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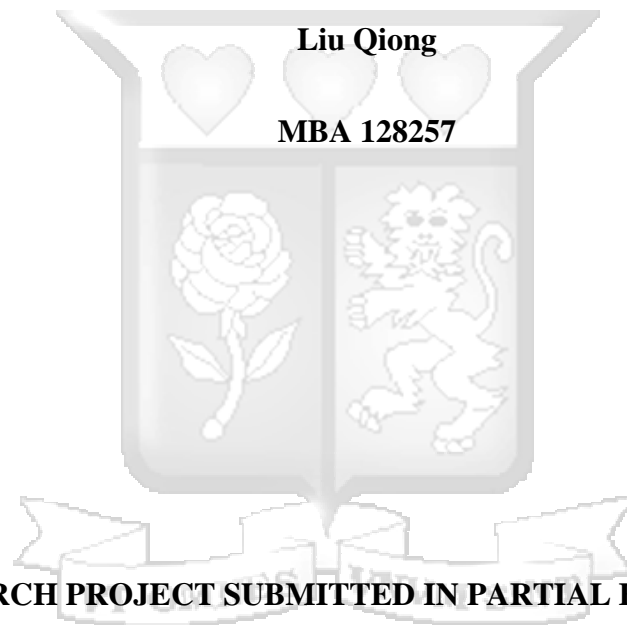
Qiong, Liu  
*Strathmore Business School*  
*Strathmore University*

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**TURNAROUND STRATEGIES AND PERFORMANCE OF THREE-STAR  
HOTELS IN KENYA**



**Liu Qiong**

**MBA 128257**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF  
THE REQUIREMENTS FOR MASTER IN BUSINESS ADMINISTRATION,  
STRATHMORE UNIVERSITY**

**JUNE 2022**

## Declaration

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

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Liu Qiong

Approval

The dissertation of [Liu Qiong ] was approved by the following:

Name of Supervisor: Fredrick Ogola

School/Institute/Faculty: Strathmore Business School

Dr. George Njenga

Executive Dean

Strathmore University Business School.

Dr. Bernard Shibwabo

Director, Office of Graduate Studies

## ABSTRACT

The dynamism of the environment implies that organizations have to constantly redesign their strategies in order to remain competitive and survive since failure to do so leads to the closure of organizational operations. In the current Covid-19-ridden environment, the hotel industry faces the biggest brunt. This has resulted in many hotels closing down their branches or scaling down their operations which has led to dismal performance in the industry. This study sought to review how these hotels have applied turnaround strategies to influence their performance. Specifically, the paper examined how management restructuring strategies, staff rationalization strategies, asset restructuring strategies, and financial restructuring strategies impact the performance of the hotels. The research was premised on the resource-based view theory and the institutional theory. The study employed a positivism research philosophy in quantitatively examining the relationship between the variables. The research analyzed on the 63 Three Star Rated hotels in operation in Kenya. The study focused all the managing directors within the hotels using census sampling. A structured questionnaire was used in the data collection process, with 10% of the sample being used in testing the quality of the instrument in a pilot. After data collection, both descriptive and inferential approaches was used in the analysis of the data. The findings of the study were presented using charts and tables. The study was able to obtain responses from 54 star-rated hotels in Kenya which represented an 86% response rate. Research outcome showed that 43% of the employees had worked for 4-6 years, 33% were at the position for over 7 years with only 24% of the staff having retained their position for 1-3 years. The examination revealed that most of the hotels 39% for 12-15 years had a three-star rated hotels, 29% had the rating status for 8-11 years. According to the value of the regression output 63.1% of performance of three-star rated hotels could be explained by the independent variables (turnaround strategies). The study concludes that turnaround strategies have a significant positive effect on the performance of three star rated hotels in Kenya. Regarding the first objective, it was determined that managerial restructuring had an insignificant effect on the performance of the three-star rated hotels. The study came to the conclusion that providing opportunities for continuous development of employees increases employee satisfaction and commitment to meeting and even exceeding organizational goals. The results pointing towards the conclusion that asset restructuring has significant positive effects on organizational outcomes. The study also recommends that hotels try to make the restructuring process more inclusive to ensure that all cadres of employees own the response strategies instituted by their organizations. The study recommends that the hotels team up with investment managers who will provide adequate advice on investment opportunities that can produce positive financial outcomes for the hotels.

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## LIST OF ABBREVIATIONS

<b>BSC</b>	Balanced Scorecard
<b>KNBS</b>	Kenya National Bureau of Statistics
<b>RBV</b>	Resource-Based View
<b>WTTC</b>	World Travel and Tourism Chamber



## DEFINITION OF TERMS

<b>Asset restructuring</b>	Asset restructuring involves the strategic cutting down, outsourcing of investments with a bleak future, or entering into strategic partnerships to enable the company to gain a competitive advantage (Mann & Byun, 2017).
<b>Financial restructuring</b>	Financial restructuring involves the adoption of cost-saving financial mechanisms to increase revenues while at the same time maintaining turnover levels (Dimitrios, Christos, Ioannis, & Vasiliadis, 2020).
<b>Management restructuring</b>	Management restructuring involves the change in the composition of people in leadership positions as well as how the organization is managed and finances its expenses (Chacha, 2019).
<b>Performance</b>	Performance is a relative term that refers to the ability of the firm to attain set goals and objectives (Pang & Lu, 2018).
<b>Staff rationalization</b>	Staff rationalization provides a means for organizations to reorganize themselves into a more efficient structure, and within the hotel industry, staff rationalization entails targeted reorganization of how staff members operate, coordinate, and even earn (Roy, 2020).
<b>Turnaround</b>	A turnaround involves a rapid change of corporate strategy that is needed to deal with issues such as falling profitability, lower return on investment, or loss of market share (Muzny & Simba, 2019).
<b>Turnaround Strategies</b>	Dzingirai and Baporikar (2022) defined turnaround strategies as the mechanisms employed to reverse the direction of a company from a decrease in performance to a condition of sustained performance



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

COVID-19 has had devastating effects on the global economy, and hotels are among the most affected businesses (Koopmann, Georgiadou, Kiefer, & Hillemacher, 2020). The disease spread prevention strategies involved strict “lockdown” and “stay at home” recommendations which led to shutdowns of transport systems, the energy industry (Fu & Shen, 2020), the food and beverage industry (Chowdhury, Sarkar, Paul, & Moktadir, 2020) and the airline industry (Aman & Altass, 2021), all industries that make direct contributions to the hotel sector. 2020 saw a significant drop in hotel business performance, and many people lost their jobs. The President of the World Travel and Tourism Chamber (WTTC), Gloria Guevara, wrote an open letter affirming that more than 50 million jobs in the hospitality industry were at stake due to the pandemic.

The supply chain has also been affected significantly, as reported by Vidya and Prabheesh (2020), significantly impacting hospitality firms’ ability to carry out their businesses as usual. Mattarocci and Roberti (2020) affirm that the pandemic has exposed the deep fragility of excessive integration of global supply chains. Evelina, Samuel, and Lukas Homateni (2020) report that lockdowns, in-person meetings and gatherings’ restrictions, community lockdowns, social distancing, stay-at-home orders, travel, and mobility restrictions have all had a negative impact on hotel patrons’ ability to access hospitality services, and hotels’ capacity to meet customer demands. There has also been a significant reduction in the demand for hospitality services, and as such, many hotels and hospitality firms have had to either temporarily or permanently close down in most destinations (Ranasinghe et al., 2020).

In the hotel industry, Jiang and Wen (2020) identify substantial loss of revenues through restaurants’ closure, cancellation of conferences and events, restrictions on sporting activities. Hospitalitynet (2020) reports that the MGM group of Hotels in Las Vegas had to temporarily shut down, while German hotels reported a 36% slump in occupancy. The same report remarks that Italy’s hotel industry was almost collapsing, with occupancy declining by 94%. In Nepal, Basnyat and Sharma (2021) found that

almost all restaurants have had to limit their operations to only take-outs, reduce the number of employees, transform their operations, and adopt new income-generating activities. In Hong Kong, Wu, Zhang, Law, and Zheng (2020) revealed that 5-star hotels were relatively less affected by COVID-19 than lower-rated hotels, which were more seriously affected.

Egypt's Emam and Elziny (2020) study determined that the COVID-19 pandemic has increased unemployment and affected the country's resorts' ability to meet their financial obligations towards employees, suppliers, and the government. Nhamo, Dube, and Chikodzi (2020) report that Rwanda's tourism sector was the worst hit, with some firms and those associated with the value chain losing up to 80% of their stock value. Rwigema and Celestin (2020) report that the pandemic had resulted in losses of more than Rw 13 billion. Reports of job losses, hotel closures, and loss in public intention to explore tourist destinations have been reported across the African continent (Aragie, Taffesse, & Thurlow, 2021), making it paramount for the adoption of new business models and opportunities (Sucheran, 2021).

Locally, Cytonn-Real-Estate (2017) reports that the country is facing a crisis whereby expansion is exceeding demand, as the volume of sellable rooms has been steadily increasing, despite occupancy remaining low and firms within the industry posting marginal growth over the years. Kenya National Bureau of Statistics (2021) report shows Kenya's hotel occupancy rate of 33% is lower than the 59% in other African countries and more than 65% in European and American markets. Consequently, tourism earnings declined by 43.9 per cent from KSh 163.6 billion in 2019 to KSh 91.7 billion in 2020 (KNBS, 2021). Muragu, Nyadera, and Mbugua (2021) argue that the tourism and hotelier sector need sector-wide restructuring to reflect the strengths, weaknesses, opportunities, and threats that it faces. These sentiments were reported by Dimitrios, Christos, Ioannis, and Vasiliadis (2020), who argue that the hospitality industry has to adopt stringent measures to ensure rapid recovery and improve the hotel's financial turnaround.

The strategic mechanisms aimed at boosting productivity after crises are referred to as turnaround strategies, and they are used by organizations in response to a harsh operating environment. Studies show a positive relationship between turnaround

implementation and firm survival. According to Jamal and Salisi (2021), turnaround strategies enable organizations to deal with immediate challenges, including falling profitability, poor service delivery, low return on investment, or sales decline. Gathiru, Khamah, and Nyakora (2019) determined that human resource turnaround strategies had a positive impact on the performance of KCB Bank and Uchumi Supermarket. Reger (2017) determined that the performance of small and medium-sized manufacturers was significantly influenced by turnaround strategies. However, a German study by Decker (2018) provided evidence that turnaround strategies are not always successful, arguing that key stakeholder support is essential to the success of any turnaround move, especially in the initial stage.

Barbero, Martínez, and Moreno (2020) showed how volume aggressiveness during retrenchment could have negative effects on employee performance among declining firms. Rico, Pandit, and Puig (2021) determined that neither an intangible asset nor tangible asset retrenchment is associated with survival. Only debt restructuring improves chances of survival. Managers of insolvent firms were advised to focus on liquidity and operational improvements that result in debt reduction. Nyatumba and David Pooe (2021) are adamant that South African Airways has seen little success implementing turnaround strategies due to shareholders' slow decision making, lack of quality management skills under capitalisation of available opportunities, unstable political leadership, and unhealthy board dynamics. The study by Wandera (2019) investigated turnaround strategies among sugar manufacturers and reported a positive relationship between reorganization and realignment strategy but insignificant effects of retrenchment, diversification, and modernization strategies on performance.

While the hospitality industry is slowly recovering, the COVID-19 crisis continues to exert profound impacts on how hospitality businesses operate (Gerald, 2020). According to Muragu, Nyadera, and Mbugua (2021), hotels and other service industries have to become more proactive to survive as we learn better ways to manage life with the virus existing within the community. Empirical literature supports a positive relationship between turnaround strategies and organizational performance in different industries (Moodley, 2018; Mungai & Bula, 2018; Abebe, Tangpong, & Ndofor, 2021; Musango, 2021). This study attempts to establish the impact of turnaround strategies on the performance of three-star rated hotels in Kenya.

### 1.1.1 Turnaround Strategies

Nearly all companies experience declines in performance at some point in their existence, and during such periods, Reger (2017) argues that it is paramount that managements recognize these periods and initiate improvement actions. There is an increasing tendency to view turnaround research from the perspective of change management (Holten, Hancock, & Bøllingtoft, 2019). The concept of turnaround can be defined as a process that takes a company from a situation of poor performance to a situation of good sustained performance (Okwisa, Manana, Gicheru, & Esther, 2016). During periods of decline or near decline, managements usually implement turnaround strategies with the hope of successfully turning around performance outcomes. A turnaround involves a rapid change of corporate strategy that is needed to deal with issues such as falling profitability, lower return on investment, or loss of market share (Muzny & Simba, 2019).

The overall goal of the turnaround strategy is to return an underperforming or distressed company to normal in terms of acceptable levels of profitability, solvency, liquidity, and cash flow (Okwisa, Manana, Gicheru, & Esther, 2016). Turnaround strategy is described in terms of how the turnaround strategy components of managing, stabilizing, funding, and fixing an underperforming or distressed company are applied over the natural stages of a turnaround (Santana, Valle & Galan, 2017). Failure to successfully manage the implementation of turnaround strategies exposes institutions to continued decline and eventual declaration of bankruptcy (Fairley, 2019). A turnaround occurs when the firm recovers adequately to resume normal operations and eventually realize sustainable profitability (Beute, 2018).

Turnaround strategies involve creating systems and processes to handle changes in the environment by focusing on providing essential services (Ahrens, Kowalzick, Lauterbach & Woywode, 2019). Turnaround strategies should be centered around identifying the drivers of underperformance, resolving the causes of distress, achieving financial stability, and regaining stakeholders' trust (Nyatumba & David Pooe, 2021). Turnaround strategies development has to consider the unique needs and context of the organization employing them (Dzingirai, 2021). Bhattacharya and Malik (2020),

Santana, Valle, and Galan (2020) emphasize that retrenchment, restructuring, and reorganization are among the three main turnaround strategies identified in the literature. Baporikar (2021) affirms that managers have to consider a firm's agility, resources, structure, and culture before selecting the best possible turnaround strategies.

Artana and Wiagustini (2018) investigated turnaround strategies from two perspectives; operational and strategic turnaround strategies. Strategic turnaround strategy involved debt restructuring, while operational turnaround strategies were centred around streamlining company assets, human resources, increasing revenue sources, and restructuring of firm's management. Muzny and Simba's (2019) study considered retrenchment, liquidation, divestment, and repositioning as the main turnaround strategies. Stefani and Priatmodjo (2021) evaluated turnaround management by investigating the effect of business process re-engineering as a rethinking and redesign process. Wandera, Sakwa, and Mugambi (2017) aver that reorganization and modernization are effective turnaround strategies that improve business value, incremental institute transformation of business systems, or leverage existing enterprise skills to improve product and service delivery.

Dzingirai and Baporikar (2022) consider turnaround strategies as active processes that require skills, discipline, change, innovation, and teamwork. Chacha (2019) established a positive association between cost management practices, organizational restructuring, and retrenchment on business performance at Kenya Airways. Stefani and Priatmodjo (2021) reported that changes in organizational operations, finances, assets, and management improved the performance of hotels. The studies above affirm that turnaround strategies have been conceptualized in different ways depending on the industry and that critical elements include a change in an institutions' management structure, assets, resources, and financial configuration. This study reviewed the effect of staff rationalization, management, asset, and financial restructuring on the performance of three-star hotels. These variables were also used by Mbandu (2016) to examine the turnaround effectiveness of Uchumi Supermarkets and (Njeru 2010) to examine turnaround at National Bank Kenya. In these studies, the variables clearly explained the turnaround effectiveness and clearly provided measurable metrics to

which they influence performance. The current study also employed these turnaround effectiveness variables in the hotel industry.

