

**STRATEGIC RESPONSES TO ENVIRONMENTAL CHALLENGES
ADOPTED BY MULTINATIONAL COMPANIES IN THE
COSMETICS INDUSTRY IN KENYA**

By

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DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

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

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DEDICATION

I dedicate this work to my wife and family for the love and support during the course of my study.

ACKNOWLEDGEMENTS

I take this opportunity to give thanks to the Almighty God for seeing me through the completion of my academic course.

The work of carrying out this investigation needed adequate preparation. The production of this research document has been made possible by invaluable support of many people. While it is not possible to name all of them, recognition has been given to a few. I am greatly indebted to my supervisor, Dr. Justus Munyoki for his professional guidance, sure advice and unlimited patience in reading through my drafts and suggesting workable alternatives to challenges met.

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ABSTRACT

Organizations are today operating in a rapidly unpredictable external environment. The changes in the external environment have a significant impact on the survival and success of the organization. Firms need to have contingencies to this change by implementing strategies that permit quick alignment and redeployment of assets to deal with environmental changes. The cosmetic industry in Kenya has faced a lot of change and growth in recent years. Kenyan consumers have faced a challenging economic landscape with inflation rising sharply. The objective of this study was to establish the strategic responses adopted by multinational companies in the cosmetics industry in Kenya to the changes in the environment. The study adopted a descriptive research design. The population of study comprised of Multinational companies in the cosmetics industry, operating in Kenya. The multinational companies were five. All the multinational companies were included in the study hence a census. The study relied on primary data collected using a structure questionnaire to standardize the responses. Data collected was analyzed using descriptive analysis. Measures of central tendency like the mean, mode, median and standard deviation were used. The study established there is high level of rivalry among cosmetic companies as each company struggles to outperform its competitors. The study also concludes that internal factors like management style and level of capital affected changes that took place in the companies. The study further concludes that cosmetic firms were affected by social factors. Cosmetic companies adopted different strategies in response to changes in their operating environment. These strategies ranged from outsourcing, retrenchment, product diversification, innovation, cost leadership, target marketing and enhanced customer care. The study recommends that cosmetic companies greatly differentiate their products through innovation so as to improve customer loyalty to limit chances of switching among customers. This study further recommends that cosmetic companies assess their operating environment carefully and anticipate likely changes so as to develop strategies that would enable them deal with the changes in a better and cost effective way.

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

In today's changing business environment, firms need to have contingencies to this change by implementing strategies that permit quick alignment and redeployment of assets to deal with environmental changes (Burnes, 2000). Ngonga (2011) notes that firms need to adopt strategies that would enable them maintain competitive positions in the market or risk elimination. Kotler (2007) observed that turbulent environmental change can lead to yesterdays winning business ways and principles becoming irrelevant today. Ansoff and McDonnell (1990) stated that organizations are environment dependent hence their interaction with environmental factors is essential for survival. For an organization to be able to retain competitive advantage, it needs to examine its business environment both internal and external and respond accordingly. Ngonga (2011) holds the view that to succeed, firms need to develop capability to manage threats and exploit emerging opportunities with speed. Organizations therefore need effective strategies and strategic initiatives that match the needs of the uncertain environment they are operating in and fulfill their missions and satisfy their stakeholders.

The cosmetic industry in Kenya has faced a lot of change and growth in recent years. Kenyan consumers have faced a challenging economic landscape with inflation rising sharply. This has had an impact with disposable incomes reducing and consumer behavior affected. Consumers have become cautious in their spending on non-essential products such as cosmetics. This effect has been felt on the skincare and hair care segments of the cosmetics industry. The industry has witnessed the rise of manufacturing

firms in the cosmetics industry both local and international. The firms in the cosmetics industry have been aggressively competing for market share in an increasingly difficult environment. This background has resulted in heightened environmental uncertainty for firms in the cosmetic industry and demanded that the firms formulate and adopt interventions and strategies in order to cope with the changes in the environment.

1.1.1 The Concept of Strategy

Johnson and Scholes, (2000) define strategy as the direction and scope of an organization over the long-term which achieves advantages for the organization through configuration of resources within a challenging environment to meet need of markets and fulfill stakeholder expectations. According to Porter, (1980) strategy can be seen as matching of resources and activities of an organization to environment in which it operates the strategic fit. Mintzberg (1998) suggests five definitions of strategy as a plan, ploy, pattern, position and perspective. Strategy as a plan is deliberate and is developed in advance of action. As a ploy, strategy is the threat to act in response to a competitor's action. Strategy as a pattern is a stream of actions with a consistency. As a position strategy is the company's location in its external environment which allows it to compete effectively with other companies and strategy as a perspective is a view or concept shared by others in the organization.

Any organization or business needs a strategy. Without a strategy an existing business can drift away from its customers and become uncompetitive within its environment and eventually stops making profit. A strategy provides a unified sense of direction to which all members of the organization can relate. Having a clearly defined strategy and

effectively implementing the goals and objectives of the strategy will determine the success in achieving of organization's goals. An organizations strategy is about how management intends to grow the business, how to build loyal clientele, how to compete with rivals, how each functional pieces of the business will be operated and how to boost performance (Thompson, Strickland and Gamble 2007).

1.1.2 The Concept of Strategic Responses

Organizations have been adopting different initiatives and interventions in order to cope with the challenges in the environment the organizations are in. Industries are responding to customer demand by becoming more innovative in their new ways of approaching the changing environment. With rapid technological change, innovation has become a top competitive strategy. Ansoff and McDonnell (1990) see that increased competition has created fundamental shift in the economic environment where organizations have to come up with proper strategic responses to stay afloat. The strategic responses involve changes in the firm's strategic behaviors to assure success in transforming future environment. Pearce and Robinson (2007) defined strategic responses as the set of decisions and actions that result in formulation and implementation of plans designed to achieve a firm's objective. It is a reaction to what is happening in the economic environment of organizations. Pearce and Robinson (2007) define strategic responses as the set of decisions and actions that results in the formulation and implementation of plans designed to achieve firms' objectives.

According to Ross, Hitching and Worley (1996), the firm has to learn, adopt and reorient itself to the changing environment. He postulates that when a discontinuity begins to

affect a firm in a turbulent environment brought about by globalization and trade liberalization its impact remain hidden within normal fluctuations in performance. Ansoff and McDonnell (1990) argue that a major escalation of environmental turbulence in the 1990's meant a change from a familiar world of marketing and production to an unfamiliar way of new technologies, new competitors, new consumer attitudes and new dimensions of social control. Strategic responses are the adaptation and reorientation to the changing environment by a firm (Ross, Hitching and Worley, 1996). Strategic responses involve changes to the organizations strategic behaviors. These responses may take many forms depending on the organizations capability and environment in which it operates. The different initiatives and interventions that an organization takes to align itself with the environment it operates in constitute strategic responses. An organization that fails' to align itself with the environment it operates in will lead to a strategic misfit that makes operations difficult.

