



## LEADERSHIP STYLE AND PERFORMANCE OF FIVE STAR HOTELS IN NAIROBI COUNTY, KENYA

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### Abstract:

The 5-star hotels in Nairobi have experienced dwindling customer numbers, reduced services and products offered and quality of service as a result of decreasing number of tourists following the 2017 repeat election declaration, terrorism attacks in Dusit D2 and Corona Virus pandemic. The reduced number of customers has affected the growth, expansion, sales and number of employees in the hotel industry in Kenya. The industry also has encountered a reduced number of tourist activities which has affected customer outreach levels in the years 2016 to 2020. The current study, therefore, sought to evaluate the effects of leadership style on the performance of five-star hotels in Nairobi County, Kenya. The study was anchored on resource-based theory. A descriptive research design was used. The unit of analysis was Nairobi City County's five-star hotels and the unit of observation was the senior hotel managers. Data were collected from 104 senior managers and due to the small number, the research used a census study. Questionnaires were used to collect primary data. The drop and pick later method was used to collect data. Test for reliability was done through the Cronbach Alpha test and content validity and construct validity were tested through the pilot test. Qualitative and quantitative analysis techniques were used. Descriptive measures such as mean, frequency and standard deviation were used. Inferential statistics such as correlation and regression analysis were used to present the linear relationship between variables. Data was presented in tables/figures. The significant majority of respondents said that hotel management has the ability and skill to conduct an initiative of change. The study found that leadership had a favorable impact on five-star hotel performance. Environmental scanning should be encouraged in hotels because it is the only way to alleviate stress during leadership.

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## 1. Introduction

### 1.1 Background of the Study

Hotel industry investors are discovering space for development in the hotel industry as observed by the latest extensions of major international chains and low-cost chains similarly looking to expand outside of the capital (Nzioka & Njuguna, 2018). Given the quick rate at which the hotel business is developing and the expanded challenge they are confronting; it has become vital that all hoteliers define fitting, reasonable procedures that will give them an upper hand. This might be done by exploiting the organization's individual upper hand and utilizing these points of interest for the maintenance and development of their piece of the pie (Stavis, 2016).

There are numerous organization measurements depended upon by business sectors in assessing their performance. The measurements are comprehensively arranged into financial and non-financial related measures yet all focus on a similar objective of assessing the achievement of business goals (Pulaj, Kume & Cipi, 2015). Financial measures or measurements present business performance based on financial pointers. These incorporate the utilization of budgetary proportions, for example, income, solvency, liquidity and proficiency proportions. Then again, non-financial measures or measurements don't put accentuation on financial related pointers of performance.

The key non-monetary measurements depend upon the business performance of the hotels such as consumer satisfaction, product differentiation and the market share in the overall hospitality industry. Market share in the industry basically amounts to the organization's grasp of the market. At the end of the day, the market share is the segment of the market that the organization controls (Kogila, 2016). Customer effort is portrayed as the development in the number of clients pulled in and consumed by the firm with time. Production differentiation is the modification of a product to distinguish it from other similar products in the market to target a specific market. Consumer satisfaction measurements try to quantify how an organization meets or outperforms a client's desires by the items or administrations provided (Kombo, 2015). The proxies of hotel performance will be based on key performance indicators used in the hotel industry which are the percentage of occupancy, average daily rate (ADR), revenue per available room (REVPAR) and customer satisfaction.

Hayes (2014) has suggested that partner support is expected to start the bat straight away and allow managers to look for the signs of the shift in behavior to improve the evolving situation. The engagement of stakeholders is refreshing as one of the analysts supports effective management in the field of change. Individuals, procedures, and framework adjustments are frequently included in business changes that must be communicated in order to bring about a stage change within the company. According to

Omari, Ateka and Nyaboga (2015) deficient acknowledgement and selection of new procedures, frameworks and techniques emerging from lacking investment from partners is the prime reason for transformational disappointments.

### **1.1.1 Hotel Industry in Kenya**

The research will concentrate on hotels with five stars. Customized amenities, a wide range of services and sophisticated accommodations that satisfy or exceed even the highest standards regarding comfort, design and luxury, are establishments with five stars that give their guests the highest degree of luxury. In the last two decades, Kenya's hotel industry has undergone tumultuous times with respect to its organizational practices, management and strategic change (Nzioka & Njuguna, 2018). After farming, Kenya's hospitality sector is the most important industry in Kenya. McClanahan, Mwanguni and Muthiga (2015) research found that hotels have contributed to 14 percent of GDP and 12 percent of the nation's job growth, and the division is projected to expand at 3.7 percent per year.

