

**SERVICE TIPPING AS A COMPETITIVE ADVANTAGE STRATEGY FOR
PERFORMANCE OF HOTELS IN KENYA: A BALANCED SCORE CARD
PERSPECTIVE.**

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**A Thesis Submitted to the Institute of Postgraduate Studies of Kabarak University
in Partial Fulfilment of the Requirements for the Award of Doctor of Philosophy in
Business Administration (Strategic Management).**

KABARAK UNIVERSITY

NOVEMBER, 2021

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RECOMMENDATION

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The research thesis entitled “**Service Tipping as a Competitive Advantage Strategy for Performance of Hotels in Kenya: A Balanced Score Card Perspective**” and written by **Nathan Mugambi Mwamba** is presented to the Institute of Postgraduate Studies of Kabarak University. We have reviewed the research thesis and recommend it be accepted in partial fulfilment of the requirements for award of Doctor of Philosophy in Business Administration (Strategic Management).

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DEDICATION

My son Samuel and my daughter Abby, work hard to be what you envision to be. My wife Esther, thank you for your prayers and moral support. To my supervisors and the fellowship of scholars whose advise was immense. To my staff who always encouraged me, to God be the glory.

ABSTRACT

Attainment of competitive advantage is an ultimate goal of any organization. Further, the hotel industry remains extremely competitive world over; not to mention its significance as a major foreign exchange earner in Kenya. In view of this, many hotels have adopted a variety of strategies to keep their customers happy which has been found to be contingent upon a happy workforce. Service tipping historically has taken many forms including voluntary tips by customers and systematic service charge or gratuity to appreciate hotel staff for their service. The question of whether to formalize this practice and develop formal system or best practices for it as a strategy in the hotel industry in Kenya has not received scholarly attention especially on its influence to hotel performance yet it is casually very rampant. This study therefore, aimed at determining the effect of Service Tipping as a competitive advantage strategy on performance of hotels in Kenya using the Balanced Score Card four main performance indicator perspectives namely financial, customer, internal business processes and learning and growth. The four perspectives formed specific evaluation criteria on indicators for performance to the model analysis against the independent variable of service tipping in different characteristics and moderated by the hotel rating. A part from empirical literature, the theories used in the study include Resource Dependency Policy, Reciprocity and Equity Theory, Tipping Motives Framework (TMF) and Balanced Scorecard Framework. The study adopted a mixed method including descriptive survey and predictive correlation research designs targeting 183 star rated hotels in Kenya. The study used a sampling formula by Yamane (1967) to arrive at a sample size of $n=126$ of the star rated hotels in Kenya obtained from the Ministry of Tourism and Wildlife classification. Data collection was mainly done through physical dropping of the questionnaires by research assistants to hotels around towns and by mail especially to those hotels that were inaccessible either in towns or away from towns. The study was conducted in a period of three months using structured questionnaires. The study used drop and pick procedure for data collection for the required data. Due to wide distribution of Tourism Circuits where hotels are located in Kenya, some of the questionnaires were mailed to the respondents. The study used descriptive statistics such as means, standard deviation and percentages and inferential statistics using Regression Analysis. The study established that service tipping affected financial, customers satisfaction, internal business process, and learning and growth performance of hotels in Kenya. The study established that when star rating was introduced as a moderating variable, the relationship between service tipping and hotels performance remained statistically significant, although the value of the regression coefficient reduced slightly ($r=1.089-1.088 = 0.001$). This slight change in the coefficient is the statistical proof that when star rating was introduced, it slightly reduced the regression coefficient although the relationship between service tipping and hotels performance remained statistically significant. The study recommends that Tourism Regulatory Authority which is the policy body of Hotels in Kenya should develop Service Tipping Policy to guide in service operations in the Star Rated Hotels in Kenya to further improve the Star Rated Hotels performance since the study established that service tipping positively affected Balanced Score Card performance indicators of the hotels.

Key Words: Service Tipping Strategy, Competitive Advantage Strategies, Hotels Performance, Customers Satisfaction Performance, Internal Business Process Performance, Learning and Growth Performance, Hotel Star Rating, Balanced Score Card.

TABLE OF CONTENTS

DECLARATION	ii
RECOMMENDATION	iii
COPYRIGHT	iv
ACKNOWLEDGEMENTS	v
DEDICATION	vi
ABSTRACT	vii
TABLE OF CONTENTS	viii
LIST OF TABLES	xiii
LIST OF FIGURES	xv
OPERATIONAL DEFINITION OF TERMS	xvii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Introduction	1
1.2 Background of the Study	1
1.1.1 Global Perspective on Tipping.....	3
1.1.2 Regional Perspective on Tipping	3
1.1.3 Local Perspectives on Tipping	4
1.1.4 The Balanced Score Card	5
1.1.5 Effect of Tipping on Performance.....	8
1.1.6 Hotel Industry in Kenya.....	10
1.3 Statement of the Problem.....	10
1.4 Purpose of the Study.....	11
1.5 Objectives of the Study.....	11
1.5.1 General Objectives of the Study	11
1.5.2 Specific Objectives of the Study	11
1.6 Hypotheses of the Study	12
1.7 Justification for the Study	12
1.8 Significance of the Study	13
1.9 Scope of the Study.....	13
1.10 Limitations and Delimitations of the Study	14
1.11 Assumptions of the Study	14
CHAPTER TWO	15
LITERATURE REVIEW	15

2.1 Introduction.....	15
2.2 The Major Concepts of the Study Variables.....	15
2.2.1 Service Tipping.....	15
2.2.2 Historical Development of Service Tipping.....	16
2.2.2 Concepts in Performance Measurement using Balanced Scorecard.....	21
2.2.3 Concepts in Balanced Scorecard.....	24
2.2.4 Concepts in Star Rating of Hotels.....	28
2.3 Theoretical Framework.....	30
2.3.1 Resource Based Theory.....	30
2.3.2 Reciprocity and Equity Theory.....	31
2.3.3 Tipping Motives Framework.....	32
2.3.5 Balanced Scorecard Framework.....	34
2.4 Empirical Review.....	37
2.4.1 Service Tipping and Financial Performance.....	37
2.4.2 Service Tipping and Customer Satisfaction.....	40
2.4.3 Service Tipping and Internal Process Performance.....	45
2.4.4 Service Tipping and Organization Learning Performance.....	55
2.4.5 Star Rating and Hotel Performance.....	58
2.5 Knowledge Gap.....	61
2.6 Critic of the Reviewed Literature.....	65
2.7 Conceptual Framework.....	67
CHAPTER THREE.....	69
RESEARCH METHODOLOGY.....	69
3.1 Introduction.....	69
3.2 Research Philosophy.....	69
3.3 Research Design.....	70
3.4 Location of the Study.....	70
3.5 Population of the Study.....	71
3.6 Sampling Procedure and Sample Size.....	72
3.6.1 Sampling Procedure.....	72
3.6.2 Sample Size.....	73
3.7 Data Collection Instruments.....	74
3.7.1 Pilot Study.....	74
3.7.2 Validity of the Instrument.....	75

3.7.3 Reliability of the Instrument	75
3.8 Data Collection Procedure	76
3.9 Data Analysis and Presentation.....	76
3.9.1 Normality Test	77
3.9.2 Model Specifications	78
3.10 Ethical Considerations	80
CHAPTER FOUR	81
DATA ANALYSIS, PRESENTATION AND DISCUSSIONS.....	81
4.1 Introduction.....	81
4.2 Results of Reliability Test of Research Instrument.....	82
4.3 General and Demographic Information	85
4.3.1 Demographics of Hotels Locations	86
4.3.2 Hotel Rating, Allowing Tips, Tips Naming, Sharing and Frequency	86
4.3.3 Period of Service Tipping Policy and % of Deductible Service Charge	89
4.3.4 Service Tipping Practice in the Hotels	90
4.3.5 Financial Performance	91
4.3.6 Customer Satisfaction Performance	93
4.3.7 Internal Business Process Performance	95
4.3.8 Organizational Learning and Growth Performance	98
4.3.9 Service Tipping Competitive Strategy	100
4.4 Test of OLS Assumptions.....	102
4.4.1 Shapiro-Wilk Normality Test.....	102
4.4.2 Multicollinearity Test	103
4.5 Inferential Statistical Results	104
4.5.1 Effect of Service Tipping On Financial Performance	104
4.5.3 Effect of Service Tipping on Internal Business Process Performance.....	114
4.5.4 Effect of Service Tipping on Organizational Learning and Growth Performance.....	119
4.5.5 Service Tipping and the Combined Balanced Score Card Performance.....	123
4.5.6 Moderating Effect of Star Rating on Service Tipping and Hotel Performance.....	127
4.5.7 Moderating Effect of Star Rating on the Relationship Between Service Tipping and Financial Performance	130

4.5.8 Moderating Effect of Star Rating to Customer Perspective Performance.....	132
4.5.9 Moderating Effect of Star Rating to Internal Business Performance.....	134
4.5.10 Moderating Effect of Star Rating to Learning and Growth Performance.....	136
CHAPTER FIVE	139
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	139
5.1 Introduction.....	139
5.2 Summary of the Major Findings	139
5.2.1 Service Tipping on Financial Performance of Star Rated Hotels	139
5.2.2 Service Tipping on Customers Satisfaction and Performance.....	140
5.2.3 Service Tipping on Internal Business Process and Performance Hotels	140
5.2.4 Service Tipping on OL Process and Performance of Star Rated Hotels	141
5.2.5 Service Tipping as a Competitive Strategy on the Combined Performance.....	141
5.2.6 Star Rating on the Relationship Between Service Tipping and Performance.....	141
5.3 Conclusions.....	142
5.4 Recommendations	143
5.4.1 Policy Recommendations	143
5.4.2 Recommendation for Practice.....	144
5.4.3 Recommendations for Further Research	144
REFERENCES	146
APPENDICES.....	174
Appendix I: Letter of Introduction for Data Collection.....	174
Appendix II: Questionnaire to Hotel Managers	175
Appendix III: Sample Register for Star Rated Establishment 2015-2018.....	183
Appendix IV: Board of Postgraduate Studies Authorization Letter.....	192
Appendix V : NACOSTI Research Authorization.....	192
Appendix VI: NACOSTI Research Permit	194
Appendix VII: NACOSTI Research License	195
Appendix VIII: Nairobi City County – Research Authorization	196
Appendix IX: Nairobi City County Attachment Fees Receipt.....	197

Appendix X: Kisumu County Ministry of Interior and Coordination of National Government.....	198
Appendix XI: Nakuru County Ministry of Education – Research Authorization	199
Appendix XII: Uasin Gishu Ministry of Education- Research Authorization.....	200
Appendix XIII: Kakamega County Ministry of Education: Research Authorization	201
Appendix XIV: Mombasa County Ministry of Education – Research Authorization	202
Appendix XV: Nakuru County Ministry of Education – Research Authorization	203
Appendix XVI: Publication International Journal of Humanities and Social Sciences	204
Appendix XVII: Editon Consortium Journal of Business and Management Studies (ECJBMS).....	205
Appendix XVIII: Certificate of Participation – Kabarak University Conference	206
Appendix XXIV: Provisional Transcript	207

LIST OF TABLES

Table 1 : An Acceptable Tip Percentage in Selected Countries	21
Table 2: Summary of Empirical Review Knowledge Gap	61
Table 3: Sampling Table Tourism Circuits	74
Table 4: Summary of Data Analysis Methods.....	79
Table 5: Item-to-total Correlations on Financial Performance.....	82
Table 6: Item-to-total Correlations on Customer Satisfaction Performance	83
Table 7: Item-to-total Correlations on Internal Business Process Performance.....	84
Table 8: Item-to-total Correlations on LO and Growth Performance.....	85
Table 9: Hotel Rating, Tips Naming, Sharing method and Frequency of sharing.....	87
Table 10: Period of Service Tips Policy and % of Deductable Service Charge	89
Table 11: Service Tipping Practice in the Hotels	90
Table 12: Financial Performance Descriptive Statistics.....	91
Table 13: Customer Satisfaction Descriptive Statistics	93
Table 14: Internal Business Process Descriptive Statistics	96
Table 15: Organizational Learning and Growth Descriptive Statistics.....	98
Table 16: Service Tipping Competitive Strategy.....	101
Table 17: Shapiro-Wilk Normality Test.....	102
Table 18: Multicollinearity Test	103
Table 19: Levene Data Normality Test	103
Table 20: Factor Analysis Results.....	105
Table 21: Rotated Component Matrix.....	106
Table 22: Tipping and Financial Performance Statistics.....	108
Table 23: Regression Coefficients of Service Tipping on Financial Performance.....	108
Table 24: Factor Analysis Results.....	109
Table 25: Rotated Component Matrix.....	110
Table 26: Tipping and Customer Satisfaction Performance Statistics	112
Table 27: Regression Coefficients of Service Tipping on customer Performance	112
Table 28: Factor Analysis Results.....	114
Table 29: Rotated Component Matrix.....	115
Table 30: Tipping and Internal Business Process Performance Statistics.....	116
Table 31: Regression Coefficients of Service Tipping on Internal Business	117
Table 32: Factor Analysis Results.....	120
Table 33: Rotated Component Matrix.....	120

Table 34: Tipping, Organizational Learning and Growth Performance	121
Table 35: Regression Coefficients of Service Tipping on LO and Growth	122
Table 36: Tipping and Combined Performance Statistics	124
Table 37: Regression Coefficients of Service Tipping on Hotels Performance	125
Table 38: R Square	127
Table 39: ANOVA of Star Rating, Service Tipping and Performance	128
Table 40: Star Rating, Service Tipping and Performance	128
Table 41: Tipping and Financial Performance	131
Table 42: Tipping and Customer Perspective Performance	133
Table 43: Tipping and Internal Business Processes Performance	135
Table 44: Tipping and Learning and Growth Performance	137

LIST OF FIGURES

Figure 1: Balanced Score Card Indicators.....	25
Figure 2: Tipping Motive Framework.....	33
Figure 3: Conceptual Framework	68
Figure 4: Distribution of Hotels by Tourist Circuit	86

BBREVIATIONS AND ACRONYMS

BSC	Balanced Score Card
BHEA	Bahamas Hotel Employers Association
BPR	Business Process Reengineering
BoFED	Bureau of Finance and Economic Development
CSF	Critical Success Factors
EFQM	European Foundation for Quality Management
E.O	Entrepreneurial Orientation
GST	Goods and Services Tax
IH&RA	International Hotel and Restaurant Association.
K.P.I	Key performance indicators
KUDHEIHA	Kenya Union of Domestic Hotels, Education Institutions, and Hospitals Allied workers.
LO	Learning Organization
MBNQA	Malcolm Baldrige National Quality Awards.
NACOSTI	National Commission of Science, Technology and Innovation
OLS	Ordinary Least Square
PM	Performance Management
PROPASH	Profit per Available Seat Hour
PROPASM	Profit per available square meter
RBT	Resource Based theory
RBV	Resource Based Value
RDT	Resource Dependency Theory
RDM	Results and Determinants Matrix
ROA	Return on Asset
REVPASH	Revenue per available seat hour
RevPAR,	Revenue per hotel room available
SP	Scanlon plan
SARFIT	Structural Adjustment to Gain Fit
TMF	Tipping Motive Framework
UNWTO	United Nations World Tourism Organization.
VRINS	Valuable Rare Inimitable and Non Substitutable.
WTO	World Tourism Organization.

OPERATIONAL DEFINITION OF TERMS

Balanced Scorecard: It refers to a tool of performance management that maps an organization's strategic objectives into performance metrics in four perspectives namely; financial, customers, internal processes, and learning and growth (Kaplan, 2010).

Competitive advantage: This refers to organisational achievements that make it beat rivals in the market (Gerry et al., 2005).

Competitive Strategy: This refers to the basis on which a business unit might achieve competitive advantage in its market (Gerry & Johnson, 2005).

Customers Satisfaction: This refers to the number of customers, or percentage of total customers, whose reported experience with a firm, its products or its services (ratings) exceeds specified satisfaction goals (Farris et al., 2010). This study used this definition as is defined by the cited author.

Financial Performance: Refers to the ability of the firm to meet both its long term and short term goals efficiently and effectively. It is measured using proxies such as profitability, return on asset, liquidity, solvency, and sales growth (Akinyi, 2014). This research study used this definition as is defined by the cited author.

Gratuities: This refers to organised tipping in America Segrave, (2009). This research study used this definition as is defined by the cited author.

Hospitality: Derived from a Latin word hospitaire, it refers to receive as a guest. Friendly reception and treatment of guest or strangers. The quality of receiving and treating guest and strangers in a warm friendly way (World Tourism Organization, 2018). This research study used this definition as is defined by the cited author.

Hospitality Industry: This is the industry that provides accommodation, travel, food and beverage and entertainment to the travelling publics (Kotler et al., 2006). This research study used this definition as is defined by the cited author.

Hospitality Management: This is the planning, organizing, directing, and controlling human and material resources within lodging and restaurant travel and tourism. (Kotler et al., 2006). This research study used this definition as is defined by the cited author.

Internal Process Performance: This refers to the mechanisms of standardizing an organization's operations with the aim of achieving an effective balance between operational efficiency, effective service, resource optimization, lower costs and organizational agility (Van Der Aalst, 2013). Internal business perspectives includes the activities and processes in which the hotel must excel in order to be successful such as management, operations, systems, information and communication Medlick and Ingram (2000). This research study used this definition as is defined by the cited author.

Learning Growth Performance: Refers to the internal process perspective measure of performance that gives emphasis on a number of fundamental aspect of competitiveness which link it with knowledge acquisition and performance improvement and includes Innovation as a dynamic capability, that is, a 'learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness.

Service Charge: An additional formal charge per sale, or a percentage of the net profit earned cumulatively from customer bills and shared equally by staff on top of their salaries on a monthly basis for the common effort (Wasike & Mutinda, 2014). This research study used this definition as is defined by the cited author.

Service Tipping: The act of paying tips, service charge or gratuities to service staff in a hotel set up by customers, hotel management or through sharing of pooled departmental tips collected during a service shift (Wasike & Mutinda, 2014). This research study used this definition as is defined by the cited author.

Star Rating: This is the classification of accommodation establishment denoting a system duly published in which accommodation establishment of the same type (such as hotels, motels, inns) have been conventionally been broken down into classes, categories or grades according to their common physical and service characteristics established at Government, industry or private levels (World Tourism Organization, 2018). This research study used this definition as is defined by the cited author.

Tip Pooling: The practice of sharing tips between workers of the same type for example sharing tips equally among all the waiters on a certain shift. (Azar, 1997). This research study used this definition as is defined by the cited author.

Tips: This is a common term used in Kenya and the whole world where service staffs receives a financial reward directly from a happy or satisfied customer or indirectly from the customer through the hotel management after a successful satisfying customer service experience (Wasike & Mutinda, 2014). This research study used this definition as is defined by the cited author.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This section presents the analysis of the global, regional and local perspective of tipping, Balanced Scorecard effect of tipping on hotels performance, hotel industry in Kenya, the problem statement, the purpose of the study, the objectives of the study, the hypotheses of the study, the justification of the study, the significance of the study, the limitations and limitations of the study and the assumptions of the study.

1.2 Background of the Study

Tipping is an economic phenomenon consisting of a voluntary payment by customers for services received (Azar, 2004). Majority of five star, four star, three star hotels in Kenya and multinational hotel brands encourage tipping and charge mandatory service charge as a percentage of a customer's bill. Azar (2003) traces the practice of tipping, with certainty of its practice in the mid 1600's in England in the coffee house and pubs where brass urns could be found with the inscription "To Insure Promptitude" or the initials "T.I.P." Visitors to private homes were expected to give sums of money (known as vails), at the end of their stay to the servants who would have gone beyond the call of duty. In London by 1795, the practice of tipping later progressed within the hotels for the chambermaid and the person who secured the horses at the hotel entrance. In the 20th century, tipping was replaced in several European countries by service charges. This historical practice in Kenya and around the Globe has received little scholarly attention where none has addressed its impact in the performance of star rated hotels.

Tipping as a strategy is designed to: reward service, gain or maintain future preferential service, gain or maintain social esteem. Among the outcomes of tipping: customer patronage frequency at the hotel (Conlin et al., 2003) and customer experience working for tips (Lynn et al., 2012). Since the inception of tipping, it was meant to be a motivation for excellent restaurant food service (Musaba et al., 2014). In hospitality field, service tipping is gradually gaining grounds as far as competitive strategy is concerned. In relation to tipping, Folk and Fishbacher (2006) found evidence of a universal reciprocity norm obligating people to pay the favours others do

for them, similar to the “tit-for-tat strategy”, which is a repeated game between the food servers and clients. According to the strategy, hospitality’s food service clients will tip in anticipation of improved/ enhanced future service as tips represents favors extended by clients, which must be repaid with quality service. However, this may limit explanation of tipping on regular clients especially in consideration of the contribution from non-regular clients. According to Lynn (2010), the relationship between food service quality and tipping should be stronger for regular than non-regular customers. Based on this supposition, enhanced service quality is dependent on repeat unlike “walk-in” business. However, due to increased global market competition, many hotels are facing challenges in building brand loyalty and retaining customers.

Tipping and Service charge, surfaces in this study as an influential formal practice by well-known popular star rated hotels brands which is believed to impact on the general hotel performance. Hotels and other hospitality institutions that offer service charge or allows tipping of service staff realize benefits in the four perspectives of performance i.e. financial, customer, internal processes and organization learning and growth perspectives of the balanced score card model conceptualised and championed by Norton and Kaplan (1992).

Tipping is a significant economic activity, and yet its economic implication have hardly been explored (Azar, 2004). Tipping is considered a main source or additional income for millions of service personnel and closely related to behavioural and social economics perspective; it has continually received significant though little attention among the academic scholars. Many researchers agree that tipping is one of the most efficient and effective ways in monitoring quality of services, rewarding effort of service workers, token of appreciation, complement or as an incentive for good service delivered (Mohd Salehuddin Mohd Zahari, 2011). Lynn et al. (1997) note that tipping is a voluntary economic transaction between customers and restaurant servers. Thus with all these observed issues as a result of tipping in relation to food service quality, the purpose of this study was to examine the tipping impetus on Star rated hotels in Kenya.

1.1.1 Global Perspective on Tipping

Tipping on a global perspective is generally practiced in the Netherlands, Sweden, Belgium, France, Switzerland, Italy and other European as well as African countries, while it is hardly practiced in Australia, China, Denmark, Japan and Iceland (Bigler & Hoaas, 2016). The annual amount of tips given to employees working in the food industry in the United States of America is almost 42 billion dollars (Azar, 2009).

Tipping from a global perspective may be traced back from the Roman times or since coins were used to compensate for services (Azer, 2010). Records that tipping within the broad service industry began in the mid ages when lords chose to give their servants a few extra coins as tokens of gratitude and thereafter evolved into a norm which currently is at 15 –20% of the total restaurant bill (Lynn & Brewster, 2015). This is indeed a clear indication of tipping having developed and fully in practice today across the world not only in the hospitality industry but the entire service industry. However, tipping has been undergoing rapid evolution and spreading to regions and countries with little or even no knowledge of the tipping norm and practice, even though the tipping act varies considerably across the world (Jacobs, 2017).

Based on the summary of the tipping pattern across the world, it may be witnessed that the act of tipping is not uniformly observed and practiced across all the nations of the world. However, the tipping phenomenon is common among citizens of some countries who subscribe to specific restaurant tipping norms that dictate the nature, amount and way of the tip (Lynn, 2015). Bigler & Hoaas (2016); Margalioth et al. (2010), review the current tipping patterns and therefore identifies Netherlands, Sweden, Belgium, France, Switzerland, Italy and other European and African countries as the most probable zones where the act of tipping is pre dominantly practiced.

1.1.2 Regional Perspective on Tipping

In Africa however, very little has been researched on tipping (Megan, 2017) with a particular focus on South Africa (Kruger & Saayman, 2016), Zimbabwe, (Kazembe & Charity, 2014) and Egypt (Jacobs, 2017; Abukhalifeh & Puad Mat, 2012; Jahan, 2018). However, the literature on tipping within the African country perspective is only slightly elaborative on Egypt, speculated to be practicing a 10%-

15% tip (Jahan, 2018). Still, currently there lacks sufficient literature detailing the tipping act across the other African countries as very little in terms of research has been independently carried out, even though optional tipping, as well as service charge, is allowed in the majority of the countries (Clotildah, 2014).

Arguably, very little studies have been carried out on this subject (Megan, 2017) and thus there is scanty information on the subject, although optional tipping as well as service charge is allowed in majority of the countries (Kazembe, 2014). Conversely, in East Africa and Kenya in particular, service charge is mandatory, as it is included in the final bills of guests (Concern Tourism, 2013). Several other studies have confirmed the practice of tipping in Zimbabwe. (Kazembe, 2014; Mkono, 2011). In the republic of South Africa, it is a mandatory norm that a happy customer formally declares in writing a certain percentage of his bill depending on the level of satisfaction experienced by the customer after service. This is also called gratuities.

1.1.3 Local Perspectives on Tipping

Hospitality industry in Kenya accepts the practice of tipping and service charge which is hypothesized here as a factor that positively influences performance of hotels in Kenya. Tipping is a common term used in Kenya where service staffs receive a financial reward directly from the customer or indirectly from the customer through the hotel management. Service charge is an additional formal charge per sale, or a percentage of the customer bill earned cumulatively from customer bills and shared equally by staff in addition of their salaries on a monthly basis for the common effort (Wasike & Mutinda, 2014).

In Kenya, tipping is a common practice in the hotel industry where customers allow the service staff to keep change or; willingly give a financial token or; hotels make a formal compulsory percentage charge to a client bill, which is shared to all hotel staff at the end or at the middle of the month. This research realised that service tipping in Kenya comes in various forms and various ways with different names like “Bakshishi” “Box” “Sasha” “Baki” as will be seen in the latter chapters in analysis of findings. It comes in various forms like bonus, service charge and as a project for staff to some extent, some hotel staff uses it for a certain project. Majorly, due to intense hospitality

facilities and practice at the Coast, you will find the practice given a lot of attention by both staff and customers and predominantly practiced by the customers as a norm. It ranges between 5% to 10 % on average across town and upcountry hotels.

The Kenya economic report of 2016 recognizes that service charge on food and accommodation averaged at 7.0% while service charge on beverages averaged at 5.5% in a summary of levies and taxes paid to a typical hotel in the hotel industry. Kenya Union of Domestic, Hotels, Educational Institutions, Hospitals, and Allied Workers (KUDHEIHA) subscribers are beneficiaries of mandatory monthly service charge which was initially introduced as a substitute to voluntary tipping in the hospitality industry, and so tipping was to be abolished and thus may not be indispensable as service charge is included in the final restaurant bills (Margalioth et al., 2010; Mohd Salehudin et al., 2011).

1.1.4 The Balanced Score Card

In this study, due to its multidimensional aspect of hotel performance measure, the Balanced Score Card is applied to evaluate the effect of, service tipping to the strategic wellbeing of the hotel business performance in Kenya. In terms of customer perspective, Kaplan and Norton (1996) pose a single question on how do customers view the organization; “to achieve the vision, how should the organisation appear to customers? (Pearce et, al. 2015). Haberberg and Rieple (2008) further poses a guiding question; how well is the organization serving its customers and users? How satisfied they are at present and how likely they are to use its products and services in future? The study interrogates the effect of tips and service charge on customer perspective.

The Balanced Score Card (BSC) is a tool of performance evaluation which (Pearce et al., 2015) describes as a set of performance measures that directs a company to link its own long-term strategy with tangible goals and actions and allows the managers to evaluate a company from four main perspectives namely customer, financial, internal business processes and learning and growth. Kaplan developed this strategic management system and Norton (1992) based on a multi company research project that studied performance measurement in companies whose intangible assets played a central role in value creation (Nolan & Norton, 1991). The BSC has become the most

academically cited and practically applied approach in Performance Management (Neely, 2005). Medlink and Ingram (2000) justify Kaplan and Norton (1992) Balanced Score Card as the best model of evaluating performance in hotels.

Further, the use of simple tools to measure performance in companies is cautioned. Consequently, Skinner, (1971) avers that a major cause of companies getting into trouble is the tendency for management team to accept simplistic notions in evaluating performance of their facilities. The general tendency in many companies is to evaluate manufacturing primarily based on cost and efficiency. One of the key weaknesses of the performance measurement systems used by many firms is that they have traditionally adopted a narrow, or uni-dimensional, focus.

Initially Kaplan and Norton (1991) generally looked at business companies; Pnevmatikoudi and Stavrinoudis (2016) analysed seventy nine international scientific journals in an effort to study and classify the different performance variables and measures of hotels and concluded that although researchers have acknowledged the concept of hotel performance as complex; still, the majority of them measures hotel performance in a way that does not express its multi-dimensional nature. Sainagh et al. (2013) provides an examination of hotel performance research published in the seven leading hospitality and tourism journals from 1992 to 2011 through the lens of Balanced Score Card (BSC). The results suggest hotel performance attracts widespread attention from hospitality scholars but significant gaps remains. Researchers have recognized the benefits of including financial and non-financial indicators.

Cousins et al. (2014) discusses good customer service as an output of integrated services characterized by meeting or exceeding customer expectations, knowing the benefits or features of the service or product on offer, being able to listen actively, being friendly and polite and being able to adapt methods of communication to meet the individual needs of a range of customers. Forming a professional relationship with customers and achieving customer satisfaction also forms a major aspect of good customer service. Cousins et al. (2014) further discusses the benefits of good customer service to the operation to include increased sales, fewer complaints, attracting new customers through increased reputation, increases in repeat business and customer royalty. For individuals working in food and beverages service, the benefits of

providing good customer service include recognition and achieving job satisfaction, which leads to increased motivation and loyalty.

In financial perspective, accountability, transparency and cost management is a responsibility of every employee since all staff believes in such values knowing that it will pay back genuinely and will earn them a long working tenure. In some cases, customers declare the service charge or tip that they give and include it in their final bill (also called gratuity). Subsequently, low operation cost is realized, higher profitability and increase in revenue is realized. This eventually earns employees a higher pay. The main question in the performance framework is how the organization should appear to the shareholders. Is the overall appearance of the organization influenced by the practice of tipping, service charge? Consequently, this study poses the question: Is the overall appearance of the organization influenced by the practice of tipping, service charge?

Medlink and Ingram (2000) aver that hotels must generate outputs that can be measured in terms of profitability, growth and shareholders' value. Profit and loss, operating statement and the balance sheet are the main reports that may reflect the net worth of a hotel. Because the fixed costs of hotels are usually high, it is important that sales and revenue are maximized, and costs are minimized. Demand for the hotel services is often variable, seasonal and intermittent. Management must ensure that staffs are kept occupied and productive. Measures of labour productivity relate output to labour input and three main types are physical measures, which relates physical units of output to numbers employed or hours worked. A financial measure relates output measured in financial terms to payroll. Physical financial measures relate output measured into financial terms to numbers employed or hours worked. Hotel establishments will relates output in money terms to numbers employed. However; Pearce et al. (2015) summarizes the most relevant aspect to look at under financial perspective as high asset utilization, high profit margins and rate of revenue growth.

Fong (2005) found that service quality is the major determiner of tipping, also Tse (2003) concluded that customers' tip size mainly influenced by service quality in Maxim's Restaurant operating in Hong-Kong. Rus, (2017) studied factors influencing patrons tipping practice in Malaysia Kuala Lumpur, other studied the

perception of both employees and customers towards tips (Wasike & Mutinda; 2014, Azar, 2004; Kazembe, 2014).

In view of internal business processes, Kaplan and Norton (2008) main question is to satisfy our shareholders and customers, at which business process must we excel? Internal processes are easy to be implemented and return on investment is easily possible. Medlick and Ingram (2000) posits that internal business perspectives includes the activities and processes in which the hotel must excel in order to be successful such as management, operations, systems, information and communication. In this research, the main point of concern is how does service tipping impact or affect internal business processes and how does it eventually impact on performance of a hospitality outlet. This is a key area since it leads to effectiveness and efficiency of a hotel. Pearce et al. (2015) considers internal processes to contribute much to the quality of the product processed, efficiency and effectiveness of a service process through elements such as supply chain management, design process, production designs, information architecture and management of partnerships. The impact of service tipping on this element of performance may be in the area of efficiency and effectiveness of a food and beverage production and service in a hotel.

An efficient system determines the level of profits hence determines amount of service charge declared to staff at the end of a financial period. Information management is the need for hotels to keep records about customer and finance. Keeping customer records can help the hotel to be responsive to the needs of customers. Ease of information access and retrieval enables quick referencing of customer information or conference group information and would eventually enable financial calculations of business proceeds. Information management will also enable calculation of tips and service charge as an overall element of financial results. Some hotels have a very strong service culture, which is influenced by the service charge programs leading to strong organizational capacity, interdepartmental collaborations and innovations collectively referred to as organization learning (Jen-the Yang, 2009).

1.1.5 Effect of Tipping on Performance

Azar and Tobol (2008) created a model of time-series data in which they demonstrated that tipping behavior creates a reputation that then subsequently affects future service.

They demonstrate differing models that suggest different patterns of reputation erosion and consequently service quality. Their research demonstrates evidence that service the tips contributed by individual consumers determine quality, and that servers pre-determine the level of service that they will provide for different consumers. In their article Lynn, et al. (2012) conclude that restaurant tips increase with perceived service quality and that this relationship was robust across meal type, day of week, gender and race of server as well as customers, alcohol consumption, education, income, race and hospitality work experience. Furthermore, value for money influenced the tipping propensities of the British restaurant customers more than the tipping propensities of Russian and German customers (Savas & Burcin, 2013).

According to these results, Swiss and British customers give more consideration for value for money when tipping. A study carried out by Dewald (2003) consisting of 342 restaurant customers in Hong Kong revealed that getting value for money enhanced the amount of tips paid by the customers in Hong Kong. According to Savas and Burcin (2013), getting value for money in the a la carte restaurants of hotels influenced the tipping propensities of respondents with associate degrees more than the tipping propensities of those who were high school graduates. Furthermore, getting value for money in the a la carte restaurants of hotels influenced the tipping propensities of private sector employees more than the tipping propensities of respondents in other professional groups (self-employed individuals, civil servants, workers and pensioners). In addition, it was determined that the tipping propensity of high-income group restaurant customers was more influenced by value for money.

Wasike and Mutinda (2014) observes that traditionally, companies in hotel services place a heavy emphasis on the use of financial measures though they are historical. The role of non-financial such as customer satisfaction, quality assurance, and production and employee development becomes important as they determine competitiveness of the business as well as its ability to sustain profitability in the future. Despite the development of performance measurement systems in the global hospitality industry, various researchers (Brander-Brown & McDonnell, 1995; Atkinson & Brander-Brown, 2001; Harris & Mongiello, 2001) have pointed to the reluctance of the hospitality industry to use balanced measures and rely solely on financial measures.

1.1.6 Hotel Industry in Kenya

The hotel industry in Kenya is sandwiched in the tourism sector, which has shown impressive growth over the years. Tourism is one of the six key areas that have been given priority in acting as the key growth drivers in Kenya (Owiti, 2011). The sector has been charged with the task of making Kenya one of the top ten best tourist destinations globally offering distinctive visitor experiences (GoK, 2006). The two main industries that comprise the activities of tourism are hospitality and travel industry (Kotler, 2013). The hospitality industry in Kenya developed from the Kenyan Coast due to Arab traders and the construction of the Railway Line. The Kenya's Hotel and Restaurants Act cap 494 defines a hotel as premises, which provides accommodation and food in exchange for money (Kenya Economic Report, 2013).

Tourism is Kenya's third largest foreign exchange earner after tea, horticulture, and a major employer accounting for about 12% of the total wage employment and 13% of GDP (National Tourism Strategy, 2013). Kenya undertook the last hotel classification in 2003 but since then so many new hotels have come up with improved products and services. The coast region accounts for 50 per cent of all bed-nights out of which 140 or 8.2% are classified. This falls below the standard requirements of at least 100,000 and could limit the country's ability to hold major conferences and conventions (Kenya Economic Report, 2013). The hotel industry in Kenya is facing several challenges, which have been affecting performance. These challenges include shortage of skilled staff, poor infrastructure, insecurity, lack of strategic plans and poor organizational processes among other challenges (Onyango & Kipchumba, 2012). Currently the industry have faced a major challenge due to Covid 19 global pandemic which almost brought to a halt travel and hospitality industry. This have an impact in performance of hotels in delivering quality service and sustaining customer satisfaction.