Strategic responses can take different forms, initiatives, interventions and ways. The responses depend on the nature of challenge the organization is facing in its operating environment and the desired change sought. Strategic response could take the nature of downsizing, retrenchments, outsourcing of non-core activities, margin improvement, new product development, divesting and investing, specialization and diversification. The challenge faced determines the nature of response or responses to be adopted by an organization. Different organizations adopt different strategic responses to the changes in their business environment. It should not be assumed that one can adopt a one size or in thin this case one response fits all solution to the changes in the environment. Though

companies may belong to the same industry, they all face different changes in their external and internal environments (Ngonga, 2011)

1.1.3. Changes in the Business Environment

Organizations operate in a rapid and unpredictable external environment. The changes in the external environment have a significant impact on the survival and success of the organization. To prosper and survive organizations have to devise various strategies that will enable it respond to challenges in its external environment. In recent years markets seem to have evolved from predictable entities to more turbulent settings (Betts and Hitts, 1995). This increased complexity seems to be a consequence of multiple changes. Increased interconnectedness between the different systems is a reason for rapid rate of change. Changes in the environment are rapidly detected and pressure builds on other entities to act rapidly which results in additional changes in the environment (Betts and Hitts, 1995). This results in faster environment changes, emergence of new innovations and higher risk of failure for all participants in the ecosystem. Turbulent environments are the active results of such recursive feedback loops between individuals, organizations and environments (Rindora, Violina and Kotha, 2001). Continuing rise in the environmental dynamism and complexity the environment in which businesses operate will also increasingly become uncertain. The complexity, interrelatedness and interconnectedness of influential variables in the environment call for segmenting environment for purpose of analysis. According to Fahey and Narayana (1986), uncertainty covers four aspects. Macro environment uncertainty includes political, regulatory and economic condition that has capacity to reduce organizations capability

for mapping out and pursuing strategic choices. Competitive uncertainty covers the inability to establish intensity of competition in the industry in the future, power of competitors, future course of action and strategies. Market uncertainty stems from the lack of clarity in the dynamics of the market and their effects on the organizations operations and demand and supply conditions in the industry. Technological uncertainty pertains to change in the industry's technological resources and capabilities that have potential of undermining an organizations competitive base.

In highly dynamic and complex environments defending a position becomes difficult. Success depends more and more on responding to and keeping a dynamic alignment with the changing environment through organizational innovation that is correlated with environmental uncertainty. High levels of uncertainty generate more innovation through opportunity searching and adaptation to change. The Kenyan consumer has faced a challenging economic landscape that has impacted negatively on most categories in beauty and personal care. The pressure on disposable incomes has had significant number of consumers switching to mass brands in the cosmetics industry according to research firm Euro Monitor (2011). Many companies in the cosmetics industry have focused expansion strategies on this segment of the market. The firms have produced mass market brands rather than investing in innovation with consumers rewarding the strategy by buying those products due to their affordable nature and availability in all outlets (Euro monitor, 2011).

1.1.4 Multinational Companies in the Cosmetic Industry in Kenya

Multinational Companies are corporations with substantial investments in foreign countries and are engaged in active management of those offshore assets. The

Multinational companies are predominantly big in size with sales running into millions of dollars with some being bigger than the economies of their host nations. In Kenya multinational subsidiaries are some of the biggest companies in Kenya both in sales turnover, size and volume of output. According to Root (1994), a multinational company is a parent company that engages in foreign production through its affiliates located in several countries, exercise direct control policies; implement business strategies in production, marketing finance and staffing that transcend national boundaries. A multinational company consists of a country location where the firm is incorporated and of the establishment of branches or subsidiaries in foreign countries. Multinational companies tend to differentiate their products through intense advertising which sustains and reinforces their oligopolistic nature.

The Multinational companies in Kenya's cosmetic industry compete for a share of the hair care and skin care segments. The companies have a range of products that include body lotions, hair lotions, hair creams, hair pomades, hair relaxers, body powders, lip balms, deodorants, hair dyes and deo-sprays. The liberalization of the Kenyan economy in the late 1990's served a difficult environment that affected the performance of the multinational companies. The companies had not anticipated such a move and this made some of the multinationals like Johnson and Johnson, Gillette and Proctor and Gamble leaving the country for more lucrative markets. The huge improvements in Kenya's economy since year 2003 have seen many multinational companies returning to Kenya while those that have never operated in the country have positioned themselves for entry (Anyango, 2007). Multinational Companies in Kenya's cosmetics industry have engaged in both local productions of their fast moving cosmetics lines as well as importing some

of the product lines. Production is mainly done through locally owned subsidiaries or through licensed production. The Multinational companies have faced many challenges that include reduced purchasing power of consumers, entry of local indigenous players, rising inflation, high costs of production and proliferation of cheap imports. All these challenges arise from the business environment that the companies operate in.

1.2 Research Problem

Strategic responses are decisions and actions meant to achieve business objectives and purpose. Johnson and Scholes (2000) argue that after environmental analysis the firm will choose a strategy in response to the opportunities and threats it is facing. The strategies an organization pursues have a major impact on its performance relative to its peers and hence its sustainable competitive advantage. Long-term success involves creating, managing and exploring assets and skills that competitors find difficult to match or counter. It also involves identifying relevant skills and assets by observing successful and unsuccessful firms, key customer motivation, large value added items and mobility barriers. Firms select skills and assets that provide a competitive edge over competitors and are appropriate for the future of an organization to be feasible.

The multinational corporations in the cosmetic industry in Kenya have faced a lot of changes in the environment that they operate in such as increasing costs of operations, proliferation of cheap imported cosmetic products, high inflation rates, lower consumer spending power and decreasing product margins due to a push for market share through have products with a mass market appeal. There has been a lot of innovation in processes and new product development in an aim to set each company apart from the competitors.

The multinational companies have adopted different strategic responses to cope with the changes in the environment.

Several studies have been carried out on strategic responses adopted by organizations to changes in the environment. For instance, Ngonga (2011) did a study on changing environment of food industry in Kenya and established that the firm realized the challenges faced in the business environment and choose to divest from the tin manufacturing and outsourced this non-core role and invested on food manufacturing and packing machines. On the other hand Wambua, (2011) studied strategic responses adopted by mobile phone companies to changes in the telecommunications industry. He concluded that mobile phone companies consider human capital as the key differentiation strategy and invest in innovative strategies in order to understand customer needs, tastes and preferences. Further, Njogu (2007) in her study on the changes in the environment at Schindler Kenya Limited established that the firm responded to changes in the environment through an aggressive sales campaign, innovation of new products and rebranding of the company. From the above, it is clear that there has been no study focusing on the strategic responses adopted by multinational companies in the cosmetic industry in Kenya to changes in the environment. The study therefore sought to establish, what strategic responses are adopted by multinational corporations in the cosmetics industry to changes in the environment?

1.3 Research Objective

To establish the strategic responses adopted by multinational companies in the cosmetics industry in Kenya to the changes in the environment.

