EFFECT OF ENTREPRENEURIAL DESIGN ON PERFORMANCE OF STAR RATED HOTELS IN KISUMU CITY, KENYA

RATEMO MOSOTI ERIC

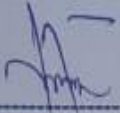**BACHELOR OF SCIENCE IN CHEMISTRY (MOI UNIVERSITY)**

A THESIS SUBMITTED TO THE BOARD OF POSTGRADUATE STUDIES IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (ENTREPRENEURSHIP), IN THE SCHOOL OF BUSINESS AND ECONOMICS, DEPARTMENT OF BUSINESS ADMINISTRATION, KISII UNIVERSITY

2024

DECLARATION AND RECOMMENDATION

DECLARATION BY THE CANDIDATE

This research project is my original work and has not been presented for an award in any other institution.

Signature: ------------------------------ Date 10\09\2024

Name: Eric M. Ratemo

Admission No: CM11/00112/2009

RECOMMENDATION BY THE SUPERVISORS

This research project has been submitted for examination with our approval as the university supervisors.

Signature: ------------------------------ Date 10/9/24

Dr. Kennedy Mairura, PhD
Department of Business Administration
School of Business and Economics
Kisii University

Signature: ------------------------------ Date 10/09/2024

Dr. Yobes Benjamin Nyaboga, PhD
Department of Business Administration
School of Business and Economics
Kisii University

PLAGIARISM DECLARATION

Definition of plagiarism

Is academic dishonesty which involves; taking and using the thoughts, writings, and inventions of another person as one's own.

DECLARATION BY STUDENT

i. I declare I have read and understood Kisii University Postgraduate Examination Rules and Regulations, and other documents concerning academic dishonesty.

ii. I do understand that ignorance of these rules and regulations is not an excuse for a violation of the said rules.

iii. If I have any questions or doubts, I realize that it is my responsibility to keep seeking an answer until I understand.

iv. I understand I must do my own work.

v. I also understand that if I commit any act of academic dishonesty like plagiarism, my thesis/project can be assigned a fail grade ("F")

vi. I further understand I may be suspended or expelled from the University for Academic Dishonesty.

Name: **Eric M. Ratemo**   Signature_____
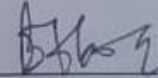
Reg. No: **CM11/00112/2009**   Date 10/09/2024

DECLARATION BY SUPERVISOR (S)

i. I/we declare that this thesis/project has been submitted to plagiarism detection service.

ii. The thesis/project contains less than 20% of plagiarized work.

iii. I/we hereby give consent for marking.
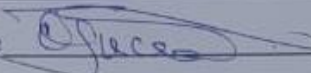
1. Name_____ Signature_____

   Affiliation_Kisii University_ Date_____

2. Name_____ Signature_____

   Affiliation_KSU_ Date_10/9/24_

3. Name_____ Signature_____

   Affiliation_____ Date_____

iii

DECLARATION ON THE NUMBER OF WORDS

This form should be signed by the candidate and the candidate's supervisor (s) and returned to Director of Postgraduate Studies at the same time as your copies of your thesis/project.

Please note at Kisii University Masters and PhD thesis shall comprise a piece of scholarly writing of more than 20,000 words for the Masters degree and 50 000 words for the PhD degree. In both cases this length includes references, but excludes the bibliography and any appendices.

Where a candidate wishes to exceed or reduce the word limit for a thesis specified in the regulations, the candidate must enquire with the Director of Postgraduate about the procedures to be followed. Any such enquiries must be made at least 2 months before the submission of the thesis.

Please note in cases where students exceed/reduce the prescribed word limit set out, Director of Postgraduate may refer the thesis for resubmission requiring it to be shortened or lengthened.
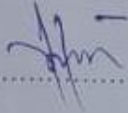
Name of Candidate: Eric M. Ratemo

ADM NO: CM11/00112/2009

Thesis Title: Effect of Entrepreneurial Design On Performance of Star Rated Hotels in Kisumu City, Kenya
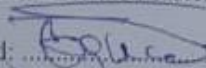
I confirm that the word length of:

1) The thesis, including footnotes, is ......21029..... 2) the bibliography is .....2003...... and,

if applicable, 3) the appendices are ....1831.....................

I also declare the electronic version is identical to the final, hard bound copy of the thesis and corresponds with those on which the examiners based their recommendation for the award of the degree.

Signed: .... Date... 10\09\2024

(Eric M. Ratemo)

I confirm that the thesis submitted by the above-named candidate complies with the relevant word length specified in the School of Postgraduate and Commission of University Education regulations for the Masters and PhD Degrees.

Signed: .... Email kmairura@ksu.ac.ke Tel 0723219303 Date 10/9/24

(Dr. Kennedy Mairura, PhD)

Signed: .... Email ybnyaboga@ Tel 07-909 940 Date................

(Dr. Yobes Benjamin Nyaboga, PhD)

COPY RIGHT

DEDICATION

I dedicate this work to my parents Mr and Mrs Nyaega Ratemo.

ACKNOWLEDGEMENT

I acknowledge good guidance and commitment from my supervisors Dr Yobes Benjamin Nyaboga, Dr Kennedy Mairura, and the entire Kisii University School of Postgraduate Studies.

ABSTRACT

In the ever-changing business landscape, star-rated hotels have embraced new strategies to stay competitive. Consequently, these enterprises have adopted a variety of entrepreneurial designs to excel. Nevertheless, the hotel industry has witnessed a decline in revenue over the last decade, prompting stakeholders to question the factors that impact revenue performance in this sector. While companies have embraced entrepreneurial design to enhance their performance there is an absence of consensus in empirical research regarding the impact of entrepreneurial design on firm performance. Moreover, there is a lack of comprehensive research connecting entrepreneurial design with the performance of businesses, and existing studies are spread across diverse industries, making it challenging to draw broad conclusions. Given these conditions, the goal of this research is to determine how entrepreneurial design affects the performance of high-end hotels in Kisumu City that compete in the market. This study specifically attempts to determine the impact of entrepreneurial novelty layout on hotel performance, the impact of entrepreneurial effectiveness design on hotel performance, the impact of entrepreneurial lock-in design on hotel efficiency, and the impact of entrepreneurial mutually beneficial relationships design on hotel performance in Kisumu, Kenya, using data from star-rated hotels in the city. To achieve these objectives, this study was anchored on the Resource Base View (RBV) theory and porters' Five Forces Model. The research applied correlational study design to establish the effect. The replies came from Kisumu City's star-rated public and private hotels. Twelve hotel managers and thirty-seven hotel supervisors participated in the census study. The data collection method employed was closed-ended questionnaires. During the data analysis process, descriptive statistics, such as measures of central tendency and information dispersion, were computed using SPSS. Additional analyses were conducted using regression analysis to determine the impact of implementing entrepreneurial designs on the performance of Kisumu City's star-rated hotels. The following was revealed by the regression analysis's results: The performance of hotels was positively and statistically significantly impacted by novelty design; efficiency design yielded a similarly significant and favorable effect; Hotel performance was positively impacted by complementarities design and lock-in design, both of which were statistically significant and beneficial. The study's findings confirmed the importance of entrepreneurial layout in affecting the profitability of five-star hotels in Kisumu, Kenya.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF APPENDICES

LIST OF ABBREVIATIONS AND ACRONYMS

ECD- Entrepreneurial complementarity design

ED- Entrepreneurial design

EED-Entrepreneurial efficiency design

END- Entrepreneurial novelty design

RevPAR- Revenue per Available Room

SAS -Statistical Analysis System

STR- Smith Travellers' Research

TRAK-Tourism Regulatory Authority of Kenya

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The dynamic world business environment is experiencing a major revolution in social and economic aspects because of technological knowhow brought by human innovation, development of e-commerce, growing economies, internationalization and global competition, worldwide value chain, free exchange of resources, and focus on provision of solutions to customers' problems (Nidumolu et al., 2009). Porter (2001) portends that due to changes in competition, organizations adopt entrepreneurial designs that elevate competitive positioning. Extant literature portends that entrepreneurial Firm performance is influenced by designs (Zott & Amit, 2007; Foss & Saebi, 2017). Sergi et al. (2017) suggests that when a business focuses on entrepreneurial design in a changing business environment, such firms stand better chances to not only perform locally but also internationally. urthermore, researchers have emphasized the necessity of enhancing our emerging comprehension of the performance consequences when multiple entrepreneurial designs are implemented simultaneously (Snihur & Tarzijan, 2017).

n their work, Amit and Zott (2001) applied configuration theory in a deductive manner to systematically uncover the prevailing entrepreneurial design patterns that organize and link the components of entrepreneurial design. Consequently, they put forward four fundamental entrepreneurial design structures, namely novelty, efficiency, lock-in, and complementarity. Morris et al. (2005) noted that entrepreneurial design had been defined in multiple ways, where some differ extensively and are visible in economic and managerial literature. Different researchers have attempted to explain how application of

1

entrepreneurial design affects performance of firms. However, a segment of the literature focuses on configuration technique that outlines entrepreneurial design as an arrangement of fundamental components that mirror the performance of the industry. Another section of literature outlines entrepreneurial structure as a dynamic aspect that focuses on adaption and innovation events to establish external surroundings and model dynamics equilibrium (Demil & Lecocq, 2010).

The entrepreneurial design concept outlines the core tactics used by a company to generate, distribute, and secure value in its chosen market, thereby establishing it as a standard competitive strategy. With the growing competition among top-rated hotels, there is a growing imperative to investigate how entrepreneurial designs can be applied to gain a competitive edge. As Pigneur (2010) suggests, researchers are increasingly focusing on entrepreneurial design methodologies as a potential alternative for organizations seeking to establish a competitive advantage in the market in comparison to their peers.

According to Neely et al. (1995), performance definition of measuring is the method by which businesses quantify their actions, which, in turn, influences their overall performance. Performance holds significant importance in decision-making within the hotel sector, and it has played a crucial aspect of this sector for a considerable period. Neely et al. further assert that when measuring performance in hotels, it should be tailored to The hotel's distinctive features business. Traditionally, performance measures across organizations have been predominantly focused on financial aspects. However, as numerous researchers have pointed out, this approach has several drawbacks, including its short-term nature, lack of balance, limited strategic focus, failure to account for

competition, and inadequate consideration of the customer perspective (Ivankovič et al., 2010). As a result, the emphasis on financial performance has faced substantial criticism for providing only limited insights into a company's overall performance.

Conversely, it proves challenging to identify non-financial indicators that reliably forecast financial performance. Non-financial metrics are inherently dynamic, and devising compensation structures based on multiple measures can be exceptionally complex (Planinc, Bojnec & Ivankovič, 2013). In this context, Pimtong et al. (2012) observed that existing research predominantly emphasizes the assessment of operational performance, typically gauged through metrics like occupancy rates, pricing, and revenue per available room (RevPAR). According to Udbhav (2017), hotel revenue per available room is a key financial indicator for evaluating a hotel's revenue performance. Global data from Smith Travel Research (STR) in 2017 indicated that RevPAR growth has generally been diminishing in most markets, with some even experiencing declines. Nonetheless, certain markets have reported improvements in their hotel revenue performance. Consequently, researchers like Zhang (2016) have raised questions about the factors that account for variations in hotel revenue performance.

Globally, (STR, 2017) report indicates that hotel revenue performances have been mixed. For instance, over the years, Canada continued to experience a rise in RevPAR levels, which is a complete contrast with its neighbours New York City where RevPAR has been declining. STR report further indicates that hotels in São Paulo have shown resilience and continued to record growth in RevPAR. Regionally, Hotels across much of the Middle East continue to experience significant performance declines (Hotel Show Africa, 2018). Specifically, STR (2017) reports that Dubai's hotel landscape continues to witness declining RevPAR. Africa continues to report mixed results. For instance, Seychelles has seen its RevPAR rise by 26.4% over the last five years between 2013 and 2018.

The performance of a hotel is considered one of the most significant factors in hotel operations, impacting the hotel's competitiveness in comparison to rivals and exerting enduring effects on the financial stability of the hotel (Pnevmatikoudi, 2016). Hotel performance is evaluated by taking into account the collective operations of diverse subsectors within the hotel industry (Hsieh and Lin, 2010). In recent times, numerous investigations have been conducted by researchers to explore hotel performance and its associated measurements (Ortega, 2016; Altin et al., 2017; Kimes, 2017). Typically, hotels' financial performance is assessed using indicators such as the total income for each room that is provided (Schwartz et al., 2017). Other measures include revenue per available room, gross operating profit every available square foot, and average room rate (Kimes, 2017; Yang, 2016). These metrics are used to assess financial success. benchmarks for hotels and can be interpreted as yields (Ivanov, 2014). Performance can be gauged using return on investment (Luo and Lam, 2017; Fissha and Shresha, 2017).

Being a service-oriented industry, the hotel sector has some unique features, most notably low entry barriers (Onyango, Odhuno, Ouma & Othuon, 2010). Furthermore, Kim, Dalbor, and Feinstein (2007) have noted that small and medium-sized businesses make up a significant share of hotel companies in this industry. Hotels differ not only in size but also in how often they are owned and operated by families, as noted by Lashley and Rowson (2005). As a result, unlike other hotels founded with a business-oriented growth plan, many of these hotels do not consider profit and expansion to be their primary goals. Several of these family-owned hotels are primarily driven by non-financial incentives and motivations, such as seeking independence and community recognition (Onyango et al., 2010).

4

According to Istraživanja (2010), the hotel industry is intricate, with interconnected and adaptable products and services. These services are intricate, personal, diverse, and simultaneous. Harris (2006) views hotel accommodation as a pure service, and the hotel industry includes services like restaurants and bars. The hotel's food and beverage sections also fall under the service industry. Due to the unique nature of hotel operations, entrepreneurial decisions in this sector differ somewhat from other businesses. Hotels operate in a highly competitive market, offering both challenges and opportunities. Surviving this competition requires a thorough analysis of the environment, considering elements related to politics, economy, society, technology, environment, and law as both challenges and opportunities. When hotels introduce new products or services based on these opportunities, competitors often quickly replicate them, limiting the lifespan of innovative ideas.

The hotel industry holds a vital role and is a substantial contributor to the growth of any economy. According to the Tourism Regulatory Authority of Kenya (Murimi, Wadongo, and Olielo, 2021), Kenya's hotel sector is categorized into classified and non-classified establishments. The classified sector comprises a total of 225 establishments, ranging from one to five stars, collectively providing 16,156 rooms and 26,786 beds (TRA, 2020). Data comparisons between the Kenya National Bureau of Statistics (KNBS) and CIEC data demonstrate that hotel occupancy rates in various regions are both lower than the average and exhibit significant variations. In 2019, Kenya's hotel bed occupancy rate was 30.8%, indicating a decline from the previous rate of 32.5% in 2018, and it averaged 36.25% from 2002 to 2019 (CIEC, 2020). Occupancy issues tend to fluctuate during peak seasons. Many hotels find themselves in a situation where they have committed to other arrangements due to limited space and rooms caused by low-season bookings that

involved substantial discounts. As a consequence, when the high season approaches, they are unable to maximize their revenue potential (Irandu, 2006; Miricho, 2013).

