

The Effect of Service Tipping on the Internal Process Performance of Hotels in Kenya: A Balanced Scorecard Perspective

Authors

Nathan Mugambi Mwamba⁽¹⁾; Stella Muhanji⁽²⁾; Simon Kipchumba⁽³⁾

Main author's email: nmwamba76@gmail.com

(1,2) Kabarak university, Kenya; (3) Egerton university, Kenya.

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Abstract

This study aimed at determining the effect of service tipping on the internal processes performance of hotels in Kenya based on the Balanced Scorecard Perspective. A mixed-method approach was employed, combining descriptive survey and predictive correlational research designs, targeting 183 star-rated hotels in Kenya. Using Yamane's (1967) sampling formula, a sample size of 126 hotels was selected from the Ministry of Tourism and Wildlife's classification. Data collection was conducted over one month using structured questionnaires. A drop-and-pick method was applied, with some questionnaires also sent via mail to respondents. Descriptive statistics, including means, standard deviations, and percentages, were used alongside inferential statistics, particularly regression analysis. The findings revealed that service tipping had a positive effect on internal business process efficiency and learning and growth performance of Kenyan hotels. When star rating was introduced as a moderating variable, the relationship between service tipping and hotel performance remained statistically significant, although the regression coefficient slightly decreased ($r = 1.089 - 1.088 = 0.001$). Based on these findings, the study recommends that the Tourism Regulatory Authority, which oversees hotel policy in Kenya, develop a Service Tipping Policy to guide operations in star-rated hotels, thereby enhancing their performance, given the demonstrated positive impact of service tipping on Balanced Scorecard performance indicators.

Key Words: Business process performance, balanced scorecard, hotel performance, hotel star rating, Internal, service tipping strategy.

INTRODUCTION

Tipping is an economic phenomenon consisting of a voluntary payment by customers for services received (Azar, 2004). The majority of five-star, four-star, and three-star hotels in Kenya, as well as multinational hotel brands, encourage tipping and charge a mandatory service charge as a percentage of a customer's bill. Globally, tipping is not uniformly observed or practised across all nations. However, it is common among citizens of some countries who subscribe to specific restaurant tipping rules that dictate the nature, amount, and method of tipping (Lynn, 2015). Reviews of current tipping patterns identify the Netherlands, Sweden, Belgium, France, Switzerland, Italy, and other European and African countries as regions where tipping is predominantly practised (Bigler & Hoaas, 2016; Margalioth et al., 2010).

In Africa, very little research has been conducted on tipping (Megan, 2017). Existing studies mainly focus on South Africa (Kruger & Saayman, 2016), Zimbabwe (Kazembe & Charity, 2014), and Egypt (Abukhalifeh & Puad Mat, 2012; Jahan, 2018). Within the African context, the literature is only slightly elaborative on Egypt, where tipping is speculated to range between (10%) and (15%) per cent (Jahan, 2018). There remains insufficient literature detailing tipping practices across other African countries, despite the fact that optional tipping and service charges are allowed in the majority of these countries (Kazembe, 2014).

In Kenya, tipping is common in the hotel industry, where customers may allow service staff to keep change, voluntarily give a financial token, or pay a compulsory percentage service charge added to the bill and shared among hotel staff. Kenya Institute for Public Policy Research and Analysis (2016) indicates that service charge on food and accommodation averages 7.0 per cent, while service charge on beverages averages 5.5 per cent. Subscribers to the Kenya Union of Domestic, Hotels, Educational Institutions, Hospitals, and Allied Workers (KUDHEIHA) benefit from a mandatory monthly service charge, which was introduced as a substitute for voluntary tipping in the hospitality industry. Consequently, tipping was to be abolished and may not be considered indispensable where service charge

is included in the final restaurant bill (Margalioth et al., 2010; Mohd Salehudin et al., 2011).

Although tipping and service charge practices are evident globally, within Africa, and specifically in Kenya, existing literature largely describes tipping patterns, percentages, and regulatory practices. The literature does not explicitly examine the effect of service tipping on internal process performance in hotels using the Balanced Scorecard perspective. Therefore, a gap exists in understanding how service tipping relates to internal process performance within hotels in Kenya. This study addresses this gap by examining the effect of service tipping on the internal process performance of hotels in Kenya from a Balanced Scorecard perspective.

The Balanced Scorecard

In this study, the Balanced Score Card is applied to evaluate the effect of service tipping on the internal processes performance of hotels in Kenya. The Balanced Score Card (BSC) is a tool of performance evaluation which (Pearce et al., 2015) describes as a set of performance measures that directs a company to merge its own long-term strategy with tangible goals and actions and allows the managers to evaluate a company from four main perspectives, namely customer, financial, internal business processes and learning and growth. This strategic management system was developed by Kaplan and Norton (1992), centred on a multi-company research project that studied performance measurement in companies whose intangible assets played a pivotal role in value creation. The BSC has become the most academically cited and practically applied approach in Performance Management (Neely, 2005). Kaplan and Norton's (1992) Balanced Scorecard is justified as the best model of evaluating performance in hotels.

