

**INVESTMENT STRATEGIES AND REVENUE DIVERSIFICATION OF FOUR-STAR
HOTELS IN KENYA.**

PURITY WANGUI MUNGAI

MASTER OF BUSINESS ADMINISTRATION IN CORPORATE MANAGEMENT

KCA UNIVERSITY

2025

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**A RESEARCH DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS
ADMINISTRATION IN CORPORATE MANAGEMENT TO THE SCHOOL OF
BUSINESS OF KCA UNIVERSITY**

KCA UNIVERSITY

OCTOBER 2025

DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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ABSTRACT

Revenue diversification is a critical component of financial sustainability and business resilience of four-star hotels in Kenya. Despite the importance of revenue diversification, the four-star hotels in Kenya exhibits dismal levels of diversification, with a significant dependence on traditional income streams such as accommodation and dining services. This study investigated investment strategies and revenue diversification of four-star hotels in Kenya. The specific objectives; market expansion strategy, leagile service strategy, collaboration strategy, and portfolio strategy influence revenue diversification. Anchored on the Ansoff Matrix, Service-Dominant Logic, Resource-Based View, and Modern Portfolio Theory, the study adopted a descriptive research design. The target population comprised employees working in four-star hotels across Kenya, with a sample size of 335 selected through census. Data was collected using structured, closed-ended questionnaires administered through a drop-and-pick-later approach. Analysis involved both descriptive, exploratory factor analysis and inferential statistics, with findings presented using frequencies, percentages, pie charts, and frequency tables to enhance clarity and interpretation. The study findings show that four-star hotels in Kenya use different strategies for revenue diversification. Market expansion with a $p = 0.000$ and collaboration with a $p = 0.006$ gave mixed results. Leagile strategies with a $p = 0.000$ added modest flexibility and customer satisfaction. Portfolio strategies with a $p = 0.000$ brought stronger financial resilience and stability. The study concluded that four-star hotels in Kenya gain moderate benefits from different strategies. Market expansion and collaboration showed uneven results. Leagile strategies added modest flexibility and revenue gains. Portfolio strategies gave stronger stability and growth. The study recommended that four-star hotels in Kenya use structured market expansion with targeted marketing and partnerships. Leagile strategies should focus on service customization and flexibility. Collaboration needs clearer planning to achieve consistent revenue gains. Portfolio strategies should strengthen diversification and risk management for stability.

Keywords; Market Expansion Strategy, Leagile Service Strategy, Collaboration Strategy, Portfolio Strategy, Revenue Diversification

ACKNOWLEDGEMENT

The successful completion of this study would not have been possible without the mercy of God Almighty and the support of many individuals. I am deeply grateful to my mentor, Dr. Fiona Korir, for her invaluable guidance, encouragement, and intellectual direction throughout this research journey. Her support has been a source of motivation and clarity. I also extend my heartfelt thanks to my entire family for their unwavering inspiration, spiritual support, and constant encouragement. May God bless each of you abundantly for your love and sacrifices.

TABLE OF CONTENTS

DECLARATION.....	ii
ABSTRACT.....	ii
ACKNOWLEDGEMENT.....	iv
TABLE OF CONTENTS	v
DEDICATION.....	ix
LIST OF TABLES	x
LIST OF FIGURES	xii
ABBREVIATIONS AND ACRONYMMS.....	xiii
OPERATIONAL DEFINITION OF TERMS.....	xiv
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study	1
1.2 Statement of the Problem.....	9
1.3 Objective of the Study	11
1.4 Research Questions.....	11
1.5 Justification of the Study	12
1.6 Significance of the Study	12

1.7 The scope of the Study.....	13
CHAPTER TWO	14
LITERATURE REVIEW	14
2.1 Introduction.....	14
2.2 Theoretical Framework of the Research Study.....	14
2.3 Empirical Review.....	19
2.4 Conceptual framework.....	38
2.5 Operationalization of Variables	39
CHAPTER THREE	41
RESEARCH METHODOLOGY	41
3.1 Introduction.....	41
3.2 Research Design.....	41
3.3 Target Population.....	41
3.4 Sample and Sampling Technique.....	42
3.5 Research Instrumentation.....	43
3.6 Pilot Study.....	43
3.7 Data collection	44
3.8 Data Analysis and Presentation	45
3.9 Diagnostic Tests.....	47

3.10 Research Ethics	48
CHAPTER FOUR.....	49
DATA ANALYSIS, PRESENTATION AND INTERPRETATION	49
4.1 Introduction.....	49
4.2 Response Rate.....	49
4.3 Pilot Test Results	50
4.4 Demographic characteristics.....	51
4.5 Factor Analysis	53
4.8 Inferential Results	79
CHAPTER FIVE	86
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	86
5.1 Introduction.....	86
5.2 Summary of Findings.....	86
5.3 Conclusions.....	90
5.4 Recommendations.....	92
5.5 Recommendation for Further Research	94
REFERENCES.....	95
APPENDIX.....	103
Appendixes I: Research Letter.....	103

Appendixes II: NACOSTI letter	104
Appendixes III: Research Questionnaire	105
Appendix IIV: 4*Hotels Registered under Tourism Regulatory Authority.....	111

DEDICATION

I dedicate this research project to the Almighty God, whose guidance, strength, and grace have sustained me through every stage of this challenging yet rewarding journey. I also dedicate it to my late mother, whose unwavering belief in my potential and enduring encouragement continue to inspire my pursuit of excellence. Her faith in me remains a constant source of motivation. My heartfelt gratitude goes to my husband, Peter, for his steadfast emotional support, prayers, and financial sacrifice, which have been instrumental in making this achievement possible. I further extend my sincere appreciation to my children John Hans, Evans, and Andy for their patience, understanding, and unwavering support throughout my period of online study.

LIST OF TABLES

Table 2.1: Measurement of variables	40
Table 3.1: Target population	42
Table 4.1: Response Rate	49
Table 4.2: Reliability of Data Collection Instrument	50
Table 4.3: Demographic characteristics	51
Table 4.4: KMO and Bartlett's Test	54
Table 4.5: Factor Loadings for Market Expansion Strategy	57
Table 4.6: Factor Loadings for Market Leagile Service Strategy	58
Table 4.7: Factor Loadings for Collaboration Strategy	59
Table 4.8: Factor Loadings for Portfolio Strategy	60
Table 4.9: Factor Loadings for Revenue Diversification	61
Table 4.10: Market Expansion Strategy	62
Table 4.11: Leagile Service Strategy	65
Table 4.12: Collaboration Strategy	68
Table 4.13: Portfolio Strategy	71
Table 4.14: Revenue Diversification	74
Table 4.15: Normality Test	76
Table 4.16: Multicollinearity Test	78

Table 4.17: Correlation	80
Table 4.18: Model Summary	81
Table 4.19: ANOVA	82
Table 4.10: Coefficients of regression	84

LIST OF FIGURES

Figure 2.1: Conceptual framework	39
Figure 4.1 : Linearity Test	77

ABBREVIATIONS AND ACRONYMMS

CENETRA:	Centre National Education Transformative
HHI:	Herfindahl-Hirschman Index
IT:	Information technology
MPT:	Modern Portfolio Theory
RBV:	Resource-Based View
S-D Logic:	Service-Dominant Logic
VET:	Vocational Education and Training

OPERATIONAL DEFINITION OF TERMS

- Collaboration Strategy:** This refers to working with other organizations to enhance performance and revenue. It includes engaging partners, sharing resources, and expanding networks to improve service delivery and broaden revenue opportunities in the four-star hotels (Paul, 2023).
- Leagile Service Strategy:** This is a blend of lean and agile service approaches that promote flexibility and responsiveness. In Kenya's four-star hotels, it focuses on adapting services to meet changing customer needs, managing demand variability, and ensuring efficient operations (Takano & Okamuro, 2021).
- Market Expansion Strategy:** This refers to efforts by four-star hotels to grow their market presence through increasing market share, achieving revenue growth, and expanding via franchises. In Kenya's four-star hotels, such strategies aim to tap into new customer segments and geographical areas (Kigera & Ogutu, 2021).
- Portfolio Strategy:** This comprises of different investments and services to spread risk and gain a competitive edge. For Kenyan four-star hotels, it involves allocating assets across different offerings and balancing high- and low-risk ventures to enhance revenue sustainability (Adanse, 2024).

Revenue Diversification:

This comprises of generating income from different sources to minimize dependence on a single stream. In hotel context, it involves number of revenue streams, seasonal revenue stability, and revenue contribution by segments to stabilize and grow revenue (Ouma, 2023).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Revenue diversification in the four-star hotels is a key strategy for financial sustainability, assists hotels minimize risks linked to economic downturns and seasonal demand changes. In the United States, hotel chains like Marriott International and Hilton Hotels have significantly diversified their revenue streams through subscription-based services, loyalty programs, and co-branded credit cards, getting income beyond traditional room revenue (Mistry et al. 2023).

Likewise, in the United Kingdom, hotels have adopted multi-service offerings, integrating restaurants, wellness centers, and conference facilities to minimize relying on accommodation revenue (Tan & Despotis, 2021). In Germany, the four-star hotels have leveraged event tourism and co-working spaces, with hotels like 25hours Hotels and Ruby Hotels integrating office spaces into their properties to deal with business travellers and digital nomads (Lopez Mateos et al. 2022).

In Japan, hotels have been based on technological innovations and thematic experiences as part of their revenue diversification strategies. Henn-na Hotel, known for its robotic service operations, has expanded into tech-driven tourism and AI-powered concierge services, which attract both leisure and corporate travellers (Takano & Okamuro, 2021). However, despite these advancements, many four-star hotels in developing economies still encounter challenges in attaining effective revenue diversification because of overreliance on room revenue, limited investment in ancillary services, and weak strategic partnerships.

In South Africa, main hotel chains like Tsogo Sun and Protea Hotels have successfully adopted revenue diversification by integrating casino operations, fine dining, wellness centres, and conference tourism to minimize reliance on room revenue (Gursoy & Maier, 2023).

Likewise, In Nigeria, hospitality companies have integrated event hosting, co-working spaces, and short-term office rentals to tap into the growing demand for business travel and remote working opportunities (Enobong et al. 2022). These diversification strategies have been essential in improving financial sustainability and competitiveness in the African hospitality sector. Despite the increasing recognition of revenue diversification as a financial sustainability strategy, many hotel businesses in Africa remain overly dependent on accommodation revenue, making them vulnerable to external shocks and economic downturns (Onwuli, 2024). While some establishments have ventured into conference tourism, wellness centers, and food and beverage services, revenue diversification remains limited and unevenly implemented across the sector (Lee, 2022).

Revenue diversification in the Kenyan four-star hotels has become a key strategy for minimizing financial risks linked with seasonal changes, economic shocks, and changing consumer preferences (Paul, 2023). Traditionally, the four-star hotels in Kenya has heavily depended on accommodation and food services, making it vulnerable to external disruptions like the COVID-19 pandemic, inflation, and political instability (Ng'etich, 2024). Despite that, some hotels have embraced alternative revenue streams such as conference tourism, wellness and spa services, eco-tourism, and digitalized food delivery services, which have helped sustain operations during uncertain times (Ouma, 2023). For example, leading hotel chains such as Sarova Hotels and PrideInn Group have expanded their offerings by integrating catering services, event hosting, and loyalty programs, which have contributed to revenue diversification (Adanse, 2024). Despite

these efforts, the extent of revenue diversification in most hospitality companies remains limited and inconsistent, impacting their financial sustainability and competitiveness.

Even though some hotels in major cities such as Nairobi and Mombasa have adopted investment strategies like market expansion, collaboration, and portfolio diversification, many establishments, particularly in rural and coastal regions, still rely on traditional revenue sources (Mwikya et al. 2024). The lack of sufficient investment in diversified services has led to low revenue resilience, especially during tourism seasons and economic downturns.

1.1.1 Investment Strategies

Investment strategies are essential for improving business resilience, driving revenue growth, and making sure that there is long-term sustainability in four-star hotels. Folque et al. (2021) argue that well-structured investment strategies allow businesses to expand market reach, enhance service efficiency, and create competitive advantages. In hotels, investment strategies comprise of approaches like market expansion, leagile service delivery, collaboration, and portfolio diversification, each of which has an essential role in revenue growth. According to Koutoupis et al. (2022) hospitality businesses that strategically invest in diversified operations and market reach are better placed to minimize risks and enhance financial performance. These investment strategies offers stability against industry changes as well as cultivating innovation and customer satisfaction, which are key to sustaining business growth.

Folque et al. (2021) stresses that the market expansion strategy enables hotels to target new customer segments and geographic locations, minimizing dependency on a single market. Similarly, the leagile service strategy, which blends lean and agile service models, improves operational efficiency and service delivery in response to changing demand (Shah, Rose, Ibrahim, Khan & Tanveer, 2023). Moreover, the collaboration strategy, which comprises of partnerships

with external stakeholders, allows hotels to leverage shared resources and expand service offerings (Khoa et al. 2023). Finally, the portfolio strategy enables businesses to diversify revenue streams by investing in different hospitality-related activities, like wellness tourism, digital hospitality services, and eco-tourism (Koutoupis et al. 2022). These strategies collectively contribute to financial stability and competitiveness, making them key components of investment planning in the hospitality industry.

The market expansion strategy comprises of increasing a hotel's market reach by targeting new customer segments, geographic locations, and service offerings. According to Zaimovic et al. (2021) expanding into new markets enables businesses to minimize dependency on saturated or declining markets while capturing emerging opportunities. In hotel sector, market expansion may comprise of geographical diversification, like establishing new hotel branches in different cities or regions, or target market expansion, like tailoring services for corporate travelers, families, or budget-conscious tourists.

The leagile service strategy is a hybrid approach that combines lean and agile service models to improve efficiency and responsiveness in the four-star hotels. Lean principles focus on minimizing waste and streamlining operations, while agile principles stresses on flexibility and quick adaptation to market changes demand (Shah et al. 2023). In the hotel industry, leagile strategies comprise of dynamic pricing models, real-time service adjustments, and technology-driven customer interactions to optimize service delivery. For example, hotels that incorporate artificial intelligence powered chatbots, self-service check-ins, and predictive demand analytics can improve operational efficiency while maintaining service agility.

Collaboration strategy in the four-star hotels includes forming strategic dependence with other businesses, industry stakeholders, and government institutions to expand market reach and

improve service offerings. According to Khoa et al. (2023) collaboration can take different forms, including partnerships with travel agencies, airlines, event organizers, and online booking platforms. Hotels that collaborate with external partners can increase brand visibility, optimize distribution channels, and attract a broader customer base. For example, hotels that partner with corporate companies for business travel packages or with event organizers for conference hosting can significantly improve their revenue streams.

The portfolio strategy comprises of diversifying investment portfolios by incorporating multiple revenue-generating activities within the hospitality sector. Zaimovic et al. (2021) suggests that businesses with diversified portfolios are more resilient to market disruptions and economic downturns. In the hotel industry, portfolio diversification comprises of investing in wellness tourism, digital hospitality platforms, eco-tourism, and themed experiences to address the changing consumer preferences. For instance, luxury hotels that provide spa services, health retreats, and adventure tourism packages can attract high-end clients that goes beyond traditional accommodation services.

1.1.2 Revenue Diversification

Revenue diversification is an essential strategy in four-star hotels that improves financial stability by reducing reliance on a single source of income. Enobong et al. (2022) define revenue diversification as the expansion of income streams through different business activities, ensuring resilience against market fluctuations. In the hotel industry, this concept is typically measured using three main indicators: income source heterogeneity (how varied the sources of revenue are), revenue concentration indices (how much revenue is tied to the dominant source), and the contribution of non-room revenue streams like restaurants, conference facilities, and spa services.

Mistry et al. (2023) argue that hotels which diversify into areas such as food and beverage services, event hosting, and wellness tourism are more likely to achieve long-term financial sustainability. In Kenya, while some four-star hotels in major cities like Nairobi and Mombasa have embraced these diversification strategies, many others still show high dependence on room sales. This suggests room for growth in non-room revenue streams to match international best practices.

The key measures of revenue diversification is income source heterogeneity, which assesses the proportion of revenue generated from different business segments. Tan and Despotis, (2021) suggest that revenue heterogeneity is evaluated by exploring the relative contribution of different departments, like accommodation, food and beverage, conferencing, and leisure activities. The Herfindahl-Hirschman Index (HHI) is commonly utilized to measure the concentration of revenue sources, with lower HHI values showing a more diversified revenue base (Takano & Okamuro, 2021). On top of that, hotels that attain a balanced distribution of revenue from multiple sources show greater financial resilience and competitive advantage.

The accepted metric for revenue diversification comprises of the percentage contribution of non-room revenue to total revenue. Onwuli, (2024) sheds light by stating that hotels that depends heavily on room revenue encounter financial risks because of seasonal demand fluctuations. By incorporating non-room revenue streams like catering, spa services, retail shops, and entertainment facilities, hotels can stabilize their cash flows. Paul, (2023) notes that higher non-room revenue contribution is positively correlated with general profitability and operational efficiency. This measure is relevant especially for the four-star hotels in Kenya, where many hotels are seeking innovative ways to improve revenue diversification beyond traditional lodging services.

1.1.3 Four-star hotels in Kenya

The four-star hotels in Kenya is a critical foundation of the country's economy, contributing significantly to jobs, foreign exchange earnings, and economic growth. It comprises of a broad range of services, that include hotels, lodges, restaurants, conference facilities, and tourism-related businesses. The sector is closely related to Kenya's thriving tourism industry, which attracts visitors from around the world because of the country's different attractions, like wildlife safaris, coastal beaches, cultural heritage sites, and business tourism. According to the Adanse, (2024) the four-star hotels contributed 8.2% to the gross domestic product noting its economic significance. Major international hotel chains, alongside locally owned establishments, have invested in Kenya, improving the sector's competitiveness.

The four-star hotels in Kenya encounters different challenges, which include seasonality, economic fluctuations, political instability, and external shocks like pandemics. The industry experiences peak seasons during international holiday periods and local travel festivals, but business decreases significantly during off-peak months. On top of that, rising operational costs, which include energy, food supplies, and labor, have strained profitability. Mwikya et al. (2024) hospitality businesses depend heavily on accommodation revenue, with limited diversification into ancillary services such as wellness tourism, adventure travel, and digital service offerings. This overdependence on a single revenue stream makes the sector vulnerable to economic downturns, which was noted during the COVID-19 pandemic when hotel occupancy rates plummeted by over 70%.

To enhance sustainability, stakeholders in Kenya's four-star hotels have increasingly focused on revenue diversification, technological adoption, and market expansion. The rise of eco-tourism, tourism, and digital hospitality solutions has presented new growth opportunities.

