

**STRATEGIES ADOPTED BY MULTINATIONAL ENTERPRISES IN
RESPONSE TO POLITICAL CHANGES: A CASE OF FIRMS
QUOTED AT NAIROBI SECURITIES EXCHANGE IN KENYA**

BY

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DECLARATION

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

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I wish to thank the Almighty God for giving me good health and wisdom to conduct this study. I appreciate my parents for their encouragement and support. I also appreciate my supervisor, Dr. Yabs for his guidance in conducting the research and the management of Nairobi University for their support.

DEDICATION

This research project is dedicated to my parents for their support while undertaking my studies. Thank you and God bless.

ABSTRACT

Organizations respond to the external environment and develop strategies that enable them to survive the ever changing environment that they operate in (Beck et al., 2010). One of the environmental factors that most enterprises have to deal with is the political environment. Companies have to respond to the environment strategically in order to be sustainable and avoid losses (Johnson et al., 2008; 2005). By using an effective strategy, a company can stay competitive and relevant to the market (Thompson and Strickland, 2003). The political environment is a key component of the external business environment. The election politics and environment in Kenya often affect the MNC business. The factors that have shaped and influenced the country's political environment include consumers, households and communities; the electoral legislation and administration of justice as well as discipline of law enforcement agencies; the economic impact in terms of taxation, government spending, general demand, interest rates, exchange rates and global economic factors; political and government policy; rapid technological changes that also affect production processes and product innovation in business; among others. The objective of this study was to determine strategies that have been adopted by MNCs in response to political changes in the external environment of firms quoted at the NSE in Kenya. This study utilized descriptive survey. The population of interest comprised of 60 companies operating in Nairobi, Kenya. The study employed primary data collection. Primary data was collected through a self-made questionnaire. The data was analyzed using descriptive statistics and in particular, using the mean as a measure of central tendency. From the findings, the respondents indicated that the political environment in Kenya was stable although a moderately high number described the political environment for the last two general elections (2008 and 2013) as being very uncertain and risky. From the findings, majority of the respondents strongly agreed that the multinational home country relations with the host country is cordial and good, that the political environment in the country allows firm market their products and services freely and that the political structure and nature in Kenya is conducive for carrying out business. From the findings, to survive in a dynamic and highly political external environment an organization has to engage various strategies to survive. According to the respondents one such strategy is the turnaround strategy. Companies adopt strategies directed at improving, the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources. From the findings, organizational process affects the adoption of various response strategies. The major challenges in adoption of response strategies appear to be more cultural and behavioral in nature, including the impact of poor integration of response strategies and diminished feelings of ownership and commitment. The following conclusions are drawn; organizational process affects the adoption of various response strategies, companies adopt strategies directed at improving, the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources.

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LIST OF ABBRIVIATIONS

AIMS – Alternative Investment Markets Segment

FISMS – Fixed Income Securities Market Segment

IEBC – Independent Electoral and Boundaries Commission

MIMS – Main Investments Market Segment

MNCs – Multinational Corporations

MNEs – Multinational Entreprises

NSE – Nairobi Security Exchange

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The external environment is dynamic and ever changing. Organizations respond to the external environment and develop strategies that enable them to survive the ever changing environment that they operate in (Beck et al., 2010). One of the environmental factors that most enterprises have to deal with is the political environment. Companies have to respond to the environment strategically in order to be sustainable and avoid losses (Johnson et al., 2008; 2005).

Strategy is an essential part of business success. By using an effective strategy, a company can stay competitive and relevant to the market (Thompson and Strickland, 2003). Today's organizations have to deal with dynamic and uncertain environments. Organizations must be strategically aware and understand how changes in their immediate environment are unfolding in order to be successful (Kiptugen, 2003). They should actively look for opportunities of exploiting their environment that will enable the organization utilize its strategic strengths.

A complex and dynamic modern environment is inevitably difficult to forecast and the inherent uncertainties can make it highly unpredictable and potentially chaotic (Porter, 1980). It is important for organizations to anticipate where the greatest threats and opportunities lie at any time in order to focus their attention and resources and initialize strategies to deal with them.

Environment is the sum of all forces surrounding and influencing the life and development of a firm. International business environment refers to the forces that foreign firms are likely to encounter in foreign markets. An organization is made up of internal and external environments (Rowe et al., 1994). Internal business environment is made up of forces within the organization that the organization has direct control over e.g. the factors of production and the activities of the organization. The external environment is made of forces over which the management has no control over i.e. uncontrollable forces. These forces include: Financial, Legal, Socio-cultural, Technological, Natural environment and Political forces.

