EFFECTS OF STRATEGIC ALLIANCE ON GROWTH OF HOTEL INDUSTRY IN ELDORET TOWN

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DECLARATION

I declare that this thesis is my original work and has not been presented anywhere else for an award of any degree. No part of this thesis may be reproduced without the prior permission of the author and/or University of Eldoret.

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DEDICATION

I dedicate this work to my spouse John, my children Jepku, Vicky, Toro, Brian and Joachim for their encouragement and support while undertaking the study.

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ABSTRACT

Strategic alliance enables firms to remain competitive and thus survive, grow and prosper. In order for enterprises to survive in a rapidly changing business environment, they are increasingly forming strategic alliances with other firms. This study assessed the influence of strategic alliances on growth of hotel industry in Eldoret town. The specific objectives of the study were: to determine the effects of outsourcing on growth of hotel industry; to evaluate the influence of distribution alliance on hotel industry; to determine the relationship between technological alliance and growth of hotel industry; and to assess the effect of product development on hotel industry. The study applied the Resource Dependency theory and the Resource Based theory and adopted a descriptive survey research design on a target population of 220 in the hotel industry in Eldoret town. A sample of 112 respondents was drawn proportionately from four categories of hotels using stratified random sampling technique. A semi-structured questionnaire was administered to collect the required data. Data was analyzed using both descriptive and inferential statistical techniques with the aid of a computer software known as Statistical Package for Social Sciences (SPSS) version 20. Multiple regression analysis was used to analyze the data. Findings were presented in frequency Tables. The study established that outsourcing, distribution alliance, technological alliances and product development had increased the hotel sales, profits, product/service quality and reduction of costs. Further, strategic alliance had increased market share and gained competitive advantage. The study also established that the hotels have improved proximity to customers and faster and easier market penetration due to strategic alliance. The findings of the study will be of benefit to hotels with limited resources and exposed to growth opportunities as they will be able to appreciate the role of strategic alliances in leveraging on large firms' resources for profitability, growth and expansion.

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LIST OF ABBREVIATIONS

CEOs	-Chief Executive Officers
CO	-Controlling Orientation
CRS	-Computer Reservation Systems
EU	-European Union
EUREKA	-European Initiative for Collaborative Research
GDP	-Gross Domestic Product
GDSs	-Global Distribution Systems
ICT	-Information Communication Technology
MNCs	-Multi-National Corporations
RBV	-Resource Based View
RDT	-Resource Dependency Theory
RJVs	-Research Joint Ventures
SMEs	-Small and Medium-sized Enterprises
TCE	-Transaction Cost Economics
WTTC	-World Trade and Tourism Council

OPERATIONAL DEFINITION OF KEY TERMS

Distribution refers to one hotel agreeing to distribute products of other hotels

Firms refer to business organizations such as sole proprietorship, partnership and limited companies.

Firm growth refers to improvement in amount of sales, profits, and market share

Hotels refer to business organizations that offer lodging, meals, entertainment and other services to guests.

Market share refer to hotel's percentage of sales within the entire market in which it operates.

Medium enterprises refers to hotels that have between 51 and100 employees

Outsourcing is letting other hotels perform a needed service or produce needed products.

Profitability refers to the ability of hotels to generate earnings from its operations as compared to its expenses.

Product Development refers to the process of designing, creating and marketing new products or services to benefit customers, and to improve the earlier features or techniques or systems.

Small enterprises refer to hotels that have between 10 and 50 employees.

SMEs refer to independent firms with less than 100 employees.

Strategic alliance refers to an agreement between two or more organizations to cooperate in a specific business activity, so that each benefits from the strengths of the other, and gains competitive advantage. In this study, strategic alliance implies agreement between hotels in Eldoret town to cooperate in terms of technology, outsourcing, distribution and product development in order to gain competitive advantage.

Technological alliance refers to shared technology among the hotels within Eldoret town.

CHAPTER ONE
INTRODUCTION

1.0 Overview

This chapter gives the background to the study, statement of the problem, and study objectives. It also contains hypotheses, significance of the study, scope, limitations, assumptions and ethical considerations.

1.1 Background to the Study

Eldoret town is located in western Kenya and is the administrative center of Uasin Gishu County. It is a major business hub with numerous light and major industries and vibrant, fast growing activities such as banking, telecommunication and hospitality. It is one of the fastest growing towns in Kenya and has more than 200 hotels. The town is the hometown of legendary Kenyan athletes and is, therefore, a sport tourist attraction region with annual athletic event. It is a high altitude area suitable for running and training for international races, Kiprutto, Sitati and Ngoriarita,(2012). The sport events can positively impact on the performance of hotels.

Hospitality Industry, which majorly consists of hotels and restaurant chains and related services, is one of the largest service industries in the world. Research indicates that this industry comprises of almost 75% of the total market size (India SME.in, 2009).

Tourism and hospitality benefits local economies substantially by improving foreign exchange earnings, creating employment and investment opportunities, increasing government revenues, developing a country's image, and supporting all other sectors of the economy as well as local communities. Most countries in Africa have realized that the development of hospitality industries is also important for economic diversification

Tourism sector in Kenya has been one of the key economic drivers generating approximately 10% of the country‘s GDP and 9 per cent of total formal employment. In 2011 for instance, the sector‘s contribution to the country‘s GDP rose by 32.8 per cent from KSh 73.7 billion in 2010 to KSh 97.9 billion (KNBS, 2012). Its contribution to Kenya‘s economy as a percentage of the total exports has always stood above 15%, climaxing at 22 % in the year 2007 (World bank, 2012). In the year 2010, the sector contributed 18.2% of all the country‘s export revenues. Despite the fact that tourism is an important activity in Kenya, only 2% of the tourists visit Western Kenya (GOK 2004).

Although local tourism industries in Africa are still characterized by a large number of small and medium-sized enterprises (SMEs) (Dieke, 2003), they are among the fast expanding industries in the world and are important top foreign earners for Kenya, (Kenya Vision 2030). Beside this, tourism activities are one of the six key drivers for achievement of the economic vision. The hotel industry has flourished due to tourism and a large number of hotels are regularly coming up to provide accommodation to the tourists visiting kenya for a holiday, Kuria Wanderi and Ondigi,(2011). Though these SMEs serve useful functions in tourism (such as the development of linkages, providing personalized service, among others), most of them are faced with numerous challenges, with many of them operating at the margin of survival (UNCTAD, 2008). They also lack the requisite experience to run tourism business along modern management principles. Further, the nature of tourism demand renders them uncompetitive as they are unable to capitalize on the advantages that accrue from the economies of scale. Again, their limited resource base makes this objective hard to achieve (Dieke, 2003). Kamau & Waudo (2012) found that Hotel industry in Kenya is in a high competitive market. New five star hotels have come up leaving small and medium size hotels struggling to maintain their market share. Ayele (2012) argues that despite the high quality of Kenyan hotels, competition for resources and market share in the hotel industry in Kenya is very high.

Strategic alliances are not only trading partnerships that enhance the effectiveness of the participating firms' competitive strategies by providing for mutual resource exchanges (technologies, skills, or products), but they are various new business forms that enable the partners to enhance and control their business relationships in various ways as found out by Todeva, 2005. As noted by Chathoth and Olsen (2003), alliance strategy in the hospitality industry to this point has been restricted to global and domestic market entry strategies developed by firms like Holiday Inn and Hilton, centered on franchise agreements, joint marketing efforts and management contracts.

Although these contractual agreements can be considered alliance agreements, they have not evolved over time to bring about parity in risk sharing between partners. For instance, management contracts have evolved from non-equity contracts to equity contracts, which are in contradiction to the theory of collaborative ventures, and contradict the direction of evolution when compared to other industries. Reasons can be attributed to opportunism that restricts the evolution of alliance contracts from equity to non-equity agreements.

One of the major benefits of the development of the hospitality industry in any economy is the provision of employment (Kusluvan, 2003). In Kenya, the hospitality sector alone catered for over 509,000 jobs in 2007, a ten percent of total employment (WTTC, 2006). A large number of hotels are regularly coming up in Kenya to provide accommodation to the tourists visiting for holiday (Kuria, Wanderi & Ondigi, 2012). This study sought to establish the effects of strategic alliance on the growth of hotel industry in Eldoret town.

1.2 Statement of the Problem

Growth is necessary for firm survival in a competitive market environment. In the 21st century, competition has become tough and unpredictable among organizations. Strategic alliances are expected to enable firms to achieve their targets within the required time. Strategic alliance ought to bring benefits to firms that enhance survival and growth. In Kenya, hotels are significant in generating employment and income, but past statistics indicate that they face stagnated growth and some have even closed (Shikuri and Chepkwony, 2013). Wandongo et al.,(2010) researched on key performance indicators in hospitality industry in Kenya and concluded that managers monitor competitiveness and financial performance but failed to look at how strategic alliance can be used to improve competitiveness and financial performance. Shikuri et al., (2013) investigated the challenges facing the hospitality industry in Kericho Kenya and found that the main challenges are shortage of competent manpower, financial constraints, high competition and problems with suppliers. The study failed to address the solutions to these challenges through strategic alliances. Despite the benefits that strategic alliances bring to organizations, there is limited literature on the actual contribution by such alliances to the growth of hotels. This study therefore fills the gap in literature with respect to growth of the hotel industry which has been understudied in Kenya. The study was done in Eldoret town as a case study for other hotels in the country.

1.3 Objectives of the Study

The general objective of the study was to assess the influence of strategic alliances on growth of hotel industry in Eldoret Town. This study was guided by the following specific objectives:

i. To determine the effect of outsourcing on growth of hotel industry in Eldoret Town.
ii. To evaluate the effects of distribution alliance on growth of hotel industry in Eldoret Town.
iii. To determine the effect of technological alliances on growth of hotel industry in Eldoret Town.
iv. To assess the effect of joint product development on firm growth in hotel industry hotel industry in Eldoret Town.

1.4 Hypotheses

$H0_1$: There is no significant effect of outsourcing on growth of hotel industry in Eldoret Town.

$H0_2$: Distribution alliance does not contribute to growth of hotel industry in Eldoret Town.

$H0_{3:}$ Technological alliance has no significant effect on growth of hotel industry in Eldoret Town.

$H0_{4:}$ Joint product development has no significant influence on growth of hotel industry in Eldoret Town.

1.5 Significance of the Study

This study will be of great importance to several stakeholders. First, the hotel industry will be able to use the findings in engaging in strategic alliances and be able to address the possible challenges encountered in such collaborations for the sake of business growth. Secondly, hotels with limited resources and exposed to growth opportunities will be able to appreciate the role of strategic alliances in leveraging on large firms' resources for profitability, growth and expansion. Thirdly, the government agencies through the ministry of trade and County government will create conducive environment for the adoption of strategic alliances in the hotel industry for better service delivery to its citizens. Lastly, the society at large will be able to benefit from the expanded opportunity of strategic alliances by participating as buyers, sellers, suppliers and partners for the sake of enhanced socio-economic and political harmony. The society will benefit from the expanded opportunity of employment creation for the ever increasing number of un-employed youths.

