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

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Abstract

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

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

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Introduction

In the hospitality field, service tipping is gradually gaining ground as far as competitive strategy is concerned. Tipping as a strategy is designed to reward service, gain or maintain future preferential service, gain or maintain social esteem. Among the outcomes of tipping: customer patronage frequency at the hotel (Conlin, Lynn, & O'Donahue, 2003) and customer experience working for tips (Lynn et al., 2012). In Africa, very little has been researched on tipping strategy (Megan, 2017), with a particular focus on South Africa (Kruger & Saayman, 2014), Zimbabwe (Charity & Kazembe, 2014) and Egypt (Jacobs & Guéguen, 2013). In Kenya, tipping is a common practice in the hotel industry where customers allow the service staff to keep change or; willingly give a financial token or; hotels make a formal compulsory percentage charge to a client bill which is shared to all hotel staff at the end or at the middle of the month.

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

Service tipping is a historical practice since 1795 in the hotel industry and has become global and is practised in the hotels and restaurants in the world. However, there is a literature gap on how hotels use service tipping as a strategy in their operations and how it affects the performance of the hotels, which is filled by the results presented in chapter four of the current study. Specifically, holistic assessment of hotel performance using Balanced Score Card (BSC) is a wide spectrum performance measurement tool. These are the key issues that motivated the current study, which examined the effect of service tipping as a competitive advantage strategy for the performance of hotels in Kenya using a balanced scorecard perspective. The study's primary objective was assessing the moderating effect of star rating on the relationship between service tipping and performance of hotels in Kenya based on a Balanced Score Card Perspective. The investigation had two hypotheses;**HO_1**: that star rating does not significantly affect the relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya based on Balanced Score Card Perspective and **HO_2**: Star rating does not significantly affect the relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya.

Based on the Balanced Score Card model, hotels in Kenya need to develop and implement numerous competitive strategies to improve their holistic performance. Service tipping is one such strategy. Several studies have been attempted on the Balanced Scorecard as a strategic measure of performance. For example; Nyangayo (2014); Afande (2015) and Mbugua (2015). No research has investigated the moderating effect of star rating on the relationship between service tipping and the performance of hotels in Kenya based on the Balanced Score Card Perspective, which motivated the current investigation. This was a wholesome interrogation of service tipping as a performance strategy and how the hotel star rating can moderate this relationship in all-star-rated hotels in Kenya.

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LITERATURE REVIEW

The study used both Resource-Based Theory (RBV) and the Balanced Scorecard as a framework. The focus of the RBV is on attributes of resources and capability from the source they are gained to clarify a firm's heterogeneity, performance and sustainability (Mahoney & Pandian, 1992). The firm's resource-based perception suggests that internal organisational factors generate a sustainable competitive advantage and superior performance. In particular, the RBV's main prediction is that deployment of unique and idiosyncratic organisational resources and capabilities can result in sustained superior performance. This is because service tipping is seen as an existing resource among hotels that, when earnest properly, can lead to a competitive advantage of the hotels. On the other hand, the Balanced Score Card provided a framework that measured the performance that added strategic performance measures, which is non-financial to traditional financial metrics to provide managers and executives with a more 'balanced' view of organisational performance (Kaplan & Norton, 2004). The Balanced Score Card (BSC) strategic management tool was used to measure this investigation's financial and internal performance.

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

Sainath et al. (2013) provide a hotel's examination performance research published in the seven leading hospitality and also tourism journals from 1992 to 2011 through the Balanced Score Card (BSC) lens. The results suggest that the performance of the hotel attracts widespread attention from scholars in the field of hospitality; however, significant gaps remain. Researchers recognise the benefits of including financial and non-financial indicators. Effective implementation of a balanced scorecard requires organisation management to give much emphasis to four BSC perspectives. These include; the financial perspective, internal business processes, learning and growth perspective and customer perspective. The balanced scorecard (BSC) presents a model for strategic performance measurement and management for high-performance organisations. Kaplan and Norton (2001) opined that the Balanced Scorecard translates an organisation's mission and strategy into a more comprehensive set of performance measures which provide the framework for a management system and strategic measurement (Kaplan and Norton, 2002).

The financial perspective is financial performance measures that indicate whether the organisation's strategy, implementation, and execution contribute to bottom-line improvement. It shows the results of the strategic choices made in the other perspectives. By fundamentally improving their operations, the financial numbers take care of themselves (Kaplan and Norton, 2001). Customer perspective captures the ability of the organisation to provide quality goods and services, the effectiveness of their delivery, and overall customer service and

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satisfaction. To this effect, many organisations today have a mission focused on the customer and measuring how an organisation is performing from its customers' perspective has become a priority for top management (Kaplan and Norton, 2001).

