

# Strategic planning and sustainability of Mombasa family owned hotels

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**Abstract-** The hospitality industry plays a key role in sustaining the livelihoods of approximately 1.3 million Kenyans living in Mombasa where the hotel businesses serve as a source of employment and income generation for the residents. However, majority of the hotels have adopted family business model, with the hotels being run by family members rather than professional managers. This approach limits the hotels performance and hence a threat to their sustainability. This study sought to establish how strategic planning affects the sustainability of the family owned hotel businesses. The objectives were to examine the leadership style, to find out the roles of strategy formulation, strategy implementation and organizational structure in the sustainability of the hotel businesses. Findings from the study show that strategic planning if done effectively will ensure the sustainability of the family owned hotel businesses.

**Index Terms-** Strategic planning, business sustainability, family owned hotel businesses, strategy formulation, strategy implementation, organizational culture, leadership style

## I. INTRODUCTION

Worldwide, organizations are continuously coming up with new innovative strategies in order to enhance competition and to be market leaders. The use of strategic plans has helped most organizations to be able to achieve organizational direction through following the set goals, objectives, vision and mission.

### Strategic Planning in the Hotel Industry

Many studies have been done regarding strategic planning in the hotel industry. The most recent ones have been able to conclude that most family owned hotel businesses need to use strategic management practices effectively for them to succeed. Poulston, Rosalin and Goodside (2013) reported on strategy communication in family owned restaurants in New Zealand where they noted that the owners' weak understanding of the need for well developed strategies will limit their ability to maximize profitability and growth, resulting in many cases, in uncompetitive businesses. As a result, they recommended that family business managers should improve their skills and knowledge of strategic management through study, collaboration with strategic experts, or networking to share knowledge with other practitioners.

Mutindi, Namusonge and Obwogi (2013) studied the effects of strategic management drivers on the performance of hotel industry in the Kenyan Coast. They stated that hotels had acknowledged the importance of strategic plans like other

organizations as they help organizations to clearly identify and prioritize their objectives and targets. They noted that the concept of strategic planning had been widely adopted by hotels but its dimensions, roles and impact to the performance of the overall hotel performance was still disputable. They asserted that creating a winning strategy should not be a one-time event as a good strategy today might not be successful tomorrow. They further acknowledged that the hotel industry had identified the importance of strategic planning by defining the mission of their business so that they are better able to give themselves a direction to focus their activities. They concluded that the Kenyan hotel managers had no choice but to come up with strategic planning as a tool for the future prospects of their hotels as they operate in a world that is ever changing with nothing static whether in technology, politics or society.

### Problem Statement

Strategic planning and its benefits to an organization has been widely researched and documented over the years. Peters and Buhalis (2004) noted the typical disadvantage and problem faced by family businesses is the informal business practice and lack of planning. The hospitality industry plays a key role in sustaining the livelihoods of the people of Mombasa where the family business model seems to be dominant. In this model, working methods built around relationships and gut feeling are often used over modern, more formalized business practices; typically businesses are run by family members rather than professional managers. Lack of awareness of the professional business services available, the formal business planning and strategic planning may limit demand in the family owned hotel businesses in Mombasa.

Cordeiro (2013) found out that while the benefits from effective strategic planning are evident to most businesses, small business owners/managers often plan poorly with many contending that the daily demand of running their businesses reduces their time available for effective strategic planning. According to Nkulu (2012), strategic planning is not appropriately implemented to assist small medium and micro enterprises in the acquisition of economic sustainability nor is it well comprehended by owners of retail businesses. However, despite a growing concentration to strategy research globally, strategic management in family businesses seems to be insufficient (Jiang & Peng, 2011; Liu, Yang & Zhang 2012; Sharma & Chua, 2013).

The intention of this research is therefore to establish the extent to which the family owned hotel businesses in Mombasa County are using strategic planning, with particular reference to whether and how they are using strategies to ensure customer satisfaction, productivity, business efficiency and further, to gather ideas to expand such investments in future.

This research looks at various dimensions of strategic planning (the leadership style, the strategy formulation, the strategy implementation and the organizational culture) that affect the sustainability of family hotel businesses.

