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**STRATEGIC MANAGEMENT DRIVERS AND PERFORMANCE  
OF THE KENYA OWNED TOURISM STATE CORPORATIONS  
THE MEDIATING ROLE OF STRATEGY IMPLEMENTATION**

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# **STRATEGIC MANAGEMENT DRIVERS AND PERFORMANCE OF THE KENYA OWNED TOURISM STATE CORPORATIONS THE MEDIATING ROLE OF STRATEGY IMPLEMENTATION**

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## **Abstract**

**Purpose:** This study sought to provide an opportunity to test the strategic management drivers of performance and the mediating role of strategy implementation by looking at information technology driver, strategic planning driver, change management driver, organizational leadership driver and the mediating role of strategy implementation.

**Methodology:** The study employed descriptive and cross-sectional research designs. The target population comprised all the Tourism state owned corporations in Kenya with the management of these firms being the respondents. A census study was carried out due to small nature of the target population. Data collection involved the use of questionnaires which attracted both quantitative and qualitative responses. The respondents were all the Chairmen, CEO, managers and assistant managers of all Tourism state corporations in Kenya. These data was analyzed using content analysis for qualitative data. The quantitative data was analyzed using regression analysis. ANOVA test was carried out to test the significance of the model.

**Results:** The findings of the study indicated that information technology drivers, strategic planning drivers, change management drivers and Organizational leadership drivers have a positive effect on performance in the Tourism state corporations in Kenya.

**Policy recommendation:.** The study also recommended that Tourism state corporations in Kenya should develop smart goals and objectives, have and enact sustainable action plans and formulate clear initiatives and consensus building because of their positive effect on

performance. Further studies can be done to ascertain the effect of strategic management drivers and the mediating role of strategy implementation in other state corporations in Kenya other than the tourism sector.

**Keywords:** *information technology driver, strategic planning driver, management change driver, organizational leadership driver, strategy implementation*

## **1.0 INTRODUCTION**

### **1.1 Background of the Study**

Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited (WTO, 2012). From demand stakeholders' perspectives, accepted definition of tourism is “the activities of persons travelling to and staying in places outside their usual environment for not more than one year consecutively for leisure, business and other purposes”. The Kenyan Tourism Bill 2010 concurs with the demand stakeholders’ definition and defines tourism as “a person travelling to and staying in a place outside his or her usual abode for more than twenty-four hours, but not more than one consecutive year, for leisure, business or other purpose, not being a work (Ragui, 2013).

Tourism demand depends above all strongly on the economic conditions in major generating markets. When economies grow, levels of disposable income will usually also rise. A relatively large part of discretionary income will typically be spent on tourism, in particular in the case of emerging economies. Tourism is the fastest changing industry in the world because of technological changes. It also has the highest multiplier effect. Rowe, Smith and Borein (2002) highlight the multiplier effect from the tourism industry as being caused by the direct and indirect economic impact, where the direct includes benefit to the tourism industry players like tour and travel operators, transporters, accommodation, attraction sites and other tourist attractions. Indirectly, tourism promotes the economy through goods and services like laundry supplier, food supplier, shops and banks used by tourists during their visits. This in return creates employment thus eradicating poverty and hunger in the society (Ragui, 2013).

#### **1.1.1 Strategic management drivers**

Uzel (2012) states that there is intense competition in today’s hotels which requires managers to adopt strategic drivers of performance in order to improve hotel services. Chen and Popovich (2003) state that hotels that maintain long run performance are the ones that is able to build customer loyalty and retention. Zablahet.al., (2004) established that CRM brings benefits in terms of improved performance which results from acquiring new customers as well as sustaining customers for competitive advantage.

Leadership is a critical management skill, involving the ability to encourage a group of people towards common goal. Leadership focuses on the development of followers and their needs.

Managers exercising transformational leadership style focus on the development of value system of employees, their motivational level and moralities with the development of their skills (Ismail et al., 2009). It basically helps followers achieve their goals as they work in the organizational setting; it encourages followers to be expressive and adaptive to new and improved practices and changes in the environment (Azkaetet al, 2011).

