REALIGNMENT OF STRATEGY AND STRUCTURE BY MULTINATIONAL CORPORATIONS: A CASE OF CADBURY KENYA LIMITED.

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS.
UNIVERSITY OF NAIROBI

NOVEMBER, 2013

DECLARATION

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

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ACKNOWLEDGMENTS

I would like to extend my sincere appreciation to all those who contributed to the success of this study. First, to God for His grace and favour throughout this course and to my dear friends and family members for their relentless support while completing this work.

My gratitude goes to the University of Nairobi for giving me a chance to pursue this course. My supervisor Dr. John Yabs deserves a special mention for his professional and academic guidance. His experience and patience was of great assistance. I also wish to thank my comrades for their moral and spiritual support.

DEDICATION

This research project is dedicated to my late brother Wilfred Mwaura, my loving parents Gladys and Charles, my sister Damaris and my good friend Karanja who have supported me immensely thus far.

ABSTRACT

It is observed that in many organizations, annual strategic plans do not include organizational structure elements that play an integral role in achieving corporate goals and objectives. This is because the link between strategy and structure is still in its infancy stage. Various conflicting theories on this relationship exist, some stating that structure follows strategy, others claiming that it is strategy that follows structure while others claim that their relationship is interchangeable. The study recognized that there was a link between strategies and structure and sought to establish how Cadbury Kenya Limited realigned its structure to fit its new strategies and why it was important for it to realign its new strategies and structure. It adopted a qualitative research design in the form of a case study since the unit of analysis was one organization. Primary data was collected using an interview guide which contained both open and closed-ended questions. Content analysis was then used to present the data. The information was presented in a continuous prose. The study found that several factors had been considered during the realignment including: business processes and value chain, corporate culture, new technologies, empowerment of human resources, cost reduction and competition. The study also found the most significant importance of the realignment to be: cost reduction, increased competitive advantage, improved business processes and work flow as well as structural flexibility. The study recommended that other studies be conducted with regard to the challenges faced in realignment, control systems put in place to monitor the success of realignment. It also recommended that multinational corporations consider technology as a significant facilitator of the realignment process.

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ABBREVIATIONS AND ACRONYMS

FDI – Foreign Direct Investment

GDP – Gross Domestic Product

MNC – Multinational Corporation

PLC – Public Limited Company

SWOT – Strengths, Weaknesses, Opportunities and Threats

UNCTAD – United Nations Conference on Trade and Development

US – United States

CHAPTER ONE

INTRODUCTION

1.1Background of the study

Ambitious enterprises that seek to achieve and sustain profitability and profit growth, no question, have to expand business abroad, to gain extra market and sales, and profit in result, by employing benefits of location and large scale economies, experience and learning sharing effects. This is the basic driver of internationalization. However, foreign markets are never a level playing field; instead, international businesses face immense issues like cross-border management coordination, local consumer tastes and preferences over their products and services and local government regulations, majority among them stemming from the environmental divergence in different markets, legally, economically, or culturally (Liu, 2010). These issues call for strategic planning.

Kim and Mauborgne (2009) explain that when executives develop corporate strategy, they nearly always begin by analyzing the industry or environmental conditions in which they operate. They then assess the strengths and weaknesses of the players they are up against. With these industry and competitive analyses in mind, they set out to carve a distinctive strategic position where they can outperform their rivals by building a competitive advantage. To obtain such advantage, a company generally chooses either to differentiate itself from the competition for a premium price or to pursue low costs. The organization aligns its value chain accordingly, creating manufacturing, marketing, and human resource strategies in the process.

Early organizational structures were often based either on product or function (Oliveira and Takahashi, 2012). However in international business, various structures have emerged due to the two opposing forces that they face – pressures for cost reduction/global integration and pressures for local responsiveness/localization. These structures include international division, global product division, geographical area division and global matrix structures. (Berchtold, Pircher and Stadler, 2010). However, various studies have moved beyond these early approaches of structuring an organization and examined the relationship between organizational strategy and structure (Brickley, Smith, Zimmerman and Willett, 2002). This approach began with the landmark work of Alfred Chandler (1962, 2003), who traced the historical development of such large American corporations as DuPont, Sears, and General Motors. He concluded from his study that an organization's strategy tends to influence its structure. He suggests that strategy indirectly determines such variables as the organization's tasks, technology, and environments, and each of these influences the structure of the organization. The underlying logic here is that structure supports strategy and must be totally integrated with strategy for the organization to achieve its mission and goals (McGuire, 2003).