Management restructuring involves the change in the composition of people in leadership positions as well as how the organization is managed and finances its expenses (Chacha, 2019). Prabhakar (2014) affirms that leaders turn around their firms by changing the organization's structure and culture to improve efficient resource utilization. Some companies overhaul their corporate structure to downsize or eliminate certain departments, thus reducing overhead costs. Rajiv Mathad (2019) explored strategic leadership and found a significant effect of leadership competency and cross-cultural skills on the impact of turnaround initiatives. The study called for strong leadership to make turnaround moves successful. According to Bester and Kader (2018), retrenchment events change leaders' management style, with interviewees noting that they had become more compassionate and had a new, enriched view on family life. Retrenched managers struggled to build trusting relationships with their new employers, and they were fearful of experiencing another retrenchment (Dwomoh, Luguterah, & Duah, 2020). This study examined the effect of management restructuring on three-star hotels' performance.

Staff rationalization provides a means for organizations to reorganize themselves into a more efficient structure, and within the hotel industry, staff rationalization entails targeted reorganization of how staff members operate, coordinate, and even earn (Roy, 2020). Staff rationalization helps organizations to determine the right number of employees with the required skills and competencies to drive organizational performance (Brauer & Zimmermann, 2019). Staff rationalization has been associated with the right sizing, downsizing, retrenchment, and redundancy. Hence, staff rationalization within hotels involves increasing or reducing the number of employees to the optimum level (Tsai & Yen, 2020), and managements have to motivate the remaining employees to realize the full benefits of staff rationalization. This study investigated effect of staff rationalization on three-star hotel performance.

During the growth stage of a business, firms usually invest in assets to improve the status of their balance sheet. When the business starts reporting negative returns, certain non-essential assets' performance can be liquidated to raise funds for use on more essential objectives (Amiri & Saeedi, 2021). Giamouridis and Prassa (2020) define asset restructuring as the identification of non-performing assets within an organization so that more investment can be supplied to boost performance outcomes. In certain instances, whole business units can be reorganized to increase efficiency, with non-performing units being divested if they serve a non-essential purpose (Lee, 2021). Firms have also been reported to reduce investment in non-core divisions and re-investment in more profitable ventures related to the core goals of the business.

Asset restructuring can also involve cutting down, outsourcing investments with a bleak future, or entering into strategic partnerships to enable the company to gain a competitive advantage (Mann & Byun, 2017). Alexander (2016) opines that companies can also acquire other businesses with the potential to complement their core competencies, especially if the company is facing a drop in product and market share. Asset restructuring addresses losses resulting from unproductive assets by introducing new assets and getting rid of unproductive assets (Anwar & Hasnu, 2016). Rico, Pandit, and Puig (2021) report no significant relationship between asset restructuring on firm survival. This study studied the effect of asset restructuring on three-star hotels' performance.

Financial restructuring involves the adoption of cost-saving financial mechanisms to increase revenues while at the same time maintaining turnover levels (Dimitrios, Christos, Ioannis, & Vasiliadis, 2020). Sjögren (2016) reports that in times of turbulence, businesses have to manage their spending to ensure that the organization utilizes as few resources as possible while at the same time maintaining service and product quality. Saleem, Zahra, and Yaseen (2017) identify the removal of redundancy processes to reduce production costs, reduce the cash conversion cycle, and increase the creditor payment period to ensure that the organization has adequate cash in hand for immediate expenses and reduce marketing expenditure. In response to Covid, Batish

et al. (2020) report that CEOs took pay cuts while other institutions froze bonuses, salary increases, and incentives to reduce expenditure within the turnover period.

This study reviewed further the effect of turnaround strategies by looking at how management restructuring strategies, staff rationalization strategy, asset restructuring, and financial restructuring strategies affect the performance of three-star Hotels in Nairobi City, Kenya.

### **1.1.2 Organizational Performance**

Performance is a relative term that refers to the ability of the firm to attain set goals and objectives (Pang & Lu, 2018). Organizational performance is the qualitative and quantitative measure of the ability of the firm to attain the set goals and objectives over a given period. Measurement of performance is important because it helps rate the management on how well they have utilized resources that shareholders have entrusted to them (Benková et al., 2020). Theories such as the balanced scorecard approach (BSC), key performance indicators (KPI), the value-added economic approach (EVA), and total quality management (TQM) provide different frameworks and reference models for measuring performance Benková et al. (2020). Tulcanaza-Prieto, Shin, Lee, and Lee (2020) opine that organizational performance should be expressed in financial or non-financial terms. The balanced scorecard is a management framework developed by Kaplan and Norton (1992), and it assesses and shows an overall view of organization performance. BSC tries to consider the benefits of all stakeholders such as management, customer, employee, and society and measures performance through four key dimensions; financial, customers, internal process, and learning and growth (Kaplan & Norton, 1996).

The financial performance of the firm is concerned with the quantitative aspects such as profitability, rate of return on assets, and equities, and they provide indications of how well resources have been utilized by the management to generate wealth (Kerpershoek, Groenleer & de-Bruijn, 2016). Customer perspective looks at how the organization has performed in meeting the dynamic needs of its customers; the internal process evaluates the business processes that an organization needs to excel in if it has to satisfy the needs of its customers together with those of its shareholders (Chan, Ngai & Moon, 2017). Learning and growth examined the ability of the organization to

change and improve the manner in which it handles its processes for efficiency (Yousaf & Majid, 2016). The role of non-financial indicators, such as customer satisfaction, quality assurance, productivity, and employee development, determine the competitiveness of a business as well as its ability to sustain profitability in the future; hence, measuring NFI is crucial in the face of intense competition, shorter product (service) life cycle and rapid advances in technology (Nzioka & Njuguna, 2017).

The BSC is an important tool for measuring performance because it links the formulated strategy in strategic management and the performance of the firm, which can be expressed in financial and non-financial terms (Punt, Butterworth, de Moor, De-Oliveira & Haddon, 2016). Through a BSC, an organization can be able to identify factors that contribute to customer satisfaction. A satisfied customer is likely to buy more products, will not be price-sensitive, and will provide referrals through loyalty. According to Albuhi and Abdallah (2018), during the implementation of turnaround strategies, satisfied customers will make repeat visits even with imminent changes to operations, and this should result in sustained organizational performance. **The BSC is useful in trying to align business activities to organizational mission, vision and improve communication (Sumban, Zuhroh, & Parawiyati, 2021). The BSC was utilized in the study in identifying the strategies implemented to improve the performance of three star hotels in Kenya.**

According to Odhiambo (2016), the reason why the balanced scorecard has emerged as a standard measure of performance in numerous hospitality literature is that it has the attributes of integrating strategic issues with performance measurement. Mbugua and Kinyua (2020) used the balanced scorecard and measured organizational performance in terms of customer satisfaction, employee loyalty, and increased market share. By measuring and tracking customer satisfaction, managers can put new processes in place to increase the overall quality of customer service offerings. It is essential for organizations to identify performance indicators to enable the identification of skewed human, financial resources, asset allocation, control deficiencies, and problem areas. Ngala (2016) states that non-financial measures are better performance indicators in the service industry than financial measures. **This study analyzed organizational performance using both financial and non-financial indicators including customer and employee satisfaction, and market share growth.**

### 1.1.3 Hotels in Kenya

The hotel industry is one of the country's highest income earners, and the government of Kenya has integrated the industry as a core component of sustainable development goals (Yeswa & Ombui, 2019). The Government of Kenya (2013) National tourism strategy 2013-2018 ranks Tourism as the second most important industry in Kenya after agriculture, with the sector being responsible for 14% of GDP and 12% of total employment in the country (Mugure, 2021). The sector is also predicted to grow at 3.7% per annum for the next decade. The hotel sector uses the East African Community's common criteria of star-rating hotels, which ranks hotels depending on their tangible and intangible resources (Gioko, Mukulu, & Oloko, 2021). The higher the star rating, the higher the luxury and satisfaction expected. Class, elegance, ambience, and quality services are the major distinguishing factors of the hotel classifications (Kinyingi, 2018).

Despite the high quality and good facilities of Kenyan hotels, competition for resources and market share in the hotel industry in Nairobi, Kenya, is becoming extremely high (Gioko, Mukulu, & Oloko, 2021). There are around 225 hotels rated between one to five-star with around 16,000 rooms with a 30,000-bed capacity (TRA, 2020). Competition for skilled labour is also high, and the hotels are struggling to meet customers' expectations and preferences which are shifting from time to time. Low demand due to Covid-19 prevention measures and reduced bookings in recent years have also impacted performance outcomes (Nzisa, Gitahi, & Kiprop, 2021). Njuguna (2019) reports that during low seasons, the occupancy rate can drop by 80%, significantly impacting revenue generation capacity. Murimi et al. (2021) report that the hostile working environment brought about by the pandemic, environmental dynamism, seasonality challenges, innovative challenges, and internal factors such as mismanagement were all affecting hotels' ability to meet their goals and ensure sustainable income generation.

Nzioka and Njuguna (2017) argue that firms can change their orientation and improve orientation significantly impacts hotel performance. Krisnawati, Sule, Febrian, and Hassan (2016) determined that adopting cost-cutting strategies increases hotel

performance during low seasons, while Nyagiloh and Kilika (2020) provided empirical evidence that deployment of turnaround strategies from learned experiences results in the realization of desired organizational goals. Jung and Jang (2020) argue that restaurants have to implement effective turnaround strategies in a timely manner to survive recession events. Kinyua and Kihara (2021) found a positive relationship between cost restructuring, governance reformation, and performance. However, while process centralization has an insignificant effect, downsizing was associated with reduced employee commitment.

The hotel sector is one of Kenya's highest income earners and a source of income for thousands of families, either directly or indirectly. The sector is connected to the agricultural, tourism, and transport sectors, making their survival essential to Kenya's economic growth and development. According to the Tourism Regulatory Authority (2022) there are 63 Three Star Rated Hotels in Kenya compared to 24 five star rated hotels and 60 four star rated hotels. According to Kariru & Ndungu (2021), three star hotels were the most significantly affected by the Covid-19 Pandemic. Three star hotels were found to be the most utilized hotels in Kenya before the pandemic and therefore employed a high number of employees (Nzioka & Njuguna, 2017). The three star hotels were therefore ideal for this study since they command a high number of employees and customers. This study attempts to establish the effect of turnaround strategies on the organizational performance of three-star hotels in Nairobi, Kenya.

## **1.2 Statement of the Problem**

The dynamism of the environment implies that organizations have to constantly redesign their strategies in order to remain competitive or survive and failure to do this leads to the closure of the organizational operations (Muzny & Simba, 2019). Nzisa, Gitahi, and Kiprop (2021) affirm that the Coronavirus pandemic has had significant effects on operations in the hospitality industry. Consumer tastes and stakeholder expectations have since changed, and staff is in the market for new products and services, and closedown and spread-prevention recommendations have reduced demand for hotel services, leading to empty hotel rooms, lobbies, and conference rooms, affecting the hotels' income-generating ability (Kariru & Ndungu, 2021). To

counter the poor performance, hotels have employed various strategies to bounce back. Mbandu (2016) argues that organizations must develop and implement turnaround strategies to survive in competitive environments.

Ramírez-Cervantes et al. (2021) report that Spanish hotels had converted some of their rooms to host the sick and in quarantine travellers, thus serving as a public health resource and improving brand value. Mahajan and Dureja (2021) affirm that Indian hotels had adopted re-organization strategies that had resulted in increased income generation. Emam and Elziny (2020) opine Egyptian hotels had stripped their operations to the core operations and reduced contracted staff to minimize operational costs. South Africa's Douryang et al. (2021) asserts that hotels had increased investment in technologies and risk mitigation strategies to assure customers that they were capable of reducing the spread of the Coronavirus. Rivera, Kizildag, and Croes (2021) reported an increase in collaborative opportunities, a reduction in operations, staff and management roles as the strategies for healthy turnaround using a break-even analysis model.

Hotels have also sold unnecessary assets, liquidated their investments, and diversified into different ventures, while others merged with other strategic partners for survival (Nyokabi, 2019). The study determined that asset restructuring had an insignificant effect on operational performance. Kinyua and Kihara (2021) report that Kenyan hotels had aggressively adopted cost reduction and diversification strategies to remain operational since the pandemic began. Nzisa, Gitahi, and Kiprop (2021) affirmed that hotels have to increase investment into technologies that would reduce customer service contact and increase processing. Gathiru, Khamah, and Nyakora (2019) found a positive relationship between strategic HR turnaround strategies and the performance of KCB and Uchumi supermarkets. However, according to Gaturu, Mutinda, and Miricho (2022), not all strategies contribute to increased guest satisfaction. The study discovered that while water and energy conservation strategies had a positive effect on guest satisfaction, labour cost-cutting strategies had a negative impact.

The study by Gorondutse and Gawuna (2017) determined that cost leadership strategy can have a negative impact on hotels efficiency in Nigeria. González-Rodríguez et al. (2018) results suggest that a firm's assets and strategies have a greater influence on performance, hence should be prioritized during turnaround implementation. Ramírez-Cervantes et al. (2021) report that Spanish investigated Spanish hotels, while Emam and Elziny's (2020) study was Egyptian-based. Kinyua and Kihara (2021) focused on cost reduction strategies, and Gathiru, Khamah, and Nyakora (2019) investigated turnaround strategies employed at KCB Bank and Uchumi supermarkets. These studies report mixed findings on the relationship between turnaround and firm performance. However, it is important to note that none of the above studies has investigated turnaround in three-star hotels. Most studies have focused on the five-star hotels as compared to hotels with other ratings. This study will focus on three-star hotels based on the assertion by Kariru & Ndungu, (2021) who noted that three star hotels were the most affected by the pandemic since they were the most considered by consumers before the pandemic.

In that regard, several industries have adopted some if not all of the strategies as already illustrated above, that is, Management Restructuring, Staff Rationalization, Asset Restructuring, and Financial Restructuring. Nevertheless, little is known about the efficacy of each or all of the above strategies in the hotel industry. The current study analysed the relationship between each of the above strategies on the performance of the three-star rated hotels in Kenya.

### **1.3 Objective of the Study**

The main aim of this study was to establish the effect of turnaround strategies on the performance of three-star rated hotels in Kenya.

#### **1.3.1 Specific Objectives**

- i. To examine the effect of managerial restructuring strategies on the performance of three-star hotels in Kenya
- ii. To assess the effect of staff rationalization strategies on the performance of three-star hotels in Kenya

- iii. To determine the effect of financial restructuring strategies on the performance of three-star hotels in Kenya
- iv. To determine the effect of assets restructuring strategies on the performance of three-star hotels in Kenya

#### **1.4 Research Questions**

- i. What is the effect of managerial restructuring strategies on the performance of three-star hotels in Kenya?
- ii. How do staff rationalization strategies affect the performance of three-star hotels in Kenya?
- iii. To what extent do financial restructuring strategies affect the performance of three-star hotels in Kenya?
- iv. What is the effect of asset restructuring strategies on the performance of three-star hotels in Kenya?

#### **1.5 Scope of the Study**

The contextual scope of the examination focused on reviewing the effect of turnaround strategies on the performance of three-star rated hotels in Kenya. The study conceptually focused on the management restructuring strategies, staff rationalization strategy, asset restructuring, and financial restructuring strategies. The theoretical scope of the study analyzed on the resource-based-view theory and the institutional theory. The study's geographical focused was all three-star hotels in Kenya. The study focused one senior manager from the operations, marketing, and finance departments of 63 three-star hotels in Mombasa, Western, Rift Valley, Central and Eastern Regions in Kenya.

#### **1.6 Significance of the Study**

The findings of the study were important to the management of the three-star hotels in Kenya, the general hospitality industry, future scholars, and academicians. For the management of three-star hotels, the findings of the study will help in the establishment

of ways of improving as much as possible the current strategic management practices being embraced, and this will positively influence the performance of the hotels.

Hotels play an important role in the economy by supporting the entire hospitality sector. The findings of the study will thus be of greater importance in strengthening the performance of the hotel sector and thus directly impacting the hospitality sector. Future scholars and academicians are likely to rely on the findings of the study to carry out similar studies in the future and thus increasing the available literature and knowledge on strategic management practices and how they influence performance.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter presented a discussion of related topics done by scholars. This chapter also presents the theoretical reviews, empirical review knowledge gap that contributes to the success of three-star rated hotels. A conceptual framework also highlighted in this chapter.