The internal business processes perspective is majorly an analysis of the internal processes of an organisation. The process of internal business is the mechanism through which organisational performance expectations are achieved. Customer-based measures are important, but they must be translated into measures of what the organisation must do internally to meet its customers' expectations. This perspective puts focus on the internal business results leading to financial success and satisfied customers. Therefore, managers need to prioritise those critical internal operations that enable them to satisfy customer needs (Kaplan and Norton, 2001). The learning and growth perspective focuses on continual improvements for the organisations' products and processes through employees training and development (Kaplan and Norton, 2001).

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

Kazembe et al. (2014) observe that service charge was the most preferred system to share tips which motivates all employees since the guest experience is a product of collective effort from almost all the employees in the hotel establishment. Dermody &Taylor (2004), tips are a motivational tool that can be used for staff retention that saves the high hotel cost associated with employee turnover. Tipping positively influences motivation which in turn influences the hotel's performance (Kazembe & Mapingure 2014). Artuğer and Çetinsöz (2013), customers tend to give tips in restaurant when they find factors such as food is served at an appropriate temperature, the ordered dishes meet expectations, the service equipment is clean, the service employees refrain from hard-sell tactics, the service employees apologise for any mistakes, the service employees enjoy their work, are friendly and are able to form good rapport. The method used by servers to provide services will also influence customers' tipping decisions.

Philemon (2015), in his study on the assessment of tourist's perception and satisfaction of Tanzania destinations, states that the tourism industry is greatly controlled by the discernment that tourists carry with them about that particular destination. Philemon further argues despite the well-built literature from the western world and the developing economies on tourists' perception and satisfaction, there seem to be unsatisfying outcomes

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regarding what satisfies tourists on each destination. However, Philemon (2015) study was not done in the hotels in Kenya and was not based on Balance Scorecard Matrix, which is the gap the current study will fill.

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

Mokhtar (2013) noted that customer focus practices were identified as pivotal for any organisation seeking to reach a level of sustainable performance. Other studies with similar outcomes include Owiti (2014) that satisfied customers would refer others to the hotel, increasing customer numbers and hence improving competitiveness and profitability.

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

Mturi (2014) studied the effect of business process reengineering on staff turnover using a case of KK Security Group of Companies and reported that effective communication, ICT resources, teamwork and employee attitudes towards change as having played an important role in the BPR implementation in the KK group of companies. Onchoke and Wanyoike (2016) on the impact of internal procurement processes on organisational performance reveals that internal procurement processes enhance organisational performance. Specifically, inventory control as one of the internal procurement processes plays a very important role in bringing forth enhanced organisational performance. The same sentiments are shared by those whose research revealed that the internal procurement process plays a crucial role in enhancing organisational performance. In particular, the research revealed that internal resources and capabilities concerned with efficiency and integration play a very vital function in bringing forth improved organisational performance.

Mugambi and Theuri's (2014) study revealed that there is a significant relationship between internal procurement processes and organisational performance. Empirical literature shows that internal procurement processes have a positive impact on organisational performance. Some of the internal procurement processes that enhance organisational performance include enhanced information sharing, ordering processes and payment processes. Further, the use of the internet within the internal procurement process enhances the effectiveness of order

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processing and the quality and level of information sharing and payment processing, leading to improved organisational performance. The purpose of the study was to evaluate the effect of internal procurement processes on organisational performance in the case of the public sector. These studies did not analyse the effect of service tipping on the internal business process of star-rated hotels in Kenya, which is the objective of the current study.

Rintari et al. (2018) established that the internal process significantly influenced performance in National referral hospitals in Kenya. Having established formal rules and procedures ensures smooth functioning, and the absence of rules and regulations may lead to chaos and anarchy organisation and also behavioural uncertainty among employees. The findings indicate that there are established traditions in the referral hospitals in Kenya. 72 per cent of the respondents said that there is an established way of doing things. This is an indicator of a strong culture, which, according to Strong cultures, may impose a level of stability on organisations, and such stability has mixed implications for performance. Nevertheless, there is a linear and significant relationship between internal processes and organisational performance in Kenya's national referral hospitals.

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

Dimovski and Škerlavaj (2005) studied the relationship between organisational learning and performance and found that the impact of organisational learning on business performance differs and depends on what they understand by performance. Understanding the performance goals of an organisation enables management to know the knowledge that needs to be required to achieve organisational learning and consequently increased performance.

