STRATEGIC ORIENTATION, BUSINESS ENVIRONMENT DYNAMICS AND ORGANIZATIONAL PERFORMANCE OF STAR RATED HOTELS IN KENYA

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ABSTRACT

This study explored the impact of strategic orientation and business environment dynamics on the organizational performance of star-rated hotels in Kenya. The Kenyan hospitality sector was a key driver of economic growth, and understanding the factors influencing the performance of these hotels was essential for maintaining competitiveness. While strategic orientation and business environment dynamics were known to affect organizational success, their specific role in the hotel industry in Kenya had not been fully explored. Primary data were collected from hotel managers, focusing on strategic orientation variables, including entrepreneurial orientation, market orientation, customer orientation, and technological orientation. Business environment dynamics were measured through market dynamics, economic dynamics, and regulatory dynamics. The study examined how these strategic orientation and business environment variables influenced hotel performance. The findings revealed that both strategic orientation and business environment dynamics significantly impacted organizational performance, with entrepreneurial orientation and market dynamics showing the strongest effects. Hotels that strategically aligned with market and customer needs while adapting to regulatory changes were better positioned to enhance their performance. Based on these results, the study recommended that hotel managers emphasized flexible, proactive strategic orientations and stayed attuned to shifts in market and regulatory dynamics. Additionally, policymakers were advised to focus on creating a conducive business environment to support the sector's growth. This research offered valuable insights into how strategic and environmental factors contributed to the performance of star-rated hotels in Kenya, aiding both hotel managers and policymakers in fostering a competitive and sustainable hospitality industry.

Keywords: *Strategic orientation; Entrepreneurial orientation; Market orientation; Customer orientation; Technological orientation; Business environment dynamics; Market dynamics; Economic dynamics; Regulatory dynamics; Organizational performance; Star-rated hotels; Kenya*

1.0 INTRODUCTION

1.1 Introduction and Background

The hospitality industry in Kenya was a vital component of the national economy, significantly contributing to tourism, employment, and national revenue (Nyambura et al., 2021). Star-rated hotels, recognized for their high standards of service, faced increasing competition in an ever-evolving environment. As they strove to improve guest experiences while maintaining operational efficiency, understanding how strategic orientation and business environment dynamics impacted organizational performance became essential for maintaining a competitive advantage.

Strategic orientation referred to how organizations aligned their strategies with the external market environment to achieve business objectives. It was identified as a critical factor influencing organizational performance (Hitt et al., 2011). For instance, a recent study by Mutiso and Mwangi (2023) on Kenyan star-rated hotels highlighted that customer-focused and technologically advanced strategies contributed significantly to increased market share and revenue. Similarly, research by Onyango et al. (2022) underscored the role of sustainability practices in driving customer loyalty and operational efficiency in Nairobi's 4-star and 5-star hotels. In the context of Kenyan star-rated hotels, strategic orientation involved several dimensions, including customer focus, market positioning, technological innovation, and responsiveness to competitive pressures. These strategic decisions enabled hotels to navigate a highly competitive market while delivering superior service to their customers.

The business environment in which these hotels operated was dynamic, shaped by factors such as market fluctuations, economic conditions, and regulatory changes, which collectively influenced the performance of organizations in the hospitality industry (Porter, 1980). For example, the 2020 implementation of new tourism policies in Kenya prompted several hotels to revise their market strategies, as detailed in a case study by Kamau and Wanjiru (2021). For star-rated hotels in Kenya, business environment dynamics—encompassing market dynamics, economic dynamics, and regulatory dynamics—moderated the relationship between strategic orientation and organizational performance. Understanding how these factors interacted with strategic decisions was key to ensuring sustainable success in the hospitality sector.

This study aimed to examine the impact of strategic orientation and business environment dynamics on the organizational performance of star-rated hotels in Kenya. Specifically, the research explored how customer focus, market positioning, technological innovation, and responsiveness to market pressures influenced performance. Additionally, it investigated how market, economic, and regulatory dynamics moderated these relationships. By exploring these variables, the study provided valuable insights for hotel managers, policymakers, and industry stakeholders seeking to enhance the competitiveness and sustainability of the Kenyan hospitality sector.