1.1.1 Political Environment

The political environment is a key component of the external business environment. The political environment refers to the political situation of a country in which a multinational corporation (MNC) is doing business. It is the government actions which affect the operations of a company or business (Degryse et al., 2009). These actions may be on local, regional, national or international level. Political system, political parties in power, political parties in the opposition, political maturity of the parties, number of political parties, political awareness of people, political stability and the like have great impact on the business environment in a country. The election politics and environment in Kenya often affect the MNC business. The factors that have shaped and influenced the country's political environment include consumers, households and communities; the electoral legislation and administration of justice as well as discipline of law enforcement agencies; the economic impact in terms of taxation, government spending, general

demand, interest rates, exchange rates and global economic factors; political and government policy; rapid technological changes that also affect production processes and product innovation in business; among others. Thus if banks and financial institutions are effectively and efficiently managed they can enhance a country's business environment and integrity. Such public institutions play a vital role in eradication of corruption through education and adherence to their professional ethics.

The political ideology in the country also impacts the business environment. Political ideology refers to, 'the body of ideas, theories, aims and means to execute the ideas, adapt the theories and fulfill the aims that constitute a sociopolitical program for action'.

A country's ideological leaning may be capitalism, socialism, a mixture or other form. In the last years remarkable changes have been taking place in the ideologies of many countries.

Political environment also affect international markets, which often keep changing from time to time depending on the type of business products as the customers always tend to develop new needs and wants. The dynamic business market competitions, new technologies which change and produce new products with the introduction of new government legislation are some of the factors that influence political environment. Other factors that affect political environment include ethnicity, clanism, nature of political parties, personality of individual prospective politicians and in some cases religion. The political environment could also be affected by the constitutional and legal framework that governs; as well as the administrative environment, which includes the rules and

regulations governing the management and conduct of elections. Business owners and managers pay close attention to the political environment to gauge how government actions will affect their company.

1.1.2 MNCs in Kenya Quoted at the NSE

Stock markets in the world individually and collectively play a critical role in their economies. They provide an avenue for raising funds, for trading in securities including futures, options and other derivatives which provide opportunities for investors to generate returns. The Nairobi Stock Exchange was constituted as a voluntary association of stock brokers registered under the societies Act in 1954 and in 1991 the Nairobi Stock Exchange was incorporated under the companies Act of Kenya as a company limited by guarantee and without a share capital. Subsequent development of the market has seen an increase in the number of stockbrokers, introduction of investment banks, establishment of custodial institutions and credit rating agencies and the number of listed companies have increased over time. Securities traded include, equities, bonds and preference shares. (www.nse.co.ke)

In 2001, NSE was restructured to give rise to three market segments namely; the Main Investments Market Segment (MIMS), the Alternative Investment Markets Segment (AIMS) and the Fixed Income Securities Market Segment (FISMS). The focus of this study is on MNCs which have been in operation in Kenya for over 5 years, whose headquarters are based in Nairobi, Kenya and listed on the NSE Main Investments Market Segment.

1.2 Research Problem

The level of violence and counter violence that broke out in Kenya after the December 2007 elections took many if not most by surprise. Kenya had liked to see itself as a beacon of stability in a conflict-ridden region, and many observers agreed. The violence that broke out after the 2007 elections made parts of the country ungovernable for several weeks. It took the intervention of international mediators, led by Kofi Annan, to negotiate an agreement between the two leading protagonists. More than 1,000 people were killed during this period and at least 350,000 were internally displaced.

After the violence and destruction of property that took place in the 2007-2008 general elections, businesses formulated strategies to be used for future in the event of political changes. The 2013 general election provided a platform to implement these strategies. The election was the first under the new constitution and hence had unique challenges that affected the political and governance structure of the country. The political environment for multinational corporations (MNCs) changed and hence they had to adapt new strategies in order to stay competitive and develop a competitive edge over their competitors.

Many studies have been done on formulation and implementation of strategies for multinationals to stay competitive and maintain a competitive advantage (Kager, 2003; Ho and Saunders, 1981; Lynch, 2009; Miles and Snow 1978; Mintzberg et al., 2003; Ndung'u and Ngugi, 2000). The multinational corporations should pay more focus to political environment which is dynamic and unpredictable. The changes in the political

environment occasioned by the new Constitution in Kenya and the violence and destruction of property that took place after the last general election provide unique problems that affect multinational corporations (MNCs) in setting up strategies to protect their investments and maintain a competitive edge over their competitors in response to political change. This study will investigate the following: What strategies have been adopted by MNCs quoted at the NSE in response to political changes in the external environment?

1.3 Research Objective

The objective of this study was to determine strategies that have been adopted by MNCs in response to political changes in the external environment of firms quoted at the NSE in Kenya.

1.4 Value of the Study

This study hopes to evaluate the strategies employed by MNCs in Kenya in response to changes in the political environment helping MNCs in Kenya protect their investment and develop a competitive advantage over their competitors. This study seeks to help MNCs to be better prepared for changes in the political environment.

The study is also of great significance to the government in attracting foreign investors and planning for elections. This study will also be beneficial to the government and policy makers to craft necessary policies that will protect foreign investors and investments in the country.