In view of internal business processes, Kaplan and Norton's (2008) main question is to satisfy our shareholders and customers, at which business process must we excel? Internal processes are easy to implement, and return on investment is easily possible. Business perspectives include the activities and processes in which the hotel must excel to be successful, such as management, operations, systems, information, and communication. In this research, the main point of concern is how service tipping impacts

or affects internal business processes and how it eventually impacts the performance of a hospitality outlet. This is a key area since it leads to the effectiveness and efficiency of a hotel. Pearce et al. (2015) consider internal processes to contribute much to the quality of the product processed, efficiency and effectiveness of a service process through elements such as supply chain management, design process, production designs, information architecture and management of partnerships. The impact of service tipping on this element of performance may be in the area of efficiency and effectiveness of a food and beverage production and service in a hotel. An efficient system determines the level of profits, hence determines the amount of service charge declared to staff at the end of a financial period. Information management is the need for hotels to keep records about customers and finances. Storing customer records can help the hotel to be responsive to the customer's needs. Ease of information access and retrieval enables quick referencing of customer information or conference group information, and would eventually enable financial calculations of business proceeds. Information management will also enable the calculation of tips and service charges as an overall element of financial results. Some hotels have a very strong service culture, which is influenced by the service charge programs, leading to strong organisational capacity, interdepartmental collaborations and innovations collectively referred to as organisational learning (Jen-the Yang, 2009).

Effect of Tipping on Performance

Azar and Tobol (2008) developed a time-series model showing that tipping behaviour influences a server's reputation, which in turn affects the quality of service in future interactions. Their study presents multiple models indicating different patterns of reputation decay and its impact on service quality. The findings suggest that service quality is partly determined by the tips provided by individual customers and that servers often set the level of service in advance based on customer expectations. Similarly, Lynn et al. (2013) found that restaurant tips are positively associated with perceived service quality, a relationship that remained consistent across variables such as meal type, day of the week, server and customer gender and race, alcohol consumption, education, income, and prior experience in the hospitality industry.

Furthermore, value for money influenced the tipping propensities of the British restaurant customers more than the tipping propensities of Russian and German customers (Savas & Burcin, 2013). According to these results, Swiss and British customers give more consideration to value for money when tipping. A study carried out by Dewald (2003), consisting of 342 restaurant customers in Hong Kong, revealed that getting value for money enhanced the amount of tips paid by the customers in Hong Kong. According to Savas and Burcin (2013), getting value for money in the a la carte restaurants of hotels influenced the tipping propensities of respondents with associate degrees more than the tipping propensities of those who were high school graduates. Furthermore, getting value for money in the a la carte restaurants of hotels influenced the tipping propensities of private sector employees more than the tipping propensities of respondents in other professional groups (self-employed individuals, civil servants, workers and pensioners). In addition, it was determined that the tipping propensity of high-income group restaurant customers was more influenced by value for money.

Traditionally, companies in hotel services place a heavy emphasis on the use of financial measures, though they are historical. The role of non-financial factors, such as customer satisfaction, quality assurance, production and employee development, becomes important as they determine the competitiveness of the business as well as its ability to sustain profitability in the future. Despite the advancement of performance measurement systems in the global hospitality industry, various researchers (Atkinson and Brander-Brown, 2001; Harris and Mongiello, 2001) have pointed to the reluctance of the hospitality industry to adopt balanced performance measures rather than relying exclusively on financial metrics.

LITERATURE REVIEW

Service Tipping

Tipping is a form of gift or sum of money tendered for a service performed or anticipated. Tipping is a historical practice in the global hospitality context. Azar, (2003) traces the practice of tipping, with certainty of its practice in the mid 1600's in England in the coffee house and pubs where brass urns could be found with the inscription "To Insure Promptitude" or the initials "T.I.P". Visitors to private homes were

required to give sums of money (known as vails), at the end of their stay to the servants who would have gone beyond the call of duty. In London by 1795, the practice of tipping later progressed within the hotels for the chambermaid and the person who secured the horses at the hotel entrance. In the 20th century, tipping was replaced in several European countries by service charges. Being a colony of Britain, Kenyan-rated hotels have allowed service tipping practice, and others have adopted a service charge mode of receiving and distributing tips to staff after a certain period of customer service. Evidently, service tipping and service charges have become a practice and norm in many star-rated hotels in Kenya. Notwithstanding this norm, there have been few scholarly activities in evaluating how this practice is influencing the performance of hotels in Kenya.

Balanced Scorecard Framework

The Balanced Scorecard (BSC) is both a framework and a management approach introduced by Kaplan & Norton (1996). It extends traditional financial performance metrics by incorporating non-financial measures, providing managers and executives with a more comprehensive view of organisational performance (Kaplan & Norton, 2002). As a strategic management tool, the BSC evaluates performance across multiple dimensions, including financial results, customer satisfaction, internal processes, and learning and growth. In Kenya, Nyangayo (2014) investigated the use of the balanced scorecard and its effect on performance at the Cooperative Bank of Kenya, while Afande (2015) explored its adoption among state corporations under the Ministry of Information and Communication. Both studies found that the BSC had been effectively implemented in the organisations examined. Similarly, M'maiti (2014) conducted a cross-sectional survey of Kenyan commercial state corporations that employ the balanced scorecard as a strategic management instrument.