Additionally, partnerships between the private sector, local communities, and international investors are fostering innovation and competitiveness. However, to fully realize these opportunities, the industry must address infrastructure gaps, workforce training, and policy limitations that hinder its diversification and long-term growth (Ng'etich, 2024).

1.1.4 Profile of Four-Star Hotels in Kenya

Kenya's four-star hotels is a key pillar of the country's tourism and hospitality sector, contributing significantly to economic growth, employment creation, and foreign exchange earnings. The industry caters to both local and international tourists (Murimi & Wadongo, 2021). Major cities such as Nairobi, Mombasa, Kisumu, and Nakuru host four-star hotel chains such as Southern Sun Mayfair, Eka Hotel, Sarova White sands beach resort and spa, Lake Naivasha Sopa Resort and Acacia Premier Hotel, which provide world-class services targeting business travellers, government officials, and high-end tourists (Achieng, 2021). Additionally, Kenya's coastal region, particularly Mombasa, Diani, and Malindi, is home to numerous beach resorts that attract holidaymakers, while the Maasai Mara and other wildlife destinations host safari lodges and tented camps offering luxury accommodations in natural settings (Kigera & Ogutu, 2021).

The growth of Kenya's four-star hotels is largely driven by the country's robust tourism sector, which accounts for approximately 10% of gross domestic product and generates significant revenue from wildlife safaris, beach tourism, and conference tourism (Ouma, 2023). Nairobi, being a regional business hub, has experienced increased investment in high-end hotels due to the rise in international conferences, diplomatic engagements, and corporate events. The emergence of conference and business tourism has led to the development of large-scale hotel establishments with modern conference facilities. In addition to traditional hotel services, many establishments

have diversified into health and wellness services, digital hospitality platforms, and eco-tourism initiatives, reflecting the industry's evolving nature.

The Kenyan four-star hotels has been significantly affected by external shocks such as the COVID-19 pandemic, political uncertainties, and global economic downturns. According to Achieng, (2021) hotel occupancy rates reduced by over 80% during the pandemic, resulting to financial losses and business closures. Despite that, the industry has shown resilience, with efforts towards domestic tourism promotion, digital transformation, and investment in alternative revenue streams to cushion against such disruptions. With increasing competition and evolving consumer preferences, hotels in Kenya are progressively integrating technology-driven solutions, sustainable tourism practices, and personalized guest experiences to improve service delivery and maintain market relevance. These trends show a dynamic industry that continues to adapt to emerging opportunities and challenges to sustain long-term growth (Kigera & Ogutu, 2021). These characteristics underscore the need for innovative investment strategies to ensure sustained revenue growth across diverse segments of the four-star hotels in Kenya.

1.2 Statement of the Problem

Revenue diversification is an essential component of financial sustainability and business resilience in the four-star hotels (Zaimovic, et al. 2021). Given the sector's vulnerability to external shocks like seasonality, economic changes, and global crises, depending on a single revenue stream increases financial instability and limits business growth. Successful hospitality enterprises adopt revenue diversification strategies such as expanding service offerings, incorporating digital platforms, and leveraging non-traditional income sources such as conference facilities, wellness centers, and long-term residential accommodations. By diversifying income sources, four-star

hotels and hospitality businesses can maintain steady cash flows, minimizing dependency on occupancy rates, and contribute to long-term profitability (Khoa et al. 2023).

Four-star hotels in Kenya occupy the middle–upper tier of the industry, balancing affordability with premium service and appealing to both business and leisure travelers (Ng’etich, 2024). They hold a significant share of the formal sector, especially in Nairobi, Mombasa, and key tourist circuits, with revenue streams ranging from conferencing and F&B outlets to events and tourism packages. Unlike five-star luxury chains or the inconsistent standards of two- and three-star hotels, four-star establishments are more standardized, making them easier to compare and study (Ouma, 2023). Despite the recognized importance of revenue diversification, four-star hotels in Kenya remain highly dependent on traditional income sources. Industry data show that more than 70% of their total revenue comes from accommodation and food services, compared to countries like South Africa and Mauritius, where similar establishments generate up to 40–50% of revenue from non-room activities such as wellness, conferencing, and destination experiences (Kigera & Ogutu, 2021). Their largely local ownership and management make them more sensitive to economic shifts and investment strategies, yet research has often overlooked them, focusing instead on luxury or budget hotels. This underscores their strategic importance and the need to examine their role in sustainable growth within Kenya’s hospitality sector (Paul, 2023).

Several studies have explored revenue diversification in the hotel industry, but gaps remain. Alrawabdeh (2021) examined seasonal revenue balancing in Dubai’s four-star hotels but focused primarily on demand fluctuations rather than comprehensive diversification strategies. Le and Phi (2021) analyzed crisis management strategies in hotels during COVID-19, emphasizing cost-cutting measures over long-term revenue diversification. Owenga et al. (2023) investigated the impact of related diversification on hotel performance in Kenya’s coastal region but did not

assess broader investment strategies or their effects on revenue diversification in inland regions. This Past studies often focused on either high-end luxury hotels or budget accommodation. Four-star hotels are underexplored yet crucial in understanding sustainable growth in the sector. This study therefore seeks to bridge this gap by examining the influence of key investment strategies market expansion, leagile service, collaboration, and portfolio diversification on revenue diversification in four-star hotels in Kenya.

1.3 Objective of the Study

The general objective was evaluating the investment strategies and revenue diversification of four-star hotels in Kenya.

1.3.1 Specific Objective of the Study

- i. To explore the effect of market expansion strategy on revenue diversification of four-star hotels in Kenya.
- ii. To evaluate the effect of leagile service strategy on revenue diversification of four-star hotels in Kenya.
- iii. To determine effect of collaboration strategy on revenue diversification of four-star hotels in Kenya.
- iv. To determine the effect of portfolio strategy on revenue diversification of four-star hotels in Kenya.

1.4 Research Questions

- i. How does the market expansion strategy influence revenue diversification of four-star hotels in Kenya?
- ii. What is the effect of the leagile service strategy on revenue diversification of four-star hotels in Kenya?

- iii. How does collaboration strategy effect revenue diversification of four-star hotels in Kenya?
- iv. What is the impact of the portfolio strategy on revenue diversification of four-star hotels in Kenya?

1.5 Justification of the Study

This study is justified by the need to enhance financial sustainability and resilience in Kenya's four-star hotels through effective investment strategies that promote revenue diversification. The sector is highly susceptible to economic fluctuations, seasonal demand, and external shocks such as global pandemics, political instability, and shifting consumer preferences. Many hospitality businesses, particularly hotels, rely heavily on accommodation and food services as their main income sources, exposing them to financial volatility. This study focuses on investment strategies such as digital transformation, sustainability initiatives, and asset portfolio expansion because these approaches have proven effective in helping hotels in comparable markets diversify revenue and improve operational flexibility. Digital transformation enables hotels to tap into online sales channels and data-driven marketing, while sustainability strategies attract eco-conscious travelers and reduce operating costs through energy efficiency. These strategies are particularly relevant in the Kenyan context, where digital adoption is rising and sustainability has become a growing priority for both investors and consumers. By examining their effects, this study will provide insights to help industry players reduce overreliance on traditional income streams, strengthen competitiveness, and achieve long-term growth.

1.6 Significance of the Study

1.6.1 Four-star hotels in Kenya

The four-star hotels is a major contributor to Kenya's economy, yet it encounters difficulties such as seasonality, market fluctuations, and economic uncertainties. This study will assist industry

players understand how investment strategies can be leveraged to improve revenue diversification, minimizing reliance on a single income stream. The study will equip hotel businesses with strategies for financial resilience, competitiveness, and long-term sustainability.

1.6.2 Policy Makers

Government agencies and regulators has an essential role in shaping the investment landscape within the hospitality industry. This study will provide data-driven insights that can guide policy formulation and implementation to support sustainable investment and revenue diversification. It will assist policymakers in developing frameworks that motivate private-sector investment, fostering public-private partnerships, and create incentives for hotels to explore alternative revenue-generating activities, in the end contributing to economic growth.

1.6.3 Future Academicians

For scholars and researchers, this study will add to the existing knowledge on investment strategies and revenue diversification in the hospitality industry. It will act as a reference point for future studies, providing empirical evidence on how different investment approaches impact business sustainability in the sector.

1.7 The scope of the Study

The scope of the study was to investment strategies on revenue diversification in the four-star hotels in Kenya. The study was controlled by market expansion, leagile service, collaboration and portfolio strategies as specific objectives. The target population was workers from Hotels in Kenya. The study was conducted between February and October 2025 using data collected from four-star hotels employees across Kenya

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter explored investment strategies for revenue diversification in the four-star hotels basing on insights from previous research. The theoretical review was discussed key concepts and foundational theories, while the empirical review assessed studies related to each variable under investigation. Identified gaps and the summary stressed on areas that remain underexplored, and the conceptual framework was visually present the relationships among the study variables.

2.2 Theoretical Framework of the Research Study

The Ansoff Matrix, Service-Dominant Logic, Resource-Based View, and Modern Portfolio Theory will be forming the core theoretical frameworks underpinning this study. These models informed the analysis and how the study was interpreted, providing a robust foundation for understanding and contextualizing the research findings.

2.2.1 Ansoff Matrix Theory

The Ansoff Matrix, was developed by Igor Ansoff in 1957. Ansoff, usually referred to as the father of strategic management, developed the matrix to assist institutions to systematically plan and examine their growth strategies (Ansoff, 1957). The matrix is founded in the idea that business growth can be attained by manipulating product offerings and market focus. It has remained a foundational tool in strategic management, especially useful for identification and management of risks linked with different growth strategies (Clarissia, 2020).

The main concept of the Ansoff Matrix is founded around four strategic options for business growth: market penetration, product development, market development, and

diversification. Market Penetration comprises of an increase in sales of existing products within existing markets, especially through competitive pricing, increased promotion, or improved distribution (Zugay & Zakaria, 2023). Product development focuses on creating new products to serve the current market. Market development entails the strategy of entering new markets with existing products, which may comprise of targeting different geographical regions or new customer segments. Diversification is the most radical strategy and comprises of launching new products into new markets, having the highest risk but also the potential for high returns. The matrix offers a structured way for companies to assess opportunities while balancing risk and reward (Qomaro et al. 2024).

This theory is highly relevant to the current study, which examines market expansion strategies and their impact on revenue diversification in the four-star hotels in Kenya. The Ansoff Matrix provides a strategic lens through which four-star hotels can evaluate how to grow their revenues by either penetrating deeper into existing markets, expanding into new ones, or diversifying their service offerings (Zugay & Zakaria, 2023). For example, a hotel chain in Kenya might utilize a market development strategy to attract international tourists by customizing packages, or adopt diversification by introducing wellness or adventure tourism services. By using the Ansoff Matrix, the researcher will examine which of these strategies have the greatest effect on revenue diversification, particularly in a dynamic and competitive hospitality market. Hence, Ansoff's framework offers a theoretical foundation for understanding how strategic choices in market expansion can lead to sustainable revenue growth in the sector.

2.2.2 Service-Dominant Logic Theory

The Service-Dominant Logic (S-D Logic) theory was first proposed by Stephen Vargo and Robert Lusch (2004). Vargo and Lusch proposed that traditional marketing, which had long been focused

on tangible goods and transactional exchanges, was no longer adequate to explain the growing service-oriented nature of the modern economy (Vargo et al. 2023). Instead, they proposed a change from goods-dominant logic to a service-dominant logic, where service defined as the usage of competences for the benefit of another party becomes the fundamental basis of exchange. This theory has since changed and expanded, forming the foundation for new paradigms in value creation, customer engagement, and strategic management.

The S-D Logic theory argues that all economies are service economies and that value is not embedded in products but co-created through interactions between providers and consumers. Goods are merely a medium for service delivery, and customers are active participants in the value creation process. Key foundational premises of the theory comprises the idea that value is co-created by different actors (including the customer), and that service is the critical basis of exchange rather than goods. This logic changes the focus from one-way value delivery to relational, collaborative, and dynamic value co-creation, thus reframing how businesses approach their strategies, especially in customer-centric industries like hospitality (Vargo et al. 2020).

This theory was related to the current study on how a leagile service strategy impacts revenue diversification in the four-star hotels in Kenya. Leagile strategy, which combines lean efficiency and agile responsiveness, relates well with the S-D Logic's emphasize on value co-creation and service responsiveness. In the Kenyan hospitality context, organization can use the S-D Logic to develop flexible and customer-centric services such as personalized packages, real-time service customization, and dynamic pricing to meet different customer needs and market segments. This strategic focus improves customer satisfaction as well as creating opportunities for differentiated revenue streams (Hartwig, et al. 2021). Hence, the S-D Logic offers a strong

theoretical foundation for understanding how hospitality businesses can utilize adaptive and collaborative service models to diversify their revenue and remain competitive.

2.2.3 Resource-Based View Theory

The Resource-Based View (RBV) theory was developed by Jay Barney (1991). While earlier scholars like Edith Penrose (1959) laid the groundwork by examining how internal institutional resources contribute to growth, it was Barney who formalized the RBV framework into a coherent theory. Barney (1991) argued that the heterogeneity of firm resources when they are valuable, rare, inimitable, and non-substitutable can provide the foundation for sustained competitive advantage. This perspective marked a significant shift from external industry-based views to an internal focus on unique firm capabilities and assets as drivers of success (Miller, 2019).

The main concept of RBV is that companies contain resources both tangible and intangible that allow them to perform activities more efficiently and effectively than competitors. These resources comprise of physical assets, human capital, organizational capabilities, technology, brand equity, and relationships. For a resource to provide a competitive edge, it should meet the valuable, rare, inimitable, and non-substitutable criteria: it should add value to the company's offerings, be rare among competitors, be difficult to imitate because of to unique historical conditions or social complexity, and lack close substitutes (Lubis, 2022). Under this theory, competitive advantage and business growth are attained by leveraging these unique internal abilities rather than merely reacting to external forces. The RBV hence motivates companies to invest in and protect their strategic resources to make sure that there is long-term performance.

This theory was relevant to the current study exploring how collaboration strategy impacts revenue diversification in Kenya's four-star hotels. Collaborative strategies like partnerships with travel agencies, technology companies, and local communities can be viewed as intangible

resources that meet the valuable, rare, inimitable, and non-substitutable criteria. These alliances usually result to shared knowledge, access to new customer bases, joint innovation, and pooled capabilities, which can significantly improve service offerings and market reach (Miller, 2019). In Kenya's competitive hospitality sector, companies that effectively manage and integrate these collaborative relationships gain unique, inimitable advantages that support revenue diversification. By using the RBV lens, the researcher can examine how companies utilize strategic collaborations to survive in a volatile market as well as to build long-term value and sustain competitive differentiation.

2.2.4 Modern Portfolio Theory

The Modern Portfolio Theory (MPT) was developed by Harry Markowitz (1952). Markowitz introduced a quantitative framework for constructing investment portfolios that maximize expected returns for a given level of risk or minimize risk for a given level of expected return. He posited that investors could attain better risk-adjusted returns not by selecting individual assets in isolation, but by considering how different assets interact in a diversified portfolio (Berk & Tutarl, 2021).

The concept of modern portfolio theory is founded on the principle of diversification. It states that risk in a portfolio can be minimized by investing in a mix of assets that do not perfectly correlate with one another. The theory assumes that investors are rational and risk-averse, preferring a portfolio that provides the highest expected return for a given level of risk (Ljungberg & Hogstedt, 2021). By mathematically analyzing the expected returns, variances, and covariances of different assets, MPT assist in constructing an “efficient frontier” a set of optimal portfolios providing the best possible return for different levels of risk. Central to this theory is the idea that risk is about individual asset volatility and also how the entire portfolio behaves as a whole.

This theory was relevant to the current study exploring the effect of portfolio strategy on revenue diversification in the four-star hotels in Kenya. In this context, portfolio strategy comprises of diversifying service offerings, customer segments, geographical markets, and revenue streams. Using the principles of MPT, hospitality companies can minimize market-specific risks like seasonality, economic downturns, or changes in tourist demographics by spreading their investments across different products and services (Simar, 2023). For instance, a hotel chain in Kenya may work both in budget and luxury segments, provide conferencing services, partner with local tour operators, and expand into multiple counties to smooth income volatility. By using MPT as a guiding framework, the researcher can examine how diversified portfolios of offerings contribute to more stable and sustainable revenue generation within Kenya's dynamic hospitality sector.

2.3 Empirical Review

The goals and research questions of the study offer a foundation for the empirical review section. The aim of the empirical review is to identify limitations and gaps within the existing body of research. Similarly, it assists to establish the relevance and justification for the current study by underscoring areas that need further exploration.

2.3.2 Market Expansion Strategy and Revenue Diversification in the Four-star hotels

Isibor and Gbandi (2020) examined market penetration as a viable growth strategy for the hospitality sector, basing on niche markets within the industry. The study utilized a qualitative methodology, comprising of interviews with managers and owners of small and medium-sized hotels. The findings showed that market penetration, which stresses on increasing market share within existing markets, assisted hospitality businesses in niche segments grow even though there were limited resources. The authors found that targeting particular customer segments enabled

these businesses to build brand loyalty and enhance their competitive edge. Despite that, the study did not address how market penetration strategies could be combined with revenue diversification strategies, like introducing new services or entering new markets. This gap is especially significant in the Kenyan hotel industry.

Chung (2020) explored how green marketing orientation can contribute to attaining sustainable development in green hotel management. Utilizing a survey method, Chung collected data from 300 respondents across different green hotels, and the data were analyzed through the use of structural equation modeling. The study found that adopting green marketing strategies enhances environmental sustainability as well as improving the competitiveness and reputation of the hotels. On top of that, green hotels reported higher customer satisfaction and loyalty, which contributed to long-term profitability. Even though, the study stresses sustainability, it does not look into how green marketing strategies could also be a drive market expansion which contributes to revenue diversification. This oversight presents a gap in understanding how such strategies will be used in Kenyan hotels, where green marketing could open new market segments and contribute to revenue diversification.

Hole et al. (2019) explored the challenges and solutions for developing the tourism and four-star hotels in India. The study used a mixed-method approach, combining quantitative surveys with qualitative interviews of industry stakeholders. The results identified a lack of infrastructure, regulatory challenges, and a fragmented service offering as major barriers to growth in the hospitality industry. Despite that, the study also underscored opportunities for market expansion through partnerships, diversification of services, and improving tourism infrastructure. Despite the detailed insights into market challenges, the study does not specifically deal on how hotels in developing economies, like Kenya, could leverage these challenges to diversify revenue streams.

