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Mediating Effect Of Strategic Investment On Relationship Between Strategic Preparedness And Performance Of Star-Rated Hotels After The Covid 19 Pandemic In Kenya

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ABSTRACT
Kenya's hotel industry like the rest of the world was hit hard by the Covid 19 pandemic whose impact had a notable negative effect on other economic sectors. Organizations across the industry adjusted growth estimates to 40-50% less of prepandemic earnings conservatively. Two years since the beginning of mass vaccinations in 2021 and the reopening of the tours and travel sector, questions still remain on the future performance prospects of the hotel sector after the pandemic. How are hotels strategically prepared for such developments uncertainties in the future? Also, what is the role of strategic investments in the strategic preparedness of the hotel industry? This paper explored the mediating effect of strategic investment on the relationship between strategic preparedness and performance of star-rated hotels after the Covid 19 pandemic in Kenya. The study was guided by the Resource Based-View and used a cross-sectional study design targeting star-rated hotels in Kenya from which 138 were sampled using systematic random sampling. Using data collected through questionnaires, the study found that strategic investment partially mediated the relationship between strategic preparedness and performance of star-rated hotels in Kenya after the Covid 19 pandemic. The study recommends that the star-rated hotels should work closely with strategic actors in government and private sector to secure more investments that would enable strategic repositioning for investors.

Keywords: *Strategic Investment, Strategic Preparedness, Performance, Star-rated Hotels, Covid 19 Pandemic*

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I. Introduction

Performance of organizations is influenced to a large extent by externalities such as macroeconomic cycles and customer patterns, demand patterns and is also at the same time connected to several other sectors (Oaten, Quesne, & Segal, 2015). The outbreak of the novel corona virus (Covid 19) struck a blow to industries across the globe, but perhaps none so fierce as the one dealt to hospitality and travel. Organizations across the hotel industry experienced uncertainty due to widespread hotel cancellations and near stand-still local and international travel. The growth of the sector projected earnings to be conservatively 40-50% less than predictions before the perndemic. Research by McKinsey (2020) suggested that hotel industry recovery to pre-Covid 19 levels would take until 2023 or later. Investors held similar views of hotel companies' prospects, based on the under performance of US lodging Real Estate Investment Trusts (REITs). Like so many industries, hospitality was expected to see both subtle and substantial shifts in the post-pandemic era.

Publicly traded hotel companies performed poorly in the stock market than the broader market-bottoming out at a 60 percent share price decrease, 25 percentage points below the S&P 500 - lodging REITs, which make up a large portion of publicly traded hotel groups (Krishnan *et al.,* 2020). Evidence from the hospitality stock returns in China revealed that macroeconomic fluctuations and hospitality stock returns were significantly affected by shocks from the Covid 19 pandemic. An unanticipated increase in Covid 19 infections would trigger an addition in exchange rates and a reduction in the stock market and hospitality industry returns. A surprise increase in exchange rates (currency depreciation) exerted a significant negative influence on stock market returns. Additionally, a positive change of stock market returns was linked to a decline in exchange rates and a rise in hospitality industry returns (Lee, Lee & Wu, 2021).

Africa is seen as one of the most promising regions for hotel developers experts have revealed. Aside from small chains and independents, four global hotel groups dominate signings and openings on the continent. According to Africa Hotel Investment Forum (AHIF) a top-level gathering of investors, developers and business leaders, connecting the industry's key players from both local and international markets Africa is still viewed as a promising region for hotel investment. However, across the African continent both international and local hotels closed for a while owing to tourist decline estimated to have been between 1% and 3% as a result of the Covid 19 pandemic. This translated into a loss of $30 to $50 billion in spending by international visitors. In many countries

within Africa, hotels were operating at single digit occupancy rates and in some cases had closed down. Countries had closed their air spaces, and food and beverage businesses were mostly closed as a result of social distancing guidelines (WTTC, 2020). This put queries on the level of preparedness of the hotel industry in the continent.

