Impact of Foreign Employee Recruitment Strategy on Financial Performance of Hotels and Lodges in Meru District Council, Tanzania

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ABSTRACT

The performance of hotels and lodges in Tanzania is heavily influenced by strategic human resource practices, particularly the recruitment of foreign employees whose expertise can enhance operational efficiency and profitability. However, the exact financial impact of foreign employee recruitment and the moderating role of labour and immigration laws within the hospitality sector of Meru District Council have remained empirically understudied. Grounded in the Resource-Based View (RBV) and Institutional Theory, this quantitative study evaluated the effect of foreign employee recruitment on net profit margin (NPM) and operating profit margin (OPM), while assessing the role of governing legal frameworks. Structured questionnaire data were gathered from 72 finance managers and hotel/lodge managers (a 92% response rate from a sampled 78 establishments) across treatment (with foreign employees) and control (without foreign employees) groups. Statistical analysis conducted via SPSS using independent samples t-tests and Pearson correlation revealed that establishments employing foreign staff achieved significantly higher NPM (Mean = 3.14, Standard Deviation = 0.43) and OPM (Mean = 3.10, Standard Deviation = 0.44) compared to those without (Mean = 1.94, Standard Deviation = 0.21 and Mean = 1.98, Standard Deviation = 0.25, respectively; $p < .001$). Furthermore, adherence to clear, supportive labour and immigration laws significantly moderated financial outcomes by reducing administrative overhead, training costs, and compliance penalties ($p < .001$). The study concludes that recruiting skilled foreign personnel alongside navigating supportive legal regulations substantially drives hospitality profitability, offering concrete guidance for hotel managers, investors, and policymakers.

Keywords: Foreign employee recruitment, financial performance, Net Profit Margin, Operating Profit Margin, labour and immigration laws.

INTRODUCTION

Background to the Problem

Financial performance (FP) acts as a baseline indicator of business success, reflecting an organization's capacity to generate income and sustain profitability over time. Strategic utilization of human capital serves as an essential channel for achieving financial success (Shieh et al., 2018). Within the globalized hospitality sector, firms routinely recruit foreign employees (FEs) to introduce specialized skills, international networks, and operational efficiencies missing within local labor markets.

Globally, high-skilled foreign workers drive firm-level innovation and profitability (Chen et al., 2021), enhance international market expansion (Solheim & Fitjar, 2016), and upgrade service quality and guest satisfaction (Khassawneh & Mohammad, 2025). Within Africa, foreign workers balance multilingual service needs and top-tier international management structures across regional circuits (Durojaiye & Adewumi, 2024). In Tanzania, though foreign talent is heavily integrated into hotel management to offset domestic skill shortages (Mbisse, 2015), context-specific empirical evaluations tying these structures directly to organizational profitability ratios remain isolated.

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Statement of the Problem

Despite the evident expansion of foreign staff deployments within the hotels and lodges of the Meru District Council (Mbisse, 2015), there is a distinct shortage of empirical assessments evaluating how these recruitments transfer into bottom-line profitability. This gap persists in spite of national initiatives like Tanzania's Third Five-Year Development Plan (FYDP III) 2021/22–2025/26, which prioritizes a well-regulated and competitive labor ecosystem to sustain the economic contributions of tourism.

Furthermore, current operations face rigid, complex bureaucratic guidelines via the Non-Citizens (Employment Regulation) Act and the Immigration Act. This institutional environment complicates hiring processes through elevated permit costs and lengthy wait times (ATE, 2022). Consequently, the core nature of this operational-regulatory dynamic requires explicit investigation to determine how foreign staffing strategies interact with hotel profit margins when moderated by regional legal frameworks.

Research Objectives

General Objective

The main objective of this study is to investigate the impact of foreign employee recruitmenton strategy on financial performance of hotels and lodges in Meru District Council, Tanzania.

Specific Objectives

This study was guided by the following specific objectives:

i. Assess the overall understanding of respondents regarding the role of foreign employee recruitment in relation to firm financial performance.
ii. Examine whether a statistically significant difference in financial performance exists between establishments employing foreign workers and those that do not.
iii. Evaluate the level of respondent knowledge concerning the impact of labour and immigration laws on hotel financial performance.
iv. Determine whether labour and immigration laws significantly alter financial outcomes across hospitality establishments.

Research Questions

This study answered the following questions:

i. What is the understanding of respondents on the role of foreign employee recruitment in relation to overall financial performance of hotel and lodges in Meru District Council?
ii. Is there a significant difference in the financial performance between hotels and lodges with foreign employees and those without foreign employees in Meru District Council?
iii. How knowledgeable are respondents about the impact of labour and immigration laws on the financial performance of hotels and lodges in Meru District Council?
iv. Is there a significant difference in the role of labour and immigration laws on financial performance of hotels and lodges in Meru District Council?

Significance of the Study

This study hold significant value for both practical business applications and academic research by exploring how foreign employees influences the financial performance of hotels and lodges in Tanzania's Meru District Council. The anticipated findings offers important insights for various beneficiaries, including:

Industry Stakeholders

The findings of this research offer actionable guidance for hotel and lodge owners aiming to optimize their

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financial outcomes. By demonstrating the direct connection between strategic workforce planning and profitability, the study provides a practical framework for hospitality leaders to make informed decisions regarding talent acquisition and operational management.