Class, style, ambience and quality administration are the major distinctive variables of the hotels. In spite of the high calibre and great offices of Kenyan hotels, rivalry for assets and piece of the pie in the hotel business in Nairobi, Kenya is getting incredibly high. According to Musyoka (2017), organizations working in the hotel business are confronting higher challenges in the market for exceptional work in the hospitality services and for a piece of the overall industry. By 20 April 2020, all global destinations had imposed travel restrictions in response to the pandemic, according to the UNWTO Report (2020) on COVID-19 related travel restrictions. Approximately 45 percent of the world's destinations have closed their borders fully or partially to visitors, 30 percent have suspended international flights entirely or partially, and another 18 percent have banned entry for passengers from particular countries of origin. The hotel industry in Kenya was affected greatly by the ban on passenger entry, international flights and cessation of movements. The ultimate outcome of all these travel restrictions was the complete disruption and paralysis of the worldwide international travel and tourism industry.

According to the United Nations World Tourism Organization (UNWTO) (2020), data indicates a 22 percent double-digit drop in the first quarter of 2020, with arrivals down by 57 percent in March 2020. This corresponds to a loss of 67 million international arrivals and receipts of about USD 80 billion. The months of April-June, 2020 had zero international tourist arrivals and a 91% reduction in international arrivals in the month of August. The losses incurred by airlines and, in particular, by mega carriers by the end of 2020 are expected to be inscrutable. Depending on how easily the pandemic is controlled and the length of travel bans and border closures, these catastrophic losses are likely to continue into the year 2021. Whatever the situation, the prospects look grim and it will take a long time for the industry to recover (Nzioka & Njuguna, 2018).

Clients' desires and inclinations are likewise expanding every now and then (Konstantin, 2018). Hotels like different organizations are adopting key organization performance drivers with the goal that they can fit the bill for universal

acknowledgement for institutionalization declarations, organization of the year grants and star rating just as participation to proficient bodies (Sang, Komen, & Korir, 2017). A model called the Organizational Performance Index (OPI) was developed by the Kenya Institute of Management (KIM), which was an apparatus that drove organizations in Africa towards astonishing execution and intensity. Against global metrics and benchmarks, the organizations' exhibition was projected. Framework thought intensity, tracking and quality improvement were the main parameters.

Kenya has been encountering fierce occasions as to its management practices over the most recent two decades. This has brought about commonly low benefits to the economy and this image is genuinely very much reproduced in the hotel industry (Nzioka & Njuguna, 2018). The decrease in the world travel industry has terribly influenced hotel deals and represented a danger to tourism management since Kenyan Hotels to a great extent, rely upon the International Tourism Market (Oketch *et al.*, 2016). Currently, Covid-19 is the worst enemy to the hotel industry (UNWTO, 2020). Kenya was viewed everywhere throughout the world as an extraordinary visitor country yet as of late, the hotel business was hit hard by the constant post-political race savagery just as psychological warfare assaults, in this case, terrorism (Gathara, 2019) and later by coronavirus pandemic (UNWTO, 2020).

Numerous Hotels were shut during the two occasions and this made staff be laid off. There was likewise a low bed inhabitation limit of 10-20% and the circumstance was set out toward more regrettable if something was not done (Nzuve & Nyaega, 2017). Additionally, Kenyan Hotels have gotten progressively mind-boggling to oversee in light of the requests of the dynamic business condition. Hotels were thinking that it's hard to address the difficulty of client requests just as convoluted assistance advances and creative forms. Accordingly, the future bearing of the hotel industry is controlled by the management practices and how individuals functioning in that organization connect and works together with one another, with clients and different partners.

The hospitality sector in Kenya contributed over 509,000 jobs in 2017, according to Wadogo *et al.* (2019). The research estimated that more than 638,000 job opportunities will be created by the industry in 2020. The constant performance of the hotel sector shows its greater prospects for contributing to the GDP of the country. Gathara (2019) has noted the hotel industry, like 1 star, 3 star, 4 star, 5 star, and one of the hospitality sectors in Kenyan. The various hotel styles offer a wide variety of facilities that meet the varied standards of customers. Effectiveness, climate, quality, volume, and attractiveness are just a few of the characteristics that distinguish the various hotel classes in the market. The star collection of hotels is a globally recognized and welcomed feature that was developed not just by Kenyans to segment the needs and aspirations of their clients. The body responsible for defining hotel transparency conditions is responsible for the assessment of the level of five-star hotels within the global tourism organization (Konstantin, 2018).