### **1.1.2 Organizational Performance**

A firm's organizational performance is a measure of how well a firm uses its assets from its core operations and generates revenues over a given period of time. This measure is thus compared to some given industrial average standard of similar firms in the same industry. Brealey, Myers and Marcus (2009) indicate that organizational performance can be measured in terms of profitability, liquidity, solvency, financial efficiency and repayment capacity. Profitability is the measures of the profit generated by a firm through the use of its productive assets; liquidity measures the ability of a firm to meet its obligations when they fall due; solvency measures a firm ability to pay all its financial obligations if all of its assets are sold. Therefore, a firm organizational performance can be measured using net income or net operating income, its assets performance or even its cash flows.

### **1.2 Statement of the Problem**

The greatest challenge as stated in the background of the study is the poor performance of the tourism industry (Economic survey of Kenya, 2014). It is also notable that the tourism industry has not emerged very strong in Poverty Alleviation (Kareithi, 2003). Kenyan vision 2030, regional stability and security, and a stable global economic environment, together with the effectiveness and efficiency of State Corporation however can be a platform of the Tourism sector revival (KIPPRRA, 2013). The Group of Twenty (also known as the G-20) an international forum for the governments and central bank governors from 20 major economies, has identified Tourism as one of the sectors that can spur the global economic recovery (WTO, 2012).

The tourism state corporations capability is therefore critical in improving the industry performance. The drivers that are involved in the translation of business strategies into deliverable results in the State Corporations are of concern with the mediating role of strategy implementation in order to maximize organizational performance (Miriam &Wario, 2014).

Kiprutto, Kigio and Riungu, (2011) conducted a study on adoption of technology. The study focused on technology as the only driver of performance. O'Reilly, Caldwell, Chatman, Lapiz and Self (2010) did a study on the effects of leaders' alignment on strategy implementation. The study was conducted in the context of health care organization physicians. Shafie, Baghersalimi and Barghi (2013) investigated the relationship between leadership style and performance in the Real Estate Registration in Tehran province. The study was conducted in a developed economy thus presenting a contextual gap. Zakaria and Taiwo (2013) did a study on the effect of team leader skills and competencies team based on the assumption that leadership skills do affect team performance. This study focused on leadership as the only driver of performance. It also presents a contextual gap since it was conducted in University Teknologi Petronas (UTP). From the above

studies, it is evident that there is no study which has been conducted on Strategic Management Drivers and Performance of the Kenya owned Tourism State Corporations. The mediating Role of Strategy Implementation. Thus this study was conducted to bridge the research gap.

### **1.3 Study Objectives**

- i. To establish the effect of information technology driver on performance of the Tourism state owned corporations in Kenya.
- ii. To determine the effect of strategic planning driver on performance of the Tourism state owned corporations in Kenya.
- iii. To establish the effect of management change driver on performance of the Tourism state owned corporations in Kenya.
- iv. To determine how organizational leadership driver affect performance of the Tourism state owned corporations in Kenya.
- v. To determine the mediating role of strategy implementation on the relationship between Strategic Management Drivers and performance of the Tourism state owned corporations in Kenya.

## **2.0 LITERATURE REVIEW**

### **2.1 THEORETICAL REVIEW**

#### **2.2.1 The Resource-Based View**

Researchers such as Ansoff (1965) and Chandler (1962) made important contributions towards developing the Resource-Based View of strategy (Hoskisson *et al.*, 2009). From the 1980s onwards, according to Furrer *et al.*, (2008), the focus of inquiry changed from the structure of the industry, like Structure-Conduct-Performance (SCP) paradigm and the five forces model to the firm's internal structure, with resources and capabilities (the key elements of the Resource-Based View (RBV)). The resource-based view of the firm (RBV) draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. During the early strategy development phase of Hoskisson's account of the development of strategic thinking (Hoskisson *et al.*, 2009), the focus was on the internal factors of the firm. Since then, the resource-based view of strategy (RBV) has emerged as a popular theory of competitive advantage (Furrer *et al.* 2008; Hoskisson *et al.*, 2009).

The term 'resource-based view' was coined much later by Wernerfelt (2004), who viewed the firm as a bundle of assets or resources which are tied semi-permanently to the firm. Barney (2008) also argued that the resources of a firm are its primary source of competitive advantage.