1.6 Scope of the Study

The study covered all firms in the hotel industry operating in Eldoret town. The respondents to this study were managers or owners of the hotels. The data collected measured hotel growth which was measured using sales, profits and market share. The responses were solicited based on a likert scale pertaining whether strategic alliances influence hotel growth using the variables considered for the study. This study was carried out between November 2014 and January 2015.

1.7 Limitations of the Study

Some of the hotel owners/ managers were not willing to provide full information of strategic alliances they engage in for fear of exposing their competitive strengths to rivalry firms. However, the researcher showed them relevant documentation for introduction and permission to carry out research for academic purposes.

1.8 Ethical Considerations

The researcher got due authority from the University before carrying out the study. The consent of the respondents was sought before administering the questionnaire and they were assured of confidentiality and that their identities would not be disclosed. Each respondent was supplied with an envelope to seal the filled questionnaire and return only to the researcher.

1.9 Assumptions

The study assumed that most of the respondents were able to read and write and were aware of the importance of engaging in strategic alliances. The study also assumed that the respondents would co-operate in sharing the information about their businesses openly and as accurate as possible.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents theories and models used in the study. It explains the concept of hotel growth and the forms of strategic alliances adopted by hotels and their effect on hotel growth. It also presents the conceptual framework for the study.

2.1 Review of Theories and Models

The study adopted Resource Dependency Theory (RDT) and Resource Based Theory (RBT) to explain the recent behavior of business firms getting into strategic alliances. This theory was formulated by Aldrich and Pfeffer (1976) and it postulates that even though all firms have specific internal resources, most of such firms are not self sufficient and therefore, must depend on external resources to support their operations and aspirations (Grewal and Dharwadkar, 2002). The deficiency in one or more strategic resources or core competencies is seen as a key force driving business firms to forge strategic alliances in order to reduce uncertainty and risks of bankruptcy (Glaister, 1996). According to Aldrich(1999), business firms have varying degrees of dependency on resources from external environment and they face varying degrees of uncertainty in resource acquisition and therefore, inadequate control of the macro environment may interfere with the achievement of organizational goals and ultimately threaten the existence of such firms (Scott, 1998). In view of this situation, most business firms focus their efforts to effectively maintain mutual trust with the external environment to ensure sustainable resource availability.

The theory further states that a firm can increase its management of the external environment through the following strategies: i) altering organizational interdependence through integration, merger and diversification; ii) establishing collective structures to form a negotiated environment; and iii) using legal, political or social action to form a created environment (Pfeffer & Salancik, 1978). Based on this theory, proponents views that firms should seek to proactively control the resources in order to achieve organizational effectiveness. Therefore, choosing appropriate strategies to proactively influence and control the environment should be considered in strategic decision-making. This would then create an option for the firm to contribute or withhold an important resource, which can then be used as leverage in bargaining with its partners or customers.

Resource Based Theory explains the underlying reasons for alliance formation. It originated from Penrose in 1959, and emphasized by Barney (1991) and Grant (1991). It claims that every firm has a bundle of valuable resources that it applies to achieve competitive advantage over its competitors. The resources are valuable, rare, inimitable and non-substitutable. They are also varied and necessitate that a firm partners with another to utilize them. These resources include assets, capabilities, organizational processes, knowledge and information. The theory suggests that the reason for alliance formation is the value creation potential of firms' resources that are pooled together towards attainment of competitive advantage (Das & Teng, 2000a). RBT is, therefore, relevant for studying alliances because firms use it to access valuable resources that they don't have which are rare, inimitable and cannot be substituted.

Hotels are knowledge based service firms that depend on transfer of valuable resources that are a source of competitive advantage from other firms. Resources include competences, such as quality, which provide skills and capabilities necessary for provision of quality services that build customer loyalty; physical competence, which enable firms to build and design physical facilities that are comfortable and of good quality; and organizational competencies that enable the firms compete effectively, such as procedures and policies. The resources in the theory are rear and imitable. A firm can possess such resources but may not be sufficient and hence need to embrace the RDT.

2.2 Concept of hotel growth

Hotels in most countries in the world are considered to be the backbone of healthy economies. Their growth is a fundamental component of economic development, while in Africa they are viewed as key drivers of economic and social development and generate much wealth and employment and are widely considered to be vital to a country’s competitiveness (Kiraka, Kobia and Katwalo, 2013). Given favourable business environment, they can grow into larger organisations, changing the game locally, carving their niche in the global market. But even in their current state, they can create significant income opportunities for their workers and generate new tax revenues for government (International Finance Corporation, 2011). They do so by boosting their productivity and sales and supplying increasingly valuable goods and services.

Hospitality Industry, which majorly consists of hotels and restaurant chains and related services, is one of the largest service industries in the world. Research indicates that this industry comprises of almost 75% of the total market size (India SME.in, 2009). Historically viewed as an industry providing a luxury service valuable to the economy only as a foreign exchange earner, the industry today is one of the major employment generators not only in India but also globally (Crotts *et.al*, 2000). Global hospitality industry together with travel and tourism industry is estimated to be around 3.5 Trillion dollar and generated approximately 231.2 million jobs in year 2007. Similarly the proportion of small and medium size hotels in the tourism industry in Malaysia is estimated to be around 70% of the total number of hotels (Mastura, *et. al.*, 2010).

The growth of hospitality industry is attributed to the growth of travel and tourism industry. And like tourism industry, hospitality industry is also cyclical in nature and highly susceptible to macro environmental changes. Till 2007/08, the industry was showing a high growth rate but the year 2008/09 has been a year of challenge. This is majorly because of the decline in international tourist arrivals due to the impact of the global economic recession and slowdown (Crotts *et.al*, 2000).

The hotel industry in Kenya is closely connected to the tourism industry as both sectors are key stakeholders in the two industries combined, and rely on each other to sustain their operations Okombo (2013). According to economic survey (2012) the two industries have recorded high growth. For instance Kenya's foreign exchange earnings increased by 32.8 per cent from KShs.73.7 billion in 2010 to KShs.97.9 billion in 2011; while international visitor arrivals, mostly holidaymakers, rose from 1.6 million in 2010 to 1.8 million in 2011, a rise of 13.3 per cent. New hospitality establishments have also been developed in many parts of the country to cater for the increased numbers of foreign visitors and domestic travelers. The hotels and restaurants sector recorded growth at 5.0 per cent in 2011 compared to 4.2 per cent in 2010 (Kenya Economic Survey, 2012).

2.3 Concept of Strategic Alliances in Hotel Industry

Firms that use alliances as a source of competitive advantage take strategic measures to improve their profitability as the alliance progresses, which lead to the evolution of the contractual agreement between partnering firms (Chathoth, *et. al*., 2003). This evolution could be based on size, governance mechanisms, and/or resource sharing agreements with the objective of making the alliance more efficient and profitable. This provides support to the theoretical underpinnings of concepts such as Transaction Cost Economics (TCE), Resource Based View (RBV), and the relational view.

The hospitality industry has witnessed the use of alliance strategy in the past that has been centered predominantly on franchise agreements. Many examples of franchise agreements exist in the industry, used domestically as well as worldwide by lodging and foodservice chains (Chathoth, *et.al.*, 2003). In a hospitality franchise agreement, although the two firms involved typically share assets, the risk exposure is not equally shared. The franchisor is exposed to lower risks than the franchisee, who meets the infrastructural requirements of the agreement. The franchisor meets the product, technology, marketing and training aspects of the agreement for a fixed and/or variable fee. Although the variable component of the fee changes with the level of sales, the reduced risk exposure is balanced by the fee's fixed component. On the other hand, the franchisee's return depends purely on the cash flow generated by the franchise operation. The franchisor usually has the upper hand in the agreement. Consequently, these types of contracts do not create parity in the agreement between the franchisor and franchisee.

In the case of hospitality outsourcing (management) contracts, the property owner provides the infrastructure requirements, while the operator provides management expertise. The contractual relationship between the owner and the operator is such that the operator is given exclusive rights to manage the property, while the owner assumes the venture's financial risks (Eyster, 1997). The operator's main objective is earning management fees that are a percentage of revenues (Alexander & Lockwood, 1996; Eyster, 1997), whereas the property owners are concerned with net operating cash flows (Eyster, 1997). Although both firms combine specialized assets, the value of the operating company's expertise has more perceived value than the value of the infrastructural requirements provided by the owner. Eyster (1997) suggests that management contracts in the US have shown some evolutionary trends, as owners have used various measures to reduce their share of risks while getting operator firms to bear greater risks. Consequently, these measures may result in the development of more balanced alliance contracts in the future.

Hotels and restaurant companies will form more strategic alliances in the future as they become financially unviable (Strate and Rappole, 1997). Restaurant companies would run the restaurant to generate profits for the hotel. Development of these types of alliances suggest that alliances between firms that specialise in certain products and services (across segments) will be driven by the objective of sharing resources and capabilities to minimise firms' risk exposure while increasing their long-term aggregate returns.

An example of the evolution of marketing alliance in the lodging industry is depicted by the competitor alliance that involves seven hotels in the Greens point area in Houston, Texas (Strate and Rappole, 1997). This alliance is aimed at creating a combined marketing effort to attract customers to the area as a result of shrinking hotel sales. Customers benefit from such alliances as they can avail of services; for instance, call free of charge those hotels that form a part of the alliance and use free shuttle services of the hotels. The benefits that this alliance has brought about are reflected in the increased revenues earned because of combined marketing efforts (Whitford, 1998). The hotels on the other hand benefit as this not only helps increase sales and provide better customer service but also helps reduce costs. Other strategic alliances include joint venture which is an agreement by two or more parties to form a single entity to undertake a certain project (Margarita, 2009). Each of the businesses has an equity stake in the individual business and share revenues, expenses and profits. Joint ventures between small firms are very rare, primarily because of the required commitment and costs involved.

Outsourcing is another form of alliance. The 1980s was the decade where outsourcing really rose to prominence, and this trend continued throughout the 1990s to today, although to a slightly lesser extent. Affiliate Marketing has exploded over recent years, with the most successful online retailers using it to great effect. The nature of the internet means that referrals can be accurately tracked right through the order process. Amazon was the pioneer of affiliate marketing, and now has tens of thousands of websites promoting its products on a performance-based basis. This can be used by the hotel industry in Kenya in order to enhance the quality of services provided to the customers with the aim of increasing customer retention.

2.4 Link Between Strategic Alliances and Hotel Growth

A study by Schmitz (1998) looked at the relationship between firm performance and the intensity of cooperation in a footwear cluster industry. Using cooperation and performance indexes, he found a positive relation between the two and concluded that those firms that had improved cooperation had improved their performance more than those firms that did not. He stresses, however, that this is no evidence of a cause-effect relationship. Benfratello and Sembenelli (2000) tested whether participation in EU-sponsored Research Joint Ventures (RJVs) had a positive impact on participating firms' performance. They found that firms participating in EUREKA had a significant improvement in productivity and price cost margin, while firms participating in RJVs under the Framework Programmes did not show any significant change in performance.

However, a study by Mowery, *et al.*, (1996) examined how collaboration changed the relationship between a firm's technological portfolio and those of its alliance partner(s), using the citation patterns in a firm's patent portfolio as the assessment variable. They concluded that there was no consistently positive pattern of inter firm learning in their overall alliance sample. The type of alliance has an influence on the transfer of technology, joint ventures being the most effective. International alliances produce less inter firm exchange of technological capabilities and larger firms appear to absorb fewer capabilities from their alliance partners.

