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Analyzing Challenges Impacting the Performance of Serviced Offices in Nairobi County, Kenya

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Abstract

Recent economic shifts have transformed property management, intensifying competition in the office space sector, particularly with the emergence of serviced offices. These spaces offer flexibility and convenience compared to traditional leases, attracting many businesses. However, they face hurdles such as competition from conventional offices, short-term contracts, and economic instability. This paper focuses on understanding these challenges to enhance property management strategies. Through a descriptive research design targeting 24 serviced offices in Westlands, Nairobi County, the study identified significant obstacles, including government policies, economic conditions, billing strategies, and infrastructure deficiencies. Recommendations include creating a more favourable regulatory environment with tax incentives, improving electricity supply reliability, and implementing robust management systems to address billing and occupancy uncertainties.

Keywords: Challenges, Kenya, Nairobi, office performance, serviced offices

INTRODUCTION

The real estate market, with its commercial sector encompassing leasing and investment options, forms the backdrop for this study on the office property market, where office space leasing takes centre stage (Gitonga, 2016). As Mwangasha (2019) points out, recent economic changes have significantly impacted property management, leading to a highly competitive office space landscape with constant new entrants and rapid development, exemplified by the rise of serviced office spaces (Mwangasha, 2019).

Serviced office spaces, also known as co-working offices, offer temporary, fully-equipped workplaces for businesses (Peltier, 2001). These spaces come in various sizes and configurations, from basic floor space with minimal services to professionally furnished, all-inclusive options. Notably, most serviced offices fall into one of these two categories: comprehensive or part-serviced (Peltier, 2001). Both startups and established businesses can benefit from serviced offices, which can be found in high-quality business parks and prestigious locations, making them a significant and rapidly growing segment of the office space market (Peltier, 2001).

The popularity of serviced offices in Kenya has grown significantly in recent years. This trend is exemplified by the arrival of Regus, a major international provider with over 3,000 business centres in 120 countries, in January 2007 (Regus, 2022). Regus caters to a diverse clientele, including established corporations, entrepreneurs, and multinationals, by offering a variety of flexible workspace solutions (Regus, 2022). Their offerings range from private offices to virtual office options, allowing clients to choose the workspace that best suits their needs and budget.

The rise of serviced offices necessitated a shift in property management strategies from rigid, long-term leases to embracing flexible workspace solutions (Kinuthia, 2016). Traditionally, property management may have limited a company's ability to adapt to changing business needs due to inflexible lease terms (Kinuthia, 2016). Recognizing this challenge, the industry is adopting a new paradigm that acknowledges companies' need for diverse workspace options to suit various business activities (Gibson & Lizieri, 2015).

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While Kenya's property market traditionally focused on ownership or long-term leases, serviced offices offer a more flexible alternative (Mbithe, 2019). These fully or partially equipped spaces allow companies to scale up or down based on their needs, with services like IT and administrative support included. Once viewed as a budget option for startups, serviced offices have been reinvented as a premium, branded product catering to a wider range of businesses (Gibson & Lizieri, 2015).

Companies choose serviced offices for various reasons, including temporary projects, overflow space, or establishing a foothold in a new market (Gibson & Lizieri, 2015). The appeal lies in the flexibility and convenience ("one-stop shop") compared to traditional leases. However, the serviced office sector faces challenges, including competition from conventional offices, short-term contracts, and economic volatility. Understanding these challenges allows property managers to develop strategies for improved performance.

The global growth of serviced offices has spurred academic research on various aspects of this sector. Studies have examined the supply of serviced office space (Peltier, 2001), factors influencing service office choice (Celka, 2011), and worker preferences for amenities and services (Appel-Meulenbroek, Kar, Berg, & Arentze, 2018).

While research exists on Kenyan real estate products like serviced apartments (Cytonn, 2017; Kinuthia, 2016), there's a gap in understanding the challenges faced by serviced offices specifically. This study aims at addressing this gap by investigating these challenges and constraints. Analyzing key performance indicators of serviced offices will be crucial in this evaluation. The findings will benefit industry players by providing insights into the challenges affecting the performance of the formal serviced office sector in Kenya.

THEORY

Serviced Office Concept

Rapid changes in the global economy have driven fierce competition across various sectors (Vyas, 2016). The property management industry, like others, is adapting by seeking innovative ways to improve performance (Mwangasha, 2019). This is particularly evident in the office space market, which has become highly competitive with a constant influx of new players, both large and small. This competitive landscape has also spurred the rapid development of commercial office space (Mwangasha, 2019).

