Challenges Hindering Success of Tour Businesses Owned by Indigenous Entrepreneurs in the Tourism Industry in Kenya

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university

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DEDICATION

This thesis is dedicated to my late father George Ngugi who ensured that I get the basic education and always encouraged me to do better than my peers for there is a reward in hard work. Even as you sleep, I promise that your flag will continually fly high through your footsteps.

ACKOWLEDGEMENT

I take this opportunity to thank the Almighty God and acknowledge His divinity in this work.

I also acknowledge my family; my husband Paul for his unlimited support and encouragement in all ways, Daniel and Joy for their understanding of my absence when they dearly needed me in the house.

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I cannot forget my classmates for endless support and encouragement during this tough journey and any other person who assisted me on this study including all who filled my questionnaire.

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ACRONYMS AND ABBREVIATIONS

CRM	Customer Relationship Management System
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICT	Information, Communication and Technology
KATO	Kenya Association of Tour Operators
KWS	Kenya Wildlife Service
MDG	Millennium Development Goals
RoK	Republic of the Government of Kenya
UNCTAD	United Nations Conference of Trade and Development
UNWTO	United Nations World Tourism Organisation
WB	World Bank

DEFINITION OF TERMS

SUCCESS - There is no universally accepted definition of success, and business success has been deduced in many ways for example survival, profit; return on investment, sales growth, number of employed, happiness, reputation, and so on (Al-Mahrouq, 2010). This study will define success as growth in terms of increase in number of clients served and return on investment.

INDIGENOUS - Buijze (2010) defined indigenous as natives who are descendants of the original populations residing in a country and still holds to their forefathers culture. In this study, indigenous will mean Kenyans who have no roots in any other country.

TOUR OPERATORS - Bennett and Schoeman (2005) defines tour operators as intermediaries who organizes and puts together holiday packages which include: arranging travel services (organizing for transfers to and from the destination airport, car hire excursion), transport (road, rail, air, sea) and accommodation bookings (either in hotels, guesthouses, self catering villas or apartments).

ABSTRACT

The main objective of this study was to determine the challenges hindering success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. Empirical literature showed that though tourism industry is the third largest contributor to the gross domestic product, tour businesses owned by indigenous entrepreneurs are yet to get a good share of the market share. It also informs that foreign operators get high profits than local operators for example in the year 2007, they earned an aggregate profit of 78 % as compared to 22% earned by the local operators. In addition, technology has led to small margins and cut throat competition as a result of independent travellers who access the suppliers directly avoiding tour operators. Positivist research philosophy and descriptive research design were adopted for this study. Stratified sampling method was used to ensure representation from the six strata from the Kenya Association of Tour Operators (KATO) classification. Sample size was 104 tour operators. The response rate was 79.86%. Statistical Package of Social Sciences version 16 was used as a statistical tool for analysis. Descriptive analysis, exploratory factor analysis, multicollinerity test, ANOVA test and linear regression tests were carried out for each variable. The study found that all the independent variables: resources; policies; ICT; service quality; and clusters and networks while analysed individually have positive influence on the dependent variable success of tourism businesses owned by indigenous entrepreneurs. The combined effect of all the independent variables shows a positive effect of 84.9% on the dependent variable. However, the optimal model after addressing multicollinearity was attained by three variables: Service Quality, ICT, and

Clusters and Networks. The study therefore concluded that success of tourism businesses owned by indigenous entrepreneurs in the tourism industry can mainly be achieved through high service quality level, adoption of ICT and engagement in relevant clusters and networks. The major recommendations from the conclusions includes: integration of service quality into the firm's strategic plan and values to make it part of its policy, make an effort to get ISO certification through service quality improvement via benchmarking and learning from those who have succeeded in the business. In addition, local operators should also adopt ICT through computerization, having functional websites with right features and well maintained. Finally, local operators should create clusters and networks to achieve synergy. This can be strengthened by joining other networks particularly in the virgin market to enhance visibility and strategic positioning.

CHAPTER ONE

INTRODUCTION

This study sought to establish the challenges hindering the success of tour businesses owned by indigenous entrepreneurs. This chapter introduces the study by briefly describing the background of tourism industry global and local perspectives, statement of the problem, objectives of the study, scope, justification and limitation of the study.

1.1 Background of the Study

Definitions of tourism may vary depending on various stakeholders classified as either supply or demand stakeholders by the United Nations World Tourism Organisation (UNWTO, 1995). From demand stakeholders' perspectives, accepted definition of tourism is "*the activities of persons travelling to and staying in places outside their usual environment for not more than one year consecutively for leisure, business and other purposes*". From the supply stakeholders, tourism could not be defined as different groups of business enterprises in the tourism industry offer different goods and services thus there was no commonly accepted definition (UNWTO, 1995). The Kenyan Tourism Bill 2010 concurs with the demand stakeholders' definition and defines tourism as *"a person travelling to and staying in a place outside his or her usual abode for more than twenty-four hours, but not more than one consecutive year, for leisure, business or other purpose, not being a work-*

related activity remunerated from within the place visited" according to the Republic of Kenya (RoK) (RoK, 2010).

Tourism is the fastest changing industry in the world because of technological changes. It also has the highest multiplier effect. Rowe, Smith and Borein (2002) highlight the multiplier effect from the tourism industry as being caused by the direct and indirect economic impact, where the direct includes benefit to the tourism industry players like tour and travel operators, transporters, accommodation, attraction sites and other tourist attractions. Indirectly, tourism promotes the economy through goods and services like laundry supplier, food supplier, shops and banks used by tourists during their visits. This in return creates employment thus eradicating poverty and hunger in the society.

Tourism is an international industry and the biggest provider of jobs on the planet earth owed to the heterogeneous stakeholders than in any other industry (Quian, 2010). It highly contributes to: the economic growth contributing to over 10% Gross Domestic Product (GDP) in some countries, substantial foreign exchange earnings, contributes to social development making many countries to look into the industry with a lot of expectation, reduction of poverty in developing countries and its geographical expansion and labour intensive nature support a spread of employment without boundaries provided destinations are well maintained to attract tourism..

Bakic, Hrabrovski-Tomic, Muhi and Kovacevic (2010) concluded that the last five decades have realised remarkable growth of tourist traffic and spending in the

international scale. Tourism is one of the top five exports for 83% of countries and main source of foreign income for more than 38% of countries. As a result, tourism is predominantly highly regarded by both developed and less-prosperous countries alike.

From the World Tourism Barometer in the year 2010, France led the global tourists arrivals with 76.8 million tourists followed by United States, China, Spain and Italy with 59.7, 55.7, 52.7, and 43.6 million respectively (UNWTO, 2011). Global tourism spending saw Germany as the highest with 77.7 billion dollars. The other ranking for spending is United States, China, United Kingdom and France with 74.6, 54.9, 48.6, and 39.4 billion dollars respectively (UNWTO, 2011).

In Africa, in the year 2010, (data for 2011 not yet received for many countries), Egypt which was rated 18 globally led the tourists arrival with 11.9 million tourists followed by Morocco, South Africa, Tunisia and Mozambique with 8.3, 7, 6.9, and 2 million respectively (UNWTO, 2011). In East Africa, Kenya (rated 10 in Africa) was first with 1.39 million arrivals. The World Tourism Organisation forecasts that Africa will receive 77.3 million international tourists by 2020 (UNWTO, 2001). It also predicts long-haul travel to Africa will grow at a slower rate than intraregional travel. This will result to almost twice as many intraregional arrivals recorded than for long-haul source markets by 2020. The UNWTO has described African countries to have extensive, dynamic tourism product development programmes, which are crucial to their development policies with structured and integrated long term strategies.

1.1.2 Tourism Industry in Kenya

Tourism is one of the Kenya's main contributors to the economic growth at a rate of 10% to the Gross Domestic Product (GDP) and creating 9% formal employment. Tourism sector is the third largest contributor to the GDP after agriculture and manufacturing and the third leading foreign exchange earner after tea and horticulture. However, the sector recorded the highest growth rate of 18.6% in 2009 among the three leading foreign exchange earners. Consequently, the sector is discussed in key Government of Kenya (GoK) policy papers including Vision 2030 (2007), the Tourism Master Plan (1995), Poverty Reduction Strategy Paper (2001-2004), the Millennium Development Goals (1999-2015), the Economic Recovery Strategy for Employment and Wealth Creation (2003-2007), and various National Development Plans (RoK, 1995, 2004, 2005, 2007, 2011). They all emphasize the need for efficiency and better management of the tourism industry to enable the Government achieve its strategic objectives of growth, productivity, and improvement in service delivery to the Kenyan citizens.

Kenya tourism industry has a lot to offer to the tourists as it has all the terrains and sites including the beach and virgin natural forests with wildlife. Apart from building of national economy by providing the opportunities for employment being a labour intensive industry, foreign exchange earnings, income and government revenues, the tourism industry plays other important roles making its demand increase. For instance, it helps to pay for and justify infrastructure development that also serves general community and economic needs.

Tourism is an exceedingly diverse and fragmented industry which comprises a wide variety of tourists' services and activities from several stakeholders including the government, financial institutions, tour and travel operators, transporters, parks and game reserves, hospitality industry, cultural heritage shops, other related industries and the community at large. It provides recreational, culture and commercial facilities and services for use by both international tourists and communities within the vicinity that may have not been developed without it. Tourism however, can also generate various problems such the loss of potential economic benefits and local economic distortions, environmental degradation, loss of cultural identity and integrity, and cross-cultural misunderstandings thus reinforcing existing prejudices (RoK, 2011).

This study concentrated on international tourism though it is known that domestic tourism also contributes to the economy growth. The year 2010 recorded the highest number of tourists arrivals ever in Kenya at 1,095,945 tourists as at 31st December, 2010. This was 15% increase from year 2009.

The study also concentrated on the tour operators activities in the industry and their success in the business. The main tasks of tour operators among others include negotiation of rates with suppliers, booking accommodation and other arrangements, assisting with itinerary planning, provision of meet and greet services; provision of ground transportation, provision of local tours, provision of local, step-on guides, coordination and administration of local arrangements and services, or subcontracting these services in some instances, and on-site problem solving as indicated by the Economic Planning Group (EPG) in Canada (EPG, 2005). This makes the tour

operators' product different from other products in the sense that it is intangible, heterogeneous, perishable, and mostly suffer from inseparability by being not able to sell in bits (Saffery, Morgan, Tulga & Warren, 2007).

In this study, the tour operators were classified according to their owners. The three main categories were foreign owned (100% or through strategic alliances), locally owned by the Kenyans who have roots in other countries for example Britain and India, and locally owned by indigenous entrepreneurs. This study concentrated on locally owned by indigenous entrepreneurs category which was simply referred as 'local tour operators'. From the membership list of the Kenya Association of Tour Operators (KATO) in the year 2011, 142 members are indigenous Kenyan owned tour operators.

1.2 Statement of the Problem

As Kenya encourages foreign direct investment (FDI), the tourism sector, particularly the tour operators have received direct investors in the business. Local operators own about 47% of the business and 82% among them are either at the lowest category 'E' which earn less than USD 140,000 per year or at the 'Associate' category which is for new members who are yet to complete one full year in membership, only 3% of the local tour operators are in category 'A' exceeding USD 1.7 million annually as turnover (KATO, 2011).

UNCTAD (2008) reported that foreign operators got an aggregate profit of 78 % in the year 2007 as compared to 22% earned by the local operators. World Bank's report

on Tourism development in Kenya concluded that most of Kenya's tourism bookings is handled and organised by foreign tour operators and non-indigenous entrepreneurs tour operators with branches abroad (WB, 2009).

Failure of tour operators in Kenya will mean loss of employment to locals, less foreign exchange for the country (as the foreigners retain the profits abroad and only brings into the country what will be used by the tourists) (Sinclair, 1990). In addition, supply chain members suffer as a result of foreign instead of local purchases for the industry. This ultimately leads to low social equity. It might also lead to degradation and depletion of resources as the foreigners may not have same interest on the same as the local Kenyans. Sustainability of the industry could also be threatened as well as attainment of Kenya's Vision 2030. The purpose of this study was therefore to investigate challenges hindering success of tourism business owned by indigenous entrepreneurs in the tourism industry in Kenya

1.3 Study Objectives

1.3.1 General Objective

The general objective of this study was to investigate the challenges hindering the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.

1.3.2 Specific Objectives

The specific objectives of this study were to:

1. Investigate the effect of resources on success of tourism business owned by indigenous entrepreneurs in the tourism industry in Kenya.
2. Determine the effect of policies on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.
3. Establish the effect of information and technology on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.
4. Investigate the effect of service quality on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.
5. Establish the effect of clusters and networks on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.

1.4 Research Hypotheses

The research hypotheses that guided this study are outlined below:

1. $\mathbf{H_o}$: Resources do not affect the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya
2. $\mathbf{H_o}$: Policies do not influence the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya
3. $\mathbf{H_o}$: Information and technology does not have an effect on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya
4. $\mathbf{H_o}$: Service quality does not influence the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya

5. **H_o**: Clusters and networks do not affect success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya

1.5 Scope of the Study

The scope of the study was limited to the local tour operators registered by the Kenya Association of Tour Operators (KATO) located in Nairobi. This was guided by conclusion of Kenya Tourism Board that 90% of those located in other regions are branches to those in Nairobi (RoK, 2010). This could be because of the international airport based in Nairobi and the fact that it is central to many tourist attraction sites. In the "Ease of Doing Business 2010" Nairobi was classified first in ease of starting a business with 12 procedures, taking 34 days and costing 36-5% of income per capita which could also have contributed in this (WB, 2010).

1.6 Justification of the Study

As indicated by Ngesa and Cavagnaro (2010) in their study on Sustainable Tour Operating Practices which was a case study of the inbound tour operators in Kenya, literature on tour operators is almost non-existent in Africa. They concentrated on the large tour operators in their study. Okech (2004) studied on The Role of Tour Operators in Sustainable Ecotourism: Lessons from Kenya and also indicated there is limited research in the area of tour operators. Other studies carried out in Kenya concentrates on the tourism industry as a whole and none looked into the performance of indigenous owned firms in the industry.

This study will thus benefit trainers and educators in efforts to develop the right mix of success factors for tour operators. Policy makers will also benefit as the factors will be an eye opener on what policies can be changed to ensure success and ultimate growth of local tour operators. The results of this study can be used by local operators to improve their businesses and ultimately growth of their firms which will be proven by increase in number of tourists served and return on investment. This will result to achievement of Vision 2030 and achievement of the Millennium Development Goals.

1.7 Limitations of the Study

To save time and cost, the study intended to use email technology to send and receive the questionnaires. Though many acknowledged receipt of the email, out of the sent 104 emails, only six (6) respondents sent their filled questionnaires back. This forced reverting to hand delivery where questionnaires were printed, delivered and collected from the respondents. The response rate increased to 83 from the original six. This shows that many of the local tour operators are still using paper and pen and have not moved to the digital arena where pens might mislay their value since even signatures are now digital.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This study sought to investigate the challenges hindering success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. This chapter reveals the conceptual framework where the proposed main variables in this study were exposed. The theories and strategies that can be used by the local tourism businesses to succeed in their business are highlighted and discussed. In addition, empirical studies in relation to this study are included.

2.2 Theoretical Framework

This study sought to investigate challenges hindering success of tourism businesses owned by indigenous entrepreneurs in Kenya. Theoretical framework outlines genesis of the variables studied by expounding theories them. The theories and models are analyzed per variable under investigation and they informed the hypothesis taken to investigate the variables.

2.2.1 Effects of Resources on Success

As one of the independent variable, resources was grounded on different theories and models. These include the following as discussed below: the Resource Based View Theory by Penrose (1959), Whole Tourism Systems Model by Leiper (2004), and the Porter's Diamond model.

Resource-based View Theory

Penrose worked on basics of resources-based theory asserting complementary resources create value (Penrose, 1959). It was furthered by Barney (1991) as the resource-based view (RBV) concluding that to achieve competitive advantage, firms should possess resources that are valuable and rare to create competitive advantage and ultimately superior long-term performance. When a company finds their own resources not competitive like easy to imitate, little value, not scarce and can be replaced, they will seek a company outside that has valuable resources to form an alliance (Barney, 1991). Miller and Freisen (1982) divided resources into property-based resources and knowledge-based resources according to imitation obstacles of resources.

Many scholars have used this theory to look into the competitiveness of a firm (Gaur, Vasudevan & Gaur, 2011; Ivanovic, Katic, & Mikinac, 2010; and Miller & Freisen, 1982). Resources thus cannot be overlooked when undertaking research on success of a firm as competitiveness leads to success and therefore it was found to be a valuable variable to investigate on the local tour operators tourism businesses.

In this study resources was subdivided into four parts for deeper analysis based on the tourism industry. These include: 1)Human resources - number of employees, their skills and education background, training in tourism industry and language skills in addition to English; 2)Tourist ferrying vehicles; 3)Other assets owned by the firms; and 4)Finance - its availability, accessibility and collateral demand for the same.

Whole Tourism System (WTS) Model

The WTS model by Leiper looks at tourism as a system which is a set of parts or elements that are connected to one another by at least one distinguishing principle (Leiper, 2004). Leiper argues that the only requirements for tourism is "*a tourist, a tourist generating place - where trips begin and end, a tourist destination place, a transit route, and a tourism industry*". The model reveals the need of resources for success of tourism. These resources includes: transport modes and accommodation.

This model therefore informed the study variable resources as it outlines the transport modes as a feature that could hinder success. Tourist ferrying vehicles were therefore studied as part of the resources with aim of understanding how the local tour operators embraced the model.

Porter's Diamond Model

The Porter's diamond elaborates his thinking into clustering of industry with four main internal variables. These include:- factor conditions, demand condition, strategy of the company structure and the related and supporting industries. Two other external variables - government and chance are also included in the model (Porter, 1990).

The factor conditions include among others the human resource, knowledge resources, capital, physical resources and infrastructure. The demand conditions include the structure of domestic demand, size of demand and pattern of growth and

the internalization. The strategy of the company structure and rivalry includes the strategy and structure, goals, personal goals and rivalry among the local companies. The related and supporting industries include suppliers, customers and related structure.

This model informed different variables investigated on this study as outlined in different sections on theoretical review. Resources variable was particularly informed by the factor conditions which include among others the human resource, knowledge resources, capital, physical resources and infrastructure. Human resource drives the industry as the systems and processes cannot drive themselves. This study therefore investigated their level of education and skills in the tourism industry.

2.2.2 Effects of Policies on Success

Policies as an independent variable was instigated by the Chris Cooper Model of 1992 and the Porter's Diamond model. Chris Cooper Model will be discussed below. Porter's diamond model was discussed previously and therefore will not be elaborated though it is important to mention that the Government variable in the model instigated policies as a variable. Government policies determine ease or otherwise of doing business which ultimately leads to success of a firm. This was therefore investigated in this study to see if it is affecting the local operators in success of their tourism businesses.

Chris Cooper Model

Chris Cooper model of 1992 outlines "Whole Tourism System" (WTS) which describes interaction of the WTS to its environment particularly the political, economical, social, technological, ecological and legal (PESTEL). It also takes into consideration other factors like the global warming, safety, and the market forces. The policies put in place by the government and tourism businesses having closely monitored the environment will determine success or failure of the businesses (Leiper, 2004).

Though the model ignores the tour operators as an important in the tourism link, this study borrowed from it the policies variable as the government policies discussed therein affect the tourism businesses equally. Marketing also as indicated in the model is only possibly implemented using policies internally put in place by the organisation. It was therefore critical for this study to investigate what the tour operators have in terms of organizational policies.

2.2.3 Effects of ICT on Success

As an independent variable, ICT was informed by the Porter's Five Forces Model. ICT has changed the world and thus instigated changes particularly in the tourism industry causing ripples particularly to the tour operators businesses owing to availability of information to the tourists. The Porter's Five Forces Model as discussed below indicated the need of investigation of ICT as embraced by the local operators for success of their businesses.

Porter's 5 Forces Model

Michael Porter indicates that there are five forces of competition:- threat of new entrants, threat of substitutes, bargaining power of buyers, bargaining power of suppliers and competitive rivalry in the industry. With the turbulence of the environment and the entry into the internet era, all five forces in Porter's (1980) model have changed the conditions of competition in the marketplace. The Internet is changing the tourism industry structure by altering barriers to entry, revolutionizing distribution channels, minimizing switching costs, facilitating price transparency and competition, and at the same time ensuring enhancement of production efficiency (Kim, Nam, & Stimpert, 2004). The management of the business must change to adapt to these forces and strategically secure their place in the market.

Rivalry among existing competitors has greatly been affected by differentiation and cost structures as well as switching costs. Entry barriers have been altered by market scope, economies of scale and the amount of capital required for competing. Bargaining power of suppliers has been enhanced adjusting to changes in demand and being efficient. Bargaining power of buyers has increased as a result of convenience, flexibility, transparency, direct communication with suppliers and depth of the available information (Porter, 2001). This results to combining different travel products as a result of accessibility to wide range of available suppliers (Daniele & Frew, 2005).

Threat of substitution has now become more difficult as differentiation is not realised because of internet (Go, Govers & van den Heuvel, 1999). Bargaining power of suppliers has changed allowing direct contact with consumers and decreasing distribution costs whilst creating the opportunity for partnerships with countless affiliates and distributors (Buhalis & Zoge, 2007).

Though literature reveals that competitiveness of a firm is threatened by the five forces above, Andriotis (2004) added that the forces in the tourism industry could increase to seven with the extra two being the power of information and the impact of government regulation. He also added the power of intermeidaries could be added to the bargaining power of buyers. This was on a study - Revising Porter's Five Forces Model for Application in the Travel and Tourism Industry -conducted in Greece. The current study borrowed from this and investigated ICT and government policies on tourism industy in Kenya.

2.2.4 Effects of Service Quality on Success

Service quality as an independent variable was supported by the Service Quality Model by Parasuraman, Zeithaml and Berry (1990). This is discussed below and its relationship to the variable as investigated in the study.

SERVQUAL Model

SERVQUAL model, also referred to as PZB model, was developed as a framework for quality measurement in the service industry. It is thus used by management to

measure and bridge the gap between customer's expectation and experience (Parasuraman, Zeithaml, & Berry, 1990). It is anchored on 5 dimensions: Reliability - dependability, accurate performance; Assurance - competence, courtesy, credibility and security; Tangibility - appearance of physical elements; Empathy - easy access, good communications and customer understanding; and Responsiveness - promptness and helpfulness. Literature (Jooste, 2005) referred to tangibility as an additional P in the marketing mix as "physical evidence" that should be one of the marketing tools in tourism industry.

The trio came up with the gaps model in 1990 which proposes five gaps as a result of perception and the actual service received. Gap 1 represents the difference between customer's expected service and the management perception of those expectations. Gap 2 - difference of management's perceptions on the expectations and service quality specification. Gap 3- difference on the service quality specification and the real service delivery. Gap 4 - difference between the real service delivery and the external communications to the customers. Gap 5 – difference between the expected service and the perception of the received service. Gap 5 is thus a function of Gap 1, 2, 3, and 4 (Huang, 2007). Higher expectation of service quality in relation to actual performance leads to lower level of perceived quality. The gaps model thus serves as useful diagnostic tool into why the service quality is failing. Though critisized by Buttle (1996) for failure to draw from existing economic theory as the 5 dimensions are not universal, it still remains the only valuable model in the service industry.

As the current study looks into the local tourism businesses success, the service quality is crucial as an independent variable. Repeat sales are because of the past experience and confidence of the customer to the firm. From the first four gaps, the management reflection on potential service failure as a result of its action is necessary to understand if there are gaps that could cause the service quality failure.

2.2.5 Effects of Clusters and Networks on Success

As an independent variable, clusters and networks was supported by the Porter's Diamond Model. This Model was discussed under section 2.2.1 and therefore only what relates to clusters and networks will be discussed below and its relationship to the variable as investigated in the study.

Porter's Diamond Model

The Porter's diamond elaborates his thinking into clustering of industry with four main internal variables. These include:- factor conditions, demand condition, strategy of the company structure and the related and supporting industries. Two other external variables - government and chance are also included in the model (Porter, 1990).

The related and supporting industries variable relates to the clusters and networks required for success of any firm by strengthening each other. The strength of any of the six variable strengthens the whole cluster while weakness of one brings the whole cluster into rumbles (Ivanovic, Katic, & Mikinac, 2010). In the tourism business, the

tour operator can only get more business if they network with others particularly from the source market. This means close relationships and collaborations to ensure that the tourists book through them through the agents in the same network. This study therefore ought to sought out the clusters and networks joined by the tour operators and the benefits achieved by the same.

2.3 Conceptual Framework

Conceptual framework has been defined or described by authors differently but all are closely related (Goetz and LeCompte, 1984; Guba & Lincoln, 1989; Miles & Huberman, 1994; Reichel & Ramey, 1987; and Smith, 2004;). It can be summarised as a tool providing clear links from the literature to the study goals and questions.

This study was guided by various variables emanating from theoretical review as illustrated in figure 2.1. Agarwal (2009); Gall, Gall, and Borg (2007); King'oriah (2004); and Marczyk, DeMatteo, and Festinger (2005); defined a variable as anything that can take on different values or quantitative expression of a construct usually measured in terms of scores on an instrument. They also classified variables into dependent and independent variables. The independent variable is one that is manipulated or controlled by the scholar and its effects examined. It is independent of the outcome being measured. In this study, the independent variables were: resources, policies, ICT, service quality, and clusters and networks. The dependent variable is measured by the effect of the independent variable (if any). In this study, the dependent variable is success of tourism businesses owned by indigenous

entrepreneurs in Kenya. The data collection instrument was formulated from the independent and dependent variables.

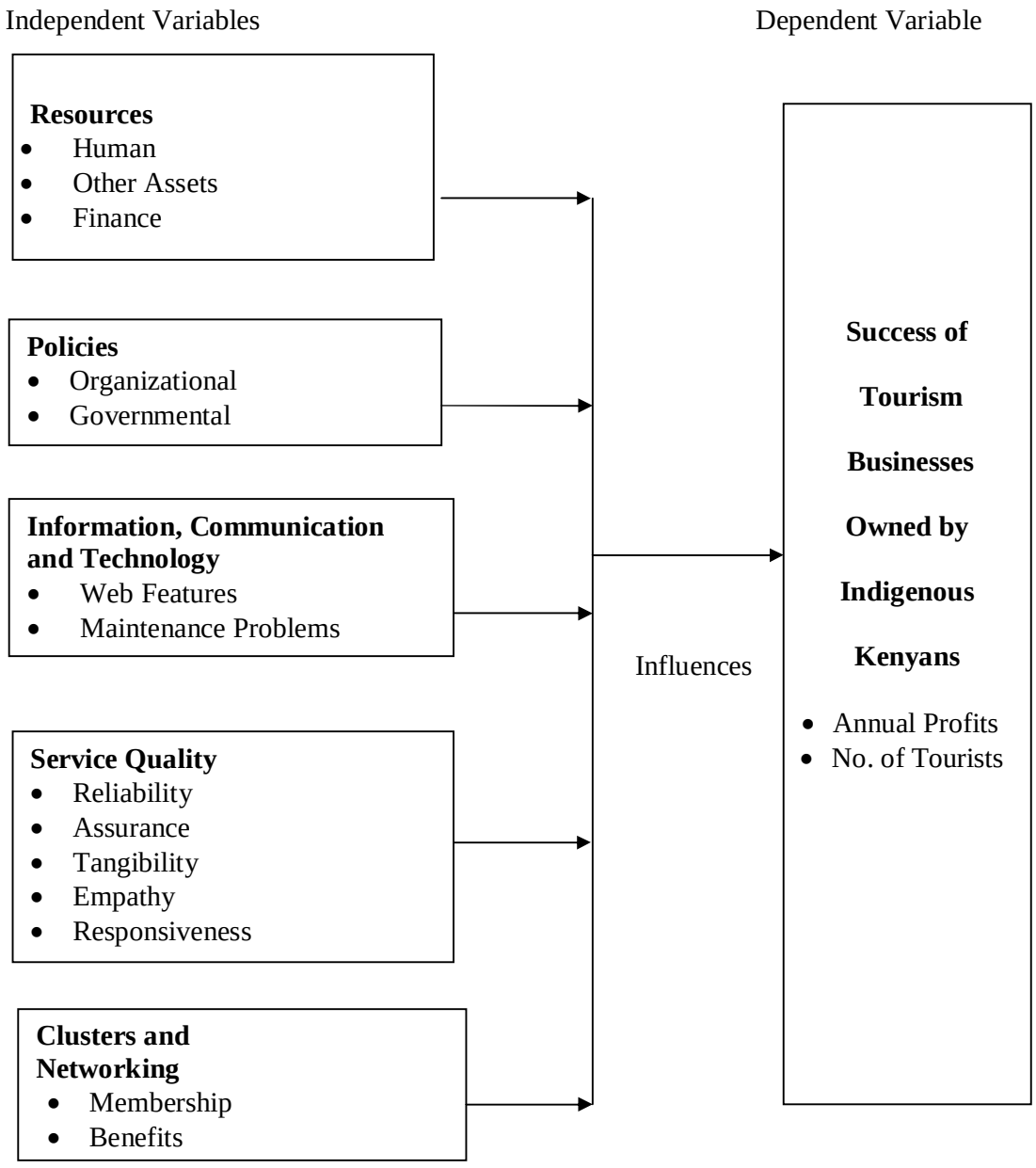

Figure 2.1: The conceptual framework

2.4 Empirical Review

Dayahka (2007), Dudgeon (2008) and Goodwin (2005) described empirical research as a way of gaining knowledge by analyzing quantitatively or qualitatively previously conducted researches. This section will cover previous studies undertaken on the dependent and independent variables as highlighted on the conceptual framework.