1.1.1 International Business

According to Czinkota, Ronkanein and Moffette (2010), international business consists of transactions that are devised and carried out across national borders to satisfy the objectives of individuals, companies, and organizations. Internationalization is the process by which a firm gradually changes its response to international competition and domestic market saturation, and acts on its desire for expansion, new markets, and diversification (Suchan, 2006). In order to internationalize, businesses choose either one of the following foreign market entry strategies: exporting, licensing, franchising, joint ventures, mergers or acquisitions, management or turnkey contracts, strategic alliances or foreign direct investment.

International businesses tend to confront more variation in external environments as they operate and sell in more and more nations, which makes the task of managing the firm more complex and more challenging. Therefore, strategy formulation and implementation tends to differ once a firm goes international because of differences in an international firms' environment and resources (Woodley, 2001). Also, their scope of operations changes and this may result in overlapping responsibilities that bring about conflicts among divisions and subsidiaries and organizational inefficiency.

Wolf and Egelhoff (2001), argue that as the relative scale of internationalization increases, product interdependency, either within the foreign sector or between it and the domestic sector, also increases because effective international firms seek to realize synergies and economies of scale on either a regional or worldwide basis. International environments are associated with uncertainty, therefore, internationalization is a challenging affair since the international firm has to decide to what degree it can standardize or localize its products and processes across different environments. Realignment of strategy and structure comes in here as international firms have to determine which strategy best fits their mode of operation in an environment with pressures for cost reduction and local responsiveness each affecting the firm in a different way. Subsequently, the international firm must determine which organizational structure best suits it to execute its strategies and achieve its vision and objectives.

1.1.2 Strategy and Structure

According to Koontz and Weihrich (2009), strategy refers to the basic long-term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals. Strategies give direction to plans. Strategic planning to be effective must go beyond the allocation of resources to achieve organizational objectives. It must be accompanied by strategic thinking that also includes designing an appropriate organization structure.

Organization structure is the pattern of relationships among positions in the organization and among members of the organization. Structure makes possible the application of the process of management and creates a framework of order and command, through which the activities of the organization can be planned, organized, directed and controlled. With increasing size of the organization, there is greater need for a carefully designed and purposeful form of organization (Mullins, 2006). According to Koontz and Weihrich (2009), the organization structure with its system of delegations, should be designed to help managers accomplish goals and make decisions necessary to put plans into effect. Naturally, organization structures furnish the system of roles and role relationships that help people accomplish objectives. Drucker (1999) asserts that a poor structure makes good performance impossible no matter how good the individual managers may be.

Strategies are formulated based on an internal and external analysis of the organization's environment. The SWOT Matrix, for example, is one of the tools of strategy formulation analyzing the internal strengths and weaknesses of the firm as well as the external opportunities and threats. Companies, especially large Multinational Corporations, pursue a combination of strategies. Once strategic targets have been agreed on, the organization or team must be aligned (Mullins, 2006).

Based on the SWOT matrix, structure is internal to an organization. As a strength; it can be used to take advantage of external opportunities such as those for synergy and technological innovations if it is flexible enough to respond and adapt to the changing environment. It can also be used to avoid or cope with external threats such as international competition. As a weakness, structure can hinder the organization from taking advantage of new opportunities and leave it vulnerable to external threats such as hostile takeovers (Koontz and Weihrich, 2009). It is therefore important to ensure that the structure fits strategy in order to ensure efficient performance of the organization.