Hotel evaluation shall depend on the facilities and quality of service rendered. There are currently 10 five-star hotels in Nairobi County, according to the results released in the Notice Gazette on 18 November 2016. Hotels are fitted with a bed capacity from 46

beds to 700 16 beds. The analysis will be based on the ten hotels of five stars in Nairobi County, including Fairmont, Norfolk, Villa, Kempinski Rose, Nairobi Sankara, Nairobi Hemingway, Sarova Stanley Hotel, Tribe, Dusit D2, Nairobi Intercontinental and Radisson Blu Hotel (Ringa, 2016).

### **1.2 Statement of the Problem**

The 5-star hotels in Nairobi have experienced dwindling customer numbers as a result of a number of declining tourists after the 2017 repeat election declaration, terrorism attacks in Dusit D2 and the coronavirus pandemic (Wanderi, 2020). As many hotels depend on foreign tourists, the Covid-19 pandemic has threatened the hotel industry in Kenya (UNWTO, 2020). As a result, many hotels have been closed down, leading to a decline in occupancy of the beds, resulting in a worse off situation. The Kenyan hospitality industry, where hotels are located, is facing the challenges of social change, cultural change, competition, economic reform and technological hibernation. There is a need for the establishment of proper strategic change management practices to counter these challenges and recover the declining trend of hotel industry performance (Nzuve & Nyaega, 2017). The reviewed studies present contradicting results despite having similar objectives. These could be due to diverse operationalization of variables, methods used to collect and analyze data and data used for analysis, hence presenting a possibility of contextual, conceptual and methodological gaps. The current study, therefore, filled the gaps by describing the effects on the performance of five-star hotels in Nairobi County, Kenya, of strategic change management practices.

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

- To determine the influence of leadership change on the performance of five-star Hotels in Nairobi County, Kenya.

## **2. Theoretical Review**

### **2.1 Resource-Based View Theory**

Birger Wernerfelt (1984) initially proposed RBV theory, subsequently, Barney (1991) improved it. Barney (1991) mentioned 4 resource qualities that might lead to a business' competitive advantage: Value, rareness, imitable imperfection and lack of replacement. The company's resource-based view begins with the premise that a sustainable competitive advantage (SCA) is the desired consequence of management activities within the company. Achieving a SCA helps the business to earn financial rentals or dividends above average. This, in essence, reflects on how companies gain and retain benefits. According to the asset view, the answers to these questions reside in the possession of some main resources, i.e. assets with characteristics such as value, replication hurdles, and importance. A SCA will be achieved if these tools are successfully implemented by the organization in its commodity markets. The RBV, therefore, emphasizes strategic management techniques, charging the management of the organization with essential tasks to define, build and allocate key resources to optimize return (Aosa, 1992; Machuki

& Aosa, 2011). In this study, this theory will be applicable as it illustrates the need for businesses to have improved communication and leadership adjustments in order to put themselves in a superior position for higher market returns than their rivals, which results in higher efficiency. Only hotels that have good strategic change management plans will be able to set themselves apart because the hotel industry is very competitive. This will be the primary research hypothesis on which the variable dependent on the study (organizational performance) will be anchored.

## **2.2 Empirical Review**

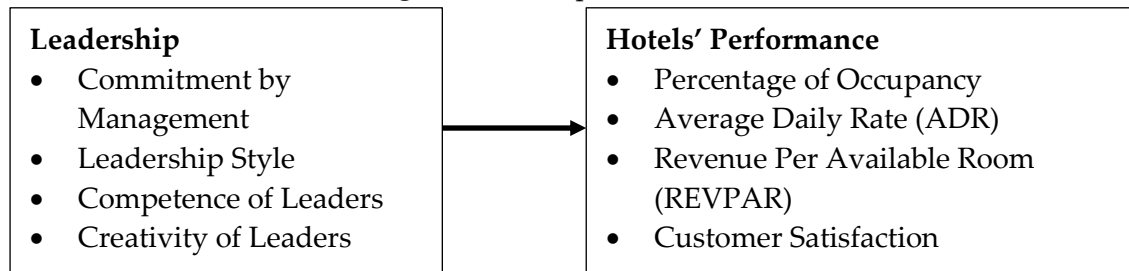
In the context of organizational reform in Taiwan, Tsai (2016) investigated the relationship between organizational cultures, leadership behaviors, and job satisfaction. The respondents were hospital nurses in Taiwan, and the study used a cross-sectional research design. In order to obtain data from 300 people the study used a systematic questionnaire. The test returned and applied a total of 200 valid questionnaires. The research used correlation analyzes to evaluate relationships between corporate cultures, leadership behavior and work satisfaction. Study research shows that management behavior, ultimately employee performance and job satisfaction, were significantly and positively related. Apart from employees' performance as affected by change management, there are methodological gaps in the need to deal with organizational performance. Contextual; the need to reproduce the study locally has also been revealed. The contextual and analytical gap was filled by focusing on a five-star hotel in Kenya and relating strategic change management to performance.