Kaplan (2002) explains that the balanced scorecard turns an organisation's strategic plan from a static, theoretical document into actionable guidance for daily operations. It offers a framework that not only tracks performance but also helps managers determine what actions to take and which metrics to monitor. This approach allows leaders to effectively implement their strategies. The balanced scorecard

specifies the key measures needed to balance the financial perspective, functioning as a management system rather than just a measurement tool. It helps organisations clarify their vision and strategy, translating them into concrete actions. By providing feedback on both internal processes and external outcomes, it supports continuous improvement in strategic performance. When fully implemented, the balanced scorecard shifts strategic planning from a conceptual activity to the central hub of organisational management (Kaplan & Norton, 2002).

Baggio et al. (2011) examine hotel performance research published in the seven leading hospitality and tourism journals from 1992 to 2011 through the lens of the Balanced Scorecard (BSC). The results indicate hotel performance attracts widespread attention from hospitality scholars, but critical gaps remain. Researchers have recognised the importance of including financial and non-financial indicators. Baggio et al. (2011) identified three research gaps: an unexplored business processes perspective, which contributes to efficiency as a key driver for managers both presently and in future. The second gap focused more on hotel performance research beyond any specific BSC perspective. This gap requires a shift from a single perspective to a relationship that links all perspectives of Balanced Scorecard performance. "If the 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 is an unexplored area. Finally, the third and last gap relates to geographical scope. A firm is basically a community of people, deeply embedded in economic, social, and cultural environments. If, in the long run, the firm's survival is linked to its ability to generate revenues higher than costs and inflows larger than outflows, the alternative strategies for dynamically creating equilibrium are many and varied.

Effective implementation of the balanced scorecard requires organisational management to give much emphasis to the 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. According to Kaplan and Norton (2001), the Balanced Scorecard translates an organisation's mission and strategy into a comprehensive set of performance measures that provides the framework for a deliberate measurement and management system.

Service Tipping and Internal Process Performance

Dachs et al. (2015), in a study on the effects of innovation on Small and Medium Enterprises (SMEs) development, report that innovation is a critical component of SMEs' growth. The study employed a descriptive survey design using a 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 and political environment from that of Kenya, findings could vary if the same study were 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 be made. Dachs et al. (2015) study was conducted in a developed country and was in the SME sector, which is a 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.

A study by Triguero et al. (2014) investigated the link between innovation and profits in Spanish firms and established that firms with patent rights and a skilled workforce were more likely to generate more profits than their counterparts with no patent rights and a less skilled workforce. In addition, through their analyses, which employed the ordinary least squares (OLS) method, the study noted that firms with patents stood a high chance of getting loans from banks. Mwhaki (2017) conducted a study on the role of innovation management on SMEs' performance, focusing on the Hotel sector in Nairobi. Both descriptive and regression analyses were applied to primary data from 100 hotels. The study found that market and process innovation management played a critical role towards the performance of SMEs in the hotel sector in Nairobi. On the other hand, the study observed that management of supplier innovations played no role in hotel performance. However, the study was not conducted in the hotel sector, which is

the literature gap the current study filled by analysing the effect of service tipping as a competitive advantage on internal business process performance by hotels in Kenya.

Kaptoge (2008) did a study on Wrigley Co. with the objective of finding out whether the company succeeded in Business Process Re-engineering (BPR) implementation by improving its competitiveness and determining the key factors that may have led to the success or failure of BPR implementation. The findings were that BPR implementation on the supply chain and enterprise resource management resulted in process management improvement, resulting in the achievement of a competitive advantage. Gitagama's (2008) study on EABL had the objective of finding out the relationship between Business Process Re-engineering and organisational performance, whether it was symmetrical, reciprocal or asymmetrical. The findings indicated that EABL substantially benefited from reengineering through growth in efficiencies, leading to improved profitability as measured by profitability over the years.

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 played an important role in the BPR implementation in the KK group of companies. Odede (2013) focused on business process re-engineering implementation and organisational performance in the Kenya Revenue Authority and established a positive relationship between BPR implementation and performance of KRA, with improvements noted in areas of customer service, process turnaround time, cost reduction, improved technology, competitiveness and revenue growth. Mturi's (2014) study was conducted in the security department and analysed staff turnover, which is the research gap the current study filled by analysing the effect of service tipping as a competitive advantage on internal business process performance by hotels in Kenya.

Gachoka (2015) did a study on the application of business process re-engineering as a strategic planning tool by the Kenyan Judiciary and established that change management, especially through embracing IT,

came out strongly as a factor in their success. On his part, Okwena (2015) studied factors influencing performance of BPR projects in Kenya Commercial Bank and found that management commitment, communication of change, processes and systems management and monitoring and evaluation significantly influenced the performance of BPR projects at the bank. Gachoka (2015) and Okwena, (2015) studies did not analyse the effect of service tipping as a competitive advantage on internal business process performance by hotels in Kenya.

