



UNIVERSITY OF NAIROBI

**AN ASSESSMENT OF THE CHALLENGES AND CONSTRAINTS FACING THE
PERFORMANCE OF SERVICED OFFICES IN KENYA
CASE STUDY: WESTLANDS AREA of NAIROBI CITY COUNTY**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT FOR THE
AWARD OF A DEGREE OF MASTERS OF ARTS IN VALUATION AND
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AUGUST, 2022

DECLARATION

DECLARATION BY THE CANDIDATE

I BEATRICE WANGARI KIRATHE hereby declare that this research project is my original work and has not been presented for examination in any other University.

Signature: Date: 25th August 2022

BEATRICE WANGARI KIRATHE

DECLARATION BY THE SUPERVISOR

This research project has been submitted for examination with my approval as the University supervisor.



Date: 25TH August 2022

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DEDICATION

To God for every good thing in my life.

To my parents and siblings for being my greatest cheer leaders.

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This research project was completed through the help of several people.

I'm grateful to my supervisor Dr. Erastus K. Museleku for his guidance throughout the research project; I'm especially grateful for his prompt feedback throughout my research. I'm also grateful to the staff of the department of Real Estate and Construction Management for sharing their wisdom and knowledge throughout my studies. I'm also grateful to my Mum Dr. Wangui Kinuthia for her guidance and encouragement. Lastly, I would like to thank my research assistants Peter Monica and Bernard Odero.

ABSTRACT

In Kenya, serviced offices have gained popularity over the years. The emergence of Serviced office space led to a need for a shift in property management strategies from a rigid system to one that gives growing prominence to flexibility in professional form to remain competitive. The study's primary goal was to evaluate the challenges and constraints facing the performance of the serviced offices in Kenya. The study specifically assessed the status of serviced offices in Kenya; Identified the key drivers of the performance of serviced offices in Kenya; Assessed the performance of serviced offices in Kenya; Identified the most significant challenges and constraints facing the performance of serviced offices in Kenya; Recommended appropriate mechanisms of tackling the challenges and constraints facing the performance of serviced offices in Kenya.

The study adopted the deductive method as the primary method of reasoning. The study's target population was the 24 the serviced offices providers in Westlands, Nairobi Kenya. Data for this study was gathered using a self-administered and structured survey questionnaire. The conceptual framework created following a literature review served as the foundation for the questionnaire design used for this research. In order to analyze and understand the collected data, descriptive statistical analysis including mean, frequency tables, standard deviation, and percentages were used. The study investigated the relationship between the challenges and constraints faced by serviced office providers in Kenya and their overall performance. The analysis was aided by the use of the computer program SPSS (Statistical Package for Social Sciences Version 21.0).

The study established that the following challenges facing the performance serviced offices in Kenya were statistically significant; government policies and regulatory environment, economic environment, poor billing strategy and poor infrastructure. The rest of the challenges and constraints including uncertainty of short-term occupancy, were less significant in influencing performance of serviced offices in Kenya. Thus, the null hypothesis that stated: *H0₁: The short-term nature of serviced office contracts is not the most important challenge facing the performance of serviced offices in Kenya* was not rejected. The study recommends that friendlier regulatory and policy framework and better infrastructure be put in place to encourage more investment and growth of businesses which would in turn increase the demand for serviced offices. The study also recommends that the operators of serviced offices use soft wares to manage the requisition and billing of services and commodities. The study recommends further study on the viability of the serviced offices model in Kenya and a study to identify the policy bottle necks facing the establishment of serviced offices in Kenya

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LIST OF ABBREVIATIONS AND ACRONYMS

ADR	Daily Rates
APAS	Asia Pacific States
EAM	European and Australian Markets
IT	Information Technology
NMA	Nairobi Metropolitan Area
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
UK	United Kingdom
USA	United States of America

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The real estate market, sometimes known as the property market, features a variety of parties, including: owners seeking to sell or lease their properties; the tenant/buyers seeking to buy or lease the properties; the investors who purchase and sell real estate exclusively for productive investments; the property brokers and agents who serve as intermediaries in the purchase, sale, or lease of real estate (Celka, 2011). The property market can be classified into various categories which includes the commercial property market. A commercial property can further be classified in to the lease market and investment market (Gitonga, 2016). This classification further allows us to identify the office property market that comprises the lease of office space and forms the basis of this study.

According to Mutegi (2019), the recent changes in the global economic systems generated key changes in nearly every aspect of property management systems. This is characterized by a landscape of the office property space being highly competitive with a number of large- and small-scale players constantly entering the market. The competitive market economy also brought about rapid development of commercial office space. One notable development has been the development of the serviced office space concept.

The serviced office space, sometimes referred to as co-working offices, is a temporary workplace for business users that typically takes the shape of variously sized rooms that are immediately accessible for use on adjustable leasing terms, together with some common support services. The space is offered in a variety of configurations, from simple floor space with only maintenance-related furnishings and services to professionally serviced, elaborately furnished offices. However, most serviced offices provide either comprehensive or part serviced space. (Peltier 2001). According to (White, Dunse, Dreisin, Evans and Pragnell 2015), the serviced office concept originated in North America in the sixties, and in the United Kingdom in the early seventies. They have since gained traction and popularity in emerging and developing economies particularly in Africa over the years. Both small start-up businesses and established businesses can find property

and services solutions through serviced offices. Comprehensively serviced offices are a significant component of the variety of high business parks and can be found in prestigious premises in more strategic locations. They have developed as a quiet but substantial segment of the market for office space. (Peltier 2001).

In Kenya, serviced offices have gained popularity over the years. In January 2007, Regus group set up shop in Kenya. This is in addition to other countries in Africa like South Africa, Algeria, Tunisia, Morocco and Nigeria. With some of the most accomplished corporate customers, business people, and huge multinational corporations as clients, Regus is one of the largest international providers of serviced office services. Regus operates 3000 business centers spread over nearly 900 cities in 120 different countries. They give people and organizations the flexibility to work wherever they choose, when and how they want, at a different price ranges, thanks to their assortment of workplace layouts and their expanding mobile, workplace recovery businesses, and virtual offices (www.regus.co.ke 24.11.2018).

The emergence of Serviced office space led to a need for a shift in property management strategies from a rigid system to one that gives increasing prominence to flexibility in occupational form to remain competitive. According to Kinuthia (2016), evidence suggests that the property management strategies for a long time, may have been limiting a company's capacity to react to business variations with regards to tenancy contracts, which tends to lead to a lack of choice in occupational arrangements. However, a management paradigm within the property management industry recognizes that companies could need several types of office space to accommodate various business activities. (Gibson and Liziera, 2015).

The primary factors and reasons for preferring serviced workspace vary from one consumer to the other. Some organizations may utilize it for transient initiatives, temporary auxiliary space, or to establish an inaugural foundation and knowledge of the market. Others might be reluctant to embrace lengthy, burdensome obligations or enjoy the serviced office space setting's "one stop" aspect. (Gibson and Liziera 2015). Identifying these key drivers of the serviced office space concept will provide key insight on the marketing strategies the property owners and managers could engage to leverage on its future performance.

As the serviced office sector continues to evolve, challenges and constraints are inevitable and will continue to emerge as the sector continues to face competition from conventional offices, the short-term nature of the contracts, volatile economic conditions, among others. An investigation into the key challenges and constraints facing performances of the serviced offices will enable the property managers provide strategies to mitigate against them in order to spur better performance.

1.2 Problem Statement

Although the Kenyan property market largely provides an ownership or long-term lease contracts, additionally, it also offers products that aid in adaptable peripheral operations that can expand and contract in response to a company's competitive situation (Mbithe, 2019). The serviced office space allows such ultimate freedom where fully or partially equipped space is provided on pay-as-you-use approach with the provision of a variety of services from IT to administrative assistance. The idea of serviced offices is indeed not new, but has recently experienced a reinvention, shaking its reputation as second-hand workspace in substandard locations, mostly intended for small start-up businesses, to be a more carefully controlled branded product. (Gibson and Liziera 2015).

There has been significant growth in the serviced offices sector that has encouraged empirical reviews globally in addressing the numerous aspects and characteristics of the serviced office sectors. Peltier (2011) analyzed the supply of serviced office space in the USA, Celka (2011) looked at the determinants of service office space choice in Poland, Van de Kar (2017), among other academics, looked into the tastes of workers for the amenities and services provided in serviced offices in Europe.

In Kenya, studies on performance of various real estate products available to the researcher have been conducted; Cytonn (2017) in their study on the 2017 report on Nairobi Metropolitan Area Hospitality, covering also the performance of serviced apartments and hotels throughout the year; Kinuthia (2016) who evaluated the expansion and effectiveness of serviced apartments in Kenya. Despite the availability of these studies and the increase in demand for, and supply of, serviced office space there is limited investigation undertaken in Kenya to understand the challenges and constraints facing the performance of serviced offices in Kenya, this the problem and gap that this study seeks to address. Gaining insight into the key indicators of the performance of serviced offices is imperative in assessing and additionally crafting a core-periphery style of

serviced office space constraints and challenges facing their performance. The industry's players will benefit greatly from the data on the formal serviced office sector's success over the past few years, which will be presented in the context of the market as a whole.

1.3 Objectives of the Study

1.3.1 General Objective

This overall goal of this study therefore was to assess the challenges and constraints facing the performance of the serviced offices in Kenya.

1.3.2 Specific objectives

The specific objectives of the study were:

- a) To assess the status of serviced offices in Kenya.
- b) To identify the key drivers of the performance of serviced offices in Kenya.
- c) To assess the performance of serviced offices in Kenya.
- d) To identify the challenges and constraints facing the performance of serviced offices in Kenya.
- e) To recommend appropriate mechanisms of tackling the challenges and constraints facing the performance of serviced offices in Kenya.

1.4 Research Questions

The study was guided by the following research questions:

- a) What is the status of serviced offices in Kenya?
- b) What are the key drivers of the performance of serviced offices in Kenya?
- c) How are the serviced offices performing in Kenya?
- d) What are the challenges and constraints facing the performance of serviced offices in Kenya?

- e) What mechanisms should be put in place in order to tackle the challenges and constraints facing the performance of serviced offices?

1.5 Research Hypothesis

Null Hypothesis H₀:

The short-term nature of serviced office contracts is not the most important challenge facing the performance of serviced offices in Kenya.

Alternative Hypothesis H_A:

The short-term nature of serviced office contracts is the most important challenge facing the performance of serviced offices in Kenya.

1.6 Significance of the Study

Given that the serviced offices are emerging as a significant real estate product, the research will be of great importance to property management governing bodies for policy development. The study will assist the governing authorities to evaluate the serviced office market and potential based on the findings. This will enable the institutions make governing policies that will assist stakeholders provide appropriate governing policies.

The research will be of great importance to property owners, property managers and current and potential investors in the serviced offices sector for managerial practice purposes. The study will assist them to identify the constraints and challenges facing the performance of the serviced offices and their mitigation practices that will have a strong positive influence on their performance. For theoretical construction, the research will also serve as a reference for information by upcoming researchers on related subjects. It will also aid other academics studying the same subject and will draw attention to additional significant correlations that need more study.

1.7 Scope of the study

This study mainly focused on a case of serviced offices in Kenya and specifically on those in The Westlands area of Nairobi County. This is because Westlands has been established to have the highest number of grade A office blocks, (Broll, 2019). 16 months were spent conducting the

study, during which time data was gathered and examined. The data collected, therefore, focused on the serviced offices completed, occupied or available for occupancy during the study period.

1.8 Organization of the Study

There were five chapters in this study. This initial section gave a general overview of the research setting and purpose. The next section sets the conceptual basis for the research by analyzing some of the main literature about serviced offices. The subsequent two sections consider the methodology to be adopted in the collection and analysis, the findings derived from the analysis and the final section meant to draw out the key conclusions, provide recommendations and offer gaps for the future research.

1.9 Operational Definition of Key Terms

a) Serviced Office

A serviced office is a fully furnished and operated office or office complex that is rented out to other businesses as individual office spaces or floors by a facilities management firm, also called an office space provider. Serviced offices—also known as managed offices/executive suites, co-working spaces, business centers, flexible offices, or executive centers—are frequently encountered in large cities' business districts worldwide. (https://en.wikipedia.org/wiki/Serviced_office 24.11.2018)

b) Performance measurement

Performance measurement is the process of gathering, compiling, sorting, analyzing, interpreting, and disseminating pertinent data in order to assess the efficacy and efficiency of past operations. According to its intended use, Moullin (2002) has elaborated on the definition of performance measurement, highlighting the assessment of the best organizational management practices and the value that organizations provide to their stakeholders.

i) Occupancy

The term "occupancy" refers to a measurement of extent of room capacity utilization or room supply efficiency. It is a mathematical expression determined by dividing the let office space by the available office space and is expressed as a percentage.

ii) Revenue per available room/office/unit (Rev per unit)

Performance in the hospitality sector is gauged using a metric called the revenue per available room (RevPAR). The measurement is calculated by getting the product of the average daily room rate (ADR) and the occupancy levels. The net room income can also be divided by the number of available rooms to determine RevPAR during the measurement period. (Chen 2020)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter one outlines the context of this study, along with the problem statement introducing the gap that the investigation intends to address and formulated the goals and research questions for the study. This chapter covers the literature on the ideas, concepts, and practical investigations that serve as the cornerstone for achieving the goals and posing the questions of the study. Recent study and literature on serviced offices was also covered in this literature. The conceptual and empirical review, and the formulation of the research question that the study aimed to address were all covered by the literature review. This led to the creation of a conceptual framework that helped to get a better grasp of the subject.

2.2 Theoretical Review

Theories can be helpful to decision makers and scholars to understand why situations arise and how decision making affects the eventual outcome. In decision making theories and models, the style used varies depending on the nature of the situation and the decision that needs to be made. Specific theories on different factors are often assumed to influence an organization's incentives to act or react to certain challenges and constraints facing organizations (Yang, 2015), and thus, they may have different implications for their performance. This study seeks to derive, assess measure, and test the constraints and challenges facing the performance of serviced offices in Kenya. This section will look at the Contingency approach as a foundational theory with the view that the performance of the serviced apartments depends on the challenges and constraints that they face.

2.2.1 Contingency Theory

According to Omolaubi (2016), sectors, industries and more specifically organizations are unique in factors that affect them both internally and externally and face different situations (contingency variables), and need diverse management styles. The contingency management method is a view that firms identify and respond to a situation variable as it arises (Pratono, 2016). Therefore, the contingency approach can be viewed as a systems theory extension, emphasizing potential ways

to distinguish between various forms of alternative strategies to manage the difficulties and limitations encountered (Pratono, 2016).

According to Jeong and Noor (2012), the contingency theory is a type of organizational theory that holds that there is no one ideal method to run a business, organize it, boost productivity, or make choices. Instead, the best course of action depends on the circumstances both inside and outside the body. (Jeong and Noor, 2012). Contingency theory is often also referred to as the “it all depends” theory, because the typical response to situations and management questions is that it all depends. The key tenet of the contingency theory is that organizational decisions are dependent on the situational contingencies (Pratono, 2016). Although it may seem simple, determining the uncertainties that may affect an organizational decision can be difficult. Theories of contingencies aim to pinpoint and quantify the circumstances in which events are most likely to take place. The word contingency has a similar meaning to how it is used in direct practice, where it describes the connection between two things. If one event exists, it is possible to infer the existence of another event. (Pratono, 2016). In the case of this study, the phenomenon are challenges and constraints and performance. The existence of the constraints and challenges facing the serviced offices can help draw conclusions on their performance.

Two previous research projects looking to discover good leadership behavior had an impact on the contingency strategy. Scholars at Ohio State University set out to gauge a variety of potential leadership traits in diverse organizational environments in the 1950s. (Omolaubi, 2016). They originally identified multiple sets of leadership behaviors, however, two types of behaviors especially proved to be typical of effective leaders: consideration and initiating structure. While initiating structure was described as a leader behavior that provided framework to ensure task accomplishment and target achievement, consideration was described as a leadership trait that also included developing positive interpersonal relationships and demonstrating assistance and compassion for subordinates. (Omolaubi 2016).