Kenya's hotel industry is a vibrant sub-sector driven by demand along 4 main components; Accommodation, Food and Beverages, Meetings and Conferencing Space, Leisure and Entertainment. Demand from both local and international visitors had seen global and local investors jostle for a market share of the industry. However, the hotel industry has borne several shocks that have affected performance significantly over the last two decades. Nevertheless, the industry continues to be resilient. For instance, following declined performance between the year 2011 and 2015 due to security risks posed by terrorism, the sector showed signs of recovery in 2016 with a 13.4% growth in international arrivals and increase in bed occupancy to 30.3% from 29.1% in 2015. By the third quarter of the year 2020 during the Covid 19 pandemic, the industry saw an improvement of 30.4 % following the easing of government restrictions and resumption of most economic activities since July 2020. Further, 97 per cent of the hotels were operating in January 2021. However, despite the notable recovery until January 2021, the number of operational hotels reduced further to below 97 per cent thanks to increase in infections in parts of the country in March-April 2021, following new Covid 19 restrictions for hotels in Nairobi, Kajiado, Machakos, Nakuru, and Kiambu Counties that limited hotels to providing only take-away services. This too put into question the level of preparedness of hotels in the country.

Preparedness is the organization's ability to determine and address what it would take to achieve its objectives (strategy) and adjust the requirements as it continues to execute, in the most efficient way possible (Rafferty, Jimmieson & Armenakis, 2013). Preparedness is a term designed to describe the process of controlling any business change, by ensuring employees and management teams are able to efficiently and safely move from one mind set or environment to another (Haddad, Ameen & Mukred, 2018). Strategic preparedness refers to the alignment of an organization's human capital, information capital, and organizational capital with its strategy (Kaplan & Norton, 2004; James, 2018) and reflects the strategy of organizational learning. Strategic preparedness means the organization is equipped with the capital it would need to not only survive but also thrive in the next opportunity for learning (Kaplan & Norton, 2004; Weber, Geneste & Connell, 2015).

The competitive advantages found in modern corporations, non-profit making organizations, and even governmental agencies are increasingly determined by the strategic preparedness and capabilities of the entities' intangible assets (James, 2018). Some intangible assets (such as brands and intellectual property) are easier to leverage and have received considerable management attention during the past two decades. Others such as human capital, information capital, and organizational capital have received minimal attention and often lack significant attention in research. Preparedness in hotels has been linked with successful recovery from crises in several contexts. For example, in the aftermath of the SARS outbreak in 2003, Lee and McKibbin (2004) found that the hotel industry considerably recovered after the outbreak courtesy of the level of preparedness. In contrast, in the aftermath of the 2004 Boxing Day Tsunami, the hotel industry in Phuket, Thailand successfully re-opened 80% of her hotels within a week, only to see occupancy rates drop to10% (Henderson, 2007). Hung *et al*., (2018) similarly found that one-week quarantine of more than 300 guests and staff at the Metropark Hotel during the 2009 H1N1 swine flu exposed gaps in the partnership with the hotel industry.

Assessment of strategic preparedness generally relates to whether or not an organization had what it needed to face challenges in the time and time to come, and opportunities that emerged in the strategy development, and implementation stages (Holzmann & Golan, 2016). If an organization's leaders and strategists had clearly modeled their organization's strategic preparedness, it meant that they had clearly mapped out the organization's resources in the areas of human, information, and organizational capital, and conceptualized the degree to which the organization was ready to meet the strategic challenges of both the day and the future (Mirabeau & Maguire, 2014). Such mapping would assist managers to decide which resources were most important and how to efficiently make use of them, then which resources were under utilized, or even redundant.

Management of firms are encountered with the responsibility of selecting the best alternatives among the many possible choices, which differentiates that particular firm's performance from the rest of firms in the same industry (Gikutha, 2017). Enz, (2011) argues from the resource-based view that for an organization to realize its potential in terms of performance, it must possess certain attributes which would serve as enablers for achieving competitive advantage. Lear, (2014) also asserts that the internal assets of a firm as opposed to the outside environment around the firm are conceivably the main basis of execution of strategies to sustain superior organizational performance. Wang and Ritchie, (2010) however, argue that the hotel industry particularly demanded effective crisis management, as the sector was one of the most sensitive to crises, such as, terrorists attacks, pandemics, global economic and financial crisis. Such developments not only decrease the hotel revenues but also increase the perceived risk to investments in the hotel industry as well (Chen, 2011; Kosov & Enz, 2012).