Policymakers

This research supports the development and refinement of policies governing foreign employment, particularly within Tanzania's tourism sector. As tourism continues to serve as a cornerstone of national GDP growth, the insights generated can assist regulators in balancing local employment objectives with the industry's need for specialized international talent.

Academic Researchers

From a theoretical perspective, the study enhances scholarly understanding of how foreign employees influence organizational financial performance. Specifically, it expands the existing literature by highlighting the critical role that labor and immigration laws play as moderating factors in this relationship.

Future Studies

Finally, by addressing a key geographic gap in organizational performance research, specifically within developing country contexts, this study serves as a foundational reference. It provides a robust starting point and empirical baseline for future researchers seeking to explore workforce diversity and legal frameworks in emerging markets.

Overall, the research serves as a valuable resource for improving workforce strategies, policy formulation, and theoretical advancement.

LITERATURE REVIEW

Theoretical Framework

Resource-Based View (RBV)

Pioneered by Barney (1991), the RBV posits that sustainable competitive advantage stems from internal resources that are Valuable, Rare, Inimitable, and Non-substitutable (VRIN). In hospitality settings, specialized foreign employees represent rare human capital capable of delivering superior service, operational innovation, and cross-cultural adaptability that elevate firm financial performance.

Institutional Theory

Formulated by Meyer and Rowan (1977), Institutional Theory highlights the role of external institutional pressures, such as government laws, permits, and regulatory compliance, in governing firm behavior. In this study, national labour and immigration legal frameworks act as institutional mechanisms that shape recruitment costs, operational compliance, and organizational legitimacy. Combining RBV and Institutional Theory enables a balanced analysis of how internal strategic assets (human capital) interact with external institutional constraints (regulatory policies).

Empirical Literature Review

Financial Performance Measures in Hotels and Lodges

Financial performance was assessed using two primary metrics: Net Profit Margin and Operating Profit Margin. Net Profit Margin measures overall profitability after all expenses, allowing direct comparison between establishments with and without foreign staff, as supported by prior hospitality literature (Wira, 2021; Knežević et al., 2022; Jodlowski, 2024, p.14). Operating Profit Margin evaluates core operational efficiency before taxes and interest, helping determine whether foreign recruitment enhances operational efficiency or creates cost burdens such as work permit expenses. Due to respondents' confidentiality concerns and restricted access to direct financial records, approximate metrics derived from survey responses were utilized to provide a realistic profitability assessment for Meru District Council.

Foreign Employee Recruitment and Financial Performance

This study evaluated how foreign staff drive financial performance through three key avenues: innovation, international market connections, and cultural competencies. High-skilled foreign staff boost innovation capacity and financial outcomes via rare skills and knowledge transfer (Solheim & Fitjar, 2016; Rahman et al., 2018; Chen et al., 2021), driving process improvements in hospitality (Markova et al., 2016). While innovation enhances hotel performance in Ghana (Agyapong et al., 2018) and economic sustainability in Tanzania (Njoroge et al., 2020), innovation intensity remains largely unassessed. Additionally, foreign staff utilize personal networks and digital capacities to establish international supplier and client connections, expanding customer bases and financial growth (Solheim & Fitjar, 2016; Swazuri & Mwenda, 2017; Ahmad & Scott, 2021; Morgan et al., 2021). Furthermore, cross-cultural intelligence, language proficiency, and social capital improve service quality, guest satisfaction, repeat visits, and global partnerships (Yaduma et al., 2015; Markova et al., 2016; Solheim & Fitjar, 2016; Erdem et al., 2021; Sinicropi & Cortese, 2021; Lugosi & Ndiuini, 2022; Nnubia et al., 2025). Locally, foreign hiring resolves severe local language deficiencies (Mbisse, 2015), though empirical links between cultural skills and direct financial metrics remain scarce.

Conversely, potential drawbacks include coordination issues, interpersonal friction, and performance decline due to language barriers (Diepen, 2015; Dodd & Zheng, 2022; Guillouet et al., 2024). Some studies found foreign managers had no significant impact or even negatively affected financial performance (Molenkamp, 2015; Frijns et al., 2016; Muravyev, 2017). Overall, empirical evidence linking foreign staff reliance to financial performance in Meru District Council remains limited.

The Role of Labour and Immigration Laws

Labour and immigration laws serve as a vital moderating factor. Strict visa regulations for skilled personnel worsen financial and innovative outcomes (Chen et al., 2021), while complex work permit bureaucracy creates severe operational hurdles (Erdem et al., 2021). In Tanzania, investors face costly, complex, and lengthy work permit processes that discourage hiring foreign workers (Association of Tanzania Employers [ATE], 2022; Danish Trade Union Development Agency, 2022). This study investigates whether these legal frameworks facilitate or constrain foreign staff contributions to financial success in Meru District Council.