1.4 Value of the Study

This study would benefit a number of interest groups starting with the management of multinational companies in the cosmetics industry in Kenya. It would provide a reference point as well as recommendations on the areas they can improve on, the strategic responses adopted by different companies in the cosmetics industry in Kenya in response to changes in the environment. The study would also be of benefit to prospective investors in the cosmetics industry in Kenya as it would provide an understanding of the challenges in the business environment and different strategic responses they can make use of to handle these challenges.

The findings of this study would expand the body of knowledge and provide a basis for future research by scholars especially those who would focus on strategic responses adopted by multinational companies in the cosmetics industry and other lines. It would also contribute to the existing literature in the area of strategic response that the academicians could use as a basis for further research on the topic. The study would also help policy makers gain knowledge on the challenges in the environment facing organizations and aid them in formulation of policies that would provide an enabling environment to investors.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter reviews literature on strategic responses adopted by organizations to changes in the environment. The literature is reviewed from previous researches and academic journals.

2.2 Theoretical Foundation of the Study

The resource based theory anchors the study. The resource based view is a management tool used to assess the available amount of business strategic assets. It is based on the idea that the effective and efficient application of all useful resources that the company can master determines its competitive advantage (Powell, 2001). The Resource based theory operates on two assumptions. First, resources are assumed to be heterogeneously distributed among firms. This allows for existence of differences in form of resource endowments. Second, resources are assumed to be imperfectly mobile. This condition allows for these differences to persist over time. Resources which are simultaneously valuable and rare can generate competitive advantage. Barney (2001) suggests that a firm's resource will have sustained competitive advantage if the resource a firm has is valuable, rare, un-imitable and non-substitutable. According to Porter (1980), firms should analyze their competitive environment choose their strategies and then acquire the resources needed to implement their strategies.

A firm's resources includes all assets, capabilities, organizational processes, firm attributes, information and knowledge controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Daft, 1983). The firm's resources are strengths that the firm can use to conceive of and implement their strategies. Three categories of attributes help organizations create strategies that add value to the firms' namely physical capital resources, human capital resources and organizational capital resources according to Tomer (1987). Not all aspects of a firm's physical capital, human capital and organizational capital are strategically relevant resources. It is important for a firm to know the relevant resources that improve its efficiency and effectiveness (Powell, 2001).

2.3 Organizations and the Environment

Organizations do not exist in a vacuum. Many factors enter into the forming of a company's strategy each existing within a complex network of environmental forces. The forces, conditions, situations, events and relationships over which the organization has little control are referred to collectively as the organizations environment (Ryszara, 2013). He adds that the environment can be broken down into macro environment or general environment, the operating environment and the internal environment which is made up of employees' managers and directors. The speed and extent of changes which have occurred in the 21st Century have required businesses to be more adaptable to the changing environment. Some of the pressures of the change have resulted from market liberation and development of global markets, changing customer needs; intensified business competition and constant search for new products have necessitated quick

response by businesses to their changing needs (Njogu, 2007). She adds that managers need to have proper strategies in place to ensure survival of the firm in the environment.

An organization's ability to cope with a changing environment is probably the most important determinant of its success or failure in a free enterprise system. The business environment of the firm consists of all external influences that impact a firm's decision and performance. Rowe, Mason, Dickel and Synder (1989) compared organizations to ecological entities that have mutual relations with other entities in the environment. Like an ecosystem, an organizations environment holds opportunities and threats. Skillful strategic managers find "market niches" in the firm's environment that are well suited to the products, services and capabilities the organization has to offer. Careful assessment of external environment enables organizations find best possible niche and decide how it might respond to a range of conditions in the environment in future (Rowe, Mason, Dickel and Synder 1989).

Assessing of the environment is a continuous task for most firms as the environment is continuously changing. Pearce and Robinson (2007) observed that changes in the external environment have an impact on organizations. They viewed external environment as all conditions affecting a firms strategic and tactical options that a firm has little control over. The factors in the external environment influence an organizations' choice of direction and action. Johnson and Scholes (2005) see that dealing with the environment is difficult because of diversity of influences that affect a business, the speed of change and problem of complexity. They further add that managers of organizations are no different from other individuals in the way they cope with complexities. They try to simplify what is happening by focusing on those few aspects of the environment that have been

important historically. Ansoff (1980) asserts that when a firm fails to respond to a threat, the losses that result s continue to accumulate. The strategic response process is initiated once the natural trigger point is reached. This is the point at which accumulated data shows that there is a serious decline in performance which cannot be reversed and that special counter measures are required. Reactive management occurs if the start of the response is delayed past the trigger point due to systems delay, verification delays, political delay and unfamiliarity delay (Ansoff and McDonnell, 1990). They define environment scanning as the process by which strategists monitor the economic, governmental, legal market or competitive, technological, geographical and social settings to determine opportunities and threats to their firms. According to Ansoff and McDonnell,(1990) the bulk of managerial time in business firms is devoted to coping with uncertainties induced by the environment, competitors' moves, economic fluctuations, availability of raw materials and labour demands.

2.4 Strategic responses to Changes in the environment

Strategic responses involve changes in the firm's strategic behaviors to assure success in transforming future environment. Burnes (2000) asserts that the concern in real time responses is to minimize the sum total losses and restore profitability to ensure organization successes in a turbulent and surprising environment. This study will focus on how multinational companies in the cosmetic industry in Kenya respond to environmental challenges through strategies such as restructuring, diversification, differentiation, outsourcing, innovation. Bateman and Zeithaml (1998) define strategic response as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objective in reaching the changes in

the external environment. Johnson and Scholes (2005) note that strategic responses should be medium to long term since challenges for which they are formulated can be enduring and an organization must facilitate competitive advantage despite turbulence.

The strategies an organization pursues have a major impact on its performance relative to its peers and hence its sustainable competitive advantage. Hamamel and Prahalad, (1994) noted that restructuring and reengineering have more to do with sharing today's business than with building tomorrow's industry. Long-term success involves creating, managing and exploring assets and skills that competitors find difficult to match or counter. It also involves identifying relevant skills and assets by observing successful and unsuccessful firms, key customer motivation, large value added items and mobility barriers. Selecting those skills and assets that will provide an advantage over competitors will be relevant and appropriate for the future and will be feasible, sustainable and appropriate to develop and maintain those of competitors.

2.4.1 Diversification strategies

Diversification strategy is the process of entering new business markets with new products. Such efforts may be undertaken either through acquisitions or through extension of the company's existing capabilities and resources. He further views diversification as a form of growth strategy for a company. It seeks to increase profitability through increased sales volumes obtained from new products and new markets. Diversification can occur at the business unit level through expansion into a new segment of an industry, in an industry in which the business is already in, or at the corporate level by entering a promising business outside of the scope of the existing

business unit (Ansoff and McDonnell, 1990). Diversification makes sense when good opportunities can be found outside the present business. Kotler (2000) states that a good opportunity is one in which the industry is highly attractive and the company has the mix of business strengths to be successful. Three types of diversification are possible. An organization can seek products that have technological and or marketing synergies with existing product lines even though the new products themselves may appeal to a different group of customers. Further the company might search for a new product that could appeal to its current customers even though the new products are technologically correlated to its current product line termed as horizontal diversification. Finally the company might seek new businesses that have no relationships to the company's current technology, products or markets termed as conglomerate diversification.