#### 2.2 Theoretical Review

This study was guided by the following theories; the Resource-Based View theory and the Institutional Theory. The Resource-based view theory was essential in determining the different types of resources that facilitate

##### 2.2.1 Resource-Based View Theory

This theory emerged in 1980 in the works of Barney as they studied core competencies in an organization (Barney, 1991). The resource-based view (RBV) is a theory that explains the difference between the level of performance of different firms as being a result of differences in the resources and capabilities of competing firms. RBV views resources as the key to superior organizational performance. According to Barney (1991), RBV explains the relationship between internal resources and how the firm is able to perform to achieve a competitive advantage over its competitors. The theory considers the competencies and capabilities of the firm as being critical to an organization's competitive strength.

Resource-based View is one of the theories applied by modern competitive firms when formulating and implementing turnaround strategies (Kull, Mena & Korschun, 2016). RBV postulates that internal resources define durable competitive advantage. For declining institutions, the key focus would be on the resources that stand out as enabling the institution to overcome the decline in performance (Hitt, Carnes & Xu, 2016). The theory suggests that institutions have unique characteristics that enhance their ability to

deal with decline. Under RBV, the focus is on identifying the institution's resource strengths and leveraging them to provide it with capabilities and resources to achieve a successful turnaround. Muturi and Odollo (2019) utilized this theory when investigating turnaround strategies and their impact on commercial banks' performance in Kenya.

This theory was relevant to this study as it supports the objective of asset restructuring and financial restructuring strategies. This theory viewed assets and finances as resources that can be utilized to effect organizational change (Mohamed & Bett, 2018). By employing asset and financial restructuring, the theory assures that firms were able to re-focus their finances on core business components to realize their main goals. Hence, the RBV theory linked itself to turnaround strategies and the firm's resources that was used to actualize the scheduled change (Nyagiloh & Kilika, 2020). Further, repurposing these resources increases the innovation and collaboration level of firms under pressure, enabling them to gain some competitive edge over their competitors who are facing similar challenges. It stated that asset restructuring differentiates the level of performance of different firms. This theory helped the researcher to look at how hotels can utilize spare resources to generate a competitive advantage.

### **2.2.2 Institutional Theory**

Institutional theory is an approach that is used in explaining how the organizational environment influences its structures (Zhao, Fisher, Lounsbury & Miller, 2017). It was developed by Scott (1987). The way the structures are reported will ultimately affect the way in which the relevant information required for implementing strategies is passed and received (Scott, 1995). The set policies and procedures are responsible for determining how information flows and the necessary actions to be executed during the process of strategy implementation. With regard to this theory, the term institution is used in explaining the particular culture together, policies, and procedures in an organization (Williams & Shahid, 2016). In organizations where the staff can easily access management through an environment that has open and supportive communication, there was high chances of outperforming those with more straining communication environments.

The institutional theory focuses on the institutional structure's broader and more robust aspects (Lammers & Garcia, 2017). This considers the processes through which systems, including schemes, are formed as authoritative standards for social conduct, laws, norms, and routines. Different components of institutional theory describe how, over time and space, these elements are formed, diffused, adopted, and adapted; and how they fall into decline and disuse. The institutional theory explains how institutions and institutional change affect economies' efficiency, both over time and at a given time (Sherer, Meyerhoefer & Peng, 2016). Because of the uncertainties involved in the interaction between humans, they are the constraints designed to structure the interaction. Yet the effect of institutions on economic performance varies widely; some economies develop institutions that produce growth and development, while others develop institutions that produce stagnation.

An organization's institution refers to the "laws, norms, and beliefs that define its nature, clarify what it is and what it is not, what it can do and what it can't do." Institutions act as kinds of powers by imposing constraints and limits on organizations, and they create boundaries on what is accepted and what is not accepted (Zoogah, Peng & Woldu, 2015). Organizations are buried as networks in a system that is set. Such network links are seen as being interdependent with other connections. This calls for an understanding of the environment so as to understand the company itself. This theory provides a framework through which we can understand how organizations operate in contested social environments. Were (2020) used the theory to investigate how schools employ human resource planning in challenging financial times. The theory explains the decision-making process that firms undergo by assessing the potential impact of their actions on the surrounding environment, with wrong decisions having a negative effect on the firm's image to the public.

The institutional theory deals with how external and internal forces influence institutions that are beyond their own control (Mate & Kaluyu, 2018). Instead of looking at rationality, institutional theory leads to a wider homo-economic viewpoint. This lets us analyze actions outside market pressures and examines social constraints as a component of behavioral analysis. Institutional theory challenges perceived norms

on how organizations should behave instead of arguing that organizations should not be held hostage by social demands and norms (Kipsang & Wasike, 2021). Instead, it calls for the adoption of strategies such as manipulation, avoidance, and defiance in self-interest. It supports a transactional approach to leadership. This theory was relevant as it explains how different individuals interact in different environments to come up with the best turnaround strategies that helped improve the overall performance and decision-making process.

## **2.3 Empirical Review**

This section presented findings from different studies regarding the relationship between turnaround strategies and organizational performance. The section featured sub sections on management restructuring, staff rationalization, asset restructuring, financial restructuring, and organizational performance

### **2.3.1 Management Restructuring Strategy and Organizational Performance**

The dynamic nature of the business operating environment entails an organizational change to cope with emerging customer preferences and to better reflect market dimensions. As asserted by Loock and Hacklin (2016), having a fresh set of ideas is essential for successful organizational re-orientation to reverse the negative impacts that resulted from the previous managements' wrong decisions. Management restructuring involves changes in board composition or the CEO and leadership positions. And according to Wandera (2019), changing key positions within an organization makes a statement to shareholders that the firm intends to accommodate a new set of values, principles, and ways to realize organizational goals. Amana (2015) opines that while it may be essential to change key management positions during turnaround events, organizations have to acquire competent and experienced leaders with the ability to implement new policies, motivate subordinates and communicate the importance of turnaround strategies. New managements often institute cost-saving strategies intended to eliminate unnecessary expenses that were damaging the firm's profit-generating ability.

Notanubun, Ririhena, and Batlolona (2019) researched the effect of organizational restructuring on organizational performance viewed from employee performance and the effectiveness of leadership at Nyakoe Hotel. The study findings indicate that organizational restructuring directly influences the performance of an organization. Management restructuring has continued to become the most effective measure that is used in improving the performance level of most business organizations due to its ability to increase efficiency and cost-effectiveness. It was also determined to improve the hotel's operational, financial, and governance structure. The study recommended asset reorganization through acquisitions and sell-offs and transfer of management through a change of ownership. The study focused on organizational restructuring and did not take into account other variables affecting organizational performance.

Harwood, Nakola, and Nyaana (2016) investigated the effect of restructuring on the performance of a firm using a case study of the National Bank of Kenya. The results of the study revealed that organizational restructuring positively affects firm performance, although not statistically significant—the study associated management restructuring with a higher competitive advantage. Restructuring itself helps firms to set their business and financial structures to help them meet their set goals and objectives. Organizational restructuring encompassed downsizing, down scoping, delayering, reengineering, verification, among others. Organizational restructuring has simplified the manner in which various duties are undertaken in the organizations ensuring that there is no duplication and complexity of duties. The study focused on the banking industry as compared to the current study which will focus on the hotel industry.

Stefani and Priatmodjo (2021) investigated business process re-engineering (BPR) as a turnaround management strategy for SBH hotels in Bandung, Indonesia. The study collected secondary literature evidence, conducted interviews and used observations, and adopted the International Turnaround Management Standard framework developed by Lymbersky as a guide to successful turnaround management. The study asserts that successful turnaround management consists of crisis management, stakeholder management, strategic focus, and critical process improvement. The analysis also showed that business processes could be improved through time improvement, cost improvement, and quality improvement. While retrenchment was determined to reduce

costs and encourage operational changes, change management was recommended as the study established a strong positive correlation between new CEO/leadership and successful implementation of BPR. The study utilized both secondary and primary data while the current study utilized only primary data.

Kor (2020) utilized panel data sourced between 2000 and 2014 to examine the most commonly reported turnaround strategies and their impact on firms' survival. The Osiris Database provided data from more than 500 publicly listed firms in North America. A binary logistic panel model was employed in the determination of a successful turnaround. The SMEs have embraced management change, cost reduction, asset restructuring, and financial restructuring as the main turnaround mechanisms. The successful turnaround was determined to hinge on the firms' ability to increase their operating revenue, reduce operating costs through selling, decrease the cost of goods sold (CGS), eliminate unnecessary expenses, and reduce research and development expenditures. The study, however, established that the management experience was essential in guiding the firms through turnaround events, calling for the firms to retain top bosses such as the CEO if they have the competency to guide the company through a successful turnaround. This study failed to investigate financial restructuring in terms of debt restructuring, dividend cuts, and equity restructuring.

Alves, Lok, Luo, and Hao (2020) carried out a qualitative analysis of the strategies employed by small industries in Macau to cope with the effects of the Covid-19 pandemic. These businesses represented the hotel and hospitality, real estate, food and beverages, wholesale and retail, private education, and the professional services industry. Theoretical sampling was used, and data were collected through interviews with business owners and analyzed thematically. The study revealed that firms with a formal crisis management plan were able to cope with the reduced demand for services. Five categories of survival strategies were identified, including network strategies (customer relationship management), operation strategies (reduction in operating hours, partial or total close down of certain branches), cost-cutting strategies, and adoption of a flexible HR policy. The study concluded that small businesses could leverage organizational flexibility, dynamic learning, customer relations, product and service diversification through technological integration and new market entry strategies to restart operations and survive. This study was not exclusive to hotels.

Tangpong, Lehmborg, and Li (2021) sought to extend the literature on the relationship between the sequence of top management team change events and turnaround outcomes within underperforming firms. The study specifically sought to investigate the most appropriate stage for top management replacement during the turnaround events. The study hence sought data from successful and unsuccessful firms. Qualitative analysis revealed that top management vacancy and top management change played primary and support functions. Analysis showed that successful turnarounds were characterized by vacancies in top management positions prior to the arrival of the CEO. Further, the composition of the new top management played a key role in supporting the new CEO through the turnaround process. Companies that replaced top managers after the CEO arrived were less successful in facilitating turnaround strategies. This study did not investigate other turnaround strategies such as financial and asset restructuring.

Wandera, Sakwa, and Mugambi (2017) adopted a descriptive survey research design to determine the relationship between turnaround strategies and the performance of state-owned sugar manufacturers. The study sought secondary data from departmental heads of the five sugar firms owned by the government of Kenya to specifically examine the role of re-organization strategies (restructuring and restaffing) and modernization strategies (asset replacement/renewal and technology advancement strategies) as turnaround strategies used within the underperforming firms. These were sorted into different levels using stratified sampling. A strong positive relationship was established. However, modernization improved profit generation while re-organization strategies were more influence on the overall success of the turnaround strategies. Financial constraints were identified as the main barriers to successful turnaround strategy implementation.

Ngunjiri (2020) sought to examine the effectiveness of the turnaround strategies that the Golf Hotel and Country Club had implemented in response to the turbulence stirred by the Covid 19 pandemic. The descriptive study targeted different managers selected using stratified sampling to examine how service development strategy, supplier collaboration, and restructuring strategy affect the hotels' performance outcomes. Questionnaires were used to collect data which was analyzed using linear regressions. The analysis showed a prevalence of cost reduction strategies ranging from the release

of staff and suspending of non-core business operations to the release of non-essential department heads. Correlation analysis revealed that restructuring strategies (cost reduction), new service development (through customer feedback), and supplier collaboration positively impacted the hotels' performance. The study recommended customer focus and innovative product and service sourcing to reduce dependence on imported products.

### **2.3.2 Staff Rationalization Strategy and Organizational Performance**

Staff rationalization combines people with different skills, competencies, and leadership qualities to reduce role duplication and realize greater efficiency (Akumu & Nzulwa, 2018). Farooq and Hussain (2016) opine that during turbulent times, reducing the number of employees is a crucial cost reduction strategy that ensures that essential members are retained and kept satisfied. Agarwal (2021) opines that staff rationalization should be done with integrity and should involve harmonization to ensure that the reduced number of employees can effectively coordinate to realize organizational goals. However, multiple studies associate retrenchment with low morale due to increased uncertainty (Akumu & Nzulwa, 2018; Mwidu, 2018). When carried out arbitrarily, staff rationalization can result in a negative working environment which affects product and service quality delivery (Ifeoma, Mukhtaruddin, & Prihanto, 2019). This study proposed that staff rationalization is a strategy that businesses can use to reduce costs during low-income periods.

Agarwal (2021) investigated the human resources management strategies that hotels had employed and the effect of the Covid-19 pandemic on employees' well-being. The study targeted the top 50 hotels in the world and collected data through online structured interviews. Stratified sampling was used to select representatives from different managerial levels. Thematic analysis was then applied since the study was exploratory in nature. From the analysis, it was determined that all hotels had removed all incentives and benefits, adopted a transactional approach to management, and resorted to arbitrary firing, contributing to increased insecurity, deep stress, frustration, aggression, sadness, anxiety, and symptoms of depression within remaining employees. Retrenchment resulted in increased distrust, inequality, work overload, financial distress, job

insecurity, household-work conflict, all contributors to poor work culture and organizational performance. However, some hotels had increased training sessions, provided mental health support, even increased corporate social responsibility practices such as hosting unprepared employees. This study investigated employee satisfaction in the largest hotels around the world; it did not investigate lower-ranked hotels.

Ahmed, Kakkar, and Sharma (2016) reviewed the effects and challenges of staff retrenchment on the organizational performance of commercial banks. Rationalization involved the reorganization of roles and responsibilities so as to increase operational efficiency. Hence, the banks were characterized by the abolishment of certain functions, elimination of some hierarchical levels and groups of employees, redesigning tasks, consolidation, and merging of units, among others. This study associated staff rationalization with improved performance, profitability, reduced labour-related costs and increased level of efficiency and competitiveness. However, the researchers warned against adopting rationalization as a reactive response as while it may show positive returns in the short-run, it was associated with negative long-run effects if not re-addressed.

Thomann (2018) investigated rationalization, working conditions, and living standards in post-war Japanese coalmining communities. Rationalization helps in creating job standardization because those workers who are left in the organization would be quite effective and efficient in disposing of their duties. However, rationalization was noted to exert enormous financial strains on an organization since those considered redundant usually get their terminal benefits, while the recruitment and training of those who will replace them also have financial consequences. Staff retrenchment was also associated with risks of litigation which increased costs to the company in the long run. Retrenchment was also determined to give remaining employees to much-negotiating power, and they often exercised this power by demanding more compensation. This study focused on coalmining communities in Japan while the current study focused on the hotel industry in Kenya.

Mthembu (2019) carried out qualitative research seeking to determine the effect and impact of retrenchment on survivor employees at Telkom. Data were collected using questionnaires delivered to respondents selected using non-probability sampling. Analysis revealed that the remaining employees had been significantly affected by the retrenchment process. This was more psychological stress as the respondents were affected emotionally, mentally, and physically. This was expressed as anger, fear, uncertainty, worry, shock, sadness, and disappointment. The study determined that communication inconsistencies during the process did not inspire confidence in the managements' ability to guide the institution through the change process. Retrenchment resulted in reduced job commitment and satisfaction. This study did not establish whether retrenchment influenced profitability. Recommendations were for retrenching organizations to develop strong communication systems, provide support to retrenchment survivors and ultimately create a conducive organizational climate that was more acclimatized to change.

Itu, Ambe, Agbor, and Enyiekere (2021) carried out a spatiotemporal assessment of employment and remuneration status in hotels during the pandemic in Cross River State, Nigeria. The study targeted 40 random hotels in Calabar and employed descriptive analysis techniques. Analysis showed that hotels had restructured by reducing the number of employees, reducing the remunerations afforded to the remaining employees, reducing the number of operations, branches, and marketing activities. The remaining employees complained of increased workload and burdensome roles, which increased job responsibility. Many of the hotels did not have the capacity to meet customer expectations. The study recommended the government provides tax holidays and incentives to improve hotels' ability to retain their employees. The study observed results in Nigeria while the current study generated results from Hotels in Kenya.

