

## Entrepreneurial Challenges Facing the Hospitality Industry in Kericho County—Kenya

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**Abstract:** The aim of this paper is to embrace effective business management strategies in the hospitality industry so as to attract more tourists to the County in line with vision 2030. The hotel entrepreneurs in Kericho town mainly operate as restaurants limiting the potential of growth in the sector because many tourists prefer three to five star hotels. The research aimed to achieve the following objectives: to find out the challenges they face in their business and determine the entrepreneurial skills of the hoteliers. To achieve these objectives, a triangulation of both descriptive and exploratory design that involved 30 hotel employees as well as 20 supervisors and 10 managers/owners was used. A self-reporting, structured questionnaire was used. Items that relate to entrepreneurial practice, skills and challenges were measured on a five point likert scale. Descriptive statistics were used to organize, describe and summarize the data on classification of the various hotels and challenges facing the hotel industry in Kericho town. Most hotels are owned by the local business people. They mainly attract domestic customers because the majority are restaurants with only one three star hotel. Most of the hotel entrepreneurs considered financial management as the most important challenge followed by problem solving and interpersonal skills. The main challenges facing the hotel industry in the County include: shortage of competent manpower, financial constraints, high competition and problems with suppliers. Further, entrepreneurial practices such as having networking skills, problem solving skills, financial management and information technology will help them mitigate those challenges. The study recommends the following: embrace networking and business links to enhance communication and sharing of marketing information for the purpose of business.

**Key words:** entrepreneurial challenges; entrepreneurial practices; entrepreneurial skills; tourism; hospitality

**JEL code:** L26

### 1. Introduction

This paper examines the key challenges facing the hospitality Industry in Kericho County and explores ways of improving the sector. This is in line with Kenya Vision 2030 where Kenya should be amongst the top 10 long-haul tourist destinations in the world offering a high-end, diverse and distinctive visitor experience that few of her competitors can offer. This is in line with the theme of embracing the changing face and pace of business and management so as to achieve the third specific Kenya Vision 2030 Tourism goal for 2012 of increasing hotel

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beds from 40,000 to at least 65,000, combined with an emphasis on a high quality service. The tourism and hospitality industry in Kenya has since independence been known to provide the much needed foreign income to the government. More so, the sector plays an important economic role by providing employment and infrastructure development. The key players in the industry have been seen to be large foreign owned hotels and the government who takes charge of game parks and national reserves.

The role of the micro and small enterprises (MSEs) has been hardly felt within the industry yet; literature provides that they are a key contributor to economic development. These players have been ignored within the industry, very little information is available as to how they operate and the constraints they face in their operations and their success rates. The government has acknowledged the fact that the MSEs sector plays an important role in the economy and this has been stipulated in the various government publications.

The tourism and hospitality industry in Kericho has been there for a while but its presence leaves a lot to be desired. This is so because of the stagnant growth in the sector and lack of diversification of activities. The Kericho County is a clean beautiful town in the wet highlands of Western Rift Valley. The landscape and economy is dominated by tea farming. It has an enviable scene that soothes the nerves of any visitor. The town has proved to be a fast growing agricultural town. Its spurts of growth have seen remarkable changes for the last one decade. Such growth as this has seen many eating houses mushroom at every street. It is in this development that many hotels have come up to satisfy the customers because of the high demand for quality service in the hospitality industry. It is therefore against this backdrop that the study is conducted.

### **1.1 Problem of Research**

The Tourism and hospitality industry contributes greatly to Government Revenue through license fees, customs and exercise duty, value added tax (VAT) on tourism services, landing fees, passenger service charge and entry fees to game parks as well as income tax levied on other employees in the tourism industry. The generated revenues play a pivotal role in the overall development of the economy.

The tourism and hospitality industry in Kericho County faces a stagnated growth. This is evidenced by the closure of good and big hotels like the former Midwest hotel which has since been transformed to a university, the tea hotel is dwindling in its performance and facilities such as the swimming pool has been closed, just to mention a few. In spite of deliberate efforts by the government to foster the industry, little is seen in the County.

