International Journal of Economics, Business and Management Research

Vol. 10, No.11; 2026

ISSN: 2456-7760

Strengthening Strategic Management Capacity in Kenya's Large Scale Hospitality Sector: Policy Recommendations for the Ministry of Tourism, County Licensing Authorities, and Regulatory Bodies

Samuel Githinji Kariko[1], Harriet Kidombo[1], Benedict Mkalama[1], Peterson Obara Magutu[1]
[1]Faculty of Business and Management Sciences, University of Nairobi, Nairobi, Kenya
Corresponding author: Peterson Obara Magutu,

doi.org/10.51505/IJEBMR.2026.11113 URL: https://doi.org/10.51505/IJEBMR.2026.11113

Received: Sep 28, 2026 Accepted: Nov 10, 2026 Online Published: Nov 16, 2026

Abstract
Large scale bars and restaurants contribute substantially to Kenya's economy, jobs and county revenue, yet many fail, and regulation focuses on licences, taxes and compliance and not on how well businesses are managed. This policy brief proposes four voluntary, supportive measures that add no new licence conditions, fees or inspections and need little new money; each should start as a small pilot through existing licensing and county advisory channels. The evidence is a survey of 63 senior managers in large hospitality businesses in Nairobi, Mombasa, Kisumu and Nakuru (71.6% response). Managers rated their leadership (4.73 out of 5) and their sensing of customer needs (4.81) very highly. The weak points were not vision or resources but communication and follow through: leaders were better at planning and reviewing goals (above 4.8) than at getting the vision across to frontline staff (4.30 to 4.38), and businesses were better at noticing what customers want than at turning it into new offerings. Internal communication channels were the weakest part of how businesses are organized. The case for support, not extra burdens, is strong: operators face many permits and fees, Nairobi's retail liquor licence fee was raised fourfold in 2023 (Sh25,000 to Sh100,000) before a partial reversal in 2024, and accommodation and food services grew 15.6% in 2025. The measures are a voluntary certification, a short communication module in existing training, shared market information and a communication advisory pilot. The findings are associations from one survey, so the measures should be piloted and evaluated.

Keywords: policy brief, hospitality sector, strategic leadership, market orientation, organizational structure, Kenya

1. Introduction

1.1 The Policy Problem

Kenya's hospitality regulatory architecture, comprising licensing regimes administered by county liquor licensing boards, health and safety inspection and tax compliance frameworks, is built almost entirely around compliance and revenue collection. It has nothing to say about whether a licensed establishment is strategically well managed, and no mechanism exists to identify,

Vol. 10, No.11; 2026

ISSN: 2456-7760

recognize or support firms with strong strategic management practice, or to flag firms whose weak strategic capacity raises the risk of business failure, job losses and the administrative costs of closure and re licensing that county governments bear.

Evidence from the sector shows that Kenyan hospitality leaders have strong vision and good information about customers. The identifiable gaps are in getting the vision across to frontline staff, in turning customer information into new offerings, and in simple internal communication systems. These gaps call for light touch help, such as recognition for good practice, training added to what already exists, and shared information, and not for new licence conditions, fees or inspections, which would raise costs in a thin margin sector. A plain way to see the point: bosses are good at drawing up plans on paper, but the plan often does not reach the staff who serve customers.

1.2 Current Context

The sector operates in a growing market. Kenya received an estimated 7.9 million travellers in 2025, 2.7 million international visitors (up 9% from 2.47 million, against 4% global growth) and 5.2 million domestic travellers, and tourism earned about Sh500 billion, up from Sh452.2 billion in 2024 (The Standard, 2026b; Khusoko, 2026). Africa supplied 47% of international arrivals, up from 40.8% in 2024 (Khusoko, 2026). Official statistics show accommodation and food services as the fastest growing sector in 2025, at 15.6% (Kenya National Bureau of Statistics [KNBS], 2026; Serrari Group, 2026). The Pubs, Entertainment and Restaurants Association estimates that the hospitality industry contributes about Sh1.2 trillion to the economy and supports 1.7 million jobs (The Standard, 2026a).

