



Larsens Camp: Crisis in Kenya's Elephant Paradise

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SYNOPSIS: LARSENS CAMP: CRISIS IN KENYA'S ELEPHANT PARADISE

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The building was to be the first of a chain of contemporary five-star hotels catering to the needs of business travelers in urban centers in Africa. The chain would be the latest addition to Grenadier's portfolio. Rohan hoped it would not be plagued by the occupancy problems that Larsens Camp was experiencing – one of the three properties that made up Wilderness Lodges, the company's other luxury hospitality business. The tourist trade in Kenya had been hit by the double whammy of political violence followed by the credit crunch and global recession, both of which had been nothing short of disastrous for the hospitality business.

The tourism crisis, in turn, led to a renewal of public debate around the sustainable management of Kenya's natural resources. Some operators saw an opportunity to push for a relaxation of existing rules for establishing hotels and resorts in and around nature reserves, which would create new jobs and increase tax revenues for the state and local councils. However, nature preservationists and environmental NGOs wanted to protect the animal sanctuaries and the local communities that often lost their ancestors' lands to the nature reserves without getting much in return.

In addition to getting the new venture off the ground and taking the risk of stepping on the toes of established players, Rohan needed to tackle other challenges: How could the group rebuild a stronger value proposition for tourists and restore occupancy rates at Larsens Camp? What was the best way to restructure the company to ensure financial stability? How could it find the proper balance between its business and the environment, thus ensuring the future of its resorts?



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Taming the Giant – Grenadier Limited in Transition

After seven years as a consultant with KPMG, which took him on assignments all over Africa, from Eritrea to South Africa, and earning an MBA degree from a leading European business school, Rohan, a third-generation Kenyan of Indian descent, was committed to continuing the family's contribution to their adopted land. He was quick to admit that the firm's portfolio was a hotchpotch of businesses that needed to be transformed rapidly into a professionally run conglomerate.

The first significant challenge was the complete lack of structure in decision making. Getting the older generation to consult and empower managers on business issues and decisions was critical to the future of the group. Rohan saw himself bringing a strategic and administrative mindset to complement the "roving entrepreneurs" who had been the cornerstone of the achievements to date.

On his return to Kenya, he became the first employee at the corporate headquarters of Grenadier Limited, a new legal entity created shortly before to serve as the holding entity for the family's diverse interests. Officially, he became the head of corporate development, looking out for new business opportunities, establishing proper governance practices at the

holding level and overseeing all the businesses in the portfolio. In parallel, he would also be charged with identifying synergies between the various entities.

Rohan's plans for the group were ambitious. On a strategic level, they involved selectively growing some of the businesses in the portfolio and possibly taking one to a stock exchange listing within five years. He also shared his father's keen eye for "the next big thing" and looked forward to taking Grenadier into new frontiers and beyond Kenya into the East African region.

However, the challenges Rohan faced were of a magnitude proportional to the new size of the business. Taming the giant of his father's creation and taking the business forward was not going to be easy.

Company History: From Entrepreneurial to Conglomerate Status

Rohan's grandfather was born in Gujrat, India and was brought to Kenya by the British at the turn of the 20th century to work on the construction of the East African railways (*refer to Appendix I for more information on the Indians of East Africa*). Since this work involved a lot of moving, Rohan's father Baloo had not started school until he was eight but was eventually allowed to attend a boarding school founded for the Shah community in Nairobi.

At the age of 16, Baloo found a job as a bank clerk but, craving more stimulation, left after five years:

It wasn't easy in those days to find work but I heard about a new business opening up in the Industrial Area and I sent in my application. I was ready to do anything as long as I could learn something new.

He began work in the back office of a fledging safari company called African Hotels and Tours (AHT) for just KES 600¹ a month. He was soon promoted, selling and organizing tours for overseas visitors, and after just three years was earning over KES 3,000 a month – a very good salary at the time for a 25-year-old able to travel all over Kenya and beyond.

In 1970, AHT offered Baloo a 25% stake in a new business called Travel World Kenya, with an option to buy up to 49% in the future. He continued to grow the partnership and ultimately bought himself a 40% stake. Following a corporate restructuring, he was able to buy out Travel World entirely in 1978 to launch his own company, Transworld Safaris (Kenya) Limited.² With his zealous oversight and commitment to growth, he grew the partnership from a small company with a part-time secretary and a few rented vehicles to a staff of 4 office workers and 10 drivers handling 700 to 800 visitors a year, with a 10-day average visit.

Changing the name of the company was a condition of the buy-out and I was allowed to buy them out in installments over several years. At that time, I did not have all the cash needed for the buyout anyway!

Throughout the 1980s, Baloo ploughed any excess cash from Transworld into real estate purchases and also invested opportunistically in other business ventures headed by East African Indians. In most instances, he was a passive investor and was not involved in the

¹ Kenyan Shilling. Approx. KES 79 = US\$1.

² The name of the company had to be changed because the original owner of Travel World retained the right to use that name.

day-to-day running of the businesses. He also shunned all forms of bank borrowing, preferring to grow organically with his own cash flows, even if that meant slower growth.

In the 1990s, the real estate investments started to bear fruit and Baloo was able to add property developments to his list of accomplishments:

I had bought a lot of sites around Nairobi for as little as \$1,000 an acre and some of these were now worth upwards of \$1 million per acre. So I decided it was time to develop the land.

Baloo was attracted mainly by cash businesses, such as breweries, and, when it became clear that the government's price controls would be relaxed, business areas undergoing liberalization, such as the cement industry.

I was constantly on the lookout for growth areas, doing market research and concentrating on innovation. For instance, we were in the stationery business but I saw the market getting crowded, so we moved into security printing, a protected segment. You always have to expect the next shoe to drop!

In 2003 the company made its first foray into the hospitality business when it took over the management of three Safari lodges. The move was typical of the company's modus operandi – entrepreneurial and opportunistic.

A New Breed of Safari Lodges

In the 1960s a newly independent Kenya attempted to shed its image as a “Big Game Hunters Paradise” in favor of a more conservation-oriented tourism industry. The United Touring Company (UTC) was mandated to develop lodges in the Samburu and Masai Mara National Reserves to benefit the local community and to welcome tourists who were more interested in viewing wildlife than shooting it (*refer to Exhibit 2*). Larsens Camp was the brainchild of a Danish expatriate, Ken Larsen, who dreamed of an exclusive tented camp on the banks of the Uaso River, at the heart of the Samburu National Park. Larsen died of a heart attack before the camp was completed but the company named their newest property in his memory.

In 1965, the management of Larsens Camp, along with two other lodges – Samburu Game Lodge and Keekorok Lodge – moved from UTC to Block Hotels, run by the influential Block family. By 2003, due to significant under-investment, all three properties were forced into receivership.

Enter Wilderness Lodges

In typical fashion, Baloo Patel saw an opportunity in these failed lodges. Despite knowing virtually nothing about the hospitality business, Baloo managed to convince the banks (managing the receivership) and the local county councils (managing the nature reserves) that he was their best bet to turn the properties around for the benefit of all involved. Wilderness Lodges was born.



Initial estimates put the refurbishment work needed to bring Larsens Camp to international standards at around \$2 million, which soon proved to be at least \$1 million short of the mark. Baloo and Wilderness Lodges' managing director Nayan Patel kept the helm firm. Updating the infrastructure at Larsens was indispensable. Nayan Patel explained:

Although we knew that the tents needed refurbishing, we thought the rest was working. But we found that there was no sewage or fresh water system...the camp had simply been taking water directly from the river!

When Wilderness Lodges took over, many of the staff had not been paid for six months. To rebuild confidence, the new owners settled all salaries due, even though technically they were under no obligation to do this under the terms of the receivership. They kept the hotel running for two months after the acquisition and then closed it down for a full six months of renovation. A driving force behind the turnaround of Larsens was Baloo's elder son Samir, Rohan's brother, who wanted to move the property upmarket to insulate it from the vagaries of the mass-market tourism industry (*refer to **Exhibit 3** for photos and a brief description of Larsens Camp*).

The Larsens turnaround was not without its difficulties. Management turnover was very high in the early days: Retaining senior staff in remote bush locations is a widespread problem for the industry. Several camp managers came and went between 2005 and 2007. It was at that point that Mike Norris, a long-time tourism operator in Kenya, joined as Larsens Camp manager, assuming full management responsibility for the high-end tent resort. In October 2007 Samir approached Mike about aiming for a Small Luxury Hotels of the World³ accreditation. Both men agreed that the high-end positioning of the property made it feasible. By the end of 2007, Larsens was one of only four properties of the 56 audited to be included in the SLH portfolio.

Not only was Larsens service quality vindicated by the SLH accreditation but also customers were flocking to the refurbished stalwart of Kenyan bush tourism, and occupancy figures were very healthy. Few could have predicted the swift change in fortunes that Larsens Camp was to experience, just weeks after these triumphs.



2008: Grenadier's Annus Horribilis

The New Year in Kenya began with political violence following the country's second multi-party elections since former president and long-time dictator Daniel Arap Moi had abolished the one-party system in 1997. Modern Kenya had developed into a multi-ethnic society with over 40 distinct tribal groups, for the most part co-existing peacefully. Elections had traditionally been the only times when tensions between tribes would flare up in "land clashes." (*Refer to **Appendix 2** for more details on the political crisis and the events leading up to it.*)

After two months of unrest, a deal was brokered by former UN Secretary General Kofi Annan between the leaders of the two main political factions, opposition leader Odinga and incumbent President Kibaki, which provided for power-sharing and the creation of the post of prime minister. Odinga was sworn in as prime minister,⁴ along with the power-sharing Cabinet, on April 17, 2008.