1.3 Statement of the Problem

At first glance, the exchange of a tip between a customer and a server seems relatively innocuous and innocent, perceived as a token of appreciation for a positive service experience, it seems reasonable. It is important to note that tipping goes beyond a token but a driver of hotel performance (Azar, 2009), this indicates that tipping in

hotels in Kenya is still a grey area that needs to be further studied. Existing literature, especially in global perspective shows that tipping affect service quality in hotels, for example tipping is positively correlated with service quality (Azar, 2007) and people prefer tipping because it allows them to punish the waiter for bad service and reward him for good service (Azar, 2004).

The Balanced Score Card (BSC) on the other hand is a strategic management tool that measures performance in much more spectrum; Financial Performance, Customers Satisfaction, Internal performance and learning performance. Several studies have been attempted on Balanced Scorecard as a strategic measure of performance. For esample; Nyangayo (2014); Afande (2015); M'maiti (2014); Mbugua (2015); Seppälä (2010); Alshammari (2011); Mucheru (2008); Karimi. (2010); Ogendo (2010); Muyeshi (2015) and Wekesa (2015). There is no research examining the effect of tipping to performance with an emphasis on the balanced score card, motivating the current study which will analyze the effect of service tipping as a competitive advantage strategy on performance of hotels in Kenya: Balanced score card perspective.

1.4 Purpose of the Study

The purpose of the study was to examine effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya using Balanced score card measurement of performance.

1.5 Objectives of the Study

1.5.1 General Objectives of the Study

The general objective of the study was to examine effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective.

1.5.2 Specific Objectives of the Study

- i. To examine effect of service tipping on financial performance of hotels in Kenya based on Balanced Score Card Perspective.
- ii. To determine effect of service tipping on the customer satisfaction of hotels in Kenya based on Balanced Score Card Perspective.

- iii. To investigate effect of service tipping on internal processes performance of hotels in Kenya based on Balanced Score Card Perspective.
- iv. To establish the effect of service tipping on learning and growth performance of hotels in Kenya based on Balanced Score Card Perspective.
- v. To investigate effect of service tipping on the combined Balanced Score Card performance of hotels in Kenya based on Balanced Score Card Perspective.
- vi. To asses the moderating effect of star rating on the relationship between service tipping and performance of hotels in Kenya based on Balanced Score Card Perspective.

1.6 Hypotheses of the Study

H₀1: Service tipping as a competitive advantage strategy does not significantly affect financial performance of hotels in Kenya based on Balanced Score Card Perspective.

H₀2: Service tipping as a competitive advantage strategy does not significantly affect customer satisfaction of hotels in Kenya based on Balanced Score Card Perspective.

H₀3: Service tipping as a competitive advantage strategy does not significantly affect the internal processes performance of hotels in Kenya based on Balanced Score Card Perspective.

H₀4: Service tipping as a competitive advantage strategy does not significantly affect learning performance of hotels in Kenya based on Balanced Score Card Perspective.

H₀5: Service tipping as a competitive advantage strategy does not significantly affect the combined Balanced Score Card performance of hotels in Kenya based on Balanced Score Card Perspective.

H₀6: Star rating does not significantly affect the relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya based on Balanced Score Card Perspective.

1.7 Justification for the Study

Service tipping is a historical practice (since 1795) in the hotel industry which has nowadays been organized into various forms like tip pooling, service charge and gratuities but none of the scholarly work has documented its effect on hotel performance . The practice is global and is practised in the hotels and restaurants in the world. Such a sustained practice in hotel industry embraced by customers, hotel staff and hotel owners must be influencing performance of hotel business in one way

or another. There is a literature gap on how hotels use service tipping as a strategy in their operations and how it affects performance of the hotels. Specifically, holistic assessment of hotel performance using Balanced Score Card (BSC), which is a wide spectrum performance measurement tool. These are the key issues which motivated the current study which will examine effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya using Balanced score card perspective.

1.8 Significance of the Study

The findings from the study will inform policy development by Tourism Regulatory Authority (TRA), and other related government bodies like Kenya Tourism Board and Tourism Fund formerly Catering Levy Authority. Tourism Regulatory Authority mandated to develop operation policies will borrow from the findings of this study and intervene in developing a policy on service tipping. Such policy will give direction on how hotels should handle service tipping and further give recommendations on how hotel owners should relate with employees as far as service tipping is concerned. Secondly, the findings from study will also shape practice of service tipping in the hotels in Kenya. Since hotel industry serves people away from home, service tipping has been an indicator of customer satisfaction. To the employees, the study will help create new knowledge on whether service tipping can generally influence productivity among employees in order to enhance customers' satisfaction in the star rated hotels. Third, the findings from the study will also generate scholarly interest in the field of hospitality on effect of service tipping on performance of hotels in Kenya using Balanced Scorecard.

1.9 Scope of the Study

The study examined effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective. The study used all the four indicators of Balance Scorecard; Financial Performance, Customers perspective, Internal Process Performance and Organizational learning perspective of performance. The study also analyzed the moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya. In terms of geographical scope, the study covered the hotels in the four tourism circuits in Kenya; Coastal Circuit, Central Circuit, Rift Circuit and Western Circuit. The study targeted

183 General Managers of the hotels in the 4 tourism circuits. The study sampled of 126 General Managers who gave information on effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: The study was carried out between 21st March to June 24th. 2020

1.10 Limitations and Delimitations of the Study

The following limitation may have challenged the study from attaining its objective and testing the research hypotheses; the 126-sampled size of selected General Managers may be small to enable generalization of the finding to all the hotels in Kenya. To address this limitation, the study selected a sample that is very representative and with a selection of respondents with high variability. In some cases, some respondents were apprehensive about the motive of the study which may have led to providing information which is not accurate thus affecting the validity of collected data. The researcher overcame this limitation by guaranteeing the respondents that the study was purely academic, the information provided was treated with utmost confidentiality, and their identity was kept anonymous. The respondents were not required to indicate their names in the questionnaire.

1.11 Assumptions of the Study

The assumptions in the study were that the respondents in the study understood the meaning and application of service tipping as a competitive tool in the hotels in Kenya and its effect on the hotels performance. That the selected sample size for the study was appropriate and gave beneficial information required for the research. Respondents who participated in the study were able to answer the questions in the questionnaire in an honest and candid manner.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a detailed discussion by other scholars on the topic of service tipping and performance of hotel business. The study first carried out theoretical review of the major concepts in service tipping and Balanced Scorecard. Second, the study reviewed empirical literature related to the effect of service tipping on performance of hotels. Third, the study analyzed the knowledge gap to be filled by the analyzed data and carry out theoretical framework, which is the major theories upon which the analysis of the study variables was based. Lastly, the study carried out the critic of the reviewed literature leading to conceptualizing the variables using a conceptual framework and further operationalizing the study variables appropriately. In the study, the researcher interrogated the theories that make the framework of the study and which majorly informed the analysis of the variables.

2.2 The Major Concepts of the Study Variables

This section presents the major concepts of the variables used in the study. The concepts explained include; service tipping strategy and Balanced Scorecard as a measurement of performance.

2.2.1 Service Tipping

Tipping is a form of gift or sum of money tendered for a service performed or anticipated. Tipping is a historical practice in the global hospitality context. Azar, (2003) traces the practice of tipping, with certainty of its practice in the mid 1600's in England in the coffee house and pubs where brass urns could be found with the inscription "To Insure Promptitude" or the initials "T.I.P". Visitors to private homes were expected to give sums of money (known as vails), at the end of their stay to the servants who would have gone beyond the call of duty. In London by 1795, the practice of tipping later progressed within the hotels for the hotel cleaner and the person who secured the horses at the hotel entrance. In the 20th century, tipping was replaced in several European countries by service charges. Being a colony of Britain, Kenyan rated hotels have allowed service tipping practice and others have adopted service charge mode of receiving and distributing tips to staff after a certain period of

customer service. Evidently, service tipping and service charge have become a practice and norm in many star rated hotels in Kenya. Notwithstanding this norm, there has been little scholarly activities in evaluating how this practice is influencing performance of hotels in Kenya.

Service tipping exist because it is the most efficient way of monitoring and rewarding effort of service workers or as an incentive for good service delivered (Bodvarson & Gibson, 1997; Lynn & Withiam, 2008; Brauer, 1997; Bodvarsson & Gibson, 1999; Koku, 2005; Lynn, 2009; Lynn & McCall, 2000). Waiters, waitresses, bartenders, bellhops, concierges, porters and tour guides to name a few are among the examples of service personnel commonly tipped. Zeithaml et al. (1988) noted that the highly customized and intangible nature of many services make it hard for service provider to monitor and control the quality services delivered by their employees and tipping is the way in increasing them to perform the high quality standard of service. Ben- Zion and Karni (1977) undertook the pioneering work of tipping in economic area with a theoretical model. According to their model, tipping is consistent with only repeating customers but not by one time customers. Tipping is also involving customer monitoring and rewarding of performance (Pencavel, 1977). Jacob and Page (1980) based on a theoretical model suggest that optimal monitoring may involve process by both the owner and the buyer who interacts with the monitored employee. Sisk and Gallick (1985) on the other hand posit that tipping is an enforcement device used to protect buyer from unscrupulous seller or his agent when the brand name mechanism for ensuring contractual performance is insufficient.

2.2.2 Historical Development of Service Tipping

The ideas of tipping practice amongst consumers started to emerge in the late 1700s. Azar (2003) traces the practice of tipping, with certainty of its practice in the mid 1600's in England in the coffee house and pubs where brass urns could be found with the inscription "To Insure Promptitude" or the initials "T.I.P." Visitors to private homes were expected to give sums of money (known as vails), at the end of their stay to the servants who would have gone beyond the call of duty. In London by 1795, the practice of tipping later progressed within the hotels for the chambermaid and the person who secured the horses at the hotel entrance. In the 20th century, tipping was replaced in several European countries by service charges. A study by Lynn et al.

(1993) referred tipping as an economic transaction, which is unlike others in that no obligatory amount, or the customers for a service that has already been delivered pay sums. This phenomenon contributes billions of dollars to the economy (Conlin et al., 2003).

According to Bodvarsson and Gibson (1994), tips are provided as motivation for the service staff to give a better and friendly service, which can contribute to a consistency in service delivery. Schotter, (1979) found that service staff would work on speculations which have both capability and intention in delivering friendly and good service. It can be said that tipping act as a signal for them (servers) to work harder. Tips as an incentive where customer possibly will tip service staff before they receive the service, and for some tippers, they will actually pay them in advance to ensure better service in the future (Whaley, 2011). Lynn and Grassman (1990) found that customers tend to tip in three possibilities; to buy equitable relationship, social approval and future service. Another study by Lynn and Graves (1996) argued that the tips size received by service staffs depending on equitable relationship. The size of tips given has a close relationship toward service quality whereby customers try to sustain an equitable relationship with service providers (Lynn & Graves, 1996; Walster et al. 1973). The customers will tip lesser showing that low level of satisfaction because those customers who tip more than others will create discrimination on service and others will feel the uneasiness and will try to find the techniques to obtain equity (Wheeler, 2002).

According to Israeli and Barkan, (2004) tips for that interaction should involve two parties; customers and service provider where the high tips will be given to a good service or low tips otherwise. Normally, the sizes of tips should be rated through the personal service quantity or quality that produces by service staffs, for example, the tendency in tipping have a significant relationship with repeat customer and service staffs contact. The more protracted of staffs contact towards customers, the more it creates a good social pressure and influence customers to tip more (Lynn & Gregor, 2001). In looking at the ethnic differences between Blacks and White customers tip sizes and tipping habits, Lynn (2004) revealed that there was a statistically significant between two US major ethnic groups whereby African Americans seem to be less familiar with the 15 to 20 percent restaurant tipping norm. The role of gender has also received

attention in the literature. MacCarty et al. (1990) posited that tipping is also a gender stereotype where by male customers are better tippers than females and such practice may have been the case that men might be more familiar than women with the tipping norms. None of the scholars mentioned above studied the effect of service tipping as strategy to performance of hotels.

Despite these notions, tipping is always the main motivation for servers in the restaurant and hotel industry. Employees' are actually appreciating the reward received and it acts as their main motivation to serve better next time around. Lynn and McCall (2000) stressed that the intangible and customized nature of many services including hotel and restaurant makes it difficult for managers to supervise their employees and tipping is thought to be a way of enlisting the customers' help in performing these quality control functions. Lynn (2000; 2009) suggested that further exploration should be done to assess the different level of acceptance of the norm and customs of tipping in different parts of the world. In addition, Lynn's recommended that tipping can also be studied at multiple levels of analysis- namely, at the level of individual tipping decisions, at the level of tipping norms within countries, and at the level of cross-country differences in tipping customs.

Tipping practices are different from one country to another. This non-legal required obligation has been a social norm to the west especially in the United States. Seiter, (2005) agrees that in the United States, most of the employees are not entitled to minimum wage and therefore, many food servers depend on tips to make a living. According to Lynn et al. (1993), tipping was less prevalent in countries with a low tolerance for status and power differences between people and in countries with feminine values that emphasize social over economic relationships. In the USA, it is customary to tip a large number of server workers and millions of restaurant, hotels, cruise ship, train employees, bus and taxis drivers depends heavily on tip income (Lynn 2000; Wessel, 1997) while hotels and restaurant are the most common practice. Many people's notice that America is the land of the tips and according to Lynn (1994), Americans may react rudely if no tips are given and they are advised to leave 10 per cent of the bill to the restaurant waiter and waitresses. Due to proximity, similar practices occur in Canada and Mexico.

Service charges are now slowly replacing tipping and it is believed that this trend is expected to increase substantially. A tip between 5-10% is a common practice in central European countries like Germany, Switzerland, Austria, and Holland, while country like Spain do not advocate for tipping. Lynn (2000) noted that it is customary to tip only a few service professions in Denmark and many Scandinavian countries. From the popular belief, service is often more casual in New Zealand and Australia than in many countries, even in expensive restaurants and hotels. Apart from the mandatory goods and services tax (GST), there are no mandatory gratuities or restaurant service charges of any kind in Australia and New Zealand. Some restaurants may add an additional amount such as a 10% service charge for large groups.

In Africa almost all countries perceive tipping as a norm, where Egypt is the country leading in service tipping. As one of the popular countries in African continent, tipping for service is not compulsory but is in general standard practice in South Africa. It ranges around 10% of service charge and is usually charged in the upscale hotels and restaurants. Studies done by Kruger and Saayman (2016) depicts an understanding in tipping behavior on an economic perspective and tipping behavior of black South Africans shows that tipping is a common practice in all south African ethnic market segment and quashed the study findings in the USA by (McCall & Lynn 2009; Lynn & Hysbert, 2003; Lynn 2014), which perceived black Americans and Hispanics being a market segment of poor tippers. On observation, in the Republic of South Africa, all receipt in hotels and restaurant have a provision for gratuity when paying the bill you add at least 10% on the bill depending on the customers satisfaction. Just within Southern African region, Mkono (2011) analyzed tipping practices and policies in Zimbabwe's hotel industry from the perspective of restaurant waiters and established that the government policies had no significant relationship with service tipping.

The Kenya economic report of 2016 recognizes that service charge on food and accommodation averaged at 7.0% while service charge on beverages averaged at 5.5% in a summary of levies and taxes paid by a typical hotel in the hotel industry. Service charge has been traditionally recognized as a contingency pay which Wasike and Mutinda (2014) contends that is the most common used form of monetary incentive in hotel industry in Kenya. Though they observed that service charge does not give a permanent solution to the concern of the cost of living, they agreed it contributes to amount of sales that the hotel makes. They further observe it is a common form of gain

sharing in hotel industry. According to Lynn and Namasivayam (2011), there are many different tipping systems, but only three categories of distributing tips have generally been used. These includes equal sharing of pooled tips by servers, equal service of pooled tips with an extra service charge or gratuity charged to the client; or, servers retain all the tips to their luck. This study found out that service tipping in Kenya comes in different forms as discussed by Lynn and Namasivayam (2011) in form of direct tipping to service staff, pooled tipping where customers drop tips in a communal box and at the coastal area, service tipping is a common prevalent norm in many hotels. Most Kenyan star rated hotels and town hotels adapt a service charge perspective of service tipping as seen in the latter chapter on these research findings. This shows that since 18th century, service tipping in hotels has been in existence and has developed to this stage where this research shows how it affects hotel performance in Kenya.

Table 1 shows a summary of tipping percentage in selected countries. From the table most of the countries allow a tip of about 10% in restaurants porters receive. USA and Canada lead on tipping with about 15-20% above the cost for restaurants. The country with the least is China with 3% for restaurants. On the contrary, tipping is perceived as an insult in Japan and therefore not practiced.

Table 1 : An Acceptable Tip Percentage in Selected Countries

Country	Restaurants	Porter	Taxis
United States	15-20 %	\$ 1- 2 per bag	10%- 15 %
Canada	15-20 %	\$ 1- 2 per bag	10%- 15 %
United Kingdom	10 % if no service charge	\$1 per bag	15 %
France	5% - 10%	\$ 1 per bag	Round up the bill
Germany	5 % - 10 %	\$ 1 per bag	Round up the bill
Denmark	None	\$ 1 per bag	Round up the bill
Sweden	10 % if no service charge	\$ 1 per bag	Round up the bill
New Zealand	None	None	None
Australia	None	None	None
Egypt	5% - 10 % plus service charge	\$ 1 per bag	Round up the bill
Saudi Arabia	10% - 15 %	\$ 1- 2 per bag	Round up the bill
United Arab Emirates	None	None	None
India	10 % if no service charge	\$ 1 per bag	Round up the bill
China	3 % in major cities	\$ 1- 2 per bag	None
Hong Kong	10% in addition to service charge	\$1 per bag	Round up the bill
Japan	Tipping is perceived as insulting	None	None
Russia	10% - 15 %	\$1 per bag	Round up the bill
South Africa	10 % if no service charge	50 cents per bag	10%
Kenya	5 % if no service charge	50 cents per bag	None

Source: US today, adopted from Butler and Carole (2011)

2.2.2 Concepts in Performance Measurement using Balanced Scorecard

The performance of an organization is judged either internally or externally by its ability to meet its performance targets, (Johnson et al. 2005). The performance targets are realized by first defining the key performance indicators (KPI). Generally, the key performance indicators of an organization mainly include product quality, revenues and net profit. What is “key” is the starting point for choosing which performance indicators are important to a particular company, (Price water house coopers, 2017).

Hospitality industry products and services have unique characteristics. Kandampully et al. (2009), discusses nine characteristics of hospitality, tourism and leisure product; intangibility of Services and products; Inseparability of services and products; heterogeneity which make them vary in standard and quality over; highly perishable that is unsold service cannot be stored or used at a later date; purchase and consumption of hospitality products does not result in the transfer of ownership.

Hospitality products are evaluated in three stages pre-consumption (consumer selects among alternative) consumption (consumer compares experience with expectations) and post consumption (consumer compares experience with expectations formed at the latter stages).The nature of hospitality products therefore makes it very complex towards the overall performance of the hotel making measurement of performance also very complex.

Medlink and Ingram (2000) justifies Kaplan and Norton (1992) Balanced Score Card as the best model of evaluating performance in hotels. This is because a hotel can be regarded as a system model, which takes in input, which leads to desirable Output. Performance is a relationship between the inputs and the outputs of a hotel including tangible goods and intangible services. Tangible goods includes food, beverages to be consumed by the customer, while the services produced by a hotel are less tangible and are often subjectively judged by the customer. This refers to the intangibility, inseparability, variability and perishability characteristics of hospitality services as discussed by Kotler et al. (2006); Lovelock and Wirtz, (2007) and Kandampully, (2009).

Beatty et al. (1995) discusses five good strategic steps that enable effective performance measurement, management and appraisal. The first is to ensure business strategy is well articulated, secondly identifying critical success factors of an organization, thirdly is identifying and developing performance measurement tools, fourth is to fix accountability for performance and fifth is to align structures system, skills and style to performance. According to Beatham et al. (2004), businesses measure their performance in financial terms, profit and turnover. Financial measures and accounting measures are the traditional means of performance measurement.

To remain competitive, firms now need to consider non-financial or operational results as measured by competitiveness. Hospitality managers in Kenya are still focusing on financial results as a measure of performance while ignoring non-financial and determinant measures (Wadongo et al., 2010). Wandongo et al. (2010) further posits that throughout the 1970s and 1980s, the measures traditionally used by businesses were subject to highly vocal criticism from influential figures, such as Berliner and Brimson (1988); Hayes and Abernathy (1980); Johnson and Kaplan (1987); Kaplan, (1983, 1984) and Winokur (1971) who studied Skinner Theory of Behaviour. These criticisms resulted in several innovations.

New methods of product costing, for example, Activity Based Costing and through put accounting were developed (Cooper & Kaplan, 1988; Galloway & Waldron, 1988a, 1988b, 1989a, 1989b). Alternative means of valuing businesses and brands, such as Shareholder Value Analysis and Brand Valuation, were proposed (Ambler & Kokkinaki, 2004; Rappaport, 1998; Stewart, 1991). Wadongo et al., (2010) closed the discussion by recommending further research on appropriate performance measurement frameworks that will be appropriate to hospitality industry in Kenya.

Measurement of performance is crucial, but relatively complex, especially in hospitality industry. Onyango et, al. (2010) did a theoretical review of traditional performance measurement and performance management frameworks namely Malcolm Baldrige National Quality Awards (MBNQA), European Foundation For Quality Management (EFQM), Results and Determinants Matrix (RDM), Balanced Score Card (BSC) and Performance Prism with an objective of settling on the ideal framework for measuring and managing performance in hotel industry in Kenya.

Though they did not adapt to any of the mentioned framework, they posits that there is still limited research regarding the performance measurement of hotels in Kenya. They further argued that like any other business, visualization of hotel performance is complex and multidimensional in extent and nature and varies according to management's motivation and focus. Onyango et al. (2010) proposes a performance measurement and management model for hotels in Kenya but fails to authenticate it with practical data in the industry hence giving the Balanced Score Card contemporary supremacy in performance measurement in a complex hospitality industry in Kenya.

2.2.3 Concepts in Balanced Scorecard

Balanced Score Card (B.S.C) is a concept of organizational performance measurement that was founded by Kaplan and Norton in 1992. It began in the premise that reliance on financial measure in a management system is insufficient. Financial measures are lag indicators that report on the outcome from past actions. Porter (1992) avers that exclusive reliance on financial indicators could promote behaviour that sacrifices long-term value creation for short-term performance. The Balance Score Card (BSC) approach retains measure of financial performance but supplements these with measures on the drivers, the lead indicators of future financial performance. Further in their publications (Kaplan & Norton 2000, 2001) notes that the BSC concept has widely been used by manufacturing, service industries as well as governmental and nongovernmental organizations for performance measurement.

Haberg and Rieple (2008) describe BSC as the best system of performance measurement that has been developed. They also subscribe to the fact that the BSC has been developed as a means of ensuring that managers do not target to one element of performance, to the detriment of the other parts of the business. Pearce et al. (2015) describe BSC as a set of measures that are directly linked to the overall company strategy. Because the running of a hotel is such a complex activity, Medlink and Ingram (2000) develops a need for managers to monitor the business from a number of perspectives as per Kaplan and Norton (1992) balanced scorecard. Balanced score card (BSC) is a framework that is used to monitor or track down execution activities performed by staff in carrying out the implementation of strategy. It is a framework used to evaluate performance of a firm in the process of implementing its strategy (Yabs, 2010).

Kaplan and Norton (1992) alludes to the fact that firms should not use financial results alone as an indicator of success or failure in their activities, but rather aim at improving customer satisfaction, operational efficiency, employee morale and financial performance. This is a model all inclusive of factors necessary for the success of hospitality business institutions and hotels in Kenya, which is mainly dependent on people and systems for its success. The Balanced Score Card (BSC) presents a model that is able to integrate measurement of tangible products and intangible services of

hotel business. In this study, we will study the hotel financial perspective in view of how the hotel appears to shareholders. Customer perspective will interrogate the hotel from the viewpoint of the customer. How shall the hotel appear to a customer? Internal business processes perspectives focuses on the activities in which the hotel must excel to satisfy shareholders and customers. Finally, learning and growth perspective address ways in which hotels can improve and create value through knowledge management and organizational learning.

Kaplan and Norton (1996) observes that the balance score card supplements traditional financial measures with a criteria that measures performance from three additional perspectives that is customer, internal business processes and learning and growth. Managers using the balanced score card do not have to rely on short-term financial measures as a sole indicator of company performance. The scorecard lets them introduce four management processes that separately and in combination contribute to linking long-term strategic objectives with short-term actions. They further observe that the scorecard measures are grounded in organizational strategic objectives and competitive demands. In addition, by requiring managers to select a limited number of critical indicators within each of the four perspectives, the score card help focus on strategic vision.

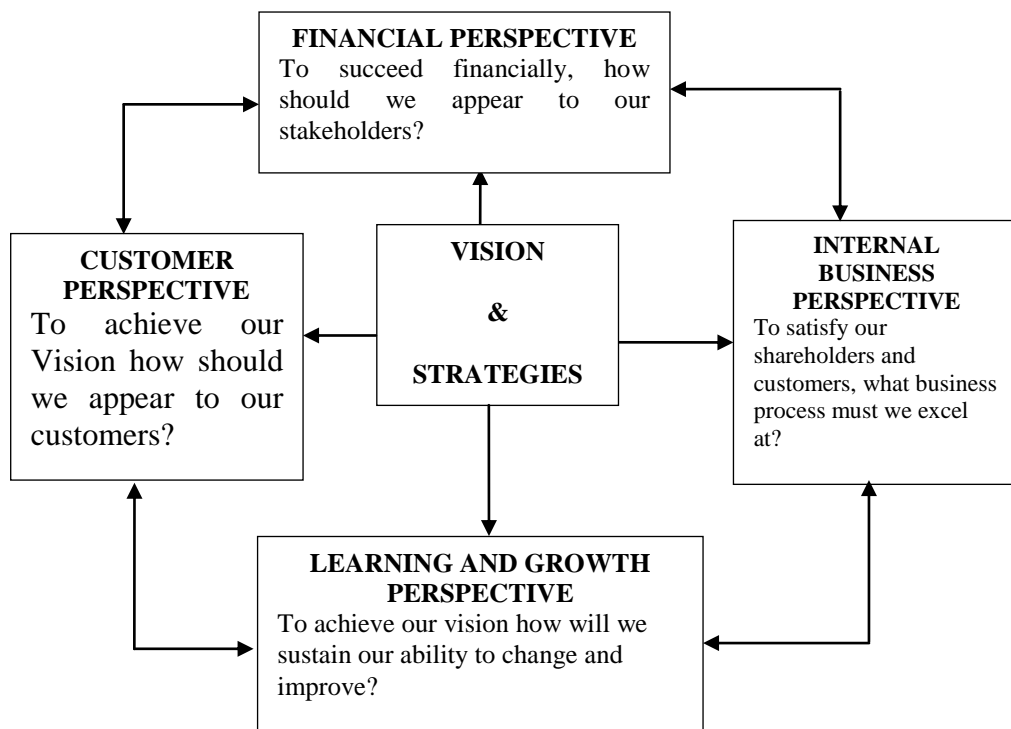


Figure 1: Balanced Score Card Indicators

Kaplan and Norton (1996) have been perceived to have designed a Balanced score card a tool of performance that combines both qualitative and quantitative measurements and acknowledges the expectations of many stakeholders in relating an assessment of performance for choice of strategy. In addition, a performance measurement framework added strategic non-financial metric to give managers a more balanced view of organizational performance. As with the balanced scorecard, the strength of the performance measurement matrix lies in the way it seeks to integrate different classes of business performance – financial and non-financial, internal and external. In their preliminary writings about the balanced scorecard, Kaplan and Norton paid little attention to the process of performance measurement system design (Kaplan & Norton, 1992). By 1993, however, they had recognized the importance of this topic and therefore included a brief description of the eight-step process they believed enabled managers to design balanced measurement systems in their 1993 Harvard Business Review paper “Putting the balanced scorecard to work”.

Forozia et al. (2013) states that over the decades, based on the studies of the hospitality industry, two significant areas have been introduced which are customer satisfaction and service quality. Forozia further argues that in the hospitality business, both customer satisfaction and service quality have muscular collision on the presentation of the business and the treatments of customer. Customer satisfaction as a key marketing tactic in differentiating itself from its competitors and therefore a heightened understanding of a guest preference and total worth will enhance a guest experience and maximize hotel revenue (Kangogo & Manyasi, 2013). To survive in this dynamic and highly competitive business environment the hotel operators will be forced to critically acknowledge the importance of service improvement in order to gain competitive advantage (Waitiki, 2014). Customer satisfaction creates high loyalty intention and that begins with good corporate image (Sukaisih & Hamid, 2015), attracts new customers, and strengthens business relations.

Business process is a systematic approach to management, aimed at improving the organization and its processes. This approach enables organizations to define their processes, to organize their implementation, as well as improve the quality because of processes and procedures for the execution (Miers, 2006). Process approach in management allows addressing the emerging issues and influencing the outcome more

quickly (Vendrov, 2004). Business processes should have a single manager who manages the process and who is responsible for the result. In any Company there are at least several dozens of business processes (PiterSoft, 2015). Business process improvement is an approach that aims to increase the effectiveness and efficiency of business processes that provide output to internal and external customers. Since Business process improvement became a part of the mainstream business improvement, many different terms in literature were related to the improvement of business processes (Harry & Schroeder, 2006).

In their article on measuring the strategic readiness of intangible assets of an organization, Kaplan and Norton (2004) identified three categories of intangible assets necessary for growth and learning of an organization. The first is human capital, which entails skills, talents, competencies and knowledge of employees. Secondly, information capital entails company database, information systems, networks and technology. Finally, organizational capital; this covers company culture, leadership, strategic goals, and employees ability to share knowledge. They attribute great influence to organizational learning and growth to information capital followed by organizational capital elements which impacts a lot on human capital elements.

However, a number of authors consider organizational learning as the fundamental aspect of competitiveness and link it with knowledge acquisition and performance improvement. Innovation is a dynamic capability, that is, a 'learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness (Perdomo-Ortiz, 2005). Authors such as Slater and Narver (2000); Farrell (2000) agree that organizations should have the ability to engage in organizational learning processes to reach long-term competitive advantage, by encouraging innovation, particularly within dynamic and competitive environments. The effect of this will be the enhancement of quality service for customer satisfaction and ultimately impact on the performance of the organization. There are three levels of learning; individual level, group level and organizational level. The identified characteristics of a learning organization are open communication and information sharing, risk taking and new idea promotion, and information, facts, time, and resource availability to perform ones job in a professional manner. These characteristics have been identified as the strongest predictors of

organization's ability in change adaptations, innovation and bottom line organization performance (Kontoghiorghes et al., 2002).

A learning organization is an organization that facilitates learning for all of its members, and thereby continuously transforms itself (Senge, 2006). Theron (2002) suggests that organization needs to create a climate in which experiential learning is managed effectively throughout the workplace, and in which individual learning is harnessed to achieve organizational learning. Higher Education Institutions may have a learning culture. However, the creation of a learning organization is dependent on embedding learning in the management processes of the organization by extending the focus on learning from the classroom and the research laboratory to the wider organization, so that the organization creates and disseminates knowledge that informs the development of the organization.

2.2.4 Concepts in Star Rating of Hotels

In this study, the aspect of star rating features prominently hence worth a brief review. According to the World Tourism Organization (W.T.O) and the International Hotel And Restaurant Association (I.H&R.A), star rating is the classification of accommodation establishment denoting a system duly published in which accommodation establishment of the same type (such as hotels, motels, inns) have been conventionally broken down into classes, categories or grades according to their common physical and service characteristics established at Government, industry or private levels. The European standardization committee clarifies the term "accommodation rating or classification scheme" as a system providing assessment of quality standards and provision of facility and or service of tourist accommodation typically within five categories often indicated by one to five star symbol where the lowest standards are rated one star and the highest standards are symbolized by five stars.

In Kenya, the Ministry of Tourism regulates tourism activities and enterprises through its body Tourism Regulatory Authority (TRA). This body was established, as a corporate body under section 4 of the tourism acts no 28 of 2011. Its overall mandate is to develop regulations, standards and guidelines that are necessary to ensure an all-round quality service delivery in the tourism sector. One of the key enterprises in the

tourism sector is the Hotel business, which TRA registers, licenses and classifies. Hotels in Kenya are classified in terms of star rating. Tourism Regulatory Authority inspects all the hotels in the tourism circuits and rates them from time to time. The latest classification of hotels in Kenya was undertaken for the period between year 2015 and year 2018 awaiting gazetting but earlier hotel establishments were classified and gazetted through a legal notice number 128 of 2014. The exercise majorly relied on the East Africa harmonized classification framework which focuses on three key elements namely; Efficiency and effectiveness of business operations, extent of quality of services and amenities provided and environmental concerns which encompasses best practices involving staff in sustainability initiatives.

Kibet et al. (2014) posits that star rating of hotels is vital in the hotel business in Kenya since it aided establishments effectively to compete in the market and influences turnover. Further, they found out that hotel rating in Kenya eased the decision making of tourist since they would easily differentiate service. In his study, Minazzi (2014) compared international hotel classification systems and observes that the diversity of hospitality industry affects the classification of hotel quality. He further notes that different countries and regions can choose differing approaches depending on the features of classification and the nature of the programme. In service sector, a customer's perception of quality is the result of the comparison between expectations and experiences (Gronroos, 2000; Zeithaml et al., 2006).

Other few studies as discussed in Minazzi (2014) that demonstrates that classification category in the hotel sector is an indicator of price rather than quality includes (Israeli & Uriely, 2000; Israeli, 2002, Danziger et al., 2004). Customer satisfaction is not linked to a specific quality category, but depends on the ability to meet customer expectations (Fernandez, et al., 2004). From customer's point of view, price and stars may be factors determining expectations (Israeli, 2002; Danziger et al., 2006). Therefore, when a customer pays a high price to go to a high category hotel is more demanding, has higher expectations and then his quality appraisal and satisfaction are influenced (Fernandez & Bedia, 2007; Barcala et al., 2009; Davutyan, 2007). Moreover, hotel classification is generally producer driven rather than customer driven (Briggs et al., 2007).

2.3 Theoretical Framework

This study was based on the following theories; Resource Dependency Policy, Reciprocity and Equity Theory, Tipping Motives Framework (TMF) and Balanced Scorecard Framework.

2.3.1 Resource Based Theory

Penrose (1959) who argued that a firm's superior performance is achieved when the resources are controlled by the firm first advanced resource Based View Theory (RBV). The focus of the RBV is on attributes of resources and capability from the source they are gained to clarify a firm's heterogeneity, performance and sustainability (Morheney & Pandian, 1992). The Resource-Based View of the firm suggests that organizational internal factors are responsible for generating firm sustainable competitive advantage and superior performance. In particular, the RBV's main prediction is that deployment of unique and idiosyncratic organizational resources and capabilities can result in sustained superior performance.

The Resource Based View Theory of the firm emphasizes the role of resources and capabilities in forming the basis of competitive advantage. Broadly stated, a resource is something that a firm possesses, which can include physical and financial assets as well as employees' skills and organizational (social) processes (Armstrong & Shiminzu, 2007). A firm's resources and capabilities include all of the financial, physical, human and organizational assets used by the firm to develop, manufacture, and deliver products or services to its customers. Financial resources include debt, equity, retained earnings and others while physical resources include machines, manufacturing facilities and buildings firms use in their operations. Human resources include all the experience, knowledge, judgment, risk taking propensity and wisdom of individuals associated with the firm. Organizational resources include the history, relationships, trust, and organizational culture that are attributes of groups or individuals associated with the firm, along with a firm's formal reporting structure, explicit management control systems and compensation policies (Barney, 1991).

Resource based view theory was employed with a major focus on how firm's resources and knowledge development affects performance (Kanyabi & Devi, 2012). It assumes that organization to achieve competitive advantage; it has to develop its resources.

Other who expanded the theory was Helfat and Martin (2015). These scholars did not test the theory on effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective, which the current study tested and results presented in chapter four.

Madhani (2010) holds the view that the theory provides for analysis and interpretation of internal resources in formulating strategy to achieve sustainable competitive advantages. The Resource Based View Theory (RBT) focuses on the internal resources rather than analyzing performance in terms of the external context (Waiganjo, 2013). Practically, this means that firms within an industry are not considered identical to one another in terms of strategically relevant resources and that these heterogeneous aspects of a firm may hold the potential for advantage. Similarly, not all the hotels including those in the same rating category have the same resources and capabilities. Even if the hotels may possess the same resources, they differ on how they utilize the resources and all these affect the hotels performance. In this study, RBV theory will be used to explain how hotels use service-tipping strategy as an institutional resource to be competitive.

