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Abstract

The purpose of the study was to find out how service diversification strategies influence organization growth in the hotel industry a survey of registered hotels in Kitui Town Kenya. The literature review was done based on the study objectives while Porter's five forces Theory, Portfolio Diversification Theory and Resource-Based Theory were used to explain the study. The study employed the descriptive research design. The target population was 385 employees working in 30 registered hotels in Kitui Town. The sample size for the study was 115 respondents and data was collected using questionnaires and interview guide. The result showed that concentric and conglomerate diversifications were found to be significantly correlated with organizational growth ($p=0.001$ and $p=0.000$ respectively). Horizontal and geographical diversifications were also found to be significantly correlated with organizational growth ($p=0.000$ and $p=0.000$ respectively). The study concluded that concentric, conglomerate, horizontal and geographical diversification positively affects organizational growth. The introduction of new products significantly improves how hotels perform in the country. The study concluded that proportion of an organizations' investment in horizontal product diversification significantly influence the growth of an organization. The study also concluded that geographical diversification is positively and significantly associated with organizational growth of hotels. The study recommended that hotels should adopt concentric diversification by introducing new services, new products that enable to reach the unique needs of customers. The study also recommended that hotels should be encouraged to adopt product diversification strategy with a view to provide an extensive variety of products and services to their customers as well as high quality services. Further, the study recommended that hotels should broaden in areas where competitive environment is not as fierce, and take use of the freedom to set prices that are profitable. Finally, the hotel regulators and the policy makers in the hotel industry such as Kenya Association of Hotelkeepers and Caterers (KAHC) and the Ministry of Tourism and Wildlife should also come up with strategies that encourage services diversification as well as engage in forums to discuss of various opportunities available for promoting diversification.

Keywords: *Service diversification, organizational growth, conglomerate diversification, horizontal diversification, concentric diversification, geographical diversification.*

1.1 Introduction

Globally, diversification has emerged as one of the most common business strategy adopted by companies in the last twenty years. In USA and Europe, the strategy was prevalent in the late 1960s to 1980s by big businesses seeking extension of their territories through acquisitions and blends of various businesses. Notwithstanding its global popularity, scholars continue to debate and question its worth as a strategic option among businesses. According to Zhou (2018), investing in various businesses and property in order to reduce risk is termed as diversification, which is a basic and famous concept businesses and normal daily life. The diversification strategy offers organizations benefit ranging from a monetary perspective, including cost decrease, asset devaluation and peril lessening. Strategic benefits comprise of the growth of the firm, formation as well as upgrading of permanent strategic possessions. In the tourism sector, the benefits range from working together, distribution of cost, lessening of the risk as well as improvement of the brand. Additionally, permanent sustainability as well as geographical growth occurs because of resource diversification.

A report by superintendent of documents, United States (US) shows that the driving U.S. food makers regularly produce and sell developing exhibit of food items. Many have likewise ventured into related discount, transportation, and food administration businesses, while keeping away from huge scope contribution in horticulture and food retailing (IBIS World, 2016). Fruitful enhancement regularly relies upon how promptly representatives' abilities can be moved to new items. A significant part of the new broadening in the food ventures have been founded on the exchange of showcasing abilities among customer item businesses and specialized abilities in ware handling and transportation among maker products enterprises (Gathiri, 2012).

Onsomu (2013) contemplated the impact of expansion techniques on the exhibition of KTDA. This investigation zeroed in on the impacts of diversification systems on accomplishment of organizations. A longitudinal review of KTDA was taken for the investigation. The target of this examination was researching the impacts of aggregate expansion and concentric broadening in association. The examination uncovered that concentric enhancement influences execution to incredible degree. The investigation found that selection of horizontal diversification contributed profoundly to the association execution. The examination presumed that reception of even enhancement influences the association execution to extraordinary degree. The examination tracked down that combination expansion occurs because of a business broadening into disconnected regions contrasted with its current line of business activities. The investigation presumed that aggregate broadening assists with further developing association execution. The examination uncovered that the different geological broadening techniques utilized by association to impact its exhibition. The investigation inferred that topographical enhancement influences the exhibition of association in Kenya to extraordinary degree.