1.1.1 Strategic Orientation in the Kenyan Hospitality Sector

Strategic orientation referred to how hotels formulated and implemented strategies to gain a competitive edge in the market. In Kenya, star-rated hotels increasingly embraced market-oriented and customer-focused strategies to respond to the evolving needs of both local and international guests. These strategies often emphasized improving service quality, optimizing operational efficiencies, and differentiating the hotel in a competitive market (Buhalis & Law, 2008). In recent years, many star-rated hotels in Kenya also integrated technological innovation as a core component of their strategic orientation. For example, hotels like Sarova Stanley and Fairmont Norfolk adopted advanced property management systems and online booking platforms to enhance guest experiences (Wachira et al., 2022). Moreover, sustainability practices—such as implementing eco-friendly initiatives and promoting responsible tourism—became part of the strategic focus for many hotels, aiming to attract environmentally conscious customers (Kihara et al., 2020). However, the implementation of these strategies was shaped by the external business environment, which included several dynamics that affected the hospitality sector's performance.

The market dynamics—such as shifting consumer preferences, emerging trends, and competitive pressures—played a significant role in determining the success of strategic decisions. Economic dynamics, such as fluctuations in income, inflation rates, and currency exchange rates, influenced both consumer spending and operational costs. Lastly, regulatory dynamics, including government policies on taxation, tourism regulations, and hotel operations, impacted the effectiveness of strategic initiatives in the hospitality sector (Kihara et al., 2020). For instance, regulatory changes introduced in 2021, such as increased levies on foreign guests, posed challenges to revenue growth, prompting hotels to adopt localized marketing strategies (Mutiso & Mwangi, 2023). By aligning strategic orientation with these business environment dynamics, star-rated hotels enhanced their adaptability and competitive edge in Kenya's rapidly changing market. This research investigated these relationships, offering practical recommendations for achieving sustainable performance improvements in the sector.

1.2 Research Problem

Although strategic orientation and business environment dynamics were recognized as important factors influencing organizational performance, there was a lack of comprehensive research linking these elements in the context of star-rated hotels in Kenya. While some studies suggested that a strong strategic orientation could improve performance (Kumar et al., 2020; Mutiso & Mwangi, 2021), the role of business environment dynamics in moderating this relationship had not been fully explored. Kenya's hospitality industry faced unique challenges, including intense competition, fluctuating customer demands, volatile economic conditions, and regulatory constraints (Koech et al., 2019). These external factors significantly influenced the effectiveness of strategic decisions, making it crucial to examine how market dynamics, economic dynamics, and regulatory dynamics interacted with strategic orientation to influence organizational performance (Mugambi & Kinyua, 2022).

Additionally, the literature on strategic orientation in Kenya's hospitality sector remained limited, particularly regarding how these external environmental factors affected hotel performance (Mwangi et al., 2021). This study aimed to fill this gap by investigating the relationship between strategic orientation and organizational performance in Kenyan star-rated hotels, focusing on how business environment dynamics—market, economic, and regulatory—moderated this relationship. By understanding these dynamics, hotel managers and industry stakeholders could make more informed decisions that aligned their strategies with market realities and improved performance outcomes.

1.3 Objectives of the Study

The primary objective of this study was to examine the impact of strategic orientation and business environment dynamics on the organizational performance of star-rated hotels in Kenya. Specifically, the study aimed to:

1. Investigate how different aspects of strategic orientation (market orientation, customer orientation, and technological orientation) influence the organizational performance of star-rated hotels in Kenya.
2. Explore how business environment dynamics—market dynamics, economic dynamics, and regulatory dynamics—moderate the relationship between strategic orientation and organizational performance.

1.4 Study Hypotheses

Based on the study's objectives, the following hypotheses were tested:

H_{01}: Strategic orientation does not have a significant effect on the organizational performance of star-rated hotels in Kenya.

H_{02}: Business environment dynamics (market dynamics, economic dynamics, and regulatory dynamics) do not moderate the relationship between strategic orientation and organizational performance of star-rated hotels in Kenya.

1.5 Scope of Study

This study focused on star-rated hotels in Kenya, particularly those with 4-star and 5-star ratings, located in major urban centers such as Nairobi, Mombasa, and Kisumu. The research examined the impact of strategic orientation on organizational performance and how business environment dynamics (market, economic, and regulatory) influenced this relationship. A sample of 51 star-rated hotels was surveyed using both quantitative and qualitative research methods. Data were collected through surveys and interviews with hotel managers, staff, and industry experts. The study spanned from 2021 to 2023, capturing the post-pandemic recovery phase of the Kenyan hospitality sector and evaluating the effects of the dynamic business environment on hotel performance.