The means to deliver the strategy must be established before reviewing the formal structure and hierarchies. There is need for a continual review of structure to ensure that it is the most appropriate form for that particular organization and in keeping with its growth and development (Mullins, 2006). Heller (1996) argues that no amount or re-organizing and re-shuffling will increase the long-term capability of the business unless the organization is suited to a genuinely shared purpose. This further reinforces the need to realign strategy and structure.

1.1.3 The Manufacturing Industry in Kenya

According to a Manufacturing and Industry Sector Report by Mars Group Kenya (2011), Kenya's manufacturing sector is among the key productive sectors identified for economic growth and development because of its immense potential for wealth and employment creation. Its growth is driven largely by local, regional and global markets.

One of its key objectives is to strengthen the local production capacity and local content of domestically manufactured goods.

The manufacturing sector makes important contributions to the Kenyan economy, having employed over 250,000 people in its formal sector and an approximated 1.4 million others in its informal sector. The World Economic Forum's Global Competitiveness Report for 2012 to 2013 estimates Kenya's GDP to be at 34.8 billion US Dollars. The manufacturing sector contributes approximately 10% of this amount and also constitutes 25% of Kenyan exports.

According to a quarterly GDP report for the third quarter of 2012 released by the Kenya National Bureau of Statistics, the manufacturing industry is estimated to have expanded by 4.8 per cent during the third quarter of 2012, compared to a growth 2.3 per cent during the same quarter of 2011. The growth in the sector was largely supported by strong expansion in the manufacture of foods. In the Manufacturing sector FDI has concentrated on the consumer goods sector, such as food and beverage industries. The main form of FDI establishment has been through the form of green fields establishments and Kenya has in total more than 200 multinational corporations including Cadbury Kenya Limited (Kinuthia, 2010). The main traditional sources of foreign investments are Britain, US and Germany, South Africa, Netherlands, Switzerland and of late China and India (UNCTAD, 2005).

The World Bank (2013) publication on doing business ranked Kenya at position 121 out of 185 countries with regard to the ease of doing business in Kenya. This has been one of the core challenges faced by the manufacturing industry. According to Schwab (2012), the most problematic factors in doing business in Kenya were corruption, inflation in the Kenyan economy, tax rates and lack of access to financing. The Manufacturing and Industry Sector Report by Mars Group Kenya (2011), further reveals that in the last decade, FDI in Kenya has been on the decline, whereas the investment rates of neighbouring countries such as Tanzania and Uganda has been increasing. This is also attributed to Kenya's poor business environment, which has caused many business enterprises to scale or close down, or simply relocate to other countries with a better business environment.

1.1.4 Cadbury Kenya Limited

Cadbury Kenya Limited is a principal subsidiary of Mondelez international. Its parent company, Cadbury, was one of the first multinational companies in the confectionery industry, founded in 1824 by entrepreneur John Cadbury based in the United Kingdom (Ramzy, 2009). It began manufacturing chocolate in 1831 and by 1921, the firm expanded to an international business in Tasmania. In 1969, the firm merged with Schweppes, a beverage business, changing its name to Cadbury Schweppes. This remained so until 2008 when Cadbury and Schweppes demerged, separating its confectionery and drinks business (Cadbury's long History, 2010).

In 2009, US food company Kraft Foods launched a hostile bid for Cadbury, the UK listed chocolate maker. Not only was Cadbury not for sale, but it actively resisted the Kraft takeover (Moeller, 2012). According to Wood (2012), Cadbury was then swallowed by Kraft Foods in the hardest fought takeovers in 2010. US-based Kraft foods Inc. acquired the global operations of Cadbury in January 2010 seeking to capitalize on the company's strong position in emerging markets like East Africa (Krishna, 2013). As part of operational restructures, in 2010, the company dropped the manufacture of chocolate in Kenya and instead moved production to South Africa (Nyabiage, 2010). The restructuring led to the layoffs of approximately one hundred casual employees. However, Kraft foods retained Nairobi as its hub for the manufacture and distribution of food beverages (Odhiambo, 2011).