In the five years prior to the conflict, the country had enjoyed a huge boost in tourism and the Kenyan authorities were predicting an increase of 15% for the first three months of 2008. However, while no tourists were injured during the violence, the political turbulence

³ <http://www.slh.com/>

⁴ Previously the post of Prime Minister had not existed since 1964, when it was briefly held by Jomo Kenyatta following independence; Odinga is thus the second person in Kenya's history to hold the position.

inevitably dissuaded people from visiting and during that time only 135,000 people visited – almost 73% less than anticipated.

No sooner had the cloud of political unrest begun to lift that the tourist industry was hit again by the increase in the price of oil which reduced demand for long-haul tourism destinations. Finally, the financial crisis was the crowning blow with tourism earnings for 2008 estimated to have been 23% lower than for 2007. In a global wave of austerity, leisure travel was first on the hit list of many of the wealthy western clientele, on which Kenya's tourism industry depended.

The Economic Aftershocks of the Crisis: 2009 and Beyond

As if the tourism crisis was not enough, 2008 had also been a tough year for the animals of the park, suffering from an acute drought. A year after the post election violence that had rocked Kenya, the Uaso Nyiro River was just a dry bed hosting the occasional troop of baboons. Normally, it would be filled with elephants bathing to escape the tropical heat, but it was as if the river had dried up along with the tourist numbers. At 21% occupancy, Larsens Camp was way below breakeven and was once again facing an uncertain future.

Responses from Headquarters

Larsens was not going to take the hard times lying down. Across town from Rohan's office, at the small office of Wilderness Lodges, managing director Nayan Patel was working hard with his staff to combat the downturn. His three-person marketing team consisted of two industry veterans (Bernard concentrating on large tour operators and Peter working with smaller local tour operators) and a newcomer, Shika Nayar, in charge of business development for Wilderness. Shika had joined the group in 2007 with the objective to develop more data-driven marketing, hoping to capture information on client preferences to enhance the consumer experience.

A first response to the downturn was to focus on add-on services such as all-inclusive pricing at Larsens and additional spa services in the other properties. The sales and marketing team also refocused its energy on the domestic market, in terms of both leisure travel and corporate clients needing workshop and conference facilities, which were available at Samburu Game Lodge and Keekorok Lodge.

Responses at Camp Level

Several hundred kilometers away from the corporate headquarters in Nairobi, Larsens Camp manager Mike Norris was doing what he could to keep the camp running. He was all praise for the sacrifices his staff were making to keep the business ticking:

It's all about cost containment at the moment. My staff is double jobbing and I am trying to find cheaper foodstuffs without compromising the guest experience. I have yet to see the occupancy rate above 30% but we have to hope it improves soon.

Non-essential expenditures were cut and during the brief periods when there were a good number of guests, the existing staff of 36 would work overtime without extra pay, doing as much work as the 56 staff Larsens would normally hire in peak periods. Nayan Patel commented:

Whatever business we plan in the group is for the long term. We don't expect the tourism business to recover much before 2010 but other businesses in the group are doing quite well.

These difficult times reignited the generic discussions about the government's nature reserve policies, in particular how they could be made to benefit more the local communities. Foreign NGOs also got in on the action, fearing that the mass displacements of people in the country, leading to the creation of temporary IDP (internally-displaced people) camps under the supervision and support of the United Nations, would trigger an environmental disaster and the long-term destruction of natural habitats.

Managing Stakeholders for Sustainable Wildlife Tourism in Kenya

Environment and natural heritage in Kenya are valuable national assets that must be sustainably managed for present and future generations. They offer a range of benefits and opportunities for local and national economic development and improved people's livelihoods as well as provision of environmental goods and services. These natural heritages and the people are vital key drivers of Kenya's vibrant tourism industry.⁵

Tourism in Kenya

In 2007, tourism – one of the fastest-growing industries in the world – accounted for about 10% of Kenya's gross domestic product (GDP), making it the third largest contributor, after agriculture and manufacturing. Since the early 2000s, the country had witnessed a gradual rise in both the number of international visitor arrivals and tourism earnings. Visitor arrivals had grown by 13.5% (from 1.6 million in 2006 to slightly more than 1.8 million in 2007), and earnings from tourism had grown from \$334 million in 2003 to \$872 million in 2007.

Wildlife tourism in Kenya was concentrated in seven parks, which received 80% of the visitors. About 18% of Kenyan hotels were 4- to 5-star categories, significantly lower than the average 40% in competing long-haul destinations. With the increase in arrivals, the bed occupancy levels during the peak season had risen to close to full capacity.⁶ It was estimated that 9% of the country's workforce (or approximately 2 million people) was directly supported by the tourism industry. Unemployment was rife in Kenya and it was calculated that an increase of 20% in tourism would generate in excess of 1 million new jobs, a 50% increase.

Pioneering work carried out after Kenya's independence had preserved the country's wildlife in large national reserves, most of which are located in remote corners of the country, areas still populated by traditional societies of nomadic pastoralists with little infrastructure or water resources. Combining the needs of the luxury travel industry with the requirements of indigenous people presented some significant challenges for operators and government regulators. In particular, how could one reconcile the stated governmental goal of increasing visitor numbers with the need to protect the wildlife and environment from degradation and overuse? How could the local traditional tribal societies gain access to the wealth brought in by tourism? What should the role of the national and local governments be in regulating the hotel industry in protected areas? Was there an optimal model for the management of sustainable wildlife tourism that would satisfy all the major stakeholders? (Refer to ***Exhibit 4.***)

⁵ Introduction to the draft Tourism policy for Kenya, 2008.

⁶ Source: Kenya Tourism draft policy 2008

Larsens Camp Stakeholders

Various groups in and around Larsens Camp – a major player in the Samburu National Park – were in the same boat, for better or worse. Even though Samburu was a relatively small playground for tourists, its plight was very similar to larger and better-known Kenyan Nature Reserves, such as Masai Mara, Amboseli and Tsavo.

1. Private Sector Players

Wilderness Lodges

There are fundamental conflicts in sustainable tourism. It's a big part of business here, and it's one area where we have a natural competitive advantage. But I strongly believe that our [Grenadier] involvement in this area should be selective... to that end I like the Larsens kind of product more than some of our others. In the future, this is where we should be going, not only from a financial perspective but also in terms of sustainability.

For Rohan, it was clear the whole hospitality industry had to advocate the introduction and adoption of new eco-friendly standards. So far, little had happened because no operator wanted to take that first step, knowing full well that its competitors would not do the same and just capture market share and margins. Adopting environmentally friendly practices had costs, and those costs could only be passed on to customers if they were willing to pay for them.

I'd like to see more regulation on the number of lodges but this needs to take into account all lodges, not just those in the park. For instance in Mara there are only ten lodges inside the park, but there are about 200 lodges sending tourists into the Mara from outside the park. Some of these lodges are well integrated in the local communities and benefiting them, others are not. In all instances, they put increased pressure on the park. Without a master plan for development, we always end up with a mass market model, with people paying little to see our natural heritage.

Nayan Patel commented:

We continuously lobby the councils and local governments for tighter restrictions. We even trained the local councilors in charge of running the reserve on the need to conserve for long-term business. To be honest, we would actually prefer to see the central Kenya Wildlife Service manage the parks we operate in.

Gamewatchers Safaris

Gamewatchers Safaris organized exclusive safaris in privately owned conservation areas.⁷ It was founded by Jake Grieves-Cook, who had lived in Kenya most of his life, including several years in Masai Mara, and was the acting chairman of the Kenya Tourism Board (KTB). His approach to conservation was consensual and grass root. He encouraged talking with the numerous Masai who owned small plots of land in the areas bordering the national park. For Jake, there were three fundamental premises to eco-sustainability. First, there had to be an absolute dedication to the conservation of the wildlife habitat, taking precedent over all other activities. Second, the only way to imbed sustainability was to offer high quality,

⁷ In Kenya, conservation is primarily focused on national parks and game reserves, which comprise 8% of the country's landmass. Privately-owned, often community-based, properties and projects have also emerged, providing financial and social benefits in exchange for maintaining the conservation area.

premium priced products to customers. Only these guaranteed sufficient revenues at a relatively manageable number of visitors. Finally, the local communities had to benefit from the business, i.e. you needed to get their buy-in.

To develop his first private conservation area, he approached 160 families holding the rights to adjacent plots. It took about three years to open up a dialogue, build trust, negotiate agreements and finally open up the private park. It took another five years to get the operations running smoothly. Under the Gamewatchers scheme, land holders kept all their land ownership rights while a dividend-like payment was made each year for the use of their land by the company.

This fundamentally changed the dynamic of the human–wildlife conflict. Landowners had the choice to grow crops, graze animals or be part of a conservation area and gain money from tourism. Somehow, the third seemed to appeal to them. It was in their interest to make sure the wildlife was as exciting as possible for visitors

Landowners often also work in the parks, acting, for example, as night guards, watching over their own plots of land. Effective monitoring prevented overgrazing, leading to more vegetation and a better conservation of the water received from precipitations.

Gamewatchers camps had a maximum of 12 tents, keeping with Jake's rule of thumb of needing 700 acres of park land per tent. This number was empirically derived from Jake's experience in the bush as the maximum number of safari vehicles a park could sustain without looking crowded to a visitor. Jake also pushed for proper waste recycling, sewage treatment and the use of solar power to reduce reliance on generators. He also limited water usage to 10 liters a day per guest:

Of course, if a guest really wants more water we will provide it, but we try to educate them to the fact that water is a precious resource in the Mara. The key is that we use bucket showers and so water usage is naturally controlled. Our safari camps are exclusive but that does not mean that we are strictly a high-end player. We also have basic camps on our lands for budget travelers.