Stuart (2000) offers evidence to confirm the assumption that strategic alliances can improve firm performance. By analyzing the patent rate and the sales growth rate, Stuart concluded that more important than the number of alliances a firm is involved with for the alliance-performance link are the partners' attributes. Technology alliances with large and innovative partners improved baseline innovators and growth rates, but collaborations with small and technologically unsophisticated partners had an immaterial effect on performance (Stuart, 2000).

The only study that attempted to quantify the benefits achieved by firms in currency units was that done by Beta (1993). He established that the direct and most of the indirect benefits (i.e. whether or not they were related to the research project objectives) were expressed in terms of added value generated by sales or cost reductions. This was only partially successful because one-third of all effects identified by firms could not be measured and some of the measurement assumptions are questionable. Further, since the purpose of the Beta study was to assess only the economic effects for the participant, everything was quantified in currency units and, as a result, other important information has been lost or hidden in the course of the quantification process.

The BIE (Bureau of Industry Economics (1995) assessed the impact on performance (employment levels, turnover, profits, productivity, and exports) on competitiveness (technology, quality, price, customer service) of respondent firms to a mail questionnaire. Firms were invited to indicate how the key arrangement (i.e. the one firms believed to be their most important) has affected, (in per cent) those indicators over the three years prior to the study. It found that cooperative arrangements can and do play an important role in improving the performance and competitiveness of Australian manufacturers. In general, the key cooperative arrangement provided improvements for the bulk of firms, regardless of industry, size, age, and product type. The current study was concerned with the growth of the hotel industry through strategic alliances. It was expected that through strategic alliances, hotel industry in Kenya will be able expand its market share and increase the sales and profits.

A study by Coughan and Sulluvan (2000) on the longitudinal distribution alliance in the international pharmaceutical industry revealed that certain environmental constraints as well as strategic motivations affect entrant firms' choice to form alliances. The results indicated that a certain level of dependence is required to achieve a successful alliance for both partners. However, too much dependence can affect the alliance satisfaction. Prakash and Olsen (2003) researched on strategic alliances; a hospitality industry perspective, study on how hotel's brand equity can be affected by customer's perception to alliance companies and how this impact varies according to the type of vertical integration.

The findings showed that strategic alliances are adopted because they increase the efficiency of costs and maximization of effects of marketing and improves the image of the company by sharing image assets, especially if customers are satisfied with the alliance company. Nasser (2011) found out that South African Independent three star and above hotels were interested in forming strategic alliances. Findings revealed that there were no financial effects through the alliances and that the hotel preferred niche personality and potential non-financial relationships, and try to avoid economic and cultural integration and not interested in shared managerial control with other firms.

A study by Faith Kosgei, 2013, on strategic alliance in Sarova Group of Hotels indicates that strategic alliance is flourishing in hospitality industry and that this is motivated by the need for political risk reduction, knowledge sharing, and performance improvement among others among others. Findings revealed that Sarova Group of Hotels have joint management and outsourcing alliances. They cooperate among themselves and with other hotels and airlines on marketing and advertising of their product. Results showed that strategic alliance led to substantial increase in occupancy and average room rate. It also led to increase in the ability of the alliance parties to compete with other chain of hotels, increase in market share, decrease in marketing and advertising costs and growth in the hotels' reputation with greater economic strength. The alliance however experienced problems of disagreement among the partners conflict management among the employees who were not ready for change.

A study by Lee and Kim (2009) established that customers who trust the alliance companies perceive more strongly that the hotel's image is friendly. The image of both companies is enhanced when customers perceive the image of both companies as the same. Therefore, strategic alliance can be used for public relations. If the image is negative, it brings a negative image to the hotel company. The image of the company is mostly linked to overall firm growth which was the concern for the current study.

2.5 Firm Growth and Strategic Alliance

It is a fact that the growth of firms is a fundamental component of economic development. Their development has been one of the strategic efforts by the government of Kenya to stimulate economic development based on the notion that small businesses form the context within which entrepreneurial activity takes place (Oluoch, 2007; ROK, 2005). Recognizing this fundamental role small businesses play in the Kenya economy, the Government through Kenya Vision 2030 envisages the strengthening of SMEs to become the key industries of tomorrow by improving their productivity and innovation (Ministry of Planning, National Development & Vision 2030, 2007).

However the sector faces many challenges that make it difficult for it to realize its full potential and deliver to the government expectations. These include limited market access, limited access to information, finances and technology and unfavourable policy and regulatory environment among others (GOK, 2005). Their large number has also increased competition, technological changes and rapid changes in customer requirements, and this demands strong market orientation if the SMEs are to be successful (Shiu & Walker, 2007). SMEs face difficulties accessing markets due to limited market information, poor marketing capacity and poor market research leading to a discrepancy between the supply and demand (KIPPRA, 2006). The best SMEs cannot stay competitive in the market if they go it alone. Their ability to survive in an increasingly competitive global environment is largely dependent upon their capacity to form alliances.

2.5.1 Effect of Distribution Alliance on Hotel Growth

This is a situation where one firm agrees to distribute products of other firms Išoraitė, (2009). It occurs when a firm forms a partnership that allows another to use the channel resources of another firm in the target market. It is usually formed because the businesses involved want more customers. Distribution alliances seek to increase the number of sale points for a product or service and ensures that customers encounter one's products or services.

The supplier and distributor work together in marketing, sales and delivery, for instance, Coca cola supplies its raw materials to bottling companies but supports the sales through mass marketing campaigns and providing signs, banners, coolers etc. to retailers all over the world. Morrison (1994) argues that small hotel firm links with organizations within both the private and public sector to distribute its product. If one business has a product but lack distribution, it may seek synergy by allying with a company that has good distribution and no competing product (Entrepreneur Media, Inc., 2014).

If a firm has a product one of the best ways to market it is to recruit distributors, where each one has its own geographical area or type of product. This ensures that each distributor's success can be easily measured against other distributors Išoraitė, (2009). This is supported by Chernesky (2006) who argues that a company with a product may form an alliance with another company that has an established distribution system that the first company cannot create for itself without incurring great cost and delay in market penetration. He gave the example of Avon Products and Readers' Digest that have well established direct distribution channels with customers. These two companies have explored synergies for marketing a number of different products, through one another's distribution systems. Therefore, to penetrate a particular market, a firm needs to perform the proper business development, which includes setting distribution channels to give direct access to the target market.

Studies by Alison (1994) gave two types of marketing /distribution systems. The first is vertical system, which involves co-ordinated distribution linking producers with wholesalers and retailers. It also refers to alliances between a hotel and other types of companies than hotels such as airline companies, travel agencies, rent cars, restaurants, shopping stores, and card service companies. This is designed to achieve operating efficiencies and marketing effectiveness and has become a dominant force in the process of hotel product distribution. The second is horizontal marketing system which involves horizontal clustering of similar/related business entities. It is alliances between hotels, which include typical forms of cooperation between hotels such as chains, management contract, franchise and referral groups (Nykiel, 2003).

Distribution is centered on co-operation, and joint marketing services such that the stages of production and distribution are administered collectively by the individual members of voluntary chain integration. Alison(1994) further adds that for small firms in hotel industry, the specific choice of distribution channel and its configuration should reflect the identification of more efficient ways to combine separate economic functions, that must be carried out to provide a meaningful assortment of products to target customers. This approach leads to the concept of the distribution channel as an extension of a firm's organization, being used as a co-operating weapon to achieve competitive advantage. Therefore, he adds the pretence of a small firm as a legal entity is dropped, and the channel members are treated as partners in a deliberately designed, and managed, strategic alliance. The studies presented deal with situations outside Kenya. However, the current study sought to establish whether distribution alliance has an effect on the growth of hotel industry in Kenya.

2.5.2 Effect of Technological Alliance on Hotel Growth

Although the hospitality industry does not have specific technology cooperation agreements, it is an industry that has been relatively neglected by researchers on the contribution of strategic alliances to technology-related knowledge development (Pansiri, *et. al.*, 2011). He adds that given the extraordinary development in many technologies since 1993, especially the use of information and communications technologies (ICT), and the significant increase in the use of such technologies in the tourism industry, there is a clear need to investigate the impact of strategic alliance on technology-based knowledge in tourism. However, Go, Govers and Heuvel (1999) postulate that technologies first penetrated tourism industry sector by beginning with airlines, hotels, car rentals, travel agencies, and now destinations.

The tourism industry has embraced technology because it provides the sector with the opportunity to improve its interaction with their consumers and stakeholders because more people use ICT, including Computer Reservation Systems(CRS), Global Distribution Systems (GDSs) and the internet to locate and purchase tourism and accommodation products (Buhalis, 1999). Evans and Peacock (1999), study indicates that there is high domination of ICT and online reservation systems by the major travel and tour operators and integrated chains such as hotels, car hire, tour operators, travel agents and transport carriers. However, the study also found that Small to Medium sized Enterprises (SMEs) had problems of accessing such systems meaning that most tourist SMEs used the relatively low technology such as, telephone, fax, email and internet/web for reservation/booking by customers.

Another contribution to technological alliance was made by Hagedoorn (1993) who investigated nearly 10,000 technology cooperation agreements and found that that gaining specific technology-related knowledge was the main motive for strategic alliance in high-technology sectors, whereas in the other sectors it was more to do with using technology for market access, developing new products and monitoring the business environment. Toshiba firmly believes that a single company cannot dominate any technology or business by itself and saw the need to develop relationships with partners for different technologies and this helped it to become one of the leading players in the global electronics industry (Išoraitė, 2009).

Information Technology (IT), such as the Internet, intranets, and central reservation systems, is one of the crucial technology investments that are often made by hotels to improve performance (Wong & Kwan, 2001), while Siguaw, *et. al.*, (2000) argued that IT decisions improves performance and can create a competitive advantage. Ham, Kim & Jeong (2005) studies on the effect of IT applications on the performance of lodging operations and finds out that the installation of computer applications in the front office could improve performance of hotels. Townes (2003) adds that the internet and new technology applications transforms global business through using alliances and outsourcing arrangements, rather than owning and operating every aspect of a business alone. He argues that hospitality and leisure companies will turn to networks that more deliver capabilities in non-core functions, including ICT with a view to offering a better quality product and a more customized guest service with lower costs.

The above findings are supported by Pansiri *et. al.*, (2011) who adds that technology facilitates marketing, as well as the creation and distribution of tourism products and that most tourism companies are SMEs who lack capital investment and specialist training to acquire and manage technologies successfully, and therefore, forming alliances either with partners who are able to offer new technologies that include online reservation systems by major travel and tour operators and integrated chains such as travel agencies or with other SMEs with a view to bringing together scarce resources, are important aspects of achieving technological capabilities that because of size they would be unable to accomplish on their own. Therefore, technological alliance helps in the development of competitor alliances, which will also help in increasing the productivity and profitability of incumbent firms (Chathoth, *et. al.,* 2003). Technology-based strategic alliances have been associated with spreading the risk of developing new products (Pansiri, *et. al.*, 2011). Howarth, Gillin and Bailey (1995) maintain that a typical example technological strategic alliances are consortia that provide benefits to member organizations by spreading the risk of developing new products and processes because they involve many organizations across different industries.

