

**EFFECTS OF OUTSOURCING STRATEGY ON COMPETITIVE  
ADVANTAGE OF KENYATTA INTERNATIONAL  
CONVENTION CENTRE, KENYA**

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## **DECLARATION**

This research project is my original work and has not been submitted for examination in any university.

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This research project has been submitted with my approval as the University Supervisor.

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## **DEDICATION**

I dedicate this project to my dear parents David Njogu and Cecilia Njogu, who has been by my side throughout my study and whose inspirations keep me going.

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## **ABBREVIATIONS AND ACRONYMS**

<b>DAI</b>	:	Development Alternative Inc
<b>GDP</b>	:	Gross Domestic Product.
<b>IO</b>	:	Industrial Organizations
<b>KICC:</b>		Kenyatta International Convention Center
<b>M.I.C.E:</b>		Meetings, Incentive travel, Conferences, and Exhibitions
<b>SCA:</b>		Sustained Competitive Advantage

## **ABSTRACT**

This study is on the effects of outsourcing strategy on the competitive advantage of hospitality industry: a case study of KICC Nairobi Kenya. A case study design was utilized to attain the study's objective. The interviewees were heads of departments namely chief finance officer, chief human resources and administration, chief marketing officer, manager corporate affairs, chief of operations, and the general manager. The content analysis technique was utilized to analyze the primary data that was collected using a using an interview guide. The study established a significant relationship between the competitive advantage of the hospitality industry and its outsourcing strategy. The study also revealed that the functions outsourced from hospitality industry by other organizations were accounts payable, data entry and shipping inventory, specialized knowledge such as IT support for the industries accounting system and network. The study also established that although outsourcing faced a number of challenges, it reduced project timelines, saved labor costs, increased efficiency and reduced risks with IT practices among other benefits. The study recommends that the industry should follow a procedure that would help it to discover whether the outsourcing strategy is of success or failure. It also recommends that the KICC's management team and other organizations in the hospitality industry should ensure that their organizations benefit from outsourcing practices while minimizing the risks that come with the practice. The study also found out that the outsourcing processes of the KICC as a facility in hospitality industry have influenced its competitive advantage thereby recommends that it should continue outsourcing most of its services which can be outsourced so that it can counter competition by giving work to the experts who do it perfectly. This means a study need to be done on industry basis hence a conclusion be made. A research can be done on the hospitality industry ranging them according to size, time in operation, location and the like. The current study only was limited to KICC which a very narrow scope.

# **CHAPTER ONE**

## **INTRODUCTION**

This chapter will present the background of the effects of outsourcing strategy on the competitive advantage of the Kenyatta International Convention Centre, the research problem, study's objectives and value. Kenyatta International Convention Centre is looking at ways of expanding their business through outsourcing strategy. The chapter also introduces theories discussed which are resource based theory and transaction based theory.

### **1.1 Background of the Study**

Outsourcing as a business strategy involves hiring an independent firm to offer or do the non-core functions of an organization/firm. According to Oshri and Willcocks (2015), more organizations prefer de-capitalizing by owning brand rather than physical assets thereby some companies are on the verge of outsourcing services to improve their competitive advantages. Currently, the practice is widespread both locally and international, and is driven by factors such as cost reduction and greater efficiency that aim to enhance competitive advantage. The practice has subsequently forced many organizations to specialize in a limited number of key areas of their lines of businesses for the sake of enhancing their competitive advantages on those areas of business (Gillis & Ketchen, 2014).

Most leading firms have in the recent past adopted more stylish outsourcing strategies by outsourcing their core processes such as marketing, design and engineering. They have consequently benefitted from specialized services offered by the firms that supply them with the outsourced services and products. Previous studies have demonstrated that majority of the firms that offer outsourcing services are able to

invest resources in the services they offer, develop greater knowledge depths in those areas and attain efficiency through the economies of scale (Chen & Lou, 2014). Leveraging on these capabilities enable organizations that outsource services to enhance their internal core capabilities thereby enhance their competitive advantage. However, many organizations are failing to capitalize on the opportunities offered by outsourcing.

The study was anchored on theoretical approaches of outsourcing decisions which include the transaction cost economics (Williamson, 1985) and resource-based theory (Barney, 1991). The resource-based theory asserts that organizations ought to formulate internal strategies to gain competitive advantage from their internal resources. On the other hand, the transaction cost economics asserts that organizations should achieve economic efficiency by comparing the transaction and production costs between parties that transact business. In other words, it asserts that the transactions that have low uncertainty, asset specificity and high contracting frequency should be outsourced whereas those with high asset specificity and uncertainty should be handled by in-house staffs.

In Kenya, major conferences and meetings are held at the KICC. Due to the need to remain competitive and need to counter the recent challenges of terrorism, Kenyatta International Convention Center (KICC) will have to adopt strategies that will enable them mitigate these challenges (Mokaya & Karanja, 2013). Outsourcing is among the strategies that when well implemented can ensure stability in the competitiveness of Kenyatta International Convention Center (KICC).

### **1.1.1 Outsourcing Strategy**

Outsourcing helps organizations to reduce cost and improve efficiency by shifting tasks and processes to externally contracted third parties within a given period (McCarthy & Kietzmann, 2013). The concept represents a results-oriented relationship between an organization and external service provider for the services that were traditionally performed within an organization.

It occurs when an organization hires an external firm to provide services that would otherwise be provided internally. As a strategic management tool, it transfers risks and business processes to an external firm. Schniederjans and Schniederjans (2015) define outsourcing as a practice of contracting work outside of an organization whereby the work could either be new or that was originally performed within an organization.

Outsourcing is essentially a basic redefinition of the corporation around core competences and outside relationships. Some of the forces that motivate it include access to specialized skills and creativity, integration with suppliers, staffing requirements, competency and lower costs (Schwarz, 2014). When a firm cannot perform certain tasks efficiently, it can also outsource them. This allows it to leverage its capabilities' from suppliers who enjoy economies of scale and expertise in their areas of specialization (Wang & Huang, 2016). The three levels of outsourcing are transformational, strategic and tactical. While traditional outsourcing established a long-term stability between parties, the transformational outsourcing is founded on continuous change of participants. According to Vitasek (2016), the preparation factors considered during the outsourcing process and the strategic policies of an

organization concerning outsourcing practices are the criteria used to define transformational outsourcing. Leading firms that adopt sophisticated outsourcing strategies outsource core processes such as marketing, engineering and design. A company may as well outsource some of its current core functions that it expects to be less important in the future due to changes in the nature of business (Dolgui & Proth, 2013). In such a case, it may even outsource its core functions if a supplier can offer better services. This leads to an advanced form of outsourcing that comprises a virtual company with a single employee considered as an entrepreneur.

### **1.1.2. Competitive Advantage**

In the last few decades, the business world has encountered significant changes with some of changes including development in technology and globalization. The changes have resulted into increased competition in businesses. The competitive advantage enables a company or country to produce goods or services in a more desirable fashion to consumers or at a lower cost (West & Ibrahim, 2015). In so doing, the company or country generates more sales than its competitors thereby enhance its competitiveness.

Some of the factors that enhance competitive advantage include distribution networks; customer support; intellectual property; cost structure; brand; and the quality of products or services. According to Meihami, and Meihami (2014), organizations that have a sustainable competitive advantage consistently produce products or services that carry the qualities that match the major buying criteria for most of the consumers in the market. It involves achieving superior performance and economic value over a prolonged period in the market.