Eruemegbe (2016) examined the impact of staff rationalization on employee morale at the Union Bank of Nigeria. The study carried out regression analyses to investigate the effect of re-engineering and downsizing. Analysis revealed a negative association between the study variables, with the low morale associated with the introduction of

new technologies, work posts, roles, and reduction in employees, subsequently resulting in increased job dissatisfaction. The remaining employees affirmed that they were more uncertain about their future in the organization; hence they were less committed to meeting the organizations' goals. The researcher determined that the bank's approach to organizational restructuring was dissatisfactory. The employees were not given prior notification about the intent to restructure in time, inadequate consultations were made, and the employees who were ultimately released were not adequately compensated, affecting the remaining employees' confidence in the bank. The study recommended organizations make early communication, provide entrepreneurial training programs and formulate a policy on redundancy compensation to make employees feel more appreciated and prepared for possible retrenchment. This was a case study involving bank employees, while the current will address the same in the hotel industry.

### **2.3.3 Asset Restructuring Strategy and Organizational Performance**

Asset restructuring is the reorganization of assets to ensure only core assets remain operational in order to boost performance outcomes. Valiyan, Abdoli, and Hashemi (2018) researched the effect of corporate asset restructuring sensitivity on the target leverage of companies listed on the Tehran Stock Exchange and determined that asset restructuring sensitivity significantly relates to leverage deviation. Asset restructuring improves firms' ability to integrate their strategic assets into their core objectives. Asset reorientation has served as a source of finances for distressed firms which can scale down operations after selling non-core assets. Asset restructuring is determined to optimize the existing corporate and ownership structures, thus significantly influencing organizational efficiency and effectiveness.

Li, Chen, Hong, and Zhou (2019) researched asset restructuring performance prediction for failed firms. The findings of the study revealed that the adoption of more means of asset restructuring helps in creating a higher chance of improving performance. The study suggests that predicting a failure to achieve improvement in performance with asset restructuring is more difficult compared to predicting a successful event that needs

to focus more on state-of-the-art models. Asset restructuring leads to smoother and highly profitable business operations as the disposal of non-strategic assets and, in addition, the acquisition of several other major assets critical to the expansion of business operations is believed to continue to deliver sustainable long-term business growth while providing attractive returns to shareholders. This study focused on general firms in various industries and did not focus on a specific industry.

Lee (2021) investigated the impact of corporate asset restructuring through divestitures and mergers and acquisitions as employed by United States banks. The study used data reported by banks between 2000 and 2016 to analyze the short-term and long-term effects of mergers and acquisitions, and divestitures. The analysis showed that deals advised by boutique advisors were more profitable than deals advised by full-service banks characterized by greater information asymmetry. Further, it was determined that M&As as corporate restructuring strategies were motivated by bank-specific characteristics such as size performance and financial constraints rather than regulatory capital requirements. The divestiture was ascertained to improve long-term financial performance while cost-cutting retrenchment strategies and financial restructuring signal future performance decline. This study investigated the long-term impacts of asset restructuring through M&A' on bank performance. It did not investigate hotel performance.

Do, Nguyen, D'Souza, Bui, and Nguyen (2021) used an exploratory design to interview 32 heads of Vietnamese tour operators. The study applied qualitative data analysis methods. It was determined that the COVID-19 pandemic reduced earnings, increased costs, and employee redundancy. The tour firms resorted to retrenchment, persevering, innovating, and exiting strategies. Most of the firms had implemented some form of retrenchment. Persevering, innovating, and exiting was the least applied strategies, highlighting a short-term focus rather than a long-term orientation characterized by technology adoption and new systems integration. The study reported that retrenchment was an effective cost reduction strategy when demand for tour services was reduced. However, these findings showed that firms have to seek to diversify their services, collaborate more, and introduce new products and services to remain competitive.

Sondari (2020) aimed to develop a conceptual framework that would enable the testing of the hypothesis that collaboration strategy and competitive strategy have an impact on star hotels' image in West Java. The research is conducted by a literature review. The review established a positive effect of collaboration and competitive strategy on hotel image. Collaboration strategy is one of the business strategies that hotels have adopted to attain a competitive advantage. Hotels sought to improve their image by collaborating with complementary businesses such as transport services firms and security service firms. It was determined that collaboration increased the hotels' ability to provide customers with a more comprehensive package.

Maroro, Kamau, and Koima (2018) carried out research into the effect of asset restructuring on the return on assets of financially distressed commercial banks in Kenya. A longitudinal research design guided the study, which investigated 24 banks that had restructured their assets during the period 1996 to 2016. Data was sourced from secondary publications, while analysis involved the use of the unbalanced panel data regression model. Asset restructuring revolved around restructured loans, non-performing assets, and written-off assets. The analysis determined that restring loans and non-performing loans improved the ROA of financially distressed financial institutions. Loan restructuring was determined to reduce firms' debt repayment burden, debt default, and increased interest income, translating to profitability. However, writing off loans reduced income-generating resources, this impacting profitability implying proper screening would curb writing off of valuable assets. This study relied on panel data in its analysis.

#### **2.3.4 Financial Restructuring Strategy and Organizational Performance**

Financial restructuring involves the adoption of cost-saving financial mechanisms to increase revenues while at the same time maintaining turnover levels (Dimitrios, Christos, Ioannis, & Vasiliadis, 2020). Sjögren (2016) reports that in times of turbulence, businesses have to manage their spending to ensure that the organization utilizes as few resources as possible while at the same time maintaining service and product quality. A financial restructuring strategy is usually adopted to oversee

significant changes to an organization's financial or operational structure. Slovenia's Damijan (2018) found a positive relationship between debt restructuring and small firms' performance. Yang (2016) reports that business lenders pay close attention to managers of distressed hotels before deciding whether to restructure their loans or ask for a foreclosure. The study affirmed that financial re-orientation is a key determinant of an organizations' chances of survival.

Danovi Magno and Dossena (2018) carried out an empirical literature review to examine debt restructuring as a turnaround strategy adopted by Italian firms. The study focused on 262 debt restructuring agreement (DRA) plans that occurred between 2005 and 2013. The statistical analysis allowed the researchers to correlate the relevant managerial, operational, asset/strategic, and financial restructuring measures included in the plans and their influence on corporate restructuring success. Chi-square tests revealed that changes introduced in the top management team, staff and production rationalization, debt-based measures such as payment deferral and debt write-offs all influenced the success probability of restructuring projects. It was also determined that restructuring processes are usually more successful when shareholders inject more money into the business venture to enable the transformation of products and services. The study concluded that a culture of change has to be in place for successful change in management positions. The study was based in Italy and involved multiple firms, not only hotels.

Beute (2018) looked into the effect of financial restructuring, operational restructuring, and asset restructuring as turnaround strategies and their impact on European firms' distress. The study used Altman's Z"-score to grade firms' financial distress impact, and multiple regressions (OLS) were employed in the analysis of data collected from 121 firms across 15 European nations. The analysis showed a strong positive effect of operational restructuring (reduction in operating costs and working capital costs) and financial restructuring on firms' turnaround. However, asset restructuring was determined to have minimal impacts on the firms' Altman's Z"-score. The study employed Altman's Z"-score to determine business distress; the current examined how

business recovery through income increase and customer satisfaction. The study focused on European firms only and not hotels.

Wijantini (2020) examined the survival strategies that Indonesian companies that were financially distressed employed during the Asian crisis. Data reported between 1996 and 2010 was sourced from annual reports published by the Capital Market Directory, DataStream, and Capital IQ. Analysis of the strategies adopted by recovered and non-recovered firms was based on t-tests using Altman EM Scores. Analysis showed that half of the firms recovered within 5-6 years. During the crisis, all firms restructured their leadership positions, retrenched employees, and sold assets. They also sourced funding from bank loans before using equity financing strategies. However, recovered firms had more liquidity obtained through their negotiation power rather than through the sale of assets or retrenchment strategies. The recovered firms were able to restructure their debt obligations which kept them operational. This study reflects upon the Asian crisis, which is considered temporary. The Covid-19 pandemic is more long-term and expected to have more significant effects, and this study analyzed turnaround strategies from this perspective.

In Zimbabwe, Kandwe (2019) sought after the effectiveness of turnaround strategies adopted by firms under judicial management, affirming that almost 80% of firms under judicial management were liquidated. The study used a descriptive approach and analyzed data collected from reported statements and questionnaires distributed to different managers. The study revealed that judicial managers adopted business process re-organization, strategic alliances, staff rationalization, and financial restructuring. However, only financial and operational strategies impacted the firms' performance. Portfolio and managerial change strategies had no significant impact. Debt restructuring resulted in the formation of more favorable contractual terms such as reduced interest or principal, extended loan-repayment maturity period, and debt-equity swap. The upside is that the firms were able to reorganize their operations and focus on income-generating projects. This study involved firms under receivership by Zimbabwe's judicial system and not private hotels, as this study investigates.

Ochieng' (2018) focused on the Uchumi supermarket to analyze the turnaround strategies adopted and determine the drivers and challenges to effective turnaround strategic execution. The descriptive case study involved employees from different management levels. The analysis showed that the Uchumi board had embarked on repositioning and restructuring strategies, retrenchment, and change in the top management, respectively. However, the study determined that the strategies employed were failing due to resistance to change among employees, lack of adequate technologies and financial resources to facilitate the change, weak management, and an unaligned organizational system. The analysis showed that the supermarket had adopted misplaced strategies, further exacerbating the underlying crisis.

Muturi and Odollo (2019) analyzed the impact of turnaround strategies on bank performance in Kenya. Specific investigations were directed into analyzing the influence of restructuring, diversification, retrenchment, and modernization as turnaround strategies that underperforming banks could adopt. A descriptive cross-sectional survey research design was employed, with the sample being selected using the Fisher, Laing, and Stoeckel formula. Correlation and regression analyses were used in testing the relationship between the study variables. All the examined variables were determined to facilitate firm turnaround. The study recommended the use of financial diversification as it results in enhanced liquidity management, reduced cost of capital, risk, loss of control, and improves shareholder value. The banks were also able to introduce better debt cards and reduce pressure from creditors. This study investigated debt restructuring in commercial banks which have a lot of assets and debts.

#### **2.4 Summary of Literature and Research Gaps**

Notanubun et al. (2019) researched how organization restriction affects organizational performance viewed from employee performance and the effectiveness of leadership at the Maluku provincial education office. Harwood et al. (2016) investigated how organizational restructuring affects the performance of a firm using a case study of the national bank of Kenya. Waweru and Maina (2019) conducted a study on corporate restructuring and organizational performance of the national police service in Kenya. Ahmed et al. (2016) reviewed the effects and challenges of staff retrenchment on the organizational performance of commercial banks. Thomann (2018) investigated

rationalization, working conditions, and living standards in post-war Japanese coalmining communities.

Wandera (2012) researched the effects of staff rationalization using a case study of KTDA Ltd. Valiyan et al. (2018) researched the effect of corporate asset restructuring sensitivity on the target leverage of companies listed in the Tehran Stock Exchange. Li et al. (2019) researched asset restructuring performance prediction for failed firms. Cheng et al. (2010) researched earnings management, asset restructuring, and the threat of exchange delisting in an earnings-based regulatory regime. Chan (2016) conducted a study on the global and regional practices in financial restructuring and bankruptcy laws. Golikova et al. (2017) investigated the Trajectories of Russian manufacturing firms' growth after the global financial crisis of 2008–2009: the role of restructuring efforts and the regional institutional environment. Andritzky et al. (2019) conducted a study on the mechanism of regulating sovereign debt restructuring in the euro area. These empirical and contextual gaps have not been addressed in the hotel sector. This current study solved these gaps by carrying out a descriptive investigation into the relationship between the discussed turnaround strategies and hotels' organizational performance.

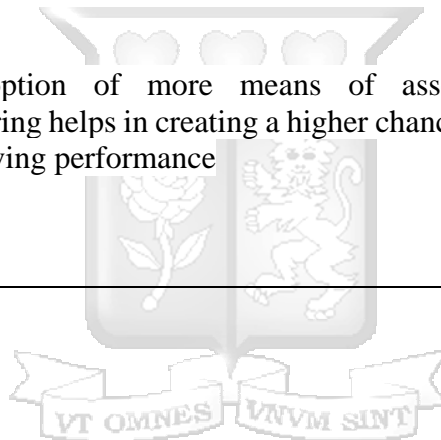
The gaps are further summarized in Table 2.1.



**Table 2.1: Summary of Research Gaps**

<b>Author</b>	<b>Topic</b>	<b>Findings</b>	<b>Gap</b>	<b>The focus of the current study</b>
Notanubun, Ririhera and Batlolona (2019)	How organization restrictions affect organizational performance viewed from employee performance and the effectiveness of leadership at the Maluku provincial education office	Organizational restructuring directly influences the performance of an organization	The study was done at Maluku provincial education office hence creating a contextual gap	The current study analyzed on turnaround strategies implementation and performance of selected Hotels in Kenya
Harwood, Nakola and Nyaana (2016)	How organizational restructuring affects the performance of a firm using a case study of national bank of Kenya.	Organization restructuring positively affects firm performance although not statistically significant	The study used a case of national bank hence creating a contextual gap	The current study analyzed on turnaround strategies implementation and performance of selected Hotels in Kenya
Waweru and Maina (2019)	Corporate restructuring and organizational performance of national police service in Kenya	The effect of portfolio restructuring encourages cooperation among different units to ensure it delivers to the expectations of the citizens	The study was done in the national police service hence creating a contextual gap	The current study analyzed on turnaround strategies implementation and performance of selected Hotels in Kenya
Wandera (2012)	Effects of staff rationalization using a	Most of the employers did not adequately prepare their employees before rationalization	The study used a case of KTDA Ltd hence	The current study analyzed on turnaround strategies implementation and

	case study of KTDA Ltd.	and they were uncertain about the future of their jobs	creating a contextual gap	performance of selected three-star rated hotels in Kenya
Valiyan, Abdoli and Hashemi (2018)	The effect of corporate asset restructuring sensitivity on the target leverage of companies listed in Tehran Stock Exchange	Asset restructuring sensitivity significantly relates with leverage deviation	The study used the case of companies listed in Tehran Stock Exchange hence creating a contextual gap	The current study analyzed on turnaround strategies implementation and performance of selected Hotels in Kenya
Li, Chen, Hong and Zhou (2019)	Asset restructuring performance prediction for failure firms	The adoption of more means of asset restructuring helps in creating a higher chance of improving performance	The study was based on a different conceptual background hence creating the gap	The current study analyzed on turnaround strategies implementation and performance of selected Hotels in Kenya