A study conducted on public organisations established that changes in organisational structure had an effect on organisational performance. The study sampled employees from several such organisations and established that there were instances of ambiguity in job roles and poor communication, which resulted in poor organisational performance both at the firm level and in the competitive market (Jang & Kim, 2014). Another study explains that organisational structure guides the quality of work, employee enthusiasm, and coordination between top management and subordinates for the continuous implementation of organisational operations in line with the organisation's goals and objectives. However, at the same time, formalisation may be affected because rules and regulations, such as policies, may no longer be applicable when the organisational structure has changed (Tran & Tian, 2013).

According to the Chinese Enterprises Association (2012), it was discovered that China's enterprises have excessive levels of organisational structure, rigid mechanisms, and poor information transfer. A large number of scholars have managed to investigate organisational performance from the perspective of a firm's characteristics, corporate culture and structure, and knowledge management. A study by Ahmadi et al. (2012) explains that twenty-first-century leaders have greatly emphasised the need for organisations to adopt boundary-less techniques, which entail the lack of internal and external boundaries between units, levels and locations that may limit a firm's ability to generate useful knowledge that may be crucial to a firm's value creation motive. Other studies posit that firms with fewer formal procedures, commonly referred to as organic firms, are said to encourage

horizontal and vertical communication (Brenes et al., 2008).

According to Ellram (2011), internal procurement processes include budgets, purchase requests, quality management and payment processes. The manner in which the aforementioned processes are conducted within the procurement process has a great influence on the performance of an organisation. The recent formations of the Public Procurement Oversight Authority, in addition to reforms that have institutionalised procurement in public organisations, have made procurement increasingly important in the Kenyan economy (Chebichii et al., 2014).

Onchoke and Wanyoike (2016) on the impact of internal procurement processes on organisational performance reveal that indeed 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 whose research revealed that the internal procurement process plays a very important role in bringing forth enhanced organisational performance. In particular, the research revealed that internal resources and capabilities concerned with efficiency and integration play a very important role in bringing forth improved organisational performance. Siricha and Theuri (2016) also investigated the impact of internal procurement, such as electronic procurement, on the organisational performance of Kenya Ports Authority. The findings of the research revealed that internal procurement processes, and in particular electronic procurement, had a great influence on organisational performance. Specifically, the research's findings showed that the integration of internal procurement processes played a very important role in enhancing organisational performance.

Kennedy and Kiarie (2015) studied the influence of internal procurement processes on organisational performance, revealing that there is a positive correlation between internal procurement processes and organisational performance. The research further revealed that internal procurement processes enhance organisational performance by integrating an organisation's operational and support functions,

ensuring that production is aligned with new orders; purchasing is aligned with demand, while shipping and scheduling are aligned with the requirements of customers.

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

Muendo (2014) found that organisations with stronger cultures were most effective when their environments favoured exploiting, or fully executing existing objectives using existing organisational knowledge and approaches, rather than exploring, or discovering and developing new objectives using new approaches. He reasoned that incremental adjustments to organisational routines were easier in strong culture firms because participants have an agreed-upon framework for interpreting environmental feedback and a common set of routines for responding to different signals from the environment.

Rintari et al. (2018) established that internal processes 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 in an 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, however, impose a level of stability on organisations, with mixed implications for performance. Nevertheless, there is a linear and significant relationship between internal processes and organisational performance in National referral hospitals in Kenya.

Hajipour et al. (2011) studied the relationship between industry structure, strategy type and organisational characteristics. Results indicate that industry structure determines organisational characteristics. Mansoor et al. (2012) contend that an ideal organisational structure is a recipe for higher performance. Oyewobi et al. (2013) study on the effect of organisational structure and strategies on construction organisations' performance found that organisational structure has no direct effect on either financial or non-financial performance.

Disii (2011) focused on the implementation of business process reengineering at Kenya Laibon. Kenya Laibon (2014) did a study on the effect of BPR on staff turnover at KK Security Group of Companies. Doyle (2014) focused on Business process re-engineering for the improvement of bank credit operations in South Africa. Hagos (2012) did a study on the BPR implementation and results within the Ethiopian Ministry of Health and the Gambella region.

Sarang (2005) studied business process reengineering in the retail industry in India. The study's conclusions indicated that BPR in the retail sector entailed introducing technological changes and redesigning workflow activities. Setegn et al. (2013) studied the impact of business process reengineering on performance in the Bureau of Finance and Economic Development (BoFED) in Ethiopia. The study concluded that the majority of the BoFED customers were satisfied with improved organisational performance, quality of service and service cycle time.

Odede (2013) investigated the factors that are necessary for the successful implementation of business process reengineering in the Kenya Revenue Authority. The study focused on business process reengineering initiatives undertaken by the Kenya Revenue Authority. The findings showed that business process reengineering results in revenue growth,

improved technology, cost reduction, process turnaround time and improved customer service. Awolusi and Onigbinde (2014) assessed the critical success factors for BPR in the Nigerian gas and oil industry. The study aimed to identify critical success factors and also evaluate the impact of CSFs and BPR on operational and overall organisational performance. Operational performance was considered the primary measure in the study, while overall organisational performance was considered the secondary measure. The study used a questionnaire as the primary data collection tool. The study findings showed that management system, project management and planning, support and competence management, IT infrastructure and organisational culture were critical success factors.