Jake felt that his model was market driven and respectful of both the environment and the local community, key drivers of sustainability.

Wildebeest Camp

Wildebeest Hotel was a small family-run hotel in the suburbs of Nairobi, with rooms in the budget (\$11) and mid-range segments (\$55). The owners, Lynita and Alan, lived on the grounds and operated tours in the city and to selected game parks.

We provide an information sheet to all guests on our safaris outlining the do's and don'ts of going on safari. We won't drive off tracks or follow animals just so guests can get a better photo. We've even been harassed by drivers from other safari vehicles when we reported them to the game wardens for driving off the tracks. In that instance, the guests in the vehicle were actually encouraging the drivers [to follow the animals and illegally drive off track]. These drivers work on tips, both tourists and tour operators have a role to play in conserving parks.

Lynita could see many trade-offs between visitor numbers, ecology, livelihoods and employment.

However, why look at any changes unless you can manage things better? For instance we could charge \$300 per night for our [luxury] tents and only 16 people per night in the hotel. This would dramatically raise our revenues but who would it

benefit apart from our family? We could operate with half the number of staff. But with 13 million unemployed in Kenya this would hardly be an achievement to be proud of...

Kenya has seen the Botswana, Zambia and Tanzania model for high-end tourism and it wants to copy it. The problem is that they don't want to spend the money to make things truly 5 star across the board. Hotels are usually poor, roads and other infrastructure are not up to standards. I'm not sure that raising park fees alone will limit tourist numbers – it hasn't worked elsewhere in the region, e.g. in the case of Gorilla tracking.

She also felt that focusing on the spend per visitor could be misleading.

High-end tourism tends to be very insulated and although the amounts spent are good, the tourist money directly benefits few people. We encourage guests to channel their money to many. I personally think budget tourism is beneficial; travelers on a budget stay longer and spend more money overall than high-end short-stayers. They tend to visit local shops and eat in local restaurants. What really matters is not money spent: it is the money that enters the local economy.

2. Save the Elephants (STE)

Save the Elephants (STE) was a well-known non-profit organization conducting scientific research and tracking, primarily on the elephant populations in the Samburu National Reserve. Lucy King, a senior researcher with STE explained her ideal model of tourism in game parks:

From a conservation viewpoint we would like very few clients paying more park fees each. That generates less impact on the environment. However the fees for locals should be reduced: The current level of \$13 is out of reach for many Kenyans. On the other hand, the fee for overseas tourists should be increased from the current \$40.

STE's mandate in the park was primarily to protect the elephant herds but it also got involved in a number of infrastructure developments. For instance, it donated a patrol car to Samburu County Council⁸ (SCC) to help the park wardens do their job. It was the only NGO with permanent operations in the park and had good relationships with the SCC.

Not all was rosy in the relationship though. Lucy noted that despite the 2004 master plan that did not include the development of new lodges in the reserve, the number of hotels had actually doubled in the previous two years. Many of these were high volume, with the risk of putting the park animals under more stress.

Larsens is an example of the kind of lodge you want to see in game areas – small enough and using 4x4 instead of minibuses. We would like to have more interaction with these private lodge operators. For example, we could leave information leaflets on our research programs in the hotel lobbies. We could also work with hotels to educate tourists, as some visitors can be disturbed by the sights of some of the animals wearing electronic tracking collars. Tourists are much more intelligent than we give them credit for. They like to learn and they've come off the beaten track to Kenya. I think they would also like to learn about conservation and how they can help.

⁸ The County Councils are the local administrative units in charge of running the nature reserves. National parks, for their part, were mostly administered directly by the Kenya Wildlife Service.

As Samburu National Reserve was situated in a predominantly pastoral area, there were relatively few of the human-wildlife conflicts present in other parts of Kenya where farmland bordered unfenced parks and reserves. The main issue in Samburu-land centered on rights-to-graze granted to local communities. Some voluntarily stopped grazing cattle on their land, turning them into private conservancies open to tourism. But how could these local communities be compensated for the use of their lands?

Ideally a proportion of the money from park fees should be going back to the community which originally owned the land. Most of the conflicts we see in Samburu are caused by wildlife going out of the park and killing or eating domestic animals and returning to the park. There is no way to truly compensate a farmer or pastoralist for the loss of their livelihood. Monetary compensation schemes don't work, this has been proved in other countries.

Some resentment from local communities can be put down to poor public relations because the county council does explicitly say that schools are supported by park fees. Lodges and tour companies could explicitly sponsor local schools and healthcare, that would help in human-wildlife issues.

3. Umoja Uaso Village, Archers Post, Samburu

Umoja Village started as a loose association of Samburu women living close to the Archers' Post gate of the national reserve, who made and sold jewelry to passing tourists. Rebecca Lollisoli organized the women and brought them to form a new village, looking for independence from many abusive husbands.

"The tourists gave us a new life," Rebecca said as she sat in the open space surrounding the collection of manyattas, or huts, in the traditional Samburu enclosure and supervised the donation of clothes to the village children by some German tourists. The village served as a temporary or permanent refuge for the women of the area.

According to Rebecca, the local population drew little benefits from the tourism in Samburu National Reserve, apart from the quotas of local employment placed on the lodges operating in the park. Typically village visits were touted as a way for the local community to profit from wildlife tourism in the nearby parks.

Many tourists pay \$20 for a village visit, of which the visited community will typically get only \$4. The driver of the lodge vehicle pockets the rest of the money, and if we refuse to pay, the driver will simply take the tourists to another village. We don't object to the driver taking his cut, but at least the village should get most of the money!

Moreover, Rebecca saw no benefit to the local community from the tourism revenues collected by Samburu County Council.

There have been no new schools or hospitals in the area in the past few years. The nearest health facility is over 100 km away. The county council gives bursaries for children to attend school, but they pay \$26 per term for secondary (one-tenth of the required fees state schools). Also, they provide water for the tourists. Why can't they provide for us first?

4. Local and National Governmental Bodies

Tourism was vital to livelihoods in many sectors due to the multiplier effect, whereby tourism created much wealth and employment not directly related to tourists. For instance,

the car industry in Kenya was strong in providing customized safari vehicles and servicing them. Not surprisingly, the Ministry of Tourism aimed to increase the number of tourists in the country by 20%, as well as the spend per visit, to geographically diversify the tourist destinations. It had recently brought out a draft policy to that effect, which incorporated vague notions of sustainability (*refer to Exhibits 5 and 6*).

5. Tourists

Overseas Visitors

Over 1.5 million overseas tourists flocked to Kenya each year, attracted by the wildlife and pristine beaches. Most of these had little understanding of the conservation–tourism trade-offs or simply assumed that adequate controls were already in place. Michelle, a first-time visitor to Kenya from Hertfordshire, UK, explained:

I never really thought about the impact of tourism on the game parks. It has been a dream of mine for many years to see game animals in the wild. I guess I assumed that if it [any of the tourism activities] was harmful, we wouldn't be allowed to do it. Personally I'd rather not see the animals if it means damaging or disturbing them.

Regular visitors usually showed higher levels of awareness. Patti Ziemann from the US had previously visited South Africa and was typical of the environmentally conscious visitor. She had witnessed firsthand the overcrowding problems in some parks:

On safari in the park, we were tracking a lion and there were a lot of impala around and we knew something was about to happen [the lion was on a hunt] but so many vans and trucks came in that we decided to leave, knowing we could probably see that again. I do think it is up to the drivers to do the right thing, we are just visitors and don't know the area. But we want them to do the right thing for the area.

Amy Anderson from the UK visited Kenya with her family, having also been on safari in Botswana. Despite the claims that private conservancies were doing better than the National Park, she felt the National Parks were still the big draw and were a key component of the Kenyan tourist offering:

I don't feel any park was better than another. In some areas you get to see more of some animal, and in others you see others. The conservancies do have the edge in offering seclusion and exclusivity though. The animals are right next to you at night, it's a lot more real – in the Mara it did feel a little like a zoo at times – the animals are so used to people.

Amy was a real advocate of the eco-lodge/eco-camp concept because she felt it had less of an environmental footprint than full-fledged hotels, breaking down the “catch-22” situation in tourism development, that is, visitors are needed to bring dollars to maintain the parks but more visitors speed up the degradation of wildlife areas.

If you've got the money, it's lovely to come and see these areas but tourists need to be very aware of the problems they cause.

Amy acknowledged it was difficult to see how individual tourists could help conservation efforts. She thought travel agents in the West could play a better role in raising awareness about lower impact options so tourists could travel more responsibly.

Domestic Visitors

Kenya had a vibrant middle-class and a diversified international community, both of whom formed the mainstay of the domestic tourism sector. Many Kenyan residents, like Ashvin and Grishme Kothari, had noted a severe degradation in the national parks during their lifetime. Residents like the Kotharis went to game areas at least twice a year to relax: Ashvin observed:

There's a great beauty about Samburu and we come here to see the different terrain. Compared to what it was 12 to 13 years ago, Samburu was much more virgin. You can feel the increasing human encroachment.

Rishme added:

I think more people are coming to Samburu because Masai Mara is so commercialized. Residents want something new. What we have nowadays is a very commercial situation, as opposed to just experiencing nature.

The Kotharis did not feel a great awareness among nationals and residents about conservation issues and worried about the long-term sustainability of Kenya's wildlife tourism, both domestic and international.

If people had been aware of the environmental degradation, the government would have frozen the issuance of licenses to new hotels and lodges in these parks. This idea of people minting money out of greed has got to stop – this is the only way we will save the planet.