2.4.1 Effects of Resources on Success

Kotelnikov (2011) defined resources as the "*inputs into a firm's production process, such as capital, equipment, the skills of individual employees, patents, finance, and talented managers. ... it is through the synergistic combination and integration of sets of resources that competitive advantages are formed"*. Gaur, Vasudevan and Gaur (2011) argued that firms that have more resources at their disposal are likely to have a greater capability to respond to the demands. Miller and Freisen (1982) adds that firms need resources to invest in systems, product improvements, new product development, process enhancement, customer satisfaction, organizational challenges and response competitor challenges.

Bankole and Odularu (2006) in their study, Achieving Millennium Development Goals: Issues and Options for Nigeria's Tourism Industry, highlights lack of finance or its access as one of the hindrances to tourism business. Lack of collaterals required by the banks and cumbersome loan guarantying process remains a challenge while seasonality of tourism accelerates the risk of non-performance. Low entrepreneurial skills and information gap on how and where to obtain funds also contribute to the

problem. Finance is an important resource in business success. It will be important to find out its effects on success in the tourism businesses. This could not be so different in Kenya as a result of high interest rates changes by the banks. Seasonality of the business as indicated by Tureac and Anca (2008) could also lead to defaulting of repayment.

Nordin (2003) in study, Tourism Clustering and Innovation - Paths to Economic Growth and Development, carried out in Sweden acknowledged that human resource and qualified staff in particular are crucial to success and vital for innovation in the tour operating firm. Though innovation in the tourism industry do not last the competitive advantage because of un-protectability of the innovation, many new ideas and concepts can only come from knowledgeable staff. She concludes that with highly knowledgeable staff, it is easy to join clusters that ultimately blocks competition through greater control of the market via synergism. Her study was used as a basis by Osterwalder and Pigneur (2009) in their study, Business Model Generation, conducted in Amsterdam which asserts three reasons for creating partnerships are: optimization and economy of scale; reduction of risk and uncertainty and acquisition of particular resources and activities. They however notes that local operators often regard each other as competitors and not colleagues resulting in little or no mutual trust among enterprises. This diminishes chances of potential knowledge transfer and may restrain development of successful cluster.

Trivun, Kenjic, and Mahmutcehajic (2008) in their study, Life -Long Learning Strategies in Tourism and Hotel Industry, insists that training can be carried out as

work-based activities, courses, seminars, conferences, self directed and informal trainings (for example evening classes initiated by the employee) and also voluntary work by staff out of office. Other basic competencies could be problem solving skills, team work, foreign language as well as IT skills. Staff selection in the tour and travel operators firms should be done with consideration of skills and attributes of the employee like people skills, flexibility, good personality and high working ethics. Employee professional development is expected for high quality service delivery. The findings match with those of Mafunzwaini and Hugo (2005) in their study Unlocking the Rural Tourism Potential of the Limpopo province of South Africa and those of Khan (2008) in his study Human Resource Development in Tourism Industry in India. Human resource was therefore looked at as one of the independent factors and its effect to success was analyzed.

2.4.2 Effect of Policies on Success

Policies dictate what needs to be done and guides their users. They can be internal or external policies. In this study, both were discussed as management and government policies.

Government Policies

National Competitive Council (2004) defines regulatory policy as "*the administrative burden that falls on existing firms as a result of the need to comply with legislation and regulations (often cumulatively described as 'red tape')*". The government policies are exerted in areas like business and labour market regulation, competition,

international trade and investment, taxation and macroeconomic management on business flexibility, cost competitiveness and innovation. Protecting the nationals and discouraging foreigners in the industry is also a role of government. Signing of international agreements like General Agreement on Trade and Services (GATS) increases the power of the global society protecting foreign operators by reducing or eliminating barriers in the international trade (Edgell, 1999).

In Kenya, the main body for regulation of the tourism policies is the Ministry of Tourism. Its mission is to facilitate sustainable tourism for national development and posterity and its vision is to make Kenya the destination of choice and a global leader in sustainable tourism. It is responsible for the formulation, coordination and administration of policy in respect to the tourism sector as mandated by the Presidential Circular No. 1/2008 of May 2008 and various Acts of Parliament (RoK, 2011). The Ministry is also responsible for overall guidance and policy coordination for other state corporations and organisations created by the government which includes: Kenya Tourist Development Corporation (KTDC), Kenya Tourist Board (KTB), and Tourism Trust Fund (TTF) among others (RoK, 2011).

World Bank (2010) highlights the role of national governments in Africa as central to tourism development. Not only should the government's aim to reduce poverty levels and ensure economic and environmental sustainability but they should look into policy frameworks, incentives and regulatory framework that enables thriving of the tourism sector. The strategies that the government can use includes: image position,

promotion, destination organisation and information technology support (Quian, 2010).

Rogerson (2007) in study, Reviewing Africa in the Global Tourism, conducted in South Africa concludes that the main challenge in implementation of the government policies is the political power struggles and different values that often exist within the policy process. As a result, the triple-bottom-line priority favours the economic over the social and environmental concerns. These findings support those of Ikiara and Okech (2002) in their study Impact of Tourism on Environment in Kenya: Status and Policy.

Buijze (2010) in his study Governments and Tourism conducted in Netherlands concludes that for governments to stimulate or discourage tourism in a country, they are motivated by economic benefits, conservation of culture, ideological reasons, or ecological preservation. Tourism is dependent on the government with power to provide political stability, security, infrastructure and a financial and legal framework which are necessary for the tourism industry. Government policies that affect tourism either directly or indirectly are taxation, interest rate policy, bilateral air agreements, environmental policy, customs and immigration policy, communications policy, minimum wage policy, welfare policy, education policy, cultural policy, foreign investment policy/regulations, local zoning policy, national, provincial and local policy concerned with the funding support for major public facilities, legal systems, infrastructure policy and currency/exchange rate policies. Protecting the nationals and discouraging foreigners in the industry is also a role of government. Signing of

international agreements like General Agreement on Trade and Services (GATS) increases the power of the global society protecting foreign operators by reducing or eliminating barriers in the international trade (Edgell, 1999).

The difference on the three studies above could be as a result of the level of development between the three countries – South Africa, Kenya and the Netherlands. They however all agree on economic benefit of tourism to a country and the government's role being crucial. Government policy will thus be studied on as an independent variable to find its effect on success of tourism businesses.

Organizational Policies

According to Cole (2004) an organizational policy statement is made to indicate to those concerned just what the organization will and will not do in pursuance of its overall purpose and objectives. Scholars such as Mullins (2007) explain that the process of policy development starts with setting a goal for the organization which is translated into objectives and policy. This can only come about following proper management skills which lead to: reconciling the interests of all the stakeholders; optimizing utilization of resources; managing changing environment; expanding the size of business; providing innovation; tackling business problems; directing the organization and providing co-ordination (Gomez-Mejia & Balkin, 2002).

Peters, Frehse and Buhalis (2009) in their conceptual study on the Importance of Lifestyle Entrepreneurship in the Tourism Industry in Sweden highlights the key elements of entrepreneurship to be change initiation, creating resourcing, innovation

and creativity, knowledge leadership, opportunity alertness and timing of actions. These are as a result of the policies in place by the management. These views had also been shared by Buhalis (2000); Buhalis and Main (1998); and Morrison and Thomas (1999).

Mafunzwaini and Hugo (2005) in study Unlocking the Rural Tourism Potential of the Limpopo Province of South Africa concludes that with the goals of tourism industry being economic growth and diversification, employment generation, increased investment, population retention, infrastructure and facility provision and conservation; fairly standard policy goals has been put in place. Nevertheless, actual strategic process by which they can be achieved is not standard. Strategy formulation and re-defining of the process should be done. This will lead to implementation of the strategy to bring about success of the tour and travel operators.

2.3.3 Effect of Information, Communication and Technology on Success

As web-based technologies pick up, modes of passing the information; gathering, processing and communication of information becomes instant (Kiprutto, Kigio & Riungu, 2011). This has reduced the distance and time barriers resulting to efficiency and effectiveness. Other benefits include new marketing strategies, mitigation of perishability and ultimate enhanced profit margin. Challenges in IT includes: availability of internet connections, speed of the same, high costs of acquiring the machines and the software, cost of hiring skilled IT personnel, constant updating of information and competition from larger well established firms. In addition, Sheldon

and Yu (2001) in their study, Applications and Benefits of Tourism Information Technology in Travel Intermediaries, in Taiwan reveals that only large intermediaries spend a lot on IT investment.

As Alipour, Hajaliakbari, and Javanbakht (2011) concluded in their study, Impact of Web-Marketing Mix (4s) on Development of Tourism Industry in Iran, in the current times tourism and internet are inseparable and highly correlated. ICT has turned the 4Ps of marketing (product, price, promotion and place) into 4S's marketing mix model. The 4S's are: the scope, the site, the synergy and the system. The scope refers to general acceptance and utilization of e-commerce by the organization. The site is the web-site, its development and acceptance by the customers. The synergy refers to integration of the firm both internally and externally. The system refers to the technical issues like the software and hardware to be used depending on what is expected of the same. This has by far decreased costs and as a result increased profits. E-tourism has come up as a result of the internet and it is phasing out the traditional services by provision of tools that offer supporting services of high quality at low costs. With the internet services liberalisation just settling down in Kenya, it would be of importance to find out how the 4S’s model is working out for the local tour operators.

Website features of a firm also can influence their success as found out by Victor (2008) in a study in Mauritius and Andaman Island. The website features were classified into 7C's. The 7C's included (1) Content - with examples of essential information such as itineraries/tour/product info, maps, security/privacy statement,

click-through content, quality assurance and price information (2) Community - which referred to customer postings and user-to-user interactions (3) Customization - Multi-language service, personalized service, loading specifications and search function (4) Communication - frequently asked questions (FAQs), email form, online registration, newsletters, call center and offline contact details (5) Connection - useful links and affiliate links (6) Commerce - Online reservation, online payment, online cancellation and cross-selling (7) Context - Sitemap, main menu, multimedia contents, cookies placement, search engine optimized, resident software required, look and feel, transactional utility and alias.

Sciarelli, Corte and Celiento (2005) in their study, Innovations in the Distribution of Tourist Products, conducted in Italy maintained that tourism industry is hypercompetitive because of ICT which has brought with it rapid changes in tastes, growing variety and variability in demand, global and highly information and knowledge-based competition where the players in the industry try to out-smart one another. Networks and partnership were looked into as source of synergy in competition. ICT solutions impacts on the networks and partnership to support growth corporate strategies. Sustained competitive advantage is based on entrepreneurial and managerial capabilities, organizational skills and member's resources. Choosing the right members for the network is also discussed in their study. This forms a good background for the current study. However, other environmental factors like the political, social, ecological and legal are not looked at like contributors to innovation in the distribution channels.

Potgieter, Jager and Van Heerden (2010) in their study Type of Tour Operations Verses Type of Information Systems in South Africa, revealed information technology is useful for informed decision making for the tour operators. The existing management information systems (MIS) do not suit the tourism industry as they were meant for manufacturing industry. The MIS innovation is thus necessary to fit the need of the operators. Use of MIS is hindered by the attitude of managers towards computer, mismatch between MIS and those controlling the systems, rigidity of the management, high investment cost, and continual advancement of technology making existing to be redundant after a short while. Their findings supported those of Hinton (2006) that every business should integrate MIS into their business strategy.

Chib and Cheong (2009) in their study on Investigation of the Applicability of Business Process Management in Swiss Small and Medium Sized Tourist Enterprises, (SNTEs), concludes it is not clear to what extent SMTEs can support expensive IT-enabled innovations. The main aim of the study was to analyse the value chain and assessment of feasibility of business process management inorder to improve performance of these firms.

2.4.4 Effect of Service Quality on Success

Tourism businesses offer services that are intangible in nature. As Meirelles (2006) describes it, service is only accessible while offered with other functions which are tangible products or processes. It is consumed as it is provided thus production of the service starts when a service is ordered and finishes when the demand is met. It is

thus important to assess the quality of service provided in search of competitive advantage for the firm (Siadat, 2008).

Parasuraman et al (1985) defined service quality as the difference between what the customers expected from service providers and their valuation on the actual service received. This is confirmed by Gefen (2002) as subjective comparison made by customers between the quality of service customers want to receive and what they actually get. Difference on service quality depends on attitudes and behavior, appearance and personality, service mindedness, accessibility and approachability of customer contact personnel.

Edvardsson, Gustafsson and Roos (2005) expanded service quality into four aspects that affects customer's perception:- technical quality, intergrative quality, functional quality, and outcome quality. While technical quality refers to skills of personnel and design of service system, intergrative refers to how parts of that system works together. Functional quality refers to the manner a service is given while outcome quality is when the actual services meets expected or promised services. Unsatistfied customers are not likely to come back.

Iliachenko (2006) in the study Electronic Service Quality in Tourism carried out in Sweden insists on strategic importance for businesses to address their customers in the electronic markets. It highlights that success of a business in this internet era is grounded on service quality of the firm's website and integration of the same to its marketing strategy. Customers are empowered by technology advancement and thus

for a tourism business to succeed it is vital to ensure service quality on its electronic communication devices. Corporate website is viewed as a platform for internet marketing and thus it is a must to have. Its effectiveness ensures global access to the market and is a critical success factor on marketing its information to its clients. The findings of this study are shared by Siadat (2008) on study in Iran on Measuring Service Quality Using SERVQUAL Model.

2.4.5 Effect of Clusters and Networking on Success

Porter (1998) defined Clusters to be geographic concentration of interconnected companies and institutions in a particular field, linked by commonalities and complementariness. Relationship within the cluster brings about high rates of innovation, training and development, knowledge sharing and high quality of workers, and synergy resulting in continuous development of high quality products and services. Other benefits could be development of a common supplier base and labour pool, smoother production processes, and new business formation that re-enforces the cluster development (National Competitive Council, 2004b).

Lazzeretti and Petrillo (2006) in their study Tourism Local Systems and Networking concluded that owing to the highly competitive and turbulence in the tourism industry and the globalisation; the market does no longer involve single businesses; but it rather consists of geographical or thematic destinations composed by a network or cluster of tourism related operations. They suggest that small and medium-sized

tourism enterprises (SMTEs) can use clusters/networks as a framework which can provide opportunities to operate in a competitive tourism environment.

Osterwalder and Pigneur (2009) in their study on Business Model Generation conducted in Amsterdam indicates three reasons for creating partnerships are: optimization and economy of scale; reduction of risk and uncertainty and acquisition of particular resources and activities. Following Nordin (2003) views in study Tourism Clustering and Innovation - Paths to Economic Growth and Development conducted in Sweden, there is a correlation between innovation and the business cluster. The proximity of the cluster partners also fosters a more innovative environment. Local operators often regard each other as competitors and not colleagues resulting in little or no mutual trust among enterprises. This diminishes chances of potential knowledge transfer and may restrain development of successful cluster.

Scholz (2011) in his study on Development of Tourism Clusters conducted in Chile highlights there are preconditions to consider when transferring the cluster concept to tourism. He argues that same location for a cluster is not necessary but most important is the relationship between actors. Jackson and Murphy (2002) emphasize the development of a cooperative platform which leads to a pooling of resources, increasing the value added of a tourism destination as well as attractiveness for tourists.

Rosenfield (2001) however points out the difference between clusters and networks as: networks can occur among firms situated anywhere, whereas clusters usually refer to a core of firms in a more limited geographical area. It is thus important to appreciate that both clusters and networks are important in the tourism sector. Other distinctions of clusters and networks highlighted includes: networks are based on co-operation; clusters require both cooperation and competition, networks are based on contractual agreements; clusters are based on social values that foster trust and encourage reciprocity, networks make it easier for firms to engage in complex production; however clusters generate demand for more firms with similar and related capabilities. While networks have common business goals, clusters have collective visions.

2.4.6 Success of Tourism Businesses

According to Philip (2010), success in a broad-spectrum, relates to the achievement of goals and objectives in any sector of human life. In business life, success is a key term in the field of management, although it is not always explicitly affirmed. There is no universally accepted definition of success, and business success has been deduced in many ways (Foley & Green, 1989). Success can thus differ in perceptions like: survival, profit; return on investment, sales growth, number of employed, happiness, reputation, and so on. It has been assumed implicitly that high growth correlates positively with success.

Birley and Westhead (1990) on their study, Growth and Performance Contrasts between "Types" of Small Firms conducted, in Cranfield UK however points out that one limitation in previous researches is the premise that performance and growth are not only interlinked but used as a substitute for each other. They add that this kind of correlation is not supported in the literature. For the sake of this study, success will be defined as growth in terms of increase in number of employees, capital equipments such as cars, premises and ICT equipments; sales growth and ultimately return on investment.

Holland (1998) in study, Planning Against a Business Failure, conducted in the USA indicates the following can assist in improving the chances of success: developing a business plan; obtaining accurate financial information about the business in a timely manner; profiling the target customer, analysing competition; right reasons for going into business; not borrowing family money. Also he adds that networking with other business owners in similar industries; realizing that consumer tastes and preference change; and becoming better informed of the resources that are available also brings success. He however did not analyse the external forces that could lead to business failure such as government regulations, security, environmental, social, technological and other changes. The dependent and independent variables for this study will be borrowed from some of those revealed by Holland.

Clark (1997) in article, Reasons for Business Failure Come in Three Broad Groups, condensed the success solutions in 3M's – money, management and marketing. Break-even period should not be underestimated to enable growth on other areas of

business. Management team should comprise of knowledgeable people and not family members only. Pull strategy rather than push should be used for marketing. This is ensuring the customers know the product and are the ones requesting for it and giving their inputs for improvements. It is however not the best to use push marketing strategy only by the tour operators. The tour operators has to use the two strategies as there are some tourists who may not have time to analyse the information given and thus would like the specialist to do it for them. This is the value addition sort by their clients and therefore differentiation is critical for the push strategy.

Scholz (2011) in study, Development of Tourism Clusters, conducted in Chile highlights challenges hindering development of tourism businesses. These include: problem of language barriers; lack of financial resources/access to loans; seasonality of tourism; precarious roads; low cooperation between tourism actors; lack of business skills/experience; lack of promotion of the region on national and international level; unskilled and inexperienced staff; problems to book in advance from outside; and lack of information on what tourists prefer. In the study, Chile is also experiencing the foreigners dominating the industry. It concludes this can be overcome through cooperation and training to the local actors. It can be noted that Scholz (2011) concentrated much on resources to be the main hindrance of development.

2.5 The Tourism Industry

Bennett and Schoeman (2005) illustrated various stakeholders of the tourism industry using a figure with four main divisions: attractions (either natural, manmade or sociocultural); accomodation (either self-catering or serviced); transportation; and support services. All these are interconnected by the tour operators and at times travel agents to the tourist. This is illustrated by figure 2.2.

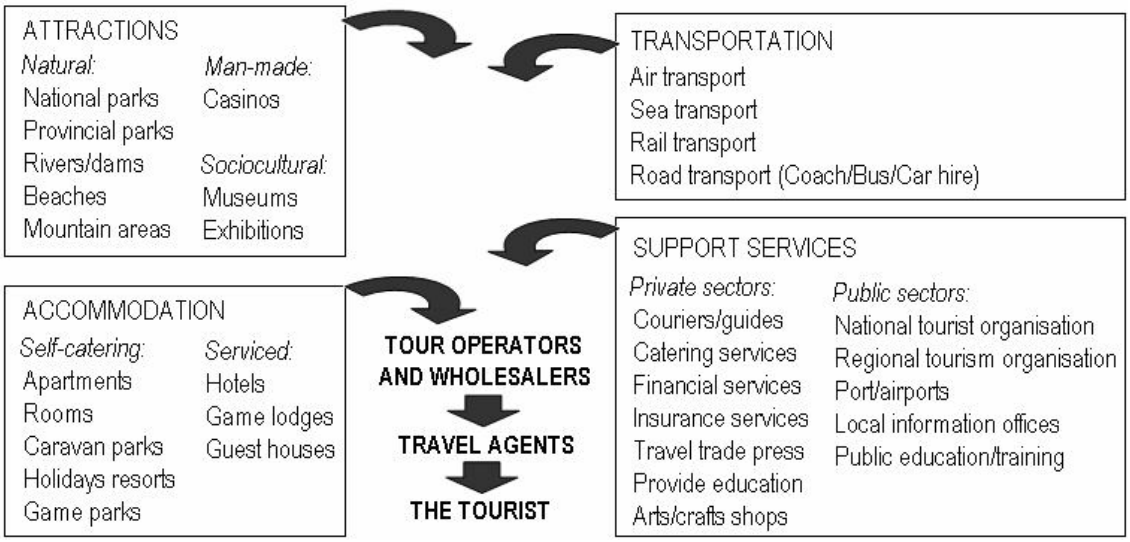

Figure 2.2: The Tourism Industry

Source: Bennett, J.A. & Schoeman, L. (2005: p39).

RoK (2011) asserts that apart from the building of national economy by providing the opportunities for employment, foreign exchange earnings, income and government revenues, the tourism industry plays other important roles making its demand increase. It helps to pay for and justify infrastructure development that also serves general community and economic needs. As tourism is decentralized, it is capable of

diversifying regional economies making all regions grow at the same rate. Tourism provides recreational, culture and commercial facilities and services for use by both tourists and residents that may have not been developed without it. It also provides opportunity for education of people about other cultures and environments as well as their own national heritage, often circumventing ideological and political differences and reducing prejudicial attitudes, hence achieving cross-cultural exchanges. Tourism however, can also generate various problems such the loss of potential economic benefits and local economic distortions, environmental degradation, loss of cultural identity and integrity, and cross-cultural misunderstandings thus reinforcing existing prejudices (RoK, 2011).

In addition, the industry in Kenya has been marred by high competition as a result of high number of both registered and non-registered operators both locally and foreign owned. Michael Porter looked at competition differently and concluded that it can only be won through strategy. He compared strategy to a wheel that has spokes (key operating policies) which are expected to radiate and reflect the hub (organizational goals) (Porter, 1998).

The local tour operators ought to identify the right strategy towards success in their businesses. Many authors define strategy differently but they all agree on its importance to grow the business, attract and please the customers, compete successfully, conduct operations and achieve target levels of organizational performance (Hambrick & Fredrickson 2001; Mintzberg, Lampel, Quinn, & Ghoshal 2003; and Thompson, Strickland, & Gamble 2010). To work effectively, the strategy

must be properly managed. Vallabhaneni (2009) defined the strategic management as "the set of decisions and actions used to formulate and implement strategies that will provide a competitively superior fit between the organization and its environment to achieve organizational goals". The strategic management coordinates and integrates the management functions in an organized manner for achievement of the goals. Gomez-Mejia and Balkin (2002) and Vallabhaneni (2009) stated that the formulation of strategy includes the planning and decision making that lead to the establishment of the firm's goals and the development of a specific strategic plan. Local operators must have the right strategy which must be well managed to achieve the sought success.

2.6 Gaps in the Literature Review

Although a lot has been studied on the industry and the SMEs, the local tour operators' success factors have not been studied. This was the main motivator of this study to ensure the local tour operators get the right key into the business. The studies in other areas of SME's cannot be duplicated in the tour operators' field. This is because this is a service industry and thus the intangibility of their product does not necessarily face same challenges as tangible product. The theories proposed for competitiveness are also so much linked into production firms. The one size fits all strategy is not possible in the service industry.

The studies on effects of resources on success investigated different resources as single entities towards success for example Bankole and Odularu (2006) investigated finance and ignored other resource factors while Mbaiwa (2000) investigated vehicles

in tourism industry. Mafunzwaini and Hugo (2005); Nordin (2003); Trivun et al. (2008) concentrated on human resources as the main resources that can bring forth success. There is no single study that have combined resources together to investigate their effect on success. This study investigated human resources, finance and other assets owned by the firm to fill this gap.

On the effect of policies on success, the past studies concentrated on the industry as a whole and not the tour operators. They also did not combine the governmental and organizational policy to see their combined effect to success. Many separated the two policies for example Buijze (2010); Ikiara and Okech (2002); Quian (2010); and Rogerson (2007) concentrated on government policies while Bryce et al. (2011); Hambrick and Fredrickson (2001); Peters et al. (2009) and Zyl (2007) concentrated on organizational policies. This study enjoined the two policies to investigate their effect on success and fill in this gap.

The studies carried out on ICT again concentrated on the whole industry and not the tour operators. It was critical to investigate if ICT affects success of the local operators equally. Again the mixed aspect of the website features and the website maintenance problems have not been investigated together but separately in the previous studies for example Eraqi & Abdalla (2008); Hinton (2006); Kiprutto et al. (2011); Potgieter et al. (2010); and Soraya (2005) concentrated on ICT adoption and use of internet. Others like Christiansson and Sporrek (2003); Iliachenko (2006);and Liu & Chen (2011) looked into website appearance. No author had looked into the problems encountered by the tour operators on website maintenance.

On service quality, there was no study carried out in the tourism industry on the five dimensions of the SERVQUAL model. This left a gap in the Kenyan perspective and its investigation was necessary. Other investigations carried out internationally were also on the industry and a whole and not specific to the tour operators. This study therefore investigated the five dimensions to fill this gap.

The studies carried out on the clusters and networks as a variable in this study are not local. They have also been carried out based on the data for the whole industry and not tour operators. This study sought to fill the gap by having Kenyan perspective on the clusters and networks and particularly on the tour operators. In addition the previous studies investigated either clusters or networks separately while this study combines the two together for comprehensiveness of the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Kothari (2004) defined research methodology as a science of studying how research is done scientifically. This involves hierarchical steps on how the research is carried out. This chapter discusses various steps adopted by this study in investigating the challenges hindering success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.

3.2 Research Philosophy

This study took a positivism philosophy as it used scientific methods to collect data using quantitative approach through questionnaires to gather reliable data. Saunders, Lewis and Thornhill (2006) defined research philosophy as development of knowledge and nature of that knowledge based on assumptions about ones views of the world which influences the way research will be conducted. Two main research philosophies are positivism and phenomenology (Benz and Newman, 1998).

According to positivism philosophy, reality is stable, observable and can be measured. Knowledge is obtained using the scientific method which is objective and measurable. To prove that a phenomenon exists, one has to collect data scientifically and what that cannot be tested empirically cannot be regarded as proven. Positivism has no value judgments, only statements which can be tested scientifically. To prove the validity of a statement, data must be collected (for example using experiments, surveys) using

methods that are agreed on by the scientific community. Also, the research when repeated should yield the similar results.

On the other hand, phenomenology philosophy focuses on the processes and experiences one goes through. Literally, phenomenology is the study of "phenomena" or the things we experience and the ways we experience such things. Experience is a complex concept and not directly observable by an external observer. However, 'intersubjectivity' is often used as a mechanism for understanding how people give meaning or interpret their experiences (Benz & Newman, 1998). Generally, the underlying philosophy of qualitative research is phenomenology while the underlying philosophy of quantitative research is positivism.

Positivism philosophy was justified by the stability and measurable nature of the information gathered via questionnaire. Contrary to the phenomenology approach, this study's sample was also scientifically selected to ensure reliability, non-biasness and objectiveness of the collected data. It allowed use of statistical analysis like factor analysis and cluster analysis which is not possible for phenomenology approach where only descriptive analysis can be carried out.

3.3 Research Design

In this study, descriptive survey design was used. The research design is the plan, structure of investigation conceived so as to obtain answers to research hypothesis and to control variance (Kerlinger & Lee, 2000; Kothari, 2004; and Wiersma & Jurs,

2009). Sekaran (2003) highlighted that a research design can either be exploratory, descriptive, experimental or hypothesis testing.