The hotel entrepreneurs in Kericho town mainly operate as restaurants and this limits the potential of growth in the sector because many tourists prefer larger hotel with accommodations such as three to five star hotels. There exists only one three star hotel: Tea Hotel which serves the guests who visit the town. This is despite the fact that 3 highways lead to Kericho town, i.e., Nakuru – Kericho, Kisumu – Kericho and Kericho – Kisii Highways. It also has many tourist attractions for example visits to tea factories and vast tea plantations, bird watching, river walks, trout fishing and Chagaik Dam and Arboretum. There is therefore need to have more tourist hotels to attract both local and international tourists to the town. The problem that arises in the hospitality industry is when the entrepreneur's culture is not supporting the mission and the goals of the enterprise. The challenges faced by the hotel entrepreneurs may hamper their growth and profitability in business, therefore the need to identify those challenges and find ways for the hotel entrepreneurs to mitigate them.

### **1.2 Research Focus**

The specific objectives are:

- (1) To determine the entrepreneurial skills and practices of the hoteliers in Kericho County.

(2) To determine the hotel classifications existing in Kericho County.

(3) To find out the challenges facing the hotel industry in Kericho County.

With the increased cases of people eating outside the home there is a lot of potential for great improvement in the hospitality industry in Kericho town. Kericho is well placed as it is on the highway connecting various towns and is a tourist attraction area yet there is only one 3 star hotel: Kericho Tea Hotel. There is therefore, the need to come up with more hotels to accommodate visitors in the town.

The study is intended to provide useful information to the Ministry of Tourism on the best way to promote and develop tourism in Kericho town. The information obtained will be useful to the constituency development fund (CDF) management in exploring projects for developing the constituency thus more hotel projects will lead to job creation thus empowering the local people as well as improving the nation's economy. In addition the information obtained will be used for curriculum development in the field of hospitality studies

## **2. Literature Review**

### **2.1 Tourism and Hospitality Industry in Kenya**

Since independence, Kenya has relied on its tourism industry to generate foreign exchange earnings. Kenya provides a good example of an African country which has embraced tourism as an important tool for socio-economic development. In the short-term, Third World Countries in general, and Kenya in particular, viewed the development of tourism as a quick and reliable source of much sought after foreign exchange receipts, job creation and economic growth. However, a critical evaluation of the evolution and development of tourism in Kenya indicates that the country's tourism industry faces socio-economic problems and structural deficiencies which reduce the industry's efficacy as a tool for local, regional and national sustainable development (Akama, 1999).

Scholars argue that tourism has larger multiplier effects than any other sector since every unit of tourist spending would generally go through several rounds of income creation and expenditure before its effect is exhausted. This would be, expenditure on hotel accommodation, food and beverages, shopping, entertainment and transport, provides an income to hotel staff, taxi operators, shopkeepers and suppliers of goods and services. They in turn spend part of this income on their daily requirements of goods and services. Hence money accruing from tourism circulates through numerous segments of the economy through the multiplier process.

The development of appropriate complementary products will increase the attractiveness of the destination and increase tourist spending in the local economy. In existing destinations, hoteliers and tour operators, local government and local communities all need to be empowered to take control of their destination within the context of the domestic and international tourism market. Local benefits, including poverty elimination, will be maximized where tourism develops strong linkages into the local economy. The distribution of employment, including gender distribution, and access for local entrepreneurs from the formal and informal sectors to the tourism market are essential to poverty elimination. Infrastructural development can also be planned so as to benefit local communities through the provision of roads, telephones, piped and treated water supplies, waste disposal and recycling and sewage treatment.