Larsens Camp: Looking Ahead

For Rohan, Larsens Camp was definitely much more than just part of the Wilderness Lodges portfolio of properties. Somehow, it encompassed some of the fundamental concepts he believed would be key to the future of tourism in Kenya.

Let's be honest with ourselves, and that has got to pay off. We need to be environmentally conscious and see a resort as an integral part of the local community. And by community, I mean men, animals and nature. If you don't take it as an integrated lot, you are bound to imbalance it long term. Fundamentally, we are all in for the same purpose: use the natural beauty of Kenya to generate opportunities for its people. Yes, the number of stakeholders is large, but it is not worse than what you see in many businesses in Europe. We tend to be put under the microscope because we are seen as serving not only the locals but also as some form of caretaker for Noah's Ark. We have to turn that into an asset and capitalize on it instead of always looking at it as interference from abroad.

The challenges surrounding the struggling Wilderness Lodges were daunting and a number of tough decisions still had to be made.

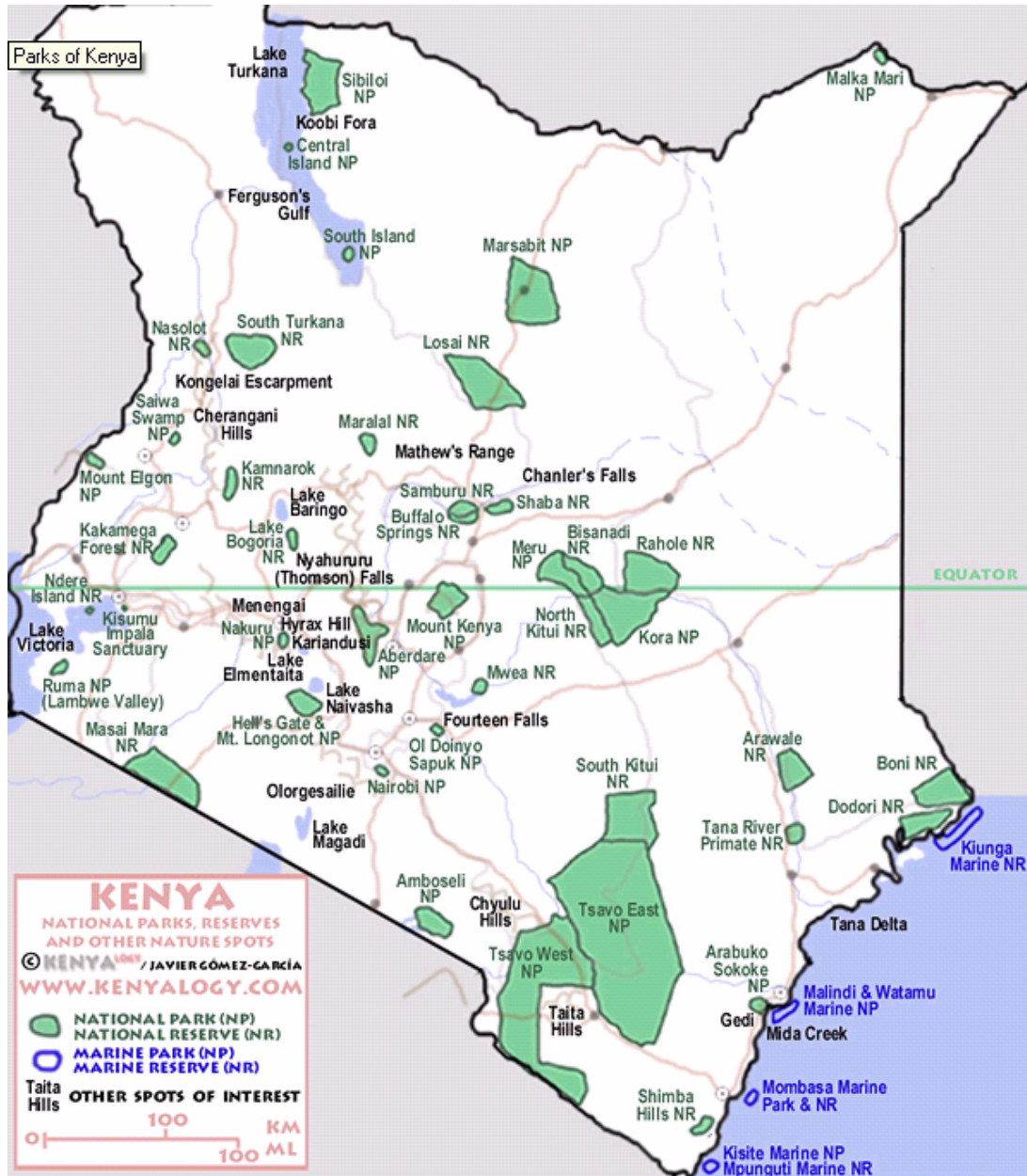
- If Larsens Camp was the way to go, what should Wilderness Lodges do to rebuild occupancy rates in 2009 and beyond? At the current levels, it would be hard to keep going for long. Was something fundamentally wrong with the model or was the situation just the natural after-effect of the political crisis and instability in the country?
- How could the company further engage the local community and reinforce their commitment to environmental consciousness? There was always the sinking feeling that Wilderness Lodges was doing all the spending and that the neighboring properties, with their lower cost base, were making the money from its investments.

Exhibit 1
Larsens Camp Occupancy Rates 2006–2008

	2006	2007	2008
January	41%	36%	17%
February	54%	59%	28%
March	24%	28%	16%
April	30%	23%	Closed
May	31%	23%	5%
June	50%	49%	27%
July	72%	73%	56%
August	86%	85%	50%
September	79%	75%	35%
October	60%	68%	30%
November	23%	34%	Closed
December	50%	45%	29%
Annual average	50%	50%	29%

Source: Wilderness Lodges

Exhibit 2 Map of Kenya



Source: <http://www.kenyalogy.com/eng/mapake/gmappae.html>

Exhibit 3 Larsens Camp



WELCOME TO LARSENS CAMP

Larsens Camp is located in Kenya's famous Samburu National Reserve is named after Erik Ole Larsen, a legendary Dane credited with defining the luxury safari under canvas.

The camp is bordered by the Uaso Nyiro River on one side; there is nothing to see but pristine nature on the other three.

With just 20 tented accommodations, our all inclusive adventures offer distinct luxury African safari experiences.

LOCATION

Within the Samburu National Reserve of northern Kenya
Longitude:
Latitude:
Altitude: 857 metres

CLIMATE

The climate is equatorial desert type.
The weather is hot all year round with day time temperatures up to 33 degrees Centigrade.
The nights are cool.



GUEST ROOMS AND SUITES

There are 20 free standing luxurious tented accommodations each with a private balcony.

All tents are discreetly sited along the west bank of the Uaso Nyiro River with the result that the tents are bathed with light at sunrise. Each tent stands on a plinth of natural stone and all have en suite private bathrooms stocked with a range of Molton Brown toiletries, flushing toilets, constant hot water and 24 hour electricity (240 volts). Each tent features 1 king or 2 twin beds designed in chic safari style.



Source: Company website

Exhibit 4
An Overview of Wildlife Area Management Models

Gamepark Type		Business Model	Main Stakeholders	Park Maintained by	Example
National Park		Government set aside parkland, revenues gained from park entry fees and indirectly from taxes paid by tourist industry	Central government, KWS ⁹ , MoTW ¹⁰	Funds from government, spent by KWS	Tsavo NP
National Reserve		Local council manage land from government, revenues from park fees and “bed night” tax on lodges, profits used for council activities	Local government, local community, KWS	Funds from local council and council park staff	Samburu NR
Private Conservancy	Single land holding	Large landowner converts ranch to gamepark, entry fees from visitor and revenues from lodges	Landowner	Profits from conservancy and lodges, using employees	Lewa Downs
	Multiple land holding	Multiple small landowners	Landowners, local community, investors	As above	Porini Camps
	Community-run		Local community	As above	Il Ngwesi

Source: Internal research

⁹ Kenya Wildlife Service.

¹⁰ Ministry of Tourism and Wildlife, Kenyan Government

Exhibit 5

Key Goals of the Current Tourism Policy in Kenya

The need for a National Tourism Policy arises from the country's commitment to streamline and develop a sustainable tourism industry. In particular, the need to:

- a. provide policy direction for development of sustainable tourism¹¹ throughout the country;
- b. mainstream tourism-related issues into the national development planning, budgeting and decision-making processes;
- c. harmonize conflicting policies in key sectors such as environment, forestry, wildlife, water, fisheries, agriculture and infrastructure-related sectors with tourism policy with a view to enhancing cross- and inter-sectoral linkages;
- d. provide a framework for public-private partnerships in the tourism sector with a view to attracting investments in existing tourism facilities as well as in establishing new ones;
- e. enhance community participation in tourism activities;
- f. improve the quality and breadth of the country's tourist offerings at the coast, in game parks, heritage, culture, sports, adventure, ecotourism,¹² rural and agro-tourism, health and expansion in conference tourism;
- g. promote and encourage domestic and regional tourism; and
- h. create an environment where tourists spend more per visit;

Source: Kenya Tourism Draft Policy 2008

¹¹ "Sustainable tourism" means tourism development meeting the needs of present tourists and hosts while protecting and enhancing opportunity for the future.

¹² "Ecotourism" refers to responsible travel to natural areas that conserves the environment and improves the well-being of local people.