In 1967, Lawrence and Lersch used the phrase "contingency theory" for the first time in a piece of writing to discuss organizational structure (Donaldson, 2001). The theory's present iteration was created by refining earlier ideas that described recommendations that worked in any situation. The contingency approach hypothesis that many methods might be effective in a range of

circumstances, (Dobak-Antal, 2010). This can be regarded as one of the theory's meaningful findings as it aims to illustrate various organizational decision-making frameworks rather than spreading the generally applicable organization-management theories. The main principles of contingency approach are as follows: there is no a best way to organize, and the suitable technique varies depending on the type of activity or the situation at hand; management should always be concerned with successfully achieving alignments and excellent fits; institutions are open systems that require effective management and planning to fulfill and harmonize internal needs and to acclimatize to the surrounding circumstances. (Dobak-Antal, 2010).

The contingency theory is selected as the foundation of this study because of the strengths and usefulness in determining the constraints and challenges affecting performance of services apartments as: several researchers have tried it and established that it is a viable and trustworthy method for effective management and leadership, giving it a research-based foundation; it considers the impact of situations and focuses on the relationships, in this case considering challenges and constraints and its relationship to performance; the theory supports identifying ideal roles based on decision-making models and placing managers in charge of scenarios that are perfect for their management style. It has a predictive ability and therefore is centered on inferences and comprehension of the contextual factors of various circumstances that can establish the likelihood of success in particular situations.

2.3 Serviced Office Concept

Whiteet.al. (2015) contend that different sectors, industries and organizations in the global economy have been experiencing rapid changes in a highly competitive market place. In order to overcome this situation, they have changed the way they run their companies, re-engineered corporate procedures, and implemented new working procedures. The property management industry has not been left behind in re-engineering itself and seeking new and innovative ways to improve performance. Mutegi (2019) states that the recent changes in the global economic systems have triggered major changes in almost every area of the property management system, which is characterized by a landscape of the office property space being highly competitive with a number of large- and small-scale players constantly entering the market. The competitive market economy also brought about rapid development of commercial office space.

The use and acquisition of commercial office space has significantly changed in the last decade. The demand for novel and distinctive sorts of real estate products is growing as a consequence of the need for flexibility and quick market penetration (Reed and Stewart, 2003). A new sub-market called serviced offices space concept has emerged and become more established as a result of the revelation that certain types of occupiers have shifting needs that call for space on short-term lease agreements but with full access to the additional benefits like facilities management services, provision of office equipment and office administrative services (Gibson and Lizieri, 2005).

The serviced office space, sometimes referred to as co-working offices, is a temporary workplace for corporate customers that typically takes the shape of rooms of various sizes that are immediately accessible for use on adjustable leasing terms, together with a variety of shared support services. The workspace is offered in a variety of configurations, from simple floor space without furnishes or services apart from regular maintenance, to professionally serviced, luxuriously furnished offices. However, most serviced offices provide either entirely or partially serviced workspace. (Peltier 2001). According to White et al. (2015), the serviced office concept originated in North America in the sixties, and in the United Kingdom in the early seventies. They have since gained traction and popularity in emerging and developing economies particularly in Africa over the years. Any business, whether a small start-up or large corporate can benefit from the property and service options offered by serviced office space providers. Fully serviced workplaces are a significant component of the mix of top-notch commercial complexes and can be found in prestigious buildings in the best and strategic locations. They have become a little but substantial segment of the market for office space (Peltier 2001).

The demand for flexibility is said to be what has fueled the surge of the serviced office idea. Organizations are shifting the locations and methods by which they conduct their activities more frequently. Consequently, an organization's capital infrastructure, of which property is a crucial component, needs to be flexible (White et al. 2015). The sub-market for serviced offices, which has just emerged, has been redefined, shaking off the stigma of second-hand space in substandard structures and offering real estate and service options for both small start-up businesses and large corporate organizations. Fully serviced workplaces are now available in high-end structures in the

most advantageous locations, and they play a significant role in the mix of upscale business parks. (Reed and Stewart, 2003).

2.3.1 Characteristics of Serviced Offices

The first characteristic of the serviced offices is that they are currently used by a broad spectrum of organizations, employees and freelancers. These users can be differentiated with respect to their stages within the business cycle as well as size and type of business. For example, Laterveer (2011) bases them as: Businesses that are just getting started, companies that are expanding into new markets, independent contractors, virtual staff members, versatile corporate staff members, flex workforce between appointments, large corporations in need of transitory office space, project team members, conference and teleconference users, are just a few examples.

Furthermore, there are a number of overlapping markets for serviced or co - working spaces, mostly based on the space's quality, location, and occupant. Serviced offices are widely dispersed, and the size and scope of the operators varies from a limited number of major, mostly international providers with a mix of large corporate and SME clients to numerous small operators who concentrate on a local market of SMEs, start-ups, and freelancing clients (Dabson& McAllister, 2014). The requirements for the services provided will probably vary based on the various types of tenants.

Third, the majority of serviced office providers provide a variety of product tailored to their various target tenant demographics. To better serve their corporate customers, prominent serviced office providers typically operate on a worldwide level in grade-A premises, and in desirable locations. They provide a high-end range of services and products to their customers, who anticipate having to pay a premium for them. Small serviced office providers are based locally or regionally and provide a constrained range of goods and services. They are housed in typical, sufficient workplaces, and since their customers are ready to forgo quality for price, they may expect to spend less than they would for typical office space. (McAllister, 2001).

A fourth characteristic is that serviced workplaces are financed by employing the same concepts as in other types of contracting, including the transformation of fixed expenditures into variable costs and the passing of risks to a third party. (Dabson& McAllister, 2014). Serviced offices

provide products with adjustable contracts that can be categorized as variable costs as opposed to the fixed costs connected with lengthy leases and facilities agreements. Additionally, tenants gain from the convenience of a "one-stop shop," which lowers the costs of searching for office supplies and facility services significantly compared to when customers rent conventional office space. (Dabson& McAllister, 2014).

The fact that serviced offices are also co-working spaces is their fifth attribute. New advances in technology have opened up new opportunities for working outside the conventional office setting. Additionally, a lot of independent contractors and home-based workers felt the need to communicate, engage, and cooperate with anyone else. Small businesses and freelancers are the main groups who engage in co-working, and it's possible that the more accommodating labor market and the increasing number of independent contractors have led to this form of office's rising popularity. Numerous serviced offices may have incorporated a co-working model into their office space due to the co-working phenomenon's prevalence. (Mbithe, 2019).

2.4 Status and Performance of Serviced Offices Globally

The serviced offices sector has shown dynamic growth globally in the last decade. Additionally, there has been an increase in diversity over the past three years, with more operators providing a wider range of space options in more regions, in both developing and developed countries. There is now a greater number of serviced apartments globally than ever before, and conventional property owners and managers are opting to enter the serviced office market for the first time. This results in more possibilities for the consumers, a variety of choices for reserving space, and the unstoppable expansion of serviced workspaces as a product (Ibis World, 2019).

According to Instant Group (2018), the United Kingdom's (UK)serviced office industry is currently considered the largest and represents over 25% of global supply attributed to swift uptake and significant occupant demand. More than 20% of the office buildings in London was let as serviced workplaces in 2017, demonstrating the outstanding rate of growth of the UK serviced office market. From 8.5% in 2016, this represented a significant increase, and within the same time period, uptake increased across the UK by more than 5%.

While serviced office growth in the UK is still strong, the overall growth rates of the more recent Asian and Pacific (APAC) regions are still the strongest, with gains of well over 15% in 2017 in already substantial markets like Singapore, China, and India. Future growth rates and prospects are anticipated to be higher in this region, which promotes broader global growth (Instant Group, 2018).

Across the European and Australian Markets (EMEA), there are over 5,000 serviced office centers with a growth of rate 15% between 2017 and 2018. This is fueled by a number of major serviced office operators including WeWork and Mindspace, who have increased their foothold in Amsterdam, Tel Aviv, Berlin, and Paris (Instant Group, 2018). The desire to establish new areas in this business is also being fueled by rising demand from larger corporations. Australia is the leader in this part of the world, with more than 25% of its centers devoted to offering serviced offices. This can be attributed to Australia having a high percentage of self-employed workers who are more likely to be looking for flexible and hybrid serviced office space (Ibis World, 2019).

The United States has experienced steady growth for the past 5 years to 2019, with an industry revenue that expected to increase at an annualized 6.3% to \$2.4 billion, including an increase of 5.1% in 2019 alone. The fact that entrepreneurial operators, rather than only the industry's heavyweights, are fueling growth in the US is a crucial trend, with only a handful of centers developing extremely specialized venues for niche audiences (Ibis World, 2019).

In Africa, the concept of serviced office space started gaining traction in the early 2000's lead by South Africa and Egypt. In Kenya, Knight Frank's first half of 2019 report indicates that the serviced office sector has recorded fast growth over the last few years. Cytonn (2019) states that in the Nairobi Metropolitan Area (NMA), serviced offices make up about 0.9% of the total stock and have been growing popular in Kenya. Serviced offices achieved returns of 12.3% in 2019, 4.3% percentage points more than the yield of 8.0% for non-serviced offices (Cytonn, 2020). The current occupancy rates in the available serviced office space increased to 80% in 2019 from the low 60s in 2018, that could be traced back to the office setup's desirability to SMEs, as a result of the leases' flexibility; they can vary for short periods, the lack of startup expenses, and the collaboration opportunities with other people/businesses in a challenging work environment. (Muiruri, 2019).

2.5 Key Drivers of performance of Serviced Offices

There are numerous key drivers for the demand and performance of serviced offices outlined by different scholars. The most common used by scholars and that will be tested by this study include market distinction, growth strategy, competitive advantage, client differentiation, marketing strategies and employee training.

2.5.1 Market distinction

Market distinction is the process of grouping likely clients into groups or segments according to their shared demands and the way they respond to promotion initiatives. Market differentiation helps businesses to target various consumer demographics that view the full value of various goods and services in various ways. Location, size, and associated fees are typically used to distinguish between different types of serviced offices (Differentiation strategy, 2020). The different types of customers served and the type of products they provide are differentiating factors for both large and small-sized serviced offices. The large serviced offices often offer Class A space (excellent location) that occupies a complete floor, or roughly 20,000 to 25,000 square feet, in a high-rise office building. On the other hand, small serviced offices are 10,000 to 15,000 square feet in size and are situated in Class B office buildings or, more frequently, suburban office parks. Large organizations with a national or international presence make up the majority of clients for large serviced offices, whereas regional businesses and local professional organizations make up the majority of clients for smaller office spaces (Tarver, 2019).

2.5.2 Growth strategy

A growth strategy is a set of plans of action that enable a firm to increase its present level of market share. Growth strategy enables businesses to grow and can be accomplished by, among other things, opening new locations, spending money on customer acquisition, and adding new products to a line (Yang, 2015). The company's growth tactics are influenced by its industry and target market. Different expansion tactics are used by different types of serviced office companies. While the smaller providers want to develop organically by constructing new centers in new markets, the larger providers can expand by amalgamation through acquiring local and regional businesses. Growing public capital market investment and understanding of the benefits of serviced offices

are further factors driving growth plans. Therefore, the demand for serviced workspace is considered as evolutionary rather than a quick response to economic cycles. (Alexander and Martin, 2013).

2.5.3 Competitive Advantage

Dawson (2015) claims that a company's competitive edge is what makes it perform better than its rivals. It is the advantage a company has over rivals, and it may include things like access to innovative technology, high-skilled personnel, favorable geographic conditions, and natural resources like cheap power or high-grade ores. Providing better and more valuable services to customers can also provide businesses a competitive edge. Advertising products with lower prices or better-quality piques consumer interest. Target markets are aware of these distinctive goods or services, which are the basis for brand loyalty or consumers' preference for one commodity or service above others. By offering workspaces with the advanced technologies, furnishings, and amenities in key downtown locations, serviced office businesses get the edge over other competitors. They further set themselves apart from the competitors by emphasizing a few aspects of the high caliber of the services they offer. They aim for uniformity in their goods and services, worldwide reach, and the development of integrated settings that benefit their customers (Warf and Stutz, 2007).

2.5.4 Client Differentiation

According to Tarver (2019), consumer differentiation is about comprehending the customer's needs and conveying your worth to them. Ability to distinguish oneself for consumers builds on strategy and product innovation, which are about the lifestyle, functional, and experiential areas where the service or product touches the client. The fulfillment of the client's basic demand is referred to as having a functional perspective (Alexander and Martin, 2013). This helps to set oneself apart in terms of features, functionalities, and benefits when giving the customer value by resolving their issue. After this, the supplier might develop more and become a partner by identifying with the consumer's beliefs and way of life. The provider is now meeting a greater need and giving more value as a result. Finally, offering the client a value that can change their lives through rewards, information, and support creates a pleasurable experience, completing the

customer differentiation approach, and incentivizing them to only do business with you (Tarver, 2019).

2.5.5 Marketing Strategies

A marketing strategy is a set of instructions intended to advertise and sell a service or product. An organization's marketing goals and objectives are outlined in a marketing strategy, which is a single, concrete plan (Marketing Business news, 2019). A strong marketing strategy can help businesses locate their ideal customers. Additionally, it helps them better understand client needs. If you have a sound strategy in place, you may deploy the most effective marketing techniques. To maximize their profits, businesses also concentrate on choosing the ideal product combination. Long-term, prospective planning methods are referred to as marketing strategies. Acquiring a competitive advantage is their main objective. A corporation has a market advantage when it outperforms one or more of its competitors in the delivery of a good or service, which boosts the organization's performance. Therefore, the serviced office providers' ability to advertise effectively is crucial to determining how well they perform. (Marketing Business news, 2019).

2.5.6 Employee Training

The human resources in any organization are a precious capital. Their training and development are therefore critical in ensuring that the customers they serve are taken care of and served effectively and efficiently. The ability of the facility managers and owners to recruit competent staff, who can use their abilities to accomplish organizational goals, is a crucial element in the success of serviced offices (Gazija, 2011). Having access to information and knowledge is increasingly important for building a competitive edge in a market system where uncertainties are quite pervasive. Learning new methods and strategies of doing tasks by instruction is among the most crucial components of working in serviced offices. In order to increase employee productivity, development and training are therefore crucial since it enables workers to specialize in their fields of expertise and better utilize their skills. Customer happiness and employee performance are significantly impacted by the use of an effective training program (Gazija, 2011).

2.6 Constraints and Challenges facing Serviced Offices

The management of serviced office space has many constraints and challenges that affect their performance. Between operational systems, business strategies and dealing with a variety of personalities, there are numerous obstacle and huddles that serviced office owners and agents face that require mitigation in order to increase efficiency as well as improve their uptake and increase revenues and profitability (Durdyev et, al, 2012), The purpose of this study is to assess these constraints and challenges that affect the performance of serviced offices in Kenya and therefore this section is critical to the fulfillment of this purpose.

2.6.1 Constraints facing performance of Serviced Offices

There are two major constraints that affect the performance of real estate in general and serviced offices specifically. These are the efficiency of the serviced office real estate market and the financial and liquidity issues associated.

2.6.1.1 Inefficiency of the serviced office real estate market

According to Frew (2016), the serviced office real estate market has many possible sources of inefficiency including lack of centralization or standardization like other commodities market. The determination of holding period returns is made more challenging by the far less frequent trading of serviced office spaces. The distinctive qualities of the serviced workplaces and the strong emphasis on the location of the particular building further exacerbates this limitation. There is also the problem of scarcity and quality of information to the potential customers that brings out the inefficiency of real estate markets and in particular the serviced office market (Frew, 2016)

2.6.1.2 Financial and liquidity issues

Durdyev et, al, (2012) state that property is a long-term investment opportunity by nature and therefore cannot compete on similar terms with other asset classes that produce returns in a much shorter timeframe. Illiquidity is therefore one of the key issues when investing in the serviced office spaces. At an investment level, serviced offices are therefore due to suffer from the same, if not higher liquidity issues as other commercial properties. With sufficient market analysis, cash flows may be predicted rather easily within the initial year or the second; even so, as the market

gradually becomes less foreseeable over time, future cash flows become increasingly difficult to project. Other parameters that must be taken into account for the cash flows but are more difficult to forecast include refurbishment and maintenance expenditures as well as adjustments for tax law changes (Durdyev et al, 2012).