Moreover, it entails continual adjustment to environmental changes and ability to withstand all efforts to replicate a firm's advantages by its competitors. Firms should always be a step ahead by having the ability to predict their rivals' next move and ensuring they match their resources to the current gaps in the industry. Scholars acknowledge that some forms of competitive advantages that are hard to imitate result to long-lasting and superior economic performance.

This insight has expanded the concept of competitive advantage from the industrial organizations (IO) to the development of the concept of sustained competitive advantage (SCA). Porter (1985) defines SCA as the above average performance in the end (West, & Ibrahim, 2015). Hence, competitive advantage has two components namely the above average performance notion, which is a relational measure within an industry and durability notion.

Whereas the above average performance of an industry can be measured unequivocally as the returns in comparison to the industry's average, the durability notion is ambiguous. Wiggins and Ruefli (2015) for instance propose at least five years for determining durability. In the modern business world, organizations can develop a sustained competitive advantage by building on brand loyalty through consistent low pricing of their products and services or establishing strong relationships with customers and providing them with an excellent customer service experience.

Additionally, continual innovation of products that match the needs of the market attracts customers based on the perceived value attached to the newness of a product. Further, it is observed that companies that have multiple sources of advantage are able to sustain their advantages for a longer period (Barney, 2015). For instance, a company that offers quality products at a cheap price and quick delivery to consumers performs better than that with only one or two of these advantages.

### **1.1.3 Hospitality Industry in Kenya**

In Kenya, the hotel industry is crucial due to the direct link it has with the tourism industry. According to Wangi and Kagiri (2016), Kenyan tourism contributes quite a substantive percentage of the GDP. On the same note, the Travel and Tourism Economic impact 2013-Kenya Report prepared by the World Trade and Tourism Council (2013) estimates the direct contribution of the Travel and Tourism to the Kenyan GDP to be KES183.4bn. This was 4.8% of total GDP in 2013. The report estimated the growth to rise by 2.9% in 2014, and 5.2% per annum between 2014 and 2024, to reach KES314.1bn (4.7% of total GDP) in 2024 (Wachira & Haines, 2016). This makes tourism one of the major sources of foreign exchange in the country.

Kenya Association of Hotelkeepers and Caterers is a private body that brings tourist players together for better bargaining power. However, the majority of their members comprise of the hotels. This is the main association locally that deals with the issues of the hotels, ensuring that they maintain the standards set and representing them to other bodies internationally. Due to the close link between tourism and other sectors, the hospitality industry has a very high multiplier effect on the Kenyan. It stimulates demand for the locally produced goods and services (Kiseli & Eng, 2016).

The hotel classification exercise is executed in the manner described by the Hotels and Restaurant. In Kenya, it is contained in the legal notice No. 30 of February 16, 2001 of the Hotels and Restaurant Act. The purpose of the hotel classification is to provide customer with information where the customer is able to pre-determine the hotels compatible to their budget and to give the customer assurance that the hotel he/she chooses will meet his expectation in terms of service and amenities charged to the customer (Mucui, Mbaeh & Noor, 2013). The grading is also useful as a marketing aid as this makes it easier since the prices quoted and information given is related to what the hotel offers.

About 20% of all the Kenyan hotels are found in the coastal region and they account for the 39% of total bed capacity throughout the country. Kenya Tourist Board is a body mandated with marketing Kenya as a tourist destination, thus markets the hotels inclusive. According to Kenya Tourist Board, records as at 2009, there were 2,228 licensed hotels, with 72,665 beds within the country (West, & Ibrahim, 2015). Of all these, 6% are classified as 3 star and above, which constitute the 46% of total hotels, comprising 55% of the bed capacity. The 54% of the bed capacity comprises of the budget and economy class hotels, which are mostly located in the outskirts of the major towns. These hotels are of high quality even if they offer reasonable rates to low spender tourists.

#### **1.1.4 Kenyatta International Convention Centre**

Kenya surfaced as the commercial and communication hub for the East and Central Africa in the 1960s. Hence, the Government of Kenya realized that there is a need to roll out an ultra-modern conference facility in order to attract meetings regionally and internationally, hence the birth of Kenyatta International Convention Centre (KICC, 2007). The facility was developed and designed by a Norwegian architect Karl

Henrik Nostvik in 1967; by combining an understanding of the traditions, aspirations, and environment of the people of Kenya with the needs of modern conference organizers in terms of space, administration, and ancillary requirements.

Construction started in 1969 with the facility being opened on the 11th September 1973 by the late President, H. E. Mzee Jomo Kenyatta (Mucai & Noor, 2013). The same month saw KICC host its first international conference, the Annual Meetings of the Board of Governors of the World Bank Group and the IMF, one of the first largest international conferences to take place in Africa (KICC, 2007). In July 2001, K.I.C.C. was transformed from a Government Department in the Ministry of Tourism to a State Corporation; vide KICC Order 2004 of Legal Notice No. 77.

The action was based on a recommendation by a Task Force appointed by the Minister-in-charge of Tourism, to look into transformation of KICC into a parastatal. With the enactment of Tourism Act of 2011, the Corporation's name changed to Kenyatta International Convention Centre, charged to promoting the business of meetings, conventions, and exhibitions through the development of the National Meetings, Incentive travel, Conferences, and Exhibitions (M.I.C.E) strategy. Kenya has a large potential for M.I.C.E business, as a major product, owing to its location and ease of international connections (KICC, 2007). However, to fully realize the potential of M.I.C.E business, it has to benchmark against such leading M.I.C.E. destinations like South Africa, Malaysia, United Arab Emirates, Europe, and America.

Tourism is one of the primary sources of revenue in Kenya. Therefore, KICC is among the Kenyan facilities expected to play a momentous role in enabling the tourism sector meet its targets through product diversification. It is also expected to enable the sector to develop and implement the MICE strategy with an aim of increasing the number of delegates attending international conferences in Kenya from 35,663 in 2012 to 57,435 in 2017 (Mwaura, Nakamura, & Kamau, 2017).

In addition, organizational competitive advantage has been an important issue due to increase in the number of local and international convention centers which are creating significant competition for KICC. Therefore, it is has necessitated the managers to understand the factors that influence organizational performance for the sake of taking the necessary steps and initiating them (Mwangi & Kagiri, 2016). Nonetheless, the process of defining, conceptualizing, and measuring the competitive advantage of the center according to a report released by KICC in 2016 has been a difficult task.

## **1.2 Research Problem**

In the modern business world, outsourcing is a decision that involves contracting services from the firms that have better capabilities of undertaking certain business practices and processes with an aim of enhancing competitive advantage. From this definition, it is clear that outsourcing is aimed at enhancing the competitive advantage of the organization that outsources services (Song, 2012). It is also clear that an organization must be able to identify the services that it intends to outsource.

Moreover, it is clear that the external firm must possess certain capabilities for it to offer the services effectively. Other than the competitive advantages, business that adopt the outsourcing concept benefit from the core competencies they do not possess, complementary capabilities, flexibility and they rarely invest in assets they do not require in their lines of businesses (Buhalis & Crotts, 2013). While the concept is associated with these benefits, it is also associated with certain risks that can be more dangerous.