Kenyan hotel industry is one of the leading sectors to the country's economy (Gok, 2015). With growing GDP, the hotel industry has also had a huge impact to it. The hotel industry has accounted for more than 72% of the GDP of most developed countries and 52% of the GDP of developing countries (Hill, 2006). Hotel grouping places key contemplation on numerous features affecting the whole principles such as the standard of hygiene, style of storing, grounding and provision of foodstuff and the diet worth (Gok, 2015). The ordering is prepared in such a way that the more advanced the stars, the better these standards as well as the arrangements and facilities (Baum, 2002). In Kenya, most of the organizations in the hospitality industry are rated below three stars (Kyule, 2010). These hotels are ordered as per the star indexing framework. The inns shift from

minor town foundations to the star appraised sea shore and city lodgings. The obligation of arranging these hotels is ordered to The Inns and Eateries Authority, which lies under the Travel industry Service (Administration of Kenya, 2013). Characterization relies upon offices, area, conveniences and the lodging framework. This course of action gives classifications like; 5star, 4star, 3star, 2star and 1star, endorsed with steady instrument on the worth of offices offered (Kingi, Mukulu & Oloko, 2013).

In Kenya, the hotel and hospitality business has developed exponentially from 2001 motivated by factors such as increased tourist attractions and leisure activities (Klopper, 2005). While this growth is encouraging to the industry, it has also posed a threat to the existing hotel businesses. These concerns have seen managers and hotel operators seek efficient ways to keep their businesses afloat through diversification (Gathiri, 2012). This study looked at hotels in Kitui Town that are registered under the Kenya Association of Hotelkeepers and Caterers (KAHC) with a view to investigate the role of service diversification strategies on organization growth of these hotels. Most of the hotels in Kitui town can be termed as below 3star hotels (Kyule, 2015).

The hotel industry in Kitui Town is very competitive. Consequently, financiers are strategizing and finding advanced methods that are attractive for marketplace. Major investments viewed in the business have additionally value-added the level of services delivery in Kitui Town, with the main element of business being services diversification. Deprived of good client services, realizing accomplishments within hotel business is a difficult assignment for hoteliers. Despite having outstanding amenities, customers may avoid the business if diverse services are not provided. Kitui Town has undergone massive transformation through the devolved system of government- the hotel business has benefited directly as a result of this. The 2010 constitution established devolved governments led by county governors with the goal of bringing services closer to the people. Sectors such as the hotel industry have reaped the benefits of counties that are now operational, where many hotels have come up in Kitui Town (Africa.com, 2019).

The increased competition in the hospitality industry are some of the factors that have made it very difficult for hotels in Kitui town to grow (Aranga, 2014). Sometimes, these hotels are forced to reduce their profit margin in order to remain competitive and relevant in the industry which has resulted to poor organization growth by most hotels. Preceding researches done in Kenya have ignored the role of service diversification of hotels, for example, Maina (2013) concentrated on diversification in microfinance institutions. It is from this observation the current research established service diversification strategies and organization growth in the hotel industry with a focus on registered hotels in Kitui Town Kenya.

2.1 Literature Review

In a study of Doaei, Anuar and Ismail (2014), the focus of the study was how concentric diversification related to monetary performance in Bursa Malaysia. The investigation was guided by aims; to inspect connection between corporate broadening and financial performance and find out association amid product diversification and financial performance. The study adopted descriptive research design and utilized 102 manufacturing firms between 2006 and 2010. Return on Assets (ROA) was paired with several forms of diversity, such as total product diversification (TPD), related product diversification (RPD), unrelated product diversification (UPD), and international diversification, as study variables (ID). There was no significant relationship between concentric diversification and Organization Growth.

In Belgium and Turkey, Boz, Yigit and Anil (2013) sought to establish the interaction between horizontal diversification and firm performance and established varying degree of diversification had different effects on organization growth of firms. The related to the period 2007-2011 with a scope of 114 business groups in Belgium and 118 business groups in Turkey. The results indicated that diversified firms recorded high performance compared to undiversified firms. Chen and Yu (2011) analyzed the connection between topographical broadening and monetary execution 98 firms recorded on the Taiwan Stock Trade. An exploratory investigation was utilized to build up the connection between the factors. Optional information was utilized from 2001 to 2005. A various relapse model was received for information investigation and the aftereffects of the examination showed a positive connection between geographic broadening and monetary execution of the recorded firms. It was additionally presumed that organizations that occupied with random expansion beat those that occupied with related enhancement. Mashiri and Sebele (2014) conducted a study in Zimbabwe on how diversification affects the performance of firms with a focus on Conglomerates registered under Food & Beverages Segment in Zimbabwe. This study assessed diversification as a business strategy and sought to establish the association between diversification approach and organizational performance. To attain this, the study used Zimbabwean conglomerates in the food and beverages sector. The questions were posed as initially asked by Villalonga (2014a) on how diversification influences the performance of a firm. The study concluded that a positive linear relationship exists.