2.6.2 Challenges facing the performance of serviced Offices

Challenges facing the performance of serviced offices have been identified by different players in the industry as well as scholars. The most common challenges include: Attracting and Managing tenants, Inventory Management, Complex Shared Workspace Information Technology, Billing of the Shared Workspace Products and Services, and Growing the Shared Workspace.

2.6.2.1 Attracting and managing tenants

Attracting tenants to the serviced offices requires an increase in the brand awareness that should drive demand to the serviced office space. There is an array of marketing strategies that the owners and agents can utilize, however these can be costly and the efficiency of the strategies may not be immediately verified. From an online perspective, the serviced office owners and agents need to invest time and effort on inbound marketing which requires optimizing the keywords on websites and generating content that will drive traffic to the site. The potential tenant should therefore be given compelling reasons to consider the serviced office space and explore the products and services offering (Juneja, 2020).

2.6.2.2 Inventory management

Managing tenants can be tiresome for those operating serviced offices. Moreover, managing the different products and general workspace inventory is equally challenging, costly and time consuming. Managing inventory should work in real-time so that at any time the serviced office owner/agent is aware of what is available across the space portfolio. This should be accomplished by carefully outlining the product and package plans for tenants. Ranging from day passes, adaptable co-working agreements, workspaces, and assigned desks, the owner/agent needs to establish the price point within the market. This can be a challenge to the managers (Gordana et al, 2010).

2.6.2.3 Complex shared workspace IT

The adaptability of serviced offices and co-working spaces makes it more difficult for operators to establish effective and optimized IT. Multiple vendors, including ISPs, companies that install and operate Wi-Fi and the Internet, and VoIP providers, result in more contracts, different systems, and resources spent trying to make everything work well together. When using many different systems, a dedicated internal resource is required to provide, deliver, or decommission services (Juneja, 2020). Additionally, it requires operators to depend on numerous IT partners with various standards and procedures to maintain their workspaces, which could be expensive and difficult to handle. Serviced office providers discover that instead of concentrating on their clients and expanding their operations, they spend more time attempting to consolidate information and access various systems to gain visibility into service expenses, such as bandwidth consumption or phone charges. Decentralized workplace technology might frustrate tenants due to the uncertainty it causes them in the event of an outage or the need for IT assistance (Fanoun, 2018).

2.6.2.4 Billing shared workspace products and services

When charging the tenants, managing a number of customizable products and services offered for serviced office workplaces becomes challenging. For serviced office operators and agents, optimizing this payment process is a major difficulty since once a service package is acquired or supplementary services are given, it becomes crucial to track usage, note the cost, and debit the client account. The billing function within the same platform is intended to ease the process when inventory is controlled and products are accessed from the workplace management system, but this presents a barrier (Fanoun, 2018).

2.6.2.5 Growing a shared workspace

New and original sorts of partnerships, workplaces, and development projects are being driven by the rising demand for flexible space. Many providers of serviced offices are thinking about or pursuing growth initiatives. Making the firm scalable from the very beginning is essential. However, several challenges can develop while expanding in the same facility or extending to new sites and markets. For serviced office owners, implementing a dependable, redundant, and scalable technological platform that supports future development is a significant problem (Gordana et al, 2010).

The common consensus is that technology reduces the numerous hassles of managing a serviced office firm, even though these difficulties vary for providers across the board. Strong workplace technology enables operators to provide tenants with additional services of a higher caliber and sets up the company for success. From an operational standpoint, it reduces the amount of time, energy, and resources wasted on ineffective systems (Gordana et al, 2010).

2.6.2.6 Short term nature of serviced office contracts

Serviced office operators provide a response to the rising demand from businesses seeking serviced offices' simplicity and increased level of flexibility. Therefore, contractual terms are far more adaptable in a serviced office space and often start as low as a few hours. This short-term nature of the contracts is a great advantage to the tenants but can be a challenge to the property owners and managers who may have irregular revenues. The property owners will still need to service and maintain the premises even when there are few or no tenants to pay for the space (Fanoun, 2018).

2.7 Performance Measurement

2.7.1 Performance Measurement of Serviced Offices

Performance measurement is defined according to Gordana et al (2010) as the course of determining action that leads to performance. Performance measurement within the real estate industry has been in existence for a long time and forms an imperative element of the process for making decisions. Performance measurement offers real estate owners and agents the likelihood to make decisions that could ensure effectiveness and efficiency in the performance indicators (Juneja, 2020). In the past, there have been Traditional performance measurement within the real estate industry that have since been criticized for creating a single focus and short-term orientation, lacking strategic focus and discouraging continuous improvement. The starting point however, for creating an adequate performance measurement system is to know the objectives of the real estate owner, firm or agent and the strategies to achieve them as well as the acknowledgement of the influences that are of serious significance for the objectives achievement (Juneja, 2020).

Obtaining accurate and trustworthy property investment performance measurements is challenging, which makes determining if a property investment has been profitable a challenging procedure. This is due to the opaque nature of real estate prices and the time and effort required to determine both the capital and rental values of real estate. Only when the property is the topic of a transaction is its true value reflected. There cannot be a market standard price that is relevant to all investment assets because every property is different. Therefore, there are several typical methods that real estate brokers and owners employ in order to comprehend the present state of their investments and make sensible decisions in line with it. These according to Gordana et al, (2010) are:

i. Equity Growth from Appreciation

Some investors buy real estate in the hopes of seeing their money grow. The equity gain that these investors have generated as a result of hanging onto their estate is, consequently, the most crucial measure that they are concerned with. In order to determine whether the equity they have created in the property is higher than the expenditure they have incurred as a consequence of having to hold on to the house, such investors keep records of their mortgage repayments, which also include interest and principal payments, and then compare it to the market price (Gordana et al, 2010).

ii. Equity Growth from Cash Flow

Other investors choose to purchase real estate for cash flow rather than capital appreciation. As a result, they take the interest cost out of their cash flow each month. Their equity growth is primarily attributed to the balance. As a result, once this cash flow occurs month after month, there is gradual but significant growth. Rising rents frequently guarantee that the property generates a sizable positive cash flow throughout time (Gordana et al, 2010).

iii. Operating Ratio

Real estate investing is a long-term endeavor. The amount of positive cash flows produced and the costs associated with maintaining a property alter over time. Because of this, many investors like to monitor the proportion between these values to determine how successful their investment is (Gordana et al, 2010). However, this study seeks to assess the performance of the serviced offices and therefore will concentrate on the financial performance indicators. There are certain key

performance indicators that have been widely accepted and used as proxies for performance in the hospitality and the real estate industry that this study seeks to also employ. These according to Kinuthia (2016) include: Occupancy (%), Average Daily Rate (ADR), and Rooms revenue per available room or in the case of serviced offices – per unit. Due to the nature of serviced offices being a combination of hospitality and real estate industries, the study proposes the use of these financial performance indicators.

2.7.1.1 Occupancy

Occupancy refers to the extent of utilization of room supply capacity or efficiency. It is a mathematical expression obtained from dividing the let office space by the existing office space and is expressed as a percentage. Occupancy rates less than the office capacity indicates existence of lost marketing opportunities, leading to exhaustion in the office space revenue (Kinuthia, 2016).

Occupancy % = office space Occupied / office space Available, or

Occupancy % = Revenue per office space / Average Daily Rate

2.7.1.2 Revenue per room/office space/unit(sqm) (RevPar)

In order to maximize returns, the real estate business uses revenue per office space (RevPar) to measure financial performance. RevPar shows the ability to improve revenue while also realizing more occupancy and greater volume, 2016 (Kinuthia).

RevPar is calculated in two (2) ways: -

RevPar = Total office space Revenue / Total office space available, or

RevPar = Occupancy % X Average Daily Rate (ADR)

2.8 Summary and Conceptual Framework

Independent variables

Dependent variable

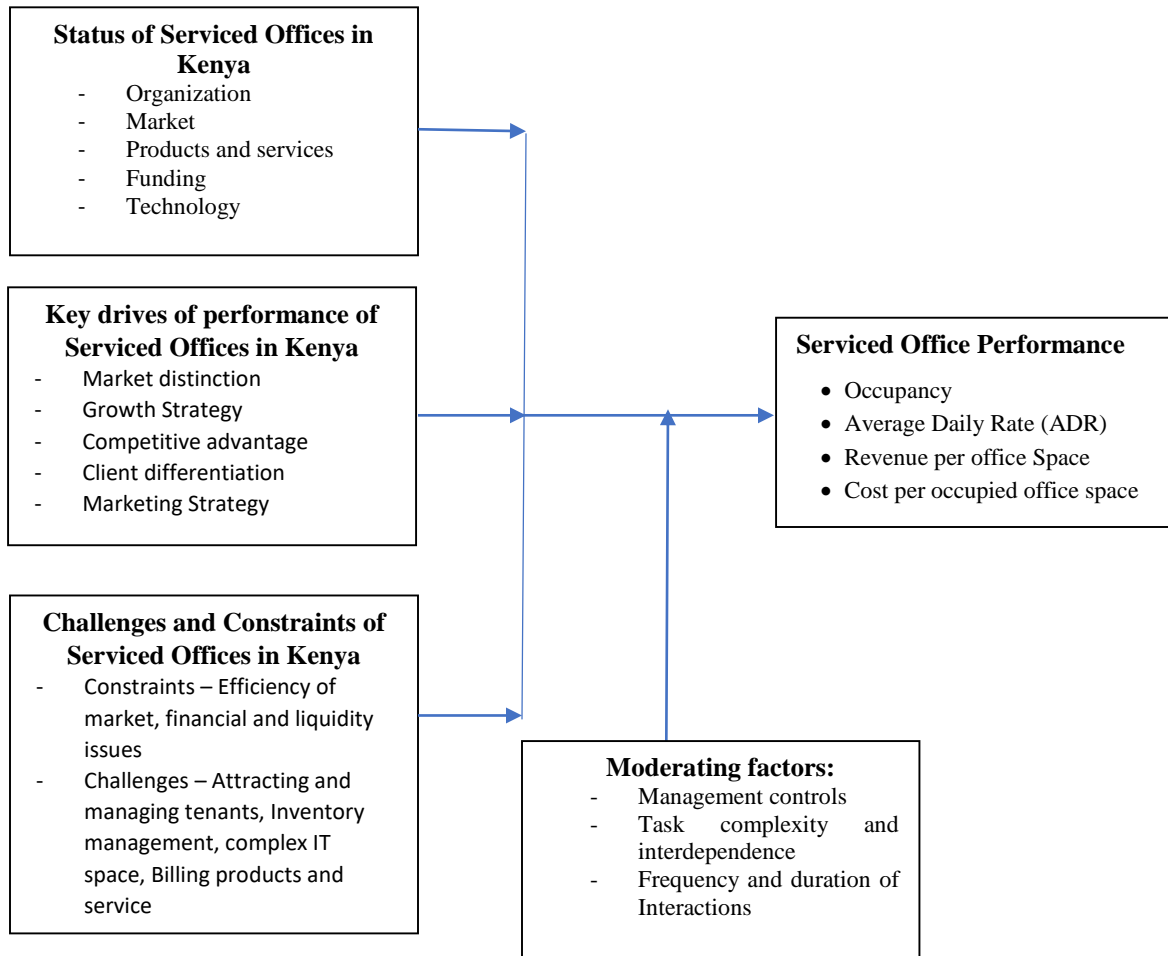


Fig. 2.1: Conceptual framework

Source: Author 2020

This conceptual framework is a summary of the chapter and brings together the theoretical framework as well as the variables under study in to a visual representation that summarizes the purpose and objectives of this study. To begin with, the first objective of the study seeks to assess the status of the serviced offices in Kenya. This will be using against the organization of the serviced office space, the market, the products and services offered, the funding available and the technologies available. The second objective seeks to identify the key drivers of performance of

the serviced offices. The variables to be measured for this objective will be the market distinction, the growth strategies, the competitive advantage, the customer differentiation and the marketing strategy aspects. The third objective seeks to identify the challenges and constraints facing the performance of serviced offices in Kenya. This will be measured using the constraints variable of efficiency of market and financial and liquidity issues variable; the challenges will be measured against the variables of attracting and managing tenants, inventory management, complex IT space, billing products and services. The final objective seeks to assess the performance of serviced offices in Kenya which formed the dependent variable. The variables under this will include occupancy, average daily rate, and revenue per office space and the cost per occupied office space.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a critical review of the research methodology that the researcher employed in order to fulfill the objectives of the study. The general objective of this study was to assess the challenges and constraints facing the performance of the serviced offices in Kenya. The specific objectives derived from this were: to assess the status of serviced offices in Kenya, to identify the key drivers of the performance of serviced offices in Kenya, to assess the performance of serviced offices in Kenya, to identify the challenges and constraints facing the performance of serviced offices in Kenya and finally to recommend appropriate mechanisms of tackling the challenges and constraints facing the performance of serviced offices in Kenya.

This chapter begins with an overview of the research design that was chosen, followed by the target population and its attributes, a description of the proper sampling technique and sample size that largely defined the population, a description of the method and tools used to collect the data, analysis of the data, and a discussion of ethical issues.

3.2 Study Area: Westlands Area, Nairobi County

The Westlands area is situated 3.2 Kilometers to the North West of the Nairobi city centre. During the colonial era, it served as a neighborhood for Kenyan Asians of Indian heritage to live. Businesses began moving to Westlands and other nearby districts wherein land and office spaces were readily accessible and the pricing less prohibitive in the 1990s and early 2000s compared to the Nairobi City Centre (Ruthling, 2019).

Westlands, Upper Hill and Kilimani areas contain the largest combined A-grade and B - grade office market share of 623,000m², 478,000m² and 324,000m² respectively (Regus, 2019). Westlands area is proposed as the study area as it contains the largest percentage of grade A offices.

Figure 3.1 Satellite image showing the location of Westlands



Source: Google Earth 2020

3.3 Research Design

A research design is a set of guidelines for data collection and analysis that seeks to balance relevance with the study goal (Kombo & Tromp, 2014). Inductive and deductive reasoning are the two main methods used in study design. While inductive reasoning progresses from detailed observations to larger approximations and hypotheses, deductive reasoning advances from the more general knowledge to that which is more precise (Hallebon & Priest, 2009). Even though science frequently employs inductive reasoning, sometimes it is not logically sound since it is not necessarily accurate to infer that a common principle is true (Kombo & Tromp, 2014). As a result, the deductive method was chosen as the main line of thought in this study. The conclusions must follow logically from the findings.

The researcher combined quantitative and qualitative methods using a mixed methodology design. Since it does not generate discrete numerical data, the qualitative research design was employed

to evaluate objective theories by investigating the correlation between the dependent and the independent variable. To ascertain the respondents' perspectives, ideas, and attitudes on the topic, a social constructionist approach was adopted (Creswel, 2014). The respondents were required to draw from their experience to shed light into the research. The quantitative design was used to test objective theories by examining the relationship between variables through collection of numerical data and quantification of variables.

As a result, a descriptive design was employed to show the findings of this study. The descriptive design provides a description of the current situation and reports the researcher's findings (Kombo and Tromp, 2014). Due to the continuing nature of the topic being studied, the researcher was able to gather data from the respondents using a descriptive approach. They gave an accurate account of the issue being researched.

3.4 Population and Sampling

3.4.1 Population

The target population refers to the specific group relevant to a particular study. An effective population to be studied shows diversity, representation, accessibility and knowledge that are important to meet the requirements for a population sample. Within the context of this study, the population was primarily all the serviced offices in Nairobi Kenya.

