

**GLOBAL SOURCING PRACTICES IN FIVE STAR
HOTELS IN NAIROBI COUNTY, KENYA.**

BY:

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DECLARATION

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

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This research project has been submitted for examination with my approval as university supervisor

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DEDICATION

I would like to dedicate this project to my parents Mr. Lazarus Tsuma and Orpha Tsuma.

ABSTRACT

The aim of the project was to find out the global sourcing practices in five star hotels in Nairobi County. Global sourcing is the procurement of products and services from global suppliers for local consumption. This practice has been growing gradually over the years and now more and more of organizations are practicing global sourcing. The study focused on five star hotels in Nairobi County which are eight in number and two respondents from the six hotels that accepted to participate. The research employed a descriptive design and used a semi-structured questionnaire was used to collect relevant data. Data collected was qualitative in nature, which was then analyzed through content analysis and presented using tables and percentages. Content analysis was chosen for this particular study because it helps one understand the big picture and the data is used to describe the phenomenon and what it implies. The research purpose was to unearth the different practices Nairobi hotels practice in respect to global sourcing and what challenges they face will globally sourcing. Data was labeled and coded so that similarities and differences can be identified and interpreted. The study revealed that the hotel industry practice three global sourcing strategies, being global outsourcing, contract manufacturing and international purchasing. Some of the challenges faced included the non-stability of the foreign exchange, inflation, the time it takes before shipments are received among others. The study recommends that hotels should enlighten themselves more on how they can optimize the most from global sourcing, this will eventually help in dealing with some of the challenges they face. The study concluded that Kenyan hotels are on the right path with regard to sourcing globally they however need to find better way of dealing with the challenges at hand. It also recommends that the government should look at the duty charges and pre-shipment conductions so that they can be more conducive for the participating hotels.

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ABBREVIATIONS

ASOF	-	The Eco-tourism Society of Kenya
FDI	-	Foreign Direct Investments
H-O	-	Heckscher-Ohlin Model
KAHC	-	Kenya Associations of Hoteliers and Caterers
KATA	-	Kenya Association of Travel Agents
KATO	-	Kenya Association of Tour Organization
MNEs	-	Multinational Enterprises
RBV	-	Resource Based View
WTO	-	World Tourism Organization
WTTC	-	World Travel and Tourism Council

CHAPTER ONE - INTRODUCTION

1.1 Background of the study

Global Sourcing is a strategic move that organizations implement to give themselves a competitive advantage/ edge against its competitors, this has resulted to the rise in the number of firms that globally source over the years. The rise has been attributed to by a number of positive outcomes which include but are not limited to the high number of global suppliers which gives the firm more options to choose from, efficiency in transportation, their efficiency in production of services and or goods, superior quality advantage of products/services offered, cost advantage among others. Venkateswaran (2009) indicated that Global sourcing is the first steps in logistics which is also known as materials management and is practiced more by firms in labor-intensive sectors like furniture, shoes and garments.

There are a number of theories that help in explaining the concept of global sourcing and particularly why firms opt to concentrate on certain functions and also why organizations source goods or services from foreign countries is in existent. These theories include theory of comparative advantage, factor endowment theory, theory of core competencies and finally the Resource Based View theory. The first three theories explain why firms or nations are involved in importing and exporting, while the last two gives insight on why organizations opt for global suppliers.

Kenyan firms have also embraced different sourcing practices, earlier researches have indicated that Kenyan firms in the banking industry are outsourcing automated teller machines, the construction industry are outsourcing logistic machines among others. Mwanzia (2012) unearthed in his research that most 5 star hotels outsourced laundry services because this is one of the most consuming departments financially and

security service is outsourced to third parties. Most sourced functions in organizations are accounting services, call center services, Research services and tax associated processes, laundry department, Security and housekeeping services

1.1.1 International Business

International business has been in existence since the 18th century when parties used to exchange products for gold, this has however changed since then. It is paramount to understand the concept of international business because it's the reason why global sourcing, foreign direct investments and multinational enterprises are in existence. A number of authors have written about international business and we shall sample a number of their definitions. Hill & Hernandez-Requejo (2011) defined international business as any firm that engages in International trade or investment, Rugman & Collinson (2009) said it is any transaction taking across national borders with the aim of satisfying the needs of individuals and organizations, and Daniels, Radebaugh & Sullivan (2013) said it's any commercial transaction that includes two or more countries.

