotel ISO 50001 certified on Energy Management Standard (EnMS)

Yes { } No { }

If yes explain the benefit

.....

4.) Effects of Political aspect on the performance of the service industry

Please indicate with a tick the extent you agree with the statement that your hotel performance has been influenced by political aspects. Tick appropriately on a scale of 1 to 5 where 1 - Strongly Disagree (SD); 2 -Disagree (D); 3 -Neutral (N); 4 -Agree (A); 5 -Strongly Agree (SA)

S/No	STATEMENT	SA	A	N	D	SD
1.	Change in leadership in a country affects operations in the hotel					
2.	Good development and maintenance of infrastructure by the government has influenced the number of guests visiting					
3.	Corruption in the government system affects your business operations					
4.	Government has effective mechanisms to curb terrorism in the country					

5.	The government in its capacity has developed enough tourism related products in the country like national parks to encourage tourists to come to the country					
6.	Government has put a mechanism to encourage hotel investors in the country.					

10) On a scale of 1 to 5 please indicate the extent of your satisfaction with the political stability in Kenya.

- a) 5 - Greatly satisfied { } b) 4 - Moderately satisfied { } c) 3 - Little satisfied { }
d) 2 - Not at all satisfied

11) Going by your total guest rooms, what are the correct occupancy rates during political electioneering period in Kenya?

- a.) Below 25 % { } b.) 25% - 49% { } c) 50%-74% { } d) 100% { }

5.) Measurement of Hotel Performance

Please indicate with a tick the extent you agree with the statement that your hotel performance has improved over the last three years. Tick appropriately on a scale of 1 to 5 where 1 -Strongly Disagree (SD); 2 -Disagree (D); 3 -Neutral (N); 4 -Agree (A); 5 -Strongly Agree (SA)

S/No	STATEMENT	SA	A	N	D	SD
1.	Profitability has decreased					
2.	Occupancy rate percentage has declined					
3.	Asset growth has been consistent					

4.	Your hotel has been developing new products frequently					
5.	The sales growth rate has improved					
6.	Service delivery is of high quality and constant					
7.	Your hotel easily adapt to new technology					

Appendix III: List of Five-star Rated Hotels in Nairobi County

1. Villa Rosa Kempinski
2. Hemingway's Nairobi
3. Sankara Nairobi
4. Fairmont The Norfolk
5. Tribe Hotel Nairobi
6. The Sarova Stanley
7. Radisson Blu Hotel Nairobi
8. Dusit D2 Nairobi
9. Intercontinental Nairobi
10. The Boma Nairobi

Source: Tourism Regulatory Authority Classification Report for the period 2015-2018
(Kenya)

Appendix IV: Introduction Letter (University)



Scott Christian
UNIVERSITY

25th April, 2019

The Secretary,
NACOSTI,
P O Box 39623-00100
NAIROBI

Dear Sir/Madam,

RE: PERMISSION TO CONDUCT FIELD RESEARCH; JACKLINE C BETT:
STUDENT ADM. NO. MB/003/16

The above named is a fully registered student of Master of Business Administration at Scott Christian University. The student has completed the required coursework and successfully defended a thesis proposal for research on the following topic:

“Effects of changing Business Environment on the Performance of the Service Industry: A case of five star rated hotels in Nairobi County, Kenya”

The student is seeking the required permit to facilitate collection of data for this important academic exercise. Your assistance in this regard is highly appreciated.



Dr. Jennifer M. Khonzo
DEAN – SCHOOL OF PROFESSIONAL STUDIES

P.O. Box 49-90100, Machakos, KENYA
Website : www.scott.ac.ke

Phone: +254 713 745 404 / +254 734 833 832 Email: info@scott.ac.ke

Building Leadership | Challenging Minds | Growing Faith.

Appendix V: Research Authorization (NACOSTI)



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-26-2213471,
2241349, 3310571, 2210430
Fax: +254-24-118245-31824
Email: dg@nacosti.go.ke
Website: www.nacosti.go.ke

NACOSTI, Upper Kabete,
Off Waiyaki Way,
P.O Box 30623,00100
Nairobi, KENYA

When replying please quote

Ref No. NACOSTI/P/19/97680/13459

Date 8th May, 2019

Jackline Chepkemboi Bett
Scott Christian University
P.O Box 49-90100
MACHAKOS.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "*Effects of changing Business Environment on the Performance of the Service Industry: A case of Five-Star Rated Hotels in Nairobi County, Kenya,*" I am pleased to inform you that you have been authorized to undertake research in Nairobi County for the period ending 31st May 2019.

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

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

DR. STEPHEN K. KIBIRU, PhD.
FOR: DIRECTOR-GENERAL/CEO

Copy to:
The County Commissioner
Nairobi County.
The County Director of Education
Nairobi County.





National Commission for Science, Technology and Innovation is ISO 2008: 9001 certified

Appendix VI: Research Clearance Certificate (NACOSTI)

CONDITIONS

1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit.
2. Government Officers will not be interviewed without prior appointment.
3. No questionnaire will be used unless it has been approved.
4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.
5. You are required to submit at least two (2) hard copies and one (1) soft copy of your final report.
6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice.


REPUBLIC OF KENYA

National Commission for Science, Technology and Innovation
RESEARCH CLEARANCE PERMIT
Serial No. A-6734
CONDITIONS see back page

THIS IS TO CERTIFY THAT:
MS. JACKLINE CHEPKEMBOI BETT
of SCOTT CHRISTIAN UNIVERSITY,
49-90100 MACHAKOS has been
permitted to conduct research in
Nairobi County


on the topic: EFFECTS OF CHANGING
BUSINESS ENVIRONMENT ON THE
PERFORMANCE OF THE SERVICE
INDUSTRY IN FIVE STAR RATED HOTELS
IN NAIROBI COUNTY, KENYA

for the period ending:
31st May 2019


Applicant's Signature

Permit No : NACOSTI/P/1997680/13459
Date of Issue : 8th May, 2019
Fee Received : Ksh 1,000




Director General
National Commission for Science,
Technology & Innovation