Operators describe a rising compliance burden: business permits, liquor licences, public health certificates, fire safety inspections, labour compliance and taxes, each with a fee and an administrative process (Muthami, 2026). Regulation today is focused on revenue and compliance and not on helping businesses succeed, and the fee record shows how pressure has built up. Nairobi's 2023 Finance Act raised the annual general retail alcohol licence fee from Sh25,000 to Sh100,000, a fourfold increase (The Star, 2024), and after complaints the county gazetted waivers in 2024 that brought the bar licence back to Sh25,000 (Nation Africa, 2024). Operating pressures have reached the point where firms need support and not extra burdens. Policy that adds recognition and support, without adding new obligations, fits this setting.

1.3 Research Gap and Contribution

Studies of Kenya's hospitality sector concentrate on tourism demand, licensing and taxation. Evidence on how strategic management capability varies among large bars and restaurants, and on which gaps are cheap to correct, is scarce. This brief contributes survey evidence from four cities showing that the weak points are communication and follow through, not vision or resources, and translates it into four voluntary measures. It does not show that these measures prevent business failure; failure rates were not measured, and the brief proposes the measures for piloting.

Vol. 10, No.11; 2026

ISSN: 2456-7760

2. Evidence Base

2.1 Source Study

The brief draws on a survey of senior managers and directors of large bars and restaurants in Nairobi, Mombasa, Kisumu and Nakuru. Sixty three usable responses were received, a 71.6% response rate, which implies about 88 managers were approached. Managers rated statements about their business on a scale of 1 to 5, where 5 means to a very great extent. The scales were tested to make sure that the statements on each topic agree with one another, and the constructs draw on the strategic leadership literature (Ireland & Hitt, 2005) and the market orientation construct (Kohli & Jaworski, 1990), with standard analysis (Hair et al., 2019; Mugenda & Mugenda, 2003).

2.2 Reading the Statistics in Plain Terms

Averages out of 5 show how strongly managers agree that something describes their business; 4.73 means very strong agreement. A statistic called alpha shows whether the statements on one topic agree with one another, with higher meaning better; the scale for formal communication channels had the lowest value of the four structure scales (.608, just above the usual minimum of .60), which means the communication findings are the least firm part of the structure results. The ratings are self reported by one manager per business and cluster at the high end, which limits the ability to tell businesses apart. The survey measures management capability, not business failure, so the link to failure is an inference.

3. Key Findings

Three findings are of direct policy relevance (Table 1). First, managers rate their leadership very highly (4.73 out of 5), but there is a gap inside it: leaders are best at resourcing and reviewing goals (the two highest rated items in the survey, both above 4.8) and weaker at getting the vision across clearly to frontline staff (4.30 to 4.38). The problem is communication and not vision, and structured management training can address it better than financial subsidy. In plain terms, bosses are good at drawing up plans, but the plan often does not reach the staff who serve customers.

Second, businesses are very good at noticing what customers want (market orientation, 4.81, the highest rating in the survey, with strength in customer sensing and coordination between departments) but less consistently good at acting on it with new offerings. Third, businesses are largely organized in a decentralized way, which suits a fast moving sector, but internal communication channels are the one clearly weak part of the structure, a result that held across three separate statistical checks. The main problem is therefore not a lack of vision or of resources, but weak internal communication and difficulty turning market information into real innovation.

Vol. 10, No.11; 2026

ISSN: 2456-7760

Table 1. Summary of sector wide strategic capability gaps identified

Capability area	Strength identified	Gap identified	Policy relevance
Strategic leadership	Setting and reviewing goals (rated above 4.8 of 5)	Getting the vision across to frontline staff (about 4.3)	Add a short communication module to existing training
Customer information	Sensing customer needs and coordinating departments (above 4.8)	Turning customer information into new offerings (lower, though still positive)	Support innovation, not only market research
Internal organization	Decentralized and coherent	Formal communication channels (the weakest part)	Low cost advice on simple communication routines
What is not the problem	Vision and resourcing (the highest rated items)		Do not add new licence conditions, fees or inspections

Note. Source: Field survey data, retabulated from the underlying thesis descriptive analysis (2026).