Nugraha et al. (2020) examined marketing strategies to improve competitive advantage at the Mercure Chamonix Center Hotel in France. The study utilized case study methodology, comprising of in-depth interviews with hotel managers and an analysis of the hotel's marketing strategies. The findings shows that a strong focus on digital marketing, customer engagement, and personalized services assisted the hotel to differentiate itself in a competitive market. This strategic focus enabled the hotel on top of attracting a wider customer base and also diversify its revenue through additional services such as guided tours and exclusive events. Even though the study offers valuable insights into marketing strategies for competitive advantage, it does not consider how these strategies could be used to cultivate revenue diversification in the Kenyan hotel sector. This represents a gap in understanding how global marketing practices can be focused to local markets in Kenya to support both market expansion and revenue growth.

Olowoyo et al. (2021) examined the challenges and growth trajectory of the four-star hotels in South Africa from 1994 to 2020. The study utilized a historical approach, analyzing secondary data from industry reports, academic journals, and government publications. The results demonstrate that the South African four-star hotels encountered challenges like economic fluctuations, political instability, and changes in consumer preferences. Despite that, the industry was able to diversify its revenue by expanding into new markets, providing innovative services, and embracing technology. Even though the study is comprehensive especially in analysis of growth and challenges, it does not offer insights into how market expansion strategies specifically relate to revenue diversification. This gap is significant in the Kenyan context, where similar challenges may exist, but local hotels are not fully exploring the potential for market expansion through diversified service offerings.

Skobkin et al. (2020) assesses the development of the hospitality and tourism industry in Africa, focusing on the key drivers and challenges. The study utilized a combination of qualitative interviews and quantitative surveys with industry experts and hotel managers across different African countries. The research underscores the significance of market diversification, technology adoption, and the development of specialized services to stimulate growth in African hotels. The findings stressed that embracing a more diverse service portfolio could assist hotels better respond to market volatility and increase their revenue streams. Despite that, the study did not specifically examine how these strategies could be incorporated within Kenyan hotels, especially in terms of leveraging new market segments and improving revenue diversification through strategic partnerships or niche service offerings.

Yeswa and Ombui (2019) focused on talent management strategies and their impact on workers retention in the four-star hotels in Kenya. Utilizing a quantitative research design, the study collected data from hotel workers and managers utilizing structured questionnaires. The results showed that effective talent management strategies, like training and career development, significantly enhanced workers satisfaction and retention. While the study stressed on human resource management, it did not address the general issue of how talent management strategies could be associated with market expansion strategies to diversify hotel revenue. There is a clear gap in examining how hotels in Kenya could leverage employee satisfaction and skill development to improve service offerings, hence supporting both growth and revenue diversification through the introduction of new services.

Wanjiru (2023) explored the role of information management technology in improving customer satisfaction in the four-star hotels in Kenya. The study utilized a survey design, collecting data from hotel customers and managers through structured questionnaires. The results showed

that the effective utilization of information management systems, comprising of customer relationship management (CRM) tools, significantly enhanced service delivery and customer satisfaction. Despite that, the study did not examine how these technologies could also be leveraged to support market expansion or introduce new revenue streams. There is a gap in understanding how technological advancements in customer service could also enable the diversification of four-star hotel services in Kenya, enabling hotels to access new markets and increase their financial sustainability.

Kondoro and Kilei (2023) examined the impact of franchising on the competitiveness of hospitality companies in the four-star hotels in Kenya. The study utilized a survey method, collecting data from chosen hotels and restaurants in Mombasa County. The results showed that franchising offered hotels with a competitive edge by leveraging established brands, standardized service offerings, and economies of scale. Franchising also enabled hotels to expand their market presence more rapidly, hence improving their revenue potential. Despite that, the study did not address the effect of franchising on revenue diversification beyond market penetration, like through the introduction of innovative services or partnerships. This represents a significant knowledge gap in understanding how franchising models could be utilized by Kenyan hotels to both expand their market and diversify revenue sources effectively.

2.3.2 Leagile Service Strategy and Revenue Diversification in the Hospitality Industry

Shah et al. (2023) aimed to assess how a resource-based view integrated with a leagile strategy affects performance improvements in business operations. The study used a quantitative methodology utilizing structured questionnaires distributed to companies across different sectors, and data were assessed utilizing structural equation modeling. Their results showed that blending lean and agile capabilities like leagile strategy significantly improves organizational

responsiveness, flexibility, and in general, operational performance. This hybrid strategy allows companies to manage demand volatility while maintaining cost efficiency. The researchers stresses on the need for firms to relate with internal resources and capabilities with external market demands. Despite that, while the study contributes to general business operations literature, it lacks particular usage in the hospitality sector, particularly in the Kenyan context. Moreover, the study does not explicitly address how the leagile strategy could affect revenue diversification within hotels, leaving a gap in understanding how this approach could improve financial sustainability in the industry. Hence, this study will examine how Kenyan four-star hotels can incorporate leagile service strategies to unlock new revenue streams.

De Carvalho (2021) carried out an exploratory study focused on the management strategies of Portuguese luxury hotels before and after the COVID-19 pandemic, specifically targeting income tourism. The research used qualitative interviews with hotel managers and content analysis of strategic documents to explore changes in strategic orientation. The results showed a change towards more personalized, technology-driven, and resilient service offerings, showing adaptability and agility in service delivery. Hotels also increasingly adopted lean practices to optimize costs amid uncertainty. Despite the insightful exploration of strategic change, the study is geographically and demographically specific, limiting its generalizability to broader hotel contexts, including Kenya. On top of that it does not look into how a leagile services strategy may support diversified revenue generation. This underscores a need for these studies in assessing how such strategies can be tailored to fit the operational realities of Kenyan hotels while boosting their revenue base.

Lastre Sierra et al. (2025) examined the use of institutional ambidexterity utilizing the Balanced Scorecard (BSC) framework in the four-star hotels of Puebla City, Mexico. The study

employed mixed-method approach, combining quantitative surveys and qualitative interviews to explore how hotels manage exploration and exploitation simultaneously. The findings demonstrated that organizational ambidexterity, enabled by BSC, enhanced strategic alignment and operational flexibility, hence improving performance. The incorporation of agile and lean principles was subtly embedded in strategic planning and execution, enabling hotels to respond dynamically to market changes. Despite that, the study focused more on strategic alignment than on practical implementation of leagile methodologies in service offerings. It also overlooked the potential of such strategies to drive revenue diversification, particularly in emerging economies such as Kenya where hotels encounter volatile demand and infrastructure challenges. A gap thus exists in linking the ambidextrous capabilities supported by leagile strategies to sustainable revenue models in Kenyan hospitality settings.

Abu (2020) developed a lean manufacturing implementation framework for Malaysia's wood and furniture industry, aiming to improve operational efficiency and reduce waste. A design science research methodology was used, combining literature review, expert interviews, and framework validation through case studies. The study highlighted the benefits of lean thinking in cost control and productivity enhancement. While not directly related to hospitality, the conceptual parallels between lean manufacturing and lean service delivery are evident. However, the application of these principles within a leagile context remains unexplored in Abu's work. More so, the framework does not consider how lean initiatives can support service diversification or create alternative revenue streams, especially in service-based sectors like hospitality. This leaves a research gap in examining how lean principles, when combined with agility, could foster revenue diversification in the hotels in Kenya.

Anquandah (2023) explored the effect of accounting services on the performance of hotels in Ghana's Central Region. The study employed a quantitative approach, using structured questionnaires distributed to hotel managers and finance officers. Findings revealed that accurate financial reporting and strategic accounting practices significantly contributed to operational efficiency and decision-making. Although the study does not center on leagile strategies, it underscores the importance of integrating strategic financial oversight with service delivery mechanisms. However, it lacks insight into how accounting practices could be harmonized with leagile strategies to facilitate innovative service models and revenue diversification streams.

Oyombe (2023) examined the role of leagile strategy, strategic partnerships, and innovation in achieving competitive advantage among construction companies in Nairobi City County. The study used a descriptive research design, gathering data via questionnaires and analyzing it with regression analysis. The findings confirmed that leagile strategies balancing lean efficiencies and agile responsiveness enhanced innovation and improved firm competitiveness when supported by strategic partnerships. Although the sector differs from hospitality, the findings present valuable insights for hotels aiming to improve adaptability while maintaining operational discipline. Nonetheless, the research does not address the revenue side of performance, such as how service innovation stemming from leagile strategies could diversify income sources in the hospitality industry. There is a clear gap in exploring these dynamics within the hotel sector in Kenya, concerning customer-oriented innovations and cross-sector collaborations that could expand revenue channels.

Andrew (2020) examined the impact of leagile supply chain management on the operational performance of hotels in Mombasa County, Kenya. Utilizing a descriptive survey design, the study collected data through structured questionnaires and examined it utilizing SPSS.

The findings shows that leagile strategies significantly enhanced responsiveness, efficiency, and service quality. Hotels that integrated a balance of lean practices (cost control, process standardization) and agile approaches (flexibility, customization) attained higher operational performance. Despite being operational metrics enhanced, the study did not explore how these strategies influenced financial outcomes like revenue streams. More importantly, it did not examine whether leagile service strategies result to new or diversified sources of income. This underscores a critical knowledge gap, as the relationship between strategic service design and financial diversification remains underexplored in the Kenyan hospitality sector. This study will bridge this gap by assessing how leagile frameworks can contribute to robust revenue diversification in the hotels in Kenya.

2.3.3 Collaboration Strategy and Revenue Diversification in the Hospitality Industry

Rai and Nayak (2019) explored hospitality branding in emerging economies, focusing particularly on the Indian context to understand how brand development effects customer loyalty and business sustainability. The study used qualitative methods comprising of semi-structured interviews with hotel managers and content analysis of brand strategies utilized by local and international hotel chains operating in India. The results showed that strong branding, when coupled with cultural alignment and customer experience management, contributed significantly to competitive advantage and customer retention. While the research provided a solid foundation for branding strategies in developing economies, it did not explore how brand-based collaborations could be used to diversify revenue streams. For Kenyan hotels, such collaborations could involve partnerships with local artisans, transport services, or tour operators to offer bundled services and capture new markets. This gap in examining collaboration as a tool for both branding and revenue diversification highlights an area ripe for further research in Kenya's hospitality context.

Tan and Despotis (2021) explored efficiency in the UK four-star hotels utilizing a network data envelopment analysis (DEA) approach to evaluate both operational and financial efficiency across various hotel departments. The study depended on secondary data and applied a two-stage DEA model, accounting for multiple input-output relationships. The findings showed that collaboration among departments significantly enhanced the general efficiency. However, the focus was limited to internal collaboration and lacked any discussion on external partnerships or inter-organizational collaborations that could result to revenue diversification. For hotels in Kenya, engaging in collaborative ventures like shared loyalty programs or co-hosted events with other local businesses could open new income avenues. The absence of such strategic intuitions in the study presents a gap in understanding the broader role of collaboration in improving revenue diversification.

Ntounis et al. (2022) assessed resilience in the tourism and four-star hotels during the COVID-19 pandemic, utilizing case studies from England to assess how businesses adapted to external shocks. The study used qualitative research methods, comprising of in-depth interviews and thematic analysis of resilience strategies adopted by hospitality businesses. Findings indicated that collaboration with local governments, suppliers, and even competitors played a crucial role in business survival and continuity. While the research highlights the importance of external partnerships, it does not directly link these collaborations to structured revenue diversification strategies. In Kenya, where hotel resilience is usually tested by political, economic, and health disruptions, understanding how collaboration can be systematically connected to create diversified income streams remains underexplored, marking a critical research gap.

Adanse (2024) explored the impact of strategic management responses on revenue maximization in 3-5 star rated hotels in chosen regions of Ghana, utilizing a doctoral research

methodology that comprises of surveys and interviews with hotel managers. The study used a mixed-methods approach, with statistical analysis and thematic coding to interpret the data. The findings demonstrated that dynamic pricing, marketing agility, and cost optimization were among the leading strategies for maximizing revenue. Despite that, the study did not analyze how strategic collaborations could act as a long-term revenue diversification mechanism. In Kenya, such collaborations could support hotels in expanding into regional or international markets. The omission of collaboration as a central theme in the study shows a significant gap in strategy formulation, particularly for hotels aiming to hedge revenue risks through diversification.

Enobong et al. (2022) examined how innovation moderates the effectiveness of diversification strategies on the sustainability of hospitality firms in Nigeria. The researchers utilized quantitative data collected through structured questionnaires and analyzed utilizing hierarchical regression models. The study found that innovation improved the effect of diversification strategies on sustainability outcomes like customer satisfaction and operational efficiency. While innovation was stressed, the research fell short in exploring how collaboration could drive innovation in diversification. In Kenya, collaborative innovation could act as a practical revenue diversification tool, particularly in a competitive and evolving market. This overlooked linkage between collaboration and revenue innovation represents an important area for further exploration.

Christine and Irechukwu (2022) examined service diversification strategies and performance in the four-star hotels in Rwanda, using CENETRA as a case study. The study used a case study methodology with data collected through interviews and performance records. Findings suggested that offering varied services such as accommodation, conferencing, and catering helped improve organizational performance. However, the study did not examine whether

partnerships with other service providers, such as local tour operators or transportation companies, contributed to this diversification. In Kenya, where hotels serve a wide mix of local and international clients, leveraging external collaborations could significantly enhance the scope and quality of diversified offerings.

Paul (2023) focused on the influence of service diversification strategy on the growth of registered hotels in Kitui town, applying a doctoral-level survey-based research design. The study used questionnaires distributed to hotel owners and managers and analyzed data using descriptive and inferential statistics. The findings shows that there is a strong relationship between service diversification and hotel growth in terms of revenue and market presence. Despite that, the study limited its scope to internally generated diversification strategies and did not consider how collaborative arrangements could improve growth potential. The absence of such considerations creates a knowledge gap to four-star hotels in Kenya that might lack the resources to diversify independently and could benefit from strategic partnerships.

Wambua and Muthimi (2024) examined the usage of turnaround strategies to revitalize the performance of three-star hotels in Machakos County, Kenya, focusing on financial recovery and operational optimization. The study used a descriptive survey design with primary data collected through structured interviews and analyzed utilizing regression analysis. The findings shows that cost reduction, rebranding, and strategic repositioning were key turnaround measures. Despite that, the study did not put into consideration collaborative strategies as possible turnaround tools. Given the fragmented nature of the four-star hotels in Kenya, collaboration could act as a cost-effective means of survival as well as revenue diversification. This omission shows a gap in the understanding of collaborative potential revenue diversification.

Mwakuduwa, et al. (2024) studied change management strategies and their effect on operational performance in the four-star hotels across chosen coastal counties in Kenya. Utilizing a mixed-method approach that included interviews and performance data, the study found that structured change processes significantly enhanced service delivery and staff productivity. Yet, the role of inter-organizational collaboration during these change strategies was not explored. Collaborative change could yield shared benefits and minimize individual risk. In terms of revenue diversification, such partnerships could contribute to service extensions without high capital outlay. This oversight presents an opportunity for further research into collaborative approaches to change management as a revenue strategy.

2.3.4 Portfolio Strategy and Revenue Diversification in the Hospitality Industry

Akron, et al. (2020) explored a study to assess how economic policy uncertainty impacts corporate investment decisions within the U.S. hospitality industry. The objective was to analyze if the companies in the sector minimize or delay investment during periods of high policy unpredictability. Utilizing a quantitative approach, the authors employed panel regression analysis on a sample of publicly listed hospitality firms over several years. The methodology involved exploring firm-level data, financial indicators, and correlating them with measures of policy uncertainty. The results show that policy uncertainty significantly minimizes investment levels in the hospitality industry, suggesting that companies are risk-averse and tend to hold back capital expenditure under unstable policy environments. Even though this study provides valuable insights into external influences on firm investment, it does not explicitly connect economic uncertainty with internal strategic responses like portfolio restructuring or diversification of revenue streams. In the context of Kenyan hotels, a gap remains in understanding how such macroeconomic

conditions shape strategic portfolio choices that could improve revenue diversification and stability.

Wang, et al. (2019) sought to explore the formation of sub-brand love and corporate brand love within hotel brand portfolios. Their purpose was to understand how individual hotel brands within a portfolio contribute to general customer affection and loyalty to the parent company. The researchers utilized a structural equation modeling (SEM) methodology, gathering data through structured questionnaires administered to hotel customers across several brands. The findings showed that customer satisfaction and emotional connection with sub-brands significantly improve the perception and loyalty towards the corporate brand. This shows that well-managed brand portfolios can cultivate deeper customer relationships, which may in turn result to repeat business and higher revenue. Despite that, the study focuses on consumer psychology and brand equity without explicitly examining how such branding strategies contribute to diversified revenue sources or portfolio strategies in a dynamic hospitality environment like Kenya's. There is therefore a knowledge gap concerning how Kenyan hotels can utilize multi-brand strategies not just for brand love but for broader strategic objectives like revenue risk mitigation through revenue diversification.

Shamim, et al. (2021) examined how big data management abilities in the four-star hotels drive service innovation and influence customer-generated quality ratings. The study meant to examine the extent to which data infrastructure and analytics capabilities contribute to customer satisfaction and innovation in service delivery. Employing a mixed-methods design, the study combined survey data from hotel managers with interviews to understand organizational practices and technological capacities. The researchers noted that effective data management supports innovative service offerings, which in turn enhances customer ratings and perceived service

quality. While this offers essential intuition into the operational benefits of data-driven innovation, the study does not examine how big data can inform strategic decisions related to portfolio expansion or revenue diversification. In Kenya, where many hotels face changing demand and intense competition, the integration of data intuitions into strategic planning especially concerning diversification remains underexplored, representing a significant research gap.

Li and Singal (2019) focused on the capital structure in the hospitality industry, especially analyzing the impacts of asset-light and fee-oriented strategies. The aim of their study was to understand how adopting an asset-light model impacts financial performance and risk exposure. Employing a panel data regression methodology, the authors analyzed firm-level financial data to determine the relationship between asset ownership and profitability. Their findings showed that asset-light strategies are related with lower debt levels and enhanced returns on assets, hence providing financial flexibility. These findings suggest that hotels can benefit from changing to less capital-intensive models, which can free up resources for strategic growth and diversification. Despite that, the study is largely financial in focus and does not look into how such models can support portfolio strategies that spread market risk and diversify revenue streams across different customer segments or regions, a subject highly relevant for Kenyan hotel operators aiming for long-term revenue diversification sustainability.

Pansiri and Chatibura (2022) examined the role of tourism in diversifying Botswana's economy, with a specific focus on how tourism development can reduce reliance on traditional economic sectors. Their study employed a policy review and case study approach to analyze the country's tourism policies and their implementation outcomes. The findings demonstrated that deliberate investment in tourism infrastructure and strategic planning significantly enhanced tourism's contribution to national GDP and economic resilience. While this macro-level analysis

provides critical insights into tourism's role in economic diversification, it does not drill down to the firm level to examine how hotels, as key actors in the tourism sector, implement portfolio strategies to diversify their revenue streams. In Kenya, where tourism is a key economic pillar, the lack of firm-specific insights into portfolio restructuring among hotels to adapt to seasonality or revenue diversification shifts remains a critical gap in the literature.