Some organizations prefer producing their products and services in-house while others prefer outsourcing some of those products and services. Due to the need to remain competitive and need to counter the recent challenges of terrorism, Kenyatta International Convention Center (KICC) will have to adopt strategies that will enable them mitigate these challenges (Mokaya & Karanja, 2013). Outsourcing is among the strategies that when well implemented can ensure stability in the competitiveness of Kenyatta International Convention Center (KICC).

Globally, empirical research has indicated that there exists relationship between outsourcing and competitive advantage. Yeboah (2013) examined the relationship between outsourcing and organizational performance in the services sector. With the help of purposive sampling, the research questionnaires were distributed among the respondents. Although the study did not establish a statistically significant relationship between organizational productivity and outsourcing, it established a statistically significant relationship between quality and outsourcing. On the other hand, Robertson (2014) conducted a study to identify the challenges associated with outsourcing in the hotel industry, its benefits and strategies used in the industry. The

study used questionnaire and personal observation methods to obtain primary data from the Anita hotel. Sriwongwana (2013) also conducted a similar study, but his focus was on the factors that contribute to outsourcing, the factors that affect employees' attitude towards outsourcing and the effects of the attitude towards organizational performance. The study established a strong relationship between employees' attitude and outsourcing practices.

Locally, similar studies have been conducted on the effects of outsourcing on the competitive advantage of the hospital industry. A study that was conducted by Karanja in 2014 sought to establish the strategies that were utilized in the hotel industry to outsource services, the challenges that were associated with outsourcing and the benefits derived from outsourcing. With the help of a descriptive analysis approach, the study established that majority of the hotels in the country concentrate their attention on housekeeping, accommodation, food and bar services, but outsource the non-core business functions.

Bukirwa (2017), conducted a study that captured the theoretical background on competitive strategies in an attempt to provide basis for appropriate conceptual and theoretical framework for the current study. He adopted a descriptive survey research design and concluded that both competitive strategies for corporate growth and differentiation had a positive significant influence on the performance of hotels. Abdilatif (2015), conducted a study on the effect of procurement outsourcing using the Development Alternative Inc (DAI) as the NGO case study. With the help of a descriptive research design, the study established the independent variables had significant effect on the performance of the project.

### **1.3 Research Objective**

The study sought to determine the effects of outsourcing strategy on the competitive advantage of hospitality industry: a case study of KICC Nairobi Kenya.

### **1.4 Value of the Study**

The study is of great value to different stakeholders. Firstly, the governmental policy makers and agencies can use the study's findings to develop and formulate national policies on tourism, which can have a direct influence on the hotel industry, by providing a safe environment for the industry to thrive and be stable. Also, the policy makers can use the same findings to come up with a framework of policies that would be sensitive to the forces that influence the hotel industry in Kenya. Secondly, from the theoretical perspective, the study has enhanced the resource-based theory and transaction cost economics.

Additionally, to the potential and current scholars, this study provides information on the importance of outsourcing within the hotel industry and the future of outsourcing in the industry and some of the theories players in the hotel industry can use to enhance competitive advantage. This hence provides further input for future research on outsourcing, to those that find the study relevant in the scholarly field. Lastly, this study is of value to the hotel industry, as it gives an insight to other aspiring hotels on how outsourcing strategy is employed. It also gives imminent information as to why hotels outsource and the gains that stand to be realized. The related industries unto which hotel outsource to also find this study informative as they will know how to align themselves in order to exploit opportunities that arise with outsourcing.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a literature review of the previous studies that are related to the literature on the effects of outsourcing on the competitive advantages in the hospitality industry. It also provides the theories such as resource-based theory (Barney, 1991) and transaction cost economics (Williamson, 1985) that underpin the study. The theories are resource – based theory (Barney, 1991) and transaction cost economics (Williamson, 1985)

#### **2.2 Theoretical Foundation**

Theoretically, the conduct of monetary policy is well explained by the resource-based theory (Barney, 1991) and transaction cost economics (Williamson, 1985). The theory lays down the foundation upon which outsourcing impact the competitive advantage in a hotel industry. This study limits its focus on some of the theories that describe the relationship between outsourcing and competitive advantage.

##### **2.2.1 Resource-Based Theory**

The approach was proposed by James Thompson in 1967, but developed under the leadership of Pfeffer and Salancik. This theory asserts that organizations ought to investigate their behaviors and structures, the way they relate with other organizations, and conduct their businesses so that they can enhance their businesses in their industries. Due to this, most organizations utilize inputs within their reach to enhance their survival in their industries (Teece, 2014). Input in this case refers to the types of materials that organizations utilize to produce goods or services, and they include skills, money, labor, ability, knowledge and energy (Chen & Lou, 2014).

Inter-firm mergers such as joint management board membership, strategic partnerships and joint ventures are among the measures taken by firms to minimize the uncertainties in their lines of businesses. As a consequence, this approach, which is based on the mentality of an open system, is very important in the future an organization. It does not only outline what organizations should do to enhance their competitive advantages, but it also identifies the resources they should utilize to remain competitive in their lines of businesses.

Resource requirements make organizations to depend on their environment, but external factors can also influence their business practices. Therefore, organizations ought to interact continuously with the external environments to enhance their survival (Lusch & Vargo, 2014). Nonetheless, the degree of scarcity, availability and importance of the resources that an organization requires in its business practices need to determine the extent and nature of its dependence with its external environment (Gillis & Ketchen, 2014).

The resource-based approach will play an important role in this study on the effects of outsourcing on competitive advantages of the Kenyan hospitality industry. It will establish the direct link between resources and power within different departments in the organization. The theory will be utilized to identify the features that enhance the competitiveness of an organization on the basis of its two critical assumptions that resources must be heterogeneous and immobile.

### **2.2.2 Transaction Cost Theory**

This theory was developed by Ronald Coase in 1930s, but Oliver Williamson made major contribution to its development through his book “Market and Hierarchies” which was published in 1975. According to Schermann and Kremer (2016), organizations are open systems that focus on changing the processes that produce goods and services with the help of people outside the boundaries of the open system. The transaction cost theory focuses its attention on the transactions that an organization makes with the external parties. Its theorists contemplate organizations as being made up of a series of transactions (Foss & Knudsen, 2013). These are the transactions that the organization makes with its customers and other players in the market.

Some transactions, however, are made between organizations and employees, suppliers and other parties. Beside brokerage fees, service fees, rental fees, the costs of meetings daily services, and the cost of making sales calls, learning costs can be good example of the transactions that take place within an organization. They can also be referred to as coordination costs. An organization can opt to meet its needs either internally or outsource them elsewhere (Young & Ahlstrom, 2014).

If the operations are conducted internally, the internal coordination costs comprises of the cost incurred to pay employees their salaries, the cost of recruiting and hiring new employees as well as the cost of doing business (Kothari, 2014). On the contrary, when the services are outsourced, the external coordination costs comprise of the cost incurred to procure goods and services, and the cost incurred to develop contracts. This theory made a significant contribution to this study by stating that people seek to enhance the efficiency of their daily economic affairs.

## **2.3 Outsourcing Strategies**

Outsourcing can broadly be defined as a process that hands over part or the entire business activities of an organization to an external firm that is experienced in those business activities more than the organization. This can help the organization that outsources some of its services to focus its attention on its core competencies. The core competencies are the areas that an organization has competitive advantage over its competitors. It can be in form of information or something that its competitors cannot imitate easily because it is unique to the organization.