2.4.2 Differentiation Strategy

This strategy is one where a company focuses its efforts on providing a unique product or service. Since the product is unique, this strategy provides high customer loyalty. Pearce and Robinson, (2007) contend that strategies dependent on differentiation are designed to appeal to customers with a special interest for a particular product attribute. Product differentiation fulfills a customer need and involves tailoring the product or service to the customer and allows organization capture market share. Differentiation aims at developing and marketing of unique products for different customer segments (Kinyanjui, 2012). Using this strategy a company focuses its efforts on providing a unique product or service and due to the uniqueness there is high customer loyalty (Porter, 1980).

According to Kinyanjui, (2012) differentiation strategy aims to build up competitive advantage by offering unique products characterized by valuable features such as quality, innovation and customer service. Differentiation can be based on the product itself or delivery system. Differentiation can be on the brand, image, technology, features, and customer service and distribution network. This enables the firm earn above average returns by defending it against competitive forces of substitute products, rivalry in the industry and threat of new entrants due to the brand loyalty it commands (Gachambi, 2007). According to Pearce and Robinson (2007), this is a business strategy that seeks to build competitive advantage for a firm by having its product or service being different from other competitive products on the basis of features and product factors not related to cost and price. The difference would be one that would be hard to create and difficult to copy or imitate. The business concentrates on achieving superior performance in an important customer benefit area valued by a large part of the market. The firm cultivates those strengths that will contribute to the intended differentiation (Kotler, 2007). A firm seeking quality leadership should make products with the best components that have been carefully put together and inspected and the quality difference communicated effectively.

2.4.3 Focus strategy

This is a generic strategy that applies a differentiation strategy approach or a low cost strategy approach or a combination and does so solely in a narrow or focused market niche rather than trying to do so across the broader market. The narrow focus may be geographically defined by product type features, target customer type or some combination of these (Pearce and Robinson, 2007). The business focuses on one or more narrow market segments. The firm gets to know these segments intimately and pursues

either cost leadership or differentiation within the target market segments (Kotler, 2007). This strategy provides an opportunity for an enterprise to find and exploit the gap in the market by developing an innovative product that a customer cannot do without. The company has enormous opportunity to develop its own niches and compete against low cost and differentiation enterprises that tend to be larger (Kinyanjui, 2012).

2.4.4 Outsourcing Strategy

This strategy has become a trend in business where companies give up their non-core activities to third party service providers and concentrate on their core business activities (Kerkhoff, 2006). By outsourcing the non-core activities, the company can efficiently channel all its resources towards the production of outputs for which it is in the business. As a result quality production of products/service can leverage its competitive advantage (Kerkhoff, 2006). Instead of spending time managing an activity that is not core to the business, the company hands over to a third party provider to handle it and can be in charge of ensuring efficiency and effectiveness. Outsourcing is the transfer of control of a process or product to an outside supplier. The outside supplier focuses on this specific type of business and has better equipment and technology. Companies outsource parts, components or services that are not one of their critical core processes or parts or differentiating factors. (Kerkhoff, 2006)

According to Hook (2004) through outsourcing of non-essential work, the corporation can free valuable resources and focuses on its areas of competitive advantage. To achieve this result the corporation must know its core competence. Hook (2004) adds that outsourcing was mainly used for downsizing and cost reduction at major corporations, but it should be used as a strategic tool to deliver a forceful impact on corporate growth

and financial stability. With today's changing business environment, outsourcing has spread globally. Outsourcing has fundamentally changed the global business landscape, as competition increases between businesses and budgets wear thin; wise organizations are turning to outsourcing to add value beyond lowering costs. Hook (2004) further argues that organizations outsource due to a number of strategic reasons. The reasons include improving business focus in core activities, gaining access to world class capabilities, accelerating re-engineering benefits, share business risks and redirect resources to more strategic activities.

2.4.5 Innovation strategy

This is the strategy that taps into the deep insights of an organization human spirit and knowledge generating a pipeline of ideas that are evaluated, selected and ventured using disciplined tools, methods and processes (Tucker, 2009). Innovation strategy enables organizations to compete favorably in the global market place since it improves business performance of organizations that emphasize it. Ingwe, (2012) sees innovation as the response to environmental turbulence for future opportunities. Research and development departments have the responsibility of generating new ways of doing business through innovations (Ingwe, 2012). According to Afuah (2003), the research and development departments apart from generating new knowledge, also disseminates and enhances the organizations ability to assimilate knowledge. The department brings values to creativity through mixing new concepts and ideas so as to generate application. He adds that four main factors drive market change and in combination create the need for innovation. These factors are technological advances, changing customer needs, intensified

competition and changing business environment. Business environments are changing as markets become more open as the open market economy is embraced by governments.

Increased focus on cost cutting through reduction of resources is required for key business processes. Many companies have reengineered their business processes and significant efficiency gains achieved. The shorter product lifecycles and high levels of new product failures have made manufacturing and service companies' dependent on constant innovation. To be innovative companies can choose to invest in research and development and launch products and services that respond to changing customer needs in a competitive environment. (Afuah, 2003)

2.4.6 Cost leadership strategy

The objective of cost leadership strategy is achieved overall cost leadership in the industry through cost focus on various functional areas. It requires aggressive construction of effective and scalable facilities, vigorous pursuit of cost reduction from expenditure, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in areas like research and development, service sales force and advertising (Noor, 2012). The low cost position gives the firm a defense against the rivalry since it could still be able to earn above average returns (Porter, 1980). According to Gachambi (2007), lower costs mean that the firm can still earn returns after competitors have competed their profits away. This strategy guards against substitutes and new entrants due to the favorable position. She also sees that it defends against powerful buyers because it is has higher margins even after they drive prices down and defends against powerful suppliers by having flexibility to cope with input cost increases. Cost leadership is a low cost strategy where businesses seek to establish long

term competitive advantage by emphasizing and perfecting value chain activities that can be achieved at costs significantly below what competitors are able to match on a sustained basis. This in turn allows the firm to compete primarily by charging a price lower than competitors can match and still stay in business (Pearce and Robinson, 2007).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter covers the research methodology that the researcher used to carry out the study. It covers the type of research design adopted by the researcher, population of the study, data collection method used and how collected data was analyzed.

3.2 Research Design

The study adopted a descriptive survey design. A descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way. It is concerned with the what, where and how of phenomena (Mugenda and Mugenda, 1999)

3.3 Population of the study

The population of study comprised of Multinational companies in the cosmetics industry, operating in Kenya. The Kenya Revenue Authority (2012) has in its records twenty companies that are registered under cosmetics category and are expected to charge, collect and remit excise duty to the Authority. The multinational companies in this list are five namely PZ Cussons East Africa limited, Haco Tiger Brands, Beirdof East Africa, L'Oreal and Unilever Kenya limited. The researcher carried out a census study of all the five companies. This is because the population size is small and could be accessed by the researcher.