The concept of international business has been explained by different theories, however the theories of international trade is more specific to International business. The theories include David Ricardo's theory of comparative advantage which advocated for production of goods with the greatest relative advantage, Adam Smiths' theory of absolute advantage garnered for production of goods that you can specialize in, Factor endowment theory states that countries should produce products from the raw materials that are abundant, Michael Porters' competition advantage theory says that countries can increase their competitive advantage as a result of a combination of factors among others.

1.1.2 Global sourcing

Global sourcing has been a concept that was less discussed in the early 1980's, this has however gradually become a topic of concern for most firms in the world. As global sourcing increases, so has the number of global suppliers especially in the last three decades, Jain, Girotra & Netessine (2012). There has been a lot of contradictions on the definition of Global Sourcing; some have referred to it as international sourcing, international purchasing, importing, multinational sourcing, world-wide sourcing as well as global outsourcing. Lysons & Farrington (2006) defined it as a process of manufacturing or purchasing of components in various part of the world and then assembling them into a final product while Dunung & Carpenter (2003) stated that global sourcing is basically buying raw materials, components or services from companies outside of the home country of an organization. Global sourcing has been defined by Khoang (2013) as a pattern of undertaking trade across national boundaries with suppliers anywhere across the world and are mostly consisted of emerging markets like China, Brazil among others. It has however been debated by many authors and practitioners that global sourcing is more than just sourcing supplies from the global market, that it entails intensive knowledge, skill in logistics and communication as well as relations among people because of the distance involved. For this specific research we shall use the definition of Cavusgil, Knight & Riesenberger (2008) who described Global sourcing as the procurement of goods, services or products from suppliers who are located abroad for local consumption. The world is therefore seen as a source of services, components and finished products. The common element from the definitions is that it is the inflow of products/service/components from various parts of the world other than the home

country with disregard to the relationship between the supplier and the purchasing company, thus the umbrella name of global sourcing.

There are a number of strategies that fall under global sourcing that indicate the relationship between the supplier and the focal company. Daniels, Radebaugh & Sullivan (2013) stated that there are 3 strategies under global sourcing they include, outsourcing, and offshoring and supply chain. Others include Cavusgil, Knight & Riesenberger (2008) contract manufacturing which is when a focal company gets into an agreement with a foreign company to manufacture products as per the focal companies specification, Global Outsourcing Deresky (2010), which encompasses a focal firm hiring a firm which is a third party in a foreign land to perform specific functions of the firm, Off shoring which involves getting certain functions or business operations of the company being done in a foreign land by the same company, Barnes(2008).

Global sourcing is now seen as a strategic decision that has to be thought through and has become paramount that it not only involves this department but also the executive management of an organization. Some of the known MNEs' that are known for global sourcing include IKEA a Swedish firm, Nike, Wall-mat and HM among others, IKEA is said to source 18% of its products from China, Jiang & Tian (2009).

There has been a number of concerns when dealing with global sourcing, one of the main ones being carbon foot print (Dunung), this involves the assurance that the suppliers operations are producing carbon emissions at a minimal level possible and thus contributing to environment conservation, health, safety, quality of products or services Daniels, Radebaugh & Sullivan (2013). Jain, Girotra & Netessine (2012) research stated that there is a direct relation between global sourcing and the amount

of inventory an organization needs. She revealed that firms that globally source their supplies requires the holding of a huge amount of inventory due to the more than usual longer lead time involved and just in case there are any other disruptions involved.

1.1.3 Hotel industry in Kenya

Hotels are known as being accommodation away from home; they however do not only offer accommodations alone but also provide other facilities. Medliks & Ingram (2000) noted that hotels not only provide accommodation but also provide different facilities for holding business transactions and meetings, facilities for entertainment and recreation purposes. The hotel industry is said to be powered by the Tourism industry, this is due to their close relation, and any change in either of the two industries will have an almost relative change in the other. The tourism industry draws the clientele into the country or certain regions and the hotels have to provide accommodation services.

The World Tourism Organisation (WTO) has noted that there was an impressive outcome in the first quarter of 2014; there was a 5% increase in international tourists' arrival worldwide unlike the previous years. WTO also revealed that in 2013 there was an international tourism expenditure totaling to USD 1159 Billion which was spent on accommodation, food, drinks and entertainment.

The Tourism industry in Kenya has been one of the top revenue earners for a numbers of years now, it is however the top revenue generating industry in the country. In 2010, Ministry of Tourism announced that it generated the highest amount ever of Ksh. 73.68 Billion Kenya shillings; it contributes 12.5% of the National G.D.P and also creates more than six hundred thousand jobs in the country, WTTC (2014).

