

**FACTORS AFFECTING THE GROWTH OF FOREIGN FOOD
RESTAURANTS IN NAIROBI, KENYA**

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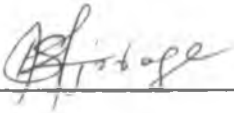
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DECLARATION

This is my original work and has not been presented to any other university for examination purposes.

Signed: 

Date 13/10/2007

Samuel Njoroge Kaniu

This project has been presented for examination with my approval as the University Supervisor.

Signed: 

Date 13-10-2007

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DEDICATION

This Research Project is dedicated to the memory of my two late grandfathers who passed away when I was undertaking the MBA programme: Stanley Njoroge Kaniu and Fredrick Njoroge Kiriira- my maternal and paternal grand fathers. Their unwavering support, love and encouragement meant a lot to me.

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The successful completion of this study is partly as a result of the indispensable contribution of the following people:

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My family and friends for their encouragement and immeasurable support. Special acknowledgement to my grandmother Zipporah Njoki Njoroge who literally took care of me when I was engaged in the project.

Many Thanks to God for the many prayers answered.

To all, God bless You

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LIST OF ABBREVIATIONS

CBD	Central Business District
IPO	Initial Public Offer
SCM	Supply Chain Management
UNDP	United Nations Development Programme
US	United States
WTO	World Trade Organization

ABSTRACT

The foreign food industry in Kenya has experienced a significant growth. This industry has become particularly notable in this decade. Foreign food restaurants of Indian, Italian, Chinese and Japanese categories have risen to become important player(s) in the general hospitality industry especially within Nairobi and other big towns

This study on foreign food restaurant aimed at identifying the role of the political-legal social economic, international, technological and other environmental forces in shaping the trend of growth in the foreign food restaurant industry. The study involved a stratified sample that was done on the basis of the size of each stratum categorized as per the nature of foreign foods. This sample involved Chinese, Italian, Ethiopians, Indian, Japanese and other categories of the foreign food restaurant within Nairobi.

From the result of the study, it was established that the various factors as listed above play varying roles in their contribution to this subsector. Though all of the forces were found to be important influencers, the economic and political element stood out as the two most dominant forces. The general economic growth and the rising consumer income were rated as the two dominant variables among the economic factors. This could be attributed to the growth in the upper class niche market that is the target of foreign food restaurants.

While the political environment was found to be favourable there was a general perception that high taxes and bureaucracy are significant in order or challenges affecting the players in this industry. The socio cultural element was also found to be an indispensable factor influencing the success of this industry. The presence of targeted age group and the diet and nutrition consciousness were established to be among the dominant variables in this subsector.

From the above findings the researcher recommended a response to the above challenges notably the high taxes and bureaucracy in the system. In addressing the two issues, the government would most likely realize increased tax compliance and employment opportunities as a result of the growth in this sector. While the government tackling of the above challenges would enhance the success of this sector, the socio- cultural factor is one of the factors beyond the control of the government. An aggressive marketing by specific countries can help overcome or take advantage of the socio cultural dynamics. These among other recommendations made can help realized the growth and sustainability of the foreign food subsector of the hospitality industry in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background

Kenya has realized a significant economic progress in the early 21st Century. This has been as a result of the implementation of economic reform measures that are critical to realizing economic growth and enhancing the growth of businesses both in number and in size. As at 2006, most sector of the economy had been liberalized and opened up to the market forces. The concept of businesses being owned by individuals and not government has taken root in Kenya. This is largely attributable to the recent Initial Public Offers (IPOs) by the government.

The bureaucracy that has previously been associated with establishing a business has remarkably reduced (Bwisa, 2007). The number of licenses that one needs to establish a new business has been rationalized. The economy has recorded a growth of over 5 percent (Government Economic Survey, 2006) with most of the sectors reporting a favourable growth. A related factor to the above is the shifting relations between countries. The trade between Kenya and her trade partners has undergone a major reconfiguration with China's imports rising. Talks between these two countries have been going on as they look for possible trade areas. The trade between Kenya and her regional partners has also taken a new face as regional blocs play an increasingly important role. Efforts to revive the defunct East African community have also been taking place.

The overall effect of the above is the increasing interaction between cultures as the numbers of foreigners residing in Kenya increase. Kenyans are also visiting other countries in search of business opportunities. There are also a large number of foreigners studying in Kenyan Universities and also Kenyan students studying in foreign countries. Firms are environment dependent and changes in their operating, industry or remote environment are bound to affect the behaviour and performance of the firms. The above trend has therefore not been without an

effect on the local business environment. Liberalization has resulted in stiff contest as organizations attempt to gain a secure position within which to operate. Most industries have witnessed a lot of changes as the industry players react to the changing external variables. The stiff competition has made players to come up with innovative ways to survive the turbulent environment.

In the restaurants business, competition has been intense with foreign firms from countries such as South Africa setting shops locally. Nairobi has specifically seen the establishment of a number of foreign owned restaurants. The firms that have established operations are from South Africa, Zimbabwe and Zambia. These firms have competitively changed the landscape of competition in the industry (Theuri, 2003). While most of these firms are branded and have an expanded scope of offer, the recent years have seen the establishment of foreign food restaurants specializing with food products of only specified countries. The restaurants outlook and interior decour is distinctly different from other local and foreign owned food restaurants. Customer service in these foreign food restaurants is given a new approach as these outlets deliberately opt for very specific markets.

Over the last couple of years, the number of these foreign food restaurants has been increasing. This has changed the operating environment within which these firms operate while affecting other segments of the industry such as Hotels and the branded and non branded fast food outlets. Most of the foreign foods restaurants have only one branch despite being in operation for more than three years. These restaurants have found contentment in having a single outlet located in one of the prime areas of the city. Little has been done on promotion and/or expansion efforts. These firms seem to have found solace in the word of mouth as the single marketing tool. This is despite the intensifying competition and the increasing number of new entrants in to the segment. Meanwhile these foreign food restaurants continue to increase in number.

1.2 Statement of the problem

All organizations are subject to the prevailing environmental conditions. The external forces of economic, socio-cultural, technological and legal-political elements play a vital role in influencing both the establishment and performance of business. The industry components of clients, competitors and suppliers also affect the operations of a business. These variables play a direct or indirect role in their effect on businesses (Donnelly, 31). The relative importance of these variables will vary from industry to industry and from business to business. When establishing a business, the initiators of the idea usually screen into the environment before making a decision on whether to establish it. If most of the above factors are favourable and none poses a major threat, an opportunity is deemed to exist (Holt, 1992; Kotler, 2000). While the main driving force behind a business is the existence of needs, this is not the only factor that influences businesses to start their operations. The decision of establishing a business in a certain location is based on a calculated analysis of the environmental variables.

The Kenyan economy has experienced a growth in many sectors of the economy. The tourism, construction, agricultural and Information Technology industries have witnessed a remarkable growth. Many big corporations have recorded an improvement in profitability. Foreign companies have gained interest in the country as they respond to the freeing of the market. A major limitation of the growth analysis above is that it has concentrated only on the major industries. A similar growth trend has been observed among the small businesses. This can for example be seen in the restaurants businesses. There has recently occurred a proliferation in the number of restaurants within the country and Nairobi City in particular. The growth of both small and large businesses in Kenya is subject to the previously mentioned environmental factors. While all of them are important, their influence on both the small and big firms varies. Firms in the same industry are affected in a similar way though this may differ depending on the segment that they serve (Kotler, 2000).

The Kenyan restaurant business scene has witnessed a radical transformation. Not only have new foreign entrants come in, but also a revolution in the strategies that the existing players employ. Most of the restaurants have engaged in aggressive promotional campaigns while others have decided to venture on specific niche of the market. The up market places and the suburbs of the City have become host for Italian, Chinese, Ethiopian, Indian and French delicacies specialists. Majority of these restaurants are situated in Lavington, UpperHill, Kilimani, Parklands and Westlands areas of the City. The foreign foods business has become very important such that big hotels are also offering these foreign specific countries delicacies.

The Kenyan foreign foods restaurants operate within the broader restaurants category. While some studies have been done on fast food chains and also on Hotel within the City, little has been done on the area of foreign foods restaurants. This is despite their increasingly important role in the hospitality industry and restaurant business in particular. This study will specifically focus on these foreign foods restaurants and seeks to identify the environmental variables that contribute to establishment of these businesses. It also seeks to find out the challenges that these restaurants encounter during their establishment stage and in their daily operations.

1.3 Scope of the study

The scope of this study was limited to identifying the influence of the environmental variable on the establishment of foreign food restaurants. The study also focused on the establishment challenges for this industry.

1.4 Objectives

This research on foreign food restaurant aimed to achieve the following objectives:

1. To find out the factors behind the increase in the numbers of foreign food restaurants in Nairobi.
2. To understand the challenges that foreign food restaurants face during their establishment.

1.5 Importance of the study findings

The study is expected to be of significance in the following ways:

1. To the owners and managers of foreign fast foods restaurants who will get an insight into how industry players operate. They will also benefit through the recommendations on strategies applicable to this sector of the hospitality industry.
2. To potential investors in this segment who will get useful information on the challenges faced in this industry and an insight on the critical success factors in this business
3. To scholars and researchers through contributing to the body of knowledge and stimulating further research in this area.

CHAPTER TWO: LITERATURE REVIEW

2.1 Overview

The scope of literature review for this study covered the concept of entrepreneurship, small business, competitive strategies and the external and internal environmental variables. A conclusion that summarizes the factors that may be having a major influence on Kenyan foreign foods restaurants has also been included.

2.2 Entrepreneurship

The meaning of the word entrepreneurship remains controversial today. Recently however scholars have begun to emphasize the creation of organization as the essence of entrepreneurship (Bartol and Martin, 1991). Low and Ian MacMillan (Holt, 1992) have defined entrepreneurship as a creation of a new enterprise. Although one could engage in a new not for profit organization, most entrepreneurship involves profit oriented business. Peter Drucker view entrepreneurship as occurring "when resources are directed to progressive opportunities and not just to ensuring administration efficiency". According to Holt (1992), the term entrepreneurship may be properly applied to those who incubate new ideas, start enterprises based on those ideas and provide added value to society based on their independent initiative.