Nzuve and Omolo (2012) conducted research to establish the effect of learning organisation practices in Kenya and found that the practices of LO had a positive correlation with organisational performance among 43 Kenyan Commercial Banks and found that most of the banks had largely adopted the practice of a learning organisation. Various studies demonstrate that researchers pay much attention to organisational learning in determining their performance (Nafei, 2015; Shurafa & Mohamed, 2016). Where members of staff cannot find an opportunity to apply the fresh skills acquired, the incentive to learn is reduced. In contrast, where an organisation's culture identifies or rewards members of staff who take the initiative to practice the new ideas and skills, this may result in a positive impact in terms of continuous learning amongst the members of staff (Matzler, K. Mueller, 2011). Husein, Omar, Noordin and Noormala (2016) sought to investigate the association between learning organisation culture and organisational performance in Public Institutions of Higher Education in Malaysia. Continuous learning was found to be highly associated with organisational performance. Norashikin et al., (2013) study concluded that continuous learning opportunities through scholarships, training programmes, and research grants should be made available to academics to add value to their existing skills and knowledge for higher performance. Most respondents in the current study observed that service tipping is an unbreakable culture.

Hotel rating systems offer benefits to various sectors travel agencies, tour operators, hotels, governments, and

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consumers (WTO & IH&RA, 2004). Albrata, Capriello & Fraquelli (2011) on hotel classification and service quality improvement and industry performance reveal relationships between quality award symbols and hotel rack rates chargeable to guests. The study found that quality levels by reputable classification systems help explain hotel tariffs, concluding that star rating is a reliable and powerful marketing tool for tourism industry competitiveness. In research conducted in Spain Fernandez-Barcala and Bedia (2004) sought to establish whether the hotel star rating system better predicts hotel service quality. The study established a positive correlation between the quality of service delivery and the level of hotel rankings according to customer expectations. Fernandez and Serraru (2004) study was carried out in Spain and did not analyse hotel rating as a moderator, which the current study analysed.

Narangajavana and Hu (2008) opine that rating systems are a significant guide for pegging hotels' pricing decisions and that hotel ranking is directly correlated with quality service improvements and performances in hotel properties worldwide. Furthermore, Narangajavana and Hu (2008) suggesting classification systems leads to quality improvement, marketing and increased performance. However, the role of classification systems in the sustainable growth of the hospitality sector and quality destination management is yet to be realised, especially in developing countries such as Kenya.

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

The empirical literature reviewed in this section provides the synthesis on the broad review effect of service tipping as a competitive advantage strategy for the performance of hotels in Kenya: Balanced scorecard perspective; financial performance, customers satisfaction, internal business process and organisational learning performance. The study further reviewed the moderating effect of star rating on the relationship between service tipping and the performance of hotels in Kenya. Lynn (2000), on the other hand, suggested that the service–tipping relationship is due to theeffectsofcustomers’serviceevaluationsandtipsratherthantoadirect effect of service quality on tip size and customer’s decisions about whom to tip are largely determined by the customer. Other researchers also provided evidence that, among others, customers tip servers to enhance better future services tip size were based on moods of customers (Lynn2000), tip more for better service (Parrett,2006),and tip to avoid guilt (Lynn,2009).

Research Design

The study adopted a mixed-method including descriptive survey and predictive correlation research designs, collecting data from respondents who have had practical experience with the problem under the study. The study, therefore, targeted the 183 star-rated hotels in the four circuits. The study's unit of analysis included the hotel managers (general managers, supervisors and head of departments) and service staff. The researcher adopted Yamane (1967) formula that can be used to calculate a

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suitable sample comprising of the General Managers of the Star Rated Hotels in Kenya, who will be the unit of analysis.

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

Where n = Minimum Sample Size; N = population size: - e = precision set at 95 per cent (5%=0.05)

$$n = \frac{183}{1+183(0.05)^2}$$

n = 168.763≈ 117Hotel Managers and Service Staff of the Star Rated Hotels in Kenya distributed accordingly among the 4 Tourism Circuits.

The study then used a systematic random sampling technique to pick the sample based on the sample distribution as per the regions where the Star Rated Hotels are located (See table 1).

Table 1: Sampling Table

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

The researcher used a structured questionnaire to collect data related to people, physical and strategic positioning.

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

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

Y_1 =Hotels' performance based on Balanced Score Card

X_1 =Service Tipping

β_0 =constant

β_1= Regression Coefficients

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

$Y= \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \beta x_1 x_2$

Where;

Y = Hotels' performance based on Balanced Score Card

X_1 = Service tipping

X_2 = Star rating

X_2 enters into the regression model as both additive variables as well as multiplicative variables.