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 to achieve simplification of operational process, improvement in the tracking of complaints, simplification of operational process leading to customer loyalty and also improvement in the process of customer acquisition and consistency in service delivery. These studies were not conducted in a star-rated hotel, which is the aim of the current study.

Habib (2013) carried out a study on Understanding Critical Success and Failure Factors of Business Process Reengineering in Pakistan. He used the explorative survey methods to carry out his study. The results revealed that companies are shifting from a product-centred approach to a customer-oriented approach. Therefore, the priorities are also shifting, and the companies are trying to satisfy their customers by delivering what they want in terms of values. He concluded that bringing change into an organisation is very difficult and very demanding. Therefore, proper planning by top management is very important, aligned with the organisation's needs and resources. The helpful role of management is a key to successful implementation. The involvement of HR in planning and implementation is also essential. He recommended that companies identify the tasks that are unnecessary, causing delay and inefficiency, and identify areas and jobs that can be implemented with the help of developed and up-to-date technology.

Mlay et al. (2013) carried out a study on A Quantitative Analysis of Business Process Reengineering and Organisational Resistance: The case of Uganda. The methodology they used was both quantitative and qualitative methods. The study showed that only 30.4 per cent of BPR projects in Uganda have delivered the intended usable Information Systems. They identified the factors impacting BPR and possible causes of BPR failures. They identified that users' emotional responses to the BPR implementation range from „Acceptance“ to „Testing“, „Indifference“, and „Anger“. They concluded that many organisations in Uganda and elsewhere need to implement their processes to improve efficiency. They recommended that organisations aiming to reengineer processes should place great emphasis on the soft issues of BPR implementation. It is essential to establish good and open communication between the implementers and the management.

Asgarkhani and Patterson (2012) did a study on Information and Business Process Reengineering through Application of Information and Communication Technologies (ICTs) in Pattaya (Thailand). They used the exploration method. The result revealed that continued innovation in IT will ensure its role in process redesign will not decline, and the more that business becomes the focus of process redesign. They concluded that information technology has a huge role in BPR, because information technology's unique attributes cover most PBR heuristics. They recommended that employees in a business should embrace changes and creativity in business process reengineering projects to have a high chance of success.

Vinyaki and Rakesh (2011) conducted a study on the strategic marketing of pharmaceutical products manufactured in Kenya. The study had two objectives: to investigate the current strategic marketing practices of Pharmaceutical Manufacturers in Kenya; to establish the strategic responses of firms to the changes affecting the pharmaceutical industry. A survey was conducted to achieve these objectives, and primary data were collected through personally administered questionnaires. The data was assessed using SPSS. The data was assessed using simple descriptive statistics. The study found that with increased environmental turbulence, firms in this

sector made some adjustments in their marketing mix components in order to remain competitive. Changes in complexities led pharmaceutical manufacturers to adopt more market-driven strategy approaches. There was a vast difference amongst the firms in this sector with respect to their size, resources and product mix. Many companies follow a niche market and market segmentation approach. The firms were also doing marketing planning.

Mugabane and Nandama (2010) conducted a study to analyse the Strategy evaluation and control by pharmaceutical companies in Kenya. It also sought to determine the relationship between these practices and other firm characteristics. A cross-sectional survey design was used with a sample size of 60 pharmaceutical firms operating as manufacturers and distributors. The study used a structured questionnaire to collect data. The data was analysed using SPSS, and the majority (83.4%) of respondents indicated a strong appreciation of the importance of evaluating and controlling strategies. Consistency was considered by the majority of respondents (47.7%) to be the most important factor among Rumelt's strategy evaluation criteria when deciding on strategies to be employed by their organisations. Most respondents (60.0%) indicated that they reviewed their strategies on a periodic basis, i.e. quarterly, biannually or annually, while 36.7 per cent do so whenever the need arises. However, few firms (33.3%) make budgetary allocations for strategy evaluation and control activities. Monitoring of financial performance was the most commonly used method of strategy evaluation and control.

Munyi and Ogolla (2017) established a positive relationship between staffing and business process improvement since continuous quality improvement hinges on the training of staff. Further, the study deduced that the Pharmaceutical manufacturing firms in Kenya encourage the involvement and development of their people by providing ongoing training and career planning. Education and training at the company emphasise the importance of meeting requirements, as well as the needs and expectations of customers and other interested parties. A positive relationship between organisational strategy and business process improvement. Organisational strategy provides directional cues to organisations,

enabling them to achieve their objectives while responding to opportunities and threats in the environment. The study also revealed that organisational strategy is flexible enough to allow the selection of the most appropriate approach for each improvement. Organisational strategy also ensures the optimisation of effort in process improvement; results in future-oriented plans that interact with the competitive environment to achieve the company's objectives and gain organisational advantage through its configuration of resources in a changing environment, and fulfil stakeholders' expectations (Munyi & Ogolla, 2017).