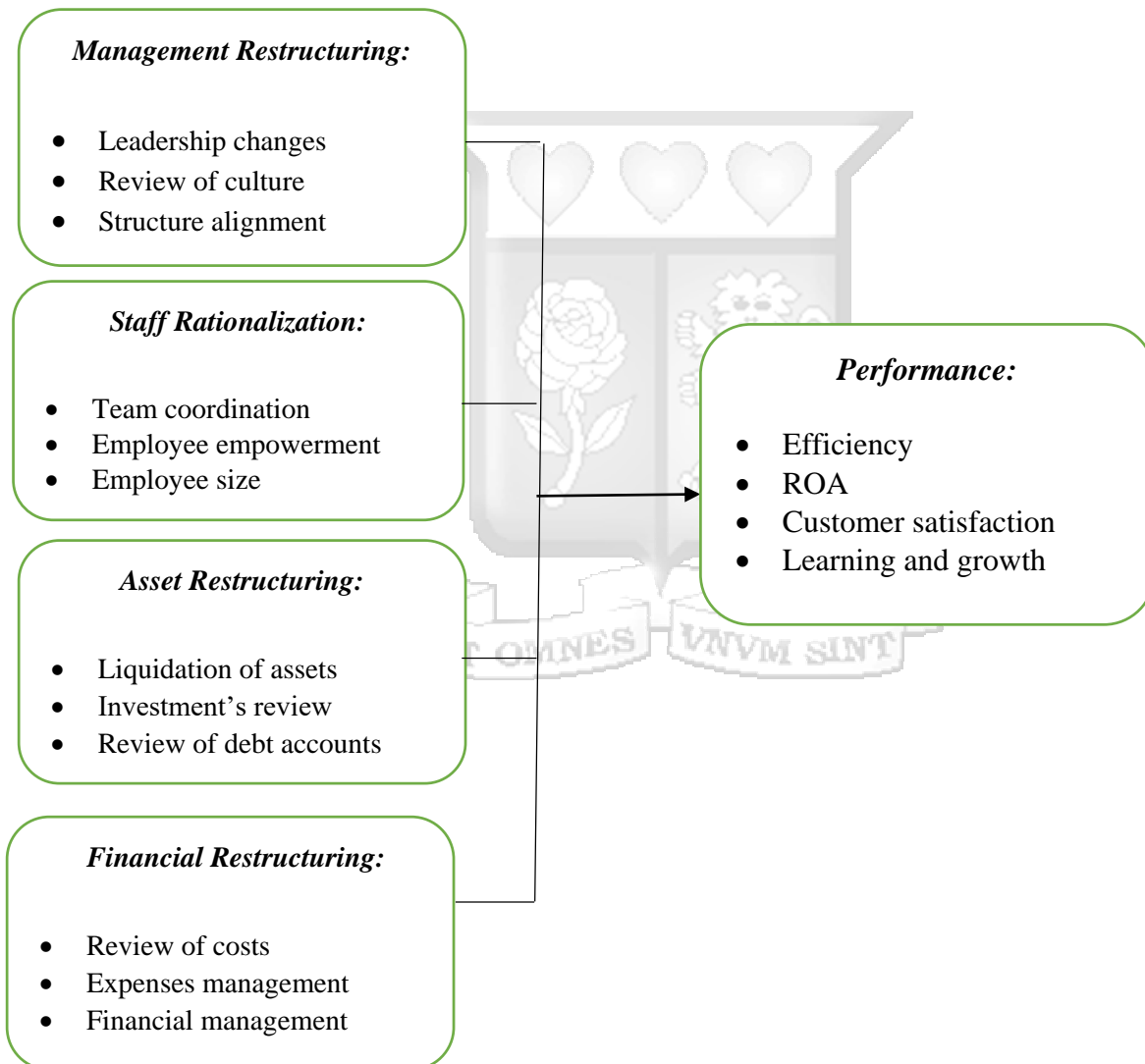


## 2.5 Conceptual Framework

The conceptual framework draws the picture after identifying the independent variables which are. The study sought to determine the effects of turnaround strategies on the performance of three-star rated hotels. The Conceptual frame provides a clear diagrammatic expression of how these variables relate to performance. Figure 2.1 is the conceptual framework of the study.

### Independent Variable

### Dependent Variable



**Figure 2.1: Conceptual Framework**

**Source: (Author, 2021)**

**Table 2.2 Operationalization of Variables**

<b>Variable</b>	<b>Variable Measures</b>	<b>Supporting Literature</b>	<b>Research Instrument</b>	<b>Data Analysis</b>
Management restructuring	<ul style="list-style-type: none"> <li>• Leadership changes</li> <li>• Review of culture</li> <li>• Structure alignment</li> </ul>	<p>Notanubun, Ririhena and Batlolona (2019)</p> <p>Harwood, Nakola and Nyaana (2016)</p>	Ordinal Scale (Likert Scale)	<p>Descriptive statistics</p> <p>Correlation tests</p> <p>Regression tests</p>
Staff rationalization	<ul style="list-style-type: none"> <li>• Team coordination</li> <li>• Employee empowerment</li> <li>• Employee size</li> </ul>	Ahmed et al. (2016)	Ordinal Scale (Likert Scale)	<p>Descriptive statistics</p> <p>Correlation tests</p> <p>Regression tests</p>
Asset restructuring	<ul style="list-style-type: none"> <li>• Liquidation of assets</li> <li>• Investment's review</li> <li>• Review of debt accounts</li> </ul>	<p>Valiyan, Abdoli and Hashemi (2018)</p> <p>Li, Chen, Hong and Zhou (2019)</p>	Ordinal Scale (Likert Scale)	<p>Descriptive statistics</p> <p>Correlation tests</p> <p>Regression tests</p>
Financial restructuring	<ul style="list-style-type: none"> <li>• Review of costs</li> <li>• Expenses management</li> <li>• Financial management</li> </ul>	<p>Chan (2016)</p> <p>Andritzky et al. (2019)</p>	Ordinal Scale (Likert Scale)	<p>Descriptive statistics</p> <p>Correlation tests</p> <p>Regression tests</p>
Performance	<ul style="list-style-type: none"> <li>• Efficiency</li> <li>• ROA</li> <li>• Customer satisfaction</li> <li>• Learning and growth</li> </ul>	(Yousaf & Majid, 2016)	Ordinal Scale (Likert Scale)	<p>Descriptive statistics</p> <p>Correlation tests</p> <p>Regression tests</p>

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter gave a description of the methods and techniques that was used in carrying out the study. The chapter analyzed on describing the research design, sample size, target population, samplings procedures, and data collection instruments that was employed. The section provided the pilot test and a description of how data was analyzed and presented.

#### 3.2 Research Philosophy

The current study used a positivist research philosophy in seeking to meet the aims of the current research work. Positivism philosophy allows the study to employ an existing theory to form a hypothesis that the study sought to prove (Creswell & Creswell, 2017). The current study employed this philosophy as it sought to establish objective facts by empirically establishing relationships among variables. More so, the philosophy was grounded on a quantitative approach which was applied in the course of this study. The philosophy was also vital when seeking to tests an hypothesis that is grounded on a theory hence was key to adopting in this survey.

#### 3.3 Research Design

A research design is the set of methods and procedures used in collecting and analyzing measures of the variables specified in the problem research (Creswell, & Creswell, 2017). This study employed a descriptive research design to investigate the effect of turnaround strategies on the performance of three-star rated hotels. This type of research design helped the researcher to investigate different variables without manipulating them, and also, this design gives the results the way they are. According to Meyers, Gamst, and Guarino (2016), descriptive research design questions the what, who, where, how, and when of the research problem. The study therefore employed this design because it enabled the researcher to collect appropriate information from the

respondents, analyze, interpret and present them in relation to the study topic of investigation hence drawing accurate conclusions.

### **3.3 Target Population**

The target population can be defined as a group of objects, individuals' or items with observable characteristics that are common (Daly, 2018). The unit of observation was selected hotels in Kenya, and the unit of analysis was the managing directors working in selected three stars hotels based on their outstanding performance in the following regions: Western, Central, Nairobi, Mombasa, Eastern, Rift valley, and Central Regions. According to the Tourism Regulatory Authority (2022) there are 63 – Three Star Rated Hotels in Kenya. Three star rated hotels were selected since they hold a majority of the rated hotels in Kenya. These hotels formed the population of the current research work. The unit of observation for the current survey was the managing directors drawn from each of the hotel. The managers were selected as the respondents for the study as they hold a unique position within the firms which exposes them to adequate information on turnaround strategies and performance of three-star rated hotels.

### **3.4 Data Collection**

The questionnaire was used to collect primary data, which was quantitative in nature. The data was obtained by the use of structured questionnaires in the collection process. The questionnaire was administered to the respondents in advance and collected later. The questionnaire was a structured questionnaire, which is reliable when collecting quantitative data that only focuses on the constructs of the study objectives. The questionnaire was developed in line with the objectives of the study and will utilize a five-point Likert scale format.

### **3.5 Data Collection Procedure**

The study validated that all necessary approvals are obtained prior to conducting the data collection. The research used Google forms in the data collection process owing to the geographical scope of the study. This entailed sending a copy of the study questionnaire to the managing directors of the hotels through their official emails. This method provided several

challenges since some managers did not check their emails while some managers blatantly ignored the surveys. This was mitigated by constant follow-ups via phone calls to the respondents which proved quite effective. The study also obtained relevant approval from the Institution Ethics Review Committee before engaging any participants in the survey. The research applied for a research permit from the National Commission for Science Technology and Innovation. The study participants were also required to provide their consent before being involved in the research.

### **3.6 Research Quality**

Hazzi and Maldaon (2015) stated that a good measuring instrument needs to be pre-tested in an effort to ensure that they are efficient. Jackson (2015) stated that pre-testing tools assist the researcher in examining the competence of the instrument. According to Johnson, Reynolds, and Mycoff (2015), a sample of 1% all through to 10% can be utilized as far as pilot testing of the study tools is concerned. For this reason, a pilot test was carried out by the researcher by administering the questionnaire to 10% of the study sample.

#### **3.6.1 Validity of Research Instrument**

This is the mean of the accuracy with which a research instrument achieves the intended function. To measure the sustainability of issues in actual data, internal validity was used. Content and construct validity was applied. Content validity was measured by subjecting the questionnaire to expert judgment. Construct validity was also measured by ensuring that variables are operationalized as they are documented by other researchers in previous studies.

#### **3.6.2 Reliability of Research Instrument**

Reliability measures the consistency of the instruments used in research. Cronbach alpha was used to measure consistency. This is the tool that is widely used in measuring the reliability of the research instruments in social sciences (Furler, 2013). The Cronbach Alpha is a measure ranging between 0-1.0, and in the current study, a standard Alpha score of 0.7 was considered reliable for the instrument to be adopted in the survey.

**Table 3.1 Reliability Results**

Variable	Cronbach's Alpha	N of Items
Management restructuring	.735	5
Staff rationalization	.825	6
Asset restructuring	.883	5
Financial restructuring	.778	5
Performance	.885	6

**Source:** Survey Data (2022)

### 3.7 Data Analysis and Presentation

The collected study data was reviewed and edited for completeness before commencing the data coding into SPSS 25. The study used quantitative data which was analyzed through descriptive and inferential statistics. Quantitative data collected was presented through means, percentages, standard deviations, and frequencies. The study employed Spearman correlation in determining the relationship between the study variables. The study used multiple regression analysis to determine the strength of influence of turnaround strategies on the performance of Hotels in Kenya. The output of the analysis was presented using frequency distribution tables, graphs, and pie charts. The study employed the following model;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where

Y = Performance

X<sub>1</sub> = Managerial Restructuring Strategy

X<sub>2</sub> = Staff Rationalization Strategy

X<sub>3</sub> = Asset Restructuring Strategy

X<sub>4</sub> = Financial Restructuring Strategy

β<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>, β<sub>4</sub> =Regression Coefficients

ε = Error term

### 3.8 Ethical Considerations

The researcher affirmed there was adherence to the laid down ethical issues before conducting the research. This includes obtaining an introduction; a letter from Strathmore University detailing the purpose of this study. The researcher sought authorization from NACOSTI. This assured the respondent that the information was only for the purpose of the study only; therefore, they cannot resist filling the questions. The respondents were not coerced into participating in the research. The purpose of the study was explained to each targeted respondent. Lastly, the study ensured that all collected study data is safely secured and not shared with any third-parties. The confidentiality of the participants was upheld through not requesting for any personally identifying information in the course of the data collection.



## CHAPTER FOUR

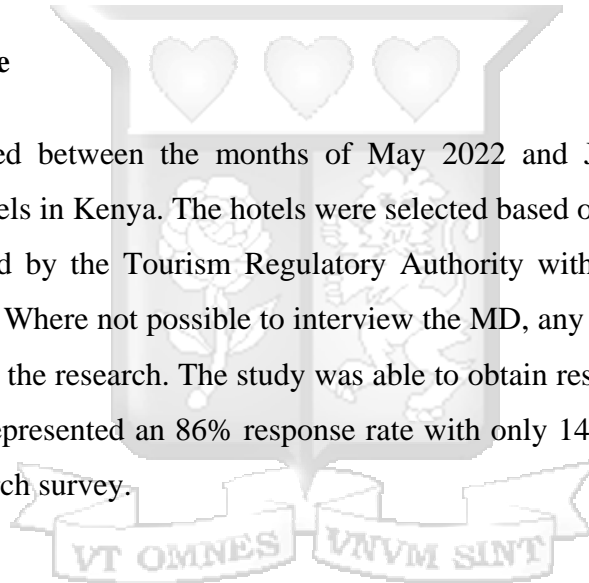
### PRESENTATION OF RESEARCH FINDINGS

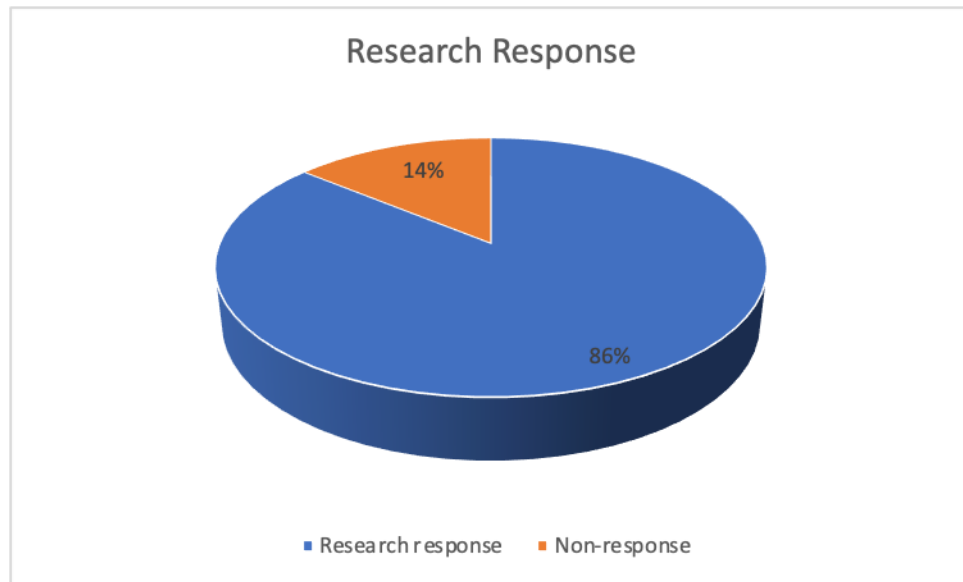
#### 4.1 Introduction

The fourth chapter is utilized in the research process in the presentation of the various findings that have been extracted from the data analysis undertaken. This chapter presents the response rate achieved in the data collection, the background information of the respondents, the descriptive summary of the responses and the inferential tests conducted in the survey. Lastly, a summary of the study was presented in this chapter.

#### 4.2 Study Response Rate

The study was conducted between the months of May 2022 and June 2022 across the 63 operational three-star hotels in Kenya. The hotels were selected based on the register of star rated hotels in Kenya provided by the Tourism Regulatory Authority with the Managing Directors considered in the survey. Where not possible to interview the MD, any other senior manager was considered to take part in the research. The study was able to obtain responses from 54 star-rated hotels in Kenya which represented an 86% response rate with only 14% (n=9) of the hotels not participating in the research survey.





**Figure 4.1 Response Rate**

**Source:** Survey Data (2022)

### 4.3 Demographic Information

The survey queried the hotel managers on their gender identity, length of time the hotel has been star-rated, the number of staff and how long they have been managers in the institution. The summary of the responses was recorded and analyzed using frequencies and percentages and presented in this section.

#### 4.3.1 Gender of Hotel Managers

The managers were asked to indicate their gender identity and the analysis of the responses provided exhibit that 57% (n=31) were female employees with 43% (n=23) being male employees in the three star-rated hotels. The findings convey that the hotel industry has retained a large pool of female employees in senior positions which portrays an improvement in gender inclusivity at the workplace.

#### Figure 4.2 Gender of Employees

Source: Survey Data (2022)

#### 4.3.2 Length of Star-Rated Status for the Hotel

The study quizzed the participants on how long the hotel has been star-rated in the country and the outcome is shown in Table 4.1 below.