On the basis of the definition of entrepreneurship above, an entrepreneur then is an individual that creates a new enterprise. Many of today's familiar products are founded by entrepreneurs.

2.3 Small Business

New ventures typically fall in the category of "small businesses". According to the US Chamber of Commerce, a small business refers to a business employing less than 500 persons. Others sometimes use a figure of less than 100 persons. (Bartol and Martin. 1991, 774). The European Commission categorizes small businesses as micro enterprises(0-9 employees) and small enterprises(10-99 employees).In Kenya, small businesses are in two categories: micro enterprises-those with ten or fewer workers and small enterprises those with 11-50 workers (Parker,1994). These definition seem to be based on the fact that businesses

with these numbers of employees would rarely need a complex structure (Stokes, 1995)

According to Rachman et al (1990, 55), “four out of five small businesses have fewer than 20 employees”. Most new ventures inevitably therefore fall under the classification of small businesses. Rachman classifies small businesses in to two: Lifestyle businesses and high growth ventures. Lifestyle businesses have little growth potential and are comfortable with having modest operations. They are sometimes called “mom and pop operations”. The high growth ventures aims at outgrowing their small business status as quickly as possible. On the average their sales are increasing by 90 percent every year. (Rachman 57). He gives an example of a “neighbourhood pizza parlour” as belonging to the former and a “forest product company” as one in the later category.

According to Holt (1992), there is a subtle distinction between a small business and entrepreneurship. Distinguishing factors are that “entrepreneurship involves a vision for growth, commitment to constructive change, persistence to gather necessary resources, and energy to achieve unusual results”. A small business may demonstrate these characteristics but only coincidentally, not as a prerequisite to establishing an enterprise. While research has not been able to clearly differentiate small business from entrepreneurship, it is apparent from the above distinction that most foreign food restaurants in Kenya are small businesses and not entrepreneurs. They start small and remain small and this seems to be their founder's intention. On the contrary a study on fast foods restaurants in Kenya has found that most of them started as small operations but have expanded their operations to become large fast food chains (Theuri 2003,). These can be categorized under entrepreneurship.

The small businesses are faced with a major challenge from the big business that are able to achieve economies of scale in manufacturing, marketing and buying large quantities of an item. This threat to the small businesses has led

many them to close their doors as “the dominant firms became increasingly powerful making it virtually impossible for new rivals to enter many industries” (Rachman 1990, 58). However, recently the trend towards bigness has slowed. There has occurred an economic shift towards services where economies of scale are quite elusive. This trend has also been seen for goods producing firms as smaller organization take advantage of their simpler organizational and management structure. These smaller firms are therefore able to provide customized service or deliver goods more quickly than their larger rivals.

The above has also been the case in the hospitality industry. The Kenyan restaurants has been dominated by a few players most of them being fast food chains (Theuri 2003). The consumers therefore have had a limited choice. More and more customers are becoming conscious about their eating habits and often prefer the small foreign foods restaurant. This is so because these clients want effective service and foods that are made by specialists in cooking that particular delicacy. Another factor that has contributed to the small business revival is the large number of executives leaving the corporate world to form businesses of their own. The evolution of the economy to accommodate women as entrepreneurs is also another force that has influenced the small business growth in number.

Craig Ben R., Jackson William E. and Thomson James E. (2007) contends that overall, the main factor that has facilitated the renaissance of small businesses is the fact that policy makers have began to increasingly appreciate that small businesses are fundamental as an engine of economic growth This has made governments to nurture these businesses through enacting policies that give them incentives.

2.4 Competitive Strategies

Organizations are open systems. They are influenced not only by their own internal operations but also by other external variables. Every organization that

wants to survive must therefore caution itself against adverse effect by having a strategy. An organizational strategy consists of moves and approaches devised by its management to produce a successful organizational performance. A strategy is thus a “management’s game plan” (Thomson and Strickland, 1989). Strategic Management plays an indispensable role in the context of a turbulent and competitive environment. It ensures a firm’s efficiency in its objective to optimize its long term performance.

Despite the broadness of a firm’s environment, there lies a critical aspect in the industry within which it operates. The essence of formulating a competitive strategy emanates from the need to relate a company to the competitive environment within which it operates. Forces outside the industry affect all firms. The key to managing them is found in the different firms’ abilities to respond to them. According to Porter (1996), the state of competition in any industry is influenced by the five basic competitive premises: threat of new entrants, bargaining power of buyers, bargaining power of suppliers, rivalry among existing firms and threat of substitute products.

The goal of competitive strategy of a firm should be directed towards securing a good defensive position for that firm against the competitive forces and to influence them in its favour. Michael Porter has postulated three generic strategies that all organizations use either singly or combined: Cost leadership, differentiation and focus.

A cost leadership approach calls for a firm to entrench ways that it can acquire cost advantages while a differentiation strategy emphasizes the development of product or services that offers unique attributes to customers. A focus strategy concentrates on a narrow segment and within that segment aims to achieve cost advantage or differentiation. A variant of focus strategy is Niche marketing where one identifies a specific need in the market and opts to design, produce or deliver a product or service meet that need. This is the idea behind of the formation of

foreign foods restaurants. They desire to be perceived as specialists in the respective delicacies.

Because of the narrow market focus, firm pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. Other demerits of a focus strategy includes imitation and changes in the target segments. Furthermore it may be easy for a broad market cost leader to adapt its product to compete directly (Ogutu, 2006). A focus strategy for restaurant business has some advantages since it may result in a higher degree of customer loyalty and this entrenched loyalty discourages others from competing directly. (Theuri 2003)

2.5 External and Internal environments

The success of every firm is affected by both external and internal factors either acting separately or together. The context in which a given firm operates determines the intensity of the factors and thus the strategies to use in overcoming the challenges.

2.51 External environment

The external environment consists of the major forces outside the organization that have the potential of significantly affecting the success of products or services. The-external environment can be classified in to two segments: general environment or mega environment and the task environment. Some scholars have labeled the two as remote and industry environment respectively. These two segments of the environment are depicted in figures 1.1 and 1.2 below.

