Strategic Management Practices and Organization Performance of Selected Travel and Tour Agencies in Nairobi City County, Kenya

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Abstract: *Countries across the globe are investing the travel and tour agency industry to boost their performance as they contribute in building countries economy. However, these agencies performance has been declining as they easily get influenced by political, economic, social and natural factors. Statistics show that in Kenya, the annual returns from these agencies declined from 17% to 16.8%. The main focus of the study was strategic planning and strategic partnership on performance of travel and tour agencies in Nairobi City County, Kenya. The descriptive survey design was employed for the study, census method was used to select the respondents of the study. A sample size of 76 respondents was therefore used for the survey. Semi-structured questionnaires were used as instruments for collecting data. The data was then analyzed using SPSS software for descriptive and inferential statistics. Correlation and regression analyses were conducted which determined and explained the degree of relationship existing between the predictor and dependent variables.The multicollinearity symptom and data distribution were checked by conducting multicollinearity and normality tests. Content analysis was used to analyze the qualitative data. Results were presented using graphs, charts and tables with means and percentages. The findings revealed that strategic planning and strategic partnership were significantly and positively correlated with Nairobi City County travel and tour agencies performance. Regression analysis revealed that strategic planning and strategic partnership had positive and statistical significance effect on performance of the travel and tour agencies. It was recommended that management of the agencies should expand their horizon and seek international partners and insist on involvement by all partners. Also, management should review their strategic plans regularly and communicate to all partners.*

Keywords: Strategic Planning, Strategic partnership, Performance

1. Introduction

There has been a surge in the increase of travel and tour agencies across the globe in recent years. The agencies integrate with the tourism sector as they connect the customers with the tourism sector by making travel arrangements, accommodation as well as planning for tour trips for the clients[9]. Across the globe, countries like Malaysia, USA, Europe and the Asia-Pacific region have a large surge of both local and international travelers who want to explore, therefore, the number of travel agencies is high [12]. This high number not only boosts the economy but also end up offering employment to a large number of people.

In Africa and the Sub-Saharan Africa region, countries like South Africa, Rwanda, Ghana, Egypt and Kenya both have high numbers of both local and international tourists who flock both the national animal reserves as well as historic sites. This has necessitated the emergence and rise of travel and tour agencies [3].

In Kenya, there has been an increase in the number of travel agencies in the country especially in Nairobi City County. The agencies boost the country's economy by their revenue and also offer mass employment to Kenyans. Kenya has been said to have the biggest and diverse tourist destination in East Africa. However, the performance of the agencies get easily affected by political, economic and natural factors. Some agencies have tried employing strategic management practices as a way of cushioning themselves

from these challenges that affect their performance but there have still been problems in their performance [6].

1.1 Statement of the problem

Kenya being recognized as having the biggest and diverse tourism industry in East Africa means that its travel and tour industry is also big as the two are integrated.The agencies contribute majorly to the economic growth of the country. However, according to[16], the overall performance of these agencies however have been recording a decline in the recent past as they are easily affected by many factors that take place in the society such as the emergence of online platforms offering similar services, political as well as economic instabilitiesAsper [13], Kenya recorded a decline in the annual returns from the travel and tourism industry. A drop from a 2.6 billion dollars (17%) recorded in 2015 to 2.1 billion dollars (16.7%) in the year 2017. The decline in the performance as recorded in the report was due to a combination of events which occurred in Kenya such as terrorist attack which happened in 2011, political unrest resulting from a general election in 2007, and disease outbreaks.

All these challenges resulted in the low performance recorded by the agencies. Another report by the Kenya National Bureau of Statistics indicate a drop in the annual earnings from the tourism sector from 8.1 Billion to 7.4 billion. The report further indicated a steady decline in earnings by about 2% every year from 2011. According to[7], poor organization performance by travel and tour agencies result from failure by the agencies to acknowledge

and incorporate strategic management practices which include strategic planning and strategic partnerships in their operations. For this reason, the researcher deemed it fit to explore this phenomenal to determine the effect of strategic management practices and organization performance of travel and tour agencies in Nairobi City County, Kenya.