A more meaningful measure of foreign exchange receipts discounts the leakages from the gross receipts and arrives at a figure of net receipts from tourism. Many tourism enterprises in the Third World are owned and managed by foreign companies, usually multinational corporations. The parent company therefore is in a

controlling position allowing it to repatriate most of the foreign exchange. Relatively large amounts of foreign exchange are lost to the developed world because of the structural dependency created through widespread foreign ownership, control and management of tourism enterprises in the Third World (Lea, 1993).

Sindiga (1999) notes that tourism is labour-intensive. People serve in various sub-sectors of the industry including tour guiding, nature and cultural interpretation, game viewing, travel and transport services, promotion, sport, and in the area of food, beverage and alcohol service, and accommodation. Other tourism-related employment is in entertainment as well as the arts and hand-craft curios. Indirectly, tourism creates employment in agriculture for the food requirements of the visitors. Also, infrastructure development such as road construction and hotel construction may provide many short-term jobs. Tourism also supports other areas such as money and banking. It may also be mentioned that tourism attracts a number of activities in the informal sector. The activities in the informal sector include male and female prostitution, hawking of various merchandise, professional friendships, begging or simply following the tourists.

Kenya's hotel infrastructure is dispersed over the entire country although the concentration varies widely. Many of Kenya's main tourist hotels are found in the major cities and resort areas including Nairobi, Mombasa, Malindi, Nakuru and Kisumu. Other tourist hotels are located on the south coast region, which includes Diani and Tiwi beaches, around the Mt Kenya region, and in the central part of the Great Rift Valley. Lodges and tented camps are found mainly in the South West (covering the Amboseli region), the Maasai Mara, and in the Western region (Kakamega) and the northern parts of Kenya at Isiolo and Maralal.

## **2.2 Hotel Entrepreneurship**

Entrepreneurship is defined by looking at the individual who goes against the odds and translates a vision into a successful business enterprise. Personal qualities and characteristics of individuals such as demographics (age, gender, family background and education), personality traits (need for achievement, locus of control, risk-taking, tolerance for ambiguity and values) and skills (leadership, creativity and decision-making) are often examined in this approach (Bird, 1989). Entrepreneurship literature identifies four ways in which opportunities arise in the economy. Kirzner (1997) argues that it is entrepreneurial alertness that leads to opportunities

Clichy et al. (2009) gives practices for developing hospitality business entrepreneurial thoughts and behaviors. Generally, they discovered practices that apply to the hotel industry, in particular. The six practices identified include a wide range of characteristics, traits, attributes and skills. Some characteristics are inherent, while others require entrepreneurial learning, training and repetition. Bowen et al. (2009) observed that having good communication skills is necessary in any business. This is so because of the personalized services that most customers anticipate when dealing with small business owners or managers.

*Intrapersonal communication:* The intrapersonal communication practice is about communication with one's self. It includes honesty, listening skills, and patience and technical skills. Honesty with one's self starts with self-awareness and self-understanding.

*Interpersonal communication:* The interpersonal communication practice includes conversations with others. The most important communication skill is listening. Listening requires empathy, demonstrated when listening to others' points of view from their perspectives.

*Agility:* The agility practice includes adaptability, autonomy, comfortable making decisions, independent and resourcefulness. Adaptability is flexibility to change directions if something new surfaces. Adaptability is adjusting to conditions as they develop.

*Creative savviness:* The creative savviness practice covers creativity, intuition, inventiveness and being politically savvy. All these qualities are embodied in an entrepreneur who sets out to develop something new and innovative. Savvy owners have a “sixth sense” when it comes to anticipating customers’ needs and desires before the customers express them. These owners are inventive and look for unfilled needs and desires and hidden opportunities others don’t see.

*Problem-solving pragmatism:* A hotel owner who practices being a problem-solving pragmatist is one who has knowledge of financial numbers and possesses objectivity. Knowledge of financial numbers begins with building a realistic business and financial plan for the business, and then following it. Entrepreneurs act objectively and make fact-based decisions.

*Legacy leader:* The legacy leader practice embodies a desire to leave your mark and be significant. Entrepreneurs are focused on their vision for the future and, often, when describing a concept or product/service do so as if it already exists, even though it is still in the planning and development stages.