Over the past decade, the hotel industry has witnessed a decrease in its revenue. According to a study by Cytonn Research (2018), Kenyan hotel firms have seen declining revenues and occupancy rates over the last six years, with revenues decreasing at a compounded annual growth rate of 6.7%. The same research provided data on the average revenue per available room (RevPAR) over this period. For example, in 2012, the average RevPAR stood at KES 8,319. In the subsequent year, 2013, Kenya recorded an average RevPAR of KES 7,594. By 2015, the Cytonn report indicated a further decrease in RevPAR to KES 7,308. This decline in average RevPAR continued, reaching KES 6,317 in 2016. Overall, in 2017, the average RevPAR dropped to Ksh 6,317 from a 5-year average of Ksh 7,497. The RevPAR experienced a 3.2% annual decline between 2012 and 2014, primarily due to reduced hotel occupancy during this period. Notably, the three cities of Nairobi, Mombasa, and Kisumu contributed to the decline in RevPAR by 12.5%, 18%, and 23%, respectively, on average.

In 2019, the bed occupancy rate in the Kenyan hotel industry decreased to 30.8%, a decline from the 32.5% recorded in 2018. Specifically, star-rated hotels in the Nyanza basin experienced a notable drop in occupancy, falling to 9% in 2019 from 29% in 2018, 30.2% in 2017, and 37.2% in 2016 (Kenya Bureau of Statistics, 2018). As noted by Cytonn Research (2018), the ideal occupancy rate falls within the range of 75% to 95%. These declining revenue performances have prompted concerns among industry stakeholders regarding the factors influencing the revenue performance of hotel firms. These concerns have arisen as several hotels in Kenya's major cities have been forced to close their doors. Some of the reported closures include the Intercontinental Hotel and Hilton Hotel in Nairobi. Additionally, the Sunset Hotel in Kisumu, despite its 44 years in operation, has been grappling with financial challenges. In 2016, Sunset Hotel, a state-owned establishment, declared bankruptcy due to accumulated heavy losses in preceding years.

1.2 Statement of the Problem

In the ever-changing business landscape, star-rated hotels have embraced new strategies to stay competitive. Consequently, these enterprises have adopted a variety of entrepreneurial designs to excel. Nevertheless, the hotel industry has witnessed a decline in revenue over the last decade, prompting stakeholders to question the factors that impact revenue performance in this sector. Existing research indicates that entrepreneurial design play a role in a firm's performance (Foss & Saebi, 2017; Zott & Amit, 2007). Sergi et al. (2017) propose that businesses focusing on entrepreneurial designs in a dynamic business environment not only perform well locally but also on the global stage.

While companies have embraced entrepreneurial design to enhance their performance (Casadesus-Masanell & Tarzijan, 2012; McNamara et al., 2013; Velu & Stiles, 2013), there is an absence of consensus in empirical research regarding the impact of entrepreneurial design on firm performance (Snihur & Tarzijan, 2017). Furthermore, studies linking entrepreneurial design to firm performance are limited and scattered across various industries (Salfore, Ensermu and Kinde, 2023). Most prior investigations have predominantly concentrated on defining and differentiating the concept from other management ideas (Spieth, 2023; Zott, Amit, and Massa, 2011).

In a specific empirical investigation, Zott and Amit (2007) found that the performance of entrepreneurial firms was influenced by two distinct entrepreneurial designs, specifically novelty and efficiency. Numerous research has indicated that the favourable impact of organizations that prioritize entrepreneurial design on their demonstration (Palmisano, 2006; Cucculelli & Bettinelli, 2015). Bowman, Nikou, and Reuver (2019) and Cheng,

Liu, and Yang (2020) identified a positive correlation between entrepreneurial design and firm performance. In contrast, McNamara, Peck, and Sasson (2013) and Visnjic, Weingarten, and Neely (2016) revealed an adverse relationship between entrepreneurial design and firm performance. Another investigation by Giesen, Berman, and Blits (2007) indicated an insignificance association between entrepreneurial design and firm performance.

Furthermore, the current body of literature on entrepreneurial design heavily depends focuses mostly on advanced economies and uses case studies (Battistella et al., 2017; Casadesus-Masanell & Zhu, 2013), thereby constraining the applicability of these findings to emerging economies such as Kenya. The unique difficulties and possibilities arising from institutional gaps, infrastructure limitations, and unexplored markets in emerging economies are notably distinct from those encountered in advanced economies. Therefore, empirical conclusions drawn from companies in developed economies may not be entirely applicable to those in developing economies (Kotha et al., 2011), such as Kenya.

Furthermore, firms exhibit substantial variations (Deschryvere, 2014), implying that results from manufacturing firms may not directly apply to service firms (Pati et al., 2018). Hence, there remains a need for empirical research that delves into the connection between entrepreneurial design and business success in emerging markets. Star-rated hotels in Kenya, operating as service firms in a developing economy, present a pertinent context for addressing the gaps identified in the literature.

1.3 Objective of the Study

1.3.1 General objective of the study

The main objective of this study is to find out the effect of entrepreneurial design on the performance of star-rated hotels in a competitive market within in Kisumu City.

1.3.2 Specific Research Objectives

The following are the specific objectives for the study.

i.   To determine how the entrepreneurial novelty design influences the performance of hotels in Kisumu City, Kenya.,

ii.   To establish the effect of entrepreneurial efficiency design on hotel performance in Kisumu city, Kenya,

iii.   To investigate the impact of entrepreneurial lock-in design on hotel performance in Kisumu city, Kenya,

iv.   To establish the effect of entrepreneurial complementarities design on hotel performance in Kisumu city, Kenya.

1.4 Research Hypothesis

The following are the study research hypothesis.

i)   Entrepreneurial novelty design has no statistically significant effect on hotel performance in Kisumu city, Kenya,

ii)   Entrepreneurial efficiency design has no statistically significant effect on hotel performance in Kisumu city, Kenya,

iii)   The entrepreneurial lock-in design does not exhibit a statistically significant impact on hotel performance.

iv)   the entrepreneurial complementarities design does not demonstrate a statistically significant effect on hotel performance in Kisumu City, Kenya.1.5 Significance of the Study

This research will contribute to the existing body of knowledge on entrepreneurial design and firm performance. This study will also identify areas of future research on entrepreneurial design and firm performance that will help researchers further contribute to the existing literature.

Practitioners in the hotel industry will also find the results of this study invaluable. This study will recommend which entrepreneurial design has a greater relationship with hotel performance. The hotel managers and owners may therefore choose to realign their entrepreneurial designs to increase their performance.

This study will provide recommendations to policymakers on specific policy measures that may be adopted to develop the hotel industry in Kenya since the hotel sector significantly contributes to the GDP of Kenya..

1.6 Scope and justification of the Study

The study is conducted on the star rated hotels in Kisumu City. The expected timeline to conduct the research is in 2021. The main respondents of the study included managers and supervisors of the star rated hotels who helped explain the implementation of the entrepreneurial designs and establish how these affects the outcome of the hotel

performance. The study focused on such parameters like revenue and occupancy rate of these hotels within Kisumu City.

1.7 Limitations of the study

The research was expected to confront several obstacles one being access to information especially from the staff who in private sector. Most of them are not allowed to disclose information regarding the hotels especially performance. The key respondents and general public is expected to be appreciated financially for the time they will volunteer to give the information. Some respondents, especially on written responses, are expected to distort some information or even totally refuse to answer to the research questions especially to those that seemed to be sensitive to them. The research did not in any way force or coerce any respondent in to volunteer information; the researcher sought permission from relevant authorities and work with those that were willing to cooperate voluntarily.

1.8 Assumptions of the Study

The assumptions underlying this study, which examines the effect of entrepreneurial designs in the competitive market of Kisumu City, concerning the performance of hotels with star ratings, Kenya, are outlined as follows:

i. **Market Competition Assumption:** It assumes that the hotel industry in Kisumu City is indeed competitive, with multiple star-rated hotels vying for customers. This assumption is crucial since the research focuses on the impact of entrepreneurial designs in a competitive environment.

ii. **Entrepreneurial Design Relevance Assumption**: The study assumes that entrepreneurial designs are relevant and applied in the operations of the star-rated

hotels in Kisumu City. This assumption is fundamental as the research seeks to analyze the effect of these designs on performance.

iii. **Performance Metrics Assumption:** It assumes that there are measurable performance metrics in place to evaluate the performance of star-rated hotels. These metrics include factors like revenue, occupancy rates, customer satisfaction, and profitability.

iv. **Homogeneity Assumption:** The study assumes a degree of homogeneity among star-rated hotels in terms of their resources, organizational structures, and market conditions. This assumption helps in making meaningful comparisons between different hotels.

v. **Managerial Awareness Assumption:** It assumes that hotel managers and decision-makers are aware of and actively involved in the entrepreneurial designs and strategic decisions within their respective establishments. This is important for understanding how these designs are implemented and influence performance.

vi. **Data Availability Assumption:** The study assumes that data relevant to entrepreneurial designs and hotel performance is accessible and can be collected effectively. Data availability is a critical factor in conducting empirical research.

vii. **Temporal Stability Assumption:** It assumes that the conditions affecting the hotels' performance and the entrepreneurial designs have remained relatively stable during the study period. This assumption is necessary to draw meaningful conclusions over time.

viii. **Economic Conditions Assumption:** The study assumes that the broader economic conditions in Kisumu City and Kenya remain reasonably consistent

during the study, as significant economic fluctuations can impact hotel performance.

ix. **Cultural and Regional Factors Assumption:** It assumes that the cultural and regional factors influencing the hotel industry in Kisumu City are relatively stable during the research period, as these factors can play a significant role in the success of hotels.

x. **Legal and Regulatory Environment Assumption:** The study assumes that the legal and regulatory environment for hotels in Kisumu City remains relatively unchanged during the research period, as alterations in regulations can impact entrepreneurial designs and performance.

1.9 Operational Definition of Terms

Entrepreneurial Design: Refers to practices by organizations that help them create value for their stakeholders and remain competitive. Dominant elements of entrepreneurial design.

Novelty design: Measures how unique products are offered by a hotel, as concerns how customers' needs are defined and satisfied. For instant when a firm's solutions enable customers to solve their problems more easily.

Lock-in design: Measures those switching costs that a customer will bear in case they want to replace the hotel currently offering those services with another hotel. The assumption is that if the switching costs are high, the customer switching costs are high. For example, if the switching costs to a competitor for a customer are high.

Complementarities design: This measure how many goods or services a customer can get from a single hotel, e.g., Accommodation, food, entertainment etc.

Efficiency design: It measures the benefits that accrue to a hotel customer from time savings, savings on effort and savings on finances as a result of hotel efficiency.

Firm performance: Measures financial and non-financial outcomes of a hotel business, for example, the level of room occupancy.

Market Competition: strategic determinants of capturing advantage over the peers in the same industry.

CHAPTER TWO:

LITERATURE REVIEW

2.1 Theoretical Literature Review

The research, which investigates how entrepreneurial designs impact the performance of star-rated hotels in a competitive market, is supported by a range of theories and concepts drawn from the domains of entrepreneurship and strategic management. Two theories anchor this study, **Resource-Based View (RBV)**: According to this theory, companies can attain a competitive edge by harnessing their distinctive resources and capabilities. In the context of star-rated hotels, the study explored how specific entrepreneurial designs contribute to superior performance. **Porter's Five Forces**: The study incorporate concepts from strategic management theories, such as By using Porter's Five Forces, evaluate the competitive forces in the hotel industry and how entrepreneurial designs influence a hotel's positioning and performance.

2.1.1 Resource-Based View (RBV) Theory

The RBV theory, originally introduced by Wernerfelt in 1984 and subsequently developed by Barney in 1991, places a central emphasis on a firm's internal resources and capabilities as the primary drivers of its competitive advantage. When applied to star-rated hotels, this theory highlights the profound influence of a firm's entrepreneurial design and the resources inherent within it on its overall performance. In accordance with Barney's perspective (1991), RBV encourages star-rated hotels to actively identify and exploit their distinctive resources and capabilities. These resources include four common

entrepreneurial design patterns, specifically novelty, efficiency, lock-in, and complementarity (Amit and Zott, 2007).

RBV theory underscores that resources are not uniform; they vary in terms of their value, rarity, and the extent to which they can be replicated. Resources possessing unique attributes that are challenging for others to duplicate have the potential to significantly enhance performance. The effectiveness of entrepreneurial designs hinges on the ability of star-rated hotels to leverage these distinctive and valuable resources within their operations. It is essential to align these resources with the firm's competitive strategy to attain superior performance, as suggested by Peteraf (1993). RBV also posits that the synergy of various resources and capabilities within a firm's operations plays a pivotal role in enhancing overall firm performance, as proposed by Wernerfelt (1984).

Although the RBV theory serves as a valuable framework for comprehending resources and firm performance, it is not without its limitations. Some of the primary limitations of RBV include criticism for its potential tautological nature, as it defines competitive advantage in terms of resources and capabilities that lead to competitive advantage, potentially limiting its explanatory power (Priem & Butler, 2001). Additionally, RBV assumes that resources are inherently heterogeneous, rare, and difficult to imitate. However, in practice, firms may have access to similar resources, and the pace of imitation can vary, challenging this assumption (Arend, 2013). RBV traditionally maintains a static viewpoint, focusing on a firm's existing resources and capabilities, while strategic management necessitates firms to adapt and evolve over time.

Dynamic capabilities, as an extension of RBV, aim to address the static nature of RBV (Teece et al., 1997). Dynamic capabilities refer to "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece et al., 1997). Companies that adeptly employ resources to cultivate capabilities have the opportunity to establish a more pronounced competitive advantage, leading to superior performance compared to those where the connection between resources and capabilities is feeble (Barney, 1991). In line with this, Gligor and Holcomb (2012) contend that the aptitude to incorporate entrepreneurial designs across the entire organization can be viewed as a dynamic capability.

Numerous scholars have continuously recognized entrepreneurial designs as a viable origin of competitive advantage (Gligor and Holcomb, 2012, 2014a; Day et al., 2015). This acknowledgment is rooted in the belief that entrepreneurial designs empower organizations to flexibly adjust, merge, and reorganize their resources, organizational capabilities, and functional proficiencies. This adaptability contributes to the attainment of superior performance (Mentzer et al., 2004). In the context of the Resource-Based View (RBV) model, Gligor and Holcomb (2014b) provide additional clarification that the incorporation of entrepreneurial designs can be recognized as a unique origin of competitive advantage. While acknowledging the constraints of the RBV, this theory presents a strong foundation for appraising entrepreneurial designs and their influence on company performance (Mellat-Parast and Spillan, 2014).

2.1.2 Porter's Five Forces Model

Porter's five forces were developed by Michael Porter (1980). The application of Porter's Five Forces model to the entrepreneurial designs and performance of star-rated hotels can provide valuable insights into how these forces impact a hotel's competitiveness and profitability. In the hotel industry, the threat of new entrants is influenced by factors such

as capital requirements, government regulations, and the availability of prime real estate. High capital requirements for building and maintaining star-rated hotels act as a substantial barrier to entry (Higgins & Love, 2015). Hotel entrepreneurial designs need to consider how to maintain a competitive edge by investing in brand reputation, service quality, and customer loyalty programs to deter potential entrants.

Star-rated hotels rely on various suppliers for goods and services, including food, linens, and technology. The bargaining power of suppliers can influence cost structures and operational efficiency (Kusluvan et al., 2010). Effective entrepreneurial designs should include strategies for managing supplier relationships, negotiating favorable terms, and ensuring a stable supply chain to maintain quality while controlling costs. Additionally, Guests in star-rated hotels have significant power due to their ability to choose from a wide range of hotels and accommodation options. Customer preferences for price, amenities, and The quality of service plays a vital role in determining the performance of a hotel. (Enz, 2010). Entrepreneurial designs need to focus on customer experience, loyalty programs, and pricing strategies to attract and retain customers and create a competitive advantage.