The study will also help foreign multinational companies formulate the best entry strategies and locations to set up their operations.

To the academicians and researchers, the findings of this study would contribute to professional extension of existing knowledge on strategies to employ during the election period. The study would provide a useful basis upon which further studies on this topic can be built on.

This study also hopes to assist students of international business and globalization in appreciating how changes in the political environment impact MNCs in emerging markets, in particular Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The study found out how MNCs, government and policy makers craft the necessary strategies and policies that protect foreign investors and investments in the country given the country's fledgling external political environment.

2.2 Theoretical Foundation of the Study

All organizations operate in an environment. The external environment of a firm is made up of other organizations and people with whom the organization trades and interacts with. The external environment includes suppliers, clients and competitors. The need to stay competitive and maintain a competitive advantage in different environments has led organizations to adopt different strategies. It is important to understand the relevance of these strategies (Porter, 1980) in the context of the government actions which affect the operations of a company or business organization. All organizational functioning are seen as resulting from organization's interdependence with its environment.

Since firms operate in a given environment, strategy is therefore important for firms to obtain a viable match between their external environment and their internal capabilities. Pearce and Robinson (1997) and Thompson et al., (2007, 2012) emphasize that either the building of defenses against competitive forces in an industry or finding suitable

factors/positions where competitive forces are weakest always seem to generate the best strategy.

MNCs operate in complex political, economical, sociological, technological, ecological and legal environment across the world. Changes in the external environment of MNCs have adverse effects on them given that they operate in different external environments around the globe.

Political, Ecological, Social, Technological & Legal (PESTEL) analysis is often carried out by managers to enable them develop more informed and long term strategies and plans (Johnson & Scholes, 2008). Both private and public organizations are in a competitive position, either for customers or for resources. It's important for organizations therefore to understand their competitive positions (Johnson & Scholes, 2008).

Strategic Management includes understanding the strategic position of an organization, choices for future and turning strategy into action. Strategic position is concerned with identifying the impact of the strategy to the external environment, on the organizations strategic capability (resources and competencies) and expectations and influence of stakeholders (Johnson, Scholes, Whittington, 2007)

Deciding on the viable strategies for a firm requires a thorough understanding of the firm's industry and competition. The operating environment comprises of factors that influence a firm's immediate competitive position, customer profile, suppliers, creditors and the labour market. Factors that more directly influence a firm's prospects originate in

the environment of its industry, including entry barriers, competitor rivalry, the availability of substitutes, and the bargaining power of buyers and suppliers. The remote industry and operating environment provide many challenges that a particular firm faces in its attempts to attract or acquire needed resources and to profitably market its goods and services (Pearce and Robinson, 2007)

2.3 International Business Environment

International business comprises all trade that takes place between two or more regions, countries and nations beyond their political boundaries. A multinational enterprise (MNE) is a company that has a worldwide approach to markets and production or one with operations in more than one country. An MNE is often called multinational corporation (MNC). Globalization and international investment have had a massive impact on international trade. A complex and dynamic modern environment is inevitably difficult to forecast and the inherent uncertainties can make it highly unpredictable and potentially chaotic (Porter, 1980). Based on the premise of various authors on strategic competitive edge forces in a thriving business environment (Johnson and Scholes, 2002; Porter, 1980; Thompson et al., 2003, 2012; Thompson and Strickland, 1998; Lynch, 2009) the internal business environment is made up of forces that the organization has direct control over (e.g. the factors of production and the activities of the organization) known as dependent variables while the external environment is made of forces that are highly unpredictable and potentially chaotic over which the organization has no control over (i.e. uncontrollable forces such as financial, legal, socio-cultural, technological, natural environment and political) known as independent variables.

The functioning and success of MNCs will be affected by intervening variables that have a bearing on the business environment industry that often fluctuates depending on the uncontrollable forces such as financial, legal, socio-cultural, technological, natural environment and political.

How well the MNCs organizations perform will largely depend on these intervening variables which have an influence on internal and external business environments and eventually financial, socio-economic and political performance in Kenya. These variables include bank regulations, credit risk, competitive edge, political leadership and the then prevailing macro-economic conditions such as inflation and exchange rates (Wheelan. and Hunger, 2008; Brunnermeier, 2009; CBS, 2002; Stiglitz, 1998; Zarutskie, 2006; Zarruk, 1989).

2.4 The Concept of Strategy

Strategy has been defined by Mintzberg (1994) as the pattern (ploy, pattern, position and perspective) in a stream of decisions and actions whereas Johnson and Scholes (2008) definition of strategy is a direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within the changing environment, to meet the needs of the market and to fulfill stakeholder expectations. While Thompson et al. (2007, 2012) have defined strategy as a management's action plan for running a thriving business and conducting operations and that the crafting of a strategy represents managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations and improving the company's financial and market

performance in order to strengthen its long term sustainability and competitive edge over its rivals.