2.5.3 Effect of Outsourcing on Growth of Hotels

Outsourcing is letting other organizations perform a needed service or produce needed products. It is contracting of services in order to minimize or limit the resources that would normally be required to perform business functions internally, thereby reducing costs and freeing up time and resources to other functions. Contractor and Lorange (2002), argues that outsourcing is a long-term strategic alliance governed by contract and is used by companies to improve their ability to concentrate on the core competencies and has helped companies gain competitive advantage by allocating resources to develop new tools, technologies, methodologies and procedures.

Mowla (2012) argues that outsourcing is the simplest form of strategic alliance and is a contractual arrangement which is short-term and is appropriate when informal management structure is not required. He gave license agreements, marketing, promotion, and distribution agreements, development agreements, and service agreements as examples of outsourcing strategic alliances. His studies in manufacturing sector found that companies use outsourcing by arranging with other firms to manufacture or assemble parts of a product or even the entire product, while marketing of the products remain the responsibility of the company. He gave motivating factor behind this arrangement as to save on costs and added that the benefits of outsourcing include small amount of exposure to political and economic risks for the company. It also allows the company to focus on its core competencies and leave the outsourced activity to others. Other benefits that he gave are access to external expertise, and less demand on the firm's resources such as capital and staff. Initially organizations outsourced non-strategic activities but increasingly many companies are today outsourcing business critical resources and activities (McFarlan & Delacy, 2004).

Outsourcing, therefore, covers technology, administration, customer service, finance, human resource, real state, sales and marketing, distribution and transportation, and leads to improvement in performance by providing value to the customer in terms of productivity, quality, service and speed, hence offering a greater performance at lower cost. Erdly and Kesterson (2003) add that outsourcing is a preferred arrangement for firms, rather than owning and operating every aspect of the business. They argue that hospitality and leisure companies will turn to networks that more efficiently deliver capabilities in non-core functions, including certain parts of the supply chain, finance, human resources, ICT, and other areas with a view to offering a better quality product and a more customized guest service with a lower structure.

Outsourcing also involve management contract under which operational control of an enterprise is vested by contract in a separate enterprise. In the case of hospitality management contracts, the property owner provides the infrastructure requirements, while the operator provides management expertise (Chathoth, *et. al.*, 2003). The operator is given exclusive rights to manage the property, while the owner assumes the venture's financial risks (Eyster, 1997).The operator earns management fee that is a percentage of revenue generated by the business, while the owner of the business is concerned with the net operating cash flow. Although both firms combine specialized assets, the value of the operating company's expertise has more perceived value than the value of the infrastructural requirements provided by the owner.

Literature reviewed under this section emphasis on outsourcing in the manufacturing sector. The current study sought to establish whether outsourcing has an influence on the growth of hotel industry in Kenya. This was to bridge the gap that existed at the time the study was conceived.

2.5.4 Effect of Joint Product Development on Growth of Hotel Industry

In all levels of development product innovation is perceived as the key success factor for economic growth and employment (Steffen, Gunter & Jurgen, 2005). Product development is the process of designing, creating and marketing new products or services to benefit customers, and to improve the earlier features or techniques or systems Akrani, (2012). Consistent product development is a necessity for companies striving to keep up with changes and trends in the market place to ensure their future profitability and success. Laforet (2008) found that many business organizations seek new ways of conducting their business through innovation in order to make profit and stay ahead of the competitors.

Liu (2003) found that successful product development fulfils customer needs by creating quality and generates profits to the shareholders. This is supported by Rameshwar (2013) who found that product development is done to keep up with market trends, to achieve competitive advantage, for growth and to keep new and old customers. He adds that approximately a third of revenue a business generates is from products they didn't have five years ago. Product development involves creating items that fulfill particular consumer needs or characteristics such as products that are high-quality or low-cost; products that provide the consumer with speed or flexibility; or products that offer some other form of differentiation that makes them a desirable purchase.

Product development for firms help to replace declining product, take advantage of new technology, defeat rivals , maintain/increase market share, maintain competitive advantage and to fill gaps in the market(Rameshwar, 2013). Therefore, to survive in the global economy firms have to improve their products and exploit their intellectual capital in a network of knowledge-intensive relations inside and outside their borders (Corso, Pellegrini & Paolucci, 2003). Nunes, Annansingh and Eaglestone (2006) found that if SMEs have to survive in their technological and innovation base they have to create, share and disseminate knowledge within themselves. Dickson and Hadjimanolis (1998) found some evidence that companies performing at the local strategic network are more innovative than those operating on their own in the name of self-sufficiency.

In a world of competitive business companies in hotel industry need to improve service to customers in order to survive. In most instances such improvements may require product enhancement which goes beyond the core business of the company, Crotts et al.,(2000). Kiprutto et al., (20120) stated that problems relating to product development have been found to hold back tourism development in remote destinations. One way to address these problems is to form strategic alliances. Through alliances, firms can gain market dominance and global reach that are beyond the resources of one firm to create and sustain alone, Crotts et al (2000).

2.6 Conceptual Framework

Common strategic alliances engaged by SMEs include joint ventures, management contracts, distribution and technological alliances. Firms can engage in a number of strategic alliances depending on the size, product/service and age. All in all strategic alliances if well founded and articulated can influence both financial and non-financial parameters of the firm. Financial indicators of performance that may be influenced include productivity, sales, profit and market share while non-financial indicators may include customer satisfaction and service of product quality.

The relationship between strategic alliances and SME performance can be conceptualized as indicated.

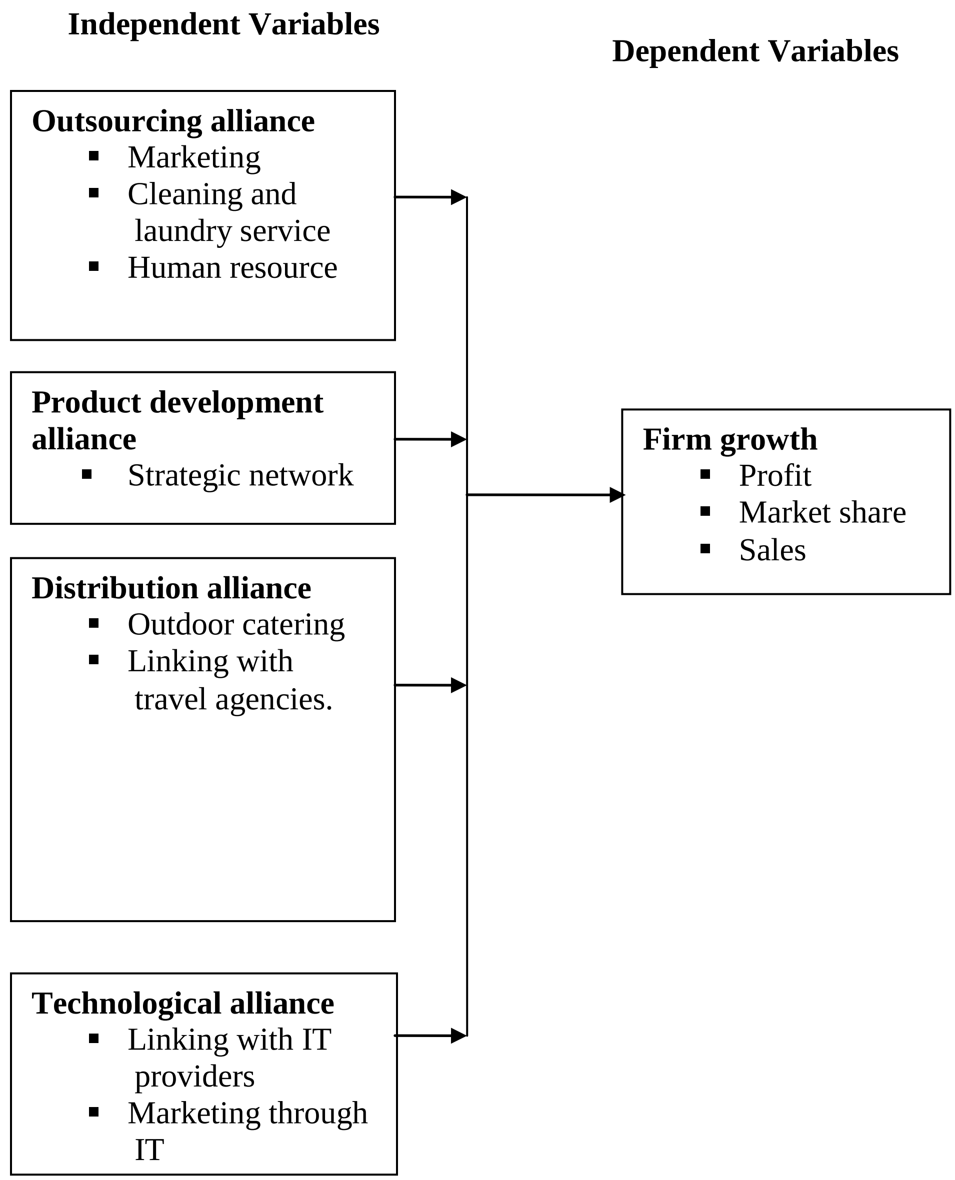

Figure 2.1 Conceptual Framework

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

This chapter discusses research design, target population, sample and sampling technique. It also describes the data collection instruments developed, validity, reliability, data collection procedures and the type of analysis used in the study.

3.1 Research Design

Research design refers to the plan of action that links the philosophical assumptions to specific methods (Creswell, 2003). The study adopted a descriptive survey research design. A descriptive survey research design was justified for this study because it captures the current perception of the population with regards to the variables of the study. The design was adopted because the population that was studied was too large to be observed directly and thus economically viable both in time and money of taking a sample of population to generalize results for the whole population, resulting to in-depth, rich and meaningful research findings.

3.2 Target Population

Data on the target population was obtained from Uasin Gishu County records. The records indicated that there were a total of 220 hotels and lodging firms that had operated for over three years in Eldoret town under category A, B, C and D as indicated in Table

3.1. Therefore, this formed the target population. The owners or managers were considered decision makers as regards adoption of strategic alliances in the management of the businesses. Therefore, they were targeted for response on behalf of their businesses.

Table 3.1 Target Population

Category	Size	Number	Specialization
A	Medium Small	18 16	Restaurant with Lodging
B	Medium Small	4 15	High standard restaurant and lodging
C	Medium Small	25 60	Lodging and breakfast only
D	Medium Small	28 54	Eating houses Restaurant and bar
Total		**220**	

Source: Uasin Gishu County government-ICT database, 2014

3.3 Sample size and Sampling Procedures

The Yamane formula (1961) was used in the calculation of the sample size.

The formula is given as;

$$n = \frac{N}{[(1+N(e)^2]}$$

Where n = sample size, N = population size and e = level of precision which is 0.05 for this case.

Substituting N= 220, e=0.05 in the formula gives 140. Because the population was composed of subgroups that were different in number, proportionate random sampling was used to select 140 hotels and lodgings by randomly selecting 21 from category A,13 from category B, 54 from category C and 52 from category D. This represented 63.6% random selection from each category based on Yamane formula. After selecting the 140 hotels and lodging, purposive sampling was used to select 140 owners/managers of the hotels as shown in table 3.2. Therefore the sample size for this study was 140 respondents.