However, some of the externalities in the operating environment are beyond the managerial options of internal resources and require other external strategic options such as collaborations and partnerships with strategic investors to improve the hotels preparedness. For example, in their Covid 19 recovery and investment

outlook, Zhang *et al.,* (2020) noted that because hotel development projects usually require a large initial investment, suspending the on-going projects would cause even further damage. As a result, most of the projects would proceed; the long-term investment activities were less likely to be influenced by the pandemic, but the short-term would be affected. Further, the hotels needed to stay competitive and demonstrate improved performance even when the market was unstable, so activities such as adjusting the market mix and distribution channels was of essence.

With the pandemic effectively contained then (three years later after it emerged), many hotels and firms in the travel and hospitality sector are still dealing with the losses and a fragmented booking cycle as well as low investor confidence. Therefore, the strategic preparedness of the hotels sits as an important derisking signal to the investors and also the hotel clientele. Further, knowing the relationships between strategic investments and stragic preparedness and performance of hotels can enable industry stakeholders and policy-makers to evaluate and implement effective policies to stabilize the stock markets and help investors to make appropriate investment strategies. However, the mediating effect of strategic investment on strategic preparedness and performance of star-rated hotels after the Covid 19 pandemic in Kenya was not yet known. Given the criticality of the hotel industry to the Kenyan economy, particularly, its star-rated hotels, it was important to understand the relationship between strategic investments, strategic preparedness and performance of the hotels to inform all stakeholders on interventions to sustain the industry competitiveness and performance.

Objective

Therefore, the objective of the study was to analyse the mediating effect of strategic investment on the relationship between strategic preparedness and performance of star-rated hotels after the Covid 19 pandemic in Kenya.

Hypothesis

H01: Strategic investment does not have a significant mediating effect on the relationship between strategic preparedness and performance of star-rated hotels after the Covid 19 pandemic in Kenya.

II. Materials and Methods

The study was carried out using a cross-sectional study design and applied a quantitative approach. The study focused on star-rated hotels due to the hotels international and local client base, the hotels' size (Bayo-Moriones *et al*., 2010) and also the hotels' longevity in the sector within the region and specifically in Kenya. There were 211 star-rated hotels in Kenya according to data from Kenya's Tourism Regulatory Authority (TRA) (2018). The hotels which range from 1-star to 5-star were located in a total of 19 out of the 47 counties of Kenya. The unit of analysis was the Star-rated hotels while the unit of observation comprised the hotel managers. Nassuima's (2000) formula was used to obtain a sample size of 138 star-rated hotels. The hotels were sampled using systematic random sampling while purposive sampling was used to determine the managers.

Questionnaires were used for data collection and was administered to the top management as data collection instrument in the study. The constructs used in the instrument were derived from the literature review on investment, preparedness and performance. Following Veal (2017), the study used the instrument after pilot testing the same for correctness and accuracy on 14 non-participating (10% of the sample size) hotels sample from different counties in Kenya. The instrument was then given to independent experts for evaluation for face and content validity as well as for conceptual clarity and investigative bias. The questionnaire constructs had a communality value of more than 0.49 and and Cronbach's alpha reliability index of 0.825 which was above the 0.7 threshold recommended by Cronbach and Azuma (1962), therefore, all constructs and items were retained.

Data was analyzed using both descriptive and inferential statistical methods aided by the Statistical Package for Social Sciences (SPSS) software version 24.0. Descriptive statistical analysis was done using percentages, means and standard deviations to describe the basic data trends. Inferential data analysis was done using regression analysis to assess the relationship between variables and to test the hypothesis. The decision rule was to accept the hypothesis if the corresponding p-values was greater than $p > 0.05$ and reject otherwise. The regressions proceeded under the following models;

$Y= \beta_0+\beta_1X_1+\varepsilon$…….. 1

Where, Y is the dependent variable- Performance of star-rated hotels in Kenya

B_0 is the intercept

β_1 are the coefficients of the independent variables

X_1 represents Strategic Preparedness of

After the introduction of the mediating variable equation 1 becomes

$M = \beta_0 + \beta_1X_1 + \varepsilon$……..….2

Where, M = Strategic Investments

When multiplied through by Strategic Investments equation 2 becomes

$Y = \beta_0 + \beta_1X_1 + \beta_2M + \varepsilon$…….3

The mediation effect was evaluated according to the criteria outlined by Baron and Kenny (1986) summarized in Table 1.