2.3.2 Reciprocity and Equity Theory

The main proponent of Reciprocity and Equity theory was Adams who developed the theory in 1963 and revised in 1965. According to Adams (1963), Equity Theory draws from exchange, dissonance, and social comparison theories in making predictions about how individuals manage their relationships with others. Four propositions capture the objectives of the theory. According to equity theory, people evaluate their relationships with others in terms of rewards, costs, investments, and profits. They expect what they invest and gain from a relationship is proportional to what the other party in the relationship invests and gains (Adams, 1965). Equity theory expands on the anxiety and frustration produced by cognitive attributes the dissonance to the perceived inequity a person ascribes to a social exchange process. With this understanding of dissonance as the foundation of equity theory, equity theory explains how people's perceptions of how fairly they are treated in social exchanges at work (for example, amount of pay increase each year, how well their supervisor treats them, among others.) can influence employees' motivation. Employees will compare their actual ratio to their perceived one (Ivancevich et al., 2006).

Adams (1965) equity theory suggests the following; compensation allocation is perceived to be fair then motivation among the employees is sustained; secondly is inequity that is underpayment in this case an employee is motivated to seek justice hence work motivation is disrupted and thirdly is inequity in terms of overpayment which could cause a problem of inefficiency among employees, in other cultures they could lose face. This is a clear indication that an employee will be more productive when compensation is fair. People feel distress when the benefits they get and give in their relationships with others are not comparative to one another (Lynn et al., 2008). On the foundation of this theory, and by extension to service tipping and service quality study carried out by Lynn et al., (2010), there sprawns a justification on the variation of tipping in relation to service quality. These scholars did not analyze competitiveness of service tipping, using Balanced Scorecard perspective in enhancing hotels performance in Kenya, which the current study analyzed. The results established significant relationship between service tipping and the hotels performance as presented in chapter four. Reciprocity and Equity theory was used to analyze how service tipping motivates employees of hotel who in turn put more efforts towards the hotels performance. This means that when hotel employees anticipate reciprocity of the services they offer, they see it as a direct monetary reward and therefore they will endeavour to work harder and positively present the hotels to customers who in turn patronage the hotels leading to increase in revenue.

2.3.3 Tipping Motives Framework

Lynn (2015) built a theoretical framework to explain individual, national, occupational, situational and historical variations in tipping by integrating models in the tipping literature. His Tipping Motives Framework (TMF) includes five motives for tipping i.e. to help servers, to reward service, to gain or keep preferential future service, to gain or keep social esteem, to fulfil a sense of obligation or duty. It also includes two motives for not tipping, i.e., to save tip money for other usage and to avoid creating or strengthening status and power differences between customers and servers. However, it is expected that different factors influence the magnitude of tipping. This study aims to assess which factors affect the tipping decision and the size of the tip.

Even if the purpose of tipping is ambiguous, it has clear implications for related parties, i.e. consumers, tip recipients and service providers. Figure 1 shows the nexus between tipping and related parties. A tip is a short-term form of income like any other transitory income. Thus, the recipient is the immediate beneficiary while the owner of the service, for example, a restaurant owner is the second beneficiary of tipping. Service providers usually deliver service under the supervision of an owner or manager. Sometimes owners include a service charge in the price that helps to monitor the service quality. When a service charge is absent, a tip works as an indirect monitoring and screening tool and reduces monitoring costs for the owner. From the consumers' perspective, tipping might satisfy both personal and social interests. Workers perceive tipping as an incentive to improve service quality that ultimately also serves consumer's personal interest of getting better service in the next visit.

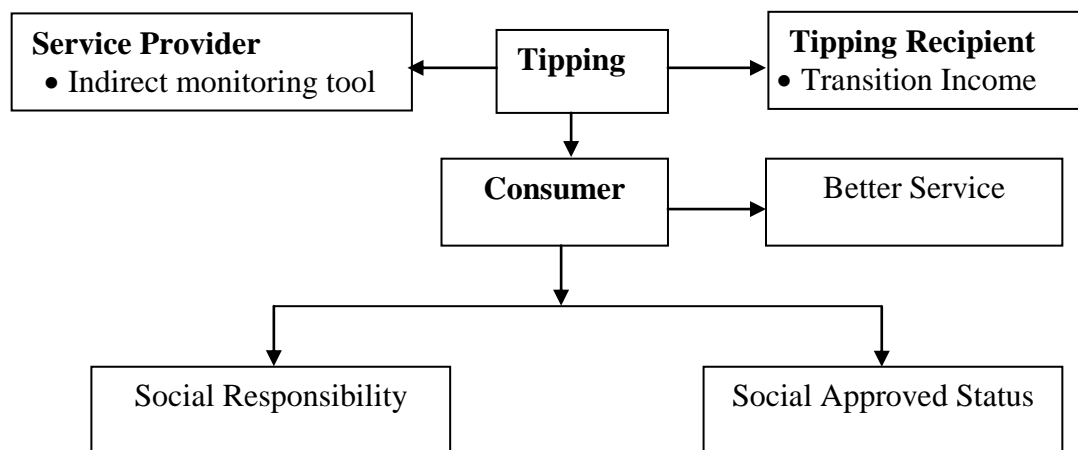


Figure 2: Tipping Motive Framework

Besides service quality, consumers may tip to achieve social responsibility by supplementing of lower income groups. Alternatively, sometimes they merely tip to get social approval and maintain social status. Thus, a tip has continuous influence on the utility functions of respective consumers, tip recipients and owners or managers.

Tipping is positively correlated with service quality (Azar, 2007) and people prefer tipping because it allows them to punish the waiter for bad service and reward him for good service (Azar, 2004). Fong (2005) in his experimental study found that service quality is the major determiner of tipping and poor service is the main factor causing individuals to decide not to tip in a restaurant. In addition, Tse (2003) concluded that customers' tip size mainly influenced by service quality in Maxim's Restaurant

operating in Hong-Kong. If they perceive their expectations about service quality, they leave much more tips in the restaurants. Scholars who have attempted the analysis of Tipping Motives Framework (TMF) did not test the analysis in the Kenyan hotels, this the theory gap that the current study tested and results presented in chapter four. Tipping Motives Framework (TMF) was used by the study to assess how the hotels use service tipping strategy to produce a superior service that make them competitive.

2.3.5 Balanced Scorecard Framework

The Balanced Scorecard is a framework and management approach first proposed by Kaplan and Norton (1996). Balance Score Card provided a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance (Kaplan & Norton, 2002) The Balanced Score Card (BSC) on the other hand is a strategic management tool that measures performance in much more spectrum; Financial Performance, Customers Satisfaction, Internal performance and learning performance. Nyangayo (2014) studied balanced scorecard and performance at Cooperative bank of Kenya, Afande (2015) examined adoption of the balanced score card by state corporations within the Ministry of Information and Communication in Kenya, findings indicated that the BSC has been successfully adopted in the various corporations studied. M'maiti (2014) conducted a cross sectional survey in Kenyan commercial state corporations that use the balanced score card as a strategic management tool.

According to Kaplan (2002), balanced scorecard transforms an organization's strategic plan from an attractive but passive document into the "marching orders" for the organization on a daily basis. It provides a framework that not only provides performance measurements, but also helps planners identify what should be done and measured. It enables executives to truly execute their strategies. The balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective. The balanced scorecard is a management system not only a measurement system that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard

transforms strategic planning from an academic exercise into the nerve center of an enterprise (Kaplan & Norton, 2002).

Sainagh et al. (2013) provides an examination of hotel performance research published in the seven leading hospitality and tourism journals from 1992 to 2011 through the lens of Balanced Score Card (BSC). The results suggest hotel performance attracts widespread attention from hospitality scholars but significant gaps remains. Researchers have recognized the benefits of including financial and non-financial indicators. Sainagh et al. (2013) identified three research gaps; Unexplored business processes perspective which contributes to efficiency as a key driver for managers both presently and in future. The second gap focused more on hotel performance research beyond any specific BSC perspective. This gap requires a movement from single perspective to relationship that links all perspectives of performance of Balanced Scorecard. “If the hotel firm is a system that cannot be seen as simple (linear) composition of the entities composing it” (Baggio & Sainagh, 2011; Zahra & Ryan, 2007), then researchers should understand the complexity of linking the perspectives. This is an unexplored area. Finally, the third and the last gap relates with geographical scope. A firm is basically a community of people, profoundly deep with economic, social and cultural environments. If in the long run, the firm’s survival is linked with its ability to generate revenues higher than cost and inflows larger than outflows, the alternative strategies to dynamically create equilibrium are many and different.

Effective implementation of balanced score card requires organization management to give much emphasis into four BSC perspectives. These include; the financial perspective, internal business processes, learning and growth perspective and customer perspective. The balanced scorecard (BSC) presents a model for strategic performance measurement and management for high performance organizations. According to Kaplan and Norton (2001), the Balanced Scorecard translates an organization’s mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system (Kaplan and Norton, 2002).

Financial perspective is a financial performance measures that indicate whether the organization’s strategy, implementation and execution are contributing to bottomline

improvement. It shows the results of the strategic choices made in the other perspectives. By making fundamental improvements in their operations, the financial numbers take care of themselves (Kaplan & Norton, 2001). Customer perspective captures the ability of the organization to provide quality goods and services, the effectiveness of their delivery, and overall customer service and satisfaction. To this effect, many organizations today have a mission focused on the customer and measuring how an organization is performing from its customers' perspective has become a priority for top management (Kaplan & Norton, 2001).

Internal business processes perspective is primarily an analysis of the organization's internal processes. Internal business processes are the mechanisms through which organizational performance expectations are achieved. Customer-based measures are important, but they must be translated into measures of what the organization must do internally to meet its customers' expectations. This perspective focuses on the internal business results that lead to financial success and satisfied customers. Therefore, managers need to prioritize on those critical internal operations that enable them to satisfy customer needs (Kaplan and Norton, 2001). Learning and growth perspective focuses on continual improvements for the organizations products and processes through employees training and development (Kaplan & Norton, 2001).

Processes will only succeed if adequately skilled and motivated employees, supplied with accurate and timely information, are driving them. In order to meet changing requirements and customer expectations, employees may be asked to take on dramatically new responsibilities, and may require skills, capabilities, technologies and organizational designs that were not available before, and learning and growth issues enable the organization to ensure its capacity for meeting customer needs, a pre-requisite for long-term survival (Kaplan & Norton, 2001). The Balance Score Card theory by Kaplan and David (2001) demonstrates that employees job description, better employees supervision and increased level of top management support supports the implementation of the four balanced score card perspective and hence lead to effective implementation of balanced score card in organizations. Kaplan and Norton (2001) did not test their Balanced Scorecard Framework on effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya, this was the theoretical gap that the current study analyzed and the results presented in chapter four.

This framework was therefore used to analyze hotels' performance based on the Balanced Scorecard; financial performance, customer satisfaction, internal process performance, and organizational capacity performance. The study applied the Balanced Scorecard Framework to analyze the performance measurements of the hotels in Kenya in terms of financial performance, customer satisfaction performance, internal business process performance, and learning and growth performance of the hotels in Kenya.

Ndungu (2014) in her study on balanced scorecard and strategy implementation at Kenyatta University, Kenya established that the challenges that have been encountered in the process of BSC application include lack of understanding of the scorecard, lack of visibility of the corporate and divisional scorecards, lack of support of the scorecard, some strategies tend to be high-level, future looking with ideals and aspirations. While valid to fuel the soul of the organization, they run the risk of diluting the ability for translation into an effective Balanced Scorecard. The absence of automation to record and roll-up results early in the implementation severely derails the team into the mechanics of recording actual versus targets. The comment that was made on these by the interviewees is that more than half of the strategies devised by organizations are never actually implemented. At a time of increasing competition and globalization; shorter lead times and increased customer sophistication, the effectiveness of strategy implementation is even more important. This defines the success or failure of the application of BSC in organizations. The study did not analyze service tipping as a competitive strategy on the performance of hotels in Kenya, which was the main goal of the current study filled by the results discussed in chapter four.

2.4 Empirical Review

2.4.1 Service Tipping and Financial Performance

Where tipping is a norm, economic implications will be significant as Azar (2011) estimated, on the basis of data from the US Census Bureau, that annual food sales in restaurants, bars, and accommodation in the USA amounted to US\$247.9 billion, with close to one fifth (18.8%; US\$46.6 billion) of the total contributed by tips. The data imply that for many service workers, tips constitute a considerable share of their income. This situation is fundamentally different in other parts of the world, where tipping is unknown, even frowned upon, or discouraged for reasons of income

stability, to avoid inequality and harassment, tax evasion, or because the practice interferes with cultural norms or minimum wage considerations (Azar, 2011; Lynn, 2018).

As the above summary suggests, most studies of tipping are characterized by limitations. For instance, previous studies have measured tip size based on online surveys with hypothetical bill sizes (Brewster & Brauer, 2017), exit surveys (Brewster & Lynn, 2014; Whaley et al., 2019), or by using data from point of sale systems (Kim et al., 2017). These methods are difficult to compare, and have advantages and disadvantages: point of sale system data will provide the most exact information, but do not provide information on cash tips; exit studies are more reliable as customers will remember how much money they spent/tipped, but they focus on individual restaurants and sometimes small sample sizes; and ex post (hypothetical) data collection can involve a significant social desirability bias.

Most research into restaurant tipping has so far focused on North America, where service gratuities constitute an important part of the income. In the service-inclusive pricing context of European countries, tipping patterns appear to be far more diverse and complex than so far discussed in studies carried out in North America. There also exist major differences regarding the frequency of tipping as well as the size of tips in relation to bill size. While regular tipping is a norm in the USA (Lynn, 2018; Mansfield, 2016), this research indicates that only in Germany, a large majority of patrons will leave a tip. Tipping is less common in the other countries studied, and uncommon in Norway. A similar difference was also found concerning tip size. Studies in the USA have regularly pointed at an average 20% service gratuity; the highest in the countries studied was found in Sweden, at 9%, and a third or less of this in France, Norway, Spain, or Switzerland. Results thus confirm that service-inclusive pricing norms will result in significantly lower service gratuities. To compare average tips between countries is misleading, however, as there are considerable differences in tipping likelihood and overall tip size. For example, even in countries where tipping is not a social norm, such as Norway, service gratuities can be high when customers make the decision to tip.

Mansfield (2016) highlight the importance of US tipping patterns for international tourism, as US visitors in Europe are likely to leave significantly higher service gratuities. Specifically in Norway, where the share of US visitors (and other international tourists) can be high, overall tip volumes may be larger than resident data would suggest. For example, restaurants in locations that attract a high number of international tourists will earn higher service gratuities.

Haris and Mongiello (2001) did a strategic study which matched between key indicators used by general managers and studied the general managers interpretation to the key performance indicators for decision-making. They found out that hotel managers based their decisions on financial indicators whereas the industry is said to be market oriented and hence requires a greater focus on customer related activities. Further findings showed that the industry is labour intensive, which would suggest an emphasis on operations and human resource indicators. The work of Harris and Mongiello (2001) suggests that financial measures are prominent, but not dominant, in a hotel general managers' decision-making. Haris and Mongiello (2001) did not analyze effect of service tipping on financial, which is the main objective investor explore when they want to invest in hotel business. This is the gap the current study filled by analyzing effect of service tipping as a competitive advantage on financial performance by hotels in Kenya.

Concerning profitability and economic benefits, Lynn and Withiam (2008) established that a major gains from tipping to the business as it; lowers nominal prices, increases profits through price discrimination, acts as an incentive for up-selling and service, attracts competent workers, and lowers tax payments. It is estimated that over three million people earn an income from tips and this can be connected to the economic wellbeing of society (Curtis et al., 2009). Kenya has been experiencing turbulent times with regard to its organizational practices in the last two decades and currently due to the impact of Covid 19. This has resulted in generally low profits across the economy and this picture is fairly well replicated in the Hotel Industry from this study there may come out a solution in the revival of hospitality industry where staff may agree with management on the financial share of a volume of business especially in service tipping.

Njiru (2014) sought to determine effect of organizational structure on financial performance of commercial state corporations in Kenya. Specifically the study focused on the effect of organizational size, structure formalization, the extent structure complexity and the extent structure centralization on financial performance of commercial state corporations in Kenya. The study employed a survey research design and targeted all the 34 purely commercial state corporations in Kenya. The study used both structured / closed ended and unstructured / open-ended questionnaires to collect data. Both qualitative and quantitative data was analyzed. From the study findings revealed that there is a positive relationship between dependent variable return on assets (ROA) and independent variables; Organizational size, structure formalization, structure centralization and structure complexity. Under structure formalization, regular departmental meetings, formal guidelines on how to deal with every operational activity and readily available policies and procedures manual improved performance. Under structure complexity, few levels of hierarchy before a decision is made, established departments to deal with every corporation mandate and more than one income generating activity were desirable. The studies here above did not show how service tipping affects the financial performance of hotels in Kenya.

2.4.2 Service Tipping and Customer Satisfaction

Lynn and McCall (2000) suggested that the service–tipping relationship is due to the effects of customers’ service evaluations and tips rather than to a direct effect of service quality on tip size and customers decisions about whom to tip are largely determined by customer. Other researchers also provided evidences that among others factors, customers tip servers to enhance better future services. Tip size were based on moods of customers (Lynn & McCall, 2000), customers tip more for better service (Parrett, 2006), and tip to avoid guilt (Lynn, 2009). Callan and Tyson (2000) found that tipping, as a means of showing status is significantly more important to the Italian than the English. Italian seems to be more generous in tipping waiters/waitresses than the English.

In restaurant that caters exclusively for foreign tourists, tipping is more common, and in many instances, the gratuity normally 10-15% is included in the bill. Results indicate that when the service charge is added onto customers’ bill and onto all tips collected for equal distribution among servers, it enhances the employees’ perception

of fairness and distributive justice. Equal sharing of tips, among all servers is fair than the other tipping systems that include back-of-the-house employees (Ingrid, & Karthik, 2011). Kazembe et, al. (2014) observes that service charge was the most preferred system to share tips which motivates all employees since the guest experience is a product of collective effort from almost all the employees in the hotel establishment. Dermody and Taylor (2004), tips are a motivational tool that can be used for staff retention that saves the hotel high cost associated with employee turnover. Tipping positively influences motivation, which in turn influences performance of the hotel (Kazembe & Mapingure 2014).

Christopher and Wirtz (2007) discusses customer behaviour in service encounters where they argues that without understanding the customer behaviour, no organization can hope to create and deliver services that will result in satisfied customers. The nature of encounters that customers have with their service providers during service delivery and consumption ranges from how customers interact with the service facilities, service personnel and even other customers. What are the customer's expectation at each step in service delivery and whether finally the customers are satisfied and ready to repurchase in the future. Hotel managers should always struggle to narrow the customer gap between perception and expectation. To develop and provide offerings that satisfy consumer needs and expectations, service providers need to understand how consumers choose, experience and evaluate their service offerings. The idea of customer expectation is so critical to evaluation of service, which leads to decision making for a future purchase.

Cousins et al. (2014) discusses good customer service as an output of integrated services characterized by meeting or exceeding customer expectations, knowing the benefits or features of the service or product on offer, being able to listen actively, being friendly and polite and being able to adapt methods of communication to meet the individual needs of a range of customers. Forming a professional relationship with customers and achieving customer satisfaction also forms a major aspect of good customer service. They further discusses the benefits of good customer service to the operation to include increased sales, fewer complaints, attracting new customers through increased reputation, increases in repeat business and customer royalty. For individuals working in food and beverages service, the benefits of providing good

customer service include recognition and achieving job satisfaction, which leads to increased motivation and loyalty.

This may reduce the turnover of servers, retaining most competent ones and improving service and company performance. In an attempt to retain room attendants who otherwise had a low pay, hotels introduced turndown services in their rooms so that room attendants will have greater opportunity to earn tip from customer hence longer stay in the hotel as an employee (Shin et al., 2016). In his analysis of several studies Pnevmatikoudi and Stavrinoudis, (2016) helps us identify indicators to be checked in the study which will rotate around the number of new product and services, number of the new activities provided to customers in the hotel, number of innovations performed during the service production process, product and services innovation and proactively of staff.

Jacob and Guéguen (2013) stated that table service requires the servers to have a good knowledge of the products of the restaurant, to always pay attention to the customers, and to show hospitality all the time. The servers also always need to take care of their physical appearance and keep maintaining positive behaviours and attitudes, like smiling. Several studies reported that tipping increased when servers smile to the customers or make an interaction with them (Jacob & Guéguen, 2013). Previous research has identified a number of techniques that lead to larger tips (for a review, see Lynn, 2011). For example, food servers earn higher tips when they use cosmetics (Jacob et al., 2010), leave personalized messages on checks (Seiter & Gass, 2005), and wear certain colors (Guéguen & Jacob, 2014).

Artuğer and Çetinsöz (2013), customers tend to give tips in restaurant when they find factors such as: food is served with an appropriate temperature, the ordered dishes meet expectations, the service equipment is clean, the service employees refrain from hard sell tactics, the service employees apologize for any mistakes, the service employees enjoy their work, are friendly and are able to form good rapports. The method used by servers to provide services will also influence customers' tipping decision. For instance, customers that made a direct contact (touching) with servers are more likely to give tips, even if it is only a small touch on the shoulder. Servers that introduce themselves and squat next to the table when taking orders and talking with

customers are also more likely to get higher tips from the customers. The eye contact and closer interaction are proved to create more intimate connection when forming rapport. There is also the method when one or two candies are given along with customers' bills.

Philemon (2015) in his study on the assessment of tourist's perception and satisfaction of Tanzania destination, states that the tourism industry is greatly controlled by the discernment that tourists carry with them about that particular destination. Philemon further argues despite the well-built literature from western world and the developing economies on tourists' perception and satisfaction, there seems to be unsatisfying outcomes regarding what satisfies tourists on each destination. Philemon (2015) study was not done in the hotels in Kenya and was not based on Balance Scorecard Matrix, which is the gap the current study will fill. In his study, service quality and customer satisfaction in the hotel industry, (Urge, 2016) states that customer satisfaction is significant to build long-lasting relationships with consumers and hence a critical success factor in service oriented companies. As indicated by (Mubiri et. al., 2016) many researchers have argued that some customers may not appreciate some services as much as others would. Consequently, ethnic differences may lead the hotel to modify their services to fit the social and ethnic practices of specific consumers. Hotel businesses in developing countries also have to compete with each other and focus on satisfying both local and worldwide customers, because, today's customers are more alert, educated and exposed to a lot of information through online sources , social media , magazines (Urge, 2016).

A Study conducted by (Ali et al., 2015) on the roles of customer expectation on customer satisfaction shows that information of customer expectation is important because this factor influences the customer behaviour and management within the limited resources. Normally expectations a customer have about a product or service depend upon the information gathered from the available resources. Customer expectations could be influenced by the advertising, promotions and positive word of mouth. When customers have high expectations, and the reality fall short, they will be disappointed and will likely rate their experience as less than satisfying. For this reason, a luxury resort, for example, might receive a lower satisfaction rating than a

budget motel even though its facilities and service would be deemed superior in ‘absolute’ terms.” (Mubiri, 2016).

A study conducted by (William et al., 2016) explains that customers develop a certain set of expectations based on a variety of inputs and consider their previous experiences with services in general and with each specific kind of service, they have encountered. Customers also develop expectations when they hear about services from others. If you hear that your friend was delighted with her stay at a particular hotel, you are more likely to expect that same level of service if you stay there. Mason and Simmons (2012) also connect service quality with customer expectation as they found that customer expectation occurs when customers predict the service quality by using their own characteristics, attitudes and preference. Customers perceive the services differently depending on their perception and expectation whilst customer satisfaction will be judged by the provided service and customer expectation (Yongchaitrakool, 2014).

In the study by Forozia et al. (2013) on customer satisfaction in hospitality industry case study of Middle East tourists at 3 star Hotels in Malaysia, customer expectation is defined as beliefs and sensitivities that each customer has about service derived from what they require from it and supposes it to do. Forozia et al. (2013) study was conducted in the hotels in Middle East; this is the gap the current study will fill by analyzing the determinant effect of service tipping on the customer satisfaction of hotels in Kenya. According Amissah (2013), in the academic study on tourist satisfaction with hotel services in Cape Coast and Elmina, Ghana; expectations is described as the desires or wants and are in most cases different from what the customer gets.

Study conducted by (Yongchaitrakool, 2014) on the effect of customer expectation, customer experience and customer price perception on customer satisfaction in hotel industry indicates that in any service oriented industry, the element of customer expectation is significant in order to provide quality service. Further in his study (Yongchaitrakool, 2014) argues that there are two levels of customer expectation, desired and adequate. The desired expectation is what customers expect to receive from the service providers, whereas adequate expectation is defined as the service

performance that customers can accept. The desired expectation is in the higher level than the adequate expectation. It is related to the customers' evaluation (Yongchaitrakool, 2014).

Rigby (2013) observed that information collected through customer interactions support effective customer service programs, generate more reliable sales forecasts, provide feedback on customer preferences and problems to product designs, assist gather market research on customers, enables sales representatives to see financial impact on different configurations before they set prices and improves customer retention. Mokhtar (2013) noted the practices of customer focus were identified as pivotal for any organization seeking to reach a level of sustainable performance. Other studies with similar outcome include Owiti (2014) that satisfied customers would refer others to the hotel increasing customer numbers and hence improving competitiveness and profitability.

2.4.3 Service Tipping and Internal Process Performance

Dachs et al. (2015) in a study on the effects of innovation on Small and Medium Enterprises (SMEs) development, reports that innovation is a critical component of SMEs growth. The study employed a descriptive survey design using a cross-sectional data from 1400 firms spread across all sectors of the economy in the European Union (EU). Since this study was conducted in the EU, which has different socio-economic as well as political environment to those of Kenya, findings could vary if the same study is conducted among the Kenyan firms. In addition, this study focused on all categories of firms within the hotel and restaurant sector, and not just on the SMEs. Therefore, comparison of the effects of innovation on both small and large firms' will be made. Dachs et al. (2015) study was conducted in developed country and was in SME sector, which the research gap that the current study will fill by analyzing effect of service tipping as a competitive advantage on internal process performance by hotels in Kenya.

A study by Triguero et al. (2014) investigated the link between innovation and profits in Spanish firms and established that firms with patent rights and skilled workforce were more likely to generate more profits than their counterparts with no patent rights and relatively low skilled workforce. In addition, through their analyses, which had

employed ordinary least square (OLS) method, the study noted that firms with patents stood a high chance of getting loans from banks. Mwihaki (2017) conducted a study on the role of innovation management on SMEs Performance focusing of the Hotel sector in Nairobi. Both descriptive and regression analyses were applied to primary data from 100 hotels. The study found that market and process innovation management played a critical role towards the performance of SMEs in the hotel sector in Nairobi. On the other hand, the study observed that management of supplier innovations played no role on hotel performance. However, the study was not conducted in hotel sector which is the literature gap the current study filled by analyze effect of service tipping as a competitive advantage on internal business process performance by hotels in Kenya.

Kaptoge (2008) did a study on Wrigley Co. with the objective of finding out whether the company succeeded in Business Process Re-engineering (BPR) implementation by improving its competitiveness and determining the key factors that may have led to the success or failure of BPR implementation. The findings were that BPR implementation on the supply chain and enterprise resource management resulted in process management improvement resulting in achievement of competitive advantage. Gitagama's (2008) study on EABL had the objective of finding out the relationship between Business Process Re-engineering and organizational performance, whether it was symmetrical, reciprocal or asymmetrical. The findings indicated that EABL substantially benefited from reengineering through growth in efficiencies leading to improved growth as measured by profitability over the years.

Mturi (2014) studied the effect of business process reengineering on staff turnover using a case of KK Security Group of Companies and reported that effective communication, ICT resources, team work and employee attitudes towards change as having played an important role in the BPR implementation in the KK group of companies. Odede (2013) focused on business process re-engineering implementation and organizational performance in Kenya Revenue Authority and established a positive relationship between BPR implementation and performance of KRA with improvements noted in areas of customer service, process turnaround time, cost reduction, improved technology, competitiveness and revenue growth. Mturi (2014) study was conducted in the security department and analyzed staff turnover which is

the research gap the current study filled by analyzing effect of service tipping as a competitive advantage on internal business process performance by hotels in Kenya.

Gachoka (2015) did a study on the application of business process re-engineering as a strategic planning tool by the Kenyan Judiciary and established that change management especially through embracing IT came out strongly as a factor to their success. On his part, Okwena (2015) studied factors influencing performance of BPR projects in Kenya Commercial Bank and found that management commitment, communication of change, processes and systems management and monitoring and evaluation significantly influenced the performance of BPR projects at the bank. Gachoka (2015) and, Okwena (2015) studies did not analyze effect of service tipping as a competitive advantage on internal business process performance by hotels in Kenya.

A study conducted on public organizations established that changes in organizational structure had an effect on organizational performance. The study sampled employees from several such organizations and established that there were instances of ambiguity in job roles and poor communication which resulted to poor organizational performance both at the firm level and competitive market (Jang & Kim, 2014). Another study conducted explains that organizational structure guides the proficiency of work, the enthusiasm of employees and coordination among the top management and subordinates for continuous implementation of the organizational operations in line with organizations goals and objectives. However, at the same time formalization comes about and may be affected because rules and regulations such as policies may not be applicable when the organizational structure has changed (Tran & Tian, 2013).

Chinese Enterprises Association (2012), it was discovered that China's enterprises have excessive levels of organizational structure, rigid mechanism, and poor information transfer. A large number of scholars have managed to investigate organizational performance from the perspective of firm's characteristics, corporate culture and structure, and knowledge management. A study by Ahmadi et al. (2012) explains that twenty-first century leaders have greatly emphasized on the need of organizations to adopt to boulder less techniques which entail the lack of internal and external boundaries between units, levels and location that may limit a firm's ability to

generate useful knowledge that may be crucial to firms value creation motive. Other studies posit that firms with lesser formal procedures commonly referred to as organic firms are said to encourage horizontal and vertical communication (Brenes et al., 2008).

According to Ellram (2011), internal procurement processes include budgets, purchase request, quality management and payment processes. The manners in which the aforementioned processes are conducted within the procurement process have a great influence over the performance of an organization. The recent formations of the Public Procurement Oversight Authority in addition to reforms that have institutionalized procurement in public organizations have made procurement to become increasingly important in the Kenyan economy (Chebichii et al., 2014).

Onchoke and Wanyoike (2016) on the impact of internal procurement processes on organizational performance reveals that indeed internal procurement processes enhance organizational performance. Specifically, inventory control as one of the internal procurement processes plays a very important role in bringing forth enhanced organizational performance. The same sentiments are shared by whose research revealed that internal procurement process play a very important role in bringing forth enhanced organizational performance. In particular, the research revealed that internal resources and capabilities concerned with efficiency and integration play a very important role in bringing forth improved organizational performance. Siricha and Theuri (2016) also investigated the impact of internal procurement such as electronic procurement on the organizational performance of Kenya Ports Authority. The findings of the research revealed that internal procurement processes and in particular electronic procurement had a great influence on organizational performance. Specifically, the research's findings showed that the integration of internal procurement processes played a very important role in enhancing organizational performance.

Kennedy and Kiarie (2015) studied the influence of internal procurement processes on organizational performance revealing that there is a positive correlation between internal procurement processes and organizational performance. The research further revealed that internal procurement processes enhance organizational performance by

integrating an organization's operational and support functions, ensuring that production is aligned with new orders; purchasing is aligned with demand while shipping and scheduling are aligned with the requirements of customers.

Mugambi and Theuri's (2014) study revealed that there is significant relationship between internal procurement processes and organizational performance. Empirical literature shows that internal procurement processes have a positive impact on organizational performance. Some of the internal procurement processes that enhance organizational performance include enhanced information sharing, ordering processes and payment processes. Further, the use of internet within the internal procurement process enhances the effectiveness of order processing, the quality and level of information sharing and payment processing in effect leading to improved organizational performance. The purpose of the study was to evaluate the effect of internal procurement processes on organizational performance in case of public sector. These studies did not analyze the effect of service tipping on internal business process of star rated hotels in Kenya, which is the objective of the current study.

Muendo (2014) found that organizations with stronger cultures were most effective when their environments favored exploiting, or fully executing existing objectives using existing organizational knowledge and approaches, rather than exploring, or discovering and developing new objectives using new approaches. He reasoned that incremental adjustments to organizational routines were easier in strong culture firms because participants have an agreed upon framework for interpreting environmental feedback and a common set of routines for responding to different signals from the environment.

Rintari et al. (2018) established that internal process significantly influenced performance in National referral hospitals in Kenya. Having established formal rules and procedures ensures smooth functioning and the absence of rules and regulations may lead to chaos and anarchy organization and behavioral uncertainty among employees. The findings indicate that there are established traditions in the referral hospitals in Kenya. 72% of the respondents said that there is an established way of doing things. This is an indicator of strong culture, which according to Strong cultures may, however, impose a level of stability on organizations, and such stability has

mixed implications for performance. Nevertheless, there is a linear and significant relationship between internal processes and organizational performance in National referral hospitals in Kenya.

Hajipour et al. (2011) studied on relationship between industry structure, strategy type and organizational characteristics. Results indicate industry structure determines organizational characteristics. Mansoor et al. (2012) contend that ideal organizational structure is a recipe for superior performance. Oyewobi et al. (2013) study on impact of organizational structure and strategies on construction organizations performance, found that organization structure has no direct impact on both financial and non-financial performance.

Disii (2011) focusing on the implementation of business process reengineering at Kenya Laibon (2014) did a study on the effect of BPR on staff turnover at KK Security Group of Companies. Doyle (2014) focused on Business process re-engineering for the improvement of bank credit operations in South Africa. Hagos (2012) did a study on the BPR implementation and result within the Ethiopian ministry of health and Gambella region.

Sarang (2012) studied business process reengineering in the retail industry in India. The study conclusions indicated that BPR in the retail sector entailed introducing technological changes and redesign of workflow activities. Stegan et al. (2013) studied the impact of business process reengineering on performance in the Bureau of Finance and Economic Development (BoFED) in Ethiopia. The study concluded that majority of the BoFED customers were satisfied with improved organizational performance, quality of service and service cycle time.

Odede (2013) investigated the factors that are necessary for successful implementation of business process reengineering in Kenya Revenue Authority. The study focused on business process reengineering initiatives undertaken by Kenya Revenue Authority. The findings showed that business process reengineering results in revenue growth, improved technology, cost reduction, process turnaround time and improved customer service. Awolusi and Onigbinde (2014) assessed the critical success factors for BPR in Nigerian gas and oil industry. The study intended to identify critical success factors

and evaluate the impact of CSF's and BPR on operational and overall organizational performance. Operational performance was considered the primary measure in the study while overall organizational performance was considered the secondary measure. The study employed a questionnaire as the primary data collection tool. The study findings showed that management system, project management and planning, support and competence management, IT infrastructure and organizational culture were critical success factors.

Mungai (2015) aimed at examining the role of BPR on customer relationship management, cost management and operational efficiency at UAP insurance company. The study found that BPR helped UAP to achieve simplification of operational process, improvement in the tracking of complaints, simplification of operational process leading to customer loyalty and improvement in process of customer acquisition and consistency in service delivery. These studies were not conducted in star rated hotel, which is the aim of the current study.

Habib (2013) carried out a study on Understanding Critical Success and Failure Factors of Business Process Reengineering in Pakistan. He used the explorative survey methods to carry out his study. The results revealed that companies are shifting from product centered approach to customer oriented approach. Therefore, the priorities are also changing and the companies are trying to satisfy their customers to deliver what they want in terms of values. He concluded that bringing change into an organization is very difficult and very much demanding. Therefore, proper planning from top management is very important in accordance with the organizational needs and resources. The supportive role of management is a key to successful implementation. The involvement of HR in planning and implementation is also essential. He recommended that companies need to identify the tasks that are unnecessary, causing delay and inefficiency, identification of areas and jobs that can be reengineered with the help of developed and up to date technology.

Mlay et al. (2013) carried out a study on A Quantitative Analysis of Business Process Reengineering and Organizational Resistance: The case of Uganda. The methodology they used was both quantitative and qualitative methods. The study showed that only 30.4% of BPR projects in Uganda have delivered the intended usable Information

Systems. They identified the factors affecting BPR and possible causes of BPR failures. They identified that emotional response of the users towards the BPR implementation ranges from „Acceptance” to „Testing”, „Indifference” and „Anger” They concluded that many organizations in Uganda and elsewhere need to reengineer their processes to improve on efficiency. They recommended that organizations intending reengineer processes should put a lot of emphasis on soft issues of the BPR implementation. It is important to establish good and open communication between the implementers and the management.