The demand for flexible workspace solutions has significantly changed the way businesses acquire office space (Reed & Stewart, 2003) . This has led to the rise of serviced offices, which cater to companies needing short-term leases with additional benefits like facilities management, equipment, and administrative services (Gibson & Lizieri, 2015).

Serviced offices, also known as co-working spaces, offer temporary, fully-equipped workplaces for businesses of all sizes (Peltier, 2001). These spaces come in various configurations, from basic floor space with minimal services to professionally furnished, all-inclusive options. Notably, most serviced offices fall into one of these two categories: comprehensive or part-serviced (Peltier, 2001).

The concept emerged in North America and the UK in the 1960s and 70s, respectively (Vyas, 2016), and has gained popularity worldwide, including in developing economies like those in Africa. Serviced offices benefit both startups and established corporations by offering flexible workspace solutions in prime locations, making them a significant and rapidly growing segment of the office space market (Peltier, 2001).

The demand for flexibility is said to be what has fueled the surge of the serviced office idea. Organizations are shifting the locations and methods by which they conduct their activities more frequently. Consequently, an organization's capital infrastructure, of which property is a crucial component, needs to be flexible (Vyas, 2016). The sub-market for serviced offices, which has just emerged, has been redefined, shaking off the stigma of second-hand space in substandard structures and offering real estate and service options for both small start-up businesses and large corporate organizations. Fully serviced workplaces are now available in high-end structures in the most advantageous locations, and they play a significant role in the mix of upscale business parks (Reed & Stewart, 2003).

Theoretical Underpinning

Decision-making theories offer valuable insights for understanding how different situations and challenges can influence organizational performance (Young, 2015). This study adopts the contingency approach, recognizing that the challenges faced by serviced offices in Kenya will likely impact their performance. By evaluating these constraints, we aim to develop a framework for improved performance in this growing market.

Contingency Theory

The contingency approach recognizes that organizations face unique challenges requiring different management styles (Omolaubi, 2016). This approach emphasizes identifying and adapting to specific situations ("contingency variables") as they arise (Pratono, 2016). In essence, it builds on systems theory by providing a framework for selecting the most effective strategies to address the challenges faced by an organization (Pratono, 2016).

Contingency theory argues that there's no one-size-fits-all approach to organizational success (Jeong, 2012). The most effective strategies depend on specific internal and external factors, or "contingency variables" (Pratono, 2016). While identifying these variables can be challenging, contingency theory provides a framework for considering situational factors when making decisions. In this study, we'll explore how the challenges and constraints faced by serviced offices in Kenya ("contingency variables") influence their performance.

Research in the 1950s by scholars at Ohio State University (Omolaubi, 2016) influenced the contingency approach to leadership. They identified two key leadership behaviours: initiating structure and consideration. Initiating structure focuses on providing a framework for achieving tasks and goals, while consideration emphasizes building positive relationships and supporting subordinates (Omolaubi, 2016). This research suggests that effective leadership styles may vary depending on the situation.

The concept of contingency theory was first introduced in 1967 by Lawrence and Lorsch to explain organizational structure (Donaldson, 2001). It departs from earlier "one-size-fits-all" management theories by emphasizing that the most effective approach depends on the specific situation (Hussain, Haque, & Baloch, 2019). A core principle is that there's no universally best way to organize. Instead, successful management involves finding the right fit between the organization's internal characteristics and its external environment (Hussain, Haque, & Baloch, 2019).

This study adopts the contingency theory due to its strengths in addressing challenges and performance in various situations (Hussain, Haque, & Baloch, 2019). The theory emphasizes the importance of context and fit, aligning with our goal of understanding how constraints affect serviced office performance in Kenya. Contingency theory's focus on situational factors allows us to identify the most relevant challenges and develop appropriate strategies for improved performance.

The Performance of Serviced Office Space

In Kenya, the performance of commercial office space has been on the decline, in terms of occupancy rates and rental values (Cytonn, 2021). The decline in occupancy rates and rental values has been partially attributed to low demand for the space and the arrival of the COVID-19 pandemic, among other challenges. Interestingly, there has been a continuous supply of commercial office space in Nairobi City, with Kilimani and Westlands locations having the largest supply of space at 52 per cent (Cytonn, 2021; Frank, 2020; Syagga & Aligula, 1999).