It is believed that outsourcing occurred for the first time in the Roman empire when the regime contracted an external firm to collect tax on its behalf (Ford & Ibrahim, 2015). In Kenya, the concept of "using subcontractor" in the business practices and construction industry is known as "contract manufacturing". In order for organizations to succeed in their lines of businesses, they ought to commit their limited resources to the core business activities and outsource the non-core activities.

It is for this reason that majority of the firms form alliances and joint venture to offer specialized services (Dolgui & Proth, 2013). Consequently, majority of the firms in today's business environment want to understand their unique areas so that they can specialize in those areas to offer specialized services or outsource the services they are not good at. Majority of the enterprises in the hospitality industry outsource services to gain competitive advantage over their competitors; focus their attention on core competencies; reduce costs; enhance flexibility; enjoy better services from superior suppliers and even offer quality services to their areas of specialization (West & Ibrahim, 2015).

### **2.3.1 Saving Cost and Capital Structure**

In the hospitality industry, hotels and restaurants outsource services to benefit from external firms that specialize in the industry's non-core functions. This helps them to save the money they would spend hiring and training more employees. It consequently reduces labor costs and the skills that would be required to manage those talents. The money that is saved through outsourcing is therefore invested in the core businesses to help hotels and restaurants offer quality services (McCarthy & Kietzmann, 2013).

Apart from saving money, outsourcing further enables the players in the hospitality industry to optimize their capital structures by reducing sunk costs. This optimization reduces the fixed cost thereby enhances the flexibility of hotels and restaurants, which are the major players in the hospitality industry (Wang & Huang, 2016). The limited resources are directed to the core businesses thereby promote the competitiveness of the organizations that outsource the non-core business activities.

### **2.3.2 Operational Risk and Competitive Potential**

The hospitality industry just like any other industry faces a number of operational risks. It operates in an uncertain business environment that does not guarantee anything except the complexity of running a successful business. This environment exposes the market players to production, marketing, supply, investment and financial risks that they might be easy to mitigate or transfer to a third party (West & Ibrahim, 2015). Through outsourcing, however, the market players can reduce some of the risks by partnering with external firms (Song, 2012).

In spite of the above, once an organization hands over part of its services to an external firm, it loses control over that part of service. This exposes the organization to more risks even if the risk is transferred to a third party (Barney, 2015). Therefore, there is a need to ensure the strategy is effectively developed to reduce risks (Dolgui & Proth, 2013).

### **2.3.3 Flexibility of Outsourcing Strategy**

The term flexibility in this study refers to the ability of an organization to adjust its scope and scale of production upward or downward at a reduced cost within a short period. In the hospitality industry, flexibility plays a significant role in creating sustainable competitive advantage. It enables organizations to meet their unexpected demands and changes within a short period (West & Ibrahim, 2015).

It is rather obvious that a sub-contractor who specializes in a particular area is able to adjust to changes in demand more easily than an organization can do if it handles such a task in-house. Therefore, there is need to develop networks with suppliers through outsourcing so that flexibility can be enhanced in the hospitality industry. This would improve service delivery and the competitive advantage of an organization through specialization (Foss & Knudsen, 2013). Outsourcing parties are also able to access the new technologies in the industry faster than the organizations can do (Mohiuddin & Su, 2013). The benefits that emanate from flexibility has been evaluated widely by the previous studies and demonstrated to benefit the hospitality industry.

### **2.3.4 Compatible Culture**

Previous studies have evaluated the effects of organizational culture on the competitiveness of an organization extensively. Sukru Cetinkaya, (2014) claims that contrasting organizational cultures undermine outsourcing and note “within firm shared cultural values are important sources of control”. The need to manage different cultures can therefore impede outsourcing. Therefore, there is need to ensure that external firms contracted to offer services understand the organizational cultures of the organizations that contract them (Foss & Knudsen, 2013).

Large firms in the hospitality industry are normally accused of being rigid and unwilling to adapt to changes whereas the small companies tend to be flexible. Although it is almost impossible to change the organizational culture of any firm, the large firms should be willing to adapt to new changes that come with outsourcing. They should acknowledge that outsourcing is meant to improve their services rather than impede them.

### **2.4 Empirical Studies**

Baytok, Soybal and Zorlu, (2013) conducted a study on the status of the outsourcing practices within a Turkish thermal hotel enterprise. The study established that the hotel did not prefer outsourcing the services that it considered to be its core business activities. However, it outsourced the services that it considered to be non-core. A study conducted by Li Song, (2012) on the Chinese outsourcing practices among the hotel enterprises identifies the direction that the Chinese hotels should take in the future to enhance their outsourcing practices. Yilmaz and Bedük (2014) establishes a positive relationship between transaction cost and the direction of resource dependency.

Wachira, Brookes and Haines (2016), conducted a study to investigate the impact of outsourcing practices conducted by organizations in Nairobi. They distributed questionnaires to the management teams of 85 for profit organizations based in Nairobi. They established that outsourcing can yield either positive or negative effects on an organization depending on the risks of its business, the commitment and competence of the external firm that provides the services and the functions outsourced.

Another study conducted by Krishnaswamy (2017) that evaluates the sources of the competitive advantages of a number of firms utilized a descriptive research design and questionnaire to collect the data. Qualitative and quantitative research analysis was used to analyze the data. The findings provide useful information that may serve cement manufacturing companies to strategically position themselves in the competitive market, thereby improving their overall sales as well as market share. Soliman (2013) examined the role of innovation in the development of sustainable competitive advantages by introducing a new model of global strategy that was based on innovation. He established that innovation could be utilized to formulate a global strategy to help organizations sustain their competitive advantages.

## **2.5 Summary of Literature Reviewed and Research gap**

While the literature review reveals that outsourcing has major effects on the competitive advantages of the players in the hospitality industry, most of it contradicts the expectations derived from theory. Numerous studies have been carried out about various outsourcing factors and the effects it has on competitive advantage in hospitality industry in Kenya. Using vector auto-regression model, none of them

addresses the effect of outsourcing factors and the effects it has on competitive advantage in hospitality industry. This study argues that for the business in the outsourcing industry to achieve desired level of competitive advantage effective outsourcing policies need to be put in place. To help achieve this goal, this study therefore confronts effects of outsourcing on the competitive advantages through different channel using vector auto-regression analysis by asking how outsourcing affects different factors that influence competitive advantage in hospitality industry in Kenya. So far, there has been little empirical evidence on the effect of effects of outsourcing on the competitive advantages in the hospitality industry in Kenya. The study aimed to bridge this gap.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the methodology that was utilized to conduct the study. It describes the research design, and the data collection methods as well as the process that was used to analyze the results obtained from the data that was collected. The qualitative data collected was analyzed using content analysis technique.

#### **3.2 Research Design**

This is the process by which the data that is collected is structured and analyzed to meet the objective of a study by providing the empirical evidence (Kothari, 2014). A case study research design was utilized to conduct the study. It focused its attention on an in depth understanding of the effects of outsourcing on the competitive advantage of the Kenyatta International Convention Center (KICC).

The design is a powerful mode of qualitative analysis that involves careful evaluation and observation of the social units. It evaluates phenomena such as institutions, events and programs. As an evaluation method, it places more emphasis on the contextual analysis of events and their relationships on the conditions that cause them (Kothari, 2014). Most of the time, the primarily data that is collected from case studies is normally up-to-date thereby more reliable.