Foreign Employee Recruitment Strategy and Financial Performance in Meru District Council

Despite widespread employment of foreign staff in Meru District Council (Mbisse, 2015; Arumeru District Immigration Officer, personal communication June 30, 2025), localized empirical research remains minimal. Existing Tanzanian literature highlights widespread local skill deficits in tourism, driving foreign appointments in 28% to majority managerial roles (Ngonyani, 2013; Anderson, 2015; Mbisse, 2015). However, these studies omit empirical evaluation of how specific foreign competencies (innovation, international networking, cross-cultural skills) impact bottom-line financial outcomes under regulatory constraints. This study directly bridges this gap.

Knowledge Gap

While existing studies have examined the general effects of foreign employees on hospitality sectors globally, limited research has specifically investigated how foreign employee recruitment impacts the financial performance of hotels and lodges in Meru District Council. Most research on foreign employees and financial performance has been conducted in developed countries and large corporations, overlooking SMEs in developing contexts like Tanzania’s Meru District Council, where tourism enterprises are largely small-scale (Kühn et al., 2018). Prior studies have also focused on broader tourism services or unrelated sectors like banking (Kileo, 2018) and company board rather than managerial and low-level employees (EmadEldeen et al., 2021) with limited attention to hotels and lodges. Additionally, there remains inconsistent evidence on how labour and immigration laws influence the cost-benefit analysis of hiring foreign employees in Meru District Council’s hotels and lodges industry. This study was expected to fill these gaps by investigating the relationship between foreign employee recruitment and key financial metrics i.e. Net Profit Margin and Operating Profit Margin while assessing the moderating effect of labour and immigration laws.

Conceptual Framework

The conceptual framework isolates the interactive connections between the designated variables. The independent variable is framed as the *Foreign Employee Recruitment Strategy* (categorized into hotels with foreign staff versus hotels without foreign staff). The dependent variable is *Financial Performance*, operationalized through Net Profit Margin (NPM) and Operating Profit Margin (OPM). *Labor and Immigration Laws* act as the moderating variable, altering the operational path between staffing assets and profitability. Control variables include organizational size, age, and total employee count.

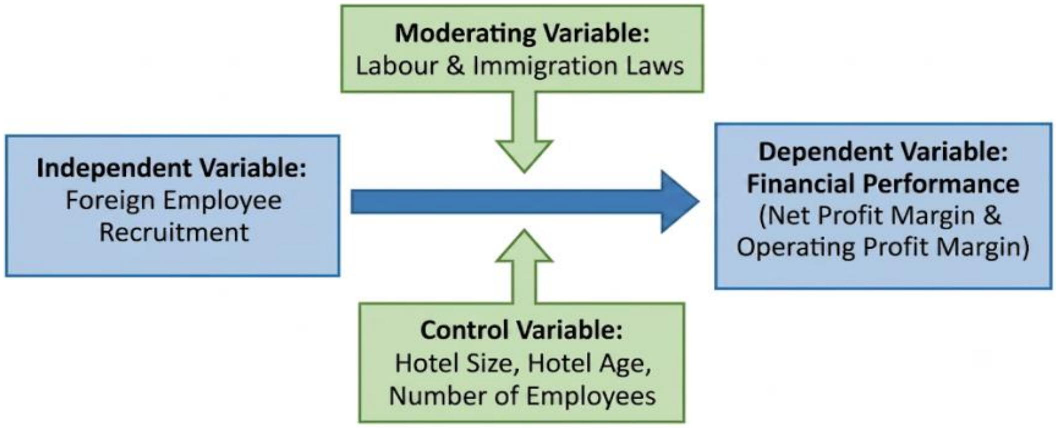

Figure 2.1 Conceptual Framework (Author, 2025)

METHODOLOGY

Research Approach

This study employed a quantitative research approach to investigate the impact of foreign employee recruitment on financial performance of hotels and lodges in Meru District Council as well as the role of labour and immigration laws. Given that financial performance is best evaluated through measurable indicators(Tudose et al., 2022), this approach enabled the systematic collection of structured data via questionnaires.

Research Design

This study employed quasi-experimental design to investigate the impact of foreign employee recruitment on financial performance of hotels and lodges in the Meru District Council from 2022 to 2024. The study categorized hotels and lodges into two groups (treatment and control group) to assess the impact of foreign employee recruitment on financial performance.

Study Area

This study focused on Meru District Council located in Arumeru District, Arusha Region, northern Tanzania where hotels and lodges with and without foreign employees are located. Four key rationales justify this selection: First, tourism sector which include hotels and logdes contributes approximately 17% to Tanzania's GDP (WTTC, 2024; TIC, 2024) and is prioritized in national development plans (Wamboye et al., 2020), making it a critical economic sector. Second, Meru District Council lies within Arusha Region - the heart of Tanzania's NTC (Nnko & Mbwambo, 2024), which has experienced substantial tourism growth. Third, while reports confirm significant foreign employeesemployment in local hotels and lodges (Mbisse, 2015), their actual impact on financial performance remains under-researched. Fourth, the study area was selected based on its accessibility to the researcher for efficient data collection.