Early researchers simply classified firms' resources into three categories: physical, monetary, and human. These evolved into more detailed descriptions of organizational resources (skills and knowledge) and technology (technical know-how). Barney (2008) suggested that other than the general resources of a firm, there are additional resources, such as physical capital resources,

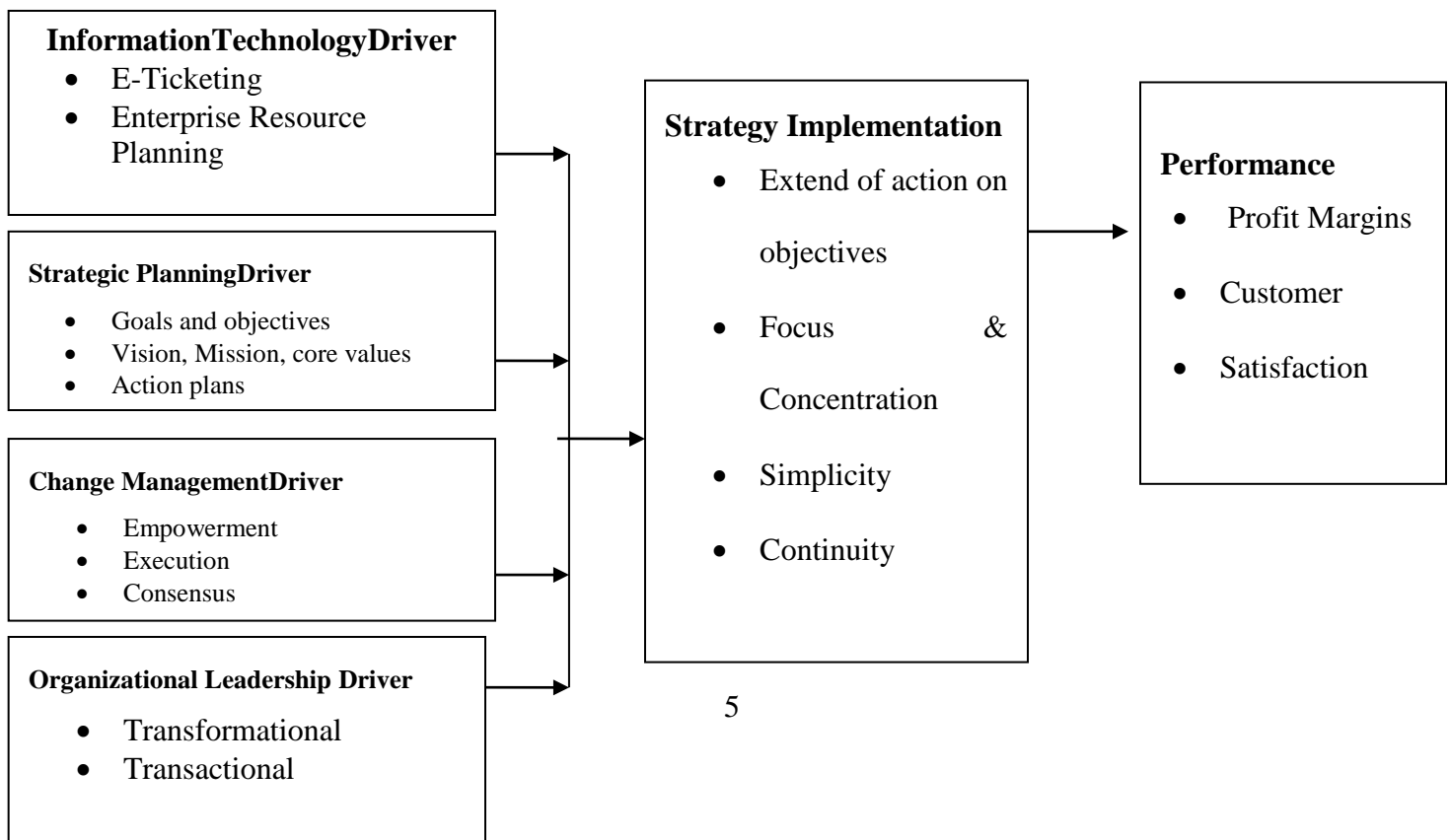
human capital resource and organizational capital resources. Later, Barney and Wright (2008) add human resource management-related resources to this list of additional resources of a firm.

These resources can be tangible or intangible (Ray *et al.*, 2004). Wernerfelt (2004) also discussed that resources might be tied semi-permanently to the firm. Barney (2008) drew attention to ‘all assets, capabilities, organizational processes, firm attributes, information, knowledge etc., controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness’. Ultimately, firms that are able to leverage resources to implement a ‘value creating strategy not simultaneously being implemented by any current or potential competitor’ (Barney 2008) can achieve competitive advantage.