### **2.3 Main Challenges Facing Small Businesses**

On the main challenges businesses face, competition, insecurity, debt collection, lack of working capital and power interruptions were reported as the top five challenges facing micro and small businesses. However, in a research conducted in Nairobi, not every business reported that they were experiencing business challenges. Out of the 198 businesses that participated in the survey, 177 (89 percent) reported various business challenges. Competition was ranked as the most pressing (38 percent) followed by insecurity and lack of credit with 18 percent and 7 percent of the respondents respectively. However, it is important to note that whereas competition was acknowledged by majority of respondents (see Table 4 in appendix), only 38 percent of respondents ranked it as a number one challenge. This implies that competition is not the same across the business sectors. It is also possible that entrepreneurs have accepted competition as a way of doing business since the market is liberalized. Further analysis through cross-tabulations revealed that competition is highest in the service sectors.

### **2.4 Managing Business Challenges**

*Competition:* The respondents mentioned good customer service followed by discount offers (which vary according to client), use price as a competitive edge by selling more cheaply than their competitors. Selling a variety of products, offering credit facilities, selling of quality goods and services and offering customers’ additional services like free training, using price to compete may mean lower profits, even if it may translate into higher volumes. However, this strategy can be employed by everybody hence spelling a death knell for the business given the fierce competition in the small business sector.

*Poor security:* Security threats pose a great challenge to businesses and many business owners and managers employ various means to help prevent or deter would-be criminals. Some entrepreneurs make use of security firms or guards to safeguard their businesses in addition some close early to avoid thugs while others opt to carry their stocks home while some sleep in their business premises as a security measure. This implies higher cost of doing business as they respond to the security challenges.

Caalders (2002), suggest that networks are seen as a precondition or catalyst for innovation. There are several theories that support this. Verschoor (1997) argues that the actor-network theory offers a promising potential for accounting for the dynamics of small firms in general, and for their feasibility in particular. Feasibility is defined in terms of global and local networks and obligatory points of passage or transactions between the local and the global network. Goudis and Skuras (2001) make an attempt to provide a typology of business networks based on

all different classifications of business networks found in the international literature. These kinds of typologies may render appropriate clues for researching entrepreneurs' practices. In sum, the continuation research should focus on a more detailed description of entrepreneurs' social networks, and related to the role of tribalism.

### **3. Methodology of Research**

#### **3.1 General Background of Research**

A descriptive and exploratory survey was used to undertake this study. It involved 30 employees working in the hotel industry in Kericho. In addition, 10 managers/owners and 20 supervisors who are in charge of the hotel employees were inclusive of the respondents.

#### **3.2 Sample of Research**

A descriptive and exploratory survey was used to undertake this study. Data collection tools included a structured self administered questionnaire which was distributed to all the respondents. This decision was made after piloting of the instruments and the response was that most managers preferred to fill in questionnaires as opposed to scheduling an interview. Piloting of the study was done in March 2011. The study involved 30 employees working in the hotel industry in Kericho County, 10 managers/owners and 20 supervisors who are in charge of the hotel employees and was conducted between April and July 2011.

#### **3.3 Instrument and Procedures**

Data collection tools included structured self administered questionnaire which were distributed to all the respondents. The researchers obtained informed consent from the respondents: they were not under any duress to participate in the research. At any point of the research, if the participants felt that they wanted to pull out of the research, they were allowed without condition. In addition, the participants were informed of any possible harm that they may encounter during the research. Confidentiality was assured to the participants, the information obtained from them was used for purposes of research only, more so their anonymity was considered; their names and place of work was not required for the purposes of research. The participants were not pressurized to answer or to agree with the information provided.

#### **3.4 Data Analysis**

The data collected was coded, edited to remove errors and wrong answers. This was then analyzed using quantitative means. Descriptive statistics such as means, mode and standard deviations was used to organize, describe and summarize the data on classification of the various hotels and challenges facing the hotel industry in Kericho town. It was then computed using the statistical package for social sciences (SPSS) software package.