The hotel industry first kicked off in the country by the building of The Grand Hotel in Mombasa in the 19th century, and Stanley hotel in Nairobi Mwanzia (2012). There are currently one hundred and twenty three town and vocational hotels in total and 65 lodges in the country.

The hotel industry in Kenya has the support of different organizations that consist of industry participators who have come together for purposes of lobbying and supporting of each other in the industry. They include the Kenya Association of Hoteliers and Caterers (KAHC) Kenya Association of Tour Operators (KATO), Kenya Association of Travel Agents (KATA) and The Eco-tourism Society of Kenya (ESOK).

1.1.4 Five star hotels in Kenya

In Kenya, the Restaurant and Hotel Act Cap 494 is in charge of licensing of hotels and restaurants and also regulates the way hotels are operated in the country. The Act defines a hotel as a premise other than those specified in the third schedule on which accommodation is supplied or available for supply with or without food services in exchange for money or moneys' worth. The hotels are classified as per the Hotel and restaurant act using star ratings, from one star hotel's to five star hotels. The star ratings are a way of classifying hotels in terms of the standard it upholds and amenities it contains, they are said to be a depiction of great ambiance, the highest quality of service/products and they ooze class. One of the earliest five star hotels to be recognized in Nairobi was The Norfolk hotel back in the early 1960s.

As per the Kenyan Gazette, Gazette Notice No. 3976 (Vol. CV- No. 62) here are currently sixteen 5 star hotels in the country and eight of them are situated in Nairobi. The hotels have a bed capacity ranging from forty six beds to seven hundred and

sixteen beds. The eight five star hotels in the region are hotels from the Intercontinental hotels group (IHG), Hilton Hotels, Fairmont Hotels, Sarova Group of hotels while the last two are independent hotels, they are specifically, Intercontinental hotel Nairobi, Hilton Hotel Nairobi, Fairmont the Norfolk Hotel, Safari Park Hotel, Nairobi Serena Hotel, Laico Hotel which was formally the Grand Regency Hotel, Windsor Hotel and Sarova The Stanley Hotel.

1.2 Research Problem

Global sourcing is a strategic decision that a lot of MNEs have put into place for purposes of gaining a competitive edge against its competitors. This is however not a straight forward act, it involves a lot of keenness in the selection process of suppliers, a lot of coordination, planning, follow ups and other logistic issues to ensure that all will be executed as required and expected.

Though there has been a constant interest and attention to global sourcing, there is still inefficient supply of literature review on the topic and especially on the Kenyan market. The available literature has concentrated on Europe, North America, United States of America, South America and Asia (PWC). Most of the studies have also concentrated more on outsourcing as a strategy other than global sourcing.

Scholars in the country have mainly concentrated on outsourcing in different industries in their research work, for instance Mwangangi (2007) researched on automated teller machine services outsourcing practices by Kenyan banks, Chesero (2013) worked on Internationally outsourced logistical services and performance of Bamburi Cement Manufacturing company limited while Mwanzia (2011) researched on creating competitive advantage through outsourcing: survey of 5 star business hotels in Nairobi. In addition, Wild (2010) also pointed out that a lot of firms are still

facing obstacles when purchasing products from international suppliers, I therefore would like to uncover the challenges that the local hotels in Nairobi are facing when it comes to global sourcing and finally Mol, Tulder & Beije (2005) undertook a research on the antecedent and performance; consequences of international outsourcing whereby they concluded that international business ought to look more at the specific drivers of a range of international sourcing strategies. The study therefore sort to answer, what are the global sourcing practices in five star hotels in Nairobi?

1.3 Research Objective

The objective of the research was;

1. To find out what global sourcing practices are being used by five star hotels in Nairobi County.
2. To find out the challenges associated with global sourcing in five star hotels in Nairobi County.

1.4 Value of the study

The study of this research problem will first and foremost contribute to the hotel industry especially to hotel Management and procurement managers to better understand the concept of global sourcing and further enable them to grasp the different reasons why other hotels source globally and be able to deal with the challenges beforehand.

The study will also enable government agencies and policy makers in the creation of policies that will ensure global sourcing is practiced in the right manner which will eventually be of benefit to the hotel industry in the country.

The project will also contribute to academia especially to International Business literature in the country and enable scholars to understand the situation/Trend of global sourcing in Nairobi hotels; they will also be able to use it as a reference or a base to other related research work which will result to a better understanding of the concept and result to other problem solving solutions.