Mbagga, et al. (2021) examined the effectiveness of hospitality training programs in developing market-relevant skills among graduates in Tanzania. The objective of the study was to assess if vocational education in hospitality equips learners with competencies required in the dynamic hotel industry. A descriptive survey methodology was used, involving questionnaires and interviews with graduates, trainers, and employers. The results revealed that effective training enhances employability and aligns graduates' skills with industry needs, particularly in service delivery and operations. While the study highlights the role of human capital in operational efficiency, it does not link this to broader strategic outcomes such as portfolio expansion to diversification of revenue sources.

Owenga et al. (2023) focused on the effect of associated diversification strategies on organizational performance among star-rated hotels in the Kenyan Coast. The aim was to examine if services and products closely aligned with core business offerings enhanced performance. Utilized a mixed-method approach, the study combined qualitative interviews and quantitative surveys with hotel executives. Analysis through correlation and regression techniques noted a significant positive relationship between related diversification and performance metrics like customer retention, brand loyalty, and operational efficiency. Even though the study stressed on operational synergies, it does not explore the strategic rationale behind selecting related vs. unrelated diversification from a portfolio perspective. Moreover, the authors do not evaluate how

diversifying revenue sources across a balanced portfolio could influence risk management and long-term stability in the Kenyan hospitality market. This represents a knowledgeable gap in aligning portfolio theory with real-world diversification outcomes.

Kitoto (2025) carried out a study on the impact of unrelated diversification strategy on organizational performance among star-rated hotels in the Kenyan Coast, aiming to determine how engaging in ventures outside core hotel operations impacts general performance. The study adopted a descriptive survey design, where data were collected through structured questionnaires from senior hotel managers and analyzed utilizing multiple regression models. The findings showed that unrelated diversification moderately improved financial performance and organizational resilience, particularly during periods of market saturation. However, the study also noted risks like management overstretch and brand dilution. While the research effectively sheds light the operational outcomes of unrelated diversification, it does not examine the broader portfolio strategy frameworks that guide like diversification. Furthermore, the study does not address how hotels in Kenya can strategically utilize revenue diversification through linked portfolio strategies to minimize risks and adapt to dynamic markets. This omission presents a knowledge gap in understanding how structured portfolio methods could optimize diversification benefits.

2.4 Summary of Reviewed Studies

TABLE 2.1:
Summary of Reviewed Studies

Study	Methodology Used	Findings	Research Gap
Isibor & Gbandi (2020)	Qualitative interviews with hotel managers and owners	Market penetration helped small and medium hotels grow by targeting niche segments and building loyalty.	Did not explore how market penetration can be combined with revenue diversification strategies.
Chung (2020)	Survey of 300 respondents analyzed with structural equation modeling	Green marketing improved sustainability, competitiveness, and customer satisfaction.	Did not examine how green marketing can drive market expansion and revenue diversification.
Hole et al. (2019)	Mixed-methods: quantitative surveys and qualitative interviews	Identified challenges in India's hotel sector and opportunities for service diversification and partnerships.	Lacked focus on how developing countries like Kenya can leverage these opportunities for revenue diversification.
Nugraha et al. (2020)	Case study using interviews and marketing analysis	Digital marketing and personalized services enhanced competitiveness and diversified income through added services.	Did not explore how such strategies could be localized for Kenyan hotels.
Olowoyo et al. (2021)	Historical analysis using secondary data	South African hotels diversified revenue through innovation, technology, and new markets.	Did not connect market expansion strategies directly to revenue diversification in Kenya.
Skobkin et al. (2020)	Mixed qualitative and quantitative methods	Emphasized diversification, technology, and specialized services for hotel growth in Africa.	Did not focus on application in Kenyan hotels for leveraging diversification.
Yeswa & Ombui (2019)	Quantitative survey using questionnaires	Talent management improved employee satisfaction and retention.	Did not link talent management with revenue diversification through enhanced service offerings.
Wanjiru (2023)	Survey design using structured questionnaires	ICT systems improved service delivery and customer satisfaction.	Did not explore how technology can create new revenue streams or support diversification.

Study	Methodology Used	Findings	Research Gap
Kondoro & Kilei (2023)	Survey of hotels and restaurants in Mombasa	Franchising improved competitiveness and market presence.	Did not address how franchising can drive revenue diversification beyond market expansion.
Shah et al. (2023)	Quantitative survey analyzed with structural equation modeling	Leagile strategy improved flexibility, responsiveness, and performance.	Did not apply to hospitality or link leagile strategy to revenue diversification.
De Carvalho (2021)	Qualitative interviews and content analysis	Portuguese hotels adopted tech-driven, lean, and agile practices post-COVID-19.	Did not explore leagile strategies' role in revenue diversification in other contexts like Kenya.
Lastre Sierra et al. (2025)	Mixed-method: surveys and interviews	Ambidexterity via BSC improved alignment and flexibility.	Did not address how leagile strategies could drive revenue diversification in emerging markets.
Abu (2020)	Design science research using literature review, interviews, and case studies	Lean framework improved cost control and efficiency.	Did not apply leagile or lean concepts to service diversification in hospitality.
Anquandah (2023)	Quantitative survey with hotel managers and finance officers	Strategic accounting improved efficiency and decision-making.	Lacked integration of accounting practices with leagile or diversification strategies.
Oyombe (2023)	Descriptive survey with questionnaires and regression analysis	Leagile strategies enhanced innovation and competitiveness in construction.	Did not assess impact on financial diversification in hospitality.
Andrew (2020)	Descriptive survey analyzed with SPSS	Leagile strategies improved efficiency and service quality.	Did not explore effects on financial outcomes or revenue diversification.
Rai & Nayak (2019)	Qualitative interviews and content analysis	Branding and cultural alignment improved loyalty and competitiveness.	Did not examine how brand collaborations could drive revenue diversification.
Tan & Despotis (2021)	Network DEA using secondary data	Internal collaboration enhanced operational efficiency.	Lacked exploration of external partnerships for revenue diversification.
Ntounis et al. (2022)	Qualitative interviews and thematic analysis	Collaboration with stakeholders supported resilience during COVID-19.	Did not connect collaboration to structured revenue diversification strategies.

Study	Methodology Used	Findings	Research Gap
Adanse (2024)	Mixed-method: surveys and interviews	Dynamic pricing and agility maximized revenue.	Did not assess collaboration as a mechanism for revenue diversification.
Enobong et al. (2022)	Quantitative survey analyzed with regression	Innovation strengthened diversification-sustainability link.	Did not explore how collaboration drives innovation in diversification.
Christine & Irechukwu (2022)	Case study with interviews and performance data	Service diversification improved performance.	Did not examine collaborative partnerships as part of diversification.
Paul (2023)	Quantitative survey with descriptive and inferential analysis	Diversification improved revenue and market growth.	Focused only on internal strategies, ignoring collaborative approaches.
Wambua & Muthimi (2024)	Descriptive survey with interviews and regression	Cost reduction and rebranding improved hotel recovery.	Did not consider collaboration as a potential turnaround and diversification tool.
Mwakuduwa et al. (2024)	Mixed-method with interviews and performance data	Change management improved service delivery and productivity.	Overlooked inter-organizational collaboration in change management for diversification.
Akron et al. (2020)	Quantitative approach using panel regression on firm-level data from U.S. hospitality companies	Policy uncertainty reduces investment levels, showing that firms are risk-averse during unstable policy periods.	Did not link economic uncertainty to internal strategic responses like portfolio restructuring or revenue diversification; lacks contextual relevance to Kenyan hotels.
Wang et al. (2019)	Structural Equation Modeling (SEM) using survey data from hotel customers	Strong emotio	

2.5 Conceptual framework

The conceptual framework illustrated the relationship between independent variables; market expansion, leagile service, collaboration and portfolio strategies to dependent variable; revenue diversification, which helped to identify the key factors influencing the outcome under study.

Understanding this relationship enables a clearer focus on how the independent variables impact

the dependent variable, guiding research or analysis towards a more structured approach to addressing the research question.

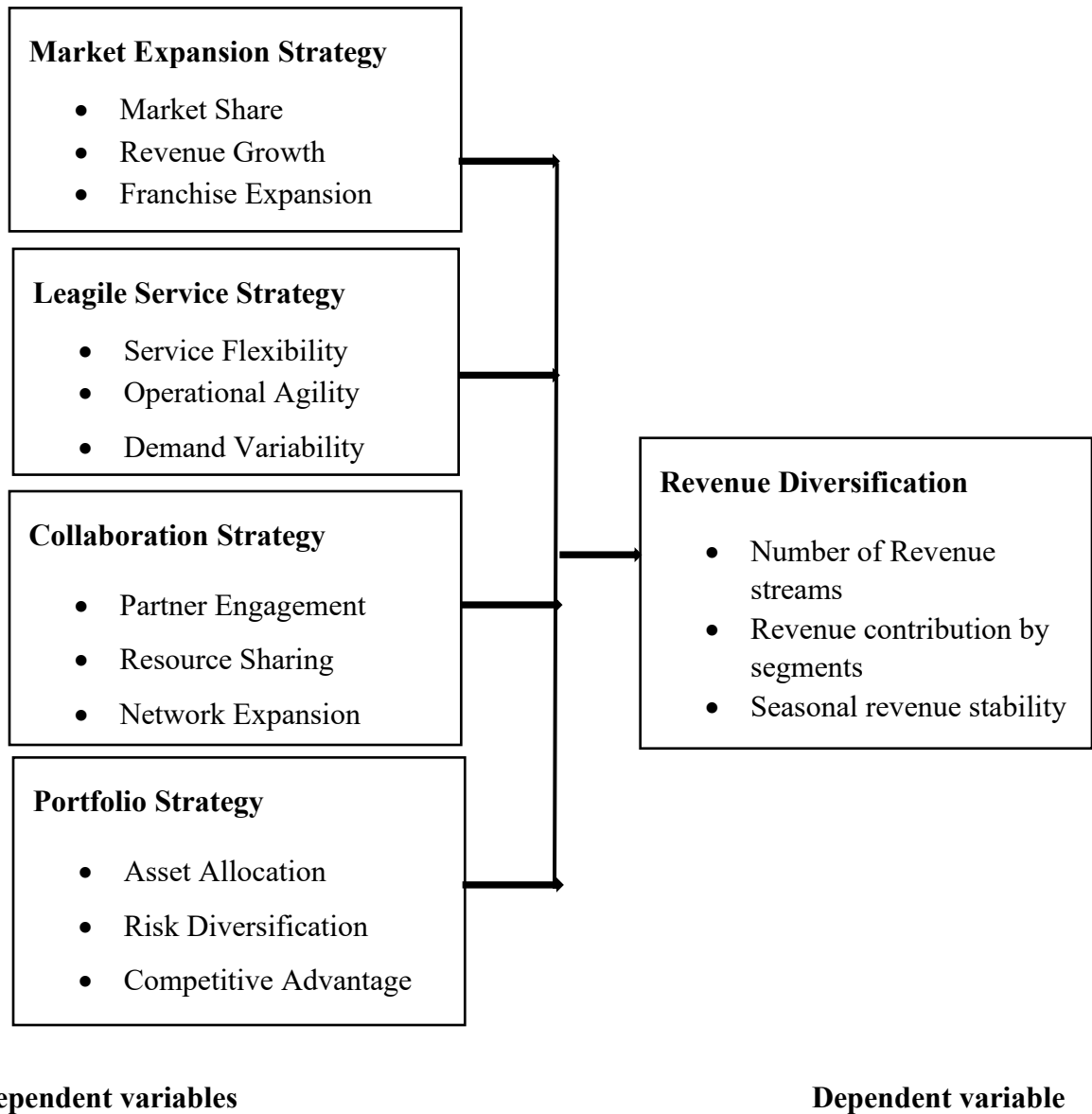


FIGURE 2.1:
Conceptual framework

2.6 Operationalization of Variables

TABLE 2.2:
Measurement of variables

Construct	Variable	Indictors	Scale	Analysis Technique
Market Expansion Strategy	Independent Variable	<ul style="list-style-type: none"> • Market Share • Revenue Growth • Franchise Expansion 	Interval scale (1-5)	Regression
Leagile Service Strategy	Independent Variable	<ul style="list-style-type: none"> • Service Flexibility • Operational Agility • Demand Variability 	Interval scale (1-5)	Regression
Collaboration Strategy	Independent Variable	<ul style="list-style-type: none"> • Partner Engagement • Resource Sharing • Network Expansion 	Interval scale (1-5)	Regression
Portfolio Strategy	Independent Variable	<ul style="list-style-type: none"> • Asset Allocation • Risk Diversification • Competitive Advantage 	Interval scale (1-5)	Regression
Revenue Diversification	Dependent Variable	<ul style="list-style-type: none"> • Number of Revenue streams • revenue contribution by segments • seasonal revenue stability 	Interval scale (1-5)	Regression

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter deliberated on research design, target population, sample size and sampling techniques, data collection, data analysis, ethical considerations.

3.2 Research Design

The study used a descriptive research design to examine the impacts of investment strategies on revenue diversification in the four-star hotels in Kenya. This design is appropriate as it allows the researcher to systematically describe and quantify the relationship between different investment strategies and the degree of revenue diversification among hotel establishments (Kumar & Praveenakumar, 2025). By collecting data from a proportionately stratified sample of hotel workers across various hotel categories, the design enables for an in-depth understanding of existing practices, trends, and outcomes within the industry (Mishra & Alok, 2022). Moreover, the descriptive design supports the usage of quantitative methods to generate accurate, reliable, and generalizable findings, offering valuable intuitions for decision-makers and stakeholders in the Kenyan hospitality sector.

3.3 Target Population

The study unit is defined as the individual elements or entities being studied (Casteel & Bridier, 2021). In this case, the study was based on workers working in four-star hotels across Kenya. According to the Tourism Regulatory Authority database (2025), there are 67 official four star hotels registered as seen in appendix IV. The research was specifically targeting 5 people from each hotels from different departments; sales & marketing, finance, procurement, production and operations.

TABLE 3.1:
Target population

Departments	Number of Staff	Percentage
Sales & Marketing	67	20%
Finance	67	20%
Procurement	67	20%
Production	67	20%
Operations	67	20%
Total	335	100%

Source; **Kenya Tourism Regulatory Authority database (2025),**

3.4 Sample and Sampling Technique

The study adopted a census approach, meaning that all 335 employees from five key departments—Sales & Marketing, Finance, Procurement, Production, and Operations—were included. This ensured full representation across the hotel’s main functional areas. The decision to select these specific departments was based on their direct involvement in activities influencing investment decisions and revenue generation. For instance, the Finance department provides insights into capital allocation and financial sustainability; Sales & Marketing oversees pricing, promotions, and market diversification; Procurement manages supplier relationships and cost efficiency; Production ensures service quality and operational effectiveness; while Operations coordinates the overall service delivery process. Employees in these departments are therefore best positioned to offer informed perspectives on investment strategies and revenue diversification practices. Using a census approach was appropriate given the manageable population size and the need to obtain comprehensive, department-wide insights that enhance the validity and inclusiveness of the study’s findings (Noor et al., 2022).

3.5 Research Instrumentation

To collect data from the employees from Hotels in Kenya, the researcher employed structured, closed-ended questionnaires. This data collection method has been selected for its reliability and ability to produce consistent outcomes regardless of the researcher or context (Rahman, et al. 2022). The questionnaire format ensures affordability and time efficiency when compared to methods like interviews, making it ideal for reaching a wider audience quickly. Moreover, its standardized nature simplifies the data analysis process. The questionnaire will be segmented into six parts: Section A gathered demographic and background information on respondents, Sections B through E addressed the core research objectives, while Section F focused on the dependent variable under investigation.

3.6 Pilot Study

To evaluate the effectiveness and suitability of the data collection tool, a pilot test was conducted involving approximately 2% of the projected study sample. This translates to a preliminary study with 7 respondents drawn from Hotels in Kenya. Participants selected for the pilot were not included in the final research to avoid data contamination. The pilot's primary aim is not to derive findings, but rather to confirm that the questionnaire was clear, functional, and capable of capturing the intended data accurately (Kunselman, 2024). Feedback from this stage informed any necessary modifications to enhance the tool's reliability and validity before full-scale deployment. Feedback from pilot respondents were analyzed for clarity, ambiguity, and item redundancy. Based on this analysis, modifications was made to refine the questionnaire before the main study.

3.6.1 Validity of Research Instrument

Questionnaire validity referred to how well the instrument measured the intended variables. According to Flake et al. (2022), evaluating different types of validity namely face, content, construct, and criterion was essential before utilizing a data collection tool. To establish face validity, experts from the field, academic supervisors, and faculty members in business administration were consulted (Abideen et al., 2022). In addition, a rigorous review of both theoretical literature and empirical studies focusing on strategic domains such as customer satisfaction, market positioning, and economic models was conducted. This ensured that the items in the questionnaire were aligned with relevant theoretical constructs, accurately represented the content domain, and were appropriate for the research objectives.

3.6.2 Reliability of research instrument

Reliability pertains to the consistency and stability of a measurement tool across different conditions. Ismail, et al. (2023) note that a reliable instrument yields consistent results over time. Cronbach's alpha, a widely recognized statistical method introduced by Cronbach and frequently applied in behavioral research, was employed to evaluate internal consistency (Flake, et al. (2022) This method calculates how closely related a set of items were within a group. The Cronbach's alpha coefficient of 0.70 or above was considered satisfactory. In this study, Cronbach's alpha served as the key indicator of the questionnaire's reliability by examining the coherence among multiple items measuring the same concept.

3.7 Data collection

A formal introduction letter was obtained from KCA University to initiate the process of securing a research permit from the National Commission for Science, Technology, and Innovation. This letter, alongside the research project, was submitted for approval. Upon receiving the permit, the

researcher coordinated with the human resources departments of participating Hotels in Kenya to distribute the questionnaires. Consent was sought from each respondent prior to participation. The "drop-and-pick-later" strategy was used to distribute the questionnaires and accompanying cover letters within a two-week timeframe, allowing participants ample time to respond. According to Sukmawati (2023), questionnaires were particularly effective for primary data collection, as they eliminate interviewer influence and gave respondents time to reflect on their answers. A Likert scale format was incorporated to capture nuanced opinions, offering a balance between closed and open response options.