Figure 1 contrasts the strong ratings with the weaker communication result.

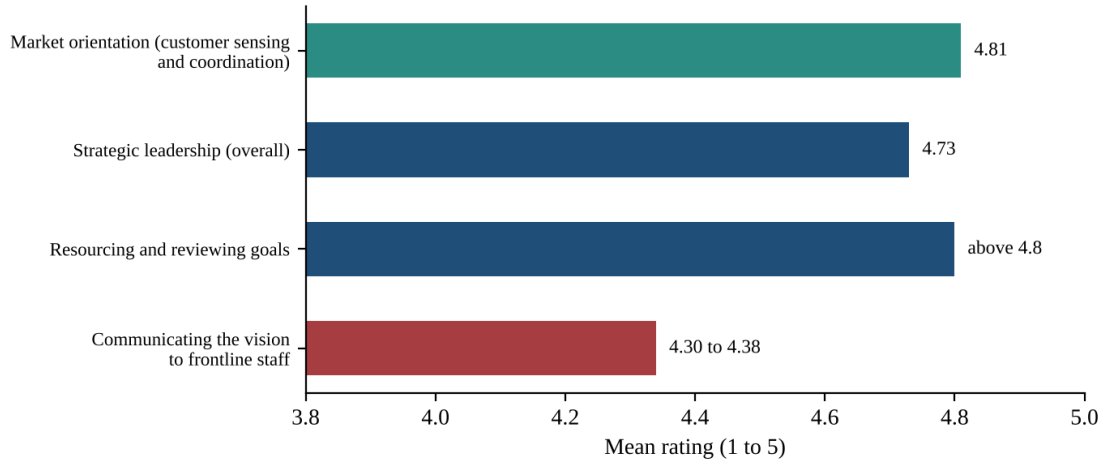


Figure 1. Mean manager ratings (scale 1 to 5): strengths and the communication gap. Source: Field survey data (63 managers); resourcing is reported only as above 4.8 and the vision communication range is 4.30 to 4.38.

Vol. 10, No.11; 2026

ISSN: 2456-7760

4. Policy Recommendations

4.1 Recommendations

Recommendation 1: establish a VOLUNTARY strategic excellence certification. The Ministry of Tourism, with county licensing authorities, should create a voluntary standard recognizing establishments with strong strategic management practice (documented planning, staff communication routines and customer information systems), modelled on voluntary quality schemes in other sectors. Joining would be optional and carry no fee, and the benefits would be rewards and not requirements: smoother licence renewal, inclusion in tourism promotion materials and priority for any future government backed support. No business would be penalized for staying out. A voluntary scheme adds recognition and not obligation, which matters in an industry that already faces a long list of permits and fees (Muthami, 2026) and that an industry association estimates contributes Sh1.2 trillion and 1.7 million jobs (The Standard, 2026a), and recognition and smoother renewals are likely to motivate firms better than penalties. This follows from the finding that managers are strong on planning but weaker on follow through (Table 1).

Recommendation 2: integrate strategic management competencies into licensing linked training. Where counties already require or offer food safety and hospitality management training, a compact strategic leadership and communication module should be added, informed by the identified gap (strong resourcing, weaker communication). This is a marginal addition to existing training, with no new fee, and it follows from the finding that vision does not reach frontline staff (Table 1). With 5.2 million domestic and 2.7 million international travellers in 2025 (The Standard, 2026b), service quality at the frontline is where strategic intent meets customers.

Recommendation 3: support shared market intelligence infrastructure. Market orientation is strong but innovation conversion weaker, and smaller operators probably lack resources for in house research, so county tourism offices and the Ministry should consider shared, sector wide consumer trend data and benchmarking platforms, possibly with industry associations; this follows from the finding that businesses sense customer needs well but convert them less often into new offerings. The market is shifting: Africa's share of international arrivals rose from 40.8% to 47% in a year (Khusoko, 2026), and shared intelligence on such shifts lowers the cost of sensing and frees firms to focus on innovation conversion.