Moreover, Substitutes for star-rated hotels include vacation rentals, hostels, and even alternatives like staying with friends and family. The ease of finding substitutes can impact a hotel's business performance (Kotler et al., 2017). To mitigate the threat of substitutes, entrepreneurial designs focus on providing unique amenities, personalized services, and exceptional experiences that are difficult to replicate elsewhere. And finally, intense competition is a hallmark of the star-rated hotel industry, especially in prime tourist destinations like Kisumu City. The rivalry among hotels can lead to price wars and

impact profitability (Barrows & Powers, 2009). Successful entrepreneurial designs addresses competition by offering differentiated experiences, implementing cost-saving measures, and forming strategic alliances to gain a competitive edge.

Although Porter's Five Forces model is a useful tool for assessing industry competitiveness, it has specific shortcomings when employed to examine the connection between entrepreneurial designs and the performance of hotels with star ratings. Porter's model primarily provides a static snapshot of industry conditions and doesn't account for the dynamic nature of the hospitality industry. Additionally, market conditions can change rapidly due to factors like economic fluctuations, technological advancements, and shifts in consumer preferences (Lai, 2017). The hotel industry's rapid changes, such as the rise of online booking platforms and shifts in consumer preferences, may not be adequately captured by the static nature of the Five Forces model.

The Five Forces model may not fully address the importance of guest experience and customer loyalty in the hotel industry. These factors significantly influence performance and are not directly addressed in the framework (Yi, 2011).Entrepreneurial designs for star-rated hotels prioritizes guest satisfaction, personalization, and the creation of memorable experiences, which are crucial for long-term success. Moreover, the Five Forces model treats each force as an independent factor, while in reality, these forces can interact and mutually influence one another. For example, customer loyalty programs may affect both the negotiating influence of purchasers and the potential for new entrants (Chen, Chen, & Xu, 2014). The interplay of these forces makes it challenging to draw clear conclusions based solely on the model.

In conclusion, Even though Porter's Five Forces framework is an invaluable tool for evaluating industry competitiveness, it has limitations when applied to the hotel industry, particularly star-rated hotels. Hotel entrepreneurial designs and performance are influenced by a wide array of dynamic factors that go beyond the scope of this framework. To gain a comprehensive understanding of the industry, this study complemented the model with other RBV and data from star-rated hotels in Kisumu City.

2.2 Empirical Literature

2.2.1 Novelty Entrepreneurial Design and Firm performance

Zott & Amit (2007) differentiated two design themes, namely, efficiency and novelty-centred. The authors outlined that novelty-centred is not directly linked to technology levels in terms of entrepreneurial design degree. Likewise, the researchers revealed that a novelty-centred system works to implement novel activities and govern the strategies. However, entrepreneurial design novelty is unrelated to market dynamics. The idea behind novelty-centered design of business models is to create and implement new methods of conducting business transactions. This can be done by creating new mechanisms for transactions that are deemed efficient and effective, or by establishing connections between parties that were previously independent. This study focused on building the theory of entrepreneurial designs

Jennings, Jennings, and Greenwood (2009) delved into a fundamental inquiry in the realm of entrepreneurship research: how does the level of novelty impact the performance of newly established ventures? In their investigation, they specifically explored this question concerning a particular type of innovation considered crucial in today's economy: the novelty within employment systems. Through a longitudinal study involving new

businesses in a knowledge-intensive service sector, the findings revealed an interesting pattern in the relationship between the novelty of employment systems and organizational productivity. It displayed a curvilinear trend, taking on a U-shaped form. Additionally, the researchers discovered preliminary indications that new firms characterized by employment systems that combine highly conventional and highly novel practices (resulting in varying degrees of novelty) tend to be less productive than those with internally consistent employment systems. However, it's worth noting that the study primarily focused on new ventures, making it challenging to draw generalized conclusions.

Similarly, Aziz and Mahmood (2011) sought to examine the performance of small and medium-sized manufacturing enterprises (SMEs) in Malaysia by analyzing their entrepreneurial designs. In their study, which involved interviews with 202 firms conducted from July to November 2009, the primary aim was to evaluate the connection between the dimensions of entrepreneurial designs (including stakeholder involvement, skills, value creation, and value capture) and alterations in the performance of SMEs. According to their findings, these authors propose that among these dimensions, "skill" stands out as the sole factor influencing the performance and success of SMEs.

Zaborek & Doligalski (2013), sought to verify the extent to which novelty design could explain differences in firm performance among Polish internet businesses. The authors used a sample of 150 businesses representing a large number of internet services providers and retailers. The study employed a regression model that was able to indicate variables that were statistically significant in predicting firm performance as measured by operational return on sales ratio. Their results indicated that Novelty was not a viable

predictor of firm financial performance. This result contradicts that which was established by Zott & Amit (2007) and Brettel et al. (2012).

Gerdoçi, Bortoluzzi & Dibra (2017) deepened the connection between entrepreneurial novelty design and firm performance. Data is collected from 107 manufacturing and facility companies located in a developing nation, specifically Albania. A hierarchical regression analysis is employed to evaluate how entrepreneurial design influences the performance of these firms. The authors find the novelty-cantered entrepreneurial project is meaningfully linked to firm performance

Migol, Tretyak, Holm (2018) studied the effect of business design themes on firm performance. Citing the research conducted by Amit and Zott (2001) and Zott and Amit (2008), they explored the impact of a firm's value proposition, which is propelled by its innovativeness, on its performance. The study not only gathered insights from prior research but also generated several new findings in its recommendations. Upon examining the study's results, it was observed that there exists a positive correlation between designs centered on novelty and the performance of the company. Considering these results, they arrived at the conclusion that a favorable improvement in company performance has a direct impact on the rejuvenation of the business model, particularly in relation to alterations within the value chain. To put it differently, companies that prioritize innovation in their business models tend to introduce and cultivate new products, generate fresh customer demands, or establish novel methods of conducting business. These endeavors are more likely to provide them with a competitive advantage and enhance their economic performance.

Gerdociet al. (2018) sought to establish if there exists an association between entrepreneurial design novelty (EDN), regarding business outcomes in the manufacturing industry. The researchers' sample was drawn from 107 firms from both the manufacturing and service industry in Albania. These researchers employed recession to scrutinize the result of novelty design has on the performance of a firm. Firm performance was measured in financial terms. Data collected were analyzed using multivariate regression. The result indicated that novelty design significantly relates to the performance of a firm.

Ma et al. (2018) evaluated how novelty design affected manufacturing businesses' performance in a moderating way China. This paper employed a sample of 231 firms from manufacturing firms across industries. The study targeted respondents in managerial positions who were aware of how their firms operate. In this research, performance was assessed by considering the degree of customer satisfaction and the market share held by the firm. The researchers utilized a Five-Likert scale, on which 1 represents "strongly disagree" and 5 represents "strongly agree." The findings of this study demonstrated that novelty design effectively moderates firm performance.

Ahci and Joos (2019) investigated whether companies reveal information about their innovative practices in their textual filings as well as if so, whether this information may be used to better comprehend a company's intangible capital, which is typically not shown in financial statements. Based on 10-K states, the researchers created a novel text-based creativity metric that is especially attractive to businesses in non-R&D sectors that yet provide creative goods and services. (e.g., retail industry). They discover that the innovation metric based on textual analysis effectively identifies firms engaged in research and development (R&D) that are innovative-intense as well as non-R&D-intense

industries. Additionally, they discover that innovations included in companies' textual filings contribute to the explanation of future net income, market performance, and sales development beyond past accounting figures. This research adds to the accounting literature by demonstrating how textual disclosures can be valuable in evaluating a company's level of innovation or intangible capital, going beyond the information provided by accounting figures.

Rosero, Pillajo, Alvarez, and Almachi (2021) endeavored to gauge the cause-and-effect relationship between innovation and a company's productivity. They aimed to differentiate between various forms of innovation, specifically those related to products, processes, organizational methods, and marketing strategies. To achieve this, they employed an endogenous switching model, utilizing data from the Science, Technology, and Innovation Activity Survey. Their methodology within the econometric framework was designed to address issues of simultaneity and selectivity. The findings of the study reveal that when it comes to innovating firms ceasing their innovation efforts, the resulting productivity decline is more substantial than the productivity enhancement observed when non-innovating firms commence innovation activities. Furthermore, the disparity between these productivity losses and gains is contingent on the specific type of innovation.

In a recent investigation carried out by Salfore, Ensermu, and Kinde (2023), The performance of medium- and small-sized enterprises (SMEs) and innovative business models (BMI) were compared. Data was collected from 264 SMEs in the manufacturing sector using structured questionnaires. The researchers employed a statistical method

called PLS-SEM, or partial least square modelling of structural equations, is used to examine the gathered information and evaluate their hypotheses. The study's findings showed a significant and favourable relationship between the performance of medium-sized and small manufacturing businesses and modifications to any component of the entrepreneurial approach, including generating value, developing a value proposition, and value capture. Consequently, through the innovation of their business models, companies can both enhance the value they offer to customers and seize value for themselves. In summary, enhancing the perceived value for customers or decreasing the cost to acquire that value will empower companies to create more value, surpass their market rivals, and boost their own value generation. It's important to note that this research primarily focused on manufacturing SMEs.

2.2.2 Efficiency Design and Firms Performance

Zott and Amit (2007), while studying a unique data set of 190 businesses listed on U.S. and stock exchanges in Europe, established a relationship between efficiency design and firm performance. These researchers considered efficiency design as a dependent variable and stock-market valuation as the independent variable. Using regression analysis, their data analysis produced mixed results. On the one hand, results indicated that when firms experience resource scarcity, their performance improved because they are efficient in reducing their costs of operation, simplify transaction processes, and speed up transactions and more. On the other hand, during periods of resource abundance and better firm performance, even though the efficiency-centred design index is positive, it is not significant

Zaborek and Doligalski (2013), sought to verify the extent to which novelty design could explain differences in firm performance among Polish internet businesses. The authors used a sample of 150 businesses representing a large number of Internet services providers and retailers. The study employed a regression model that was able to indicate variables that were statistically significant in predicting firm performance as measured by the operational return on sales ratio. Their results indicated that efficiency design was negatively related to the performance metric. Further, the study concluded that combining novelty and efficiency design could be counterproductive.

Gill, Singh, Mathur, and Mand (2014) conducted an investigation into the association between alterations in operational efficiency and subsequent performance outcomes among manufacturing firms in India, employing a correlational research design. The research study included a sample of 244 companies chosen from a larger pool, which constituted the top 500 companies listed on the Bombay Stock Exchange (BSE). The study spanned a five-year duration from 2008 to 2012. The results of the study indicate that changes in operational efficiency significantly influence the future performance of manufacturing firms in India. This research makes a valuable contribution to the existing body of knowledge regarding the factors influencing changes in the future performance of companies

Gerdociet al. (2018) sought to establish if there exists an association between entrepreneurial design novelty (EDN), and the performance of companies in the manufacturing sector. The researchers' sample was drawn from 107 firms from both the manufacturing and service industry in Albania. These researchers employed regression to examine the effect of efficiency design has on the performance of a firm. Firm

performance was measured in financial terms. Data collected were analyzed using multivariate regression. The result indicated that that firm efficiency does not directly affect the performance of a business..

In their study, Migol, Tretyak, and Holm (2018) employed financial indicators to assess a firm's performance as the dependent variable. They collected information concerning the value propositions and design patterns of the business models used by the leading 30 Russian retailers in the home appliances and consumer electronics sectors. This data collection was carried out using a survey instrument and structured in-person interviews held in March and April 2015. Subsequently, the collected data underwent analysis using linear regression with the least square root technique. The findings from the research indicated that the value propositions focused on efficiency did not materially affect the earnings performance of the examined companies.

In Kiruru's (2022) study, the researcher examined the impact of management efficiency on the Return on Assets (ROA) of DT-SACCOs in Kenya. The target population consisted of 175 DT-SACCOs in Kenya as of December 2021. The research obtained secondary data annually over a period of five years, from 2017 to 2021, from both SASRA and the individual annual reports of DT-SACCOs. The study encompassed descriptive, correlation, and regression analyses, with the results presented in tables and followed by relevant interpretations and discussions. The multivariate regression analysis indicated that, individually, management efficiency had a positive but statistically insignificant impact on ROA. Asset quality exhibited a negative effect on ROA while According to the study, the firms' liquidity had a beneficial effect that was statistically significant significant impact on the Return on Assets (ROA). As a suggestion, the research

recommends that DT-SACCOs should concentrate on enhancing both their liquidity and the quality of their assets, as these factors significantly affect their ROA. One limitation is that the study focused on ROA making generalization impossible.

In an examination involving 7,141 companies over the period from 1996 to 2012, they observed that there was no immediate influence on the subsequent year's operational performance, as measured by ROA. Nonetheless, when the extent of DPAD treatment and intensity increased, greater production efficiency exhibited a positive correlation with the ROA in the following year, while taking into account the ROA in the current period. The results remain consistent under different circumstances, offering valuable information to policymakers and managers about the potential advantages of DPAD for companies with higher total factor productivity.

2.2.3 Lock-In Design and Firm Performance

The lock-in effect's strength can vary. It may be weak when only a few factors with low intensity are in play, but it can become strong when numerous factors are at play, or even a single factor, but with a substantial impact. Zaborek and colleagues (2013) conducted a survey among managers of internet companies in Poland to assess the entrepreneurial design models formulated by Amit and Zott. Their research aimed to elucidate the varying performance levels observed among different firms in Poland, with a specific focus on internet retailers and service providers. The study drew its sample from 150 firms within the internet industry and employed a correlational study design. The study's outcomes revealed that customer lock-in was not a reliable predictor of sales performance. Migol

Tretyak and Holm (2018) used financial indicators to gauge a firm's performance as the dependent variable. The researchers gathered information related to the value propositions and lock-in design principles of the top 30 Russian retailers in the home appliances and

consumer electronics sectors. This data was collected using a combination of survey instruments and structured in-person interviews conducted in March and April 2015. The gathered data was analyzed using linear regression with the least squares method. The findings of the study suggested that lock-in did not exert a decisive influence on the financial performance of the companies under investigation.

Bowman et al (2019) carried out research that involved 321 Small and medium-sized businesses (SMEs) in Europe are aggressively using big data and social media, and information technology for entrepreneurial innovations. The study utilized structural equation modeling, demonstrating that allocating more resources to business model experimentation and engaging in strategy implementation positively impacted the overall performance of the company. The degree of innovation inside the organisations and their practises of experimenting with different business models influenced the effect of these results. Additionally, the application of qualitative comparative analysis using fuzzy sets (fsQCA) revealed many pathways via which these characteristics impacted the businesses' overall performance. The findings show that SMEs, or small and medium-sized enterprises, are adaptable enough to experiment with various strategies in order to enhance their performance when their entrepreneurial models undergo a digital transition.

2.2.4 Complementarities Design on Firm Performance

In a study conducted by Gunby (2009), the linkage between the process of developing strategies and the performance of firms was investigated, with a specific emphasis on a strategy process configuration that aligns with restricted environmental conditions. The research put forth hypotheses and relied on empirical data collected through a survey of

senior managers. The outcomes indicate that, when applied along with the mechanisms of the political strategy formulation process and the imposed decision outperform alternative methods of strategy development in terms of yielding better return on assets for for-profit firms encountering limitations in their operating environments. No significant differences in the performance of not-for-profit organizations or companies using four other commonly employed the forms of the strategy development process found in the body of current strategy process literature were detected.