Asgarkhani and Patterson (2012) did a study on Information and Business Process Reengineering through Application of Information and Communication Technologies (ICTs) in Pattaya (Thailand). They used exploration method. The result revealed that continued innovation in IT will make sure its role in process redesign will not decline and the more that business becomes the focus of process redesign. They concluded that information technology has a huge role in BPR, this is because information technology’s unique attributes cover most PBR heuristics. They recommended that employees in a business should embrace changes and creativity business process reengineering projects to have a high chance of success.

Vinyaki and Rakesh (2011) conducted a study on strategic marketing of pharmaceutical products manufactured in Kenya. The study had two objectives: to investigate the current strategic marketing practices of Pharmaceutical Manufacturers in Kenya; to establish the strategic responses of firms to the changes affecting the pharmaceutical industry. To achieve these objectives, a survey was conducted and primary data was collected, the data was collected through personally administered questionnaires. The data was analyzed using SPSS. The data was analyzed using simple descriptive statistics. The study found that with increased environmental turbulence, firms in this sector made some adjustments in their marketing mix components in order to remain competitive. Changes in complexities led pharmaceutical manufacturers to adopt more market driven strategy approaches. There was a vast difference amongst the firms in, this sector with respect to their size, resources and product mix. Many companies follow niche market and market segmentation approach. The' firms were also doing marketing planning.

Mugabane and Nandama (2010) conducted a study to analyze the Strategy evaluation and control by pharmaceutical in Kenya. It also sought to determine the relationship between these practices and other firm characteristics. A cross-sectional survey design was used with a sample size of 60 pharmaceutical firms operating as manufacturers and distributors. The study used a structured questionnaire to collect data. The data was analyzed using SPSS and majority (83.4%) of respondents indicated strong appreciation of the importance of evaluating and controlling strategies Consistency was considered by the majority of respondents (47.7%) to be the most important factor among Rumelt's strategy evaluation criteria when deciding on strategies to be employed by their organizations. Most respondents (60.0%) indicated that they reviewed their strategies on a periodic basis i.e. quarterly, biannually or annually while 36.7% do so whenever need arises. However, few firms (33.3%) make budgetary allocations for strategy evaluation and control activities. Monitoring of financial performance was the most commonly used method of strategy evaluation and control.

Munyi and Ogolla (2017) established a positive relationship between staffing and business process improvement since continuous quality improvement hinges on training of staff. Further, the study deduced that the Pharmaceutical manufacturing firms in Kenya encourage the involvement and development of their people by providing ongoing training and career planning. Education and training at the company emphasize the importance of meeting requirements and the needs and expectations of the customer and other interested parties. A positive relationship between organisational strategy and business process improvement. Organizational strategy provides directional cues to the organizations that permit them to achieve their objectives while responding to the opportunities and threats in the environment. The study also revealed that organizational strategy is flexible enough to allow the selection of the most appropriate approach for each improvement. Organizational strategy also ensures optimization of effort in process improvement; results in future oriented plans interacting with the competitive environment to achieve the company's objectives and achieves advantage for the organization through its configuration of resources within a changing environment, and fulfil stakeholder's expectations (Munyi & Ogolla, 2017).

Magutu et al. (2010) examined the relationship between innovation and employee performance. The authors concluded that there is a positive impact of administrative and technological innovation on employee performance. Reengineering Process innovation helps to improve operational efficiency. Process change initiatives bring about business efficiency by reducing time and costing organizational processes through the optimal use of technological innovations to achieve major improvements in quality, performance, and employee productivity. Sia and Neo (2008) further states that, the members of the society for Information Management identified Reengineering Process as a major concern for organizations, on a level with customer orientation, development of organizational culture, and strategic alignment of information technologies.

Satyanarayana and Kavitha (2011) found out that BPR had an impact on customers as well as on banks performance. Organisation structure defines who performs, manages, and is accountable for each business process. Having a good structure determines how efficient an organisation becomes. Different structures exist for example functional, divisional or mixed organisation structure. Adopting the organizational structure to make it fit the new defined processes is a crucial task that determines how the organisation will reap benefits of the reengineering efforts. Gavrea et al. (2011) found that there was a positive relationship in use of performance measurements on organisation performance and for those companies hoping to improve their market success, this pillar is very important. Having proper roles defined and mechanisms to ensure adherence to procedures to achieve desired results is an aspect that needs to be considered when starting the journey of re-engineering. The roll out mechanism and procedures on how to achieve desired results is also important.

Oben-Addae (2015) states in her study on evaluating the effect of Business process reengineering in Ghana that the investment contributes to the morale of employees since it allows more time for a work life balance. Individual belief systems are the attitudes and mental models that individuals apply to themselves, those they work with, and the work itself. Examples of mental models: Impatience, skepticisms, openness, control, rigidity, and flexibility in aligning the value dimensions to support the re-engineered organization requires organization executives to demonstrate leadership.

2.4.4 Service Tipping and Organization Learning Performance

Kontoghiorghes et al. (2002) in their empirical study on relationship between learning organization dimensions and adaptation to changes, innovations and performance identified learning characteristics as open communication and information sharing, risk taking and new idea promotion, support and recognition for learning and development, resource availability to perform ones job in a professional manner, availability of high performance team, reward for learning and performance ,positive training transfer and continuous learning climate and knowledge management.

Many studies documented benefits accruing from training and development. Kamau and Waudu (2012) indicate that employee competences contribute to customer satisfaction while Nwenre (2005) contends that competent employees have a cluster of skills and attitudes that affect a major part of their job. In the hotel industry, Kim et al. (2011) itemized competencies that need to be developed to enhance effectiveness at work as; Practical competencies (patience, good documentation, good presentation, use of computers, and good memory), Adaptability to work environment (Neat and decent), Ability to make progress in work (recognize customer needs, able to sell products, meet people and communicate), Interpersonal skills (friendly, coping well, control emotions and care for the team members), Actively participate in social gathering (sense of humor and keep close relationship) and Flexibility (no complains, work late and weekends). Workplace so as to stimulate efficiency while Raja et al. (2011) and Abeeha and Bariha (2012) note existence of a positive correlation between training and organizational performance and competitive advantage. Organizational performance and competitiveness may be occasioned by change of behavior of employees prompted by training.

Dimovski and Škerlavaj (2005) studied the relationship between organizational learning and performance and found that the impact of organizational learning on business performance differs and depends on what they understand by performance. Understanding the performance goals of an organization enables management to know the knowledge needs required to achieve organizational learning and consequently increased performance. Amulyoto (2004) studied organizational learning practices and their impact on performance among donor agencies in Nairobi, while Khakina (2006) studied the determinants of success in NGOs. They both concluded that organizational

learning was a major tribute to the success of non-governmental organizations and they are increasingly embracing the concept of organizational learning, however, they could not conclusively assume the same impact in competitive firms. Amulyoto (2004) and Khakina (2006) studies did not analyze effect of service tipping as a competitive advantage on organizational learning on performance by hotels in Kenya which was one of the objectives of the current study.

Njuguna (2008) studied how organizational learning influences Small and Medium Enterprises performance in Nairobi, Kenya and concluded that organizational learning has a positive influence on performance in SMEs but concluded that more research needed to be carried out in larger firms as efficiencies and performance may differ. Therefore, this study sought to examine the effect organizational learning on organizational performance in food manufacturing firms in Nairobi County Kenya. Overall, it can be concluded that an organizational environment in which organizational learning is encouraged; individuals was more committed to achieving firm's goals, encouraged to share information and learn, develop new skills and knowledge therefore facilitating an improved firm performance. Njuguna (2008) study did not analyze effect of service tipping as a competitive advantage on organizational learning on performance by hotels in Kenya, which is one of the objectives of the current study. Ambula et al. (2016) found that Learning Organization (LO) contributed to 6.7 percent of the financial performance and 39.4 percent of non-financial performance while the other remaining percentages could be due to other factors.

Nzuve and Omolo (2012) conducted a research to establish the effect of learning of learning organization practices in Kenya and found that the practices of LO had a positive correlation with organizational performance among 43 Kenyan Commercial Banks and found that most of the banks had largely adopted the practice of a learning organization. In Virginia Department of Social services, Pokharel and Hult (2015) found evidence that individual and group level learning (that is, continuous learning, dialogue and inquiry, team learning and empowerment) had an indirect statistically significant effect on organizational performance. However, two organizational level factors (a system to capture learning and strategic leadership) had no statistically significant effect on organizational performance, while system connections do have a positive impact on organizational performance. Pokharel and Hult (2015) studies were

carried out in commercial banks whereas the current study will be carried out in hotel sector in Kenya which is the gap the current study filled by analyzing effect of service tipping as a competitive advantage on organizational learning on performance by hotels in Kenya.

Egan et al. (2004) found evidence that organizational learning culture has a direct and indirect impact, through the mediator of job satisfaction, on employee turnover intention and service delivery. They noted that despite the high correlation between the organizational learning culture and job satisfaction, these two constructs tend to be distinct both conceptually and in terms of measurement. Chang and Lee (2007) conducted quantitative research targeting different industries in Taiwan and found that the operation of learning organizations has a significantly positive effect on employees' and clients satisfaction. Egan et al. (2004); Chang and Lee (2007) studied job turnover and employees satisfaction which is the literature gap the current study filled by analyzing the effect of service tipping as a competitive advantage on organizational learning on performance by hotels in Kenya.

Organizational learning plays a significant role in determining SMEs performance. Organizational learning is considered a crucial factor within organizations in explaining their performance (Kim et al., 2017). Various studies demonstrate that researchers pay much attention on organizational learning in determining their performance (Nafei, 2015; Shurafa & Mohamed, 2016). Where members of staff cannot find an opportunity to apply the fresh skills acquired, the incentive to learn is reduced. In contrast, where an organization's culture identifies or rewards members of staff who take initiative to practice the new ideas and skills, this may result in a positive impact in terms of continuous learning amongst the members of staff (Mueller, 2011). Husein et al. (2016), sought to investigate the association between learning organization culture and organizational performance in Public Institutions of Higher Education in Malaysia. Continuous learning was found to be highly associated with organizational performance. Norashikin et al. (2013) study concluded that continuous learning opportunities through scholarships, training programmes, and research grants should be made available to the academics to add value to their existing skills and knowledge for higher performance. Most respondents in the current study observed that service tipping as a unbreakable culture.

2.4.5 Star Rating and Hotel Performance

A hotel's star rating is determined by a third party organization, Forbes Travel Guide. In 2009, Forbes merged with Mobil Travel Guide and adopted their rating system to evaluate hotels, restaurants, and spas on a 5-star system (Bagdan, 2013). The ratings are a combination of facility inspection scores (25%) and a service evaluation (75%) (Bagdan, 2013). A 5-star hotel is considered the most exceptional of all properties, as the rating indicates that its quality of service is nearly flawless, and it would have, among other features, a staff passionate enough to deliver a service experience beyond all expectations (Bagdan, 2013). A 4-star hotel is one that has a distinctive setting with many interesting and attractive features. Personalized service and strong attention to detail are other features of these properties. Finally, a 3-star hotel is viewed as a nice property, yet not as well regarded as a four or five star location (Bagdan, 2013). Another star rating system is The Red Guide, provided by Michelin; the 100-plus year publication rates hotels on a three-star scale (Kasavana, 2013). Ease of access to tourist locations and a strong sense of location are key components to these properties (Bagdan, 2013). The star ratings, which are determined by the physical aspects of a facility and the level of service quality offered, reflect the degree or extent of luxury of a hotel (Ingram & Roberts, 2000).

In years past, industry professionals agreed that human resources-related skills were the most important for managerial success; this study and current research suggests that knowledge in areas of finance, marketing, and information technology can be more important than human resources (Kay & Moncarz, 2004). Upper level managers have a significantly higher knowledge of financial management and subsequently a higher salary bracket (Kay & Moncarz, 2004). Middle managers, poised for upward mobility, should focus their learning and goals on analytical skills and financial management knowledge (Kay & Moncarz, 2004). Nailon (1982) examined the history of hospitality and determined that managers are successful when they are versed in both conceptual and technical tools drawn from psychology, engineering, operations research, math, and standard daily operation components. Kay & Moncarz (2004) study did not assess the moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya, which was one of the objectives of the current study.

Avid (2002) studied star rating and corporate affiliation: their influence on room price and performance of hotels in Israel. The data suggests that the star-rating system, which is traditionally used to rate hotels' quality, is a still stable and consistent predictor of room prices. However, in light of the increased usage of brand names in the Israeli industry, it was found that the ability to charge and receive a premium for the hotel corporate affiliation or brand name is not consistent. The analysis presents the case in which a premium for brand name is eroded by the influence of the crisis, by the level of corporate intensity in the region, and by the relative strength of consumers in the different geographical locations. Avid, (2002) did not analyze star rating as a moderator, which the current study analyzed.

Hotel rating systems offer benefits to various sectors—travel agencies, tour operators, hotels, governments, and consumers (WTO & IH&RA, 2004). The systems facilitate travel agents' selection of hotels for their customers. Major tour operators, such as First Choice, Thomson Holidays, Airtours, and Thomas Cook, have their own hotel classification systems to assist product packaging and marketing. Hotel companies use classification schemes as “branding” (WTO & IH&RA, 2004), which convey both qualitative and quantitative grading of properties to their customers. The rating system provides consumers with an easy way to compare hotels. Governments use hotel ratings or classification systems to regulate the hotel industry with tariffs and taxes, and to meet basic requirements of safety and hygiene. Research found that, when choosing hotels, customers staying at three- to five-star (or other equivalent symbols) hotels use rating systems more often than do those staying at one- and two-star hotels.

Albrata et al. (2011) on hotel classification and service quality improvement and industry performance reveals relationships between quality award symbols and hotel rack rates chargeable to guests. The study found that quality levels by reputable classification systems help explain hotel tariffs, concluding that star rating is a reliable and powerful marketing tool for tourism industry competitiveness. Fernandez and Serraru (2004) in a research conducted in Spain sought to establish whether hotel star rating system is a better predictor of hotel service quality. The study established a positive correlation between the quality of service delivery and the level of hotel rankings according to customer expectations. Fernandez and Serraru (2004) study was

carried out in Spain and did not analyze hotel rating as a moderator which the current study analyzed.

Danziger et al. (2006) and Israeli, (2002) investigation on hotel classification systems asserted that star rating system is a critical tool for measuring hotel service quality. As such, rating system conducted in a suitable quality assurance framework is a major factor influencing guest's expectations and quality judgement determining their satisfaction and cumulative experience in a destination. The rising consumer consciousness and knowledge of service quality therefore compels both local and international hotel chains and destination managers to seek recognizable standards and reliable hotel rating systems to communicate accurate quality levels of hotel facilities (Israeli & Uriely, 2000; Cser & Ohuchi, 2008, and Minazzi, 2010). Conventionally (Minazzi, 2010) hotel classification systems promotes best practices and quality awareness by service providers, and more importantly, guarantees guest satisfaction and experience during their stay at a destination. It primarily serves to facilitate prospective travellers' choice of reliable and dependable hotels offering safe food and accommodation services (UNWTO, 2015). The type of rating system a destination may choose to adopt plays a critical role in its marketing strategy. Danziger et al., (2006); Israeli, (2002) and Conventionally (Minazzi, 2010) studies did not analyze hotel rating as a moderator and did not use Balanced Scorecard performance predictor which the current analyzed.

Similarly, research by Narangajavana and Hu (2008), opines that rating systems are a significant guide for pegging hotel's pricing decisions and that hotel ranking is directly correlated with quality service improvements and performances in hotel properties all over the world. Narangajavana and Hu, (2008) suggesting classification systems leads to quality improvement, marketing and increased performance, the role of classification systems in sustainable growth of the hospitality sector and quality destination management is yet to be realised, especially in the developing countries such as Kenya. The complexity of hotel classification systems is exacerbated by the existence of many independent quality rating programmes and quality seals not linked to any recognizable set of standards or known quality brands (Kotler et al., 2010). Moreover, electronic distribution channels have introduced online guest reviews and ranking systems conflicting with official classification systems (Hensens, 2015).

International chain hotels have also continued to communicate their own quality brands, which are inconsistent with recognized systems to achieve brand awareness and loyalty for their brand differentiation. Narangajavana and Hu (2008) study did not analyze hotel rating as a moderator rather as a predictor.

The star rating attributes of quality of room facilities include both tangible and intangible items in the hotel rooms. Upmarket hotel room facilities supposed to communicate high quality of accommodation standards (Kiplagat et al., 2014). Mbugi (2015) in his study of examining the balanced scorecard approach to measuring performance of Five Star Hotels in Nairobi, established that since the hotels had well-defined measures for measuring financial performance, this may have contributed to significant results that eventually improved the financial bottom-line of the organization. The two studies neither did they study the moderating aspect of star rating to the effect of service tipping to performance of a hotel in a Balanced Score Card perspective which this study will.

2.5 Knowledge Gap

Table 2: Summary of Empirical Review Knowledge Gap

Objective	Empirical Review	Knowledge Gap
Examine effect of service tipping on financial performance of hotels in Kenya	The work of Harris and Mongiello (2001) suggests that financial measures are prominent, but not dominant, in a hotel general managers' decision-making.	This is the gap the current study will fill by analyzing effect of service tipping as a competitive advantage on financial performance by hotels in Kenya.
Determine effect of service tipping on the customer satisfaction of hotels in Kenya	Philemon (2015) in his study on the assessment of tourist's perception and satisfaction of Tanzania destination. Forozia et al. (2013) on customer satisfaction in hospitality industry case study of Middle East tourists at 3 star Hotels in Malaysia	Philemon (2015) study was not done in the hotels in Kenya and was not based on Balance Scorecard Matrix, which is the gap the current study will fill. Forozia et. al. (2013) study was conducted in the hotels in

Investigate effect of service tipping on internal processes performance of hotels in Kenya.

Dachs et al. (2015) in a study on the effects of innovation on Small and Medium Enterprises (SMEs) development, reports that innovation is a critical component of SMEs growth. Mturi (2014) studied the effect of business process reengineering on staff turnover using a case of KK Security Group of Companies. Gachoka (2015) did a study on the application of business process re-engineering as a strategic planning tool by the Kenyan Judiciary. Okwena (2015) studied factors influencing performance of BPR projects in Kenya Commercial Bank.

Middle East; this is the gap the current study will fill by analyzing determine effect of service tipping on the customer satisfaction of hotels in Kenya.

Dachs et al. (2015) study was conducted in developed country and was in SME sector which the research gap that the current study will fill by analyzing effect of service tipping as a competitive advantage on internal process performance by hotels in Kenya. Mturi (2014) study was conducted in the security department and analyzed staff turnover, which is the research gap the current study will fill by analyzing effect of service tipping as a competitive advantage on internal business process performance by hotels in Kenya. Gachoka (2015) and, Okwena (2015) studies did not analyze effect of service tipping as a competitive advantage on internal

business process performance by hotels in Kenya.

Establish the effect of service tipping on learning performance of hotel in Kenya

Dimovski and Škerlavaj (2005) studied the relationship between organizational learning and performance. Njuguna (2008) studied how organizational learning influences Small and Medium Enterprises performance in Nairobi, Kenya. Nzuve and Omolo (2012) conducted a research to establish the effect of learning organization practices in Kenya. Pokharel and Hult (2015) found evidence that individual and group level learning. Egan et al. (2004) found evidence that organizational learning culture has a direct and indirect impact, through the mediator of job satisfaction, on employee turnover intention and service delivery. Chang and Lee (2007) conducted quantitative research targeting different industries in Taiwan and found that the operation of learning organizations has a significantly positive effect on employees' and clients satisfaction.

Amulyoto (2004) and Khakina (2006) studies did not analyze effect of service tipping as a competitive advantage on organizational learning on performance by hotels in Kenya which is one of the objectives of the current study. Njuguna (2008) study did not analyze effect of service tipping as a competitive advantage on organizational learning on performance by hotels in Kenya which is one of the objectives of the current study. Pokharel and Hult (2015) studies were carried out in commercial banks whereas the current study will be carried out in hotel sector in Kenya, which is the gap the current study will fill by analyzing effect of service tipping as a competitive advantage on organizational learning

performance by hotels in Kenya. Egan et al. (2004); Chang and Lee (2007) studied job turnover and employees satisfaction which is the literature gap the current study will fill by analyzing the effect of service tipping as a competitive advantage on organizational learning on performance by hotels in Kenya.

Asses the moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya

Avid (2002) studied star rating and corporate affiliation: their influence on room price and performance of hotels in Israel. The data suggests that the star-rating system, which is traditionally used to rate hotels' quality, is a still stable and consistent predictor of room prices. Fernandez and Serraru (2004) in a research conducted in Spain sought to establish whether hotel star rating system is a better predictor of hotel service quality. The study established a positive correlation between the quality of service delivery and the level of hotel rankings according to customer expectations. Danziger et al. (2006) and Israeli, (2002) investigation on hotel classification systems asserted that star rating system is a critical tool for measuring hotel service quality. As such, rating system conducted

Avid, A. I. (2002) did not analyze star rating as a moderator, which the current study will analyze. Fernandez and Serraru (2004) study was carried out in Spain and did not analyze hotel rating as a moderator which the current study will analyze. Danziger et al. (2006); Israeli, (2002) and Conventionally (Minazzi, 2010) studies did not analyze hotel rating as a moderator and did not use Balanced Scorecard performance predictor which the current will analyze. Narangajavana

in a suitable quality assurance framework and Hu (2008) study did not analyze hotel rating as a major factor influencing guest's expectations and quality judgement a moderator rather as a determining their satisfaction and predictor. cumulative experience in a destination. Narangajavana and Hu (2008), opines that rating systems are a significant guide for pegging hotel's pricing decisions and that hotel ranking is directly correlated with quality service improvements.

2.6 Critic of the Reviewed Literature

The empirical literature reviewed in this section provide the basis of the synthesis on the broad review effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective; financial performance, customers satisfaction, internal business process performance and organizational learning performance. The study further reviewed the moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya. Lynn and McCall (2000) on the other hand suggested that the service–tipping relationship is due to the effects of customers' service evaluations and tips rather than to a direct effect of service quality on tip size and customers decisions about whom to tip are largely determined by customer. Other researchers also provided evidences that among others, customers tip servers to enhance better future services tip size were based on moods of customers (Lynn & McCall, 2000), tip more for better service (Parrett, 2006), and tip to avoid guilt (Lynn, 2009). Callan & Tyson (2000) found that tipping, as a means of showing status is significantly more important to the Italian than the English. Italian seems to be more generous in tipping waiters/ waitresses than the English and this difference probably due to the tipping in the UK.

Mwihaki (2017) conducted a Study on the role of innovation management on SMEs Performance focusing of the Hotel sector in Nairobi. Both descriptive and regression analyses were applied to primary data from 100 hotels. The study found that market and process innovation management played a critical role towards the performance of SMEs in the hotel sector in Nairobi. On the other hand, the study observed that

management of supplier innovations played no role on hotel performance. However, the study was not conducted in hotel sector which is the literature gap the current study will fill by analyze effect of service tipping as a competitive advantage on internal business process performance by hotels in Kenya.

Dimovski and Škerlavaj (2005) studied the relationship between organizational learning and performance and found that the impact of organizational learning on business performance differs and depends on what they understand by performance. Understanding the performance goals of an organization enables management to know the knowledge needs required to achieve organizational learning and consequently increased performance. Amulyoto (2004) studied organizational learning practices and their impact on performance among donor agencies in Nairobi, while Khakina (2006) studied the determinants of success in NGOs. They both concluded that organizational learning was a major tribute to the success of non-governmental organizations and they are increasingly embracing the concept of organizational learning, however, they could not conclusively assume the same impact in competitive firms.

Avid (2002) studied star rating and corporate affiliation: their influence on room price and performance of hotels in Israel. The data suggests that the star-rating system, which is traditionally used to rate hotels' quality, is a still stable and consistent predictor of room prices. However, in light of the increased usage of brand names in the Israeli industry, it was found that the ability to charge and receive a premium for the hotel corporate affiliation or brand name is not consistent. The analysis presents the case in which a premium for brand name is eroded by the influence of the crisis, by the level of corporate intensity in the region, and by the relative strength of consumers in the different geographical locations. Avid (2002) did not analyze star rating as a moderator, which the current study will analyze.

The studies reviewed on effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective. The empirical studies reviewed did not examine the effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective; financial performance, customers satisfaction, internal business process performance and organizational learning performance. Secondly, the studies reviewed were not based on the following theories which the current study set as the basis of

analyzing the set variables; Resource Dependency Policy, Reciprocity and Equity Theory, Tipping Motives Framework (TMF) and Balanced Scorecard Framework. Third none of the studies assesses the moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya which is the literature gap the current study's results will avail as new knowledge to the body of hospitality institutional strategic management.

2.7 Conceptual Framework

Figure 2.3 below shows a Conceptual framework model by identifying the variables used for the study and their relationships. The dependent variables of the conceptualization is hotel performance measured using Balance Scorecard Index; Financial Performance, Customers Satisfaction, Internal Process Performance, Learning and Growth performance. The independent variable is Service Tipping in the hotels Kenya, measured in terms of; Type of Tips, Size of Tips and Frequency of Tips. The moderating variable is the star rating of the hotel. When hotels in Kenya apply service tipping policy effectively in their operations, it can create a competitive edge leading to superior performance measured in terms of; Financial Performance, Customers Satisfaction, Internal Process Performance, Learning and Growth performance. When the hotels improve their service quality, it can make them be highly rated leading to higher star rating. The hotel rating can catalyze the relationship between service tipping and the hotel's performance (Financial Performance, Customers Satisfaction, Internal Process Performance, Learning and Growth performance). This model is unique to the extent that service tipping is hypothesised to have a correlation with Star rated hotels performance in Kenya where performance is perceived multidimensional rather than one-dimensional perspectives of Balanced Score Card model.

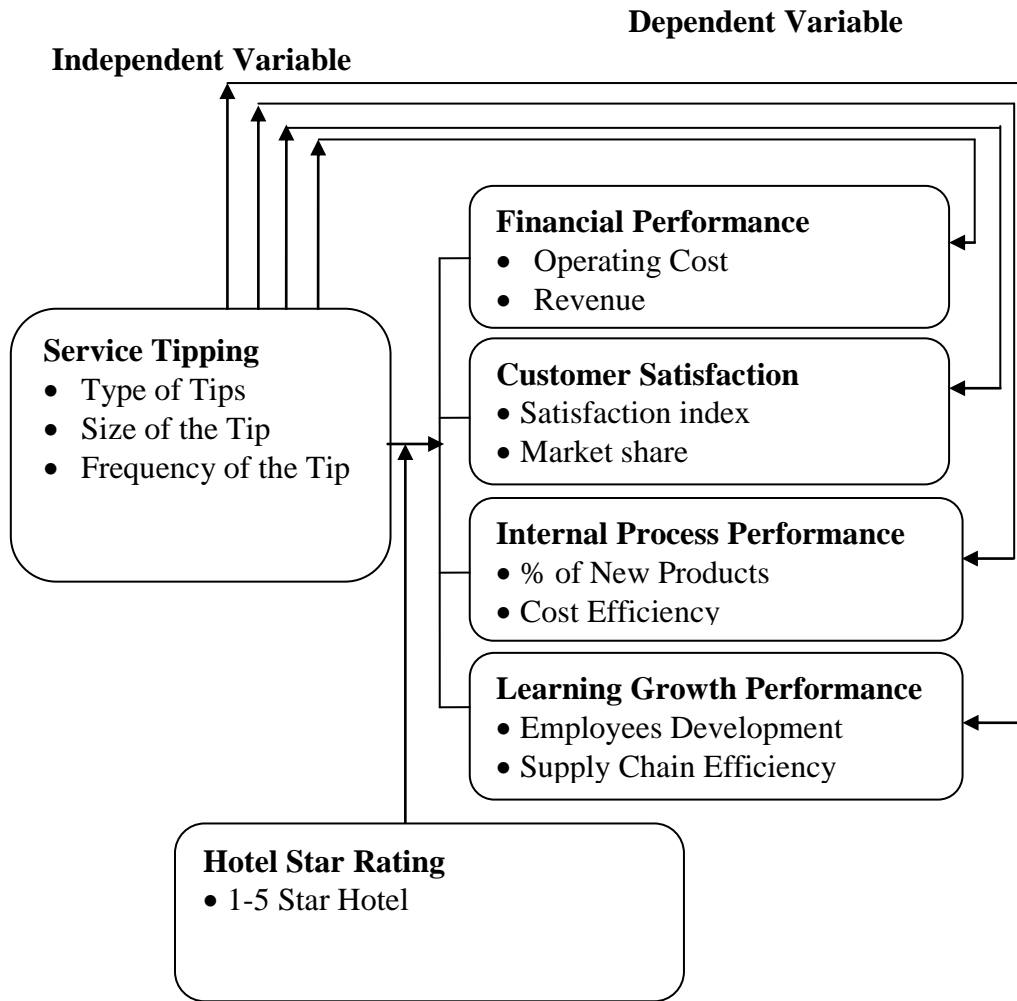


Figure 3: Conceptual Framework

Source: Researcher (2021)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents; research philosophy adopted for the study, research design, target population of the study, sample size, sampling procedure, instruments of data collection, the data collection procedure, reliability and validity of the research instruments, data analysis procedures and ethical considerations.

3.2 Research Philosophy

A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analyzed and used. The term epistemology (what is known to be true) as opposed to doxology (what is believed to be true) encompasses the various philosophies of research approach (Holden & Lynch, 2004). Based on the concept of the study, the study opts for a positivism research philosophy which systematizes the knowledge generation process with the help of quantification, which is essentially to enhance precision in the description of parameters and the discernment of the relationship among them (Cohen et al., 2007).

Positivism seeks facts of social phenomena with little regard for the subjective status of individuals and therefore presumes that social world exists objectively, externally beyond human mind and is constituted of facts structured in a law-like manner (Coopers & Schindler, 2004). According to Rajasekar et al. (2006) the positivism approach demands that the research should be conducted in a way that is objective, the researcher is independent and should neither affect nor be affected by the subject of research, the end product of research is aimed to be law, like generalizations similar to those that are produced by natural scientists, and positivism emphasizes quantifiable observations that are used for statistical analysis. The study used the positivism approach because the study is objective, the researcher is independent and results of the study was not shaped by the opinions of the researcher so as to find the exact effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective. Service tipping is an historical social phenomenon.

3.3 Research Design

The study adopted a mixed method including descriptive survey and predictive correlation research designs, collecting data from respondents who have had practical experience with the problem under the study. The object of using descriptive survey design is to obtain insight into the relationship between variables and new ideas relating to the research problem. According to Mugenda and Mugenda (2003), a descriptive research design determines and reports the way things are. Descriptive survey design was employed because it guarantees breadth of information and accurate descriptive analysis of characteristics of a sample, which will be used to make inferences about population (Orodho, 2004). Descriptive design is useful in obtaining evidence regarding an existing or current phenomenon (Churchill & Iacobucci, 1979). The choice of these designs was informed by the need to allow a better understanding that helped the researcher to establish the state of affairs, as they exist at present, of the conceptions and values of the study topic (Kothari, 2004) and also to explain a casual relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya hence a correlation research design was used. This design was useful because the researcher wanted to collect data on phenomena that cannot be observed directly. Its advantage is that it allowed for the collection of large amounts of data from a sizeable population in a highly effective, easily and in an economical way by the use of questionnaires. Predictive correlation design was used due to its appropriateness in the measurement of two or more variables and the relationship between or among those variables (Stangor, 2011). Further, the design was suitable for the study because the researcher was interested in predicting the outcome of financial performance variables of hotels in Kenya based on Balanced Score Card Perspective using servicing tipping variable as predictors.

3.4 Location of the Study

According to United Nations World Tourism Organization highlights (2018), International tourist arrivals in Africa are estimated to have increased by 9 % and arrival receipts increased by 8%. Further, the report shows that in sub-Saharan Africa, there was a strong performance in large destinations like South Africa; followed by Kenya, Cote D' ivore, Mauritius and Zimbabwe. This is attributed to growing demand in European source market, stable social political environment, recovery from security

threats of 2010, increased air connectivity and continued recovery of tourism destinations in North Africa like Tunisia and Morocco.

The ministry of tourism and wildlife has divided Kenya into tourism regions called circuits. There are five geographical tourism circuits namely the Coastal Circuit, Central , Rift Valley , Nyanza And Western circuits. Tourism and hospitality businesses are concentrated in the Coast circuit, Central circuit and the Rift valley circuit however Nyanza and western circuits have some influential volume of business in hotel and tourism sites mainly influenced by the blue economy of the Lake Victoria. The ministry of tourism regulates tourism activities and enterprises through its body Tourism Regulatory Authority (TRA). One of the key enterprises in the tourism sector is the Hotel business, which TRA registers, licenses and classifies. Hotels in Kenya are classified in terms of star rating. A major classification of hotels in Kenya was undertaken for the period ending year 2013 where hotel establishments were classified and gazetted through a legal notice number 128 of 2014. However, star rating of hotels is continuous. An activity of rating hotels of 2015 and 2018 was gazetted in the year 2018 and the details of this exercise are in public domain through the Tourism Regulatory Authority website. The Coastal circuit had 41 rated hotels, Central circuits 75 star rated hotels which consisted of Nairobi (44 hotels), Eastern (6 hotels) central and mount Kenya (11 hotels) and North Eastern (14 hotels). Rift valley circuits registered 41 hotels in South rift, and 11 hotels in North rift. Nyanza and western circuits registered 15 star rated hotels. In terms of towns in these circuits, Mombasa city, Nairobi city, Nakuru town and Kisumu city had a lot of influence towards tourism and hospitality policies in Kenya due to high concentration of star rated hotels. The study concentrated in star rated hotels found in the mentioned regions specifically Coastal Circuit, Central Circuit and the rift valley circuit. The number of rated hotels in these circuits was considered influential in generalization of findings in Kenya.

3.5 Population of the Study

According to the star rated hotels legal notice number 128 of 2014, the coastal region has 41 star rated hotels spread over Kale, Kilifi and Mombasa. Central region covers Nairobi, Laikipia, Isiolo, Nyeri, Embu and Meru counties whereas out of the total 75 hotels, 53% are in Nairobi County. The Rift Valley circuit is divided into two sub regions South Rift with 41 star rated hotels and north rift with 11 rated hotels which

both totals to 52 rated hotels in the Rift valley circuit. South Rift majorly covers Nakuru and Narok counties whereas North Rift covers Uasin Gishu and Elgeyo Marakwet Counties. However, out of the total 54.7 % of the hotels are in Nakuru County. Western circuit, which covers Kakamega, Kisii and Kisumu Counties, has 15 rated hotels. 183 hotels are licensed, classified, standardized and star rated by the government of Kenya through the Tourism Regulatory Authority (TRA). These hotels are more recognized by the government of Kenya and the east African community hence forming the population of this study. The study therefore targeted the 183 the star rated hotels in the four circuits. The unit of analysis of the study included the hotel managers (general managers, supervisors and head of departments) and service staff.

3.6 Sampling Procedure and Sample Size

3.6.1 Sampling Procedure

Kombo and Tromp (2006) avers that the selection of respondents is crucial to the overall usefulness of the information produced. This is because the respondents help in the clarification of issues under study and contributes to the achievement of set objectives. This study sought several respondents key in operations of hotels depending to respective titles given by the respective hotels. The unit of analysis therefore included managers (general managers, supervisors and head of departments). Generally, hotels are divided into various functional hospitality departments globally known as housekeeping, kitchen (food and beverages production), restaurant (food and beverages service) department, front office and marketing departments. High-class hotels have more departments like maintenance, procurement, human resources department. Hotel performance in greater extent is a responsibility of management team whose opinions on the subject matter is informed by experience and practice. To be in such a position in management, the leader has clear information on the subject due to experience gained in the industry they are mostly educated, skilled, experienced and knowledgeable persons who were objective in responding to the study questions.

A population can be segregated into several mutually exclusive groups or strata (Binson et al., 2000). There exist many licensed hotels in these regions as a lay traveller, one may observe but the government has a standard system of classification and star rating of the hotels where one star hotel is of low standard and five star rating is the highest depending on the standards of services and amenities provided by an

establishment. Due to standardization by the government, there were five strata of classes from one star hotels, 2 star rated hotels, 3 star hotels, 4 star hotels and 5 star hotels qualifying the study for the stratified sampling that was used for the study that is stratified random sampling was applied since hotels are standardized and classified in five common groups of one to five star rating. Stratified random sampling involves dividing the population into homogenous subgroups and then taking a simple random in each subgroup (Kombo & Tromp, 2006). This enabled effective adequate data for analysing the various subpopulation and increase statistical efficiency through every stratum. Homogeneity was realized in every class of the hotel and heterogeneity realized through the different other strata.