Researchers subscribing to the RBV argue that only strategically important and useful resources, competencies and capabilities should be viewed as sources of competitive advantage (Barney, 2008). Terms like core competencies, distinctive competencies and strategic assets indicate the strategically important resources and competencies, which provide a firm with a potential competitive edge. Strategic assets are, ‘the set of difficult to trade and imitate, scarce, appropriable and specialized resources and capabilities that bestow the firm’s competitive advantage’. Powell (2011) suggested that business strategy can be viewed as a tool to manipulate such resources to create competitive advantage. Core competencies are distinctive, rare, valuable firm-level resources that competitors are unable to imitate, substitute or reproduce (Barney, 2008).

### 2.3 Conceptual Framework

**Fig 1: Conceptual Framework**



### 3.0 METHODOLOGY

The study employed descriptive and cross-sectional research designs. The target population comprised all the Tourism state owned corporations in Kenya with the management of these firms being the respondents. A census study was carried out due to small nature of the target population. Data collection involved the use of questionnaires which attracted both quantitative and qualitative responses. The questionnaires were administered through drop and pick method. The respondents were all the Chairmen, CEO, managers and assistant managers of all Tourism state corporations in Kenya. These data was analyzed using content analysis for qualitative data. The quantitative data was analyzed using regression analysis. ANOVA test was carried out to test the significance of the model.

### 4.0 RESULTS FINDINGS

#### 4.1: Descriptive

##### 4.1.1 Multiple Regression Model

The study sought to ascertain the effect of performance drivers and the mediating role of strategy implementation in the Tourism State Corporations in Kenya. The specific aspects of performance drivers were IT driver, Change management driver, organizational leadership driver and strategic planning driver. The mediating variable was strategy implementation. A multiple regression model was used to establish the relationship between these variables and performance.

**Table 1 Model Summary – Multiple Regression Model**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.794a	0.631	0.611	0.24483

The results indicated that all the specific aspects of performance drivers namely IT driver, Change management driver, organizational leadership driver and strategic planning driver while being mediated by strategy implementation were positively correlated to organization performance (R=0.794). These factors explain 63.1% of the changes in performance of the organization. 36.9 percent of variation in performance was not explained by this factors which is due to other factors not included in the study.

The results are indicated in Table 2 below.

**Table 2: ANOVA – Multiple Regression Model**

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	9.814	5	1.963	32.745	.000b
Residual	5.755	96	0.06		
Total	15.569	101			

Results in Table 3 below indicate that the model for the relationship between organizational leadership driver and organization performance fit well.

**Table 3: Regression Coefficients – Multiple Regression Model**

	<b>B</b>	<b>Std. Error</b>	<b>t</b>	<b>Sig.</b>
(Constant)	1.316	0.212	6.197	0.000
Information Technology driver	0.260	0.04	6.57	0.000
Organizational leadership driver	0.242	0.05	4.868	0.000
Change management driver	0.052	0.045	3.159	0.024
Strategic planning driver	0.041	0.047	0.879	0.381

The study findings indicated that the relationship between all the predictor variables and performance was positive. The study further showed the relationship between Information Technology driver, Organizational leadership driver and Change management driver and organizational performance was significant at 5% level of significance as shown by P-values of 0.000, 0.000, 0.000 and 0.024 respectively. The coefficients for this variables was 0.260, 0.242 and 0.052 respectively which indicates that a unit change in Information Technology driver, Organizational leadership driver and Change management driver by one unit results to change in organizational performance by 0.260, 0.242 and 0.052 units respectively.

#### **4.1.2 Content Analysis**

The respondents were asked to indicate if strategic management drivers (Information Technology drivers, Strategy implementation, Change Management driver and Organizational Leadership driver) influences performance. Majority of the respondents indicated that the strategic management drivers influence performance of Kenya owned Tourism State Corporation. This was best illustrated by responses that “there is intense competition in today’s hotels which requires managers to adopt strategic drivers of performance in order to improve hotel services” “having smart goals and objectives, sustainable action plans, clear initiatives and consensus building greatly affected performance”.

These responses agree with that of Chen and Popovich (2003) who state that hotels that maintain long run performance are the ones that is able to build customer loyalty and retention. Zablahet *et al.*, (2004) established that CRM brings benefits in terms of improved performance which results from acquiring new customers as well as sustaining customers for competitive advantage. Leadership is a critical management skill, involving the ability to encourage a group of people towards common goal. Leadership focuses on the development of followers and their needs. Managers exercising transformational leadership style focus on the development of value system of employees, their motivational level and moralities with the development of their skills (Ismail *et al.*, 2009). It basically helps followers achieve their goals as they work in the organizational setting; it encourages followers to be expressive and adaptive to new and improved practices and changes in the environment (Azkaetet *al*, 2011).