3.4 Data Collection

The study relied on primary data. Primary data was collected through a questionnaire which had both open ended and closed ended questions. The questions were developed in line with the objective of the study and divided into two sections. Section one had general background questions and section two had questions on the strategic responses adopted by the organization in response to changes in the environment. Questionnaire method was chosen as it allows for greater depth in the responses. The questionnaire was administered by the researcher through personal interviews to employees of the five companies in senior management positions in-charge of strategy. The questionnaire was administered to two respondents for each of the five companies.

3.5 Data Analysis

Data collected was analyzed on basis of descriptive analysis. The data was analyzed using descriptive statistics. Measures of central tendency like the mean, mode, median and standard deviation was carried out and rank ordering used. The data was presented in the form of frequency tables, charts and graphs.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND PRESENTATION

4.1 Introduction

This chapter presents data collected from the field, its analysis and finally the interpretation of the findings on the strategic responses adopted by multinational companies in the cosmetics industry in Kenya to the challenges in the environment. The study targeted 10 participants in the multinational companies within the cosmetics industry. Out of the targeted respondents, 8 respondents filled and returned the questionnaires giving a response rate of 80%. This good response was attained after the researcher made efforts to call and remind the respondents to fill and return the questionnaires. The response rate is excellent and agrees with Mugenda and Mugenda (2003) prescribed significant response rate for statistical analysis, which they established at a minimal value of 50%.

4.2 General Information

The study sought to collect data on the number of years the companies had been operating within Kenya, number of employees and segment of cosmetics that the companies competed in. The findings were as shown below.

Findings on the number of years that the company had been in operation in Kenya are presented in the table 4.1.

Table 4.1: Number of years the company has been in operation

	Frequency	Percent
11- 15years	2	25.0
over 15 years	6	75.0
Total	8	100.0

(Source: Field Data)

From the study findings 75% of the firms indicated that their companies had been in operation in Kenya for over 15 years while 25% indicated that their companies had been in operation in Kenya for between 11-15 years. These findings show that the respondents' companies had operated in Kenya for long so as to be able to understand the challenges faced by cosmetic firms in Kenya and the strategies they adopted in dealing with these challenges posted by their operating environment.

The findings on number of employees the companies had in Kenya were as presented in table 4.2.

Table 4.2: Number of Employees in the Company Kenya

	Frequency	Percent
50-100 employees	2	25.0
100-150 employees	1	12.5
150 employees and above	5	62.5
Total	8	100.0

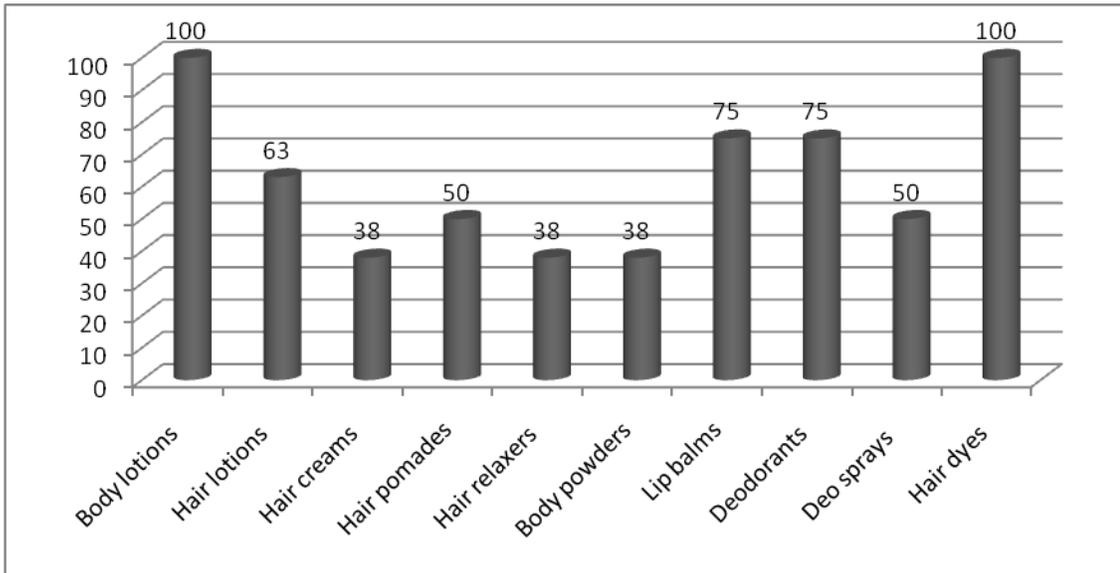
(Source: Field Data)

From Table 4.2 above, 25% of the respondents indicated that their company has 50-100 employees, 12.5% indicated that their company had 100-150 employees and 62.5% of the respondents indicated that their company had over 150 employees. These findings show that the respondents were drawn from all cosmetic companies with different sizes as per

the number of employees hence these findings are more representative of the whole industry since it includes companies of all sizes.

The study further sought to find out the range of products that the companies offered to the cosmetics market. The findings were as presented in the figure 4.1.

Figure 4.1: Range Of Products offered to the Cosmetics Market



(Source: Field Data)

As shown in Figure 4.1, the companies offered a wide range of cosmetic products to the market. Body lotions and hair dyes were offered by all the companies as shown by 100% level of agreement among the respondents, Lip balms and deodorants were offered by three quarters of the companies as represented by 75% of the respondents. Hair pomades and deo sprays were offered by 50% of the respondents company. 63% of the respondents indicated that they offered hair lotions while 38% of the companies offered body powders, hair relaxers and hair creams. These findings show that the cosmetic companies offered a wide range of products to the market. However, body lotions and hair dyes were offered by all the companies. These findings show that the companies that

participated in the study offered a wide range of products to the Kenyan market hence they clearly understood the challenges facing them and ways in which they used to best overcome these challenges.

The study sought to establish the segment of the cosmetics market where companies competed in Kenya. The findings were as presented in the table 4.3 below.

Table 4.3: Segment of the cosmetics that the company competes in Kenya

	Frequency	Percent
Skincare market	2	25.0
Both skincare and hair care markets	6	75.0
Total	8	100.0

(Source: Field Data)

As shown in table 4.3, from the findings 75% of the respondents indicated that their companies competed in both skincare and hair care markets while 25% of the respondents indicated that their companies competed in the skincare market. These findings show that the respondent companies competed in several market segments. This further shows that the findings are more representative of both the segments although there was higher level of competition in the skin and hair care market combined.

4.4 Strategic Responses to Changes in the environment

In this section, the study sought to establish the degree of rivalry between companies in the cosmetics industry in Kenya, effects of new entrants on company's performance, effects of internal factors in the company, extent to which changes in political- legal variables affected the company, extent to which changes in technological factors variables affected the company, extent to which changes in different social and economic

variables affected the company, and the strategies that are adopted by the companies in response to changes in the environment.

The study sought to establish the degree of rivalry between companies in the cosmetic industry. The findings were as presented in the table 4.4 below.