A clear and reasoned strategy is a management's prescription for doing business, its roadmap to competitive advantage, its game-plan for pleasing customers and improving financial performance. Thompson and Strickland (2003) consider the essence of good strategy making as that of building a market position strong enough and organizations capable enough to produce successful performance despite unforeseen events, potential competition and internal difficulties.

A strategy focused enterprise is more likely to be a strong bottom-line performer than a company whose management views strategy as secondary and puts its priority elsewhere. A company that lacks clear cut direction has a vague or undemanding performance targets, has a muddled or flawed strategy, or can't seem to execute its strategy competently is a company whose financial performance is probably suffering, whose business is at long term risk, and whose management is sorely lacking (Johnson, Scholes and Whittington 2008)

There is no single definition of strategy. However, it is clear that strategy has to do with how a firm relates to its environment. This has to take into account the internal capabilities of the firm in relation to external opportunities and threats. As an organization's environment changes, it is necessary that the firm continuously adapt it's activities and internal configurations to reflect the new external situation. Failure to do this puts the future of the organization in danger.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a detailed assessment of the various methods employed during this study. The research methodology includes a careful description of the approach and design used to conduct the research, methods for data collection and data analysis.

3.2 Research Paradigm

This study utilized descriptive survey, which is a process of collecting data in order to answer questions regarding the current status of the subjects in the study (Mugenda and Mugenda, 1999). They have defined it as an attempt to collect data from members of the population with respect to one or more variables. According to Cooper and Schindler (2003), descriptive design discovers and measures the cause and effect of relationships between variables. The study used a descriptive design because it enabled the researcher to collect a large quantity of in-depth information about the population being studied. A descriptive research design enables the researcher to test and measure the population needed for quantitative experimentation since it gives valuable pointers as to what variables are worth testing quantitatively.

The descriptive survey was adopted for it is appropriate for this study. The researcher was able to ascertain the strategies adopted by multinational enterprises (MNCs) within the main investment segment of the Nairobi Security Exchange (NSE) in response to

political changes in the environment in order to gain competitive edge in business (Kombo, 1997).

3.3 Population of the Study

Since the focus of the study is on MNEs operating in Nairobi, Kenya, the population of interest comprised of 60 companies operating in Nairobi, Kenya. This is an ideal number because previous studies done on MNEs have concentrated on an average of 60 companies per country (Ernst & Young, 2008). Cooper and Schindler (2003) define a population element as the subject on which the measurement is being taken and is the unit of study. The population has been categorized into four categories based on the Main Investment Market Segment of the Nairobi Stock Exchange. These categories are Agriculture, Commercial and Services, Finance and Investment and Industrial and Allied. The population selected provided ample information about the risks brought about by changes in the political environment and the various challenges they face in implementing strategies to protect themselves.

3.4 Sampling and Sampling Techniques

Sampling is a means of selecting some part of a group to represent the entire group or the population of interest. It reduces the length of time needed to complete the study and cuts costs. It is also manageable and mirrors sample population. Furthermore, the use of samples enables a higher overall accuracy than a census. In addition, collecting data from fewer cases means that one can collect more detailed information (Saunders, Lewis and Thornhill, 2000).

Systematic random sampling was used to select the required samples from the population which involves the selection of elements from an ordered sampling frame (Black, 2004). This method was then be applied by the researcher in order to ensure that all stakeholders were informed in advance.

The sampling procedures applied allowed representative sample from the target population. According to Cooper and Schindler (2003), a sampling frame is a list of elements from which the sample is actually drawn and is closely related to the population. The population was created from piecemeal information received from the KRA, the Companies Registry and the Yellow Pages. This is because there is no single database containing a list of all the companies and particularly MNEs operating in Kenya. By adopting this approach, the researcher ensured that the sampling frame is current, complete and relevant for the attainment of the study objectives.

3.5 Data Measurement

The study employed primary data collection. Primary data was collected through a self-made questionnaire a copy of which is attached in the Appendix I hereto. The questionnaire adopted both structured and unstructured questions. The responses in the questionnaires helped in gaining an in-depth understanding of the strategies adopted by MNEs in Nairobi, Kenya in response to political changes in the external environment. The questionnaire is structured based on the research questions. It has 3 sections: Section 1 provides the general information classified as personal information on the respondent and basic company information. This section sought information on the respondent's knowledge and awareness of political changes in the environment as a strategic issue and

its importance to the company. Section 2 focused on the awareness of political environment in Kenya and how it influences business activities. Section 3 focused on the management strategies put in place by MNEs in Kenya in response to political changes in the external environment.

The study targeted respondents from the MNCs as well as the senior NSE management team. At the multinational corporations level the study targeted group included the Managing Director, Finance Administrator, the HR Manager, the Public Relations and Advertising Manager, the Marketing and Sales Managers, the ICT Manager, among others. Similarly, the NSE top level personnel were interviewed.