3.6.2 Sample Size

The sample drawn from every stratum was proportionate to the stratum's share of the total population. Representative sample, which enabled generalization of the findings, was derived from Yamane (1967) formula

$$n = \frac{N}{1 + Ne^2}$$

Where;

n = sample size

N = Population

e = precision error which is 0.05

Therefore, out of a population of 183 star rated hotels in Kenya, the sample consisted of 126 hotels from all the five classes of hotel. Where $n = 183 / (1 + (183 * 0.0025))$. Each class of hotels then contributed a proportion of the sample depending on the ratio of the number of rated hotels in each category to the total.

The sample size in this study was selected based on the criteria set by Roscoe's rule of thumb Sekaran (2003) that is a sample that is larger than 30 and less than 500 is appropriate for most research, while according to Dooley (2007), a sample size of between 10% and 40% is considered adequate for detailed or in-depth studies. The sample size in this study is 68.9%, which is more than adequate.

The study then used systematic random sampling technique to pick the sample based on the sample distribution as per the regions where the Star Rated Hotels are located. Table 3 shows the number of star rated hotels in every circuit, the targeted sample size and the actual sample respondents realised in the study.

Table 3: Sampling Table Tourism Circuits

Circuit	No.	Sample Size	Actual sample
Coastal	41	28	26
Central	75	52	48
Rift	52	36	33
Nyanza	15	10	9
Total	183	126	117

3.7 Data Collection Instruments

The study used structured questionnaire as the main data collection tool since it allows the researcher to collect information from a large sample, which is diverse and geographically dispersed (Mugenda & Mugenda, 2003). The questionnaire had a five-point Likert scale to answer the items in the questionnaire, with 5 denoting Strongly Agree, 4- Agree, 3-Undecided, 2- Disagree and 1 denoting Strongly Disagree. This allowed the collection of ordinal measure data from the respondents. Each section of the questionnaire investigated a given variable and was used to test the corresponding hypothesis and research questions. To increase response rate, questionnaires were sent to all members of the population and responses randomly picked to meet the sample numbers.

3.7.1 Pilot Study

There was a pilot study in the 5 star rated hotels in western province of western circuit covering Kakamega County. Being the most proximal site to the researcher, western tourism circuit has 15 star rated hotels which 5 qualified for a pilot study and the remainder 10 in Nyanza were subjected to the study. Most of these rated hotels are located in Kisumu town. The size of the pilot group may range from 5 to 100 subjects depending on the method to be tested Blumberg et al. (2011). From the study, the researcher was able to drop questionnaire to customers and staff due to very strict rules

on staff and the rule against infringing into the customer privacy which is a major concern in hotel industry especially for management and hotel owners.

3.7.2 Validity of the Instrument

Validity is the extent to which research result can accurately be interpreted and generalized to other population. It is the extent to which research instrument measure what they were intended to measure (Kumar, 2014). Validity of the instrument was established through face and content validity approach. Content validity is the extent to which a measuring instrument provides adequate coverage of topic under study (Kothari, 2014). This involved the logical link between question and the objective of the study. Each question or item in the research instrument had a logical link with an objective. Further, this was clearer after the pretesting of the questionnaire in the pilot study in the western circuit which enabled realistic test of the instrument used.

3.7.3 Reliability of the Instrument

A measuring instrument is reliable if it provides consistency; it is dependable, predictable, and stable amid changing circumstances and gives honest results. Reliability is concerned with whether alternative researcher would reveal similar results. One of the advantages of this study sample is a multilevel approach where similar instrument is applied to five different classes of star rated hotels from one star to five stars. In coming up with the instrument, several factors like simplicity in wording, nature of the respondents and physical settings of different hotels classes was not impacted on the results. Piloting also gave an opportunity of test/ retest external consistency procedure of the instrument. The study therefore employed test-retest reliability test for the data collection instruments. Test-retest reliability is the degree to which test scores remain unchanged when measuring a stable individual characteristic on different occasions. Test-retest reliability measures the stability of the scores of a stable construct obtained from the same person on two or more separate occasions. Reliability concerns the degree to which scores can be distinguished from each other, despite measurement error. In the case of test-retest assessment, intra-individual response variability is used to estimate measurement error (Hays, Anderson, & Revicki, 1993). The pilot study respondents were given 10 items in the questionnaire touching on various aspects of hotel performance. The pilot yielded Cronbach's Alpha

of 0.827, 0.821 and 8.20 which was within the threshold rang of $\alpha = 0.7 \leq 0.9$ (Kothari, 2009).

3.8 Data Collection Procedure

After successful defending the proposal before the Board of examiners and consequently obtaining permission of data collection from the School of postgraduate studies, Kabarak University; permission from NACOSTI was sought and granted effectively. Permission was also sought from respective County Directors of Education and in some instances in the coastal circuit notifications was sent to security organs of the region considering that this region had prevailing terrorism related challenges, which had mainly targeted the hotels. Several copies were made for attachment to the questionnaire where two-research assistant for every circuit was trained and commissioned for data collection. Data collection was mainly done through physical dropping of the questionnaires by research assistants to hotels around towns and by mail especially to those hotels that were inaccessible either in towns or away from towns. The researcher was keen to notify the respondents either through a phone that the questionnaire had been dropped physically or by mail for his or her attention and response. This helped the researcher to reduce the window period, which ranged from one to seven days. This method also assisted the research assistants to get responses from five star hotels, which had very stringent accessibility processes especially in Nairobi (central circuit).

The researcher picked the physically filled questionnaires and printed those, which were filled online since the Google forms automatically submitted responses to the researchers email account. The other way of collecting data was through interviews. The researcher had several interviews especially in the coastal region where accessibility was a problem and delays in responses by a number of managers were evident. Finally, the researcher interviewed two retired long serving 5 star hotel managers on the subject which was included as data collected. Data collection took on average 5 and half months, which afterwards coding process began.

3.9 Data Analysis and Presentation

Once all the questionnaires were collected back and foliorised, data was first extracted and then cleaned from any errors. The data was consequently coded ready for analysis.

Descriptive (frequencies and percentages) analysis and inferential statistics was used to analyze data. Descriptive statistics was used to analyze one variable at a time. To test the hypotheses, regression analysis was used and results interpreted leading to the rejection or acceptance of the null hypotheses stated earlier. All this was done by means of statistical tool with the aid of computer software; Statistical Package for Social Sciences (SPSS) version 20. Descriptive statistics; frequencies and percentages were used for demographic analysis. All hypotheses was tested at $\alpha=.05$ as shown in the summary of the data analysis Table 3.

The researcher conducted a multiple regression analysis in order to establish the effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya guided by the models developed based on the four Balanced score card perspective. Regression analysis was used to predict the value of the dependent variable on the basis of the independent variables using R square. This was also used to get regression model coefficients. In order to assess the moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya, the researcher observed changes in R Square and F Statistics. Before carrying out inferential analysis, a diagnostic test was performed to test the assumption of Pearson correlation and multiple regression analyses. This included normality test by use of Shapiro-Wilk test, Auto-correlation by use Durbin Watson, Multi-collinearity test by use of VIF & Tolerance, linearity test by use of ANOVA and Homogeneity by use of Levene test.

3.9.1 Normality Test

Normality was tested using the Shapiro-Wilk test, which has the power to detect departure from normality due to either skewness or kurtosis or both. Its statistic ranges from zero to one and figures higher than 0.05 indicate the data is normal (Razali & Wah, 2011). Linearity was tested by use of ANOVA test of linearity which computes both the linear and nonlinear components of a pair of variables whereby nonlinearity is significant if the F value for the nonlinear component is below 0.05 (Zhang & Maloney, 2011). Homoscedasticity was tested by use of Levene's test of homogeneity of variances. If the Levene statistic is significant at $\alpha= 0.05$ then the data groups lack equal variances. Levene's test measures whether or not the variance between the dependent and independent variables is the same. Thus it is a check of whether the

spread of the scores (reflected in the variance) in the variables are approximately similar (Bryk et al. 1988). Multicollinearity was tested by computing the Variance Inflation Factors (VIF) and its reciprocal, the tolerance.

3.9.2 Model Specifications

The researcher used two types of linear regression analyses; Simple linear regression and multiple linear regression. Linear regression was used to test the relationship between variables due to the linear relationship between them. The following regression model was used for quantitative procedures examining the relationship between independent and dependent variables;

$$Y_{1, \dots, 4} = \beta_0 + \beta_1 X_1 + \varepsilon \dots \dots \dots (1)$$

Y_1 = Financial performance

Y_2 = Customer Satisfaction

Y_3 = Internal Business Process Performance

Y_4 = Organizational Learning Performance

β_0 = constant

β_0 = Regression Coefficients

X_1 = Service Tipping Strategy

The moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya was tested by the model below.

$$Y = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \beta_{X_1 X_2}$$

Where;

Y = Performance

X_1 = Service tipping

X_2 = Star rating

X_2 enters into regression model as both additive variable as well as multiplicative variable.

The regression analysis tested the variation of the dependent variable explained by the variation in the independent variables by calculation of the R^2 and adjusted R^2 statistics. ANOVA for regression was also used to determine the goodness of fit of the produced model. A multiple regression model was then fitted to determine the effect of service tipping when the 4 elements of Balanced Score Card are offered separately in

the regression model. Findings were presented in form of tables accompanied by relevant discussions.

Table 4: Summary of Data Analysis Methods

Objective	Hypotheses/ Research Question	IV - Indicators	DV/MV- Indicators	Level of Analysis
examine effect of service tipping on financial performance of hotels in Kenya	H ₀ 1: Service tipping as a competitive advantage strategy does not significantly affect financial performance of hotels in Kenya	• Service Tipping	Financial performance	•Mean •Standard Deviation •Regression analysis
Determine effect of service tipping on the customer satisfaction of hotels in Kenya.	H ₀ 2: Service tipping as a competitive advantage strategy does not significantly affect customer satisfaction of hotels in Kenya	Service Tipping	Customer Satisfaction	•Mean •Standard Deviation • Regression analysis
Investigate effect of service tipping on internal processes performance of hotels in Kenya.	H ₀ 3: Service tipping as a competitive advantage strategy does not significantly affect the internal processes performance of hotels in Kenya	Service Tipping	Internal Business Process	•Mean •Standard Deviation • Regression analysis
Establish the effect of service	H ₀ 4: Service tipping as a competitive		Organizational Learning Performance	•Mean •Standard

tipping on learning performance of hotel in Kenya.	advantage strategy does not significantly affect learning performance of hotels in Kenya	Service Tipping	Financial Satisfaction Process Learning Star Rate	Deviation • Regression analysis
Investigate effect of service tipping on the combined Balanced Score Card performance of hotel in Kenya.	H ₀ 5: Service tipping as a competitive advantage strategy does not significantly affect the combined Balanced Score Card performance of hotels in Kenya.	Service Tipping		•Mean •Standard Deviation • Regression analysis
Asses the moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya.	H ₀ 6: Star rating does not significantly affect the relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya.	Service Tipping	Financial Satisfaction Process Learning	•Mean •Standard Deviation •Regression analysis

3.10 Ethical Considerations

Confidentiality was highly observed in the course of data collection and afterwards in order to protect information for the businesses that opened doors to us. A permit from the National Council of Science and Technology and a letter from the University aided in getting consent and confidence from the management of various hotels. A debrief to respondents on the reason of the study and their expectation also enable respondents comfort and willingness to participate in the study. During the research period professionalism was the key guide to all activities to be undertaken.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

4.1 Introduction

The chapter presents the findings, interpretations and discussion according to the study objectives, research objectives and hypotheses on effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective. The specific objectives of the study were; to examine the effect of service tipping on financial performance of hotels in Kenya; to determine the effect of service tipping on the customer satisfaction of hotels in Kenya; to investigate the effect of service tipping on internal processes performance of hotels in Kenya; to establish the effect of service tipping on learning and growth performance of hotel in Kenya; to investigate effect of service tipping on the combined Balanced Score Card performance of hotel in Kenya; to asses the moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya.

The hypotheses tested were; H₀₁: Service tipping as a competitive advantage strategy does not significantly affect financial performance of hotels in Kenya based on Balanced Score Card Perspective. H₀₂: Service tipping as a competitive advantage strategy does not significantly affect customer satisfaction of hotels in Kenya based on Balanced Score Card Perspective. H₀₃: Service tipping as a competitive advantage strategy does not significantly affect the internal processes performance of hotels in Kenya based on Balanced Score Card Perspective. H₀₄: Service tipping as a competitive advantage strategy does not significantly affect learning performance of hotels in Kenya based on Balanced Score Card Perspective. H₀₅: Service tipping as a competitive advantage strategy does not significantly affect the combined Balanced Score Card performance of hotels in Kenya based on Balanced Score Card Perspective. H₀₇: Star rating does not significantly affect the relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya based on Balanced Score Card Perspective.

The chapter presents a brief overview of the responses received and describes the process of data screening employed. It is followed by demographic characteristics of the respondents. Descriptive statistics of the service tipping competitive strategies and hotels performance measured using Balanced Score Card is also presented in the

chapter. In preparation to inferential statistics tests, data normality was carried out to authenticate the viability of the data for inferential statistics tests. Lastly, the chapter presents the summary on the analysis, presentation and discussion.

4.2 Results of Reliability Test of Research Instrument

Table 5: Item-to-total Correlations on Financial Performance

Finance	Corrected Item- Total Correlation	Cronbach's Alpha if Item Deleted
Reduces operational cost	.682	.871
Accountability & transparency	.505	.885
Increase sales turnover	.754	.865
Preferred to monthly salary	.643	.876
Influence low operation	.712	.868
Reduce wastage	.690	.871
Market the hotel	.552	.881
Employees sell more	.647	.874

Low or high internal consistency in the measurement scale was done using correlated item-total correlation, where a high correlation is an indication of high internal consistency in the data collection tool under financial performance. According to Orodho (2004), Kuder and Richardson Formula 20 (KR-20), the threshold is between 0 and 1, a high value indicating reliability and too high (in excess of .90) indicates a homogeneous test. In this case all the items met the Cronbach's Alpha threshold. Reliability of financial performance was checked through the Cronbach's alpha value of the entire scale consisting of 8 items which turned out to be .879 (the least was .865 and the highest .885), well above the threshold value of 0.7 (Hair et al., 2006). The variables also exhibited a high item-to-total correlation as shown in Table 5 above.

Table 6: Item-to-total Correlations on Customer Satisfaction Performance

Customer Perspective	Corrected Item- Total Correlation	Cronbach's Alpha if Item Deleted
Repeat customers give tips	.657	.793
Dissatisfied customers do not give tips	.247	.836
Tips increase customers satisfaction	.106	.847
Tips reduces complaints	.589	.803
Improves service assurance to customer	.541	.809
Tips make employees responsive	.642	.798
Employees empathetic to customers	.759	.780
Satisfied customers give tips	.738	.782
Customers are aware of tips	.421	.821

The correlated item-total correlation was used to indicate whether there was low or high internal consistency in the measurement scale, where a high correlation is an indication of high internal consistency in the data collection tool under customer satisfaction variables. According to Kuder and Richardson Formula 20 (KR-20), the threshold is between 0 and 1, a high value indicating reliability and too high (in excess of .90) indicates a homogeneous test. In this case all the items met the Cronbach's Alpha threshold. Reliability of customer satisfaction were checked through the Cronbach's alpha value of the entire scale consisting of 9 customer satisfaction items which turned out to be .827 (the least was .780 and the highest .847), well above the threshold value of 0.7. Therefore, all the variables were retained in the questionnaire (see Table 6).

Table 7: Item-to-total Correlations on Internal Business Process Performance

Internal Business Process	Corrected	
	Item-Total Correlation	Cronbach's Alpha if Item Deleted
Participate in internal business process	.200	.840
Employees remove ineffective process	.627	.790
Systems in hotels are aligned to tips	.653	.784
Tips automatically posted in salary	.472	.810
Complain when food take long	.265	.837
Interact with customers because of tips	.740	.769
Room steward active in booking customers	.640	.786
Strengthen collaborations among departments	.730	.772

The correlated item-total correlation was used to indicate whether there was low or high internal consistency in the measurement scale, where a high correlation is an indication of high internal consistency in the data collection tool under internal business process variables. According to Kuder and Richardson Formula 20 (KR-20), the threshold is between 0 and 1. In this case all the items meet the Cronbach's Alpha threshold. Reliability of internal business process was checked through the Cronbach's alpha value of the entire scale consisting of 8 internal business processes items which turned out to be .821 (the least was .772 and the highest .840), well above the threshold value of 0.7. The variables also exhibited a high item-to-total correlation as shown in Table 7.

Table 8: Item-to-total Correlations on LO and Growth Performance

Organizational Learning	Corrected Item- Total Correlation	Cronbach's Alpha if Item Deleted
Tips strengthen hotel culture	.590	.792
Tips make employees willing to change	.381	.826
Tips is source of new business	.742	.762
Tips have survived changes	.525	.803
Employees willing to introduce tips	.493	.809
Tips make employees partner with the hotel	.585	.793
Tips make staff be innovative	.634	.784

The correlated item-total correlation was used to indicate whether there was low or high internal consistency in the measurement scale, where a high correlation is an indication of high internal consistency in the data collection tool under organizational learning and growth variables. According to Kuder and Richardson Formula 20 (KR-20), the threshold is between 0 and 1. In this case, all the items meet the Cronbach's Alpha threshold. Reliability of organizational learning and growth was checked through the Cronbach's alpha value of the entire scale consisting of 8 organizational learning and growth items which turned out to be .820 (the least was .762 and the highest .826), well above the threshold value of 0.7. The variables also exhibited a high item-to-total correlation as shown in Table 8.

4.3 General and Demographic Information

The researcher distributed 126 questionnaires according to the sample size. The researcher managed to collect back 117 questionnaires representing 92.8% return rate, which is adequate to answer the set objectives. The 92.8% return rate was achieved using research assistants who were stationed in every tourism circuit, re-distributing questionnaires to respondents who misplaced their copy and use of google forms to reach out to respondents working in lodges, far-flung locations and very restricted hotels especially in five star hotels in Nairobi. The demographic information analyzed and presented included; location of the hotel, the star rating of the hotel, whether the hotel policy allows informal tipping of staff by customers, whether hotel policy has a formal policy to deduct service charge as a % of customers total bill, the period in

which service tipping policy has been in place, whether the hotel has a specific name for this service tipping, whether collectively charged service tips are shared and the number of times the hotels hotel issue these pooled tips.

4.3.1 Demographics of Hotels Locations

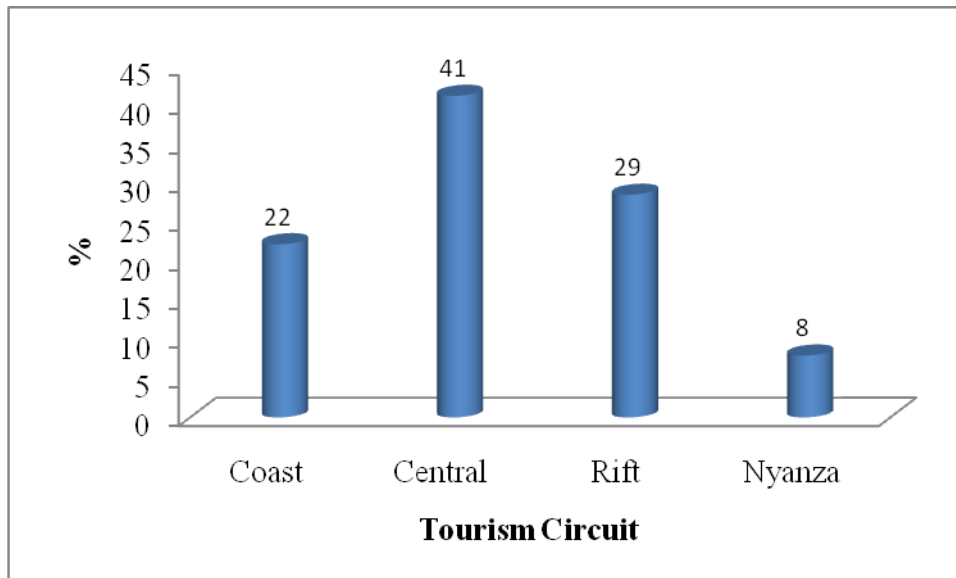


Figure 4: Distribution of Hotels by Tourist Circuit

The first question on the demographics was the location of the hotels in the tourist circuit. The largest number of the respondents 41% was from central tourist circuit, 29% were from Rift Valley Circuit, 22% were from Coastal Circuit and least 8% came from Nyanza Circuit. This finding was based on the sample strength where Central Circuit had the highest number (See Figure 4).

4.3.2 Hotel Rating, Allowing Tips, Tips Naming, Sharing and Frequency

Table 9 here below show the findings on star rating which established that majority of the hotels in Kenya 31% are 2 stars rated, 27% are 3 stars rated, 23% are 4 star rated, 15% are 5 stars rated and 3% are 1 star rated.

Table 9: Hotel Rating, Tips Naming, Sharing method and Frequency of sharing

Variable	Frequency	Percent
Star Rating		
1 Star	4	3
2 Star	36	31
3 Star	32	27
4 Star	27	23
5 Star	18	15
Total	117	100
Service Tipping Having Name		
Yes	85	73
No	32	27
Total	117	100
Service Tipping Specific Name		
No specific name	81	69
Service charge	20	17
Appreciation token	12	10
Gratitude	4	3
Total	117	100
Sharing Tips		
All staff	108	92
Departments	5	4
Performing staff	4	3
Total	117	100
Frequency of service tips		
Once a month	102	87
Weekly	4	3
After 1 year	10	9
After every service	1	1
Total	117	100

The above finding is supported by the fact that Kenya embraced classification and grading system since 1972 (GoK, 2003). Hotel star rating has been used in the country as a means of categorizing service types and quality ranking scale of 1 to 5 star levels. However, previous executions faced a number of challenges and controversy by hoteliers (Anon, 2005). Kenya has henceforth embraced the harmonized Regional Classification System and institutionalized it into the national laws as an official

classification system. The regional classification scheme is envisioned to address the numerous challenges previously faced by individual Partner States resulting in continued decline in standards of hospitality facilities in the community. However, the plethora of organizations and proliferation of private and independent international organizations administering and awarding different quality labels coupled with loyalty brand by multinational hotel chains has continued cause more confusion in quality award systems (O'Neill, 2009; Hensens et al., 2010).

Majority of hotels 99% policy allows for tipping by customers. Findings on service tipping names indicated that majority of the respondents 73% observed service tipping had different names compared to 27% who observed that service tipping did not have any specific name. Out of the 73%, 17% indicated that tips was merely called service charge, 10% observed that it was called appreciation token and 3% called it gratitude. This finding is supported by Mkono (2011) who posit that in Zimbabwe the culture of tipping has a significant impact on employee work relationships. He further notes that these tips have the potential either to build and fortify relationships or to damage them, especially when tables are shared and a tip is given. This is done to provide service workers with performance-contingent rewards and to motivate them to deliver good service (Lynn et al., 2010).

Findings on how service tips was shared shows that majority of the respondents 92% of service tips collected by the hotels was shared among all employees working in the hotels, 4% observed that it was shared among the department that was tipped by the customer whereas 3% observed that it was shared by the most performing department. This finding is related to the practice that tipping enables workers to get extra rewards, however it discriminates in that only those workers who interface with clients are the ones who get the rewards, yet worker act collectively to provide a service to customers. Tipping is always the main motivation for servers in the restaurant and hotel industry, Zahari et al. (2011). Employees' are actually appreciating the reward received and it acts as their main motivation to serve better during the next time around (Zahari et al. (2011).

Further findings on frequency of service tipping established that majority of respondent 87% observed that service tips took place once a month, 9% observed that

they received service tips after 1 year, 3% received it weekly and 1% received it after every single service.

This finding indicated that although service tipping was not frequent in the hotels, it was a common practice among the hotels in Kenya. This finding is further supported by the fact that apart from the employees, the hotel has been found to gain from this norm of tipping which Lynn and Withiam (2008) argue that hotels has major gains from tipping to the business since its lowers nominal prices, increases profits through price discrimination, acts as an incentive for up-selling and service, attracts competent workers, and lowers tax.

The study further sought the managers' opinion on service tipping. The data on their opinion was qualitative in nature and meant to supplement the quantitative data analyzed. Most managers were quite opinionated on service tipping. They strongly supported service tipping being the accounting officers and preferred pooled tipping. They had positive opinion on service tipping and strong believe that service tipping motivated the staff and in turn improved service delivery by the staff making the hotels performance to improve. Service tipping according to them was that most employees focused on it much more than their salary and wages.

4.3.3 Period of Service Tipping Policy and % of Deductible Service Charge

Table 10 presents the general information on Period of Service Tipping Policy and percentage of Deductible Service Charge among the star rated hotels in Kenya.

Table 10: Period of Service Tips Policy and % of Deductable Service Charge

Item	N	Min.	Max.	Mean	Std. Dev.
Period of the policy	117	2	20	10	4
Service charge %	117	2	10	6	2

Key: N= Sample, Min. =Minimum and Max = Maximum period and % of service charge, Std. Dev = Standard deviation.

Findings on period of the policy established that on average service tipping policy had been in place for an average of 10 years with minimum of 2 years and maximum of 20 years. Findings on % of service charge established that on average the hotels have been charging 6% service charge with minimum of 2% and a maximum 10% (see Table 9).

This finding aligns well with Butler and Carole (2011) in table 1 on the summary of tipping percentage in selected countries of the world where France, Germany, Egypt and Kenya falls in the average percentage of between 5 to 10 %. Further, the finding is supported by Zachary (2012) who opined that service tipping being the sole exchange of servers and guests and leaves both (waiter and server) with a tipping kind of an institution and more importantly the task rotates around quality control. Azar (2010) further posit that the main justification for tipping is to promote better service, by giving the workers an incentive to do their best to satisfy the needs of the customer.

4.3.4 Service Tipping Practice in the Hotels

Table 11 presents the results of service tipping practice among the star rated hotels in Kenya.

Table 11: Service Tipping Practice in the Hotels

Tipping Practice	SD (%)	D (%)	U (%)	A (%)	SA (%)	X²	p
Tipping policy is operational	14(12)	9(8)	2(2)	37(32)	55(47)	136	0.000
Specific name for service tipping	7(6)	3(3)	4(3)	41(35)	62(53)	104	0.000
All tips are shared among the staff	39(33)	24(21)	2(2)	19(16)	33(28)	114	0.000
Pooled tips issued periodically	9(8)	6(5)	7(6)	38(32)	57(49)	147	0.000

Key: SD = Strongly Disagree, D =Disagree, U = Undecided, A = Agree and SA = Strongly Agree

Table 11 presents the results of service tipping practice in the star rated hotels in Kenya. Majority of respondents agreed that the tipping policy has been in operational for along period of time and that the hotels have specific names for service tipping of which the employees all know. Concerning sharing of the service tips, the study established that the hotels share the collected service tips among all staff periodically.

The next section present the results of the dependent variable beginning with financial performance of the hotels as per Balanced Score Card measurement indicators; customer perspective, internal business process performance and organizational learning and growth performance.

4.3.5 Financial Performance

The key variables that were analyzed under financial performance included; Tips/ Service charge contributes high profitability of the hotel, Tips/ service Charge bring cost of operation down, Tips/Service charge improves transparency and accountability of hotel staff, because of Tips and Service Charge, sales turnover are always high, Staff will not mind a basic salary and other allowances when tips/ service charge/ Gratuities are high in a month, Tips/service charge/gratuities influences low cost of operations, hotel manager are able to keep wages low because of tips/service charge/gratuities, staff in the hotel will always be conscious of wastage to protect service charge share, staff bring business to your hotel since they know of their share in service charge and staff will up sell to customers in pursuit of higher tips/ service charge/ gratuities. The results are presented in table 11.

Table 12: Financial Performance Descriptive Statistics

	SD	D	U	A	SA	X²	p
Financial performance	(%)	(%)	(%)	(%)	(%)		
Contribute to profitability	6(5)	18(15)	6(5)	60(52)	27(23)	68.6	.050
Reduce operational cost	12(10)	55(47)	14(12)	25(21)	11(9)	141.1	.000
Accountability and						134.3	.000
transparency	8(7)	28(24)	21(18)	40(34)	20(17)		
Increase sales turnover	7(6)	40(34)	20(17)	34(29)	16(14)	168.6	.000
Preferred to salary	31(26)	30(26)	7(7)	31(26)	18(15)	149.9	.000
Lower operation cost	16(14)	41(35)	15(13)	32(27)	13(11)	143.3	.000
Reduce wastage	17(15)	49(42)	21(18)	22(19)	8(7)	131.4	.000
Market the hotels	4(3)	12(10)	13(11)	66(58)	22(19)	135.5	.000
Make employees sell more	14(12)	29(25)	16(14)	41(35)	17(15)	135.5	.000

Key: SD = Strongly Disagree, D =Disagree, U = Undecided, A = Agree and SA = Strongly Agree

The results in Table 12 shows that majority of the respondents agreed that tipping contribute to profitability, enhanced accountability and transparency, markets the hotels and employees sell more. However, they disagreed that tipping reduces operational cost, increases sales turnover and reduces wastage. There were equal scores on those who strongly disagreed and the ones who agreed when asked if tipping is preferred to salary. Very few respondents were undecided if tipping is preferred to salary. This finding is supported by Lynn and Withiam (2008) who established that major gains from tipping to the business includes; lowering of nominal prices, increases profits through price discrimination, acts as an incentive for up-selling and service, attracts competent workers, and lowers tax payments. Further, Zachary (2012) established that special emphasis be further elaborated to support the finding on leaving the tipping institution to the waiter/ waitress as a monitoring and quality control measure. It is estimated that over three million people earn an income from tips and this can be connected to the economic wellbeing of society (Curtis et al., 2009).

To support the above quantitative results, the researcher also sought the views of the managers on how tips/service/charges/gratuities contributed to financial performance of the hotel. The managers expressed strong opinion that service tipping contributes greatly on financial performance of the star rated hotels in Kenya since it helps in higher sales, reduction of breakages and repeat customers. This was because in a multiplying effect, tips/service charges/gratuities motivated the employees to offer superior services, which were the impetus for repeat business and expansion of new business leading to more revenue to the hotels. They strongly expressed views that the hotel owners should develop strategies on tips/service charges/gratuities just like other drivers of performance as expressed in the strategic plan. This supports Lynn and Withiam (2008) study, which established major gains from tipping to the business as it; lowers nominal prices, increases profits through price discrimination, acts as an incentive for up selling and service, attracts competent workers, and lowers tax payments.

The findings on financial performance also established that tipping contributes to high profitability of the hotel, Tips/Service charge improves transparency and accountability of hotel staff, staff brought business to the hotel since they know of their share in service charge and that staff will up sell to customers in pursuit of higher tips/ service charge/ gratuities.

4.3.6 Customer Satisfaction Performance

The variable that addressed customers satisfaction performance in the study included; Most repeat customers give tips/ service charge, Dissatisfied customers will not give tips or service charge, our staff makes effort to please customers with an expectation of higher tips/ service charge, when tips and service charge are high, there are lower levels of customer complaints, Due to our hotels tips/ service charge policy, our services are reliable and bring a sense of assurance to customers, due to our hotels tips/ service charge policy, staff are very responsive to customers, due to our hotels tips/ service charge policy, staffs are very empathetic (caring) to customers, particular customers offer both tips and service charge when they are satisfied and that most of our customers are aware of tips /service charge/gratuities.

Table 13: Customer Satisfaction Descriptive Statistics

	SD	D	U	A	SA	X²	p
Customers Satisfaction	(%)	(%)	(%)	(%)	(%)		
Repeat customers give tips	20(17)	34(29)	6(5)	33(28)	24(21)	143.1	.000
Dissatisfied customers don't tip	1(1)	12(11)	12(10)	60(51)	32(27)	157.4	.000
Tips increases satisfaction	3(3)	6(4)	3(3)	49(42)	56(48)	109.9	.001
Tips reduces complaints	29(25)	32(27)	17(15)	19(16)	20(17)	123.2	.000
Tips leads to assurance	17(15)	35(30)	5(4)	46(39)	14(12)	132.6	.000
Tips brings responsiveness	11(9)	19(16)	20(17)	56(48)	11(9)	152.2	.000
Tips brings empathy	15(13)	28(24)	10(9)	45(38)	19(16)	161.2	.000
Satisfied customers give tips	17(15)	36(31)	10(9)	31(26)	23(20)	145.1	.000
Customers are aware of tips	2(2)	15(13)	10(9)	55(47)	35(30)	172.3	.000

Key: SD = Strongly Disagree, D =Disagree, U = Undecided, A = Agree and SA = Strongly Agree

When respondents were asked if repeat customers gave tips, those who agreed almost tied with those who disagree with 33% and 34% respectively. Majority of respondents agreed that dissatisfied customers did not give tips, tips therefore increased satisfaction and made employees empathetic. However, majority disagreed that tips reduced complaints and satisfied customers give more tips (See Table 13). This finding is supported by the fact that Tipping is used to describe a phenomenon where customers

give out extra money to hospitality professionals like waiters and waitresses, bartenders and other servers after paying their bills for services (Azar 2003). Lynn and McCall (2000) who suggested that the service–tipping relationship is due to the effects of customers’ service evaluations, rather than to a direct effect of service quality further support it. On tip size and customers decisions about whom to tip, it is largely determined by customer. Other researchers also provided evidences that among others factors, customers tip servers to enhance better future services. Tip size were based on moods of customers (Lynn & McCall, 2000), customers tip more for better service (Parrett, 2006), and tip to avoid guilt (Lynn, 2009). Callan and Tyson (2000) found tipping as a means of showing status is significantly more important to the Italian than the English. Italian seems to be more generous in tipping waiters or waitresses than the English.

The findings is further supported by Lovelock and Wirtz (2007) who discusses customer behaviour in service encounters where they argues that without understanding the customer behaviour, no organization can hope to create and deliver services that will result in satisfied customers. The nature of encounters that customers have with their service providers during service delivery and consumption ranges from how customers interact with the service facilities, service personnel and even other customer.

To triangulate the quantitative results on customers’ satisfaction in relationship to service tipping, the researcher further sought some comments about tips, service charge and general customer satisfaction from the hotel managers. They commented that tips, service charge and general customer satisfaction are related in the sense that service tipping is a manifestation of customer satisfaction. That is to say, when employees anticipated receipt of service tips, they offered superior service which lead to customer satisfaction, the satisfied customers in most cases gave service tips to the employees who served them. The satisfied customers therefore were aware of their responsibilities to give tips. Just as the employees anticipated service tips, the customers on the other hand anticipated service satisfaction. The managers observed that hotel performance was the convergence of employees service tips anticipation and customers service satisfaction anticipation.

The hotel managers also commented that “hotel employees are not keen on taking up jobs in the hotels which do not support service tipping because of the foreseen denial of extra income to them. Some unique observations by the managers sought to influence that tipping be formally institutionalized in the hotel industry by Kenya Hotels and Tours organizations. This they believe will make the hotels more competitive. They also proposed that the organisation be the agents for tips collection on behalf of the hotel management due to misappropriation by the owners and managers of the hotel. This has led to court cases due to avoidance in observing the agreements established in the Collective bargain agreements.

The above findings augurs well with Artuğer and Çetinsöz (2013), who found out that customers tend to give tips in restaurant when they find factors such as: food is served with an appropriate temperature, the ordered dishes meet expectations, the service equipment is clean, the service employees refrain from hard sell tactics, the service employees apologize for any mistakes, the service employees enjoy their work, they are friendly and are able to form good rapports. Dermody and Taylor (2004) also observed that tips are a motivational tool that can be used for staff retention that saves the hotel high cost associated with employee turnover.

The findings on customers’ satisfaction performance therefore established that; most repeat customers give tips/ service charge, dissatisfied customers will not give tips, staff makes effort to please customers with an expectation of higher tips/ service charge and when tips and service charge are high, there are lower levels of customer complaints. The researcher also found out that due to hotels tips/ service charge policy, services are reliable and bring a sense of assurance to customers, staffs are very responsive to customers, staffs are very empathetic (caring) to customers and that most of the hotel customers are aware of tips /service charge/gratuities.