### **3.3 Data Collection**

To meet the study's objectives, the primary data was collected using a structured interview guide that contained open ended questions. The questions eliminated the subjectivity that result from limiting the respondent's answers to questions. The interview guide had two sections namely general information and effects of outsourcing on the competitive advantage in the hospitality industry.

The interviewees were heads of departmental units which include chief finance officer, chief human resources and administration, chief marketing officer, manager corporate affairs, chief of operations, and the general manager. This category of staff has the responsibility of ensuring competitive advantages at the Kenyatta International Convention Center (KICC) and is therefore more conversant on the practices and challenges faced in the organization.

### **3.4 Data Analysis**

The qualitative data that was collected using the structured interview guide was analyzed using the content analysis technique. This technique studies information with an intent of determining the factors that define a phenomenon (Mugenda & Mugenda, 2003). According to Kothari (2004), it uses a set of categorizations to make valid and replicable inferences about the data. The responses obtained from the respondents were summarized and compared to produce meaning to meet the study's objectives. This method of analysis is among the best methods of analyzing open-ended research questions because it is flexible, systematic, and good in enhancing quantitative description of the content of communication.

## **CHAPTER FOUR**

### **DATA ANALYSIS RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents the results of the study and discusses their implications to the hospitality industry. The study's objective was to determine the effects of outsourcing strategy on competitive advantage of hospitality industry. The primary data was collected from six managers of the Kenyatta International Convention Center. The data was thereafter analyzed and they are hereby presented under different headings in line with study's main objective.

#### **4.2 Respondent Profile**

This part of the interview guide assessed the respondents' suitability to answer the questions and the extent to which they were familiar with the subject matter. The respondents were the center's chief finance officer, chief human resources and administration, chief marketing officer, manager corporate affairs, chief of operations, and the general manager. This represented 100% response rate.

The interviewees were requested to indicate the period they had worked for the KICC Nairobi Kenya as well as their responsibilities in the organization. The chief finance officer said that he had worked for KICC for a period of six years while the second respondent who was the chief human resources and administration indicated that he had worked for ten years. The third respondent (chief marketing officer) had worked for KICC Nairobi Kenya for eight years whereas the corporate affairs manager had worked for KICC for seven years.

Operations chief officer was among the respondent who had worked for KICC for a short period as he had worked for three years whereas the general manager had worked for KICC in the last five years. All the respondents had worked for KICC Nairobi Kenya for a considerably long period which implied that they were in better position to respond to the question with ease.

### **4.3 Outsourcing Strategy in the KICC**

The outsourcing exercise takes place when an organization contracts an external firm to perform part of its business functions that can otherwise be performed internally. As a strategic management tool, it transfers part of the business practices to another organization. There exist three different levels of outsourcing strategy, namely transformational, strategic and tactical.

#### **4.3.1 Outsourcing**

Some researchers view outsourcing as another way of going "out" to find the "source" of what an organization requires to perform its functions effectively. Most of the time, the outsourced services can be performed internally, but because of the financial advantages that come with outsourcing organizations find it necessary to outsource some services. Other researchers perceive outsourcing as a strategic method of sourcing business activities that an organization handled formerly, but has opted to source them elsewhere. Outsourcing therefore is a strategy by which organizations source major functions externally on a long-term basis to offer specialized services to its valued customers.

Outsourcing occurred for the first time in the Roman empire when tax collection exercise was awarded to an external firm for efficient and systematic collection. Core competency is what an organization knows very well compared to its competitors. Information that is the basis of long term success cannot be replicated easily, ability, method of doing business.

#### **4.3.2 Functions/ Services Other Organizations Outsource From KICC**

There are certain reasons that may lead an industry to outsource some of its services. The interviewees gave the fundamental reasons that lead to the outsourcing of Hospitality services. Some of the reasons included the attainment of the economies of production, the changes in the technological developments in the industry and the improvement of services to the customers. Other reasons included enabling the organization to enhance its core competencies in its areas of specialization and lack of the trained manpower to perform certain tasks. There are various functions outsourced in the Hospitality Industry.

The interviewees gave a list of them which include accounts payable, data entry and shipping inventory, specialized knowledge such as IT support for the industries accounting system and network. Other services included IT services that did not require full-time employees, and bookkeeping services that required expert financial analysts. It is easier to change an outsourced provider with the right skill set as the industries IT needs change and a financial analysis expert who ensures that the bookkeeper is handling the books well.

### **4.3.3 Benefits Derived From Outsourcing**

The interviewees were asked about the benefits they derive from outsourcing. They said that they often view outsourcing as a key tool for reducing the costs of running the organization. They also said that outsourcing reduced the project timelines and labor costs. The interviewees further cited efficiency, reduced risks of setting up an IT department.

Controlled costs are the other benefits the organization has enjoyed since it outsourced some of its services. Most of them claimed that since the organization outsourced some of its services, it has been able to enhance its core competencies in service delivery and competitive advantage in the hospitality industry. In line with the previous studies, outsourcing has enabled the organization to enhance its competitiveness advantage in the hospitality industry by way of specializing in certain business activities.

### **4.3.4 Outsourcings Challenges**

The interviewees stated that despite the competitive advantages enjoyed by Hospitality industries at KICC Kenya, there were some challenges experienced by the industry as a result of outsourcing its activities. The employee outsourced by the vendor to carry out Hospitality work experience a gap in the learning curve. This is because the activities are to be carried out as per the industries' laid down procedure and policies and the employee being hired by the vendor might not be conversant with them. The employees therefore, have to be trained in order to fill in the gap in the learning curve. This usually comes at a cost because trainings have to be regularly conducted to make staff more effective and conversant with the outsourced services.

This has to be done by the organization in order to manage expectations and to maintain good relationship with the service providers. Lack of control by the hospitality industry over the employee outsourced is another major challenge for the Hospitality industry. This is because the employee does not report directly to the firm's management. The hospitality industry management experiences a major challenge and a difficulty in controlling such staff. Giving of developmental feedback by hospitality management to such an employee is also hampered as the employee hired by the vendor does not feel obliged to take orders from the management.

At times the outsourced employee under-performs and the hospitality can do nothing under such conditions. For the staff, there are some measures employed to ensure that the staff perform well, for example, there are quarterly appraisals and even the terms of employment signed by the employee. All these, do not apply to outsourced employees who at times work in the same office with the hospitality employees and are paid less. They do not sit for appraisals and even do not sign the same terms of employment. Motivating such outsourced employees is a challenge.

There is high turnover rate for employees outsourced and therefore, the industry at times grapples with a lot of work not finished in time which could lead to poor customer service. Interviewers further indicated that some service providers fail to deliver as expected and this could be due to poorly negotiated contracts. Some contracts are ambiguous, vague and non-existent. To ensure there are no hiccups, negotiations should be done by top management and procurement department, with the help of legal experts.

Another challenge occurs during the time the organization is planning to outsource one or more of its functions and there are employees that have been doing those functions. The organization usually faces a dilemma of whether to redeploy such employees to other functions or to transfer such employees to the vendor. The employees affected by the outsourcing usually feel anxious and demoralized as they usually don't know their fate during such a time.