CHAPTER TWO - LITERATURE REVIEW

2.1 Introduction

This chapter presents an account of what has been published by different scholars and authors on the topic. The literature review is going to look at different practices of global sourcing which will include outsourcing, offshoring, and contract manufacturing and other theories that will help us understand the topic of global sourcing as a whole. All the theories explain reasons why global sourcing does actually exist and the various ways it can be executed.

2.2 Theoretical Foundation

There are certain theories that are discussed below that will enable a better understanding of global sourcing, they include; comparative advantage theory, core competencies theory, resource based view and factor endowment theory.

2.2.1 Theory of comparative advantage

The theory of comparative advantage was coined by David Ricardo, this theory holds that countries can actually benefit from free trade even in circumstances where more than one country produce the same products most efficiently, Daniels et al (2013). It also states that countries should produce products that they have the greatest relative advantage in, Collinson & Rugman (2007). Comparative advantage theory is one of the very important theories because it acts as a motivation for global sourcing. It tries to explain why nations should still be involved in international trade and global sourcing even in circumstances where absolute advantage doesn't exist.

This theory was however as a result of Adams Smiths theory of absolute advantage, which advocated that countries should only trade in the production of goods in which they have absolute advantage compared to any other country. This theory encourages specialization of production and can therefore be a source of competitive advantage but it also ensures that nations trade with each other by purchasing what they cannot produce most efficiently from countries that can, therefore sourcing from one another. There has been however one debate on why should a country concentrate on the production of one product is by any chance it has absolute advantage in the production of more than product, that's where comparative advantage theory comes in.

2.2.2 Factor endowment theory

This theory is also known as Heckscher-Ohlin Model (H-O); it considers the presence of production factors that a country is endowed with. A country that has an abundant supply of such production factors is bound to have a lower cost of production which would result to a comparative advantage. The production factors in question include the availability of labor, land, raw materials and the level of associated expenses. Nations with abundant production factors will produce goods that require those factors then source what they lack from other countries.

There is a lot of countries that have FDI and MNEs in other foreign countries that have the resources they require in abundance, most of the resource that have lured them into those specific emerging countries include but are not limited to, a high number of cheap labor as compared to back home, a lot of land, a lot of raw materials like cotton, coffee, among others. Collinson S. & Rugman (2007) noted that China

has a lot of cheap labor and therefore concentrate on labor intensive production while The Netherlands is known for capital intensive production.

2.2.3 Theory of core competencies.

This theory advocates for firms to concentrate on activities that are core to the firm and which assure the organization of gaining competitive advantage against its competitors and source out the non-core activities of the firm that are not unique to the organization. Core competencies has been explained by Daniels et al (2013) as a special skill, capabilities, technology or outlook and gave examples of Apples' eye for design, and Nestle marketing prowess among others. The core competencies should be protected from a firms competitors, this is so because, they are the key factors to the success of a firm, this is the reason why processes that are core competencies should never be sourced out because they offer competitive advantage.

2.2.4 Resource Based View theory (RBV)

RBV theory holds that an organization can attain a competitive advantage if it contains a unique combination of competencies, which can be tangible or non-tangible resources. This is a relevant theory for explaining global sourcing because one of the main reasons why firms globally sourcing is so that they can gain some kind of competitive advantage. The theory conveys that it's a firm's availability or non-availability of resources that will determine if an organization will globally source resources or not. A firm that practices RBV theory as per Daniels, Radebaugh & Sullivan (2013) has two options, of either entering into a collaboration, vertical collaboration or horizontal collaboration.

2.3 Global Sourcing Practices

To be able understand the practices of global sourcing, it is paramount to first and foremost understand why these organizations have adopted the certain practices. This section will also outline the different global sourcing strategies that organizations can choose from, they include global outsourcing, offshoring and contract manufacturing.

2.3.1 Reasons for Global sourcing

There are also positive outcomes associated with global sourcing that drive organizations to practice it; Khoang (2013) stated that global sourcing has a higher chance of increasing the level of customer satisfaction for an organization, not only because of the product quality but also the organizations practices. The Griffin & Pustay (1996) & Daniels, Radebaugh & Sullivan (2013) outlined some of the reasons for sourcing globally was due to the availability of advance technology from foreign suppliers, the provision of higher quality of products and services as compared to what is available at home, the availability of products that are not available at home and finally provision of lower costs that is made available by the global suppliers. The lower costs are usually due to lower land charges, cheaper labor costs, cheaper electricity, water and other raw materials. Lysons & Farrington (2006) indicated that the reasons firms source globally is due to the following reasons, to gain exposure to new and high tech product and process technologies, it helps firms to enter new markets in foreign markets, it also increases level of available sources and finally to improve the quality of products and services a firm offers. Jian & Tian (2009) research revealed that Chinese manufacturing companies participated in global sourcing because of they managed to get access to more advanced technology and innovative products, they also indicated that they received products with increased

quality. Unlike most authors Jian & Tian (2009) said Chinese firms did not outsource/ source globally due to costs reasons because they already have cheap products in the market.