### **4. Results of Research**

The population was categorized into three main groups. The hotel owner/managers consisted of 80% male and 20% female. The next group consisted of supervisors' who were 90% male and 10% female and lastly the other employees who consisted of 60% male and 40% female. The largest age grouping of respondents was aged 40-49 (36%). Most of the respondents were employed on full time basis. The highest education level was technical education. The majority of hotel owners/managers mentioned that their establishment was more than 10 years.

#### **4.1 Challenges Faced by Employees at Work**

The hotel and hospitality industry is considered labour intensive being in the service sector. Further micro

and small enterprises in Kenya are considered to be heavily relied on family labour and or employing less than five other employees. The challenges faced by employees in such an industry are known to directly affect their service delivery which culminates to loss of customers and in the long run loss of profits. Table 1 below shows that most of the employees experience problems with poor customer relations (26.7%), troublesome customers (16.7%) while unfair pay and financial challenges were (13.3%).

**Table 1 Challenges Faced by Employees at Work**

| Challenge                | Frequency | Percentage | Cumulative percentage |
|--------------------------|-----------|------------|-----------------------|
| Troublesome customers    | 5         | 16.7       | 16.7                  |
| Power and water shortage | 3         | 10.0       | 26.7                  |
| Financial Challenges     | 4         | 13.3       | 40.0                  |
| Room for expansion       | 3         | 10.0       | 50.0                  |
| Unfair remuneration      | 4         | 13.3       | 63.3                  |
| Over working             | 3         | 10.0       | 73.3                  |
| Poor customer relations  | 8         | 26.7       | 100.0                 |

#### **4.2 Skills Needed for Effective Performance**

With a mean of 3.87 and a standard deviation of 1.889, the majority of the respondents (26.7%) were of the opinion that training and good communication were the relevant skills for accomplishing tasks (Table 2). In addition the majority of employees mentioned that they have a good working relationship with customers (73%) with a mean of 1.27 and standard deviation of 0.405.

**Table 2 Skills Required to Accomplish Tasks**

| Skills required                 | Frequency | Percentage | Cumulative percentage |
|---------------------------------|-----------|------------|-----------------------|
| Training                        | 3         | 10.0       | 10.0                  |
| Financial assistance            | 7         | 23.3       | 33.3                  |
| Food production techniques      | 4         | 13.3       | 46.6                  |
| Good communication skills       | 3         | 10.0       | 56.6                  |
| Honesty and hard work           | 4         | 13.3       | 70.0                  |
| Training and good communication | 8         | 26.7       | 96.7                  |
| Customer service                | 1         | 3.3        | 100.0                 |

The hospitality industry in Kericho is mainly focused on domestic customers. This we found out from the fact that the domestic customers were key in 80% of the respondents while the foreign customers contributed only 20%. This finding can be literally related to the fact that most of the eating, accommodation and entertainment houses were classified as restaurants which would rarely attract any foreign customers who might prefer star rated hotels which fit their needs. In addition, most of the entrepreneurs mentioned that their establishments were not classified, with 55% of the respondents confirming this. In addition, 35% of the respondents mentioned their establishments as restaurants and only 10% mentioned that their establishment was a two star hotel or three star hotels.

#### **4.3 Types of Activities Involved in Hotel Business**

The study found out that the main activities involved by the hoteliers were food sale (25%), food and hospitality (25%) and food, hospitality and accommodation (25%). Most of them had combination of services while few had stand alone services.