1.6 Significance of the Study

The findings of this study are likely to offer valuable insights into how strategic orientation can enhance the performance of star-rated hotels in Kenya. By examining the probable moderating effect of business environment dynamics—specifically market, economic, and regulatory factors—this research could provide practical recommendations for hotel managers, potentially helping them align their strategies with the external market environment to improve competitiveness and operational efficiency. Additionally, policymakers may benefit from the study by understanding the external factors that are likely to support the growth and sustainability of the hospitality sector in Kenya. This research is expected to contribute to the academic literature on strategic orientation, business environment dynamics, and organizational performance, particularly in the context of developing economies (Hitt et al., 2011; Porter, 1980). Through this comprehensive analysis, the study aims to enhance the competitiveness and sustainability of star-rated hotels in Kenya.

2.0 LITERATURE REVIEW

This literature review explored the relationship between strategic orientation, business environment dynamics, and organizational performance in the context of star-rated hotels in Kenya. The review was organized into two main sections: the theoretical review, which presented key theories related to strategic orientation and organizational performance, and the empirical review, which discussed previous research findings that examined these relationships in the hospitality industry.

2.1 Theoretical Review

The theoretical review presented several frameworks and theories that can help understand the influence of strategic orientation and business environment dynamics on the organizational performance of star-rated hotels in Kenya. These include the Resource-Based View (RBV), Dynamic Capabilities Theory, and Environmental Determinism.

2.1.1 Resource-Based View (RBV)

The Resource-Based View (RBV), proposed by Barney (1991), emphasizes that an organization's internal resources and capabilities are critical drivers of its competitive advantage and organizational performance. According to this theory, resources that are valuable, rare, inimitable, and non-substitutable (VRIN) can enable firms to achieve superior performance (Barney, 1991; Wernerfelt, 1984). In the context of star-rated hotels in Kenya, strategic orientation can be viewed as a resource that helps hotels leverage their internal capabilities to better respond to market challenges (Kihara et al., 2020). Hotels that adopt customer-focused strategies, technological innovations, and sustainable practices can enhance their competitive positioning and performance (Buhalis & Law, 2008).

For instance, the ability to implement strategies such as personalized guest services or eco-friendly tourism practices can help hotels differentiate themselves in a competitive market, ultimately boosting organizational performance (Mwangi et al., 2021). RBV suggests that hotels need to align their strategic decisions with their internal resources, including human capital, technological tools, and financial capabilities (Mutiso & Mwangi, 2021). When star-rated hotels in Kenya focus on building and leveraging these resources effectively, they can navigate the dynamic business environment and achieve superior organizational performance (Mugambi & Kinyua, 2022).

2.1.2 Dynamic Capabilities Theory

Dynamic Capabilities Theory (Teece et al., 1997) extends the Resource-Based View (RBV) by emphasizing that organizations need to develop dynamic capabilities—such as the ability to sense opportunities, seize them, and transform their operations to align with changing market conditions. In the case of star-rated hotels in Kenya, business environment dynamics (e.g., changes in customer preferences, economic fluctuations, or regulatory shifts) require hotels to constantly innovate and adapt (Teece, 2018; Mugambi & Kinyua, 2022). This theory suggests that strategic orientation, particularly in relation to technological and market responsiveness, is critical in enabling hotels to adjust and thrive amid uncertainty (Kihara et al., 2020). Star-rated hotels with strong dynamic capabilities can continuously adapt their strategies to meet new challenges, thus enhancing organizational performance (Mutiso & Mwangi, 2021). For example, hotels that quickly adopt new technologies or adjust their marketing strategies based on changing guest preferences may perform better than those that fail to adapt (Buhalis & Law, 2008; Mwangi et al., 2021).

2.1.3 Environmental Determinism

Environmental Determinism posits that the external environment significantly influences organizational behavior and performance (Hannan & Freeman, 1977). In the context of Kenyan star-rated hotels, this theory emphasizes the impact of business environment dynamics on hotel operations. Factors such as market trends, economic conditions, political stability, and government regulations all play a crucial role in shaping the strategic decisions made by hotel management. For example, hotels operating in a volatile political environment or facing economic downturns may find it more difficult to maintain high service standards or attract customers. Environmental Determinism suggests that hotels must align their strategic orientation with the external environment to ensure continued performance success. Therefore, understanding how to manage external factors, such as government regulations on tourism or economic fluctuations, is essential for star-rated hotels aiming to enhance their performance.