Table 1: Mediation Decision Making Criteria

Outcome		Conclusions
1	β_1 is significant in model 1	Complete mediation
	β_1 is significant in model 2	
	β_1 is not significant and β_2 is significant in model 3	
2	β_1 is significant in model 1	Partial mediation
	β_1 is significant in model 2	
	β_1 in model 3 is significant but less than β_1 in model 1 and β_2 must be significant in model 3	
3	β_1 is not significant in model 1	No mediation
	β_1 is not significant in model 2	
	β_1 is significant and equal to β_1 in model 3 and β_2 is not significant in model 3	

III. Results

The study administered 138 instruments to the respondents and 100 were returned duly filled and useable for the study purposes. This represented a 73% response rate which was considered acceptable for the study purposes.

Strategic Preparedness of Star-Rated Hotels after the Covid 19 Pandemic

The study sought to assess the perception of Strategic Preparedness of star-rated hotels in Kenya after the Covid 19 pandemic. Strategic Preparedness was measured in terms of Technological Systems, Training HR, Certification, and Strategic Alliances. The results are presented in Table 2.

Table 2: ***Perceptions on Strategic Preparedness of Star-rated Hotels in Kenya after Covid 19***

	SA	A	N	D	SD	Mean	Std.
Statement (N = 100)	%	%	%	%	%		Dev
Our hotel has invested in multipurpose technologies that can be integrated into service delivery in the hotel	11	54	6	20	9	3.6	0.576
The technologies we have acquired can be customized for specific functions in our hotel	20	38	33	6	3	3.66	0.946
Our hotel is currently retraining the staff and equipping them with new skills	20	39	13	15	13	3.34	1.193
The hotel is investing in competency based trainings so as to ensure the skills acquired match the competencies required at work	24	41	11	13	11	3.51	1.203
The hotel is restructuring its operations to fit into the new public health model brought about by the pandemic	18	51	24	5	2	3.81	0.51
The hotel has partnered with healthcare institutions to improve its readiness to handle health emergencies	11	51	11	20	7	3.68	0.814
The hotel has worked out strategic alliances to share material resources with its partners	26	39	16	11	9	3.92	0.657
The hotel has worked out strategic alliances to share non-material resources like knowledge resources with its partners	311	36	14	11	9	3.98	0.679
Aggregate Score						3.688	0.822

There were indications that most of the hotel had invested in multipurpose technologies that can be integrated into service delivery in the hotel (mean = 3.6). The technologies identified can be used securely with other technologies in their possession and can be customized for specific functions in most of the hotels (mean = 3.61). There were also indications that most hotels recognized that clients needs will change and, therefore, require new skills in handling them (mean = 3.57). As such, most of the hotels were currently retraining the staff and equipping them with new skills (mean = 3.34). The findings also indicate that most of the hotels were already investing in competency based trainings so as to ensure the skills acquired matched the competencies required at work (mean = 3.51). Majority of the hotels were restructuring their operations to fit into the public health model brought about by the pandemic (mean = 3.81). Most hotels were partnering with healthcare institutions to improve on preparedness to handle health emergencies (mean = 3.68). Moreover, there are indications that most hotels have worked out strategic alliances to share material resources with their partners (mean = 3.92) and have also worked out strategic alliances to share non-material resources like knowledge resources with the hotels' partners (mean = 3.98). Overall, the aggregate mean was 3.688 which was high suggesting that there were indications of strategic preparedness in the star-rated hotels along the constructs measured. The standard deviation was also less than 1 implying that there were little variations in the responses on average.

Strategic Investment in Star-Rated Hotels in Kenya after Covid 19

The study also sought to assess the perception of Strategic Investment in star-rated hotels in Kenya after the Covid 19 pandemic. This variable was measured in terms of financial instrumentation, government policies and risks mitigation. The results are presented in Table 3.