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

FINDINGS AND DISCUSSIONS

Service Tipping Strategy and Star Rated Hotels Performance

In order to test the relationship between service tipping and the combined Balanced Score Card performance, the study combined the 4 measurement indicators of Balanced Score Card indicators on performance; financial performance, customers' satisfaction, internal business process and organisational learning and growth performance. In addition, the 4 measurement indicators of

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Balanced Score Card indicators on performance were hierarchically combined to come up with one indicator named performance.

The first hypothesis, therefore, was stated as; **HO_1**: Service tipping as a competitive advantage strategy does not significantly affect the combined Balanced Score Card performance of hotels in Kenya. The tested independent variable was service tipping as a competitive strategy, whereas the dependent variable was hotel performance (combined Balanced Score Card Indicators)as a component of Balanced Scorecard; the results are presented in Tables 2 and Table 3.

Table 2: Tipping and Combined Performance Statistics

Statistics	Statistical values
R^2	.751
F	337.822
p-value	.000

Results from Table 2 revealed that the R-value was 0.867, whereas R Square was 0.751, which indicated a high degree of correlation. The R^2 value indicates how much of the dependent variable, "hotels Performance", was explained by the independent variables, "Service tipping ". In this case, 75 per cent was the R Squared, which was fairly large, indicating a high degree of correlation. Therefore 25 per cent of the variance in hotels Performance was explained by other factors outside this study.

The Predictors: "service tipping". The dependable variable: "hotels Performance". Table 2 indicated that the regression model predicted the outcome variable significantly with p=0.000, which was less than 0.05, and indicated that, overall, the model statistically and significantly predicted the outcome variable. This finding implied that the data collected for the study had a high correlation between the independent variable (service tipping) and dependent variable (hotels Performance).

Table 3: Regression Coefficients of the Effect of Service Tipping on Hotels Performance

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

The results indicated that the beta value was significant (β=1.089, p=0.000). An increase in service tipping by 1 unit will increase the performance of star-rated hotels in Kenya by 1.089 multiple units (See Table 3). The bivariate regression model can be used to predict hotels performance from service tipping is given by
$Y = .1741.089X_1 + \varepsilon$ where;
Y = Hotels Performance and
X_1 = Service Tipping competitive advantage strategy
Based on the results from the study, the hypothesis **HO_1**: Service tipping as a competitive advantage strategy does not significantly affect the combined Balanced Score Card performance of hotels in Kenya was rejected this was because Service Tipping competitive advantage strategy affected hotels performance of the star-rated hotels in Kenya.

This finding is supported by Sainath et al. (2013), who provided a summary of an examination for hotel performance research that was published in the seven

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

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

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

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

The Moderating Effect of Star Rating on the Relationship between Service Tipping Strategy and Performance

Moderating effect of star rating on financial performance

The second hypothesis of the investigation was to **HO_2:** Star rating does not significantly affect the relationship between service tipping as a competitive advantage strategy and the performance of hotels in Kenya. Table 4 shows regression results for financial performance and tipping. Column I present results in which the variables are computed using factor analysis, whilst column II has results in which the variables are computed using averages of scores that were converted into percentages.

Table 4: Tipping and Financial performance

Variables	Column I	Column II
Hotel allows Tipping	5.077 (3.03)***	90.865 (2.61)**

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

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

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

Apart from using factor analysis to correlate the scores and compute the variables of interest, the researcher also converted the scores into percentages and used the percentages in regression analysis. The results presented in column 2 of Table 4 show that tipping has the highest effect on financial performance with a coefficient of 90.86, followed by a star rating with a coefficient of 21.77. All the variables are significant at 5 per cent. The moderating effect has a negative and significant relationship with financial performance.

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

Moderating effect of star rating to customer perspective performance

Table5 shows regression results for financial performance and tipping. Column I present results in which the variables are computed using factor analysis, whilst column II has results in which the variables are computed using averages of scores that were converted into percentages.

Table 5: Tipping and customer perspective performance

Variables	Column I
Hotel allows Tipping	3.047 (1.75)***
Star Rating	0.604 (1.13)***
Star Rating*Hotel allows Tipping	-0.782 (-1.47)***
Constant	-2.45 (-1.42)***
R-Squared	0.083

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F-Value	2.53 [0.0623]**
Observations	83

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

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

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

Moderating Effect of Star Rating on Internal Business Processes Performance

Table 6 shows regression results for internal business performance and tipping. Column I present results in which the variables are computed using factor analysis, whilst column II has results in which the variables are computed using averages of scores that were converted into percentages.