According to Neuman (2000), descriptive survey design involves large numbers of persons, and describes population characteristics by the selection of unbiased sample. It involves using questionnaires and sometimes interview tests, and generalizing the results of the sample to the population from which it is drawn. In this study, descriptive survey design was also applied because it was found to be flexible enough to provide opportunity for considering different aspects of a problem under study (Creswell, 2003).

3.4 Population

In this study the target population comprised of all tour operators owned by indigenous entrepreneurs in the tourism industry to who the results of this study was generalized. From literature (Agarwal, 2009; Castillo, 2009; Hyndman, 2008; and Mugenda & Mugenda, 2003) population is described as a large collection of individuals or objects that is the main focus of a scientific query and have similar characteristics. Gall, Gall and Borg (2007) highlights two types of population: target and accessible population. Target population consists of all members of a real or hypothetical set of people events or objects from which a researcher wishes to generalize the results of their research while accessible population consists of all the individuals who realistically could be included in the sample. The accessible population in this study was the 142 local tour operators who are registered by the

Kenya Association Tour Operators (KATO, 2011). These are the ones who could realistically be included in the study because their physical, telephone and email addresses were known from the KATO list.

3.5 Sampling Process

From literature (Black, 2004; Scott & Wild, 1986; and Zikmund, et al., 2010;) sampling is described as selection of a subset of individuals from within a population to yield some knowledge about the whole population, especially for the purposes of making predictions based on statistical inference. Adèr, Mellenbergh, and Hand (2008) highlights the advantage of sampling as cost, speed, accuracy and quality of the data. The sampling process comprises of sampling frame, sampling method, sample size and sample plan. The process in this study is described below.

3.5.1 Sampling Frame

In this study the sampling frame was the list of 142 registered active KATO local tour operators attached as appendix 2 (KATO, 2011). A sampling frame is a list of population from which a sample will be drawn from (Leary, 2001; and Särndal, Swensson & Wretman, 2003). Bailey (2008) argues that the sampling frame facilitates formation of a sampling unit that refers to one member of a set of entities being studied which is the material source of the random variable. From the 142 members a sample was randomly sought.

3.5.2 Sampling Technique

This study used probabilistic techniques, specifically stratified random sampling. Sampling technique can either be probabilistic or non-probabilistic (Castillo, 2009; Gall et al. 2007; Kothari, 2004; and Mugenda & Mugenda, 2003). In probabilistic sampling every unit in the population has a chance of being selected in the sample, and this probability can be accurately determined. The method can be: simple random, systematic, stratified, and multi stage sampling. Non probabilistic sampling is where some elements of the population have no chance of selection or their probability of selection can't be accurately determined. The methods available here are convenience, quota sampling and snowballing.

Creswell (2008); and Gall et al. (2007) highlights that stratified sampling is used when the population has different characteristics thus to ensure that all get equal chances, the population is sub-divided into strata before using simple random sampling to get a sample from each stratum. In this study, the population was divided into six categories based on their gross annual turnover following KATO's classification.

From KATO's list of registered members the strata are classified according to their annual gross turnover as follows: Category "A" - All members with a gross annual turnover exceeding US$ 1.7Million; Category "B" - All members with a gross annual turnover exceeding US$1.1Million but below US$1.7Million; Category "C" - All members with a gross annual turnover exceeding US$570,000 but below

US$1.1Million; Category “D” - All members with a gross annual turnover exceeding US$140,000 but below US$570,000; Category “E**”** - All members with a gross annual turnover of not exceeding US$ 140,000; and Associate - All new members who are yet to complete one full year in membership. From the six strata, simple random sampling was carried out to get the sample. This ensured equal chances of selection to all. It was thus a true representative of the population.

3.5.3 Sample Size and Sample

For this study, from the population of 142 tour operators to get the sample was necessary. A sample is a true representative of the entire population to be studied (King'oriah, 2004 and Leary, 2001). Kothari (2004) advocates that good sample should be truly representative of the population, result in a small sampling error, viable, economical, and systematic. A sample was obtained from the sample frame which is the registered active KATO members who are indigenously owned.

Kothari (2004) described sample size as the number of items to be selected from the universe to constitute a sample. There are several options to determine the sample size including census, imitating sample size of similar studies, using published tables, and applying existing formula. Different authorities give different parameters on the sample size for example Schewarz and Sudman (1995) recommends a minimum of 100 participants in survey research, Gall et al. (2007) recommends minimum of 15 in experimental research and 30 in correlation research while Greener (2008)

recommends at least 30 but census if population is less than 30. The following formula of Cochran (1963) was used to calculate sample size:

$$n_0 = \frac{Z^2pq}{e^2}$$

Where:

Z = Z value

p = percentage picking a choice

e = desired level of precision

Using the above formula with the Z value being 95% thus 1.96, p being 50%, q being 50% and e being 5%, a total of 385 was reached. This was the sample size for proportions. This size was adjusted to suite the population in question using the formula below:

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

Where:

n_o = sample size for the proportions calculated above (385)

N = Target population

N was calculated based on the assumption that a questionnaire was sent to every firm. From the above formular, with n_o being 385 and N being 142, the calculated n was 104. This was the expected number of respondents. The table below shows the calculation of the number of proportionally accepted sampled firms calculated from

each stratum and expected number of respondents. The 104 respondents were arrived from the formula above and selected as per Table 3.1 which follows:-

Table 3.1: Classification of Tour Operators by Ownership

	Population	**Sampled firms**
Category A	6	5
Category B	0	0
Category C	7	6
Category D	16	12
Category E	84	60
Associate	29	21
TOTAL	**142**	**104**

3.6 Instruments of Data Collection

In this study, the instruments used for data collection are: literature review for secondary data and questionnaires for primary data. Literature review from existing sources is the major instrument for secondary data. For primary data, observation,

scientific setting in a closed laboratory, questioning through either questionnaire or carrying out an interview as used as the major instruments (Anderson & Shaw, 1999).

Questionnaire is a method of data collection in which respondents provide written answers to written questions (Gillham, 2008; and Leary, 2001). Use of questionnaires in this study enabled coordination of data collection and guidance on the required information. The questions therein were either open or closed using 5 likert scale. This assured collection of all the available data not ignoring any important information from the respondents while at the same time making it possible to analyse through restricted likert scale. Many scholars have used the questionnaire on collection of data on studies in tourism industry like Fache (2000); Peters (2005); and Salwani, et al. (2009);

3.7 Data Collection Procedure

The study took pilot study which is a small-scale research project that collects data from respondents similar to those used in the full study (Zikmund et al., 2010). It served as a guide for a larger study by examining specific aspects of the research to ensure increased response rates, reduced missing data and obtaining more valid responses (Hair et al. 1998; and Schwab, 2005).

The pilot study involved a randomly selected sample of 10 respondents. This was 10% of the sample size. The same was not included in the final study following ASA (1997) to avoid survey fatigue. Reliability test was carried out on the tool to ensure it

gave reliable results. Cronbach's Coefficient Alpha test was applied in this study to validate the measuring instrument to determine its portability, structure and reliability.

Factor analysis was also carried to remove any redundant item from the questionnaire. Factor analysis as defined by Gall et al. (2007) is a statistical procedure for reducing a set of measured variables to smaller number by combining those that are moderately or highly correlated with each other. Confirmatory factor analysis as Zikmund *et al.* (2010) and Hair et al. (2010) assert is more reliable when there is a strong theoretical expectations on the factor structure before carrying out the analysis. All items scoring less than 0.3 which is the minimum requirement for inclusion of variables into the final model were dropped from further analysis (Hair et al., 2010; Kothari, 2004).

The data collecting instrument was amended after the pilot study to reflect the corrections recommended by the respondents and supervisors who had knowledge in this area. The final version of the questionnaire (appendix 1) was sent to the 104 sampled firms using their email addresses on the KATO register. This failed to give satisfactory response and the classic method of hand delivery was resulted to which increased the response rate as explained in the next chapter.

3.8 Data Processing and Analysis

Data analysis is a practice in which raw data is ordered and organized so that useful information can be extracted from it (Saunders *et al.* 2009). The primary data obtained from the questionnaires was checked for omissions, legibility and

consistency before being coded for analysis. Majority of the data collected qualified for coding for further analysis.

Qualitative measures took into account the feelings, attitudes and opinions of managers on their success. Quantitative measurements involved statistical inference through application of inductive reasoning (Creswell, 2003). This is usually applied when one dependent variable is presumed to be a function of more than one independent variables (Neuman, 2000).The responses by managers were coded to enable them to be processes by computer. Statistical packages like SPSS was used to analyze the data to show the relationships between the variables. Neuman (2009) indicates the main advantage of SPSS as including many ways to manipulate quantitative data and containing most statistical measures.

Normality test was carried out on the dependent variable (success of local tour businesses) and the residuals. This tested the normality of the sample to ensure there is a normal distribution on the same. Pearson's Coefficient Correlation analysis was used to examine the type and extent of the relationships of the independent variables:- resources, policies, ICT, service quality, and clusters and networking – to the dependent variable – success of local tour operators

The analysis of variance (ANOVA) also referred to as F-test was used to test the significance of the overall model below. The confidence level to be used is 95%. Regression analysis was carried out to find out the rate of change of variables in relation to changes in one another. Kvasova (2012) in the study on Socio-

Demographic Determinants of Eco-Friendly Tourist Attitudes and Behaviour conducted in Cyprus used ANOVA successfully to test significance of the model. Buijze (2010) also used the same on a study on Government s and Tourism in the Netherlands. The main statistical model that was used for this study is the multiple linear regression model:

$$Y = \alpha + \beta_1\chi_1 + \beta_2\chi_2 + \beta_3\chi_3 + \beta_4\chi_4 + \beta_5\chi_5 + \varepsilon$$

Where: Y = success of local tour operators;

α = the Y intercept;

χ_1 = resources;

χ_2= policies;

χ_3 = information and technology;

χ_4 = service quality;

χ_5 = clusters and networks; and

ϵ = error term which is assumed to be normal in distribution with mean zero and variance (σ^2).

3.8 Operationalization of variables

According to the conceptual framework, there are five independent variables and one dependent variable in this study. The independent variables include: Resources; Policies; ICT; service quality; and clusters and networks. A sixth model combines all the five independent variables to give an overall picture as to what extent the five influence success of tourism businesses owned by indigenous entrepreneurs which is the dependent variable.

Resources were measured in terms of human resources and their skills, other assets owned by the firm, and finances. The investigated items include number of permanent employees classified as: clerical staff, managers, tour consultants, and tour guides; and their skills in tourism industry including additional language in addition to English. Other assets investigated were vehicles, parking space, office space, and office equipment. Finance was investigated on its availability, accessibility, and collateral for the same.

Policy was measured in terms of the effect of those policies on the success of tourism businesses owned by indigenous entrepreneurs. The factors investigated were both the organizational policies and the relevant governmental policies. Organizational policies were investigated in terms of their existence, availability to employees and their usage in decision making processes. The governmental policies looked into were both tarrif and non-tarrif policies that could lead to success in the tourism businesses owned by indigenous entrepreneurs.

ICT was measured in terms of extent of adoption of ICT by the local operators. Availability of a functional website was also investigated which included the features of the website and their importance to success of local operators. The features investigated includes: 1) Appearance of the website, its graphical interface like choice of layout, fonts, and colours; 2) In-depth descriptions of firms products or services; 3) Contact information; 4) Booking capability; 5) E-commerce or payment online; 6) Customer testimonials access; 7) Hyperlinks to other websites; 8) Subscription to mailing lists to receive offers and news; and 9) Multiple languages.

In addition, problems experienced by the local operators on website maintenance were also investigated. The study concentrated on problems like: 1) Keeping content updated; 2) Online security; 3) Reliability of telecommunications service; 4) Quality of web hosting equipment; 5) Cost of maintenance; 6) Training or skills to implement certain website features; and 7) Access to expert assistance or advice.

Service quality as an independent variable was investigated on its effect to success of tour operators. It was measured in terms of the five parameters prescribed by SERVQUAL model. These includes: Reliability in terms of dependability and accurate performance; Assurance as competence, courtesy, credibility and security; Tangibility in terms of appearance of physical elements; Empathy as easy access, good communications and customer understanding; and Responsiveness as promptness and helpfulness to customers.

Clusters and networks were measured in terms of the memberships that local operators have subscribed to. This is in addition to KATO membership to which all have subscribed. The benefits sought from membership which influence subscription were also investigated.

3.9 Ethical Consideration Issues

Ethical considerations are often in terms of informed consent, confidentiality (the right to privacy and protecting identify) and consequences (protection from for example physical and emotional harm) (Fontana and Frey 2000). The three will be addressed through a cover letter to the questionnaire as follows: (1) informed consent - by providing the key themes of the research topic and its overall purpose on the questionnaire where it is clearly indicated that the questionnaire will be filled in on voluntary grounds; (2) confidentiality - all interviewees will be informed that their name and their company's name would remain anonymous; and (3) consequences - questions will be designed to obtain specific information about how the company was addressing particular issues and not on the specific personal views of the interviewee this will avoid personal questions thus no consequences will follow the individual.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter reports the findings of the study aimed to investigate the challenges hindering success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. The findings are based on the methods discussed in the previous chapter. The study was organized around the research objectives aimed at testing the following research hypotheses (1) H_o: Resources do not affect the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya (2) H_o: Policies do not influence the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya (3)H_o: Information, Communication and Technology does not have an effect on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya (4) H_o: Service quality does not influence the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya (5) H_o: Clusters and networks do not affect success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.

The research hypotheses above formed basis of the independent variables which include: resources, policies, information, communication and technology, service quality, and cluster and networks. Each variable was reviewed following the collected questionnaires. Both descriptive and inferential analysis are presented, interpreted and

discussed in this chapter. They are presented in form of tables and graphs. Data was analyzed both quantitatively and qualitatively.

4.2 Response Rate

One hundred and four questionnaires were hand delivered to the sampled 104 tour businesses owned by indigenous entrepreneurs. To increase response rate, an email address was created and the questionnaires were sent to the 104 firms via email address of their contract person on KATO list. From the 104 emails sent out, many firms acknowledged receipt of the email but only 6 filled the questionnaire and sent back via email. This translates to a response rate of 5.76%. This response rate confirms to that of Ngesa and Cavagnaro (2010) who sent out 318 online questionnaires to tour operators in Kenya and the response rate was 19.8%. It could mean that the Kenyan tourism businesses has not fully embraced the technology or might not be willing to spend time on their online facilities because of various reasons including time and cost.

From the 104 hand-delivered questionnaires, 83 were successfully collected from the recipients having been filled out. The total response rate was thus 79.86%. This quite high as compared to other response rates from the studies carried out in the tourism industry like those of Schwartz and Font (2009) on their study Sustainable supply chain management: outbound tour operator practices conducted in the UK whose response rate was 60.5%; and Kvasova (2012) in his study Socio-Demographic

Determinants of Eco-Friendly Tourist Attitudes and Behaviour conducted in Cyprus whose response rate was 55%.

Mugenda and Mugenda (2003) assert that a 50% response rate is adequate, 60% good and above 70% rated very good. Neuman (2000) recognizes a response rate of 50% and above as adequate for a survey study. Based on the recommendations by the two scholars, it can be conclude that the response rate of 79.86% for this study is very good.

4.3 Sample Characteristics

The information sought in this section was preliminary to the study objectives with aim of discerning the characteristics of the sample. The questions aimed to elicit responses which showed the business parameters of the indigenous tour operators who responded to the questionnaire. Year of incorporation and the position of the respondents would show whether indigenous tour operators had established themselves in the tour industry and the employees of these firms.

Year of Incorporation

The responses as reflected in table 4.1 showed that over half of the indigenous tour operators (56.6%) had been in business since 2005; 18.1% between 2001 and 2005; and 25.3% between 1991 and 2000. From the respondents, none existed before 1991. It can be concluded that the non-indigenous firms then dominated the market.

This indicates that there has been a positive growth in the number of indigenous tour operators which could have coincided with the take-over of the Kenyan government by the National Rainbow Coalition government in the year 2002 which aimed at empowering Kenyans for stability of economy growth. With policy document like Economic Recovery Strategy (ERS) of 2003, confidence on growth of economy was gained and this could translate to the increased tour businesses for indigenous entrepreneurs. Unveiling of Kenya's Vision 2030 in year 2007 with prospects of transforming Kenya into "a newly industrializing, middle income country providing a high quality of life to all its citizens in a clean and secure environment" could also have given Kenyans confidence to invest in the industry. This is particularly because of recognition of the tourism industry under the economic pillar of the nation's employment creation, poverty eradication, and reduction of inequality.

The growth of the tourism industry suggests that there are many opportunities for new entrants, such as taxi drivers, hoteliers, tour operators, marketers, trainers, booking agents, laundry workers, curio and craft sellers, construction workers, vegetable and fruit producers and farmers (Ceballos-Lascurain, 1996). However, many of the occupations which the author has cited are low paying, and some (such as construction work) offer little if any scope for self-employment. Other occupations have seen growth in entrepreneurship where Kenyans has taken up opportunities for industrial growth.

The findings suggest that many tour businesses owned by the indigenous entrepreneurs are in the introduction and growth stage of the production curve. To

ensure stability of the industry, it is thus vital to come up with strategies that can lead to growth of the businesses not forgetting the global competition with many destinations in the world. Confidence towards Kenya as a destination should be reinforced to increase traffic of tourists into the country.

Table 4.1: Year of Incorporation of the Company

Year of Incorporation	Number of firms %
1991 to 2000	25.30%
2000 to 2005	18.07%
2005 to 2011	56.63%

Positions of the Respondents

The question sought to find out the positions held by the respondents in the study. This was to shed light on the management structure of indigenous tour operators. Three main categories filled in the questionnaires. Among them 57.83% were the Managing Directors; 34.94% were Administration staff; and 7.23% were Operations staff. The findings are reported on Table 4.2.

As 57.83% of the respondents were managing directors of their tour operators, this suggests that they are well versed in various aspects of tour operations. However, the

predominance of managing directors over other positions indicates that the majority of indigenous tour operator firms are run by their owners. This finding also suggests that the majority of tour operator firms are within the SME (Small and Medium Enterprises) sector, thus their proprietors may be unable to hire professional staff, which has an effect on their long term outcomes. It is feasible to conclude that the percentage of respondents holding the positions of operations and administrative/accounts managers are employed by larger indigenous tour operations firms.

The trend of sole proprietors working as tour operators has implications on the success (or otherwise) of indigenous tour operators. This is because such businesses may lack credibility in the eyes of potential private investors or financiers. This initial factor may be compounded by lack of business and management skills, which may discourage tourists from patronizing that particular indigenous tour operator in future. Therefore many indigenous tour operators are in need of capacity building in terms of organizational management, marketing, and practical skills such as in computer use and driving (Dixey, 2002).

Table 4.2: Positions of the Respondents

Positions of the Respondents	Number in Percentage
Administration Staff	34.94%
Managing Director	57.83%
Operation Staff	7.23%

4.4 Pilot Study Results

From the pilot study, reliability test using Cronbach's Alpha Coefficient was carried out on the tool to ensure it gave reliable results. From table 4.3, the lowest alpha coefficient was 0.721 while the highest was 0.968.

Reliability test results indicate that the individual components and overall coefficient are above 0.7. Cooper and Schindler (2008) and Paton (2002) assert that a Cronbach's alpha coefficient of 0.7 is adequate for a newly developed tool. Therefore based on the recommendations by Cooper and Schindler (2008), Paton (2002) and Saunders, Lewis and Thornhill (2009) the study questionnaire has adequate internal consistency and is reliable for the study and its results can be used to generalize on population characteristics.

Factor analysis was also carried out on the tool. From the 72 items on the questionnaire, five items were declared redundant and therefore removed from the questionnaire. This was to eliminate possible multicollinearity in the model. The reviewed questionnaire is attached as appendix one.

Table 4.3: Cronbach's Reliability Alpha

Variable	Cronbach's alpha	No of items
Resources	0.841	4
Policies	0.745	4
Information Technology	0.876	4
Service Quality	0.968	5
Clusters and networking	0.810	4
Success in tourism businesses	0.721	2
Overall	**0.827**	**23**

4.4 Study Variables

The study sought to investigate the challenges hindering success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. Five independent variables were investigated including: resources, policies, information, communication and technology, service quality, and cluster and network. The dependent variable success was also investigated. They will be discussed in the section below highlighting their importance or otherwise towards success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

4.4.1 Success of Tour Businesses Owned by Indigenous Entrepreneurs

The general objective of this study was to investigate the challenges that hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. The dependent variable of the study, success, was investigated to understand the status of the indigenous tour operators using the number of tourists served both local and international and the estimate net profit of the firm for the last 5 years starting year 2006 to 2010.

Number of International Tourists Served Between 2006 and 2010

In this section, the number of international tourists served by local tour operators from the year 2006 and 2010 was analysed. This was to show the trend of success of the tour businesses owned by indigenous entrepreneurs assuming the more the tourists served, higher the level of success and vice versa.

Table 4.4 shows that in the year 2006, 44.5% served less than 50 international clients, 19.1% between 50 and 100, 27.1% between 101 to 500, 9.3% between 501 and 1000, and the mean score for the year was 2.01 where one represents less than 50 and five represents more than 1001. In the year 2007, 34.3% served less than 50 international clients, 19.9% between 50 and 100, 38.6% between 101 to 500, 7.2% between 501 and 1000, and the mean score for the year was 2.19. There was a drop in the year 2008 as 57.2% served less than 50 international clients, 38.1% between 50 and 100, 4.7% between 101 to 500, and the mean score for the year was 1.47. In the year 2009, things started changing for the better as the mean score rose to 2.53 and the number

served were as follows: 16.1% served less than 50 international clients, 29.6% between 50 and 100, 39% between 101 to 500, and 15.3% between 501 and 1000. In the year 2010, 8.5% served less than 50 international clients, 32.6% between 50 and 100, 31.4% between 101 to 500, 27.5% between 501 and 1000, and the mean score for the year was 2.78.

The findings of year 2008 decline is echoed by Nyaga (2009) who attributed the drop by 34.7% to post-election violence that scared away visitors. In 2007, the actual number of tourists who arrived into the country was 1.8 million as compared to 1.2 million who arrived in 2008 (RoK, 2011). The results of poor international tourists received in the year 2008 were also experinced in other countries as concluded on the study of Fakhar (2008) indicating in Pakistan it was regarded as the worst year attributed to political and social problems. The economic meltdown in 2007 started flowing to other nations in-terms of low tourists from the west.

Compared to the number of tourists visiting the county for example 1.49 million in 2009, (RoK, 2011), the findings shows that there are many tourists coming into the country through other operators. Revelation that the local operators are only handling a small percentage of the international tourists into the country is a reality from this study as we find that more than a third serve less than fifty clients a year. This shows that the industry is still very much in the hands of foreigners and thus the local operators are yet to start driving the market.

The year 2008 a decline is noted on the number of the international tourists served by tour businesses owned by indigenous entrepreneurs. This can be as a result of the post elections violence experienced in the country after 2007 national elections. The positive change over the next two years (2009 and 2010) is however encouraging meaning the local operators are penetrating into the business.

Table 4.4: International Tourists Served Between 2006 and 2010

Year	<50	51-100	101-500	501-1000	Mean
2006	44.5%	19.1%	27.1%	9.3%	2.01
2007	34.3%	19.9%	38.6%	7.2%	2.19
2008	57.2%	38.1%	4.7%	0%	1.47
2009	16.1%	29.6%	39%	15.3%	2.53
2010	8.5%	32.6%	31.4%	27.5%	2.78
Average	**32.1%**	**27.9%**	**28.2%**	**11.9%**	

Number of Local Tourists Served Between 2006 and 2010

In this section, the number of local tourists served by local tour operators from the year 2006 and 2010 were analysed. This was to show the trend of success of the tour businesses owned by indigenous entrepreneurs assuming the more the tourists served, the more the increase on success and vice versa.

Table 4.5 shows that in the year 2006, 50.4% served less than 50 international clients, 30.9% between 50 and 100, 18.6% between 101 to 500, and the mean score for the year was 1.68 where one represents less than 50 and five represents more than 1001. In the year 2007, 46.2% served less than 50 international clients, 28.8% between 50 and 100, 20.3% between 101 to 500, 4.7% between 501 and 1000, and the mean score for the year was 1.83. There was a drop in the year 2008 as 67.4% served less than 50 international clients, 32.6% between 50 and 100, and the mean score for the year was 1.33. In the year 2009, the mean score rose to 2.06 and the number served were as follows: 33.5% served less than 50 international clients, 33.1% between 50 and 100, 27.5% between 101 to 500, and 5.9% between 501 and 1000. In the year 2010, 43.2% served less than 50 international clients, 27.5% between 50 and 100, 23.3% between 101 to 500, 5.9% between 501 and 1000, and the mean score for the year was 1.92.

The findings reflect lack of support from the local tourists to the industry. This could be because of low economic status of the locals as many are still living in poverty and thus cannot afford a safari. It could also be that the locals do not value local tour and safaris. Locals should be encouraged and awareness of local tours disseminated to ensure they become the backbone of the industry, as without local consumption success of the industry is not guaranteed. This is in line with Porter's Diamond model of competitive advantage of nations where demand conditions is said to be a driver of growth, innovation and quality improvement (Porter, 1990).

Table 4.5: Local Tourists Served Between 2006 and 2010

Year	<50	51-100	101-500	501-1000	Mean
2006	50.4%	30.9%	18.6%	0%	1.68
2007	46.2%	28.8%	20.3%	4.7%	1.83
2008	67.4%	32.6%	0%	0%	1.33
2009	33.5%	33.1%	27.5%	5.9%	2.06
2010	43.2%	27.5%	23.3%	5.9%	1.92
Average	**48.1%**	**30.6%**	**17.9%**	**3.3%**	

Approximate net Profits Between 2006 and 2010

In this section, the approximate net profits earned by the respondents from the year 2006 and 2010 were analysed. This was to show the trend of success of the tour businesses owned by indigenous entrepreneurs assuming the more the profit, the higher the level of success and vice versa.

Table 4.6 shows that in the year 2006, 83.9% earned less than three million Kenya Shillings, 16.1% between three and ten million, and the mean score for the year was 1.16 where one represents less than three million Kenya Shillings and five represents more than 51 million Kenya Shillings. In the year 2007, 77.5% earned less than three million Kenya Shillings, 17.8% between three and ten million, 4.7% between 11 million and 50 million, and the mean score for the year was 1.27 There was a drop in the year 2008 as 82.4% earned less than three million Kenya Shillings, 14.4%

between three and ten million, 3.4% between 11 million and 50 million, and the mean score for the year was 1.21. In the year 2009, things started changing for the better as the mean score rose to 1.48 and the number served were as follows: 58.9% earned less than three million Kenya Shillings, 34.3% between three and ten million, and 6.8% between 11 million and 50 million. In the year 2010, 54.7% between three and ten million, 25.8% between three and ten million, 19.5% between 11 million and 50 million and the mean score for the year was 1.65.

Nyaga (2009) found that in the year 2008, there was a sudden drop of revenue from tourism by 54% from year 2007 that had record revenue of one billion US dollars. This is in line with earlier findings of international and local tourists drop in the year 2008. The actual revenue collected in 2007 was 65.4 billion Kenya shillings as compared to 52.7 in the year 2008 (RoK, 2011).

The findings reflect that many firms are still in the lower bracket earning less than three million shillings per year. The mean shows recovery of the industry from the year 2008 downfall. Year 2010 reflects that the market is rising with the highest mean score though still in the lower bracket.

Table 4.6: Approximate Net Profit from Year 2006 to 2010

Year	<3million	3-10million	11-50million	Mean
2006	83.9%	16.1%	0%	1.16
2007	77.5%	17.8%	4.7%	1.27
2008	82.2%	14.4%	3.4%	1.21
2009	58.9%	34.3%	6.8%	1.48
2010	54.7%	25.8%	19.5%	1.65
Average	**71.4%**	**21.7%**	**6.9%**	

Normality Test on Success

Normality test was carried out to ascertain that data is normal and therefore the linear regression model can be used for testing the effect on the dependent variable. It was also to ensure best linear unbiased estimators are achieved. The linear regression model has dependent variable, success, depending on the independent variables - resources, policies, ICT, service quality and clusters and network is normally distributed. Quantile-quantile plot (Q-Q plot) was used to test normality of the data. As shown on Figure 4.1 the points plotted falls approximately on a straight line, indicating normality with high positive correlation.