3.8 Data Analysis and Presentation

Data analysis, as noted by Abideen et al. (2022), involves systematically organizing and interpreting data to uncover meaningful insights. In this study, data was collected through questionnaires and analyzed using SPSS version 20. Descriptive statistics such as frequencies, percentages, and means were used to summarize responses, supported by pie charts and frequency tables for visual presentation.

To prepare the study variables for regression analysis, Exploratory Factor Analysis (EFA) was conducted to condense the numerous questionnaire items into a smaller set of uncorrelated factors representing the underlying constructs. EFA was necessary to validate the measurement structure of the variables and reduce data dimensionality, ensuring that only reliable and conceptually sound factors were used in the regression model. Before extraction, the Kaiser–Meyer–Olkin (KMO) test assessed sampling adequacy, with values above 0.7 indicating suitability, while Bartlett’s Test of Sphericity tested whether correlations among variables were sufficient for factor analysis ($p < 0.05$). The extraction used Principal Component Analysis (PCA), retaining factors with eigenvalues greater than 1 and guided by a Scree Plot to determine the

optimal number of factors. Communalities were examined to confirm that each variable meaningfully contributed to the factor solution, and variables with very low communalities (below 0.4) were removed.

To improve interpretability, varimax rotation was applied, and factor loadings were reviewed to retain items with strong loadings (≥ 0.4) and minimal cross-loadings. Each factor was labeled according to the conceptual meaning of its high-loading items, aligning with the study's theoretical framework. Once the factor structure was finalized, factor scores were computed for each respondent to reflect their alignment with each latent construct. These factor scores were then used as independent variables in the multiple linear regression model, ensuring that the predictors were uncorrelated, theoretically meaningful, and appropriate for testing their relationship with the dependent variable. Multiple linear regression model that was used as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y = revenue diversification

β_0 = Constant (coefficient of intercept)

X_1 = market expansion strategy

X_2 = leagile service strategy

X_3 = collaboration strategy

X_4 = portfolio strategy

ε is the error term.

$\beta_1, \beta_2, \beta_3, \beta_4$: Regression coefficients

3.9 Diagnostic Tests

To make sure that there is validity and reliability of the data analysis, the study conducted a series of diagnostic tests. These tests were critical for identifying potential issues with the data that could impact the results and conclusions. Specifically, tests for normality, linearity, and multicollinearity were carried out to confirm that the assumptions underlying the statistical methods are met. The findings showed that these tests were guide the researcher in selecting appropriate analytical methods and making sure that the findings were both robust and credible (Masoodi, et al.2021).

3.9.1 Normality Test

A normality test was carried out to determine whether the collected data follows a normal distribution, which was a key assumption for many statistical analyses, including regression models. In this study, the normality of the data was tested using Shapiro-Wilk or Kolmogorov-Smirnov tests, depending on the sample size. When the data was found to deviate significantly from a normal distribution, appropriate transformations or non-parametric methods were considered to make sure that there is reliability of the analysis (Khatun, 2021).

3.9.2 Linearity Test

The linearity test was evaluating if there is a linear relationship between the independent variables (investment strategies) and the dependent variable (revenue diversification). This assumption was essential for regression analysis to accurately model the relationship between variables. The study was test for linearity utilizing scatter plots and statistical tests, like the Box-Tidwell test, to make sure that the relationship between the variables is linear (Press, et al.2021).

3.9.3 Multicollinearity Test

A multicollinearity test was carried out to check for high correlations between independent variables, which could distort the regression analysis and impact the interpretation of results. Multicollinearity was evaluated utilizing Variance Inflation Factor (VIF), where values greater than 10 show problematic multicollinearity. Whether multicollinearity was detected, the researcher considered removing or combining correlated variables, or utilizing techniques like principal component analysis to address this issue (Bayman & Dexter, 2021).

3.10 Research Ethics

In carrying out this study, research ethics was strictly observed to make sure that there is protection of participants' rights and the integrity of the research process. The researcher obtained informed consent from every participant, making sure that they were fully aware of the study's purpose, procedures, and their right to withdraw at any time without penalty. Confidentiality was maintained by anonymizing participant data and securely storing research materials. On top of that, the study followed the ethical guidelines set by KCA University and the NACOSTI. These measures upheld the ethical standards of the research and make sure that the study is carried out in a respectful and responsible manner.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents a detailed examination, analysis, and interpretation of the collected data. It began by outlining the response rate to establish the representativeness of the sample, followed by pilot test results that confirmed the reliability and validity of the research instrument. Diagnostic tests, including normality, multicollinearity, were conducted to ensure the suitability of the data for further analysis. The chapter also provided both descriptive statistics, which summarized the characteristics of the study variables, and inferential analysis, which tested the research hypotheses and established relationships among the variables.

4.2 Response Rate

TABLE 4.1:
Response Rate

Response Type	No.	Percentages
Returned questionnaire	303	90.4%
Unreturned questionnaire	25	9.6%
Total	328	100.0%

Table 4.1 shows that out of the target population of 328 employees drawn from the five key departments; Sales & Marketing, Finance, Procurement, Production, and Operations in four-star hotels, 303 returned the questionnaires, representing a high response rate of 90.4 percent, while only 25 (9.6 percent) did not respond. This strong participation indicates that the views collected are highly representative of the target population, thereby enhancing the reliability and validity of the findings. A response rate above 70 percent is generally considered very good in survey-based research, as it reduces the risk of non-response bias and strengthens the credibility of the results

(Mishra & Alok, 2022). The high response rate therefore provides confidence that the data accurately reflects employees' perspectives on investment strategies and revenue diversification in four-star hotels in Kenya.

4. 3 Pilot Test Results

4.3.1 Validity of Data Collection Instrument

Questionnaire validity referred to how well the instrument measured the intended variables. According to Flake et al. (2022), evaluating different types of validity namely face, content, construct, and criterion was essential before utilizing a data collection tool. To establish face validity, experts from the field, academic supervisors, and faculty members in business administration were consulted (Abideen et al., 2022). In addition, a rigorous review of both theoretical literature and empirical studies focusing on strategic domains such as customer satisfaction, market positioning, and economic models was conducted. This ensured that the items in the questionnaire were aligned with relevant theoretical constructs, accurately represented the content domain, and were appropriate for the research objectives.

4.3.2 Reliability of Data Collection Instrument

TABLE 4.2:

Reliability of Data Collection Instrument

Reliability Results Variable	Item	Alpha value	Recommendations
Market Expansion Strategy	7	0.764	Good
Leagile Service Strategy	8	0.747	Good
Collaboration Strategy	9	0.893	Good
Portfolio Strategy	9	0.757	Good
Revenue Diversification	9	0.751	Good

The reliability results indicate that all study variables achieved acceptable levels of internal consistency, with Cronbach’s alpha values above the recommended threshold of 0.70. Market Expansion Strategy ($\alpha = 0.764$), Leagile Service Strategy ($\alpha = 0.747$), Collaboration Strategy ($\alpha = 0.893$), Portfolio Strategy ($\alpha = 0.757$), and Revenue Diversification ($\alpha = 0.751$) all fall within the “good” range, suggesting that the measurement items for each construct were reliable. Collaboration Strategy recorded the highest reliability at 0.893, showing strong consistency among its items, while Leagile Service Strategy had the lowest at 0.747, though still considered good. Overall, these results confirm that the instruments used were dependable for assessing the relationship between strategic approaches and revenue diversification (Abideen et al., 2022).

4.4 Demographic characteristics

TABLE 4.3:

Demographic characteristics

Variable	Category	Frequency	Percentages
Age Bracket	18–25 years	18	5.9
	26–35 years	100	33.0
	36–45 years	50	16.5
	46–55 years	90	29.7
	56 years and above	45	14.9
	Total	303	100.0
Level of Education	Certificate	67	22.1
	Diploma	70	23.1
	Bachelor’s Degree	81	26.7
	Other (specify)	85	28.1
	Total	303	100.0
Duration of Operation	Less than 2 years	54	17.8
	2–5 years	88	29.0
	6–10 years	36	11.9
	Over 10 years	125	41.3
	Total	303	100.0
Number of Employees	Less than 10	33	10.9
	10–49	58	19.1
	50–99	102	33.7
	100–199	49	16.2
	200 and above	61	20.1
	Total	303	100.0

The age bracket of hotel managers and key decision-makers shows that most fall within the 26–35 years (33.0%) and 46–55 years (29.7%) categories, followed by 36–45 years (16.5%), 56 years and above (14.9%), and 18–25 years (5.9%). This mix reflects a workforce that blends youthful innovation with seasoned experience, offering hotels opportunities to balance risk-taking with stability in investment choices. Younger managers may prioritize modern strategies such as digital marketing and sustainability initiatives, while older managers emphasize proven approaches like conferencing, events, and travel partnerships. Fitriyah et al. (2021) argue that demographic characteristics, including age, significantly shape decision-making behavior, which in this study highlights how the age bracket influences the adoption of revenue diversification strategies in four-star hotels.

The level of education among respondents reveals that 23.1% hold diplomas, 22.1% have certificates, 26.7% possess bachelor's degrees, and 28.1% fall under "other" qualifications, such as postgraduate or specialized training. This indicates that most managers have at least a diploma-level education, equipping them with the analytical and managerial skills necessary to assess financial risks and market opportunities. Those with advanced qualifications are more likely to embrace innovative diversification strategies, such as themed dining, spa services, or curated destination packages, while managers with certificates or diplomas often focus on operational efficiency and traditional investment channels. Duckett (2021) emphasizes the importance of reliable measurement of variables like education in quantitative research, justifying its inclusion in this study as a determinant of strategic preferences in hotel management.

The duration of operation of hotels also plays a crucial role in shaping investment strategies. Findings show that 41.3% of hotels have operated for over ten years, 29.0% between two and five years, 17.8% for less than two years, and 11.9% between six and ten years. Older

hotels tend to pursue conservative approaches aimed at preserving brand reputation and maintaining service quality, while newer hotels, especially those operating for less than two years, may adopt riskier strategies such as dynamic pricing or targeted online marketing to establish their market position. According to Raifman et al. (2022), understanding the duration of operation provides valuable context in studies because it captures the maturity of organizations, which directly affects their strategic orientation. In this study, the duration of operation justifies its use as a variable that explains differences in diversification approaches across hotels.

The number of employees further illustrates variations in investment capacity. About 33.7% of hotels employ between 50–99 staff, 20.1% employ 200 and above, 19.1% have 10–49 staff, 16.2% employ 100–199, and 10.9% employ fewer than 10. Larger hotels with 200 or more employees often pursue extensive investment strategies, including international partnerships and large-scale events, to sustain higher operational costs. Mid-sized hotels, particularly those with 50–99 staff, balance efficiency with selective diversification into wellness programs or eco-friendly practices, while smaller hotels adopt cautious approaches focused on core services. Fitriyah et al. (2021) highlight that demographic attributes like organizational size affect the scope of decision-making, justifying the use of number of employees in this study as a critical factor influencing diversification strategies.

4.5 Factor Analysis

Factor analysis is a statistical method used to explore the structure of observable variables by reducing many variables into fewer, more manageable factors. It relies on the principle of unidimensionality, meaning that the items in a measurement tool must all assess the same construct for valid interrelationships to be examined. Exploratory factor analysis, in particular, groups items

based on their similarity without relying on prior models or theories, making it useful for identifying underlying factors that simplify complex data (Shrestha (2021)).

4.5.1 KMO and Bartlett's Test

TABLE 4.4:
KMO and Bartlett's Test

Variable	Kaiser-Meyer-Olkin Measure of Sampling Adequacy	Bartlett's Test of Sphericity Approx. Chi-Square	df	Sig.
Market Expansion Strategy	.721	302.397	28	.000
Leagile Service Strategy	.930	1282.193	36	.000
Collaboration Strategy	.923	1191.353	36	.000
Portfolio Strategy	.885	926.976	36	.000
Revenue Diversification	.902	1000.419	36	.000

The normality test for the market expansion strategy was assessed using the Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test of Sphericity. The KMO value of 0.721 exceeded the acceptable threshold of 0.6, confirming that the sample was adequate for factor analysis. Bartlett's Test yielded a Chi-Square value of 302.397 with 28 degrees of freedom and a significance level of 0.000, which is well below 0.05. This confirms sufficient variable correlation and supports factor extraction. These findings align with Shrestha (2021), who emphasized the role of factor analysis in ensuring data validity for survey-based studies. They also connect with Zvirgzdina, Sakena, and Linina (2023), who showed that applying structured statistical techniques to evaluate market expansion strategies enhances business development decisions, particularly in sectors facing competitive pressures.

For the leagile service strategy, the KMO value was 0.930, considered excellent and highlighting that the sample was highly adequate for factor analysis. Bartlett's Test of Sphericity produced a Chi-Square of 1282.193 with 36 degrees of freedom and a significance level of 0.000, demonstrating strong correlations among the variables. These results confirm the suitability of the data for factor extraction and advanced analysis. Shrestha (2021) noted that high KMO values ensure robustness in factor structures, reinforcing the reliability of these outcomes. Similarly, Piotrowicz, Ryciuk, and Szymczak (2023) emphasized that reliable metrics are crucial in assessing leagile strategies, where the balance of lean and agile principles demands strong statistical validation for accurate performance measurement.

The collaboration strategy results recorded a KMO of 0.923, rated as excellent, which confirmed that the sample was highly suitable for factor analysis. Bartlett's Test yielded a Chi-Square value of 1191.353 with 36 degrees of freedom at a significance level of 0.000, indicating strong inter-variable correlations and confirming the assumptions of factorability. As Shrestha (2021) explained, such strong values indicate readiness for deeper statistical exploration. These results are further supported by Hidayat et al. (2023), who demonstrated that collaboration strategies significantly improve business performance when backed by structured analytical approaches, especially in digital innovation and inter-organizational cooperation contexts.

The portfolio strategy recorded a KMO of 0.885, which is rated as very good, confirming that the dataset was adequate for factor analysis. Bartlett's Test produced a Chi-Square value of 926.976 with 36 degrees of freedom and a significance level of 0.000, indicating strong correlations among variables. This validates the assumptions of normality and factorability, making the dataset suitable for further analysis. Shrestha (2021) highlighted that strong Bartlett's results strengthen the interpretation of latent constructs in survey research. This supports the

findings of Wang (2021), who argued that portfolio selection models become more effective when grounded in rigorous statistical validation, ensuring that strategic choices align with organizational objectives.

The revenue diversification strategy produced a KMO of 0.902, considered excellent, and Bartlett's Test returned a Chi-Square of 1000.419 with 36 degrees of freedom and a significance of 0.000. These outcomes confirm that the dataset was highly factorable, with strong inter-variable correlations. In line with Shrestha (2021), such results validate the reliability of factor analysis in interpreting diversification outcomes. This finding resonates with Vara-Miguel et al. (2023), who showed that revenue diversification, particularly in media organizations, requires strong statistical underpinnings to demonstrate its effectiveness in stabilizing income and ensuring resilience. The consistency across tests suggests that diversification strategies in hospitality, like those in other industries, can be reliably assessed using rigorous statistical frameworks.

The factor loadings were defined as follows by Shrestha (2021) 0.32 (poor), 0.45 (fair), 0.55 (good), 0.63 (very good), or 0.71 (excellent). However, researchers consider a level of 0.4 and above to be strong for explanatory purposes. All the indicators of the various constructs were subjected to confirmatory factor loading analysis using SPSS version 20.

4.5.2 Factor Loadings for Market Expansion Strategy

TABLE 4.5:
Factor Loadings for Market Expansion Strategy

	Factor Loadings 1
The organization has increased its market share through entry into new regions.	.600
Market share growth has contributed to a broader revenue base.	.476
The organization has recorded consistent revenue growth over the past three years.	.637
The growth in franchise units has led to improved revenue diversification.	.663
Strategic partnerships have enhanced the organization's market reach.	.449
Product innovations have contributed to increased sales volumes.	.485
Customer retention initiatives have strengthened long-term revenue stability.	.472
Extraction Method: Principal Component Analysis.	
a. 2 components extracted.	

All items for Market Expansion Strategy exhibited strong and acceptable factor loadings, showing that the retained items reliably measure the construct. This supports the view of Watkins (2021), who emphasizes that factor loadings above the acceptable threshold ensure meaningful representation of the underlying variable structure. Two items with loadings below 0.4 were dropped to strengthen the construct, a process consistent with Shrestha (2021), who notes that removing weak items improves the accuracy of factor interpretation. In conclusion, the factor analysis confirms the reliability and validity of the selected factor and its constituent items.

4.5.3 Factor Loadings for Market Leagile Service Strategy

TABLE 4.6:
Factor Loadings for Market Leagile Service Strategy

	Factor Loadings 1
The organization adjusts its services quickly to meet varying customer needs.	.562
Service customization has enhanced the diversity of revenue sources.	.613
The organization responds promptly to operational changes in the market.	.729
Operational agility has helped expand the organization's revenue streams.	.678
The organization adapts its services based on fluctuating customer demand.	.724
Handling demand variability has enabled growth in multiple revenue areas.	.700
Flexible service delivery has strengthened the organization's competitive edge.	.700
Diversified operational strategies have reduced revenue risks.	.683

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

The Leagile Service Strategy showed strong loadings across most items, particularly those related to responsiveness and operational flexibility. This reflects the argument of Sürücü, Yıkılmaz, and Maşlakçı (2022), who highlight that exploratory factor analysis identifies the strongest indicators to capture a construct's dimensionality. One item was dropped for falling below 0.4, which aligns with Shrestha's (2021) recommendation that low-loading items should be excluded to improve unidimensionality. In conclusion, the factor analysis confirms the reliability and validity of the selected factor and its constituent items.

4.5.4 Factor Loadings for Collaboration Strategy

TABLE 4.7:
Factor Loadings for Collaboration Strategy

	Factor Loadings 1
The organization engages partners to co-develop services that boost revenue.	.609
Strong partner relationships have supported revenue diversification efforts.	.514
The organization shares resources with partners to reduce operational costs.	.557
Shared resources among collaborators have opened up new revenue streams.	.535
The organization collaborates to expand its business network within the industry.	.524
Network expansion through collaboration has improved revenue opportunities.	.502
Joint ventures with industry peers have accelerated market entry.	.559
Collaborative projects have generated new long-term revenue channels.	.615

Extraction Method: Principal Component Analysis.

Collaboration Strategy, all items loaded well, demonstrating that joint ventures, resource sharing, and network expansion consistently explain the construct. This finding echoes Watkins (2021), who explains that strong loadings across all items enhance a factor's robustness and reliability. Only one item was dropped and other constructs remained comprehensive, which reflects the guidance of Sürücü et al. (2022) on retaining items that meaningfully strengthen construct coverage. In conclusion, the factor analysis confirms the reliability and validity of the selected factor and its constituent items.