#### **4.3.5 Measures implemented to counter the challenges of outsourcing strategy**

The interviewees were questioned on what measures that could be implemented to counter the challenges of outsourcing strategy in the industry. They responded by saying that the hospitality industry can sidestep many of the outsourcing challenges problems by partnering with supplier as opposed to view the process as a way of minimizing costs and saving money. Accordingly, the reasons for outsourcing ought to be sound and focused on solving long-term problems rather than the immediate problems.

Organizations that have a sustainable competitive advantage consistently produce products or services that carry the qualities that match the major buying criteria for most of the consumers in the market. It involves achieving superior performance and economic value over a prolonged period in the market. Moreover, it entails continual adjustment to environmental changes and ability to withstand all efforts to replicate a firm's advantages by its competitors. Firms should always be a step ahead by having the ability to predict their rivals' next move and ensuring they match their resources to the current gaps in the industry

#### **4.3.6 Mechanisms that an industry follows to manage the progress of outsourced services**

Managing refers to establishing a control system. Managing operations is defined as “ensuring that operations are delivering to their stated objectives, and that these objectives are relevant to the brand and business strategy.” The interviewees responded to this question by saying that the automated processes of managing information enable them to manage outsourced services easily through remote tracking systems.

They also said that mobile-based technology and e-mails enabled them to streamline the outsourcing process. The General Manager however said that the area requires seriousness so that it can attain its overall objective because personal interests might override the organizational interests. The use of email and mobile technology has further streamlined the process of outsourcing. Multiple dimension may undermine the industry objectives and long term strategic objectives may be ignored in the face of short term objectives.

#### **4.4 Competitive Advantage**

The interviewees stated that despite the high quality and good facilities of Kenyan Hotels, Competition for resources and market share in the Hotel industry in Nairobi Kenya is becoming extremely high. Companies operating in the Hotel industry are facing higher competition in the market for skilled labor in the Hospitality profession and for market share. Customers’ expectation and preferences are also increasing from time to time. Because of these and other globalization factors, companies should revise their strategy and invest more amount of money in their premises to compete

effectively. They should identify their core competences and unique resources to adopt positioning strategy to get competitive advantage in the high competitive market in the industry. The study found that the hospitality industry considers several factors in order to determine what to outsource and what not to outsource. The key factors considered are the nature of activity to be outsourced; Is it a core activity or a non-core? How critical to the industry is the function to be outsourced? Mostly, the hospitality industry outsources non-core activities so that the management can focus on the core activities.

This helps the hospitality industry to focus on the more strategic activities. The competitiveness of the activity to be outsourced is also considered; the cost per unit of outsourcing such services is compared to the cost of carrying it out in-house. If the outsourcing cost is lower than the cost of performing it internally, an organization can consider outsourcing the service. This can be seen with the industries outsourcing some of its office activities. Most of the activities outsourced are simple and routine jobs that are not so critical in the industry's operations.

The hospitality industry therefore, outsources this so as to benefit from cheaper labor as compared to the industries hiring its own clerks. If the KICC was to hire its own clerks, the clerks would be more expensive to the organization since it will have to give higher salary and other defined benefits that include, medical, pension and even remuneration stipulated in Collective Bargaining Agreement and other union requirements. The organization also outsources some of its activities in order to take advantage of the expertise of the vendor. The company is also able to keep pace with the new innovations in different fields as a result of outsourcing. This makes the

hospitality industry more advanced in terms of technology and other fields. Since technology is the backbone of most hospitality industry operations, the industry is able to have an edge over its competitors. Outsourcing of services has enabled the KICC to streamline its organization structure and to have fewer head count. This has enabled it to reduce its wage bill and to have a desired organization structure.

In outsourcing of services such as transport, printers/photocopiers/scanners, the KICC is able to control its expenditure and it pays only for the services used. This has further reduced operational cost and other costs associated with maintenance of such machines. Costs associated with having machines stay idle and therefore not in use is also eliminated. The KICC is able to benefit from quality services offered by the vendors. The activities are outsourced through competitive tendering process and the vendor that meets the requirements is selected. The history and reputation of the vendor is also considered.

#### **4.5 Influence of cost saving on competitive advantage**

Cost saving normally results to the fulfillment of the purchase's objectives at lower historical or projected cost. The interviewees indicated that their organization looks at costs as both fixed and variable, and is normally ready to outsource its variable costs whenever it finds a reliable partner. The interviewees coined that Cost saving strategy has led to, improved margins, improved liquidity and de-risking while at the same time increasing its profitability. The KICC labels the cost associated with its competitive advantage as core cost meaning that it is ready to incur that cost. It labels the other costs that do not fall under this category as non-core.

The KICC's strategic intent is to make the non-core costs variable and outsource them to firms that can offer high quality services. Most of these firms offer services at relatively lower costs than the organization can do thereby enable it to focus its attention on its core activities. As one would expect, it does this to enhance its competitive in the hospitality industry.

#### **4.6 Influence of internal and External Environment on Competitive Advantage of KICC**

The internal business environment of an organization entails the factors that impact the success of the business operations of that organization. The interviewees identified the vast experience of its employees as an important internal business factor. They claimed that they motivate them to perform their duties professionally. The success of the organization in enhancing its competitive advantage in the industry is also impacted by the efficiency of its business processes. The KICC has a competitive edge in the hospitality industry because most of its employees do not only have the talent to do the job, but also work together to generate ideas and implement them.

The external environment, on the other hand, consists of an assortment of factors outside the control of an organization. A company's external environment consists of threats and opportunities. The interviewees confirmed that KICC threats were circumstances that negatively influenced its sales and profits while External opportunities had a positive influence on its sales.

The interviewees noted that a firm obtains competitive advantage when it realizes the highest profitability rates in its industry regardless of the internal and external environment. The structure of the hospitality industry has for a long time acted as the determinant force for influencing the on the profitability of the KICC. The interviewees narrowed these forces to the five Porters' forces namely the entrance of new entrants, the buyers' and suppliers' powers, the threat of substitutes and rivalry. Nonetheless, they claimed that the KICC has so far established a competitive edge in the industry that enables it to remain profitable.

The KICC normally conducts a competitive analysis of the industry by comparing its prices and the services it offers to those of its competitors. When developing its products and business philosophies, it subsequently utilizes its strengths in customer service to enhance its competitive advantage. As a consequence, its profitability is a true reflection of the competitiveness of the industry.

#### **4.7 Operational Risk Affecting KICC Nairobi Kenya Today**

The operational risks are the possible changes in the expected profits resulting from the actual losses, failure of the internal processes or external events. It may also include environmental risks, legal risks, fraud and security risks. The interviewees confirmed that the KICC like any other business faced the above risks, and that the risks affected the shareholders' value, reputation and client satisfaction while at the same time increasing business volatility. Contrary to other risks, however, the KICC's operational risks are not driven by revenue or even incurred willingly.

Furthermore, the interviewees were quick to note that the operational risks can never be transferred meaning that as long as the imperfections in business continue, the operational risks can never be eliminated in totality. However, the risks can be managed to maintain the possible losses within manageable levels that could be tolerated. To address the issue, the interviews observed that the organization has so far acknowledged the need for managing the operational risks efficiently besides embracing the new trends in social media and the internet.