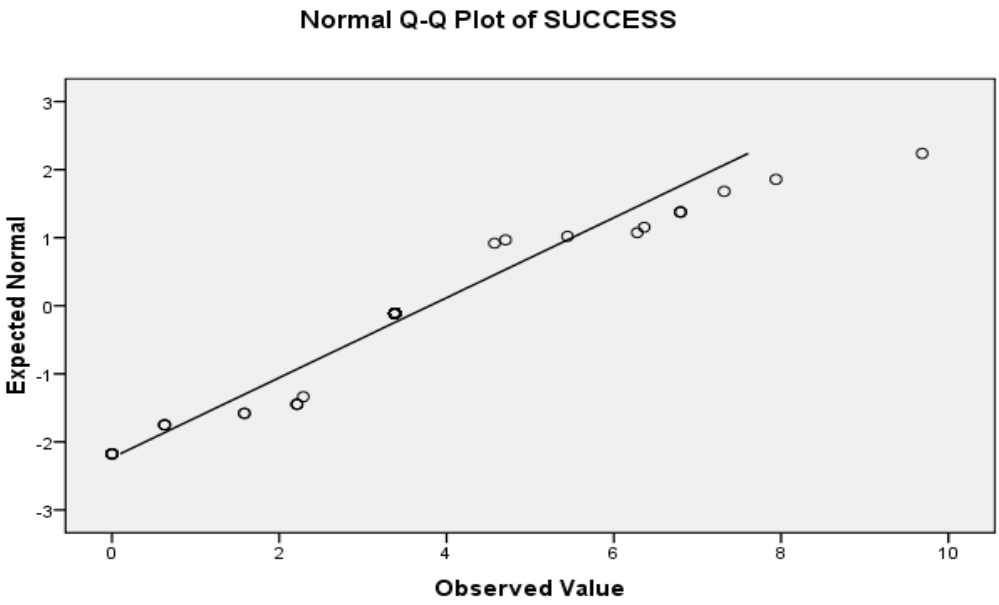

Figure 4.1: Q-Q plot of Success Variable

4.4.2 Influence of Resources on Success

The study sought to investigate the influence of resources on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. On resources the study particularly concentrated on: 1)human resources - number of employees, their skills and education background, training in tourism industry and language skills in addition to English; 2)tourist ferrying vehicles; 3)other assets owned by the firms; and 4)finance - its availability, accessibility and collateral demand for the same.

Human Resource

This section was based on questions on the number of permanent employees and their skills and their effect on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. Their skills and education background, training in tourism industry and language skills in addition to English was also investigated.

Human Resource - Permanent Employees

Preliminary question was on the number of permanent employees who were categorised based on their direct contribution to the industry including tour consultants, tour guides or drivers, and clerical workers. The findings in Table 4.7 point out that 9.64% of the firms had no tour consultants, 53.01% had either one or two, 24.1% had between 3 and 5, while 13.25% had more than 5 permanent tour consultants. The findings on number of tour guides or drivers permanently employed in the firms were: 14.46% none, 39.76% with either one or two, 24.10% with between 3 and 5, and 21.69% with more than 5. The clerical workers permanently employed were : none for 27.71% firms, 51.81% with either one or two, 16.87% with between 3 and 5, and 3.61% with more than 5. The findings showed that majority of tour operators had between one and two employees, with 53.01% tour consultants, 39.76% tour guides, and 51.81% clerical workers. It was found that some firms have neither tour consultants, tour guides nor clerical workers.

The trend of owner-manager tour operators is not unique to Kenya's tourism industry. Pivcevic (2009) reports that small hotels in Croatia operate in a similar manner, with

the majority employing up to 10 employees, with the prevalence of family owned hotels and with the managerial function being performed by the owner in more than 60% of small hotels. Hotels may be different from tour operators, but as they are part of the tourism industry, findings from one area are applicable to another. Due to the importance of management to success of any enterprise, indigenous tour operators need to consolidate their management skills. According to King and Stewart (1996), permanent employees are important and needs to be developed via training, capacity building, business skills, negotiating skills, marketing skills, and monitoring and evaluation skills of indigenous tourism projects.

Tourism is labour intensive, with on average two employees per hotel room in developing countries (Christie & Crompton, 2001). This is confirmed by Page (1999) who demonstrates that tourism is more labour intensive in low labour cost countries, with the number of employees per hotel room found to be 3.3 in Africa, 0.5 in Europe, and 1.7 in Asia. In low labour cost countries the number of casual employees is higher. Findings by Page (1999) and Christie and Crompton (2001) corroborate with this study, where on average as indicated on Table 4.7, 48.19% have employed either one or two employees.

As the question focused on the number of permanent employees, it is apparent that there is wide use of casual employees in the tourism industry. This is understandable due to the seasonal nature of tourism as highlighted by Tureac and Anca (2008). However, in order to maintain service levels, and to compete with larger tour firms, it is advisable for indigenous tour operators to employ more permanent employees with

vast knowledge in the industry. Although casual employees keep costs low, they might not contribute to quality in the long run as a result of low motivation brought about by job insecurity. This may thus be detrimental to the success of indigenous tour operators.

These findings are consistent with the earlier findings on the year of incorporation that majority of the firms owned by indigenous entrepreneurs were less than 10 years old. They indicate that the majority of indigenous tour operators are recently formed and either do not have much business to warrant the employment or the capacity to pay for extra employees. This indicates that they are being managed by owner-managers which could lead to incompetent services.

Table 4.7: Number of Permanent Employees

Item	None	1-2	3-5	More than 5	Total
Tour consultants	9.64%	53.01%	24.10%	13.25%	**100%**
Tour guides	14.46%	39.76%	24.10%	21.69%	**100%**
Clerical workers	27.71%	51.81%	16.87%	3.61%	**100%**
Average	**17.27%**	**48.19%**	**21.69%**	**12.85%**	**100%**

Human Resources and Their Skills

The questionnaire had four questions analyzing how the indigenous tour operators rate their importance to their success. These include importance of human resources owned by the firm; their education and skills for their jobs; importance of training with professional body in the industry; and importance of other international languages acquisition.

From Table 4.8 it was found that majority of the respondents considered the skills of human resources as important for the success of tour businesses. Education/skills acquisition of employees was prevalently declared very important by 85.5% and the remaining 14.5% as moderately important. Training in tourism industry for example in Utalii College was also regarded highly by 57.8% looking at it as very important, 28.9% rated it as moderately important and 13.3% neutral. Language skills in addition to English was also deemed important with 66.3% rating it as very important, 22.9% moderately important, 9.6% neutral and 1.2% of slight importance. The average findings also reveal that human resources and their skills are important being rated 63.38% very important and 22.60% moderately important. The highest mean score was that of training in tourism industry for example in Utalii College at 4.88 as compared to the lowest 4.40 on language skills in addition to English.

The findings above show that indigenous tour operators are well aware of the importance of human resources to success, with the majority of respondents viewing these factors as very important. These findings concur with other scholars' findings:- Nordin (2003) in Sweden on study on tourism clustering and innovation found that

qualified staff in particular is crucial to success and also vital for innovation in the tour operating firms; Al-Mahrouq (2011) on study on success factors of SMEs in Jordan also concluded human resources and their skills in an industry were essential on success of the firm. These views were also shared by Temtime and Pansiri (2002) in a similar study carried out in Botswana. Findings on training as a vital force in the industry confirms the findings of Sindiga (1994) and Liu and Chen (2011) in studies carried out in Kenya and China respectively. Beeton and Graetz (2002) also on their study on training attitudes and needs of tourism industry concluded that language other than English was important for tourism industry as it serves the globe and can not be tied to only English speakers.

Human resources is the driver of all other resources. Their skills are also equally important in driving the other resources too. Human resources recognition from these findings is thus founded on believe in their ability to enable success of the tour businesses owned by indigenous entrepreneurs. Training and skills acquisition correlates with performance. Training in tourism industry for example in Utalii College was found to be the most important factor on human resources sector. It is important to ensure that the staff knows their product better by getting the specialized knowledge in their area. Better informed human resources will give an edge for the businesses by maximizing sales using the available resources effectively.

Table 4.8: Human Resources and Their Skills

Item	Not important	Of slight importance	Neutral	Moderately important	Very important	Mean
Training in tourism industry e.g. Utalii College	0%	0%	13.3%	28.9%	57.8%	4.88
Language skills in addition to English	0%	1.2%	9.6%	22.9%	66.3%	4.40
Education/ skills acquisition of employees	0%	0%	0%	14.5%	85.5%	4.58
Average	**0.30%**	**0.90%**	**7.83%**	**22.60%**	**68.38%**	

Importance of Other Fixed Assets Owned by the Firm

The study sought to find out the importance of other fixed assets owned by the firm towards its success. These included vehicles, parking yards, office space, and office equipment. The vehicles being of importance to the tour operators were also investigated on their ownership.

Tourist Ferrying Vans

The study sought to find out the number of tourist ferrying vans owned by tour firms of indigenous entrepreneurs. These were classified under Nissan or van; 4x4 land

cruiser; and minibus. These were the majority of vehicles seen on Kenyan roads ferrying tourists. Others that are rare in Kenya but are common to other countries like the United States and Europe are the cabin camping trucks and choppers.

Table 4.9 indicates that the most popular vehicles among indigenous tour operators for ferrying tourists are Nissan/vans. It was observed that 38.55% firms did not own a Nissan or van, 37.35% had 1 or 2, 13.25% had between 3 and 5, while 10.84% had more than 5. The 4x4 land cruisers were not very common with the firms as 56.63% owned none, 26.51% owned either 1 or 2, 8.43% had between 3 and 5, while 1.2% had not more than 5. Minibuses like the land cruisers were limited as 68.67% had none, 18.07% had 1 or 2, 3.61% had between 3 and 5 while 0% had more than 5. Other vehicles were also not common as 85.54% had none, 7.23% had 1 or 2, 3.61% had between 3 and 5 while 3.61% had more than 5. In average firms 62.35% firms don't own tourist ferrying vehicles while only 22.29% among those who own vehicles own either one or two.

The findings contradicts those of Western (1992) and Mbaiwa (2000) who found that ownership of vehicles is crucial for the tour business success. They highlighted the fundamental components of tourism as accommodation, entertainment, attractions at a destination and transportation. They concluded that without vehicles it would be difficult to control the quality of service given to the tourists. The findings of this study thus contradict them as the respondents are lacking the vehicles for their businesses. It also contradicts study by Schwartz and Font (2009) on sustainable

supply chain management on tour operators' practice that concluded vehicles were important resource for the tourism business success.

With the major tourists' attraction in Kenya being wildlife, tour operators need vans and 4x4 land cruiser vehicles to facilitate wildlife viewing. Access to the national parks in Kenya is prohibited without a vehicle therefore one wonders how tour operators survive without owning vehicles. Hire or lease of vehicles is becoming increasingly common in Kenya for industries whose core business is not transportation. This is done through third party logistics where the firms subcontract others whose core business is related to the services they are looking for and thus concentrate on their core businesses. This however could be detrimental to the tour businesses, as they need to ensure quality service given to the tourists and consequently skilled drivers and tour guides in customer service is vital. Another disadvantage of this approach is that the reliability of the vehicles may be questionable leading to poor quality service and unnecessary delays.

Table 4.9: Tourist Ferrying Vans Owned

Item	None	1-2	3-5	More than 5
Van/Nissan	38.55%	37.35%	13.25%	10.84%
4x4 Land Cruiser	56.63%	26.51%	8.43%	1.20%
Minibus	68.67%	18.07%	3.61%	0.0%
Others	85.54%	7.23%	3.61%	3.61%
Average	**62.35%**	**22.29%**	**7.23%**	**3.91%**

Other Fixed Assets Owned by the firm

The responses as reflected on Table 4.10 point to poor regard to fixed assets by the indigenous operators. Owned tourist ferrying vehicle was rated 45.8% very important, 22.9% moderately important, 16.9% neutral and 14.5% of slight importance. Owned parking yard was not very different with owned tourist ferrying vehicles as 22.9% rated it very important, 22.9% as moderately important, 18.1% were neutral, 20.5% of slight importance and 15.7% not important. Owned office space was rated 65.1% very important, 19.3% moderately important, 6% neutral, 4.8% of slight importance and 4.8% not important. Owned office equipment like fax, telephone, desks and computers were highly rated as important to the indigenous operators with 73.5% indicating they were very important, 22.9% moderately important, 1.2% neutral and 2.4% of slight importance. Owned office equipment like fax, telephone, desks and computers had the highest mean of 4.72 as compared to owned parking yard which had a mean of 3.26.

The question on owned tourist ferrying vehicles reverberate the previous section on the number of vehicles owned per category. The findings on the same however differ as majority of the respondents are convinced that owning a vehicle is important which now corroborate with the findings of Western (1992) and Mbaiwa (2000) who found that ownership of vehicles is crucial for the tour business success. Findings on other fixed assets also proofs that the operators are convinced that the assets contributes to success of the indigenous Kenyan's owned businesses. These findings are in line with

those of Gaur et al. (2011) who found that firms that have more resources at their disposal are likely to have a greater capability to respond to the demands.

These findings show that while there are some indigenous tour operators who are willing and able to compete for both local and international tourists, there are some who seem to be comfortable with their current level of market share, hence their indifference towards their own lack of resources. The main division between those who regarded resources as of slight, neutral or not important and those who regard it as important could also reflect that the operators are less informed of the competitive advantage it could give them to own assets leading to lowering costs. Lower costs can enable them improve on their services and ultimately compete for the market share. The high mean score on owned office equipment indicate the importance of the same as renting the same can be very expensive for the firm as compared to owning them. The other resources can be attained via third party logistics or leasing as they are expensive for small and medium business operators to own.

Table 4.10: Importance of Other Fixed Assets Owned by the Firm

Item	Not important	Slightly important	Neutral	Moderately important	Very important	Mean
Tourists ferrying vehicles	0%	14.5%	16.9%	22.9%	45.8%	4.02
Parking yard	15.7%	20.5%	18.1%	22.9%	22.9%	3.26
Office space	4.8%	4.8%	6.0%	19.3%	65.1%	4.41
Office equipment	0%	2.4%	1.2%	22.9%	73.5%	4.72
Average	**5.13%**	**10.55%**	**10.55%**	**22.00%**	**51.82%**	

Importance of Finance

The study sought to find out the importance of finance owned by the firm towards its success. This was done through questions on availability of finance, its accessibility and collaterals for the same. Table 4.11 shows found that finance was an important asset with its availability being rated 90.4% very important and 9.6% moderately important. Accessibility of finances was equally rated high with 85.5% very important, 13.3% moderately important and some outliers 1.2% not important. Having collateral to get finances was however rated slightly lower than the rest with

63.9% rating it as very important, 25.3% moderately important, 9.6% neutral, and 1.2% of slight importance. In average, the three factors were highly rated with 16.07% as moderately important and 79.97% as very important. The mean of availability of finance was the highest at 4.93, followed by accessibility of the same at 4.85 and lastly collateral of the same at 4.50.

The findings resonate with those of Bankole and Odularu (2006) in the study carried out on achieving millennium development goals: issues and options for Nigeria's tourism industry, which highlighted lack of finance or its access as one of the hindrances to tourism business. Tilley and Tonge (2002) also found out that finance was a key determinant of growth of SMEs thus vital for success of local tour operators. Miller and Freisen (1982) also highlighted that firms need finance to invest in systems, product improvements, new product development, process enhancement, customer satisfaction, organizational challenges and response competitor challenges, which is in line with findings on availability of finance. As concluded by Wanjohi (2011), the accessibility remains a challenge because of high cost of credit, interest rates and processing fees that hinder the operators from accessing the loans.

Finance is a main driver of a business as it enables stability, ownership of assets and more importantly marketing. Local tour businesses are convinced on the same hence the high rating on finance. Availability of finance is more important than its accessibility and the collateral as shown by the mean score. This can be interpreted in terms of loans from the banks where accessing the loan for local operators requires some conditions to be fulfilled which might not be possible for example guarantor-

ship by another account holder. Collaterals are nowadays not highly regarded though one must have assets to prove credibility.

Table 4.11: Importance of Finance to the Firm

Item	Not important	Slight importance	Neutral	Moderately important	Very important	Mean
Availability of finance	0%	0%	0%	9.6%	90.4%	4.93
Accessibility of finance	0%	1.2%	0%	13.3%	85.5%	4.85
Collateral for finance	0%	1.2%	9.6%	25.3%	63.9%	4.50
Average	**0.00%**	**0.80%**	**3.20%**	**16.07%**	**79.93%**	

Correlation Coefficient - Resources

Correlation coefficient indicates the measure of linear relationship between two variables. Resources as a variable had three subsections namely: human resources and their skills, fixed assets, and finance. Table 4.12 shows the Pearson correlation coefficients between the three subsections of the independent variable - resources.

Human resource and their skills and other assets owned by the firm had a correlation of 28.1% which was the highest on the matrix.

Table 4.12: Pearson Correlation Coefficient - Resources

		Human Resource and their skills	Other Assets Owned by Firm	Finance
Human Resource and their skills	Pearson Correlation	1		
	Sig. (2-tailed)			
Other Assets Owned by Firm	Pearson Correlation	.236	1	
	Sig. (2-tailed)	.000		
Finance	Pearson Correlation	.166	.090	1
	Sig. (2-tailed)	.004	.166	

Statistical Model on Effect of Resources on Success

The primary objective of this study was to investigate the challenges hindering success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. Resources as one of the identified independent variable was studied to

investigate its effect on success. After establishment of goodness of measure of the data using factor analysis, the hypothesis on the effect of resources on success of tour businesses owned by indigenous entrepreneurs was tested.

Model Summary

The hypotheses to be tested were: 1) Null Hypothesis (H_o): Resources do not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. 2) Alternative Hypothesis (H_A): Resources hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. Confidence level of 95% will be used and thus the significance or alpha level of 5%.

Table 4.13 shows the output for model fitness. The R coefficient of 0.917 indicated that the resources as the independent factor had a positive correlation of 91.7% with the dependent variable success of tour businesses owned by indigenous entrepreneurs in the tourism industry. The R square also referred to coefficient of determination of 0.842 indicates that the model can explain only 84.2% of success of tour businesses owned by indigenous entrepreneurs in the tourism industry. This shows that resources as the independent variable of this study is a significant predictor of success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.13: Model Summary – Goodness of fit

Indicator	Coefficient
R	0.917
R Square	0.842
Std. Error of the Estimate	1.659

Analysis of Variance

Table 4.14 shows the analysis of variance - ANOVA. Success of tour businesses owned by indigenous entrepreneurs in the tourism industry can be explained by the model to the extent of 3440.152 out of 4087.106 or 84.2% while other variables not captured by this model can explain 15.8% (646.953 out of 4087.106) of variation on success of tour businesses owned by indigenous entrepreneurs in the tourism industry. A p-value of 0.00 is less than the set level of significance of 0.05 for a normally distributed data. This means that resources are significant in explaining success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.

Table 4.14: Analysis of Variance - ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3440.152	1	3440.152	1.250E	.000
	Residual	646.953	235	2.753		
	Total	4087.106[b]	236			

Predictors: Resources

Dependent Variable: SUCCESS

Linear Regression Analysis

On Table 4.15, the beta coefficients used are the unstandardized coefficients. The results indicate that a unit change on other assets owned by the firm, finance, and human resource and their skills causes 1.427, 0.945 and -0.609 unit change respectively in the success of tour businesses owned by indigenous entrepreneurs in the tourism industry. This indicates that a drop of quality on human resources and their skills will bring a negative change in success. Increase in other assets owned by the firm and finance has a positive change towards success of tour businesses owned by indigenous entrepreneurs in the tourism industry. As shown by the p-value, the three factors are statistically significant to finance with .000 p-value compared to the set level of significance of 0.05.

Table 4.15: Regression Coefficients

Model		Unstandardized Coefficients		T	Sig.
		B	Std. Error		
1	Other Assets Owned by Firm	1.427	.178	8.028	.000
	Finance	.945	.157	6.007	.000
	Human Resource and their skills	-.609	.202	-3.015	.003

a. Dependent Variable: SUCCESS

On Table 4.16, the beta coefficients used are the unstandardized coefficients. The results indicate that a unit change on resources as a combined variable causes 0.176 unit change in the success of tour businesses owned by indigenous entrepreneurs in the tourism industry. As shown by the p-value is statistically significant with .000 p-value compared to the set level of significance of 0.05.

Table 4.16: Regression Coefficients

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*T*	*Sig.*
		B	Std. Error	Beta		
1	RESOURCES	.176	.005	.917	35.350	.000

a. Dependent Variable: SUCCESS

Regression analysis was carried out to test the two hypotheses stated earlier: 1) Null Hypothesis (H_o): Resources do not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. 2) Alternative Hypothesis (H_A): Resources hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. Confidence level of 95% was used and thus the significance or alpha level of 5%. The model below which links the dependent variable, success, to the independent variable - resources is used for the testing:-

$$Y = \alpha + \beta_{11}X_{11} + \beta_{12}X_{12} + \beta_{13}X_{13} + \varepsilon$$

Where:

Y is the dependant variable – Success

α is the intercept

$\beta_{11,}$ $\beta_{12,}$ and β_{13} are the regression coefficients of other assets owned by the firm, finance, and human resource and their skills respectively

$X_{11,}$ $X_{12,}$ and X_{13} are the sub-variables of independent variable – other assets owned by the firm, finance, and human resource and their skills.

ε is the Error term

From Table 4.15, β_{11} is 1.427, β_{12} is .945, and β_{13} is -.609. The estimated success is thus achieved using the equation below using the sub-variables of resources:

$Y = \alpha + 1.427X_{11} + 0.945X_{12} - 0.609X_{13} + \varepsilon$

From Table 4.16, β on the equation is .176. The final equation on success and resources as a weighted variable is as below:

$Y = \alpha + 0.176X_1 + \varepsilon$

The level of significance, α, is 0.05. From Table 4.16, the p-value is 0.000. This means that the alpha level is greater than the p-value. This led to conclusion that the null hypothesis above (Resources does not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya) should be rejected. Resources are therefore important to the success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

From the findings on figure 4.2, resources are one of the challenges hindering success of the tour businesses owned by indigenous entrepreneurs. The graph shows that the more the resources in place, the more the success. This corroborates with the findings of scholars like: Gaur et al. (2011); Khan (2008); and Mafunzwaini and Hugo (2005) that resources are vital for success of a business. Penrose's resource based view theory of 1959 is confirmed from the findings as essential for success. Leiper's Whole Tourism System Model of 2004 which highlighted the need of resources in the tour businesses particularly transports modes and accommodation was also validated.

However, the intensified competition has made the traditional resources dominance more vulnerable because of fall in entry barriers making it no longer a sufficient means to control and dominate (Whalley, 2010).

It is thus important for the tour businesses owned by indigenous entrepreneurs to consider increase of resources. Human resources and their skills should be looked into keenly because a drop in their quality negatively affects success of the tourism business. Enhancing their skills is key to success and should be given high priority for core competencies building. Finances could be accessed using openings in the local banks for finances where entrepreneurs are encouraged to take loans though guarantorship is still an issue. Government could also assist the industry by enabling them access finance by opening its doors of lending to the indigenous entrepreneurs through the Kenya Tourism Development Corporation (KTDC). Lending policy to the tour operators should be reviewed to encourage investment in resources that will ultimately enable success of their businesses. Pooling of vehicles can also be looked into as an alternative by tour operators to enable them stabilize in terms of resources. This could be done through partnerships whereby visitors going to the same locations can be transported in the same vehicle instead of having a whole vehicle for one or two clients. This could save on resources and at the same time enable clean environment.

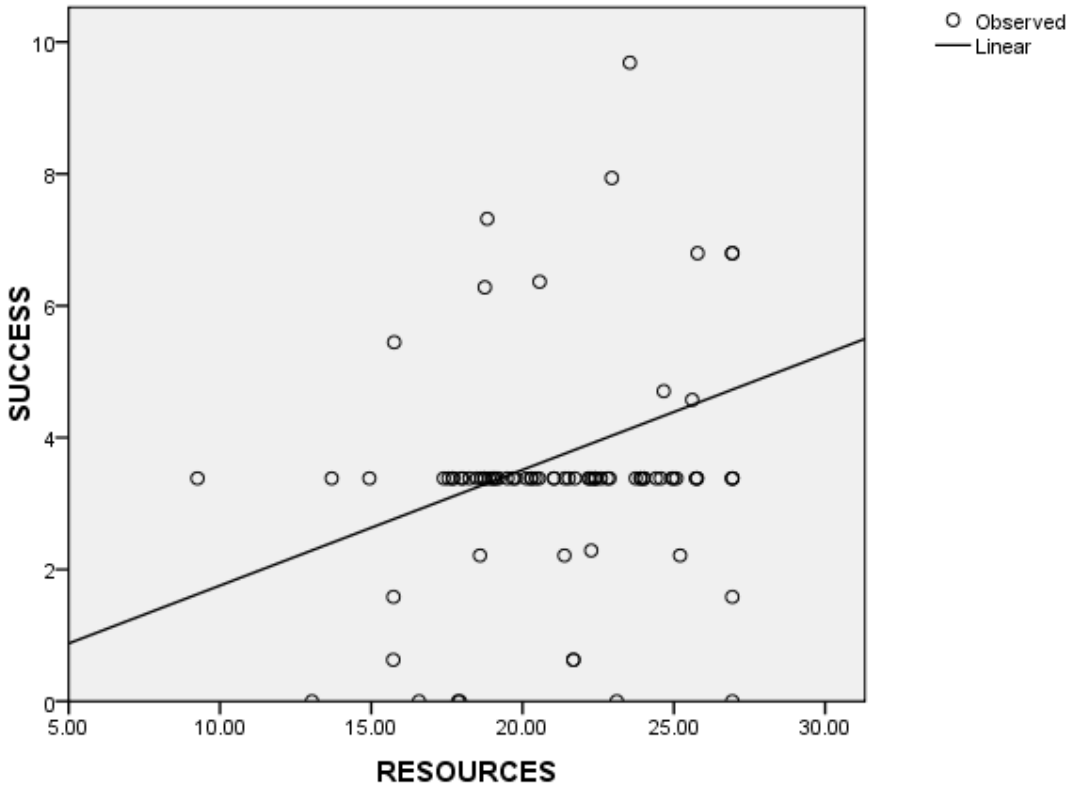

Figure 4.2: Resources Influence on Success of Tour Businesses

4.4.2 Influence of Policies on Success

The second objective of this study sought to investigate the influence of policies on success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. The study looked into both government and management policies. It particularly concentrated on: 1) Government policies including:- advertising Kenya as a destination, inviting local tour operators for exhibitions outside the country, funding local tour operators to the above exhibitions, cushioning local tour operators,

financing through the Kenya Tourism Development Corporation (KTDC), licenses requirement, regional tourism enablement (East Africa), and uncontrolled prices charged by tour operators; 2) Organizational policies which includes:- business plans, operational plans and objectives, customer orientation and marketing (like customer attraction and advertisement), human resource management (like recruitment, remuneration, training and development), finance and accounting (like bookkeeping and financing), and assets management (like assets recording, depreciation, and replacement).

Government policies

The study sought to investigate the influence of the direct relevant government policies on success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. These excluded other policies that can equally affect all tour businesses including foreign owned like the infrastructure and game parks entry fees. The findings in Table 4.17 point out that 90.1% of respondents believe that the government should advertise Kenya as a tourist destination, while 81.9% believe that local tour operators should be invited to participate in tourism exhibitions outside the country, with 80% holding the opinion that the government should sponsor their participation in these international exhibitions. Sixty two point seven percent of operators agreed that the government should cushion indigenous tour operators from external competition and 63.9% agreed that the government should finance indigenous tour operators through the Kenya Tourism Development Corporation (KTDC). Eighty three point one percent% either agreed or strongly agreed with current licensing requirements. Policies on enablement of regional tourism within East Africa was

supported by 75.6% of respondents which would expand destinations and markets, while 42.5% of respondents agreed with lack of price controls among tour operators, as opposed to 23.7% who either disagreed or strongly disagreed. Majority of the operators 33.8% were neutral on this policy. The highest mean was on advertising Kenya as a destination with 4.39 revealing that many respondents agreed with this policy as a major contributor to success. The lowest mean was on uncontrolled prices changed by tour operators at 3.21 which reveals neutrality on this policy.