With a populace of more than 6.5 million, Nairobi is both Kenya's largest city and the capital. With the Nairobi Securities Exchange luring numerous foreign companies to the city, it hosts a financial sector that is rapidly expanding. Numerous well-known multinational corporations operate extensively in the area, and internationally recognized non-governmental agencies have set foundations there. According to Broll (2019), Nairobi's existing supply of A-grade office space, which is considered to be very popular with regards to serviced offices, measures approximately 961,000m² while B-grade space accounts for roughly 976,000m².

Property owners and managers of the serviced offices in Nairobi County formed the target population as they were be crucial in providing responses to the variables under study. The Property owners and managers are individuals or organizations that perform the tasks of operation, control, maintenance, and oversight of the serviced offices. Additionally, they manage the physical

capital assets like as machinery, tools, and equipment that are bought and used to create, maintain, and repair finished goods (Beehive, 2009).

3.4.2 Sampling method

Sampling is the process of choosing a section of an aggregate or entirety from which a conclusion about the aggregate is drawn (Crossman, 2018). It also refers to the method of learning details about a population by looking at just a small portion of it. Kombo and Tromp (2014) describe that sampling would be the action, technique, or process of selecting an appropriate representative portion of a population for the goal of ascertaining characteristics or attributes of the total population. The sampling method considers a number of factors and is influenced by the organization's kind, goal, complexity, time restrictions, and prior study in the field.

The researcher employed a multi-stage sampling strategy in light of these. The purposive sampling approach was the first sampling technique. This gave the researcher the opportunity to concentrate on specific population characteristics that were of interest and helped to provide answers to the research questions. Additionally, it gave clarity in the selection of location and proximity to potential responders, which is also the opinion of Acharya, Prakash, and Saxena (2013).

In this view, the researcher first purposively selected the Westlands area within Nairobi County. Due to its prime location, the Westlands area is estimated to house 24 serviced office providers from a total of 63 providers within the NMA as at 23rd of May 2020. Based on the estimated number of 24 serviced office providers in Westlands area, the researcher surveyed the entire population therefore making the sample frame to be 24. All the serviced offices providers within Westlands area had an opportunity to respond to the survey since they all occupy a similar position within the population.

3.5 Data Collection Methods

Data of both the qualitative and quantitative varieties was gathered. Since the data was gathered over a long period of time with a focus on people's experiences to identify the meaning they assign to events, processes, and structures, it is rich and has the potential to reveal intricacies. The quantitative data included information that could be quantified and employed in statistical and

mathematical computations. Mathematical approaches can be used to conveniently evaluate and verify this data.

These types of data were collected by use of questionnaires. This was in the form of structured questionnaires with both open and closed end questions to operators of services offices within the Westlands area of Nairobi. To cater for the quantitative data, the questionnaires had closed ended questions with a continuous rating scale that gives the respondents a combination of choices based on a selection of pre-determined choices and Likert scale responses (Chyung, et al., 2018). The qualitative data took the form of open-ended questions that did not limit the respondents to predetermined choices but availed adequate space for them to express their experiences, thoughts and opinions of the subject matter under study. This complimented information of the quantitative data.

The advantages of questionnaires are that they are convenient for the respondents to complete at their own time within the time frame provided and if electronically done they are economical and fast in response. The disadvantages however, is that response rate can be slow especially in lengthy questionnaires, and there might be no in-depth information in cases of closed questions (Crossman, 2018). Data collection was via hard copies of questionnaires which were distributed to the selected sample who were be given a time frame within which they were required to respond.

3.6 Data Analysis and Presentation

Both the quantitative and qualitative data was analyzed concurrently. The qualitative data informed how effective the quantitative data is being implemented. By combining the two research methods, we got a clearer understanding of the variables under study (Venkatesh, et al., 2013). The following steps were taken to process the questionnaires for analysis after they were collected: In the first stage, the pre-analysis process, the completed questionnaires were carefully examined, and any issues that were found in the raw data, such as missing responses, were assessed and fixed. In the second stage, which required creating a coding scheme, the researcher used the content style of evaluation to analyze the qualitative data and developed mathematical equations and scales from the responses. This helped with data summarization and response analysis.

Data entry by hand was done for the printed documents surveys in the 3rd and last stages. Statistical Package for Social Sciences version 23 (SPSS V23) was used to evaluate the combined data in order to derive descriptive statistics, such as percentages and frequencies, which were then presented as tables, graphs, and charts. Means, standard deviations, and tests of significance were also used to provide an explanation for the quantitative data.

A correlation test of variables was conducted to establish the correlation co-efficient of the association between challenges and constraints (independent variable) and performance of serviced offices (dependent variable) in Kenya. The challenges with a coefficient of correlation of between 0 and 0.3 are regarded as very weak, 0.3-0.5 as weak, 0.6-0.7 as moderate and 0.7 and above as strong (Moor et al,2012).

In testing the hypothesis, the Challenges with a P value of less than 0.05 were considered to be statistically significant while those with a P value of more than 0.05 were considered not to be statistically significant. The hypothesis was tested using correlation; the challenge with the lowest P value was considered to be the most important challenge affecting the performance of serviced offices while the one with the highest P value was considered to be least important challenge affecting the performance of serviced offices.

3.7 Validity and Reliability

Researcher bias, which can be caused by selective information recording or by enabling the researcher's beliefs or perspectives to influence how the study is carried out and perceived, may compromise the study's validity. The researcher had to be conscious of possible biases and self-reflect in order to handle them. By ensuring that the researcher accurately documented what was heard, descriptive validity was attained. The report findings must adequately reflect the meaning that the research participant truly intended to convey—that is, his point of view, thoughts, and perspective. (Kombo & Tromp, 2014). The researcher checked, confirmed, and ensured that the research adheres to the aim by implementing a verification approach throughout the research process. The congruence of the questionnaire responses, the literature employed, and the data gathering and analytic techniques was continually checked back and forth (Morse, et al., 2002).

3.8 Ethical Considerations

Ethical practices were observed by the researcher. Discretion was quite important and the researcher did not disclose information deemed as confidential by the respondents. The responders' voluntary participation in the activity was one of the ethical concerns. In order to ensure that the respondent participated voluntarily in the exercise, it also contained clear consent from the respondent.

3.9 Summary of Chapter

Research Methodology was addressed in this chapter. This chapter began with a review of the preferred research design, followed by a description of the population of interest and its character traits, a discussion of the proper sampling technique and the sample size that best represented the population, a description of the method and tools used to collect the data, a data analysis, a summary of the findings, and ethical concerns.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSIONS

4.1 Introduction

This chapter presents results on the assessment of the challenges and constraints facing the performance of the serviced offices in Kenya. The data was collected using structured questionnaires. The results are presented in broad themes as per the set research objectives; The status of serviced offices in Kenya, Key drivers of the performance of serviced offices in Kenya, the performance of serviced offices in Kenya and the challenges and constraints facing the performance of serviced offices in Kenya.

4.2 Survey Response Rate

The researcher distributed 24 questionnaires to Serviced Offices Operators; 22 of them were filled, one of the questionnaires was not adequately filled and as such has been considered non responsive. Therefore, the number of dully filled questionnaires was 21. According to Mugenda and Mugenda, (1999) a response rate of 50% is adequate, 60% is a good response and 70% if very good. The response rate for this study was 87.5%, which is very good for analysis and reporting.

4.3 The Status of Serviced offices in Westlands Area, Kenya

The first objective of the study was to assess the status of serviced offices in Kenya. This section presents the descriptive statistics of the status of serviced offices in Kenya including the results of the analysis of the following variables; years of operation in Kenya, number of buildings being operated by the serviced office operator in Nairobi County, the mode of acquisition of the serviced offices, number of buildings being operated in Nairobi, factors considered in selecting location for the offices, whether they operate serviced offices outside Kenya, membership of Serviced Offices Organization, services being offered by the respondents and the characteristics of serviced offices.

4.3.1 Years Serviced Offices Organizations Have Operated in Westlands Area, Kenya

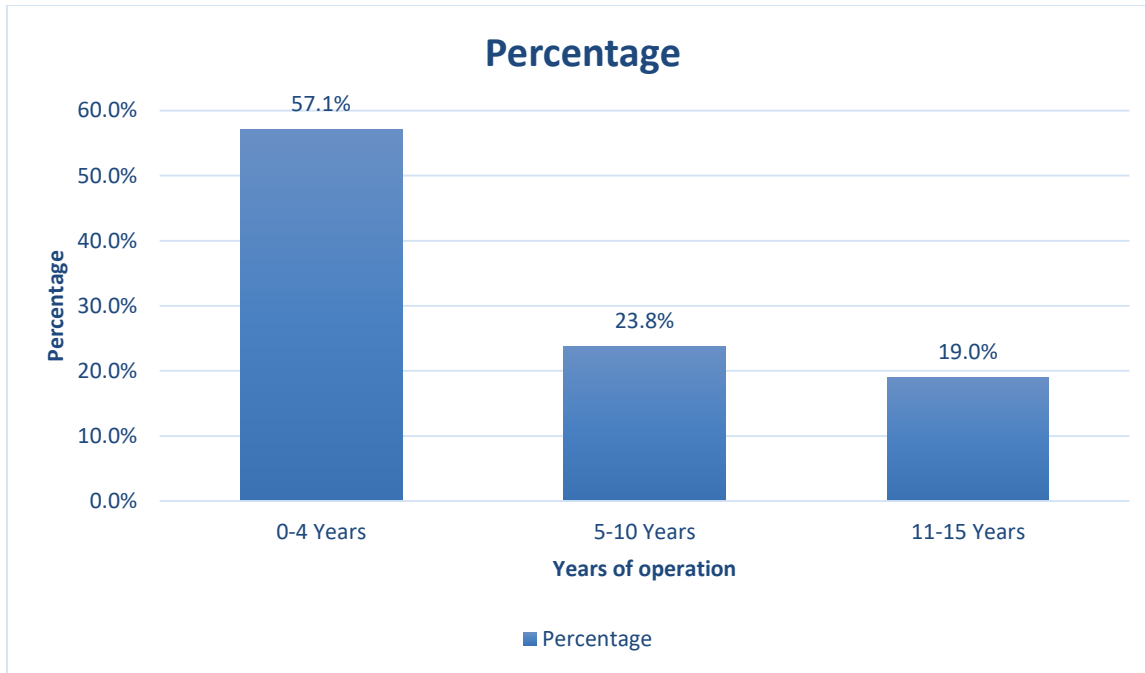


Figure 4.1: Years Serviced Offices Organizations Have Operated in Westlands Kenya

Source: Field Survey, 2020

Figure 4.1 presents results of the number of years the Serviced Office Organizations have operated in Kenya. The results reveal that slightly more than half (12) 57.1% of Serviced Offices Organizations have operated in Kenya for less than 5 years, (5) 23.4% have operated between 5-10 years and (4) 19% have operated between 11-15 years.

4.3.2 Number of buildings the serviced office provider is operating in Nairobi

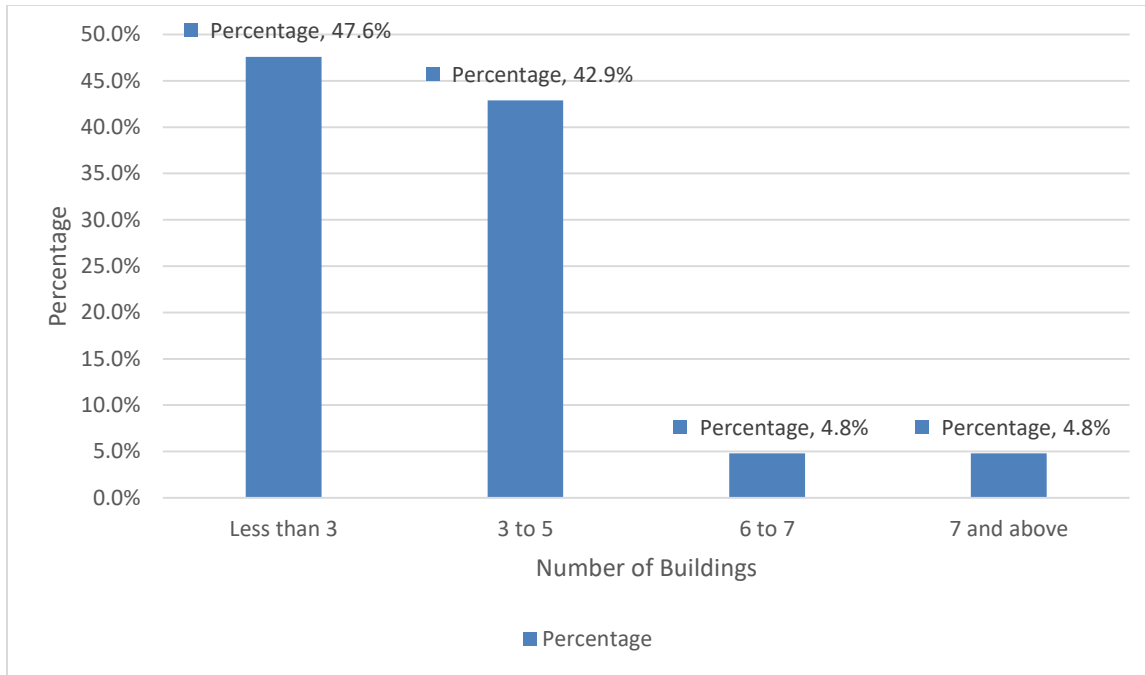


Figure 4.2: Number of buildings the serviced office provider is operating in Nairobi

Source: Field Survey, 2020

Figure 4.2 presents the results of the number of buildings under each serviced office provider in Nairobi County. The study established that about half 10 (47.6%) of Serviced Offices Organizations had less than 3 different buildings locations where they were operating serviced offices, 9 (42.9%) had 3-5 different buildings, 1 (4.8%) had 6-7 different buildings where they operated serviced offices and another 1 (4.8%) had more than 7 different buildings where they were operating serviced offices in Nairobi County.

4.3.3 Methods of Acquisition of Serviced Offices in Westlands Area, Nairobi County

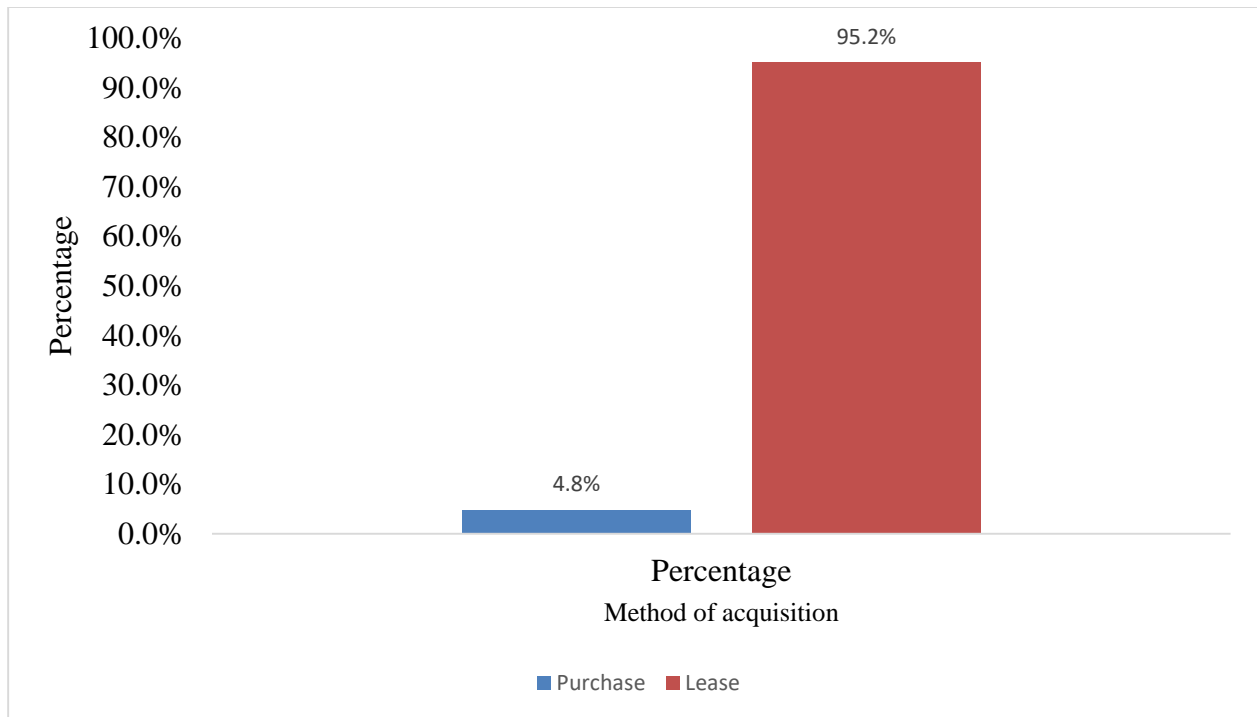


Figure 4.3: Methods of Acquisition of Serviced Offices

Source: Field Survey, 2020

Figure 4.3 presents results of the methods of acquisition of Serviced Offices by the operators. The findings revealed that majority of serviced Offices 20 (95.2%) are leased by operators whereas only 1 (4.8%) were purchased.