3.6 Validity and Reliability of the Instrument

Validity of the questionnaire was established by peers and a panel of experts from the school of business, University of Nairobi. The research instrument was availed to the experts and peers, who established its content and construct validity and ensured that the items were adequate representative of the subject area studied.

Reliability is a measure of the degree to which a research instrument yields consistent results after repeated trials (Ngechu, 2004). This research study used test-rest method which involved administering the same scale or measure to the same group of respondents at two separate times. This was after a time lapse of one week. Test re-test method was used to test for reliability of the instrument. The instruments was administered to the respondents and be re-administered to the same respondents after one week. This was in line with Kothari (1985) who stated that the instrument should be

administered at two different times and then the correlation between the two sets of scores computed. A correlation coefficient of above 0.7 was deemed to mean that the instrument was reliable thus the questionnaire was used for data collection.

3.7 Data Analysis

The collected data was cleaned, edited and entered into a computerized system to enable carrying out of descriptive statistical analysis of the data. The data was coded and presented in a thematic manner. Thereafter, the data was analyzed using descriptive statistics and in particular, using the mean as a measure of central tendency. The data was then tabulated and the most appropriate charts, tables and graphs chosen to present the findings. Tables were used to enable reading of specific values and to facilitate ease of data representation.

CHAPTER FOUR

DATA ANALYSIS , RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data findings and analysis. Twenty five questionnaires were distributed to the respondents, however, twenty responded thereby creating an effective response rate of 80%. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for statistical reporting. Therefore, the study's response rate of 80% is good for this study.

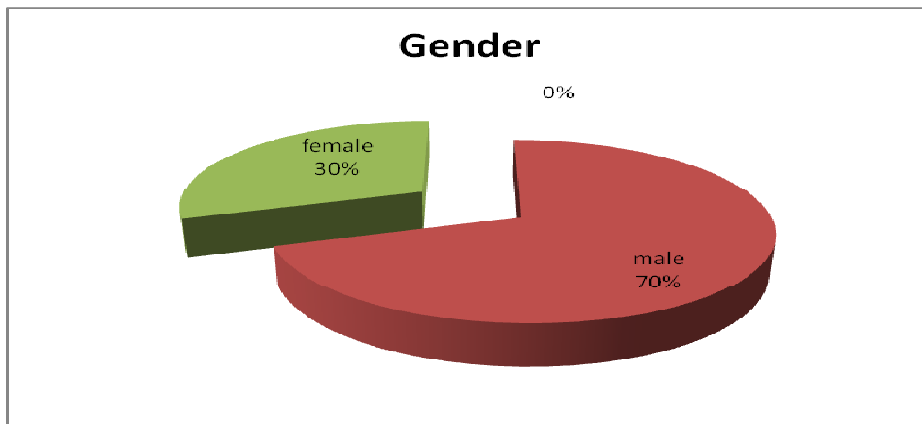
4.2 Data Analysis

Descriptive statistics were used to analyze the data whereby relative frequencies in some questions were used and others were analyzed using mean scores and standard deviation.

4.2.1 Demographic Information

The study sought to establish the information on the respondents used by the study with regards to the gender, job designation, and duration of service in the organization and level of education.

Figure 4.1: Gender of the respondents



Source: Research, 2013

From figure 4.1, it is noted that of the respondents interviewed, the majority (70%) of the respondents were male with a considerable 30 % females.

Table 4.1: Years of operation in the country

Years	Frequency	Percent
1-10 years	7	35
11-20 years	10	50
21-30 years	3	15
Total	20	100

Source: Research, 2013

Table 4.1 indicates that the majority of the multinational enterprises (50%) had been in the country for a period of 11-20 years, 35% had been in the country for a period of 1-10 years, while 15% been in the county for a period of between 21-30 years.

Table 4.2 Respondents years of service

Number of years	Frequency	Percent
0-5 years	2	10
5-10 years	3	15
10-15 years	6	30
15-20 years	4	20
over 20 years	5	25
Total	20	100