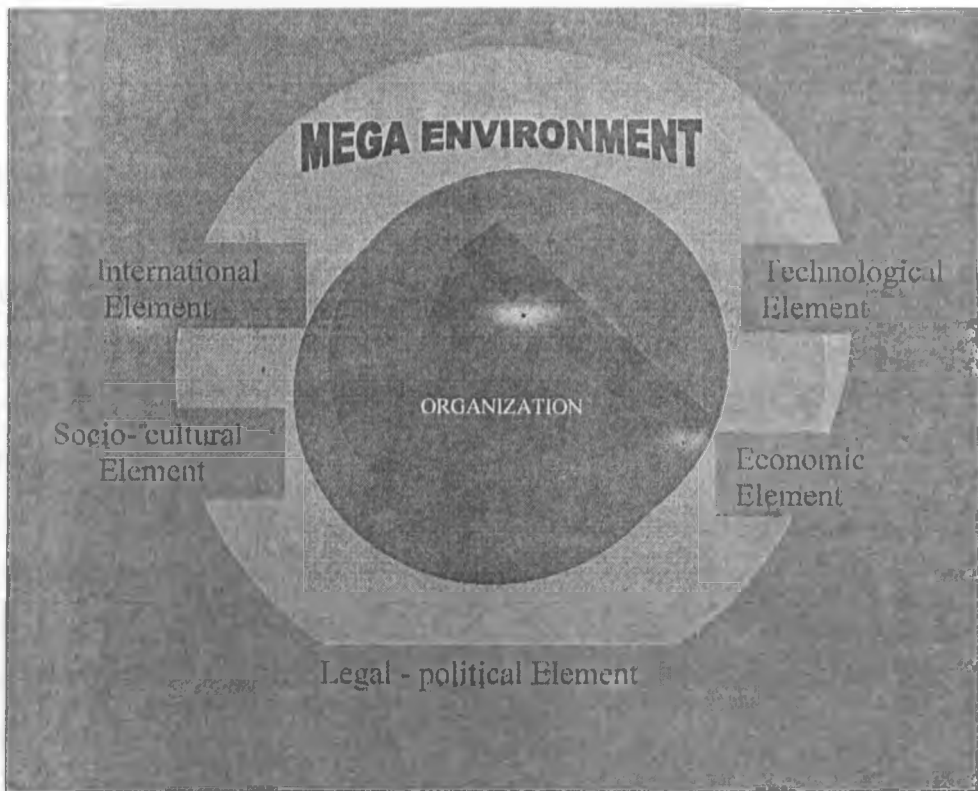


FIG.1 Elements in the Mega environment

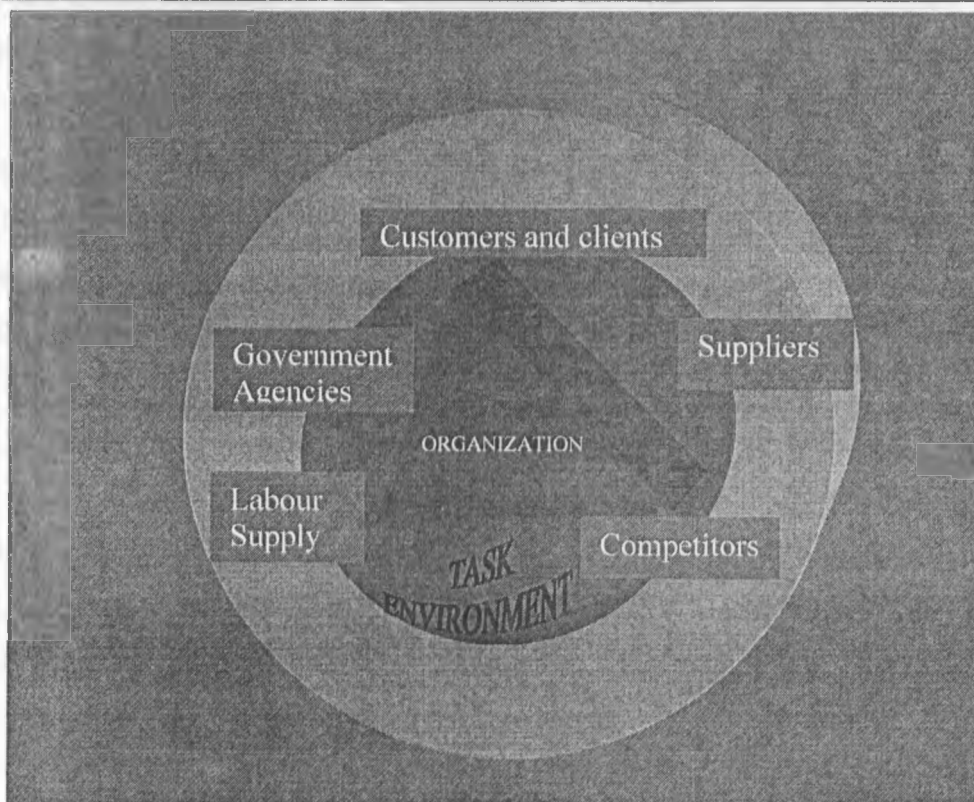


FIG2. Elements in the Task Environment

2.5.11 Mega Environment

The mega or general environment is the segment of the external environment that reflects the broad conditions and trends in the society within which an organization operates. It is sometimes referred as the remote environment. It consists of five major elements: Technological, economic, legal-political, socio-cultural and international

The technological element is the part of the mega environment that reflects the current state of knowledge regarding the production of products and services. Technology is changing the work place (Dessler, 2000). All organizations are affected by technology either positively or negatively. A major technological breakthrough has been realized in the information technology and computer industry. These tools have revolutionized the way tasks are executed in most organizations. For example the internet has become an important advertising mean and has been of great use in most of the sectors the hospitality industry included. In the 21st century, online booking and reservations has become prevalent particularly for foods and services business. This trend is now common for foreign foods reservations in major hotels in Kenya (Daily Nation, 2007)

The economic element plays a vital role in the performance of businesses. The structure of a country's economy significantly influences the business performance within its boundaries. Economies can be capitalistic or socialist. In practice most countries' economies have tended to be a hybrid of the two. However, most nation economies have now been liberalized. The Kenyan economy has not been left behind. One of the inevitable consequences of liberalization of trade is the opening up of national boundaries to allow foreign enterprises to access other countries. With the opening up of the Kenyan boundaries in the 1990's has come interested foreign operatives that have seen Kenya as a worthwhile opportunity and an enviable location particularly with

regard to strategic operations in Africa as a whole. The obvious result has become a rush for Nairobi due to the fact that it is the capital city of the country. The growth of any country's economy usually results in the growth of the various sectors. This growth is attributable to the rise in incomes and the general increase in revenues in interdependent sectors.

In Kenya, agriculture, tourism and information technology have recorded a remarkable growth (Government Economic survey, 2006). The Hospitality industry has also not been left behind in reaping the fruits associated with an overall shift of the economic situation for the better. A positive growth in the construction industry in Kenya has been considered key to attaining significant growth in the hospitality sector (Mukewa, 2003). The growth in the construction sector in this decade has seen thousands of people get residences in prime areas of the City of Nairobi such as Kilimani, Parklands and Lavington This has seen the number of foreign fast food restaurants increase in Nairobi City as operators take advantage of the new potential customers.

Within every economy, organizations are also influenced by factors they have limited control of such as inflation rates and interest rate. These affect businesses through influencing the consumers' purchasing power and the borrowing or lending rates respectively. Kenya has experienced a fairly stable fluctuation in the two when compared to other African economies.

The access to funds from the financial institutions is another important aspect that can influence a country's economic growth. While this is influenced by a number of factors, the rivalry or competition within an industry and the market liquidity are the major forces that influence a financial system's ability and willingness to lend.

The legal political element is the part of the mega environment that includes the legal and government systems within which an organization must function. Trends in the areas of legislation, court decisions, politics and government

regulation are important aspects of the legal political environment. Organizations are expected to operate within the general legal framework of the countries within which they operate. At the same time organizations are subject to the growing number of law suits filed in courts by interest groups from clients to employees. Political ideologies also play a key role in influencing economic progress and performance of businesses. Lobby groups are playing an important role than ever in influencing an organization's conduct. The Kenya government has had to react to child abuse allegations with in the coastal towns' restaurants and hotels. Drugs fighting agencies have also risen to stem drug taking among the Kenyan Youth. These two seem to be some of the ethical issues that can result in a restaurants business conflict with the Kenyan government and legal institutions.

Many governments have lately reduced the rigorous requirements and other conditions that have previously made the entry into their economies an unpleasant experience. The Kenyan economy was in the 1990s associated with red tape, time wastage and other bottlenecks. The number of licenses required for establishment of a business locally has lately been reduced to a reasonable number. This coupled by the timely processing of the licenses and has made it possible for foreign investors to start their operations on time. The number of the foreign interests entering in to the Kenyan market in a specific time period has thus increased (Bwisa, 2007).

Governments both in developing and developed economies have adopted strategic planning as a way to pursue their national objectives. According to Mwaura (2004), majority of the developing economies (Kenya included) have made nurturing of small and medium enterprises their dominant theme in recent years. Policies and structures have been put in place to nurture ideas. A notable example is the UNDP- Kenya government initiatives that trains young graduates who aim to establish small businesses. Political stability is another important factor among the Legal-political issues. Organizations usually prefer countries with a predictably stable atmosphere. Kenya is one of the few countries in Africa

that have enjoyed relative peace and stability both within and across their boundaries

The socio-cultural element is the element of the mega environment that includes the attitudes, values, norms, beliefs, behaviour, and associated demographic trends that are characteristic of a given geographical area (Kotler, 2000).

Cultural risk is a fundamental concept in socio-cultural analysis. It is the most important consideration with regard to both development and transfer of product and process ideas. Some products can be successful in one foreign market and not another. Some of the products may receive a hostile reaction from some regions or nations. Grosse and Kujawa(1993) give an example of Chrysler a US franchise that withdrew from the European market due to a hostile reception.

In Kenya, foreign food firms are mainly in five categories: Italian, French, Chinese, Ethiopian and Indian. Firms that are considering operating foods restaurants (including others apart from the above) should not overlook the need to understand the risk of biased cultural prejudices.

In recognition of the socio-cultural differences, most restaurants business and food chains have been forced to tailor their products to meet the local needs. Bartol (1991) gives an example of “McDonalds that had to mix it menus in Malaysia with milk shakes flavoured with durian, a foul smelling South East Asian fruit considered a local favourite”. While this policy is necessary for firms that operate in a global environment, it should not be blindly applied to foreign foods restaurants. This is because in frequenting a foreign food restaurant, customers are looking for a “real cultural experience” and adventure. Thus any tailoring of the restaurants to local conditions must ensure that the perceived quality is not dilluted.

Because socio-cultural aspects are subject to change it is important for managers to monitor trends that might offer new opportunities or pose significant threats (Kibera and Waruingi, 1998). Socio-cultural changes can point to

customer drivers that result in important shifts in the demand for certain products. Such changes calls for organizations to carefully monitor the socio-cultural factors in areas related to their products and services, including regional differences within a given country.

The demographics of many countries have changed and Kenya is no exception. The percentage of young people below 35 years now stands at more than 70 percent (Youth Ministry Report, 2007). This group is more open in experiencing with different cultures. Kenya has witnessed the emergence of a new breed of workforce who are out to take their meals in class restaurants where they meet with friends over lunch hour and for leisure during weekends. An equally relevant factor is change of the female role. Women are now freer than before. This has resulted in many women venturing in to business. Education and government policies have helped reduce gender discrimination. This has made women an important consumer and producer group. Aggressive women are now rising to important social heights with a good number of the ladies who are employed or earning reasonable income from their own ventures. Today's market economy has little room for favours and discrimination. Ncebere (1999) gives an example of this reality by asserting that a customer "eats in a restaurant that serves better and well priced food regardless of who owns it". Similarly, restaurant owners will target people who have a reasonable disposable income regardless of their gender. This scenario has seen women become a major stakeholder in small businesses.

The international element is the element of the mega environment that includes the development in countries outside an organization's home country that have the potential of impacting on the organization. This aspect has had a growing importance and impact on today's organizations. International development can greatly affect the ability of an organization to conduct business abroad. For example fluctuations of the dollar against the foreign currency influence the ability of an organization to compete in international markets.

Another way that the international element can affect an organization is by producing new competitors. For example, a number of products pioneered by American firms have lost a significant market share to foreign competitors such as Japan and South Korea (www.wto.org). This has come as a result of these countries gaining a strategic position following their aggressive research and development pursuits. The shifting configuration of the trade between nations has put some countries ahead in this liberalization era. China has been one of the beneficiaries of this change in the trade pattern. There is now more interaction between Chinese and other parts of the world and the Chinese appear to be welcomed in most developing economies (Business Post, 2006). This has had an effect not only in the big manufacturing business but also in the smaller industries such as the foreign food restaurant business. In Kenya today, the Chinese restaurants are among the restaurants that are increasing most in number.

2.512 The task environment

The task environment refers to the segment of the external environment made up of the specific outside element with which an organization interfaces in the course of conducting business. The task environment depends largely on the specific products and services that an organization decides to offer and where it chooses to conduct its business. Major elements of the task environment includes: customers and clients, competitors, suppliers, labour supply and government agencies.