Other suggestions given by the respondents on policies that would lead to success of their firms include:1) reduction of number of licenses or fees payable for the same. Currently the tour operators should have four trading licenses. These are: (i) Class "A" Enterprises License which cost KES 8,000 for the business license of Tour/Safari Operators; (ii) Class 'B' Enterprises license covering proprietors, owner-drivers and self employed drivers of passenger vehicles used wholly or partly in a tourist enterprise at a fee of Kes 6000; (iii) Class "C" Enterprises license covering Citizen Tour Leaders/Guides, at KES 2000; and (iv) business trade license from the city council which costs Kes. 10000 for 2 to 5 vehicles, Kes. 30000 for 3 to 30 vehicles and Kes 80000 for more than 30 vehicles. 2) subsidize rates for participating tour operators in government's organized trade fairs; 3) review of taxes on the local tour operators firms' tourists to make them competitive; 4) restriction of foreign investors and fair treatment to all; 5) control price cut throats; 6) improved road infrastructure; and 7) better public relations on the country's security.

The findings on advertising Kenya as a tourist destination, invitation and sponsoring of local tour operators to participate in tourism exhibitions outside the county; cushioning of local operators; financing through KTDC; and licenses requirements; indicate that the government's role in upholding policies of promoting tourism industry is paramount to the success of indigenous tour businesses in Kenya. This corroborates findings from other scholars like Buijze (2010); Ikiara and Okech (2002); and Rogerson (2007) in the Netherlands, Kenya, and South Africa respectively who concluded that government support in its policies affect success of tour businesses. Quian (2010) also concluded that government advertising of a destination is important to uphold the position of the destination among the many competing destinations. The findings also concur with the Mill and Morrison Model of 1985 that indicates, "all tourism is marketed and government policies spearhead the marketing" (Leiper, 2004).

The policy on uncontrolled prices charged by the tour operators were rated with inconsistency almost dividing the respondent by half on either agrees or disagrees. This resonates with Che-Rose, Kumar and Yen (2006) findings on the dynamics of entrepreneurs' success factors in influencing venture growth that some government support programme did not influence venture growth and thus success. However, an adequate support service to local industry is vital for the success of tour operations (King and Stewart, 1996).

These findings show that the level of support or otherwise for current government policy on tourism varies depending on the particular policy. The purpose of a sound

domestic policy framework is to reduce anticompetitive practices, to increase efficiency, to create an enabling environment for investment, to facilitate the ownership and the access to finance for private investors. Participation in trade-fairs and exhibition gives an opportunity to increase awareness and to encourage trial via face-to-face contact with customers. It is vital for the government policies review on inviting and subsidizing participation to the same to encourage building of networks and relationships that will translate into business transactions and ultimately success of indigenous operators.

The local tour businesses operators reveal their neutrality or disagreement with some policies that were rated with median of three or neutral. This is because of equal treatment of local and foreign investors in the industry, which makes the policies of no consequence to the local investors for example requirements for funding through KTDC that does not differentiate the two. Uncontrolled prices charged by tour operators is also of no consequence as it depends on the strategy taken by the firm either to be a cost leader, focus on a certain market or differentiate from other firms.

The foreign direct investment policy encourages foreign investors into the tourism business. The existing opportunities include investment in film production, recreation and entertainment facilities in conference tourism, cultural tourism, cruise ship tourism, aviation/tour and travel tourism and eco-tourism (RoK, 2006). This policy does not exclude the 100% ownership of foreign investors and the percentage of local ownership in case of partnership is not defined. This need streamlining to ensure that the local investors get their share of wealth and thus increase sustainability of the

sector. It would also be vital to ensure that the marketing done by the Kenya Tourist Board benefits the local investors more. This will also help put non-tariff barriers into the sector and also safeguard the foreign exchange leakages where some tourists pay from their home countries thus only the amount to be spent here is sent thus the profit left abroad.

Table 4.17: Government Policies

Item	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean
Advertising Kenya as destination	1.2%	6%	2.4%	34.9%	55.4%	4.39
Inviting local tour operators for exhibitions outside the country	4.8%	4.8%	8.4%	51.8%	30.1%	3.99
Funding local tour operators to the above exhibitions	9.6%	6%	16.9%	42.4%	24.1%	3.64
Cushioning local tour operators	3.6%	13.3%	20.5%	44.6%	18.1%	3.58
KTDC Financing	8.4%	8.4%	19.3%	49.4%	14.5%	3.53
Licenses requirement	1.2%	12%	3.6%	53%	30.1%	4.03
Regional tourism enablement	4.9%	7.3%	12.2%	42.7%	32.9%	3.90
Uncontrolled prices	7.5%	16.2%	33.8%	27.5%	15%	3.21
Average	**5.15%**	**9.25%**	**14.64%**	**43.29%**	**27.53%**	

Organizational Policies

The study examined the firm's views on the existing organizational policies in the tourism industry. Preliminary questions in this section was if the firm had written guidelines, rules, and regulations; availability of those policies to employees; and use of policies in decision-making. From the findings on table 4.18, 20.5% of the respondents do not have written policies. The same results were for the use of these policies in decision-making.

This finding confirms those of National Competitive Council (2004) that the main reason for closedown or failure of young businesses is poor management brought about by lack of planning and written down policies. Bryce, Dyer, and Hatch (2011) identified quick decision as a major key to enable responses at the right time and said this is hindered by lack of documented policies and bureaucracy. Written strategic marketing policies as indicated by Zyl (2007) are key performance predictor for small and micro tourism enterprises in South Africa.

These findings concur with the earlier findings that majority of tour businesses owned by indigenous tour operators are recently formed and are managed by owner-managers. As a result, policies are not written but instructions are given to workers following the manager's way of thinking. This can be a reason for closure if the manager dies as his objectives cannot be implemented leading to dying of the business.

Table 4.18: Firms With Written Guidelines, Rules and Regulations

	Frequency	Percent	Valid Percent	Cumulative Percent
Firms with	66	79.5	79.5	79.5
Firms without	17	20.5	20.5	100.0
Total	**83**	**100.0**	**100.0**	

From the same, 63 firms indicated that the written guidelines, rules and regulations are available to their employees. This translates to 75.9% of all respondents meaning that those who have written policies make them available to their staff for decision-making. The findings are in line with literature (Porter, 1998) that maximization of all stakeholders' wealth will only be reflected by the policies in place. Communication of the firm's strategy is important as indicated by Hambrick and Fredrickson (2001). The 24.1% firms not availing their written guidelines, rules, and regulations should be encouraged to do so.

This finding is consistent with the earlier findings that majority of tour businesses owned by indigenous tour operators are recently formed and with few permanent employees. As a result, some managers are not comfortable sharing the written documents with the casual employees. This could be because of mistrust that should be overcome if the firms have to grow to the next level. Good strategies are not good enough until they are well communicated and executed.

From the findings in Table 4.19, 86.7% of respondents believed that a business plan was either efficient or highly efficient policy and 87.9% of them indicated that operational plans and objectives were either efficient or highly efficient policies. An enormous majority of 92.8% felt that customer orientation and marketing was a highly efficient policy for a tour operator to adopt. Human resource management had 81.9% of respondents indicating as either efficient or highly efficient policy. Finance and accounting was found to be an efficient policy by 91.6% of respondents, and asset management was rated as an efficient policy by 84.3% of respondents. The mean score of all was above 4 indicating the policies were efficient. This is also confirmed by the average of the respondents where 49.8% rated them as efficient.

The findings indicate that efficiency of organizational policies is a key factor to success of tour businesses owned by indigenous entrepreneurs though only 79.5% of the respondents as indicated previously have written guidelines, rules and regulations. Good policies of the firm enables swift strategy devising to enable face the hyper-competition in the tourism industry where only temporary profits are possible. New strategies to create temporary advantages in the market calls for new trends in marketing as a result of the existing policies (Whalley, 2010). The findings on development of a business plan corroborate with those of Beeton and Graetz (2002); Holland (1998); and Newbert (2005); on its importance for success. Al-Mahrouq (2011) in study on success factors of small and medium enterprises (SMEs) in Jordan also concluded that policies and structure of the firm are the main factors of success. The findings also corroborates with those of Yusof (2011) in a study carried out in

Malaysia on success factors in entrepreneurship that the organizational policies greatly influence its performance and image to current and prospective stakeholders.

The findings show that indigenous tour operators are predisposed towards a positive view of organizational policies as efficient. Customer orientation was highly rated indicating the understanding of the respondents that this is a service industry that is highly influenced by the services they give to their clients. Findings on some firms with inefficient or not knowing as their responses confirm the absence of the policies or the dominance of owner-manager on the firm's activities and decision-making. Improvement on efficiency of all the policies is encouraged to enable competitiveness and sustainability as the policies efficiency will ultimately reflect the service quality of the firm. Hyper-competition calls for change of strategies in the industry where competitors' behaviors are analyzed to predict scenarios and thus enable identification of disruptions of the key pivotal points.

Table 4.19: Organizational Policies

Item	Highly inefficient	Inefficient	Don't know	Efficient	Highly efficient	Mean
Business Plan	6%	3.6%	3.6%	55.4%	31.3%	4.05
Operational plans and objectives	4.8%	4.8%	2.4%	55.4%	32.5%	4.09
Customer orientation and marketing	2.4%	4.8%	0%	48.2%	44.6%	4.37
Human resource management	3.6%	3.6%	10.8%	44.6%	37.3%	4.14
Finance and Accounting	2.4%	1.2%	4.8%	48.2%	43.4%	4.33
Assets management	3.6%	6%	6%	47%	37.3%	4.14
Average	**3.80%**	**4.00%**	**4.60%**	**49.80%**	**37.73%**	

Statistical Modeling

The primary objective of this study was to investigate the challenges hindering success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. Policies as one of the identified independent variable was studied to investigate its effect on success. After establishment of goodness of measure of the data using factor analysis, the hypothesis on the effect of policies on success of tour businesses owned by indigenous entrepreneurs was tested.

Model Summary

The hypotheses to be tested were: 1) Null Hypothesis (H_o): Policies does not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. 2) Alternative Hypothesis (H_A): Policies hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. Confidence level of 95% will be used and thus the significance or alpha level of 5%.

Table 4.20 shows the output for model fitness. The R coefficient of 0.912 indicated that the policies as the independent factor had a correlation of 91.2% with the dependent variable success of tour businesses owned by indigenous entrepreneurs in the tourism industry. The R square also referred to coefficient of determination of 0.832 indicates that the model can explain only 83.2% of success of tour businesses owned by indigenous entrepreneurs in the tourism industry while the remaining 16.8% is determined by other factors. This shows that policies as the independent variable of this study is a significant predictor of success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.20: Model Summary – Goodness of fit

Indicator	**Coefficient**
R	0.912
R Square	0.832
Std. Error of the Estimate	1.715

Correlation Coefficients on Policies Variable

Correlation coefficient indicates the measure of linear relationship between two variables. Table 4.21 shows the Pearson correlation coefficients between the independent variable - policies based on the two sub-variables government and organizational policies. The findings show that there is no major correlation between the two forms of policies though it is positive at 36%. This indicates a positive linear relationship between them but not so high.

Table 4.21: Pearson Correlation Coefficient - Policies

		Organization's policies	Government policies
Organization's policies	Pearson Correlation	1	.060
	Sig. (2-tailed)		.360
Government policies	Pearson Correlation	.060	1
	Sig. (2-tailed)	.360	

Analysis of Variance

Table 4.22 shows the analysis of variance - ANOVA. It shows that the model to the extent of 3398.603 out of 4087.106 or 83.2% can explain the success of tour businesses owned by indigenous entrepreneurs in the tourism industry. The remaining 16.8% or 688.503 out of 4087.106 is explained by other variables not captured by this model. A p-value of 0.00 is less than the set level of significance of 0.05 for a

normally distributed data. This means that policies are significant in explaining success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.22: Analysis of Variance - ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3398.603	2	1699.301	577.538	.000
	Residual	688.503	234	2.942		
	Total	4087.106	236			

Predictors: Organization's policies, Government policies

Dependent Variable: SUCCESS

Regression Coefficients

Table 4.23, shows the beta coefficients used that are unstandardized. The results indicate that a unit change on government policies causes 0.561 changes in the success of tour businesses owned by indigenous entrepreneurs in the tourism industry while a unit change on organization's policies causes 1.208 changes. This indicates that policies as a variable have an influence on success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.23: Regression Coefficients

Model		Unstandardized Coefficients		t	Sig.	Collinearity Statistics	
		B	Std. Error			Tolerance	VIF
1	Government policies	.561	.136	4.111	.000	.148	6.765
	Organization's policies	1.208	.132	9.176	.000	.148	6.765

a. Dependent Variable: SUCCESS

Table 4.24 shows the unstandardized regression coefficient of the variable policies weighted means. This is a combination of the government and the organizational policies. The results indicate that a unit change on policies causes 0.129 changes in the success of tour businesses owned by indigenous entrepreneurs in the tourism industry. A p-value of .000 shows the significance of the model as it is less than the set significance level of 0.05.

Table 4.24: Regression Coefficients of Policies Combined

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
		B	Std. Error	Beta		
1	POLICIES	.129	.004	.907	32.918	.000

a. Dependent Variable: SUCCESS

Regression Analysis

Regression analysis was carried out to test the two hypotheses stated earlier: 1) Null Hypothesis (H_o): Policies does not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. 2) Alternative Hypothesis (H_A): Policies hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. Confidence level of 95% will be used and thus the significance or alpha level of 5%. The model below is used for the testing the dependent variable – success to the independent variable - policies which consists of the two sub-variables, the government policies and the organizational policies:-

$Y = \alpha + \beta_{21}X_{21} + \beta_{21}X_{22} + \varepsilon$

Where:

Y is the dependent variable – Success

α is the intercept

β_{21} and β_{22} is the regression coefficient for the government policies and the organizational policies respectively

X_{21} and X_{22} is the independent variable – Policies subdivided into the government policies and the organizational policies respectively

ε is the Error term

From Table 4.23, β_{21} is .561 and $\beta 22$ is 1.208. The estimated success is achieved using the equation below:

$Y = \alpha + 0.561X_{21} + 1.208X_{22} + \varepsilon$

From Table 4.24, the β on policies is .129. The final equation on success and policies as a weighted variable is therefore as below:

$Y = \alpha + 0.129X_2 + \varepsilon$

As stated above, α is 0.05 and the p-value from the ANOVA table 4.24 is 0.000. This means that the alpha level is greater than the p-value. This leads to conclusion that the null hypothesis above (Policies does not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya) should be rejected. Policies are therefore an important factor to the success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

From the findings on figure 4.3, policies are concluded to be a factor hindering success of the tour businesses owned by indigenous entrepreneurs. The graph shows that the more the policies in place, the more the success. This resonates with other findings like: National Competitive Council (2004) that concluded the main reason for closedown or failure of young businesses has been said to be poor management

brought about by lack of planning and written down policies; Bryce, Dyer, and Hatch (2011) that concluded identified lack of documented policies and bureaucracy leads to slow decision making; Zyl (2007) who concluded that written strategic marketing policies are key performance predictor for small and micro tourism enterprises in South Africa.

Other scholars like Buijze (2010); Ikiara and Okech (2002) and Rogerson (2007), and in the Netherlands, Kenya, and South Africa respectively who concluded that government support in its policies affect success of tour businesses share these findings. Quian (2010) also concluded that government advertising of a destination is important to uphold the position of the destination among the many competing destinations. The findings also concur with the Mill and Morrison Model of 1985 that indicates, "all tourism is marketed and government policies spearhead the marketing" (Leiper, 2004). It is thus important for the tour businesses owned by indigenous entrepreneurs to consider increase use of written policies. The government should also consider policies that can help the local operators to enable sustainability of the industry.

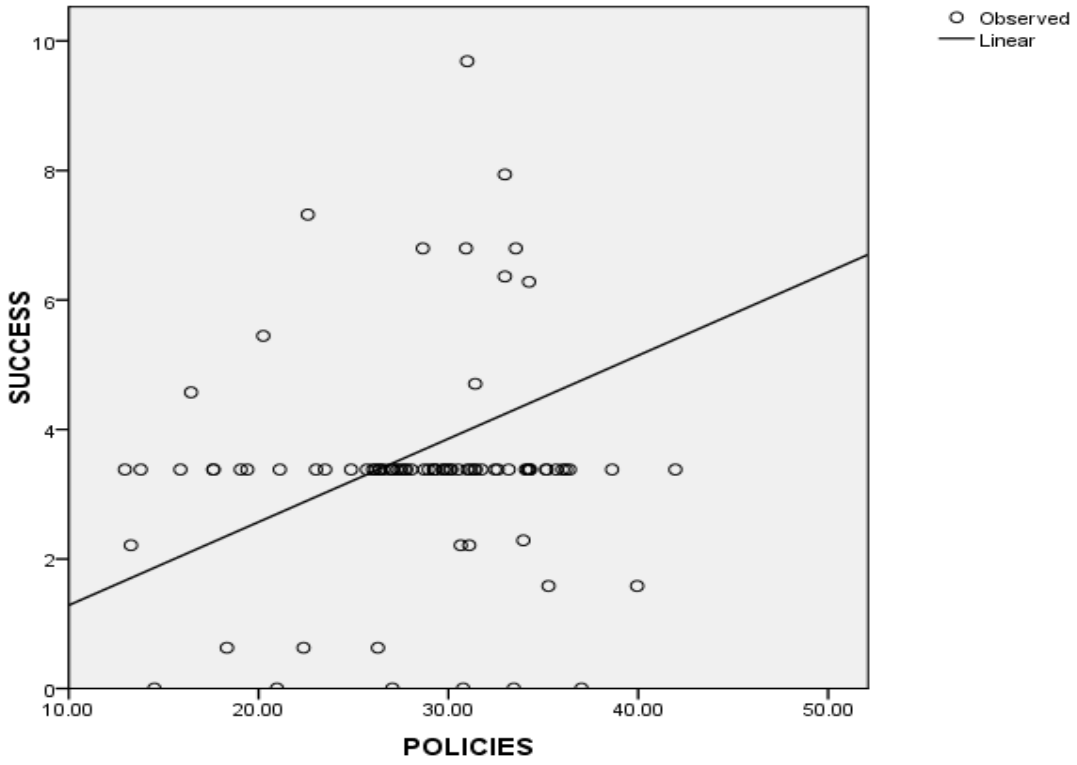

Figure 4.3: Effects of Policies on Success of Tourism Businesses of Indigenous Kenyans

4.4.3 Influence of Information, Communication and Technology (ICT) to Success

The third objective of this study sought to investigate the influence of information, communication and technology (ICT) on success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. The study particularly concentrated on computerization of the firm, website features of the firm, and problems encountered on website maintenance.

Whether Firms are Computerized and has a Functional Website

Two preliminary questions on ICT's determination of success were investigated. These were if the firm was computerised and if it had a functional website as the backbone of ICT. Computerisation would mean that the firms have embraced ICT and left the brick and mortar way of working which meant lots of paperwork, time spent and many employees required for a task and as a consequence wastage of valuable resources. ICT adoption would give them competitive advantage by ensuring fast transmission of information and cost saving leading to efficiency and profitability of the firm. From the findings on Table 4.25, 63 firms were computerised and an equal number had a functional website. This translates to 76% firms computerised and with a functional website. The findings reveal that computerization and creation of functional website is yet to be implemented by 24%, which is a quarter of the tour businesses.

This finding corroborates with Kiprutto, Kigio and Riungu (2011) found that only 30% of the tour businesses had adopted ICT or had a website though they all used internet for email purposes. Eraqi and Abdalla (2008) found the same in Egypt where many had neither adopted ICT nor had online presence. The findings also show Kenya is still ahead of some countries like Malaysia where only 30% of small medium enterprises (SMEs) had a web presence and used ICT extensively in daily operations (Soraya, 2005).

Failure to adopt ICT and have functional website could be a reason of failure in the indigenous owned tour businesses. ICT adoption and having a functional website is

not an option to any competing firm in the tourism industry. The main innovation that the tour businesses can come up with could only be because of ICT strategic moves. Resources also could be restraining the procurement of computers and designing of a website but investing in the same is worth for the tour businesses.

Table 4.25: Computerised Firms and With Functional Website

Description	Frequency	Percent
Firms that has adopted ICT and have functional website	63	75.9
Firms that has not adopted ICT and have functional website	20	24.1
Total	**83**	**100.0**

Features of the Website and Their Relations to Success of the Firm

On website information, the study sort information on features of the website and their relation to success of the firm. The features investigated includes: 1) Appearance of the website, its graphical interface like choice of layout, fonts, and colours; 2) In-depth descriptions of firms products or services; 3) Contact information; 4) Booking capability; 5) E-commerce or payment online; 6) Customer testimonials access; 7) Hyperlinks to other websites; 8) Subscription to mailing lists to receive offers and news; and 9) Multiple languages.

From the analysis on Table 4.26, 78.8% of respondents rated appearance of website, its graphical interface like choice of layout, fonts, and colours as very important to the

success of their businesses. Others rated the same as follows: 13.6% moderately important, 1.7% neutral, 4.7% of slight importance, and 1.3% not important. The overall mean score was 4.64 out of five, where five would mean very important and one would mean not important.

In-depth description of the firm's products or services on the website was rated very important to the success of the tour businesses owned by indigenous entrepreneurs by 78.8% respondents. Others rated it as follows: 18.2% moderately important, 1.7% of slight importance, and 1.3% not important. The overall mean score was 4.72.

Contact information on the website was rated by 93.6% respondents as very important to the success of the tour businesses owned by indigenous entrepreneurs. Others rated it as follows: 6% moderately important and 0.4% of slight importance. The overall mean score was 4.93.

Booking capability on the website was rated by 52.1% respondents as very important to the success of the tour businesses owned by indigenous entrepreneurs. Other respondents rated it as follows: 25% moderately important, 10.6% neutral, 7.2% of slight importance, and 5.1% not important. The overall mean score was 4.12.

E-commerce or payment online was rated very important to the success of the tour businesses owned by indigenous entrepreneurs by 30.5% respondents while others rated it as follows: 29.2% moderately important, 19.5% neutral, 13.6% of slight importance, and 7.2% as not important. As a consequence of the wide spread of the rating, the overall mean score was 3.62.

Access of customers' testimonials on the website was rated very important to the success of the tour businesses owned by indigenous entrepreneurs by 45.3%. The others rated it as follows: 21.2% moderately important, 21.6% neutral, 8.1% of slight importance and 3.8% not important. The overall mean score was 3.96.

Importance of hyperlink to other websites to success of the tour businesses owned by indigenous entrepreneurs was valued by 29.2% as very important. Other respondents valued the same as follows: 22.9% moderately important, 36% neutral, 8.5% of slight importance, and 3.4% not important. The overall mean score was 3.66.

Subscription to mailing lists to receive offers or news in the website was rated by 35.6% as important towards success of the tour businesses owned by indigenous entrepreneurs. Others rated it as follows: 39% moderately important, 16.5% neutral, 3.4% of slight importance, and 5.5% not important. The overall mean was 3.96.

Multiple languages on the website was rated by 35.2% as very important towards success of the tour businesses owned by indigenous entrepreneurs. Other respondents rated it as follows: 33.9% moderately important, 18.2% neutral, 5.9% of slight importance, and 6.8% not important. The overall mean score was 3.85.

The studied website features were found to be a factor to success of tour businesses owned by indigenous entrepreneurs as described by the overall average. Among the respondents, 53.2% rated the website features as very important, 23.2% moderately important, 13.8% neutral, 5.9% slightly important, and 3.9% not important.

The findings corroborate those of Iliachenko (2006) in a study carried out in Sweden on Electronic Service Quality in Tourism, though hyperlinks to other websites are highly rated on this study while mailing list subscription was poorly rated. Christiansson and Sporrek (2003), Wilson (1996), Liu and Chen (2011), and Hoffman, Novak and Chatterjee (1995) in their studies carried out in Sweden, United States of America (USA), China and USA respectively also share the findings on importance of these factors. They considered appearance of the website with clear information as a key factor of success towards online booking that can be achieved by considering the role of customers as one with no time to waste as there are other alternatives. Pavlou and Gefen (2002) also shared the findings indicating that good website features bring about institution-based trust while credit card guarantee is also an important feature on the online payments. Customer testimonials were also found to influence success as higher rating indicates sellers have higher probability of delivery (Gefen & Carmel, 2010).

The findings show that indigenous tour operators are aware that the website features play an important role in success of their businesses. An appealing website attracts customers and resulting to interest in doing business with the firm. The local operators do not embrace hyperlinks to other website that suggests unfamiliarity with web marketing as a good selling point exposing them to the exterior world. Customer testimonial is also important to website searches, as customers tend to believe more on what other customers say about it. Giving higher than expected services is an answer to get a good recommendation that is important for success of the firm.

Table 4.26: Website Features

Item	Not Important	Slight important	Neutral	Moderately important	Very important	Mean
Appearance of the website	1.3%	4.7%	1.7%	13.6%	78.8%	4.64
In-depth descriptions of products/services	1.3%	1.7%	0.0%	18.2%	78.8%	4.72
Contact information	0.4%	0.0%	0.0%	6.0%	93.6%	4.93
Booking capability	5.1%	7.2%	10.6%	25.0%	52.1%	4.12
E-commerce /payment online	7.2%	13.6%	19.5%	29.2%	30.5%	3.62
Customer testimonials access	3.8%	8.1%	21.6%	21.2%	45.3%	3.96
Hyperlinks to other websites	3.4%	8.5%	36.0%	22.9%	29.2%	3.66
Subscription to mailing lists to receive offers, news etc.	5.5%	3.4%	16.5%	39.0%	35.6%	3.96
Multiple languages	6.8%	5.9%	18.2%	33.9%	35.2%	3.85
Average	**3.9%**	**5.9%**	**13.8%**	**23.2%**	**53.2%**	

Problems on Website Maintenance and Their Relations to Success of the Firm

This section reports the findings on problems encountered by the local operators on website maintenance as a factor of ICT that can affect the success of tour businesses owned by indigenous entrepreneurs. The study concentrated on problems like: 1) Keeping content updated; 2) Online security; 3) Reliability of telecommunications service; 4) Quality of web hosting equipment; 5) Cost of maintenance; 6) Training or skills to implement certain website features; and 7) Access to expert assistance or advice.

Table 4.27 shows the findings of keeping the website content updated as a major problem for 28.8% of respondents while others rated it as follows: 20.8% major, 9.3% neutral, 29.2% minor, and 11.9% very minimal. The overall mean score was 2.75 out of five, where five represented very minimal and one represented very major.

Online security problem on the other hand had 31.8% respondents rating it very major and could hinder success of tour businesses owned by indigenous entrepreneurs. Others rated it as follows: 20.3% major, 11% neutral, 24.2% minor, and 12.7% very minimal. The overall mean score was 2.26.

Problem on reliability of telecommunication service could hinder success of tour businesses owned by indigenous entrepreneurs. It was rated by 35.2% respondents as very major. Others rated it as follows: 37.3% major, 8.1% neutral, 8.5% minor, and 11% very minimal. The overall mean score was 2.23.

Problems encountered on quality of web hosting equipment was also found to be hinder success of tour businesses owned by indigenous entrepreneurs. It was rated very major by 25.4%, major by 29.7%, neutral by 16.1%, minor by 17.8%, and very minimal by 11%. The overall mean score was 2.59.

Cost of maintenance problem could hinder success of tour businesses owned by indigenous entrepreneurs. It was rated by 25% respondents as very major while the others rated it as follows: 34.3% major, 16.5% neutral, 14.8% minor, and 9.3% very minimal. The overall mean score was 2.49.

Problem on training or skills to implement certain website features could hinder success of tour businesses owned by indigenous entrepreneurs. It was rated by 25.8% as very major. Others rated it as follows: 28.4% major, 14.4% neutral, 22.9% minor, and 8.5% very minimal. The mean score was 2.60.

Access to expert assistance problem was rated very major by 26.3% respondents and could hinder success of tour businesses owned by indigenous entrepreneurs. Others rated it as follows: 30.1% major, 14.4% neutral, 20.3% minor, and 8.9% very minimal. The mean score was 2.56.

Website maintenance was found to be an uphill task to many respondents. The problems could be a major hindrance to success of tour businesses owned by indigenous entrepreneurs as 57% respondents have rated them as above major. The overall average rating was as follows: 28.3% very major, 28.7% major, 12.8% neutral, 19.7% minor, and 10.5% very minimal.

The study corroborate that of Kiprutto, et al. (2011) who found out that maintenance of ICT in Kenya was a major problem because of the cost charged thus not affordable by the small and medium tour operators. Axinte (2009); Christiansson and Sporrek (2003); and Gefen and Devine (2001) in their studies in USA, Sweden, and Romania respectively confirms security of the web was a problem to many and its proper maintenance can lead to customer loyalty. They also raised an alarm on implementing latest innovation without considering the customers who will actually use the service as their equipment capacity, internet experience and connectivity could hinder success of the upgraded website. However, updating of the website content is mandatory as the internet users are increasingly searching the web (Sullivan, 2005; Fallows, 2008). Victor (2008) also in a study in Mauritius concluded content of the website is key and should be backed up by the 7C's of website evaluation that include content, community, customization, communication, connection, commerce and context.