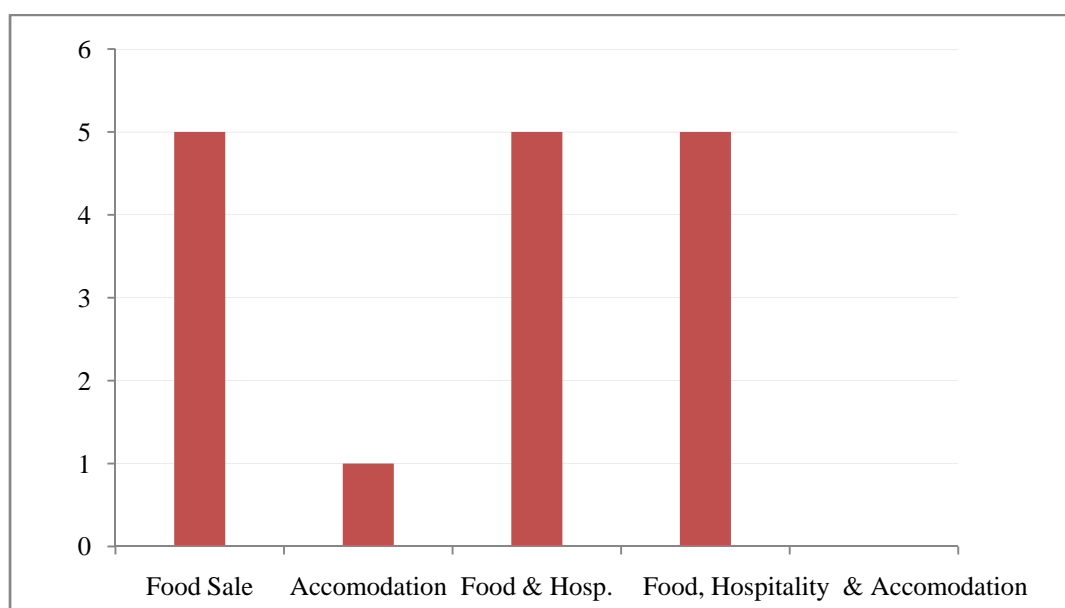


Figure 1 Type of Activities Involved in Hotel Business

#### 4.4 Entrepreneurial Practices

Entrepreneurial practices have been suggested by many scholars. We sought to find out the practice which the hoteliers considered most important. The table below indicates that most of the hotel entrepreneurs considered financial management as the most important practice followed by problem solving and risk taking skills.

Table 3 Entrepreneurial Skills in Business

| Entrepreneurial Skills | Mean | Std. Deviation |
|------------------------|------|----------------|
| Innovativeness         | 1.25 | 0.444          |
| Communication skills   | 1.15 | 0.366          |
| Creativity             | 1.15 | 0.366          |
| Risk taking            | 1.40 | 0.940          |
| Financial management   | 1.95 | 1.146          |
| Interpersonal skills   | 1.37 | 0.684          |
| Problem solving        | 1.40 | 0.598          |

In an increasingly changing and competitive environment, if you walk by the town more often than not you will see a new establishment within a short span of time. This changes call for rapid and skillful approach to hotel entrepreneurship. We discussed the entrepreneurial skills considered important and necessary for success in business activities; the majority of the respondents indicated that financial management was considered a crucial skill necessary for high achievement with a mean of 1.90 and a standard deviation of 1.149. This was followed by problem solving and risk taking skills. This is detailed out in table 3 above.

#### 4.5 Entrepreneurial Challenges

We decided to study the challenges faced in the hotel industry from various perspectives of the players involved including the owners/managers, supervisors and the other employees. This was motivated by the fact that most studies have focused on the challenges faced by the owners/managers however the other key players are mostly ignored yet they play a major part in service delivery in the industry.