1.2 Objectives of the study

The general objective of the study was to investigate the effect of strategic management practice and organization performance of travel and tour agencies in Nairobi City County, Kenya.

1.2.1 Specific objectives
1) To examine the effects of strategic planning on performance of travel and tour agencies in Nairobi City County.
2) To establish the effects of strategic partnership on performance of travel and tour agencies in Nairobi City County.

1.3 Significance of the Study

The study equipped the researcher with more knowledge of understanding the effect that strategic management practices have on the travel and tour industry through the various reviews that was conducted. The study will also give managers point of reference when conducting strategic management practices. Other scholars will also benefit from the findings of the study as they will gain more knowledge in the discipline as well as find potential research areas from the gaps that were exposed in the study and the suggested areas for further study.

2. Theoretical Review

The study was based on three theories: Strategic Management Theory, Dynamic Capabilities Theory and the Balanced Scorecard Model. Strategic management theory give direction to strategic management practices. The theory states that strategic management incorporates the concepts of strategic planning and strategic thinking. It stresses the need for managers to make long term goals by assessing potential threats and opportunities in the future. It focuses on what measures organizations can make to bring about desirable performance in the future [4]. In connection, managers in the travel and tour agencies can use the theory to conduct strategic planning for their agencies.

The dynamic capabilities theory concerns with the organization's ability to integrate, build and reconfigure both internal and external competencies tin an effort to adjust to the changing environment [15]. It stresses the need for organizations to use their resources to crate short term competitive advantage that can lead to long-term success. For its success, employees need to have a quick learning ability, strategic assets that are innovative need to be created and assimilating new strategic assets like technology should be easily done. The theory was relevant as it guides on how organizations can use resources to gain competitive advantage, and do partnership for their advantage for gaining what they lack such as new technology[5].

Additionally, the balanced scorecard model gave guideline on how the organization performance of the travel and tour agencies could be measured. The model is used to measure both financial and non-financial performance. The model revolves around financial perspective, customer perspective, internal business process and the learning growth of the organization [14]. The model was relevant for the study as it helped in giving the guidelines for measuring organization performance of the travel and tour agencies.
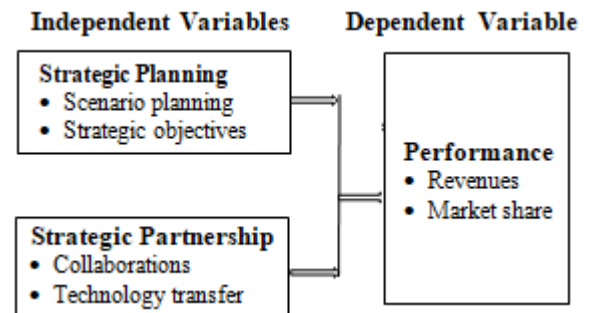
2.1 Conceptual Framework

Figure 2.1: Conceptual Framework
Source: Survey Data (2020)

3. Research Methodology

The descriptive research design was used for the study. The design was best suited for this study as it allowed the researcher to gather a wide range of data which facilitated comparison of the study variables. It also helped identify the correlation that existed between the dependent and independent variables of the study allowing the researcher make reasonable judgment[1]. The design was also suitable as the researcher didn't have control over the study variables and could therefore not manipulate them. The design is therefore recognized as self-reporting as it provides a picture of things as they naturally occur[11]. For that reason, the research design was used to explain the existing relationship between strategic planning and strategic partnership as strategic management practices on performance of travel and tour agencies. The target population for the study was 19 selected traveland tour agencies in Nairobi City County whose performance was greatly affected. The target population was the top managers from the agencies. A sample size of 76 managers was selected through the census sampling method to be the respondents of the study. The managers comprised of finance managers, general managers, operations managers and marketing managers.