The findings reveal that many indigenous tour operators are experiencing problems on website maintenance that could lead to their downfall in today's competitive and dynamic world. Reliability of telecommunication service and online security were the main problems, which indicates that the service levels of the business could be lower as a result. Prompt reply to queries cannot be guaranteed because of this unreliability of the service making clients lose confidence on the operators. Lack of online security might also hinder clients booking with the local operator and prefer making payments when on the ground meaning the operator has to advance the hotel bookings lowering

their liquidity. The inconsistence between the respondents on website maintenance problems suggests that the operators at different levels have different problems.

Table 4.27: Website Maintenance Problems

Item	Very Major	Major	Neutral	Minor	Very Minimal	Mean
Keeping content updated	28.8%	20.8%	9.3%	29.2%	11.9%	2.75
Online security	31.8%	20.3%	11.0%	24.2%	12.7%	2.66
Reliability of telecommunications service	35.2%	37.3%	8.1%	8.4%	11.0%	2.23
Quality of web hosting equipment	25.4%	29.7%	16.1%	17.8%	11.0%	2.59
Cost of maintenance	25.0%	34.3%	16.5%	14.9%	9.3%	2.49
Training or skills to implement certain website features	25.8%	28.4%	14.4%	22.9%	8.5%	2.60
Access to expert assistance or advice	26.3%	30.1%	14.4%	20.3%	8.9%	2.56
Average	**28.3%**	**28.7%**	**12.8%**	**19.7%**	**10.5%**	

Statistical Modeling

The primary objective of this study was to investigate the challenges hindering success of tour businesses owned by indigenous entrepreneurs in the tourism industry. ICT as one of the identified independent variable was studied to investigate its effect

on success. After establishment of goodness of measure of the data using factor analysis, the hypothesis on the effect of information and technology on success of tour businesses owned by indigenous entrepreneurs was tested.

Model Summary

The hypotheses to be tested were: 1) Null Hypothesis (H_o): Information and Technology does not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. 2) Alternative Hypothesis (H_A): Information and Technology hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. Confidence level of 95% was used and thus the significance or alpha level of 5%.

Table 4.28 shows the output for model fitness. The R coefficient of 0.905 indicated that the ICT as the independent factor had a correlation of 90.5% with the dependent variable success of tour businesses owned by indigenous entrepreneurs in the tourism industry. The R square also referred to coefficient of determination of 0.818 indicates that the model can explain only 81.8% of success of tour businesses owned by indigenous entrepreneurs in the tourism industry while the remaining 18.2% is determined by other factors. This shows that ICT as the independent variable of this study is a significant predictor of success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.28: Model Summary – Goodness of fit

Indicator	Coefficient
R	0.905
R Square	0.818
Std. Error of the Estimate	1.782

Pearson Correlation Coefficient

Correlation coefficient indicates the measure of linear relationship between two variables. Table 4.29 shows the Pearson correlation coefficients between the independent variable - ICT based on the two sub-variables - website features and website maintenance problems. The findings show that there is no major correlation between the two forms of policies though it is positive at 4.5%. This indicates a positive linear relationship between the two sub-variables.

Table 4. 29: Pearson Correlation Coefficient

		Website Features	Website Maintenance Problems
Website Features	Pearson Correlation	1	
	Sig. (2-tailed)		
Website Maintenance Problems	Pearson Correlation	.131*	1
	Sig. (2-tailed)	.045	

Regression Coefficients

Table 4.30 shows the unstandardized coefficients. The results indicate that a unit change on website features causes 1.438 changes in the success of tour businesses owned by indigenous entrepreneurs in the tourism industry while a unit change in website maintenance problems causes .617 changes. This means that as the website features are increased by one unit, success is bound to increase at a rate of 1.438 while a unit decrease of website maintenance problems would lead to success at the rate of .617. This indicates that ICT has an influence on success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.30: Regression Coefficients

Model		Unstandardized Coefficients		T	Sig.
		B	Std. Error		
1	Website Features	1.438	.098	14.642	.000
	Website Maintenance Problems	.617	.162	3.817	.000

a. Dependent Variable: SUCCESS

Table 4.31 shows the unstandardized coefficients. The results indicate that a unit change on ICT causes 0.138 changes in the success of tour businesses owned by

indigenous entrepreneurs in the tourism industry in Kenya. The p-value of .000 shows that ICT is significant as the level of significance has been set at 0.05.

Table 4.31: Regression Coefficients on ICT

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
		B	Std. Error	Beta		
1	ICT	.138	.004	.903	32.130	.000

a. Dependent Variable: SUCCESS

Analysis of Variance

Table 4.32 shows the findings of the analysis of variance - ANOVA. Success of tour businesses owned by indigenous entrepreneurs in the tourism industry can be explained by the model to the extent of 3344.436 out of 4087.106 or 81.8% while other variables not captured by this model can explain 18.2%, 742.67 out of 4087.106, of variation on success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. A p-value of 0.00 is less than the set level of significance of 0.05 for a normally distributed data. This means that ICT is significant in explaining success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.32: Analysis of Variance - ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3344.436	2	1672.218	526.881	.000
	Residual	742.670	234	3.174		
	Total	4087.106	236			

Predictors: Website Maintenance Problems, Website Features

Dependent Variable: SUCCESS

Regression Analysis

Regression analysis was carried out to test the two hypotheses stated earlier: 1) Null Hypothesis (H_o): ICT does not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. 2) Alternative Hypothesis (H_A): ICT hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. Confidence level of 95% will be used and thus the significance or alpha level of 5%. The model below which links the dependent variable – success to the independent variable - ICT is used for the testing:-

$Y = \alpha + \beta_{31}X_{31} + \beta_{32}X_{32} + \varepsilon$

Where:

Y is the dependant variable – Success

α is the intercept

β_{31} and β_{32} is the regression coefficient of ICT - website features and website maintenance problems respectively

X_{31} and X_{32} is the independent variable – ICT of website features and website maintenance problems respectively

ε is the Error term

From Table 4.30, β_{31} is 1.438 while that of β_{32} is .617. The estimated success is achieved using the equation below:

$Y = \alpha + 1.438X_{31} + 0.617\ X_{32} + \varepsilon$

From Table 4.31, the β on ICT is .138. The final equation on success and ICT as a weighted variable is therefore as below:

$Y = \alpha + 0.138X_3 + \varepsilon$

As stated above, α is 0.05. From Table 4.32, the p-value is 0.000. This means that the alpha level is greater than the p-value. This led to conclusion that the null hypothesis above (ICT does not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry) should be rejected. It can therefore be concluded that ICT is an important factor to the success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

From the findings on Figure 4.4, ICT is concluded to be a factor hindering success of the tour businesses owned by indigenous entrepreneurs. The graph shows that the more website features are improved and website maintenance problems are reduced, the more the success. This is because of reduced costs, distance and time to communication that increases efficiency. This corroborates with the findings of

Alipour, Hajaliakbari, and Javanbakht (2011); Fallows (2008); and Sullivan (2005) who concluded that in the current times tourism and internet are inseparable and highly correlated. Victor (2008) also resonate the same by concluding that it was not the cost of being there on the online market place that must be reckoned with, but the cost of not being there. Baggio and Caporarello (2205) also concluded computerized decision systems in tourism industry are essential tools to support managers for their capability to provide timely and accurate information. Without internal installation of ICT it is impossible for external connection.

Tour businesses owned by indigenous entrepreneurs should therefore consider application of ICT both in their internal business and in e-tourism to increase success. Tourism industry is very competitive and thus only the computed will make it on the race. With the findings on importance of ICT driving success by 81.8%, the indigenous entrepreneurs cannot afford to downplay it. Competitive advantage in the tour businesses can be leveraged on ICT because of its advantages on cost and distance collapsing. Tourism strategies should be ICT oriented for innovation and speed movement. This is only possible if IT is aligned with the business strategies of the firm and supported by the management.

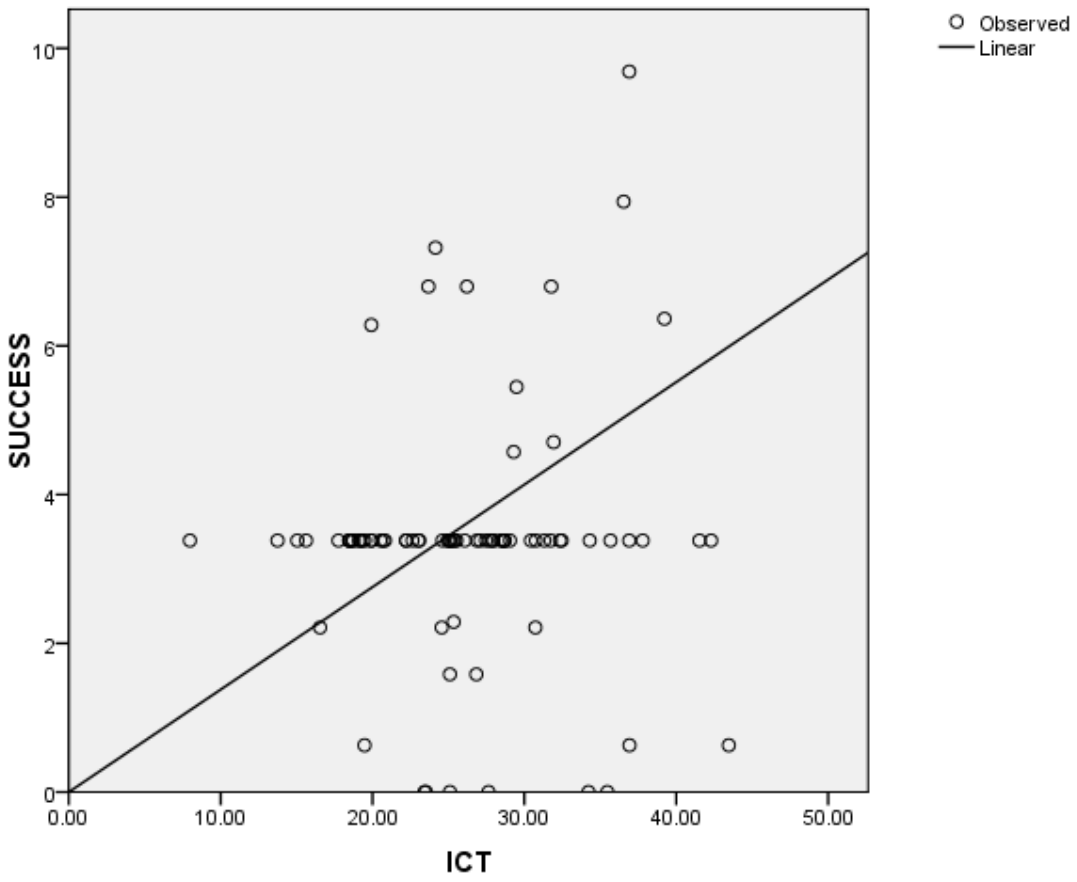

Figure 4.4: Information, Communication and Technology Influence on Success of Tour Businesses

4.4.4 Influence of Service Quality on Success

The fourth objective of this study sought to investigate the influence of service quality on success of tour businesses owned by indigenous entrepreneurs in the tourism industry. The study concentrated on five dimensions as highlighted by the PZB model also refered to as SERVQUAL model by Parasuraman, Zeithaml, and Berry (1985).

These includes: Reliability in terms of dependability and accurate performance; Assurance as competence, courtesy, credibility and security; Tangibility in terms of appearance of physical elements; Empathy as easy access, good communications and customer understanding; and Responsiveness as promptness and helpfulness to customers.

Reliability Dimension of Service Quality

On reliability, as indicated on Table 4.33, respondents were to rate the following: 1) Ability to perform the promised service dependably and accurately; 2) Handling customers' service problems; 3) Providing services right first time; 4) Providing services at promised time; and 5) Maintaining error free records.

The respondents rated ability to perform the promised service dependably and accurately 59.7% excellent, 36.5% good, 3% neutral, 0.8% average, and a mean score of 4.55 where five represents excellent and one represent poor. Handling customers' service problems was rated 50% excellent, 43.6% good, 5.6% neutral, 0.8% average, and a mean score of 4.43. Providing services right first time was rated 58.5% excellent, 36.4% good, 3.8% neutral, 1.3% average, and a mean score of 4.52. Providing services at promised time was rated 64.4% excellent, 33% good, 2.6% average, and a mean score of 4.59. Maintaining error free records was rated 36.4% excellent, 46.2% good, 8.1% neutral, 9.3% average, and a mean score of 4.10. The average on reliability is 53.8% excellent, 39.1% good, 4.1% neutral, and 3% average.

These findings corroborate those of Millan and Esteban (2004) and Josmani (2007) on their studies in Spain and Malaysia respectively where they concluded reliability; which they looked at as providing the service within agreed time, complying with agreed premises, fast and clear information, and clear and sincere information; was a main factor of satisfaction on service in travel industry. Christiansson and Sporrek (2003) and Gefen and Devine (2001) in Sweden and USA respectively also corroborate with the findings unveiling reliability as a factor giving confidence to customers by re-assuring dependability and ultimately increasing customer loyalty and purchases.

The findings reflect self-confidence among the local operators who rated their services mostly excellent or good. This is a good indicator towards success of the tourism businesses owned by indigenous entrepreneurs. The mean score also reflects their understanding on reliability's importance as a factor contributing to success.

Table 4.33: Service Quality - Reliability

Item	Poor	Average	Neutral	Good	Excellent	Mean
Ability to perform the promised service dependably and accurately	0%	0.8%	3%	36.5%	59.7%	4.55
Handling customers' service problems	0%	0.8%	5.6%	43.6%	50%	4.43
Providing services right first time	0%	1.3%	3.8%	36.4%	58.5%	4.52
Providing services at promised time	0%	2.6%	0%	33%	64.4%	4.59
Maintaining error free records	0%	9.3%	8.1%	46.2%	36.4%	4.10
Average	**0.0%**	**3.0%**	**4.1%**	**39.1%**	**53.8%**	

Assurance Dimension of Service Quality

The second dimension of service quality, assurance, was investigated on the following:- 1) Knowledge and courtesy of employees and their ability to inspire trust and confidence; 2) Making customers feel safe in their transactions; 3) Knowledgeable employees in handling customers questions; and 4) Customers' trust on website information.

As indicated on Table 4.34, assurance as a dimension in service quality was rated as follows in the firms owned by indigenous entrepreneurs: knowledge and courtesy of employees and their ability to inspire trust and confidence was rated 49.2% excellent, 47% good, 2.5% neutral, 1.3% average, and a mean score of 4.44 where five represents excellence and one represents poor. Making customers feel safe in their transactions was rated 68.2% excellent, 29.7% good, 1.3% neutral, 0.8% average, and a mean score of 4.65. Knowledgeable employees in handling customers questions was rated 61.4% excellent, 36.4% good, 2.1% average, and a mean score of 4.57. Customers' trust on website information was rated 38.1% excellent, 38.1% good, 10.2% neutral, 9.7% average, 3.8% poor, and a mean score of 3.97. The average rating on assurance was 54.2% excellent, 37.8% good, 3.5% neutral, 3.5% average, and 1% poor. The mean of all apart from that of customer trust on website information was above 4.4.

These findings resonate those of Millan and Esteban (2004) on a study in Spain that concluded assurance; looked at as employment confidence, service provision continuously well, follow-up of clients, accuracy of employees, and time dedicated to each client; was a main factor of satisfaction on service in travel industry. Christiansson and Sporrek (2003) and Pavlou and Gefen (2002) in Sweden and USA also unveiled assurance as a factor to lower risk on clients' payments made for the service and ensure reliability. Axinte (2009); Christiansson and Sporrek (2003), Gefen and Devine (2001), Liu and Chen (2011), and in Romania, Sweden, USA, China and respectively considered security very important as far as online booking is

concerned and it added that it should not be compromised if the tourists are to give their personal details online.

The rating on assurance indicates commitment by firms owned by indigenous entrepreneurs to offer high service quality. This is however negated by the mixed reaction on customer's trust on website information, which brings about failure, as clients are not ready to give their money or engage firms they cannot trust. This can be a consequence of individual marketing and lack of affiliation to the well known corporate membership clusters and networks in the industry.

Table 4.34: Service Quality - Assurance

Item	Poor	Average	Neutral	Good	Excellent	Mean
Knowledge and courtesy of employees and their ability to inspire trust and confidence	0%	1.3%	2.5%	47%	49.2%	4.44
Making customers feel safe in their transactions	0%	0.8%	1.3%	29.7%	68.2%	4.65
Knowledgeable employees in handling customers questions	0%	2.1%	0%	36.5%	61.4%	4.57
Customers' trust on website information	3.8%	9.7%	10.2%	38.1%	38.1%	3.97
Average	**1.0%**	**3.5%**	**3.5%**	**37.8%**	**54.2%**	

Tangibility Dimension of Service Quality

Tangibility as the third dimension of service quality was reviewed on the following: 1) Modern equipments including cars and IT equipment; 2) Very high frequency (VHF) and high frequency (HF) radio fitted cars; 3) Visually and up-to-date appealing facilities; 4) Employees with a neat, professional appearance.

As expressed on Table 4.35, modern equipments including cars and information equipment was rated 23.7% excellent, 50.9% good, 13.1% neutral, 12.3% average, and a mean score of 3.86 where one is poor and five is excellent. Very high frequency (VHF) and high frequency (HF) radio fitted cars was rated 29.7% excellent, 38.5% good, 16.5% neutral, 15.3% average and a mean score of 3.83. Visually and up-to-date appealing facilities was rated 30.1% excellent, 39.8% good, 21.2% neutral, 8.9% average and a mean score of 3.91. Employees with a neat, professional appearance was rated 54.2% excellent, 37.7% good, 4.7% neutral, 3.4% average and a mean score of 4.43. On average, tangibles was rated 34.4% excellent, 41.7% good, 13.9% neutral and 10% average. The mean of tangibility was positive between neutral and good with the least being 3.86 and the highest 4.43.

These findings corroborates Millan and Esteban (2004) on their study in Spain which concluded tangibility; being employees confidence, service provision continuously well, follow-up of clients, accuracy of employees, and time dedicated to each client; as a main factor of satisfaction on service in travel industry. Gefen (2002) on a study in USA also concluded that customer loyalty highly depend tangibility of service quality in form of the picture of what they see and is the easiest memory to take.

Siadat (2008) in Iran also reiterated that tangibility is important towards success and can be used as a tool to give competitive advantage to a firm.

Tangibility as service quality dimension looks into appearance of physical elements thus resonate the resources of the firm. The mixed reactions to the items can be because many firms owned by indigenous entrepreneurs do not own the resources as reflected on earlier findings. However, the findings on employees with a neat and professional appearance of the employees show the positive attitude of the local operators on the importance of tangibility as a service quality dimension, which will ultimately secure them success in their businesses.

Table 4.35: Service Quality - Tangibles

Item	Poor	Average	Neutral	Good	Excellent	Mean
Modern equipments including cars and IT equipment	0%	12.3%	13.1%	50.9%	23.7%	3.86
VHF and HF radio fitted cars	0%	15.3%	16.5%	38.5%	29.7%	3.83
Visually and up-to-date appealing facilities	0%	8.9%	21.2%	39.8%	30.1%	3.91
Employees with a neat, professional appearance	0%	3.4%	4.7%	37.7%	54.2%	4.43
Average	**0.0%**	**10.0%**	**13.9%**	**41.7%**	**34.4%**	

Empathy Dimension of Service Quality

The fourth dimension of service quality, empathy, was investigated under: 1) Caring, individualized attention the firm provides its customers; 2) Employees understanding of their customers' needs while respecting their privacy; 3) Convenient business hours; and 4) Communication skills of the employees.

Table 4.36 outlines the findings on caring; individualized attention the firm provides its customers as 55.5% excellent, 36.9% good, 5.1% neutral, 2.5% average, and a mean score of 4.45. Employees understanding of their customers' needs while respecting their privacy was rated 64.8% excellent, 29.7% good, 3.8% neutral, 1.7% average, and a mean score of 4.58. Convenient business hours was rated 41.5% excellent, 49.6% good, 4.2% neutral, 4.7% average, and a mean score of 4.28. Communication skills of the employees was rated 61% excellent, 35.2% good, 0.4 neutral, 3.4% average and a mean score of 4.54. On average, empathy was rated 55.7% excellent, 37.9% good, 3.4% neutral, 3.1% average and the least mean score was 4.28.

These findings corroborate with Millan and Esteban (2004) on study in Spain where they concluded empathy that they looked at areas such as: interest in solving problems to the clients, individual attention, understanding the specific needs of the client and sharing information; was a main factor of satisfaction on service in travel industry. Josmani (2007) on study in Malaysia also concluded service quality provided by travel operators particularly on experienced tour guide or manager during the tour and

safety to the tourists encourages tourism. Iliancheko (2007) in Sweden moreover concluded communication skills assists in helping the tourists with the tourism information and the product information more easily, which reflects on empathy in service quality. Gefen and Devine (2001) in addition concluded that customer recognition leads to increased customer loyalty.

The findings show the positive aspect of easy access, good communication, and customer understanding of the local operators on their tour businesses. Being a service industry, success can only emerge from empathy by the operators towards the tourists because service is an intangible product.des

Table 4.36: Service Quality - Empathy

Item	Poor	Average	Neutral	Good	Excellent	Mean
Caring, individualized attention the firm provides its customers.	0%	2.5%	5.1%	36.9%	55.5%	4.45
Employees understanding of their customers' needs while respecting their privacy	0%	1.7%	3.8%	29.7%	64.8%	4.58
Convenient business hours	0%	4.7%	4.2%	49.6%	41.5%	4.28
Communication skills of the employees	0%	3.4%	0.4%	35.2%	61%	4.54
Average	**0.0%**	**3.1%**	**3.4%**	**37.9%**	**55.7%**	

Responsiveness Dimension of Service Quality

Responsiveness as fifth and last dimension of service quality was investigated under the following: 1) Use of right means of communication; 2) Keeping customers informed as to when services will be performed; 3) Prompt service to customers; 4) Information is provided to frequently asked questions and answers; and 5) Email address for queries or complaints is provided.

Table 4.37 shows the findings as follows: use of right means of communication was rated 54.2% excellent, 41.1% good, 2.6% neutral, 2.1% average and a mean score of 4.47 where one is poor and five is excellent. Keeping customers informed as to when services will be performed was rated 57.2% excellent, 39.4% good, 1.3% neutral, 2.1% average and a mean score of 4.52. Prompt service to customers (less than 24 hours) was rated 61.9% excellent, 29.2% good, 3.8% neutral, 5.1% average and a mean score of 4.48. Provision of information to frequently asked questions and answers was rated 53.8% excellent, 40.7% good, 1.7% neutral, 3.8% average and a mean score of 4.44. Provision of email address for queries or complaints was rated 59.3% excellent, 33.1% good, 5.1% neutral, 2.5% average and a mean score of 4.49. On responsive, on average 56.6% respondents rated it excellent, 36.4% good, 2.9% neutral, and 4.1% average and the least mean score was 4.44.

The findings corroborate those of Liu and Chen (2011) in China who concluded right means of communication is key to success as it enables personalization of response. Iliancheko (2007) and Gefen and Devine (2001) in Sweden and USA respectively found out that faster response to customers give them confidence towards the firm.

Millan and Esteban (2004) in Spain also concluded responsiveness in terms of follow-up of clients, accuracy of employees, and time dedicated to each client; as a main factor of satisfaction on service in travel industry.

The findings prove that the local operators realizes that customer is the king and it is their core business to communicate to them effectively and efficiently to gain a market share. The average and neutral ratings however show some firms are yet to understand the impact of service quality on their business that is service based thus intangible.

Table 4.37: Service Quality - Responsiveness

Item	Poor	Average	Neutral	Good	Excellent	Mean
Use of right means of communication	0%	2.1%	2.6%	41.1%	54.2%	4.47
Keeping customers informed as to when services will be performed	0%	2.1%	1.3%	39.4%	57.2%	4.52
Prompt service to customers (less than 24 hours)	0%	5.1%	3.8%	29.2%	61.9%	4.48
Information is provided to frequently asked questions and answers	0%	3.8%	1.7%	40.7%	53.8%	4.44
Email address for queries or complaints is provided	0%	2.5%	5.1%	33.1%	59.3%	4.49
Average	**0.0%**	**3.1%**	**2.9%**	**36.7%**	**57.3%**	

Statistical Modeling

The general objective of this study was to investigate the challenges hindering success of tour businesses owned by indigenous entrepreneurs in the tourism industry. Service quality as one of the identified independent variable was studied to investigate its effect on success. After establishment of goodness of measure of the data using factor analysis, the hypothesis on the effect of service quality on success of tour businesses owned by indigenous entrepreneurs was tested.

Model Summary

The hypotheses to be tested were: 1) Null Hypothesis (H_o): Service quality does not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. 2) Alternative Hypothesis (H_A): Service quality hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. Confidence level of 95% will be used and thus the significance or alpha level of 5%.

Table 4.38 shows the output for model fitness. The R coefficient of 0.912 indicated that the service quality as the independent factor had a correlation of 91.2% with the dependent variable success of tour businesses owned by indigenous entrepreneurs in the tourism industry. The R square also referred to coefficient of determination of 0.832 indicates that the model can explain only 83.2% of success of tour businesses owned by indigenous entrepreneurs in the tourism industry while the remaining 16.8% is determined by other factors. This shows that service quality as the

independent variable of this study predicts success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.38: Model Summary – Goodness of fit

Indicator	Coefficient
R	0.912
R Square	0.832
Std. Error of the Estimate	1.723

Pearson Correlation Coefficient

Correlation coefficient indicates the measure of linear relationship between two variables. Table 4.39 shows the Pearson correlation coefficients between the independent variable - service quality with the five items of service quality - reliability, tangibility, assurance, empathy, and responsiveness. All the items have a positive correlation with empathy and responsiveness having the highest correlation of .746. This is because they are all competing to explain the service quality.

Table 4.39: Pearson Correlation Coefficient - Service Quality

		Reliability	Assurance	Tangibility	Empathy	Responsiveness
Reliability	Pearson Correlation	1				
	Sig. (2-tailed)					
Assurance	Pearson Correlation	.603	1			
	Sig. (2-tailed)	.000				
Tangibility	Pearson Correlation	.483	.646	1		
	Sig. (2-tailed)	.000	.000			
Empathy	Pearson Correlation	.597	.695	.690	1	
	Sig. (2-tailed)	.000	.000	.000		
Responsiveness	Pearson Correlation	.570	.634	.649	.746	1
	Sig. (2-tailed)	.000	.000	.000	.000	

Regression Coefficients

Table 4.40 shows the unstandardized coefficients. The results indicate the change caused by each of the service quality's sub-variables to success tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. From Table 4.39, it

was found that all sub-variables but Reliability had a p-value less than the set level of significance of 0.05 for a normally distributed data.

Table 4.40: Regression Coefficients

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*T*	*Sig.*
		B	Std. Error	Beta		
1	Responsiveness	.830	.324	.420	2.559	.011
	Empathy	-1.176	.351	-.594	-3.349	.001
	Tangibility	.587	.257	.247	2.283	.023
	Assurance	1.664	.312	.914	5.327	.000
	Reliability	-.138	.253	-.076	-.544	.587

a. Dependent Variable: SUCCESS

Following the insignificance of the Reliability from the model, it was dropped and the regression coefficient repeated without it. The results as reflected on table 4.41 shows that all the other variables were significant. It was therefore concluded that Responsiveness, Empathy, Tangibility and Assurance are the most significant sub-variables of service quality to success of tourism businesses owned by indigenous entrepreneurs.

Table 4.41: Coefficients of the Model after Dropping the Insignificant Sub-Variable

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*T*	*Sig.*
		B	Std. Error	Beta		
1	Responsiveness	.790	.316	.400	2.504	.013
	Empathy	-1.212	.344	-.612	-3.522	.001
	Tangibility	.597	.256	.252	2.330	.021
	Assurance	1.590	.280	.873	5.673	.000
a. Dependent Variable: SUCCESS						

Table 4.42 shows the unstandardized coefficients. The results indicate that a unit change on Service Quality causes 0.825 changes in the success of tour businesses owned by indigenous entrepreneurs in the tourism industry. The p-value of .000 shows that Service Quality is significant as the level of significance has been set at 0.05.