Table 4.4: Degree of Rivalry

	Frequency	Percent
Strong	6	75.0
Extremely strong	2	25.0
Total	8	100.0

(Source: Field Data)

As shown in Table 4.4, 75% of the respondents indicated that the degree of rivalry between companies in the cosmetics industry was extremely strong while 25% said that the degree of rivalry between companies in the cosmetics industry is strong. These findings show that the level of rivalry in the cosmetics industry is strong as each company struggles to out-perform its competitors. This could be largely because if an organization is not competitive; it could be outperformed by its rivals hence leading to closure of its operations.

Table 4.5: Effects of new entrants on company's performance

	Frequency	Percent
Little	2	25.0
Moderate	2	25.0
Great	2	25.0
Very great	2	25.0
Total	8	100.0

(Source: Field Data)

Findings on the effects of new entrants on company's performance as presented in Table 4.5 show that it moderately affects a company's performance. 25% of the respondents indicated new entrants had little effect, 25% saw that it had a moderate effect, 25% saw new entrants had a great effect and 25% of the respondents indicated new entrants had a very great effect on the company's performance. As new companies enter the market, they also fight to control a stake of the market. In order to gain a share of the market, they have to reduce the market share of the existing companies hence affect their sales and revenue raised. This in turn affects their profitability.

Table 4.6: Effects of internal factors changes in the company

	Mean	Std. Deviation
Level of capital	3.1250	1.24642
Management style	3.5000	1.06904
Shareholder interests	2.3750	1.40789

(Source: Field Data)

The study sought to determine the extent to which changes in the following internal factors affected the company. From the table 4.6 above, the respondents agreed that the level of capital changes affected the performance of the companies as it affected the decision making process of the firms. The respondents indicated that a change in capital structure meant that the new stakeholders participate in decision making which a great impact of the financial performance has realized by the companies. This was shown by the respondents' level of agreed to a great extent as indicated by a mean of 3.1250.

The respondents also indicated that the style of management affected the companies' performance to a great extent as supported by a mean of 3.5000. Different management

styles are available which are suited for different situations in the operations of organizations. Application of a wrong management style can de-motivate staff hence affect negatively the performance of the firm.

Shareholder interests affect the performance of the firms in the cosmetics industry but to a little extent as supported by a by a mean of 2.3750. Shareholders' interest at times is superseded by other interests like growing market share or winning customer confidence. All these affect the performance of an organization to a large extent.

Table 4.7: Political- legal variables

	Mean	Std. Deviation
Taxation	4.3750	.74402
Labour laws	3.5000	.75593
Political stability	4.2500	.88641
Elections	4.0000	1.19523

(Source: Field Data)

The study sought to determine the extent to which changes in the following political-legal variables affected the company. From Table 4.7, the respondents indicated that taxation affected the performance of cosmetic companies to a great extent as indicated by the by a mean of 4.3750. Taxes levied by the Government determine how the companies price their products in order to remain competitive on the market. It therefore affects the performance of organizations.

The respondents also indicated that labour laws prevailing in the country affected performance of cosmetic companies to a great extent as indicated by the by a mean of 3.5000. Labour laws determine the minimum salaries and wages to be paid by companies, the working environment and how employees are generally to be treated at their places of

work by their employers. This places financial burden on companies hence reducing their profitability.

Political stability also affected the performance of cosmetic companies as supported by a mean score of 4.2500. Political stability affected the firms performance through ensuring that the cost of production and general business transactions are kept low. In politically unstable countries, the cost of doing business increases. Respondents also indicated that elections affect the performance of their companies as supported by a mean of 4.0000. In times of elections, the business environment is faced with high levels of uncertainty which reduces the purchasing power of some individuals or causes panic which forces consumers to purchase some goods in bulk and store them.

The study sought to determine the extent to which changes in different technological factors variables affected the companies. The results are presented in Table 4.8

Table 4.8: Technological Factors

	Mean	Std. Deviation
Adoption of new technology	3.5000	.92582
Speed of technology transfer	3.3750	.91613
Redesign of processes	3.3750	1.06066

(Source: Field Data)

As shown in the Table 4.8 above, Adoption of new technology affected cosmetic companies' performance to a great extent as supported by a mean of 3.5000. New technology adopted is normally more efficient and time saving compared to the old technology. This increases the level of efficiency and effectiveness in the company hence better financial performance.

The speed of technology transfer also affected the performance of companies' in the cosmetics industry as supported by a mean of 3.3750. Faster transfer ensures that the companies can earn savings in costs of production and improved quality of output for customers hence increased customer loyalty. The respondents also moderately agreed that redesign of processes affected company performance as indicated by a mean of 3.3750.

Table 4.9: Social variables

	Mean	Std. Deviation
Lifestyle changes	4.3750	.51755
Attitudes towards work	3.1250	.99103
Income distribution	4.2500	1.03510
Family lifestyle	3.7500	.70711

(Source: Field Data)

The study sought to rate the extent to which changes in social variables affected company performance. As shown in the Table 4.9 above, the respondents agreed to a very great extent that lifestyle changes affected cosmetic companies as indicated by the by a mean of 4.3750. As lifestyles change, the preferences of families change hence a change in their purchasing priorities. This in turn affects the sales capacity of firms. The respondents' also indicated that attitudes towards work affected companies to a moderate extent as indicated by the by a mean of 3.1250.

The findings further show that income distribution affected companies to a great extent as indicated by a mean of 4.2500. Income distribution among its customers determined the pricing of products and the quality of products produced. Finally, the respondents indicated that family lifestyle affected company performance to a great extent as indicated by the by a mean of 3.7500.

The study sought to establish the extent that the changes in the following economic variables impacted on the companies. The results are as shown in Table 4.10

Table 4.10: Economic variables

	Mean	Std. Deviation
Interest rates	3.3750	.74402
Inflation rates	3.8750	1.12599
Unemployment	3.5000	1.60357
Level of disposable income	4.5000	.53452
Foreign exchange rates	4.3750	.74402
Consumers willingness to spend	4.3750	.74402
Consumers spending patterns	4.5000	.75593
Business cycles	3.6250	.74402
Cost of factors of production	4.1250	1.12599

(Source: Field Data)

As shown in Table 4.10, interest rates affected firm performance to a moderate extent as indicated by the by a mean of 3.3750. Interest rates determine the amount of money in circulation in an economy. It also determined the amount of interests paid by investors for acquiring additional capital.

Asked how inflation rates impacted on the companies, the respondents agreed to a great extent as indicated by the by a mean of 3.8750. Inflation affects the purchasing power of individuals. As their incomes remain constant and the general prices increase, the purchasing power of customers is eroded hence a reduction in the quantity demanded. This affects the strategies developed by cosmetic companies in reaching their set targets and objectives. The respondents agreed to a great extent that unemployment affects the performance of companies as indicated by the by a mean of 3.5000. As the level of

unemployment rises, the level of dependence increases hence reducing the purchasing power of the customers. This in turn affects the performance of cosmetics companies.

The respondents further indicated that the level of disposable income affected the performance of companies to a great extent as indicated by the by a mean of 4.5000. Unless consumers have high disposable income, their purchasing power will be low thus they may not afford some products in the market. This affects the performance of companies.