Exhibit 6
Major Government Organizations Involved in Tourism

Institution	Role and Responsibilities
Ministry of Tourism Establish the position of Tourism Secretary <ul style="list-style-type: none"> ➤ Restructure Directorate of Tourism and establish at least three Directorates for policy & research, product development & marketing, and domestic tourism. 	<ul style="list-style-type: none"> • Overall oversight of the Tourism Sector: <ul style="list-style-type: none"> ➤ Policy development and monitoring ➤ Development of National Tourism Strategy ➤ Inter-ministerial Coordination ➤ Coordination of Tourism Product Development and Marketing ➤ MSF and In-Country Regional Tourism Boards through DTCK
Kenya Tourism Regulatory Authority (Kenya Tourism Commission)	<ul style="list-style-type: none"> • Overall regulation of the Tourism Sector: <ul style="list-style-type: none"> ➤ Licensing ➤ Inspection ➤ Development and enforcement of standards and regulation of training; and ➤ Training (KUC)
Kenya Tourism Board	<ul style="list-style-type: none"> • Overall Tourism Promotion and Marketing
Restructured Kenya Tourism Development Corporation	<ul style="list-style-type: none"> • Specialized financial institution and business advisory services in tourism sector with the following portfolio: <ul style="list-style-type: none"> ➤ Investment & financial services; and ➤ Equity
Kenya Tourism Fund	<ul style="list-style-type: none"> • Diversified funding sources: <ul style="list-style-type: none"> ➤ Levy (CTDLT); ➤ Overseas Development Assistance (TTF); ➤ Other sources • Disbursements: <ul style="list-style-type: none"> ➤ Tourism promotion and marketing; ➤ Research and Development; and ➤ Training
Kenya Tourism Research Institute	<ul style="list-style-type: none"> • Research and Development: <ul style="list-style-type: none"> ➤ Comprehensive Tourism Database; ➤ Tourism Product Development; and ➤ National Tourism Information Management System (NTIMS).
Tourism Tribunal	<ul style="list-style-type: none"> • Dispute Resolution

Source: Kenya Tourism Draft Policy 2008

Appendix 1

The Indians of East Africa: The Untold Story¹³

Though Indians pervade every facet of East African commercial life, their presence in this region remains far less known in America compared to the much romanticized — and fictionalized — legacy of the East Africa’s white settlers who imported the Indians as coolie laborers in the late 1800s to build the Uganda-Kenya railway. Of the original 32,000 contracted laborers, about 6,700 stayed on to work as “dukawallas,” the artisans, traders, clerks, and, finally, small administrators. Excluded from colonial government and farming, they straddled the middle economic ground above the native blacks. Some even became doctors and lawyers.

Despite animosity from native Africans and restrictions by colonial whites, Africa still provided more opportunities than crowded, caste-rigid colonial India. East Africa became America for Indians in the first half of the 20th century, and their resourcefulness cannot be understated or discounted. It was the dukawalla, not white settlers, who first moved into new colonial areas, laying the groundwork for the colonialist economy based on cash for food and goods. And even before the dukawallas, Indian traders had followed the Arab trading routes inland on the coast of modern-day Kenya and Tanzania. Indians had a virtual lock on Zanzibar’s lucrative trade in the 19th century, working as the Sultan’s exclusive agents.

Between the building of the railways and the end of World War II, the number of Indians in East Africa swelled to 320,000. By the 1940s, some colonial areas had already passed laws restricting the flow of immigrants, as did white-ruled Rhodesia in 1924. But by then, the Indians had firmly established control of commercial trade — some 80 to 90 percent in Kenya and Uganda — plus sections of industrial development. In 1948, all but 12 of Uganda’s 195 cotton ginneries were Indian run.

The Indians of East Africa in Books and Movies

The lives of the Mhindi (Swahili for Indian) were first fictionalized for a Western mass audience in V.S. Naipul’s “A Bend in the River.” The West Indies author’s 1979 book remains the best-known literary work in English addressing the Indian experience in East and Central Africa. Though recently “A Bend” enjoyed a resurgence of critical acclaim for its dead-on portrayal of post-colonial African life in the former Zaire (renamed the Democratic Republic of Congo), the novel also lifted the curtain on an ethnic group who had become central to East Africa’s life in the later half of the 20th century.

“A Bend” concerns Salim, a Moslem Indian shopkeeper born in an unnamed East African country (presumably Tanzania) who opens a small shop in another unnamed country (Zaire), in an unnamed river town (Kisangani), during the late 1960s. Salim is Naipul’s everyman dukawalla, trading in bric-a-brac, making a profit by turning, as Naipul says, two into four. In Salim’s words, his store “had bolts of cloth and oilcloth on the shelves, but most of the stock was spread out on the concrete floor. I sat on a desk in the middle of my concrete barn, facing the door, with a concrete pillar next to the desk give me some feeling of being anchored in that sea of junk... .”

With clarity, Naipul details Salim’s precarious life under ex-Zairian dictator Mobutu Sese Seko. In Salim’s narrative, Naipul also brings to life the African Indians, the widely scattered commercial class you still see in every East African city, many running shops that today are more upscale than Salim’s.

¹³ Extracts from an article from Rudy Brueggemann which can be found in its entirety at <http://www.rudyfoto.com/IndiansofAfrica.html>

“A Bend” also portrays the more successful dukawalla, Nazruddin, Salim’s benefactor who moves from Zaire, to Uganda, to London, to Canada, and back to London again. Though the book was published 18 years ago, Naipul’s Nazruddin closely resembles many modern-day entrepreneurs sitting around me on the jumbo jet, with their family investments in Africa and abroad: “He still had interests in his old country – a shop, a few agencies,” writes Naipul of Nazruddin. “He had thought it prudent to keep the shop on, while he was transferring his assets out of the country, to prevent people looking at his affairs too closely.”

Faced with the nationalization of all “foreign” businesses by “the big man,” Salim ultimately leaves the town by the river. Though Naipul never says it, it’s presumed the once-and-future trader will join Nazruddin again in England and marry Kareisha, Nazruddin’s daughter. That union, Naipul makes clear, is as much a business deal as it is a family one.

Family is also at the heart of the 1991 film “Mississippi Masala.” Directed by Indian-born Mira Nair, the story concerns a Ugandan Indian family living in Mississippi whose adult daughter (Sarita Choudhury) becomes romantically involved with a Southern black man (Denzel Washington). The relationship potentially threatens to undo the family’s ethnic solidarity and its economic vitality. The affair also ignites old racial fears of the woman’s father, who experiences flashbacks to his Uganda youth and his family’s sudden and violent exile in August 1972.

At that time, Uganda’s then-infamous dictator, Idi Amin, gave the nearly 75,000 Ugandans of Asian descent 90 days to pack their bags and leave the country. These descendants of the dukawallas and Indian coolies then comprised about 2 percent of the population. In Uganda I talked with numerous Ugandan-born Indians who said their families left with just “the shirt on their backs.” Their businesses were “Africanized” and given to Amin’s cohorts, only to be plundered and ruined. The country lost a valuable class of professionals, sliding into a chaos that would eventually claim up to 750,000 Ugandan lives. Some 27,000 Ugandan Indians moved to Britain, another 6,100 to Canada, 1,100 to the United States, while the rest scattered to other Asian and European countries. Today, however, many of these same ethnic Indians have returned. In 1992, under pressure from aid donors and Western governments, Ugandan President Yoweri Museveni simplified a then 10-year-old law letting Asians reacquire lost property.

While many black Ugandans have learned the art of business during their Asian brethren’s absence, Indians today still run many shops, hotels, and factories in Kampala, the capital, as do ethnic Indians in Kenyan and Tanzanian cities. Temples, such as the Sikh and Hindu temples in Kampala, figure prominently in the urban East African urban landscape. And some extended families — the backbone of the Indian ethnic group — are prospering under Uganda’s new openness. Two extended Indian families, the Mehtas and Madhvanis, have built multimillion dollar empires in Uganda since the 1980s.

Appendix 2

The Political Shocks of 2008

To understand the roots of the resentment following the presidential election on December 27, 2007, requires studying the patterns of land displacements during colonial times and the evolution of independent Kenya's political landscape. The flashpoints for violence were usually found in Kenya's fertile Rift Valley. In the wake of the British departure, the land vacated by white farmers was occupied not by its traditional Maasai tribespeople but by politically connected Kikuyus. The Kikuyus were the largest and economically dominant ethnic group in Kenya. They organized most successfully against the British rule (in episodes such as the Mau Mau rebellion¹⁴ and later through elections) so they won the first fruits of independence. President Kibaki's 2007 government was perceived by the opposition as being Kikuyu-dominated. His main opponent in the elections, Raila Odinga, hailing from the Orange Democratic Movement¹⁵ got its support mainly from the third-largest ethnic base in Kenya, the Luo. The Electoral Commission, in controversial circumstances, declared Kibaki the winner on December 30, 2007, despite evidence of electoral malpractices, placing him ahead of Odinga by about 232,000 votes. Other observers also viewed the election process as having been manipulated in order to ensure victory for Kibaki.

Odinga accused Kibaki of fraud, and widespread violence broke out in the country. Some 600,000 people fled their homes, with people targeted according to their ethnic group. The immediate trigger was the disputed election results. Some of the clashes degenerated into ethnic cleansing. But ethnic tension, which has dogged Kenyan politics since independence in 1963, lay behind much of the violence.

With patronage and corruption still common, many Kenyans believed that if one of their relatives was in power, they would benefit directly, for example through a relative getting a civil service job. The tensions could be traced back to the 1990s, when the then-President Daniel arap Moi was forced to introduce multi-party politics. Members of Mr Moi's Kalenjin ethnic group - the dominant group in the Rift Valley Province - felt threatened by the move. Since then the Kalenjins have fought for a federalist system with more economic autonomy and supported Mr Odinga to this end in the run-up to the 2007 polls. Mr Odinga, from the Luo community, had a fairly wide support base across ethnic groups and portrayed himself as challenging Kenya's political establishment. He promised during his campaign to address the extreme income inequalities in the country.