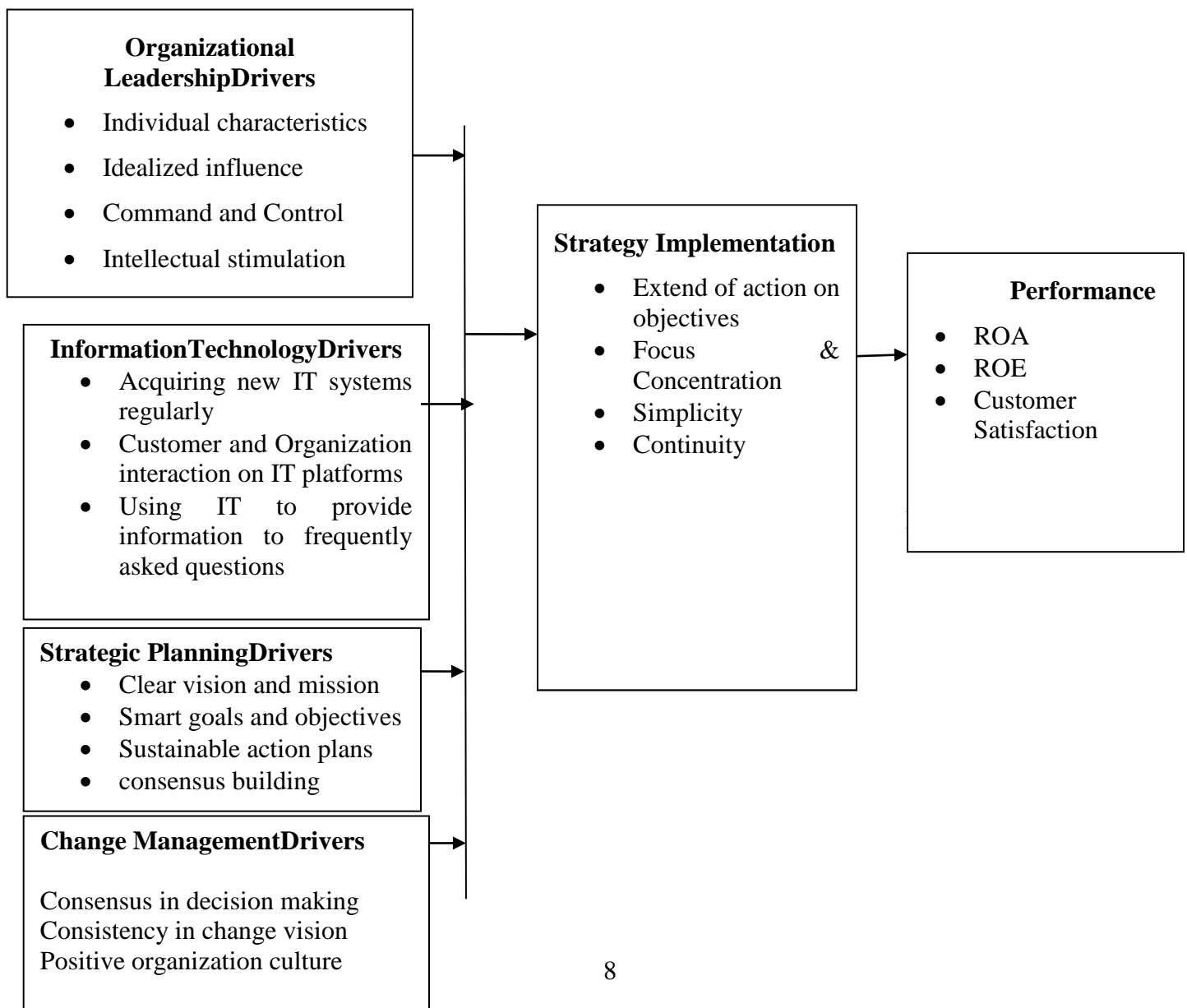
In their study of e-commerce technology adoption by SMEs in Botswana, Olatokun and Kebonye (2010) found that point of sale systems, credit cards, and the Internet were effective in ecommerce development in the wholesale, retail, manufacturing, Hotel and restaurant sectors. Jagoda (2010) also found the use of online purchasing and payment systems; tracking of orders;



and after sales services to be effective while Raymond and Bergeron (2008) emphasize leveraging of the internet to ensure effective e-communication, e-intelligence and e-collaboration. Applications that enable product development and product quality improvement have been found to lead to increases in the market share and customer satisfaction (Eid, 2011).