2.3.2 Global Outsourcing

Outsourcing has been highly researched all over the world in different industries. It's been defined by Deresky (2010) as the alliance with firms in other countries to perform specific functions of a firm. Jacobs, Chase & Aquilano (2009) defined outsourcing as the decision of moving an organizations internal activities and decision responsibilities to outside providers.

Outsourcing is usually on contract basis and involves an independent supplier and is now seen as long term strategy as compared to its earlier conception when it was perceived as a short term solution to a problem. Many people believe that outsourcing enables organizations to concentrate on their core competencies resulting to specialization and perfecting in them. Handfield, Monczak, Ginnipero & Patterson (2009) did indicate that organizations outsource their non-core competencies for certain reasons which include to help them specialize in their core competencies, to ensure more focus that will result to specialization, it helps in managing costs and cost reduction.

Mwanzia (2012) research of outsourcing concluded that firms that outsource does actually achieve performance improvements and suggested that the only processes that should be outsourced are those that will ensure that the organization has a competitive edge against its competitors.

2.3.3 Offshoring

Offshoring entails the relocation of a certain function into a foreign country, it mostly involves manufacturing abroad. It is one way of Foreign Direct Investment (FDI) which is the investment of equity funds in other nations, it's objectively set up to serve the needs of the home company. FDI has grown rapidly over the last decade world wide, it's been said that the top countries who have invested in FDI are the United States of America, Western Europe and Japan. Hill & Hernandez-Requejo (2011), also pointed out that, "off shoring can stimulate economic growth and hence employment in the home country by freeing home country resources to concentrate on activities where the home country has a comparative advantage". Rugman & Collinson (2009) also noted that MNEs invest in offshoring because it helps in the reduction of production costs, it increases the organizations revenue, it enables firms to acquire technological and managerial know how among other vital reasons.

2.3.4 Contract Manufacturing

Cavusgil, Knight & Riesenberger (2008) stated that global sourcing can take the form of contract manufacturing, also known as outsourced manufacturing Heizer & Render (2008). This is the scenario where by a foreign company gets into a contract with a home company to produce products or services as per the specification of the home country firm. This is happening a lot in China, especially for the technology companies and the textile industry as well. In the hotel industry this is practiced especially for branded products for the house keeping department (shampoos, soaps), front office supplies (biros and notebooks) among others.

2.4 Challenges of Global Sourcing

The practice of global sourcing faces a number of challenges that would hinder a perfect execution. Some of the challenges revealed by Venkateswaran (2009) and Barnes (2008) include the issue of high tariffs that are imposed on the good that they source externally, there is also the issue of the complex transportation network and communication networks, the presence of language differences also possess a challenge for both participating parties, and exchange rate fluctuations. Cavusgil, Knight & Riesenberger (2008) stated that the selecting of partners is a hard task for firms, because of the distance involved so one cannot know how competent they are for sure. They also identified the presence of time zone differences, non-availability of control over the suppliers, the increase in lead time as well as inventory levels for firms as a challenge. Jiang & Tian (2009) concluded that some of the companies in China that participate in global sourcing have faced the problem of supplier selection with specific issues like supply interruption and quality of supplies. These have been attributed to lack of enough experience and absence of well-defined selection criteria.

CHAPTER THREE– RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that will be used in gathering the relevant data. It will outline the type of research design that will be on use, the targeted population, the tools to be used and finally the data analysis techniques that will be employed.

3.2 Research design

The study is going to apply a descriptive research design; this is where there is no manipulation of the environment whatsoever. Babbie (2010) & Kothari (2004) indicated that descriptive research design main purpose is to describe a situation/event as it exists at a specific moment in time. This research design was selected because this specific topic has not been researched before in the country, so it would be appropriate to know the situation at hand. This will provide primary data which is more reliable in comparison to secondary data. The descriptive research will seek to enhance an accurate and valid explanation regarding the respondents' information on global sourcing practices.