Table 3: ***Perceptions on Strategic Investment in star-rated Hotels in Kenya after Covid 19***

	SA	A	N	D	SD	Mean	Std.
Statement (N = 100)	%	%	%	%	%		Dev
Covid 19 pandemic has significantly reshaped the investment landscape in the hotel industry	26	48	10	9	7	3.76	0.845
The hotel is working on a mix of financing instruments that will ensure financial sustainability even after the pandemic	24	52	12	10	2	3.86	0.714
Our levels of preparedness has an important impact on our financial instrumentation prospects	31	46	15	8	0	4	0.621
We are lobbying for favorable government investment policies to aid our post-pandemic recovery	29	48	13	8	2	3.95	0.82
We expect friendly tax policies that can encourage different investors into the hospitality industry in the country	27	44	13	8	8	3.74	0.995
Stimulus packages may also help in financially readjusting to post pandemic recovery	26	41	16	11	6	3.71	0.847
As a hotel we are aware of the financial risks brought about by uncertainty due to the pandemic	25	42	20	10	3	3.76	0.83
Aggregate Score						3.826	0.8103

The findings in Table 3 indicate that majority of the respondents agreed that Covid 19 pandemic had significantly reshaped the investment landscape in the hotel industry (mean = 3.76). Most hotels were working on a mix of financing instruments that will ensure financial sustainability even after the pandemic (mean = 3.86). The hotels level of preparedness had an important impact on their financial instrumentation prospects (mean = 4.00). The hotels were also lobbying for favorable government investment policies to aid the hotels post-pandemic recovery (mean = 3.95). As such, the hotels were expecting friendly tax policies that can encourage different investors into the hospitality industry in the country (mean = 3.74). There was general agreement (mean = 3.71) that stimulus packages may also help in financially readjusting to post pandemic recovery. The hotels were also aware of the financial risks brought about by uncertainty due to the pandemic (mean = 3.76). The findings generally show that with an aggregate mean of 3.826; SD = 0.8103 that there was strategic investment in the star-rated hotels after Covid 19 in Kenya.

Performance of Star-rated Hotels in Kenya after Covid 19

The status of this variable was described in terms of profitability, customer satisfaction, growth and market value. These results are presented in Table 4.

Table 4: Performance of Star-rated Hotels in Kenya after Covid 19

	SA	A	N	D	SD	Mean	Std.
Statement (N = 100)	%	%	%	%	%		Dev
We have been able to open new hotel branches in areas with high visitor potential	10	9	11	45	25	2.86	1.26
Our new branches are fully resource independent	7	12	8	44	30	2.65	0.957
We have been able to acquire hotels from other investors and rebrand them successfully	12	4	30	43	11	2.82	0.719
Our growth strategies have led to good returns on investment	13	20	23	39	5	3.04	1.258
Our hotels are attracting more international visitors of late	5	16	14	27	38	2.91	1.006
Our bookings outlook has improved considerably	5	15	15	40	24	2.89	1.256
Investors are showing considerable interest in partnering with us	3	25	17	21	34	2.87	0.962
We have been able to absorb many new employees while maintaining a low staff turnover rate	7	22	13	46	12	3.09	0.922
We have been able to increase our product portfolio	9	15	8	29	39	2.8	0.843
Average						2.881	1.020

Table 4 indicates that there was uncertainty on whether the hotels were able to open new hotel branches in areas with high visitor potential (mean = 2.86) and, as such, majority disagreed that their new branches are fully resource independent (mean = 2.65). The hotels were able to acquire hotels from other investors and rebrand them successfully (mean = 2.82). Most of the hotels growth strategies have not led to good returns on investment (mean

= 3.04). The findings also indicate that majority of the hotels were not attracting more international visitors of late (mean = 2.91) and that their bookings outlook had not improved considerably (mean = 2.89). Further, most investors were not showing considerable interest in partnering with most of the hotels (mean = 2.87). In addition, most of the hotels were not able to absorb many new employees while maintaining a low staff turnover rate (mean = 3.09). Most hotels also have not increased their product portfolio (mean = 2.80). The aggregate mean was 2.881 and the standard deviation 1.020 which implies that the performance of the hotels after the Covid 19 pandemic was not good.

Regression Analysis

The regression analysis results for Model 1 (unmadiated) are summarized in Table 5.