2.2 Empirical Review

The empirical review examines studies that have explored the relationship between strategic orientation, business environment dynamics, and organizational performance in various sectors, including the hospitality industry. This section highlights the key findings from these studies, focusing on how these factors affect the performance of hotels in competitive markets.

2.2.1 Strategic Orientation and Organizational Performance

Strategic orientation refers to the way a hotel formulates and executes strategies to align with market demands and achieve a competitive advantage. Research has shown that strategic orientation—whether market orientation, customer orientation, or technological orientation—has a significant impact on organizational performance in the hospitality industry. In a study by

Narver and Slater (1990), it was found that hotels with a strong market orientation, focusing on customer needs and market trends, outperformed those with less emphasis on customer satisfaction. Similarly, Kihara et al. (2020) found that star-rated hotels in Kenya that focused on customer-centric strategies, such as offering personalized services and using technology to enhance guest experiences, were able to improve their performance in terms of guest satisfaction, loyalty, and profitability. Furthermore, technological orientation has also been linked to better performance outcomes. According to Buhalis and Law (2008), hotels that integrate advanced technologies, such as online booking systems, customer relationship management (CRM) software, and automated guest services, experience improved operational efficiency and higher customer satisfaction, leading to better overall performance.

2.2.2 Business Environment Dynamics and Organizational Performance

The business environment in which hotels operate is dynamic and subject to rapid changes. Research has highlighted the role of business environment dynamics—such as economic, regulatory, and market forces—in shaping the performance of star-rated hotels. A study by Porter (1980) on competitive forces identified how market dynamics, including the level of competition and industry trends, influence the strategic decisions of firms. In Kenya, for example, star-rated hotels face competition from both local and international brands, requiring them to continuously innovate to maintain their market position. Economic dynamics also play a crucial role. A study by Nyambura et al. (2021) found that fluctuations in exchange rates, inflation, and economic downturns in Kenya affected hotel performance. Hotels that were able to adjust their pricing strategies and manage operational costs during challenging economic conditions performed better than those that did not. Regulatory dynamics, such as government policies on taxation, health and safety standards, and tourism promotion, also influence the performance of hotels. For instance, Kihara et al. (2020) found that changes in Kenya’s tourism policies had a direct impact on the pricing strategies and operational models of star-rated hotels, affecting their revenue and profitability.

2.2.3 Interaction between Strategic Orientation and Business Environment Dynamics

Several studies have examined how the interaction between strategic orientation and business environment dynamics influences organizational performance. A study by Hitt et al. (2011) found that strategic orientation works in conjunction with external factors to determine organizational performance. In a dynamic business environment, hotels that are able to adapt their strategic orientation in response to external factors—such as economic crises, political instability, or technological advances—are more likely to achieve sustainable performance. In Kenya, the ability of star-rated hotels to navigate business environment dynamics while maintaining a focus on customer satisfaction and innovation has been shown to improve their competitive positioning. According to Kihara et al. (2020), hotels that strategically respond to regulatory changes, such as new tourism regulations or sustainability requirements, can use these shifts to their advantage, leading to enhanced organizational performance.

2.3 Conceptual Framework

A conceptual framework illustrates the relationships between the key variables in this study. The independent variable is strategic orientation, which refers to how star-rated hotels align their strategies with market demands, customer needs, and technological advancements. The moderating variable is business environment dynamics, including market, economic, and regulatory factors that influence how strategic orientation is implemented and its impact on performance. The dependent variable is organizational performance, measured by factors such as customer satisfaction, profitability, and operational efficiency.