Foreign exchange rates also affected the performance of cosmetic companies to a great extent as indicated by a mean of 4.3750. This happens especially where companies import raw material and export their finished products to different nations. This means that companies have to sale in different currencies which if the exchange rates fluctuates a lot, it may affect the performance of companies.

Consumers willingness to spend, affected company performance to a great extent as indicated by a mean of 4.3750. In cases where consumers are not willing to spend, companies incur losses as the consumers are not ready and willing to spend on the products produced by the company. On the consumers spending patterns respondents agreed to a great extent as indicated by a mean of 4.5000. Asked on the impact of business cycles the respondents agreed to a moderate extent as indicated by a mean of 3.6250 and on the cost of factors of production the respondents agreed to a great extent as indicated by the by a mean of 4.1250.

The study sought to find out the strategies that were adopted by the companies in response to changes in the environment. The results are shown in Table 4.11

Table 4.11: Strategies adopted by the companies in response to changes in the environment

	Mean	Std. Deviation
Outsourcing	3.7500	1.03510
Retrenchment	3.3750	1.06066
Automation of production roles	2.8750	.17613
Product differentiation	3.8750	.64087
Diversification	3.8750	1.24642
Innovation	4.0000	.53452
Concentrated focus	3.2500	.70711
Cost leadership	3.7500	.70711
Packaging modification	4.1250	.83452
Aggressive marketing campaigns	4.1250	.83452
New product development	4.0000	.92582
Third party manufacturing	3.0000	1.06904
Research and development	4.3750	.74402
Restructuring	3.1250	.64087
Change in corporate culture	3.5000	.92582
Target market modification	3.5000	.75593
Marketing mix modification	3.6250	.74402
Information systems and technology change	4.2500	.46291
Enhanced customer care	4.1250	.83452
Redesign of distribution channels	4.1250	.99103

(Source: Field Data)

From the findings shown in Table 4.11, the findings show that the companies adopted several strategies. One of these strategies was outsourcing strategy as shown by a mean of 3.7500. This shows that the companies made moderate use of outsourcing strategy especially on areas which fell outside the core business of their operations. This allowed the cosmetic firms time and energy to concentrate on their core areas and at the same time accessing qualified professional services from the outsourced firms.

The study findings also show that the cosmetics companies used retrenchment strategy to a moderate extent as shown by a mean of 3.3750. This could be attributed to the adoption of new technology and product redesigns which reduces the number of staff needed for the new production and distribution processes.

Automation strategy was not used by a majority of cosmetic firms as shown by a mean of 2.8750. In order to attract, capture and retain different market segments, the cosmetic companies used product differentiation strategy as shown by a mean of 3.8750. Product differentiation ensures that the companies offer differentiated products from their competitors and other brands. This may mean provision of extended product lines so as to satisfy a given market segment.

The findings further show that the cosmetic companies made use of diversification strategy as shown by a mean of 3.8750. This is consistent with the cosmetic companies having a wide product range. The study further established that cosmetic companies used innovations strategy as shown by a mean of 4.0000. This means that the companies used innovations strategy to a great extent. In order to develop products that meet the ever changing needs of customers, it was necessary that the cosmetic companies use innovation strategy to retain their competitiveness.

The study findings show that the cosmetic companies used concentrated focus to a moderate extent as shown by a mean of 3.2500. They further used cost leadership strategy to a moderate extent as shown by a mean of 3.7500. In a market that is sensitive to prices, any slight changes in the prices affect the quantity demanded. In order to

remain competitive on the market, it was important the cosmetic companies remain competitive by adopting cost leadership strategy.

The study findings also confirmed that cosmetic companies used packaging modification strategy to a great extent as shown by a mean of 4.1250. Packaging plays an important role in preserving the products and communicating to consumers different aspects of the product. The cosmetic companies modified their packages and use it to outperform their competitors and communicate the quality of their products.

The study findings also show that cosmetic companies made use of aggressive marketing campaigns to a great extent as shown by a mean of 4.1250. On new product development respondents agreed to a great extent as shown by a mean of 4.0000. Through aggressive marketing campaigns, cosmetic companies were able to communicate their product offering to the market together with their qualities. The cosmetic companies were however neutral as to the use of third party manufacturing as shown by a mean of 3.0000. However, these companies used research and development. Respondents agreed to a great extent as shown by a mean of 4.3750. Research and development is important in any industry if an organization is to develop innovative products that meet the ever changing needs of customers.

Restructuring strategy was used to a moderate extent as shown by a mean of 3.1250. The study finding also show that cosmetic companies made use of change in corporate culture strategy to a moderate extent as shown by a mean of 3.5000. A change in corporate culture is necessary if an organization needs to improve its levels of efficiency and effectiveness. The findings show that cosmetics companies also used target market

modification strategy to a moderate extent as shown by a mean of 3.5000. Marketing mix modification strategy was also used to a moderate extent as shown by a mean of 3.6250. Information systems and technology change strategy was used to a moderate extent as shown by a mean of 4.2500. Enhanced customer care strategy was used to a moderate extent as shown by a mean of 4.1250. Redesign of distribution channels strategy was used to a moderate extent as shown by a mean of 4.1250.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, the conclusions and recommendations of the study based on the objectives of the study. The study aimed at establishing the strategic responses adopted by multinational companies in the cosmetics industry in Kenya to the changes in the environment.

5.2 Summary of Findings

The companies offered a wide range of cosmetic products to the market. These cosmetic products ranged from body lotions, hair dyes, lip balms and deodorants, hair pomades, deo-sprays and hair lotions. The cosmetic companies competed in several market segments including skincare and hair care. The study established that there was high level of rivalry among cosmetic companies as each company struggled to outperform its competitors. Any new entrant in the market affected the performance of cosmetic companies as it ate into the market share of the existing companies.

The study findings also show that several internal factors affected changes that took place in the companies. Some of these internal factors included level of capital, management style and shareholders interest. Political-legal setting also affected the performance of cosmetic companies. This was mainly through taxation, labour laws, political stability and general elections. Cosmetic companies were also affected by technological factors including adoption of new technology, speedy technological transfers and redesign of

process to increase efficiency and effectiveness. Among social factors that affected the performance of cosmetic companies included: changes in lifestyles which altered the preferences of customers and the demand for a given cosmetic product, customers' attitudes towards work, income distribution and family lifestyles. All these affected cosmetic firm performance through adjustments on the demand. Income distribution affected companies to a great extent. Income distribution among its customers determined the pricing of products and the quality of products produced. This in turn affected the performance of cosmetic companies.

Economic factors affected the performance of cosmetic companies particularly levels of disposable incomes and consumer spending patterns. The study further established that cosmetic companies adopted different strategies in response to changes in their operating environment. These strategies ranged from outsourcing, retrenchment, product diversification, innovation, cost leadership, target marketing and enhanced customer care. These strategies were meant to improve the competitiveness of the firms on the market.