4.3.7 Internal Business Process Performance

The variables considered under Internal Business Process Performance were; Tips and service charge makes staff fully participate in developing internal processes, Staff will swiftly recommend removal of ineffective business processes and new processes to avoid low tips/service charge in a month, the systems in the hotel are attuned to the hotels tips/ service charge system, service charge is automatically deducted and posted

to staff salary, waiters complain a lot when food delays in the kitchen since they may lose tips, kitchen staff goes to interact with customers expecting tips, room stewards would complain at front office staff when booking are not well communicated due to tips/service charge and that Tips / service charge strengthens interdepartmental services collaborations and communication.

Table 14: Internal Business Process Descriptive Statistics

IBP Performance	SD (%)	D (%)	U (%)	A (%)	SA (%)	X²	p
Employees develop IBP	3(3)	24(21)	3(3)	70(60)	17(15)	119.0	.000
Remove ineffective IBP	8(6)	23(20)	9(8)	61(52)	16(14)	176.6	.000
Tips aligned to IBP	18(15)	37(32)	8(7)	33(28)	21(18)	165.6	.000
Tips automatically deducted	6(5)	27(23)	18(15)	52(44)	14(12)	129.0	.000
Complains when food take long	11(9)	13(11)	4(3)	61(52)	28(24)	121.0	.000
Kitchen staff interact with customers	38(32)	38(32)	6(5)	24(21)	11(9)	143.2	.000
Room stewards and reception staff communication	55(47)	29(25)	13(11)	13(11)	7(6)	129.9	.000
Tips strengthen collaboration	46(39)	33(28)	12(10)	18(15)	8(7)	131.1	.000

Key: SD = Strongly Disagree, D =Disagree, U = Undecided, A = Agree and SA = Strongly Agree

Table 14 presents results of Internal Business Process descriptive statistics. Majority of respondents 75% agreed that Tips/ service charge make staff participate fully in developing Internal Business Processes (IBP), 24% disagreed while 3% were undecided. Concerning whether Staff will swiftly recommend removal of ineffective business processes and establish new processes to avoid low tips/ charge in a month, the findings revealed that majority of respondents 66% agreed that Staff will swiftly recommend removal of ineffective business processes and establish new processes to avoid low tips/ charge in a month, 26% disagreed and 8% were undecided.

Further findings on tips aligned to IBP, the results revealed that 47% disagreed that the systems in the hotel are attuned to the hotels tips/ service charge system, 46% agreed compared to 7% who were undecided. On tips automatic deduction, the study

established that 56% agreed that service charge is automatically deducted and posted to staff salary, 28% disagreed and 15% were undecided. Findings on whether waiters complain a lot when food delays in the kitchen since they may lose tips, the majority of respondents 76% agreed that waiters complain a lot when food delays in the kitchen since they may lose tips, 20% disagreed and 3% were undecided. Further findings on whether kitchen staff goes to interact with customers expecting tips established that 64% totally disagreed that Kitchen staff goes to interact with customers expecting tips, 32% agreed and 5% were undecided.

Concerning if room stewards would be complain at front office staff when booking are not well communicated, the findings revealed that 72% of the respondents totally disagreed that Room stewards would complain at front office staff when booking are not well communicated due to tips/service charge, 17 % agreed, 72 % disagreed and 11% were undecided. Concerning whether service tipping strengthens interdepartmental services collaborations and communication, the study established that majority of the respondents 67% totally disagreed that tips strengthens interdepartmental services collaborations and communication, 22% agreed and 10% were undecided.

The findings on Internal Business Process performance established tips and service charge makes staff participate fully in developing internal business process, staff will swiftly recommend removal of ineffective business processes and new processes to avoid low tips/ charge in a month, the systems in the hotel automatically deducts service charge and post to staff salary, and that waiters complain a lot when food delays in the kitchen since they may lose tips.

Further, the researcher triangulated the quantitative results on internal business process with the managers' view on comments on tips, service charge and your operational processes using qualitative data analysis. Most of the managers observed that business operational process in the hotels required sustained employees motivation. Such sustained motivation was easily achieved through service tipping. Particularly, they observed that service complaints handling improved with anticipation of service tipping. Employees of each department took their duty to resolve service complaints in their departments and only communicate results to the managers when the pooled tips were issued on time. The managers also observed that inter-departmental complaints

resolutions were also high in cases where the pooled tips were shared among all the departments in the hotels. All these improved the hotels internal business process effectively. This compares well with Mturi (2014) who studied the effect of business process reengineering on staff turnover using a case of KK Security Group of Companies and reported that effective communication, ICT resources, team work and employee attitudes towards change as having played an important role in the BPR implementation in the KK group of companies. Most of the respondents' hotel managers had positive opinion on service tipping when one of them observed that "Service tipping is a great idea in the hotel industry supported by both the management and employees".

4.3.8 Organizational Learning and Growth Performance

This section presents the findings on the key variables of organizational Learning Growth which included; Tips / service charge forms a strong element of our hotels service culture, in order to get more tips /service charge staff are ready to change and improve continuously, tip, service charge and gratuities is the source of new businesses, tips/service charge/ gratuities policy has remained despite changes in the business environment, staff outside the tipping/service /gratuity calculations will introduce tippable services in their department, ownership of business is well spread to all staff in order to protect their interest in tips/service charge/ gratuity and that tips/service charge/gratuities causes staff innovativeness.

Table 15: Organizational Learning and Growth Descriptive Statistics

Organizational Learning	SD (%)	D (%)	U (%)	A (%)	SA (%)	X²	p
Tips strengthen Hotel Culture	10(9)	21(18)	10(9)	54(46)	22(19)	137.2	.000
Employees willing to change	8(7)	18(15)	4(3)	56(48)	31(26)	106.5	.000
Tips source of new business	17(15)	22(19)	11(9)	44(38)	23(20)	142.7	.000
Business Environment Change	15(13)	37(32)	23(20)	30(26)	12(10)	142.7	.000
Tips introduced to department	4(3)	6(5)	6(5)	78(67)	23(20)	188.3	.000
Employees partner with hotel	32(27)	51(44)	11(9)	17(15)	6(5)	150.7	.000
Tips make employees innovative	15(13)	24(21)	17(15)	46(39)	15(13)	154.3	.000

Key: SD = Strongly Disagree, D =Disagree, U = Undecided, A = Agree and SA = Strongly Agree

65% of the respondents agreed that service tipping forms a strong element of hotel service culture where 27% disagreed and 9% were undecided. Majority of the respondents agreed that staff are ready to change and improve continuously in order to get more tips where 24% disagreed while 3% were undecided. On whether tips/ service charge/ gratuity may be the source of new business, 58% of the respondents agreed, 34% disagreed while 9% were undecided. Majority of the respondents disagreed that service tipping policy has remained despite changes in the environment while 36% agreed and 20% were undecided. 87% of the respondents agreed that staff outside the tipping calculations will introduce tippable services in their departments while 8% disagreed and 5% were undecided. 71% of the respondents disagreed that ownership of business is well spread to all staff in order to protect their interest in tips and service charges while 9% were undecided and 20% agreed. Majority 52% agreed that tip/service charge/gratuities causes' staff innovativeness while 33% disagreed and 15% were undecided.

Concerning Organizational Learning and Growth, the study established tipping forms a strong element of hotels service culture, where employees are willing to change to this culture as a means of continuous improvement. Service Tipping was also found as a source of willingness by staff to adapt with change in business environment. Tipping being popular in hotels, the results from the study revealed that staff outside the tipping/service charge/gratuity calculations would introduce tippable services in their department so has to benefit them. Tipping also enhances business collaboration where the study established that ownership of business is well spread to all staff in order to protect their interest in tips/service charge/ gratuity, this situation makes employees innovative (See Table 15).

In order to corroborate the quantitative results on organizational learning and growth as far as service tipping was concerned, the researcher qualitatively analyzed other related areas based on the managers' views. First, the other element of remuneration to staff the managers preferred when tips/ service charge /gratuity policy was to be replaced to sustain or improve hotel performance was mostly improving compensation on work overtime by the employees. Secondly, the managers expressed views that employees continuously pushed them to develop memorandums to the Directorate of Tourist Board so that service tipping is adapted by the Kenya Government as a Policy

with an aim of mandating the hotels to graduate it to employees monthly salaries to fully formalize service tipping in the industry. Most hotel managers believed that service tipping is a culture, which cannot be broken and if one attempts to deny employees service tips, then he will not attract good employees hence losing Competitive advantage. A few managers observed that service tipping is a key driver to employee satisfaction, which leads to customer loyalty and preference of good workers working in a particular hotel. The overriding expression was the effect of service tipping to the attractiveness of a hotel to qualified staff, which in turns makes the hotel competitive brought about by the fact that service tipping is a culture one cannot break in star rated hotels in Kenya. This further informs Mueller (2011) who realised that where an organization's culture identifies or rewards members of staff who take initiative to practice the new ideas and skills, this may result in a positive impact in terms of continuous learning amongst the members of staff.

The findings on organizational leaning and growth performance established that Tips / service charge forms a strong element of a hotels service culture, in order to get more tips /service charge staff are ready to change and improve continuously, tip, service charge and gratuities may be the source of new businesses, staff outside the tipping/service charge/gratuity calculations will introduce tippable services in their department and that tips/service charge/gratuities causes staff innovativeness.

4.3.9 Service Tipping Competitive Strategy

This section presents the results on service tipping as a competitive strategy in hotels in Kenya. The analysed variables on service tipping competitive strategy included; employees love being tipped directly by the customers and keep the tip to themselves, employees faithfully declare tips in the pool and share it equally, employees are willing to resign if the tips, service charge is abolished, Tips, service charge and gratuities helps employees work together, all successful hotels allows tips and service charge in their operations, tips, service charge and gratuities makes employee stick to a particular hotel, employees smile a lot when they see new customers since they know they will have new tippers and that complaining customers don't give tips.

Table 16: Service Tipping Competitive Strategy

Service Tipping	SD (%)	D (%)	U (%)	A (%)	SA (%)	X²	p
Employees love being tipped	18(15)	37(32)	8(7)	33(28)	21(18)	165.7	.000
Employees declare tips	6(5)	27(23)	18(15)	52(44)	14(12)	129.0	.000
Abolishing tips lead to resignation	11(9)	13(11)	4(3)	61(52)	28(24)	172.3	.000
Tips lead to teamwork	2(2)	15(13)	10(9)	55(47)	35(30)	119.0	.000
Tips is encouraged by hotels	3(3)	24(21)	3(3)	70(60)	17(15)	110.0	.000
Tips leads to loyalty	1(1)	12(10)	12(10)	60(51)	32(27)	123.2	.000
Tips motivates employees	3(3)	6(4)	3(3)	49(42)	56(48)	114.7	.000
Complaining customers do not tip	29(25)	32(27)	17(15)	19(16)	20(17)	119.3	.000

Key: SD = Strongly Disagree, D =Disagree, U = Undecided, A = Agree and SA = Strongly Agree

Findings on tipping as a competitive strategy, the study established that about half of respondents disagreed that employees love being tipped directly by the customers and keep the tip to themselves. Concerning declaration of tips, the results revealed that majority of respondents agreed that employees faithfully declare tips in the pool and share it equally making employees willing to resign if the tips, service charge are abolished in the hotels. Further findings on tips and teamwork, the study established that majority of the respondents agreed that Tips, service charge and gratuities helps employees work together, making successful hotels allow tips and service charge in their operations. Further findings on tips and customers loyalty revealed that majority of respondents agreed that tips, service charge and gratuities makes employee stick to a particular hotel because tipping is a great motivator in the hotel industry making customer care an important practice (See Table 16).

In an effort to get opinions from the managers of the star rated hotels on whether service tipping contributes to general competitiveness of the hotel performance, most respondents agreed that it does. Though a few repeated the reasons given earlier like

adds to higher sales, shows extent of customer satisfaction, encourages team work and its a culture, most of the respondents agreed that service tipping contributes highly to competitive advantage of a hotel performance.

The findings on service tipping competitive strategy in hotels in Kenya therefore established that; employees faithfully declare tips in the pool and share it equally, employees are willing to resign if the tips, service charge is abolished, Tips, service charge and gratuities helps employees work together, all successful hotels which allow tips and service charge in their operations, tips, service charge and gratuities makes employee stick to a particular hotel and that employees smile a lot when they see new customers since they know they will have new tippers.

4.4 Test of OLS Assumptions

Inferential statistical analysis requires a diagnostic test to be performed to test the assumption of Pearson correlation and multiple regression analyses. This included normality test by use of Shapiro-Wilk test, Multi-collinearity test by use of VIF & Tolerance, linearity test by use of ANOVA and Homogeneity by use of Levene test. Multicollinearity was tested by computing the Variance Inflation Factors (VIF) and its reciprocal, the tolerance.

4.4.1 Shapiro-Wilk Normality Test

Table 17: Shapiro-Wilk Normality Test

Performance	Statistic	df	Sig
Finance	.971	114	.115
Customers	.958	117	.101
IBP	.947	117	.081
LO	.979	117	.068

The Table 17 presents the results from the Kolmogorov-Smirnov Test and the Shapiro-Wilk Test. The dependent variable for this test were the indicators of performance of the hotels in Kenya whereas the independent variable was service tipping. Since *p*-value generated out of Shapiro-Wilk Test was greater than 0.05, then the study statistically confirmed that the data used was normally distributed.

4.4.2 Multicollinearity Test

Table 18: Multicollinearity Test

Model	Unstandardized Coefficients		Std. Error	t	Sig.	Collinearity Statistics	
	B	Error	Beta			Tolerance	VIF
1 (Constant)	.174	.147		1.180	.241		
Tipping	1.089	.059	.867	18.380	.000	1.000	1.000

Table 18 was used to test Multicollinearity from the field data. Multicollinearity is considered to exist when Variance Inflation Factor is $<1 \text{ or } >10$. Since the VIF was $>1 < 10$, there was statistics evidence to prove that the data collected in the study did not have Multicollinearity and therefore passed the normality test.

Table 19: Levene Data Normality Test

	Levene Statistic	df1	df2	Sig.
Finance	2.947	17	96	0.209
Customers	2.944	17	99	0.315
IBP	3.616	17	99	0.384
OL	2.053	17	99	0.629

The Levene's F Test for Equality of Variances is the most commonly used statistic to test the assumption of homogeneity of variance. The Levene's test uses the level of significance set *a priori* for the t test analysis ($\alpha = .05$) to test the assumption of homogeneity of variance. The F value for Levene's test was highest for Internal Business Process $F = 3.616$ and lowest for Organizational Learning and Growth Performance 2.053 with a Significance (p) value of 0.384 and $p=0.629$ respectively ($p > .05$). Because the Sig. value is greater than alpha of .05 ($p < .05$), there was evidence that the assumption of homogeneity of variance was met and therefore passed the normality test (See Table 19).

4.5 Inferential Statistical Results

This section presents the inferential statistics, the answer to the research questions and hypotheses tests on the effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective. The independent variables were service tipping and star rating the hotels in Kenya. The dependent variable was performance of the star rated hotels using the 4 Balanced score card Scales of performance including; Financial Performance, Customers Satisfaction performance, Internal Business Process Performance and Organizational Learning and Growth performance of the star rated hotels in Kenya.

The Study tested the 6 research hypotheses; H₀₁: Service tipping as a competitive advantage strategy does not significantly affect financial performance of hotels in Kenya; H₀₂: Service tipping as a competitive advantage strategy does not significantly affect customer satisfaction of hotels in Kenya; H₀₃: Service tipping as a competitive advantage strategy does not significantly affect the internal processes performance of hotels in Kenya; H₀₄: Service tipping as a competitive advantage strategy does not significantly affect learning and growth performance of hotels in Kenya; H₀₅: Service tipping as a competitive advantage strategy does not significantly affect the combined Balanced Score Card performance of hotels in Kenya and H₀₆: Star rating does not significantly affect the relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya.

4.5.1 Effect of Service Tipping On Financial Performance

The first hypothesis stipulated that H₀₁: Service tipping as a competitive advantage strategy does not significantly affect financial performance of hotels in Kenya. The tested independent variable was service tipping as competitive strategy whereas the dependent variable was financial performance as a component of Balanced Score Card. The researcher used factor analysis first to isolate financial performance factors with an aim of identifying the factors that the respondents preferred. The results are presented in Tables 20, 21 and 22.

Table 20: Factor Analysis Results

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	4.35458	3.95838	0.8806	0.8806
Factor2	0.39620	0.08744	0.0801	0.9607
Factor3	0.30877	0.04815	0.0624	1.0232
Factor4	0.26062	0.11768	0.0527	1.0759
Factor5	0.14294	0.16913	0.0289	1.1048
Factor6	-0.02619	0.08046	-0.0053	1.0995
Factor7	-0.10665	0.03383	-0.0216	1.0779
Factor8	-0.14048	0.10428	-0.0284	1.0495
Factor9	-0.24476	.	-0.0495	1.0000

The study further conducted the factor loading analysis to determine the number of variables that were to be retained. Three components, with a cumulative variance of 1.00%, were extracted.

Table 21: Rotated Component Matrix

Variable	Factor1	Factor2	Factor3	Factor4	Factor5	Uniqueness
T/S charge contributes high profitability	0.6162	-0.0559	0.2697	0.0286	0.0015	0.5436
T/S charge bring cost of operation down	0.7643	-0.4377	-0.0679	0.0085	-0.0183	0.2193
T/S charge improves transparency & accountability of hotel staff	0.5360	0.0873	0.3468	0.0546	0.0454	0.5798
T/S sales turnover are always high	0.7929	-0.0742	0.1281	-0.0202	-0.1838	0.3151
T/S influence low cost of operations	0.7039	0.3721	-0.0180	-0.2362	-0.0512	0.3074
As a manager I am able to keep my wages low because of T/S/gratuities	0.7741	-0.1095	-0.0874	-0.2010	0.2188	0.2929
Staff in the hotel will always be conscious of wastage to protect service charge share	0.7337	0.0598	-0.2100	-0.0941	-0.0317	0.4041

Staff bring business to your hotel since they know of their share in service charge	0.5891	0.1602	-0.0431	0.2887	0.1961	0.5037
Staff will up sell to customers in pursuit of higher T/S/Gratuities	0.7034	0.0932	-0.2019	0.2607	-0.1295	0.3711

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 5 iterations. According to factor coding, fin_1 = tipping Contribute to profitability, fin_2= Reduces operational cost, fin_3= Improves accountability and transparency, fin_4= Increase sales turnover, fin_6= preferred to monthly salary, fin_7 = Influence low operation, fin_8 = Make employees reduce wastage, fin_9 = Make employees market the hotel and fin_10 = Make employees sell more.

In the first rotation, all the 9 factors were important with coefficient > 0.5, in terms of uniqueness two three (3) factors were considered unique by the respondents, that factor one which was stated as tipping Contributed to profitability of the hotels, factor three which was tipping improves accountability and transparency and factor 9 which was stated as tipping make employees market the hotel. The study further tested the relationship between tipping and these financial factors using regression analysis presented in Table 21.

Table 22: Tipping and Financial Performance Statistics

Statistics	Statistical values
R ²	.521
F	121.723
<i>p-value</i>	.000

Results from Table 22 revealed that the R value was 0.722 whereas R Square was 0.521, which indicated a high degree of correlation. The R² value indicates how much of the dependent variable, “Financial Performance”, was explained by the independent variables, “Service tipping “. In this case, 52% was the R Squared, which was fairly large indicating high degree of correlation. Therefore 48% of the variance in financial performance was explained by other factors outside this study.

The Predictors: “service tipping”. The Dependable variable: “financial performance”. Table 22 indicated that the regression model predicted the outcome variable significantly with $p=0.000$, which was less than 0.05, and indicated that; overall, the model statistically and significantly predicted the outcome variable. The implication of this finding was that the data collected for the study had high correlation between the independent variable (service tipping) and dependent variable (financial performance).

Table 23: Regression Coefficients of Service Tipping on Financial Performance

Model	Unstandardized Coef.		Standardized Coef.		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	.311	.239		1.301	.196
Tipping	1.062	.096	.722	11.033	.000

The results indicated that the beta value was significant ($\beta=1.062$, $p=0.000$). An increase in service tipping by 1 unit will lead to an increase in performance of star rated hotels in Kenya by 1.062 multiple units (See Table 23). The bivariate regression model can be used to predict hotels financial performance from service tipping is given by

$Y = 0.33 + 1.062X_1 + \epsilon$ where;

Y = Financial performance and

X_1 = Service Tipping competitive advantage strategy

Based on the results from the study, the hypothesis that Ho1: Service tipping as a competitive advantage strategy does not significantly affect financial performance of hotels in Kenya was rejected and therefore concluded that statistically, Service Tipping competitive advantage strategy affect financial performance of the star rated hotels in Kenya. Lynn supports this finding and Withiam (2008) established that a major gains from tipping to the business as it; lowers nominal prices, increases profits through price discrimination, acts as an incentive for up selling and service, attracts competent workers, and lowers tax payments.

4.5.2 Effect of Service Tipping On Customers Satisfaction Performance

The second hypothesis stipulated that Ho2: Service tipping as a competitive advantage strategy does not significantly affect customer satisfaction performance of hotels in Kenya. The tested independent variable was service tipping as competitive strategy whereas the dependent variable was customer satisfaction as a component of Balanced Score Card. The researcher used factor analysis first to isolate customers' satisfaction factors with an aim of identifying the factors that the respondents preferred. The results are presented in Tables 24 and 25.

Table 24: Factor Analysis Results

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	3.49879	3.00368	0.9099	0.9099
Factor2	0.49510	0.15313	0.1288	1.0387
Factor3	0.34198	0.19733	0.0889	1.1276
Factor4	0.14465	0.14877	0.0376	1.1653
Factor5	-0.00412	0.09142	-0.0011	1.1642
Factor6	-0.09554	0.04169	-0.0248	1.1393
Factor7	-0.13723	0.03246	-0.0357	1.1036
Factor8	-0.16969	0.05914	-0.0441	1.0595
Factor9	-0.22883	.	-0.0595	1.0000

The study further conducted the factor loading analysis to determine the number of variables that were to be retained. Three components, with a cumulative variance of 1.00%, were extracted. Extraction Method: Principal Component Analysis.

Table 25: Rotated Component Matrix

Variable	Factor1	Factor2	Factor3	Factor4	Uniqueness
Most repeat customers give T/S charge	0.2508	0.3765	0.2167	-0.0207	0.7480
Dissatisfied customers will not give T/S charge	0.0934	0.3398	0.0848	0.2249	0.8180
Our staff makes effort to please customers with an expectation of higher T/S charge	0.6523	-0.1231	-0.1304	0.1348	0.5242
When T/S are high, there are lower levels of customer complaints	0.5946	0.2566	-0.2796	-0.0587	0.4990
Due to our T/S charge policy, our services are reliable and bring sense of assurance to customers	0.6876	0.2695	-0.1358	-0.1397	0.4166
Due to our hotel T/S charge policy, staff are very responsive to customers	0.7257	-0.1365	-0.1538	0.1813	0.3981
Due to our hotel	0.8558	-0.1333	0.1745	-0.1201	0.2050

T/S charge policy, staff are very empathetic(caring) to customers Particular customers offer both tips and service charge when they are satisfied	0.8407	-0.2172	0.1126	-0.0359	0.2321
Most of our customers are aware of T/S/Gratuities.	0.4577	0.0263	0.3278	0.0625	0.6785

Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 5 iterations. According to factor coding, cust_1 = Dissatisfied customers do not give tips, cust_2 = Tips increase customers satisfaction, cust_3 = Tips reduces complaints, cust_4 = Tips improves service assurance to customer, cust_5 = Tips make employees responsive, cust_6 = Repeat customers give tips, cust_7 = Tips make employees empathetic to customers, cust_8 = Satisfied customers give tips and cust_9 = Customers are aware of tips.

In the first rotation, all the 9 factors were important with coefficient > 0.5, in terms of uniqueness two four (4) factors were considered unique by the respondents, these were; Dissatisfied customers do not give tips, tips increase customers satisfaction, tips reduces complaints and that customers are aware of tips. The study further tested the relationship between tipping and these customer satisfaction factors using regression analysis presented in Table 26 and Table 27.

Table 26: Tipping and Customer Satisfaction Performance Statistics

Statistics	Statistical values
R ²	.792
F	437.194
<i>p-value</i>	.000

Results from Table 26 revealed that the R value was 0.890 whereas R Square was 0.790, which indicated a high degree of correlation. The R² value indicates how much of the dependent variable, “customer satisfaction Performance”, was explained by the independent variables, “Service tipping “. In this case, 79% was the R Squared, which was fairly large indicating high degree of correlation. Therefore 21% of the variance in customer satisfaction performance was explained by other factors outside this study.

The Predictors: “service tipping”. The Dependable variable: “customers’ satisfaction performance”. Table 26 indicated that the regression model predicted the outcome variable significantly with $p=0.000$, which was less than 0.05, and indicated that; overall, the model statistically and significantly predicted the outcome variable. The implication of this finding was that the data collected for the study had high correlation between the independent variable (service tipping) and dependent variable (customer satisfaction performance).

Table 27: Regression Coefficients of Service Tipping on customer Performance

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	-.231	.140		-1.653	.101
Tipping	1.167	.056	.890	20.909	.000

The results indicated that the beta value was significant ($\beta=1.167$, $p=0.000$). An increase in service tipping by 1 unit will lead to an increase in performance of star rated hotels in Kenya by 1.167 multiple units (see Table 27). The bivariate regression

model can be used to predict hotels customers' satisfaction performance from service tipping is given by;

$$Y = -.231 + 1.167X_1 + \varepsilon \text{ where;}$$

Y = Financial performance and

X₁ = Service Tipping competitive advantage strategy

Based on the results from the study, the hypothesis that H₀₂: Service tipping as a competitive advantage strategy does not significantly affect customer satisfaction of hotels in Kenya was rejected and therefore concluded that statistically, Service Tipping as a competitive advantage strategy affect customers' satisfaction performance of the star rated hotels in Kenya. Lynn and McCall (2000) opined that the service–tipping relationship is due to the effects of customers' service evaluations and tips rather than to a direct effect of service quality on tip size and customers decisions about whom to tip are largely determined by customer support this finding. Kazembe et, al. (2014) also observes that service charge was the most preferred system to share tips which motivates all employees since the guest experience is a product of collective effort from almost all the employees in the hotel establishment.

The findings is also further supported by Philemon (2015) who established that the tourism industry is greatly controlled by the discernment that tourists carry with them about that particular destination. Philemon further argues despite the well-built literature from western world and the developing economies on tourists' perception and satisfaction, there seems to be unsatisfying outcomes regarding what satisfies tourists on each destination. Just has been shown, tipping create an expectation of customer satisfaction which is supported by Mason and Simmons (2012) who connect service quality with customer expectation as they found that customer expectation occurs when customers predict the service quality by using their own characteristics, attitudes and preference. Customers perceive the services differently depending on their perception and expectation whilst customer satisfaction will be judged by the provided service and customer expectation (Yongchaitrakool, 2014).

4.5.3 Effect of Service Tipping on Internal Business Process Performance

The third hypothesis stipulated that H₀₃: Service tipping as a competitive advantage strategy does not significantly affect the internal processes performance of hotels in Kenya. The tested independent variable was service tipping as competitive strategy whereas the dependent variable was business internal process as a component of Balanced Score Card. The researcher used factor analysis first to isolate internal business processes factors with an aim of identifying the factors that the respondents preferred. The results are presented in Tables 28 and Table 29.

Table 28: Factor Analysis Results

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	3.31437	2.76739	0.8945	0.8945
Factor2	0.54699	0.22368	0.1476	1.0421
Factor3	0.32331	0.23768	0.0873	1.1294
Factor4	0.08563	0.15693	0.0231	1.1525
Factor5	-0.07131	0.03414	-0.0192	1.1333
Factor6	-0.10545	0.05310	-0.0285	1.1048
Factor7	-0.15855	0.07119	-0.0428	1.0620
Factor8	-0.22975	.	-0.0620	1.0000

The study further conducted the factor loading analysis to determine the number of variables that were to be retained. Four components, with a cumulative variance of 1.00%, were extracted. Extraction Method: Principal Component Analysis.

Table 29: Rotated Component Matrix

Variable 	Factor1	Factor2	Factor3	Factor4 	Uniqueness
T/S charge makes staff participate fully in developing IBP	0.2139	0.2535	0.2986	0.0058	0.8008
Staff will swiftly recommend removal of ineffective BP & new processes to avoid low T/S in a month	0.6425	0.3481	0.1016	-0.0263	0.4550
The systems in the hotel are attuned to the T/S system	0.7536	-0.1441	0.2773	0.0677	0.3299
Service charge is automatically deducted and posted to staff salary	0.4857	0.3760	-0.0497	-0.0915	0.6119
Waiters quarrel a lot when food delays in the kitchen since they may lose tips	0.2947	0.3064	-0.3275	0.0954	0.7029
Kitchen staff goes to interact with customers expecting tips	0.8657	-0.2383	-0.0254	-0.0914	0.1847
Room stewards would be mad at front office staff when bookings are not well communicated due to T/S	0.7004	-0.0934	-0.0574	0.2099	0.4534

T/S strengthens interdepartmental services, collaboration & communication	0.8516	-0.2002	-0.1823	-0.1021	0.1911
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Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 5 iterations. According to factor coding, igp_1 = Tips make employees participate in development of the hotel, igp_2 = Tips make employees remove ineffective process, igp_3 = Systems in hotels are aligned to tips, igp_4 = Tips are automatically deducted and posted in employ, igp_5 = Waiters complain when food take long from kitchen, igp_6 = Kitchen staff interact with customers because of tip, igp_7 = Tips make room steward active in booking customers and igp_8 = Tips strengthen collaborations among departments.

In the first rotation, all the 8 factors were important with coefficient > 0.5, in terms of uniqueness three (3) factors were considered unique by the respondents, these were; Tips make employees participate in development of the hotel (0.8008), Tips are automatically deducted and posted in employee (0.6119) and that waiters complain when food take long from kitchen (0.7029). The study further tested the relationship between tipping and these learning and growth perspective factors using regression analysis presented in Tables 30, 31 and 32.

Table 30: Tipping and Internal Business Process Performance Statistics

Statistics	Statistical values
R ²	.711
F	282.837
<i>p-value</i>	.000

Results from Table 30 revealed that the R value was 0.843 whereas R Square was 0.711, which indicated a high degree of correlation. The R² value indicates how much of the dependent variable, “Internal Business Process Performance”, was explained by the independent variables, “Service tipping “. In this case, 71% was the R Squared,

which was large indicating high degree of correlation. Therefore 29% of the variance in internal business process performance was explained by other factors outside this study.

The Predictors: “service tipping”. The Dependable variable: “Internal Business Process performance”. Table 30 indicated that the regression model predicted the outcome variable significantly with $p=0.000$, which was less than 0.05, and indicated that; overall, the model statistically and significantly predicted the outcome variable. The implication of this finding was that the data collected for the study had high correlation between the independent variable (service tipping) and dependent variable (Internal Business Process performance).

Table 31: Regression Coefficients of Service Tipping on Internal Business

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	.246	.170		1.448	.150
Tipping	1.141	.068	.843	16.818	.000

The results indicated that the beta value was significant ($\beta=1.141$, $p=0.000$). An increase in service tipping by 1 unit will lead to an increase in performance of star rated hotels in Kenya by 1.141 multiple units (See Table 31). The bivariate regression model can be used to predict hotels Internal Business Process performance from service tipping is given by

$$Y = .246 + 1.141X_1 + \varepsilon \text{ where;}$$

Y = Internal Business Process and

X_1 = Service Tipping competitive advantage strategy

Based on the results from the study, the hypothesis that H_03 : Service tipping as a competitive advantage strategy does not significantly affect the internal business processes performance of hotels in Kenya was rejected and therefore concluded that statistically, Service Tipping competitive advantage strategy affect Internal Business Process performance of the star rated hotels in Kenya. The study is also supported by

Mwihaki (2017) who conducted a Study on the role of innovation management on SMEs Performance focusing of the Hotel sector in Nairobi. The study found that market and process innovation management played a critical role towards the performance of SMEs in the hotel sector in Nairobi. On the other hand, the study observed that management of supplier innovations played no role on hotel performance. Alongside Kaptoge (2008) who established that BPR implementation on the supply chain and enterprise resource management resulted in process management improvement resulting in achievement of competitive advantage.

Other studies that support this findings are; Mturi (2014) who studied the effect of business process reengineering on staff turnover using a case of KK Security Group of Companies and reported that effective communication, ICT resources, team work and employee attitudes towards change as having played an important role in the BPR implementation in the KK group of companies. Odede (2013) who focused on business process re-engineering implementation and organizational performance in Kenya Revenue Authority and established a positive relationship between BPR implementation and performance of KRA with improvements noted in areas of customer service, process turnaround time, cost reduction, improved technology, competitiveness and revenue growth. Mturi (2014) who study was conducted in the security department and analyzed staff turnover, which is the research gap the current study, will fill by analyzing effect of service tipping as a competitive advantage on internal business process performance by hotels in Kenya.

Procurement process is an important Internal Business Process performance in a hotel industry. In terms of procurement process, Siricha and Theuri (2016) who established that internal procurement processes support the finding and in particular, electronic procurement had a great influence on organizational performance. Specifically, the research's findings showed that the integration of internal procurement processes played a very important role in enhancing organizational performance. Kennedy and Kiarie (2015) also established that there is a positive correlation between internal procurement processes and organizational performance. The research further revealed that internal procurement processes enhance organizational performance by integrating an organization's operational and support functions, ensuring that production is aligned

with new orders; purchasing is aligned with demand while shipping and scheduling are aligned with the requirements of customers.

As far as strategy implementation, Cater and Pucko (2010) avers that strong leadership is always essential for effective execution however there are numerous hardships in exercising leadership and getting things done. Hence, leadership will require the need to establish an effective leadership style as well as the right staff with the right skills to execute tasks, which is a challenge in itself. Rintari et al. (2018) also established that internal process significantly influenced performance in National referral hospitals in Kenya. Having established formal rules and procedures ensures smooth functioning and the absence of rules and regulations may lead to chaos and anarchy in organization and behavioural uncertainty among employees. Their findings indicate that there are established traditions in the referral hospitals in Kenya. 72% of the respondents said that there is an established way of doing things. This is an indicator of strong culture, however, impose a level of stability on organizations, and such stability has mixed implications for performance. Nevertheless, there is a linear and significant relationship between internal processes and organizational performance in National referral hospitals in Kenya.

4.5.4 Effect of Service Tipping on Organizational Learning and Growth Performance

The fourth hypothesis stipulated that H₀₄: Service tipping as a competitive advantage strategy does not significantly affect learning and growth performance of hotels in Kenya. The tested independent variable was service tipping as a competitive strategy whereas the dependent variable was learning and growth perspectives as a component of Balanced Score Card. The researcher used factor analysis first to isolate customers' satisfaction factors with an aim of identifying the factors that the respondents preferred. The results are presented in Table 32 and Table 33.

Table 32: Factor Analysis Results

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	2.85052	2.46146	1.0131	1.0131
Factor2	0.38906	0.28253	0.1383	1.1514
Factor3	0.10653	0.14071	0.0379	1.1893
Factor4	-0.03418	0.06498	-0.0121	1.1771
Factor5	-0.09916	0.05433	-0.0352	1.1419
Factor6	-0.15349	0.09223	-0.0546	1.0873
Factor7	-0.24572	.	-0.0873	1.0000

The study further conducted the factor loading analysis to determine the number of variables that were to be retained. Four components, with a cumulative variance of 1.00%, were extracted. Extraction Method: Principal Component Analysis.

Table 33: Rotated Component Matrix

Variable	Factor1	Factor2	Factor3	Uniqueness
T/S charge forms a strong element of our hotels service culture	0.6555	0.2161	-0.1811	0.4909
In order to get more T/S staff are ready to change & improve continuously	0.4311	0.3555	0.1142	0.6748
T/S/gratuities may be the source of our new businesses	0.8214	-0.0231	-0.0739	0.3193
T/S policy has remained despite changes in the business environment	0.5932	-0.2664	0.1333	0.5594
Staff outside the T/S /gratuity calculations will introduce tippable services in their department	0.5353	0.2289	0.1663	0.6334
Ownership of business is well spread to all staff in order to protect their interests in T/S /Gratuity	0.6628	-0.2970	0.0385	0.4710
T/S/Gratuities causes staff innovativeness	0.6947	-0.0628	-0.0913	0.5051

Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 5 iterations. According to factor coding, lgp_1 = Tips strengthen hotel culture, lgp_2 = Tips make employees willing to change, lgp_3 = Tips is source of new business, lgp_4 = Tips have survived business environment change, lgp_5 = Tips make all employees willing to introduce tippable services in their departments, lgp_6 = Tips make employees partner with the hotel and lgp_7 = Tips make staff be innovative.