3.1 Data Collection Instrument

The semi-structured questionnaire was used for the purpose of data collection during the research. The questionnaires were used to collect primary data from the study participants. The instrument was used for the collection of data as they are very cheap and effective, making them convenient to administer. They allow collection of big number of data and can give the respondents ample time to fill their responses [8]. The researcher tested the validity of the instruments by involving the supervisor and other peers with knowledge in strategic management practices. To

further counter check the validity, a pilot study was conducted in Kiambu County. Pilot study helped the researcher ascertain the feasibility of the instrument and enabled corrections on the instrument be made before the actual data collection. Moreover, the reliability of the instrument was measured by testing their Cronbach alpha coefficient. The Cronbach's alpha test was run and all the variables recorded coefficients above the minimum requirement of 0.7 [10].

3.2 Data Analysis

The SPSS software was used to analyze the quantitative data of the research. For the qualitative data, content analysis was used for evaluation. The researcher used the SPSS software to run both the inferential and descriptive statistics. The results for both the qualitative and quantitative data were presented by pie charts, graphs, tables with percentages, means and standard deviations. Understanding the pattern of how data was distributed was made easy by the results from the descriptive statistics analysis. It also made the level to which participants agreed with a phenomena easily understood. On the other hand, correlation, regression analysis and ANOVA which made up the inferential statistics helped in testing the association between the study variables and the influence the independent variables had on the dependent variables. The multicollenearity and the normality diagnostic tests were conducted to check for multicollenearity symptom and the normalcy of data distribution. The relationship between the variables was tested by using the multi-regression analysis presented below:

$$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots. (1)$$

Where,
Y= Travel and tour agencies organization performance
X_1= Strategic planning
X_2=Strategic partnership
Bo=Constant term
$\beta_1$andβ_2= Coefficients of predictor variables X_1 and X_2
$\varepsilon$is the error term

3.3 Ethical Consideration

The researcher ensured that all the ethical considerations were upheld before and during the data collection process. Before the commencing the process, the researcher ensured that all the necessary permits were sought. From the learning institution as well as NACOSTI. When making contact with the participants, the researcher presented them with an introduction letter which allowed them to know the researcher and the topic at hand. The respondents also signed a consent form stating that they were participating out of their own free will. The researcher assured the respondents of confidentiality of their responses, to stress this, they were requested not to right their names or any information that would reveal their identity.

4. Research Findings

4.1 Response Rate

The results from the data collection indicated that out of the 76 questionnaires handed out to the respondents, 57 were

correctly filled and returned. The 57 were viable for use in the analysis. The returned instruments accounted for 75% of the total instruments while the ones which were not returned made up the remaining 25%. The 75% was reasonable enough permitting the researcher to conduct the analysis. According to [10], a response rate of above 50% is good for analysis to be conducted in the social science field. This high response rate could be attributed to the fact that the respondents were well convinced by the researcher about their confidentiality and anonymity that they felt free to respond. The fact that ethics were upheld could also be attributed as to why the response rate was high. The data collected was adequate for the researcher to analyze and use to make informed judgment.

4.2 Reliability Analysis

Cronbach's alpha test was run to determine the reliability of the items in the research instrument of the pilot study.The test was checking for the internal consistency of the questionnaires. The results are presented below:

Table 4.1: Reliability analysis per variable

Variable	Number of items	Cronbach's alpha
Strategic planning	8	0.806
Strategic partnership	8	0.801
Organization performance	6	0.798

Source: Survey Data (2020)

From these results, it is seen that the internal consistency of all the study variables were above the minimum requirement of coefficient 0.7. [10], Advocate for use of variables if their coefficients of the Cronbach alpha test is .0.7 and above. From the table above, it is therefore evident that the internal consistency of the instrument was strong.