Cytonn's 2022 market survey revealed positive trends for serviced offices in Kenya (Cytonn, 2022). Serviced office rents grew by 0.8% year-over-year, reaching Ksh 183 per square foot in 2021 compared to Ksh 161 in 2020. This growth stands in contrast to the unserviced office market, where average rents remained at Ksh 93 in 2021. The survey attributes the strong performance of serviced offices to three key factors: convenience due to existing facilities, flexible lease terms, and no setup costs (Cytonn, 2022).

Challenges Facing Serviced Offices

Serviced office managers face a multitude of challenges that can hinder performance, including operational inefficiencies, business strategy issues, and meeting the diverse needs of their clientele (Durdyev, Ihtiyar, Ismail, & Ahmad, 2012).

Research and industry experts have identified additional challenges, such as tenant acquisition and management, inventory control, managing the complexities of shared IT infrastructure, billing for various services, and fostering business growth within the shared workspace environment. Understanding these challenges is crucial for this study, as it aims to assess the factors affecting the performance of serviced offices in Kenya.

Inefficiency of the Serviced Office Real Estate Market

Frew, (2016) identifies several factors contributing to inefficiency in the serviced office market. Unlike standardized commodities, serviced offices lack centralization and experience less frequent trades, making it difficult to determine holding period returns. Additionally, the unique characteristics and location dependence of serviced offices further complicate the issue. Furthermore, a lack of quality information readily available to potential customers hinders market efficiency (Frew, 2016).

Financial and Liquidity Issues

Durdyev, Ihtiyar, Ismail, & Ahmad, (2012) highlight illiquidity as a major challenge for serviced office investments compared to other asset classes with quicker returns. Predicting cash flows can be difficult beyond the initial few years due to market uncertainties. Additionally, unforeseen expenses like property maintenance and potential tax law changes further complicate financial forecasting for serviced offices.

Attracting and Managing Tenants

Attracting tenants requires increasing brand awareness and demand for serviced office space (Juneja, 2020). However, implementing effective marketing strategies can be costly and time-consuming. Online strategies, like website optimization and content marketing, are crucial for attracting potential tenants. Ultimately, serviced office owners and agents need to present compelling reasons for choosing their space and its offerings (Juneja, 2020).

Inventory Management

Managing both tenants and the variety of workspace options within a serviced office can be complex and time-consuming (Gordana, Sandra, & Sandra, 2010). Maintaining real-time inventory requires clear product packages, such as day passes, co-working memberships, private offices, and dedicated desks. Setting competitive prices for these options can be another challenge for serviced office managers.

Complex Shared Workspace IT

The complexity of IT management in serviced offices stems from multiple vendors and the need to integrate various systems (Juneja, 2020). This reliance on diverse IT providers with different standards increases costs and strains internal resources (Juneja, 2020). Furthermore, decentralized technology can frustrate tenants facing outages or needing IT support (Fanoun, 2018). As a result, serviced office operators may spend more time managing IT systems than focusing on core business activities.

Billing Shared Workspace Products and Services

Billing for the various customizable products and services in serviced offices can be complex (Fanoun, 2018). Tracking usage, costs, and tenant accounts become cumbersome, especially with add-on services. Integrating billing with the workplace management system for inventory control and service access could streamline this process, but such integration can be a hurdle in itself (Fanoun, 2018).

Growing a Shared Workspace

The growing demand for flexible workspace is driving innovation in partnerships, workplaces, and development (Gordana, Sandra, & Sandra, 2010). However, serviced office providers face challenges in scaling their businesses, both within existing facilities and in new locations. A major hurdle is implementing a robust and scalable technology platform that can support future growth (Gordana, Sandra, & Sandra, 2010).

Despite the variation in challenges faced by serviced office providers, effective workplace technology is generally seen as a solution (Gordana, Sandra, & Sandra, 2010). Technology can streamline operations, reduce resource waste, and enable the delivery of high-quality services to tenants, ultimately contributing to a serviced office's success.

Short-term Nature of Serviced Office Contracts

Serviced offices cater to businesses seeking flexibility with short-term contracts, often starting with hourly rates (Fanoun, 2018). This flexibility benefits tenants but can challenge property owners. Maintaining consistent revenue can be difficult when occupancy fluctuates, as property expenses persist regardless of the number of tenants (Fanoun, 2018).

RESEARCH METHODS

This study adopted a mixed methodology, combining quantitative and qualitative methods (Creswell, 2014). A social constructionist approach informed the qualitative aspect, where semi-structured interviews explored respondents' experiences, perspectives, and attitudes on the topic (Creswell, 2014). Quantitative data collection complemented this by measuring variables and their relationships.