4.3.4 Other areas of Operation of the Serviced Offices Providers in Nairobi.

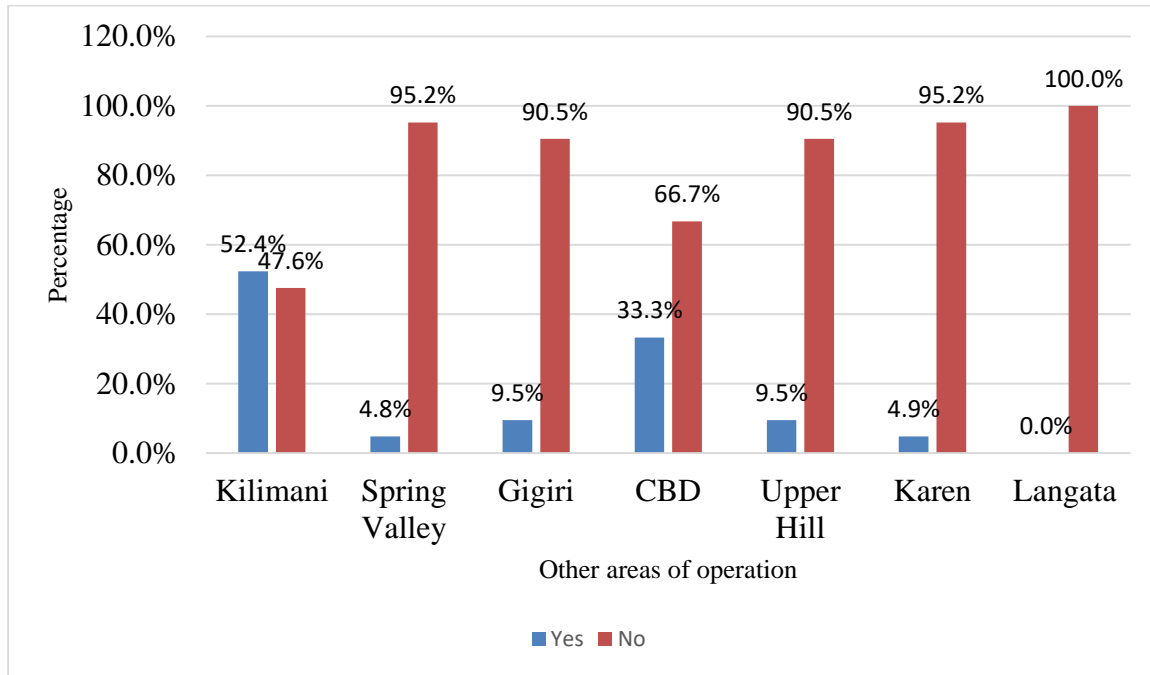


Figure 4.4: Other area of Operation of the Serviced Offices Providers

Source: Field Survey, 2020

Figure 4.4 presents results of other areas in Nairobi County where the Serviced Offices provider was operating. The findings established that slightly more than half of the companies 11(52.4%) operated in Kilimani area compared to 10(47.6%) who did not have serviced offices in the area. Only 1(4.8%) of the companies operated in Spring Valley and Karen areas compared to 20(95.2%) who did not operate in these areas. Those who operated in Gigiri area were only 2(9.5%) compared to 19(90.5%) of the operators under the study who did not operate in Gigiri. 2(9.5%) of the respondents had a serviced office in Upper Hill while 19(90.5%) did not have. About a third of the companies under the study 7(33.3%), operated in the Nairobi Central Business District compared to 14(66.7%) who did not operate in the area. None of the respondents had serviced offices in Langata.

4.3.5 Factors Considered in the Choice of the Area for Serviced Offices

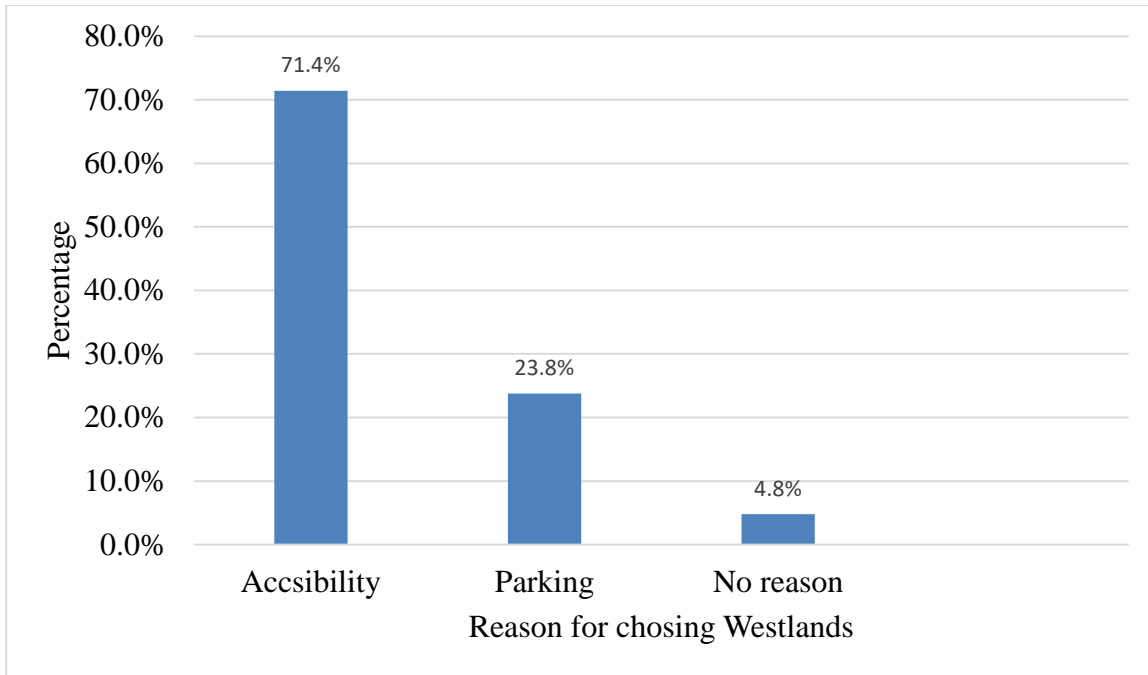


Figure 4.5: Factors Considered in the Choice of the Area for Serviced Offices

Source: Field Survey, 2020

Figure 4.5 presents results of the factors considered in the choice of the area for Serviced Offices by the Companies operating in Nairobi County. The results revealed that the majority of respondents 15(71.4%) observed that accessibility of the area by clients was a major consideration in their choice of locating Service Offices, 5(23.4%) considered parking space as an important factor for the choice of their location of Serviced Offices in Nairobi County. 1(4.8%) of the respondents randomly chose the location without any prevailing reason influencing their choices.

4.3.6 Operation of serviced offices outside Kenya

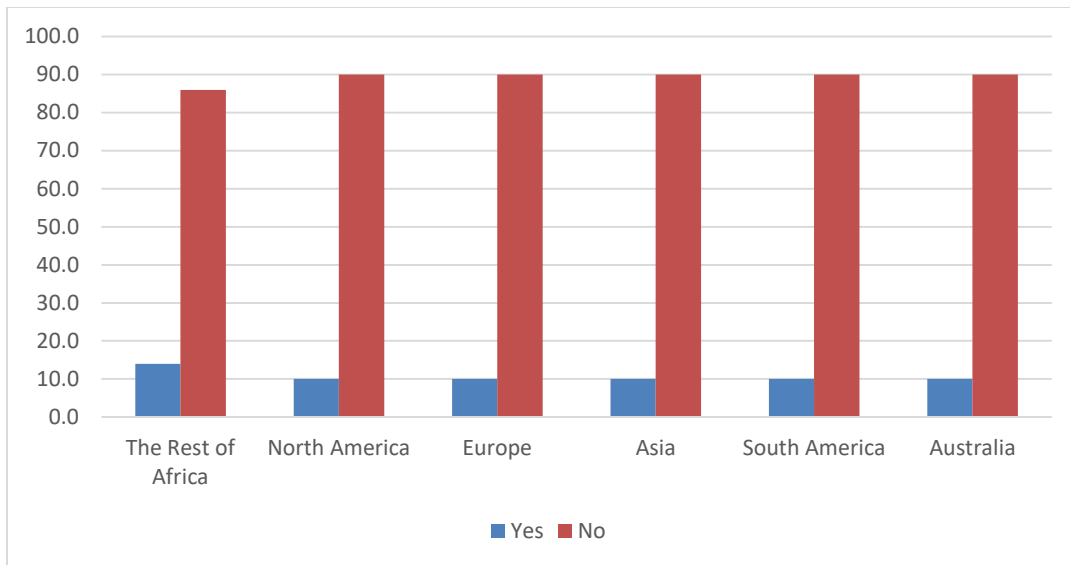


Figure 4.6: Operation of serviced offices outside Kenya

Source: Field Survey, 2020

Figure 4.6 presents results of the location of Serviced Offices operations outside of Kenya. The study revealed only 3(14%) of the operators had operations in the rest of Africa while 18 (86%) observed that they did not operate in the rest of Africa. Only 2(10%) of the respondents had operations in North America, Europe, Asia, South America and Australia.

4.3.7 Services offered by serviced office companies

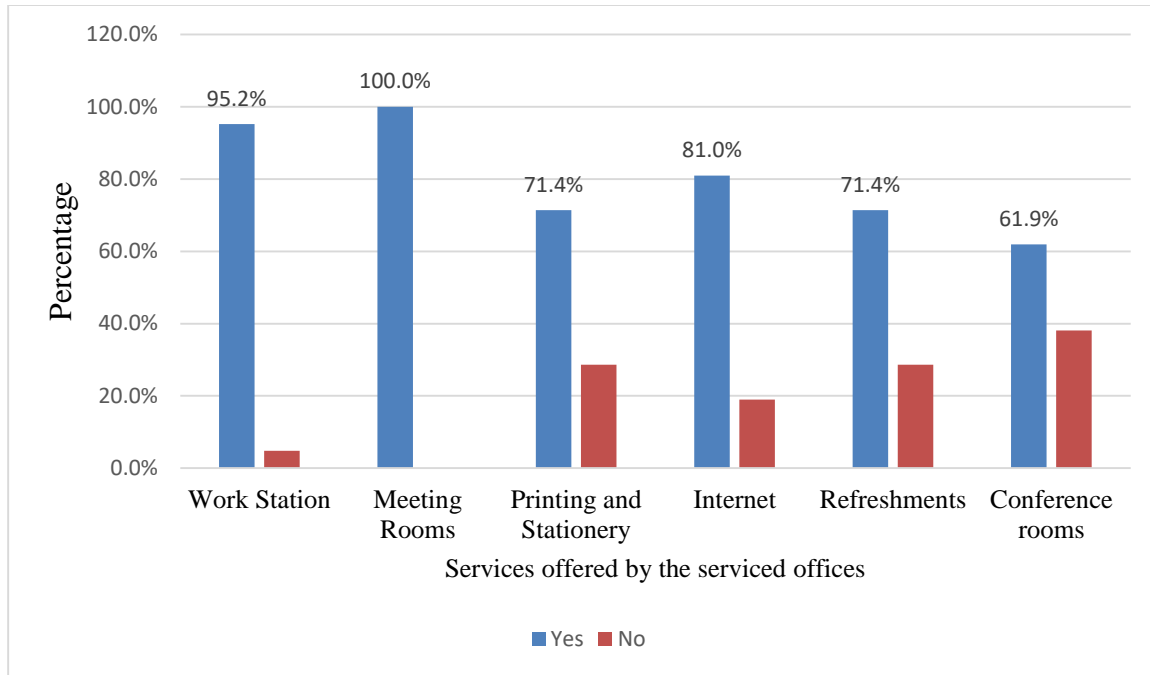


Figure 4.7: Services Offered by Serviced offices Companies

Source: Field Survey (2020)

Figure 4.7 presents the results of the descriptive statistics of the services offered by Serviced offices Companies. The study established that majority of Serviced Offices Companies who operated in Nairobi County 20(95.2%) offered workstation services compared to 1(4.8%) who did not offer such services. Concerning meeting rooms, the study established that all the operators 21(100%) offered meeting room services to their clients. Majority of the companies 15(71.4%) offered printing and stationary services alongside refreshment services whereas 17(81%) offered internet services compared to 4(19%) who did not offer such services. Results on conference services revealed that majority of respondents 13(61.9%) offered conference room services to the clients compared to 8(38.1%) who did not offer conference services.

4.3.8 Characteristics of serviced offices users

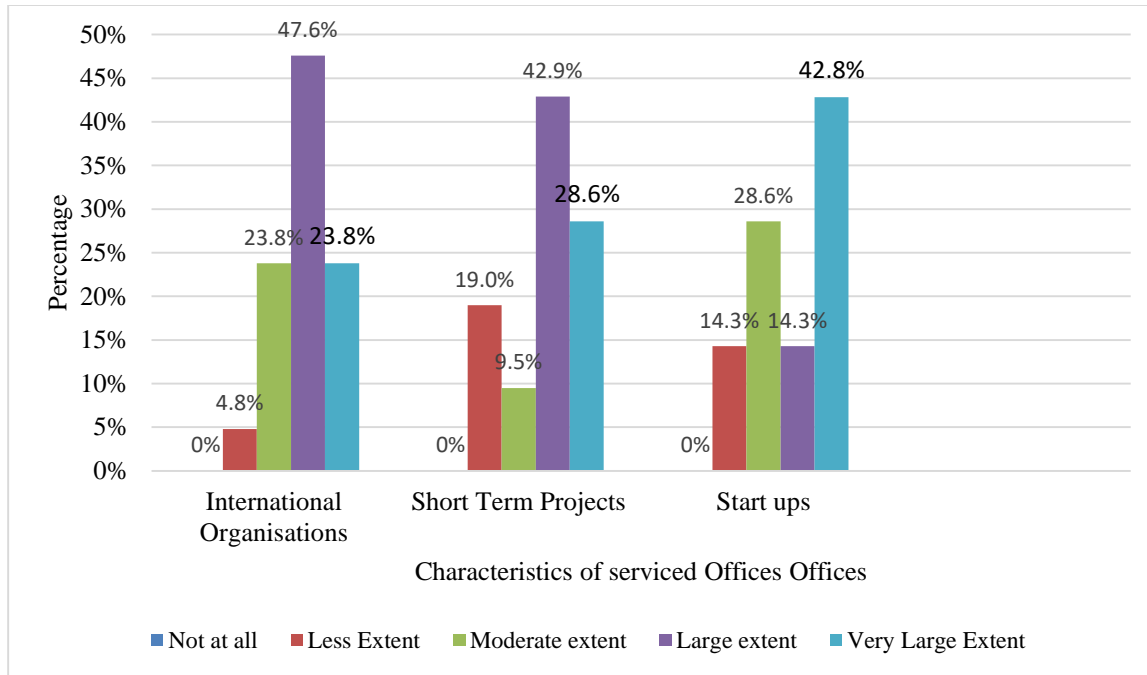


Figure 4.8: Characteristics of Serviced Offices Users

Source: Field Survey (2020)

Results on the characteristics of the users of Serviced Offices are presented in Figure 4.8. The results revealed that majority of the respondents 13(62%) agreed (47.6% to large extent and 14.3% to very large extent) that most of the users who hired the serviced offices were international companies, 5(23.8%) agreed to a moderate extent and 1(4.8%) agreed to less extent. None of the respondents disagreed on most of their clients being international clients.