4.3 Descriptive Analysis

The research's results on descriptive statistics help in understanding the data distribution patterns. On top of that, they also help in showing the level to which the respondents agreed with the practice of strategic management in their agencies. Both the gender, age bracket, level of education and job level of the respondents was collected and analyzes as their bio data. The results from the analysis is as presented below:
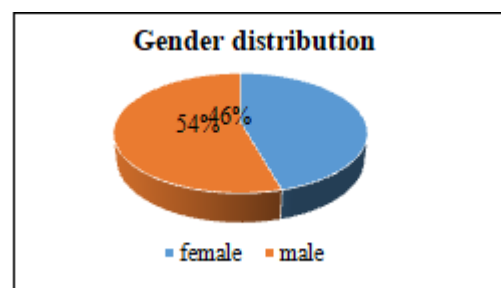

Figure 4.1: Respondents gender distribution
Source: Survey Data (2020)

Figure 4.1 show that majority of the respondents were male 54% while 46 % were female. This gives the impression that majority of those in managerial positions in the travel and tour agencies in Nairobi are male. Though the margin

between male and female was not high. This goes to show the efforts that are being made to include women in top positions.
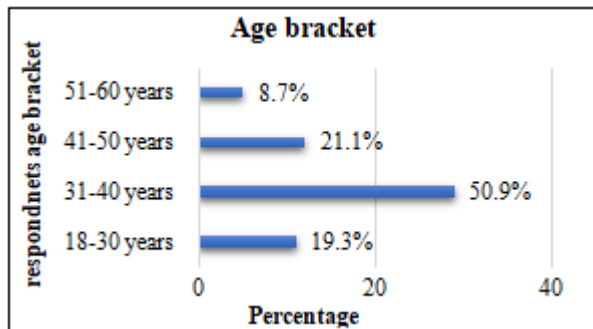

Figure 4.2: Age bracket
Source: Survey Data (2020)

As per figure 4.2, majority of the participants lied in the age group between 31 to 40 years as they accounted for 50.9%. Those between the age brackets of 41-50 years followed as they made up for 21.1% of the respondents while those in the age bracket of 18-30 years were 19.3%. The table shows that those between 51 years and above were the least represented as they accounted for only 8.7%.
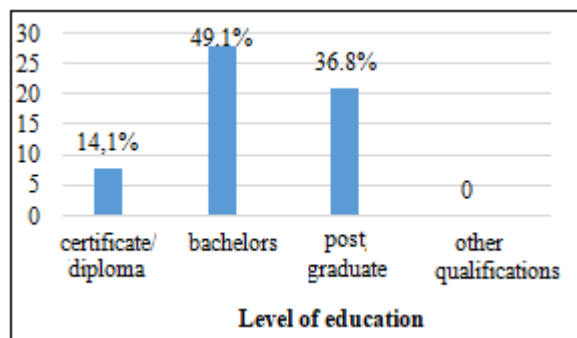

Figure 4.3: Respondents level of education
Source: Survey (2020)

From the results presented in figure 4.3, majority of the study participants were bachelor's holders. They made up the highest percentage of 49.1%. Additionally, 36.8% of the participants had a post graduate degree on top of their bachelor's degree.This shows that the respondents are well learned. Another 14.1% of the respondents were certificates and/or diploma holders. None of the participants had any other education qualification than the listed ones. These results showed that the participants were well equipped and educated enough to perfectly perform their tasks.
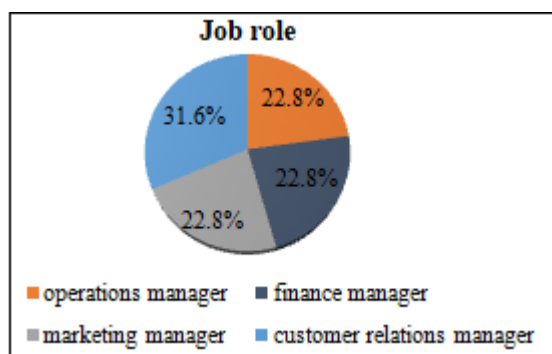

Figure 4.4: Respondents Job Roles
Source: Survey (2020)