Table 4.1 Period of Three-Star Rated Status

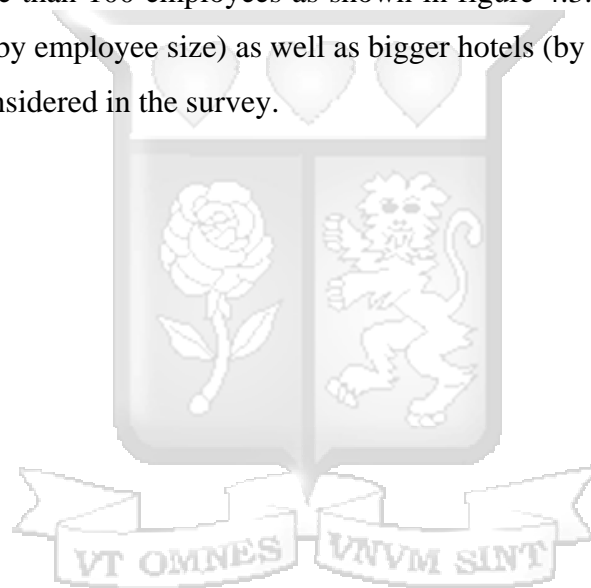
	Frequency	Percent
4-7 years	10	18.5
8-11 years	16	29.6
12-15 years	21	38.9
16 – 19 years	1	1.9
Over 20 years	6	11.1
Total	54	100.0

Source: Survey Data (2022)

The examination revealed that most of the hotels 39% (n=21) for 12-15 years had a three-star rated hotels, 29% (n=16) had for 8-11 years with only 11% having a star-rated status for 16-19 years. The outcome showed that the hotels covered in the study have retained their status for a lengthy period under the TRA classification thus will be at a position to provide relevant information that can be used as the basis of answering the research questions posed.

#### **4.3.3 Staff members in the Star-Rated Hotel**

The findings on the number of employees in the star-rated hotels established that 48% (n=26) of the hotels had 21-49 staff members, 43% (n=23) of the hotels had 50-99 employees with just 1% of the hotels having more than 100 employees as shown in figure 4.3. The respondents showed that both smaller hotels (by employee size) as well as bigger hotels (by employee size) within the star-rated hotels were considered in the survey.



**Figure 4.3 Number of Employees in Star-Rated Hotels**

**Source:** Survey Data (2022)

#### 4.3.4 Number of Years in Management Position

The results in figure 4.4 showed that while 43% (n=23) of the employees had worked for 4-6 years, 33% (n=18) were at the position for over 7 years with only 24% (n=13) of the staff having retained their position for 1-3 years. The outcome showed that most of the employees have worked for the hotels for a significantly lengthy period thus would be at a position to provide responses on how turnaround strategies has been executed and its' impact on the performance of star-rated hotels.



**Figure 4.4 Number of Years in Management Position**

**Source:** Survey Data (2022)

#### 4.4 Descriptive Analysis

This section details the findings of the descriptive statistics on indicators of turnaround strategies and the performance of the star-rated hotels. The descriptive tests used were frequencies, means and standard deviation. The interpretation of the five point Likert scale were based on the following scale; over 4.21 = strongly agree, 3.41 – 4.20 = agree, 2.61-3.40 = moderately agree, 1.81-2.60 = disagree and 1.00-1.80 = strongly disagree.

#### 4.4.1 Management Restructuring

The independent variable management restructuring in this survey was represented by the constructs; leadership changes, review of culture and structure alignment. The outcome of the findings of the participants is shown in the table below.

**Table 4.2 Management Restructuring**

	<b>N</b>	<b>Sum</b>	<b>Mean</b>	<b>Std. Deviation</b>
The hotel regularly reviews our management team to ensure we have the right leadership team.	54	232.00	4.2963	.81564
The hotel management routinely review our culture to ensure we attain the stated goals	54	231.00	4.2778	.83365
The management team regularly reviews the principles and roles of employees to improve attainment of firm goals	54	229.00	4.2407	.98929
The management team ensures there is alignment in the firm structure to enhance productivity within the team	54	219.00	4.0556	.94003
The management team constantly reviews the strategies being pursued by the firm to sustain the performance	54	234.00	4.3333	.77703

**Source:** Survey Data (2022)

The overall results convey strong agreement that the management team constantly reviews the strategies being pursued by the firm to sustain the performance (M = 4.333). The outcome noted strong agreement the management team regularly reviews the principles and roles of employees to improve attainment of firm goals (M = 4.2407). Findings show agreement the management team ensures there is alignment in the firm structure to enhance productivity within the team (M = 4.0556).

#### 4.4.2 Staff Rationalization Strategies

The independent variable staff rationalization had three broad constructs that is team coordination, employee empowerment and employee size. The summary of the result is shown below.

**Table 4.3 Staff Rationalization Strategies**

	<b>N</b>	<b>Sum</b>	<b>Mean</b>	<b>Std. Deviation</b>
The hotel provides a competitive remuneration to spur productivity within the team	54	201.00	3.7222	1.10602
The hotel has provided a clear roles and responsibilities that enable coordination between the employees	54	219.00	4.0556	.89899
The hotel regularly provides opportunity for continuous development of our employees	54	213.00	3.9444	.95989
The hotel routinely reviews the adequacy of our workforce to ensure there are no redundancies within the team	54	206.00	3.8148	.97272
The hotel reviews internal human resource policies to ensure consistency with global standards	54	205.00	3.7963	1.13901
The hotel has created a clear communication channel that supports feedback between the workforce and management	54	224.00	4.1481	.97917

**Source:** Survey Data (2022)

Table 4.3 shows a Mean = 4.1481 noting agreement the hotel has created a clear communication channel that supports feedback between the workforce and management. A mean of 4.0556 revealing agreement the hotel has provided a clear roles and responsibilities that enable coordination between the employees. Managers also agreed the hotel regularly provides opportunity for continuous development of our employees (M = 3.944). The findings show agreement the hotel provides a competitive remuneration to spur productivity within the team (M = 3.722).

### 4.4.3 Asset Restructuring Strategies

The study variable asset restructuring strategies was examined using three main indicators; liquidation of assets, investments review and review of the debt accounts. The summary of responses is shown in Table 4.4.

**Table 4.4 Asset Restructuring Strategies**

	N	Sum	Mean	Std. Deviation
The hotel routinely liquidates depreciating assets to minimize losses	54	195.00	3.6111	.83365
The hotel regularly analyzes the quality of investments to ensure loss-making assets are reduced	54	223.00	4.1296	.93256
The hotel conducts routine reorganization of our asset base to enhance efficiency	54	210.00	3.8889	.88310
The hotel collaborates with investment managers prior to undertaking new investment opportunities.	54	199.00	3.6852	.96786
The hotel conducts cost appraisals of the various organization divisions to review the income generating capacity	54	200.00	3.7037	.98344

**Source:** Survey Data (2022)

Table 4.4 revealed agreement (M = 4.1296) the hotel regularly analyzes the quality of investments to ensure loss-making assets are reduced. Responses established agreement among managers (M = 3.889) the hotel conducts routine reorganization of our asset base to enhance efficiency. Results demonstrated agreement the hotel conducts cost appraisals of the various organization divisions to review the income generating capacity (M= 3.7037). The managers agreed (M = 3.6111) the hotel routinely liquidates depreciating assets to minimize losses.

#### 4.4.4 Financial Restructuring Strategies

The financial restructuring strategies was conceptualized through three main indicators; the review of costs, expenses management and financial management with the summary responses presented in Table 4.5.

**Table 4.5 Financial Restructuring Strategies**

	<b>N</b>	<b>Sum</b>	<b>Mean</b>	<b>Std. Deviation</b>
The hotel pursues cost-saving measures to limit any financial losses.	54	246.00	4.5556	.57188
The hotel has extended revenue generation activities to improve the financial sustainability	54	220.00	4.0741	1.13023
The hotel reviews the operational and production costs to improve the income of the firm	54	236.00	4.3704	.73449
The firm ensures that appropriate cash management practices are adopted to improve the financial capacity	54	230.00	4.2593	.80529
The firm maintains an adequate liquidity to ensure the hotel is up-to-date in servicing any financial obligations	54	217.00	4.0185	.83532

**Source:** Survey Data (2022)

The analysis on Table 4.5, showed an average mean ( $M = 4.5556$ ) revealing strong agreement the hotel pursues cost-saving measures to limit any financial losses. Results revealed strong agreement ( $M = 4.3704$ ) respondents strongly agreed the hotel reviews the operational and production costs to improve the income of the firm. The managers are in agreement the hotel maintains an adequate liquidity to ensure the hotel is up-to-date in servicing any financial obligations ( $M = 4.0185$ ).

#### 4.4.5 Performance of Three-Star Rated Hotels

The dependent variable was performance of the hotels and was measured using efficiency, return on assets, customer satisfaction, learning and growth and the summary is presented below.

**Table 4.6 Performance of Three-Star Rated Hotels**

	N	Sum	Mean	Std. Deviation
The hotel ensures that our services meet our customer needs to promote better satisfaction levels	54	242.00	4.4815	.60628
The hotel has developed an internal environment that fosters improved innovation among our staff	54	240.00	4.4444	.74395
The hotels ensures that adequate resources are provided to our staff to improve the effectiveness in operations	54	223.00	4.1296	.93256
The hotel regularly reviews the internal structure to improve in the efficiency of service provision	54	226.00	4.1852	.72876
The hotel reviews our service range to ensure we meet the growing customer demands	54	229.00	4.2407	.84530
The hotel provides an environment for employee growth through regular workshops and team building exercises	54	218.00	4.0370	.88941

**Source:** Survey Data (2022)

There was strong agreement ( $M = 4.4815$ ) the hotel ensures that our services meet our customer needs to promote better satisfaction levels. The average mean ( $M = 4.4444$ ) confirming the hotel has developed an internal environment that fosters improved innovation among our staff. The analysis revealed agreement ( $M = 4.1852$ ) the hotel regularly reviews the internal structure to improve in the efficiency of service provision. The hotel managers agreed ( $M = 4.037$ ) the hotel provides an environment for employee growth through regular workshops and team building exercises.

## 4.5 Correlation Analysis

Correlation test are conducted to determine the direction and strength of the relationship between two variables with the coefficient ranging between -1 to +1 indicating how strong the relation is (Kinyua & Kihara, 2021). The results are shown in Table 4.7 below.

**Table 4.7 Correlation Results**

		Performance	Management Restructuring	Staff Rationalization	Asset Restructuring	Financial Restructuring	
Spearman's rho	Performance	Correlation Coefficient	1.000				
		Sig. (2-tailed)	.				
		N	54				
	Management Restructuring	Correlation Coefficient	.607**	1.000			
		Sig. (2-tailed)	.000	.			
		N	54	54			
	Staff Rationalization	Correlation Coefficient	.678**	.788**	1.000		
		Sig. (2-tailed)	.000	.000	.		
		N	54	54	54		
	Asset Restructuring	Correlation Coefficient	.788**	.510**	.635**	1.000	
		Sig. (2-tailed)	.000	.000	.000	.	
		N	54	54	54	54	
	Financial Restructuring	Correlation Coefficient	.421**	.435**	.577**	.330*	1.000
		Sig. (2-tailed)	.002	.001	.000	.015	.
		N	54	54	54	54	54

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

**Source:** Survey Data (2022)

The results in Table 4.7 established there was a moderate positive and significant effect of management restructuring on the performance of three-star rated hotels ( $r = .607$ ,  $sig = .000$ ). The test confirmed the presence of a moderate and positive significant effect of staff rationalization strategies on the performance of three-star rated hotels ( $r = .678$ ,  $sig = .000$ ). The analysis revealed there was a strong and positive significant effect of asset restructuring strategies on the

performance of three-star rated hotels ( $r = .788$ ,  $\text{sig} = .000$ ). Lastly, the correlation showed a positive weak and significant relation between financial restructuring strategies and the performance of three-star rated hotels ( $r = .421$ ,  $\text{sig} = .002$ ).

#### 4.6 Regression Analysis

The goal of the research was to determine the effect of turnaround strategies on the performance of three-star rated hotels in Kenya. A multiple linear regression was conducted to establish the joint effect of the four turnaround strategies adopted on the performance of the hotels and findings are presented in this section.

**Table 4.8 Regression of Turnaround Strategies and Performance of Three-Star Rated Hotels**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.795 <sup>a</sup>	.631	.601	2.13103	1.714

a. Predictors: (Constant), Financial Restructuring, Management Restructuring, Asset Restructuring, Staff Rationalization

b. Dependent Variable: Performance

**Source:** Survey Data (2022)

According to table 4.8, the R value indicates a strong correlation between predictor variables and the response variable (performance). This is because the R value is positive (0.631). This means that the variation in firm performance was attributed by 63.1% change in the predictor variables. According to the value of the R-Square, 63.1% of performance of three-star rated hotels could be explained by the independent variables (turnaround strategies) while the remaining 36.9% could be attributed to other factors other than the predictor variables.

**Table 4.9 ANOVA of Turnaround Strategies and Performance of Three-Star Rated Hotels**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	380.959	4	95.240	20.972	.000 <sup>b</sup>
	Residual	222.523	49	4.541		
	Total	603.481	53			

a. Dependent Variable: Performance

b. Predictors: (Constant), Financial Restructuring, Management Restructuring, Asset Restructuring, Staff Rationalization

**Source:** Survey Data (2022)

The analysis of variance is important in assessing the significance of the variation contributed by the explanatory variables on the response variable compared to the variation contributed by the residuals. The analysis of variance indicated that the above discussed coefficient of determination was significant as evidenced by  $F = 20.972$  with  $p < 0.000$ . Thus, the model was fit to predict firm performance using the independent variables (turnaround strategies).

**Table 4.10 Regression Coefficients of Turnaround Strategies and Performance of Three-Star Rated Hotels**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	6.296	2.618		2.405	.020
Management Restructuring	.005	.152	.005	.034	.973
Staff Rationalization	.082	.034	.118	2.412	.012
Asset Restructuring	.472	.114	.495	4.135	.000
Financial Restructuring	.386	.121	.328	3.188	.002

a. Dependent Variable: Performance

**Source:** Survey Data (2022)

$$Y = 6.296 + .005X_1 + .082X_2 + .472X_3 + .386X_4 + 2.618$$

The findings in table 4.10 showed that management restructuring strategies did not have a significant effect on three-star rated hotel performance ( $\beta_1 = 0.005$ , t-test = .034, sig-value = .973) indicating that there would be change in performance as a result of the management restructuring variable. The table 4.10 also showed that staff rationalization strategies have a positive and significant effect on three-star rated hotel performance ( $\beta_2 = 0.082$ , t-test = 2.412, sig-value = .012) indicating that there would be an increase of 0.082 units in performance as result of change in staff rationalization strategies. This can also be shown by the t-test value of 2.412 which was significantly greater than that effect attributed by the standard error.

The results of the study showed that asset restructuring strategies have a positive and significant effect on three-star rated hotel performance ( $\beta_3 = 0.472$ , t-test = 4.135, sig-value = .000) indicating that there would be an increase of 0.472 units in performance of three-star rated hotels as result of change in asset restructuring strategies. This can also be shown by the t-test value of 4.135 which was significantly greater than that effect attributed by the standard error. The findings revealed that financial restructuring strategies have a positive and significant effect on three-star rated hotel performance ( $\beta_4 = 0.386$ , t-test = 3.188, sig-value = .002) indicating that there would be an increase of 0.386 units in performance of three-star rated hotels as result of change in financial restructuring strategies. This can also be shown by the t-test value of 4.135 which was significantly greater than that effect attributed by the standard error.

## CHAPTER FIVE

### DISCUSSION, CONCLUSION AND RECOMMENDATIONS

#### 5. Introduction

This section presents the discussion, conclusions and recommendations that can be drawn from the study's findings. It will present the findings according to the setup in the study objectives and associate the findings to the empirical discovery.

#### 5.2 Summary

The tourism and hospitality industry has experienced rapid technological-driven development in recent years and with the pandemic, players in the sector are under increasing pressure to meet emerging customer expectations and still remain profitable. The global crisis has necessitated large-scale operational restructuring in almost every sector, making firms' ability to respond to the external pressures is considered a key source of competitive advantage. This study sought to investigate the effect of turnaround strategies on the performance of three-star rated hotels in Kenya. The study was guided by Barney's (1991) RBV theory which is a managerial framework that asserts that an organization's internal resources are key to the realization of organization and achievement of sustainable competitive advantage, and the institutional theory which identifies the rules, norms and social structures that form guidelines for social behaviour.