A descriptive research design was chosen to best capture the current state of serviced office challenges in Kenya (Kombo & Tromp, 2014). This approach allowed for an accurate portrayal of the situation based on the collected data.

Target Population

The target population for this study is property owners and managers of serviced offices in Nairobi County, Kenya. This group possesses the knowledge and experience relevant to the challenges faced by serviced offices (Republic of New Zealand, 2009).

Nairobi is an ideal location for this study due to its status as Kenya's capital and economic hub, attracting a diverse range of businesses that utilize serviced offices (Broll, 2019). The city boasts a large existing stock of office space, including A-grade space that is particularly popular with serviced office providers (Broll, 2019). These factors make Nairobi a prime location to investigate the challenges faced by the service office industry.

Sampling Procedure

This study employed a multi-stage sampling approach to select participants (Crossman, 2018; 2018; Kombo & Tromp, 2014). In the first stage, purposive sampling was used to focus on property owners and managers of serviced offices in Nairobi County (Acharya, Prakash, Saxena, & Nigam, 2013). Descriptive research aims to describe the characteristics of a population or phenomenon hence the use of purposive sampling allowed researchers to select a specific group of cases that best represented the characteristics they were interested in describing (property owners and managers). This approach allowed the researchers to target a relevant population subset, ensuring a detailed description and in-depth examination of the target group. Westlands, a prime location with a high concentration of serviced offices (estimated at 24 out of 63 in Nairobi County as of May 23rd, 2020), was purposively chosen as the study area. Since all 24 serviced office providers in Westlands were considered relevant to the study, a census (surveying the entire population) was conducted within this location.

Data Collection Methods

This study employed a mixed-methods approach, utilizing both qualitative and quantitative data collection methods (Creswell, 2014). Qualitative data was gathered through open-ended questions in a questionnaire, allowing respondents to share their experiences and perspectives on the challenges faced by serviced offices (Chyung, Swanson, Roberts, & Hankinson, 2018). Quantitative data was collected using closed-ended questions with a Likert scale, enabling analysis of trends and comparisons (Chyung, Swanson, Roberts, & Hankinson, 2018).

The questionnaires were distributed to all 24 serviced office providers in Westlands, Nairobi, Kenya. A hard copy format was chosen to ensure accessibility for all participants (Crossman, 2018). A time frame for completion was provided to encourage response, a strategy that ensured a response rate of 88 per cent which is adequate for analysis and generalization of the findings.

Data Analysis

A concurrent mixed-methods approach was used to analyze both qualitative and quantitative data (Venkatesh, Brown, & Bala, 2013). This allowed for triangulation, where the findings from one method informed the interpretation of the other.

For qualitative data analysis, thematic analysis was conducted on the open-ended questionnaire responses to identify recurring themes and patterns related to the challenges faced by serviced offices. For quantitative data analysis, SPSS V23 was used to analyze the quantitative data. Descriptive statistics (frequencies, percentages) were generated to summarize the data. Correlation tests were conducted to assess the relationships between challenges (independent variables) and serviced office performance (dependent variable). The strength of these relationships was interpreted using Cohen's criteria (weak: 0.3-0.5, moderate: 0.6-0.7, strong: 0.7 and above) (Moore, Wilson, Vine, & Freeman, 2012). Challenges with statistically significant correlations (p-value < 0.05) were considered to have a significant impact on performance. The challenge with the lowest p-value was considered the most important, while the one with the highest p-value was considered the least important.

Validity and Reliability
To minimize researcher bias, which can compromise the study's validity, this research employed a number of strategies (Kombo & Tromp, 2014). These included maintaining a reflexive approach throughout the research process to identify and mitigate personal biases. Additionally, the congruence between questionnaire responses, the chosen literature, and the data analysis methods was continuously checked to ensure alignment with the research objectives (Morse, Barrett, Mayan, Olson, & Spiers, 2002).

RESULTS

Challenges Facing Serviced Offices in Westlands Area, Kenya
This section presents the descriptive statistics on the challenges facing the performance of serviced offices in Kenya, identified through a survey of property owners and managers in Nairobi. The challenges analysed included competition (number of competing serviced office providers), low customer awareness (website traffic), financial constraints (amount of business cash flow), evolving customer preferences (demand for alternative workspace solutions), government regulations policy (amount of taxes and fees levied on serviced offices), economic factors (occupancy rates), poor infrastructure (operational cost of power backup), inefficiencies in the serviced office real estate market (rental growth rate, inventory management), inventory protection and management (frequency of asset repairs), billing issues (the number of unpaid invoices), and short-term occupancy uncertainties (tenant turnover).