4.5.5 Factor Loadings for Portfolio Strategy

TABLE 4.8:

Factor Loadings for Portfolio Strategy

	Factor Loadings 1
The organization allocates assets across different service segments.	.709
Strategic asset allocation has contributed to varied revenue streams.	.623
The organization spreads investments to minimize revenue risks.	.695
Risk diversification has enhanced the organization's income stability.	.682
The organization's portfolio strategy strengthens its position in the market.	.646
A strong competitive advantage has supported revenue growth across services.	.868
Balanced investment distribution has sustained long-term profitability.	.648
Asset diversification has enabled growth in multiple business areas.	.524
Strategic portfolio management has improved financial resilience.	.661

Extraction Method: Principal Component Analysis.

The results for Portfolio Strategy items revealed consistently strong loadings, particularly for competitive advantage and risk diversification, which emerged as the most influential indicators.

This is in line with Shrestha (2021), who notes that factors with high loadings across multiple items provide substantial representation of underlying dimensions. No items were dropped, which supports Watkins's (2021) observation that well-structured constructs maintain internal validity when all items contribute meaningfully. In conclusion, the factor analysis confirms the reliability and validity of the selected factor and its constituent items.

4.5.6 Factor Loadings for Revenue Diversification

TABLE 4.9:
Factor Loadings for Revenue Diversification

	Factor Loadings 1
Multiple revenue streams are in place to support operations.	.576
New income sources are regularly explored to reduce dependency on room sales.	.979
Revenue is generated from a variety of business segments.	.604
Each segment's financial contribution is regularly assessed.	.633
Revenue levels remain fairly stable across different seasons.	.945
Seasonal changes have a limited effect on overall financial performance.	.495
Off-season promotions have maintained steady income flows.	.677
Diversified revenue channels have improved financial resilience.	.713
Non-room services have become a significant contributor to total revenue.	.625

Extraction Method: Principal Component Analysis.

The Revenue Diversification items displayed strong and acceptable loadings across all items, with the highest contributions observed in new income sources and stable seasonal revenue streams. This resonates with the argument of Sürücü et al. (2022), who emphasize that high factor loadings indicate robustness in construct measurement. Since no items were dropped, the construct provides a complete and reliable picture of diversification practices. In conclusion, the factor analysis confirms the reliability and validity of the selected factor and its constituent items.

4.6 Descriptive Results

4.6.1 Market Expansion Strategy

TABLE 4.10:
Market Expansion Strategy

Statement on Market Expansion Strategy	Mean	Std. Deviation
The organization has increased its market share through entry into new regions.	3.14	1.066
Market share growth has contributed to a broader revenue base.	3.13	1.416
The organization has recorded consistent revenue growth over the past three years.	3.24	1.546
Franchise expansion has enabled access to new customer segments.	3.29	1.463
The growth in franchise units has led to improved revenue diversification.	3.00	.985
Strategic partnerships have enhanced the organization's market reach.	3.07	1.431
Product innovations have contributed to increased sales volumes.	3.02	1.467

The results on market expansion strategy showed varied outcomes, with franchise expansion enabling access to new customer segments recording the highest mean ($M = 3.29$, $SD = 1.463$). This suggests that although respondents acknowledged the role of franchising in reaching new markets, opinions were widely dispersed. Consistent revenue growth over the past three years ($M = 3.24$, $SD = 1.546$) and increased market share through entry into new regions ($M = 3.14$, $SD = 1.066$) reflected some progress but also highlighted substantial variability. These findings resonate with Isibor and Gbandi (2020), who emphasized that penetration into niche markets enabled hospitality firms to gain brand loyalty despite resource constraints. Similarly, Hole et al. (2019) noted that structural and regulatory challenges often lead to uneven results in market expansion, a pattern consistent with the high deviations observed in these results.

Market share growth contributing to a broader revenue base ($M = 3.13$, $SD = 1.416$) and diversification of revenue streams through targeted marketing ($M = 3.09$, $SD = 1.486$) also showed moderate agreement but high deviations, indicating that while recognized, these strategies

delivered uneven outcomes across hotels. Growth in franchise units leading to improved revenue diversification ($M = 3.00$, $SD = 0.985$) had the lowest mean but also the lowest variation, suggesting weaker perceived impact but more consistent views among respondents. These findings parallel Olowoyo et al. (2021), who demonstrated that South African hotels expanded into new markets and embraced technology to diversify revenue, even in the face of economic challenges. However, the Kenyan context appears to reflect partial adoption of these strategies, with respondents showing less consensus on their effectiveness, as highlighted by the varied standard deviations.

Strategic partnerships enhancing market reach ($M = 3.07$, $SD = 1.431$), product innovations increasing sales volumes ($M = 3.02$, $SD = 1.467$), and customer retention initiatives strengthening revenue stability ($M = 3.01$, $SD = 1.492$) were all rated slightly above neutral but carried some of the highest deviations, showing that implementation success differs significantly among hotels. These results align with Chung (2020), who found that adopting green marketing improved competitiveness and loyalty in green hotels but did not always directly support revenue diversification, much like the inconsistent experiences reflected here. Similarly, Nugraha et al. (2020) demonstrated that digital marketing and customer engagement in France helped diversify revenue streams, yet such innovative practices are not fully exploited in the Kenyan four-star hotel sector. The combination of moderate means and high standard deviations underscores this gap, highlighting the opportunity for Kenyan hotels to adopt proven global strategies that link market expansion to consistent revenue growth.

The Ansoff Matrix, developed by Igor Ansoff in 1957, offers a clear framework for understanding the varied outcomes of market expansion strategies observed among Kenya's four-star hotels. The theory identifies four strategic growth paths market penetration, product

development, market development, and diversification each balancing opportunity and risk differently (Clarissia, 2020; Zugay & Zakaria, 2023). The study's findings, where franchise expansion and new market entry recorded moderate means with high variability, align with the market development aspect of the matrix, showing that hotels are attempting to reach new customer segments but face uneven success. Similarly, the modest outcomes in product innovation and revenue diversification reflect partial adoption of product development and diversification strategies, which require innovation and higher investment. The inconsistent results across hotels mirror Ansoff's view that growth strategies carry different risk levels depending on resource commitment and market readiness (Qomaro et al., 2024). In this context, the Ansoff Matrix helps explain why some Kenyan hotels experience stronger performance from franchising and regional expansion while others struggle success depends on aligning the chosen strategy with organizational capacity and market conditions. Thus, the matrix provides a useful theoretical lens for interpreting how strategic choices in market expansion influence revenue diversification and long-term growth within the hospitality sector.

4.6.2 Leagile Service Strategy

TABLE 4.11:
Leagile Service Strategy

Statement on Leagile Service Strategy	Mean	Std. Deviation
The organization adjusts its services quickly to meet varying customer needs.	3.13	1.004
Service customization has enhanced the diversity of revenue sources.	3.07	.893
The organization responds promptly to operational changes in the market.	3.05	.844
Operational agility has helped expand the organization's revenue streams.	2.95	1.430
The organization adapts its services based on fluctuating customer demand.	3.03	.841
Handling demand variability has enabled growth in multiple revenue areas.	3.01	.822
Flexible service delivery has strengthened the organization's competitive edge.	3.00	.832
Diversified operational strategies have reduced revenue risks.	3.16	1.516

The analysis of the leagile service strategy indicates that four-star hotels in Kenya record average but meaningful outcomes, with mean values ranging between 2.95 and 3.16. Diversified operational strategies that reduced revenue risks had the highest mean ($M = 3.16$, $SD = 1.516$), although the large deviation points to uneven results across hotels. Similar findings on adaptability were reported by De Carvalho (2021), who showed that Portuguese luxury hotels embraced personalized and resilient services to meet post-pandemic market changes. In the Kenyan case, quick adjustments to customer needs ($M = 3.13$, $SD = 1.004$) and customization to enhance revenue diversity ($M = 3.07$, $SD = 0.893$) suggest more consistent outcomes, reflecting how service agility creates a stable base for performance. Yet, just as De Carvalho's study did not

connect agility to diversified revenue streams, these results show that while adaptability is strong, its influence on income diversity remains modest.

The results also show that responses to operational changes ($M = 3.05$, $SD = 0.844$) and adaptation to fluctuating customer demand ($M = 3.03$, $SD = 0.841$) are relatively steady, given their small deviations. This mirrors insights from Lastre Sierra et al. (2025), who found that using ambidextrous strategies within the Balanced Scorecard framework strengthened flexibility and improved performance in Mexican hotels. In Kenya, handling demand variability ($M = 3.01$, $SD = 0.822$) and delivering flexible services that strengthen competitiveness ($M = 3.00$, $SD = 0.832$) reinforce the value of combining lean and agile elements. However, while Lastre Sierra et al. (2025) linked ambidexterity to alignment and flexibility, the Kenyan results highlight a gap in connecting such practices to sustained revenue diversification, which remains a key challenge in volatile service environments.

The operational agility aimed at expanding revenue streams posted the lowest mean ($M = 2.95$, $SD = 1.430$), with its large deviation showing that the effect is unevenly experienced across hotels. This aligns with Oyombe (2023), who demonstrated that leagile strategies can improve competitiveness through innovation and partnerships but did not explore revenue outcomes directly. Similarly, Abu (2020) showed the value of lean principles in reducing waste and boosting efficiency, but without assessing how such approaches could generate new service models in hospitality. Interestingly, diversified operational strategies that reduced revenue risks, though having the highest mean ($M = 3.16$, $SD = 1.516$), indicate that while risk reduction is evident, its impact on long-term revenue growth may still be limited. These findings echo Anquandah (2023), who emphasized the role of structured accounting in sustaining operational efficiency, suggesting

that when leagile practices are paired with financial discipline, they may support steadier performance outcomes.

The theory shifts focus from products to services, emphasizing that value is co-created through continuous interactions between providers and customers rather than embedded in goods (Vargo et al., 2023). In this view, customers are active participants in shaping the service experience, and organizations succeed by adapting their competencies to deliver tailored value. This aligns closely with the study's findings, where hotels that quickly adjusted to customer needs and customized services achieved more consistent performance outcomes. The leagile approach combining lean efficiency and agile flexibility reflects the S-D Logic's focus on co-created, responsive, and relational value. It shows that hotels leveraging customer input and operational adaptability can better diversify their revenue by creating personalized offerings and flexible experiences for different market segments. Therefore, the S-D Logic theory helps explain why the most effective leagile practices are those that treat service as an interactive and evolving exchange, enabling hotels to build resilience and sustain revenue growth in a competitive service environment.

4.6.3 Collaboration Strategy

TABLE 4.12:
Collaboration Strategy

Statement on Collaboration Strategy	Mean	Std. Deviation
The organization engages partners to co-develop services that boost revenue.	2.98	1.436
Strong partner relationships have supported revenue diversification efforts.	3.07	1.445
The organization shares resources with partners to reduce operational costs.	3.03	1.425
Shared resources among collaborators have opened up new revenue streams.	3.02	1.409
The organization collaborates to expand its business network within the industry.	3.14	1.448
Network expansion through collaboration has improved revenue opportunities.	3.19	1.448
Joint ventures with industry peers have accelerated market entry.	2.94	1.424
Collaborative projects have generated new long-term revenue channels.	3.03	1.444
Partnerships have enabled access to previously untapped customer segments.	3.04	1.484

The results on collaboration strategy show modest performance levels, with means ranging between 2.94 and 3.19, highlighting that collaboration initiatives contribute to outcomes, though not strongly. Network expansion through collaboration improving revenue opportunities recorded the highest mean ($M = 3.19$, $SD = 1.448$), followed closely by collaboration to expand business networks ($M = 3.14$, $SD = 1.448$). Yet, the large standard deviations suggest that these benefits are not consistently realized across all hotels. Tan and Despotis (2021) similarly found that collaboration among departments improved efficiency in UK hotels, though their focus remained internal. Unlike their context, the Kenyan results reveal that external partnerships may hold greater potential, but uneven implementation undermines revenue diversification. In the same way, Christine and Irechukwu (2022) showed that service diversification improved performance in

Rwanda's hotels, though their study overlooked how external collaborations could strengthen diversification. The Kenyan findings echo this gap, where collaboration shows promise but remains underutilized as a systematic revenue strategy.

The partnerships to co-develop services ($M = 2.98$, $SD = 1.436$) and joint ventures to accelerate market entry ($M = 2.94$, $SD = 1.424$) scored the lowest means, coupled with high deviations. These figures show that while collaboration may facilitate innovation or market access, its benefits are highly inconsistent across Kenyan four-star hotels. Ntounis et al. (2022) confirmed that collaboration with governments, suppliers, and competitors helped hotels in England build resilience during COVID-19, yet they did not connect this directly to revenue diversification. Similarly, Enobong et al. (2022) emphasized the role of innovation in strengthening diversification strategies but overlooked how collaboration could foster innovation. The Kenyan data, with its low but widely varied means, demonstrates that while collaborations have potential, their current role in diversifying income streams remains fragmented. This points to a missed opportunity for hotels to embed collaboration in structured revenue models.

Sharing resources with partners to cut costs ($M = 3.03$, $SD = 1.425$) and opening new revenue streams ($M = 3.02$, $SD = 1.409$) reflect moderate means, though high deviations show uneven uptake. Similarly, partner relationships supporting revenue diversification ($M = 3.07$, $SD = 1.445$) and collaborative projects generating long-term revenue ($M = 3.03$, $SD = 1.444$) also show variability. Partnerships enabling access to untapped customer segments ($M = 3.04$, $SD = 1.484$) had a moderate mean but the highest deviation, meaning their potential is recognized but inconsistently applied. Adanse (2024) demonstrated that Ghanaian hotels boosted revenue through dynamic pricing and marketing agility, yet omitted collaboration as a diversification tool. Likewise, Paul (2023) linked diversification to hotel growth in Kenya but limited analysis to

internal strategies. The Kenyan findings show that collaboration strategies are dispersed in practice, echoing Wambua and Muthimi (2024), who studied turnaround strategies but did not consider collaboration. Overall, the evidence suggests that collaboration could become a cost-effective way for four-star hotels in Kenya to diversify revenue, but it is not yet systematically integrated into performance strategies.

The study's findings, which show modest but uneven effects of collaboration strategies, align with RBV's notion that not all firms can equally exploit or integrate resources to achieve superior outcomes. Hotels that cultivate long-term, trust-based partnerships can turn these collaborations into distinctive competencies that support diversification and resilience, while others lag due to weak resource integration. Therefore, RBV helps explain why collaboration, when effectively managed as a strategic asset, can drive sustained revenue diversification and strengthen competitive positioning in Kenya's dynamic hospitality industry.

4.6.4 Portfolio Strategy

TABLE 4.13:
Portfolio Strategy

Statement on Portfolio Strategy	Mean	Std. Deviation
The organization allocates assets across different service segments.	3.02	1.409
Strategic asset allocation has contributed to varied revenue streams.	3.03	1.430
The organization spreads investments to minimize revenue risks.	3.03	1.393
Risk diversification has enhanced the organization's income stability.	3.04	1.438
The organization's portfolio strategy strengthens its position in the market.	3.03	1.427
A strong competitive advantage has supported revenue growth across services.	3.07	1.431
Balanced investment distribution has sustained long-term profitability.	3.06	1.427
Asset diversification has enabled growth in multiple business areas.	3.06	1.469
Strategic portfolio management has improved financial resilience.	3.08	1.450

The analysis of portfolio strategy reveals generally moderate outcomes, with mean values ranging narrowly between 3.02 and 3.08, suggesting steady but not strong contributions of portfolio practices to four-star hotels' performance. Strategic portfolio management improving financial resilience recorded the highest mean ($M = 3.08$, $SD = 1.450$), followed by a strong competitive advantage supporting revenue growth ($M = 3.07$, $SD = 1.431$) and balanced investment distribution sustaining long-term profitability ($M = 3.06$, $SD = 1.427$). These findings align with Akron et al. (2020), who observed that firms in the U.S. hospitality industry minimize or delay investment during periods of economic policy uncertainty, highlighting the risk-averse nature of such organizations. Similarly, the high standard deviations in the Kenyan data suggest that the benefits of portfolio strategies are not consistently realized across all hotels, reflecting how macroeconomic

conditions and uncertainty can shape firm-level decisions on capital allocation and diversification. This points to a gap in understanding how hotels in Kenya could use portfolio restructuring to withstand external shocks while stabilizing revenue flows.

Asset diversification enabling growth in multiple business areas also recorded a relatively high mean ($M = 3.06$, $SD = 1.469$), though the large deviation highlights variability in results. Risk diversification enhancing income stability ($M = 3.04$, $SD = 1.438$) and portfolio strategy strengthening market position ($M = 3.03$, $SD = 1.427$) showed similarly modest means but with uneven effects. These findings resonate with Wang et al. (2019), who emphasized the importance of managing hotel brand portfolios to strengthen customer loyalty and drive revenue growth. However, while their study underscores the value of brand-level strategies in boosting performance, it does not examine how portfolio decisions can be tied to risk mitigation and income diversification in volatile contexts like Kenya. Likewise, Shamim et al. (2021) highlighted that big data management improves service innovation and customer ratings, yet its role in guiding portfolio diversification remains unexamined. The Kenyan evidence, therefore, underlines both the promise and the inconsistency of portfolio strategies when operationalized without strong data-driven alignment to diversification goals.

The results on asset allocation across service segments ($M = 3.02$, $SD = 1.409$), strategic asset allocation contributing to varied revenue streams ($M = 3.03$, $SD = 1.430$), and spreading investments to minimize risks ($M = 3.03$, $SD = 1.393$) indicate stable but modest effects, with high deviations again showing dispersed outcomes. Li and Singal (2019) argued that adopting asset-light strategies provides financial flexibility and supports higher returns, a finding that suggests Kenyan hotels could improve performance by freeing capital for strategic growth. At the macro level, Pansiri and Chatibura (2022) demonstrated that deliberate investment in tourism

infrastructure enhanced Botswana's economic resilience, underscoring the broader role of diversification in strengthening sustainability. For Kenya's four-star hotels, these findings highlight that portfolio strategies are contributing positively but unevenly, and that systematic alignment of asset allocation, diversification, and strategic investment planning could help reduce variability while enhancing resilience and growth.