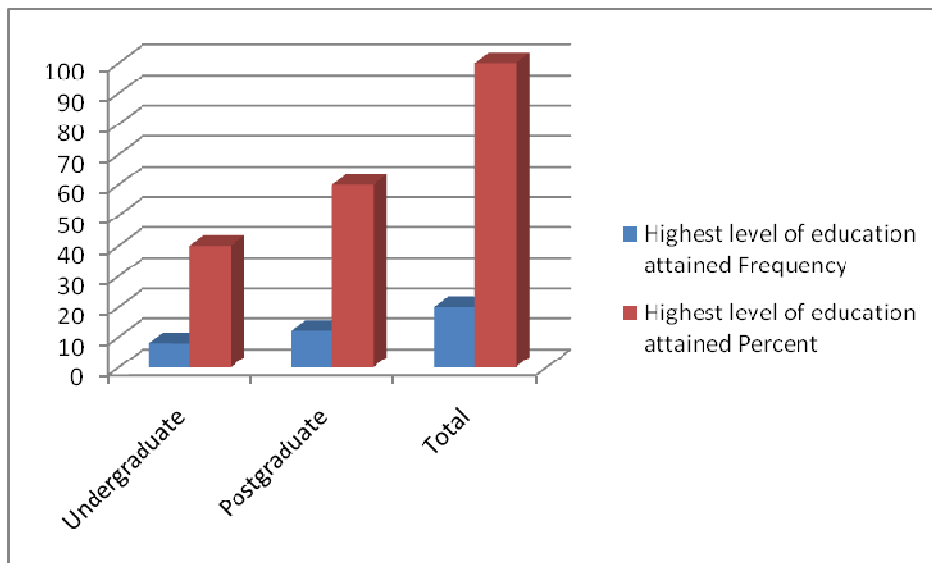
Source: Research, 2013

The study sought to enquire on the number of years the respondents had been employed in the organization. According to table 4.2 above 30% of the respondents stated that they had served for a period of between 10-15 years, 25% for a period of over 20 years, 20% for a period of 15-20 years, and 15% for a period of 5-10 years while 10% had served for a period of below 5 years. Number of years the respondents had been employed is important in this study which aimed at examining the strategies adopted by multinational enterprises in response to political changes.

Level of respondent's education

Figure 4.3 below indicates the level of the respondent's level education. The findings indicate that the majority of the respondents (55%) interviewed had attained the postgraduate education, while the rest of the respondents had attained undergraduate training. One notable fact is that all the respondents interviewed had attained the level of a first degree which is a plus for the study.

Figure 4.2: Level of respondent's education



Source: Research, 2013

4.3 Political Environment

The political environment is a key component of the external business environment. The political environment refers to the political situation of a country in which a multinational corporation (MNC) is doing business.

4.3.1 Political Environment in Kenya

The respondents were asked to describe the political environment in Kenya. The respondents indicated that the political environment in Kenya was stable although a moderately high number described the political environment for the last two general elections (2008 and 2013) as being very uncertain and risky.

4.3.2 Frequency of Review of Political Response Strategies

The respondents were required to state the frequency to which they reviewed the political response strategies adopted by their organization. According to the respondents, majority (70%) indicated that the strategies are reviewed every four months (quarterly). 25% stated that this was carried out after every six months (half yearly), while only 5% stated that this was being done on yearly basis. The cycle of the strategy review enhances the organization to put in mitigating strategies as well as reviewing the effectiveness of the strategies employed. This way, the organization is in a position to address any challenges experienced promptly and in a timely manner.

4.3.3 Political response strategies and financial Implications

The study asked the respondents whether the company considers financial Implications when choosing political response strategies. The respondents indicated that when choosing political response strategies most multinational enterprises do consider financial implications.

Table 4.3: Impact of political changes

	Mean	Std. Deviation
The political structure and nature in Kenya is conducive for carrying out business	4.2485	1.37207
The constitution of Kenya protects businesses and safeguards their investments.	4.0882	1.37964
The firm's home country and host country political ideologies are similar	3.9242	1.37000
The multinational home country relations with the host country is cordial and good	4.2818	1.50944
The political environment in Kenya allows firms to open offices, manufacturing plants or service centers anywhere in the country	4.1515	1.34910
The political environment in the country allows firm market their products and services freely	4.2764	1.39058
The government allows easy access to raw materials	4.0382	0.7296

Source: Research, 2013

The study aimed at establishing respondent's level of agreement with above statements regarding political environment in Kenya for multinational enterprises. According to the table above, majority of the respondents strongly agreed that the multinational home country relations with the host country is cordial and good as shown by a mean score of 4.2818, that the political environment in the country allows firm market their products and services freely as illustrated by a mean score of 4.2764 and that the political structure and nature in Kenya is conducive for carrying out business as clearly illustrated by a mean score of 4.2485. The respondents also strongly agreed that the political environment in Kenya allows firms to open offices, manufacturing plants or service centers anywhere in the country as clearly indicated by a mean score of 4.1515, the

constitution of Kenya protects businesses and safeguards their investments as shown by a mean score of 4.0882 and that the government allows easy access to raw materials required by firms to operate as indicated by a mean score of 4.0382. The respondents also were in agreement with the statements that the firm's home country and host country political ideologies are similar as indicated by a mean score of 3.9242.

4.4 Strategies in response to political changes in the external environment

According to Johnson and Scholes (2003), dealing with political changes in the external environment of any organization is difficult. To survive in a dynamic and highly political external environment an organization has to engage various strategies to survive. According to the respondents one such strategy is the turnaround strategy. A turnaround situation is one of pointing out to a new direction. It is a complete change in strategic direction of a firm after it has faced a political distress. Such a situation can easily lead to collapse of a company unless a plan of corporate survival and renewal is devised and successfully executed. The starting point is identification of the root cause or causes of the crisis. The study findings are in line with Pearce and Robinson (1997) who noted that political turnaround strategies are used when a business faces corporate crisis from the external environment.