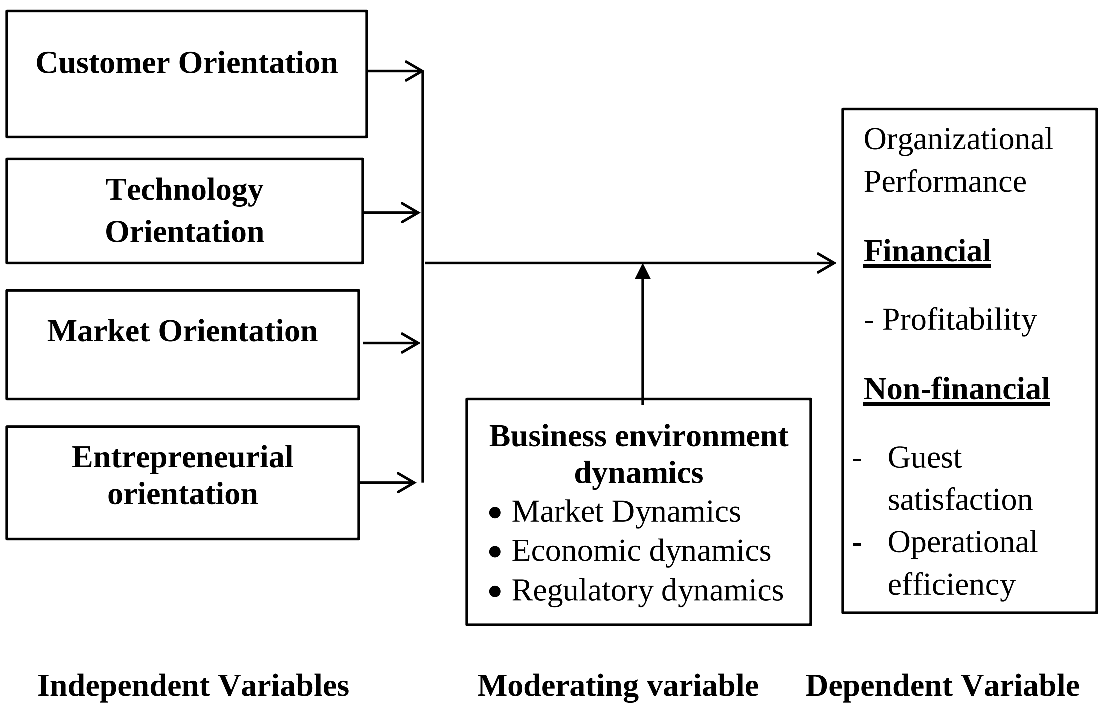

Figure 1: Conceptual Framework

3.0 METHODOLOGY

The research employed a positivist philosophy, which asserts that scientific knowledge is valid only when it is supported by observable and empirical evidence (Crossan, 2003). A quantitative research approach was adopted for this study to test hypotheses and examine the relationships between strategic orientations and organizational performance in the context of star-rated hotels in Kenya. According to Creswell (2008), quantitative research is ideal for studies that involve the collection and analysis of numerical data to describe, explain, and predict phenomena. The study focused on a population of 51 star-rated hotels in Kenya, comprising 4-star and 5-star establishments, with a sample size of 171 managers drawn from various departments across the hotels. A cross-sectional survey design was employed, collecting data at a single point in time to allow for the analysis of the relationship between strategic orientation and hotel performance.

The study applied a descriptive research design to quantify the influence of entrepreneurial orientation, market orientation, customer orientation, and technology orientation on organizational performance. The data was collected through structured questionnaires, which were administered to managers using a 5-point Likert scale to ensure consistency in responses. Data collected through the surveys was processed and analyzed using the Statistical Package for Social Sciences (SPSS) version 20.0. Descriptive statistics, including means, standard deviations, and frequencies, were used to summarize the data. Linear regression analysis was utilized to determine the impact of Technological orientation on organizational performance.

The multiple regression model used in this study was specified as follows:

$Y = ß_0 + ß_1X_1 + \varepsilon$……………………………..model 1

$Y = ß_0 + ß_1X_1 + ß_2Z + ß_3X.Z\ \varepsilon$……………….model 2

Where:

Y = Organizational performance; ß0 = The intercept; ß1 = The coefficients for strategic orientation; X1 = Values of the independent variable (strategic orientation), Z = moderating variable (Business environment dynamics), X.Z = interaction term and ε = The error term.

4.0 FINDINGS

4.1 Multiple Linear Regression Model - Moderation Analysis

The study objective aimed to explore the moderating effect of business environment dynamics on the relationship between strategic orientation and the performance of star-rated hotels in Kenya. Following the approach outlined by Baron and Kenny (1986), the study employed hierarchical regression analysis to assess the moderating effect. Baron and Kenny (1986) defined a moderator as a variable that influences the direction and/or strength of the relationship between a predictor and a criterion variable. According to their framework, moderation is established when the interaction term (path C) between the predictor (path A) and the moderator (path B) is significant. The hypothesis is stated as follows:

H_1: Business environment dynamics has no significant moderating effect on the relationship between strategic orientation and performance of star rated hotels in Kenya.