### 1.1 Objectives

#### General Objective

To determine the role of strategic planning in the sustainability of family owned hotel businesses.

#### Specific Objectives

1. To examine the role of leadership style in the sustainability of the family owned hotel businesses.
2. To investigate the role of strategy formulation in the sustainability of family owned hotel businesses.
3. To find out the role of strategy implementation in the sustainability of family owned hotel businesses.
4. To investigate how organizational culture influences the sustainability of family owned hotel businesses.

## II. LITERATURE REVIEW

### Introduction

This section begins with a summary of the theories of strategic planning. The section then continues with a review of the studies on leadership style, strategy formulation, strategy implementation, and organization culture. The conceptual framework of this study finalizes the chapter.

### Theoretical Review

This section deals with the existing theories and their relationships in relation to this research. The theories that will be discussed are the path goal theory and the generic strategies.

#### Path-Goal Theory

The theory argues that leaders will have to engage in different types of leadership behaviour depending on the nature and the demands of a particular situation. It is the leader's job to assist followers in attaining goals and to provide the direction and support needed to ensure that their goals are compatible with the organization's goals. "Path-goal theory is a dyadic theory of supervision" concerning how the behaviour of hierachal superiors affects the motivation and satisfaction of subordinates, for this reason it is considered an individual orientated theory of leadership (House, 1996, as cited by Cunningham, 2013, 8). Leaders demonstrating path goal styles provide individual encouragement, remove or negotiate obstacles to the attainment of follower satisfaction and motivate with individually considered rewards for goal achievement (Dixon & Hart, 2010). Path-goal theory itself acknowledges that leaders only have the opportunity to be effective when their behaviours complement the environment of individual followers, also noting that when the organizational environment does not provide a link for the follower between task and goal attainment, then it is the function of the leader to provide this (Vecchio, Justin, & Pearce, 2008).

The four types of leaders in this theory include: 1) Directive leaders who focus on the work to be done. 2) Supportive leaders who focus on the well-being of the worker. 3) Participative leaders who consult with employees in decision making. 4) Achievement oriented leaders who set challenging goals. Dixon

and Hart (2010) note that the application of such leadership styles is especially effective when working with diverse groups of individuals, with the outcome represented by a stronger group cohesion and greater team commitment, thus creating the necessary organizational infrastructure to facilitate strategic planning. The attributes of this theory of interpersonal leadership have the theoretical strength to be beneficial in the complex organizational climate of family firms (Cunningham, 2013). Family hotel businesses can use this theory by having their leaders *motivate* the followers to accomplish identified objectives. The leaders should be able to *clarify the paths* and *remove obstacles* to ensure high performance and desired objectives.

### Generic Strategies

The bases on which an organization may seek to achieve a lasting position in its environment are known as generic strategies. There are three fundamental ways in which firms might achieve sustainable competitive advantage. These are the cost leadership strategy, the differentiation strategy and the focus strategy (Michael Porter 1980, as cited by Tanwar 2013, pp. 11). It is in the context of the overall generic strategy which a firm may be pursuing that strategic options may be usefully considered.

- i) Cost leadership Strategy- This strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. A firm which finds and exploits all sources of cost advantage and aims at becoming a lot cost producer in the industry is said to pursue a sustainable cost leadership strategy.
- ii) Differentiation Strategy- A firm seeking to be unique in its industry along some dimensions of its product or service that are widely valued by customers is said to have adopted differentiation strategy.
- iii) Focus Strategy- When a firm seeks a narrow competitive scope, selects a segment or a group of segments in the industry and tailors its strategy to serving them to the exclusion of others, the strategy is termed focus strategy.

Family owned hotel businesses should be able to achieve the cost leadership strategy by having the lowest prices in the target market segment, or at least the lowest price to value ratio. To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firms must be able to operate at lower costs than their rivals. They can achieve the differentiation strategy through differentiating their products and services in some way in order to compete successfully. The focus strategy can be achieved successfully in the family owned hotel businesses as they can focus on niche markets and be able to meet and serve their needs.

### Conceptual Framework

In the conceptual framework, sustainability of family owned hotel businesses is the dependent variable while the leadership style, strategy formulation, strategy implementation and organizational culture are the independent variables.