Following two months of unrest, a deal between Odinga and Kibaki, which provided for power-sharing and the creation of the post of Prime Minister, was signed in February 2008; it was brokered by former UN Secretary General Kofi Annan. Odinga was sworn in as Prime Minister,¹⁶ along with the power-sharing Cabinet, on April 17, 2008.

¹⁴ The Mau Mau Uprising of 1952 to 1960 was an insurgency by Kenyan rebels against the British colonialist rule. The core of the resistance was formed by members of the Kikuyu ethnic group, along with smaller numbers of Embu and Meru. The uprising failed militarily, though it may have hastened Kenyan independence. It created a rift between the white colonial community in Kenya and the Home Office in London that set the stage for Kenyan independence in 1963. It is sometimes called the Mau Mau Rebellion or the Mau Mau Revolt, and, in official documents, the Kenya Emergency. The name *Mau Mau* for the rebel movement was not coined by the movement itself - they called themselves *Muingi* (The Movement), *Muigwithania* (The Understanding), *Muma wa Uiguano* (The Oath of Unity) or simply "The KCA", after the Kikuyu Central Association that created the impetus for the insurgency. Veterans of the independence movement referred to themselves as the "Land and Freedom Army" in English.

¹⁵ The orange was the symbol for the "no" vote in the November 21, 2005 constitutional referendum, which the government lost by a 57% to 43% margin. Following this, President Kibaki sacked the entire cabinet.

¹⁶ Previously the post of Prime Minister had not existed since 1964, when it was briefly held by Jomo Kenyatta following independence; Odinga is thus the second person in Kenya's history to hold the position.



TEACHING NOTE: LARSENS CAMP: CRISIS IN KENYA'S ELEPHANT PARADISE

Introduction

The *Larsens Camp* case is a unique pedagogical development designed to capture the key elements of **corporate social responsibility** (especially when applied to developing African countries), **sustainable eco-development, climate and political change, stakeholder management** and **family business transitions** in the context of an eco-friendly lodge concept in the Samburu National Reserve in Northern Kenya. The case series also deals with collateral issues including a better understanding of the status of the Indian diaspora in Eastern Africa, the decision of a third-generation family member educated abroad to return to the family firm and general developing country issues like corruption and social problems. The case series is unique because it comes in two complementary versions:

- A **video case**, with interviews with all the major stakeholders involved in the debate around the lodge-development problematic in a sensitive nature reserve in Kenya. The video case, filmed on location in Kenya, includes a dozen different perspectives on the issues from Larsens Camp's general manager, Samburu game wardens, local community leaders, travel agents as well as local and foreign tourists.
- A **classic paper case**, based on the same primary interviews on location in Kenya, complemented by extensive studio interviews with Rohan Patel, the key protagonist of the story.

Larsens Camp is a new eco-friendly lodge concept established by the Patel family in the middle of the Samburu National Reserve in Northern Kenya. The political crisis that followed Kenya's December 2007 presidential elections and the economic crisis that gripped the world in 2008 forced a re-balancing of expectations among the multiple stakeholders in and around Kenya's nature parks, such as the local communities, tourism operators, lodge owners, game wardens and environmentalist NGOs. Rohan, a third-generation Patel, returned to Kenya only to find himself struggling with the strategic repositioning of the business as well as internal feuding within the family firm. The case captures these multiple dimensions in a lively, interactive manner.

Case Abstract

Larsens Camp (A), set in January 2009, examines the situation faced by the eco-friendly resort through the eyes of Rohan Patel, the third-generation family member freshly graduated from his MBA degree in Europe who had just returned to join the family firm. First on his list of priorities was how to deal with the occupancy problems at Larsens Camp – one of the three properties that made up Wilderness Lodges, the company's luxury hospitality business. The tourist trade in Kenya had been hit by the double whammy of political violence followed by the credit crunch and global recession, both of which had been nothing short of disastrous for the hospitality business.

The tourism crisis, in turn, led to a renewal of public debate around the sustainable management of Kenya's natural resources. Some operators saw an opportunity to push for a relaxation of existing rules for establishing hotels and resorts in and around nature reserves, which would create new jobs and increase tax revenues for the state and local

councils. However, nature preservationists and environmental NGOs wanted to protect the animal sanctuaries and the local communities that often lost their ancestors' lands to the nature reserves without getting much in return.

Rohan needed to tackle a wide collection of challenges: How could the group rebuild a stronger value proposition for tourists and restore occupancy rates at Larsens Camp? What was the best way to restructure the company to ensure financial stability? How could it find the proper balance between its business and the environment, thus ensuring the future of its resorts?

Potential Audiences & Issues

The case series is supported by extensive pedagogical material, based on repeated use in both MBA and executive education programs. It includes:

- Extensive video interviews conducted in Kenya with all major stakeholders of the Larsens Camp eco-friendly tented lodge resort in the Samburu National Reserve (90 minutes).
- Studio and class video discussions with Rohan Patel, the key protagonist of the case series, about all issues addressed in the case (74 minutes studio interview + 32 minutes class discussion).

The case series has been used in both formats (video case and traditional paper case) both with MBAs and with executive education programs, in sessions running from two to four hours. Depending on the length of the session, different pedagogical objectives were adapted.

With MBA students, the instructor can focus on: (1) the issues surrounding sustainable eco-development in Kenya's nature reserves, in particular the conflicting interests of the multiple stakeholders; (2) the difficulties associated with operating in emerging economies, in particular in the aftermath of major political trouble and a global economic downturn; and (3) the challenges of the hospitality business, in particular how to manage occupancy and preserve the environment that creates the opportunity in the first place, and how to engage the broader social environment. In a session focusing on family business in general, the case can be used to initiate a discussion of the issues that arise when family members make the transition into the family business.

With executives, the instructor can expect extra interest in other managerial issues such as: (1) maintaining passion in a fast-growing company; (2) managing the family business and the succession issues; and (3) lifestyle businesses, such as high-end resorts, and their economics.

Teaching the Case Series

Case Issues

The case series documents two parallel issues taking place mostly in 2008 in a high-end¹ eco-friendly tented resort in the Samburu National Reserve in Northern Kenya, one of the major elephant sanctuaries in the country.

¹ The only "Small Luxury Hotels of the World" accredited entity in Kenya (<http://www.slh.com/>).

First and foremost, the political crisis and subsequent riots that gripped the country forced a re-examination of the key principles for the management of the natural resources in this nature-rich country. In this context, the main themes would be:

- Who are the major stakeholders in the integrated development of nature reserves in developing countries? What are their interests and how can they be addressed jointly?
- What can be done to balance the needs of the indigenous population, within or just outside national parks, with those of hotel and lodge operators?
- How do you extract the most value sustainably from this very delicate resource, i.e. nature's diversity? How do you balance the needs of the animals and those of operators in the parks?
- How do you finance the investments necessary to preserve the wildlife for future generations? On the one hand, more tourist traffic and more resorts generate more financial means to protect the environment and the animals. On the other hand, this adds pressure on the environment. How do you resolve that apparent dilemma?
- How should the hospitality business be positioned in those reserves? Should it be exclusive and accessible only to rich foreigners, or should it be priced to be accessible to the local tourists? What implications would that have for sustainability?
- How do you deal with the aftermath of a crisis that has reduced your occupancy rates to 20%? How do you rebuild occupancy?
- How could you reduce your exposure to such country- and industry-specific risks? What does it say in terms of a portfolio approach to the business?

Second, the younger son's incorporation into the family business as the designated heir following his return from Europe creates a flurry of problems. In this context, the main themes would be:

- How do you manage the entry of the third generation into the family business? How much succession planning should take place?
- From a personal point of view, how can you be sure that you are returning to the family business for the right reasons and in the right bargaining position?
- As a member of the Indian community of Kenya, how do you manage the "diaspora paranoia," – the feeling that your people's presence in the country is only temporary, while in fact it has already lasted for close to 100 years and three generations?
- How deep are social and cultural pressures within these quasi-permanent "foreigner" communities in Africa, be they Indian, Chinese or Middle-Eastern? How much integration has happened, and why?

Supporting Material

The case benefits from extensive pedagogical supports, such as:

- **Video #1:** A 90-minute film made on location in Kenya, both in Samburu itself and at Larsens Camp, as well as at the company's headquarters in Nairobi. The video, which comprises all the elements necessary to run the case without the participants' even reading it, is segmented into two major parts, each further subdivided into chapters for each major topic to facilitate easy access:

Part 1: Managing the various stakeholders

Chapter 1: Mike Norris, general manager, Larsens Camp

Chapter 2: Peter and Bernard, sales and marketing, Wilderness Lodges

Chapter 3: Shika Nayar, business development, Wilderness Lodges

Chapter 4: Simon, chief warden, Samburu National Reserve

Chapter 5: Nayan Patel, general manager, Wilderness Lodges

Chapter 6: Gladwell, game warden, Larsens Camp

Chapter 7: Rebecca, community leader, Umoja Uaso Village

Chapter 8: Henry, head barman, Larsens Camp

Chapter 9: Amy Anderson, a tourist from Sussex (UK).

Part 2: Baloo Patel and the development of Grenadier Group

Chapter 1: Baloo Patel history

Chapter 2: From TransWorld (1978) to Grenadier

Chapter 3: Corruption and business in Kenya

Chapter 4: The future of Grenadier Limited.

- **Video #2:** This is also divided into two separate parts: a 74-minute studio interview with Rohan Patel and a 32-minute class discussion with Rohan and an audience of family business executives. Again, to make it easy to locate the various components, the parts are broken down into chapters that can be easily viewed with a standard DVD player.