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

Findings concerning client awareness; the study established that the majority of respondents 1(52.3%) % agreed (33.3% agreed to a large extent and 19% agreed to a very large extent) that they face low client awareness levels compared to 6(28.6%) who moderately agreed and 4(19%) who agreed to a less extent. Further findings on financial and liquidity challenges established that 8(38.1%) agreed (23.8% to a large extent and 14.3% to a very large extent) that financial and liquidity issues were the challenges they faced in providing serviced offices to their clients compared to 5(23.8%) who moderately agreed, 7(33.3%) who agreed to a less extent and 1(4.8%) who did not agree.

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

Concerning the economic environment, the study established that 5(23.8%) agreed (14.3%to a large extent and 9.5% to a very large extent) that they were faced with challenges related to the economic environment, another 5(23.8%) moderately agreed, 8(38.1%) agreed to a less extent and 3(14.3%) did not agree.

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

Findings on billing system established that the majority of respondents 2(9.5%) agreed to a large extent that poor billing strategy was a challenge affecting the performance of serviced offices business in Nairobi County, 8(38.1%) moderately agreed, 9(42.9%) agreed to a less extent while 2(9.5%) did not agree. Last, concerning occupancy, the study established that the majority of respondents 11(52.4%) agreed (42.9% to a large extent and 9.5%) to a very large extent that they were faced with the uncertainty of short-term occupancy, 5(23.8%) moderately agreed, 3(14.3%) agreed to a less extent and 2(9.5%) disagreed.

A correlation test of variables was conducted to establish the correlation coefficient and statistical significance of the association between challenges (independent variable) and the performance of service offices (dependent variable) in Kenya (**Table 1**).

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

Low client awareness (r=-0.037, P=0.873) and uncertainty of short-term occupancy (r=-0.372, P=0.097) have a weak negative but statistically insignificant relationship with the performance of serviced offices in Kenya. Poor billing strategy (r=-0.526, P=0.014) has a moderate negative but statistically significant relationship with the performance of serviced offices in Kenya. The summary of the correlation analysis with coefficients and statistical significance results are indicated in **Table 2**.

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

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

The rest of the challenges including uncertainty of short-term occupancy, were less significant in influencing the performance of serviced offices in Kenya because their P values are more than 0.005. Thus, we can conclude that government policies and the regulatory environment are the most important challenges facing the performance of serviced offices in Kenya.

The study identifies critical challenges affecting serviced offices in Kenya. Firstly, government policies and regulations, indicated by taxes and fees, significantly impact operations (r=0.784, p=0.000). Collaboration between policymakers and stakeholders is essential to foster a conducive regulatory environment. Secondly, economic conditions, reflected in occupancy rates, also heavily influence performance (r=0.608, p=0.003). Monitoring macroeconomic trends and implementing risk mitigation strategies are crucial. Thirdly, poor billing practices (r=-0.526, p=0.014) and inadequate infrastructure (r=0.460, p=0.036) pose additional challenges. Improving billing systems, investing in infrastructure maintenance and expansion, and enhancing service quality would be necessary to address these issues.

Overall, a comprehensive approach is needed to tackle the multifaceted challenges faced by serviced offices in Kenya.