Aziz and Mahmood (2011) examined whether there is a correlation between complementarities Regarding the effectiveness of Malaysia's small- and medium-sized manufacturing firms (SMEs). In their research, these authors employed three financial indicators to assess firm performance, which include return on investment (ROI), gross profit, and return on assets (ROA). This research also utilized the term "overall performance" as a means of gauging the performance of the companies. To assess the direct impact of the hypotheses, the researchers applied multiple regression analysis. The results indicated that Complementarities design was identified as a substantial predictor in this association.

Hong, Kueng, and Yang (2015) delved into the interplay between decentralization and performance-based compensation in managerial practices. They harnessed detailed data from a nationally representative sample of Canadian companies, utilizing variations in regional income taxes as a tool to assess the implementation of performance-based pay. Their results furnish comprehensive proof supporting the idea that performance-based pay and decentralized decision-making complement each other, resulting in a transfer of decision-making authority towards managerial employees as opposed to decentralization

across the entire organization. Furthermore, the research established a connection between the adoption of performance-based pay and other forms of organizational restructuring, such as an increased reliance on outsourcing, Total Quality Management, process re-engineering, and a reduction in hierarchical levels.

Migol et al (2018) found that emphasizing complementarity in business model design did not yield a statistically significant effect on the effectiveness of the firms. It's essential to highlight that this research treated complementarity as independent variables rather than control variables. The researchers evaluated firm performance by employing financial metrics related to sales turnover. Information concerning the value propositions and lock-in design themes of the top 30 Russian retailers in the home appliances and consumer electronics sectors was gathered through a survey instrument and structured in-person interviews carried out in March and April 2015. The collected data underwent analysis using linear regression with the least squares method. The outcomes demonstrated that complementarity design did not hold a decisive role in shaping the financial performance of the companies under investigation.

Basio, Cardinaleschi, and Leoni (2023) used a mixed research approach, examining Italian firms with over 15 employees. They combined different data sources and employed methods like GMM, multivariate regressions, and IV estimations. They found that joining a CCA boosted total factor productivity (TFP) by 3% and labor productivity by 7.8%. Efficient firms benefited more from broader bargaining topics. Economic incentives, organization, and employment played significant roles. However, the cross-sectional data's limitations make it challenging to establish causal links due to potential common drivers and unobservable firm traits.

2.3   Research Gap Summary

Studies reviewed above focused on different industries, majorly in manufacturing and those that are listed on the securities exchanges. Given that listed firms operate in a different environment as compared to firms that are not listed, this research aims to address this gap by establishing the effect of entrepreneurial design on the firm performance of non-listed firms. Moreover, this study will focus on the service industry within a small geographical region, which will make the results' generalisation possible to the industry. This study entails a single industry, unlike the above two studies, which focused their studies on different industries. Given the conflicting findings, this study seeks to contribute to this debate by empirically determining the effect of novelty design on firm performance in the hotel industry.

Review of the effect of entrepreneurial design on firm performance records that researcher have established conflicting findings. Others find positive effects while others negative effect, as others record that productivity approach has zero impact on performance. In addition, other authors discover that a combination of novelty and efficiency designs has a positive effect, while others find the combination to be counterproductive. Additionally, researcher have used different methodologies that do not take care of endogenity bias. This study, therefore, seeks to contribute to this literature by focusing on the service industry as opposed to the manufacturing industry.

.

2.4 Conceptual Framework

This study considered entrepreneurial designs employed by entrepreneurial firms in the hospitality sector of the service economy, most especially, Kisumu City, Kenya. Entrepreneurial designs of Novelty, Efficiency, Lock-in and Complementary were their effects on firm performance indicators on Revenue streams, Employment opportunities, and Expansion and Technological advancement.

(Entrepreneurial Designs)

Novelty design
- Innovativeness
- Customer Centric

Efficiency design
- Minimised transaction cost and time
- Reduced uncertainty

Lock In design
- Incentivised customers and suppliers
- High Switching costs

Complementarities design

- Cross-selling
- Widened customer needs.
- Complementary products

Hotel Performance
- Hotel Occupancy
- Revenue
- Profitability
- Employee numbers
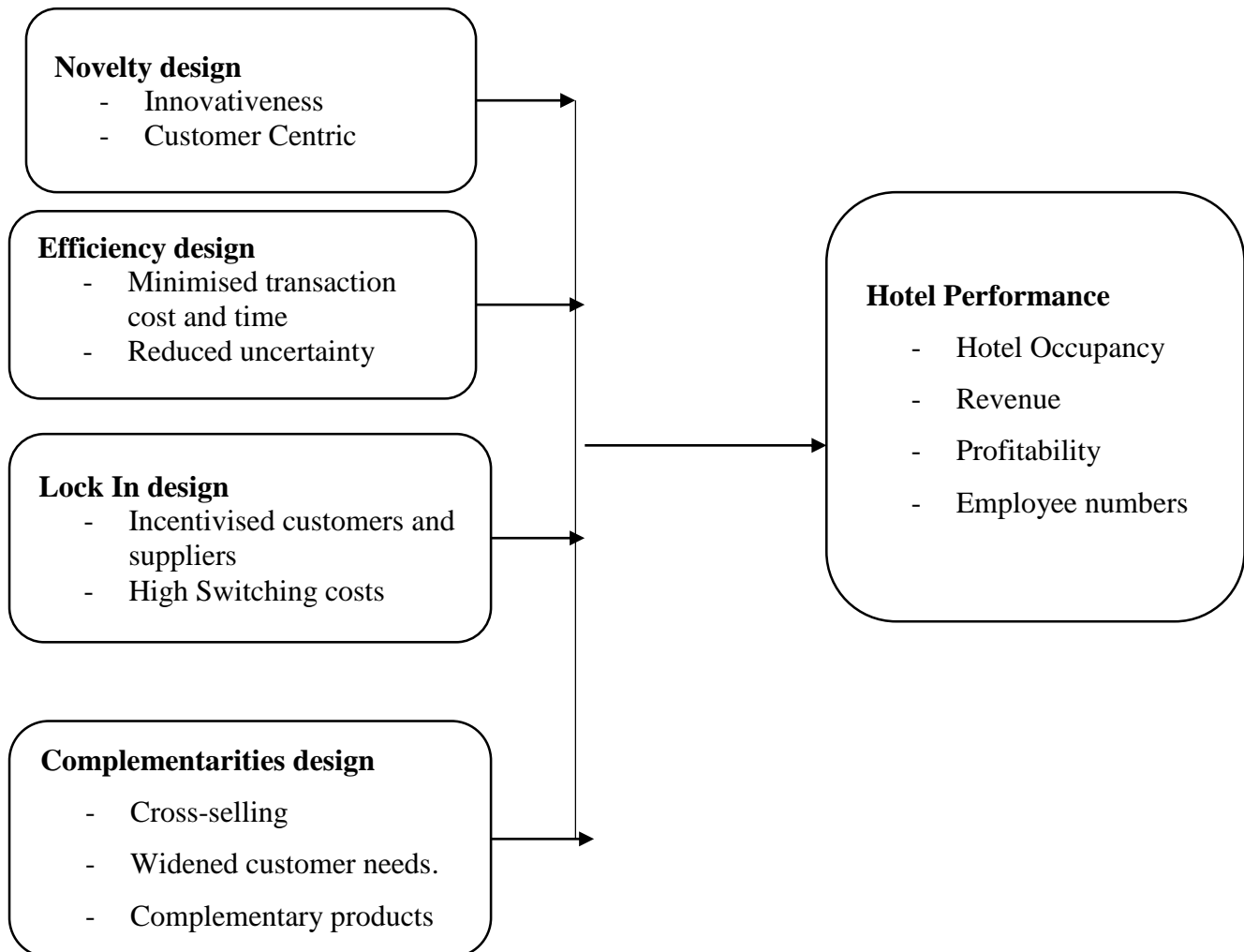
Figure 2.1 Conceptual Framework

Source: *Author (2022)*

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

Orotho (2003) defines research design as the plan or framework used to derive solutions to research inquiries. It represents the overarching strategy a researcher selects to harmoniously integrate the various elements of a study, ensuring it effectively tackles the research problem. This design serves as a blueprint for activities such as data collection, measurement, and analysis. In this particular study, a correlational research design was employed. Correlational research investigates the relationships between two or more variables, as described by Salaria (2012). This research approach was chosen because of its versatility, allowing for gathering data that is both qualitative and quantitative through the use of a questionnaire, as noted by Salaria (2012)

3.2 Study Area

The research took place in Kisumu City, located in Kenya. Kisumu stands as the country's third-largest city and serves as a major port city on Lake Victoria. The climate in Kisumu is characterized by consistently high temperatures throughout the year. In recent times, Kisumu has seen rapid growth, particularly in the tourism sector, making it an increasingly popular destination for tourists. The city's hotel industry has a rich history and is embracing a forward-looking perspective. Initially, this industry began over a century ago with four primary hotels that held a dominant position in the market until just five years ago. Over the years, Kisumu has expanded both in terms of its physical size and population. As a result, numerous new hotels have been established, leading to

significant growth in the hotel industry, with more than ten new facilities being constructed in the past five years, according to UNHABITAT (2006).

3.3 Target Population

Mugenda & Mugenda (2003) state that a population is complete group with common characteristics. This research focused on star-rated hotels in Kisumu City, Kenya, including both public and private ones. It aimed to collect responses from knowledgeable managers, with a survey targeting proprietors and supervisors, since they are the key figures responsible for these establishments, as highlighted by Ma et al. (2018). The study involved 49 total respondents.

3.4 Census Survey

This study employed a census survey. A census survey is a comprehensive data collection process that aimed at gathering information from every member of a population, as opposed to sampling a subset of the population. It involves collecting data from each individual within the target population above. Census surveys are often conducted by the researcher to get a thorough and precise representation of the entire population since the entire population was accessible. The survey was censured on general managers, reception, accounts offices who are involved on daily running of the hotels. Since the population is small and access to collect responses from all the respondents in the population is possible, this research applied the entire population of 49 respondents comprising of 12 hotel managers and 37 supervisors. The managers and the hotel supervisors in all of the hotels identified were used as part of the respondents.

Table 3. 1: Population Size

Hotel Establishments (2021)

ESTABLISHMENT	STAR RATING	ESTABLISHMENT	Respondents		total respondents
			Managers	Supervisors	
Acacia Premier Hotel	4	Acacia Premier Hotel	1	4	5
Kisumu Hotel	3	Kisumu Hotel	1	3	4
Sovereign Hotel	3	Sovereign Hotel	1	4	5
Imperial Hotel	3	Imperial Hotel	2	7	9
The Vic Hotel	3	The Vic Hotel	1	4	5
Jambo Impala Eco-lodge	3	Jambo Impala Eco-lodge	1	2	3
Kiboko Bay Resort	2	Kiboko Bay Resort	1	2	3
St. Johns Manor	2	St. Johns Manor	1	1	2
Le Savanna Country Lodges	2	Le Savanna Country Lodges	1	3	4
Sunset Hotel	2	Sunset Hotel	1	4	5
Dew church Drive Hotel	1	Dew church Drive Hotel	1	3	4
		Totals	12	37	49

3.5 Data Collection Instrument

The research employed primary data, which involves collecting information directly from respondents using research tools like questionnaires or interviews, as described by Kombo et al. (2006). In this research, data collection was facilitated through the utilization of questionnaires. As defined by Mugenda and Mugenda (1999), a questionnaire consists of written questions administered to the individuals being surveyed. Questionnaires can be categorized into two main types, structured and unstructured, as described by Kothari (2004). Structured questionnaires are characterized by specific, well-defined, and predetermined questions. These questions were presented to all respondents using identical wording and order. Independent variable data for this study was collected using a fully structured closed-ended questionnaire. According to Aziz and Mahmood (2011), a closed-ended questionnaire usually provides a standardized response frame for respondents to pick their answers. This study assessed all relevant variables using measurement methods employed in prior research. To promote candid responses to delicate inquiries, the questionnaire was designed to maintain respondent anonymity.

3.5.1 Data Collection Instrument

questionnaires for surveys were personally delivered to the respondents in their workplaces using the "drop and pick" approach. In this method, participants were requested to fill out the questionnaire, and subsequently, the researcher or a research assistant retrieved the completed questionnaires. The "drop and pick" method was chosen for its convenience, particularly suitable for the study due to its small geographical scope, as suggested by Sekaran (2003).

3.5.2 Validity of Research Instrument

Subjective content validity measures how appropriate the questionnaires seem to be to experts on the subject under consideration. To establish face validity for the questionnaire, participants were asked to identify any questions or items they felt were not well-worded in their view. Any such items or questions were subsequently revised for clarity. The questionnaire underwent pre-testing to gauge its efficiency before actual use. A pilot test was conducted at Dans Hotel, a star-rated establishment in Kisii Town. The pilot test served the purpose of confirming that the questionnaire items were clear and consistently understood by the participants. Additionally, it offered the researcher insights into the amount of time needed for respondents to complete the questionnaire. This pilot test was carried out exclusively at this hotel.

3.5.3 Reliability of the Research

The reliability of the research instrument was assessed Cronbach alpha coefficient is used, which measures the extent to which research instruments produce consistent outcomes. To gauge overall reliability, the research instrument underwent an analysis using the split-half method. This procedure entailed splitting the data from a certain number of participants into two groups, typically organized in an odd-even fashion. Subsequently, the two groups were subjected to a Pearson's correlation analysis. An alpha coefficient of 0.7 or higher signifies a substantial level of data reliability. The objective was to enhance the research tools to ensure that respondents in the main study could easily answer the questions and to verify the consistency of responses. A coefficient of 1.0 suggests perfect reliability, which is rarely achieved in practice, while a rating of 0.0 signifies no reliability. The instrument was determined to be reliable with a Cronbach's alpha coefficient of 0.77.

Table 3.2 Cronbach's Alpha

Variables	Cronbach's Alpha Estimated
Lock in design	0.77
Novelty-design	0.79
Efficiency-design	0.76
Complementarities-design	0.75
Market competition	0.78
Performance	0.79

Table 3.2 displays the findings derived from the pilot study, which encompassed 10% of the intended population. The examination revealed that the reliability and internal consistency of the items comprising the dataset, Lock in design, Novelty-design, Efficiency-design, Complementarities-design, Market competition and Performance. The Cronbach's Alpha values for these variables were 0.77, 0.79, 0.76, 0.75, 0.78, and 0.79, respectively. These numbers were higher than the recommended lower bound of 0.7, signifying that all the items in the questionnaire demonstrated reliability. The conclusion drawn was that all the items in the research tool met the criteria for inclusion in subsequent data collection and analysis.