Boseman and Phatak (1989) argued that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially relevant groups as customers, competitors, consumers and suppliers, how they are affected by changes political in environment.

4.5 Selection of responses strategies

According to the respondents, corporate responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise. This includes issues of geographical coverage, diversity of product / services or business units and how resources are to be allocated between the different parts of the organization.

According to Johnson and Scholes (2002), operational strategies are concerned with how parts of an organization deliver effectively the corporate and business level strategies in terms of resources, process and people. Companies adopt strategies directed at improving, the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources. Even though strategies may be focused on a given function, more often than not they embrace two or more functions and require close co-operation among functions to attain companywide efficiency, quality innovation, and customer responsiveness goals.

4.6 Factors affecting the adoption of response strategies

According to the respondents organizational process affects the adoption of various response strategies. Organizational processes such as operational planning, resource allocation, people, communication, control and feedback have an impact on the adoption of response strategies in one way or the other. The study noted that the adoption of response strategies is affected by resource allocation, communication and the provision of training. Resource allocation refers to the process of ensuring that all necessary time,

financial resources, skills and knowledge are made available. The recruitment of relevant staff for the new response strategies implementation is a crucial consideration and this relates to appropriate training of managers responsible for response strategies implementation.

The study also noted that organizational culture affects the adoption of various response strategies by an organization. According to the respondents one of the major challenges in adoption of response strategies appears to be more cultural and behavioral in nature, including the impact of poor integration of response strategies and diminished feelings of ownership and commitment and a lack of understanding of how the response strategy should be implemented; customers and staff not fully appreciating the response strategy.

Kotter & Heskett (1992) noted that organizations have both a strong culture and deep-rooted traditions. The challenge of successful response strategy implementation results from lack of cultivation of strong cultural values that are essential in meeting the changing organizational environment.

4.7 Challenges of response strategy implementation

According to the respondents organizations seem to have difficulties in implementing their response strategies. The respondents revealed a number of problems in response strategy implementation: e.g. weak management roles in implementation response strategies, a lack of effective communication, lack of commitment to the response strategies, unawareness or misunderstanding of the response strategies, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities, and other uncontrollable environmental factors.

The respondents indicated that organization's exists in the context of complex commercial, economic, technological, cultural and social world. The study established the following factors that also affect response strategies: The overall economic performance and industry growth, company market share, products premiums generation and profitability, available skills and competencies, organization financial position to facilitate handling of its liabilities. The study also established that understanding of the historical and environmental effects, as well as opportunities and other well exact threats to the organization response strategies is real and cannot be assumed or ignored. Response strategies are therefore largely influenced by top manager's perception of their organization's environment. Every organization has a unique environment, even organization within the same industry have environments unique to them (Mintzberg and Quinn, 1988).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary, conclusions and recommendations of the study. This study focused on strategies adopted by multinational enterprises in response to political changes: a case of firms quoted at Nairobi securities exchange in Kenya.

5.2 Summary

From the findings, the respondents indicated that the political environment in Kenya was stable although a moderately high number described the political environment for the last two general elections (2008 and 2013) as being very uncertain and risky. From the findings, majority (70%) indicated that the strategies are reviewed every four months (quarterly). 25% stated that this was carried out after every six months (half yearly), while only 5% stated that this was being done on yearly basis. From the findings, the respondents indicated that when choosing political response strategies most multinational enterprises consider financial implications.

From the findings, majority of the respondents strongly agreed that the multinational home country relations with the host country is cordial and good, that the political environment in the country allows firms to market their products and services freely and that the political structure and nature in Kenya is conducive for carrying out business. The respondents also strongly agreed that the political environment in Kenya allows firms to open offices, manufacturing plants or service centers anywhere in the country,

the constitution of Kenya protects businesses and safeguards their investments and that the government allows easy access to raw materials required for firms to operate. From the findings, the respondents also were in agreement with the statements that the firm's home country and host country political ideologies are similar.

From the findings, to survive in a dynamic and highly political external environment an organization has to engage various strategies to survive. According to the respondents one such strategy is the turnaround strategy. The study findings are in line with Pearce and Robinson (1997) who noted that political turnaround strategies are used when a business faces corporate crisis from the external environment.

From the findings, corporate responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise. Companies adopt strategies directed at improving, the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources. Even though strategies may be focused on a given function, more often than not they embrace two or more functions and require close co-operation among functions to attain companywide efficiency, quality innovation, and customer responsiveness goals.