Population and Sample Size

To enable a robust quasi-experimental comparison, the study defined a target population of 96 hotels and lodges, divided into two distinct groups. The treatment group comprised all 48 establishments confirmed to employ foreign workers, with the list and count verified by the Arumeru District Immigration Officer on June 30, 2025. The control group consisted of 48 hotels and lodges without foreign employees, selected from the remaining 65 establishments using a matching design based on key characteristics such as size (number of rooms), age (years in operation), and number of employees, in order to minimize selection bias and enhance the internal validity of the comparison (Kim & Steiner, 2016).

A sample size of 78 establishments was determined from the target population (N=96) using the Taro Yamane (1967) formula with a 95% confidence level and a precision level (e) of 0.05.

Formula: $n = \frac{N}{1+N(e)^2}$ (Yamane, 1967, p. 886), where:

Given Expression: 96 ÷ (1 + 96 × 0.0025) = 78. The sample size was 78.

Sampling Strategies

A two-stage sampling procedure was employed: Stage 1 involved selection of establishments. A stratified random sampling technique was used. The target population was stratified into the two pre-defined groups (With/Without foreign employees). Stage 2 involved selection of Individual Respondents. From each of the 78 sampled establishments, one finance manager(or an equivalent officer in charge of financial decision-making) was selected as the respondent.

Data Collection methods

The study used a structured closed-ended questionnaireto examine the impact of foreign employeerecruitment strategy on financial performance. Also it assessed the role of labour and immigration laws in moderating the relationship between foreign employees and financial performance on a Likert scale (Likert, 1932).

Data Analysis

The collected data was analyzed using Statistical Package for the Social Sciences (SPSS) software. Descriptive statistics (frequencies, percentages, means, and standard deviations) were used to summarize key findings. Inferential statistics was used to examine whether the recruitment of foreign employees significantly influences financial performance of hotels and lodges in Meru District Council.

Ethical Considerations

To ensure ethical research standards, this study, investigating the impact of foreign employee recruitment on the financial performance of hotels and lodges in Meru District Council, strictly adhered to core ethical principles after receiving institutional clearance from MS Training Centre for Development Cooperation and Meru District Council. Informed consent was obtained from all participants, guaranteeing their voluntary involvement, rights to withdraw, confidentiality, and complete anonymity in the final reporting. The study upheld beneficence and justice by protecting participants from harm, ensuring equitable selection across all suitable establishments, and maintaining academic integrity through proper APA 7th Edition citations.

RESULTS

Demographic Characteristics of Respondents

It was necessary to describe the demographic characteristics of respondents. Demographic information provides insight into who the respondents are and whether they are qualified and knowledgeable about the subject being studied. In this study, the demographic characteristics of respondents include gender and job position (finance managers and hotel/lodge managers).

Demographic Characteristics of Respondents by Job Position

Table 4.1 presents the distribution of respondents by job position across hotels and lodges with and without foreign employees in Meru District Council. In hotels and lodges with foreign employees, the majority of respondents were finance managers (25 respondents, 67.6%), followed by hotel/lodge managers (10 respondents, 27%), and a small proportion of other staff (2 respondents, 5.4%). Similarly, in hotels and lodges without foreign employees, finance managers also formed the largest group (19 respondents, 54.3%), followed by hotel/lodge managers (14 respondents, 40%) and other staff (2 respondents, 5.7%). Overall, the study included 72 respondents, with finance managers representing 61% of the total sample, hotel/lodge managers 33%, and other staff 6%.

Finance managers, as the majority of respondents, play a critical role in managing financial records, monitoring revenue, and assessing cost efficiency, making their perspectives vital for understanding how foreign employee recruitment affects financial performance. Similarly, hotel/lodge managers provide insights into operational management, human resource allocation, and workforce productivity, which are directly influenced by the presence of foreign employees. The inclusion of other staff, although small in number, allows the study to capture supplementary perspectives on day-to-day operations and teamwork.

By collecting data across these key job positions, the study ensures a comprehensive assessment of financial and operational performance in relation to foreign employee recruitment. This structure allows for a clear link between workforce composition, managerial practices, and financial outcomes, thereby directly addressing the research objectives and providing robust empirical evidence to answer the research questions.

Table 4.1 Job Position of Respondents

Hotel/Lodge Category	Job Position	Total	Percentage (%)
With Foreign Employees	Finance Managers	25	67.6
	Hotel/Lodge Managers	10	27.0
	Others	2	5.4
Subtotal		37	100.0
Without Foreign Employees	Finance Managers	19	54.3
	Hotel/Lodge Managers	14	40.0
	Others	2	5.7
Subtotal		35	100.0
Total		72	100.0

Source: Field report (2025)

Demographic Characteristics of Organizations

It was also necessary to describe the demographic of organizations under investigation to reveal the types of hotels and lodges being investigated and also to provide a room for comparing the financial performance of the hotels and lodges under investigation based on the prevailing demographic factors. The demographic characteristics of hotels and lodges include number of foreign employees, hotel size, total employees, and duration of hotel operation.