Omari, Ateka, and Nyaboga (2015) launched a research on the impact on organizational success of strategic change management activities. The study is based on soft drink industries operating in the west of Kenya. The study results showed that leadership and specifically executive engagement were a key driving force for the effective implementation and introduction of changes and finally the performance of organizations. The research reveals methodological gaps in the need for further review to cover additional variables in change management. An analysis gap exists in the demand to focus on the impact of strategic transformation practices and organizational effectiveness.

Thomas (2014) investigated organizational change and its effect on the Nigerian telecoms industry's organization effectiveness. The report involved Airtel Telecoms Company in Nigeria and 300 randomly selected employees from Airtel Nigeria. The hypothesis was tested using one-way analyses of differences in the analysis (ANOVA). Leadership change management has a significant impact on success, according to the research. In this respect, the study proposed that Nigeria's telecoms leadership should be constructive towards improving the competitive landscape so that it can be enforced smoothly. The study poses contextual gaps for it focused on telecommunication firms in Nigeria prompting the need to study five-star hotels.

## 2.3 Conceptual Framework

Figure 1: Conceptual Framework



## 3. Research Methodology

Because the underlying phenomena cannot be modified because they involve an already existing situation, the descriptive survey approach was chosen for the research of change management methods and efficiency in five-star hotels. The analytical group consisted of Nairobi County's five-star hotels. The unit of observation was senior management from five-star hotels in Nairobi county. There are ten (10) 5-star hotels in Nairobi County, Kenya. Sankara Nairobi, Nairobi Serena Hotel, The Bomas Nairobi, Panari Hotel, Sovereign Suites, Ville Rosa Kempinski, Laico Regency, and Hilton Hotels were among the ten hotels managed by the population of Sankara Nairobi, Nairobi Serena Hotel, The Bomas Nairobi, Panari Hotel, Sovereign Suites, Ville Rosa Kempinski, Laico Regency, and Hilton Hotels. A census research was conducted with all ten hotels, with management staff from each hotel representing each hotel. The focus of this research was on senior management.

The study relied on primary data collection methods. A semi-structured questionnaire was used to collect primary data. The research used key diagnostic tests to ensure that the collected data follows the basic assumptions for the regression analysis. The regression model is an important analytical method to evaluate the current assumption. The key research used descriptive statistics as well as inferential statistics.

## 4. Research Findings and Discussion

### 4.1 Analysis Based on Leadership and Performance of Hotels

The objective of this research was to evaluate how leadership affected the performance of five-star hotels. The study looked into a number of leadership factors and how they influenced organizational success. The respondents were then asked to rate each of these statements on a scale of one to five.

**Table 1: Leadership Style**

Statements	Mean	Std. Dev
Corporate leaders are encouraging the need for reform to be increased.	3.788	0.1232
A dedicated and highly motivated leadership class directs the company.	4.732	0.966
The corporate leaders are sufficiently knowledgeable with expertise to guide policies of change management.	3.992	1.123
In order to effectively introduce improvement, the organizational leaders are imaginative and inventive.	4.422	0.777
The management committee chooses the best people for the leadership coalition.	3.898	1.332
The management team encourages and promotes improvements by the right people.	3.999	1.121
<b>Average Mean</b>	<b>4.1385</b>	<b>0.907</b>

**Source:** Survey data (2021).

With a mean of 3.788 and a standard deviation of 0.1232, respondents agreed that corporate leaders are encouraging the need for reform to be increased. With a means of 4.732 and a variance of 0.966, the majority of participants strongly agreed that the organization is led by a dedicated and highly motivated leadership class. The poll indicated that most company leaders had the knowledge and expertise to advise shift management practices, with a means of 3.992 and a variance of 1.123. The majority of respondents strongly agreed that organizational leaders must be imaginative and inventive in order to effectively bring improvement (mean=3.992, SD=1.121). The study findings indicated that the management committee chooses the best people for the leadership coalition (M=3.898, standard deviation=1.332). The findings presented that the management team encourages and promotes improvements by the right people as reflected in a high mean of 3.999 and standard deviation of 1.121. It is clear that leadership positions were held by competent personnel and that the leadership style greatly affected the hotels' performance.

The results are comparable to those of Thomas (2014), who investigated the effects of change management and organizational effectiveness in the Nigerian telecoms industry. Project managers through leadership, according to the research, have a direct effect on the performance. As a result, the report recommended that Nigeria's telecommunications sector leaders be aggressive in response to changes in such a competitive market, enabling for smooth implementation of change.