3.6 Data Analysis

Following the completion of the surveys, the data was processed and examined. To get the data ready for analysis, this processing included coding, editing, and data cleansing. Kothari (2004) states that analysis is the process of determining certain measurements and looking for patterns in relationships. Central tendencies and dispersions were examined as part of the study in the instance of descriptive statistics. Tables, bar graphs, and pie

charts were then used to present the results of these descriptive data. The regression model used in the study was as follows:

$$Y = \beta_0 + \beta_1 C + \beta_2 N + \beta_3 Z + \beta_4 X + \beta_5 L + e \tag{1}$$

Where

$Y =$ Hotel performance, $N =$ novelty-design, $Z =$ efficiency-design, $X =$ complementarities-design, $L =$ lock in design, e = error term

$\beta_0 =$ intercept term

3.7 Ethical Considerations

Ethical considerations, including gaining research participants' informed consent and upholding confidentiality and anonymity, were rigorously adhered to throughout all stages of the study. Prior to commencing the research, the necessary permissions were obtained from the relevant authority. Particular attention was given to prevent any physical or emotional harm to the respondents during the data collection process. A transparent disclosure of the study's purpose was provided to the participants, assuring them of the confidentiality of their information and the anonymity of the data source. To ensure the research's objectivity, deliberate efforts were made to avoid personal bias or opinions interfering with the research, and equitable treatment was given to all parties involved. When presenting the findings, the researcher took great care to faithfully represent the observations and statements made by the respondents.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Response Rate

Table 4.1 Response Rate

	Number	Percentage
Responded	45	92
Did Not Respond	4	08
Total	49	100

Table 4.1 indicates the distribution of questionnaires and the rate of response. Of the 49 surveys that were distributed in the various hotels sampled, 45 were returned whereas 4 of the questionnaires were not attended. The overall response rate was thus found to be 92% which was adequate for further analysis. As advised by Campion (1993), that authors need to make reasonable efforts to increase response rate, the personalized interaction between the researcher and the respondents that involved describing the study's objectives before administering the questionnaire enhanced the study's response rate.

4.2 Demographics

Table 4.2 Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	18	40.0	40.0	40.0
	Female	27	60.0	60.0	100.0
	Total	45	100.0	100.0	

Table 4.2 displays the findings regarding the gender distribution of the respondents. The According to data, there were 40% of male responders in the hotels and the remaining 60% were female. The purpose for this test was to check compliance with the gender rule

according to Kenyan Constitution, 2010 as well as guide on making assumptions on other findings that may be influence by gender.

Table 4.3 Years of Work

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 years	16	35.6	35.6	35.6
	6-10 years	11	24.4	24.4	60.0
	11 - 15 years	8	17.8	17.8	77.8
	16-20 years	5	11.1	11.1	88.9
	above 21	5	11.1	11.1	100.0
	Total	45	100.0	100.0	

The data presented in Table 4.3 provides insights into the duration of time that respondents had been employed in the hotel industry. According to the table, 35.6% of respondents worked in hotels for a duration of from less than 1 to 5 years, while 24.4% had a tenure of 6 to 10 years. Additionally, 17.8% had worked in the industry for 11 to 15 years, 11.1% for 16 to 20 years, and another 11.1% for 21 years or more. In summary, the data suggests that a significant portion of the respondents had been employed in the hotel industry for a duration ranging from 1 to 10 years. This implies that a substantial number of the participants possessed substantial knowledge and experience, having worked in the industry for a sufficiently extended period. Consequently, they were well-equipped to provide informed responses to the study's inquiries, given their familiarity and exposure to the research context.

Table 4.4 Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-25 years	9	20.0	20.0	20.0
	26-30 years	9	20.0	20.0	40.0
	31-35 years	14	31.1	31.1	71.1
	36-35 years	8	17.8	17.8	88.9
	above 41 years	5	11.1	11.1	100.0
	Total	45	100.0	100.0	

Table 4.4 displays the information on the respondents' ages. According to the table, 20% of the responders were between the ages of 20 and 25., while an additional 20% were aged between 26 and 30 years. Furthermore, 31.1% of the participants were in the 31 to 35-year age group, 17.8% belonged to the 36 to 40-year category, and 11.1% were aged 41 and above. In conclusion, the majority of the respondents employed in the hotels were found to be in the 31-35 years age bracket. According to Okrah and Irene (2023) managers' years of experience influences enterprises' innovativeness in developing countries.

Table 4.5 Education Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Degree	14	31.1	31.1	31.1
	Diploma	18	40.0	40.0	71.1
	Certificate	13	28.9	28.9	100.0
	Total	45	100.0	100.0	

Table 4.5 displays the educational attainment of the survey participants. According to the data, 31.1% of the respondents held a degree, 40 individuals possessed a diploma, and 13% held a certification of eligibility. The results show that the majority of those

employed in the hotel industry had at least a diploma. Moreover, the respondent were educated and hence has the basic knowledge to understand the questions being asked.

4.3 Descriptive Statistics

4.3.1 Novelty-Design

To assess this particular variable, survey participants were presented with five statements designed to gauge novelty. These statements were assessed using a Likert scale with five points, and the replies ranged from "strongly disagree" as 1, "disagree" as 2, "undecided" as 3, "agree" as 4, and "strongly agree" as 5. The outcomes are presented in the table provided in section 4.7.

Table 4.7 Novelty-Design

Response Statement	N	Mean	Std. Deviation
The Hotel has put up Innovative products	45	3.36	1.004
The hotel is Customer centred in its operations	45	3.53	1.120
The hotel products are Unique from others	45	4.18	0.860
Very few hotels provide options like ours	45	4.69	0.633
The hotel is recognized as pioneers	45	4.49	0.895

The survey participants expressed consensus on several aspects of novelty design. Majority of the respondents agreed that the hotels have put up Innovative products (mean = 3.36, standard deviation = 1.004). Additionally, respondents agreed is the hotels are customer centred in their operations (mean = 3.53, standard deviation = 1.120). Respondents also agreed that the hotels offer products are that are unique from each other (mean = 4.18, standard deviation = 0.860). Moreover, the participants concurred that only

45

a few hotels offer solutions/products that are similar to each other (mean = 4.69, standard deviation = 0.633). Additionally, the managers agreed overall each hotel is recognized as a pioneer with respect to service/product offering (mean = 4.49, standard deviation = 0.895). These statistics mean that approximately 68% of the measurements fell within one standard deviation of the mean. This suggests that all the constructs exhibited a normal distribution centered on their means, indicating that the majority of the responses were in alignment with the different aspects related to lock-in design.

4.3.2 Efficiency-Design

To assess this variable, survey participants were presented with five statements aimed at evaluating efficiency in design. Using a five-point Likert scale, gauge these five indicators, with responses ranging from "strongly disagree" scored as 1, "disagree" as 2, "undecided" as 3, "agree" as 4, and "strongly agree" as 5. The findings are presented in the table provided in section 4.8.

Table 4.8 Efficiency-Design

Response Statement	N	Mean	Std. Deviation
The Hotel has Minimized transaction cost & time since introduction of efficiency design	45	3.18	1.072
The Hotel has Reduced uncertainty in services to it customers	45	3.11	1.229
The hotel has Simplified transaction for it customers	45	4.36	1.004
Customers may access and use our goods more efficiently over the hotel's Internet than through traditional channels.	45	4.00	1.066
The hotel partners significantly contribute to the time and effort savings that our offer provides for our consumers.	45	4.18	0.860

The research aimed to investigate the extent to which respondents agreed or disagreed with the different aspects of efficiency design. From table 4.8, the respondents agreed that hotels have minimized transaction cost & time since introduction of efficiency designs (mean = 3.18, standard deviation = 1.072). Additionally, respondents agreed is the star-rated hotels have reduced uncertainty in services to their customers (mean = 3.11, standard deviation = 1.229). Respondents also agreed that the hotels have simplified transaction for their customers (mean = 4.36, standard deviation = 1.004). Moreover, the participants concurred that internet provided by the hotel grants customers more efficient access and use of their products than traditional channel (mean = 4.00, standard deviation = 1.066).

Additionally, the managers agreed that hotel Partners contribute significantly to savings hotel customers time and effort in accessing hotel services (mean = 4.18, standard deviation = 0.860). These statistics mean that approximately 68% of the measurements fell within one the mean's standard deviation. As evidenced by this, the constructs exhibited a typical distribution around their averages, signifying that most of the responses aligned with the different elements of lock-in design.

4.3.3 Lock-In Design

To assess this variable, participants were presented with five statements designed to evaluate lock-in design. Using a five-point Likert scale, gauge these five indicators, with responses ranging from "strongly disagree" scored as 1, "disagree" as 2, "undecided" as 3, "agree" as 4, and "strongly agree" as 5. The outcomes are presented in the table provided in section 4.6.

Table 4.6 Lock in Design

Response Statement	N	Mean	Std. Deviation
The hotel patrons may not be entirely content with our offerings, yet they remain with us because of the expenses involved in switching.	45	4.36	1.004
The hotel offers personalized solutions to its customers.	45	4.00	1.066
The hotel places importance on retaining less profitable customers for an extended period.	45	4.18	0.860
The hotel rewards loyal customers through loyalty programs and other incentives.	45	3.76	0.957
The hotel's comprehensive business approach has the potential to establish lasting relationships with both customers and suppliers.	45	3.51	1.100

The survey participants expressed consensus on several aspects of lock-in design. The respondents agreed that the hotel customers are not fully satisfied with their product/service offer, but opt to receive the services due to switching costs (mean = 4.36, standard deviation = 1.004). Furthermore, the participants recognized that hotels offer personalized solutions to their customers (mean = 4.00, standard deviation = 1.066). Additionally, respondents expressed agreement regarding the hotels' commitment to retaining even less profitable customers for an extended duration (mean = 4.18, standard deviation = 0.860). Furthermore, the participants concurred that their respective firms reward regular customers through loyalty programs and other measures (mean = 3.76,

standard deviation = 0.957). Additionally, the managers agreed overall entrepreneurial design can lock-in customers/suppliers (mean = 3.51, standard deviation = 1.100). These statistics mean that approximately 68% of the measurements fell within one standard deviation of the mean. This suggests that the constructs exhibited a normal distribution centered on their means, indicating that a significant portion of the responses were in concurrence with the different aspects related to lock-in design.

4.3.4 Complementarities-Design

To assess this variable, participants were presented with five statements designed to evaluate efficiency in design. A five-point Likert scale was employed to gauge these five indicators, with responses ranging from "strongly disagree" assigned a value of 1, "disagree" as 2, "undecided" as 3, "agree" as 4, and "strongly agree" as 5. The findings are presented in the table displayed in section 4.9.

Table 4.9 Complementarities-Design

Response Statement	N	Mean	Std. Deviation
The hotel's offering is one of the most extensive in the field.	45	3.24	.933
The hotel has been consistently expanding the range of customer requirements it can meet.	45	3.13	1.140
The hotel's partners greatly impact the breadth of our offerings.	45	4.18	.860
Guests at the hotel select our offering because of the appeal of the supplementary products available.	45	4.69	.633
Hotel customers endeavor to utilize our solutions together to leverage the benefits of synergy.	45	4.49	.895

The study sought to find out the respondent's level of agreement or disagreement on the various measures of complementarities design. From table 4.9, the respondents agreed that star-rated hotels in Kisumu offer the most comprehensive services/products in the industry (mean = 3.24, standard deviation = 0.933). Additionally, respondents agreed that the star-rated hotels have been systematically widening the extent of customer needs that they are able to satisfy their customers (mean = 3.13, standard deviation = 1.140). Respondents also agreed that star-rated hotel partners strongly influence how inclusive their services/products are (mean = 4.18, standard deviation = 0.860). Moreover, the participants concurred that star-rated hotel customers in Kisumu City choose their

products/services for the attractiveness of the available complementary products (mean = 4.69, standard deviation = 0.633). Additionally, the managers agreed that hotel customers usually purchase multiple products/solutions together to benefit from synergy effects (mean = 4.49, standard deviation = 0.895). These statistics mean that approximately 68% of the measurements fell within one standard deviation of the mean.

4.3.5 Hotel Performance

This variable measured the effectiveness of Kisumu City's five-star hotels. A Likert-scale with five points—strongly disagree = 1, disagree = 2, uncertain = 3, agreed = 4, and highly agree = 5—was used by the evaluation scale to measure the five indicators. Performance indicators included; room-occupancy, revenue, cost, profitability, and employee turnover. The result is presented as shown in table 4.10 below.

The central focus of this study revolved around the examination of performance, which was the primary dependent variable under scrutiny. To assess this performance, a subjective measurement scale was utilized, encompassing five key criteria: room-occupancy, revenue, cost, profitability, and employee turnover. This scale was structured to have participants self-report their hotel's performance across these indicators over the years preceding the study. As part of this process, respondents were asked to indicate their level of agreement with each of these performance indicators using a five-point Likert scale, with options ranging from "strongly agree" (5) to "strongly disagree" (1). Descriptive statistics concerning the performance measurement scale for star-rated hotels in Kisumu City can be found in Table 4.10.

Table 4.10 Hotel Performance

Response Statement	N	Mean	Std. Deviation
Average occupation room rate has gone up tremendously over last five years	45	4.36	1.004
The revenue recorded in five years has been increasing tremendously	45	4.00	1.066
The hotel has always been able to manage it Cost per occupied room substantially	45	4.18	0.860
The net-profit profit margin over five years has been very acceptable	45	4.69	0.633
The hotel has been able to add the number of employees incrementally over the last five years	45	4.49	0.895

As indicated in Table 4.10, respondents agreed that the average room occupation rate performance has increased tremendously over the last five years (mean = 4.36, standard deviation = 1.004). The participants in this study exhibited strong consensus (mean = 4.00, standard deviation = 1.066) in their belief that, on average, the revenue recorded in five years has been increasing tremendously. Similarly, the majority of the surveyed respondents agreed (mean = 4.18, standard deviation = 0.860) that the star-rated hotels have always been able to manage their cost per occupied room substantially. Furthermore, a significant portion of the respondents, with a mean score of 4.69 (standard deviation = 0.633), expressed agreement that net-profit profit margin over five years has been as expected. Likewise, majority of the respondents agreed (mean = 4.46, standard deviation = 0.502) that the star-rated hotels have been able to add the number of employees incrementally over the last five years. These statistics mean that approximately 68% of the measurements fell within one standard deviation of the mean. This implies that all the constructs were normally distributed around their means hence majority of the response were in agreement with the various constructs regarding lock in design.

.

4.4 Correlation Analysis

The research aimed to look at how entrepreneurial design affects the success of hotels with stars in Kisumu City, To analyze this effect, the researcher employed summated scales of measurements for novelty design, efficiency-design, lock-in design, complementarities design, and performance. These summated scales were created by adding up the scores for the individual measurement scale items, which included five items each design construct and five items for performance. This process resulted in composite scores, and averages were then computed. Subsequently, these average scores for both To compute Pearson's Product Moment Correlation (PPMC), the dependent and independent variables were employed. Performance, the dependent variable, and the PPMC were calculated to ascertain the direction and strength of the relationship between

54

the measures of independent variable (entrepreneurial design). The Pearson's Product

Moment Correlation results can be found in Table 4.11 below.

Table 4.11 Correlation Results

Pearson Correlation Sig. (2-tailed)	Performance	Novelty-design	Efficiency-design	Lock in design	Complementarities-design
Performance	1				
Novelty-design	0.649**	1			
	.000				
Efficiency-design	0.796**	0.583**	1		
	.000	.000			
Lock in design	0.813**	0.601**	0.783**	1	
	0.000	0.000	0.000		
Complementarities-design	0.797**	0.663**	0.649**	0.654**	1
	0.000	0.000	0.000	0.000	
	.000	.000	.000	.000	.000

**. Correlation is significant at the 0.01 level (2-tailed).

The results in table 4.11 present four relationships. This means that changes in Performances are associated with predictable and consistent changes in novelty-design, and this relationship is unlikely to be due to random fluctuations in the data.