Karanja (2013) did an examination on the expansion system and the presentation of Kenolkobil restricted in Kenya. The investigation was finished utilizing a contextual analysis plan and the object of the contextual analysis was KenolKobil Ltd. Information was gathered from both essential and optional sources. The essential source was a meeting with senior administration and secondary source was gotten from distributed data on Kenol Kobil. The information was dissected utilizing content examination and talked about to decide the expansion technique embraced by Kenol Kobil and its exhibition. The discoveries set up that the firm received related, irrelevant and worldwide expansion techniques. The investigation likewise settled that geological broadening has expanded the business, net benefits and investor value of Kenol Kobil. Maina (2013) established the connection between expansion of items and services and organization growth of MFIs that take deposits. The number of inhabitants in the examination included all the 9 MFIs taking deposits in Kenya. The investigation utilized descriptive examination plan; auxiliary information for a very long time was utilized since the idea of the investigation was quantitative in nature. The information was investigated utilizing a numerous relapse model and the aftereffects of the examination presumed that there was a positive connection between expansion of items and administrations and association development of store taking microfinance foundations.

From the above, there is a positive connection among expansion and organization growth of firms locally and globally. Various investigations have upheld this both locally and internationally. Regarding the above literature, firms expand their organizations to moderate the degree of dangers and lift execution. This is predictable with both worldwide and nearby exact examinations: Daud et al., (2009), Bammer et al., (2006) and Maina (2013). Subsequently, this examination filled the gap not covered by these past examinations by exploring the influence of service diversification on organization growth of hotels Kitui town, a friendliness region that most researchers have not zeroed on. This is important as it adds value to these past studies. From the above review, these studies have not investigated the relationship between service diversification and organization growth of hotels in Kitui County, Kenya. Therefore, this study sought to fill this gap by seeking

an answer to find out the role of service diversification on organization growth of hotels in Kitui town.

3.1 Research Methodology

The study embraced a descriptive survey method. The target population was all the 385 employees in the 30 hotels in Kitui Town registered with the Ministry of Tourism, Sports and Culture, Kitui. From the target population of 385 hotel employees, a sample of 30% was obtained to give 115 respondents. The unit of observation included management staff, middle staff and lower cadre staff. The study employed survey and an interview schedule in gathering the required information where semi-structured questionnaire were best appropriate for this study.

4.1 Results and Discussion

The main objective of the study was to establish the role of service diversification strategies on organization growth in the hotel industry a case of registered hotels in Kitui Town Kenya. Table 1 presents the results of the first objective.

Table 1: Influence of Concentric Diversification on Organization Growth

Statement	N	Min	Max	Mean	Std. Deviation
Introducing new products which are related to current products and are appealing to customers leads to growth of hotels	80	1	5	3.83	1.041
Introducing new services have led to benefit from economies of scope	77	3	5	4.36	.667
Introducing new products and services have enabled to reach the unique needs of customers	81	3	5	4.02	.758
Diversification has enhanced leverage on competition	84	1	5	3.73	1.226
Addition of related products and services have introduced change in terms of customer needs	84	1	5	3.35	1.156
The firms' customer base has increased as a result of the new products it offers	84	1	5	4.20	.915
Valid N (listwise)	71			3.92	

Based on the research findings presented in Table 1, there is a link between concentric diversification and organizational growth. The hotels' customer base was found to have increased because of the new products they offered which affected their growth positively. Similarly, the hotels' growth was found to be positively affected when they offered new products that attracted new customers. Introduction of new products was also found to significantly improve growth of registered hotels in Kitui Town. This concurred with Oyedijo (2012) who found that concentric diversification expands the firms market by attracting new group of buyers. Further study by Mugo (2011) found that concentric product diversification leads to achievement of superior performance of an organization. His findings also indicated progressive consequence in terms of organizational performance showing that related diversification works and has clear gains.