#### **4.2 Analysis of the Performances of Five Star Hotels in Nairobi County**

The analysis of the results on the performance of the five-star hotels in Nairobi County was presented and interpreted in this section. The summarized results were summarized in Table 2.



**Table 2: Analysis of the Performances of Five Star Hotels in Nairobi County**

Performance Statements	Mean	Std. Dev
How will you rate the customers' satisfaction with the hotel's products and services.	4.444	1.173
Would you recommend improving the level of customer satisfaction in the hotel sector.	4.871	1.113
How do you rate the access to the hotel rooms and number of rooms.	4.876	1.233
Indicate the level of customer outreach in the hotel industry.	3.112	1.234
How would you rate the revenue per available room (REVPAR) in your five star hotels in for the last 5 years.	3.453	0.997
<b>Aggregate</b>	<b>4.1512</b>	<b>1.15</b>

Source: Survey data (2021).

The results on five-star hotel performance as depicted in Table 2 indicates customers' satisfaction with the hotel's products and services was highly satisfactory as indicated by a mean of 4.444 and a standard deviation of 1.173. However, the managers felt that they highly recommend on improving the level of customer satisfaction in the hotel sector (M=4.871, Std dev=1.113). The study results also indicated that the hotel room numbers and access by clients was highly satisfactory (M=4.876, Std Dev=1.233). Further, there was a concern on the customer outreach level especially in the years 2020 and 2021 which was highly connected to economic challenges and the Covid 19 pandemic outbreak which has affected adversely the hospitality industry all over the globe (M = 3.112, std dev =1.234). The rating for the revenue per available room (REVPAR) in the five-star hotels for the last 5 years was moderate (M=3.453, Std dev=0.997). However, the majority of the managers indicated that the government regulations and restriction on travel in and out of counties and countries adversely affected their REVPAR, especially in the financial years 2019/20 and 2020/21.

### 4.3 Inferential Analysis

To establish a relationship between the study's variables, the researcher used multiple regression analysis. The results are presented in the following parts.

**Table 3: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.845	.714	.699	1.51911

Source: Survey data (2021).

The model summary above indicates a coefficient of correlation R of 0.845 signifying presence of strong positive correlation between the variables of the study. The coefficient of determination R square is 0.714 indicates that 71.4 percent change in Hotel's performance was explained by leadership.

**Table 4: Analysis of Variance**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	51.13	4	12.78	55.09	.000
Residual	20.14	87	0.232		
Total	71.27	91			

Source: Survey Data (2021).

The processed data ANOVA findings at a 5% level of significance suggest a F calculated value of 55.09, while F critical 2.48 is taken from the F Table. As F calculated is more than F critical, the total regression model was significant in predicting the relationship between the research variables. The P value 0.000 is likewise less than 0.05, indicating that the research variables have a statistically significant correlation.

**Table 5: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.454	2.264		.217	.132
Leadership Style	.599	.179	.297	1.422	.000

Source: Survey Data (2021).

From the result in Table 4.10, the equation established became:

$$Y = 1.454 + 0.599X_1 + \varepsilon$$

Where:

Y = Hotels performance,

X<sub>1</sub> = Leadership.

If all other factors remain constant, the above model indicates that hotel performance will be 1.454 units. Hotel performance is improved by 0.599 units with a one-unit increase in leadership, 0.467 units with a one-unit increase in organizational learning, 0.229 units with a one-unit increase in the involvement of stakeholders, and 0.258 units with a one-unit increase in communications. Worked up adds up to hotel performance P=0.000 0.05, based on the level of significance of each predictor variables at the 5% significant level. With a P=0.0000.05, learning organization was found to be a significant predictor.

## 5. Conclusion and Recommendations

### 5.1 Conclusions

Leadership, organizational learning, stakeholder engagement, and transparency all have a positive impact on five-star hotel performance, according to the study. Adjustments in many departments must be made on a frequent basis in the modern company to placate stakeholders and improve a hotel's performance. Leadership has a positive impact on the performance of five-star hotels.

## 5.2 Recommendations

Based on the fact that allows business of change in the hotel industry is inevitable, the study recommends that learning organization be done gradually and through participative leadership, which would ultimately lead to changes in planning and enhanced organizational efficiency.

Resistance to change may be minimized by change managers using change methods, with the participative leadership method being the best option. Leaders should anticipate change in the hotel business and incorporate change managers at all levels in the change process through proper communication at all stages.

## Conflict of Interest Statement

The authors declare no conflicts of interest.

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