3.3 Population of the study

Population is the entities that the research is going to be based upon. The population of five star hotels in Nairobi is adequate for this research to be carried out. The participating population will be the eight five star hotels in Nairobi which include Intercontinental hotel Nairobi, Hilton Hotel Nairobi, Fairmont the Norfolk Hotel, Safari Park Hotel, Nairobi Serena Hotel, Laico Hotel which was formally the Grand Regency Hotel, Windsor hotel and Sarova The Stanley Hotel. The sample will include two respondents from each property preferably procurement managers or the

equivalent, assistant procurement manager or the equivalent, operations managers and the assistant Hotel managers.

3.4 Data collection

This is the instrument of gathering Primary data; it should be able to collect adequate data that will allow for effective data analysis. This will be through the use of a questionnaire, a semi-structured questionnaire that will compromise both open ended and close ended questions. They shall be distributed through hand delivery, to be picked later and through e- mail. The purpose of the open ended questions is to allow the respondents to give their view on the question at hand while the close ended questions will be for the basic questions that are direct.

3.5 Data analysis

These are the statistical analysis methods to be applied to evaluate the data findings obtained from the samples in the population as well as the presentation of the findings. Data shall be analyzed through the use of descriptive analysis (percentages) for quantitative data while content analysis will be used to analyze qualitative data.

CHAPTER FOUR-DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents data findings collected from the questionnaires, the results of the analyzed data with the purpose of understanding how the industry is participating in global sourcing.

4.2 Response rate

Data was collected from two people who were knowledgeable about purchase pattern of the organization. Six of the eight targeted hotels agreed to participate while the other two were not willing participants. The response rate was therefore 75% and therefore adequate to represent the whole targeted population.

4.3 General information

This section will capture general information regarding the respondents; this will include information ranging from the sex, positions, and work experience in the hotel industry as well as in the purchasing /procurement industry.

4.3.1 Sex

Table 4.1

SEX	Frequency	Percentage
Female	6	50%
Male	6	50%
Total	12	100%

The respondents who participated in the study included 50% of both male and female.

4.3.2 Designation

Table 4.2

Designation	Frequency	Percentage
Assistant Hotel Manager	1	8%
Procurement/Purchasing Manager	2	17%
Assistant Procurement Manager	8	67%
Operations Manager	1	8%
Total	12	100%

According to the findings, 8 % of the respondents were assistant hotel managers, 17% were procurement/purchasing managers, 67% were assistant procurement/purchasing managers and 8 % of the respondents were operations managers.

4.3.3 Work experience

Table 4.3

Years of experience	Frequency	Percentage	Years of purchasing experience	Frequency	%
Less than 1 year	0	0	Less than 1 year	1	8
1-5	2	17	1-5	6	50
6-10	6	50	6-10	2	17
11-20	3	25	11-20	2	17
Over 20	1	8	Over 20	1	8
TOTAL	12	100		12	100

According to the study, 50% of the respondents have an experience of 6-10 years in the hospitality industry, 25% have the experience between the ages of 11-20years, 17% had 1-5years and finally 8% had over 20 years' experience in the hospitality industry.

On the other hand while 50% of the respondents had specific experience to the procurement/purchasing department, 17% had procurement experience for both 6-10

years and 11-20 years and 8% of the respondents had procurement experience of less than one year and more than 20 years.

4.4 Global Sourcing Practices

All the respondents involved revealed that their organizations do participate in global sourcing and it's practiced as one of their key strategic moves of the organization. The global sourcing practices that the hotel industry in the county of Nairobi include,

4.4.1 Global outsourcing

The findings indicate that 25 percent of the population practiced global outsourcing. The respondents identified three main areas that their organizations globally outsource; they include Auditing services, marketing services and management services. Their reason for opting for this option was because foreign re-known companies perform better and thorough services as compared to the locally owned outsourcing options.

4.4.2 Offshoring

From the findings no five star hotel in Nairobi claimed to practice offshoring as one of their global sourcing practices. This might be due to the fact that hotels are in a service industry as compared to other industries.

4.4.3 Contract Manufacturing

42 % of the population indicated that their organizations practice contract manufacturing, this is whereby they contract a third party to manufacture products for them as per their specifications. The items that were identified as being contract manufactured includes guest amenities which compose of in-room products and

health spa products like perfumes, soaps, shampoo, restaurant & housekeeping linen mostly branded and finally crockery and cutlery.

4.4.4 Departments

The data collected indicated that the departments that participated in global sourcing include the food service department for lined, cutlery and crockery, Housekeeping department for Guest amenities which include in-room products and the health spa, The front office department, The food production department for products like salmon, carvie, grapes, kiwis among other products, Sales and marketing department, Human resource department.