Secondly, the results in Table 4.11 reveals that there is a strong, and highly statistically significant, positive association between the efficiency-design and Performances of Star-rated hotels in Kisumu City

Fourth, the results in Table 4.11 reveal that there is a very strong, and extremely statistically significant, positive linear correlation between the complementarities design and Performances of Star-rated hotels in Kisumu City. This is indicated by the coefficient of 0.797. This means that changes in Performances are strongly associated with predictable and consistent changes in complementarities design, and this relationship is highly unlikely to be due to random fluctuations in the data.

4.5 Regression Results

The study sought to determine the effect of entrepreneurial design on the performance of star-rated hotels in Kisumu City-Kenya. Consequently, the overall effect between entrepreneurial design and performance was examined by testing the multiple linear regression model presented in Chapter Three of this research project report. In the model, entrepreneurial design were regressed against performance using the multiple regression model below:

$$Y = \beta_0 + \beta_1 C + \beta_2 N + \beta_3 Z + \beta_4 X + \beta_5 L + e \qquad (1)$$

Where

Y = Hotel performance,

N = novelty-design,

Z = efficiency-design,

X = complementarities-design,

L = lock in design,

e = error term

β_0 = intercept term

β_1 to β_4 = beta coefficient estimates

The table below, labeled as Table 4.12, displays the findings of the multiple regression analysis, showcasing the beta estimates for each independent variable, along with their associated standard errors, t-statistics, and p-values.

Table 4.12 Regression Coefficient[a]

Variables	Unstandardized coefficients	Standard errors	t-statistics	p-value
1 (Constant)	-0.177	0.411	-0.430	0.60
Novelty design	0.061	0.016	3.818	0.000
Efficiency design	0.245	0.107	2.280	0.028
Lock in design	0.339	0.121	2.799	0.008
Complementarities design	0.511	0.140	3.645	0.001

a. Dependent Variable: Performance

The fitted regression model is: **(4.1)**

$Y = -0.177 + 0.061X_1 + 0.245X_2 + 0.339 X_3 + 0.511X_4$

Standard Error   0.411   0.016   0.107   0.121   0.140

T-Statistics   -0.430   3.818   2.280   2.799   3.645

P-value   0.000   0.000   0.028   0.008   0.001

Where; Y = Hotel performance, X_1 = Novelty design, X_2 = Efficiency design, X_3 = Lock in design, X_4 = Complementarities design, β_0 = Intercept, β_1, β_2, $\beta3$, β_4 = beta Coefficients

4.5.1 The Effect of Entrepreneurial Novelty Design on Hotel Performance in Kisumu City, Kenya

In the model above, the beta estimate for Novelty design signifies the impact on hotel performance when Novelty design changes by one unit. Specifically, for every one-unit increase in Novelty design, we anticipate a 0.061 unit improvement in performance. The standard error gauges the extent of variation in the coefficient estimate. Smaller standard errors indicate more precise and dependable estimates. In this instance, the standard error is 0.016, indicating a relatively precise estimate. The associated t-statistic is 3.818, which assesses the statistical significance of the estimated coefficient. The p-value connected to the t-statistic tests the null hypothesis, which posits that there is no statistically significant relationship between Novelty design and hotel performance. A low p-value, in this case, 0.000, suggests that the coefficient is indeed statistically significant. Given the extremely small p-value, it strongly supports the idea that "Novelty design" has a positive and statistically significant impact on "performance."

4.5.2 The Effect of Entrepreneurial Efficiency Design on Hotel Performance in Kisumu City, Kenya

The beta coefficient for Efficiency Design reflects the impact on hotel performance when there's a one-unit alteration in Efficiency design. In this context, a one-unit increase in Efficiency design is projected to result in a performance boost of 0.245 units. The standard error quantifies the extent of variability in the coefficient estimate. Smaller standard errors signify more precise and dependable estimates. In this instance, the standard error is 0.107, indicating a relatively precise coefficient estimate.

The t-statistic was employed to evaluate the statistical significance of the estimated coefficient, yielding a value of 2.280 in this case. The associated p-value, which tested the null hypothesis suggesting no statistically significant influence of Efficiency design on hotel performance, was found to be 0.028. This relatively low p-value, falling below

the commonly used significance level of 0.05, indicates that "Efficiency design" indeed has a significant positive impact on "performance" in a statistically significant manner.

4.5.3 The effect of entrepreneurial lock-in design on hotel performance in Kisumu city, Kenya

In the model presented above, the beta estimate for Lock-in design signifies the impact on hotel performance when there's a one-unit change in Lock-in design. In this scenario, for every one-unit increase in Lock-in design, we anticipate a performance improvement of 0.339 units. The standard error, on the other hand, measures the extent of variability in the coefficient estimate. Smaller standard errors point to more precise and dependable estimates. In this specific case, the standard error stands at 0.121, indicating a relatively precise coefficient estimate.

4.5.4 The Effect of Entrepreneurial Complementarities Design on Hotel Performance in Kisumu City, Kenya.

In the model presented earlier, the beta estimate for Complementarities design signifies the impact on hotel performance when there's a one-unit change in Complementarities design. In this instance, for every one-unit increase in Complementarities design, we anticipate a performance improvement of 0.511 units. The standard error, on the other hand, measures the extent of variability in the coefficient estimate. Smaller standard errors indicate more precise and dependable estimates. In this specific case, the standard error is 0.140, indicating a relatively precise coefficient estimate. The corresponding t-statistic, which registers at 3.645, was used to evaluate the statistical significance of the estimated coefficient. The p-value associated with this t-statistic was employed to test the null

hypothesis, which postulates that there is no statistically significant impact of Complementarities design on hotel performance. The relatively low p-value, specifically 0.001, suggests that the coefficient is indeed statistically significant. Given that the p-value is very close to zero, it strongly supports the notion that "Complementarities design" has a positive and statistically significant effect on "performance."

4.6 Evaluation of the Estimated Model

To show whether the linear regression model (4.1) fits the data significantly, Analysis of Variance (ANOVA) and Coefficient of determination (R^2) were computed

4.6.1 Analysis of Variance (ANOVA)

When it comes to regression analysis, a Test of Variance (ANOVA) was utilized to assess the regression model's overall significance. and the individual significance of the independent variables (regressors) included in the model. The outcome of this assessment is presented in the provided table 4.13 below:

Table 4.13 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.641	4	4.160	42.796	0.000[b]
	Residual	3.888	40	.097		
	Total	20.530	44			

a. Dependent Variable: Performance

61

b. Predictors: (Constant), Novelty design, Efficiency design, Lock in design, Complementarities design

The F-statistic measured the overall fit or significance of the regression model. It assessed whether the model, which includes one or more independent variables, provided a better fit to the data. The p-value associated with the F-statistic measured the probability of obtaining a large F-statistic as the one observed, assuming that the model has no significance (i.e., all coefficients are equal to zero). A small p-value (0.000) in this case suggested that the regression model was statistically significant. The F-statistic (4, 40) of 42.796 is quite large, and the p-value of 0.000 (which is essentially zero) indicates that the regression model is highly statistically significant. This means that the model, including the independent variables, provides a significantly better fit to the data. In other words, the model as a whole is meaningful, and The dependent variable is significantly impacted by at least single of the independent factors.

4.6.2 Coefficient of Determination (R^2)

In order to establish coefficient of determination, the percentage of the dependent variable's variation that can be predicted from the variance of the independent variable. was establish as shown in the table 4.14 below;

Table 4.14 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.900^a	.811	.792	.31179

a. Predictors: (Constant), Novelty design, Efficiency design, Lock in design, Complementarities design

From the analysis result in table 4.14 above, An R-squared value of 0.900 means that 90% of the total variability in the hotel performance can be explained by the entrepreneurial designs included in the regression model. In other words, the model constructed does an excellent job of capturing and accounting for the variation in the hotel performance. The remaining 10% of the variation in hotel performance is unexplained or attributed to other factors not included in the model. Additionally, the model accounts for the majority of the variability in the hotel performance, making it a reliable predictor within the scope of the data used to build the model.

4.3 Discussion of Research Findings

4.3.1 The Effect of Entrepreneurial Novelty Design on Hotel Performance in Kisumu City, Kenya

This study has found a positive linear relationship between the "Novelty design" and the "Hotel performance" this means that higher values of "Novelty design" are associated with better or higher hotel performance. Specifically, if the "Novelty design" score increases by one point (or one unit), the model suggests that, on average, performance of star-rated hotels in Kisumu City is expected to increase by 0.061 units. These findings supports those of Brettel *et al.* (2012), who found that Efficiency Design had effect on performance. This findings were similar to the findings of Teece (2010) and Zott & Amit (2007) which proved that novel business model designs aid in higher performances. This

could represent an increase in room occupancy, revenue, profitability, employee numbers and reduction in cost, or any other relevant measure of performance.

For instance, Novelty design elements can include unique and innovative features in hotel rooms or common areas. When guests experience something new and exciting, it can lead to a more memorable and enjoyable stay. This can result in positive word-of-mouth, repeat business, and an advantage over competitors in the hotel sector. In a crowded and competitive hospitality market, offering novelty and unique design features can set a hotel apart from its competitors. Guests are often drawn to experiences that are different and distinctive, and this can attract a wider customer base. While novelty design can have a positive impact, it's important to consider the costs and investments required for implementing and maintaining such designs. A balance between investment and returns should be carefully evaluated.

4.3.2 The Effect of Entrepreneurial Efficiency Design on Hotel Performance in Kisumu City, Kenya

According to the data in Table 4.14, the regression coefficient for Efficiency Design was determined to be 0.245. This figure indicates that, while keeping the other variables in the regression model constant, a one-unit increase in Efficiency Design leads to a corresponding increase of 0.245 units in hotel performance. Additionally, it's worth noting that the coefficient has a positive value. If the "Efficiency design" score increases by one point (or one unit), the model suggests that, on average, the performance of the process is expected to improve by 0.245 units. This finding was similar to that of Gill, Singh, Mathur and Mand (2014) who found that operational efficiency play a role in the future

performance of Indian manufacturing firms but contrary to those Zaborek and Doligalski (2013) who found that efficiency design was negatively related to the performance metric.

Findings of this study could mean improvement to factors such as productivity, cost-effectiveness, or any relevant measure of performance. For instance efficient design not only benefits guests but also enhances the hotel's operational efficiency. Space utilization, workflow optimization, and energy-saving features can reduce operational costs and increase revenue. This might include energy-efficient lighting, HVAC systems, and an efficient kitchen layout for the restaurant, reducing energy and labor costs. Additionally, efficient design can enable hotels to offer additional services and amenities or accommodate more guests. This can boost revenue streams through increased occupancy, additional food and beverage sales, and event hosting. For instance, a well-designed conference center can attract more business events, weddings, and meetings. Moreover, if a hotel consistently provides a positive and efficient experience, it is more likely to earn guest loyalty and repeat business. Return visitors have a greater likelihood to be pleased and recommend to others, the hotel leading to a sustainable customer base.

4.3.3 Lock in Design

In Table 4.14, the Lock-In Design regression coefficient is 0.339, indicating that, when other variables are held constant, a one-unit increase in Lock-In Design leads to a 0.339-unit rise in hotel performance. These results align with Eurich and Burtscher's 2014 study, which found that Lock-In Design impacts hotel performance through positive network externalities, often known as the "network effect." This effect, observed when more users

enhance a product's value, is akin to the telephone's case. Migol, Tretyak, and Holm's 2018 findings also support the significant effect of Lock-In Design on performance.

A positive linear relationship between Lock-in design and hotel performance signifies that there is a direct and proportional connection between the quality or extent of Lock-in design in a hotel and its overall performance. This finding can have significant implications for the hotel industry. For instance, Lock-in design often involves features that make guests more likely to stay on the hotel premises, such as restaurants, entertainment options, or conveniences like on-site spas and fitness centers. When guests have more reasons to stay within the hotel, they are more likely to spend money on additional services, thereby boosting the hotel's revenue and overall performance. Additionally, A well-planned Lock-in design can optimize resource utilization. For instance, it can help reduce energy consumption by integrating energy-efficient lighting and climate control systems. This not only reduces operational costs but also aligns with sustainability goals.

4.3.4 Complementarities Design

The regression coefficient for Complementarities Design is 0.511, indicating that, while keeping other variables in the regression model constant, a one-unit increase in Complementarities Design results in a hotel performance increase of 0.511 units. This coefficient has a positive value. These results are consistent with the findings of Aziz and Mahmood (2011), who observed that Complementarities Design has a positive impact on hotel performance, suggesting that it leads to improved performance. However, it's important to note that Migol et al. (2018) reported different results, as they found that a focus on complementarity in business model design did not significantly affect firm

performance. Aziz and Mahmood's (2011) findings indicated that Complementarities Design played a significant role in this relationship.

A positive linear relationship between complementarities design and hotel performance suggests that there is a direct and proportional connection between the quality and extent of complementarities in a hotel's design and its overall performance. Complementarities design refers to the way different aspects of the hotel's design, services, and amenities work together to enhance the guest experience. For instance Complementarities in design typically involve the seamless integration of various hotel elements, such as room design, dining options, recreational activities, and services. When these elements work together harmoniously, it creates a more enjoyable and convenient experience for guests. For example, if a hotel's design complements its on-site dining options, guests are more likely to have a memorable dining experience, which can positively impact their overall satisfaction. Additionally, Effective complementarities design can lead to additional revenue streams. For example, if a hotel's design complements its event space, it can attract a higher number of events, conferences, and weddings, thereby increasing revenue.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

This section contains the summary of the findings for the independent variables which was done as per the objectives of the study which were; - to determine the relationship between entrepreneurial designs and performance of star rated hotels in a competitive market in Kisumu city, Kenya. Specifically determine the relationship between novelty design, efficiency design, Lock-In, complementarities, and performance of hotels in Kisumu City.

5.2.1 Novelty design and Performance of Hotels

Determining how novelty layout and performance relate to one another was the initial goal. of hotels in Kisumu City. Novelty design variable was composed of several constructs or statements which were used as instruments of capturing the opinions of the respondents namely. The Hotel has put up Innovative products, the hotel is Customer centered in its operations, and the hotel products are Unique from others

The descriptive findings indicated that, on average, the survey participants had a somewhat favorable attitude towards embracing the novel design strategy targeted by the provided statements. The regression coefficients yielded a positive and statistically significant outcome. This suggests that there is a statistically significant correlation between the adoption of novelty design and the performance of the hotel industry.

5.2.2 Efficiency design and Performance of hotels in Kenya

The study's second goal aimed to ascertain the connection between efficiency design and the performance of hotels in Kisumu City. Efficiency design variable was composed of several constructs or statements which were used as instruments of capturing the opinions of the respondents namely. The Hotel has Minimized transaction cost & time since introduction of efficiency design, The Hotel has Reduced uncertainty in services to its customers, The hotel has Simplified transaction for its customers, The hotel's internet service offers customers more efficient access to our products compared to traditional channels. Additionally, the hotel's partners play a substantial role in saving customers time and effort through our offerings. The descriptive findings showed that, on average, survey participants mildly agreed with the implementation of the efficiency design strategy targeted by the statements. The regression coefficients result was positive and statistically significant

5.2.3 Lock in design and Performance of hotels in Kenya

The third aim of the study was to examine the correlation between Lock-In Design and the performance of hotels in Kisumu City. The Lock-In Design variable was assessed using the following factors: customers' dissatisfaction with the hotel's offerings but their retention due to switching costs, the provision of personalized solutions to customers, the hotel's commitment to retaining even less profitable customers for an extended period, rewarding loyal customers through loyalty programs and other means, and the hotel's overall entrepreneurial design that can effectively retain customers and suppliers. Upon analyzing the responses related to these factors, The regression coefficients revealed both a favourable and statistically significant outcome.