In the first rotation, almost all the 7 factors were important with coefficient > 0.5, in terms of uniqueness four (4) factors were considered unique by the respondents; these were; tips make employees willing to change, tips have survived business environment change, tips make all employees willing to introduce new tippable services in their departments and that tips make staff be innovative. The study further tested the relationship between tipping and learning and growth perspective factors using regression analysis presented in Table 34 and Table 35.

Table 34: Tipping, Organizational Learning and Growth Performance

Statistics	Statistical values
R ²	.502
F	115.948
<i>p-value</i>	.000

Results from Table 34 revealed that the R value was 0.709 whereas R Square was 0.502, which indicated a high degree of correlation. The R² value indicates how much of the dependent variable, “Organizational Learning and growth Performance”, was explained by the independent variables, “Service tipping “. In this case, 50% was the R Squared, which was fairly large indicating high degree of correlation. Therefore 50% of the variance in Organizational Learning and growth Performance was explained by other factors outside this study.

The Predictors: “service tipping”. The Dependable variable: “Organizational Learning and growth Performance”. Table 34 indicated that the regression model predicted the outcome variable significantly with p=0.000, which was less than 0.05, and indicated

that; overall, the model statistically and significantly predicted the outcome variable. The implication of this finding was that the data collected for the study had high correlation between the independent variable (service tipping) and dependent variable (Organizational Learning and growth Performance).

Table 35: Regression Coefficients of Service Tipping on LO and Growth

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	.398	.225		1.772	.079
Tipping	.966	.090	.709	10.768	.000

The results indicated that the beta value was significant ($\beta=0.966$, $p=0.000$). An increase in service tipping by 1 unit will lead to an increase in performance of star rated hotels in Kenya by .966 multiple units (See Table 35). The bivariate regression model can be used to predict hotels Organizational Learning and growth performance from service tipping is given by

$$Y = .398 + .966X_1 + \varepsilon \text{ where;}$$

Y = Organizational Learning and growth Performance and

X₁ = Service Tipping competitive advantage strategy

Based on the results from the study, the hypothesis that H₀₄: Service tipping as a competitive advantage strategy does not significantly affect learning performance of hotels in Kenya was rejected and therefore concluded that statistically, Service Tipping competitive advantage strategy affect Organizational Learning and growth performance of the star rated hotels in Kenya. The findings is supported by Dimovski & Škerlavaj (2005) who studied the relationship between organizational learning and performance and found that the impact of organizational learning on business performance differs and depends on what they understand by performance. Understanding the performance goals of an organization enables management to know

the knowledge needs required to achieve organizational learning and consequently increased performance.

The findings is further supported by Nzuve and Omolo (2012) conducted a research to establish the effect of learning organization practices in Kenya and found that the practices of Learning Organisation had a positive correlation with organizational performance among 43 Kenyan Commercial Banks and found that most of the banks had largely adopted the practice of a learning organization. In Virginia Department of Social services, Pokharel and Hult (2015) found evidence that individual and group level learning (that is, continuous learning, dialogue and inquiry, team learning and empowerment) had an indirect statistically significant effect on organizational performance. However, two organizational level factors (a system to capture learning and strategic leadership) had no statistically significant effect on organizational performance, while system connections do have a positive impact on organizational performance.

In the development of learning culture, the findings is supported by Egan et al., (2004) found evidence that organizational learning culture has a direct and indirect impact, through the mediator of job satisfaction, on employee turnover intention and service delivery. They noted that despite the high correlation between the organizational learning culture and job satisfaction, these two constructs tend to be distinct both conceptually and in terms of measurement. Chang and Lee (2007) conducted quantitative research targeting different industries in Taiwan and found that the operation of learning organizations has a significantly positive effect on employees' and clients satisfaction.

4.5.5 Service Tipping and the Combined Balanced Score Card Performance

In order to test the relationship between service tipping and the combined Balanced Score Card performance, the study combined the 4 measurement indicators of Balanced Score Card indicators on performance; financial performance, customers' satisfaction, internal business process and organizational learning and growth performance. The 4 measurement indicators of Balanced Score Card indicators on performance were hierarchical combined to come up with one indicator named performance.

The fifth hypothesis therefore was stated as; H₀₅: Service tipping as a competitive advantage strategy does not significantly affect the combined Balanced Score Card performance of hotels in Kenya. The tested independent variable was service tipping as competitive strategy whereas the dependent variable was hotel performance (combined Balanced Score Card Indicators) as a component of Balanced Score Card, the results are presented in Tables 36 and Table 37.

Table 36: Tipping and Combined Performance Statistics

Statistics	Statistical values
R ²	.751
F	337.822
<i>p-value</i>	.000

Results from Table 36 revealed that the R value was 0.867 whereas R Square was 0.751, which indicated a high degree of correlation. The R² value indicates how much of the dependent variable, “hotels Performance”, was explained by the independent variables, “Service tipping “. In this case, 75% was the R Squared, which was large indicating high degree of correlation. Therefore 25% of the variance in hotels Performance was explained by other factors outside this study.

The Predictors: “service tipping”. The dependable variable: “hotels Performance”. Table 36 indicated that the regression model predicted the outcome variable significantly with p=0.000, which was less than 0.05, and indicated that; overall, the model statistically and significantly predicted the outcome variable. The implication of this finding was that the data collected for the study had high correlation between the independent variable (service tipping) and dependent variable (hotels Performance).

Table 37: Regression Coefficients of Service Tipping on Hotels Performance

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	.174	.147		1.180	.241
Tipping	1.089	.059	.867	18.380	.000

The results indicated that the beta value was significant ($\beta=1.089$, $p=0.000$). An increase in service tipping by 1 unit will lead to an increase in performance of star rated hotels in Kenya by 1.089 multiple units (See Table 37). The bivariate regression model can be used to predict hotels performance from service tipping is given by

$$Y = .174 + 1.089X_1 + \varepsilon \text{ where;}$$

Y = Hotels Performance and

X_1 = Service Tipping competitive advantage strategy

Based on the results from the study, the hypothesis H_{05} : Service tipping as a competitive advantage strategy does not significantly affect the combined Balanced Score Card performance of hotels in Kenya was rejected this was because Service Tipping competitive advantage strategy affected hotels performance of the star rated hotels in Kenya.

This finding is supported by Sainagh et al. (2013) who provided a summary of an examination of hotel performance research published in the seven leading hospitality and tourism journals from 1992 to 2011 through the lens of Balanced Score Card (BSC). The Researchers in the study recognized the benefits of including financial and non-financial indicators; unexplored business processes perspective which contributes to efficiency as a key driver for managers both presently and in future; and a need for a movement from single perspective to relationship that links all perspectives of performance of Balanced Scorecard. He further deduced that hotel firm is a system that cannot be seen as simple (linear) composition of the entities composing it (Baggio & Sainagh, 2011; Zahra & Ryan, 2007) and then researchers should understand the complexity of linking the perspectives.

This finding is further supported by Rigby (2013) observed that information collected through customer interactions support effective customer service programs, generate more reliable sales forecasts, provide feedback on customer preferences and problems to product designs, assist gather market research on customers, enables sales representatives to see financial impact on different configurations before they set prices and improves customer retention. The finding is also supported by Mokhtar (2013) noted the practices of customer focus were identified as pivotal for any organization seeking to reach a level of sustainable performance. Other studies with similar outcome include Owiti (2014) that satisfied customers would refer others to the hotel increasing customer numbers and hence improving competitiveness and profitability.

The finding is also supported by Ayele (2012) sought to establish the positioning strategies adopted by five star hotels in Nairobi, Kenya where he concluded that to stay competitive in the stiff competitive market in the hotel industry, an organisation must position itself in a all-round competent perspective. The findings of the study revealed that the hotels that had adopted various positioning strategies such as leadership positioning, personal contact positioning and extensive staff training positioning strategies; Positioning strategies on the basis of quality customer service, physical attractiveness, range of product offerings ,unique product features, safety and security systems, information technologies in order to competently face the market competition.

The study is further supported by Njiru (2014) sought to determine effect of organizational structure on financial performance of commercial state corporations in Kenya. The study findings revealed that there is a positive relationship between dependent variable return on assets (ROA) and independent variables; Organizational size, structure formalization, structure centralization and structure complexity. Under structure formalization, regular departmental meetings, formal guidelines on how to deal with every operational activity and readily available policies and procedures manual improved performance. Under structure complexity, few levels of hierarchy before a decision is made, established departments to deal with every corporation mandate and more than one income generating activity were desirable.

4.5.6 Moderating Effect of Star Rating on Service Tipping and Hotel Performance

The research also set an objective to analyse the moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya. This was important since the star rating of the hotels can dictate the type of customers, for example, five star rated hotels like Intercontinental Hotel, Kempiski Nairobi may attract high end customers who in turn may give higher service tips which also can motivate the employees more leading to superior performance.

The sixth and the final hypothesis therefore was stated as; H₀₆: Star rating does not significantly affect the relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya. The tested independent variable was service tipping as competitive strategy whereas the dependent variable was hotel performance (combined Balanced Score Card Indicators) as a component of Balanced Score Card and the moderator was star rating of the hotels, the results are presented in Tables 38, and 39.

Table 38: R Square

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.867 ^a	.751	.749	.37827
2	.867 ^b	.751	.747	.37994

Results from Table 38, presents the R² before and after the interaction of the moderating variable; Star rating of the hotels. Before and after the interaction, the R value was 0.751^a with which indicated high degree of correlation in both cases, that is before and after the introduction of the star rating of the hotels. The R² value indicates how much of the dependent variable, “performance of the hotels”, was explained by the independent variables, “Service tipping”. In this case, 75% was the R Squared, which was high degree of correlation.

Table 39: ANOVA of Star Rating, Service Tipping and Performance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	48.337	1	48.337	337.822	.000 ^b
Residual	16.026	112	.143		
Total	64.363	113			
2 Regression	48.340	2	24.170	167.432	.000 ^c
Residual	16.023	111	.144		
Total	64.363	113			

The Predictors: “service tipping”. The Dependable variable: “performance of the hotels”. Findings in Table 39 indicated that the regression model predicted the outcome variable significantly with $p=0.000$, which was less than 0.05 before and after the interaction of the moderating variable, and indicated that the model statistically and significantly predicted the outcome variable before and after the introduction of star rating of the hotels.

Table 40: Star Rating, Service Tipping and Performance

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	.174	.147		1.180	.241
Tipping	1.089	.059	.867	18.380	.000
2 (Constant)	.187	.186		1.006	.317
Tipping	1.088	.060	.866	18.227	.000
Star Rating	-.004	.032	-.006	-.121	.904

Table 40 shows the findings before and after interaction of star rating was introduced as moderating variable. The study established significant relationship between service

tipping and hotels performance $r = 1.089$, $p = 0.000 < 0.05$ before the interaction of star rating as moderating variable and $r = 1.088$, $p = 0.000 < 0.05$ after the interaction of the moderating variable. An increase in service tipping by 1 unit will lead to an increase in performance of star rated hotels in Kenya by 1.088 multiple units. When star rating was introduced as a moderating variable, the relationship between service tipping and hotels performance remained statistically significant, although the value of the regression coefficient reduced slightly ($r = 1.089 - 1.088 = 0.001$). This slight change in the coefficient is the statistical proof that when star rating was introduced, it slightly reduced the regression coefficient although the relationship between service tipping and hotels performance remained statistically significant.

The hypothesis H₀₆: Star rating does not significantly affect the relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya was rejected. From the finding, it can therefore be concluded that the introduction of star rating slightly changed the relationship between service tipping and performance of star rated hotels in Kenya. This finding is supported by Avid (2002) studied star rating and corporate affiliation: their influence on room price and performance of hotels in Israel. The data suggests that the star-rating system, which is traditionally used to rate hotels' quality, is still a stable and consistent predictor of room prices. However, in light of the increased usage of brand names in the Israeli industry, it was found that the ability to charge and receive a premium for the hotel corporate affiliation or brand name is not consistent. The analysis presents the case in which a premium for brand name is eroded by the influence of the crisis, by the level of corporate intensity in the region, and by the relative strength of consumers in the different geographical locations.

The findings on the moderator is further supported by Albrata et al., (2011) on hotel classification and service quality improvement and industry performance reveals relationships between quality award symbols and hotel rack rates chargeable to guests. The study found that quality levels by reputable classification systems help explain hotel tariffs, concluding that star rating is a reliable and powerful marketing tool for tourism industry competitiveness. Fernandez and Bedia (2004) in a research conducted in Spain sought to establish whether hotel star rating system is a better predictor of

hotel service quality. The study established a positive correlation between the quality of service delivery and the level of hotel rankings according to customer expectations. Danziger et al., (2006) also support the finding and Israeli, (2002) investigation on hotel classification systems asserted that star rating system is a critical tool for measuring hotel service quality. As such, rating system conducted in a suitable quality assurance framework is a major factor influencing guest's expectations and quality judgment determining their satisfaction and cumulative experience in a destination. The rising consumer consciousness and knowledge of service quality therefore compels both local and international hotel chains and destination managers to seek recognizable standards and reliable hotel rating systems to communicate accurate quality levels of hotel facilities (Israeli & Uriely, 2000; Cser & Ohuchi, 2008; Minazzi, 2010). Conventionally (Minazzi, 2010) hotel classification systems promotes best practices and quality awareness by service providers, and more importantly, guarantees guest satisfaction and experience during their stay at a destination.

In support of the finding, other scholars similarly, research by Narangajavana and Hu (2008) opines that rating systems are a significant guide for pegging hotel's pricing decisions and that hotel ranking is directly correlated with quality service improvements and performances in hotel properties all over the world. Narangajavana and Hu (2008) suggesting classification systems leads to quality improvement, marketing and increased performance, the role of classification systems in sustainable growth of the hospitality sector and quality destination management is yet to be realized, especially in the developing countries such as Kenya. The results finally is supported by researcher observations that service tipping at the coastal city of Kenya is almost a constant norm from a one star rated hotel to a 5 star rated hotel though it slightly differs in terms of percentage on service charge which is dependent to the hotel policy or employee communal objectives over service tipping. Though it may have slight impact on performance of different star rated hotels differently.

4.5.7 Moderating Effect of Star Rating on the Relationship Between Service Tipping and Financial Performance

Table 41 shows regression results for financial performance and tipping. Column I presents results in which the variables are computed using factor analysis whilst

column II has results in which the variables are computed using averages of scores that were converted into percentages.

Table 41: Tipping and Financial Performance

Variables	Column I	Column II
Hotel allows Tipping	5.077 (3.03)***	90.865 (2.61)**
Star Rating	1.391 (2.73)***	21.771 (2.04)**
Star Rating*Hotel allows Tipping	-1.531 (-3.00)***	-23.683 (2.22)**
Constant	-4.603 (-2.76)***	-27.804 (0.81)
R-Squared	0.1207	0.1054
F-Value	3.62 [0.0167]**	3.30 [0.0243]**
Observations	83	88

The asterisks ***, ** and * represent significance at 1%, 5% and 10%, respectively. The values in parenthesis () are the t-values whilst those in brackets [] are the p-values.

The regression results for column I show that for hotels that allow tipping, there is improvement in performance as is evidenced by a significant coefficient of 5.077. Tipping therefore plays an integral role in enhancing financial performance of hotels. Star rating also plays an important role in performance of hotels. The higher the star the better the performance of hotels. This is shown by the significant coefficient of 1.39. When it comes to moderating effect of star rating on performance of hotels, the

results show a significant but surprisingly negative relation of the impact of tipping given star rating of the hotel.

Apart from using factor analysis to correlate the scores and compute the variables of interest, the researcher also converted the scores into percentages and used the percentages in regression analysis. The results are presented in column 2 of Table 41. The results show that tipping has the highest effect on financial performance with a coefficient of 90.86 followed by star rating that has a coefficient of 21.77. All the variables are significant at 5%. The moderating effect has a negative and significant relationship with financial performance.

The above results compares well with descriptive results where majority of the respondents agreed that tipping contribute to profitability, enhanced accountability and transparency, markets the hotels and make employees sell more. The results on the fact that service tipping influences sales turnover was the highest with a strong value of 168.6 followed closely with service tipping reducing operational cost at 143.3 and the fact that service tipping makes employees sell more 135.5 and service tipping contributes to profitability at 68.6. Refer table 12.

In view of empirical literature, the results agrees with Kibet et al. (2014) who found out that star rating of hotels is vital in the hotel business in Kenya since it aided establishments effectively to compete in the market and influences turnover. However, it fills the gap for Harris and Mongiello (2001) and Sainagh, et al. (2013). Concerning profitability and economic benefits, Lynn and Withiam (2008) established that there are major gains from tipping to the business as it; lowers nominal prices, increases profits through price discrimination, acts as an incentive for up selling and service, attracts competent workers, and lowers tax payments.

4.5.8 Moderating Effect of Star Rating to Customer Perspective Performance

Table 42 shows regression results for financial performance and tipping. Column I presents results in which the variables are computed using factor analysis whilst column II has results in which the variables are computed using averages of scores that were converted into percentages.

Table 42: Tipping and Customer Perspective Performance

Variables	Column I
Hotel allows Tipping	3.047 (1.75)***
Star Rating	0.604 (1.13)***
Star Rating*Hotel allows Tipping	-0.782 (-1.47)***
Constant	-2.45 (-1.42)***
R-Squared	0.083
F-Value	2.53 [0.0623]**
Observations	83

The asterisks ***, ** and * represent significance at 1%, 5% and 10%, respectively. The values in parenthesis () are the t-values whilst those in brackets [] are the p-values.

The regression results for column I show that for hotels that allow tipping, there is improvement in performance as is evidenced by a significant coefficient of 3.047. Tipping therefore plays an integral role in enhancing customer satisfaction performance of hotels. Star rating also plays an important role in performance of hotels. The higher the star the better the performance of hotels. This is shown by the significant coefficient of 0.604. When it comes to moderating effect of star rating on performance of hotels, the results show a significant but surprisingly negative relation of the impact of tipping given star rating of the hotel.

Empirically and from customer's point of view, price and stars may be factors determining expectations (Israeli, 2002; Danziger et al., 2006). Therefore, when a customer pays a high price to go to a high category hotel is more demanding, has higher expectations and then his quality appraisal and satisfaction are influenced (Fernandez & Bedia, 2007; Barcala et al., 2009; Davutyan, 2007). Albrata et al. (2011) on hotel classification and service quality improvement and industry performance reveals relationships between quality award symbols and hotel rack rates chargeable to guests. The study found that quality levels by reputable classification systems help explain hotel tariffs, concluding that star rating is a reliable and powerful marketing tool for tourism industry competitiveness. Fernandez and Serraru (2004) in a research conducted in Spain sought to establish whether hotel star rating system is a better predictor of hotel service quality. The study established a positive correlation between the quality of service delivery and the level of hotel rankings according to customer expectations.

When we compare this with the descriptive results, the effect of service tipping to customer perspective is evident. Most respondents agreed that service tipping influences customer satisfaction depicted by the fact that service tipping influences customer responsiveness (109.9), tipping brings customer empathy (161.2) service tipping causes reduction of customer complaints (123.2).

4.5.9 Moderating Effect of Star Rating to Internal Business Performance

Table 43 shows regression results for internal business performance and tipping. Column I presents results in which the variables are computed using factor analysis whilst column II has results in which the variables are computed using averages of scores that were converted into percentages.

Table 43: Tipping and Internal Business Processes Performance

Variables	Column I	Column II
Hotel allows Tipping	0.689 (2.06)***	4.359 (2.49)**
Star Rating	0.187 (1.83)***	1.234 (2.29)**
Star Rating*Hotel allows Tipping	-0.201 (-1.96)***	-1.314 (2.44)**
Constant	-0.0424 (-0.13)***	-4.063 (-2.34)
R-Squared	0.053	0.053
F-Value	1.57 [0.2035]**	1.57 [0.2035]**
Observations	88	83

The asterisks ***, ** and * represent significance at 1%, 5% and 10%, respectively. The values in parenthesis () are the t-values whilst those in brackets [] are the p-values.

The regression results for column I show that for hotels that allow tipping, there is improvement in performance as is evidenced by a significant coefficient of 0.689. Tipping therefore plays an integral role in enhancing internal processes performance of hotels. Star rating also plays an important role in performance of hotels. The higher the star the better the performance of hotels. This is shown by the significant coefficient of 0.187. When it comes to moderating effect of star rating on performance of hotels, the results show a significant but surprisingly negative relation of the impact of tipping given star rating of the hotel.

Apart from using factor analysis to correlate the scores and compute our variables of interest, we also converted the scores into percentages and used the percentages in

regression analysis. The results are presented in column 2 of Table 43. The results show that tipping has effect on internal business performance with a coefficient of 4.359 followed by star rating that has a coefficient of 1.234. All the variables are significant at 5%. The moderating effect has a negative and significant relationship with internal business process performance.

The above results agrees with Kotler et al. (2010) who observes the complexity of hotel classification systems and notes that star rating exacerbate the existence of many independent quality rating programmes and quality seals not linked to any recognizable set of standards or known quality brands. Further, the findings agrees to descriptive on this internal business process performance since results agrees that service tipping influences interdepartmental communication and collaborations, tips makes employees remove ineffective processes and service tipping (especially service charge) is automatically deducted and posted in the star rated hotel systems. The results also indicated that the beta value was significant ($\beta=1.141$, $p=0.000$) and an increase in service tipping by 1 unit will lead to an increase in performance of star rated hotels in Kenya by 1.141 multiple units.

4.5.10 Moderating Effect of Star Rating to Learning and Growth Performance

Table 44 shows regression results for learning and growth performance and tipping. Column I presents results in which the variables are computed using factor analysis whilst column II has results in which the variables are computed using averages of scores that were converted into percentages.

Table 44: Tipping and Learning and Growth Performance

Variables	Column I	Column II
Hotel allows Tipping	0.335 (1.23)***	2.533 (1.49)**
Star Rating	0.82 (0.96)***	0.758 (1.47)**
Star Rating*Hotel allows Tipping	-0.101 (-1.18)***	-0.775 (-1.50)**
Constant	0.197 (0.71)***	-2.455 (-1.45)
R-Squared	0.033	0.0267
F-Value	0.95 [0.4183]**	0.76 [0.5200]**
Observations	88	87

The asterisks ***, ** and * represent significance at 1%, 5% and 10%, respectively. The values in parenthesis () are the t-values whilst those in brackets [] are the p-values.

The regression results for column I show that for hotels that allow tipping, there is improvement in performance as is evidenced by a significant coefficient of 0.335. Tipping therefore plays an integral role in enhancing learning and growth performance of hotels. Star rating also plays an important role in performance of hotels. The higher the star the better the performance of hotels. This is shown by the significant coefficient of 0.82. When it comes to moderating effect of star rating on performance of hotels, the results show a significant but surprisingly negative relation of the impact of tipping given star rating of the hotel.

Apart from using factor analysis to correlate the scores and compute our variables of interest, we also converted the scores into percentages and used the percentages in regression analysis. The results are presented in column 2 of Table 44. The results show that tipping has the highest effect on learning and growth performance with a coefficient of 2.533 followed by star rating that has a coefficient of 0.758. All the variables are significant at 5%. The moderating effect has a negative and significant relationship with learning and growth performance.

Dimovski and Škerlavaj (2005) studied the relationship between organizational learning and performance and found that the impact of organizational learning on business performance differs and depends on what they understand by performance. Understanding the performance goals of an organization enables management to know the knowledge needs required to achieve organizational learning and consequently increased performance. Results under descriptive section shows that tips strengthens hotel culture at (137.2), makes employees innovative (154.3) and makes employee willing to change (142.7).

The above findings also agrees with Muller-Camen et al. (2011) who found out that where an organization's culture identifies or rewards members of staff who take initiative to practice the new ideas and skills, this may result in a positive impact in terms of continuous learning amongst the members of staff.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Service Tipping as a competitive advantage strategy in Kenya had not achieved adequate empirical attention according to literature gaps identified in chapter two of this study. The general objective of the study was to examine effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective. This chapter therefore summarizes the study by highlighting the methodology used, location, sample population, research findings, conclusions and the recommendation. The conclusion and recommendations in this chapter are presented according to the study objectives. The conclusions are drawn in relation to the broader views of effect of service tipping on performance of hotels in Kenya. The conclusion was also drawn from the tests results on the moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya. Recommendation are drawn according to the empirical data collected during the course of the study, analyzed, interpreted and discussed based on the objectives.

5.2 Summary of the Major Findings

The study examined the effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective. To achieve this, the study examined effect of service tipping on financial performance of hotels in Kenya; determined effect of service tipping on the customer satisfaction of hotels in Kenya; investigate effect of service tipping on internal processes performance of hotels in Kenya; established the effect of service tipping on learning performance of hotel in Kenya, investigated effect of service tipping on the combined Balanced Score Card performance of hotel in Kenya and assessed the moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya.

5.2.1 Service Tipping on Financial Performance of Star Rated Hotels

The findings on descriptive statistics of financial performance established that that Tips/ Service charge contributes to high profitability of the hotel, Tips/Service charge improves transparency and accountability of hotel staff, staff brought business to your

hotel since they know of their share in service charge and that staff will up sell to customers in pursuit of higher tips/ service charge/ gratuities.

The first hypothesis which stipulated that H₀₁: Service tipping as a competitive advantage strategy does not significantly affect financial performance of hotels in Kenya tested using regression analysis and established significant relationship and therefore, the study concluded that statistically, Service Tipping competitive advantage strategy affect financial performance of the star rated hotels in Kenya.

5.2.2 Service Tipping on Customers Satisfaction and Performance

The findings on descriptive statistics of customers satisfaction performance established that that; most repeat customers give tips/ service charge, dissatisfied customers will not give tips or service charge, staff makes effort to please customers with an expectation of higher tips/ service charge, when tips and service charge are high, there are lower levels of customer complaints, due to hotels tips/ service charge policy, hotel services are reliable and bring a sense of assurance to customers, due to hotels tips/ service charge policy, staff are very responsive to customers, due to hotels tips/ service charge policy, staffs are very empathetic (caring) to customers and that most of the hotel customers are aware of tips /service charge/gratuities.

The second hypothesis which stipulated that H₀₂: Service tipping as a competitive advantage strategy does not significantly affect customer satisfaction of hotels in Kenya established significant relationship and therefore concluded that statistically, Service Tipping competitive advantage strategy affect customers' satisfaction performance of the star rated hotels in Kenya.

5.2.3 Service Tipping on Internal Business Process and Performance Hotels

The findings on descriptive statistics of Internal Business Process performance established that Staff will swiftly recommend removal of ineffective business processes and new processes to avoid low tips/ charge in a month, the systems in the hotel are attuned to the hotels tips/ service charge system and that waiters quarrel a lot when food delays in the kitchen since they may lose tips.

The third hypothesis that stipulated that H₀₃: Service tipping as a competitive advantage strategy does not significantly affect the internal processes performance of

hotels in Kenya established significant relationship and therefore concluded that statistically, Service Tipping competitive advantage strategy affect Internal Business Process performance of the star rated hotels in Kenya.

5.2.4 Service Tipping on OL Process and Performance of Star Rated Hotels

The findings on descriptive statistics of organizational learning and growth performance established that Tips / service charge forms a strong element of hotels service culture, in order to get more tips /service charge staff are ready to change and improve continuously, tip, service charge and gratuities is probably the source of hotel's new businesses, staff outside the tipping/service charge/gratuity calculations will introduce tippable services in their department and that tips/service charge/gratuities causes staff innovativeness.

The fourth hypothesis that stipulated that H₀₄: Service tipping as a competitive advantage strategy does not significantly affect learning performance of hotels in Kenya found a significant relationship and the study therefore concluded that statistically, Service Tipping competitive advantage strategy affect Organizational Learning and growth performance of the star rated hotels in Kenya.

5.2.5 Service Tipping as a Competitive Strategy on the Combined Performance

The fifth hypothesis therefore was stated as; H₀₅: Service tipping as a competitive advantage strategy does not significantly affect the combined Balanced Score Card performance of hotels in Kenya. The tested independent variable was service tipping as competitive strategy whereas the dependent variable was hotel performance (combined Balanced Score Card Indicators) as a component of Balanced Score Card. Based on the results from the study, the hypothesis H₀₅: Service tipping as a competitive advantage strategy does not significantly affect the combined Balanced Score Card performance of hotels in Kenya was rejected this was because Service Tipping competitive advantage strategy affected hotels performance of the star rated hotels in Kenya.

5.2.6 Star Rating on the Relationship Between Service Tipping and Performance

The sixth and the final hypothesis therefore was stated as; H₀₆: Star rating does not significantly affect the relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya. The tested independent variable was service tipping as competitive strategy whereas the dependent variable was hotel

performance (combined Balanced Score Card Indicators) as a component of Balanced Score Card and the moderator was star rating of the hotels. The hypothesis H₀₆: Star rating does not significantly affect the relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya was rejected. From the finding, it can therefore be concluded that the introduction of star rating slightly change the relationship between service tipping and performance of star rated hotels in Kenya.

5.3 Conclusions

Based on the findings of the examination of effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective, the study came up with the following conclusions based on the set objectives; The first objective was To examine effect of service tipping on financial performance of hotels in Kenya. The study established that service tipping affected financial performance of hotels in Kenya. The study, overall, the service tipping as a competitive advantage strategy statistically and significantly predicted the financial performance of the star rated hotels in Kenya. The second objective of the study was to determine effect of service tipping as a competitive advantage strategy on the customer satisfaction of hotels in Kenya. The study using bivariate regression model established that the hotels customers' satisfaction performance can be predicted using service tipping strategy. The third objective was to investigate effect of service tipping on internal business processes performance of hotels in Kenya. The study using bivariate regression model established that the hotels internal business process performance can be predicted using service tipping as a strategy. The fourth objective of the study was to establish the effect of service tipping on learning performance of hotel in Kenya. The study established that overall, the service tipping statistically and significantly influenced the learning and growth performance of the star rated hotels in Kenya.

The fifth objective of the study was to investigate effect of service tipping on the combined Balanced Score Card performance of hotel in Kenya. The study established that statistically, Service Tipping as a competitive advantage strategy affect the hotel performance of the star rated hotels in Kenya. The sixth objective of the study was to assess the moderating effect of star rating on the relationship between service tipping and performance of hotel in Kenya. The study established that when star rating was

introduced as a moderating variable, the relationship between service tipping and hotels performance remained statistically significant, although the value of the regression coefficient reduced slightly ($r=1.089-1.088 = 0.001$). This slight change in the coefficient is the statistical proof that when star rating was introduced, it slightly reduced the regression coefficient although the relationship between service tipping and hotels performance remained statistically significant.

5.4 Recommendations

This section presents recommendation on the findings of the effect of service tipping as a competitive advantage strategy for performance of hotels in Kenya: Balanced score card perspective. Recommendations presented are; policy recommendations, recommendations on practice and recommendations for further research.

5.4.1 Policy Recommendations

In view of the findings and the conclusions of this study, the following recommendations are made: First, it is important to note that tourism remain number one foreign exchange earner in Kenya contributing enormously to the country's economic development. Tourism Regulatory Authority, which is the policy body of Hotels in Kenya, should develop Service Tipping Policy to guide in service operations in the star rated hotels in Kenya. Such policy can be the first step in improving performance of the star rated hotels in Kenya, just as the study established that service tipping as competitive strategy positively affected hotel performance; Balanced Score Card performance indicators perspectives.

Second, the study recommends that the department of Kenya Tourism Regulatory (TRA) should promote service tipping among the star rated hotels in Kenya. Such promotions should include enhancing effectiveness of Service tipping (service Charge) policy across all the levels of hotel star rating in promoting the hotels performance, which in turn will promote hotel investment in Kenya and make hoteliers profession more rewarding as business in hotel thrives. This will be a win-win situation for the three-tier forum of business investors, professionals and the Kenya Government. Kenya tourism Fund manages the 2% catering fund (now known as tourism fund) charged to the hotel on a monthly basis, the body should use the fact in this study to encourage training of staff and hotel managers on the effect of service tipping so as to

formalize and professionalize service tipping. The components of training should also include customer care, quality delivery, and internal business reengineering and emerging issues in service course among the staff and investors in hotel industry.

5.4.2 Recommendation for Practice

In practice, the hotel owners and hotel managers should take service tipping. This can be achieved when the hotel owners becomes a part of the stakeholders pushing the Kenya Tourism Authority to develop and establish Service Tipping Policy. The caucus pressure can enable the Star Rated Hotels achieve the development of Service Tipping Policy. As far as the actual practice is concerned, the Star rated hotels should align their operations with Service Tipping Policy to gain most benefit from it. The hotel owners should also see service tipping as a performance opportunity rather than revenue leakage, just as it has been statistically proved by the findings from this study. This should make them invest in Service Tipping to motivate the employees who in turn will offer superior services that attract customers leading to the desired satisfaction. In hotel management practice, based on the findings from the study, it is recommended that service tipping should be a strategy adopted by the hotels managers to enhance their performance. With the emerging challenges in the world due to the Global pandemic, the researcher sees an opportunity for the revival of hotel business where hotel managers can recall staff not on the basis of monthly salaries but on the basis of service tipping or agreed service charge on covers sold. This will help all the three stakeholders of hotel business (the owners, the managers and the staff) to call back to duty and revive business back as the pandemic is contained.

5.4.3 Recommendations for Further Research

This study was based on service tipping on hotels performance in Kenya. A comparative study should be conducted to analyze the global perspective and service tipping and performance of star rated hotels in Kenya and other preferred tourist destinations like South Africa, Bangkok, Egypt and Israel. This will shed more light on Kenya competitiveness as far as service tipping is concerned. This further study is recommended since the current study did not deal with global scenario of service tipping. Further, regression results for moderating effect of star rating were strongly on the negative in all balanced score card perspectives. This is a rich area of studies for

researchers to interrogate why the negative relationship on all the element of performance when star rating was introduced as a moderating factor.

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APPENDICES

Appendix I: Letter of Introduction for Data Collection

MWAMBA NATHAN MUGAMBI
P.O PRIVATE BAG, 20157 KABARAK
Nakuru

To Respondent
Dear Sir/Madam,

RE: TO WHOM IT MAY CONCERN

I am a student at Kabarak University. I am taking a Ph.D. Degree in Business Management. In order for me to meet all the requirements to be awarded this degree, I am required to undertake a research by writing a thesis. Currently I am carrying out the following study.

“Service Tipping as a Competitive advantage Strategy on Performance of Hotels in Kenya: A Balanced Score Card Perspective”.

All information you give will be treated with utmost confidentiality and privacy and will be used only for academic purposes.

Your response will be highly appreciated.

Thank you.

Yours Faithfully,

Mwamba Nathan Mugambi.

Appendix II: Questionnaire to Hotel Managers

Introduction

Selection and application of competitive strategy in the hotel industry is crucial for its performance. This study is supposed to explore the effect of a silent, historical and continuing practice of service tipping in the hotel industry in Kenya to determine if indeed it has any value in enhancing the competitive advantage of a hotel by achieving superior performance. The study is based on application of the Balanced Score Card model perspective which perceives performance in customer perspective, financial perspective, internal processes perspective and learning and growth perspective.

All information given will be treated with utmost confidentiality and is purely for the purpose of this study.

1. (a) **Name**..... (Optional)

(b) **Position in the hotel**

2. (a) **Name of the hotel**.....

(b) **Location of the Hotel** (*tick appropriate location according to the ministry of tourism circuits in Kenya*)

Coastal Circuit () Central () Rift Valley () Nyanza () Western circuits ()

3. **Star rate of the hotel** *tick one* 1 * () 2** () 3*** () 4**** () 5***** ()

4. **Please Tick (v) where applicable**

(a) Does the hotel policy allows informal tipping of staff by customers **Yes** ()
No ()

(b) The hotel policy has a formal policy to deduct service charge as a _____% of customers total bill **Yes** () **No** ()

(c) For how long has this service tipping policy being in place (years)?

5. (a) Does the hotel have a specific name for this service tipping? **Yes** () **No** ()

(b) If _____ yes _____ please _____ give _____ the name.....

6. (a) Any collectively charged service tips are shared to:

() **All staff** () **Respective department service staff** () **Performing staff only** () **other criteria** (*please specify*)

(b) How often does your hotel issue pooled tips?

Once a month () twice a month () weekly () once a year () after every shift

(c) As a manager what is your opinion on this service tipping strategy for hotel operations?

.....