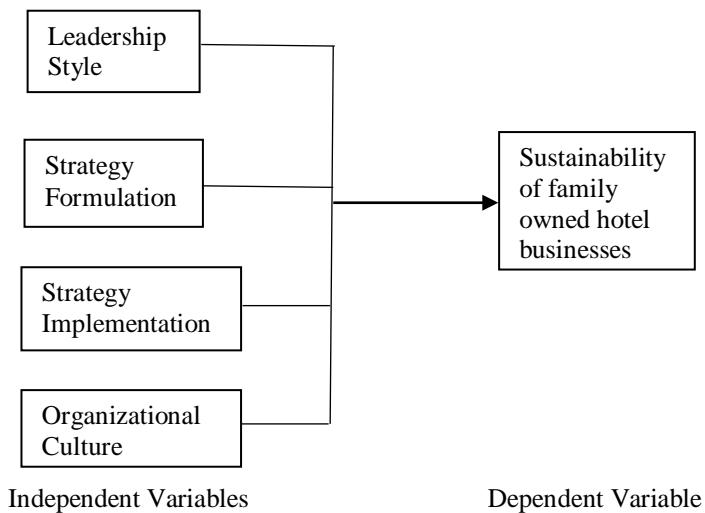


Figure 2.1: The conceptual framework.

Source: Author

#### Review of Variables

##### Leadership Style

Leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent (Kipkemboi & Mugambi, 2014).

Leadership style is defined as an interaction process among individual groups that includes a structured or restructured situation, members' expectations and perceptions (Bass & Bass, 2008). Miller and Walker (2011) defined leadership style as the pattern of interaction between leaders and subordinates, which includes controlling, directing, techniques and methods that are used by leaders to motivate subordinates implementing the instructions.

According to Johns (2006), leadership styles have emerged as significant predictors of organizations. There are many styles of leadership including autocratic, paternalistic, democratic, laissez-faire, transactional and transformational. This study looks at the role of these six leadership styles in the sustainability of family owned hotel businesses.

The hotel industry is very much related with many cultures, different types of people, it is people oriented and an industry of intangible "products". For a leader to be effective in this industry, they need to be able to have a flexible leadership style. Every family has distinctive and constrictive elements. These elements need to be balanced for the success of the organizations. Sharma (2008) noted that the application of path-goal leadership styles helps to achieve balance between the distinctive and constrictive elements of family influence.

Al-Ababneh (2013) noted that the management in the hospitality industry is characterized as a 'being there' style, which provides stress, intervention, and control of operations and interactions between members at all levels in the organization. This style could be more effective than other styles to obtain employees'

job satisfaction, since the managers' work all the time with their employees and therefore managers give more concern to employees' problems at work.

The hotel industry relies greatly on its employees to remain successful; the leadership style thought to be most effective is the empowering style where employees are given a large amount of control over their situations. This creates an environment in which employees can act quickly and efficiently when situations occur that require immediate attention such as a service issue (Blayney & Blotnick, 2010).

Due to so many styles, it is essential for managers to use suitable leadership style with which to meet a subordinates' readiness to accomplish tasks (Wu, Tsai, Fey, & Wu, 2006). In conclusion, there are so many variables which must be taken into account when we speak about effectiveness of leadership in hospitality industry as: the type and nature of establishment, the characteristics of subordinates, their needs, expectations, the characteristics of the manager, the type of problem. That is why using the most appropriate leadership style is the key for employees job satisfaction and hotel performance.

##### Strategy Formulation

Strategy formulation aims at the development of generic, long-run, strategic plans specifying the strategic direction and scope, which will ensure the organization's long-term survival (Dermartini, 2013).

Strategy formulation is the process by which an organization chooses the most appropriate courses of action to achieve its defined goals. Effective strategy formulation is based on identifying, understanding and using the firm's distinctive competencies and strengths in a way that other firms cannot do as well. Family owned hotel businesses need to identify and use their distinctive competencies differently from other organizations.

Strategy formulation forces an organization to carefully look at the changing environment and to be prepared for the possible changes that may occur. It requires a defined set of six steps for effective implementation. The steps include; defining the organization, defining the strategic mission, defining the strategic objectives, defining the competitive strategy, implementing the strategies and evaluating the progress (Mitchell, 2013).