5.2.4 Competences design Capability and Performance of hotels in Kenya

The fourth aim of the study was to establish the correlation between Competences Design and the performance of hotels in Kisumu City. The Competences Design variable comprised various constructs or statements used to gather respondents' views. These

constructs included the hotel providing one of the most comprehensive offerings in the industry, a consistent expansion of the range of customer needs addressed over time, significant influence from the hotel's partners on the breadth of offerings, customers selecting the hotel's offerings based on the appeal of additional complementary products, and customers seeking to combine the hotel's solutions to benefit from synergistic effects. Regression coefficient values showed a statistically significant and positive effect. This shows that the performance of the hotel business and Competencies Design have a statistically significant link. Business owners ought to consider the important relationship that exists between Competencies Design and Kenyan hotel performance.

5.3 Conclusions

The results of the study indicate that there exists a statistically significant association between the performance of Kisumu City's hotels and the unique design technique. The study suggests that enterprises, especially those in the hospitality industry, should pay attention to key aspects of novel design, such as offering innovative products, maintaining a customer-centered approach, providing unique products, having distinct solutions compared to competitors, and being recognized as pioneers. The descriptive results indicate the average response among respondents slightly agreed with the adoption of the novel design strategy these statements represent. All of these factors strongly support the positive link between the novel design strategy and hotel performance in Kisumu City and the broader country. The study also concludes that novel design significantly impacts the performance of hotels in Kisumu City.

Similarly, the investigation finds a statistically significant correlation between the efficiency design strategy and the performance of hotels in Kisumu City, highlighting its considerable influence on hotel performance. The study advises enterprises, especially those in the hospitality sector, to closely consider key elements of efficiency design, such as minimizing transaction costs and time, reducing uncertainty in services, simplifying transactions for customers, providing more efficient internet access compared to traditional channels, and leveraging the contributions of hotel partners for time and effort savings. The descriptive results show that respondents generally agreed just a little bit with the adoption of the efficiency design strategy these statements represent. All these factors strongly support the positive relationship between the efficiency design strategy and hotel performance in Kisumu City and the entire country.

The study emphasizes the importance of enterprises, particularly those in the hospitality industry, being attentive to key elements of lock-in design and utilizing them as strategic measures to gauge the level of adoption of lock-in design in their hotels or firms. All these elements strongly support the positive relationship between the lock-in design strategy and hotel performance in Kisumu City and the broader country.

Additionally, the study's results indicate a statistically substantial association between the complementary design strategy and the performance of hotels in Kisumu City. The study underscores the significance of enterprises, particularly in the hospitality sector, paying close attention to critical components of complementary design. These elements include offering comprehensive products, consistently expanding the scope of customer needs addressed, having influential partners in shaping the comprehensiveness of offerings,

71

attracting customers through appealing complementary products, and encouraging customers to combine solutions to benefit from synergistic effects. All these components strongly support the positive relationship between the complementary design strategy and hotel performance in Kisumu City and the entire country.

5.4 Recommendations

The study's findings showed that implementing entrepreneurial concepts is a crucial component of star-rated hotels in Kisumu, Kenya's commercial performance.

While novelty design can have a positive impact, it's important to consider the costs and investments required for implementing and maintaining such designs. A balance between investment and returns should be carefully evaluated.

On efficiency design, the finding suggests that hotels should invest in data and feedback-driven design decisions. Regularly collecting data on guest preferences, operational efficiency, and resource utilization can help in making informed design changes to continually enhance performance.

Specific elements of Lock-in design that contribute to hotel performance may vary depending on the hotel's target market, location, and type. Hotels should conduct detailed market research and customer profiling to tailor their Lock-in design to meet the specific needs and preferences of their target audience.

On complementarities design, finding suggests that investing in the coordination and synergy of design elements and services can have a direct and proportional impact on a

hotel's overall success, enhancing the guest experience, increasing revenue, and promoting customer loyalty.

5.5 Suggestions for Further Research

This study was only limited to hotel industries in Kisumu City. The study suggests research on moderating effect of market competition on the relationship between entrepreneurial designs and performance of hotel industries in other Counties in Kenya. Further research should also be directed to other industries to enable them offer better services to their customers. The study recommends the considerations of other study variables to be able to assess their effect on the performance of service industry in the country.

REFERENCES

Altin M, Schwartz Z, Uysal M (2017) "Where you do it" matters: the impact of hotels' revenue-management implementation strategies on performance. Int J Hosp Manag 67:46–52

Altin MM (2015) An examination of the link between RM implementation strategies and performance. Doctoral dissertation, Virginia tech

Alvarez, S. A., & Barney, J. B. (2017). Resource-based theory and the entrepreneurial firm. *Strategic entrepreneurship: Creating a new mindset*, 87-105.

Amit, R. & Zott, C. (2001).Value creation in e-business

Amit, R. & Zott, C. (2010). Business model innovation: creating value in times of change

Atkinson, H., & Brown, J. B. (2001). Rethinking performance measures: Assessing progress in UK hotels. *International Journal of Contemporary Hospitality Management,* 13(3), 128–136.

Aziz, S.A. and Mahmood, R. (2011). The relationship between business model and performance of manufacturing small and medium enterprises in Malaysia. *African Journal of Business Management* Vol. 5 No. 22, pp. 8918-8932

Bouwman, H., Nikou, S. &. de Reuver, M. (2019). Digitalization, business models, and SMEs: how do business model innovation practices improve the performance of digitalizing SMEs? Telecommun. Pol., 43, Article 101828, 10.1016/j.telpol.2019.101828

74

Brettel, M., Strese, S. and Flatten, C.T. (2012), "Improving the performance of business models with relationship marketing efforts – *an entrepreneurial perspective", European Management Journal,* Vol. 30 No. 2, pp. 85-98.

Casadesus-Masanell, R. & Zhu, F. (2013). Business model innovation and competitive imitation: the case of sponsor-based business models. Strat. Manag. J., 34 (2013), pp. 464-482, 10.1002/smj.2022

Chen, Y., Chen, H., & Xu, D. (2014). The impact of membership services on hotel customers' perceived value, satisfaction, and loyalty. International Journal of Hospitality Management, 36, 252-262.

Chen, J., Liu, L. & Wang, Y. (2020). Business model innovation and growth of manufacturing SMEs: a social exchange perspective. J. Manuf. Technol. Manag., 32 (2020), pp. 290-312, 10.1108/JMTM-03-2020-0089

CIEC (2020) *Kenya Hotel Room and Bed Occupancy Rate.* Retrieved July 30, 2020, from WWW.CEICDATA.COM/Kenya National Bureau of Statistics: https://www.ceicdata.com/en/kenya/hotel-room-and-bed-occupancy-rate

Cucculelli, M. & Bettinelli, C. (2015). Business models, intangibles and firm performance: evidence on corporate entrepreneurship from Italian manufacturing SMEs

Curkovic, S., Vickery, S. K. &Droge, C. (2000). Quality-related action programs: their impact on quality performance and firm performance. Decis. Sci., 31(4): 885-905.

Enz, C. A. (2010). Hospitality strategic management: Concepts and cases. John Wiley & Sons.

Ethiraj, S. K., Kale, P., Krishnan, M. S. & Singh, J. V. (2005). Where do capabilities come from and how do they matter*? A study in the software services industry; Strategic Management Journal,* 26: 25–45, DOI: 10.1002/smj.433

Fissha H, Shrestha A (2017) Impact of airbnb on hotel industry in helsinki. Dostupno na: https://www.theseus.fi/bitstream/handle/10024/139871/Fissha%20HaNi%20Shrestha%20Ashmita.pdf

Foss, N. J. & Saebi, T. (2017). Fifteen years of research on business model innovation: how far have we come, and where should we go? J. Manag., 43, pp. 200-227, 10.1177/0149206316675927

Gerdoçi, B., Bortoluzzi, G. and Dibra, S. (2018) "Business model design and firm performance: Evidence of interactive effects from a developing economy", *European Journal of Innovation Management*, Vol. 21 Issue: 2, pp.315-333

Girden ER (2001). Evaluating research article: from start to finish. London: Sage

Golafshani, N. (2003). Understanding Reliability and Validity in Qualitative Research.

Graziano AM, Raulin ML (2004). Research methods: a process of inquiry. Boston, MA: Pearson

Harding, S., & Long, T. (2017). *MBA management models*. Routledge.

Harris, P. J., &Mongiello, M. (2006). Accounting and financial management: Developments in the international hospitality industry. Oxford, England: Butterworth-Heinemann

Higgins, R., & Love, E. (2015). Barriers to entry and competitive strategies. In International Business and Institutions after the Financial Crisis (pp. 71-99).

Hitt, M. A., Carnes, C. M., & Xu, K. (2016). A current view of resource based theory in operations management: A response to Bromiley and Rau. *Journal of Operations Management*, *41*(10), 107-109.

Hsieh LF, Lin LH (2010) A performance evaluation model for international tourist hotels in Taiwan—an application of the relational network DEA. Int J Hosp Manag 29(1):14–24

Huang, K. F., Dyerson, R., Wu, L. Y., & Harindranath, G. (2015). From temporary competitive advantage to sustainable competitive advantage. *British Journal of Management*, *26*(4), 617-636.

Irandu, E. M. (2006) Sustainable tourism development on Kenya's coast: a hospitality sector view. Anatolia 17(2):189–209

Ivanov S (2014) Hotel revenue management: from theory to practice. Zangador. Varna University of Management. SSRN: https://ssrn.com/abstract=2447337

Katou, A.A. (2008). Measuring the impact of HRM on organizational performance.

Kimes SE (2017) The future of hotel revenue management. Cornell Hosp Rep 17(1):3–10

Kothari, C. R. (2004). Research Methodology: Methods and Techniques.2nd edition.

Kotler, P., Bowen, J. T., Makens, J. C., & Baloglu, S. (2017). Marketing for hospitality and tourism. Pearson.

Kozlenkova, I. V., Samaha, S. A., & Palmatier, R. W. (2014). Resource-based theory in marketing. *Journal of the academy of marketing science*, *42*(1), 1-21.

Kusluvan, S., Kusluvan, Z., Ilhan, I., & Buyruk, L. (2010). The human dimension: A review of human resources management issues in the tourism and hospitality industry. Cornell Hospitality Quarterly, 51(2), 171-214.

Lai, K. H. (2017). Understanding business models in the e-commerce sector: A critical analysis of the literature. Procedia CIRP, 64, 86-91.

Lashley, C. &Rowson, B. (2005). Developing management skills in Blackpool's small motel sector: a research report for England's Nort West Tourism Skills Network. Nottingham: 35. Long. Range Plan., 43, pp. 172-194, 10.1016/j.lrp.2009.07.003

Luo JM, Lam CF (2017) Urbanization effects on hotel performance: a case study in China. Cogent Bus Manag 4(1):1412873

Lyon, D. W., Lumpkin, G. T., Dess, G. (2000). Enhancing entrepreneurial orientation research: operationalizing and measuring a key strategic decision-making process. *Journal of Management, Vol*. 26 No. 5, pp 1055-1085

Ma, Y., Yin, Q., Pan, Y., Cui, W., Xin, B. and Rao, Z. (2018). Green Product Innovation and Firm Performance: Assessing the Moderating Effect of Novelty-Cantered and Efficiency-Centred Business Model Design. Sustainability, 10, 1843.

Malone, T. W., Weill, P., D'Urso, V. T., Herman, G., &Woerner, S. (2006). Do Some Business models perform better than others? MIT Sloan Research Paper No. 4615-06, MIT Sloan

McNamara, P., Peck, S. I. & Sasson, A. (2013). Competing business models, value creation and appropriation in English football. Long. Range Plan., 46 (2013), pp. 475-487, 10.1016/J.LRP.2011.10.002

Mehmood, T., Alzoubi, H. M., Alshurideh, M., Al-Gasaymeh, A., & Ahmed, G. (2019). Schumpeterian entrepreneurship theory: evolution and relevance. *Academy of Entrepreneurship Journal*, *25*(4), 1-10.

Migol E., Tretyak O., Holm A.B. (2018), Business Model Design Themes, Value Propositions and Firm Performance*, Journal of Business Models, Vol*. 6, No. 2, pp. 54-58

Miller, D., &Shamsie, J. (1996). The resource-based view of the firm in two environments: The Hollywood filmstudios from 1936 to 1965. *Academy of Management Journal,* 39 (3), 519–543.

Miricho, M. N. (2013) Yield management strategy in Kenya's town hotels: opportunities and scope in room-stock management. Doctoral dissertation, Kenyatta University

Morris, H. M., Shirokova, G. &Shatalov, A. (2013). The Business Model and Firm Performance: The Case of Russian Food Service Ventures. *Journal of Small Business Management,* Vo. 51 No.1, pp. 46–65

Morris, M., M. Schindehutte, J. Richardson, and J. Allen (2006). "Is the Business Model a Useful Strategic Concept? Conceptual, Theoretical and Empirical Insights," *Journal of Small Business Strategy 17, 27–50.*

Morris, M., Schindehutte, M. and Allen, J. (2005), "The entrepreneur's business model: toward a unified perspective", Journal of Business Research, Vol. 58 No. 6, pp. 726-735. Foss, N.J., & Saebi, T. 2017. Fifteen Years of Research on Business Model Innovation: How Far Have We Come, and Where Should We Go? Journal of Management, 43 (1), 200-227.

Murimi, M., Wadongo, B. & Olielo, T. (2021). Determinants of revenue management practices and their impacts on the financial performance of hotels in Kenya: a proposed theoretical framework. Futures Business Journal, 7(1):2 https://doi.org/10.1186/s43093-020-00050-9

Onyango, F. E., Odhuno, E., Ouma, K. o. &Othuon, L. O. (2010). Performance Measurement and Hotel Industry in Kenya – *A Review; International Journal of Hospitality & Tourism Systems, Volume 3 Issue 1*

Orodho, A. (2003). Essentials of education and social science research methods.

Ortega B (2016) Revenue management systems and hotel performance in the economic downturn. Int J Contemp Hosp Manag 28(4):658–680. https://doi.org/10.1108/IJCHM-07-2014-0324

Planinc, T., Bojnec, Š., &Ivankovič, G. (2012). Measuring Performance in the Hospitality Sector: Financial vs. Statistical Data. Academica, Turistica, Year 6, No. 1

Pnevmatikoudi K, Stavrinoudis T (2016) Classification of hotel performance measurement indicators presented in international scientific research. Eur J Tour Res 12:82–98

Porter, M. (1980). Competitive Strategy: Techniques for Analyzing Industries and Competitors, New York, The Free Press.

Pucci, T., Nosi, C. & Zanni, L. (2017). Firm capabilities, business model design and performance of SMEs. J. Small Bus. Enterprise Dev., 24 (2017), pp. 222-241, 10.1108/JSBED-09-2016-0138

PwC Hotels outlook: 2019–2023: South Africa - Nigeria - Mauritius - Kenya - Tanzania, www.pwc.co.za/outlook

Salaria, N. (2012). Meaning of the Term Descriptive Survey Research Method. *International Journal of Transformations in Business Management*, 1(6), 161-175.