Table 3.2 Distribution of Sample Size on Hotels and Lodgings end of 2013

Category	**Size**	**Target Population**	**Sample size**
A	Medium	18	11
	Small	16	10
B	Medium	4	3
	Small	15	10
C	Medium	25	16
	Small	60	38
D	Medium	28	18
	Small	54	34
Total		**220**	140

Source: Uasin Gishu county-ICT database, 2014

3.4 Data Collection Instruments

A semi-structured questionnaire was used to collect data. A semi-structured questionnaire is a set of questions that logically follow each other and questions are both open ended and closed ended (Brien, 1996), to which a respondent is expected to react usually in writing. Questionnaires have more advantage over other methods of collecting data because they are more efficient, less expensive and permit collection of data from a much a larger sample. They are also of particular importance in collecting information about a population in the fields of education and social sciences. They can also be used to collect information that is not directly observable since they, among other things, enquire about feelings, motivation, attitude, accomplishment, as well as an individual's experiences.

3.5 Validity and Reliability

3.5.1 Validity

Validity is the accuracy and meaningfulness of inferences which are based on the research results (Mugenda & Mugenda, 1999). Essentially, validity is concerned with establishing whether the questionnaire content is measuring what it is supposed to measure. Validity is the degree to which the empirical measure or several measures of the concept, accurately measure the concept. Content validity is a non-statistical method used to validate the content employed in the questionnaire in two ways. First the variables selected for this study were obtained from previous studies and tested for relevance. Secondly, experts in entrepreneurship, strategic management and finance were used in the selection of the study variables. The questionnaire was verbally double translated, first into Kiswahili and then back into English to cater for the respondents that were not conversant with English.

3.5.2 Reliability

Reliability is the degree to which an assessment tool produces stable and consistent results (Phelan &Wren, 2006). Test re-test was used to test the reliability of the research instruments. Piloting was done in a different group of respondents who did not participate in the actual study. The instruments were administered to the same group of respondents twice after an interval of two weeks. The responses were compared using Cronbach's alpha reliability coefficient which normally ranges between 0 and 1. From the pilot study, a correlation coefficient of 0.76 was obtained indicating a high reliability of the research instruments.

3.6 Data Analysis

Data analysis was done in line with the objectives of the study, which describe whether the variables affect growth of hotels. The study was in respect to more than two independent variables and therefore, multiple regression (Kothari, 2004) was used to determine the relationships. The following multiple regression model was used to explore the relationships among the variables:

$$Y=\alpha+\beta_1X_1 + \beta_2X_2 +\beta_3X_3+\beta_4X_4$$

Where X_1 is outsourcing,

X_2 is distribution alliance

X_3 is technological alliance

X_4 is product development

Y is firm growth

α is a constant implying the level of firm growth that does not depend on the four alliances investigated.

$\beta_{1,}$ $\beta_{2,}$ β_3 and β_4 are the coefficients of proportionality for outsourcing alliance, distribution alliance, technological alliance and product development respectively.

CHAPTER FOUR

RESULTS

4.1 Introduction

This chapter deals with data analysis, presentation, interpretation and discussion of the research findings. In the first section, descriptive statistics are used to provide background information of the respondents. The second section presents the analysis of the responses to the specific objectives of the study. The general objective of the study was to assess the influence of strategic alliances on growth hotels in Eldoret Town. The questionnaires were given to 140 respondents out of which 112 were completed and returned. Therefore the response rate was 80%.

4.2 Background Information of the Respondents

This variable was important since it enabled the researcher to obtain respondents' personal data in terms of gender, age, marital status, educational level, position and type of business they were operating. The responses on each of the mentioned aspects are presented in the following sub-sections:-

4.2.1 Gender of the Respondents

The respondents were asked to state their gender. The results are presented in Table 4.1.

Table 4.1 Gender of the Respondents

Gender	Frequency	Percent
Male	79	70.5
Female	33	29.5
Total	**112**	**100.0**

Source: Author,(2015)

As shown in Table 4.1, majority (70.5%) of the respondents were male while 29.5 %(33) of the respondents were female.

4.2.2 Age of the Respondents

It was important for this study to determine the age of the respondents. The responses are shown in Table 4.2.

Table 4.2 Age of the Respondents

Age bracket	Frequency	Percent
18-25	5	4.5
26-30	23	20.5
31-35	46	41.1
36-40	29	25.9
40-45	6	5.4
46-50	1	.9
Above 50	2	1.8
Total	**112**	**100.0**

Source: Author, (2015)

As indicated in Table 4.2, 20.5 %(23) were aged 26-30 years, 41.1 %(46) were aged 31-35years old whereas 25.9% were 36-40years old. Only 5.4 %(6) were aged 40-45years old whereas 4.5%(5) were aged 18-25 years. This shows that majority of the respondents were aged between 26-40 years.

4.2.3 Marital Status of the Respondents

Table 4.3 shows the responses on marital status of the respondents.

Table 4.3 Marital status of the Respondents

Marital status	Frequency	Percent
Single	27	24.1
Married	80	71.4
Divorced/separated/widowed	5	4.5
Total	**112**	**100.0**

Source: Author, (2015)

It is revealed in Table 4.3 that majority (71.4%) of the respondents were married while 24.1 %(27) were single. There were 4.5%(5) of the respondents who were either divorced or separated or widowed.

4.2.4 Educational Qualification of the Respondents

The respondents were asked to state their highest educational qualification. The responses are presented in Table 4.4.

Table 4.4 Educational Qualification of the Respondents

Educational qualification	Frequency	Percent
Masters	8	7.1
Degree	23	20.5
Diploma	34	30.4
Certificate	47	42.0
Total	**112**	**100.0**

Source: Author, 2015

As shown in Table 4.4, 42.0 %(47) were certificate holders whereas 20.5%(23) were degree holders as 7.1%(8) were masters holders. It should be noted that 30.4%(34) of the respondents were diploma holders.

4.2.5 Position

The respondents were asked to state the position they held in the firm. The results are presented in Table 4.5.

Table 4.5 Position held by the Respondents in the Hotel

Position	Frequency	Percent
Owner	4	3.6
Manager	87	77.7
Both	21	18.8
Total	**112**	**100.0**

Source: Author, (2015)

It is indicated in Table 4.5 that 77.7 %(87) of the respondents were managers and 18.8%(21) were both managers and owners of the business. Only 3.6%(4) were owners of the firms where the study was conducted.

4.2.6 Forms of Businesses the Respondents Were Engaged In

The study sought to determine the type of businesses the respondents were engaged in. The responses are shown in Table 4.6.

Table 4.6 Forms of Businesses

Type of businesses	Frequency	Percent
Sole proprietorship	42	37.5
Limited company	48	42.9
Partnership	20	17.9
Others	2	1.8
Total	**112**	**100.0**

Source: Author,(2015)

The findings in Table 4.6 indicates that 42.9 %(48) of the respondents were working in limited companies while 37.5 %(42) were in sole proprietorship type of the business. Only 17.9 %(20) were in partnership form of business organizations.

4.2.7 Length of Time the Business Has Been In Operation

There was need to determine the length of time the business has been in operation. The responses are shown in Table 4.7.

Table 4.7 Length of Time the Business Has Been In Operation

Age of the business	Frequency	Percent
Less than 5	19	17.0
6-10	51	45.5
11-15	31	27.7
16-20	8	7.1
Above 21	3	2.7
Total	**112**	**100.0**

Source: Author,(2015)

As shown in Table 4.7, 45.5 %(51) of the respondents were in business that had been operating for 6-10 years while 27.7%(31) of the respondents had been in business for 11-15 years. Another 17 %(19) were in business for less than 5 years. Only 7.1 %(8) were in business for 16-20years while 2.7%(3) were in business for more than 21 years.

4.2.8 Number of employees

The study sought to identify the number of employees in the hotels where the study was done. The responses are shown in Table 4.8.

Table 4.8 Number of Employees

Number of employees	Frequency	Percent
5-10	3	2.7
11-20	38	33.9
Above 20	71	63.4
Total	**112**	**100.0**

Source: Author, (2015)

Table 4.8 shows that majority (63.4%) of the respondents stated that they had above 20 employees while 33.9 %(38) stated that they had 11-20 employees. However, 2.7 %(3) had 5-10 employees.

4.3 Formation of Strategic Alliances

The respondents were asked to state the strategic alliances they have been using in the firm. Their responses are presented in Table 4.9.

Table 4.9 Strategic Alliances Used

	Yes		**No**		**Total**	
Strategic alliance	f	%	f	%	F	%
Product development	82	73.2	30	26.8	112	100.0
Outsourcing	105	93.8	7	6.3	112	100.0
Distribution	61	54.5	51	45.5	112	100.0
Technological	85	75.9	27	24.1	112	100.0

Source: Author,(2015)

The findings indicated in Table 4.9 reveals that majority of the respondents have been using product development, outsourcing, distribution and technological alliances as indicated by 73.2%(82), 93.8%(105), 54.5%(61) and 75.9%(85) respectively. The respondents were further asked to state the motivation for engaging in strategic alliances and their responses are as shown in Table 4.10.

Table 4.10 Motivation for Engaging In Strategic Alliances

Statement	SD		D		N		A		SA		TOTAL	
	f	**%**	**f**	**%**	**f**	**%**	**f**	**%**	**f**	**%**	**f**	**%**
A1.Entering new markets	12	10.7	42	37.5	11	9.8	42	37.5	5	4.5	**112**	**100.0**
A2.Gaining access to new technology	0	0.0	23	2.5	7	6.3	71	63.4	11	9.8	**112**	**100.0**
A3.Knowledge sharing cooperative learning and embedded	2	1.8	19	17.0	40	35.7	41	36.6	10	8.9	**112**	**100.0**
A4. Acquiring means of distribution	2	1.8	27	24.1	27	24.1	51	45.5	5	4.5	**112**	**100.0**
A5. Improving performance	2	1.8	2	1.8	4	3.6	77	68.8	16	14.3	**112**	**100.0**
A6. Cost sharing , polling of resources	0	0.0	6	5.4	19	17.0	75	67.0	12	10.7	**112**	**100.0**
A7. Developing products technologies , resources	0	0.0	15	13.4	9	8.0	72	64.3	16	14.3	**112**	**100.0**
A8. Reduce financial and political risk	0	0.0	9	8.0	8	7.1	84	75.0	11	9.8	**112**	**100.0**
A9. Competitive advantage	0	0.0	2	1.8	11	9.8	11	9.8	19	17.0	**112**	**100.0**

Source: Author,(2015)

Table 4.10 shows that 48.2 %(54) of the respondents stated that they didn’t engage in strategic alliances in order to enter new markets while 42 %(47) disagreed. However, majority (73.2%) of the firms engaged is strategic alliances because of gaining access to new technology as another (45.5%) engaged in strategic alliances for knowledge sharing, cooperative learning and for embedded skills. There were half (50%) of the respondents who stated that they entered into strategic alliances in order to acquire means of distribution while 25.9 %(29) disagreed.