The study is further congruent with findings from Maina (2013) who sought to determine the relationship between diversification of products and services and organization growth of Deposit Taking Microfinance institutions. He found a positive relationship between diversification of products and services and organization growth of deposit taking microfinance institutions. However, the findings disagree with Doaei, Anuar and Ismail (2014) who found out that there is no significant relationship between concentric diversification and Organization Growth while investigating manufacturing firms in Bursa, Malaysia. The contradiction could arise based on various differences. First, the current study focused on service diversification in the hotels while the other study was done in manufacturing firms. In general, manufacturing firms produce items in a standardized manner. Goods are manufactured in a factory or warehouse setting. The end result is nearly identical from one to the next. Service operations, on the other hand, have more flexibility in terms of customizing the services they give. Hoteliers, for example, must tailor the styling and treatments to the customer's preferences and other features. Even in service operations where clients receive a physical product, workers may not always provide the same level of service. Furthermore, the two industries' product and operations management are not the same.

The second specific objective of this research was to ascertain the influence of conglomerate diversification on organization growth of registered hotels in Kitui Town. The responses were indicated in Table 2.

Table 2: Influence of Conglomerate Diversification on Organization Growth

Statement	N	Min	Max	Mean	Std. Deviation
Introduction of new unrelated products and services contributes to hotel growth	81	2	5	4.44	.632
Organization has grown through additional opportunities	75	1	5	3.41	.871
Strategic partnerships contributes to hotel growth	84	2	5	3.94	1.045
Targeting a new segment of customers have improved organization growth	84	2	5	3.73	1.090
Catering only for existing loyal customers hinders organization growth	84	2	5	3.62	1.108
Hotels that engage in unrelated diversification outperforms those that do not	84	2	5	3.45	1.124
Introduction of new services that are technologically or commercially unrelated to current products increases profitability	84	2	5	3.68	1.077
Diversification of products enhances profitability	84	2	5	3.42	1.089
Valid N (listwise)	72				

From the findings in Table 2, conglomerate diversification was found to have a significant relationship with organizational growth. The relationship was found to be significant. The hotels' offering of new products that were unrelated to the current products contributed significantly to

their organizational growth. Strategic partnerships contributes to hotel growth and targeting a new segment of customers had improved organization growth and that catering only for existing loyal customers hinders organization growth Further, growth was seen to be affected when the firm offered new products that were unrelated to current products. The results concur with those of Ondari, Awino and Machuki (2016) who found that diversification of a conglomerate's economy may allow it to strengthen the economy of diverse markets while also developing competences that can be shared across markets and products. As a result, the organization's growth improves. The findings also support Chen and Yu (2011)'s study of the association between conglomerate diversification and Organization Growth who found a positive association between conglomerate diversification and Organization Growth of the registered companies in Taiwan. Firms that participated in unrelated diversification outscored others who invested in linked diversification, according to the findings.

The third aim of this research sought to evaluate the influence of horizontal diversification on organizational growth of registered hotels in Kitui Town. Table 3 shows the results.

Table 3: Influence of Horizontal Diversification on Organizational Growth

Statement	N	Min	Max	Mean	Std. Deviation
Development of new products influences the growth of hotels	82	1	5	4.43	.703
Use of modern technology improves the performance of the hotels	82	1	5	4.39	.733
Adoption of new information, communication technologies has enhanced expansion of the organization.	81	2	5	4.33	.671
There is increased service quality due to the increased customer base that brings in demand for better services	82	2	5	4.39	.643
Horizontal diversification helps maintain competitiveness and profitability	84	2	5	4.40	.696
Diversification improves productivity of a firm	84	2	5	4.27	.855
Diversification increases market share of a firm	84	2	5	4.15	.912
Valid N (listwise)	77				

The growth of hotels was found to be influenced by development of new products and the use of modern technology as shown in Table 3. Consequently, horizontal diversification helps maintain competitiveness and profitability of hotels. These findings are in congruence with Boz, Yigit&Anil (2013) who wanted to examine the collaboration between horizontal diversification and organizational performance. The results of their study indicated that the horizontal diversified firms recorded high performance compared to undiversified firms. Also, the findings agree with Mwangi (2015) who established that horizontal diversification affected financial performance of listed manufacturing firms in Kenya. The current study agree with Afza, Slahudin and Nazir (2012) who found that non-diversified firms in Pakistan posted low performance with high return whereas diversified firms had high performance with low returns. They found a positive relationship

between horizontal diversification and organization growth using a scope of 65 firms classified as either diversified or non-diversified. The findings of the current study on horizontal diversification are however cautioned by Berry et al (2012) who looked into the status and degree of line-of-business diversification among property-liability insurers in the United States. Their findings demonstrated that risk pooling concerns should drive the extent of horizontal diversification, and that enterprises in some more unstable product lines ought not diversify further.