The Modern Portfolio Theory (MPT) developed by Harry Markowitz (1952) provides a useful framework for interpreting the results of this study on portfolio strategies among Kenya's four-star hotels. MPT argues that investors can achieve optimal risk–return balance through diversification—by combining assets that do not perfectly correlate to minimize overall portfolio risk (Berk & Tutarl, 2021; Ljungberg & Hogstedt, 2021). Applied to the hotel sector, this theory explains why diversification across service offerings, customer segments, and market locations can stabilize revenue and enhance financial resilience. The study's findings, which revealed moderate but uneven effects of portfolio strategies, align with MPT's assertion that diversification benefits depend on how effectively the different components of a portfolio interact. Hotels that rely heavily on traditional income sources like accommodation and dining face higher volatility, similar to undiversified portfolios in finance. Conversely, those spreading investments across varied services such as conferencing, tourism packages, and events can better absorb market shocks. Therefore, MPT supports the idea that a well-balanced mix of hotel activities aligned with strategic investment decisions can reduce risk exposure and promote more stable revenue performance in Kenya's hospitality industry (Simar, 2023).

4.6.5 Revenue Diversification

TABLE 4.14:
Revenue Diversification

Statement on Revenue Diversification	Mean	Std. Deviation
Multiple revenue streams are in place to support operations.	3.04	1.009
New income sources are regularly explored to reduce dependency on room sales.	3.09	1.486
Revenue is generated from a variety of business segments.	3.05	.962
Each segment's financial contribution is regularly assessed.	3.06	.961
Revenue levels remain fairly stable across different seasons.	3.02	1.467
Seasonal changes have a limited effect on overall financial performance.	3.21	1.092
Off-season promotions have maintained steady income flows.	3.00	.985
Diversified revenue channels have improved financial resilience.	3.00	1.031
Non-room services have become a significant contributor to total revenue.	2.92	.958

The findings on revenue diversification showed moderate outcomes, with mean values ranging from 2.92 to 3.21, reflecting average influence of diversification initiatives on financial performance. Seasonal changes having a limited effect on overall financial performance recorded the highest mean ($M = 3.21$, $SD = 1.092$), with the relatively modest deviation suggesting greater consistency than other indicators. Exploring new income sources to reduce dependency on room sales also scored highly ($M = 3.09$, $SD = 1.486$), though the large deviation revealed wide variability across hotels. These results echo Owenga et al. (2023), who found that related diversification strategies improved customer retention, brand loyalty, and operational efficiency, but their study also noted that performance outcomes can differ widely depending on execution. Similarly, Andrew (2020) highlighted how leagile service practices improved responsiveness and efficiency in Kenyan hotels, but did not address how such operational gains could be translated

into reliable revenue diversification. This points to the uneven realization of diversification's potential in the Kenyan context.

Regular assessment of each segment's financial contribution ($M = 3.06$, $SD = 0.961$) and generating revenue from a variety of business segments ($M = 3.05$, $SD = 0.962$) showed stable means with small deviations, suggesting that such practices were consistently applied. Having multiple revenue streams to support operations ($M = 3.04$, $SD = 1.009$) also demonstrated moderate impact with manageable variability. These findings resonate with Mbagga et al. (2021), who emphasized the importance of developing market-relevant skills in hospitality to enhance service delivery and operational consistency. Well-trained staff enable hotels to manage multiple revenue segments effectively, thereby reinforcing diversification outcomes. However, the Kenyan evidence indicates that while these practices provide steady contributions, they remain moderate in strength and have yet to fully transform financial resilience.

The lowest mean was recorded in non-room services contributing significantly to total revenue ($M = 2.92$, $SD = 0.958$), which despite its weak impact had one of the smallest deviations, indicating greater uniformity in its limited effect. Revenue stability across different seasons ($M = 3.02$, $SD = 1.467$) and off-season promotions maintaining steady income flows ($M = 3.00$, $SD = 0.985$) also produced moderate but mixed results due to varying deviations. Rai and Nayak (2019) stressed the role of strong branding and customer experience management in sustaining competitive advantage, yet they did not explore how branding could support non-room services or seasonal promotions as revenue diversification levers. In contrast, diversified revenue channels improving financial resilience ($M = 3.00$, $SD = 1.031$) showed fairly consistent outcomes, pointing to the potential of structured diversification. Overall, while revenue diversification strategies

generally support stability, the high deviations in some areas, particularly new income sources and seasonal stability, highlight uneven experiences in achieving financial resilience.

4.7 Diagnostic Tests

4.7.1 Normality Test

TABLE 4.15:
Normality Test

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Market Expansion Strategy	.063	303	.005	.985	303	.003
Leagile Service Strategy	.065	303	.003	.992	303	.109
Collaboration Strategy	.080	303	.000	.969	303	.000
Portfolio Strategy	.078	303	.000	.980	303	.000
Revenue Diversification	.063	303	.005	.991	303	.076

In testing the assumption of normality for the factor scores derived after Exploratory Factor Analysis, both the Kolmogorov-Smirnov and Shapiro-Wilk tests were considered, but greater emphasis was placed on the Shapiro-Wilk results due to its reliability with moderate sample sizes such as the current study's 303 observations. While the Kolmogorov-Smirnov test is often applied in larger samples, recent findings highlight that it may be overly sensitive to minor deviations, thereby flagging normal data as non-normal (Konopatov, Shidlovsky, Shtil, & Bylino, 2024). Conversely, the Shapiro-Wilk test has been shown to provide a more robust assessment of data distribution when sample sizes fall below 2000, making it the preferred test in applied research contexts (Okoye & Hosseini, 2024). Based on this guidance, the present study interprets normality primarily through Shapiro-Wilk outcomes, where Leagile Service Strategy ($W = .992$, $p = .109$)

and Revenue Diversification ($W = .991$, $p = .076$) approximated normality, while Market Expansion Strategy ($W = .985$, $p = .003$), Collaboration Strategy ($W = .969$, $p = .000$), and Portfolio Strategy ($W = .980$, $p = .000$) deviated. This interpretation is consistent with literature emphasizing the Shapiro-Wilk test as a more dependable indicator of distributional properties, particularly in social science and applied research datasets where factor-derived scores are commonly assessed. Therefore, normality tests were conducted, deviations reported, reliance on Shapiro-Wilk justified, and regression assumptions further assessed using residual diagnostics.

4.7.2 Linearity Test

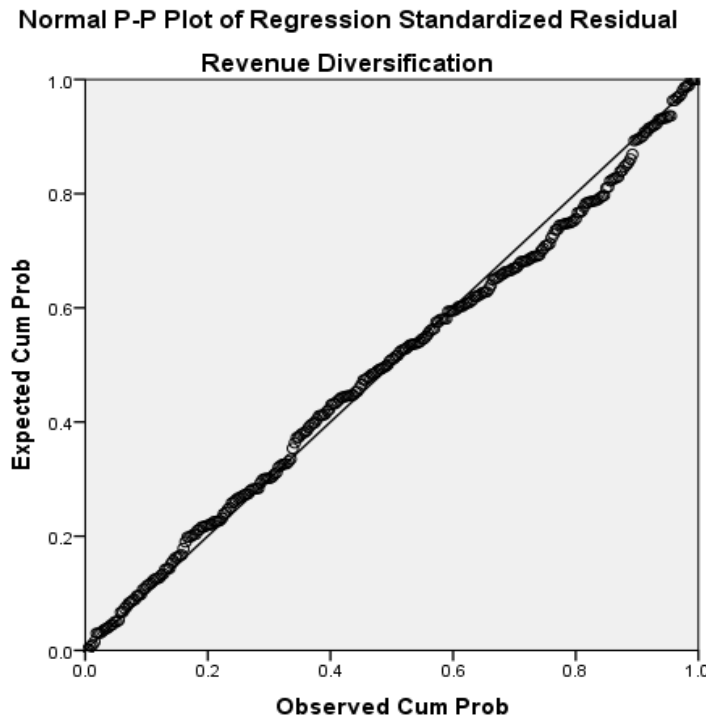


FIGURE 4.1:
Linearity Test

The Normal P-P Plot of regression standardized residuals for revenue diversification showed that the observed cumulative probabilities aligned closely with the expected cumulative probabilities along the diagonal line. This indicated that the residuals were approximately normally distributed,

confirming the assumption of linearity in the regression model. Since the data points fell nearly on the straight line without significant deviations, it suggested that the relationship between investment strategies and revenue diversification was linear and that the regression model was appropriate for explaining this influence. These results are consistent with Alita, Putra, and Darwis (2021), who emphasized that meeting classical regression assumptions, particularly normality of residuals, strengthens the validity of regression outcomes and ensures reliability when applying linear models in organizational and financial decision-making contexts.

4.7.3 Multicollinearity Test

TABLE 4.16:
Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Market Expansion Strategy	.390	2.562
Leagile Service Strategy	.197	5.083
Collaboration Strategy	.147	6.801
Portfolio Strategy	.139	7.170

The multicollinearity test results showed that all independent variables had tolerance values above 0.1 and variance inflation factor (VIF) values below the critical threshold of 10, indicating that multicollinearity was not a serious concern. Market Expansion Strategy recorded a tolerance of 0.390 and a VIF of 2.562, Leagile Service Strategy had 0.197 and 5.083 respectively, Collaboration Strategy showed 0.147 and 6.801, while Portfolio Strategy posted 0.139 and 7.170. Although Collaboration and Portfolio strategies exhibited relatively higher VIF values compared to the others, they still remained within acceptable limits, suggesting that the independent variables

were sufficiently distinct and could be reliably applied to explain variations in revenue diversification. These findings align with Ahmad, Balakrishnan, and Jha (2021), who emphasized that tolerance values above 0.1 and VIF scores below 10 confirm the absence of severe multicollinearity, ensuring that predictor variables can contribute meaningful and independent insights within regression models, even when slight correlations exist among them.

4.8 Inferential Results

4.8.1 Correlation

Table 4.17 presents the correlation results among the study variables.

TABLE 4.17:
Correlation

		Market Expansion Strategy	Leagile Service Strategy	Collaboration Strategy	Portfolio Strategy	Revenue Diversification
Market Expansion Strategy	Pearson	1				
	Correlation					
	Sig. (2-tailed)					
	N	303	303			
Leagile Service Strategy	Pearson	.717**	1			
	Correlation					
	Sig. (2-tailed)	.000				
	N	303	303			
Collaboration Strategy	Pearson	.630**	.866**	1		
	Correlation					
	Sig. (2-tailed)	.000	.000			
	N	303	303	303		
Portfolio Strategy	Pearson	.746**	.852**	.896**	1	
	Correlation					
	Sig. (2-tailed)	.000	.000	.000		
	N	303	303	303	303	
Revenue Diversification	Pearson	.762**	.939**	.866**	.875**	1
	Correlation					
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	303	303	303	303	303

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

The correlation results indicate strong and statistically significant positive relationships among all the strategies and revenue diversification at the 0.01 level. Market Expansion Strategy showed a strong correlation with Revenue Diversification ($r = 0.762$, $p = 0.000$), supporting Zvirgzdina, Sakena, and Linina (2023), who highlighted that structured market expansion strategies enhance

business development by opening new revenue opportunities. Leagile Service Strategy had the highest correlation ($r = 0.939$, $p = 0.000$), aligning with Piotrowicz, Ryciuk, and Szymczak (2023), who emphasized that lean-agile approaches foster efficiency and adaptability, making them critical for diversifying revenue streams. Collaboration Strategy also recorded a very strong association with Revenue Diversification ($r = 0.866$, $p = 0.000$), consistent with Hidayat et al. (2023), who showed that collaboration and digital innovation drive business performance through shared capabilities. Similarly, Portfolio Strategy demonstrated a robust relationship ($r = 0.875$, $p = 0.000$), echoing Wang (2021), who argued that aligning portfolio choices with organizational strategy strengthens competitiveness and supports financial growth. The inter-strategy correlations, such as Collaboration and Portfolio ($r = 0.896$, $p = 0.000$) and Leagile and Collaboration ($r = 0.866$, $p = 0.000$), further suggest that these strategies reinforce each other, which reflects Vara-Miguel, Sádaba, Negrodo, and Sánchez-Blanco (2023), who noted that diversification efforts are most effective when implemented as integrated systems rather than isolated actions. Overall, the results imply that applying these strategies in combination enhances revenue diversification more effectively than relying on a single approach.

4.8.2 Model Summary

TABLE 4.18:
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.955 ^a	.911	.910	.19507

The model summary indicates a strong relationship between the independent variables; market expansion strategy, leagile service strategy, collaboration strategy, and portfolio strategy and the

dependent variable, revenue diversification. The correlation coefficient (R) of 0.955 reflects a very high positive association, confirming that these strategies are strongly linked to financial outcomes. The R Square value of 0.911 shows that 91.1% of the variation in revenue diversification can be explained by the four strategies combined, while the adjusted R Square of 0.910 confirms the robustness of the model even after accounting for the number of predictors. This finding resonates with Mia and Shahid (2023), who demonstrated in their regression modeling work that high R Square values indicate strong predictive accuracy when the independent variables are closely aligned with the dependent outcome.

The standard error of the estimate (0.19507) is relatively low, suggesting that the model provides a good fit and that the predictions are fairly precise. This means the strategies examined not only explain most of the variance but also yield reliable forecasts of revenue diversification outcomes. At the same time, the remaining 8.9% of variation is attributable to external factors such as market competition, economic conditions, customer preferences, or shocks like political instability and global economic trends. This reflects the practical insight emphasized by Mia and Shahid (2023), who noted that even robust regression models often leave a margin of unexplained variance due to uncontrollable external influences.

4.8.3 ANOVA

TABLE 4.19:
ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	116.263	4	29.066	763.811	.000 ^b
Residual	11.340	298	.038		
Total	127.603	302			

The ANOVA results show that the regression model is statistically significant in explaining the relationship between the independent variables; market expansion strategy, league service strategy, collaboration strategy, and portfolio strategy and the dependent variable, revenue diversification. The regression sum of squares was 116.263 compared to a residual sum of squares of 11.340, demonstrating that most of the variation in revenue diversification is accounted for by the model. The F-statistic of 763.811 with a significance value of 0.000 ($p < 0.05$) confirms that the predictors jointly have a strong effect on revenue diversification.

This outcome highlights the reliability of the model and reinforces that the selected strategies meaningfully contribute to variations in revenue diversification among the hotels studied. As Nwobi and Akanno (2021) emphasize, ANOVA remains a powerful tool for establishing whether predictors significantly explain variance in a dependent variable, even in contexts where certain assumptions may be at risk. In this case, the results affirm that the regression model is statistically sound and that the chosen strategic approaches are valid drivers of hotel revenue diversification.

4.8.4 Coefficients of regression

TABLE 4.20:
Coefficients of Regression

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	-.037	.073		-.512	.609
	Market Expansion Strategy	.154	.029	.145	5.241	.000
	Leagile Service Strategy	.678	.043	.619	15.899	.000
	Collaboration Strategy	.076	.028	.124	2.751	.006
	Portfolio Strategy	.100	.036	.128	2.767	.006

The regression coefficients show how each strategy contributes to revenue diversification. Market Expansion Strategy had a positive and significant effect ($B = 0.154$, $t = 5.241$, $p = 0.000$), indicating that improvements in this area directly enhance revenue diversification. This supports Zvirgzdina, Sakena, and Linina (2023), who found that structured market expansion plays a vital role in business development by unlocking new income opportunities. Leagile Service Strategy emerged as the strongest predictor ($B = 0.678$, $\beta = 0.619$, $t = 15.899$, $p = 0.000$), suggesting that flexibility and efficiency in service delivery play a major role in diversifying revenue streams. This aligns with Piotrowicz, Ryciuk, and Szymczak (2023), who highlighted how lean and agile practices create efficiency and adaptability, making them essential for performance and revenue diversification. Collaboration Strategy also showed a significant influence ($B = 0.076$, $\beta = 0.124$, $t = 2.751$, $p = 0.006$), meaning that partnerships and joint initiatives contribute positively, though to a smaller extent. These results are consistent with Hidayat et al. (2023), who showed that collaboration and digital innovation drive business performance by pooling resources and

expanding market reach. Portfolio Strategy had a similarly modest but significant effect ($B = 0.100$, $\beta = 0.128$, $t = 2.767$, $p = 0.006$), highlighting the importance of diversifying product and service offerings, which echoes Wang (2021), who emphasized the role of portfolio alignment in strengthening organizational competitiveness. The constant value ($B = -0.037$, $p = 0.609$) was not significant, showing that revenue diversification is best explained by the strategies rather than baseline conditions. Overall, these results demonstrate that all four strategies significantly enhance revenue diversification, with leagile service strategy being the most influential, reinforcing findings by Vara-Miguel, Sádaba, Negredo, and Sánchez-Blanco (2023) that diversification efforts are most effective when multiple approaches are applied together.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and the recommendations on investment strategies and revenue diversification of four-star hotels in Kenya.

5.2 Summary of Findings

5.2.1 Market Expansion Strategy and Revenue Diversification.

The results shows that four-star hotels in Kenya hold a moderate perspective on the effectiveness of market expansion strategies in driving revenue diversification. Even though there is recognition that strategies such as franchise expansion, entering new regional markets, and maintaining steady revenue growth can contribute positively, the level of agreement among respondents is not strong. . These findings resonate with Isibor and Gbandi (2020), who emphasized that penetration into niche markets enabled hospitality firms to gain brand loyalty despite resource constraints. In some cases, such as franchise expansion allowing access to new customer segments, the strategy was relatively well regarded, but opinions varied widely. This demonstrates that not every hotels experienced the same level of benefit. Other strategies, like increasing market share through entry into new regions and attaining consistent revenue growth, also reflected mixed perceptions, with some hotels acknowledging clear advantages while others did not experience similar outcomes. Targeted marketing and market share growth were noted as ways to support diversification, even though the evidence suggests that these approaches are not uniformly effective across all establishments. These findings parallel Olowoyo et al. (2021), who demonstrated that South African hotels expanded into new markets and embraced technology to diversify revenue, even in the face of economic challenges. The weakest effect that was noted in the growth of franchise

units, which, although consistently rated, was not strongly linked to revenue diversification. Meanwhile, strategies like strategic partnerships to widen market reach, product innovations to drive sales volumes, and customer retention programs to stabilize income were all acknowledged but produced highly uneven results, pointing to differences in their application and effectiveness. Similarly, Nugraha et al. (2020) demonstrated that digital marketing and customer engagement in France helped diversify revenue streams, yet such innovative practices are not fully exploited in the Kenyan four-star hotel sector. Taken together, the findings show that while four-star hotels note the significance of market expansion strategies, their implementation has resulted to moderate and inconsistent outcomes, showing the differences in strategic execution and organizational context within the sector.