Part 1: A studio discussion with Rohan Patel, April 2009 (74 minutes)

Chapter 1: Rohan's personal history

Chapter 2: Going back to the family business

Chapter 3: The Indian community of Kenya

Chapter 4: The situation at Grenadier in 2006

Chapter 5: Larsens Camp: Eco-friendly lodge concept

Chapter 6: The stakeholder management issues

Chapter 7: Kenya's new middle class and its impact on tourism

Chapter 8: Larsens Camp and the crises of 2008

Chapter 9: Sankara Hotels and resorts

Chapter 10: Transition into the family business

Chapter 11: The shifting power balance in the family

Chapter 12: The future of Kenya

Chapter 13: The corruption problem.

Part 2: A class discussion with Rohan Patel, April 2009 (32 minutes)

Chapter 1: The Patels' family business history

Chapter 2: Rohan's return to the family business

- Chapter 3: Grenadier's lines of business
- Chapter 4: The challenges of running lodges in Kenya
- Chapter 5: Rohan's new corporate role
- Chapter 6: Managing the political risk in the family business.

Suggested Assignments

The assignments suggested in this note can be used for MBA students and executives alike. We suggest a 4-hour session with an optional assignment in between.

Larsens Camp

Issues:

1. The transition of the third generation back into the diversified family firm conglomerate
2. Stakeholder management in the luxury hospitality business in Kenya's nature reserves
3. Sustainable management of natural resources
4. Managing the crises of 2008
 - Post-election violence
 - Global recession and its impact on tourism
 - Another major drought in Kenya
5. The history of the Indian diaspora in East Africa.

Preparation Questions:

1. If Larsens Camp was the way to go, what should Wilderness Lodges do to rebuild occupancy rates in 2009 and beyond? At the current levels, it would be hard to keep going for long.
2. Was something fundamentally wrong with the model or was the situation just the natural after-effect of the political crisis and instability in the country?
3. How could the company further engage the local community and reinforce their commitment to environmental consciousness? There was always the sinking feeling that Wilderness Lodges was doing all the spending and that the neighboring properties, with their lower cost base, were making the money from its investments.
4. What could you do to improve the balance of the various stakeholders' needs at Samburu National Reserve? How has Larsens Camp done in managing these various constituencies?
5. How could the company communicate its commitment to a "different" form of nature reserve tourism?

Suggested Timing for a Half-Day Session (4 hours)

<i>Session Flow</i>	<i>Timing (minutes)</i>
Part I – Review and Discussion of Case Issues	0–90
First, use Video #1 to visualize the issues. As indicated above, the video can also be used as a substitute for the paper case with audiences that might not have had the time to prepare (that happens...). If participants have read the case, show only the chapters that are particularly exotic and telling. I would suggest chapters 1, 6, 7 and 9.	
Discuss assignment question 4 extensively, then questions 3 and 5. You can then move into the strategic issues for Larsens Camp.	
Coffee Break	90–105
Part II – Group Assignment	105–150
The group assignment is usually to design a new strategy for Larsens Camp going forward, integrating the results of the CSR discussion.	
Coffee Break	150-165
Part III – Discussion of Assignment	165–180
It is best to move relatively quickly through the discussion in a “buzz” format instead of inviting multiple group presentations.	
Part IV – Video #2 and Wrap-up	180–240

Analysis

Analysis of Larsens Camp (A)

1. Who are the major stakeholders in the integrated development of nature reserves in developing countries? What are their interests and how can those ever be jointly addressed?

The social and ecological systems of nature reserves in Kenya are incredibly complex, and becoming more so with the recent series of drought apparently attributable to global warming. These new conditions are putting extra pressure on systems that are already pushed to their limits, forcing a re-examination of the priorities at the park and national levels.

Among the various stakeholders that need to be considered in the discussion, I would include:

- Local employees, for whom alternative jobs are few and far between.
- Indigenous communities, who have often been expropriated to make way for the nature reserves and are often nomads or only recently settled.

- The hospitality industry, which brings precious revenues to the local councils managing the nature reserves.
- The county councils, the administrative entities in charge of managing the nature reserves and parks. They depend heavily on tourist revenues, in the form mainly of park fees, to pay the game wardens who protect the wildlife.
- The tourists themselves, local and foreigners. These tourists have more and more opportunities to see the wildlife they cherish in different African countries, in both public and private parks. They are becoming more discerning and more demanding in terms of what they see and how.
- The tour operators, with their minibuses and safari drivers.

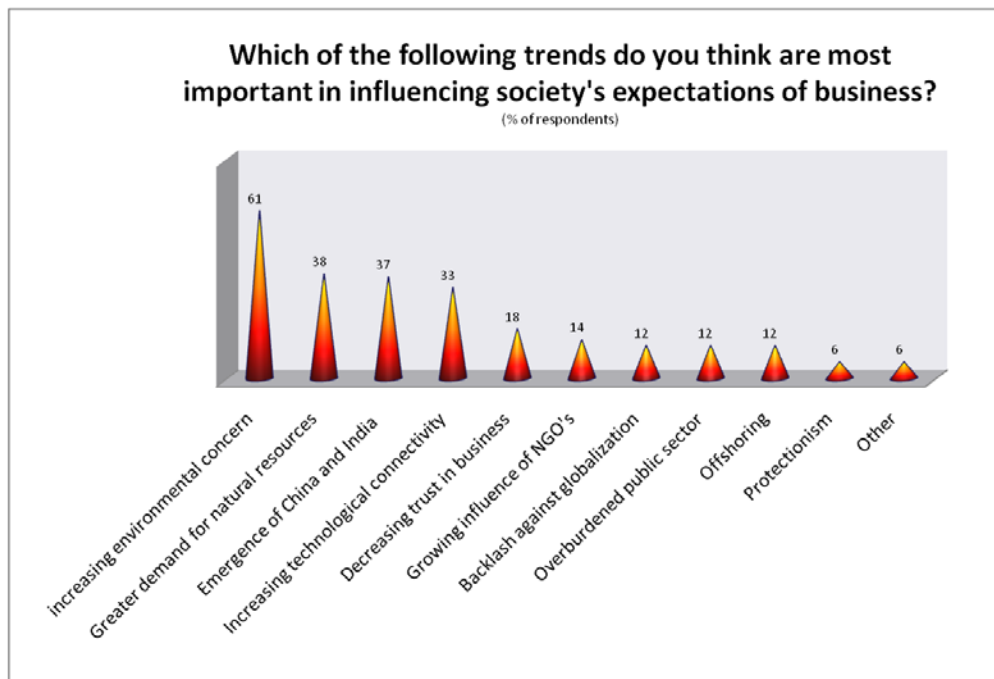
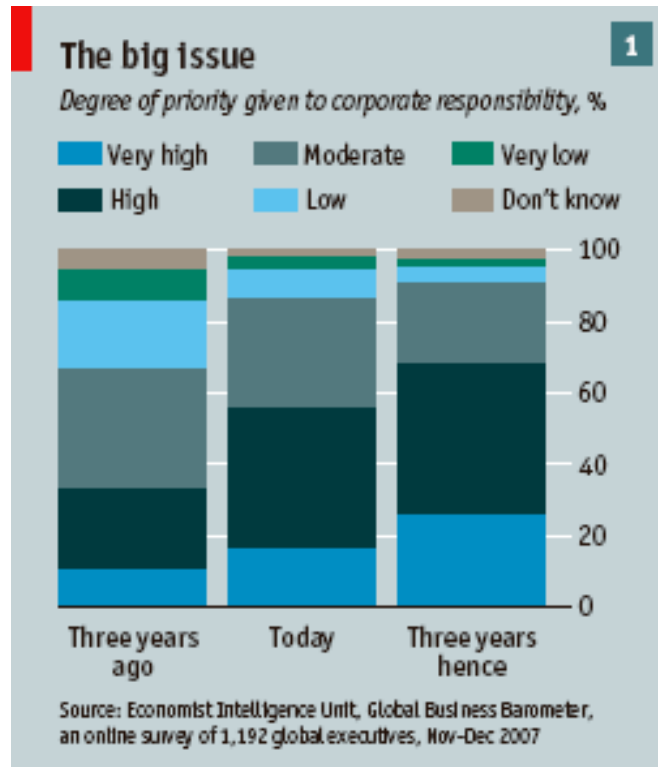
2. What do you think of the Larsens Camp model? How should Wilderness Lodges rebuild occupancy rates in 2009 and beyond?

It is important to first list the elements that make Larsens Camp a unique offering in the world of luxury safari lodges. These include:

+	-
A clear dedication to environmental responsibility and sustainability	The integration into Wilderness Lodges, a very small group of properties without the critical mass to reach many tourist operators
A better integration in the local community, trying to provide as many benefits as possible to locals	The location in Samburu, a nature reserve much affected by recent drought. The river along which the camp was built was totally dry in 2008
The affiliation with the prestigious Small Luxury Hotels of the World system	
The luxury tented camp concept, putting people in direct contact with nature	
A clear commitment to addressing all issues associated with tourism	

A Short Intro to CSR

Companies have finally woken up to the fact that CSR is here to stay and will become a critical component of their strategies going forward. The two graphics below illustrate this new state of the corporate world.