To assess the moderation effect, a hierarchical regression analysis was conducted in three steps. In the first step, the influence of strategic orientation on performance was examined. Subsequently, in the second step, the combined effect of strategic orientation and business environment dynamics on performance was investigated. Finally, in the third step, the interaction term between strategic orientation and business environment dynamics was introduced into the model, and its significance was evaluated while controlling for both strategic orientation and business environment dynamics.

The interaction term was computed as the product of the standardized scores of strategic orientation and business environment dynamics. According to Adji and Fernandes (2017), to confirm moderation, the influence of the interaction term should be significant, regardless of the significance of the predictor variable and the moderator variable.

4.1.1 Regression Results of the Moderation effect

In the first step (Model 1), regression analysis was employed to investigate the impact of strategic orientation (including entrepreneurial, market, customer, and technological orientations) on the performance of star-rated hotels. This step focused on assessing the extent to which strategic orientation contributes to performance. In the second step (Model 2), regression analysis was conducted to explore the influence of both strategic orientation (entrepreneurial, market, customer, and technological orientations) and business environment dynamics on the performance of star-rated hotels in Kenya. This step aimed to understand how strategic orientation and environmental factors collectively affect performance. In the third step (Model 3), regression analysis was utilized to examine the effect of promotion strategies (entrepreneurial, market, customer, and technological orientations), business environment dynamics, and their interaction terms on the performance of star-rated hotels in Kenya. This step sought to investigate the combined impact of promotion strategies, environmental factors, and their interactions on performance.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.767[a]	.589	.581	6.74710
2	.755[b]	.570	.554	6.25363
3	.772[c]	.596	.591	6.32708

From the results in Table 1 (Model 1), the coefficient of determination (R-squared) for the association between strategic orientation (entrepreneurial orientation, market orientation, customer orientation, and technological orientation) and performance is .767, with an adjusted R-squared of 0.589. This indicates that strategic orientation accounts for 58.9% of the variation in performance, suggesting that the remaining 41.1% of the variation in performance can be attributed to other factors not included in the model.

In Table 1 (Model 2), the R-squared for the association between strategic orientation (entrepreneurial orientation, market orientation, customer orientation, and technological orientation), business environment dynamics, and performance is 0.570, with an adjusted R-squared of 0.554. This implies that strategic orientation and business environment dynamics together explain 55.4% of the variation in performance. However, 44.6% of the variation in performance remains explained by the variables not included in the model.

Lastly, in Table 1 (Model 3), the R-squared for the association between strategic orientation (entrepreneurial orientation, market orientation, customer orientation, and technological orientation), business environment dynamics, interaction terms, and performance is 0.596, with an adjusted R-squared of 0.591. This indicates that strategic orientation, business environment dynamics, and the interaction terms collectively explain 59.1% of the variation in performance.

However, 40.9% of the variation in performance remains explained by the variables not included in the model.

4.1.2 ANOVA for Moderation Effect

Analysis of variance (ANOVA) was used in this study to establish the significance of the regression model. The statistical significance was regarded as considerable if the p-value was less or equal to 0.05. Models 1, 2, and 3 had p values less than 0.05.

Table 2: ANOVA for Moderation Effect

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6179.343	4	1544.836	33.935	.000[b]
	Residual	6282.216	138	45.523		
	Total	**12461.559**	**142**			
2	Regression	7103.775	5	1420.755	36.329	.000[c]
	Residual	5357.784	137	39.108		
	Total	**12461.559**	**142**			
3	Regression	7137.307	9	793.034	19.810	.000[d]
	Residual	5324.252	133	40.032		
	Total	**12461.559**	**142**			

a. Predictors: (Constant), Entrepreneurial orientation , Market orientation , Customer orientation , Technological orientation
b. Predictors: (Constant), Entrepreneurial orientation , Market orientation , Customer orientation , Technological orientation , business environment dynamics
c. Predictors: (Constant), Entrepreneurial orientation , Market orientation , Customer orientation , Technological orientation , Entrepreneurial orientation , Market orientation , Customer orientation , Technological orientation , business environment dynamics
Entrepreneurial orientation * business environment dynamics, Market orientation * business environment dynamics, Customer orientation * business environment dynamics, Technological orientation * business environment dynamics