Presence/absence of Foreign Employees

It was necessary to establish whether the facilities had foreign employees or not. This helped determine which type of establishment, those with or without foreign employees, has better financial performance. Table 4.2 presents the distribution of the sampled hotels and lodges based on the presence of foreign employees. Out of 72 respondents, 37 hotels and lodges (51.4%) employ foreign staff, while 35 establishments (48.6%) do not. This near-even split indicates that slightly more than half of the hotels and lodges in Meru District Council utilize foreign employees, highlighting the growing role of international staff in the local hospitality sector. The distribution provides a basis for comparing financial performance outcomes between hotels with and without foreign employees.

Table 4.2 Distribution of hotels and lodges by presence of foreign employees

S/No	Presence of Foreign Employees	Frequency	%
1.	With foreign employees	37	51.4
2.	Without foreign employees	35	48.6
	Total	**72**	**100.0**

Source: Field report (2025)

Hotel Size

Table 4.3 shows the distribution of the sampled hotels and lodges in Meru District Council based on their size, measured by the number of rooms. The majority of the establishments, 61.1% (44 hotels/lodges), fall into the small category with 1–25 rooms, while 38.9% (28 hotels/lodges) are medium-sized, with 26–100 rooms. No hotels or lodges were recorded in the large (101–200 rooms) or very large (more than 200 rooms) categories. Measuring hotel size in this study is important because it allows for a more accurate assessment of the impact of foreign employee recruitment strategy on financial performance, as larger hotels may have different staffing needs, operational complexities, and revenue streams compared to smaller establishments. Controlling for hotel size ensures that comparisons between hotels with and without foreign employees are meaningful and not biased by differences in scale, thereby improving the validity and reliability of the study's findings.

Table 4.3 Distribution of hotels and lodges by size

S/No	Hotel size	Frequency	%
1.	Small (1 – 25 rooms)	44	61.1
2.	Medium (26 – 100 rooms)	28	38.9
3.	Large (101 – 200 rooms)	00	00
4.	Very large (more than 200 rooms)	00	00
	Total	**72**	**100.0**

Source: Field report (2025)

Total Number of Employees

Table 4.4 presents the distribution of hotels and lodges based on the number of employees. The majority of establishments, 33 hotels/lodges (45.8%), have between 21 and 30 employees, followed by 24 establishments (33.3%) with more than 30 employees. A smaller proportion of 15 hotels/lodges (20.8%) employ 11 to 20 staff, while no hotels/lodges reported having fewer than 10 employees. This distribution indicates that most hotels and lodges in Meru District Council operate with a moderate to large workforce, which may influence their capacity to deliver services efficiently and impact overall financial performance. Measuring the number of employees in this study was important because it allowed the researcher to assess the size and composition of the workforce in hotels and lodges, which could influence the impact of foreign employee recruitment on financial performance. By quantifying staff numbers, the study was able to account for variations in organizational capacity and better interpret how foreign employee recruitment affected financial outcomes.

Table 4.4 Distribution of hotels and lodges by number of employees

S/No	Number of Employees	Frequency	%
1.	Less than 10	00	00
2.	11 – 20	15	20.8
3.	21 – 30	33	45.8
4.	More than 30	24	33.3
	Total	**72**	**100.0**

Source: Field report (2025)

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Duration of Hotel Operation

Table 4.5 presents the distribution of hotels and lodges by their years of operation in Meru District Council. Most establishments, 28 hotels/lodges (38.9%), have been operating for 5–10 years, and a similar proportion, 28 hotels/lodges (38.8%), have been in operation for 11–20 years. Fewer establishments, 13 hotels/lodges (18.1%), have been operating for more than 20 years, while only 3 hotels/lodges (4.2%) have been in operation for 2–4 years. No hotels or lodges reported operating for less than 2 years. This indicates that the hotel and lodge sector in the district is relatively mature, with the majority of establishments having substantial operational experience, which may positively influence their management practices and financial performance.

Table 4.5 Distribution of hotels and lodges by years of operation

S/No	Years of Operation	Frequency	Percentage(%)
1.	Less than 2 years	00	00
2.	2 – 4 years	03	4.2
3.	5 – 10 years	28	38.9
4.	11 – 20 years	28	38.8
5.	More than 20 years	13	18.1
	Total	**72**	**100.0**

Source: Field report (2025)

DISCUSSION

This study employed a quantitative research design, and the results were presented and analyzed objectively. The analysis focuses on empirical data collected from finance managers and other relevant staff in hotels and lodges with and without foreign employees in Meru District Council. Data are systematically organized, coded, and analyzed to ensure clarity and to provide evidence-based insights into the role of foreign employee recruitment and the role of labour and immigration laws on financial performance. The findings are structured according to the study's research questions and objectives, allowing for a comprehensive analysis.

Assessment of the Understanding of Respondents on the Role of Foreign Employee Recruitment in Relation to Financial Performance

Table 5.1 presents the respondents' understanding on the role of foreign employee recruitment on the financial performance of hotels and lodges in Meru District Council. Based on the interpretation scale (1.00–1.49 = strongly disagree; 1.50–2.49 = disagree; 2.50–3.49 = agree; 3.50–4.00 = strongly agree), the mean score of 2.65 falls within the "agree" category. This means that, on average, respondents agreed that the presence of foreign employees positively influences financial performance. The standard deviation of 0.95 suggests moderate variability in responses, meaning that while most respondents leaned toward agreement, a few held weaker or different perceptions.