The study adopted a descriptive research design to investigate the effect of turnaround strategies on the performance of three-star rated hotels and was guided by a positivist research philosophy. The study collected primary data from managing directors stationed in various regions in Kenya. The study targeted 63 hotel managing directors in total. The study utilized the drop and pick method to collect primary data. The study utilized structured questionnaires which had been pretested on ten per cent of the population. The reliability tests affirmed the internal consistency of the items under investigation as they met the threshold of a 0.7 alpha score. The collected dataset was then coded into SPSS 25 for subsequent descriptive and inferential analysis. The analysis involved Spearman correlations to determine the relationship between the study variables and

multiple regressions to determine the strength of influence of turnaround strategies on the hotels' performance.

The study obtained responses from 54 star-rated hotels, an 86% response rate and from the descriptive analysis, more of the respondents were female 57% (n=31). Regarding the length of time which they had been in the three-star rating, 39% (n=21) had the status for 12-15 years, 29% (n=16) had for 8-11 years and 11% having a star-rated status for 16-19 years. Further, according to the number of employees, 48% (n=26) of the hotels had 21-49 staff members, 43% (n=23) of the hotels had 50-99 employees, while only 1% had more than 100 employees. This showed that the hotels had been star-rated for long time periods and had a significant number of employees. These qualities make them more suited to provide information regarding the impact of turnaround strategies on organizational outcomes. Regarding the length of service at work, 43% (n=23) of the respondents had been employed for 4-6 years, 33% (n=18) for over 7 years with only 24% (n=13) had been around for less than three years. This information shows that the respondents had been around long enough and have a clear understanding of the different turnaround strategies employed and how instituting these strategies impacted their overall performance.

The analysis revealed that turnaround strategies, proxied by managerial restructuring, staff rationalization, asset restructuring and financial restructuring have a positive and significant effect on the performance of three-star rated hotels in Kenya. The study attributed 63.1% of the change in firm performance to the above predictor variables. The remaining 36.9% of changes were attributed to factors not included in the current study's predictor variables.

## **5.3 Discussion**

### **5.3.1 Management Restructuring Strategies and Performance**

The study's first objective was to examine the effect of managerial restructuring strategies on the performance of three-star hotels in Kenya. The analysis established there exists positive but insignificant effect of management restructuring on the performance of three-star rated hotels, showing that upon financial struggles, changing the structure of the management would not have a significant impact on performance outcomes. According to the RBV theory, managements are

the main decision makers in an organization and their skills and competencies are key to the realization of organizational goals. These findings are echoed in the study by Ngunjiri (2020) which revealed that restructuring strategies have a positive and significant impact on hotel performance. However, these findings contrast those made by Notanubun, Ririhena, and Batlolona (2019) which determined that management restructuring has the ability to stimulate innovation and increase efficiency and cost-effectiveness. The study concluded that hotels should embrace change in top management through ownership restructuring.

The respondents showed agreement that management teams constantly review the impact of strategies employed to select the most appropriate strategy which improves performance. These findings are echoed in the study by Stefani and Priatmodjo (2021) who determined that aligning organizational strategies with long term vision and mission through operational restructuring and change ownership is an effective means to gain competitive advantage. There was also agreement among the respondents that hotel boards and owners regularly review management teams to ensure that they have the right leadership team. Alves, Lok, Luo, and Hao (2020) made similar observations in their study on strategies adopted by small businesses during the COVID-19 pandemic and ascertained that manager with high degrees of flexibility, dynamic employee relations and adaptable are key to businesses' ability to rebound and survive the harsh post-COVID business environment.

Although Harwood, Nakola, and Nyaana (2016) determined that management downsizing, delaying and downs coping improve financial performance and can be a source of competitive advantage, these strategies have statistically insignificant impacts on organizational performance. There was agreement among respondents that hotel management routinely reviews organizational work culture to maintain elements of the desired culture. According to the study by Kor (2020), although employees and small businesses have embraced management change, cost reduction, asset restructuring, and financial restructuring as the main turnaround mechanisms, the managements' ability to maintain and create an effective work culture is essential for successful turnaround. The study recommends that hotel establishments examine managers' experience and qualification status rigorously since these factors determine their ability to successfully guide employees through distressing times.

The study by Tangpong, Lehmborg, and Li (2021) also made observations that implementation of turnaround strategies alone does not guarantee goal realization. The researchers provided evidence that the sequence of top management team change events has a significant impact successful turnaround implementation within underperforming firms. The study determined that firms should consider CEO restructuring only after replacing the top management and establishing a new philosophy. The analysis also showed that the management team regularly reviews the principles and roles of employees in the organization. These observations are echoed in the study by Wandera, Sakwa, and Mugambi (2017) whose study showed that internal re-organization strategies involving staff restructuring and restaffing are more important determinants of organizational performance than modernization strategies such as asset replacement/renewal which has more effects on financial performance outcomes.

### **5.3.2 Staff Rationalization Strategies and Performance**

The second objective of the study was to examine effect of staff rationalization strategies on the performance of three-star hotels in Kenya. The analysis established there exists a positive and significant effect of staff rationalization strategies the performance of three-star rated hotels in Kenya. These findings assert that staff reorganization is an effective strategy for hotels seeking to design a more effective structure that would maximize profit generation. According to the RBV theory, having the right pool of talented employees is one way to attain superior performances. The theory affirms that rationalization of human resources increases production output per individual and machine and its relation to wages. The theory associates successful reorganization of the staff with improved levels of employee efficiency and working conditions which improves organizational outcomes.

From the analysis, the respondents were in agreement that their various hotels have created clear communication channels that supports feedback between the workforce and management, and this improves role clarity and helps in workforce management. These findings echo the outcomes in the study by Ahmed, Kakkar, and Sharma (2016) which associated staff rationalization with

improved performance, profitability, reduced labour-related costs and increased level of efficiency and competitiveness. The analysis further showed that their respective hotel has provided a clear roles and responsibilities that facilitate employee coordination. According to the studies by Thomann (2018), after retrenchment, managements need to clearly communicate to the remaining employees their roles and responsibilities to avoid conflict and create a desirable work environment to maximize employee productivity.

The respondents were in agreement that the hotels regularly provide opportunity for continuous development of employees during turnaround events. These findings are in contrast to the findings by Mthembu (2019) whose study showed that staff rationalization had a significant negative effect on employee well-being. The study showed that retrenchment as a rationalization strategy contributes to psychological stress as results of the emotional, mental, and physical stress associated with job uncertainty. According to Bae (2021), retrenchment reduces job commitment and satisfaction.

The analysis then showed that agreement among respondents that the hotels provide competitive remuneration packages which spurs team productivity. However, according to Itu, Ambe, Agbor, and Enyiekere (2021), although hotels offered competitive packages to employees, they had also employed financial restructuring and staff retrenchment which had impacted the hotels' ability to satisfy their consumers. Similar findings were reported by Eruemegbe (2016) who reported that dissatisfactory restructuring had left employees more uncertain about their future which reduced their commitment to meeting organizational goals.

### **5.3.3 Asset Restructuring Strategies and Performance**

The study sought after the effect of asset restructuring on the hotel performance and determined that asset restructuring strategies have a positive and significant effect on three-star rated hotel performance. This showed that hotels should utilize asset restructuring strategies as they are associated with increased competitiveness, flexibility and emergence from unexpected shocks. The resource-based view considers a firms' ability to maintain and even expand operations of its core

assets essential to organizational performance. The study by Li, Chen, Hong, and Zhou (2019) provided evidence that asset restructuring increases income which leads to smoother and highly profitable business operations. Further, according to Do, Nguyen, D'Souza, Bui, and Nguyen (2021), selling off certain non-core assets, downsizing and closing down non-productive branches is an exceptional strategy for firms hoping to achieve increased efficiency and reduced costs.

The study determined that the respondents were in agreement that their respective hotels routinely liquidate depreciating assets to minimize losses. These findings are echoed in the study by Maroro, Kamau, and Koima (2018) whose study concluded that restructuring loans, non-performing assets, and writing-off non-performing assets are sustainable strategies during crises. For financial institutions, the researchers associated loan restructuring with reduced loan repayment burdens which improves financial outcomes. The respondents further indicated that their hotels conduct routine reorganization of the asset base which enhances efficiency. Similarly, Do, Nguyen, D'Souza, Bui, and Nguyen (2021) determined that asset restructuring is a cost-effective strategy that enables firms to diversify their service offering and meet emerging consumer demands.

The analysis then showed that the hotels regularly analyze the quality of investments to ensure loss-making assets are reduced. These findings resonate with Sondari (2020) study which provided evidence that increased collaboration and cooperation with complementary businesses would improve performance outcomes and reduce costs in non-core operations. The respondents further agreed that the hotels were carrying out cost appraisals of various organization divisions to review the income generating capacity. These findings resonate with Lee (2021), whose study determined that assimilating operations, mergers and acquisitions were sustainable strategies that smaller firms can adopt to remain operational amid financial distress.

#### **5.3.4 Financial Restructuring Strategies and Performance**

The fourth objective of the study was on the effect of financial restructuring strategies on hotel performance and the analysis determined that financial restructuring strategies have a positive and

significant effect on the performance of three-star rated hotels. This finding shows that hotels that regularly review their costs, manage their expenses and practice prudent financial management practices. The RBV theory is of a similar view, with Barney (1991) affirming the importance of effective management of financial resources to remain operational. Beute (2018) made similar conclusions, concluding that proper management of working capital costs is key to successful turnaround execution.

From the analysis, the respondents were in agreement that the hotel pursues cost-saving measures which has resulted in a significant drop in expenditure in non-productive financial obligations. Similarly, according to the study by Danovi Magno and Dossena (2018), implementation of debt-based measures such as payment deferral and debt write-offs has a significant positive effect on the success probability of restructuring projects. The study also determined that the hotels review costs associated with operations and production to improve the income streams of the firm. These observations were made in the study by Wijantini (2020) which determined that although asset, staff and debt restructuring are all associated with positive outcomes, debt restructuring had the most significant impact on performance outcomes.

Regarding cash management practices, the respondents were in agreement that the firm ensures that appropriate cash management practices are adopted and this has improved their financial control and investment capacity. Kandwe (2019) made similar findings and ascertained that financial and operational restructuring strategies have significant impacts on the firms' performance. Financial restructuring led to renegotiating debt obligations which provided firms with the opportunity to extended loan-repayment maturity periods, and even swap debt-equity. The respondents also agreed that the hotels had increased financial control to maintain liquidity at recommended levels and this increased the firms' ability to meet short-term obligations. These findings were made in the study by Muturi and Odollo (2019) which focused on financial institutions and recommended the use of financial diversification for their ability to enhance liquidity management, reduce cost of capital, risk, loss of control, and improve shareholder value.

## 5.4 Conclusions

From the findings of the Spearman rank correlation analysis the research showed varying explanatory power of the selected turnaround strategies. Based on their individual their explanatory power and using the same correlation matrix the research concluded that the most efficient turnaround strategies are management restructuring ( $r = .607^{**}$ ), staff rationalization ( $r = .678^{**}$ ) and asset restructuring ( $r = .788^{**}$ ). These strategies could help the star-rated hotels achieve a strong effect on their operational performance as the three most important strategies combined can contribute to between 60.7% to 78.8% variations in the performance of the star-rated hotels. Hence, we further conclude that, in times of financial crisis or economic downturns, hotel administrators should employ certain turnaround strategies to meet expected performance expectations. Regarding the first objective, it was determined that managerial restructuring had an insignificant effect on the performance of the three-star rated hotels. Thus, supporting better management training, delegation of duties and aligning the firm's structure to the current market dynamics would be critical to an improvement in their operational performance.

The second objective sought after the effect of staff rationalization strategies on hotel performance and concluded that staff rationalization has positive effect on hotel performance. The study concluded that providing competitive remuneration has the potential to spur productivity among employees. The study also concludes that communicating clear roles and responsibilities is crucial to increased coordination between employees. The study also concludes that constantly reviewing workforce adequacy and competencies reduces redundancies and increases operational efficiency. The study came to the conclusion that providing opportunities for continuous development of employees increases employee satisfaction and commitment to meeting and even exceeding organizational goals.

The third objective was in regards to the effect of asset restructuring on organizational performance with the results pointing towards the conclusion that asset restructuring has significant positive effects on organizational outcomes. The study concludes that hotels which routinely liquidate depreciating assets and operations minimize losses associated with financing loss-making assets

and business operations. Further, the research concludes that carrying out regular asset-based reorganization enhances operational efficiency and improves survival rates.

## **5.5 Recommendations**

From a policy standpoint, the study recommends that organizations should take in consideration that effecting turnaround strategies is a costly process, hence the most efficient strategies should be prioritized to significantly improve the firm's operation performance. Based on their correlation rank the research would recommend that the three-star rated hotels should prioritize asset restructuring strategies, staff rationalization strategies and finally management restructuring based on their predictive power on the performance of the hotels. Thus, in line with the results this the study recommends the most vital variable to higher variation in performance is asset restructuring hence the hotels could focus on making the restructuring process more inclusive to ensure that all cadres of employees own the response strategies instituted by their organizations. This would reduce internal resistance associated with staff rationalization. The study also recommends that hotel administrators carry out extensive research prior to selecting the response strategy as this would increase the organizations' ability to forecast and identify the resources that would be essential to the realization of core organizational goals. On this the study recommends that the hotels team up with investment managers who will provide adequate advice on investment opportunities that can produce positive financial outcomes for the hotels.

Secondly, the hotels should focus on staff rationalization strategies hence it's the recommendation that in times of crisis, hotel administrators come up with reliable communication channels where they communicate organizational plans and expectations regularly to foster understanding and understanding of organizational expectations. Managements are also recommended to utilize such channels to communicate firm culture to ensure employees ascribe to meet customer satisfaction expectations. The study also recommends that since competitive strategies are associated with increased employee productivity, firms should ensure that their employees are adequately compensated as during crisis events, retaining the most talented employees is the key to becoming more competitive.

Lastly, the research suggests that the institutions should ensure they have an aligned firm policy that is centered on the key strategies such as management restructuring, which could involve innovative restructuring strategies that would maintain the working condition for the employees such as flexibility in selection of shifts and balancing of work and personal life for the employees. The study also recommends that before applying retrenchment strategies, it is essential for proper workforce analysis to ensure that the hotels can identify and retain the most productive employees.

### **5.6 Area for Further Research**

This study was confined to three star rated hotels operating in Kenya. This research therefore recommends the investigation be carried out within higher rated hotels to determine how restructuring affected their performance levels. The results can then be compared to establish whether there is consistency among all rated hotels.

### **5.7 Limitations of the study**

The research was severely limited by a number of factors that were beyond the control of the researcher. For example, the study was limited by availability of staff members with work from home routines which affected accessibility at some periods. This was mitigated by including electronic data collection approaches during the research. The use of electronic data collection approaches focused mainly on emails which were either ignored or not viewed by the respondents. This limitation was mitigated by conducting constant follow ups with the respondents to ensure the surveys were completed in the required timeline.

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## APPENDICES

### Appendix I: Participant Consent Form

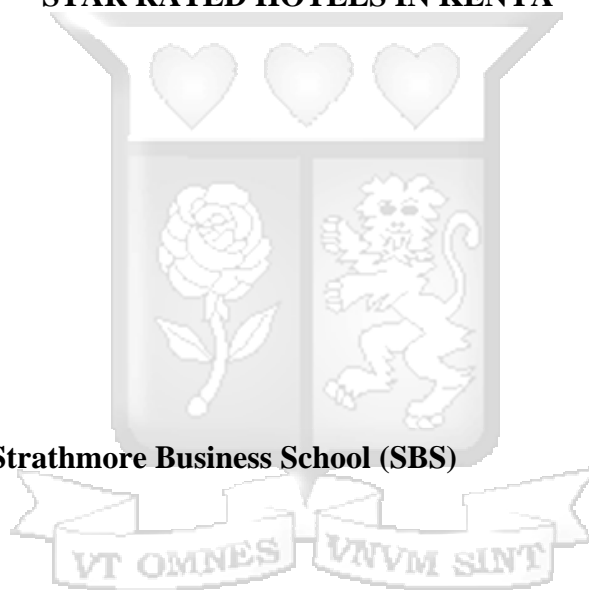
Title of the Proposed Study:

#### **EFFECT OF TURNAROUND STRATEGIES ON THE PERFORMANCE OF THREE-STAR RATED HOTELS IN KENYA**

Section I:

Investigator: **Liu Qiong**

Institutional Affiliation: **Strathmore Business School (SBS)**



Section II: Information Sheet–The Study

**2.1: Why is this study being carried out?**

The research is being undertaken as a partial requirement for the academic award of Masters of Business Administration Degree. The intent of the research was purely for the academic purposes and no research data sought was utilized beyond that parameter.