Source: Research data 2024

The F-Calculated values for the regression models indicate significant relationships between the predictor variables and the performance of star rated hotels in Kenya. In the first regression model, which includes only strategic orientation variables (entrepreneurial orientation, market orientation, customer orientation, and technological orientation), the F-Calculated (4, 138) value is 33.935, exceeding the critical F-value (3.96) at a 95% confidence level. This confirms the significance of the regression model, with a p-value of $0.000 < 0.05$. Similarly, in the second regression model, which adds business environment dynamics to the predictor variables, the F-

Calculated (5, 137) value is 36.329, again surpassing the critical F-value (3.96). This indicates that the expanded regression model is also significant, with a p-value of 0.000 < 0.05.

Finally, in the third regression model, which incorporates interaction terms in addition to strategic orientation and business environment dynamics, the F-Calculated (9, 133) value is 19.810, exceeding the critical F-value (3.96). This demonstrates the significance of the comprehensive regression model, with a p-value of 0.000 < 0.05.

Overall, these findings confirm the statistical significance of the regression models in predicting the performance of star rated hotels in Kenya, taking into account strategic orientation, business environment dynamics, and their interaction terms.

Table 3: Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	12.693	4.026		3.153	0.002
	Customer orientation	0.147	0.033	0.194	4.455	0
	Entrepreneurial orientation	0.39	0.092	0.359	4.237	0
	Market orientation	0.181	0.059	0.23	3.05	0.003
	Technological orientation	0.386	0.127	0.249	3.032	0.003
2	(Constant)	6.73	3.928		1.713	0.089
	Customer orientation	0.097	0.141	0.055	0.691	0.491
	Entrepreneurial orientation	0.277	0.088	0.256	3.14	0.002
	Market orientation	-0.095	0.121	-0.053	-0.786	0.433
	Technological orientation	0.275	0.12	0.178	2.29	0.024
	Business environment dynamics	0.364	0.075	0.372	4.862	0
3	(Constant)	21.436	3.849		5.569	0

Customer orientation	0.809	0.108	0.597	7.519	0
Entrepreneurial orientation	0.379	0.049	0.174	7.803	0
Market orientation	0.426	0.105	0.334	4.045	0
Technological orientation	0.064	0.019	0.08	3.315	0.001
Government policy	0.282	0.069	0.359	4.062	0
Business environment dynamics* Customer orientation	-0.051	0.021	-0.082	-2.426	0.017
Business environment dynamics* Entrepreneurial orientation	0.152	0.033	0.201	4.604	0
Business environment dynamics* Market orientation	0.557	0.093	0.524	5.998	0
Business environment dynamics* Technological orientation	-0.124	0.047	-0.072	-2.633	0.01

a. Dependent Variable: Performance
Source: Research data 2024

The findings presented in Table 3 underscore a noteworthy interaction between strategic orientations and business environment dynamics, indicative of a significant moderating effect of the business environment on the relationship between strategic orientation and the organizational performance of star-rated hotels in Kenya. This observation aligns seamlessly with the overarching themes observed in the studies discussed in chapter two, all of which delved into the intricate interplay between strategic orientations, environmental dynamics, and organizational performance within the hospitality sector.

For instance, Atsmon and Kat (2017) delved into the intricacies of strategic orientation within dynamic business environments, highlighting that strategic orientation assumes heightened significance for organizational performance in contexts characterized by environmental turbulence. This assertion finds resonance with the findings delineated in the current study, suggesting a parallel pattern of interaction between strategic orientation and environmental dynamics.

Similarly, the study by Chen and Tseng (2015) shed light on the nuanced relationship between strategic orientation and business environment dynamics, revealing that the impact of strategic orientation on hotel performance was contingent upon the level of environmental turbulence. Such findings mirror the observed moderation effect in the current study, emphasizing the pivotal role played by the business environment in shaping the efficacy of strategic orientation in driving organizational outcomes.