This result indicates that respondents generally believe that employing foreign workers contributes positively to financial outcomes such as operational efficiency and profitability. See table 5.1 for presentation of data from respondents' understanding of the influence of foreign employees on hotel/lodge financial performance.

Table 5.1 Respondents' understanding of the influence of foreign employees on hotel/lodge financial performance

Understanding on Influence of Foreign Employees	N	Mean	Std. Deviation
The presence of foreign employees influences the overall financial performance of our hotel/lodge.	72	2.65	0.95

Source: Field report (2025)

Examining the Difference in Financial Performance between Hotels and Lodges with Foreign Employees and Those without Foreign Employees

Having established the understanding of the respondents on the role of foreign employees on financial performance of the facilities, and having realized that the majority of the respondents indicated the presence of foreign employees, it was necessary to verify whether the presence of foreign employees affect net profit and operating profit.

Net Profit Trends based on Foreign Employees

As observed in Table 5.2, the net profit margin was compared between hotels with foreign employees and those without foreign employees. The table indicates the net profit mean score for the facilities with foreign employees was 3.14, which is within the range of agreement while the net profit mean score for the facilities without foreign employees was 1.94, which is within the range of disagreement. This indicates that as far as the net profit performance is concerned, facilities with foreign employees outperformed those without foreign employees.

Table 5.2 Net Profit Margin (NPM) descriptives based on foreign employees

Category of Hotel/Lodge	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
With foreign employees	37	3.14	0.43	0.07
Without foreign employees	35	1.94	0.21	0.03

Source: Field report (2025)

Table 5.3 Independent samples test based on foreign employees' status

Net Profit Margin	**Levene's Test / t-test**	**t-test for equality of means**							
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% CI Lower	95% CI Upper
Equal variances assumed	13.08	.001	14.97	70	<.001	1.19	0.08	1.03	1.35
Equal variances not assumed	–	–	15.23	52.55	<.001	1.19	0.08	1.04	1.35

Source: Field report (2025)

Table 5.3, on the other hand, measures the significance of the indicated differences in table 5.2. As it can be observed in Table 5.3, the p-value of <.001 is less than the critical value of .05, which indicates that the difference in net profit performance between the facilities with and those without foreign employees was statistically significant.

Operating Profit Trends based on Foreign Employees

As observed in Table 5.4, the net and operating profit was compared between hotels with foreign employees and those without foreign employees. The table indicates the operating profit mean score for facilities with foreign employees was 3.10, which is within the range of agreement while the operating profit mean score for facilities without foreign employees was 1.98, which is within the range of disagreement. This indicates that as far as the operating profit performance is concerned, facilities with foreign employees outperformed those without foreign employees.

Table 5.4 Descriptive statistics for Operating Profit Margin by foreign employee presence

Category of Hotel/Lodge	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
With foreign employees	37	3.10	0.44	0.073
Without foreign employees	35	1.98	0.25	0.043

Source: Field report (2025)

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Table 5.5 Independent samples test based on foreign employees' status

Operating Profit Margin	**Levene's Test / t-test**		**t-test for equality of means**						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% CI of the Difference (Lower)	95% CI of the Difference (Upper)
Equal variances assumed	11.33	.001	13.02	70	<.001	1.12	0.09	0.95	1.29
Equal variances not assumed	–	–	13.20	58.04	<.001	1.12	0.08	0.95	1.29

Source: Field report (2025)

Table 5.5, on the other hand, measures the significance of the indicated differences in table 5.4. As it can be observed in Table 5.5, the p-value of <.001 is less than the critical value of .05, which indicates that the difference in operating profit margin between the facilities with and those without foreign employees was statistically significant.

Correlation Analysis

A Pearson correlation analysis was conducted to examine the relationship between Net Profit Margin and Operating Profit Margin among hotels and lodges (N = 72) as shown in table 5.6. The results indicated a very strong positive correlation between net profit margin and operating profit margin, $r = .97$, $p < .001$. This finding suggests that hotels and lodges with higher operating profit margins also tend to record higher net profit margins. The strength and statistical significance of the correlation indicate a close and meaningful association between the two profitability measures.

Table 5.6 Correlation analysis between Net Profit Margin (NPM) and Operating Profit Margin (OPM)

		NetProfit	**OperatingProfit**
Net Profit Margin	Pearson Correlation Sig. (2-tailed) N	1 72	0.97** <.001 72
Operating Profit Margin	Pearson Correlation Sig. (2-tailed) N	0.97** <.001 72	1 72

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Field report (2025)

Evaluation of Respondents' Knowledge Regarding the Impact of Labour and Immigration Laws on Financial Performance

Table 5.7 presents the respondents' knowledge regarding the influence of labour and immigration laws on the financial performance of hotels and lodges in Meru District Council. The analysis relied on mean scores and standard deviations to describe the overall perceptions. The mean values for all four items range from 2.69 to 2.78, which fall within the "Agree" category. This indicates that, in general, respondents believe that labour and immigration laws have a positive role in supporting financial stability and cost management within their establishments. The standard deviations for the items range between 0.76 and 0.80, suggesting moderate variation in responses. This implies that although most respondents agreed with the statements, their views were not completely uniform, indicating some differing experiences across hotels and lodges.