An organization's customers and clients are those individual that purchase an organization's products or services. Customer conscious organizations have improved customer communication and knowledge and made customer satisfaction their top priority. Such organizations have embraced fast paced innovation and have learnt they have got two options: to either change or die (Jack Welch). Recently most organizations have been making effort to stay closer to the customers by paying attention to service and quality. A good

number of the organizations have decided to concentrate on niche market where they can serve their customers better. The current scenario in the restaurants industry can be explained by the by this concept. A perceived niche market in the foreign foods business has seen some restaurant in the Central Business District (CBD) embark on serving this certain delicacies. An example of this is Trattoria Restaurant that specializes in Italian delicacies.

A competitor in an industry refers to firms who sell the same products. The products may or may not be branded. Porter definition of competitor is inclusive firms that sell a different product but which can serve as a substitute for the industry's product. Bartol (1991) defines competitors as organizations that either offer or have a high potential of offering rival products or services. This definition implies that businesses should take competitors to be not only those firm offering substitute product but also those that have resources and harbour the idea of producing a rival product.

While organizations need to know who their competitors are, they also need to know what their competitors are doing. The foreign food restaurants in Nairobi face direct competition from other restaurants offering same nations delicacies and also those offering other nations foods. Big hotels in Nairobi have recently also started offering special cuisines of countries such as India, China, Korea and Thailand. This is however done to complement these businesses other food products.

Every organization requires input from the environment in form of raw materials. Services, energy, equipment, labour and funds (Donelly) Thus organizations depend on those who supply the resources. The foreign food industry also depends a great deal on the efficiency of its suppliers. Not only do suppliers provide the food products but also services that the organization cannot produce itself. Heller and Hindle (1998) advices both large and small firms to adopt an internet enabled supply chain management (SCM). This is a vital tool in

achieving efficient relationships with partners through reduction of costs. SCM also provides organization with a competitive advantage in the battle to retain and win customers. Jain and Narang (1999,II-44) advises that when selecting a supplier with all the other factors being similar, the purchase price should be the lowest at which a particular material item is to be purchased. They however caution that the firm must not become "penny wise and pound foolish so as to be afraid to spend at times more of the firm's money to meet the required delivery schedule, quality standards and terms of payment".

Labour Supply is another indispensable area that all organization needs to strategize on. Despite the increasing mechanization and automation of tasks, the human resource element cannot be ignored. Dessler (2000) encourages organizations to redesign their jobs and organizational charts if they are to remaining competitive in this era of great technological breakthrough.

Modern day organizations must take a strategic approach in planning for their human resources (Nzuve,2006). This is necessary because the environment within which these organizations operate is subject to influence by changing population variables. The supply of skilled workers is one of these aspects. It can significantly influence the location of a business. This has seen investors move to exploit opportunities that promise abundant supply of labour both skilled and unskilled. The hospitality industry needs trained employees who can be a source of core and distinctive competencies.

2.52 Internal Environment

Every firm's operation is subject to its internal environment. An organization has an integrated system that operates in a certain manner aiming to achieve the corporate objectives. Firms therefore need to frequently diagnose the strengths and weaknesses of this system. This requires the adoption of a disaggregated view of the firm. This model has been developed by Michael porter in his book Competitive advantage.

Every firm can be viewed as a collection of value activities that are performed to produce, market, deliver and support its product. (Pearce 1997). These activities can be grouped into nine basic categories for virtually any firm at the business unit level. Within each activity a firm typically performs a number of tasks that may give it strength or a weakness. Effective foreign food restaurants, like other businesses are expected to eliminate their weaknesses and build new strengths so as to effectively be able to survive.

The basic categories of activities can be grouped into two types. Primary activities are those that involve physical creation, marketing, delivery and after sale support of the firm's product and/or services. Reinforcing all the above activities are the support activities. These provide the infrastructure or input that allows an organization primary activities to run effectively on an ongoing basis.

Pearce and Robinson have summarized the primary activities as purchasing, operations, outbound logistics, sales and marketing and service. They have named Research and Systems development, Human Resource Management and General administration as the three support activities. Though the magnitude of each of the activity may be small for small firms as compared to large firms, effective small businesses must learn to integrate all the above aspects in a manner that will enhance creation of value.

2.6 Conclusion

Small businesses are affected by the various environmental variables with different intensities. The success (or failure) of these businesses is subject to a mix of elements both internal and external to a firm. Similarly the establishment of the business is greatly influenced by a combination of factors.

The foreign food restaurants business fall in the category of small business and its characteristics and challenges are fairly similar to a small business environment. Overall the problem of establishment, customers, competition, ownership and Management seem to be the major forces that can affect the growth of these restaurants.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design that was used to meet the objectives of the study as set out in chapter one.

3.2 Research Design

This research used a suitable design that helped minimize bias and maximize the reliability of the data collection and analysis. The foreign food restaurant segment is a heterogeneous group. It consists of Chinese, Ethiopian, Indian, Italian, and other delicacies. This situation made it necessary to use a sample design that is stratified in nature. A proportional allocation of the sample was done based on the strata size. Kothari (2004) contends that this sample design is appropriate where the strata differ in size but not in variability within the samples. This is the case in this segment of the hospitality industry. The stratified sampling was complemented by a random sampling. This was done so as to avoid bias in selection of the restaurants that were to compose each of the strata.

3.3 Population of study and sampling

The population of study targeted foreign food restaurants owners who own restaurants within Nairobi. The stratified sample consisted of 7 Chinese restaurant, 3 Indian restaurants, 5 Italian restaurants, 2 Ethiopian Restaurants, 1 Japanese restaurant and 2 others category restaurants. This research was carried out in Nairobi area because the researcher had already identified that the restaurant here have the required information with respect to the study objectives. Adequate data for analysis was therefore obtained. The information and findings that the researcher came up with can be generalized to the overall foreign foods industry as the researcher ensured that the sample was representative.

3.4 Data Collection Method

Primary data was collected using a questionnaire format with both open ended and closed ended questions. Sample list of questions have been attached as an appendices. These were administered through a personal interview with owners and managers of the foreign food restaurants. Personal interviews are advocated by Parasulaman (1986) as having the potential to yield the highest quality and quantity of data because supplementary information may be collected in the course of the interview. This method also ensures completeness, consistency, accuracy and uniformity.

3.5 Data analysis and interpretation

After conducting the interviews, the data collected from the respondents was arranged to facilitate coding and tabulation. Excel computer package was used to calculate the mean and standards deviations and to construct frequency graphs and tables. The coefficient of variation was also used in instances where the standard deviations and the mean necessitated such an operation. The mode was also used to analyze the qualitative data. To ensure the relevance of this measure, data was collected from every restaurant owner in the selected areas ensuring a 100 percent response rate.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

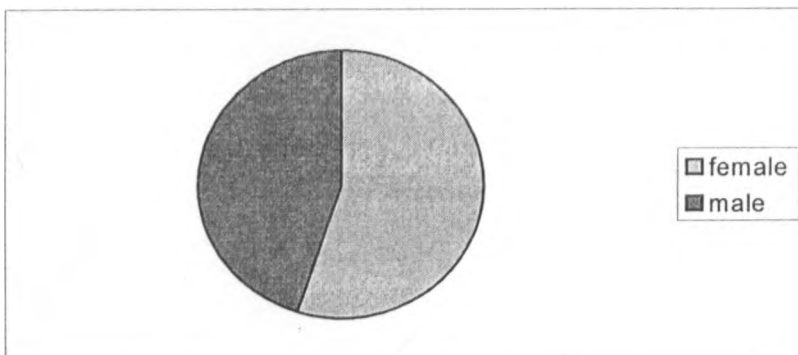
4.1 Introduction

In this chapter the data has been analyzed and the findings presented and discussed. The mode, mean and standard deviations were computed for the relevant variables. These values are shown in different tables in this chapter. The coefficient of variation was also calculated where applicable.

4.2 Composition of respondents

Data was collected from 20 foreign food restaurant owners (Managers) within Nairobi. 45 percent of those interviewed were male and 55 percent female. Majority of the respondents (40 %) were aged between 31 and 40 years. 80 percent were aged below 50 years while the remaining 20 percent were aged between 50 and 60 years. The marital status of 60 percent of the respondents was married. 5 percent indicated they were divorced while 35 percent declared single. An assessment of the involvement in the management of the restaurants indicated that 85 percent of the owner/managers work in their restaurants on full time basis while 15 percent work on part time basis. Some of the above data is depicted in the following figures.

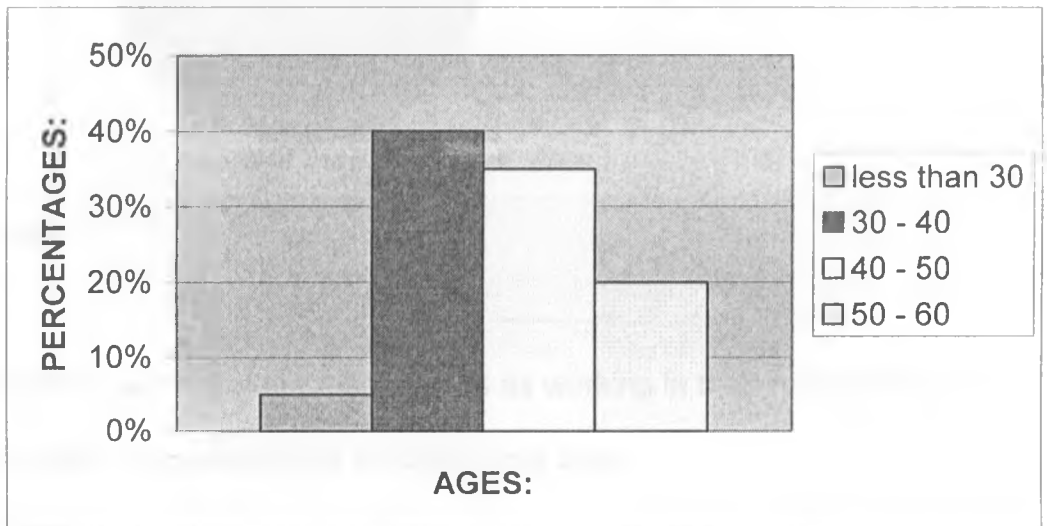
Fig.3: Distribution of respondents by gender



Source: Research data

Figure 2 show that 55 percent of the respondent were female while 45 percent were male. This denotes an almost equal distribution in the gender of the management of foreign food restaurants.