Furthermore, Aldehayyat and Tas (2019) provided empirical evidence showcasing how the influence of entrepreneurial orientation on hotel performance was subject to the prevailing level of environmental dynamism. This nuanced perspective resonates with the moderation effect elucidated in the current study, underscoring the importance of contextual factors in determining the efficacy of strategic orientation initiatives. Moreover, insights from Lee et al. (2018) underscored the criticality of aligning market-oriented strategies with evolving environmental demands to attain competitive advantage and sustainable performance. This perspective further bolsters the notion that business environment dynamics serve as a pivotal moderator in shaping the relationship between strategic orientation and organizational outcomes.

In essence, the findings in the current study not only corroborate but also extend the insights gleaned from the aforementioned studies, offering a nuanced understanding of how strategic orientation interacts with the business environment to influence organizational performance within the context of star-rated hotels in Kenya. These nuanced insights hold profound implications for hotel management, strategic decision-making, and the broader hospitality industry landscape.

Table 4 presents the results on the moderation test upon the regression of the independent variables on the dependent variable which is the performances of star rated hotels.

Table 4: Moderation Summary Results

Test Statistic Before Moderation		**Test Statistic after Moderation**	
Coefficient of determination R	.767[a]	Coefficient of determination R	.772[c]
Coefficient of determination R-squared	.589	Coefficient of determination R-squared	.596
Coefficient of determination Adjusted R Square	.581	Coefficient of determination Adjusted R Square	.591

5.0 CONCLUSIONS

This study concludes that strategic orientation and business environment dynamics play a critical role in influencing the organizational performance of star-rated hotels in Kenya. The findings highlight that hotels with a well-defined strategic orientation—whether focused on market responsiveness, customer-centric services, or technological adoption—demonstrate higher levels of operational efficiency, customer satisfaction, and financial performance. Hotels that align their strategies with the changing dynamics of the business environment, including regulatory, economic, and market trends, are more capable of adapting to challenges and seizing opportunities, which positively impacts their overall performance.

The relationship between strategic orientation, business environment dynamics, and organizational performance is strongly supported by the evidence from the study. Hotels that effectively respond to external factors such as economic shifts, competitive pressures, and regulatory changes tend to exhibit more resilience and better performance outcomes. Furthermore, the study underscores the importance of balancing internal strategic capabilities with an awareness of the external environment to enhance competitive advantage and sustainability.

6.0 RECOMMENDATIONS

Based on the findings of this study, the following recommendations are made to enhance the organizational performance of star-rated hotels in Kenya:

1. **Enhance Strategic Orientation**: Hotels should develop and implement clear and effective strategic orientations that align with market trends, customer needs, and technological advancements. This includes focusing on customer service excellence, innovation, and maintaining a competitive edge through continuous market analysis and adaptation to external pressures.
2. **Invest in Technological Innovations**: Hotels should invest in technology that supports operational efficiency and customer service improvements. Key technological tools such as automated check-ins, digital booking systems, customer relationship management (CRM) software, and AI-powered guest experience solutions can streamline operations and improve service delivery, leading to enhanced organizational performance.
3. **Strengthen Employee Training and Development**: For effective implementation of strategic initiatives, it is crucial that hotel staff undergo regular training and development. Providing employees with the skills to adapt to new technologies, customer service standards, and industry best practices will enable them to contribute meaningfully to the hotel's success, improving both operational efficiency and guest satisfaction.
4. **Adapt to Business Environment Dynamics**: Star-rated hotels should remain vigilant and responsive to external business environment factors, such as economic changes, government regulations, and competitive forces. Developing adaptive strategies that allow quick responses to such changes can improve resilience and long-term performance. Hotels should also leverage business intelligence tools to stay ahead of trends and market shifts.
5. **Foster a Culture of Innovation**: Hotel management should encourage a culture of innovation, where staff are empowered to propose and experiment with new ideas and technologies. A continuous improvement mindset can help hotels stay competitive by ensuring they are always evolving and adapting to meet customer expectations and industry advancements.
6. **Collaborate with External Stakeholders**: Hotels should actively collaborate with key external stakeholders, including technology providers, tourism boards, and regulatory bodies. These partnerships can help hotels gain access to the latest innovations, market insights, and regulatory updates, ensuring they remain competitive and compliant with industry standards.

By following these recommendations, star-rated hotels in Kenya can enhance their strategic orientation, effectively navigate business environment dynamics, and improve organizational performance. This approach will enable them to maintain competitiveness, increase customer satisfaction, and drive long-term profitability and sustainability in the rapidly evolving hospitality market.

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