In defining the organization, the organization's customers have to be identified. Family owned hotel businesses are to identify the factors that their customers value either through the end benefit, the target market or the technology they use. A clearly stated mission provides an organization with a guide for carrying out its plans. Family owned hotel businesses should include values that they hold, nature of their business, special abilities and their vision in their mission statement in order for them to be able to focus on what they strive for.

An organization should identify its performance targets needed for it to reach its objectives. Strategic objectives of the family owned hotel businesses should be communicated with all the employees and stakeholders to ensure success. All staff members must also be informed of their role in the process and how their efforts contribute to meeting the organization's objectives. Defining the competitive strategy requires an organization to know where it fits in the market place, to develop proactive responses to potential changes in the market place and

identification of the organization's resources and determining how to use them.

Organizations ought to identify various tactics for implementing their strategies. Family owned hotel businesses should identify these tactics in order for them to succeed in their operations. They must then keep track of their progress as defined in their plans.

Leslie (2008) found out that strategic planning in the South African hotel industry was carried out mostly by executives and top management, without extensive involvement from lower management or employee levels. Lack of bottom up involvement in crafting strategies creates problems when it comes to the communication, interpretation, adoption and ultimately supporting of these strategies. The family owned hotel businesses in Mombasa should ensure involvement of all the human resources in the development of the strategies as it will help in the execution and implementation of those strategies.

### Strategy Implementation

Strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan (Wheelen & Hunger, 2012). Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. It is also the manner in which an organization develops, utilizes, and amalgamates organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance.

Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as to maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage. Organizational structure is however not sufficient in itself to motivate the employees. An organizational control system is also required. The control system equips managers with motivational incentives for employees as well as feedback on employees and organizational performance.

Hrebiniak (2006) noted that the problem with poor organizational performance was in the strategy execution and not the formulation or planning. Without effective implementation, no business strategy can succeed. Strategy implementation is a critical cornerstone in any organization and it is worthwhile to invest in this process. Family owned hotel businesses should be able to invest in this process in order for them to succeed.

Strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc. Strategy implementation therefore relies on various activities which include: strategy articulation, strategy communication, strategy translation, strategy monitoring & controlling and strategy engagement.

The purpose of articulating the strategy is to translate the strategy into a form where managers and stakeholders agree consensually on what needs to be achieved. Communication of the strategy can be both internal to the employees and external to the stakeholders. A business strategy needs to be translated into a set of clear short-term operating objectives (activities and outcomes) in order to execute it. Monitoring helps the staff in controlling that the strategy is being implemented successfully and if not in making the staff take decisions that will allow them to achieve

the strategy. Strategy control in turn, provides timely and valid feedback about organizational performance so that change and adaptation become a routine part of the implementation effort. To achieve that there needs to be an agreed mechanism of intervention to enable the management to efficiently and effectively engage with their organization to ensure the required actions are being carried out, and where these actions are not working as expected, to be able to change the actions as required. Family owned hotel businesses should ensure that the activities of strategy implementation are followed to the latter to ensure success. Management and their subordinates should work hand in hand during the implementation process.

### Organizational Culture

Organization culture is a set of shared mental assumptions within people in an organization that guides interpretation and actions in an organization by defining appropriate behaviour or actions within the organization (Kipkemboi & Mugambi, 2014). Organizational culture also refers to the deep and complex set of norms and values of an organization that strongly affects organizational members (Choi, Martin & Park, 2008).

Nickson (2007) suggested that a number of different aspects or elements of culture had been identified and all of these various aspects were useful in attempts to study organizational culture. They included: material objects; corporate architecture and corporate identity; symbols; language; metaphors; stories; myths; heroes; ceremonies, rites and rituals; norms of behaviour; values, beliefs and attitudes; basic assumptions; ethical codes and history. The cultural aspects of an organization are the glue of the organization. The importance of balance in the cultural aspects of an organization is considered critical in achieving sustainability in performance (Chrisman, Chua, Kellermanns & Chang, 2007). Family owned hotel businesses should therefore balance between the various aspects of culture.