Recommendation 4: pilot a low cost communication infrastructure advisory service. Because formal communication channels are the most consistently identified structural weakness, a modest pilot with 10 to 20 establishments in one county, delivered through existing county business advisory services, should offer practical guidance on structured shift briefings, shared digital issue logging and simple cross departmental review routines. No current sector wide figure on internal communication practice was found, which is a reason to build monitoring into the pilot.

Vol. 10, No.11; 2026

ISSN: 2456-7760

4.2 Current Evidence Supporting the Recommendations

Table 2 sets out current figures that bear on each recommendation, with their sources. Official statistics are used where available; where they were not accessible, figures reported by the press or by industry surveys are used and are identified as such. Figures that are dated, or that come from press or industry sources, should be refreshed and checked against the original publications when new data are released.

Table 2. Current figures supporting the recommendations

Recommendation	Figure	Source (type, date)
1. Voluntary certification	Tourism earned about Sh500 billion in 2025 (Sh452.2 billion in 2024); 7.9 million travellers, 2.7 million international and 5.2 million domestic	The Standard (2026b); Khusoko (2026), reporting the Kenya Tourism Sector Performance Report 2025
1. Voluntary certification	Accommodation and food services grew 15.6% in 2025, the fastest growing sector; nominal GDP KSh 17.58 trillion	KNBS Economic Survey 2026 (KNBS, 2026), as reported by Serrari Group (2026)
1. Voluntary certification	Industry estimate: hospitality contributes about Sh1.2 trillion and supports 1.7 million jobs; operators face permits, liquor licences, health, fire, labour and tax obligations	The Standard (2026a), association chairperson; Muthami (2026), opinion pieces
1. Voluntary certification	Nairobi general retail liquor licence raised fourfold from Sh25,000 to Sh100,000 (2023); gazetted waivers in 2024 brought the bar licence back to Sh25,000	The Star (2024); Nation Africa (2024), press reports
2. Licensing linked training	International arrivals up 9% to 2.7 million against 4% global growth; 5.2 million domestic travellers	The Standard (2026b); Khusoko (2026)
3. Shared market intelligence	Africa 47% of international arrivals in 2025, up from 40.8% in 2024; Europe 25%, Americas 14%	Khusoko (2026)
4. Communication advisory pilot	No current sector wide figure found; study: internal communication channels were the weakest structural dimension (alpha = .608); vision communication 4.30 to 4.38	Field survey data (2026); gap noted by the authors

Note. Source: As cited. Industry association estimates are advocacy figures and were not independently verified.

Vol. 10, No.11; 2026

ISSN: 2456-7760

4.3 Recommendation Matrix

Table 3 gives the lead institution, instrument, timing and indicator for each recommendation.

Table 3. Recommendation matrix

Recommendation	Lead	Instrument	Timing	Indicator
1. Strategic excellence certification	Ministry; county licensing authorities	Voluntary standard with benefits	6 to 18 months	Establishments certified
2. Licensing linked training module	Counties; Ministry	Add module to existing training	6 to 12 months	Managers trained
3. Shared market intelligence	Ministry; industry associations	Shared data and benchmarking platform	12 to 24 months	Establishments using the platform
4. Communication advisory pilot	County business advisory services	Pilot in one or two counties	0 to 12 months	Establishments advised; communication scores

Note. Source: Authors' proposal.

4.4 Implementation Roadmap

Table 4 sequences the work over 36 months, starting with pilots that use existing channels.

Table 4. Roadmap

Period	Actions	Output
0 to 6 months	Start a communication advisory pilot with 10 to 20 establishments in one county (Nairobi or Mombasa); draft certification criteria with industry associations	Pilot running; draft criteria
6 to 12 months	Add the leadership and communication module to existing licensing linked training in the pilot county; consult operators on certification	Module in use; consultation report
12 to 24 months	Launch the voluntary certification in the pilot county; extend the advisory pilot to a second county; design shared information with associations	Certification live; second county pilot; platform design
24 to 36 months	Evaluate the pilots with the survey instrument; scale up only if results justify	Evaluation report

Note. Source: Authors' proposal.