Magutu et al. (2010) examined the relationship between innovation and employee performance. The authors found that there is a positive impact of administrative and technological innovation on employee performance. Reengineering Process innovation helps to improve operational efficiency. Process change initiatives bring about business efficiency by reducing time and costing organisational processes through the optimal use of technological innovations to achieve major improvements in quality, performance, and employee productivity. Sia and Neo (2008) further state that the members of the Society for Information Management identified the reengineering process as a major concern for organisations, on a level with customer orientation, development of organisational culture, and strategic alignment of information technologies.

Satyanarayana and Kavitha (2011) found that BPR had an impact on customers as well as on banks' performance. Organisation structure defines who performs, manages, and is accountable for each business process. Having a good structure determines how efficient an organisation becomes. Different structures exist, for example, functional, divisional or mixed organisation structure. Adopting the organisational structure to make it fit the newly defined processes is a crucial task that determines how the organisation will reap the benefits of the reengineering efforts. Gavrea et al. (2011) found a positive relationship between the use of performance measurements and organisational performance, and for companies hoping to improve their market success, this pillar is very important. Having proper roles defined and mechanisms to ensure adherence to

procedures so as to achieve desired results is an aspect that needs to be considered when starting the journey of re-engineering. The rollout mechanism and procedures on how to achieve the desired results are also important.

Obeng-Addae (2015) states in her study on evaluating the effect of Business process reengineering in Ghana that the investment contributes to the morale of employees since it allows more time for a work-life balance. Individual belief systems are the attitudes and mental models that individuals apply to themselves, those they work with, and the work itself. Examples of mental models: Impatience, scepticism, openness, control, rigidity, and flexibility in aligning the value dimensions to support the re-engineered organisation require organisation executives to demonstrate leadership.

METHODOLOGY

The study adopted a mixed-methods approach, including descriptive survey and predictive correlational research designs, collecting data from respondents with practical experience with the problem under study. The study targeted 183 star-rated hotels in the four circuits. The unit of analysis of the study included the hotel managers (general managers, supervisors and heads of departments) and service staff.

This study sought several keys to the operations of hotels according to the titles given by the hotels. The unit of analysis, therefore, included managers (general managers, supervisors and heads of departments). Stratified random sampling was applied since hotels are standardised and classified into five common groups of one to five star ratings. The sample drawn from every stratum was equivalent to the stratum's

share of the total population. A representative sample, which enabled generalisation of the findings, was derived from Yamane's (1967) formula.

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

Where;

n = sample size

N = Population

e = precision error, which is 0.05

Therefore, out of a population of 183 star-rated hotels in Kenya, the sample consisted of 126 hotels from all five classes of hotels. Where $n = 183 / (1 + (183 * 0.0025))$. Each class of hotels then contributed a proportion of the sample depending on the ratio of the number of rated hotels in each category to the total.

The sample size in this study was selected based on the criteria set by Roscoe's rule of thumb Sekaran (2003) that is a sample that is larger than 30 and less than 500 is appropriate for most research, while according to Dooley (2007), a sample size of between (10%) and (40%) is considered adequate for detailed or in-depth studies. The sample size in this study is 68.9 per cent, which is more than adequate.

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. Table 1 shows the number of star-rated hotels in every circuit, the targeted sample size and the actual sample respondents realised in the study.

Table 1: Sampling Table Tourism Circuits

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 study used a structured questionnaire as the primary data collection tool, as it allows the researcher to collect information from a large, diverse, and geographically dispersed sample (Mugenda & Mugenda, 2003). The questionnaire used a five-point Likert scale to answer the items, with 5 denoting Strongly Agree, 4 denoting Agree, 3 denoting Undecided, 2 denoting Disagree, and 1 denoting Strongly Disagree. This allowed the collection of ordinal measure data from the respondents. Each section of the questionnaire investigated a given variable and was used to test the corresponding hypothesis and research questions. To increase the response rate, questionnaires were sent to all members of the population, and responses were randomly picked to meet the sample size.

There was a pilot study in the 5-star rated hotels in the Western Province of the Western Circuit covering Kakamega County. Being the most proximal site to the researcher, the western tourism circuit has 15 star-rated hotels, of which 5 were selected for a pilot study; the remaining 10 in Nyanza were included in the study. Most of these rated hotels are located in Kisumu town. The size of the pilot group may range from 5 to 100 subjects, depending on the method to be tested (Blumberg et al., 2011). From the study, the researcher was able to distribute questionnaires to customers and staff due to very strict rules on staff and the rule against infringing on customer privacy, which is a major concern in the hotel industry, especially for management and hotel owners.

Validity of the instrument was established through a face and content validity approach. This involved the logical link between the question and the objective of the study. Each question or item in the research instrument had a logical link with an objective. Further, this was clearer after the pretesting of the questionnaire in the pilot study in the western circuit, which enabled a realistic test of the instrument used.

Once all the questionnaires were collected back and foliated, the data were first extracted and then cleaned of any errors. The data was consequently coded ready for analysis. Descriptive (frequencies and percentages) analysis and inferential statistics were used to analyse data. Descriptive statistics were used to analyse one variable at a time. To test the hypotheses, regression analysis was used, and the results were interpreted to determine whether the null hypotheses were rejected or accepted. All this was done using a statistical tool, the Statistical Package for the Social Sciences (SPSS) version 20. Descriptive statistics, frequencies, and percentages were used for demographic analysis.