Findings on the use of serviced offices by short term projects established that majority of respondents' 15(71.5%) agreed (42.9% to a large extent and 28.6% to a very large extent) that their serviced offices were hired by clients who had short term projects, 2(9.5%) agreed to a moderate extent and 4(19%) to a less extent that their offices were used by clients working on short term projects. None of the respondents disagreed that they were hired by clients who had short term projects. Lastly, 12(57.6%) agreed (14.3% to a large extent and 42.8% to a very large extent) that their serviced offices were hired by startup companies, 6(28.6%) agreed to a moderate extent while 3(14.3%) agreed to a lesser extent. None of the respondents disagreed on being hired by startup companies.

4.4 The Key Drivers of the Performance of Serviced Offices in Westlands Area, Kenya

The second objective of the study was to identify the key drivers of the performance of serviced offices in Kenya. This section presents the descriptive statistics of the key drivers of the performance of serviced offices in Kenya including the results of the analysis of the following variables; use of market distinction to target different categories of serviced office consumers, whether the companies have growth strategies and a plan of action that has allowed the organizations to achieve a higher level of market share, whether the companies seek to gain a competitive advantage through offering their clients better and greater value for their money, whether the companies differentiate services through Positioning and Product Differentiation by functionality of the space, lifestyle benefits and unique experiences, whether the companies have implemented a marketing strategy geared at attracting their target clients and whether the companies attract qualified and capable personnel including those with hospitality training.

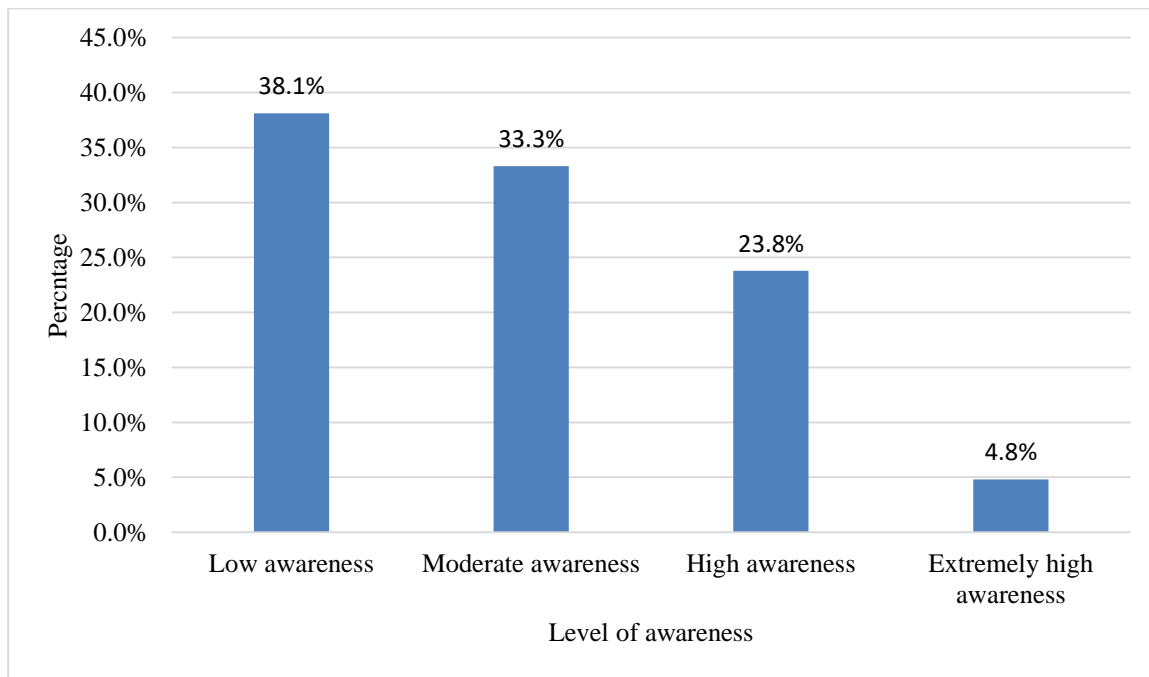


Figure 4.9: Level of Awareness of Served Offices in Kenya

Source: Field Survey (2020)

Figure 4.9 present the results of the level of awareness of Serviced Offices in Kenya. The results revealed that about a third of respondents 8(38.1%) and 7(33.3%) respectively were of the opinion that the level of awareness of Serviced offices in Kenya was either Low or moderate. 5(23.8%) of the respondents were of the opinion that the level of awareness of Served Offices in Kenya was

high and only 1(4.8%) was of the opinion that the level of awareness of serviced offices was extremely high.

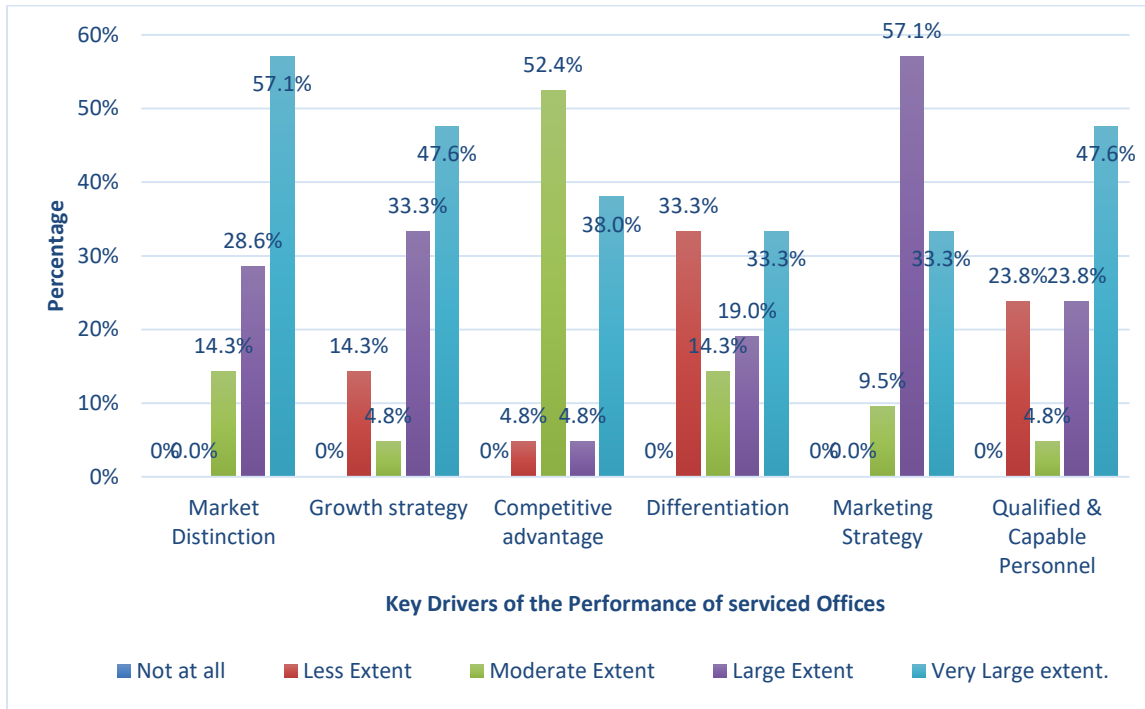


Figure 4.10: Potential Key Drivers of the Performance of Serviced Offices

Source: Field Survey, 2020

Figure 4.10 presents results of the potential key drivers of the performance of Serviced Offices in Kenya. Concerning market distinction, the study established that 18(85.7%) agreed (57.1% for those who agreed to a very large extent and 28.6% for those who agreed to a large extent) that they use of market distinction to target different categories of serviced office consumers compared to 3(14.3%) who moderately agreed. None of the respondents disagreed that they used market distinction to target different categories of serviced office consumers.

Second, concerning growth strategy as a potential driver, the study established that the majority of the respondents 17(80.9%) agreed (33.3% who agreed to a large extent and 47.6% who agreed to very large extent) that the companies have a growth strategy and a plan of action that has allowed their organizations to achieve a higher level of market share as a potential key driver of Serviced offices in Nairobi County, Kenya. 1(4.8%) and 3(14.3) of the respondents agreed to a moderate extent and less extent respectively that they have a growth strategy and a plan of action that has

allowed their organization to achieve a higher level of market share. None of the respondents disagreed that they have a growth strategy.

Findings on competitive advantage, the study revealed that majority of respondents 9(42.8%) agreed (4.8% for those who agreed to a large extent and 38% for those who agreed to a very large extent) that the companies also seek to gain competitive advantage through offering their clients better and greater value for their money compared to 11(52.4%) who moderately agreed and 1(4.8%) who agreed to a less extent. None of the respondents disagreed that they seek competitive advantage in order to offer their clients better and greater value.

Regarding differentiation, the study revealed that 11(52.3%) agreed (19% for those who agreed to a large extent and 33.3% for those who agreed to a very large extent) that they differentiate themselves through positioning and product differentiation by functionality of the space, lifestyle benefits and unique experience compared to 3(14.3%) who moderately agreed and 7(33.3%) who agreed to a less extent. None of the respondents disagreed.

Concerning marketing strategy, the study established that the majority of respondents 14(67%) agreed (of which 38% agreed to large extent and 29% agreed to very large extent) that the companies have implemented a marketing strategy geared at attracting target clients compared to 4(19%) who moderately agreed and 3(14%) who agreed to less extent. None of the respondents disagreed.

On qualified and capable personnel, the study revealed that 15(71.4%) agreed (23.8% agreed to a large extent and 47.6% to a very large extent) that they attract qualified and capable personnel including those with hospitality training compared to 1(4.8%) of the respondents who agreed to a moderate extent and 5(23.8%) who agreed to a less extent. None of the respondents disagreed.

4.5 Performance of Serviced Offices in Westlands Area, Kenya

The third objective of the study was to assess the performance of serviced offices in Kenya. This section presents the descriptive statistics of performance of serviced offices in Kenya including the results of the analysis of the following variables; the total serviced office space available, the average occupancy levels of the serviced offices, daily lease/letting rate, monthly lease/letting rate,

availability of serviced offices management Software and the rate of the performance of the serviced office.

4.5.1 Occupancy level of serviced office space in Westlands Area, Kenya

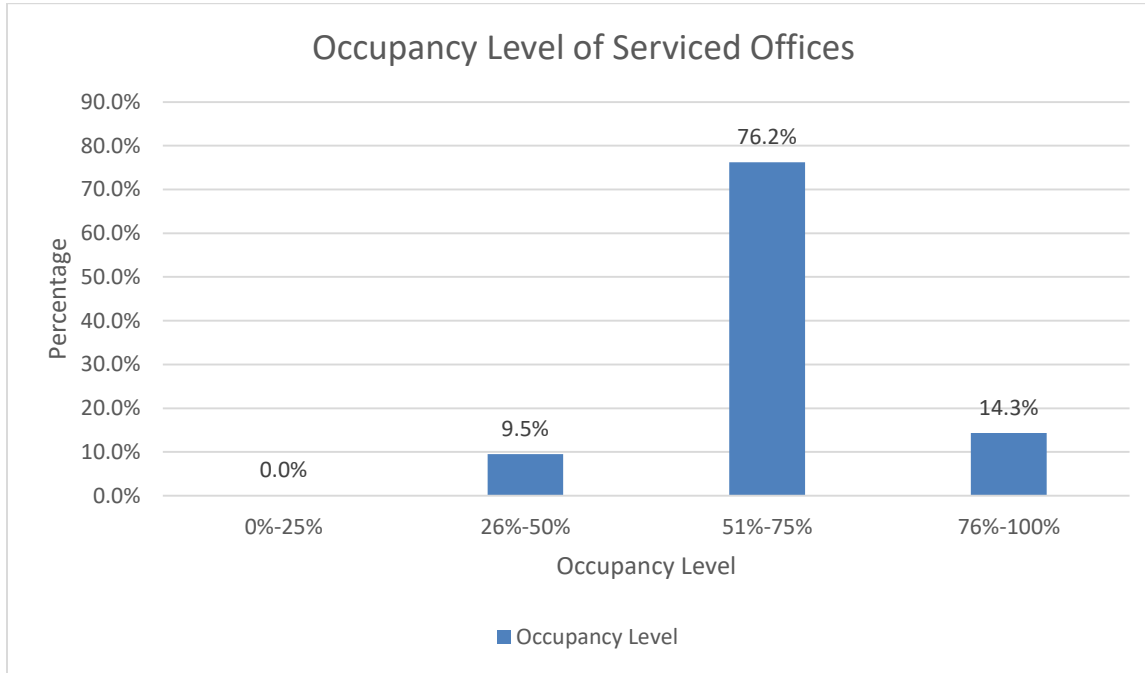


Figure 4.11: Occupancy Level

Source: Filed Survey (2020)

The study established that majority of Serviced Office Companies 16(76.2%) had an average occupancy level of 51%-76%, followed in far distance with 3(14.3%) who had an average occupancy level of over 75% and 2(9.5%) of the companies who had an average occupancy level of 25% - 50%, none of the respondents had an average occupancy level of 25% and below.

Table 4. 1: Total Office Space and Letting Rate per Day

Aspect	N	Min.	Max.	Mean	Std. Dev.
Total Office space	21	2500	55000	16261.90	14700.87
Daily letting rate for private Office	21	1500	7500	2833.33	1812.00
Daily letting rate for shared work space	21	1000	4000	1666.67	991.63
Daily letting rate for virtual offices	21	0	0	0.00	0.00

Source: Field Survey, 2020

Results of the total serviced office space available established that the Serviced Offices Companies had an average of 16262.90 square feet that can be let with minimum of 2,500 square feet and a maximum 55,000 square feet and a standard deviation of 14701.87 indicating the dispersion of the total serviced office space available relative to the mean.

Findings on daily letting rate for private offices indicated an average of Ksh. 2,833 per day with a minimum of Kshs. 1,500 per day a maximum Ksh. 7,500 per day and a standard deviation of 14,701 per day indicating the dispersion of the daily letting rate relative to the mean. Concerning shared workspace, the study established an average of Kshs. 1,667 per day with a minimum of Kshs. 1,000, a maximum of Ksh. 4,000 per day and a standard deviation of 992 per day indicating the dispersion of the daily letting rate relative to the mean.

Further findings on virtual office daily cost the study established that none of the respondents had a daily rate for their virtual offices. Regarding meeting rooms, the study established an average of Kshs. 8,310 per day with a minimum of Kshs. 5,000, a maximum of Ksh. 20,000 per day and a standard deviation of 3404 per day indicating the dispersion of the daily letting rate relative to the mean.

Table 4. 2 : Monthly Letting Rate

Aspect	N	Min.	Max.	Mean	Std. Dev.
Monthly letting rate for private offices	21	25000	70000	42142.86	10436.89
Monthly letting rate for shared work space	21	10000	45000	26809.52	8968.66
Monthly letting rate for virtual offices	21	3000	10000	5166.67	1734.45
Monthly letting rate for meeting rooms	21	0	0	0.00	0.00

Source: Field Survey, 2020

Results of monthly letting rate cost of private offices was an average of Kshs. 42,143 per month with a minimum of Kshs. 25,000, a maximum Ksh. 70,000 per month and a standard deviation of Kshs. 10,437 per month indicating the dispersion of the monthly letting rate relative to the mean. Concerning letting rate cost of shared work space the average was Kshs. 26,810 per month with a minimum of Kshs. 10,000 a maximum of Ksh. 45,000 per month and a standard deviation of Kshs. 1,812 per month indicating the dispersion of the monthly letting rate relative to the mean.