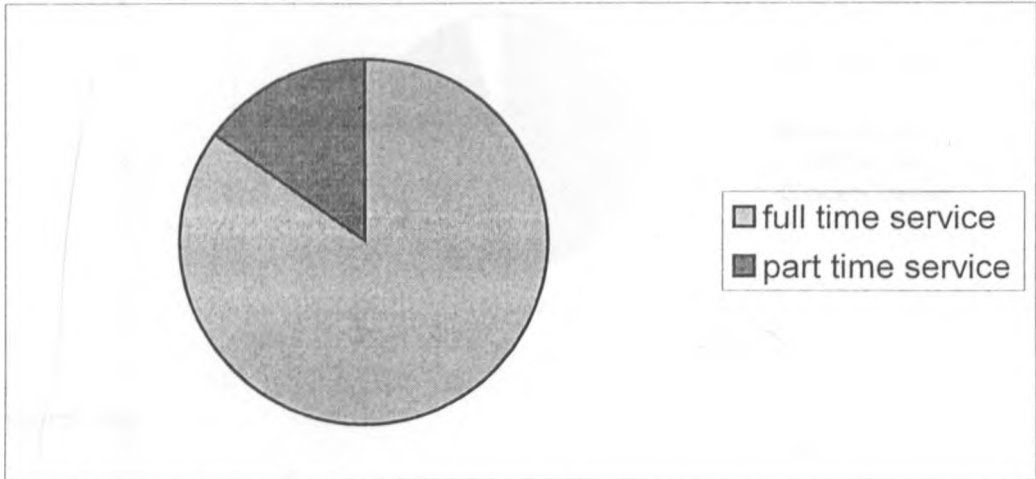
Fig 4: Distribution of the respondents by age



Source: Research data

According to figure 3, 40 percent of the respondents were aged between 31 and 40 years while a cumulative percentage of 45 percent was aged below 40 years. 20 percent of the respondents were aged above 51 years.

Fig5: Distribution of the respondents by Daily involvement



Source: Research data

Figure 4 depicts 85 percent of the respondents as working in their restaurants on full time basis while 15 percent work on a part time basis.

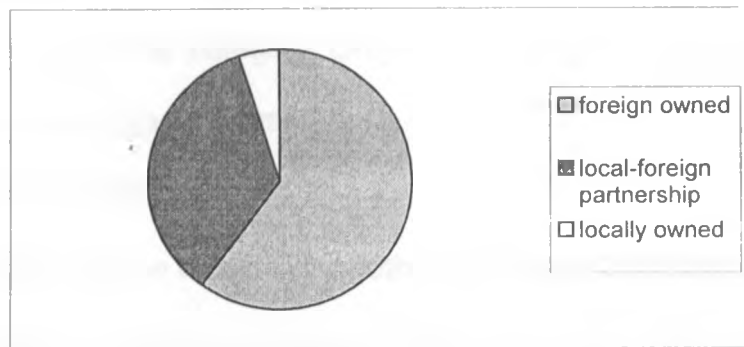
4.3 Restaurant Characteristics

This section analyses the key characteristics of foreign food restaurants and was meant to establish certain similarities within the foreign foods restaurant sub sector of the hospitality industry. It incorporates an analysis of the years of incorporation, number of related outlets, number of staff and the expansion goals of foreign food restaurants.

4.3.1 Restaurant Ownership

Figure 5 below shows the analysis of the ownership of the foreign food restaurants in Kenya. It identifies those that are foreign owned, locally owned and those that are jointly owned between locals and foreigners.

Figure 6: Distribution showing restaurant ownership



Source: Research data

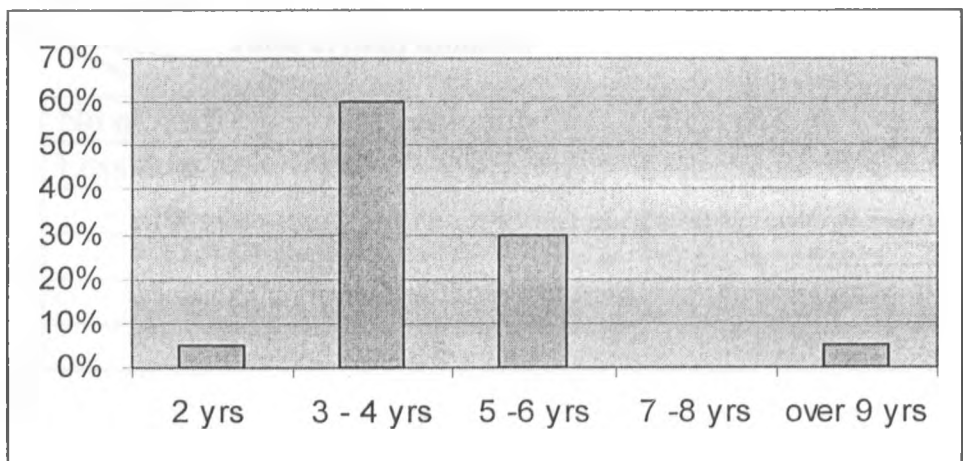
According to figure 5, 60 percent of the foreign food restaurants are foreign owned, 35 percent jointly owned between locals and foreigners while 5 percent are locally owned.

4.3.2: Years of operation

The number of years that these restaurants have been in operation is very important for the objectives of this study. It enabled the researcher to establish the relationship between the time the business was started and the prevalent establishment challenges.

Fig 7: Years of operation

Source: Research data



From the above data, the mode years of operation is 3-4. 60 percent of the foreign food restaurants are in this category. Only 5 percent of the restaurants have been operating for more than 9 years.

4.3.3 Ownership of related businesses

The researcher also assessed the ownership of other outlets serving foreign foods or any other category of restaurants items or services. It was found out that only 5 percent of the foreign food restaurants indicated that they owned another outlet. This is an indication of the little expansion efforts within the foreign food restaurants business. It was noted that the single restaurant(5 percent) was a restaurant that was in the category of 3-4 years of operation. In a related question only 10 percent of the restaurant managers indicated they had a desire to expand other towns and cities with in Kenya.

4.3.4 Staffing

Table 1 below show the number of staff and the frequency of the staff number among the 20 foreign food restaurants.

Table 1: Staff numbers

No of staff	Frequency	Percentage
Less than 5	15	75 %
6-10	4	20%
11-15	1	5%
Over 16	0	0%
Total	20	100%

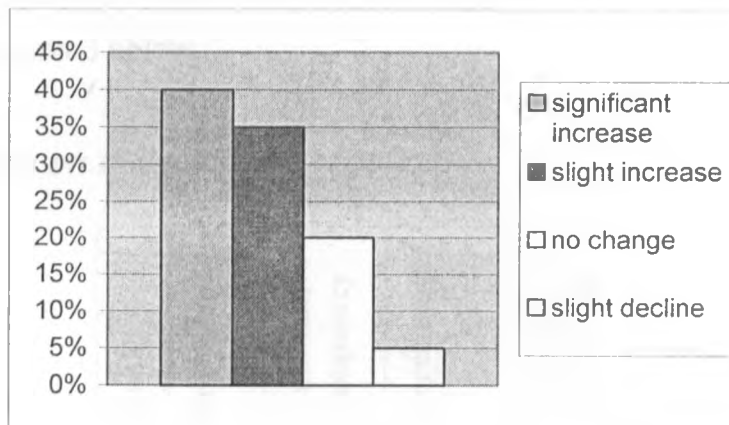
Source: Research data

Majority of the foreign foods restaurants operate with staff of less than 5. This is represented by 75 percent of the restaurants. 20percent of the restaurants have 6-10 employees while only 5 percent of the restaurants have more than 11 employees(with all of them falling in the 11-15 years bracket)

4.3.5 Trend of business profitability

The profitability of the 20 foreign food restaurants was assessed. This was done with an objective of analyzing the overall attractiveness of the foreign food restaurant business sub sector.

Fig 8: Profitability trend



Source: Research data

40 percent(8 out of 20) of the foreign food restaurants indicated that there has been a significant increase in their profitability over the last two years. A further 35 percent(7 restaurants) indicated they have experienced a slight increase in their profitability while 20 percent reported no change. One restaurant(5 percent)

reported a slight decline while 0%(nil) restaurants reported a significant decline in profitability. This trend has been depicted in fig 5 above.

4.4 Analysis of the Mega Environment

4.4.1 Political Element

The extent of the importance of the factors in the political element was captured using a 5 point Likert Scale as below.

1. Very High
2. High
3. Moderate
4. Low
5. Negligible

The distribution of the responses of the two variables in the political element is as shown in table 2 and 3 below.

Table 2: Perception on the government policy

Rank	Frequency	Cumulative Frequency	Percentage	Cumulative percentage
1	2	2	10	10
2	9	11	45	55
3	6	17	30	85
4	2	19	10	95
5	1	20	5	100

Source: Research data

Table 3: Perception on political stability

Rank	Frequency	Cumulative Frequency	Percentage	Cumulative percentage
1	8	8	40	40
2	7	15	35	75
3	3	18	15	90
4	2	20	10	100
5	0	-	-	-

Source: Research data

From table 2 above, a cumulative percentage of 55 rated favourable government policy as being of high and very high importance. Political stability was also assessed and a combined percentage of 75 rated political stability as being of high and very high importance.

4.4.2 Economic Factors

The importance of the economic indicators was also assessed using a 5 point likert Scale. The general economic growth, effect of consumer income, inflation, interest rates and currency exchange rates were separately analyzed.