From the findings, organizational process affects the adoption of various response strategies. The study noted that the adoption of response strategies is affected by resource allocation, communication and the provision of training. The study also noted that organizational culture affects the adoption of various response strategies by an organization. According to the respondents one of the major challenges in adoption of

response strategies appears to be more cultural and behavioral in nature, including the impact of poor integration of response strategies and diminished feelings of ownership and commitment and a lack of understanding of how the response strategy should be implemented; customers and staff not fully appreciating the response strategy.

From the findings, organizations seem to have difficulties in implementing their response strategies. The respondents revealed a number of problems in response strategy implementation: e.g. weak management roles in implementation response strategies, a lack of effective communication, lack of commitment to the response strategies, unawareness or misunderstanding of the response strategies, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities, and other uncontrollable environmental factors.

The study established the following factors that also affect response strategies: The overall economic performance and industry growth, company market share, products premiums generation and profitability, available skills and competencies, organization financial position to facilitate handling of its liabilities. The study also established that understanding of the historical and environmental effects, as well as opportunities and other well exact threats to an organization response strategies is real and cannot be assumed or ignored.

5.3 Conclusion

This study focused on strategies adopted by multinational enterprises in response to political changes: a case of firms quoted at Nairobi securities exchange in Kenya. In line with the findings the following conclusions are drawn; organizational process affects the adoption of various response strategies, companies adopt strategies directed at improving,

the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources. Even though strategies may be focused on a given function, more often than not they embrace two or more functions and require close co-operation among functions to attain companywide efficiency, quality innovation, and customer responsiveness goals.

The study also concludes that the political environment in the country allows firm market their products and services freely; that the political structure and nature in Kenya is conducive for carrying out business; that multinationals home country relations with the host country is cordial and good; the constitution of Kenya protects businesses and safeguards their investments and that the government allows easy access to raw materials required for your firm to operate.

The study also concludes that to survive in a dynamic and highly political external environment an organization has to engage various strategies to survive. Corporate responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise.

5.4 Implication of the Results

From the findings several recommendations in regards to strategies adopted by multinational enterprises in response to political changes are there of identified: For multinational enterprises to succeed in its response to political environment, it should involve its managers in the formulation of such strategies and give them adequate decision making authority in the implementation of the response strategies.

5.5 Recommendation for Further Studies

The study proposes that a similar study be undertaken focusing on response strategies adopted by multinational enterprises and the level of success experienced by such corporations in dealing with changes in other factors of external environment.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

“STRATEGIES ADOPTED BY MULTINATIONAL ENTERPRISES IN RESPONSE TO POLITICAL CHANGES: A CASE OF FIRMS QUOTED AT NAIROBI SECURITY EXCHANGE IN KENYA”

This questionnaire is designed to collect information on the strategies adopted among multinational enterprises in Kenya in response to political changes. The information obtained will only be used for academic purposes and shall be treated in confidence. This questionnaire is to be completed by the Chief Finance Officer, Finance Manager, Finance Director or persons in similar positions only.

SECTION I: GENERAL INFORMATION

PART A: BACKGROUND INFORMATION

1. Name of respondent

2. Years in operation

3. Gender of the respondent

Male Female

4. Designation.

5. Number of Years in Service

a) 0 – 5 b) 5 – 10 c) 10 – 15 d) 15 – 20 e) Over 20 years

6. Highest Education Level Attained:

Primary Certificate Diploma Undergraduate

Postgraduate

SECTION II: POLITICAL ENVIRONMENT AWARENESS

7 How would you describe the political environment in Kenya?

8 How often do review political response strategies adopted by your organization?

Quarter yearly Half yearly Yearly More than an year

9 In the choice of political response strategies, does your organization consider the financial Implications?

10 Does the company consider financial Implications when choosing political response strategies?

11 Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 where 1= strongly disagree, 2= disagree, 3= neither agree nor disagree, 4=agree, 5 = strongly agree. Tick (✓) which best describes your opinion of the statement in reference to impact of political changes.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The political structure and nature in Kenya is conducive for carrying out business					

The constitution of Kenya protects businesses and safeguards their investments.					
The firm's home country and host country political ideologies are similar					
The firm's home country relations with the host country is cordial and good					
The political environment in Kenya allows firms to open offices, manufacturing plants or service centers anywhere in the country					
The political environment in the country allows firm market their products and services freely					
The government allows easy access to raw materials required for your firm to operate.					

SECTION III: STRATEGIES ADOPTED IN RESPONSE TO POLITICAL CHANGE IN THE EXTERNAL ENVIRONMENT

12 What strategies has your firm adopted in response to political changes in the external environment?

13 Why and what informed the selection of these strategies?

- 14 Have these strategies been effective?
- 15 If yes, to what extent have they been effective?
- 16 If no, why have these strategies been ineffective?
- 17 What are the specific factors that have affected the adoption of these strategies?
- 18 What are the challenges that have been encountered in adopting the selected strategies?
- 19 How did you overcome those challenges?