### 4.1.3 Model Optimization

Based on the results in Table 4 below, a model optimization was conducted. The aim of model optimization was to guide in derivation of the final model (revised conceptual framework) where only the significant variables are included for objectivity. Results in Table 4.47 below were arrived at through running a multiple ordinary least square regression model.



## **5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1.1 Information Technology Driver**

The first objective of the study was to establish the effect of information technology driver on performance in the Tourism state corporations in Kenya. The findings of the study indicated that automated systems affect profitability of most of the organizations. Automated systems were found to contribute above 51% to performance of most organizations in Kenya. Further results indicated that majority of organizations in tourism sector use E-ticketing in their operations. The findings further indicated that using IT to keep customers informed, using IT to provide information to frequently asked questions, using IT for customer and organization interaction on IT platform and acquiring new IT systems regularly were efficient to a great extent.

The regression results indicated that using IT to provide information to frequently asked questions, Customer and Organization interaction on IT platforms and acquiring new IT systems regularly were positively and significantly related to performance of tourism organizations. The regression results also indicated that that information technology driver was positively correlated to organization performance and it explains 36.9% of the changes in performance of the organizations. The coefficient for information technology driver was significant at 5% level of significance as indicating that the effect of Information Technology driver on performance was significant.

### **5.1.2 Strategic Planning Driver**

The second objective of the study was to find out the effect of strategic planning driver on performance in the Tourism state corporations in Kenya. The findings of the study indicated that strategic planning driver contributes to performance in the Tourism state corporations in Kenya. The findings further indicated that having smart goals and objectives, sustainable action plans, clear initiatives and consensus building greatly affected performance. The study also found out that clear vision and mission, smart goals and objectives, Sustainable action plans and consensus building are positively and significantly related to performance of tourism organizations. Other results indicated that strategic planning driver was positively correlated to organization performance and it explains 18.3% of the changes in performance of the organizations. The regression results indicated that the coefficient for strategic planning driver was significant at 5% level of significance and hence the study established that strategic planning driver has a significant effect on performance in the Tourism state corporations in Kenya.

### **5.1.3 Change Management Driver**

The third objective of the study was to establish the effect of change management driver on performance in the Tourism state corporations in Kenya

The findings of the study indicated that change management driver affects performance of most tourism state corporations in Kenya. The study further found out that positive organization culture, change execution and consistency in change vision affected performance of the Tourism

state corporations in Kenya to a great extent respectively. Having consistency in change vision, consensus in decision making and practicing positive organization culture were positively and significantly related to performance of the Tourism state corporations in Kenya. The findings of the study further indicated that change management driver was positively correlated to organization performance and it explains 17% of the changes in performance of the organizations. The regression model results indicated that the coefficient for change management capability was significant at 5% level of significance which indicated that change management capability has a significant effect on performance in the Tourism state corporations in Kenya.

#### **5.1.4 Organizational Leadership Driver**

The fourth objective of the study was to ascertain how organizational leadership driver affects performance in the Tourism state corporations in Kenya. The results showed that most organizations give room for contingent rewards to its employees. Further results indicated that indicated that Individual characteristics, Idealized influence, Inspirational motivation, Intellectual stimulation and command and Control affect performance of the organization to a great extent. The results also showed that individualized influence, intellectual stimulation and practicing command and control are positively and significantly related to performance of tourism organizations. The regression results indicated that organizational leadership driver was positively correlated to organization performance and it explains 29.1% of the changes in performance of the organizations. Organizational leadership driver was established to have a positive and significant effect on performance in the Tourism state corporations in Kenya.

#### **5.1.5 Mediating role of Strategy Implementation**

The fifth objective of the study was to determine the mediating role of strategy implementation on performance in the Tourism state corporations in Kenya. The findings of the study indicated that most respondents considered sustainable action plan, implementation Planning and Action on objectives to affect performance to a great extent. The findings further indicated that strategy implementation have a mediating role on performance in the Tourism state corporations in Kenya.