The respondents also indicated that the main reasons their organizations have decided to participate in global sourcing because they get superior quality products from foreign suppliers, the products or services received are usually at a reduced cost thus cheaper than home suppliers, some of the products are not available locally, they also noted that being a participant in global sourcing makes them globally competitive, it also gives them a variety to choose from and finally it gives them better marketing platform.

4.5 Challenges faced

From the findings, the respondents revealed that their organizations faced a couple of challenges while practicing global sourcing. This included lack of credit facilities, exchange rates sometimes are not favorable, pre- shipment conditions are not conducive, only economical when large orders are placed, duty charged not clear, diversification of products in the industry, the duration it takes to receive the ordered items is long, sometimes what is ordered is not the quality of product they expected it

to be, price fluctuations due to inflation and political instability. Though these organizations face the stated challenges, all the respondents stated that they would recommend global sourcing to organizations that do not practice it.

4.6 Discussion

The study has revealed that Kenyan hotels based in Nairobi have embraced the art of global sourcing for purposes of staying competitive and upholding their set standards. The research has revealed that most of the organizations stated the same reasons why they participate in global sourcing the same reasons that were stated by Griffin & Pustay (1996) and Daniels, Radebaugh & Sullivan (2013) which included the availability of superior quality of products, the provision of products/services that are not available locally, the provision of products/services at low costs as compared to home price and finally the availability of advanced technological process from global suppliers. This shows that Organizations are not only in thinking of themselves but also what kind of products they are giving to their clientele, that's why quality has been seen as of great essence. One of the reasons that were not mentioned by any of the respondents is Lysons & Farrington (2006) reason of establishing a presence in foreign markets. This might be so because the hotel industry has not concentrated on the provision of one product it is therefore difficult to establish presence in foreign land through this practice. This reveals that regardless of the location that a business is situated their reasons for global sourcing as a strategic move is the same.

Nairobis' five star hotels practice global sourcing however the only two strategies that are in practice are global outsourcing and contract manufacturing, while contract manufacturing was revealed is practiced more often to global outsourcing. Another practice that was introduced by the respondents was international purchasing whereby

they procure products and services impromptu from a foreign source; this was mostly as a result of not being in a position of finding the specific product from home suppliers. Handfield, Monczka, Ginnipero & Patterson (2009) did say that firms usually outsource their non-core competencies only and the results from the study does concur that the globally sourced activities or products are non-core competencies in nature.

The five star hotels in Nairobi have experienced some challenges when carrying out global sourcing practices. This research has indicated that some of the challenges that are witnessed by some of the firms globally were however not applicable with the Kenyan market. Some of the included Venkateswaran (2009) and Barnes (2008) of the presence of language difference as a challenge and the selection of partners by Jiang C. & Tian Y. (2009), selection of global sourcing partners, the presence of time zone difference and control over the suppliers were not featured as indicated by Cavusgil, Knight & Riesenberger (2008) and Jiang & Tian (2009).

CHAPTER FIVE – SUMMARY OF THE FINDING, CONCLUSION AND THE RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four and it also gives the conclusion and recommendation which are based on the objectives of the study.

5.2 Summary of the findings

The project aimed at uncovering the global sourcing practices in five star hotels in Nairobi County and the challenges they face while at it.

5.2.1 Global sourcing practices

The study suggests that hotels in Nairobi are all practicing some form of global sourcing; this indicates that firms are going beyond borders to source for services, products or components. The reasons for undertaking global sourcing was revealed by the findings for being not only due to lack of the products in the country but they are also in search for superior quality, cost friendly among other reasons.

The five star hotels in Nairobi practice three types of global sourcing practices, which include global outsourcing, contract manufacturing and international purchasing. The third option was revealed by the respondents. Global outsourcing was identified for activities like auditing, management services, marketing and branding services. On the other hand Contract manufacturing was sorted out for commodities for housekeeping department and the restaurant department, specifically linens, crockery, cutlery, stationery among others. International purchasing was identified by 80% of the population as one of the main sourcing practices.

5.2.2 Challenges of global sourcing

The challenges that the hotel industry is facing in Nairobi's five star hotels included issues of exchange rate, taxes, the conditions whereby only large orders are more economical as compared to making small orders and the duration it takes to receive shipment has also become a concern.

5.3 Conclusion

The study concludes that hotels in Kenya have taken the right path in taking up global sourcing as a vital strategic move. The practices they have undertaken shows that they have taken both the core and non-core competencies seriously with purposes of ensuring that their firms perform financially well but they also ensure that their clientele are receiving the best services and products as they can possibly provide. As indicated earlier, the reasons that were revealed were mostly to do with quality and cost related among others. The challenges faced indicate that there are some areas that need to be rectified so that firms can be able to participate in global sourcing in an efficient and effective manner.