Table 6: Tipping and internal business processes performance

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

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

The regression results for column I show that there is improvement in performance for hotels that allow tipping, as is evidenced by a significant coefficient of 0.689. Tipping, therefore, plays an integral role in enhancing the internal processes performance of hotels. Star rating also plays an important role in the performance of hotels. The higher the star, the better the performance of hotels. This

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is shown by the significant coefficient of 0.187. However, when it comes to moderating the effect of star rating on the performance of hotels, the results show a significant but surprisingly negative relation of the impact of tipping given the hotel's star rating.

The above results agree with Kotler et al. (2010), who observe the complexity of hotel classification systems and notes that star rating exacerbates the existence of many independent quality rating programmes and quality seals not linked to any recognisable set of standards or known quality brands. Further, the findings agree to descriptive on this internal business process performance. Results agree that service tipping influences interdepartmental communication and collaborations, tips make employees remove ineffective processes, and service tipping (especially service charge) is automatically deducted posted in the star rated hotel systems. The results also indicated that the beta value was significant (β=1.141, p=0.000), and an increase in service tipping by 1 unit will lead to an increase in performance of star-rated hotels in Kenya by 1.141 multiple units (See Table 6).

Moderating Effect of Star Rating on Learning and Growth Performance

Table 7 shows regression results for learning and growth performance and tipping. Column I present results in which the variables are computed using factor analysis, whilst column II has results in which the variables are computed using averages of scores that were converted into percentages.

Table 7: Tipping and learning and growth performance

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

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

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

Apart from using factor analysis to correlate the scores and compute our variables of interest, we also converted the scores into percentages and used the percentages in regression analysis. The findings are presented in column 2 of Table 7. The results show that tipping has the highest effect on learning and growth performance with a coefficient of 2.533, followed by a star rating that has a coefficient of 0.758. All the variables are significant at 5 per cent. The moderating effect has a negative and meaningful relationship with learning and growth performance. The null hypothesis **HO_2**: that star rating does not significantly affect the relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya was rejected, and an alternate hypothesis was

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adopted. The study, therefore, concludes that since the introduction of star rating changed the beta coefficient on the relationship between tipping strategy and each measurement of hotel performance based on the Balanced Score Card measurement tool, there was statistical evidence to believe that star rating significantly affect the relationship between service tipping as a competitive advantage strategy and performance of hotels in Kenya.

Dimovski and Škerlavaj (2005) studied the relationship between organisational learning and performance and found that the impact of organisational learning on business performance differs and depends on what they understand by performance. Understanding the performance goals of an organisation enables management to know the knowledge that needs to be required to achieve organisational learning and consequently increased performance. For example, results under the descriptive section show that tips strengthen hotel culture at (137.2) make employees innovative (154.3) and makes employees willing to change (142.7).The above findings also agree with Mueller (2011), who found out that where an organisation's culture identifies or rewards members of staff who take the initiative to practice the new ideas and skills, this may result in a positive impact in terms of continuous learning amongst the members of staff.

CONCLUSIONS ANDRECOMMENDATIONS

Conclusion: The main objective of the investigation was to assess the moderating effect of star rating on the relationship between service tipping and the performance of hotels in Kenya. The study established that when star rating was introduced as a moderating variable, the relationship between service tipping and hotels performance remained statistically significant, although the value of the regression coefficient reduced slightly (r=1.089-1.088 = 0.001). This slight change in the coefficient is the statistical proof that when star rating was introduced, it slightly reduced the regression coefficient, although the relationship between service tipping and hotels performance remained statistically significant.

Recommendations: The study recommends that the Tourism Regulatory Authority, the policy body of Hotels in Kenya, develop a Service Tipping Policy to guide service operations in the star-rated hotels in Kenya. Such policy can be the first step in improving the performance of the star-rated hotels in Kenya, just as the study established that service tipping as a competitive strategy positively affected hotel performance; Balanced Score Card performance indicators perspectives. Secondly, the department should promote service tipping among the star-rated hotels in Kenya. Such promotions should include enhancing the effectiveness of the Service tipping (service Charge) policy across all the levels of hotel star rating in promoting the hotel's performance, which will promote hotel investment in Kenya and make hoteliers profession more rewarding a hotel business thrives. This will be a win-win situation for the three-tier forum of business investors, professionals and the Kenya Government.

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