#### **4.8 Influence Of Organizational Culture On Competitive Advantage Of KICC**

The organizational culture is defined as the beliefs, principles and values that underlie the management of an organization and the way people behave in an organization. The respondents were asked to explain how the organizational culture influenced the competitive advantage of KICC. They claimed that the culture formed the basis upon which the employees understood one another as they performed their duties and the framework for investing in sustainable competitive advantage.

They added that the distinct attributes of the KICC's organizational culture affect the source and outcomes of its competitive advantage. They claimed that the attributes cemented the link between the KICC's organizational culture and the outcomes obtained from sustainable competitive advantage. The culture was also linked to the continuous employee training programs conducted within the organization to enhance the competitiveness of the KICC in the hospitality industry.

The interviewees linked talent management to the productivity of the KICC and its annual sales. They claimed that the participation of employees in empowered work teams had significant effects on the reduction of total inventory value in the supply chain of the primary products and the productivity of the organization. The answers from interview revealed that KICC managers enable the organization to gain a competitive edge over its competitors in the hospitality industry by increasing the number of employees who participate in empowered work teams, enhancing employees' training programs and managing talents effectively.

#### **4.9 Influence of Suppliers on Competitive Advantages of KICC Nairobi**

Supplier is a party that delivers valuable goods and services to buying entity. Supplier of any given organization is very crucial for he dictates the quality of products and services that organization offers to the customer and how well they meet the customers' requirements. The respondents were required to explain how supplier influences competitive advantage of KICC.

The interviewees confirmed that KICC had embraced and accelerated strategic buyer-supplier relationships to enable the organization achieve its long-term goals. They explained that KICC has developed single source suppliers, few large suppliers who have the capacity to supply the right commodities, because of the pressure the organization has experienced in developing a just-in-time system, decreasing time wasted going to the market and enhancing the quality of its products. It was clear from the interviewees that the ultimate goal of doing this was to reduce cost.

The interviewees noted that KICC is a forward-thinking and is outsourcing best suppliers thus leading in multicultural marketplace. They added that they infuse different suppliers into their business model to create a strong relationship with the suppliers who own small businesses. This has so far enabled the organization to learn from its previous mistakes. The interviewees emphasized that the relationship they have developed with suppliers has enabled the organization to improve its performance, increase its productivity and enhance its competitive advantage through flexibility.

#### **4.10 New Services Introduced To Enhance Competitive Advantage**

The market's competitive pressures force manufacturing companies to offer high quality products and services to customers. The growing number of customers in the hospitality industry increase the purchasing powers thereby affect the development of business activities in the industry. This therefore calls for new strategies to cope with the rapidly changing market technologies, service deliveries and the current enlightened customer. The interviewees were asked to explain some of the new services that the KICC has introduced into the market to enhance its competitive advantage in the hospitality industry.

They claimed that for successful plans in introducing new services, they considered the strategic alignment of the KICC, its organizational culture and the commitment of the top management team to take risks. They noted that strategic alliances with diverse suppliers have enhanced competitive advantage. They also said that they had embraced creativity, a trend that is often adopted by entrepreneurial organizations as they seek to provide unique products and services while enhancing the competitive base. According to the respondents, the creative process in the organization was

shaped by research and ideas that were generated by its top management team. Another new service embraced was outsourcing arrangements for supplier diversity, joint ventures, or strategic alliances. This practice has so far impacted the procurement process by increasing the capacity and size of the first-tier suppliers, but decreasing the number of suppliers of the KICC. The KICC has subsequently resulted to entering into long-term relationships with a few suppliers sidelining the small-scale suppliers who do not have the infrastructure to compete with the industry leaders. This makes it clear that the small-scale suppliers need to form joint ventures or strategic alliances to enhance their competitiveness in the larger markets.

#### **4.11 Influence of Capital Structure Optimization on Competitive Advantage**

Capital Structure, financial structure of a firm, is a mixture of the securities and financing sources used to finance real investments. It is a concoction of the long-term and short-term debts of an organization, preferred equity and common equity. The optimal capital structure indicates the best debt-to-equity ratio for a firm that maximizes its value. This structure is important because it depicts the ability of a firm to meet its stakeholders' needs.

The interviewees were required to explain its influence on competitive advantage. They answered by confirming that their firm made the investments in order to at least remain in business and also display some growth. It was confirmed that KICC managers used both debt and equity financing to acquire capital to fund the operations of the KICC. This means that the decision of determining the method to use depend on the long-term goals of an organization and the control of the managers. Accordingly, businesses can utilize both equity and debt financing methods to optimize their competitive advantages.

#### **4.12 Future of KICC Nairobi**

The respondents were asked about the future for KICC hospitality industry. They answered that the industry will be one of the leading companies in Kenya since it has been growing rapidly over a number of years. Outsourcing has played a major role in this and sticking by the idea will enable the industry perform better in future. It is not difficult to see growing strength in the response of an increasing number of services.

The growing usage of KICC services is becoming a major focus for exploration in many areas and also attention is being given on improving the infrastructure and hence the growth of future hopes to the KICC hospitality industry in Kenya. Tourism is one of the primary sources of revenue in Kenya. Therefore, KICC is among the facilities expected to play an important role in enabling the tourism sector to increase the number of delegates that attend international conferences in the from 35,663 in 2012 to 57,435 in 2017.

#### **4.13 Discussion of the findings**

The study established that organizations outsource services to achieve the economies of production, improve their service delivery processes, improve their core competencies, and benefit from the technological developments in the market. It also established that some organizations outsource services because they do not have the right manpower. It was revealed that the functions outsourced from hospitality industry by other organizations were accounts payable, data entry and shipping inventory, specialized knowledge such as IT support for the industries accounting system and network. This finding is in line with (Dolgui and Proth, 2013) who established that organizations needed to focus their limited resources to core business practices and not non-core businesses.

The study also found that although outsourcing faced a number of challenges, it reduced project timelines, minimized labor costs and increased efficiency. The study also revealed that KICC classified cost into fixed and variable costs depending on the cores associated with cost, whether core (fixed) or non-core (variable) and outsourced for suitable partners to deal with the non-core costs while they majored on the core business. This finding agrees with (McCarthy and Kietzmann, 2013) who in their study established that the organizations can enhance their competitiveness by outsourcing the non-core businesses and turning their attentions to core businesses.

Further, the study determined that internal business environment and external environment significantly impacted business effectiveness and efficiency and that competitive advantage was reached when the firms manage the strengths of their internal operations and recognize the prospective opportunities and threats outside of their business operations. This conquers with a study by (Yilmaz and Bedük, 2014) who established that businesses in the hospitality industry could strengthen their flexibility by adapting anomalous changes in the hotel environment and activating the competitiveness of the industry regardless of the environment.

The study also established that KICC as a facility in hospitality industry was very prone to operational risks. This finding was in line with a study by (West and Ibrahim, 2015) who noted that the hospitality industry was always faced by a number of uncertainties including the marketing, supply and production risks among other risks.

This study also revealed that organizational culture and suppliers influenced the competitive advantage of KICC positively in that distinct attributes such as employee training, talent management, employee participation, motivation, of organizational culture influenced the sources and outcomes of the competitive advantage. And also understanding the kind of the suppliers one requires so as to meet the customer needs. According to Foss and Knudsen, (2013) who demonstrated that importance of training, motivating and engaging employees in the various stages of business.