### **5.2: Conclusions**

The study concluded that automated systems affect profitability of most Tourism state corporations in Kenya. Majority of organizations in tourism sector use E-ticketing in their operations. Furthermore, the study concluded that using IT to keep customers informed, using IT to provide information to frequently asked questions, using IT for customer and organization interaction on IT platform and acquiring new IT systems regularly is efficient and improves performance. The study also concluded that Information Technology driver has a significant effect on performance of tourism state corporations in Kenya.

The study also concluded that strategic planning driver contributes to performance in the Tourism state corporations in Kenya. Having smart goals and objectives, sustainable action plans, clear initiatives and consensus building affects performance of tourism state corporations

in Kenya. Based on the findings, the study further concluded that clear vision and mission, smart goals and objectives, Sustainable action plans and consensus building are positively and significantly related to performance of tourism corporations in Kenya. Another conclusion is that strategic planning driver has a significant effect on performance in the Tourism state corporations in Kenya.

The findings of the study led to the conclusion that change management driver affects performance of most tourism state corporations in Kenya. Positive organization culture, change execution and consistency in change vision affects performance of the Tourism state corporations in Kenya to a great extent. Another conclusion made by the study is that having consistency in change vision, consensus in decision making and practicing positive organization culture were positively and significantly related to performance of the Tourism state corporations in Kenya. The study also concluded that change management driver has a significant effect on performance in the Tourism state corporations in Kenya.

Based on the findings, the study also concluded that most organizations give room for contingent rewards to their employees. Individual characteristics, Idealized influence, Inspirational motivation, Intellectual stimulation and command and Control affect performance of tourism corporations in Kenya to a great extent. The study also concluded that individualized influence, intellectual stimulation and practicing command and control are positively and significantly related to performance of tourism corporations in Kenya. The study also concluded that organizational leadership driver has a positive and significant effect on performance in the Tourism state corporations in Kenya.

Lastly, the study concluded that sustainable action plan, implementation Planning and Action on objectives affect performance to a great extent. Strategy implementations have a mediating role on performance in the Tourism state corporations in Kenya.

### **5.3 Contribution of the Study to Theory/Existing Knowledge**

The study made various contributions to theory building. First, the study developed a conceptual framework for underpinning future research work on the effect of performance drivers and the mediating role of strategy implementation in the Tourism State Corporations in Kenya. The study successfully tested hypothesis related to the original conceptual framework developed in chapter two. Based on research findings, it was found that future conceptual frameworks and theories should focus on particular aspects of performance drivers. The study also made a contribution as far as ordering and prioritizations of performance drivers is concerned. The study noted that information Technology driver and organizational leadership driver were the most significant performance drivers. This serves to strengthen the existing theories.

### **5.4: Recommendations of the Study**

#### **5.4.1 Information Technology driver**

Based on the findings, the study recommended that those Tourism state corporations in Kenya that have not adopted E-ticketing should adopt it as it positively influences performance.

Furthermore, the use of IT to keep customers informed, to provide information to frequently asked questions, for customer and organization interaction on IT platform and acquiring new IT systems regularly should be embraced as they are efficient and improves performance.

#### **5.4.2 Strategic planning driver**

The study also recommended that Tourism state corporations in Kenya develop smart goals and objectives, have and enact sustainable action plans and formulate clear initiatives and consensus building because of their positive effect on performance.

#### **5.4.3 Change management driver**

Tourism state corporations in Kenya should embrace and practice positive organization culture, change execution and consistency in change vision since they influences performance positively. The corporations should also have consensus in decision making.

#### **5.4.4 Organizational leadership driver**

The study recommended that Tourism state corporations in Kenya should have measures to adopt Individual characteristics, Idealized influence, Inspirational motivation, Intellectual stimulation among their leaders and command and Control.

#### **5.4.5 Strategy implementation**

The study recommended that Tourism state corporations in Kenya should have a sustainable action plan, implementation Planning and Action on objectives since they have a positive influence on performance.

### **5.5 Suggested Areas for Further Study**

Further studies can be done to ascertain the effect of strategic management drivers and the mediating role of strategy implementation in other state corporations in Kenya other than the tourism sector.

The results for the multiple regression model indicated that IT driver, Change management driver, organizational leadership driver and strategic planning driver explain 63.1% of the changes in performance of the tourism corporations in Kenya. Another study can be conducted to find out the other factors which explain 36.9% of the changes in performance of the tourism corporations in Kenya.

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