The findings further shows that 83.1 %(93) of the respondents stated that they engaged in strategic alliances in order to improve performance while 13.4 %(15) disagreed. It is instructive to note that 77.7 %(87) of the respondents were motivated to engage in strategic alliances so that they share costs and pool resources while 22.3%(25) disagreed. As shown in Table 4.10, 78.6 %(88) of the respondents asserted that they engaged in strategic alliances for the purpose of developing products, technologies and resources whereas 13.4%(15) disagreed. Further, 84.8 %(95) of the respondents stated that they engaged in strategic alliances in order to reduce financial and political risk while 8.0%(9) disagreed. Another 88.4 %(99) of the respondents stated that they entered in strategic alliances in order to achieve competitive advantage. However, 1.8 %(2) disagreed.

4.4 Effects of Distribution Alliances on Growth of Hotels

The respondents were asked an open ended question on the kinds of distribution alliances their hotels engage in. The results indicates that majority of the respondents stated that their firms engage in distribution alliances by distributing the products of the producers to the wholesalers and sometimes to the retailers. The respondents were also of the view that they often link with other agencies like airline companies, travel agencies and taxi service providers to distribute their products or even reaching out to their customers.

The respondents were further asked to state the effects of distribution alliance on the firm growth and their responses are shown in Table 4.11. As shown in Table 4.11, majority (97.3%) of the respondents stated that distribution alliance has increased the firm's sales while 2.7%(3) disagreed. Another, 88.4%(99) stated that distribution alliance has led to the increase of profits of the firms where the study was conducted. It should also be noted that 87.5%(98) of the respondents were of the opinion that distribution alliance had widened the market scope of their firms while 12.5%(14) disagreed.

The study established that 85.7%(96) of the respondents stated that through distribution alliance, their firm has improved its service quality whereas 92.9%(104) stated that the number of customers has increased as a result of distribution alliance. There has been a wider geographical coverage as a result of distribution alliance as stated by 82.1%(92) of the respondents. Another 90.2%(101) stated that market share has increased due to distribution alliance while 6.3%(7) disagreed. As stated by 92%(103), the firms have experienced competitive advantage due to distribution alliance while 85.8%(96) of the respondents stated that distribution alliance has led to the reduction in distribution costs. There were 86.6%(97) of the respondents who stated that distribution alliance has improved proximity to customers whereas 93.8 %(105) stated that there has been faster and easier market penetration due to distribution alliance.

Table 4.11 Effects of Distribution Alliances

Statement	SD		D		N		A		SA		TOTAL	
	f	%	f	%	f	%	f	%	f	%	F	%
B1. Sales (increase).	0	0.0	1	0.9	2	1.8	92	82.1	17	15.2	**112**	**100.0**
B2. Profit (increase).	0	0.0	0	0.0	13	11.6	75	67.0	24	21.4	**112**	**100.0**
B3. Wider market	0	0.0	8	7.1	6	5.4	75	67.0	23	20.5	**112**	**100.0**
B4. Product/ services quality improvement	1	0.9	1	0.9	14	12.5	67	59.8	29	25.9	**112**	**100.0**
B5. Increase in number of customers	0	0.0	1	0.9	7	6.3	55	49.1	49	43.8	**112**	**100.0**
B6. Wider geographical coverage	0	0.0	7	6.3	13	11.6	54	48.2	38	33.9	**112**	**100.0**
B7. Market shares (increase)	0	0.0	7	6.3	4	3.6	63	56.3	38	33.9	**112**	**100.0**
B8. Competitive advantages	0	0.0	2	1.8	7	6.3	73	65.2	30	26.8	**112**	**100.0**
B9. Reduction in distribution costs	1	0.9	5	4.5	10	8.9	61	54.5	35	31.3	**112**	**100.0**
B10. Improved proximity to customers	0	0.0	7	6.3	8	7.1	52	46.4	45	40.2	**112**	**100.0**
B11. Faster and easier market penetration	0	0.0	1	0.9	6	5.4	62	55.4	43	38.4	**112**	**100.0**

Source: Author, (2015)

4.5 Effects of Technological Alliances on Growth of Hotels

The other concern of this study was to determine the effects of technological alliance on the growth of the firms where the study was done. The respondents were first asked to state the technological alliances that their hotels were engaged in. This was an open-end item in which majority of the respondents asserted that they occasionally sought the assistance of ICT experts or firms to assist them in marketing or advertising their products. This enhances e-business and reduces the cost of advertising. Firms that are within one place also enter into technological alliances especially in sharing of the internet services to reduce operational costs.

The respondents were then asked to state the effects of technological alliances on the growth of the hotels. The findings are presented in Table 4.12. Concerning the effects of technological alliances on growth of hotels the finding indicated in Table 4.12 shows that majority of the respondents asserted that technological alliances increases sales, profit, market shares, quality of services, productivity, customers contacts, marketing, access to new technology and achievement of competitive advantage. Another 81.2 %(91) stated that technological alliances has led to the spreading of the risks whereas 9.8%(11) disagreed.

Table 4.12 Effects of Technological Alliances on hotel Growth

Statement	SD		D		N		A		SA		TOTAL	
	f	**%**	**f**	**%**	**f**	**%**	**f**	**%**	**f**	**%**	**F**	**%**
C1. Sales(increase)	0	0	0	0	6	5.4	64	57.1	42	37.5	**112**	**100.0**
C2. Profit (increase)	0	0	1	0.9	9	8.0	62	55.4	40	35.7	**112**	**100.0**
C3.Improvement in product/ services quality	0	0	0	0	10	8.9	34	30.4	68	60.7	**112**	**100.0**
C4. Faster services	0	0	0	0	3	2.7	40	35.7	69	61.6	**112**	**100.0**
C5. Market shares (increase)	0	0	1	0.9	7	6.3	70	62.5	34	30.4	**112**	**100.0**
C6. Access to new technology	0	0	1	0.9	9	8.0	57	50.9	45	40.2	**112**	**100.0**
C7.Achievement of competitive advantages	0	0	0	0	7	6.3	71	63.4	71	63.4	**112**	**100.0**
C8. Saving on cost	0	0	0	0	11	9.8	70	62.5	31	27.7	**112**	**100.0**
C9. Improved productivity	0	0	0	0	12	10.7	78	69.6	22	19.6	**112**	**100.0**
C10. Spreading risks	0	0	11	9.8	10	8.9	81	72.3	10	8.9	**112**	**100.0**
C11. Improved customers contact	1	0.9	4	3.6	11	9.8	60	53.6	36	32.1	**112**	**100.0**
C12 Improved marketing	0	0	3	2.7	4	3.6	70	62.5	70	62.5	**112**	**100.0**

Source: Author,(2015)

4.6 Effects of Outsourcing on Growth of Hotels

Outsourcing was a common practice among the hoteliers as stated by majority of the respondents who participated in this study. The respondents stated that they engaged the services of private transporters to deliver their products to the customers and sometimes carry the inputs for the hotels from the producers or other traders. The respondents also stated that they outsourced the technology services and in other cases they outsource the services of experts in the field of human resource development. The respondents were asked to state the effect of outsourcing on firm growth. The results are presented in Table 4.13. Concerning the effect of outsourcing on hotel growth, the findings indicates that 92%(103) of the respondents stated that outsourcing had increased the firm sales while 90.2%(101) stated that the firm's profits had increased as a result of outsourcing. There were 91.4%(104) of the respondents who asserted that outsourcing had improved product/service quality of the firm. The findings indicates that 90%(101) of the respondents stated that outsourcing had led to the reduction of costs in the firm while 81.3%(91) stated that outsourcing had increased market share while 8%(9) disagreed. There is enough time for other functions in the firm since the firm adopted the outsourcing strategy. This was stated by 86.6%(97) of the respondents who participated in this study. It is further indicated by 82.1%(92) of the respondents that outsourcing has enabled the firms to gain competitive advantage as 50.9%(57) asserted that outsourcing had reduced political exposure. However, 70.6 %(79) were of the opinion that outsourcing had reduced exposure to economic risks. Table 4.13 also shows that 84.8%(95) of the respondents stated that outsourcing has enabled the firms to get access to external expertise whereas 92%(103) stated that outsourcing had reduced demand on their firm's resources.

Table 4.13 Effects of Outsourcing on Hotel Growth

Statement	SD		D		N		A		SA		TOTAL	
	f	%	f	%	f	%	f	%	f	%	f	%
D1. Sales (increase)	1	0.9	2	1.8	6	5.4	75	67.0	28	25.0	**112**	**100.0**
D2. Profit (increase)	0	0	3	2.7	8	7.1	80	71.4	21	18.8	**112**	**100.0**
D3, Product/ service quality (improve)	0	0	3	2.7	7	6.3	69	61.6	33	29.5	**112**	**100.0**
D4. Reduction of cost	2	1.8	1	.9	8	7.1	70	62.5	31	27.7	**112**	**100.0**
D5. Market share (increase)	0	0	9	8.0	12	10.7	72	64.3	19	17.0	**112**	**100.0**
D6. Freeing time for other functions	2	1.8	3	2.7	10	8.9	42	37.5	55	49.1	**112**	**100.0**
D7. Gaining competitive advantage	0	0	5	4.5	15	13.4	54	48.2	38	33.9	**112**	**100.0**
D8. Reduction of political exposure	2	1.8	10	8.9	43	38.4	37	33.0	37	33.0	**112**	**100.0**
D9. Reduced exposure to economic risks	1	0.9	10	8.9	22	19.6	63	56.3	16	14.3	**112**	**100.0**
D10. Access to external expertise	0	0	5	4.5	12	10.7	55	49.1	40	35.7	**112**	**100.0**
D11. Reduced demand on farm resources	1	0.9	8	7.1	0	0	45	40.2	58	51.8	**112**	**100.0**

Source: Author,(2015)

4.7 Effects of Product Development on Hotel Growth

It was also the concern of this study to establish the effects of product development on hotel growth. Finding revealed that majority of respondents create new products in their menu in form of traditional dishes and also improve their services. The responses are tabulated in Table 4.14. As shown in Table 4.14, product development has increased the sales as stated by 83.9%(94) of the respondents who participated in this study. Another 92.9%(104) asserted that product development had increased profits while 90.2%(101) state that product development had improved product/service quality. The results also reveals that majority (94.7%) of the respondents stated that product development enabled the firm to gain competitive advantage whereas 97.5%(98) were of the opinion that product development had increased the firm's market share.

There were 94.7%(106) of the respondents who stated that product development had enabled the firm to keep up with changes/trends in the market whereas 1.8%(2) disagreed. As shown in Table 4.14, 92%(103) of the respondents stated that product development led to the development of variety of products while 94.7%(106) stated that product development enabled the firms to come up with cheaper products. It should be noted that 95.5 %(107) of the respondents stated that product development had enabled the firms to keep old and new customers while 1.8%(2) disagreed. Another 91.1 %(100) stated that product development made the firms to come up with new products while 2.7%(3) disagreed.