Table 5: Multiple Linear Regression Analysis Model Summary

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.25	4.759		0.47279	0.638
Strategic Preparedness	0.445	0.104	0.51	4.27885	0.000
R	.647a		F	19.71184	
R Squared	0.4186		Sig.	.000b	
Adjusted R Squared	0.3692		df	1,99	

a. Dependent Variable: Performance of star-rated hotels

b. Predictors: (Constant), Strategic Preparedness

The multivariate linear regression analysis in Table 5 shows that the relationship between the dependent variable and all the independent variables pooled together was significant ($F_{o'} = 19.71184 > F_c = 3.92$; $\alpha < 0.05$; df = 1, 99; p = 0.000). The results also suggest that the model (without the mediating variable) could explain up to 37% ($AdjR^2 = .3692$) of the variations in the performance of star-rated hotels after the Covid 19 pandemic period in Kenya arising from strategic preparedness. The findings further indicates that the dependent variable, that is, the performance of Star-Rated Hotels in Kenya after the Covid 19 pandemic, would change by a corresponding number of standard deviations when the respective independent variable changed by one standard deviation.

Mediating effect of Strategic Investment

Strategic investment as the moderator variable introduced in Model 2 was also tested and the results summarized in Table 6.

Table 6: Regression Results with Moderator Variable

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.314	1.041		4.143	0.0001
Strategic Preparedness	0.506	0.022	0.304	2.727	0.0062
Strategic Investment	0.199	0.089	0.138	2.236	0.0265
R	0.515		F	11.083	
R Squared	0.265		Sig.	0.000	
Adjusted R Squared	0.242		df	2,98	

a. Dependent Variable: Performance of Star-Rated Hotels

Table 6 shows that the R^2 is .265 indicating that the model explains 26.5% variation in Performance of Star-Rated Hotels after the introduction of strategic investments as a moderating variable in Model 2 and the results were significant ($F_{o'} = 11.083 > F_c = 3.92$; $\alpha < 0.05$; df = 1, 98; p = 0.000). Hence, strategic investment and the other strategic preparedness variables are jointly significant in explaining variations in the performance of star-rated hotels in Kenya after the Covid 19 pandemic. In addition, Table 6 shows that strategic investment variable is positive and significant at (0.199, $p < 0.05$). This implies that the strategic investment variable is significant when introduced in Model 2. Therefore, this satisfies the first explanatory condition where the variable should be significant (MacKinnon *et al.,* 2007).

The moderating variable was then introduced as multiplier in the models with the four independent variables and examined whether it ewas significant. The regression results are presented in Table 7.

Table 7: Regression Results with Strategic Investment. Strategic Preparedness

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.01	4.759		0.4224	0.6733
Strategic Preparedness. Strategic Investment	0.358	0.117	0.279	3.0598	0.0025
Strategic Investment	0.198	0.049	0.116	2.0204	0.0469
R	0.422		F	7.9126	
R Squared	0.178		Sig.	0.001	
Adjusted R Squared	0.162		df	2,98	

a. Dependent Variable: Performance of Star-Rated Hotels

Table 7 shows that the coefficients for the interactive term, that is, Strategic Preparedness. Strategic Investment was significant ($\beta = 0.358$, $p = 0.0025$), and the strategic investment (without interaction) was also significant ($\beta = 0.198$ $p = 0.0469$). Mackinnon *et al.,* (2007) observes that when the coefficients in the model with the mediating variable as a multiplier is significant and the coefficient of the mediating variable in the model with the mediating variable included but not as a multiplier is significant, then there is a mediating effect. Table 8 presents the summary in the change of the coefficient significance when strategic investment was introduced in the model as a product with the strategic preparedness variable.

Table 8: Summary for the Strategic Investment Mediation Effect

	Model 1		**Model 2**		**Model 3**		**Significance of change**
	Base Model (step 1)		(Step 2 Mediation)		(Step 3,after Mediation)		
Variable	Coefficient β	P value	Coefficient β	P value	Coefficient β	P value	
Strategic Preparedness	0.445	0.000	0.506	0.006	0.358	0.003	P= 0.001,α < 0.05; C > C1
Strategic Investments	-	-	-	-	0.098	0.047	P = 0.036, α < 0.05 change is significant
R^2 (r –r1)	.647		-	-	0.422		-0.225