Vol. 10, No.11; 2026

ISSN: 2456-7760

Figure 2 presents the incremental, pilot first timeline.

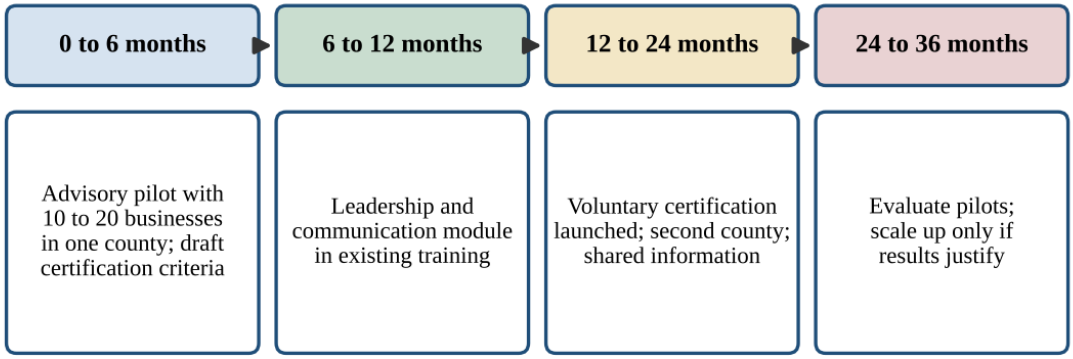


Figure 2. Pilot first implementation timeline (36 months). Source: Authors' proposal.

4.5 Feasibility, Cost Drivers and Responsibility

Table 5 sets out who is responsible, what drives the cost and why each recommendation is feasible within existing mandates. No cost figures are given because none could be verified from public sources; each pilot should begin with a bottom up costing.

Table 5. Responsibilities, cost drivers and feasibility

Recommendation	**Responsible institution**	**Main cost drivers**	**Feasibility**
1. Voluntary strategic excellence certification	Ministry of Tourism; county licensing authorities	Criteria design; assessor time; promotion	High: voluntary, uses existing licensing
2. Licensing linked training module	Counties; Ministry	Module design; trainer time	High: marginal addition to existing training
3. Shared market intelligence	Ministry; industry associations	Data purchase or collection; platform	Medium: needs association cooperation
4. Communication advisory pilot	County business advisory services	Adviser time; materials	High: small pilot in one county

Note. Source: Authors' assessment. Responsibilities follow existing roles and are for confirmation by the institutions named.

4.6 Monitoring and Evaluation

Table 6 lists indicators with reference points; the study values are from the source survey and the other values are as cited.

Vol. 10, No.11; 2026

ISSN: 2456-7760

Table 6. Indicators and reference points

Indicator	Reference point	Direction	Frequency
Strategic leadership (mean, 5 point scale)	4.73 (study)	Maintain	Each survey
Vision communication to frontline (mean)	4.30 to 4.38 (study)	Up	Each survey
Formal communication channels (alpha)	.608 (study)	Up	Each survey
International arrivals and tourism earnings	2.7 million; about Sh500 billion in 2025 (The Standard, 2026b)	Up	Annual
Nairobi retail liquor licence fee	Sh25,000 after 2024 waiver (Nation Africa, 2024)	Stable and predictable	Annual
Establishments certified	To be established in the pilot	Up	Annual

Note. Source: Authors' proposal; reference points as cited.

4.7 Risks and Mitigation

Table 7 lists the main risks, with the reason for each likelihood rating.

Table 7. Risks and mitigation (authors' judgment)

Risk	Likelihood and basis	Mitigation
Certification seen as another compliance layer	Medium: operators distrust new schemes	Keep voluntary; no fee; link only to benefits
Counties lack capacity for the pilot	Medium: advisory services are stretched	Use existing business advisory channels; start with 10 to 20 firms
Low take up by small operators	High: small operators have little time	Offer shared infrastructure and simple entry criteria
Evidence not generalizable beyond large establishments	Medium: the sample covers large firms in four cities	Pilot first; evaluate before scale up

Note. Source: Authors' assessment; likelihoods are judgments, not estimates.