Table 4.14 Effects of Product Development on Hotel Growth

Statement	SD		D		N		A		SA		TOTAL	
	f	**%**	**f**	**%**	**f**	**%**	**F**	**%**	**f**	**%**	**f**	**%**
E1. Sales (increase)	0	0	4	3.6	14	12.5	50	44.6	43	38.4	**112**	**100.0**
E2. Profit (increase)	0	0	0	0	8	7.1	69	61.6	35	31.3	**112**	**100.0**
E3. Product/ services quality improvement	5	4.5	2	1.8	4	3.6	53	47.3	48	42.9	**112**	**100.0**
E4. Competitive advantage	1	0.9	5	4.5	0	0	57	50.9	49	43.8	**112**	**100.0**
E5. Market share (increase)	1	0.9	11	9.8	2	1.8	59	52.7	39	34.8	**112**	**100.0**
E6. Keeping up with changes/trends in the market	0	0	2	1.8	4	3.6	45	40.2	61	54.5	**112**	**100.0**
E7. Variety of products	1	0.9	0	0	8	7.1	32	28.6	71	63.4	**112**	**100.0**
E8. Cheaper products	0	0	2	1.8	4	3.6	30	26.8	76	67.9	**112**	**100.0**
E9. Keeping old and new customers	1	0.9	1	0.9	3	2.7	36	32.1	36	32.1	**112**	**100.0**
E1O. New products	0	0	3	2.7	7	6.3	56	50.0	46	41.1	**112**	**100.0**

Source: Author, (2015)

4.8 Overall Evaluation of Strategic Alliances Adopted by Hotels

According to the majority of the respondents as shown in Table 15 strategic alliances has led to the increase in sales, profit, market share, efficiency, productivity and services /product quality. It has also enhanced competitive advantage.

Table 4.15 Effects of Product Development on HotelGrowth

Strategic Alliance	**Yes**		**No**		**Total**	
	f	**%**	**f**	**%**	**f**	**%**
F1. We are satisfied with the performance of this alliance	86	76.8	26	23.2	112	100.0
F2. The alliance has realized the goals we set out to achieve	65	58.0	47	42.0	112	100.0
F3. Now we have a competitive advantage over our direct competitors	88	78.6	24	21.4	112	100.0
F4. This alliance has a positive impact on the firm performance	96	85.7	16	14.3	112	100.0

Source: Author,(2015)

As shown in Table 4.15, 76.8%(86) of the respondents stated that they were satisfied with the performance of the alliances in their firms while 23.2%(26) were not satisfied. Slightly more than half (58%) of the respondents stated that the alliance has realized the goals the firms set out to achieve. Another 78.6%(88) stated that they had a competitive advantage over their direct competitors as a result of the alliance, while 85.7%(96) stated that the alliance has a positive impact on the firm performance.

4.9 Challenges Hotels Encountered in Forming Strategic Alliances

It was important for this study to determine the challenges firms encountered in forming strategic alliances. The responses are presented in Table 4.16. Table 4.16 shows that most of the respondents asserted that their firms face the challenge of lack of trust, lack of coordination between partners, lack of clear goals and objectives and performance risk. This was stated by 61.6 %(69), 82.2%(92), 84.8%(95) and 76.8%(86) of the respondents respectively.

Table 4.16 Challenges Firms Encountered in Forming Strategic Alliances

Statement	SD		D		N		A		SA		TOTAL	
	f	%	f	%	f	%	f	%	f	%	f	%
Lack of trust	16	14..3	16	14..3	11	9.8	64	57.1	5	4.5	112	100.0
partner selection	4	3.6	7	6.3	9	8.0	76	67.9	16	14.3	112	100.0
Lack of clear goals	2	1.8	7	6.3	8	7.1	73	65.2	22	19.6	112	100.0
Performance risks	1	0.9	9	8.0	16	14.3	80	71.4	6	5.4	112	100.0

Source: Author, (2015)

4.10 Hypotheses Testing

A multiple regression equation was used to evaluate the relationship between the independent variables used in this study and the dependent variable. Using SPSS, a multiple regression analysis involving the constructs of outsourcing, distribution, product development and technological alliance and the dependent variable (firm growth) was used to determine the actual prediction equation and show the direction, collinearity and strength of the relationship among the variables. The components of the multiple linear regression analysis used in this study are the Model Summary, the ANOVA Summary and the Table of Coefficients.

The model summary is presented in Table 4.17.

Table 4.17 Regression Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.850[a]	.723	.005	.50829	.723	238.149	5	106	.000

a. Predictors: (Constant), development, distribution, outsourcing, technology

As shown in Table 4.17, R^2 was 0.723. R^2 is the coefficient of determination which shows the proportion of the variance in the dependent variable that can be explained by variation in the independent variables. Therefore 72.3% in the variation in firm growth can be explained by differences in the independent variables (outsourcing, distribution alliance, technological alliance and product development). The remaining 27.7% variation in the firm growth can be explained by other variables not covered in this study. The following table shows the F-ratio for the regression.

Table 4.18 ANOVA Table

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.511	5	.378	238.149	.000[b]
	Residual	27.644	106	.258		
	Total	29.156	111			

a. Dependent Variable: Firm growth
b. Predictors: (Constant), development, distribution, outsourcing, technology

Table 4.18 shows an F-ratio of 238.149 with degrees of freedom of 5 and 106, $p<0.05$. In other words, the dependent variable can be predicted from the independent variables. This implies that there was a significant regression equation at 0.05 level of significance.

The beta values used in the multiple regression equation are presented in Table 4.19, the t-statistics and the p-values derived after running the multiple regression analysis using SPSS. The Table shows the beta values used in the multiple regression equation. This is where the actual prediction equation can be found. The regression equation as indicated in chapter three was:

$Y=\alpha+\beta_1X_1 + \beta_2X_2 +\beta_3X_3+\beta_4X_4$

Where X_1 is outsourcing,

X_2 is distribution alliance

X_3 is technological alliance

X_4 is product development

Y is firm growth

α is a constant implying the level of firm growth that does not depend on the four alliances investigated.

β_1, β_2, β_3 and β_4 are the coefficients of proportionality for outsourcing alliance, distribution alliance, technological alliance and product development respectively.

Table 4.19 Table of Coefficients (beta values)

Coefficients[a]

Model	standardized Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error			Tolerance	VIF
(Constant)	1.385	.822	1.250	.000		
Distribution	.306	.140	2.064	.046	.884	1.131
Technology	.520	.185	5.716	.039	.684	1.461
Outsourcing	.252	.156	1.364	.000	.822	1.217
Development	.484	.141	4.480	.047	.676	1.480

a. Dependent Variable: Firm growth

Table 4.19 shows the beta values used in the multiple regression equation. Substituting the beta values in the multiple regression equation, we get:

$Y=1.385+0.252X_1 + 0.306X_2 +0.520X_3+0.484X_4$

This implies that technological alliance had the greatest effect on firm growth, with a coefficient of 0.52 whereas outsourcing had the least.

Testing of the hypotheses was done using the section of SPSS output labeled sig. in Table 4.19. SPSS can determine the exact alpha level associated with any value of a test statistic. Therefore, looking up a critical value in a table is not necessary. However, the basic procedure for determining whether or not to reject the null hypothesis has to change.

When using SPSS, we reject the null hypothesis if the output value under sig. is equal to or smaller than 0.05 and fail to reject the null hypothesis if the output is larger than 0.05. Depending on the way the hypotheses were stated, the value yielded by the significance test can either be positive or negative. The acceptance or rejection of the null hypotheses was ± 0.05.

From Table 4.19, the results of the tested hypotheses were as follows:

$H0_1$: There is no significant effect of outsourcing on growth of hotels in Eldoret town.

The beta value for outsourcing is 0.252 while the p-value that corresponds to outsourcing in Table 4.19 is 0.000. Since the p-value is less than 0.05($p<0.05$), the null hypothesis is rejected implying that there is a significant relationship between outsourcing and growth of hotels.

$H0_2$: Distribution alliance does not contribute to growth of hotels in Eldoret town.

The p-value that corresponds to distribution alliance in Table 4.19 is 0.046. The p-value is less than 0.05. We therefore reject the null hypothesis and conclude that there is a significant relationship between distribution alliance and growth of hotels. This variable had a beta value of 0.306.

$H0_{3:}$ Technological alliance has no significant effect on growth of hotels in Eldoret town

Table 4.19 indicates that the p-value for technological alliance was 0.039. The null hypothesis was rejected since the p-value was less than 0.05($p<0.05$). This implies that there was a significant relationship between technological alliance and growth of hotels. Technological alliance had a beta value of 0.520.

$H0_{4:}$ Product development has no significant influence on growth of hotels in Eldoret town.

The p-value in Table 4.19 that corresponds to product development is 0.047. This p-value is less than 0.05 and therefore we reject the null hypothesis. This means that there was a significant relationship between product development and growth of hotels. This implies that product development has a significant influence on growth of hotels. The product development had a beta value of 0.484.

CHAPTER FIVE

SUMMARY AND DISCUSSIONS

5.1 Introduction

This chapter presents the discussion of the findings presented in chapter four. The discussion is based on the objectives, research questions and hypotheses of the study.

5.2 Effect of Outsourcing on Growth of Hotel Industry

The first objective of this study was to assess the effect of outsourcing on growth of hotel industry. The findings indicates that 92% of the respondents stated that outsourcing had increased the firm sales while 90.2% stated that the firm's profits had increased as a result of outsourcing. There were 91.4% of the respondents who asserted that outsourcing had improved product/service quality of the firm. Further, 90% of the respondents stated that outsourcing had led to the reduction of costs in the firm while 81.3% stated that outsourcing had increased market share. There is enough time for other functions in the firm since the firm adopted the outsourcing strategy. According to Contractor and Lorange (2002), outsourcing is contracting of services in order to minimize or limit the resources that would normally be required to perform business functions internally, thereby reducing costs and freeing up time and resources to other functions. This is what was established in this study.

It is further indicated by 82.1% of the respondents that outsourcing has enabled the firms to gain competitive advantage as 50.9% asserted that outsourcing had reduced political exposure. However, 70.6 % were of the opinion that outsourcing had reduced exposure to economic risks. Contractor and Lorange (2002), further argues that outsourcing has helped companies gain competitive advantage by allocating resources to develop new tools, technologies, methodologies and procedures. Mowla (2012) also asserts that the benefits of outsourcing include small amount of exposure to political and economic risks for the company. From the regression analysis the beta value for outsourcing was 0.252 while the p-value that corresponds to outsourcing was 0.000. Since the p-value is less than 0.05($p<0.05$), the null hypothesis is rejected implying that there is a significant relationship between outsourcing and growth of hotels.

5.3 Effects of Distribution Alliance on Growth of Hotel Industry

The second objective of the study was to evaluate the effects of distribution alliance on growth of hotel industry. Distribution alliance is a situation where one firm agrees to distribute products of other firms Išoraitė, (2009). It occurs when a firm forms a partnership that allows another to use the channel resources of another firm in the target market. In this study, the findings indicate that distribution alliance has increased the firm's sales, profits and widened the market scope of their firms.