Further finding on monthly letting rate for virtual offices indicated that the price of virtual offices was an average of Kshs. 5,167 per month with a minimum of Kshs.3,000, a maximum Ksh. 10,000 per month and a standard deviation of 1,735 per month indicating the dispersion of the monthly letting rate relative to the mean. The respondents indicated that there were no set monthly charges for the meeting rooms.

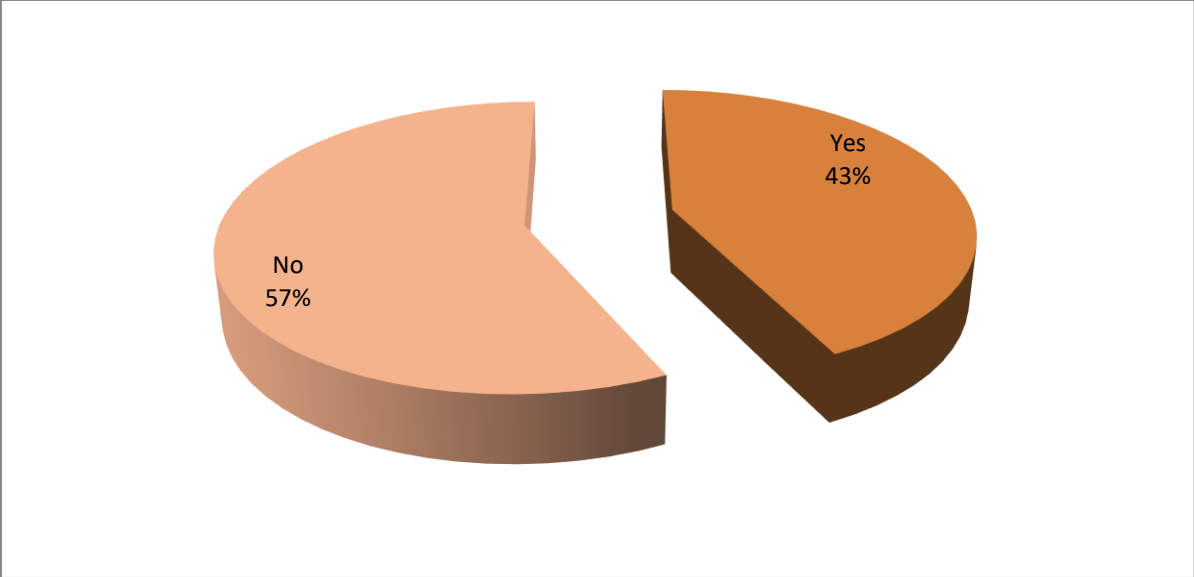


Figure 4.12: Availability of Serviced Offices Management Software

Source: Field Survey, 2020

Figure 4.12 presents results on availability of Serviced Offices Management Software by the companies which revealed that more than half of the Serviced Offices Companies 12(57.1) % did not have a management software while 9(42.8) % had a management software; indicating that the companies have not fully embraced Serviced Offices Management Software meant to facilitate efficiencies in running their business.

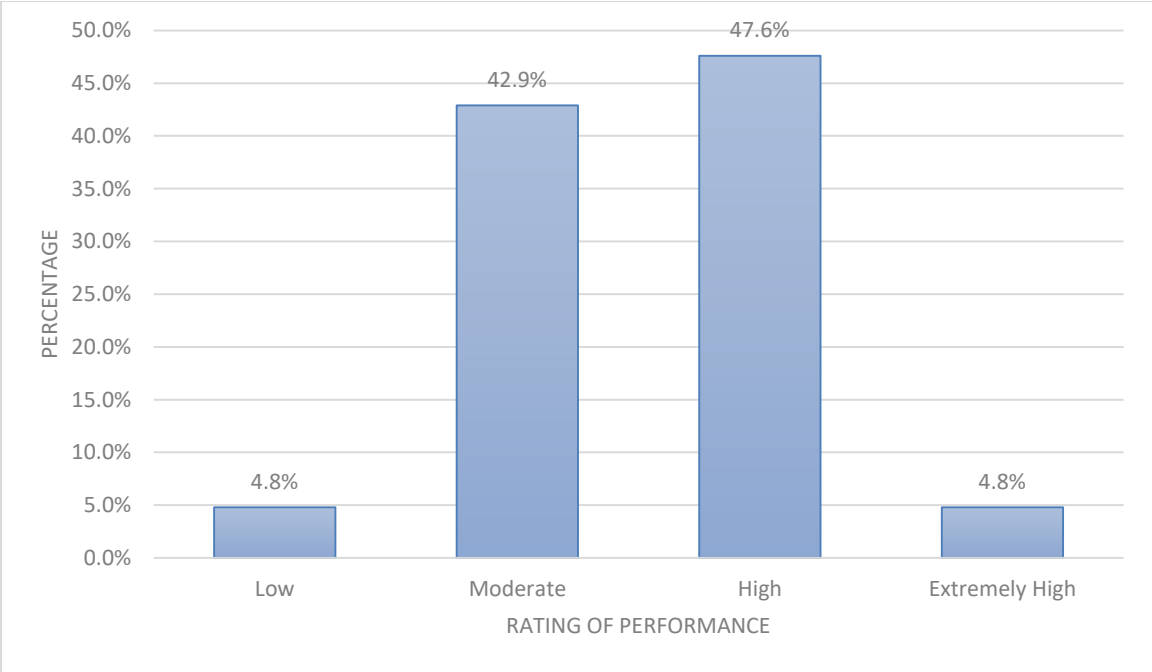


Figure 4.13: Rating of Performance of Serviced Offices

Source: Field Survey, 2020

Concerning rating of the performance of Serviced Offices the study established that about half 11(52.4%) that is (47.6% high and 4.8% extremely high) highly rated their performance whereas 9(42.9%) moderately rated their performance and 1(4.8%) rated their performance as low.

4.6 Challenges and Constraints Facing Serviced Offices in Westlands Area, Kenya.

The fourth objective of the study was to identify the challenges and constraints facing the performance of serviced offices in Kenya. This section presents the descriptive statistics of the challenges and constraints facing the performance of serviced offices including the results of the analysis of the following variables; Competition, low client awareness levels, financial and liquidity issues, changing customers preferences, Government policy and regulatory environment, economic environment, poor infrastructure, inefficiency of the serviced office real estate market, office inventory protection and management, poor billing strategy and uncertainty of short term occupancy.

Challenges and constraints facing serviced offices in Kenya

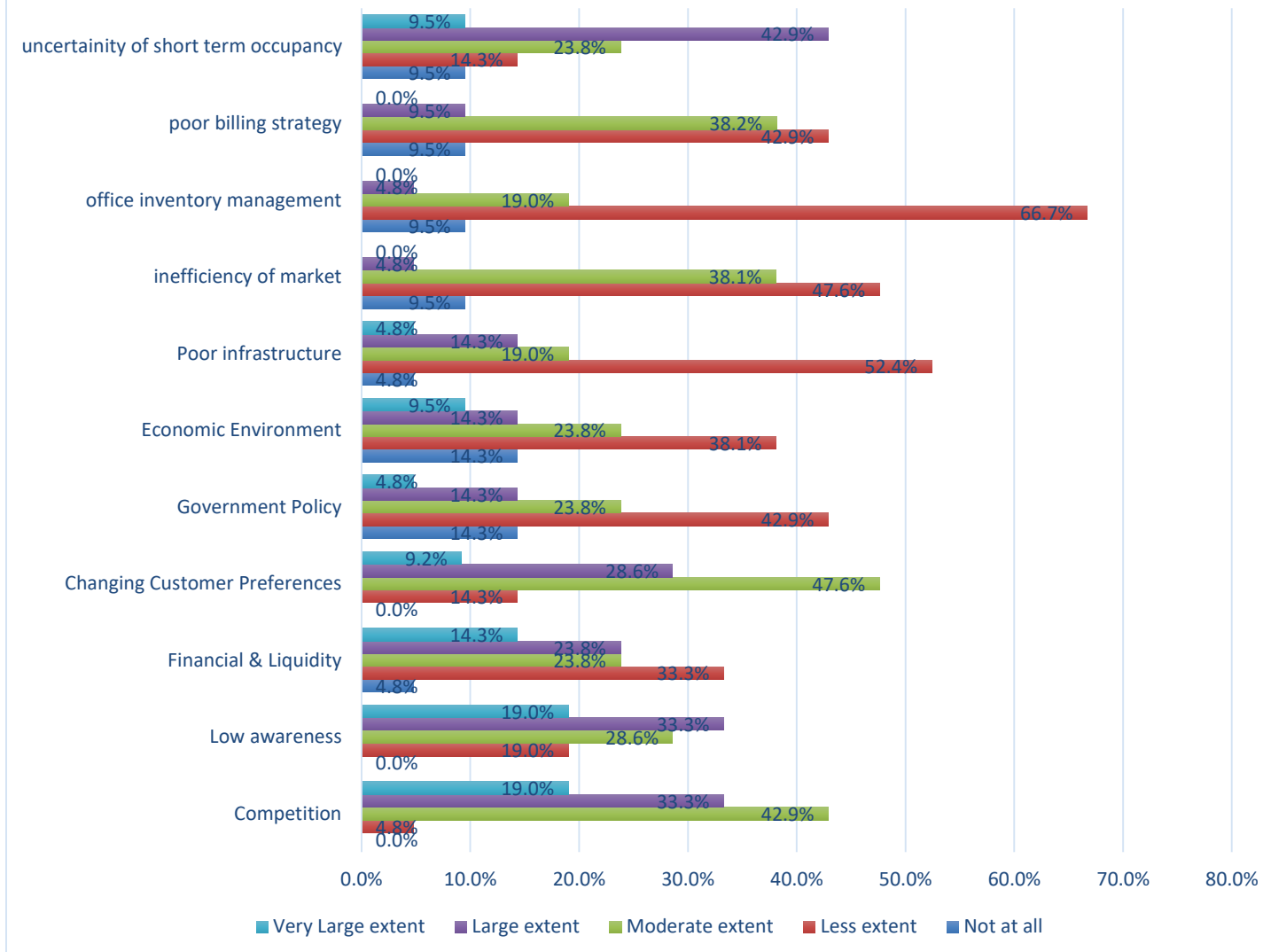


Figure 4.14: Challenges and Constraints Facing Serviced Offices in Kenya

Source: Field Survey (2020)

The results on challenges and constraints facing Serviced Offices in Kenya are presented in Figure 4.14. The results indicate that about half of the respondents 11(52.3%) agreed (33.3% agreed to a large extent and 19% agreed to very great extent) that they face competition as a challenge in providing serviced offices to their clients compared to 1(4.8%) who agreed to less extent and 9(42.9%) who agreed to moderate extent. None of the respondents disagreed.

Findings concerning client awareness; the study established that the majority of respondents 11(52.3%) % agreed (33.3% agreed to large extent and 19% agreed to very large extent) that they

face low client awareness levels compared to 6(28.6%) who moderately agreed and 4(19%) who agreed to a less extent. Further findings on financial and liquidity challenges established that 8(38.1%) agreed (23.8% for large extent and 14.3% for very large extent) that financial and liquidity issues were the challenges they faced in providing serviced offices to their clients compared to 5(23.8%) who moderately agreed, 7(33.3%) who agreed to a less extent and 1(4.8%) who did not agree.

Concerning changing customers' preference, the study found out that 8(38.1%) agreed (28.6% for large extent and 9.5% to a very great extent) that they faced challenges related to changing customers' preference compared to 10(47.6%) who agreed to a moderate extent and 3(14.3%) who agreed to a less extent. Findings on policy established that 4(19.1%) agreed (14.3% for large extent and 4.8% for very great extent) that they faced challenges related to Government policy and regulatory environment compared to 5(23.8%) who moderately agreed, 9(42.9%) who agreed to a less extent and 3(14.3%) who did not agree. Concerning economic environment, the study established that 5(23.8%) agreed (14.3% to a large extent and 9.5% to a very large extent) that they were faced with challenges related to economic environment, another 5(23.8%) moderately agreed, 8(38.1%) agreed to a less extent and 3(14.3%) did not agree.

On poor infrastructure, the study established that 5(23.8%) agreed (14.3% to a large extent and 9.5% to a very large extent) that they faced challenges related to poor infrastructure, 4(19%) agreed to a moderate extent, 11% to a less extent and 1(4.8%) did not agree. Concerning market inefficiency, the study established that 1(4.8%) agreed to a large extent that they faced challenges related to inefficiency of the serviced office real estate market, 8(38.1%) agreed to a moderate extent, 10(47.6%) agreed to a less extent and 2(9.5%) did not agree. Further findings on inventory protection established that 1(4.8%) agreed to a large extent that they faced challenges related to office inventory protection and management, 14(66.7%) agreed to a moderate extent while 2(9.5%) did not agree.

Findings on billing system established that majority of respondents 2(9.5%) agreed to a large extent that poor billing strategy was a challenge affecting the performance of serviced offices business in Nairobi County, 8(38.1%) moderately agreed, 9(42.9%) agreed to a less extent while 2(9.5%) did not agree. Last, concerning occupancy, the study established that majority of

respondents 11(52.4%) agreed (42.9% to a large extent and 9.5%) for very large extent that they were faced with uncertainty of short-term occupancy, 5(23.8%) moderately agreed, 3(14.3%) agreed to a less extent and 2(9.5%) disagreed.

4.7 Hypothesis Testing

Correlation of Challenges and Constraints (X) Against Performance of Serviced Offices (Y)

A correlation test of variables was conducted to establish the correlation coefficient and statistical significance of the association between challenges and constraints (independent variable) and performance of service offices (dependent variable) in Kenya.

Table 4. 3 Correlation of Challenges and Constraints (X) Against Performance of Serviced Offices (Y)

		Performance	1	2	3	4	5	6	7	8	9	10	11
Competition	Pearson Correlation	.269	1										
	Sig. (2-tailed)	.239											
Low client awareness	Pearson Correlation	-.037	-.019	1									
	Sig. (2-tailed)	.873	.935										
Financial and liquidity issues	Pearson Correlation	.224	.281	.121	1								
	Sig. (2-tailed)	.328	.218	.600									
Changing customers preferences	Pearson Correlation	.256	.500*	-.151	.413	1							
	Sig. (2-tailed)	.262	.021	.513	.063								
Government Policies and Regulatory Environment	Pearson Correlation	.784**	.307	-.124	.037	.126	1						
	Sig. (2-tailed)	.000	.176	.591	.872	.585							
Economic environment	Pearson Correlation	.608**	.130	-.014	-.012	.260	.452*	1					
	Sig. (2-tailed)	.003	.574	.954	.959	.255	.040						
Poor infrastructure	Pearson Correlation	.460*	.371	-.434*	.099	.371	.553**	.682**	1				
	P value	.036	.098	.049	.670	.098	.009	.001					

Inefficient real estate market	Pearson Correlation	.345	.132	-.340	.014	-.053	.301	.207	.324	1			
	Sig. (2-tailed)	.125	.570	.131	.953	.821	.184	.368	.152				
Inventory protection and management	Pearson Correlation	.046	-.057	-.078	-.086	.229	-.280	.389	.076	.047	1		
	Sig. (2-tailed)	.843	.805	.736	.710	.318	.220	.081	.742	.839			
Poor billing strategy	Pearson Correlation	-.526*	-.407	.165	-.258	-.024	-.413	-.188	-.231	-.067	.189	1	
	Sig. (2-tailed)	.014	.067	.476	.259	.918	.063	.414	.314	.772	.411		
Uncertainty of short-term occupancy	Pearson Correlation	-.372	.000	-.175	-.206	.255	-.491*	.073	-.011	.101	.697**	.490*	1
	Sig. (2-tailed)	.097	1.000	.447	.370	.265	.024	.754	.961	.663	.000	.024	

Notes:

N= 21

*. Correlation is significant at the 0.05 level (2-tailed).