The scale rankings used was as below:

1. Very Important
2. Important
3. Moderate
4. Slightly Important
5. Not Important

Table 4: Economic Factors

<i>Variable</i>	<i>Rank</i>					<i>Total frequency</i>
	1	2	3	4	5	
General Economic Growth	7	2	6	5	0	20
Rising Consumers Income	10	2	6	2	0	20
Modest inflation Trends	5	9	4	2	0	20
Affordable interest rate	2	9	6		3	20
Favorable currency exchange rate	8	6	3	2	1	20

Source: Research data

From the above table, 7 out of the 20 restaurants(35 percent) that were involved in the study reported general economic growth as a very important factor that they considered during the establishment of their restaurant business. 10 of the 20 restaurants(50 percent) reported that rising consumer incomes was a very important factor while 25 percent, 10 percent and 40 percent report modest inflation, affordable interest rates and the currency exchange rates as very important considerations respectively. These figures are demonstrated in detail in table 4 above

4.4.3 Social Cultural Factors

The Social Cultural element is an important aspect for today’s business. It incorporates a number of factors whose relevance to an industry vary depending on the characteristics of the industry. A semantic differential scale was used to capture the perception on the importance of the various socio-economic factors.

The following ratings were used.

1. Strongly Agree
2. Agree
3. Moderate
4. Disagree
5. Strongly Disagree

Table 5: Social cultural factors

<i>Variable</i>	Rank (frequency)					Total Frequency
	1	2	3	4	5	
Sizeable population Base	7	6	0	7	0	20
Presence of targeted age	10	8	1	1	0	20
General public	5	5	2	8	0	20
New breed of workers	6	2	9	3	0	20
Target Customers	3	6	4	1	6	20
Presence of target	2	1	4	4	9	20
Favorable Dish	10	2	8	0	0	20
Diet & Nutrition	8	10	0	2	0	20
Role of Family	7	6	2	5	0	20
Importance of leisure	8	7	1	4	0	20

Source: Research data

According to table 5, the presence of targeted age group, the diet and nutrition consciousness, the importance of leisure rank among the most dominant factors with regard to establishment of foreign food restaurant here in Kenya. The presence of the target ethnic group and the target customers' religious beliefs rank lowest among the ten factors. This could be explained by the fact most of the towns in Kenya are cosmopolitan and the target customers of these restaurants is not based on ethnic group(s). However, this factor is an important consideration for some restaurants such as Indian restaurants since they mostly target particular ethnic groups or races.

4.4.4 Legal Issues

The attractiveness of the fewer licenses required today and the ease of processing the licenses are some of the legal issues about which the perception of the respondents was sought. The researcher also did an analysis on the effectiveness of Kenyan legislation and omission and/or silence (or absence of stringent enforcement) on pertinent issues such as holiday laws, minimum wages and the enactment of legislation meant to enhance business investment in Kenya. The following scale rate was used to measure the effectiveness/influence of the above in the establishment of foreign food restaurants in Kenya.

1. Very High
2. High
3. Moderate
4. Low
5. Negligible

Table 6 below presents the findings on the above legal issues

Table 6: Perception on legal issues

	Rank (Frequency)					Total Frequency
	1	2	3	4	5	
Ease of processing of licenses	4	2	8	5	1	20
Fewer licenses needed	6	3	9	2	0	20
No stringent wage law	8	6	2	3	1	20
No Holidays closing law	7	4	1	6	2	20
Favourable legislation For investors	5	8	3	4	0	20

Source: Research Data

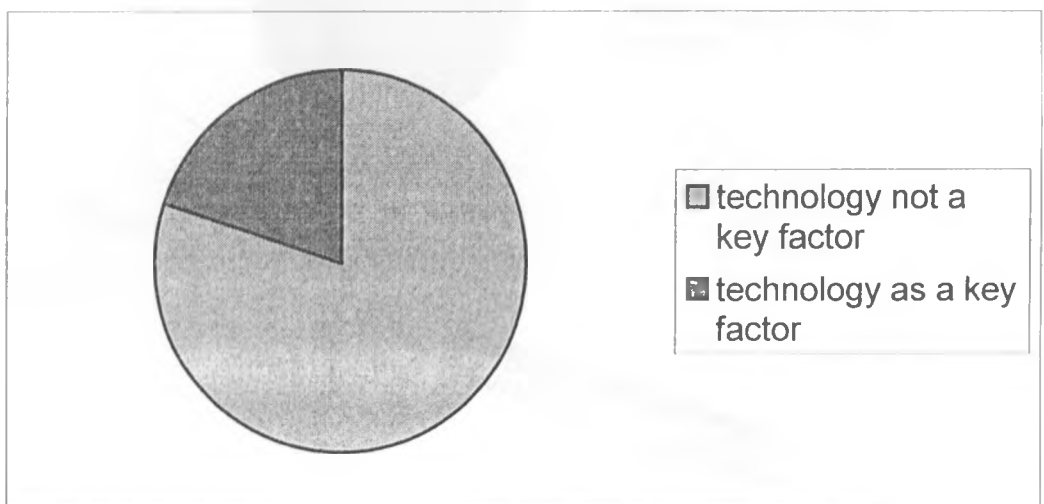
According to table –above, the absence of stringent wage laws and the favourable legislation favouring investment rank as two of the most important influencers in the Kenyan environment. The ease of processing of licenses and the fewer licenses needed rank lowest among the legal issues. Most of the respondents thought the legislation by the government was particularly attractive with regard to tax concessions for new businesses including restaurant businesses. The ranking of factors relating to licenses imply that Kenya is not as yet competitive with regard to facilitation of processing of licenses and other documents needed before establishment.

4.4.5 Technology

The technology aspect is not a dominant driver in the foreign food restaurant business. Only 20 percent of the respondents reported that technology played any role in influencing them to establish their restaurants in Kenya. These respondents highlighted the appreciation of the media and its versatility in the advertising and promotion activities/functions. According to these restaurant managers both electronic and print media have served as vital channels in their establishment and in maintaining their competitive positions.

Figure 8 below illustrates the above position.

Fig 9: Perception on importance of technology

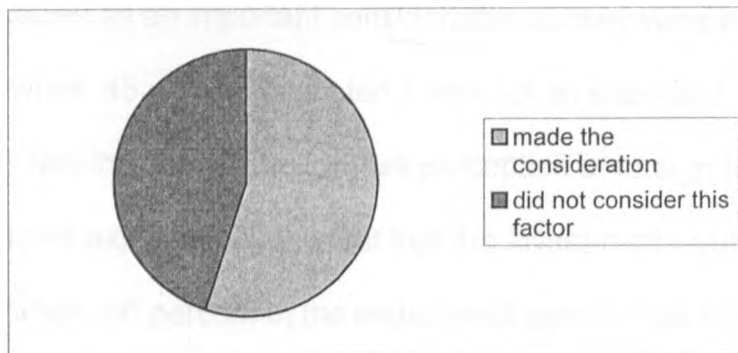


Source: Research data

4.4.6 International Element

The international element is an increasingly important influencer in the establishment of business today. Terrorism has increased suspicion between countries and the twenty first century has experienced a major reconfiguration in the dominant of businesses by respective countries. An assessment of the relationship between Kenya and the delicacy choice country was done. The perception on the importance of Kenya with respect to strategic operations in Africa was also examined. Fig 9 and Table 7 - show how the foreign food restaurant owners perceive Kenya in relation to their own country and Africa's operations respectively.

FIG 10: Consideration of relations between Kenya and delicacy choice country.



Source: Research data

Table 7: Kenya as an important location for Africa's operations

<i>Variables</i>	<i>Rank</i>					<i>Total frequency</i>
	1	2	3	4	5	
Frequency	12	6	2	0	0	20
percentage	60	30	10	0	0	100

Source: Research data

From figure 10 above, 55 percent reported the relationship between Kenya and host country's delicacies as an important consideration as they were establishing business in Kenya while 45 percent indicated it was not an important consideration . This ranking implies the low risk perception of foreign food restaurant. This may be explained by the fact that the investment involved is modest. In table 7 below, 60 percent of the restaurants agreed that Kenya was to a very large extent important for any operations in Africa. 30 percent indicated it was important to a large extent while 10 percent were of moderate perception. However, only 5 percent of the respondents indicated that the strategic location of Kenya was an important consideration as they established business here in Kenya. This supports absence of expansion objective as was highlighted earlier in this chapter.

4.4.6 Conclusion on Mega Environment

In table- below, the summary of the overall measurement of the perceived influence of each of the mega environment variable has been presented. A calculation of respective standard deviation was done for each element. A 5 point Likert Scale was used and had the following rankings.

1. Very big
2. Big
3. Moderate
4. Slight
5. Very Slight

Table 8: Summary on the mega-environment

<i>Variables</i>	<i>Mean</i>	<i>Standard Deviation</i>
Political	1.70	0.3203
Economic	2.00	0.1723
Social culture	3.21	0.0587
Technology	4.31	0.1286
Legal	4.20	0.7282
International	3.00	0.1500

Source: Research data

From table above, the political element was determined to be the most dominant with the economic element second. This position is further supported by the respective standard deviations of the two elements. The social Cultural and the

legal element are ranked in relatively equal positions while the International and Technological elements are ranked as the two least dominant elements.

4.5 Analysis of the task environment

The analysis of the task environment incorporated an assessment of specific attributes relating to customers, competitors, suppliers, labour supply and government agencies.

This analysis is important since foreign food restaurants interact with these elements through out their operations.

A 5 point likert scale was used to establish the respondents agree or disagree with the statement that each of the variables prompted them to start the foreign food restaurant here in Kenya. The ranking of the scale was as below.

1. Strongly agree
2. Agree
3. Moderate
4. Disagree
5. Strongly Disagree

Table 9 below show the different rankings for each of the variables. It also demonstrate respective mean and standard deviation for each of the variable that was taken into consideration. The coefficient of variation has also been included.