Service Tipping

The following statements relates to the service tipping (tips, service charge and gratuities) in the star rated hotels. Please tick (√) your appropriate answer in the scale of 1 – 5 where, 1 Strongly Disagree 2 Disagree 3 Undecided 4 Agree 5 Strongly Agree

	Question	Strongly Agree 1	Agree 2	Disagree 3	Strongly Disagree 4	Not sure 5
a	The hotel has formal policy on tipping					
b	The tipping policy has been operational for long period of time					
c	The hotel has specific name for service tipping					
d	All tips collected are shred among the staff					
e	The hotel issue the pooled tips periodically					

Financial Performance

The following statements relates to the effect of service tipping (service charge and gratuities) on how the hotel appears financially. Please tick (√) your appropriate answer in the scale of 1 – 5 where, 1 Strongly Disagree 2 Disagree 3 Undecided 4 Agree 5 Strongly Agree

	Question	Strongly	Agree	Disagree	Strongly	Not

		Agree			Disagree	sure
		1	2	3	4	5
a	Tips/ Service charge contributes high profitability of the hotel					
b	Tips/ service Charge bring cost of operation down					
c	Tips/Service charge improves transparency and accountability of hotel staff					
d	Because of Tips, Service Charge, sales turnover are always high					
e	Staff will not mind a basic salary and other allowances when tips/ service charge/ Gratuities are high in a month.					
f	Tips/service charge/gratuities influences low cost of operations					
g	As a manager i am able to keep my wages low because of tips/service charge/gratuities					
h	Staff in the hotel will always be conscious of wastage to protect service charge share					

i	Staff bring business to your hotel since they know of their share in service charge					
j	Staff will up sell to customers in pursuit of higher tips/ service charge/ gratuities.					

In your view, how have tips/service charges/gratuities contributed to financial performance of this hotel

.....

.....

.....

Customer Perspective

The following statements relates to the effect tips, service charge and gratuities on how the hotel appears to the customers. Please tick (√) your appropriate answer in the scale of 1 Strongly Disagree 2 Disagree 3 Undecided 4 Agree 5 Strongly Agree

		1	2	3	4	5
a	Tipping policy has lead to repeat customers					
b	Our staff makes effort to please customers due to the existing tipping policy					
c	High tips and service charge in our hotels has lead to lower levels of customer complaints.					
d	Due to our hotels tips/ service charge policy, our services are reliable and bring a sense of assurance to customers.					

e	Due to our hotels tips/ service charge policy, staff are very responsive to customers					
f	Due to our hotels tips/ service charge policy, staffs are very empathetic (caring) to customers.					
g	Particular customers offer both tips and service charge when they are satisfied.					
h	Most of our Customers are aware of tips /service charge/gratuities.					

In your own words, comment about tips, service charge and general customer satisfaction?

.....

.....

.....

.....

Internal Business Process

The following statement relates to the tips and service charge on a hotel’s business processes. Please tick (√) Your appropriate answer in the scale of 1 – 5 where 1- Strongly agree 2-Agree 3 undecided 4-- Disagree 5 Strongly Disagree

		1	2	3	4	5
a)	Tips/ service charge makes staff participate fully in developing Internal business processes					
b)	Staff will swiftly recommend removal of ineffective business processes and new processes to avoid low tips/service charge in a month.					
c)	The systems in the hotel are attuned to the hotels tips/ service					

	charge deductions					
d)	Service charge is automatically deducted and posted to staff salary.					
e	Waiters quarrel when food delays in the kitchen since they may lose tips					
f	Kitchen staff goes to interact with customers expecting tips					
g	Room stewards would be mad at front office staff when booking are not well communicated due to tips/service charge					
h	Tips / service charge strengthens interdepartmental services collaborations and communication					

In your own word, what are your comments on tips, service charge and your operational processes?

.....

.....

.....

.....

.....

Learning and Growth Perspective

The following statements relates to the effect tips or service charge to the hotel’s learning and growth. Please tick (√) your appropriate answer in the scale of 1 Strongly Disagree 2 Disagree 3 Undecided 4 Agree 5 Strongly Agree

		1	2	3	4	5
a)	Tips / service charge forms a strong element of our hotels service culture					
b)	In order to get more tips /service charge staff are ready to change and improve continuously					

c)	Tip, service charge and gratuities may be the source of our new businesses.					
d)	Tips/service charge/ gratuities policy has remained despite changes in the business environment					
e)	Staff outside the tipping/service charge/gratuity calculations will introduce tippable services in their department.					
f)	Ownership of business is well spread to all staff in order to protect their interest in tips/service charge/ gratuity.					
g)	Tips/service charge/gratuities causes staff innovativeness					

Other related areas.

a. What other element of remuneration to staff would you prefer if tips/ service charge /gratuity policy was to be replaced to sustain or improve hotel performance?

.....

b. Would you prefer the practice to be adopted by the government as a policy in hotel industry in Kenya? Yes () No ()

If yes, give further notes on your opinion,

.....

c. Which mode of tipping do you prefer most?.....

d. Do you believe tip, service charge and gratuities contribute to hotels competitive advantage? () Yes () No

Why the answer above

.....

.....

Star Rating Strategy.

Star rating is a strategy used for segmenting hotel customers. Hotel investors put up high quality hotels so that they are highly rated for competitiveness purpose. The following statements relates to star rating strategy by the hotels. Please tick (√) your

Statement	Strongly agree 1	Agree 2	Undecided 3	Disagree 4	Strongly disagree 5
Service tipping in 5 star hotel is more formal than in one star hotels					
Lower star rated hotels rely more on direct pooled tips than high star rated hotels					
High star rated hotels performs better than low star rated hotels due to higher service tipping					
The higher the star rating of the hotel, the higher the service tip hence the better the performance					
Customers in high star rated hotels give more tips than lower star rated customers					
Service tipping in high star hotels is more of a culture and not an indication of quality					

appropriate answer in the scale of 1 Strongly Disagree 2 Disagree 3 Undecided 4 Agree 5 Strongly Agree.

Appendix III: Sample Register for Star Rated Establishment 2015-2018



GREATER NAIROBI

NO	ESTABLISHMENT	COUNTY	CAPACITY		RATING
			ROOMS	BEDS	
1	Intercontinental Nairobi	Nairobi	326	372	*****
2	Radisson Blu Hotel Nairobi	Nairobi	271	354	*****
3	The Sarova Stanley	Nairobi	217	440	*****
4	Villa Rosa Kempinski	Nairobi	200	216	*****
5	Fairmont The Norfolk	Nairobi	170	200	*****
6	Sankara Nairobi	Nairobi	156	167	*****
7	The Boma Nairobi	Nairobi	148	178	*****
8	Crowne Plaza Nairobi Airport	Nairobi	144	209	*****
9	Tribe Hotel	Nairobi	137	154	*****
10	Dusit D2	Nairobi	101	122	*****
11	Hemingway's Nairobi	Nairobi	45	50	*****
12	Hilton Nairobi Limited	Nairobi	287	334	****
13	Crowne Plaza	Nairobi	206	254	****
14	Hilton Garden Inn Nairobi	Nairobi	175	226	****
15	City Lodge Hotel At Two Rivers	Nairobi	171	200	****
16	Southern Sun Mayfair Nairobi	Nairobi	171	212	****
17	Eka Hotel	Nairobi	167	220	****
18	Sarova Panafric Hotel	Nairobi	162	324	****
19	Silver Springs Hotel	Nairobi	160	180	****
20	Nairobi Safari Club	Nairobi	146	186	****

21	The Panari Hotel, Nairobi	Nairobi	136	272	****
22	Ole Sereni Hotel	Nairobi	134	206	****
23	Windsor Golf Hotel and Country Club	Nairobi	130	205	****
24	Fairview Hotel	Nairobi	127	133	****
25	Weston Hotel	Nairobi	120	154	****
26	Golden Tulip Westlands	Nairobi	94	188	****
27	Amboseli Serena Lodge	Kajiado	92	184	****
28	Gelian Hotel	Machakos	90	136	****

29	Pride Inn Lantana Apartments and Suites	Nairobi	55	110	****
30	Executive Residency by Best Western.	Nairobi	48	106	****
31	House of Waine	Nairobi	11	20	****
32	Carnivore Restaurant	Nairobi	0	0	****
33	Ibis Styles Nairobi Westlands	Nairobi	277	331	***
34	Maanzoni Lodge	Machakos	272	421	***
35	Azure Hotel	Nairobi	165	231	***
36	Best Western Plus Meridian Hotel	Nairobi	128	166	***
37	Ngong Hills Hotel	Nairobi	110	165	***
38	The Heron Portico	Nairobi	109	218	***
39	Pride Inn Raptha Nairobi,	Nairobi	100	200	***
40	Sportsview Hotel Kasarani	Nairobi	94	188	***
41	Kenya Comfort Suits	Nairobi	88	120	***
42	Amboseli Sopa Lodge	Kajiado	83	166	***
43	La Masion Royale	Nairobi	71	144	***
44	The Clarion Hotel	Nairobi	62	67	***

45	Kibo Safaris Camp	Kajiado	60	120	***
46	Boma Inn Nairobi	Nairobi	59	83	***
47	Utalii Hotel	Nairobi	57	114	***
48	Marble Arch Hotel	Nairobi	41	57	***
49	Fahari Gardens Hotel	Nairobi	32	64	***
50	Jacaranda Hotel Nairobi	Nairobi	128	256	**
51	Town Lodge	Nairobi	84	124	**
52	Central Park Hotel	Nairobi	80	100	**
53	After 40 Hotel	Nairobi	63	101	**
54	Summerdale Inn	Nairobi	60	75	**
55	Eton Hotel	Nairobi	58	116	**
56	Zehneria Portico	Nairobi	56	65	**
57	Kahama Hotel	Nairobi	47	51	**
58	West Breeze Hotel	Nairobi	26	34	**
59	Tea Tot Hotel	Machakos	54	66	**
	TOTAL		7061	10155	59

SNO	HOTEL	COUNTY	ROOMS	BEDS	RATING
1	PrideInn Paradise	Mombasa	240	480	*****
2	Leopard Beach Resort and Spa	Kwale	198	396	*****
3	Hemingways Watamu	Kwale	166	200	*****
4	Diani Reef Beach Resort & Spa	Kwale	143	286	*****
5	Swahili Beach Resort	Kwale	125	250	*****
6	Medina Palms Suites and	Kilifi	40	70	*****
7	Baobab Beach Resort & Spa	Kwale	343	686	****
8	Sarova White Sands Beach	Mombasa	335	435	****
9	Leisure Lodge Beach & Golf Resort	Kwale	253	506	****
10	Voyager Beach Resort	Mombasa	236	472	****
11	Severin Sea Lodge	Mombasa	188	376	****
12	Diani sea resort	Kwale	170	340	****
13	Serena Beach Resort and Spa	Mombasa	164	328	****
14	Turtle Bay Beach Club	Kilifi	145	290	****

15	Lantana Galu Beach	Kwale	47	240	****
16	Silver Palm Spa & Resort	Kilifi	40	80	****
17	Diamond Dream of Africa	Kilifi	35	70	****
18	Marina English Point	Mombasa	26	28	****
19	Msambweni Beach House and Private Villa	Kwale	5	24	****
21	Bahari Beach Hotel	Mombasa	105	212	***
22	Indian Ocean Beach Resort	Kwale	101	180	***
23	Kenya Bay Beach Hotel	Mombasa	99	198	***
24	Royal Court Hotel	Mombasa	89	188	***
25	Mnarani Club	Kilifi	80	160	***
26	Crystal Bay Beach Resort	Kilifi	76	176	***
27	Ashnil Aruba Lodge	Taita	52	108	***
28	Isinya Resorts Limited	Mombasa	43	86	***
29	PrideInn Mombasa	Mombasa	40	96	***
30	Azul Margarita Beach Resort	Mombasa	35	98	***
31	Sentrim Tsavo East Camp	Taita	25	50	***

NO	ESTABLISHMENT	COUNTY	CAPACITY		RATING
			ROOMS	BEDS	
1	Acacia Premier Hotel	Kisumu	92	97	****
2	The Vic Hotel	Kisumu	106	122	***
3	Kisumu Hotel	Kisumu	86	120	***
4	Imperial Hotel	Kisumu	78	90	***
5	Hotel Nyakoe	Kisii	75	86	***
6	Sovereign Hotel	Kisumu	32	64	***
7	Jambo Impala Eco-lodge	Kisumu	12	24	***
8	Golf Hotel	Kakamega	62	124	**
9	Dados Hotel	Kisii	57	72	**
10	Sunset Hotel	Kisumu	50	100	**
11	St. Johns Manor-Le Savanna Country Lodges	Kisumu	49	49	**
12	Le Savanna Country Lodge & Hotel	Kisumu	39	78	**
13	Rondo Retreat Centre	Kakamega	20	40	**
14	Kiboko Bay Resort	Kisumu	10	20	**
15	Dewchurch Drive Hotel	Kisumu	13	16	*
	TOTAL		781	1102	15

5. EASTERN					
NO	ESTABLISHMENT	COUNTY	CAPACITY		RATING
			ROOMS	BEDS	
1	Mountain Breeze Hotel Ltd	Embu	60	75	***
2	Ikweta Safari Camp	Meru	15	23	***
3	Nkubu Heritage Hotel	Meru	43	88	**
4	Legacy Star Hotel	Meru	40	52	**
5	Ikweta Country Inn	Meru	38	51	**
6	Leopard Rock Lodge	Meru	15	30	**
TOTAL			211	319	6

NO	ESTABLISHMENT	COUNTY	CAPACITY		RATING
			ROOMS	BEDS	
1.	Boma Inn, Eldoret	Uasin Gishu	68	80	****
2.	The Noble Conference Centre	Uasin Gishu	53	67	***
3.	Kerio View Lodge	Elgeyo Marakwet	28	40	***
4.	Samich Resort	Elgeyo Marakwet	15	30	***
5.	Hotel Comfy & Lodge	Uasin Gishu	96	110	**
6.	Starbucks Hotel and Restaurant Ltd	Uasin Gishu	93	182	**
7.	Hotel Winstar	Uasin Gishu	85	95	**
8.	Cicada Hotel	Uasin Gishu	56	56	**
9.	The Pearl Tourist Hotel Ltd	Uasin Gishu	42	42	**
10.	Kenmosa Resort	Uasin Gishu	17	26	**
11.	Poa Place Resort	Uasin Gishu	15	35	**
TOTAL			568	763	11
GRAND TOTAL			16156	26786	211

NO	ESTABLISHMENT	COUNTY	CAPACITY		RATING
			ROOMS	BEDS	
1	Panari Resort, Nyahururu	Laikipia	100	200	*****
2	Segera Retreat Lodge	Laikipia	11	20	*****
3	Fairmont Mt. Kenya Safari Club	Nyeri	120	240	****
4	White Rhino Hotel	Nyeri	102	128	****
5	Sarova Shaba Game Lodge	Isiolo	85	170	****
6		Laikipia	62	112	****
	Sweetwater's Serena Camp & Ol	Pejeta House			
7	Aberdares Country Club	Nyeri	47	94	****
8	Ashnil Samburu Camp	Isiolo	30	62	****
9	Samburu Intrepids Camp	Samburu	26	56	****
10	Saruni Safari lodge, Samburu	Samburu	8	20	****
11	Sportsman's Arms Hotel	Laikipia	180	360	***
12	Green Hills Hotel	Nyeri	100	260	***
13	Samburu Simba Lodge	Isiolo	70	134	***
14	Westwood Hotel	Nyeri	57	74	***
15	Outspan Hotel	Nyeri	43	93	***
16	Serena Mountain Lodge	Nyeri	42	84	***
17	Giraffe Ark Camp Lodge	Nyeri	30	52	***
18	Mantis Mutara Tented Luxury Camp	Laikipia	15	30	***
19	Borana Lodge	Laikipia	8	16	***
20	The Ark	Nyeri	60	120	**
21	Ibis Hotel Nyeri	Nyeri	40	44	**
22	Ibis Hotel Nanyuki	Laikipia	39	44	**
23	Maxoil Hotel	Laikipia	25	50	**
24	Elephant Bedroom	Samburu	12	24	**
25	Solio Lodge	Laikipia	5	16	**
26	Ibis 2000 Hotel Karatina	Nyeri	52	57	*
	TOTAL		1269	2360	26

NO	ESTABLISHMENT	COUNTY	CAPACITY		RATING
			ROOMS	BEDS	
1	Enashipai Resort and Spa	Nakuru	140	215	*****
2	Mara Serena Safari Lodge	Narok	74	148	*****
3	Lake Elementaita Serena Camp	Nakuru	25	50	*****
4	Cottars Nineteen Twenties Safari Camp	Narok	16	40	*****
5	Olare Mara Kempinski	Narok	12	17	*****
6	Masai Mara Sopa Lodge	Narok	100	198	****
7	Keekorok Lodge	Narok	99	225	****
8	Sentrim Elementaita Lodge	Nakuru	83	166	****
9	Lake Naivasha Sopa Resort	Nakuru	82	164	****
10	Sarova Mara Game Camp	Narok	75	150	****
11	Lake Naivasha Sawela Lodge	Nakuru	74	150	****
12	Sarova Lion Game Lodge	Nakuru	67	134	****
13	Lake Nakuru Sopa Lodge	Nakuru	62	138	****

Appendix IV: Board of Postgraduate Studies Authorization Letter

KABARAK



UNIVERSITY

Private Bag - 20157
KABARAK, KENYA
<http://kabarak.ac.ke/institute-postgraduate-studies/>

Tel: 0773 265 999
E-mail: directorpostgraduate@kabarak.ac.ke

BOARD OF POSTGRADUATE STUDIES

4th June, 2019

The Director General
National Commission for Science, Technology & Innovation (NACOSTI)
P.O. Box 30623 – 00100
NAIROBI

Dear Sir/Madam,

RE: MWAMBA NATHAN MUGAMBI- REG. NO. GDB/M/1036/09/14

The above named is a Doctor of Philosophy student at Kabarak University in the School of Business & Economics. He is carrying out research entitled “*Service Tipping as a competitive Advantage for Performance of Hotels in Kenya.*” He has defended his proposal and has been authorized to proceed with field research.

The information obtained in the course of this research will be used for academic purposes only and will be treated with utmost confidentiality.

Please provide him with a research permit to enable him to undertake his research.

Thank you.

Yours faithfully,



Dr. Betty Jeruto Tikoko
DIRECTOR, POSTGRADUATE STUDIES



Kabarak University Moral Code

As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord. (1 Peter 3:15)



Appendix V : NACOSTI Research Authorization



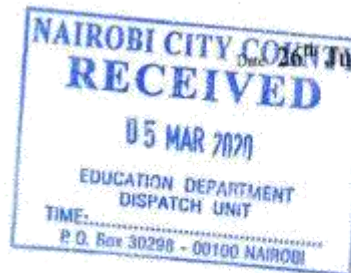
**NATIONAL COMMISSION FOR SCIENCE,
TECHNOLOGY AND INNOVATION**

Telephone: +254-20-2213471,
2241349,3310571,2219420
Fax: +254-20-318245,318249
Email: dg@nacosti.go.ke
Website : www.nacosti.go.ke
When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref. No. **NACOSTI/P/19/53124/31199**

Nathan Mwamba Mugambi
Kabarak University
Private Bag - 20157
KABARAK.



RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on *“Service tipping as a competitive advantage strategy for performance of hotels in Kenya. A balanced score card perspective.”* I am pleased to inform you that you have been authorized to undertake research in **all Counties** for the period ending **24th June, 2020.**

You are advised to report to **the County Commissioners, and the County Directors of Education, all Counties** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a **copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.


DR. ROY B. MUGHRA, PhD.
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioners
All Counties.


The County Directors of Education
All Counties.

Appendix VI: NACOSTI Research Permit

THIS IS TO CERTIFY THAT:
MR. NATHAN MWAMBA MUGAMBI
of KABARAK UNIVERSITY, 0-20157
KABARAK, has been permitted to
conduct research in *All Counties*

on the topic: **SERVICE TIPPING AS A
COMPETITIVE ADVANTAGE STRATEGY
FOR PERFORMANCE OF HOTELS IN
KENYA. A BALANCED SCORE CARD
PERSPECTIVE**

for the period ending:
24th June, 2020


.....
Applicant's
Signature

Permit No : NACOSTI/P/19/53124/51199
Date Of Issue : 26th June, 2019
Fee Recieved : Ksh 2000




.....
Director General
National Commission for Science,
Technology & Innovation

Appendix VII: NACOSTI Research License

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 and any rights thereunder are non-transferable.
3. The Licensee shall inform the County Governor before commencement of the research.
4. Excavation, filming and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
5. The License does not give authority to transfer 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 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.

National Commission for Science, Technology and innovation
P.O. Box 30623 - 00100, Nairobi, Kenya
TEL: 020 400 7000, 0713 788787, 0735 404245
Email: dg@nacosti.go.ke, registry@nacosti.go.ke
Website: www.nacosti.go.ke



REPUBLIC OF KENYA



National Commission for Science,
Technology and Innovation

RESEARCH LICENSE

Serial No.A 25529

CONDITIONS: see back page

Appendix VIII: Nairobi City County – Research Authorization

NAIROBI CITY COUNTY

Telegraphic Address
Email: info@nairobi.go.ke
Web: nairobi.go.ke



CITY HALL ANNEXE:
P. O. BOX 30298 GPO – 00100,
NAIROBI, KENYA.

EDUCATION, SOCIAL SERVICES & GENDER

Ref: GL/NC/142/VOL VI/333

5th March, 2020

Nathan Mwamba Mugambi
Kabarak University
Private Bag – 20157
KABARAK.

RE: RESEARCH AUTHORIZATION

Following your application to carry out Research and Subsequent approval by National Commission for Science, Technology and Innovation vide letter Ref: NACOSTI/P/19/53124/31199 dated 26th June, 2019.

I am pleased to inform you that authority has been granted to you to carry out research on *"Service tipping as a competitive advantage strategy for performance of hotels in Kenya. A balanced score card perspective."* In Nairobi County, Kenya for a period of 2 weeks.

On conclusion of the study, you are expected to submit a copy of the research findings to the undersigned:


PETER MIANO
DEPUTY DIRECTOR CITY EDUCATION.



Copy to: Chief Officer – Education, Social Services & Gender
Director City Education

"The City of Choice to Invest, Work and Live in"

Appendix IX: Nairobi City County Attachment Fees Receipt

NAIROBI CITY COUNTY



Tel No: 020-344194,0725-624489,0735-825383

Email: info@nairobi.go.ke

Emergency

Tel No: 020-2222181

ATTACHMENT FEES RECEIPT

Receipt No 20030404634129609 Date 2020-03-05 10:59:52
Payment received from NATHAN MWAMBA MUGAMBI of kes 3,000.00
In words *** Three Thousand Only ***
For I WEEK
Paid via MPESA

Bill Amount	3,000.00
Amount Received	3,000.00
Balance	0.00

Served by 165

Bill No ED2004-30001

printed 2020-03-05 08:16:09

Powered By
National
Bank

Appendix X: Kisumu County Ministry of Interior and Coordination of National Government



OFFICE OF THE PRESIDENT
MINISTRY OF INTERIOR AND COORDINATION OF NATIONAL GOVERNMENT

Telephone: Kisumu 2022219/Fax: 2022219
Email: ekisumucounty@gmail.com

COUNTY COMMISSIONER
KISUMU COUNTY
P.O. BOX 1912-40100
KISUMU

CC/KC/EDU/VOL.2 (99)

26th February, 2020

All Deputy County Commissioners
KISUMU

RESEARCH AUTHORITY
NATHAN MWAMBA MUGAMBI

Reference is made to a letter from the National Commission for Science, Technology and Innovation No. NACOSTI/P/19/53124/31199 dated 26th June, 2019.

The above named is a student of Kabarak University. He has been authorized to carry out a research on *"Service tipping as a competitive advantage strategy for performance of hotels in Kenya. A balanced score card perspective.*
The research ends on 24th June, 2020.

Kindly accord him any assistance that he may need.


S. W. WAWERU
COUNTY COMMISSIONER
KISUMU COUNTY

Copy to:

Nathan Mwamba Mugambi
Kabarak University
Private Bag – 20157
KABARAK

Appendix XI: Nakuru County Ministry of Education – Research Authorization

MINISTRY OF EDUCATION
STATE DEPARTMENT OF EARLY LEARNING OF BASIC EDUCATION

Telegrams: "EDUCATION",
Telephone: 051-2216917
When replying please quote
Email: cdenakurucounty@gmail.com
Ref. CDE/NKU/GEN/4/1/21 VOL.II/161



COUNTY DIRECTOR OF EDUCATION
NAKURU COUNTY
P. O. BOX 259,
NAKURU.

10th December, 2019

TO WHOM IT MAY CONCERN


RE: RESEARCH AUTHORIZATION – NATHAN MWAMBA MUGAMBI
PERMIT NO. NACOSTI/P/19/53124/31199

Reference is made to letter NACOSTI/ P/19/53124/31199 dated 26th June, 2019.

Authority is hereby granted to the above named to carry out research in Nakuru County on the topic: *Service tipping as a competitive advantage strategy for performance of hotels in Kenya. A balanced score card perspective*: The research will be undertaken for the period ending: 24/06/2020

Kindly accord him the necessary assistance.

COUNTY DIRECTOR
OF EDUCATION
NAKURU COUNTY
P. O. Box 259 NAKURU


Lawrence K. Karuntimi
COUNTY DIRECTOR OF EDUCATION
NAKURU

Copy to:

- Kabarak University ✓

Appendix XII: Uasin Gishu Ministry of Education- Research Authorization



**REPUBLIC OF KENYA
MINISTRY OF EDUCATION
STATE DEPARTMENT OF EARLY LEARNING & BASIC EDUCATION**

Mobile : **0721820731**
Email: cdeuasingishucounty@yahoo.com
: cdeuasingishucounty@gmail.com
When replying please quote:

County Director of Education,
Uasin Gishu County,
P.O. Box 9843-30100,
ELDORET.

Ref. No. MOEST/UGC/TRN/9/VOL III/161

9TH DECEMBER, 2019

**NATHAN MWAMBA MUGAMBI
KABARAK UNIVERSITY
PRIVATE BAG - 20157
KABARAK.**

RE: RESEARCH AUTHORIZATION

This office has received a request from your Institution to authorize you to carry out research on *"Service tipping as a competitive advantage strategy for performance of hotels in Kenya. A balanced score card perspective."* in Uasin Gishu County.

We wish to inform you that the request has been granted until **24th June, 2020**. The authorities concerned are therefore requested to give you maximum support.

We take this opportunity to wish you well during this data collection.


PSINEN MICHAEL Box 9843 - 30100, ELDORET
**For: COUNTY DIRECTOR OF EDUCATION
UASIN GISHU**

FOR: COUNTY DIRECTOR OF EDUCATION
UASIN GISHU COUNTY

09 DEC 2019



Appendix XIII: Kakamega County Ministry of Education: Research Authorization

REPUBLIC OF KENYA



MINISTRY OF EDUCATION

STATE DEPARTMENT OF EARLY LEARNING AND BASIC EDUCATION

Telephone: 056 -30411
Fax: 056 - 31307
E-mail: rceducation2016@gmail.com
When replying please quote our Ref.

County Director of Education
Kakamega County
P. O. BOX 137 - 50100
KAKAMEGA

REF: KAKA/C/GA/29/17/VOL. V/74

27th February, 2020

Nathan Mwamba Mugambi
Kabarak University
Private Bag - 20157
KABRAKA

RE: RESEARCH AUTHORIZATION

The above has been granted permission by National Council for Science & Technology vide letter Ref. NACOSTI/P/20/3612/724660 dated 24th January, 2020 to carry out research on **"Service tipping as a competitive advantage strategy for performance of hotels in Kenya. A balanced score card perspective Kakamega County among other Counties"** for a period ending 24th June, 2020.

Please accord him any necessary assistance he may require.

COUNTY DIRECTOR OF EDUCATION
KAKAMEGA COUNTY


DICKSON O. OGONYA
COUNTY DIRECTOR OF EDUCATION
KAKAMEGA COUNTY

CC
The Regional Director of Education
WESTERN REGION

Appendix XIV: Mombasa County Ministry of Education – Research Authorization



**REPUBLIC OF KENYA
MINISTRY OF EDUCATION**

STATE DEPARTMENT OF EARLY LEARNING & BASIC EDUCATION

Telegrams: "SCHOOLING",
Mombasa
Telephone: Mombasa 2315327 /
2230052

COUNTY DIRECTOR OF EDUCATION,
MOMBASA COUNTY,
P. O. BOX 90204-80100
MOMBASA

Ref.No.MC/ED/GEN/23

27th February, 2020

To Whom It May Concern

Nathan Mwamba Mugambi
Kabarak University
Private Bag-20157
KABARAK

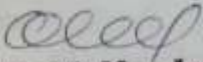
RESEARCH AUTHORIZATION

NATHAN MWAMBA MUGAMBI-NACOSTI/P/19/53124/31199

This is to authorize the above student from NACOSTI/P/19/53124/31199 from Kabarak University to conduct a Research on ***"Service Tipping as a competitive advantage strategy for performance of Hotels in KENYA. A balanced score card perspective"***. For the period ending 24th June, 2020.

Please give any necessary assistance she will need.

COUNTY DIRECTOR OF EDUCATION
P. O. BOX 90204 - 80100
MOMBASA


**Clara W. Mwachazi
FOR: COUNTY DIRECTOR OF EDUCATION
MOMBASA**

Appendix XV: Nakuru County Ministry of Education – Research Authorization

MINISTRY OF EDUCATION
STATE DEPARTMENT OF EARLY LEARNING OF BASIC EDUCATION

Telegrams: "EDUCATION",
Telephone: 051-2216917
When replying please quote
Email: cdenakurucounty@gmail.com
Ref. CDE/NKU/GEN/4/1/21 VOL.II/161



COUNTY DIRECTOR OF EDUCATION
NAKURU COUNTY
P. O. BOX 259,
NAKURU.

10th December, 2019

TO WHOM IT MAY CONCERN

RE: RESEARCH AUTHORIZATION - NATHAN MWAMBA MUGAMBI
PERMIT NO. NACOSTI/P/19/53124/31199

Reference is made to letter NACOSTI/ P/19/53124/31199 dated 26th June, 2019.

Authority is hereby granted to the above named to carry out research in Nakuru County on the topic: *Service tipping as a competitive advantage strategy for performance of hotels in Kenya. A balanced score card perspective*: The research will be undertaken for the period ending: *24/06/2020*

Kindly accord him the necessary assistance.



Lawrence K. Karuntimi
COUNTY DIRECTOR OF EDUCATION
NAKURU

Copy to:

- Kabarak University

Appendix XVI: Publication Certificate – International Journal of Humanities and Social Sciences

THE INTERNATIONAL JOURNAL OF HUMANITIES & SOCIAL STUDIES ISSN 2321 - 9203 www.theijhss.com

THE INTERNATIONAL JOURNAL OF HUMANITIES & SOCIAL STUDIES

Bed Occupancy as a Predictor of Tourism Performance Index in Kenya

Nathan Mugambi Mwamba
Ph.D. Student, Kabarak University, Nakuru, Kenya
Dr Stella Muhangi
Senior Lecturer, Kabarak University, Nakuru, Kenya
Dr. Simon Kipchumba
Senior Lecturer, Egerton University, Kenya

Abstract:

Tourism is one of the leading economic engines in the world and most governments invest in policies that engender conducive environment that enhances tourism performance in such governments. Bed occupancy is one measurement of gauging tourists' attraction to the hotels in Kenya. The number of tourists who visit Kenya annually can also be a measure of tourist performance index in Kenya. The main aim of this study was to analyze bed occupancy as a predictor of Tourism Performance Index in Kenya. The study adopted descriptive survey research design targeting 183 star rated hotels in the tourist circuit in Kenya. The study sampled 126 of such hotels Yamane (1967) sampling formula and extracted secondary data dealing with bed occupancy and total number of tourists who visited Kenya between 2013-2019. The study used simple linear regression to establish this prediction. The results indicate that the correlation coefficient between bed occupancy and tourist performance was statistically significant ($r=0.622$, $p=0.000$). The null hypothesis H_0 , that bed occupancy in the hotels in Kenya is not a predictor of tourist performance Kenya was rejected at .05 level of significance. This implies that bed occupancy is a reliable predictor of tourist performance Kenya.

Keywords: Tourist performance index, bed occupancy in hotel industry

1. Introduction

The World Tourism Organization (UNWTO, 2016) highlights, indicates that tourism is an economic and social phenomenon which is growing at a faster rate compared with other growing economies. New tourist destinations are coming up as a result of modern tourism developments leading to socio-economic progress. Tourism competes favorably with oil exports, sale of food products and automobiles. No doubt tourism is the main source of income for many developing countries. Performance in tourism industry is an enabler for increased diversification and stiff competition among destinations all over the world.

In Kenya, tourism is the second largest source of foreign exchange revenue after agriculture. The tourism industry includes visits to the 19 national parks and game reserves, the coastal beach of Mombasa, eco-tourism, cultural tourism, sports and conference. During the 2007-2008 ethnic clashes, tourism industry records fell from revenue of 17.5 billion to 8.08 billion and visits decreased from 273,000 to 130,585. Kenya hosted more local conferences from 3,077 in 2014 to 3,199 in 2015. International meetings dropped by 10 percent (Mutambo 2016). The Kenya National Bureau of Statistics (KNBS 2016) noted the tourism industry; suppressed performance³ was mainly due to security concerns particularly in the coastal region, and the negative travel advisories, from some European source markets. International tourism numbers have been falling since 2011, when the country received 1.8 million tourists earning Kshs. 97.9 billion. Insecurity, mainly from terrorist incidents, disease outbreaks and poor economy have led to the decline.

The performance of the tourism industry is critical to the wealth rating of a country. The contribution of tourism industry to development, promotion of peace, socio-economic progress, and good international and national relations cannot be overestimated. The tourism industry has the potential to improve a country's infrastructure and creation of employment to levels so high than any other sector. From natural resources to animals and birds' species, marine parks and scenic sites all are income earners from viewers commonly referred to as tourists (Kimunya, 2016).

According to the Ministry of Tourism & Wildlife (2018), Kenya has seen a significant improvement in tourist arrivals as compared to the year 2017 from 1,474,621 tourists in 2017 to 2,025,206 in 2018, a 37.33 percentage increase. The Ministry attributes this improved performance to a number of factors; improved security, growth in the aviation sector, political stability, investor confidence, revitalized marketing efforts and withdrawal of travel advisories against Kenya by the UK and US amongst other factors that have stimulated the growth (Ministry of Tourism & Wildlife, 2018). Accordingly, only aviation in the transport sector was worth mentioning as one of the contributing factors. Yet aviation, railway and water transport collectively comprise 20% of the countries transport sector (Kenya Tourism Board, 2016). Accessibility to tourist sites is mainly through the road network and the Ministry, through its most recent report, has failed to assess its importance in increasing the number of tourist visits. The road network is the main mode of transport in

136 | Vol 8 Issue 10 | DOI No.: 10.24940/theijhss/2020/v8/i10/H52010-039 | October, 2020

Appendix XVII: Editon Consortium Journal of Business and Management Studies (ECJBMS)



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The Effect of Hotel Star Rating on Service Tipping Strategy and Performance of Hotels in Kenya.

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Abstract

The main purpose of this study was to investigate the moderating effect of star rating on the relationship between service tipping and the performance of hotels in Kenya based on a Balanced Score Card Perspective. The study was based on the following theories; Resource-Based Theory and Balanced Scorecard Framework. First, the study adopted a descriptive quantitative survey design. The study, therefore, targeted the 183 star-rated hotels in the four circuits. Second, the study's unit of analysis included the hotel managers (general managers, supervisors and head of departments) and service staff. Third, the researcher adopted Yamane (1967) formula that can be used to calculate a suitable sample size of 117 hotel managers of the Star Rated Hotels operating in Kenya. Fourth, the study used a structured questionnaire to collect the required data from the respondents. The study established that when star rating was introduced as a moderating variable, the relationship between service tipping and hotels performance remained statistically significant, although the value of the regression coefficient reduced slightly ($r=1.089-1.088 = 0.001$). This slight change in the coefficient is the statistical proof that when star rating was introduced, it slightly reduced the regression coefficient, although the relationship between service tipping and hotels performance remained statistically significant. Finally, the study recommended that the Tourism Regulatory Authority, the policy body of Hotels in Kenya, develop a Service Tipping Policy to guide service operations in the star-rated hotels in Kenya. It also recommends that the department of Kenya Tourism regulatory (TRA) should promote service tipping among the star-rated hotels in Kenya.

Key Terms: Service Tipping Strategy, Organizational Learning Performance, Hotel Star Rating.

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109

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Appendix XVIII: Certificate of Participation – Kabarak University Conference