Table 4.42: Regression Coefficients of the Final Model

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
		B	Std. Error	Beta		
1	SERVQUAL	.825	.026	.902	32.025	.000
a. Dependent Variable: SUCCESS						

Analysis of Variance

From Table 4.43 which is the analysis of variance - ANOVA, success of tour businesses owned by indigenous entrepreneurs in the tourism industry can be explained by the model to the extent of 3325.185 out of 4087.106 or 81.4% while other variables not captured by this model can explain 18.6% or 761.921 out of 4087.106 of variation on success of tour businesses owned by indigenous entrepreneurs in the tourism industry. A p-value of 0.00 is less than the set level of significance of 0.05 for a normally distributed data. This means that service quality is significant in explaining success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.43: Analysis of Variance - ANOVA

Model		*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	Regression	3325.185	1	3325.185	1.026E3	.000[a]
	Residual	761.921	235	3.242		
	Total	4087.106[b]	236			

a. Predictors: SERVQUAL

Regression Analysis

Regression analysis was carried out to test the two hypotheses stated earlier: 1) Null Hypothesis (H_o): Service Quality does not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. 2) Alternative Hypothesis (H_A): Service Quality hinder success of tour businesses owned by indigenous

entrepreneurs in the tourism industry in Kenya. Confidence level of 95% will be used and thus the significance or alpha level of 5%. The model below which links the dependent variable – success to the independent variable - Service quality is used for the testing:-

$Y = \alpha + \beta_{41}X_{41} + \beta_{42}X_{42} + \beta_{43}X_{43} + \beta_{44}X_{44} + \varepsilon$

Where:

Y is the dependant variable – Success

α is the intercept

$\beta_{41}, \beta_{42}, \beta_{43}$ and β_{44} are the regression coefficients of Assurance, Tangibility, Empathy and Responsiveness respectively

X_{41}, X_{42}, X_{43} and X_{44} are the sub-variables: Assurance, Tangibility, Empathy and Responsiveness respectively

ε is the Error term

From Table 4.41, β_{41}, β_{42}, β_{43} and β_{44} are 1.590, .597, -1.212 and .790 respectively. The estimated success is achieved using the equation below:

$Y = \alpha + 1.590X_{41} + 0.597X_{42} - 1.212X_{43} + 0.790X_{44} + \varepsilon$

From Table 4.42, the β on Service Quality is .825. The final equation on success and Service Quality as a weighted variable is therefore as below:

$Y = \alpha + 0.825X_4 + \varepsilon$

As stated above, α is 0.05. From Table 4.43, the p-value is 0.000. This means that the alpha level is greater than the p-value. This led to conclusion that the null

hypothesis above (Service quality does not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya) should be rejected. It was concluded that service quality is an important factor to the success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

From the findings on Figure 4.5, service quality can be concluded to be a factor hindering success of the tour businesses owned by indigenous entrepreneurs. The graph shows that the more service quality is increased by the local operators, the more the success. This is because of increased confidence to the tourists thus increased relationships and ultimately increased revenues. This corroborate with the findings of Millan and Esteban (2004) and Josmani (2007) on their study in Spain and Malaysia respectively where they concluded service quality which they looked at as: providing the service within agreed time, complying with agreed premises, fast and clear information, and clear and sincere information; was a main factor of satisfaction on service in travel industry. Christiansson and Sporrek (2003) and Illiancheko (2007) in Spain and Sweden respectively also concluded service quality gives confidence to customers by re-assuring dependability.

Tour businesses owned by indigenous entrepreneurs should therefore consider enhancement of service quality to increase success. Ability to perform the promised service dependably and accurately; handling customers' service problems; providing services right first time; providing services at promised time; and maintaining error free records should be enhanced to ensure reliability of the tour businesses. To ensure tangibility as a dimension of service quality, the firm should invest on modern

equipments including cars and ICT equipment; visually and up-to-date appealing facilities; and employees with a neat, professional appearance.

Service quality should be integrated onto the firm's strategic plan and values to make it part of its policy. This will ensure that the purpose, principles, processes, people and performance are quality driven. Training should be done to all employees particularly while inducting a new employee. Local operators should also endeavor to get ISO certification to enable them boast of high standards which will ultimately enable them to compete with international players. This can only be achieved if the service quality is improved to reach the international levels thus assuring tourists of world class service.

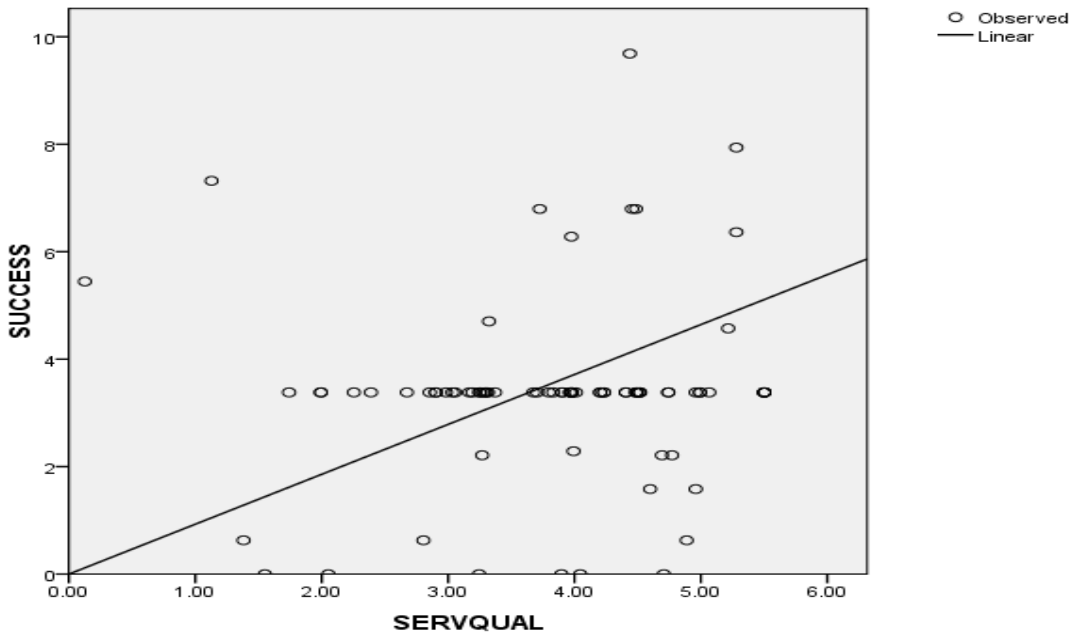

Figure 4.5: Service Quality's Influence on Success of Tour Businesses

4.4.5 Influence of Clusters and Networks on Success

The fifth and last objective of this study sought to investigate the influence of clusters and networks on success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. The study concentrated on the benefits of members from the clusters and networks in addition to the other memberships undetaken by the firms.

Memberships Undertaken by the Firms

Preliminary to the benefits, the study sort to find out if Kenya Association of Tour Operators (KATO) members, where the sample was taken from, are members of other local or international clusters or networks. From the findings, as on Table 4.43, 50.6% of members were not members of either local or international clusters or networks, 19.3% were also members of the American Society of Travel Agents (ASTA), 12% were also members of World Tour Operators Association (WTOA), 3.6% were also members of European Tour Operators Association (ETOA), while 14.5% were members of other bodies. Though the membership list on the questionnaire allowed the respondents to select all they use, it was noted that only 11 firms had two memberships (in addition to KATO that all respondents are members).

The findings concur with those of Erkus-Ozturk (2008) and Phillip (2010) on studies carried out in Middle East and India that many businesses only operate under one cluster or network. In addition, Erkus-Ozturk (2008) concluded there is no direct

relationship between the number of associations in which a firm is a member and the global connections.

Local operators can be said to have confidence in KATO and as a result many has not subscribed to other associations. United States being a big market for Kenya has attracted the local operators who join ASTA in expectation of gaining the market confidence. WTOA also has attracted some members while ETOA has only attracted a few. It is interesting to note that some local operators are also seeking membership from bodies in other markets thus diverting from the traditions. Without despising the role of local networks of firms in clusters for internal dynamics and created externalities, it is important to engage in global networks to prevent a lock-in situation and enhance individual firm's competitiveness as well as the cluster.

Table 4.44: Other Membership in Addition to KATO

Other Membership	Frequency	Percent
None (0)	42	50.6
ASTA	16	19.3
WTOA	10	12.0
ETOA	3	3.6
OTHER	12	14.5
Total	**83**	**100.0**

Benefits Sort From Membership in a Cluster or Network

This section analysis the findings on members views on benefits sort from membership in a cluster or network which can lead to success in tour businesses owned by indigenous entrepreneurs. It concentrated on the following benefits: 1) Getting information on the tourism industry, 2) Increased market share, 3) Bargaining power, 4) Sharing resources, and 5) Linkages and connection to international clients.

As shown on table 4.45, the respondents rated benefit of getting information on the tourism industry as 26.3% strongly agree, 57.3% agree, 7.2% don't know, 8.9% disagree and a mean score of 4.01 where five is strongly agree and one is strongly disagree. Increased market share was rated 34.3% strongly agree, 33.1% agree, 11% don't know, 20.3% disagree, 1.3% strongly disagree, and a mean score of 3.79. Bargaining power was rated 28.4% strongly agree, 41.1% agree, 15.3% don't know, 12.7% disagree, 2.5% strongly disagree, and a mean score of 3.80. Sharing resources was rated 24.6% strongly agree, 33.5% agree, 23.3% don't know, 16.1% disagree, 2.5% strongly disagree and a mean score of 3.61. Linkages and connection to international clients was rated 38.1% strongly agree, 32.2% agree, 15.3% don't know, 14.4% disagree and a mean score of 3.94. Clusters and networks benefits were on average rated 30.3% strongly agree, 39.5% agree, 14.4% don't know, 14.5% disagree and 1.3% disagree.

The findings corroborates those of Victor (2008) and Erkus-Ozturk (2008) who concluded, in their studies in Mauritius and Middle East respectively, that networks gives synergy to the firms while strengthening the relationships of business partners

which enables maximize profits for the members. Hemmati (2000) and Phillip (2010) in studies carried out in India concluded that cluster and networks could increase market share by developing a desirable market reputation, enter international markets through bargaining power, reduce transaction costs through share of resources, and share information which will enable to cope positively with rapid technological changes. Franch et al. (2008) in Italy also found out that coming up with Regional Tourist Boards (RTBs) will help create brands and should be encouraged in tourism to enhance competitiveness through share of resources.

Although the benefits of membership were rated above average, the fact that there are some respondents who rated the same as below average indicates lack of awareness on the benefits. This reiterates the fact that more than half of the members are not members of any other tour operators' body either locally or internationally as shown above. Sharing of resources and increased market share that are not highly perceived as benefits raises a question on understanding of the members. It seems that information on the sector is the main benefit to the members followed by linkages and connection to international clients.

Table 4.45: Cluster and Networks - Benefit of Membership

Item	Strongly Disagree	Disagree	Don't Know	Agree	Strongly Agree	Mean
Information on the sector	0%	8.9%	7.2%	57.6%	26.3%	4.01
Increased market share	1.3%	20.3%	11%	33.1%	34.3%	3.79
Bargaining power	2.5%	12.7%	15.3%	41.1%	28.4%	3.80
Sharing resources	2.5%	16.1%	23.3%	33.5%	24.6%	3.61
Linkages and connection to international clients	0%	14.4%	15.3%	32.2%	38.1%	3.94
Average	**1.3%**	**14.5%**	**14.4%**	**39.5%**	**30.3%**	

Statistical Modeling

The primary objective of this study was to investigate the challenges hindering success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. Clusters and Networks as one of the identified independent variable was studied to investigate its effect on success. After establishment of goodness of measure of the data using factor analysis, the hypothesis on the effect of clusters and networks on success of tour businesses owned by indigenous entrepreneurs was tested.

Model Summary

The hypotheses to be tested were: 1) Null Hypothesis (H_o): Clusters and Networks do not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. 2) Alternative Hypothesis (H_A): Clusters and Networks hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. Confidence level of 95% will be used and thus the significance or alpha level of 5%.

Table 4.46 shows the output for model fitness. The R coefficient of 0.877 indicated that the clusters and networks as the independent factor had a correlation of 87.7% with the dependent variable success of tour businesses owned by indigenous entrepreneurs in the tourism industry. The R square also referred to coefficient of determination of 0.769 indicates that the model can explain only 76.9% of success of tour businesses owned by indigenous entrepreneurs in the tourism industry while the remaining 13.1%% is determined by other factors. This shows that clusters and networks as the independent variable of this study predicts success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.

Table 4.46: Model Summary – Goodness of fit

Indicator	Coefficient
R	0.877
R Square	0.769
Std. Error of the Estimate	2.003

Pearson Correlation Coefficient

Correlation coefficient indicates the measure of linear relationship between two variables. Table 4.47 shows the Pearson correlation coefficients between the independent variable - clusters and networks. Bargaining power had the highest correlation to sharing resources with 78.3%% followed by information on the sector and linkages and connections with 77.5%. Bargaining power and linkages and connections correlated with 71.5% while increased market share to bargaining power with 70.6%. Others were as shown on Table 4.46.

Table 4.47: Pearson Correlation Coefficient - Cluster and Networks

	Information on the sector	Increased marketing share	Bargaining power	Sharing resources	Linkages and connection
Information on the sector	1.000				
Increased marketing share	.688	1.000			
Bargaining power	.646	.706	1.000		
Sharing resources	.609	.660	.783	1.000	
Linkages and connection	.775	.682	.715	.640	1.000

Regression Coefficients

From Table 4.48 the beta coefficients used are the unstandardized coefficients. The results indicate that a unit change on cluster and networks causes 0.341% changes in the success of tour businesses owned by indigenous entrepreneurs in the tourism industry. This indicates that cluster and networks has an influence on success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.48: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	NETWORKS	.341	.012	.877	27.993	.000

a. Dependent Variable: SUCCESS

Analysis of Variance

From Table 4.49 which is the analysis of variance - ANOVA, success of tour businesses owned by indigenous entrepreneurs in the tourism industry can be explained by the model to the extent of 3144.186 out of 4087.106 or 76.9% while other variables not captured by this model can explain 13.1% (942.92 out of 4087.106) of variation on success of tour businesses owned by indigenous entrepreneurs in the tourism industry. A p-value of 0.00 is less than the set level of significance of 0.05 for a normally distributed data. This means that cluster and networks is significant in explaining success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.49: Analysis of Variance - ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3144.186	1	3144.186	783.612	.000
	Residual	942.920	235	4.012		
	Total	4087.106	236			

Predictors: NETWORKS

Dependent Variable: SUCCESS

Regression Analysis

Regression analysis was carried out to test the two hypotheses stated earlier: 1) Null Hypothesis (H_o): Cluster and networks do not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. 2) Alternative Hypothesis (H_A): Cluster and networks hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry. Confidence level of 95% will be used and thus the significance or alpha level of 5%. The model below which links the dependent variable – success to the independent variable - Cluster and Network is used for the testing:-

$Y = \alpha + \beta_5 X_5 + \varepsilon$

Where:

Y is the dependent variable – Success

α is the intercept

β_5 is the regression coefficient

X_5 is the independent variable – Cluster and networks

ε is the Error term

From Table 4.48, β_5 is 0.341. The estimated success is thus achieved using the equation below:

$Y = \alpha + 0.341\ X_5 + \varepsilon$

As stated above, α is 0.05. From Table 4.49, the p-value is 0.000. This means that the alpha level is greater than the p-value. This led to conclusion that the null hypothesis above (Cluster and networks do not hinder success of tour businesses owned by indigenous entrepreneurs in the tourism industry) should be rejected. It was concluded that cluster and networks are an important factor to the success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

From the findings on figure 4.6, cluster and networks can be concluded to be a factor hindering success of the tour businesses owned by indigenous entrepreneurs. The graph shows that the more the local operators join cluster and networks, the more the success. This is because of synergy achieved from the cluster and networks and ultimately increased revenues. This corroborates with the findings of Erkus-Ozturk (2008) who found out that clusters enjoys more global linkages thus affecting success of the firm positively which unfortunately is only embraced by big creative firms. Franch et al (2008) also found out that networks and clusters particularly coming up with Regional Tourist Boards (RTBs) would enhance competitiveness by creating

regional brand. Braun (2002) also concluded that small and medium tourism enterprises (SMTEs) would benefit from increased information flow through regional networking and cooperative e-marketing campaigns to enhance market visibility, global positioning, and strategic advantage in the new economy. Literature (Jooste, 2005) referred to networks as an additional P in the marketing mix in terms of partnerships that he argues to be one of the marketing tools in tourism industry as connectivity leads to success.

The local operators thus has to engage in forming cluster and networks to boost their success. Already as members of KATO, the operators indicates their benefits mainly as sharing of information. This helps in scanning of the environment, which is key when coming up with strategic planning and thus cannot be undermined. Using the existing social networks is encouraged and particularly the internet based networks. Joining other networks particularly in the source markets would also be advisable to enable reach more tourists and know whatever is happening on the ground thus make proactive changes of tactics.

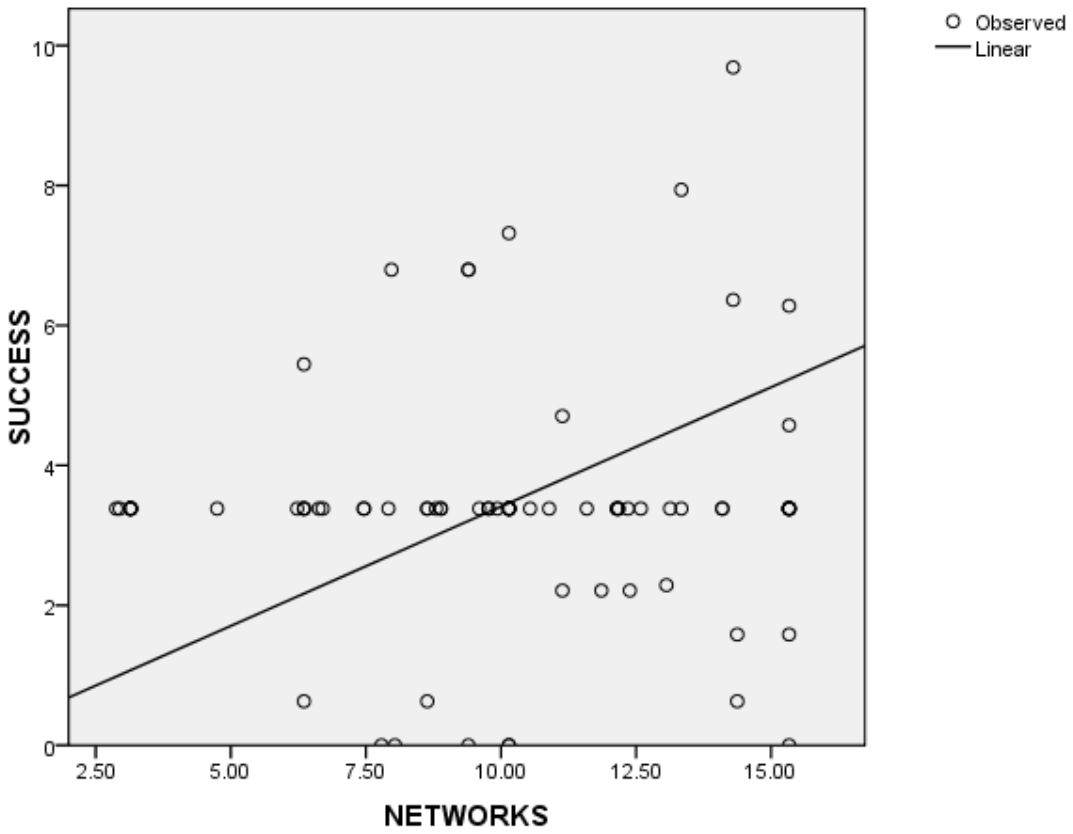

Figure 4.6: Cluster and Network's Influence on Success of Tour Businesses

4.4.6 Combined Effect of All Independent Variables on Success

The primary objective of this study was to investigate the challenges hindering success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. Previously, all the variables were tested individually to see how they contribute towards success of the tour businesses owned by indigenous entrepreneurs. This section combines the variables to see the extent of their influence or otherwise.

Model Summary

Table 4.50 shows the output of model fitness. The R coefficient of 0.921 indicated that the combined independent variables had a correlation of 92.1% with the dependent variable success of tour businesses owned by indigenous entrepreneurs in the tourism industry. The R square also referred to coefficient of determination of 0.849 indicates that the model can explain only 84.9% of success of tour businesses owned by indigenous entrepreneurs in the tourism industry while the remaining 15.1% which is referred to as the coefficient of alienation is determined by other factors. This shows that the independent variables of this study largely predict success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.50: Model Summary – Goodness of fit

Indicator	Coefficient
R	0.921
R Square	0.849
Std. Error of the Estimate	1.635

Regression Coefficients

From Table 4.51, the beta coefficients used are the unstandardized coefficients. The results indicate the change caused by each of the variables to success tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. It also includes the collinearity statistics to ensure there is no multicollinearity on the independent

variables. The Variance Inflation Factor (VIF) was used to provide an index that measures how much the variance (the square of the estimate's standard deviation) of the estimated regression coefficient is increased because of collinearity. Following Kutner (2004) ten (10) was proposed to be the cut off value and further proposes that the factors should be eliminated from the model one by one from the one with the highest VIF value.

From the table, it was found that the only variable that had a p-value less than the set level of significance of 0.05 for a normally distributed data was resources. It was also found out that service quality had a negative impact on the model as one unit of its change gave a negative impact on success. Additionally, multicollinearity was noted as four variables had a VIF value greater than 10.

Table 4.51: Regression Coefficients for all the Independent Variables

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*T*	*Sig.*	*Collinearity Statistics*	
		B	Std. Error	Beta			Tolerance	VIF
1	RESOURCES	.095	.028	.495	3.434	.001	.031	31.779
	POLICIES	.027	.018	.193	1.508	.133	.040	25.069
	IT	.025	.017	.161	1.480	.140	.055	18.177
	SERVQUAL	-.002	.011	-.022	-.173	.863	.042	24.031
	NETWORKS	.041	.030	.106	1.376	.170	.109	9.150

a. Dependent Variable: SUCCESS

Following the preceding table and Kutner (2004), the independent variable resource was removed from the model. Another test was run with the four remaining variable. The effect of service quality on success turned positive. Two variables, policies and ICT, were also found to have a p-value less than the acceptable 0.05 meaning they were significant. However, VIF value for three variables, policies, ICT and service quality, remained above 10. The one with the highest VIF was policies and it was removed and the test repeated with three variables. The three variables - ICT, Service Quality and Clusters and Networks were found significant and their VIF was lower

than 10 as indicated on Table 4.52. They were therefore concluded to be the main challenges hindering success of the tourism businesses owned by indigenous entrepreneurs.

Table 4.52: Regression Coefficients for the Variables Without Collinearity

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*Sig.*	*Collinearity Statistics*	
		B	Std. Error	Beta		Tolerance	VIF
1	ICT	.061	.017	.402	.000	.059	7.035
	SERVQUAL	.296	.108	.324	.007	.051	9.475
	NETWORKS	.078	.030	.202	.011	.118	8.475

a. Dependent Variable: SUCCESS

Analysis of Variance

From Table 4.53 which is the analysis of variance - ANOVA, success of tour businesses owned by indigenous entrepreneurs in the tourism industry can be explained by the model to the extent of 3399.953 out of 4087.106 or 83.2%, while other variables not captured by this model can explain 16.8% (687.153 out of 4087.106) of variation on success of tour businesses owned by indigenous entrepreneurs in the tourism industry. A p-value of 0.00 is less than the set level of significance of 0.05 for a normally distributed data. This means that the combined independent variables (ICT, service quality, and cluster and networks) are significant in explaining success of tour businesses owned by indigenous entrepreneurs in the tourism industry.

Table 4.53: Analysis of Variance - ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3399.953	3	1133.318	384.286	.000[a]
	Residual	687.153	233	2.949		
	Total	4087.106[b]	236			

a. Predictors: NETWORKS, SERVQUAL, ICT

b. Dependent Variable: SUCCESS

Regression Analysis

Regression analysis was carried out to test the model below at confidence level of 95% and thus the significance or alpha level of 5%. This model links the independent variables: ICT, Service Quality and Cluster and Networks and the dependent variable success. The other independent variables: Resources and Policies were dropped from the optimal model as either they were not significant or they had high multicollinearity as indicated on the previous sections.

$Y = \alpha + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$

Where:

Y is the dependant variable – Success

α is the intercept

X_3 is the independent variable – Information, Communication and technology

X_4 is the independent variable – Service Quality

X_5 is the independent variable – Cluster and networks

ε is the Error term

From Table 4.52, β_3 is 0.061, β_4 is 0.296 and β_5 is 0.078. The estimated success is thus achieved using the equation below:

$Y = \alpha + 0.061X_3 + 0.296X_4 + 0.078X_5 + \varepsilon$

As stated above, α is 0.05. From Table 4.53, the p-value is 0.000. This means that the alpha level is greater than the p-value. This led to conclusion that ICT, Service Quality, and Clusters and Networks are the challenges hindering success of tour businesses owned by indigenous entrepreneurs in the tourism industry. Though the combined model had a p-value of 0.000, regression coefficient of each is different indicating the order of the priority of each variable as drivers of success of tour businesses owned by indigenous entrepreneurs in the tourism industry. Service Quality leads followed by Clusters and Networks and lastly the ICT. As stated earlier, resources and policies had high multicollinearity thus removed from the optimal model.

4.4.7 Revised Conceptual Framework

Following the hypothesis testing for the optimal model, only three of the five variables were found to be the main challenges hindering success of tourism businesses owned by indigenous entrepreneurs in Kenya. These were Service Quality, Clusters and Networks and ICT (in-order of priority). The other variables were dropped from the optimal model following multicollinearity amongst them. The two: resources, and

policies; will therefore be dropped from the original conceptual framework leaving the three variables which optimizes the model. Table 4.54 is a summary of models and their R square also referred to coefficient of determination which indicates by what percentage the model can explain the dependent variable success of tour businesses owned by indigenous entrepreneurs in the tourism industry. Though removal of the variables with multicollinearity lowers the R^2, the difference is not significant as it is only 1.7% and therefore they are not the major determinants of the optimal model.

Table 4.54: Summary of Possible Models and R Square

Variables included in the Model	*R^2 Obtained from the Model*
Resources, Policies, ICT, Service Quality, Cluster and Networks (X_1, X_2 , X_3, X_4, X_5)	0.849 = 84.9%
Policies, ICT, Service Quality, Cluster and Networks (X_2 , X_3, X_4, X_5)	0.841 = 84.1%
ICT, Service Quality, Cluster and Networks (X_3, X_4, X_5)	0.832 = 83.2%

ICT, Service Quality, and Cluster and Networks forms the optimal model. They answer the question what are the challenges hindering success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. The new conceptual framework based on the optimized model is shown on Figure 4.7.

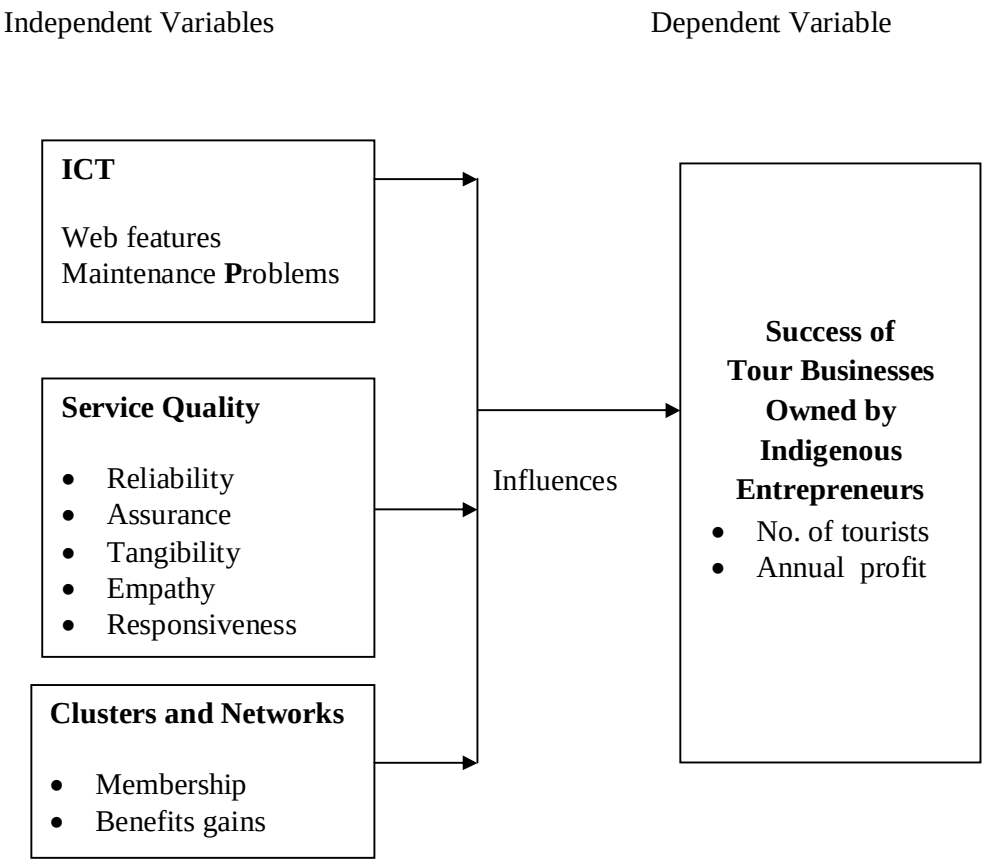

Figure 4.7: Revised Conceptual Framework

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study sought to investigate challenges hindering success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. This chapter summarises the findings of the study based on the following specific objectives:

1. Investigate if resources affect success of tourism business owned by indigenous entrepreneurs in the tourism industry in Kenya.
2. Determine the effect of policies on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.
3. Establish the effect of ICT on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.
4. Investigate the effect of service quality on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.
5. Establish the effect of clusters and networks on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.