**Table 4 Challenges Faced by Hotel Entrepreneurs**

| Challenge                       | Mean | Standard deviation |
|---------------------------------|------|--------------------|
| Lack of experience              | 4.15 | 1.461              |
| Lack of customers               | 3.55 | 1.731              |
| Selling on credit               | 3.20 | 1.399              |
| Location of premises            | 2.45 | 1.538              |
| Financial Limitations           | 2.90 | 1.586              |
| Inaccessibility to market       | 2.50 | 1.359              |
| Limited knowledge on production | 2.85 | 1.461              |
| Unsupportive regulations        | 2.50 | 1.433              |
| Inaccessibility to information  | 3.20 | 1.508              |
| Problem with suppliers          | 3.45 | 1.669              |

#### **4.6 Entrepreneurial Practices Thought to Mitigate the Challenges**

It is difficult or close to impossible to have challenges and not think through how to go about them. In as much as businesses face different challenges, our study found out that all the respondents faced different challenges contradicting Bowen et al. (2009) that not all businesses do face challenges. Most of the respondents agreed that having problem solving skills was most important practice to help them beat challenges. In addition being agile and promoting inter-firm cooperation and networking was found to have greater response with a mean of 1.75 and 1.7 respectively. This information is depicted in the table below.

**Table 5 Entrepreneurial Practices that Mitigate Challenges**

| Entrepreneurial Practice                        | Mean | Standard deviation |
|---|------|--------------------|
| Interpersonal skills                            | 1.25 | 0.444              |
| Intrapersonal skills                            | 1.45 | 0.686              |
| Agility   | 1.75 | 0.716              |
| Problem solving                                 | 1.90 | 1.119              |
| Creativity                                      | 1.40 | 0.503              |
| Hospitality marketing                           | 1.21 | 0.419              |
| Promotion inter-firm cooperation and networking | 1.70 | 0.979              |
| Social responsibility                           | 1.50 | 1.000              |
| Embracing technology and upgrading              | 1.53 | 0.513              |

## **5. Discussion**

The study found out that most of the hotels in Kericho County are owned by the local business people. They mainly attract domestic customers due to their nature and size, this is so because the majority are restaurants and very few are classified hotels and more than one star hotel. Their establishments include restaurants, two star and one three star hotel. The tourism and hospitality potential the County displays with evidence from available literature indicate that it has barely been exploited. The main activities involved by the hoteliers were food sale, food and hospitality and food, hospitality & accommodation. Most of them had combination of services while few had stand alone services.

Entrepreneurial practices have been suggested by many scholars. We sought to find out the practice which the hoteliers considered most important. Most of the hotel entrepreneurs considered financial management as the most important practice followed by problem solving and interpersonal skills.

In an increasingly changing and competitive environment, if you walk by the town more often than not you will see a new establishment within a short span of time. This changes call for rapid and skillful approach to hotel entrepreneurship. We discussed the entrepreneurial skills considered important and necessary for success in business activities which includes: financial management, problem solving and risk taking.

The main challenges facing the hotel industry in the county was a shortage of competent manpower, problems with suppliers and high competition. It is difficult or close to impossible to have challenges and not think through how to go about them. In as much as businesses face different challenges, our study found out that all the respondents faced different challenges contradicting Bowen et al. (2009) that not all businesses do face challenges. Most of the respondents agreed that having problem solving skills were most important practice to help them beat challenges. In addition being agile and promoting inter-firm cooperation and networking were found to have greater response.

## **6. Conclusions**

The hospitality and tourism industry is in no doubt a good provider of economic development in the country. By providing opportunities for economic development such as providing employment to the population the industry is important to Kericho County. The entrepreneurial challenges faced by the hoteliers need not be viewed as obstacles but they need to focus on strategies to help them combat this. Challenges are inevitable however the study found out that there are those practices which an entrepreneur can have to help avert the issues brought about by the challenges which include: Problem solving, being agile, promotion interfirm cooperation and networking, in addition to this embracing technology and subsequent upgrading.

Based on the findings of this study and literature review available, we propose the following strategies to hotel entrepreneurs in the quest of achieving business success or successful business performance.

(1) Embrace networking and business links to enhance communication and sharing of marketing information for the purpose of business.

(2) Focus on adoption of information communication technology which enhances innovation and creativity within the industry. This if adopted then the business will see growth and improvement in service delivery.

(3) Seek government support to enhance business in terms of growth and also facilitating infrastructure and social support through community development initiatives.

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