5.4 Recommendations

The study recommends that Managers should put in more effort in ensuring that they are enlightened in issues of global sourcing so that they can be in a better position to handle the various challenges that they face. Another recommendation is for governments to have clear cut duty and reduced charges and to put conducive policies in place that will ensure that more global sourcing for hotel owners/ management is more fruitful. The government should also work towards ensuring the economic environment is conducive enough to encourage more global sourcing.

5.5 Limitations

The findings of this study should be viewed in light of a couple of limitations. The use of a semi-structured questionnaire collected the general intended information that was being sort however additional data collection methods should be considered so as to further probe and understand some of the issues raised by our respondents, suggestions would include the use of interviews.

In addition, some of the hotels did not participate in the study due to their organizations policies that do not allow for studies/external research work from being undertaken in their organizations.

5.6 Suggestions for further research

This study concentrated on one region of the country and I would therefore suggest that further research should be undertaken with the whole country as its population, this would give a better and more accurate insight on how intense or not global sourcing has been adapted in the hotel industry in the country. This particular practice has not been researched in the country as much as and I would therefore suggest that more research should be undertaken , topics that can be covered can include the effects of global sourcing on the financial performance of the company, global sourcing as a strategic tool in the management of organizations. Other areas would be to concentrate on one topic and research on it intensively, for instance the reasons why organizations have opted for global sourcing as a strategic move, the challenges being faced by the hotel industry in Kenya in their quest to sourcing globally among others. The research of the above would enable scholars and business people to further understand global sourcing practice in Kenya.

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APPENDICES

APPENDIX 1: INTRODUCTION LETTER

I am a graduate student pursuing a Degree in Business Administration (International Business) at the University of Nairobi. The study is on global sourcing practices in the hotel industry. I hereby kindly request your assistance in filling this questionnaire which would enable me to obtain data for the study. The information obtained from your response will be treated with utmost confidentiality.

Your co-operation will be highly appreciated

.....

Tsuma Shisia

D61/67774/2011

RESEARCH QUESTIONNAIRE

SECTION 1: GENERAL INFORMATION

Kindly answer the questions below by ticking where appropriate.

1. Gender: Male [] Female []

2. What position do you currently hold in the organization?

Assistant Hotel Manager []

Procurement Manager []

Assisstant procurement manager []

Operations Manager []

Other.....

...

3. How many years' experience have you obtained in the hospitality industry?

Less than 1 year []

1 – 5 years []

6 – 10 years []

11 – 20 years []

Over 20 years []

4. How many years' experience have you attained in the procurement department?

Less than 1 year []

1 – 5 years []

6 – 10 years []

11 – 20 years []

Over 20 years []

SECTION 11: GLOBAL SOURCING PRACTICES

1. Does your organization participate in any form of global sourcing?

YES []

NO []

2. If YES, which of the global sourcing strategies are in use in your organization?

Kindly tick where appropriate.

I. Global Outsourcing

(When a focal firm hires an independent firm (a third party) in a foreign land to perform specific functions for the firm) []

What products/services/functions are globally outsourced?

i.

.....

ii.

.....

iii.

.....

iv.

.....

v.

.....

II. Offshoring

(The relocation of certain functions/operations of a firm into a foreign country to be performed by a subsidiary of the firm) []

What products/services/functions are globally outsourced?

- i.
.....
- ii.
.....
- iii.
.....
- vi.
.....
- vii.
.....

III. Contract Manufacturing

(When a company gets into a contract with a foreign company to produce products or services as per the specification of the home country firm) []

What products/services/functions are globally outsourced?

- i.
.....

ii.
.....

iii.
.....

iv.
.....

v.
.....

IV. Other.....
.....

i.
.....

3. Is the adoption of global sourcing perceived as a strategic move by your organization?

YES []

NO []

4. If NO (from 2 above), what are the reasons for not sourcing out of the country?

viii.
.....

ix.
.....

x.
.....

xi.
.....

xii.
.....

6. What are the main reasons for practicing global sourcing by the hotel?

i.
.....

ii.
.....

iii.
.....

iv.
.....

v.
.....

7. What challenges are you currently facing as a global buyer?

i.
.....

ii.
.....

iii.
.....

iv.
.....

v.
.....

8. Would you recommend global sourcing to an organization that is not practicing it already?

YES []

NO []

THANK YOU FOR YOUR CO-OPERATION!