5.3 Conclusions

The study concludes there was high level of rivalry among cosmetic companies as each company struggled to outperform its competitors. Any new entrant in the market affected the performance of cosmetic companies as it ate into the market share of the existing companies.

The study established that several internal factors affected changes that took place in the companies. Some of these internal factors included level of capital, management style and shareholders interest. In addition, Political-legal setting also affected the performance

of cosmetic companies mainly through taxation, labour laws, political stability and general elections. Technological factors including adoption of new technology, speedy technological transfers and redesign of process to increase efficiency and effectiveness affected the performance of cosmetic firms.

The study further concludes that cosmetic firms were affected by social factors. Social factors that affected the performance of cosmetic companies included: changes in lifestyles which altered the preferences of customers and the demand for a given cosmetic product, customers' attitudes towards work, income distribution and family lifestyles.

Several economic factors affect the performance of cosmetic companies. Key among these factors were levels of disposable incomes and spending patterns. This is consistent because the level of disposable income goes down so will consumers change their spending patterns as they have fewer resources to utilize. Cosmetic companies adopted different strategies in response to changes in their operating environment. These strategies ranged from outsourcing, retrenchment, product diversification, innovation, cost leadership, target marketing and enhanced customer care.

5.4 Limitations of the Study

A limitation for the purpose of this study was treated as any factor that was present and would have hindered the attainment of the study objective. One of the limitations was resistance from the target respondents to provide information needed for the study fearing that the information would be used for other purposes like exposing their companies and revealing their competitive strategies. The researcher however moved to assure the respondents that the information they provided would only be used for academic

purposes. The researcher managed to confirm this to the respondents by carrying with him an introduction letter from the University of Nairobi.

Another limitation included limited funds available for the study. The study would have stretched to local cosmetic firms because they are operating within the same environment. However, due to limitation of funds to finance the research, the study concentrated on multinational firms because of their easy accessibility within Nairobi.

5.5 Recommendations

5.5.1 Recommendations with Policy Implications

The study found out that the level of rivalry among cosmetic companies was high and that a new entrant affected the performance of cosmetic companies to a great extent. This study therefore recommends that cosmetic companies greatly differentiate their products through innovation so as to improve customer loyalty to limit chances of switching among customers. This would reduce the number of customers switching brands and adopting the new entrant's products.

Secondly the study established that cosmetic firms' performance was affected by several social, economic, technological and political-legal factors. In order to remain competitive, this study recommends that cosmetic firms operate within the provided laws and regulation in order to avoid going against the set laws.

Finally the study established that the cosmetic companies applied different strategies in response to changes in their operating environment. This study recommends that cosmetic companies assess their operating environment carefully and anticipate likely

changes so as to develop strategies that would enable them deal with the changes in a better and cost effective way.

5.5.2 Area for Further Research

This study focused on the strategic responses adopted by multinational companies in the cosmetics industry in Kenya to the changes in the environment. The operating environment has changed. This study therefore recommends that another study be conducted in Africa as some of the Companies operating within the cosmetic industry in Kenya are global. This would enable generalization of the findings as to whether these strategies are global or only applicable for the Kenyan market.

This study further recommends that future studies be conducted on the effects of globalization on the performance of cosmetic companies in Kenya. The world has reduced into a global village as now a consumer can purchase cosmetic products online from any country. This study will help bring into light how the cosmetic firms have been affected by globalization.

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APPENDIX 1. QUESTIONNAIRE

SECTION A: General Background Information

1. Name of your company?

2. What is your position in the company?

3. How many years has your company been in operation in Kenya?
 - a. 1-5 years
 - b. 6-10 years
 - c. 11- 15years
 - d. over 15 years
4. How many employees does your company have in Kenya?
 - a. 1-50 employees
 - b. 50-100 employees
 - c. 100-150 employees
 - d. 150 employees and above
5. Which of the following range of products does your company offer to the cosmetics market in Kenya? Please tick where appropriate.
 - a. Body lotions
 - b. Hair lotions
 - c. Hair creams
 - d. Hair pomades
 - e. Hair relaxers
 - f. Body powders
 - g. Lip balms
 - h. Deodorants
 - i. Deo sprays
 - j. Hair dyes

6. Which segment of the cosmetics market does your company compete in Kenya?

Please tick where appropriate.

- a. Hair care market
- b. Skincare market
- c. Both skincare and hair care markets

SECTION B: Strategic Responses to Changes in The environment

7. How would you rate the degree of rivalry between companies in the cosmetics industry in Kenya? Select one

- a. Weak
- b. Moderate
- c. Strong
- d. Extremely strong

8. What effect have new entrants into the cosmetics industry had on your company's performance?

- a. None at all
- b. Little
- c. Moderate
- d. Great
- e. Very great

9. To what extent do changes in the following internal factors affect your company?

Tick as appropriate.

- 1) Not at all 2) Little 3) Moderate 4) Great 5) Very great

	1	2	3	4	5
Level of capital					
Management style					
Labour costs					
Shareholder interests					

10. To what extent have changes in the following political-legal variables impacted on your company? Tick where appropriate

1) Not at all 2) Little 3) Moderate 4) Great 5) Very great

	1	2	3	4	5
Taxation					
Labour laws					
Political stability					
Elections					

11. What effect have changes in the environment had on the following technological factors?

Tick where appropriate

1) Not at all 2) Little 3) Moderate 4) Great 5) Very great

	1	2	3	4	5
Adoption of new technology					
Speed of technology transfer					
Redesign of processes					

12. How would you rate the effect of changes in the following social variables on your Company?

1) Not at all 2) Little 3) Moderate 4) Great 5) Very great

	1	2	3	4	5
Lifestyle changes					
Attitudes towards work					
Income distribution					
Family lifestyle					

13. To what extent have changes in the following economic variables impacted on your company?

1) Not at all 2) Little 3) Moderate 4) Great 5) Very great

	1	2	3	4	5
Interest rates					
Inflation rates					
Unemployment					
Level of disposable income					
Foreign exchange rates					
Consumers willingness to spend					
Consumers spending patterns					
Business cycles					
Cost of factors of production					

14. In response to changes in the environment, to what extent has your company adopted any of the following strategies?

1) Not at all 2) Little 3) Moderate 4) Great 5) Very great

	1	2	3	4	5
Outsourcing					
Retrenchment					
Automation of production roles					
Product differentiation					
Diversification					
Innovation					
Concentrated focus					
Cost leadership					
Packaging modification					
Aggressive marketing campaigns					
New product development					
Third party manufacturing					
Research and development					
Restructuring					

Change in corporate culture					
Target market modification					
Marketing mix modification					
Information systems and technology change					
Enhanced customer care					
Redesign of distribution channels					

15. Other than the strategies mentioned above, list any other strategies that have been adopted by your company in response to changes in the environment.

16. How would you term the strategic responses adopted by your company?

- a. Pro- active Reactive

17. How often does your company review its strategies?

- a. Monthly
- b. Quarterly
- c. Twice a year
- d. Annually

18. How would you rate the level of response to changes in the environment by your company?

- a. Very Low
- b. Low
- c. Average
- d. High
- e. Very high

Thank you.