TABLE 1
Correlations analysis

Variables	Tests	Performance	1	2	3	4	5	6	7	8	9	10	11
Competition (no. of competing serviced office providers)	Pearson Correlation	.269	1										
	Sig. (2-tailed)	.239											
Low client awareness (Website traffic)	Pearson Correlation	-.037	-.019	1									
	Sig. (2-tailed)	.873	.935										
Financial and liquidity issues (Amount of business cash flow)	Pearson Correlation	.224	.281	.121	1								
	Sig. (2-tailed)	.328	.218	.600									
Changing customers' preferences (Demand for alternative workspace solutions)	Pearson Correlation	.256	.500*	-.151	.413	1							
	Sig. (2-tailed)	.262	.021	.513	.063								
Government Policies and Regulatory Environment (Amount of taxes and fees levied on serviced offices)	Pearson Correlation	.784**	.307	-.124	.037	.126	1						
	Sig. (2-tailed)	.000	.176	.591	.872	.585							
Economic environment (Occupancy rates)	Pearson Correlation	.608**	.130	-.014	-.012	.260	.452*	1					
	Sig. (2-tailed)	.003	.574	.954	.959	.255	.040						
Poor infrastructure (Operational cost of power backup)	Pearson Correlation	.460*	.371	-.434*	.099	.371	.553**	.682**	1				
	P value	.036	.098	.049	.670	.098	.009	.001					
Inefficient real estate market (Rental growth rate)	Pearson Correlation	.345	.132	-.340	.014	-.053	.301	.207	.324	1			
	Sig. (2-tailed)	.125	.570	.131	.953	.821	.184	.368	.152				
Inventory protection and management (Frequency of asset repairs)	Pearson Correlation	.046	-.057	-.078	-.086	.229	-.280	.389	.076	.047	1		
	Sig. (2-tailed)	.843	.805	.736	.710	.318	.220	.081	.742	.839			
Poor billing strategy (Number of unpaid invoices)	Pearson Correlation	-.526*	-.407	.165	-.258	-.024	-.413	-.188	-.231	-.067	.189	1	
	Sig. (2-tailed)	.014	.067	.476	.259	.918	.063	.414	.314	.772	.411		
Uncertainty of short-term occupancy (Tenant turnover)	Pearson Correlation	-.372	.000	-.175	-.206	.255	-.491*	.073	-.011	.101	.697**	.490*	1
	Sig. (2-tailed)	.097	1.000	.447	.370	.265	.024	.754	.961	.663	.000	.024	

Notes:
N= 21

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

Source: Data Analysis, 2021/2022

TABLE 1
Summary of the correlation analysis

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

Source: Data Analysis, 2021/2022

DISCUSSION

The study aimed to identify the most significant challenges facing the performance of serviced offices in Kenya. The study established that the following challenges were statistically significant in influencing the performance of serviced offices in Kenya; Government policies and regulatory environment (r=0.784, p=0.000), Economic environment (r=0.608, p=0.003), Poor billing strategy (r=-0.526, p=0.014) and Poor infrastructure (r=0.460, p=0.036). The rest of the challenges and constraints including uncertainty of short-term occupancy, were less significant in influencing the performance of serviced offices in Kenya because their P values are more than 0.005. These findings highlight the importance of both external and internal factors influencing the performance of serviced offices in Kenya. This aligns with the core principle of contingency theory, which states that the most effective management approach depends on the specific context and challenges faced by the organization.

Firstly, government policies and the regulatory environment (the amount of taxes and fees levied on serviced offices) significantly influence performance. This is consistent with contingency theory, which emphasizes the impact of external factors. The amount of taxes and fees levied on serviced offices directly affects their operational costs and profitability. Companies must adapt their strategies to comply with regulations, highlighting the importance of aligning internal practices with external demands.

Secondly, the economic environment, as measured by occupancy rates, is another significant factor. This is in line with contingency theory's emphasis on adapting to environmental factors. High occupancy rates reflect a favourable economic environment, indicating increased demand for serviced offices. Conversely, low occupancy rates suggest economic challenges, requiring flexible strategies to adjust to fluctuating market conditions.

Thirdly, the poor billing strategy, indicated by the number of unpaid invoices, highlights internal operational challenges. Contingency theory acknowledges the importance of internal factors in organizational performance. Inefficient billing processes can lead to cash flow problems and operational inefficiencies. Organizations need to adapt their billing strategies to ensure timely payments and financial stability.

Lastly, inadequate infrastructure, particularly the operational cost of power backup, is another significant challenge. This relates to both internal and external factors. Externally, unreliable infrastructure reflects broader societal issues impacting businesses. Internally, it underscores the need for organizations to adapt their operations to mitigate the effects of inadequate infrastructure, such as investing in alternative power sources or improving efficiency to minimize reliance on backup power.

CONCLUSION AND RECOMMENDATIONS

The study identified significant challenges facing serviced office businesses in Kenya: Government policies and regulatory environment (the amount of taxes and fees levied on serviced offices), Economic environment (occupancy rates, Poor billing strategy (number of unpaid invoices), and poor infrastructure (operational cost of power backup), listed in their order of significance.

To address issues related to policy and regulatory frameworks as well as the economic environment, fostering a more favourable regulatory and policy landscape is crucial. This could involve implementing tax incentives, increasing investment in infrastructure, and providing economic subsidies.

To mitigate challenges associated with billing strategy and short-term occupancy uncertainty, implementing effective serviced office management systems is recommended. Such systems can reduce the number of unpaid invoices hence boosting business cash flows. Improving infrastructure is essential to enhance Kenya's attractiveness as a business destination and consequently boost demand for serviced offices. Reliable electricity supply, through expansion and regular repairs of the supply system, should be observed.

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