A key theme that runs through the various aspects of an organization's culture is the extent to which they may be manifest or visible. Schein (2010) offered a well-known model which described three levels of cultural phenomenon in organizations: artifacts, espoused beliefs and values and the basic underlying assumptions. The first level consists of artifacts that construct the physical and social environment of the organization. This level is the most superficial manifestation of culture and includes things like corporate logos, dress codes and written and spoken language used in the organization. The second level is concerned with espoused beliefs and values, which become prominent in the manner in which individual organizational members justify their actions and behaviour. The last level is the most fundamental and relates to basic underlying assumptions which impact on how organizational members perceive, think and feel.

In the development of organizational culture power is of great importance. Power is one of the most typical and important components of organization development. It is exercised by the leaders of the organization. In case the manager of an organization lacks power, he/she has no rights and without rights there can be no submitting to discipline; without submitting to discipline there can be no order (Kirsipuu, 2011). According to Gold and Thorpe (2010), the organizational leader is considered vital in the creation, maintenance, and leveraging of

organizational culture with this particularly being true of small, family firms. Family owned hotel businesses therefore have to choose powerful leaders who will be able to ensure that organizational culture is maintained.

Human-resource based contingency styles of leadership are considered to play an important role in shaping an adaptive organizational culture (Ghobadian & O'Regan, 2006); from these styles the path-goal theory of leadership is regarded as especially apt at dealing with diverse groups and building group cohesion (Dixon & Hart, 2010). The family owned hotel businesses should have effective leadership styles which can shape the adaptive organizational culture.

#### Critique of Literature

Many articles on family owned businesses were used to come up with this research. However, the researcher will look at those fundamental to the role of strategic planning in family owned hotel businesses. Peters & Buhalis (2004) highlighted on the need and training of the family firms on strategic planning. This is a good step towards the acknowledgement of why family owned firms need strategic planning which concurs with this research.

Gkliatis and Koufopoulos (2013) reviewed the strategic planning practices in the Greek hospitality industry. They concluded that The research design employed was a descriptive one. The cases studied were family owned hotels in Mombasa. A desk research was conducted. Secondary sources of data including different articles, journals and books were used.

#### IV. CONCLUSION

Strategic planning plays a major role in the sustainability of family owned hotel businesses in ensuring that the organizations develop strategic plans and use the plans to move in a strategic direction. According to Cordeiro (2013) the advantages of effective strategic planning to all organizations include understanding the environment – including gaps, focusing resources on specific goals, maintaining/improving competitive position and preparing for future environments. As seen in the literature review, firms need to be able to incorporate the proper leadership style, formulate the right strategies, implement the strategies formulated to the latter and have the right organizational culture in order for them to be able to sustain themselves. Family owned hotel businesses need strategic planning so as to develop strategic thinking and to foster strategic decision making for turning agency goods into results. They also need strategic planning so as to ensure the most effective use is made of the organization's resources by focusing the resources on the key priorities. With the current environment every organization has to do more with less and a well-developed strategic plan becomes the foundation for making all resource allocation decisions in a unified fashion. Strategic planning will show the direction in which the organization is going and it has various roles that have been explained. It is important for every organization to be able to engage in strategic planning as it will show the goals and strategies it has and its focus for the future. Planning is essential in helping to coordinate all the activities of the organization. Lack of strategic planning leads to failure of most organizations hence the need to do so.

there were various organizational benefits resulting from strategic planning and this concurs with this study. Aldehayyat and Al Khatab (2013) reported on the strategic planning and organizational effectiveness in Jordanian hotels. Their conclusion was that top management and boards of directors needed to be more involved in the strategic planning process and that a multidimensional approach to strategic planning should be practiced in order to see its full benefits, which included organizational effectiveness. This is relevant to the study as the leadership of the family owned hotel businesses will be included in the research.

Cordeiro (2013) noted the benefits for effective strategic planning for all organizations and the success and failure of strategic planning in a small business. The information is insightful but he failed to explain the role of strategic planning though he insisted on firms having formal strategic plans. Craig and Moores (2005) discussed the use of balance scorecards to drive the strategic plans of family firms. They focused on only the human resource perspective of the firms. In regards to this study, it failed to touch on the other resources that are available in the firms.

#### III. RESEARCH METHODOLOGY

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