The study further established that 85.7% of the respondents stated that through distribution alliance, their firm has improved its service quality whereas 92.9% stated that the number of customers has increased as a result of distribution alliance. There has been a wider geographical coverage as a result of distribution alliance as stated by 82.1% of the respondents while 90.2% stated that market share has increased due to distribution alliance. The study established that the firms have experienced competitive advantage, reduction in distribution costs, improved proximity to customers and faster and easier market penetration due to distribution alliance. This is supported by Chernesky (2006) who argues that a company with a product may form an alliance with another company that has an established distribution system that the first company cannot create for itself without incurring great cost and delay in market penetration. Therefore, to penetrate a particular market, a firm needs to perform the proper business development, which includes setting distribution channels to give direct access to the target market. According to Nykiel (2003), distribution alliance leads to the concept of the distribution channel as an extension of a firm's organization, being used as a co-operating weapon to achieve competitive advantage. Statistically, the p-value that corresponds to distribution alliance was 0.046. The p-value is less than 0.05. We therefore reject the null hypothesis and conclude that there is a significant relationship between distribution alliance and growth of hotels. This variable had a beta value of 0.306.

5.4 Effect of Technological Alliances on Growth of Hotel Industry

The other objective of the study was to determine the effects of technological alliance on the growth of the firms where the study was done. The findings indicates that technological alliances increases sales, profit, market shares, quality of services, productivity, customers contacts, marketing, access to new technology and achievement of competitive advantage. The results agree with those of Siguaw, *et. al.*, (2000) who argued that IT decisions improves performance and can create a competitive advantage. Ham, Kim & Jeong (2005) studies on the effect of IT applications on the performance of lodging operations and finds out that the installation of computer applications in the front office could improve performance of hotels. Majority (81.2%) of the respondents stated that technological alliances have led to the spreading of the risks. Technology-based strategic alliances have been associated with spreading the risk of developing new products (Pansiri, *et. al.,* 2011). According to Hagedoorn (1993) who investigated nearly 10,000 technology cooperation agreements, gaining specific technology-related knowledge was the main motive for strategic alliance in high-technology sectors, whereas in the other sectors it was more to do with using technology for market access, developing new products and monitoring the business environment. Toshiba firmly believes that a single company cannot dominate any technology or business by itself and saw the need to develop relationships with partners for different technologies and this helped it to become one of the leading players in the global electronics industry Išoraitė, (2009).

5.5 Effect of Product Development on Growth of Hotel Industry

The fourth objective of this study was to assess the effect of product development on growth of hotel industry. Development product innovation is perceived as the key success factor for economic growth and employment (Steffen, Gunter & Jurgen, 2005). The study established that product development has increased the sales (83.9%), profits (92.9%) and product/service quality (90.2%). The results also reveals that majority (94.7%) of the respondents stated that product development enabled the hotels to gain competitive advantage whereas 97.5% were of the opinion that product development had increased the hotel's market share. Product development for hotelss help to replace declining product, take advantage of new technology, defeat rivals, maintain/increase market share, maintain competitive advantage and to fill gaps in the market(Rameshwar, 2013). Therefore, to survive in the global economy hotels have to improve their products and exploit their intellectual capital in a network of knowledge-intensive relations inside and outside their borders (Corso, Pellegrini & Paolucci, 2003). The findings also reveals that 92% of the respondents stated that product development led to the development of variety of products while 94.7% stated that product development enabled the firms to come up with cheaper products and keep old and new.

CHAPTER SIX

CONCLUSIONS AND RECOMENDATIONS

6.1 Introduction

This chapter presents conclusions and recommendations from the study and suggestions for further research.

6.2 Conclusion

Based on the findings of the study, it can be concluded that outsourcing had increased the hotel sales and profits. The product/service quality of the hotels had improved due to outsourcing whereas majority of the respondents asserted that outsourcing had led to the reduction of costs in the firm. Outsourcing also creates enough time for other functions in the hotels. However, outsourcing had reduced exposure to economic risks. Statistical analysis revealed that there was a significant relationship between outsourcing and growth of hotels.

Concerning the effects of distribution alliance on growth of hotels, it can be concluded that distribution alliance has increased the hotel sales, profits and widened the market scope of the firms. Further, service quality of the hotels and number of customers has increased as a result of distribution alliance. There has been a wider geographical coverage and increase in market share due to distribution alliance. The study established that the hotels have experienced competitive advantage, reduction in distribution costs, improved proximity to customers and faster and easier market penetration due to distribution alliance. Statistically, there is a significant relationship between distribution alliance and growth of hotels.

The study further concludes that technological alliances increases sales, profit, market shares, quality of services, productivity, customers contacts, marketing, access to new technology and achievement of competitive advantage. The study concludes that product development has increased the sales, profits, product/service quality and enabled the firms to gain competitive advantage. It is also clear from the findings that product development leads to the development of variety of products and the firms are able to come up with cheaper products and keep old and new customers.

6.3 Recommendations of the study

The study makes the following recommendations:

i. There is need for hotels to adopt technological alliances, product development and distribution alliance in order to reduce operational costs and improve quality of products.
ii. Hotels need to come up with governance structure that governs Strategic Alliance. This will help reduce problems encountered in strategic alliance.

6.4 Limitations and Implications for Further Study

In an effort to fill up hitherto existing gaps, the following are areas suggested for further study:

i. A similar study can be done in another sector or firm since the current study was done in a limited place covering hotel industry only.

ii. A study on the factors influencing the use of ICT in the management of hotels should be conducted. This is because, as indicated in the findings, technological alliance assists in increasing the market share and variety of products provided by firms.

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APPENDICES

Appendix I: Introductory Letter

University of
Eldoret
flame of knowledge and innovation

P.O. Box 1125-30100, ELDORET, Kenya
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OFFICE OF THE DEAN
SCHOOL OF BUSINESS AND MANAGEMENT SCIENCES

OUR REF: SBMS/PGMBM/14/12 29ND SEPTEMBER 2014

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: **DATA COLLECTION : SUSAN CHEMUCHUK**

The above matter refers;

This is to confirm that the above named person is a bonafide student in the School of Business and Management Sciences pursuing Masters in Business Management. She has successfully defended her proposal entitled: ***"Effects of Strategic alliance on the growth of firms in hotel industry in Eldoret town"*** . She has been recommended to proceed to the field to collect data that will be used for academic purposes only.

Any assistance accorded to her will be highly appreciated.

Dean
School of Business & Management
Sciences
UNIVERSITY OF ELDORET

DR. ROBERT I. OTUYA
DEAN, SCHOOL OF BUSINESS & MANAGEMENT SCIENCES

Appendix II: Questionnaire for Owners/Managers

Dear respondent,

I am an MBM student at University of Eldoret, School of Business and Management Sciences carrying out a research on "**Effects of strategic alliance on firm growth in hotel industry in Eldoret town**." The research is only for academic purpose. You are kindly requested to provide answers to these questions as honestly and precisely as possible. The information provided will be kept **confidential**. In case of any questions kindly contact me on 0722336715.

Section A. Personal Characteristics

1. Gender:

Male [ ]

Female [ ]

2. Age:

18 - 25 [ ]

26 - 30 [ ]

31 - 35 [ ]

36 – 40 [ ]

40 – 45 [ ]

46 – 50 [ ]

Above 50 [ ]

3. Marital status:

Single [ ]

Married [ ]

Divorced/separated/widowed [ ]

4. Highest educational qualification:

Phd [ ]

Masters [ ]

Degree [ ]

Diploma [ ]

Certificate [ ]

Technical/vocational [ ]

5. Position held in the firm:

Owner [ ]

Manager [ ]

Both [ ]

6. Type of business:

Sole proprietorship [ ]

Limited Company [ ]

Partnership [ ]

Others [ ]

7. Age of the business

Less than 5 [ ]

6-10 [ ]

11-15 [ ]

16-20 [ ]

Above 21 [ ]

8. What is the number of employees? ....

Section B: Formation of strategic alliances

9. What strategic alliance(s) have you used in your firm

Product development [ ]

Outsourcing [ ]

Distribution [ ]

Technological [ ]

Others (Specify)…………………………………………………………..

10. In your opinion, what were (are) the motivations of engaging in Strategic alliances by your firm? Please on a likert score of 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree, indicate your response appropriately.

Motivation for engaging in strategic alliances	1	2	3	4	5
Entering new markets;					
Gaining access to new technology					
Knowledge sharing; cooperative learning and embedded skills					
Acquiring means of distribution					
Improving performance					
Cost sharing, pooling of resources					
Developing products, technologies, resources					
Reduce financial and political risk					
Achieving competitive advantage					

11. What are the distribution alliances that your firm engages in? ---------------------------
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12. What are the effects of distribution alliance on your firm? Please on a likert score of 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree, indicate your response appropriately.

Effects of distribution on firm growth	1	2	3	4	5
Sales (increase)					
Profit (increase)					
Wider market					
Product/Service quality improvement					
Increase in number of customers					
Wider geographical coverage					
Market share (increase)					
Competitive advantage					
Reduction in distribution costs					
Improved proximity to customers					
Faster and easier market penetration					

13. What are the technological alliances that your firm engages in? -------------------------
----

----

14. In your opinion what are the effects of technological alliance on your firm? On a likert score of 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree.Please indicate your response appropriately.

Effects of technological alliance on firm growth	1	2	3	4	5
Sales (increase)					
Profit (increase)					
Improvement in product/Service quality					
Faster services					
Market share (increase)					
Access to new technology					
Achievement of competitive advantage					
Saving on costs					
Improved productivity					
Spreading of risks					
Improved customer contact					
Improved marketing					

15. What are the kinds of outsourcing alliances that your firm engages in? ----------------
----

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16. What are the effects of outsourcing on your firm? On a likert score of 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree, please indicate your response appropriately.

Effect of outsourcing on firm growth	1	2	3	4	5
Sales (increase)					
Profit (increase)					
Product/Service quality (improve)					
Reduction of costs					
Market share (increase)					
Freeing time for other functions					
Gaining competitive advantage					
Reduction to political exposure					
Reduced exposure to economic risks					
Access to external expertise					
Reduced demand on firm's resources					

17. What are the joint product alliances that your firm engages in? -------------------------
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18. What are the effects of product development on your firm? On a likert score of 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree, please indicate your response appropriately.

Effect of product development on firm growth	1	2	3	4	5
Sales (increase)					
Profit (increase)					
Product/Service quality improvement					
Competitive advantage					
Market share (increase)					
Keeping up with changes/trends in the market					
Variety of products					
Cheaper products					
Keeping old and new customers					
New products					

19. Strategic alliances may influence the performance of firms. On a scale of 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree, how do you regard the influence on the following performance measurements in your firm.

Influence of strategic alliance on firm growth	1	2	3	4	5
Sales have increased					
Profit have increased					
Product/Service/ quality has improved					
Competitive advantage					
Market share has increased					
Efficiency has improved					
Cost reduction					
Improvement in productivity					

20. What is your overall evaluation of strategic alliances adopted by your firm?

Strategic alliance(s) evaluation	**Yes**	**No**
Overall we are satisfied with the performance of this alliance		
The alliance has realized the goals we set out to achieve		
Now we have a competitive advantage over our direct competitors		
This alliance has/will have a positive impact on the firm performance		

21. What are the challenges encountered in the course of engagement in strategic alliances? Respond on a scale of 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree.

Challenges firms encounter in forming strategic alliances	**1**	**2**	**3**	**4**	**5**
Lack of trust					
Lack of coordination between partners (partner selection)					
Lack of clear goals and objectives					
Performance risk					

Appendix III: Map of the study area