Table 9: Summary on the task environment

<i>Variable</i>	<i>Mean</i>	<i>Standard Deviation</i>	<i>Coefficient of Variation</i>
Local Customers need for a choice	1.231	0.3017	0.245
Customers Religious beliefs	3.607	1.514	0.420
Increased Customer awareness	2.368	0.520	0.220
Less Bureaucracy among government agencies	3.120	0.171	0.055
Presence of Reliable suppliers	3.561	1.011	0.283
Cost effective local supplier	3.242	0.986	0.304
Cheap Labour Supply	2.106	0.569	0.270
Readily available market	1.985	0.059	0.030
Favourable Local authority laws	2.792	1.054	0.377
Changing status of women as consumers	2.573	0.161	0.063
Changing attitudes among consumers	2.161	0.073	0.033
Local business partners	3.081	1.166	0.378
Locally available management skills	4.77	0.860	0.180
Existence of minimal Competition	4.18	0.965	0.231
Ethnic background of local	3.791	1.238	0.327
Attitude of local staff towards work	3.569	1.001	0.280
Skilled and unskilled local workforce	3.100	0.899	0.290

Source: Research data

The analysis of the above variables indicated that the local customers need for a choice and the existence of a readily available market are the two dominant influencers in influencing the owners to establish foreign food restaurants. The existence of locally available management skill and customer religious beliefs ranked low in importance. Increased customer awareness and cheap labour supply were also found to be important influencers in this sub-sector. The rankings in the importance of the variable is based on the overall sub-sector and may differ in its dominance in different categories.

4.6 Challenges and their dominance

An analysis of the challenges faced during the establishment stage was done.

This analysis was used for control purposes to examine the authenticity of the response on the mega environment and the task environment. The respondents were asked to rate the impact of ten challenges that were considered to be major hurdles during the establishment of a foreign food restaurant business.

The respondents could also add any other challenge that they feel was of a big impact during the establishment stage.

A 5 point likert Scale was used and it had the following ratings:

1. Very Much
2. Much
3. Medium
4. Little
5. Very Little

Table 10 below show the perception of the respondents concerning the above challenges.

Table 10: Perception on challenges faced in this industry

<i>Challenge</i>	<i>Mean</i>	<i>Standard Deviation</i>	<i>Coefficient of Variation</i>
Sourcing for trained personnel	4.674	0.916	0.196
Bureaucracy in processing of documents	2.435	0.556	0.228
Interference from regulatory bodies	3.005	0.073	0.024
Lack of Clientele/ Market	2.066	0.072	0.035
Unreliable/ Poor quality supply	2.427	0.519	0.214
Difficulty in accessing Financial facilities	3.093	0.021	0.007
High Taxes	2.063	0.428	0.207
Competition	3.015	0.092	0.031
Getting a work permit	2.567	1.232	0.480
Getting a strategic location	1.536	0.077	0.050

Source: Research data

From the above table it is evident that getting a strategic location is biggest challenge facing this sub sector. The perceived impact of high taxes and the lack of clientele/market are the other two major challenges. The sourcing for trained personnel and the access to financial facilities were identified as the two least dominant challenges.

CHAPTER 5: SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 Summary

The findings from the study indicate that the mode years of operation is 3-4 years. This finding is consistent with the literature review that indicated that over the past 5 years, many foreign food restaurants have been established in the local market. It was observed that only 5 percent of the restaurants operate other branches. This could be attributed to the little desire for expansion in the overall industry. The main reason for this could be explained by the fact that most of these restaurants are run as family businesses and little if any formal strategic planning is done.

With regard to ownership, it was observed that the majority of the outlets (60%) are foreign owned. 35 percent of the restaurants are co-owned between locals and foreigners. This is explained by the fact that local partnership is essential to overcoming the limited local management expertise and checking against the cultural risks. The mode number of employees in the firms is in the category of less than 5. While the staff are engaged on permanent basis, 15 percent of the managers run their facilities on a full time basis while 85 percent run them on a full time basis.

The external and internal environmental variables play an important role and were found to be important considerations affecting the establishment and running of the foreign food businesses. While the political, legal, International,

economic and socio cultural factors were all found to be important, the economic and political elements stood out as the two most dominant factors. Overall, the restaurant managers regarded the environmental variables as very important in influencing their establishment and survival in the market.

An analysis of the challenges indicated that their relative dominance varies. The high taxes and lack of clientele were identified as the dominant challenges. The fact that sourcing for trained personnel is the least dominant challenge is supported by the fact that Kenya has immense human resources that is well trained in most of the sectors, hospitality industry included.

5.2 Recommendations

From the findings of the study, one the researcher has concluded that political and economic stability are the most important contributors to the operation of the foreign food industry in Kenya. This implies that the government has aided in the development of this sector of the industry through enhancing these two factors. However, while the ranking of the two factors was favourable, there still exist a perception that the system has hurdles that include high taxes and bureaucracy in the processing of documents. A response to the above challenges would most likely increase compliance and also revenue for the government. It would assist in achieving the growth of this sub-sector and consequently create jobs for the locals. This output would inevitably contribute towards the economic growth of a country.

5.3 Conclusion

The findings of this study indicate that most of the restaurants are less than 9 year since they were established. While an understanding of the challenges faced during establishment is important, restaurants that aim to succeed must be able to anticipate future challenges and respond proactively. The business environment is in most cases unstable and organization must strive to adapt to the dominant forces at any time. The government should also keep on analyzing the relative impact of the environment forces and create a favourable atmosphere. The above two issues require an entrenchment of a strategic approach to the business environment. It is only by adopting such an insight that both that the operators in this industry will reduce environmental surprises.

5.5 Limitations of the study

The fact that this study was done based on a stratified sample presents a limitation due to the probability of a sampling error. A census survey may probably have presented more insight.

The researcher also faced some limitation in the scarcity of secondary data on foreign foods restaurants. Data was not available to accurately describe the trends of this segment of the industry. Consequently, the researcher mostly relied on primary data that he collected. A related factor is the fact that the sample frame was defined using a list that was developed by the researcher. This list

may have eliminated a few restaurants that do not have names clearly printed or shown at their premises. This is however not a major limitation since this sector of the industry has been found to have low variability within the samples.

Time constraint is the other hurdle that the researcher encountered. This was particularly because the interview method was applied and consequently it required booking for the interviews and a follow up and confirmation. The researcher also perceives that some restaurants may not have responded accurately on some sensitive issues. This could mostly be those that had not met the legal requirements as they may fear “publicity”

5.6 Recommendation for further research

The study on the foreign food restaurants focused on the overall sub-sector and not the unique challenges to each of the foreign food restaurant categories. The relative dominance of each of the environmental factors may differ depending on the type of delicacies involved. This implies that there still exists a potential area of research. A comparison between the various categories of food restaurants would help to assess the relative importance or dominance of the factors involved. Another gap that would need to be bridged is the establishment of the importance of the environmental factors and how it compares with the local food outlets that do not serve foreign food delicacies.

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DATE..... 22ND MARCH 2007

TO WHOM IT MAY CONCERN

The bearer of this letter SAMUEL NJOROGE KARIUKI

Registration No: DG1/P/7514/05

is a Master of Business Administration (MBA) student of the University of Nairobi.

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 if you assist him/her by allowing him/her to collect data in your organization for the research.

The project is entitled FACTORS AFFECTING THE GROWTH OF FOREIGN FOOD RESTAURANTS IN KENYA

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.

J.T. KARIUKI
CO-ORDINATOR, MBA PROGRAM

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
 P. O. Box 30197
 NAIROBI

Appendix 2

LIST OF QUESTIONS FOR FOREIGN FOOD RESTAURANT OWNERS

Please respond to the following questions by indication of which of the spaces provided best indicate your position. Your response will be treated confidentially.

SECTION I: GENERAL INFORMATION

1. For how long has your business been in existence? (Choose one below)

1 year and less 3-4 Years 5-6 Years 7-8 Years Over 8 Years

2. How many staff does your restaurant have?

Less than 5 5-10
10-15 Over 15

3. Do you specialize in food delicacies from the country of your nationality?

Yes No

4. Among the three ownership categories below, where would you classify your business? (Choose appropriately)

a) Foreign owned
b) Foreign and Local Joint ownership
c) Locally owned
Others (Specify -----)

5a). Have you ever owned another business (now and in the past)?

Yes No

b). If your answer to 5a above is yes, was (is) it a restaurant business?

Yes No

6a). Do you own another restaurant as at today? (*Add F in the space if it is a foreign food restaurant*)

Yes ----- No

b) If your answer to 6a is yes and F, does that business serve same delicacy as for this restaurant?

Yes No

7. Do you plan to one day expand your business to other towns and Cities in the country?

Yes No

SECTION II: EFFECT OF ENVIRONMENTAL VARIABLES

(A) MEGA ENVIRONMENT

(I) GENERAL

1. What has been the general trend of your business profitability over the last few years

Significant increase Slight increase No change Slight decline Significant decline

(II) POLITICAL

2. To what extent do you think the following political factor influenced you in your decision to choose Kenya as the location for your business?

a) Favourable Government Policies

Very high

High

Moderate

Low

Negligible

b) Political Stability

- Very high
- High
- Moderate
- Low
- Negligible

III) ECONOMIC

3) How would you rate the following economic indicators as being important influencer in your entry in to the Kenyan market

a) General Economic growth

- | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Very important | Important | Moderate | Slightly important | Not important |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

b) Rising consumer income

- | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Very important | Important | Moderate | Slightly important | Not important |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

c) Modest inflation trend

- | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Very important | Important | Moderate | Slightly important | Not important |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

d) Affordable interest rates

- | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Very important | Important | Moderate | Slightly important | Not important |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

e) Currency exchange rates

- | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Very important | Important | Moderate | Slightly important | Not important |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

III) SOCIO-CULTURAL

4.) Assess your agreement or disagreement with the statement that each of the following Socio-Cultural factors prompted you to start this foreign food business:
(Tick one for each number for each factor: Refer to scale below)

[1: Strongly agree 2. Agree 3. Moderate 4. Disagree 5. Strongly disagree]

Sizeable Population base	1	2	3	4	5
Presence of targeted age group	1	2	3	4	5
General Public high education levels	1	2	3	4	5
New breed of workers(Status)	1	2	3	4	5
Target customers' Religious beliefs	1	2	3	4	5
Presence of target ethnic group or nationality	1	2	3	4	5
Favourable Distribution of targeted population(e.g. the housing patterns)	1	2	3	4	5
Diet and nutrition consciousness	1	2	3	4	5
Role of the family	1	2	3	4	5
Importance of leisure among Kenyans	1	2	3	4	5

IV) TECHNOLOGICAL

5a) Would you say the nature and status of the local technology played any role in influencing you to start your foreign a food restaurant here in Kenya?