Confidentiality was strictly observed throughout data collection and afterwards to protect the businesses that opened doors to us. A permit from the National Council of Science and Technology and a letter from the University helped secure the consent and confidence of the management of various hotels. A debriefing on the study's purpose and respondents' expectations also enhances their comfort and willingness to participate. During the research period, professionalism was the key guide to all activities to be undertaken.

FINDINGS AND DISCUSSION

Effect of Service Tipping on Internal Business Process Performance

The hypothesis stipulated that H₀₁: Service tipping as a competitive advantage strategy does not significantly affect the internal processes performance of hotels in Kenya. The tested independent variable was service tipping as a competitive strategy, whereas the dependent variable was business internal process as a component of the Balanced Scorecard. The researcher first used factor analysis to isolate internal business process factors, with the aim of identifying the factors respondents preferred, as shown in Tables 2 and 3.

Table 2: Factor Analysis Results

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	3.31437	2.76739	0.8945	0.8945
Factor2	0.54699	0.22368	0.1476	1.0421
Factor3	0.32331	0.23768	0.0873	1.1294
Factor4	0.08563	0.15693	0.0231	1.1525
Factor5	-0.07131	0.03414	-0.0192	1.1333
Factor6	-0.10545	0.05310	-0.0285	1.1048
Factor7	-0.15855	0.07119	-0.0428	1.0620
Factor8	-0.22975	.	-0.0620	1.0000

The study further conducted the factor loading analysis to determine the number of variables that were to be retained.

Four components, with a cumulative variance of 1.00 per cent, were extracted. Extraction Method: Principal Component Analysis.

Table 3: Rotated Component Matrix

Variable	Fact or1	Fact or2	Fact or3	Fact or4	Unique ness
T/S charge makes staff participate fully in developing IBP	0.2139	0.2535	0.2986	0.0058	0.8008
Staff will swiftly recommend removal of ineffective BP & new processes to avoid low T/S in a month	0.6425	0.3481	0.1016	0.0263	0.4550
The systems in the hotel are attuned to the T/S system	0.7536	0.1441	0.2773	0.0677	0.3299
Service charge is automatically deducted and posted to staff salary	0.4857	0.3760	0.0497	0.0915	0.6119
Waiters quarrel a lot when food delays in the kitchen since they may lose tips	0.2947	0.3064	0.3275	0.0954	0.7029
Kitchen staff goes to interact with customers expecting tips	0.8657	0.2383	0.0254	0.0914	0.1847
Room stewards would be mad at front office staff when bookings are not well communicated due to T/S	0.7004	0.0934	0.0574	0.2099	0.4534
T/S strengthens interdepartmental services, collaboration & communication	0.8516	0.2002	0.1823	0.1021	0.1911

Rotation Method: Varimax with Kaiser Normalisation.
a. Rotation converged in 5 iterations. According to factor coding, igp_1 = Tips make employees participate in development of the hotel, igp_2 = Tips make

employees remove ineffective process, igp_3 = Systems in hotels are aligned to tips, igp_4 = Tips are automatically deducted and posted in employ, igp_5 = Waiters complain when food take long from kitchen,

igp_6 = Kitchen staff interact with customers because of tip, igp_7 = Tips make room steward active in booking customers and igp_8 = Tips strengthen collaborations among departments.

In the first rotation, all the 8 factors were important with coefficient > 0.5, in terms of uniqueness three (3) factors were considered unique by the respondents, these were; Tips make employees participate in

development of the hotel (0.8008), Tips are automatically deducted and posted in employee (0.6119) and that waiters complain when food take long from kitchen (0.7029). The study further tested the relationship between tipping and these learning and growth perspective factors using regression analysis presented in Table 4.

Table 4: Tipping and Internal Business Process Performance Statistics

Statistics	Statistical values
R ²	.711
F	282.837
p-value	.000

Results from Table 4 showed that the R value was 0.843 and the R Square was 0.711, indicating a high degree of correlation. The R² value reveals how much of the dependent variable, "Internal Business Process Performance", is explained by the independent variable, "Service tipping". In this case, (71%) was the R-squared, which was fairly large, indicating a high degree of correlation. Therefore, (29%) of the variance in internal business process performance was explained by other factors outside this study. The Predictors: "service tipping".

The Dependable variable: "Internal Business Process performance". Table 5 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. The implication of this finding was that the data collected for the study had a high correlation between the independent variable (service tipping) and the dependent variable (Internal Business Process performance).