5.2.2 Leagile Service Strategy and Revenue Diversification.

The analysis of the leagile service strategy among four-star hotels in Kenya shows moderate outcomes. It is notable that the suggestions shows that while the strategy has a significant role in improving revenue diversification, its effect is neither strongly felt nor evenly distributed across all establishments. Similar findings on adaptability were reported by De Carvalho (2021), who showed that Portuguese luxury hotels embraced personalized and resilient services to meet post-pandemic market changes. Hotels reported that adapting rapidly to shifts in the market contributed to higher customer satisfaction, though the results were mixed, with some hotels benefiting more than others. On the other hand, adjusting services to meet different customer needs and customizing services to improve revenue diversity demonstrated more stable and consistent results. This mirrors insights from Lastre Sierra et al. (2025), who found that using ambidextrous strategies within the Balanced Scorecard framework strengthened flexibility and improved performance in Mexican hotels. This shows that these approaches are generally effective across

the sector. On top of that, the capability of the hotels to respond to operational changes and to adapt services based on fluctuating customer demand provided steady contributions to performance, suggesting that flexibility in service delivery is embedded in their operations, albeit with modest effects. Dealing with variability in customer demand and maintaining flexibility in service delivery also contributed to competitive advantage, though again, their effect was more modest than transformative. Similarly, Abu (2020) showed the value of lean principles in reducing waste and boosting efficiency, but without assessing how such approaches could generate new service models in hospitality. Operational agility, intended to expand revenue streams, appeared to yield uneven results, with some hotels realizing benefits while others saw little impact. Equally, diversified operational strategies aimed at minimizing revenue risks had less pronounced outcomes but were perceived in a more uniform way. This shows that risk reduction is consistently acknowledged but not necessarily a strong driver of diversification. Generally, the findings pinpoint that while leagile strategies do impact revenue diversification in four-star hotels, the outcomes are moderate and change depending on the dimension of flexibility and agility being applied.

5.2.3 Collaboration Strategy and Revenue Diversification.

The analysis of collaboration strategies among four-star hotels in Kenya shows that average performance outcomes, whereby while collaboration contributes to revenue diversification, its effect is not strongly emphasized and varies widely across establishments. Expanding business networks and forming collaborations were perceived as beneficial for improving revenue opportunities, but their effectiveness was inconsistent among different hotels. In the same way, Christine and Irechukwu (2022) showed that service diversification improved performance in Rwanda's hotels, though their study overlooked how external collaborations could strengthen

diversification. Partnerships aimed at co-developing services and accelerating market entry through joint ventures recorded weaker influence, with many hotels not realizing substantial benefits. Sharing resources with partners showed potential in reducing operational costs and opening new revenue streams, though the outcomes were uneven, suggesting that not all hotels are equally positioned to take advantage of such arrangements. Similarly, building strong partner relationships and engaging in collaborative projects were recognized as possible drivers of long-term revenue channels, yet their effectiveness was not uniformly experienced. Tan and Despotis (2021) similarly found that collaboration among departments improved efficiency in UK hotels, though their focus remained internal. Partnerships designed to reach untapped customer segments also showed potential, but high variability in outcomes indicated that success depended heavily on execution and structure. The Kenyan findings show that collaboration strategies are dispersed in practice, echoing Wambua and Muthimi (2024), who studied turnaround strategies but did not consider collaboration. Thus, collaboration strategies were acknowledged as valuable to growth and diversification, but their contributions across four-star hotels in Kenya remain relatively moderate and inconsistent.

5.2.4 Portfolio Strategy and Revenue Diversification.

The analysis of portfolio strategy demonstrates that four-star hotels in Kenya are getting valuable benefits from using these practices, even though the results are different across establishments. Strategic portfolio management was noted as a significant contributor to financial resilience, assisting hotels strengthen their stability in a competitive and unpredictable environment. Similarly, competitive positioning that comes with portfolio planning was recognized for its capability to support revenue growth, as hotels that align their resources effectively can better attract customers and outperform rivals. Balanced investment distribution was noted as a way of

sustaining long-term profitability, enabling hotels to spread their resources in ways that safeguard against overdependence on a single income stream. These findings resonate with Wang et al. (2019), who emphasized the importance of managing hotel brand portfolios to strengthen customer loyalty and drive revenue growth. Asset diversification also stood out as an approach that develops opportunities to grow in different business areas, like introducing new service offerings or expanding into complementary sectors. Even though the outcomes of asset diversification were not experienced equally by all hotels, those that used it well gained access to general revenue opportunities. Risk diversification was also related to building stability by safeguarding hotels from revenue fluctuations, reinforcing income security. Asset allocation across service segments, alongside spreading investments across different areas, was also seen as helpful for creating different revenue streams, making sure that growth and resilience are maintained over time. Generally, the findings show that portfolio strategies are actively contributing to growth, profitability, and resilience within four-star hotels in Kenya. Likewise, Shamim et al. (2021) highlighted that big data management improves service innovation and customer ratings, yet its role in guiding portfolio diversification remains unexamined. While the extent of success is different from one establishment to another, the consistent recognition of benefits across areas like financial resilience, revenue diversification, and long-term stability shows the value of portfolio practices in strengthening hotel performance.

5.3 Conclusions

The study concludes that market expansion strategies produce uneven results among four-star hotels in Kenya, with some establishments benefiting more than others. While franchise expansion enabled access to new customer segments, many hotels did not experience substantial or consistent revenue growth. Similarly, entering new regions and using targeted marketing campaigns

contributed to increased visibility but did not always translate into broader or stable revenue bases. Strategic partnerships and customer retention initiatives showed promise in boosting sales and competitiveness, yet their effectiveness varied depending on hotel resources and execution. These findings indicate that market expansion can support diversification, but its success relies on how well strategies are tailored to individual market conditions and operational capabilities.

The study concludes that leagile service strategies are among the most effective drivers of revenue diversification in Kenya's four-star hotels. The combination of lean efficiency and agile responsiveness allowed hotels to improve customer satisfaction, manage demand fluctuations, and reduce operational risks. However, while adaptability and customized service delivery showed consistent benefits, operational agility aimed at expanding revenue streams delivered mixed results. Hotels that effectively integrated flexibility and efficiency tended to perform better in maintaining stable and diverse income sources. Thus, leagile strategies are most beneficial when supported by structured systems, skilled personnel, and clear alignment with customer needs and market dynamics.

The study further concludes that collaboration strategies yield inconsistent outcomes in supporting revenue diversification. Partnerships and joint ventures were recognized for expanding networks, reducing costs, and enabling new revenue opportunities, yet the benefits were unevenly distributed. Many hotels faced challenges in converting collaborative efforts into measurable financial gains due to weak coordination, unclear objectives, or unequal resource contributions. The findings suggest that collaboration is most effective when guided by formal agreements, shared goals, and strong managerial oversight. Without these, partnerships may provide limited strategic advantage or fail to deliver tangible revenue growth.

Finally, the study concludes that portfolio strategies are the most reliable contributors to financial resilience and revenue diversification. Strategic portfolio management helped hotels maintain stability, while balanced investment distribution improved profitability and long-term performance. Asset diversification and risk spreading across service segments created new avenues for sustainable growth and protected hotels from market volatility. Although implementation varied across establishments, those with well-structured portfolio approaches demonstrated stronger financial outcomes. Overall, leagile and portfolio strategies emerged as the most effective pathways to sustainable revenue diversification, while market expansion and collaboration require more structured execution to achieve consistent success.

5.4 Recommendations

5.4.1 Recommendations to Policy Makers and Regulators

Policy makers and regulators, particularly the Tourism Regulatory Authority (TRA), should establish clear and comprehensive guidelines for hotel franchising and marketing practices to ensure fair competition and support consistent standards across the sector. The TRA should also facilitate public-private partnerships (PPPs) aimed at strengthening knowledge sharing, collaborative innovation, and structured network expansion particularly between hotels, travel agencies, and technology firms. To improve service quality and adaptability, the TRA, in partnership with hospitality associations, should develop a certified training module on “Leagile Service Design and Implementation” targeted at mid-level hotel managers, focusing on operational flexibility, customer responsiveness, and revenue diversification. Finally, the government should introduce investment incentives for hotels that adopt multi-service and environmentally sustainable portfolio strategies, such as tax rebates or access to low-interest credit facilities, to encourage long-term growth and sustainability in the hospitality industry.

5.4.2 Recommendations to Practice

Four-star hotels in Kenya should adopt a strategic and context-specific approach to marketing and expansion to improve revenue diversification. Franchise expansion initiatives need to be guided by careful identification of viable markets and customer segments. Marketing efforts should be more data-driven, while product innovations must be aligned with customer preferences to boost sales and retention. Hotels should also strengthen their agile service strategies by enhancing personalization, adaptability, and flexibility to effectively manage demand variability. Collaboration and partnership strategies should be formalized with clear objectives, accountability mechanisms, and measurable performance indicators to translate partnerships into tangible revenue opportunities. Additionally, hotel leaders should practice structured portfolio management by diversifying assets and investments, regularly assessing their performance, and aligning them with long-term financial resilience and sustainability goals.

5.4.3 Recommendations to Theory

The study contributes to theory by reinforcing and extending existing frameworks within the hospitality and management field. It strengthens the Ansoff Matrix by showing that structured market development and product diversification strategies enhance both growth and revenue stability in dynamic service environments. It extends the Service-Dominant Logic (SDL) by emphasizing that co-created, customer-centered value achieved through personalized services, flexibility, and innovation is central to business resilience and revenue diversification. The findings also support the Resource-Based View by illustrating that structured partnerships, knowledge sharing, and collaborative innovation act as valuable intangible resources that strengthen competitive advantage. Furthermore, the study validates and broadens the Modern Portfolio Theory demonstrating that diversified service and investment portfolios improve

financial stability, reduce risk exposure, and support sustainable growth in the hospitality sector. Collectively, these insights highlight the need for future research to integrate dynamic capabilities and contextual market factors into these theories to better explain strategic decision-making and resilience in emerging economies like Kenya.

5.5 Recommendation for Further Research

Future research can include consideration of extending the scope beyond four-star hotels to include three-star and five-star categories. This will allow comparison across different market segments. It would also be useful to examine other investment strategies. This includes digital innovation, green initiatives, and customer loyalty programs, which may significantly influence revenue diversification. On top of that, studies could adopt a longitudinal approach to capture the long-term impacts of these strategies on hotel performance.

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APPENDIX

Appendix I: Research Letter



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BOARD OF POSTGRADUATE STUDIES

KCAU/BPS/2025

Date: Monday, September 01, 2025

**NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION (NACOSTI)
P.O BOX 30623-00100
NAIROBI**

Dear Sir/Madam,

RE: PURITY WANGUI MUNGAI - 05/08191

It is my distinct pleasure to introduce Purity Wangui Mungai, a student at our institution pursuing a Master of Business Administration – Corporate Management degree in the School of Business.

Purity is conducting research on the topic: *“Investment strategies and revenue diversification of four-star hotels in Kenya.”* Her study has been reviewed and approved by the University’s Ethics Review

Committee Approval No. KCAUSERC/SOB0196. The approval period is from 21st July 2025 – 21st July

2026.

Any assistance accorded to her is highly appreciated.

Yours faithfully,

**DR. JACKSON NDOLO
DIRECTOR, BOARD OF POST GRADUATE STUDIES**


Appendix II: NACOSTI letter

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

RefNo: 749601 Date of Issue: 13/September/2025

RESEARCH LICENSE



This is to Certify that Ms.. Purity Wangui Mungai of KCA University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kajiado, Kilifi, Kwale, Machakos, Mombasa, Nairobi, Nakuru, Narok, Nyeri, Samburu on the topic: **INVESTMENT STRATEGIES AND REVENUE DIVERSIFICATION OF FOUR-STAR HOTELS IN KENYA.** for the period ending : 13/September/2026.


License No: NACOSTI/P/25/4179402

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Applicant Identification Number

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See overleaf for conditions

Appendix III: Research Questionnaire

Introduction

This section of the questionnaire seeks to gather demographic information that will help contextualize the study of investment strategies on revenue diversification in the four-star hotels in Kenya. Please answer the following questions honestly. Your responses will be kept confidential and used solely for academic purposes.

Part A: Demographic Information

1. Age Bracket:

- 18–25 years
- 26–35 years
- 36–45 years
- 46–55 years
- 56 years and above

2. Level of Education:

- Certificate
- Diploma
- Bachelor's Degree
- Other (please specify): _____

3. Duration of Operation of the Establishment:

- Less than 2 years
- 2–5 years
- 6–10 years
- Over 10 years

11. Number of Employees:

- Less than 10
- 10–49
- 50–99
- 100–199
- 200 and above

Part B: Market Expansion Strategy

The following statements aim to assess the influence of market expansion strategies on revenue diversification in the four-star hotels in Kenya. Please indicate the extent to which you agree or disagree with each statement, using the scale provided below:

Scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Number	Statement	1	2	3	4	5
1	The organization has increased its market share through entry into new regions.					
2	Market share growth has contributed to a broader revenue base.					
3	The organization has recorded consistent revenue growth over the past three years.					
4	Revenue streams have diversified as a result of targeted marketing efforts.					
5	Franchise expansion has enabled access to new customer segments.					
6	The growth in franchise units has led to improved revenue diversification.					
7	Strategic partnerships have enhanced the organization's market reach.					
8	Product innovations have contributed to increased sales volumes.					
9	Customer retention initiatives have strengthened long-term revenue stability.					

Part C: Leagile Service Strategy

The following statements aim to assess the influence of leagile service strategies on revenue diversification in the four-star hotels in Kenya. Please indicate the extent to which you agree or disagree with each statement, using the scale provided below:

Scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Number	Statement	1	2	3	4	5
1	The organization adjusts its services quickly to meet varying customer needs.					
2	Service customization has enhanced the diversity of revenue sources.					
3	The organization responds promptly to operational changes in the market.					
4	Operational agility has helped expand the organization's revenue streams.					
5	The organization adapts its services based on fluctuating customer demand.					
6	Handling demand variability has enabled growth in multiple revenue areas.					
7	Flexible service delivery has strengthened the organization's competitive edge.					
8	Rapid adaptation to market shifts has led to increased customer satisfaction.					
9	Diversified operational strategies have reduced revenue risks.					

Part D: Collaboration Strategy

The following statements aim to assess the influence of collaboration strategies on revenue diversification in the four-star hotels in Kenya. Please indicate the extent to which you agree or disagree with each statement, using the scale provided below:

Scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Number	Statement	1	2	3	4	5
1	The organization engages partners to co-develop services that boost revenue.					
2	Strong partner relationships have supported revenue diversification efforts.					
3	The organization shares resources with partners to reduce operational costs.					
4	Shared resources among collaborators have opened up new revenue streams.					
5	The organization collaborates to expand its business network within the industry.					
6	Network expansion through collaboration has improved revenue opportunities.					
7	Joint ventures with industry peers have accelerated market entry.					
8	Collaborative projects have generated new long-term revenue channels.					
9	Partnerships have enabled access to previously untapped customer segments.					

Part E: Portfolio Strategy

The following statements aim to assess the influence of portfolio strategies on revenue diversification in the four-star hotels in Kenya. Please indicate the extent to which you agree or disagree with each statement, using the scale provided below:

Scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Number	Statement	1	2	3	4	5
1	The organization allocates assets across different service segments.					
2	Strategic asset allocation has contributed to varied revenue streams.					
3	The organization spreads investments to minimize revenue risks.					
4	Risk diversification has enhanced the organization's income stability.					
5	The organization's portfolio strategy strengthens its position in the market.					
6	A strong competitive advantage has supported revenue growth across services.					
7	Balanced investment distribution has sustained long-term profitability.					
8	Asset diversification has enabled growth in multiple business areas.					
9	Strategic portfolio management has improved financial resilience.					

Part F: Revenue Diversification

The following statements aim to assess the revenue diversification in the four-star hotels in Kenya. Please indicate the extent to which you agree or disagree with each statement, using the scale provided below:

Scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Number	Statement	1	2	3	4	5
1	Multiple revenue streams are in place to support operations.					
2	New income sources are regularly explored to reduce dependency on room sales.					
3	Revenue is generated from a variety of business segments.					
4	Each segment's financial contribution is regularly assessed.					
5	Revenue levels remain fairly stable across different seasons.					
6	Seasonal changes have a limited effect on overall financial performance.					
7	Off-season promotions have maintained steady income flows.					
8	Diversified revenue channels have improved financial resilience.					
9	Non-room services have become a significant contributor to total revenue.					

The end, thanks

Appendix IIV: 4*Hotels Registered under Tourism Regulatory Authority

Hotel Name	Hotel Name
1. Hilton Nairobi Limited	35. Leopard Point Luxury Beach Resort
2. Crowne Plaza	36. Masai Mara Sopa Lodge
3. Hilton Garden Inn Nairobi Airport	37. Keekorok Lodge
4. City Lodge Hotel At Two Rivers	38. Sentrin Elementaita Lodge
5. Southern Sun Mayfair Nairobi	39. Lake Naivasha Sopa Resort
6. Eka Hotel	40. Sarova Mara Game Camp
7. Sarova Panafric Hotel	41. Lake Naivasha Sawela Lodge
8. Silver Springs Hotel	42. Sarova Lion Game Lodge
9. Nairobi Safari Club	43. Lake Nakuru Sopa Lodge
10. The Panari Hotel, Nairobi	44. Mara Intrepids Camp
11. Ole Sereni Hotel	45. Ashnil Mara Camp
12. Windsor Golf Hotel and Country Club	46. Fairmont Mara Safari Club
13. Fairview Hotel	47. Naivasha Kongoni Lodge
14. Weston Hotel	48. Neptune Mara Rianta Luxury Tented Camp
15. Golden Tulip Westlands	49. Mara Engai Wilderness Lodge
16. Amboseli Serena Lodge	50. Little Governors' Camp
17. Gelian Hotel	51. DBA Mara West Tented Camp
18. Pride Inn Lantana Apartments and Suites	52. Sunbird Lodge
19. Executive Residency by Best Western	53. Governors' Ilmoran Camp
20. House of Waine	54. Mara Explorer Camp
21. Carnivore Restaurant	55. Encounter Mara Camp
22. Baobab Beach Resort & Spa	56. Naboisho Camp Tented Camp
23. Sarova White Sands Beach Resort and Spa	57. Olarro Lodge
24. Leisure Lodge Beach & Golf Resort	58. Acacia Premier Hotel
25. Voyager Beach Resort	59. Fairmont Mt. Kenya Safari Club
26. Severin Sea Lodge	60. White Rhino Hotel
27. Diani Sea Resort	61. Sarova Shaba Game Lodge
28. Serena Beach Resort and Spa	62. Sweetwater's Serena Camp & Ol Pejeta House
29. Turtle Bay Beach Club	63. Aberdares Country Club
30. Lantana Galu Beach	64. Ashnil Samburu Camp
31. Silver Palm Spa & Resort	65. Samburu Intrepids Camp
32. Diamond Dream of Africa	66. Saruni Safari Lodge, Samburu
33. Marina English Point	67. Boma Inn, Eldoret
34. Msambweni Beach House and Private Villa	