Specifically, clear labour and immigration laws helped avoid penalties and unexpected financial losses (Mean = 2.78).Respondents agreed that clear regulations contribute to financial protection by preventing fines and unplanned legal costs. Streamlined work and residence permit procedures reduced administrative costs (Mean = 2.76). Most participants recognised that simplified permit processes lower administrative expenses by reducing the need for legal consultations. Business visas reduced costs related to employing foreign staff (Mean = 2.69). Respondents agreed that business visas provide a cost-effective alternative for hiring foreign expertise temporarily. Laws prioritizing skilled foreign workers reduced training costs (Mean = 2.71). Respondents believed that access to skilled foreign employees minimizes training expenses, thereby supporting financial efficiency.

Overall, the findings show that respondents generally recognize labour and immigration laws as contributing positively to the financial performance of hotels and lodges in Meru District Council. Most participants agreed that clear regulations, streamlined permit procedures, and laws supporting skilled foreign workers help reduce operational costs, minimize legal risks, and enhance financial stability. Although perceptions varied moderately, the overall results suggest that effective labour and immigration frameworks play an important role in improving financial performance of hotels and lodges.

Table 5.7 Knowledge on the role of labour and immigration laws

SN.	Item in the Questionnaire	Mean	Std. Dev.	Mean Interpretation
1.	Clear labour and immigration laws helped our hotel/lodge avoid penalties and unexpected financial losses.	2.78	0.79	Agree
2.	Streamlined work and residence permit application procedures reduced our hotel/lodge's administrative costs by minimizing legal consultation fees.	2.76	0.76	Agree
3.	Business visas allowed our hotel/lodge to temporarily employ foreign staff, avoiding the higher expenses of work permit.	2.69	0.78	Agree
4.	Labour laws that prioritize employment of skilled foreign workers reduced our hotel/lodge’s administrative costs by minimizing training expenses.	2.71	0.80	Agree

Source: Field report (2025)

Assessment of the Difference in the Role of Labour and Immigration Laws on Financial Performance

The study aimed to assess the effect of labour and immigration laws on the financial performance of hotels and lodges in Meru District Council, with a focus on whether the presence of foreign employees influences this relationship. Tables 5.8 and 5.9 present the group statistics and the results of an independent samples t-test.

Table: 5.8 Group statistics results onthe effect of labour and immigration laws on financial performance of hotels and lodges in Meru District council.

	Hotel/Lodge Category	N	Mean	Std. Deviation	Std. Error Mean
Labour and Immigration Laws	With foreign employees	37	3.30	0.55	0.09
	Without foreign employees	35	2.14	0.36	0.06

Source: Field report (2025)

Table 5.9 Independent samples test results on the effect of labour and immigration laws on financial performance of hotels and lodges in Meru District council.

Labour and Immigration Laws	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% CI of the Difference (Lower)	95% CI of the Difference (Upper)
Equal variances assumed	15.05	< .001.	10.48	70	< .001.	1.15	0.11	0.93	1.37
Equal variances not assumed	—	—	10.60	62.50	< .001.	1.15	0.11	0.94	1.37

Source: Field report (2025)

The mean financial performance score for hotels and lodges with foreign employees was 3.30 (SD = 0.55), while for those without foreign employees, the mean score was 2.14 (SD = 0.36). This indicates that, on average, hotels and lodges employing foreign staff reported higher financial performance compared to those without foreign staff. The difference in mean scores (approximately 1.15) suggests a notable positive association between employing foreign workers and the financial outcomes of these facilities.

Before interpreting the t-test results, Levene's test for equality of variances was performed to assess whether the variances of the two groups were equal. Levene's test yielded F = 15.05, p = < .001, indicating that the assumption of equal variances was violated ($p < 0.05$). Consequently, the t-test results under the "equal variances not assumed" scenario were considered appropriate.

The t-test revealed a t-value of 10.60 with 62.50 degrees of freedom and a p-value of < .001, which is less than the conventional significance level of 0.05. This implies that the difference in financial performance between hotels and lodges with and without foreign employees is statistically significant. The mean difference of 1.15 (95% CI: 0.93 to 1.37) confirms that facilities employing foreign staff perform better financially than those without, and the confidence interval does not include zero, reinforcing the significance of the result.

The findings suggest that labour and immigration laws have a significant effect on financial performance, particularly through the facilitation of foreign employment. Hotels and lodges that employ foreign staff are likely better positioned to leverage diverse skills and expertise, which contributes to improved operational efficiency and financial outcomes. This finding aligns with existing literature emphasizing the economic benefits of foreign employee recruitment and compliance with labour regulations in enhancing organizational performance (Shrestha & Kostandini, 2024).