The chapter will also report on conclusions and recommendations based on the findings of the study, and suggested areas for further study.

5.2 Summary of Findings

This study sought to investigate challenges hindering success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. In this section, summary of findings for each independent variable investigated is outline. Findings on the investigated combined model, which is the effect of all the independent variables together, are also summarized.

5.2.1 Preliminary Findings

Preliminary study of the sample characteristics revealed that over half of indigenous tour operators (56.6%) had been in business since 2005 and none was operating before 1991. This suggests that many are at the introduction and growth stage of the product life cycle curve. The main respondents to the questionnaire were the managing directors leading to conclusion that they were dominating the business, which can be as a result of the business stage. The number of permanent employees of the firms was found to be majorly between one and two (48.19%) and only 12.85% have employed more than five permanent staff. Sixty two point three five per cent (62.35%) of the respondent firms did not own tourist ferrying vehicles.

5.2.2 Investigate if Resources Affect Success of Tourism Businesses Owned by Indigenous Entrepreneurs in the Tourism Industry in Kenya

The study sought to find out if resources affect the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. The findings of

this study suggested that resources affect the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry. Resources were found to explain 85.4% of success of tourism businesses owned by indigenous entrepreneurs. In addition, a unit change in resources causes a positive change of 0.176 on the success of tour businesses owned by indigenous entrepreneurs in the tourism industry. This means the more the resources, the more the success.

5.2.3 Determine the Effect of Policies on Success of Tourism Businesses Owned by Indigenous Entrepreneurs in the Tourism Industry in Kenya

The study intended to find out if policies, both organizational and governmental, influence the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. The study found that 20.5% of the firms did not have written organizational policies and ultimately policies were not used in decision-making. Government policies, though found to influence success, the local operators looked at them as equal for all including the foreign investors thus not giving the locals priority to grow.

From the study, policies were found to have a significant influence of 83.2% on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry. A unit change in policies could lead to positive changes of 0.129 on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry. Relevant policies well implemented both at the organization's level and government level will lead to success.

5.2.4 Establish the effect of ICT on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.

The study sought to find out if information, communication and technology have an effect on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. The findings revealed that 76% firms were computerised and an equal number had functional websites. The study also found out that information, communication and technology could explain 81.8% of success of tourism businesses owned by indigenous entrepreneurs in the tourism industry. Further, a unit change in ICT could lead to a positive change of 0.138 on success of tourism businesses.

5.2.5 Investigate the effect of service quality on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya

The study intended to find out if service quality influences the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. From the findings of this study, service quality was found to explain 81.4% of success of tourism businesses owned by indigenous entrepreneurs in the tourism industry. A unit change on service quality could lead to 0.825 change on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry.

5.2.6 Establish the effect of clusters and networks on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya.

The study wanted to find out if clusters and networks affect success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. From the findings of the study, clusters and networks have a positive effect on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry. Clusters and networks explain 76.9% of success of tourism businesses owned by indigenous entrepreneurs in the tourism industry. In addition, a unit change in cluster and networks could lead to a positive change of 0.341 on success.

5.2.7 Challenges Hindering Success of Tourism Businesses Owned by Indigenous Entrepreneurs

The main objective of the study was to investigate the challenges hindering success of tourism businesses owned by indigenous entrepreneurs in Kenya. Though the combination of all the independent variables: resources; policies; information, communication and technology; service quality; and clusters and networks shows a positive effect of 84.9% on success of tourism businesses owned by indigenous entrepreneurs in the tourism industry, the optimal model was sought to ensure absence of insignificance contribution or multicollinerity of the variables. It was found that there was either multicollinearity or insignificance on Resources and Policies as variables. These were dropped from the model for the optimal model to be achieved. The variables found highly significant and with no collinearity were Service Quality, Clusters and Networks and ICT. Their effect on success of tourism business was

83.2%. A unit change on Service Quality, Clusters and Networks and ICT can cause a positive change of .296, .078 and .061 respectively on success of tour businesses owned by indigenous entrepreneurs.

5.3 Conclusions

The study sought to investigate challenges hindering success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. This section highlights the main conclusions on the five independent variables: resources, policies, ICT, service quality, and clusters and networks. It also concludes on the combined effect of the five variables towards success of tourism businesses owned by indigenous entrepreneurs.

5.3.1 Effects of Resources on Success of Tourism Businesses

The study sought to find out if resources affect the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. The study concludes that lack of resources hinders success of tourism businesses owned by indigenous entrepreneurs in the tourism industry. Employing skilled workers will ensure delivery of high quality results. Training is not an option but the only option to ensure high calibre of employees leading to increase of core competences in this service oriented industry. Additional languages acquisition should be encouraged to widen the scope of target from English speaking countries to other countries speaking other languages.

Acquisition of vehicles and other assets should not be ignored as a strategy to increase competitiveness. Own resources helps increase credibility of the firm and ultimately the tourists' confidence to engage with the firm. It is thus vital for firms to strategically position themselves by investing on assets, which will consequently lead to their success.

Finance is a main driver of a business as it enables stability, ownership of assets and more importantly marketing. Availability, accessibility and collateral of finances are thus key determinants of success of tourism businesses owned by indigenous entrepreneurs.

5.3.2 Effect of Policies on Success of Tourism Businesses

The study sought to find out if policies, both organizational and governmental, affect the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. It concludes that good organizational policies enables swift strategy devising to enable face the hyper-competition in the tourism industry where only temporary profits are possible. Absence of organizational policies or failure to communicate them to the employees could lead to slow decision making and inefficiency leading to failure of business.

Government's policies related to the tourism industry particularly advertising of Kenya as a destination and funding local tour operators to exhibitions outside the country should be looked into as a strategy to build successful tourism businesses for indigenous entrepreneurs. This will also help put non-tariff barriers into the sector and

safeguard the foreign exchange leakages while increasing sustainability of the industry.

5.3.3 Effects of ICT on Success of Tourism Businesses

The study intended to find out if information, communication and technology affect the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. It concludes that in today's dynamic world because of ICT, the tour and travel operators have no choice but to embrace change and bridge the gap through innovation. Keeping the content of the website updated attracts customers and consequently creates interest in doing business with the firm as it proves reliability of the firm. Improvement of online security and investment on website maintenance is vital to survival and success of the local operators. Use of ICT is of essence in the tourism industry as it reduces time spent out on marketing and distances covered. It also enables reach many clients consequently effective and cost saving.

5.3.4 Effects of Service Quality on Success of Tourism Businesses

The study wanted to find out if service quality affects the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. It has found that service quality is expensive but cannot be sacrificed in a competitive industry like tourism. Service quality particularly in the following subsectors should be enhanced to ensure success of the tour operators: Assurance in terms of competence, courtesy, credibility and security; Tangibility in terms of appearance of

physical elements; Empathy as easy access, good communications and customer understanding; and Responsiveness as promptness and helpfulness to customers.

5.3.5 Effects of Clusters and Networks on Success of Tourism Businesses

The study sought to find out if clusters and networks affect the success of tourism businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. It was found that creation and management of partnerships is vital to help achieve economies of scale, synergies of cooperation, and acquisition of required expertise. Clusters can help enhance competitiveness by creating a regional brand. Networks help in sharing of information that enables scanning of the environment, which is essential when coming up with strategic planning and thus cannot be undermined. Using the existing social networks is encouraged and particularly the internet based networks.

5.3.6 Challenges Hindering Success of Tourism Businesses Owned by Indigenous entrepreneurs

The general objective of the study was to establish challenges hindering success of tourism businesses owned by indigenous entrepreneurs in tourism industry in Kenya. Based on the findings, it is logical to conclude that though all the independent variables: resources, policies, ICT, service quality, and clusters and networks; are individually positively affecting success, the optimal model was achieved with the only two variables – ICT and clusters and networks. It can therefore be concluded that success of tourism businesses owned by indigenous entrepreneurs in the tourism

industry can mainly be achieved through adoption of ICT and engagement in relevant clusters and networks.

5.4 Recommendations

This study sought to investigate challenges hindering success of tour businesses owned by indigenous entrepreneurs in the tourism industry in Kenya. The study justifies that, a tour business owned by indigenous Kenyan that: has enhanced high Service Quality, adopted ICT; and joined beneficial clusters and networks is bound to success. Specifically, the study recommends that:

Service quality should be integrated into the firm's strategic plan and values to make it part of its policy. This will ensure that the purpose, principles, processes, people and performance are quality driven.

Local operators should also endeavor to get ISO certification to enable them boast of high standards that will ultimately enable them to compete with international players. This can only be achieved if the service quality is improved through benchmarking and learning from those who have succeeded in the business which is highly recommended for the local operators.

Tour business should adopt ICT through computerization of their activities and integrating their back office with the others. This will enable share of information in the organization leading to knowledgeable organization that can compete with others

even on the globe. Fast retrieval of information and making well informed decisions will also be achieved.

Tour businesses should have a functioning website which has the right features and is well maintained. Introduction of the Web will offer tour businesses new opportunities to access new customers both cost effectively and from a wider scope. Local operators should use the latest ICT technology like the social media marketing to reach wider clientele at the shortest time possible using cheap means.

The government should come up with a strong policy on security of internet to deal with the vice of hacking of information. This will enable use of credit cards and thus boost the trust on local operators by the tourists.

Tour businesses should endeavour to come up with clusters to give them more bargaining power as a result of the achieved synergy. Wider coverage cluster like East African region is more recommended than local cluster to give more strategic advantage to the businesses as a tourist interested in Tanzania or Uganda will be motivated by the rates under the cluster umbrella to visit Kenya.

Tour businesses should also join other networks particularly in the source markets to enhance their visibility and strategic positioning that would ultimately enable them reach more international tourists. As the saying goes, if you want to go faster, do it alone; if you want to go farther, do it in a group.This will also help the firms to know whatever is happening on the ground to enable informed decisions on proactive

changes of tactics. Linkages to their website are also encouraged as an additional marketing tool to guarantee wider coverage and visibility.

Finally the study would recommend use of the blue ocean strategies by the indigenous tourism businesses. This will involve going to untapped market space, creating demand, and opportunity for highly profitable growth. This will make competition irrelevant and exceed the existing boundaries where the new tourists will have confidence as they have no previous experience with any other service provider in Kenya.

5.5 Areas for Further Study

It is important to note that the revised model of this study was only able to answer the question of success by 83.2%. It would thus be necessary for further study on the topic to find out other factors causing either success or failure of the tourism businesses owned by indigenous entrepreneurs.

Another study that can strengthen the findings of this study is one carried out with respondents being the tourists served by the local operators. This is because this study only used the lenses of the operator thus one side of the coin. The tourists could have an open mind and assist in unearthing the problem behind failure of the local operators to compete effectively in their own home ground.

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APPENDICES

APPENDIX 1 - Questionnaire

Section 1 – Respondent's General information

Name of the Company (**Optional**): _____

Year of incorporation of the company: _____

Position of the person filling this questionnaire: _____

Section 2 – Resources

This section is concerned with investigation of the resources owned by the firm and their contribution to success:

1. How many permanent employees have your firm employed? _____

(Please fill in their numbers by categories below)	
Managers	
Tour Consultants	
Tour guides/drivers	
Clerical workers	
Others (specify)	

2. How many tourist ferrying vehicles does your firm own? _____

(Please fill in their numbers by categories below)

Van/Nissan	
4x4 landcruiser	
Minibus	
Others (specify)	

3. Using the following scale, please rate the following resources features as they relate to the success of your firm: (5) Very important; (4) Moderately important; (3) Neutral (2) Of slight importance (1) Not important

	Resources	**5** Very important	4 Moderately important	**3** Neutral	2 Of slight importance	1 Not important
1	Human resource	☐	☐	☐	☐	☐
2	Education/ skills acquisition of employees	☐	☐	☐	☐	☐
3	Training in tourism industry e.g. Utalli College	☐	☐	☐	☐	☐
4	Language skills in addition to English	☐	☐	☐	☐	☐
5	Owned tourists ferrying vehicles	☐	☐	☐	☐	☐
6	Owned parking yard	☐	☐	☐	☐	☐
7	Owned office space	☐	☐	☐	☐	☐
8	Owned office equipments (fax, telephone, desks, computers etc)	☐	☐	☐	☐	☐
9	Availability of finance	☐	☐	☐	☐	☐
10	Accessibility of finance	☐	☐	☐	☐	☐
11	Collateral for finance	☐	☐	☐	☐	☐

4. In your opinion, what other resources are necessary for the success of your firm? _____

Section 3 – Policies

This section is concerned with investigation of whether policies (written guidelines, rules and regulations) affect success of tourism businesses' owned by indigenous Kenyans.

Please grade your answers from 1 to 5 (1 – strongly disagree, 2 – Disagree, 3 – Don't know, 4- Agree, 5 – Strongly Agree)

1. The existing Government policies on the following enable success of your firm:

Government policy (Written guidelines, rules and regulations)	**1** Strongly disagree	**2** Disagree	**3** Don't know	**4** Agree	**5** Strongly Agree
Advertising Kenya as destination	☐	☐	☐	☐	☐
Inviting local tour operators for exhibitions outside the country	☐	☐	☐	☐	☐
Funding local tour operators to the above exhibitions	☐	☐	☐	☐	☐
Cushioning local tour operators	☐	☐	☐	☐	☐
Financing through KTDC	☐	☐	☐	☐	☐
Licenses requirement	☐	☐	☐	☐	☐
Regional tourism enablement (East Africa)	☐	☐	☐	☐	☐
Uncontrolled prices charged by tour operators	☐	☐	☐	☐	☐

2. What other government policy can you suggest for success of your firm? _____

3. Does your firm have written down policies (Written guidelines, rules and regulations)? YES/NO**.** If yes are they available to all employees? YES/NO**.**

4. Are the policies always used in decision making by the employees? YES/NO**.** If no, what else is used?

   _____

Are the following organizational policies (Written guidelines, rules and regulations) in place at your firm? YES/NO. **If yes how would you rate their efficiency?**

Organizational policy (Written guidelines, rules and regulations)	**YES/NO**	**1** Highly Inefficient	**2** Inefficient	**3** Don't know	**4** Efficient	**5** Highly Efficient
Business Plan		☐	☐	☐	☐	☐
Operational plans and objectives		☐	☐	☐	☐	☐
Customer orientation and marketing (e.g. customer attraction and advertisement)		☐	☐	☐	☐	☐
Human resource management (e.g. recruitment, remuneration, training and development etc)		☐	☐	☐	☐	☐
Finance and Accounting (e.g. bookkeeping,		☐	☐	☐	☐	☐

financing etc)						
Assets management (e.g. assets recording, depreciation, replacement etc.)		☐	☐	☐	☐	☐

Section 4 – Information and Technology

This section is concerned with investigation of whether information and technology affect success of tourism businesses owned by local operators.

1. Is your firm computerized? YES/NO. If yes, do you have a functional website YES/NO.

2. Please rate the following website features as they relate to the success of your firm:

	Website feature	**5** Very important	4 Moderately important	**3** Neutral	2 Of slight importance	1 Not important
1	Appearance of the website, its graphical interface (choice of layout, fonts, colours, etc.)	☐	☐	☐	☐	☐
2	In-depth descriptions of firms products/services	☐	☐	☐	☐	☐
3	Contact information	☐	☐	☐	☐	☐
4	Booking capability	☐	☐	☐	☐	☐
5	E-commerce/payment online	☐	☐	☐	☐	☐
6	Customer testimonials	☐	☐	☐	☐	☐

	access					
7	Hyperlinks to other websites	☐	☐	☐	☐	☐
8	Subscription to mailing lists to receive offers, news etc.	☐	☐	☐	☐	☐
9	Multiple languages	☐	☐	☐	☐	☐

3. Does your company experience **problems** with any of the following aspects of website maintenance? Please characterize these problems using the following scale: (1) Very major; (2) Major; (3) Neutral (4) Minor; (5) Very minimal

	Website maintenance aspect	**1** Very major	**2** Major	**3** Neutral	**4** Minor	**5** Very minimal
1	Keeping content updated	☐	☐	☐	☐	☐
2	Online security	☐	☐	☐	☐	☐
3	Reliability of telecommunications service	☐	☐	☐	☐	☐
4	Quality of web hosting equipment	☐	☐	☐	☐	☐
5	Cost of maintenance	☐	☐	☐	☐	☐
6	Training or skills to implement certain website features	☐	☐	☐	☐	☐
7	Access to expert assistance or advice	☐	☐	☐	☐	☐

4. What information system do you use for marketing, booking and tracking tourists?

Information System	Tick Appropriately
Tourist Information System cover (TIScover)	☐
Context Aware Tourist Information System (CATIS)	☐
Web Based Tourist Information System (WETIS)	☐
Others (specify)	

Section 5 – Service Quality

This section is concerned with investigation of whether service quality affects success of tourism businesses' owned by indigenous Kenyans.

How would you rate the following service quality as performed by your firm in respect to your clients' expectations? **(Rating 1 to 5 with 1 being poor and 5 being excellent)**

Reliability	**1** Poor	**2** Average	**3** Neutral	**4** Good	**5** Excellent
Ability to perform the promised service dependably and accurately	☐	☐	☐	☐	☐
Handling customers' service problems	☐	☐	☐	☐	☐
Providing services right first time	☐	☐	☐	☐	☐
Providing services at promised time	☐	☐	☐	☐	☐
Maintaining error free records	☐	☐	☐	☐	☐

Assurance	**1** Poor	**2** Average	**3** Neutral	**4** Good	**5** Excellent
Knowledge and courtesy of employees and their ability to inspire trust and confidence.	☐	☐	☐	☐	☐
Making customers feel safe in their transactions	☐	☐	☐	☐	☐
Knowledgeable employees in handling customers questions	☐	☐	☐	☐	☐
Customers' trust on website information	☐	☐	☐	☐	☐
Tangibles	**1** Poor	**2** Average	**3** Neutral	**4** Good	**5** Excellent
Modern equipments including cars and IT equipment	☐	☐	☐	☐	☐
VHF & HF radio fitted cars	☐	☐	☐	☐	☐
Visually and up-to-date appealing facilities	☐	☐	☐	☐	☐
Employees with a neat, professional appearance	☐	☐	☐	☐	☐
Empathy	**1** Poor	**2** Average	**3** Neutral	**4** Good	**5** Excellent
Caring, individualized attention the firm provides its customers.	☐	☐	☐	☐	☐
Employees understanding of their customers' needs while respecting their privacy	☐	☐	☐	☐	☐
Convenient business hours	☐	☐	☐	☐	☐
Communication skills of the employees	☐	☐	☐	☐	☐

Responsiveness	**1** Poor	**2** Average	**3** Neutral	**4** Good	**5** Excellent
Use of right means of communication	☐	☐	☐	☐	☐
Keeping customers informed as to when services will be performed	☐	☐	☐	☐	☐
Prompt service to customers (less than 24 hours)	☐	☐	☐	☐	☐
Information is provided to frequently asked questions and answers	☐	☐	☐	☐	☐
Email address for queries or complaints is provided	☐	☐	☐	☐	☐

Section 6 – Clusters and Networks

This section is concerned with investigation of whether clusters and networks affect success of tourism businesses' owned by indigenous Kenyans.

1. Apart from KATO, which other memberships does your firm have locally or internationally?

	Tick Appropriately
American Society of Travel Agents (ASTA)	☐
World Tour Operators Association (WTOA)	☐
European Tour Operators Association (ETOA)	☐
Others (specify)	

From the above, which memberships enable you to get more business? _____

Your company seeks membership for the following benefits:

Benefit from membership	**1** Strongly disagree	**2** Disagree	**3** Don't know	**4** Agree	**5** Strongly Agree
Information on the sector	☐	☐	☐	☐	☐
Increased market share	☐	☐	☐	☐	☐
Bargaining power	☐	☐	☐	☐	☐
Sharing resources	☐	☐	☐	☐	☐
Linkages and connection to international clients	☐	☐	☐	☐	☐

List any other benefit your firm could be interested in from membership

_____

Section 7 – Success

For the previous 5 years, kindly list the following information from your firm's records which will concern success of your firm for the last five years:

Information requested	**2006**	**2007**	**2008**	**2009**	**2010**
Number of International Tourists served					
Number Local Tourists served					
Approximate net profit of the firm					

Thank you very much for participating in this study. You are encouraged to give any other relevant information related to factors hindering success of the tour operators owned by indigenous Kenyans. Again you are assured of confidentiality of this information and it will not be shared.

Could you be interested in receiving the findings of this study? If yes, please indicate the details of your contacts below:-

Name of the Tour Operator: _____

Contact Person: _____

Telephone number: _____

Email Address_____

APPENDIX 2 - KATO Members as at 13/09/2011

	Company Name	*Category in KATO*
1	Adventure Alternative Expeditions and Treks	Associate
2	Adventure Holidays Company Ltd	Associate
3	African Home Adventure Ltd	Associate
4	Aipa Safaris	Associate
5	Animal World Safaris Ltd	Associate
6	Aramati Safaris	Associate
7	Benroso Safaris Ltd	Associate
8	Born Free Vacations	Associate
9	Brogibro Company Ltd	Associate
10	BushBlazers Tours Travel & Safaris Ltd	Associate
11	Campofrio Safaris Ltd	Associate
12	DK Grand Safaris & Tours Ltd	Associate
13	Dotcom Safaris	Associate
14	Eagle Holidays Ltd	Associate
15	East Africa Adventures Tours & Safari	Associate
16	Elida Tours & Safaris	Associate
17	Expedition Africa Safaris	Associate
18	Fidex Car Hire Ltd	Associate
19	First Choice Tours & Travel Ltd	Associate
20	Flight & Safaris International Ltd	Associate
21	Hallmark Travel Planners	Associate
22	Kairi Tours & Safaris	Associate
23	Mbango Safaris East Africa Ltd	Associate
24	Mfekane Tours & Travel Ltd	Associate
25	Mighty Tours and Travel Ltd	Associate
26	Mitoni Africa Safaris Ltd	Associate
27	Moige Tours & Travel Co. Ltd	Associate
28	Nightingale Tours & Travel	Associate
29	Pacific Blue Travel & Tours Ltd	Associate
1	African Quest Safaris Ltd	Category A
2	Cheli & Peacock Ltd	Category A
3	Global Holidays & Incentives Ltd	Category A
4	Guerba (K) Ltd	Category A
5	Twiga Car Hire & Tours Ltd	Category A
6	Private Safaris(EA) Ltd	Category A
1	Dallago Tours & Safaris	Category C
2	Eastern and Southern Safaris	Category C
3	Jamii Tours & Travel Ltd	Category C

4	Nature Expeditions Africa	Category C
5	Real Africa LTD	Category C
6	Sayari Afrika Ltd	Category C
7	Silver Africa Tours & Safaris Ltd.	Category C
1	Acacia Holidays Ltd	Category D
2	Afriqueen Adventure Ltd.	Category D
3	Chronicle Tours & Travel	Category D
4	Crown Tours & Car Hire Ltd.	Category D
5	Diwaka Tours & Travel Ltd	Category D
6	IntoAfrica Eco-Travel Ltd	Category D
7	Kibo Slopes & Safaris Ltd	Category D
8	Ostrich Holidays Adventures	Category D
9	Rickshaw Travels (Kenya) Ltd	Category D
10	Safaris In Style	Category D
11	Star Travel & Tours Ltd	Category D
12	Tour Africa Safaris	Category D
13	Travel Creations Ltd	Category D
14	Travel Scene Services	Category D
15	Uniglobe Northline Travel Ltd	Category D
16	Woni Safaris Ltd	Category D
1	Absolute Adventure Africa Safaris Limited	Category E
2	Accacia Safaris(Kenya) Limited	Category E
3	Africa Bound Safaris (K) Ltd	Category E
4	Africa Partners In Safari Ltd	Category E
5	African Eco-Safaris	Category E
6	African Sermon Safaris	Category E
7	African Servalcat Safaris & Tours	Category E
8	African Spice Safaris	Category E
9	All Seasons Safaris and Tours	Category E
10	Aloha Tours & Safaris	Category E
11	Amazing Tours & Travel Ltd	Category E
12	Anste Tours & Travel Limited	Category E
13	Asili Adventure Safaris	Category E
14	Australken Tours & Travel Ltd	Category E
15	Baisy Oryx Tours Travel & Safaris	Category E
16	Basecamp Travel Ltd	Category E
17	Bellafric Expeditions Ltd.	Category E
18	Buena Vista Tours & Safaris	Category E
19	Bushbuck Adventures Ltd	Category E
20	Bushtroop Tours & Safaris	Category E
21	Call of Africa Safaris	Category E
22	Cheetah Tours Ltd	Category E

23	CKC Tours & Travel	Category E
24	Custom Safaris	Category E
25	Destination Connect Co. Ltd	Category E
26	Destination Link Services	Category E
27	Earth Tours & Travel Ltd.	Category E
28	Eco Adventures Limited	Category E
29	El Molo Tours & Travel	Category E
30	Elite Travel Services Ltd	Category E
31	Exotic Golf Safaris Ltd.	Category E
32	Favour Tours & Safaris	Category E
33	Finch Travels Ltd.	Category E
34	Flawless Links	Category E
35	Four By Four Safaris Ltd	Category E
36	Furstenberg Safaris Ltd	Category E
37	Game Viewers Adventures Limited	Category E
38	Genet Tours & Safaris	Category E
39	Glory Car Hire Tours & Safaris Ltd.	Category E
40	Go Africa Safaris and Travel	Category E
41	Go4Fun Safaris Ltd	Category E
42	Grand Edition Tours	Category E
43	Hamerkop Safaris	Category E
44	Holiday Seekers Ltd	Category E
45	Hotel Adventure Travel Ltd	Category E
46	Ideal Tours & Travel	Category E
47	Incentive Travel Ltd	Category E
48	Jocky Tours & Safaris	Category E
49	Kenor Safaris Ltd	Category E
50	Kentan Safaris Ltd.	Category E
51	Kisima Tours & Safaris	Category E
52	Kuja Safaris	Category E
53	Leading Expeditions Safaris	Category E
54	Madukha Tours & Safaris Ltd	Category E
55	Marble Travel	Category E
56	Maridadi Safaris Ltd	Category E
57	Menengai Holidays Ltd	Category E
58	Nahdy Travel & Tours	Category E
59	Napenda Africa Safaris	Category E
60	Nappet Tours & Travel Ltd	Category E
61	Natural Track Safaris	Category E
62	Nature's Edge	Category E
63	Palbina Travel & Tours	Category E
64	Penfam Tours & Travel	Category E

65	PioneerTravels Ltd	Category E
66	Preps Safaris International Ltd.	Category E
67	Prima Vera Tours & Safaris	Category E
68	Primetime Safaris	Category E
69	Raydoll Tours & Travel	Category E
70	Raylenne Tours & Safaris	Category E
71	Safari Icon	Category E
72	Safari Partners Kenya Ltd.	Category E
73	Safe Ride Tours and Safaris	Category E
74	Saleva Africa Tours Ltd.	Category E
75	Sardius Tours & Safaris	Category E
76	Selective Safaris	Category E
77	Sights of Africa (E.A.) Tours & Travel	Category E
78	Signature Tours & Travel Ltd.	Category E
79	Silverbird Adventure Tours & Travel	Category E
80	Silverbird Travel Plus Ltd	Category E
81	Skyview Of Africa ltd	Category E
82	Speedbird Travel & Safaris	Category E
83	Sportsmen's Safaris & Tours	Category E
84	Spurwing Travel & Tours Ltd	Category E