Yes

No

b) If your answer to 5a is yes, please explain how:

V)LEGAL

6.) To what extent do you perceive the following legal issues to have influenced you in your decision to locate your foreign food restaurant business here in Kenya?

a) Ease of processing Licenses

Very high

High

Moderate

Low

Negligible

b) Fewer Licenses needed

Very high

High

Moderate

Low

Negligible

c) No stringent wages laws

Very high

High

Moderate

Low

Negligible

d) No Stringent Holiday closing laws

Very high

High

Moderate

Low

Negligible

e) Legislation favouring business investment

- Very high
- High
- Moderate
- Low
- Negligible

7.) Are there other legal issues that you perceive as favourable while operating in the Kenyan environment (*Specify below*)

VI) INTERNATIONAL

8.) Please respond to the statement that in establishment this foreign food restaurant, the relationship between Kenya and your delicacy choice country was an important consideration:

- Strongly agree
- Agree
- Moderate
- Disagree
- Strongly disagree

9a). To what extent would say Kenya is an important location for a foreign food restaurant seeking to establish itself in Africa?

- Very Large
- Large
- Moderate
- Little
- Very little

b) Was 9a an important factor as you were establishing your business in Kenya?

- Yes
- No

VII) CONCLUSION

9. By ticking in the relevant box, please indicate your overall assessment on the influence of the following environmental factors on your decision to start a foreign food restaurant business in Kenya.

	Very Big	Big	Moderate	Slight	Very Slight
i) Political	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ii) Economic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
iii) Socio-Cultural	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
iv) Technological	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
v) Legal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
vi) International	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(B) TASK ENVIRONMENT

10.) Assess the extent to which you agree or disagree with the statement that each of the following factors prompted you to start this foreign food business.

(Tick one for each number for each factor: Refer to scale below)

[1: Strongly agree 2. Agree 3. Moderate 4. Disagree 5. Strongly disagree]

<i>Local Customers need for a choice</i>	1	2	3	4	5
<i>Customers Religious beliefs</i>	1	2	3	4	5
<i>Increased Customer awareness</i>	1	2	3	4	5
<i>Less Bureaucracy among government agencies</i>	1	2	3	4	5
<i>Presence of Reliable suppliers</i>	1	2	3	4	5
<i>Cost effective local supplier</i>	1	2	3	4	5
<i>Cheap Labour Supply</i>	1	2	3	4	5
<i>Readily available market</i>	1	2	3	4	5
<i>Favourable Local authority laws</i>	1	2	3	4	5
<i>Changing status of women as consumers</i>	1	2	3	4	5
<i>Changing attitudes among consumers</i>	1	2	3	4	5
<i>Local business partners</i>	1	2	3	4	5
<i>Locally available management skills</i>	1	2	3	4	5

<i>Existence of minimal Competition</i>	1	2	3	4	5
<i>Ethnic background of locals</i>	1	2	3	4	5
<i>Attitude of local staff towards work</i>	1	2	3	4	5
<i>Skilled and unskilled local workforce</i>	1	2	3	4	5

11 a) Please rate the impact of the following challenges as you encountered them during the establishment of your business (*Tick in the relevant box for each*)

	Much	Not very much	Medium	Little	Very Little
<i>Sourcing for trained personnel</i>					
<i>Bureaucracy in processing of documents</i>					
<i>Interference from regulatory bodies</i>					
<i>Lack of Clientele/ Market</i>					
<i>Unreliable/ Poor quality supply</i>					
<i>Difficulty in accessing Financial facilities</i>					
<i>High Taxes</i>					
<i>Competition</i>					

b) Apart from the challenges in 11a, what other barriers did you encounter (List them)

SECTION III: DEMOGRAPHICS

1. Please indicate your gender (Choose appropriately) Male Female

2. What is your marital status? Single Married

3. What is your nationality? -----

4. In which of the following age brackets do you fall in?

Less than 30	30-40 Years	40-50Years	50-60 Years	Over 60 Years
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. Do you work in your restaurant on full time basis?

Yes No

Thank you for your kind cooperation in this research study.

APPENDIX 3

FOREIGN FOOD RESTAURANTS

CHINESE RESTAURANTS

<i>Restaurant name</i>	<i>Physical address</i>
1. China Plate Restaurant	Chancery Building, Valley Road
2. Chinese Corner Ltd	Apic Centre, Muthithi Road
3. Double Dragon Company Limited	Madonna House, Westlands
4. Dragon Pearl Chinese Restaurant	Bruce House, Standard Street
5. Golden Pearl Restaurant	Forest Road Court, Forest Road
6. Hong Kong Restaurant Ltd	Kenya House, Koinange Street
7. Kowloon Garden	Nginyo House, Koinange Street
8. Panda Chinese Restaurant	Fedha Towers, Kaunda Street
9. China Corner Ltd	Apic Centre, Muthithi Road
10. Sizzler Restaurant	Apic Centre, Westlands
11. Ro Ro Chinese Restaurant	Village Market,
12. Spring Garden	James Gichuru Road Lavington
13. China Yangize	United Nations Ave.
14. Little China foods Limited	Rank Xerox House Parklands
15. Five Star Chinese Restaurant	Loita House
16. Bangkok Chinese Restaurant	Rank Xerox House Parklands
17. Shanghai Chinese Restaurant	New Hurlighum Plaza
18. Rickshaw Chinese Restaurant	Fedha Towers, Kaunda Street
19. Fu Yong Restaurant Ltd	Forest Court, Forest Road
20. Dong Bao	Salonika Vilas
21. Chopstix	Pan Africa Arcade, Hurlighum
22. China Plate Restaurant	Westlands
23. Ren Ren Chinese Restaurant	Karen
24. Sietco China Garden	Gigiri opp UNEP
25. Fang Fang Restaurant	Lavington

INDIAN RESTAURANTS

1. Aaghan Restaurant	Rhapta road, Westlands
2. Angiti Restaurant Ltd	New Rehema, Rhapta Road
3. Chowpaty Pure Vegetarian Ltd	High Park Plaza, Highridge
4. Gughat Restaurant	Bishan Plaza, Mpaka Road
5. Haandi Restaurant	The Mall Westlands
6. Mulagaat	Argwing Kodhek, Hurlighum
7. Spice Roots	Masari Road, Parklands
8. Bhatia Asha	General Mathenge Drive, Peponi Road
9. Ashiana Vegetarian Rest.	Apic Centre
10. Havelle Orient Grill	Capital Centre
11. Mamta Indian Restaurant	Safari Park Ltd
12. Mai Loan	James Gichuru Road, Lavington

ITALIAN RESTAURANTS

- | | |
|--------------------------------|--------------------------------------|
| 1. La Salumeria | Dhajay Apartments, Gitanga Road |
| 2. Aliamentari | James Gichuru, Lavington |
| 3. Mediterraneo Ristorante | WoodVale Groove, Westlands |
| 4. Pomodoro | Village Market |
| 5. Pulcina Ltd | Village Market |
| 6. Ristorante II Casale | Mpaka Road, Westlands |
| 7. Taverna Restaurant Ltd | Off Westlands, Wood vale Groove |
| 8. La Contessa Restaurant | NSSF Building |
| 9. La Dolce Vita Restaurant | Muthaiga Shopping Complex, Limuru Rd |
| 10. La Bonne Cuisine | Lenana Forest Centre, Ngong Road |
| 11. Rlecchino Italian Icecream | Village Market |
| 12. La Belvidere | Grand Regency Hotel Ltd |
| 13. La Scala Pizzeria | Phoenix House, Kenyatta Avenue |
| 14. Le Papilion | Westlands Centre, Westlands |
| 15. La Piazzetta | Safari Park Ltd |
| 16. Lavarinini Restaurant | Moi Avenue |
| 17. Le Rustique Restaurant | General Mathenge Drive off Ring Rd. |
| 18. Osteria Del Chianti | Lenana Road |

ETHIOPIAN RESTAURANTS

- | | |
|------------------------------------|-------------------------------|
| 1. Daas Ethiopian Restaurants | Lenana Road |
| 2. Blue Nile Ethiopian Restaurant | Argwings Kodhek Rd, Hurlighum |
| 3. Rehoboth Restaurant | Adams Acarde |
| 4. Habesha Restaurant | View Park Towers |
| 5. Pink Lady Restaurant | Argwings Kodhek Rd, Hurlighum |
| 6. Motherland Ethiopian Restaurant | Next to Nakummat Junction |
| 7. Addis Ababa Restaurant | Rhapta Road |

JAPANESE RESTAURANTS

- | | |
|---------------------------------|------------------------------|
| 1. Furasato Japanese Restaurant | Karuna Road opp Multi Choice |
| 2. Misono Restaurant | Lenana Road |
| 3. Chiyo Japanese Restaurant | Safari Park Hotel |
| 4. Tokyo Restaurants | Rhapta Road, Westlands |

OTHER CATEGORIES

- | | |
|--|-------------------------------|
| 1. Acapulco Mexican Restaurant | Muthithi Road. |
| 2. Pampa Churrascaria(Brazilian) | Panari Sky, Mombasa Road |
| 3. Alhambra Spanish Restaurant | City Park |
| 4. Thai Star Restaurant Ltd | Valley Arcade Shopping Centre |
| 5. Siam Thai Restaurant | Unga House, Westlands |
| 6. Taiwanese Restaurant | Gigiri Road |
| 7. Pepper Multi Cuisine Restaurant ltd | Westlands |