## **2.2: Do I have to take part?**

No, your participation in the study was upon your own willingness. Even upon consent to take part in the study, the respondent can decline to take part in the study at any point within the course of the exercise. The research instrument was mailed to the participants of the research through Google forms to ease data collection.

## **2.3: Who is eligible to take part in this study?**

According to the Tourism Regulatory Authority (2020) there are 63 Three Star rated hotels within the county. For this study therefore, the population of the study was all the star-rated hotels in Kenya. The unit of analysis of the study was selected from the registered star-rated hotels in Kenya. The study will recruit the MDs to participate in this research.

## **2.4: Who is not eligible to take part in this study?**

This research study is not open to respondents who are not MDs in the Three \*\*\* star-rated hotels within Kenya.

## **2.5: What will taking part in this study involve for me?**

The study will require the participants to allocate atleast 10 minutes of their time to answer the mailed research instrument.

**2.6: Are there any risks or dangers in taking part in this study?**

The study poses no risk whatsoever to the respondents. The study was conducted purely through electronic channels thus will not have any physical risks to the participants. Further, the anonymity of the participants was upheld through the research process. The participants will not be required to identify themselves hence no risk of victimization

**2.7: Are there any benefits of taking part in this study?**

Yes, the findings of the research are expected to likely support better policy formulation in the hospitality industry as well as improve managerial practice as well as act as basis for future reference. The findings are also anticipated to help your organization in designing brand management practices and fostering organization performance

**2.8: What will happen to me if I refuse to take part in this study?**

Nothing. Participation in the study is entirely voluntary.

**2.9: Who will have access to my information during this research?**

All the accessed research data was treated with utmost confidentiality and will not be disclosed to any person who is not party to the research process. The results of this research were only utilized for academic purposes and access to the same will require the approval of the researcher and the Strathmore Business School. The results of the study were disseminated to interested participants upon request on completion of the research. Further, the study in its' entirety was published in the Strathmore University Digital repository. The collected information was stored securely by the

researcher in Google drives and the results of the analysis will only be accessible upon request to SBS or the researcher personally.

**2.10: Who can I contact in case I have further questions?**

Any query can be directed to me **Liu Qiong** on +254 796 362336. Any further information can be sought from my Research Supervisor through the School of Business- Strathmore University

**If you want to ask someone independent anything about this research please contact:**

The Secretary–Strathmore University Institutional Ethics Review Board, **P. O. BOX 59857, 00200**, Nairobi, email **ethicsreview@strathmore.edu** Tel number: **+254 703 034 375**

I, \_\_\_\_\_, have had the study explained to me. I have understood all that I have read and have had explained to me and had my questions answered satisfactorily. I understand that I can change my mind at any stage.

Please tick the boxes that apply to you;

**Participation in the research study**

I AGREE to be part of the research ( )

I DO NOT AGREE to be part of the research ( )

**Storage of information on the completed questionnaire**

I AGREE to have my completed questionnaire stored for future data analysis ( )

I DON'T AGREE to have my completed questionnaire stored for future data analysis ( )

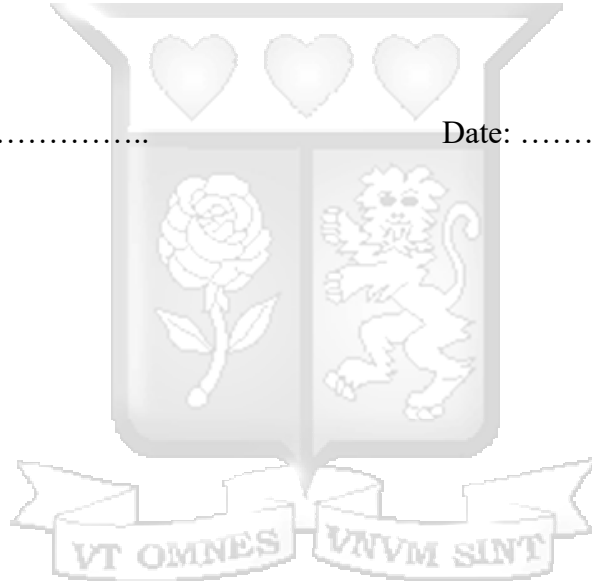
Participants Name: .....

Participants Signature: ..... Date: .....

I, \_\_\_\_\_ (Name of person taking consent) certify that I have followed the SOP for this study and have explained the study information to the study participant named above, and that s/he has understood the nature and the purpose of the study and consents to the participation in the study.

Signature: ..... Date: .....

Name: **Liu Qiong**



## Appendix II: Research Questionnaire

Kindly respond to the following question to the best of your ability. Your participation in the study is highly appreciated.

### **PART A: DEMOGRAPHIC INFORMATION**

**1. What is your gender?**

Male ( )

Female ( )

**2. How long has your organization been a star-rated hotel?**

0-3 years ( )                      4-7 years ( )

8-11 years ( )                      12-15 years ( )

16 – 19 years ( )                      Over 20 years ( )

**3. How many staff members are working within the hotel?**

0-10 staff ( )                      11-20 staff ( )

21-49 staff ( )                      50-99 staff ( )

100- 200 staff ( )                      Over 200 staff ( )

**4. How long have you been a managing director within the hotel?**

Less than a year ( )                      1-3 years ( )

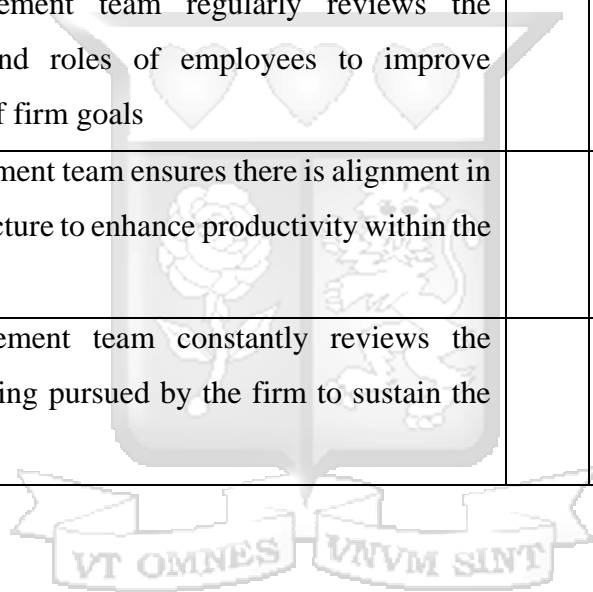
4-6 years ( )                      Over 7 years ( )

**PART B: Turnaround Strategies**

Please tick the level of agreement of the following statements.

**5= strongly Agree      4= Agree      3= Moderately agree      2= Disagree      1= Strongly Disagree**

	<b>Management restructuring</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1.</b>	The hotel regularly reviews our management team to ensure we have the right leadership team.					
<b>2.</b>	The hotel management routinely review our culture to ensure we attain the stated goals					
<b>3.</b>	The management team regularly reviews the principles and roles of employees to improve attainment of firm goals					
<b>4.</b>	The management team ensures there is alignment in the firm structure to enhance productivity within the team					
<b>5.</b>	The management team constantly reviews the strategies being pursued by the firm to sustain the performance					



	<b>Staff rationalization</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1.</b>	The hotel provides a competitive remuneration to spur productivity within the team					
<b>2.</b>	The hotel has provided a clear roles and responsibilities that enable coordination between the employees					
<b>3.</b>	The hotel regularly provides opportunity for continuous development of our employees					

4.	The hotel routinely reviews the adequacy of our workforce to ensure there are no redundancies within the team					
5.	The hotel reviews internal human resource policies to ensure consistency with global standards					
6.	The hotel has created a clear communication channel that supports feedback between the workforce and management					

	<b>Asset restructuring</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1.	The hotel routinely liquidates depreciating assets to minimize losses					
2.	The hotel regularly analyzes the quality of investments to ensure loss-making assets are reduced					
3.	The hotel conducts routine reorganization of our asset base to enhance efficiency					
4.	The hotel collaborates with investment managers prior to undertaking new investment opportunities.					
5.	The hotel conducts cost appraisals of the various organization divisions to review the income generating capacity					

	<b>Financial restructuring</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1.	The hotel pursues cost-saving measures to limit any financial losses.					

2.	The hotel has extended revenue generation activities to improve the financial sustainability					
3.	The hotel reviews the operational and production costs to improve the income of the firm					
4.	The firm ensures that appropriate cash management practices are adopted to improve the financial capacity					
5.	The firm maintains an adequate liquidity to ensure the hotel is up-to-date in servicing any financial obligations					

**PART C: Performance of Hotel**

Please tick the level of agreement of the following statements.

**5= strongly Agree      4= Agree      3= Moderately agree      2= Disagree      1= Strongly Disagree**

	<b>Performance of Hotel</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1.	The hotel ensures that our services meet our customer needs to promote better satisfaction levels					
2.	The hotel has developed an internal environment that fosters improved innovation among our staff					
3.	The hotels ensures that adequate resources are provided to our staff to improve the effectiveness in operations					
4.	The hotel regularly reviews the internal structure to improve in the efficiency of service provision					
5.	The hotel reviews our service range to ensure we meet the growing customer demands					
6.	The hotel provides an environment for employee growth through regular workshops and team building exercises					

Thank you for participating in the survey.

## Appendix III: Institution Ethical Review Committee Approval



31<sup>st</sup> May 2022

Ms Qiong Liu,  
qiong.lui@strathmore.edu

Dear Ms Qiong,

### **RE: Turnaround strategies and performance of three-star hotels in Kenya**

This is to inform you that SU-IERC has reviewed and **approved** your above **SU Masters'** research proposal. Your application reference number is **SU-IERC1360/22**. The approval period is **31<sup>st</sup> May 2022 to 30<sup>th</sup> May 2023**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-IERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-IERC within 48 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-IERC within 48 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days upon completion of the study to SU-IERC.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

for: **Dr Ben Ngoye,**  
**Secretary; SU-IERC**

**Cc: Prof Fred Were,**  
**Chairperson; SU-IERC**



**Appendix IV: NACOSTI Research License**



**Appendix V: List of Three-Star Rated Hotels**

<b>THREE STAR FACILITIES</b>					
<b>N O</b>	<b>ESTABLISHMENT</b>	<b>COUNTY</b>	<b>CAPACITY</b>		<b>RATIN G</b>
			<b>ROOM S</b>	<b>BED S</b>	
<b>1</b>	Ibis Styles Nairobi Westlands	Nairobi	277	331	<b>***</b>
<b>2</b>	Maanzoni Lodge	Machakos	272	421	<b>***</b>
<b>3</b>	Azure Hotel	Nairobi	165	231	<b>***</b>
<b>4</b>	Best Western Plus Meridian Hotel	Nairobi	128	166	<b>***</b>
<b>5</b>	Ngong Hills Hotel	Nairobi	110	165	<b>***</b>
<b>6</b>	The Heron Portico	Nairobi	109	218	<b>***</b>
<b>7</b>	Pride Inn Raptha Nairobi,	Nairobi	100	200	<b>***</b>
<b>8</b>	Sports view Hotel Kasarani	Nairobi	94	188	<b>***</b>
<b>9</b>	Kenya Comfort Suits	Nairobi	88	120	<b>***</b>
<b>10</b>	Amboseli Sopa Lodge	Kajiado	83	166	<b>***</b>
<b>11</b>	La Masion Royale	Nairobi	71	144	<b>***</b>
<b>12</b>	The Clarion Hotel	Nairobi	62	67	<b>***</b>
<b>13</b>	Kibo Safaris Camp	Kajiado	60	120	<b>***</b>
<b>14</b>	Boma Inn Nairobi	Nairobi	59	83	<b>***</b>
<b>15</b>	Utalii Hotel	Nairobi	57	114	<b>***</b>
<b>16</b>	Marble Arch Hotel	Nairobi	41	57	<b>***</b>
<b>17</b>	Fahari Gardens Hotel	Nairobi	32	64	<b>***</b>
<b>18</b>	Villa Leone Guest House	Nairobi	51	54	<b>***</b>
<b>19</b>	Sandies Tropical Village	Kilifi	109	218	<b>***</b>
<b>20</b>	Bahari Beach Hotel	Mombasa	105	212	<b>***</b>
<b>21</b>	Indian Ocean Beach Resort	Kwale	101	180	<b>***</b>
<b>22</b>	Kenya Bay Beach Hotel	Mombasa	99	198	<b>***</b>
<b>23</b>	Royal Court Hotel	Mombasa	89	188	<b>***</b>
<b>24</b>	Mnarani Club	Kilifi	80	160	<b>***</b>
<b>25</b>	Crystal Bay Beach Resort	Kilifi	76	176	<b>***</b>

<b>26</b>	Ashnil Aruba Lodge	Taita	52	108	***
<b>27</b>	Isinya Resorts Limited	Mombasa	43	86	***
<b>28</b>	PrideInn Mombasa	Mombasa	40	96	***
<b>29</b>	Azul Margarita Beach Resort	Mombasa	35	98	***
<b>30</b>	Sentrim Tsavo East Camp	Taita	25	50	***
<b>31</b>	JacyJoka Apartments	Mombasa	12	16	***
<b>32</b>	Bollywood Bites	Mombasa	0	0	***
<b>33</b>	North Coast Beach Hotel	Kilifi	124	199	***
<b>34</b>	Mara Simba Lodge	Narok	84	168	***
<b>35</b>	Lake Naivasha Simba Lodge	Nakuru	70	140	***
<b>36</b>	Hotel Cathay	Nakuru	62	140	***
<b>37</b>	Lake Nakuru Flamingo Lodge	Nakuru	60	91	***
<b>38</b>	Hillcourt Resort & Spa	Nakuru	43	50	***
<b>39</b>	Tipilikwani Mara Camp	Narok	20	34	***
<b>40</b>	Sekenani Camp	Narok	15	30	***
<b>41</b>	Sanctuary Olonana Camp	Narok	14	28	***
<b>42</b>	The Ole Ken Hotel	Nakuru	40	54	***
<b>43</b>	Rekero Camp	Narok	9	24	***
<b>44</b>	The Vic Hotel	Kisumu	106	122	***
<b>45</b>	Kisumu Hotel	Kisumu	86	120	***
<b>46</b>	Imperial Hotel	Kisumu	78	90	***
<b>47</b>	Hotel Nyakoe	Kisii	75	86	***
<b>48</b>	Sovereign Hotel	Kisumu	32	64	***
<b>49</b>	Jambo Impala Eco-lodge	Kisumu	12	24	***
<b>50</b>	Mountain Breeze Hotel Ltd	Embu	60	75	***
<b>51</b>	Ikweta Safari Camp	Meru	15	23	***
<b>52</b>	Sportsman's Arms Hotel	Laikipia	180	360	***
<b>53</b>	Green Hills Hotel	Nyeri	100	260	***
<b>54</b>	Samburu Simba Lodge	Isiolo	70	134	***
<b>55</b>	Westwood Hotel	Nyeri	57	74	***
<b>56</b>	Outspan Hotel	Nyeri	43	93	***
<b>57</b>	Serena Mountain Lodge	Nyeri	42	84	***

<b>58</b>	Giraffe Ark Camp Lodge	Nyeri	30	52	***
<b>59</b>	Mantis Mutara Tented Luxury Camp	Laikipia	15	30	***
<b>60</b>	Borana Lodge	Laikipia	8	16	***
<b>61</b>	The Noble Conference Centre	Uasin Gishu	53	67	***
<b>62</b>	Kerio View Lodge	Elgeyo Marakwet	28	40	***
<b>63</b>	Samich Resort	Elgeyo Marakwet	15	30	***