The correlation results indicate that government policies and regulatory environment ($r=0.784$, $P=0.000$) have a strong positive and significant statistical relationship with performance of serviced offices. The economic environment ($r=0.608$, $P=0.003$) has a moderate positive and statistically significant relationship with performance of serviced offices in Kenya. Poor infrastructure ($r=0.460$, $P=0.036$) has a weak positive and statistically significant relationship with performance of serviced offices in Kenya. An inefficient market ($r=0.345$, $P=.125$) has a weak positive but statistically insignificant relationship with performance of serviced offices in Kenya since its P-values is more than 0.05. Competition ($r=0.269$, $P=.239$), Changing Customer Preferences ($r=0.256$, $P=.262$), Financial Liquidity issues ($r=0.224$, $P=.328$) and Inventory protection and management ($r=0.046$, $P=.843$) had a very weak positive relationship but statistically insignificant. Low client awareness ($r=-0.037$, $P=0.873$), Uncertainty of short-term occupancy ($r=-0.372$, $P=0.097$) have a weak negative but statistically insignificant relationship with the performance of serviced offices in Kenya. Poor billing strategy ($r=-0.526$, $P=0.014$) have a moderate negative but statistically significant relationship with the performance of serviced offices in Kenya.

The correlation co-efficient and statistical significance results are indicated below: -

Table 4. 4 Pearson Correlation and Statistical Significance of Challenges and Constraints (X) Against Performance of Serviced Offices (Y)

Challenge/Constraint	Pearson Correlation	Significance
Government policies and regulatory environment	0.784	0.000
Economic environment	0.608	0.003
Poor infrastructure	0.460	0.036
Inefficient real estate market	0.345	0.125
Competition	0.269	0.239
Changing customer preferences	0.256	0.262
Financial and liquidity issues	0.224	0.328
Inventory protection and management	0.046	0.843
Low client awareness	-0.037	0.873
Uncertainty of short-term occupancy	-0.372	0.097
Poor billing strategy	-0.526	0.014

Results revealed that the following challenges were statistically significant in the performance of serviced offices: -

1. Government policies and regulatory environment (r=0.784, p=0.000).
2. Economic environment (r=0.608, p=0.003).
3. Poor billing strategy (r=-0.526, p=0.014).
4. Poor infrastructure (r=0.460, p=0.036).

The rest of challenges and constraints including uncertainty of short-term occupancy, were less significant in influencing performance of serviced offices in Kenya because their P values are more than 0.005. Thus, the null hypothesis that stated: *H01: The short-term nature of serviced office contracts is not the most important challenge facing the performance of serviced offices in Kenya* was not rejected.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the conclusions, offers recommendations for additional study, and adds to the knowledge base by analyzing the difficulties and limitations affecting the functioning of Kenya's serviced offices. The conclusions from chapter four and the goals of the study, which were met by the analyzed data, served as the foundation for the recommendations and proposals.

5.2 Summary of Findings

The first objective of the study was to assess the status of serviced offices in Kenya. First the study established that most of the users who hired the serviced offices were international companies, short term projects and start-up companies. The second objective of the study was to identify the key drivers of the performance of serviced offices in Kenya. First the study established that the concept of Served Offices awareness in Kenya was still low with the companies operating the offices in Kenya noting that majority of their potential clients were not aware of the concept. Secondly, concerning market distinction, the study established that the use of market distinction to target different categories of serviced office consumers is a key potential driver (86%) in the Serviced Office market compared to 14% who moderately agreed.

Third, concerning growth strategy as a potential driver, the study established that the companies have a growth strategy and a plan of action that allowed the organizations to achieve a higher level of market share as the potential key driver of Serviced Offices in Nairobi County, Kenya. Four, findings on competitive strategy revealed the companies also seek to gain competitive advantage through offering their clients better and greater value for their money and that the companies differentiate services through Positioning and Product Differentiation by functionality of the space, lifestyle benefits and unique experience respectively as potential key drivers for performance of serviced offices in Kenya. Last, concerning marketing strategy the study established that the companies have implemented a marketing strategy geared at attracting their target clients.

The third objective of the study was to assess the performance of serviced offices in Kenya. This section presents the descriptive statistics of performance of serviced offices in Kenya. The study established that majority of Serviced Office Companies 76% had occupancy level of 51%-75%, followed in far distance with 14% who had occupancy level of over 75% and 10% of the companies

who had occupancy level of 25% - 50%. This finding indicated that Serviced Offices in Nairobi County, Kenya were on demand as was statistically proved with high occupancy level. Second, concerning daily letting rate, the study established that the Serviced Offices Companies had let an average of 16,262 square feet, with an average letting rate of Kshs. 2,833 per day, with an average of Kshs. 1,667 per day shared work space and an average daily cost of meeting of Kshs. 8,310 per day.

Findings on monthly rate established that the letting rate cost of private offices was an average of Kshs. 42,143 per month, Secondly, concerning letting rate cost of shared work space the study established an average of Kshs. 26,810 per month, monthly letting rate for virtual offices was an average of Kshs. 5,167 per month, on monthly letting cost for meeting room, the study established that none of the respondents had a monthly rate for meeting rooms.

Results on availability of Serviced Offices Management Software by the companies revealed that serviced offices companies have not fully embraced a Serviced Offices Management Software meant to facilitate efficiencies running their business. Concerning rating of performance of Serviced Offices, the study established that about half the Serviced Offices Companies highly rated their performance whereas the other half of the companies moderately rated their performance.

The fourth objective of the study was to identify the most significant challenges and constraints facing the performance of serviced offices in Kenya. The study established that the following challenges and constraints were statistically significant in influencing the performance of serviced offices in Kenya; Government policies and regulatory environment ($r=0.784$, $p=0.000$), Economic environment ($r=0.608$, $p=0.003$), Poor billing strategy ($r=-0.526$, $p=0.014$) and Poor infrastructure ($r=0.460$, $p=0.036$).

The rest of challenges and constraints including uncertainty of short-term occupancy, were less significant in influencing performance of serviced offices in Kenya because their P values are more than 0.005. Thus, the null hypothesis that stated: *H0₁: The short-term nature of serviced office contracts is not the most important challenge facing the performance of serviced offices in Kenya* was not rejected.

5.3 Conclusion

The general objective of this study was to assess the challenges and constraints facing the performance of the serviced offices in Kenya. Specifically, the study sought to assess the status of serviced offices in Kenya; To identify the key drivers of the performance of serviced offices in Kenya; To assess the performance of serviced offices in Kenya; To identify the challenges and constraints facing the performance of serviced offices in Kenya; To recommend appropriate mechanisms of tackling the challenges and constraints facing the performance of serviced offices in Kenya.

The first research question was stated as, what is the status of serviced offices in Kenya? The study statistically established that there were serviced offices in Kenya who had been operating for up to 15 years with the majority of the respondents indicating that their companies had only been in operation for less than 3 years. Most of the respondents indicated that their offices were acquired through leasing and had less than 3 other buildings in Kenya where they were operating serviced offices with a majority of them having a branch in Kilimani.

The second research question was stated as; what are the key drivers of the performance of serviced offices in Kenya? The study established the following as the key drivers of the performance of serviced offices in Kenya; Market distinction, targeting different categories of serviced office consumers. The second key driver established is the growth strategy driver aimed at increasing more market share of serviced offices business in Kenya. The third key driver established from the analyzed data is competitive advantage in serviced offices business by offering valued services to customers. The fourth key driver established from the results is differentiated serviced offices through product positioning extending benefits to customers. The fifth key driver established is marketing strategy that enables serviced offices business in Kenya to continue growing alongside attracting qualified and competent staff for the business.

The third research question was stated as; how are the serviced offices performing in Kenya? This finding indicated that Serviced Offices in Nairobi County, Kenya were on demand as was statistically proved with high occupancy levels. The fourth research question was; what are the challenges and constraints facing the performance of serviced offices in Kenya? The study established the following challenges facing serviced offices business in Kenya we statistically

significant; Government policies and regulatory environment, Economic environment, Poor billing strategy and poor infrastructure.

Last the study tested the set hypothesis; **H₀** the short-term nature of serviced office contracts is not the most important challenge facing the performance of serviced offices in Kenya. Only the four challenges mentioned above were statistically significant, the rest of challenges and constraints including uncertainty of short-term occupancy, were less significant in influencing performance of serviced offices in Kenya because their P values are more than 0.005. Thus, the null hypothesis that stated: *H₀₁: The short-term nature of serviced office contracts is not the most important challenge facing the performance of serviced offices in Kenya* was not rejected.

5.4 Recommendations

The fifth objective of the study was to recommend appropriate mechanisms of tackling the challenges and constraints facing the performance of serviced offices in Kenya. On the policy & regulatory framework and economic environment, there is need for friendlier regulatory and policy framework that would encourage more investment and growth of businesses which would in turn increase the demand for serviced offices. This could be through tax incentives, more investment in infrastructure, economic subsidies and reduced bureaucracies associated with setting up businesses especially for foreign countries looking to set up in the country.

Concerning the billing strategy and uncertainty of short-term occupancy the respondents recommended the following; that a good serviced office management system should be employed to ensure that every product and service that should be billed is billed. Requests for the products and services would therefore be made on the system by the client to ensure that all products or services are billed as required.

On poor infrastructure there is need for the government to provide timely and modern roads, rail transport systems, water and electricity in order to enhance the attractiveness of Kenya as a business location choice and in turn improve the demand for serviced offices.

5.5 Areas of Further Research

First an investigation should be carried out on the financial viability of the serviced offices model in Kenya. The results from such a study will guide those looking to invest in serviced offices in Kenya. The current study did not study the financial viability of the serviced offices operating in Kenya. Secondly a study should be carried out to identify the policy bottle necks facing the establishment of serviced offices in Kenya. The current study did not investigate the policy bottle necks which are still not known yet important in the growth and development of serviced offices model in Kenya.

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APPENDICES

Appendix 1: Questionnaire Administered to Serviced Offices Operators.



Masters Research Project

Greetings! The questionnaire is in aid of research being conducted by Kirathe Beatrice Wangari, a master's student from the University of Nairobi Department of Real Estate and Construction Management. I seek to familiarize myself with the Challenges and Constraints Facing the Performance of Serviced Offices in Kenya. Being one of the providers of Serviced offices in Nairobi County, your involvement and participation in the study, though voluntary, is very important to the successful completion of my studies. I pledge to treat whatever information you provide with a lot of confidentiality. The information you provide will not be used for any other purpose other than the Academic objectives outlined in my study.

1. Name of Organization (Optional) _____
2. How many years has the organization operated in Kenya?

Below 5 years	[]	5 to 10 years	[]
11 to 15years	[]	16 to 20 years	[]
Over 20 years	[]		
3. Name of the respondent (Optional) _____

Part B: Status of Serviced Offices

4. How many different buildings does your organisation operate serviced offices in Nairobi County?
 Less than 3 [] 3 to 5 []
 6 to 7 [] Above 7 []

5. Please indicate the mode of acquisition of the serviced offices you operate.

Acquisition Mode	Select with a tick
Purchase	
Lease	

6. Which of these areas of Nairobi County do you operate the serviced offices? (Tick all appropriate)
- | | | | |
|-----------------|-----|---------------------------|-----|
| Westlands | [] | Central Business District | [] |
| Kilimani | [] | Upperhill | [] |
| Spring Valley | [] | Karen | [] |
| Gigiri | [] | Langata | [] |
| Any other _____ | | | |

7. Why have you chosen the selected areas in (6) above?

8. Do you have offices outside of Kenya in any the following continents?
- | | | | |
|--------------------|-----|---------------|-----|
| The rest of Africa | [] | Asia | [] |
| North America | [] | South America | [] |
| Europe | [] | Australia | [] |

9. Is your organization a member of any serviced offices organization in? -
- | | | |
|---|---------|---------|
| a. Kenya | Yes [] | No [] |
| i. If yes in a above, indicate the name of the organization _____ | | |
| b. The rest of the world | Yes [] | No. [] |
| i. If yes in a above, indicate the name of the organization _____ | | |

10. What are the services offered at the serviced offices you operate? (tick all appropriate)
- | | | | |
|-------------------------|-----|-------------------|-----|
| Work station | [] | Internet | [] |
| Meeting rooms | [] | Refreshments | [] |
| Printing and stationery | [] | Conferencing room | [] |

Other _____

The following are general statements on the status of Serviced Offices. Indicate your level of agreement using the scale provided (Key: Not at all – 1, to a less extent – 2, To a moderate extent – 3, To a large extent – 4, To a very large extent- 5)

Characteristics	1	2	3	4	5
11. Our serviced offices are used by international organizations					
12. Our serviced offices are used by those working on short term projects					
13. Our serviced offices are used by startup companies,					

Part C: Key Drivers of Performance

14. How would you rate the level of awareness of serviced offices in Kenya?
 Low Awareness [] Moderate Awareness []
 High Awareness [] Extremely High Awareness []

The following are general statements on the potential key drivers of the performance of the serviced offices that you operate. Indicate your level of agreement using the scale provided (Key: Not at all – 1, To a less extent – 2, To a moderate extent – 3, To a large extent – 4, To a very large extent- 5)

Characteristics	1	2	3	4	5
15. We use Market distinction to target different categories of serviced office consumers.					
16. We have a growth strategy and a plan of action that has allowed our organization to achieve a higher level of market share					
17. We seek to gain competitive advantage through offering our clients better and greater value for their money.					
18. We differentiate ourselves through Positioning and Product Differentiation by functionality of the space, lifestyle benefits and unique experience.					
19. We have implemented a marketing strategy geared at attracting our target clients.					
20. We attract qualified and capable personnel including those with hospitality training					

21. Please provide any other additional information that you may have in regard to numbers 17 to 23

Part D: Performance of Serviced Offices

22. What is the total serviced office space that you have available?

23. What is the average occupancy levels of the serviced offices?

Less than 25%	[]	25% to 50%	[]
51 to 75%	[]	Over 76%	[]

24. What is your daily lease/letting rate for each of the following:-

- a. Private Offices _____
- b. Shared Work Space _____
- c. Virtual Offices _____
- d. Meeting Room _____
- e. Any other _____

25. What is your monthly lease/letting rate for each of the following:-

- a. Private Offices _____
- b. Shared Work Space _____
- c. Virtual Offices _____
- d. Meeting Room _____
- e. Any other _____

26. Do you have a serviced offices management Software?

Yes [] No []

27. How would you rate the performance of the serviced office that you operate?

Low	[]	Moderate	[]
High	[]	Extremely High	[]

Part E: Challenges and Constraints Facing Serviced Offices

The following are potential challenges and constraints facing serviced offices in Kenya. Indicate your level of agreement using the scale provided (Key: Not at all – 1, To a less extent – 2, To a moderate extent – 3, To a large extent – 4, To a very large extent- 5)

Challenges and Constraints	1	2	3	4	5
28. Competition					
29. Low client awareness levels					
30. Financial and liquidity issues					
31. Changing Customer preferences					
32. Government policy and regulatory environment					
33. Economic environment					
34. Poor infrastructure					
35. Inefficiency of the serviced office real estate market					
36. Office inventory protection and management					
37. Poor billing strategy					
38. Uncertainty of short-term occupancy					
39. Other (specify)					

Part F: Recommendations

40. What recommendations and mechanisms under the following subheadings do you think needs to be put in place to improve performance of serviced offices in Kenya?

a) Low Client awareness levels

b) Financial and liquidity issues

c) Competition and Changing Customer Preferences

d) Policy and Regulatory framework

e) Office inventory protection and management

f) Access to Finance and other resources

g) Marketing and access to customers

h) Billing strategy and uncertainty of short-term occupancy

i) Other