Schwartz Z, Altin M, Singal M (2017) Performance measures for strategic revenue management: RevPAR versus GOPPAR. J Revenue Pricing Manag 16(4):357–375

Sekaran U (2003). Research methods for business: A skill-building approach (4th ed.). New York: John Wiley & Sons, Inc

Śledzik, K. (2013). Schumpeter's view on innovation and entrepreneurship. *Management Trends in Theory and Practice,(ed.) Stefan Hittmar, Faculty of Management Science and Informatics, University of Zilina & Institute of Management by*

University of Zilina. Small Bus. Econ., 45, pp. 329-350, 10.1007/s11187-015-9631-7

Snihur, Y., Tarzijan, J., (2017). Managing complexity in a multi-business-model organization. Long Range Plann., 51(1), 50-63.

Snihur, Y., Thomas, L. D. W., & Burgelman, R. A. (2023). Strategically Managing the Business Model Portfolio Trajectory. *California Management Review*, *65*(2), 156-176. https://doi.org/10.1177/00081256221140930

Snihur, Y. & Wiklund, J. (2019). Searching for innovation: product, process, and business model innovations and search behavior in established firms

Song, H. (2013). Porter's five forces analysis and generic strategies. International Journal of Contemporary Hospitality Management, 25(4), 630-648.

Spieth, P., Schneckenberg, D. & Ricart, J. E. (2014). Business model innovation - state of the art and future challenges for the field. R D Manag., 44 (2014), pp. 237-247, 10.1111/RADM.12071

Teece, D.J. (2010), "Business models, business strategy and innovation", Long Range Planning, Vol. 43 Nos 2/3, pp. 172-194.

TRA (2020) Classification of hotels in Kenya. Retrieved from https://www.tourismauthority.go.ke/index.php/quality-assuarance/classification-criteria

Tracey M, Lim J, Vonderembse MA (2005). The impact of supply-chain management capabilities on business performance. Supply Chain Manage., 10(3): 179-191.

Velu, C. (2016). Evolutionary or revolutionary business model innovation through cooperation? The role of dominance in network markets. Ind. Market. Manag., 53 (2016), pp. 124-135, 10.1016/J.INDMARMAN.2015.11.007

Vermeer, T. (2016). The relationship between business model and firm performance as measured through business model components. Bachelor thesis, University of Twente.

Wadongo B, Odhuno E, Kambona O, Othuon L (2010) Key performance indicators in the Kenyan hospitality industry: a managerial perspective. Benchmark Int J 17(6):858–875

Wainaina, L. W. (2015). Determinants of organizational commitment among academic staff in Kenya'spublic and private universities. Student Thesis, Jomo Kenyatta University Of

Wan, W. P., Hoskisson, R. E., Short, J. C., & Yiu, D. W. (2011). Resource-based theory and corporate diversification: Accomplishments and opportunities. *Journal of management*, *37*(5), 1335-1368.

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic management journal*, *5*(2), 171-180.

Yang Z, Cai J (2016) Do regional factors matter? Determinants of hotel industry performance in China. Tour Manag 52:242–253

Zaborek, P &Doligalski, T. (2013), Value Creation in E-Business and Financial Performance: Researching Polish Online Companies with Amit and Zott's Model. Conference Paper, Research Gate.

Zott, C. & Amit, R. (2009).Business model innovation: creating value in times of change

Zott, C. &Amit, R. (2001). Value Creation in E-Business, *Strategic Management Journal,* 22 ,493-520.

Zott, C. and Amit, R. (2007), "Business model design and the performance of entrepreneurial firms", Organization Science, Vol. 18 No. 2, pp. 181-199.

Zott, C. and Amit, R. (2008), "The fit between product market strategy and business model: implications for firm performance", *Strategic Management Journal*, Vol. 29, pp. 1-26.

Zott, C. and Amit, R. (2010), "Business model design: an activity system perspective", Long Range Planning, Vol. 43 No. 2, pp. 216-226

Zott, C., Amit, R. and Massa, L. (2011), the business model: *Recent developments and future research. Journal of Management Vol*. 37, pp 1019–1042.

Zott, C., Amit, R. & Massa, L. (2011). The business model: recent developments and future research. J. Manag., 37 (2011), pp. 1019-1042, 10.1177/0149206311406265

APPENDICES

APPENDIX I: Letter of introduction

Dear respondent,

I'm Eric Ratemo, a Master's student enrolled at Kisii University, School of Business and Economics. I'm currently pursuing an MBA with a specialization in Entrepreneurship. As part of my academic journey, I am conducting a research project focused on examining the impact of entrepreneurial design on the financial performance of star-rated hotels located in Kisumu city, Kenya.

Given that I am also employed in the hotel industry, I kindly request your participation in this study by providing your valuable responses to the questions presented below. Please rest assured that all the information you provide will be kept strictly confidential and will be used solely for academic purposes. I kindly ask that you refrain from disclosing your name or the name of your hotel. Your participation in responding to the questions in sections 1, 2, and 3 of the questionnaire is highly appreciated.

Yours sincerely,

Eric Ratemo

APPENDIX II: Questionnaire

Kindly complete each of the questions as specified in the questionnaire. Avoid including your name or any identifying information. The details you provide will remain confidential. Please use a checkmark (√) or complete the designated spaces as required.

SECTION A: General Background information

1. Indicate your gender. Male   (   )   Female (   )

2. Age

(20-25   (   ),   26-30   (   ),   31-35   (   ), 36-40   (   ) Above 41 (   ).

3. Length of working experience,

 Less than 1 year (   )   1-5 years (   ),   6-10 years (   ) 11-15 years (   ) 16-20 years (   ) above 21 years (   )

4. Indicate your highest academic qualification.

(a) Degree holder   (   )   Diploma holder   (   ) Certificate   level

Section B: Novelty Design

he purpose of these statements is to gather your opinions about how distinctive the hotel's goods or services are in terms of meeting customer needs and the nature of those needs. Please express your degree of agreement with the provided statements by rating your

responses on a scale from 1 to 5, as follows: Strongly Disagree (1=SD), Disagree (2=D), Neutral (3=N), Agree (4=A), Strongly Agree (5=SA).

Novelty Design Statements	1 SD	2 D	3 N	4 A	5 S A
The Hotel has put up Innovative products					
The hotel is Customer centred in its operations					
The hotel products are Unique from others					
Only a few hotels offer solutions similar to ours					
The hotel is recognized as pioneers					
The hotel offers solutions that shape needs or behaviours of customers					

Section C: Efficiency Design

These statements are designed to collect your opinions regarding the advantages customers can gain from the time, effort, and financial savings resulting from the hotel's implementation of Efficiency Design. Please indicate your level of agreement with the

following statements by using a rating scale ranging from 1 to 5, as follows: Strongly

Disagree (1=SD), Disagree (2=D), Neutral (3=N), Agree (4=A), Strongly Agree (5=SA).

Efficiency Design Statements	1 SD	2 D	3 N	4 A	5 SA
The Hotel has Minimized transaction cost & time since introduction of efficiency design					
The Hotel has Reduced uncertainty in services to it customers					
The hotel has Simplified transaction for it customers					
The hotel's internet service offers customers more efficient access to our products compared to traditional channels					
The hotel's partners play a substantial role in saving customers time and effort through our offerings.					

Section D: Lock-in Design

88

These statements aim to gather your opinions regarding the different types of costs customers would incur if they were to switch from the hotel's offerings to those of a competitor, resulting from the hotel's implementation of Lock-In Design. Please express your level of agreement with the following statements by using a rating scale ranging from 1 to 5, as follows: Strongly Disagree (1=SD), Disagree (2=D), Neutral (3=N), Agree (4=A).**Strongly Agree-5=SA**)

Lock-in Statements	1 SD	2 D	3 N	4 A	5 SA
Customers may not be entirely content with our offering, but they remain with us because of the expenses associated with switching.					
The hotel offers personalized solutions to its customers.					
The hotel places importance on retaining even less profitable customers for as long as possible.					
Using loyalty programs along with additional initiatives, the hotel rewards frequent guests.					

Regular customers are rewarded by the hotel through loyalty programs and other means.					

Section E: Complementarities Design

These statements are designed to gather your opinions on the extent to which the hotel and its business partners meet customer needs. Please indicate your level of agreement with the following statements by using a rating scale ranging from 1 to 5, as follows: Strongly Disagree (1=SD), Disagree (2=D), Neutral (3=N), Agree (4=A), Strongly Agree (5=SA).

Complementarities Statement	1 S D	2 D	3 N	4 A	5 SA
The hotel's offering is one of the most extensive in the field.					
The hotel has been consistently expanding the range of customer requirements it can meet.					
The hotel's partners greatly impact the breadth of our offerings.					

Guests at the hotel select our offering because of the appeal of the supplementary products available.					
Hotel customers endeavor to utilize our solutions together to leverage the benefits of synergy.					

Section F: Performance of star rated hotels

These statements are intended to gather your opinions about the performance of the star-rated hotel where you are employed. Please express your level of agreement with the following statements by using a rating scale that ranges from 1 to 5, with the options being Strongly Disagree (1=SD), Disagree (2=D), Neutral (3=N), Agree (4=A), and Strongly Agree (5=SA).

Complementarities Statement	1 SD	2 D	3 N	4 A	5 SA
Over the past five years, the average occupied room rate has increased significantly.					
The revenue over the past five years has increased dramatically.					

91

It has always been handled by the hotel. Expense per occupied room was high.					
Over a five-year period, the net profit profit margin has been rather satisfactory.					
Over the past five years, the hotel had been able to gradually increase its workforce.					

Thank You!

APPENDIX III: Hotel Classification Criteria

Classification	Criteria
One Star Hotel	- Both delivery and hotel guests must have separate, independent access. - The hotel's layout and design must abide with the applicable building codes as well as other laws. It should have a modest aesthetic and style, be structurally solid, and blend in well with the surrounding natural, community, and cultural context. - There should be at least of ten (10) guestrooms available at the hotel. - Passageways should be easily navigable and well-illuminated. Staircases should have side railings and a gentle slope, and they should be well-maintained and protected from rain. - The hotel should have an appropriately designed area for receiving guests. - Important details for guests should be easily available, such as information about tour operators, emergency and fire safety protocols, literature about services, internal phone

	book, charges, menus, and a notification regarding the accommodation's lien policy. At least one more globally recognised language, along with English, French, and Kiswahili, should be offered with all other material. • Operating hours should be twenty-four hours (24/7). • A functional paging system should be in place. • Parking should be provided, with at least one parking space for every five rooms. • Foreign currency exchange facilities must be offered. • There should be a sufficient number of bellboys available around the clock, 24 hours a day. • Front office personnel should be proficient in communication in English, French, and Kiswahili. • Services should be accessible, including telephone and postal services, at a minimum
Two Star Hotel	• The hotel must have distinct and independent entrances for guests and deliveries. • The design of the hotel should adhere to the Building Code as well as pertinent building standards, with an emphasis on

	structural integrity, modest aesthetics, and harmony with the physical, natural, social, including cultural surroundings.
	• The hotel should offer a minimum of ten (10) rentable accommodation units.
	• Adequate lighting and easy passage should be ensured, with staircases featuring side railings and gentle slopes. Regular maintenance and protection from rain are essential.
	• There should be a designated and well-designed area for welcoming guests.
	• Important guest information should be available. This includes information on tourist attractions, emergency and fire escape protocols, company literature, an internal phone directory, tariffs, menus, including hotel lien policies. The following languages should be offered: English, French, Kiswahili, with at least one additional language that is widely spoken around the world.
	• Operating hours should extend to twenty-four hours (24/7).
	• A straightforward and operational paging system should be in place.

	• There should be enough parking to accommodate at least one place for each five rooms. • Services for exchanging money should be provided.. • There should be an adequate number of bellboys accessible around the clock, 24 hours a day. • Front office staff should be proficient in communicating in English, French, and Kiswahili. • Services should be accessible, including telephone and postal services, at a minimum.
Three Star Hotel	• The building must feature distinct entrances for goods and services. • Public rooms should have a collective space of no less than 1 square meter per guest bed. • There should be a spacious, well-furnished, soundproof, and well-maintained reception area of at least 75 square meters. • The hotel should have a restaurant with a seating capacity of a minimum of 40% of the bed capacity.

	• The hotel rooms must be at least 15 square meters in size. • At least half (50%) of the rooms should include balconies.
Four Star Hotel	• The building should be semi-detached from other structures, with separate entrances for goods and individuals. • Public rooms should collectively have no less than 1.5 square meters per guest bed. • The hotel should feature at least one spacious room of at least 75 square meters and a minimum of two smaller rooms. All reception areas should be carpeted, well-lit, and properly maintained. • There should be a minimum of two restaurants, in addition to a coffee shop, with a combined seating capacity of at least 80% of the bed capacity. • Hotel rooms must have a minimum size of 20 square meters. • At least 70% of the rooms should include balconies.

Five Star Hotel	• The entire building should be entirely isolated from neighboring structures, with distinct entrances for goods and services.
	• Public rooms should collectively provide no less than 2 square meters per guest bedroom.
	• The hotel should include at least one spacious room, covering an area of not less than 75 square meters, and a minimum of two smaller rooms. All reception areas should be carpeted, well-illuminated, and impeccably maintained, equipped with high-quality audio-visual and internet facilities.
	• A minimum of two eateries should be present, each with a substantial à la carte menu and a variety of cuisines and services.
	• Hotel rooms must have a minimum size of 25 square meters.
	• All rooms should come with balconies.

Source: East African Community schedule 4 (a), 2009

APPENDIX V: List of Sampled Hotels in Kisumu City

ESTABLISHMENT
Acacia Premier Hotel
Kisumu Hotel
Sovereign Hotel
Imperial Hotel
The Vic Hotel
Jambo Impala Eco-lodge
Kiboko Bay Resort
St. Johns Manor
Le Savanna Country Lodges
Sunset Hotel
Dew church Drive Hotel

Appendix Nacosti permit

This is to Certify that Mr.. Ratemo Eric Mosoti of Kisii University, has been licensed to conduct research in Kisumu on the topic: EFFECT OF APPLYING ENTREPRENEURIAL DESIGNS ON PERFORMANCE OF STAR RATED HOTELS IN A COMPETITIVE MARKET IN KISUMU CITY, KENYA for the period ending : 07/March/2023.

License No: NACOSTI/P/22/16149

Ref No: 446044

Date of Issue: 07/March/2022

RESEARCH LICENSE

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

446044

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013

The Grant of Research Licenses is Guided by the Science, Technology and Innovation (Research Licensing) Regulations, 2014

CONDITIONS

1. The License is valid for the proposed research, location and specified period
2. The License any rights thereunder are non-transferable
3. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research
4. Excavation, filming and collection of specimens are subject to further necessary clearence from relevant Government Agencies
5. The License does not give authority to tranfer research materials
6. NACOSTI may monitor and evaluate the licensed research project
7. The Licensee shall submit one hard copy and upload a soft copy of their final report (thesis) within one year of completion of the research
8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice

APPENDIX IV: Map of Kisumu

**Kisumu Municipality
(Main Areas and Sublocations)**

Legend
Main Areas & Sub locations
- Kolwa East
- Central Kolwa
- South West Kisumu
- North Kisumu
- Central Kisumu
- East Kisumu
- Kajulu West
- Township
- Kajulu East
- West Kolwa

(c) Moumié Maoulidi (MCI)

Appendix v : Plagiarism report

EFFECT OF ENTREPRENEURIAL DESIGN ON PERFORMANCE OF
STAR RATED HOTELS IN KISUMU CITY, KENYA

103