Vol. 10, No.11; 2026

ISSN: 2456-7760

4.8 Limits of the Evidence

Six limits apply. First, the survey covers 63 managers in four cities (about 88 approached) and is cross sectional, so findings show association and not causation; ratings are self reported by one manager per business and cluster at the high end, and the communication scale had the lowest reliability. Second, the measures capture management capability and do not measure business failure, so the link to failure is an inference. Third, the findings describe large establishments in four cities and should not be generalized to small operators or other counties. Fourth, the current sector figures come from official statistics reported by the press, press reports of fees and advocacy statements by industry associations (the Sh1.2 trillion and 1.7 million jobs figures are an association's estimate), which could not be checked against the original reports. Fifth, the measures are voluntary and untested, and take up is uncertain. Sixth, the recommendations are priorities supported by evidence, to be piloted and evaluated.

5. Conclusion

Kenya's large scale hospitality sector does not primarily need new regulation; it needs voluntary, low cost recognition and support for the capabilities this evidence identifies as its most binding and correctable constraints: communication inside the business and turning customer information into new offerings. With a growing market and a heavy compliance load, the four measures add no new obligations and can start as small pilots. The evidence is associational, so they should be piloted and evaluated.

Acknowledgements

The authors thank the managers who responded to the survey. Funding: the authors received no specific external funding for this work. Competing interests: none declared. Data availability: the source data are held by the first author and are available from the corresponding author on reasonable request, subject to confidentiality undertakings. Generative AI tools were used to assist with drafting and formatting this manuscript; the authors verified the content and take full responsibility for it.

References

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). *Multivariate data analysis* (8th ed.). Cengage Learning.

Ireland, R. D., & Hitt, M. A. (2005). Achieving and maintaining strategic competitiveness in the 21st century: The role of strategic leadership. *Academy of Management Perspectives, 19*(4), 63 to 77.

Kenya National Bureau of Statistics. (2026). *Economic survey 2026*. https://www.knbs.or.ke/reports/2026-economic-survey/

Khusoko. (2026, April 3). *Kenya tourism growth 2025 international arrivals*. https://khusoko.com/2026/04/03/kenya-tourism-growth-2025-international-arrivals/

Kohli, A. K., & Jaworski, B. J. (1990). Market orientation: The construct, research propositions, and managerial implications. *Journal of Marketing, 54*(2), 1 to 18.

Vol. 10, No.11; 2026

ISSN: 2456-7760

Mugenda, O. M., & Mugenda, A. G. (2003). *Research methods: Quantitative and qualitative approaches*. ACTS Press.

Muthami, M. (2026, June 17). *Opinion: How regulatory creep is hollowing out Kenya's bars and restaurants*. Capital FM. https://capitalfm.africa/how-regulatory-creep-is-hollowing-out-kenyas-bars-and-restaurants/

Nation Africa. (2024). *Reprieve for bar owners as Sakaja revises liquor retailer licensing fees*. https://nation.africa/kenya/counties/nairobi/reprieve-for-bar-owners-as-sakaja-revises-liquor-retailer-licensing-fees-4544780

Serrari Group. (2026). *Kenya GDP growth dips to 4.6% on farm, factory drag*. https://serrarigroup.com/kenya-gdp-growth-dips-to-4-6-on-farm-factory-drag/

The Standard. (2026a). *How regulation overload is stifling Kenya's hospitality industry* [Opinion by the chairperson, Pubs Entertainment and Restaurants Association]. https://www.standardmedia.co.ke/business/opinion/article/2001550679/how-regulation-overload-is-stifling-kenyas-hospitality-industry

The Standard. (2026b, April 3). *Tourism earnings hit record Sh500 billion as arrivals near 8m*. https://www.standardmedia.co.ke/business/business/article/2001544519/tourism-earnings-hit-record-sh500-billion-as-arrivals-near-8m

The Star. (2024, March 5). *Nairobi cuts liquor license fees, easing bar owners' burden*. https://www.the-star.co.ke/sasa/entertainment/2024-03-05-nairobi-cuts-liquor-license-fees-easing-bar-owners-burden