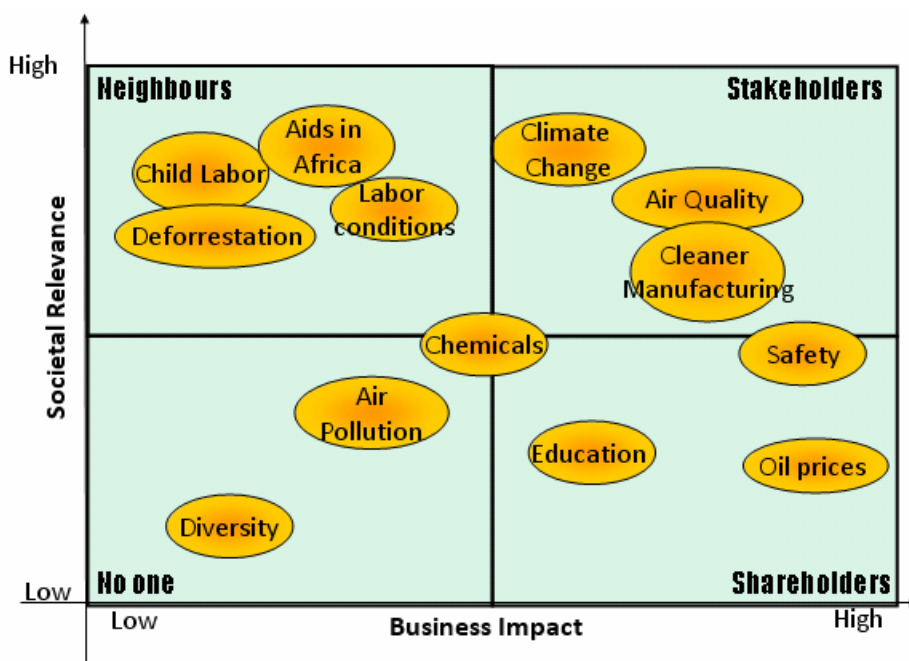


An effective CSR approach is said to rely on four factors, the infamous ABCD:

- Authenticity
- Business Purpose
- Consistency
- Distinctiveness.

Authenticity

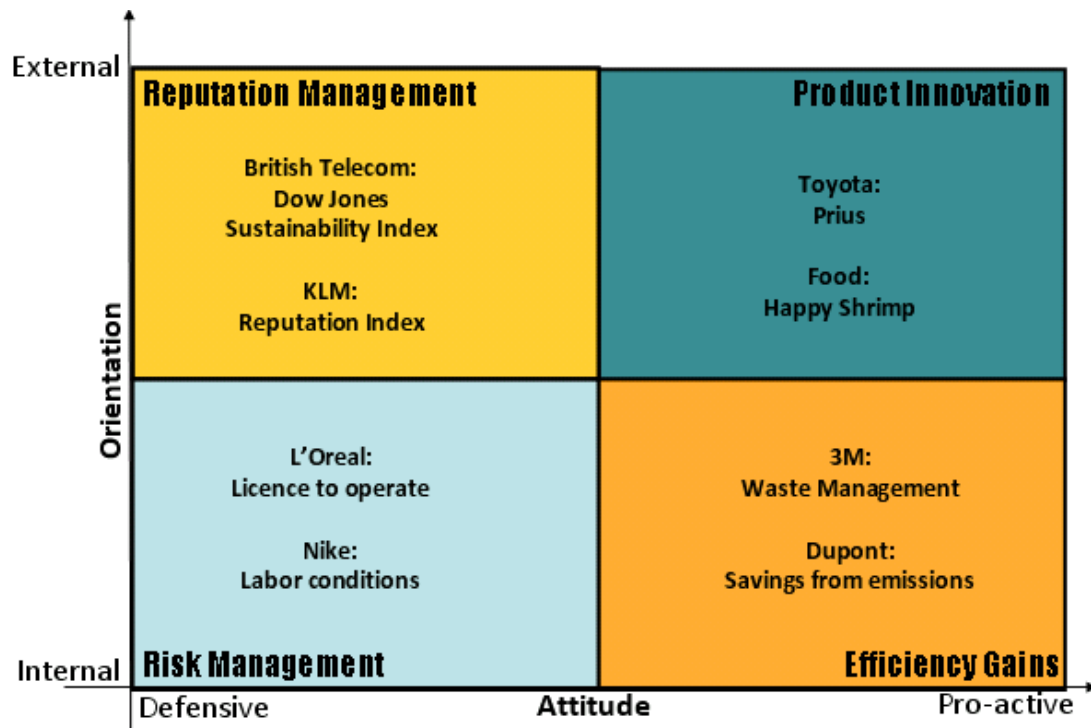
The major issues to be addressed under authenticity are conveniently portrayed in the following graphic, using business impact as the X axis and societal relevance as the Y axis.



Business Purpose

Business purpose addresses the means through which value can be created for the company. Using a simple two-by-two matrix, where the X axis represents the attitude (proactive versus defensive) and the Y axis represents the corporate orientation (internal versus external), it is possible to identify four distinct quadrants of sources of value creation, namely reputation management, product innovation, risk management and efficiency gains.

Within the four CSR prime sources of value creation, Larsens Camp can be said to be proactive and externally oriented, engaging all major actors of the nature reserve problematic.



Consistency, in particular internal consistency, is the alignment of all resources toward a single purpose. CSR requires all-round implementation. In other words, a single discrepancy can damage the whole value. A good example in this domain would be the CSR campaign conducted by the Chiquita brand in an attempt to redeem itself following a lot of negative press related to its treatment of employees in Central America.

Sie sehen nur einen kleinen Frosch auf der Banane. Wir sehen 12 Jahre Umweltschutz-Engagement.



Ab sofort ist auf jeder Chiquita Banane ein kleiner Frosch zu sehen. Das bedeutet, dass sie nach den Richtlinien der Rainforest Alliance – einem unabhängigen Umweltschutzorganisation, die sich für den Schutz des Regenwaldes einsetzt – produziert wurde. Wir verfolgen diese Auszeichnung aus gutem Grund. Nach 12 Jahren, kontinuierlicher Umsetzung von 200 Kriterien ist es uns gelungen, die hohen Qualitätsstandards der Rainforest Alliance (unabhängig) und Sozialen Standards zu erreichen. Was uns zurückführt, ist natürlich auch ein Jahr Vorbildern geworden.

Als einer der größten Bananengroßvermarkter weltweit ist es unsere Pflicht, diese hohen Standards einzuhalten. Für einen unabhängigen, anerkannten und sozialverträglichen Bananenanbau. Um den Regenwald optimal zu schützen, haben wir bei jeder einzelnen Bananenhandlung kontinuierlich Maßnahmen zur Wiederaufforstung, zum Schutz der Fauna sowie zur Erhaltung von Wasser und Boden durchgeführt. Wir haben gegen 80.000 Hektare gepflanzte, um Pufferzonen zwischen Regenwald und

Strassen, entlang Flüssen und um Wohngebiete herum zu schaffen. Außerdem haben wir Abwasserbehandlungssysteme gebaut, Kanäle, weiche Begrünung eingebaut und Teile des Regenwalds unter Schutz gestellt, wie z.B. über 100 Hektar großer Vogel-Nistareennetze mit mehr als 150 Nistplätzen sowie 122 Arten von Vögeln, Papageien, Bienen, Schmetterlingen und Amphibien wie Fledern. Aufgrund dieses Engagements erhalten auch und auch all unsere 115 Bananenbauern, die Rainforest Alliance mit der Frucht-Siegel der Rainforest Alliance zu verbinden. Natürlich werden wir uns nicht auf dem Laubweg ausruhen. Inzwischen sind immer noch ein erheblicher Teil der Chiquita Bananen von unabhängigen Bauern angebaut.

Dank der Unterstützung von Chiquita und der Rainforest Alliance arbeiten nun auch diese an der Umsetzung auf diesen ökologischen Altsen. Sie verstehen nun sicherlich, wie glücklich wir über die einzigartige Beziehung sind, die über den kleinen Frosch, der wir unterwegs Bananen gebären haben.


Chiquita. NATÜRLICH – DAS BESTE!

Zeichner von der Rainforest Alliance: www.rainforest-alliance.org

Distinctiveness

Achieving distinctiveness is becoming more and more complex, as companies rapidly claim territories.

CSR as an Art of Strategy

In their article “Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility,”² Porter and Kramer propose a new way to look at the relationship between business and society that does not treat corporate success and social welfare as a zero-sum game. They introduce a framework companies can use to identify all of the effects, both positive and negative, they have on society; determine which ones to address; and suggest effective ways to do so. When looked at strategically, corporate social responsibility can become a source of tremendous social progress, as the business applies its considerable resources, expertise and insights to activities that benefit society.

Source:



Wrap-up Comments

Given the number of issues in this case series, instructors should feel free to formulate their final comments along the key focus they have given to the case. In short, the following issues can serve as pillars of the case discussion, and could be reiterated when wrapping up:

- Corporate social responsibility, applied to developing African countries
- Sustainable eco-development
- Climate and political change
- Complex stakeholder management
- Transitions issues in family businesses
- Understanding the status of the Indian diaspora in Eastern Africa
- Managing corruption and social issues.

² See the section on suggested reading.

Suggested Reading

The case series can be taught alone or supplemented with assigned reference readings, the scope of which may be as diverse as the issues covered in the case series.

Some additional references related to the topic of corporate social responsibility are:

- Porter, M.E., and Kramer, M.R. "Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility." *Harvard Business Review*, Vol. 84, Iss. 12, 2006.
- Grayson, David, Jin Zhouying, Lemon, Mark, Rodriguez, Miguel Angel, Slaughter, Sarah, and Tay, Simon. "A New Mindset for Corporate Responsibility." A White Paper sponsored by BT and Cisco.
- Franklin, Daniel. "Just Good Business: A Special Report on Corporate Social Responsibility." *The Economist*, January 19, 2008.