The fourth research objective in this research evaluated how geographical diversification influences organizational growth of hotels in Kitui Town. In unison, all study participants indicated that geographical diversification affects growth of the hotels. Table 4 shows the results.

Table 4: Influence of Geographical Diversification on Organizational Growth

Statement	N	Min	Max	Mean	Std. Deviation
New branches formed results into an the expansion market sales	80	2.00	5.00	4.0250	.99333
New branches formed leads to an increase in product sales	80	2.00	5.00	4.2875	.84485
Marketing of new services which have technological or commercial synergies with current products attracts more customer	83	2.00	5.00	4.4096	.76567
Geographical diversification enhances organization growth	83	2.00	5.00	4.2289	.88793
The firm frequently ventures into marketing of its products in new geographical areas	83	2.00	5.00	3.9398	1.06324
The firm has expanded its operations to different regions through branches or subsidiaries	83	2.00	5.00	4.3133	.86852
To what extent would you agree that it is important for your firm to establish branches or subsidiaries in different regions	83	2.00	5.00	4.2169	.85609
Valid N (listwise)	79				

The more new branches formed the more expansion of market sales and new branches formed led to an increase in product sales as depicted in Table 4. The findings agree with Brammer and Pavelin (2006) studied the connection between firm profitability and international expansion in a sample of big UK enterprises and discovered a progressive association between geographical diversification and UK firms' overall achievement. In line with the current study, Karanja (2013) examined Kenol Kobil Limited's diversification strategy and performance in Kenya, and recognized that geographical diversification improved trades, remaining proceeds and owner equity at Kenol Kobil. This study agrees with a longitudinal research by Jung and Chan (2005), which established a link between regional diversification and monetary performances of one hundred media businesses in the United States. Using a multiple regression model, the study found that the more linked products and worldwide diversity a firm has, the better its financial success. However the study disagree with Hsu&Liu (2008) who looked at how a company's operating environment influences the links between corporate diversification initiatives and performance. They discovered that only product diversity and customer diversity are positively related with

company success when analyzing longitudinal data at the firm level, where geographical diversity is inversely related with company performing nature.

5.1 Conclusions and Recommendations

Based on the study findings, it was found that concentric diversification positively influenced organizational growth as the business grows the proportion of its venture in concentric product diversification subsequently the firms' growth improves. The introduction of new products significantly improves how hotels perform in the country. The growth of hotels is positively influenced when they offer new products that attract new customers. Conglomerate diversification positively influences organizational growth of hotels; the more hotels invested in fresh products unconnected to present ones, the healthier it achieved performance. The research also determined that horizontal diversification significantly influences organizational growth. The proportion of an organizations' investment in both horizontal product diversification does significantly influence the growth of an organization. The growth of hotels is affected when hotels develops new products, and adopts new information, communication technologies. Finally, the study concluded that geographical diversification was positively and significantly associated with organizational growth of hotels. This implies that an addition in geographical diversification consequently results to a resultant positive alteration in growth of the hotels.

Emanating from the aforementioned conclusions, the study recommended that hotels should adopt concentric diversification by introducing new services, new products that enable to reach the unique needs of customers. The study also recommended that hotels should be encouraged to adopt product diversification strategy with a view to provide an extensive variety of products and services to their customers as well as high quality services. Further, the study recommended that hotels should broaden in areas where competitive environment is not as fierce, and take use of the freedom to set prices that are profitable. Finally, the hotel regulators and the policy makers in the hotel industry such as Kenya Association of Hotelkeepers and Caterers (KAHC) and the Ministry of Tourism and Wildlife should also come up with strategies that encourage services diversification as well as engage in forums to discuss of various opportunities available for promoting diversification.

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