The results from figure 4.4 show that customer relations managers were the majority of respondents in the survey, they accounted for 31.6%. The finance managers, marketing managers and operations managers all accounted for 22.8%. These results indicate an equal distribution in power in the travel agencies. This distribution encourages coordination and free flow of information from one department to another.
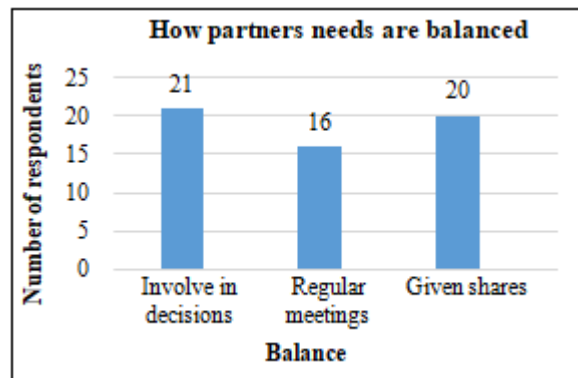

Figure 4.5: Balancing partners' needs
Source: Survey Data (2020)

The figure above shows the results of the content analysis on how the needs of all the partners are balanced in the various travel agencies in Nairobi County.21 of the survey participants responded by stating that the needs get balanced by involving all the partners in the decision making process. Another representation of the participants felt that the needs were balanced by giving shares to the partners which also help in making them feel as owners of the organization hence more commitment. Sixteen of the respondents reported that the agencies balanced the needs of the partners by holding regular meetings which helped in hearing out their opinions and clearing any misunderstandings.

4.4 Correlation Analysis

The degree of correlation relationship existing between the independent and dependent variables of the survey was determined by running the Pearson correlation analysis. The results from the analysis are presented in the matrix in table 4.2 below.

Table 4.3: Correlation analysis matrix

	OP	SP	S_2P_2
OP	1	.686[**]	.479[**]
SP	.686[**]	1	.704[**]
S_2P_2	.479[**]	.704[**]	1

Key: Organization Performance (OP), Strategic planning (SP), Strategic partnership (S_2P_2)
Source: Survey Data (2020)

The results of the analysis presented in table 4.2 above indicate that strategic planning was both significant and had a strong positive correlation with organization performance of the travel and tour agencies in Nairobi City County, with r=0.686. This positive correlation goes to show that when management make improvement in strategic planning, then organization performance also improves. It is therefore clear that proper strategic planning increases organization

performance. Strategic planning therefore plays a big role in organization performance.

The correlation between strategic partnership and organization performance of the travel and tour agencies in Nairobi City County was found to be not only positive but also there was a statistical significance, with r=0.479.This positive correlation implies that when strategic partnerships improved in the agencies, then organizationperformance also significantly improved. Just like strategic planning, strategic partnership play a key role in organization performance.

4.5 Multi-regression Analysis

Table 4.4: Multicollenearity test

Model	t	Sig.	Collinearity statistics	
			Tolerance	VIF
(Constant)	4.646	0.011		
Strategic planning	1.659	0.004	0.494	2.024
Strategic partnership	4.251	0.010	0.399	2.505

Source: Survey Data (2020)

As presented in table 4.4 above, the Variance inflation factors (VIF), of the variables all meet the accepted margin of between 1 and 1.99. They are 2.024 and 2.505, which mean that there is no multicollenearity symptom existing among the variables. On top of this, the results also shows that there is no linear relationship among the two independent variables.
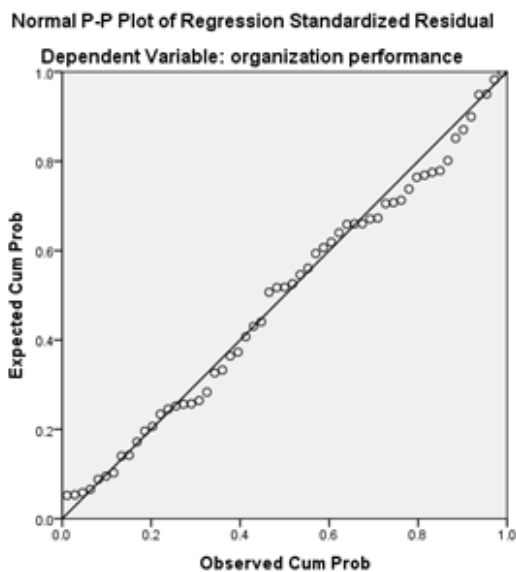

Figure 4.6: Normal distribution graph
Source: Survey Data (2020)

From the results presented in figure 4.6, shows that the data was normally distributed as the scatter points are lying close to the line of good fit, while having a clear pattern at the same time. Data points close to the line of good fit and that having a clear pattern is an indication of a normally distributed data [2].