Table 5: Regression Coefficients of the Effect of Service Tipping on Internal Business Process Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.246	.170		1.448	.150
	Tipping	1.141	.068	.843	16.818	.000

The results indicated that the beta value was significant ($\beta=1.141$, p=0.000). 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. The bivariate regression model can be used to predict hotels Internal Business Process performance from service tipping is given by

$Y = .246 + 1.141X_1 + \epsilon$ where;
 Y = Internal Business Process and
 X₁ = Service Tipping competitive advantage strategy
 Based on the results from the study, the hypothesis that H₀₃: Service tipping as a competitive advantage strategy does not significantly affect the internal

business processes performance of hotels in Kenya was rejected, and therefore, it was concluded that statistically, the Service Tipping competitive advantage strategy affects the internal business process performance of the star-rated hotels in Kenya. The study is also supported by Mwihi (2017), who conducted a Study on the role of innovation management on SMEs' performance, focusing on the Hotel sector in Nairobi. The study found that market and process innovation management played a critical role towards the performance of SMEs in the hotel sector in Nairobi. On the other hand, the study observed that management of supplier innovations played no role in hotel performance. Alongside Kaptoge (2008), who established that BPR implementation on the supply chain and enterprise resource management resulted in process management improvement, resulting in the achievement of competitive advantage.

Other studies that support these findings are: Mturi (2014), who 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 played an important role in the BPR implementation in the KK group of companies. Odede (2013), who focused on business process re-engineering implementation and organisational performance in the Kenya Revenue Authority, established a positive relationship between BPR implementation and performance of KRA, with improvements noted in areas of customer service, process turnaround time, cost reduction, improved technology, competitiveness and revenue growth. Mturi's (2014) study, which was conducted in the security department, analysed staff turnover, which is the research gap the current study will fill by analysing the effect of service tipping as a competitive advantage on internal business process performance by hotels in Kenya.

The procurement process is an important internal business process in the hotel industry. In terms of the procurement process, the finding is supported by Siricha and Theuri (2016), who established that internal procurement processes and, in particular, electronic procurement, had a great influence on organisational

performance. Specifically, the research's findings showed that the integration of internal procurement processes played a very important role in enhancing organisational performance. Kennedy and Kiarie (2015) also established that there is a positive correlation between internal procurement processes and organisational performance. The research further revealed that internal procurement processes enhance an organisation's operational and support functions, ensuring that production is aligned with new orders; purchasing is aligned with demand, while shipping and scheduling are aligned with the requirements of customers.

As far as strategy implementation, Cater and Pucko (2010) aver that strong leadership is always essential for effective execution; however, there are numerous hardships in exercising leadership and getting things done. Hence, leadership will require the establishment of an effective leadership style as well as the right staff with the right skills to execute tasks, which is a challenge in itself. Rintari et al. (2018) also established that internal processes 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 in an organisation, and also behavioural uncertainty among employees. Their 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; however, it imposes stability on organisations, and that stability has mixed implications for performance. Nevertheless, there is a linear and significant relationship between internal processes and organisational performance in National referral hospitals in Kenya.

The Moderating Effect of Star Rating on Internal Business Processes Performance

Table 6 shows regression results for internal business performance and tipping. Column I presents results in which the variables are computed using factor analysis, whilst column II presents 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%), (5%) and (10%), respectively. The values in parentheses () are the t-values, whilst those in brackets [] are the p-values.

The regression results for column I show that hotels that allow tipping improve performance, as evidenced by a significant coefficient of 0.689. Tipping, therefore, plays an integral role in enhancing the internal processes performance of hotels. Star ratings also play an important role in hotel performance. The higher the star rating, the better the hotel's performance. This is shown by the significant coefficient of 0.187. When it comes to the 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 results are presented in column Table 6, column 2. The results show that tipping affects internal business performance, with a coefficient of 4.359, followed by star rating, with a coefficient of 1.234. All variables are

significant at the (5%) level. The moderating effect shows a negative, significant relationship with internal business process performance.

The above results agree with Kotler et al. (2010), who observe the complexity of hotel classification systems and note 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 with descriptive analysis of this internal business process performance since 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 and posted in the star-rated hotel systems. The results also indicated that the beta value was significant ($b=1.141$, $p=0.000$) 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.

CONCLUSION AND RECOMMENDATIONS

Conclusion: The third objective was to investigate the effect of service tipping on the internal business processes performance of hotels in Kenya. The study using a bivariate regression model established that the

hotel's internal business process performance can be predicted using service tipping as a strategy.

Recommendations: In practice, service tipping should be taken a notch higher by the hotel owners and hotel managers. This can be achieved when the hotel owners become a part of the stakeholders, pushing the Kenya Tourism Authority to develop and establish the Service Tipping Policy. The caucus pressure can enable the Star-Rated Hotels achieve the development of the Service Tipping Policy. As far as the actual practice is concerned, the Star-rated hotels should align their operations with the Service Tipping Policy to gain the most benefit from it. The hotel owners should also view service tipping as a performance opportunity rather than a revenue leakage, as this study's findings have shown. This should drive

investment in Service Tipping to motivate the employees, who in turn offer superior services that attract customers, leading to the required satisfaction. In hotel management practice, based on the findings from the study, it is recommended that service tipping should be a strategy adopted by hotel managers to enhance their performance. With the emerging challenges in the world due to the Global pandemic, the researcher sees an opportunity for the revival of the hotel business where hotel managers can recall staff not on the basis of monthly salaries but on the basis of service tipping or an agreed service charge on covers sold. This will help all three stakeholders of the hotel business (the owners, the managers and the staff) to return to duty and revive business as the pandemic is contained.

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