According to the above criterion and as presented in Table 8 the model satisfies the three conditions of partial mediation where in Model 1 the β_1 coefficient was significant, Model 2 the β_1 coefficient was also significant, and in Model 3 the β_1 coefficient was expected to be significant or not significant but the mediating coefficient must be significant. This implies that strategic investments have a partial mediating effect on the relationship between strategic prepareddness and performance of star-rated hotels in Kenya. Therefore, based on the mediation rule by Mackinnon *et al.,* (2007), strategic investment was a mediating variable. Thus, we reject the null hypothesis that stated;

H01: *Strategic Investment does not have a significant mediating effect on the relationship between strategic preparedness and performance of star-rated hotels after Covid 19 pandemic period in Kenya*

The study, therefore, accepts the view that strategic investment had a significant mediating effect on the relationship between strategic preparedness and performance of star-rated hotels in Kenya after Covid 19 pandemic. Indeed, it was a mediating variable since the R^2 changes significantly from 64.7% in model 2 to 42.2% in Model 3. The findings were expected because the changes brought by the pandemic necessitate that significant investment be availed in the hotels to reorient the hotels to the new operating environment which have bought in new operating demands and sensitivity of the customers who are in most cases international travelers. The study also established that strategic preparedness was a factor influencing performance of Star-Rated Hotels in Kenya after Covid 19 Pandemic.

IV. Discussions

The model showing that strategic investment mediated the relationship between strategic preparedness and performance of star-rated hotels in Kenya after Covid 19 pandemic agrees with the findings of Shah *et al.,* (2020) that Covid 19 pandemic had significantly reshaped the investment landscape in the hotel industry. Similar observations were made by Zhang *et al.,* (2020) whose study on the impact of Covid 19 on the Chinese Hotel Sector found that there had been a significant drop in revenue for the hotels compared to 2019 as expected. A research by McKinsey found that while publicly traded hotel companies have done much worse than the broader

market and the strategic re-orientation of hotel industry towards the re-opened economies would be key to spurring investment into the sector (Sneader & Singhal, 2021).

In Kenya, Gikutha, (2017) found that the hotel sector continued to be reselient even in crisis and was among those that have attracted foreign direct investment, despite the fact that it had experienced different setbacks, for example, the 2007/2008 post-election violence, insecurities, airport fire outbreak and moments of travel advisories from a couple of Western nations. However, in the context of the Covid 19 pandemic, Shah *et al.,* (2020) found that the immediate challenge for hotel owners and operators was cash flow management and forecasting. Businesses that were well set with healthy balance sheets had a distinct advantage when it got to withstanding a sharp drop in revenue, and a potentially longer-term period of depressed demand.

The hotels were also lobbying for a most needed favorable government investment policies to aid the sector's post-pandemic recovery. A study by Aharon *et al.,* (2021) on Covid 19, government measures and hospitality industry performance showed that most of the government interventions had adverse effects in the returns of the hospitality industry as the Covid 19 pandemic evolved. This had a significant effect on the trends and flactuations of investment in the hotel industry. As such, the hotels were expecting friendly tax policies that would encourage different investors into the hospitality industry in the country.

V. Conclusions

Covid 19 pandemic had significantly reshaped the investment landscape in the hotel industry. The study concludes that strategic investment had a significant mediating effect on the relationship between strategic preparedness and performance of star-rated hotels in Kenya after the Covid 19 pandemic period. The partial mediation effect could be due to the limited investor confidence in the industry's recovery prospects after the pandemic and the hotel firms' strategic preparedness. Further, the study established that strategic preparedness was a factor influencing performance of star-rated hotels in Kenya after the Covid 19 pandemic. The hotels' level of strategic preparedness had an important impact on hotels sectors' strategic investments prospects. However, the performance of the hotels had not seen marked improvement after the pandemic from the internal stakeholders' point of view, this means that the strategic investments and strategic preparedness while significant had moderate impact on the performance of the hotels.

VI. Recommendations

This study, therefore, recommends that despite the challenged business operating environment, the star-rated hotels need to focus on improving their levels of strategic preparedness in terms of technology, human resource, certification and alliances so as to attract more investments. The hotel industry strategic actors like investors and policy makers also need to consider derisking strategies so as to spur continued investment in the industry.

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