Table 4.5: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.762[a]	.581	.549	.37610

a. Predictors: Constant), Customer focus, Strategic planning, Expansion strategy, Strategic partnership
Source: Survey Data (2020)

As presented in table 4.5, the correlation coefficient (R) between the surveys' independent

Variable strategic management practices and organization performance was 0.762. This result suggests that there existed a strong and positive relationship between the independent and dependent variables of the research. Additionally, the results show that the R^2 was 0.581, which means that 58.1% of the organization performance of the travel and tour agencies in Nairobi City County are controlled and influenced by the study's independent variables including strategic planning and strategic partnership. Other factors that can affect the performance and which were not included in the study make up for the remaining 41.9%.

Table 4.6: ANOVA analysis

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.416	4	.854	9.825	.000[b]
	Residual	4.520	52	.087		
	Total	7.937	56			

a. Dependent Variable: organization performance
b. Predictors: (Constant), customer focus, strategic planning, expansion strategy,
Strategic partnership
Source: Survey Data (2020)

The results of the ANOVA analysis presented in table 4.6 show that the significance of the model was 0.000 which is below α = 0.05, and the value of F being 9.825. These results thus imply that statistically, strategic management practices have an effect on organization performance in the travel and tour agencies.

Table 4.7: Regression coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.334	.504		4.646	.011
	SP	.316	.122	.247	1.659	.004
	S_2P_2	.203	.152	.420	4.251	.010

a. Dependent Variable: organization performance
Source: Survey Data (2020
$Y = 1.334 + 0.316X_1 + 0.203X_2 + \varepsilon$

The researcher intended to assess the effect of strategic planning on organization performance of the travel and tour agencies in Nairobi County by conducting a regression analysis. The results show $\beta_1 = 0.316$, t=1.659, p=0.004 and α=0.05, these results indicate that strategic planning had a significant effect on the organization performance of the travel and tour agencies in Nairobi City County. Since the value of $\beta_1$was positive, that shows that strategic planning had an effect that was positive on organization performance of the travel and tour agencies. Therefore, this goes to show that when strategic planning is changed and improved by one unit, then organization performance would also improve positively by 0.316 units.

There was also need by the researcher to assess the effect of strategic partnership on the performance of travel and tours agencies in Nairobi City County. The results from the regression analysis supports that strategic partnership had a positive and significant effect on organization performance. This was supported with $\beta_2=0.203$, t=4.251, p=0.010, and $\alpha=0.05$. The valueof β_2 of was positive which supported the fact that when strategic partnership was improved by one unit, then performance significantly improved by 0.203 in the same direction. The findings of the analysis also reveal that when all the independent variables remain constant, then organization performance of the travel and tour agencies in Nairobi City County stands at 1.334.

5. Recommendations

Considering the results from the analysis, which showed that strategic planning was positively correlated to organization performance but was only moderately practiced, it was recommended that the agencies should document their strategies and presented to all the partners, the strategies should then be reviewed annually to track the progress and make necessary adjustments. Another recommendation that was made was that the agencies should expand their operations to the international market by sourcing for more partners outside their regions.

5.1 Areas for Further Study

The current study focused on assessing the effect of strategic planning practices and organization performance of travel and tour agencies in Nairobi City County, Kenya.Future researchers could focus their scope in a different geographical location as the results from this study are relevant for the travel and tour agencies in Nairobi City County. Another potential area of research should be on assessing whether the strategic management practices have the same effect on different industry apart from the travel and tourism sector which the current study has covered.

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