Critical Analysis

Hotels and lodges in Meru District employing foreign workers showed higher financial performance, driven by specialized skills, global exposure, operational efficiency, and legal compliance. These findings align with literature (e.g., Swazuri & Mwenda, 2017; Erdem et al., 2021) demonstrating that foreign talent and streamlined immigration processes enhance productivity, lower operational costs, and boost profitability. However, they contrast with studies warning of language barriers, coordination challenges (Dodd & Zheng, 2022), or negligible financial impacts (Molenkamp, 2015), emphasizing that success depends on effective management and local context.

Theoretically, the study supports the Resource-Based View by framing foreign human capital as a competitive advantage, while Institutional Theory illustrates how legal compliance moderates financial performance.

Practically, managers and investors should strategically recruit qualified foreign staff and prioritize legal compliance to mitigate operational risks and optimize returns. For policymakers, these insights highlight the need to design balanced immigration frameworks that attract skilled global talent while safeguarding local employment opportunities.

The analysis was constrained by restricted access to detailed financial records, potential response bias from self-reported data regarding financial performance and law compliance, and incomplete data caused by non-response or unavailable lodge managers and finance officers. To address these constraints, future research should survey foreign employees directly, incorporate qualitative interviews with industry stakeholders, expand the scope to other regions and sectors in Tanzania, access verified financial records via industry bodies, and investigate mediating variables like leadership style and organizational culture.

CONCLUSIONS

This study draws conclusions that reflect the researcher’s interpretation of the results in relation to the stated objectives. The conclusions are logically derived from the data analysis and are aligned with the aim of examining the impact of foreign employee recruitment on the financial performance of hotels and lodges in Meru District Council, with labour and immigration laws acting as a moderating variable.

The first the study concludes that the recruitment of foreign employees has a significant positive effect on financial performance of hotels and lodges in Meru District Council. This suggests that foreign employees are viewed as contributors to enhanced operational efficiency and improved profitability. Despite some variation in responses, the majority of participants acknowledged that the presence of foreign employees supports better financial outcomes for their establishments.

Second, the study concludes that the recruitment of foreign employees has a significant positive effect on the financial performance of hotels and lodges. Facilities employing foreign employees recorded significantly higher net profit margins and operating profit margins compared to those without foreign employees. This indicates that foreign employees contribute meaningfully to improved operational efficiency, cost management, and profitability within the hospitality sector.

Third, the findings revealed that respondents generally perceived foreign employees as valuable contributors to organizational performance. The positive perceptions suggest that foreign employees enhance productivity, service delivery, and revenue generation, which collectively translate into improved financial outcomes for hotels and lodges.

Fourth, the study concludes that labour and immigration laws play a moderating role in the relationship between foreign employee recruitment and financial performance. Clear, supportive, and well-implemented laws were found to reduce administrative costs, minimize legal risks, and facilitate the effective utilization of foreign employees. Conversely, restrictive or complex regulatory procedures may limit the potential financial benefits associated with foreign staff recruitment.

Overall, the study concludes that the financial performance of hotels and lodges in Meru District Council is not determined by foreign employee recruitment alone, but also by the policy environment within which such recruitment occurs. These findings contribute to existing knowledge by providing empirical evidence from the hospitality sector and by highlighting the importance of aligning human resource strategies with supportive labour and immigration laws.

RECOMMENDATIONS

Based on the findings of this study, several actionable recommendations are proposed to enhance the financial performance of hotels and lodges in Meru District Council through strategic foreign employee recruitment and effective labour and immigration regulations. These recommendations target policymakers, hotel management, training institutions, and future researchers.

Policymakers, particularly the ministries overseeing foreign employee recruitment and the Immigration

Department, are encouraged to continue refining labour and immigration policies to support the hospitality sector. Clear, consistent, and predictable labour and immigration regulations should be strengthened to reduce compliance costs, administrative delays, and legal uncertainties faced by hotels and lodges. Streamlining work permit and residence permit procedures, especially for skilled foreign workers in hospitality-related roles, is essential for enhancing operational efficiency and improving financial performance. These recommendations are consistent with Shrestha and Kostandini (2024), who highlighted that well-structured labour and immigration laws help organizations avoid penalties and unexpected financial losses, and with the European Commission (2022), which emphasizes the financial benefits of simplified permit application processes. Additionally, Erdem et al. (2021) observed that temporary employment through business visas can reduce costs associated with full work permits, and Oswald-Egg and Siegenthaler (2023) noted that hiring experienced foreign employees can be more cost-effective than internal skill development.

Hotel and lodge management should strategically integrate foreign employees into their workforce where skill gaps exist, particularly in specialized operational and managerial roles. Management must prioritize compliance with labour and immigration laws to avoid legal penalties and unanticipated financial losses. Hotels and lodges are encouraged to implement skills transfer programs that enable local staff to acquire expertise from foreign workers while sustaining long-term organizational performance. These practices are supported by previous studies indicating that foreign employees enhance service efficiency, operational flexibility, and overall financial performance (Swazuri & Mwenda, 2017; Yaduma et al., 2015; Lugosi & Ndiuini, 2022; Erdem et al., 2021). Moreover, effective management of diverse workforces, including foreign staff, strengthens human capital and leads to improved organizational outcomes (Morgan et al., 2021; Ahmad & Scott, 2021; Agyapong et al., 2018; Chen et al., 2021).

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