The study found out that KICC had introduced new services that enhanced its competitive advantage. It had come up with more creative and innovative ways of offering services to counter the rapidly changing business environment. It also confirmed that optimizing its capital also led to improved competitive edge above its competitors. It used both equity and debt financing methods to acquire capital for its investment depending whether it was long term or short term. This finding totally concurred with a study conducted by (Yilmaz and Bedük, 2014) who in their studies measured the impact of outsourcing, and other new strategies that should be embraced in today's ever changing business environment.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter summarizes the study with an aim of concluding and recommending what should be done in the future. It provides a general overview of the effects of outsourcing strategy on the competitive advantage of hospitality industry: a case study of KICC Nairobi Kenya. The study also presents recommendation of the study and suggestion for further studies.

#### **5.2 Summary of the Findings**

The study has established that outsourcing is a form of business strategy that transfers risks to an external firm by hiring it to offer non-core functions. The exercise might a long-term one resulting to a strong relationship with a supplier who becomes a valued business partner. It might as well be short-lived depending on the nature of service offered by the external firm.

The study established that the main reasons for outsourcing include the attainment of the economies of production, the lack of trained manpower, the intent to improve service delivery processes and core competencies as way as the changes in technological development. It has also been revealed that the functions outsourced from hospitality industry by other organizations may include accounts payable, data entry and shipping inventory, specialized knowledge such as IT support for the industries accounting system and network. The findings outline a number of

challenges, some of them being; employee outsourced by the vendor to carry out Hospitality work experience a gap in the learning curve, dilemma of whether to redeploy such employees to other functions or to transfer such employees to the vendor among others. In spite of the challenges, outsourcing has been linked with reducing project timelines, increasing efficiency that translates to competitive advantage, minimizing labour costs and reducing the risks of running some departments such as the IT department among other benefits.

The findings also reveal that KICC classifies cost into fixed and variable costs depending on the cores associated with cost, whether core (fixed) or non-core (variable) and outsources for suitable partners to deal with the non-core costs while they major on the core business. Further, the findings determine that internal business environment and external environment significantly impacts business effectiveness and efficiency and that competitive advantage is reached when the firm manages strengths of its internal operations and recognize potential opportunities; this opens way to competitive edge of the organization above its competitors.

The findings established that KICC is also affected by operational risks just like any other business. These findings also reveal that organizational culture and suppliers influence the competitive advantage of KICC positively in that distinct attributes such as employee training, talent management, employee participation, motivation influence the source and outcomes of competitive advantage. And also understanding the kind of the suppliers one requires so as to meet the customer needs.

The findings established that KICC had introduced new services that enhanced its competitive advantage. It had come up with more creative and innovative ways of offering services to counter the rapidly changing business environment. It also confirmed that optimizing its capital also led to improved competitive edge above its competitors. It used both debt and equity financing so as to obtain capital for its investment depending whether it was long term or short term.

### **5.3 Conclusion**

This study focused on the outsourcing strategy effects on competitive advantage of hospitality industry: The findings has helped in drawing a conclusion of the study, the hospitality industry must formulate new strategies and ways of service delivery to counter the rapidly changing business environment and keep a competitive pace. As KICC is clear on tremendous growth I future even in numbers, it must optimize its capital structure and invest on the areas of expansion as well as maximizing on its strengths to gain for itself a very stable market with competitive edge. Focus should be done on motivating employees, involving them in decision making and developing their talent so that they can deliver quality services.

Mitigating the operational risks where possible it will also earn KICC a more opportunity for improving its competitive edge over its competitors. The study also concludes that employee outsourced by the vendor to carry out Hospitality work experience a gap in the learning curve, dilemma of whether to redeploy such employees to other functions or to transfer such employees to the vendor among others. But outsourcing has also been linked with reducing project timelines, increasing efficiency that translates to competitive advantage and minimizing labour.

## **5.4 Recommendations**

Throughout, the study has established that the players in the hospitality industry encounter several challenges as they outsource their services. In order to avoid encountering more challenges as they outsource the non-core functions, the industry's players should always remember to back up their data. This would reduce the challenges that come with data loss as far as customer satisfaction is concerned. It would also increase efficiency and guarantee the success of outsourcing in the future.

The study recommends that the hospitality industry should select the services to outsource by taking an initiative of the strategic plan. The majority of outsourcing engagements from the industry should be handled by equivalently large service providers and suppliers who are competent and have the capacity to handle large and sensitive assignments common in the hospitality industry. The study also recommends that the industry should follow a procedure that will help them discover whether the outsourcing strategy is of success or failure.

The study finally recommends that the KICC's management team should ensure that the organization benefits maximally from outsourcing, but at the same time manage the operational risks that come with outsourcing. The study also found out that outsourcing of processes by the KICC as a facility in hospitality industry has influenced its competitive advantage very much and it therefore recommends that the KICC should outsource other services that it lacks competitive advantage over its competitors so that it can benefit fully by giving the work to the experts who do it perfectly.

## **5.5 Suggestion for Further Research**

This study focused only on the KICC as just a hospitality facility amongst the industry. During the course of this study several ideas and potential research areas have crossed researcher's mind. This means a study need to be done on industry basis hence a conclusion be made. A research can be done on the hospitality industry ranging them according to size, time in operation, location and the like. The current study only was limited to KICC which a very narrow scope.

The study only focused on competitive advantage of KICC, this means a study need to be done on industry basis hence a conclusion be made. Other studies should be done on effects of outsourcing strategy on performance of Kenyatta International Convention Centre, Kenya. Further, more studies should be done on effects of outsourcing on competitiveness of hospitality industry in Kenya.

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# APPENDICES

## Appendix I: Introduction letter



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DATE 30/11/2017

#### TO WHOM IT MAY CONCERN

The bearer of this letter ALICE KIATIRU TIJOGU

Registration No. DG1/85920/2016

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

**PATRICK NYABUTO**  
SENIOR ADMINISTRATIVE ASSISTANT  
SCHOOL OF BUSINESS



## **Appendix II: Interview Guide**

1. How long have you worked for KICC Nairobi Kenya?
2. What are your responsibilities in KICC Nairobi Kenya?
3. Could you please explain how you view outsourcing?
4. What functions are outsourced in the KICC Nairobi Kenya? Explain?
5. Which flexibility benefits can KICC Nairobi Kenya derive from outsourcing?  
Explain
6. What measures that could be implemented to counter the challenges of outsourcing strategy
7. What are the mechanisms that the hospitality industry follows to manage the progress of outsourced services?
8. Who are your major competitor?
9. How does KICC Nairobi Kenya deal with the competition in the hospitality industry?
10. Which factors have enhanced your firm's competitive advantage?
11. How does cost saving influence competitive advantage of KICC Nairobi Kenya?  
Explain
12. How does external environment influence competitive advantage of KICC Nairobi Kenya? Explain
13. How does internal environment influence competitive advantage of KICC Nairobi Kenya? Explain
14. What are some of the operational risk affecting KICC Nairobi Kenya today?
15. How does organizational culture influence competitive advantage of KICC Nairobi Kenya? Explain

16. How do suppliers influence competitive advantages of KICC Nairobi Kenya?  
Explain
17. What new services have you introduced to the organization to enhance its competitive advantage in the hospitality industry? Explain
18. How does capital structure optimization influence competitive advantage of KICC Nairobi Kenya?
19. What are the outsourcing challenges facing KICC Nairobi Kenya?
20. What is the future of KICC Nairobi Kenya?