With barely the ink dry on the new stationery, it was all change again in October 2012 as the US group went ahead with a surprise demerger that saw more than one hundred of its snack brands including Cadbury, spun off under the newly created banner of Mondelez International (Wood, 2012). Kraft divided into two separately listed firms and its international business is now called Mondelez International. Today, Cadbury Kenya is a diverse and still growing business serving the East African market primarily in food beverages such as Cadbury Cocoa and Cadbury Drinking chocolate.

Mondelēz International is a new company in name and strategy although it still carries forward the values of the legacy organizations and the rich heritage of its iconic brands. With over one hundred snack brands under it, it holds the number one position globally in Biscuits, Chocolate, Candy and Powdered Beverages as well as the number two position in Gum and Coffee (Mondelez International Fact Sheet, 2013). Two of Mondelez International's core strategies are to transform snacking and drive efficiency to fuel growth. The fact that they specialize in snack foods only, yet own a wide range of competitive brands globally indicates that they have adopted a differentiation-focus strategy. However, it is clear that their brands are relatively standardized and their strategy clearly states that they aim to achieve efficiency (Mondelez International Goals, Strategies, Values and Outcomes, 2013). These two facts point to a transnational strategy which is supported by a global matrix structure.

1.2 Research Problem

When managers develop corporate strategy, they usually begin by analyzing the industry or environmental conditions in which they operate. They then conduct a SWOT analysis and with these industry and competitive analyses in mind, they set out to carve a distinctive strategic position where they can outperform their rivals by building a competitive advantage. To obtain such advantage, a company generally chooses either to differentiate itself from the competition for a premium price or to pursue low costs (Kim and Mauborgne, 2009).

However, international businesses tend to confront more variation in external environments as they operate and sell in more and more nations, which makes the task of managing the firm more complex and more challenging (Woodley, 2001). It is increasingly recognized that many multinational Corporations face global integration and local responsiveness pressures. Foreign subsidiaries are thus expected to exhibit different needs in terms of integration or responsiveness to local needs (Grogaard, 2012). In order to deal with these two opposing forces, four international business strategies have been worked out, empirically and theoretically, namely global standardization strategy, localization strategy, transnational strategy and international strategy (Liu 2010).

It is well known that strategy and structure must be aligned if organizations are to effectively achieve their purpose and maximize market impact. As strategy evolves to meet changing marketplace conditions, an ongoing reassessment of structure is needed to ensure that it remains appropriate for achieving the strategic goals sought (Linetsky, 2009).

The context of this study is the case of Cadbury Kenya Limited. According to Wood (2012), in the last five years Cadbury Limited has been through two demergers, a hostile take-over and is now under the banner of a newly formed international business – Mondelez International. Cadbury Kenya Limited in particular, executed a change in strategy that resulted in the shutting down and transfer of the manufacture of an entire product line, which is chocolate, to South Africa. This was largely due to the increasing cost and barriers to doing business in the manufacturing industry of Kenya as sited by the World Bank (2013), which include: rapid inflation in the Kenyan economy, increased tax rates, increased interest rates of borrowing which limit access to financing, massive corruption and bureaucracy among others. This change in strategy resulted operational restructures including lay-offs which reduced Cadbury Kenya's labour costs (Nyabiage, 2010). This restructuring also helped optimize its plant for the manufacture and distribution of food beverages as it remained the East African hub for this product line (Odhiambo, 2011).

Chandler (1962) concluded from his study of four American corporations that dominated their industry, that structure follows strategy since the need to restructure arises from a strategic shift driven by new technologies, market changes et cetera. He further asserted that changes in an organization's strategy lead to new administrative problems which in turn require new structures for the successful implementation of the new strategy. However, Hall and Saias (1980) were of a different opinion which is that it is strategy that follows structure, pointing out that a multidivisional structure biases a firm towards a conglomerate strategy. Mintzberg (1983) on the other hand offered a more balanced view arguing that the relationship between strategy and structure was reciprocal, that is, structure follows strategy as the left foot follows the right. This poses a clear problem in the understanding of the relationship between structure and strategy.

We observe that in many organizations, the annual strategic planning process fails to include organizational design elements that play an integral role in achieving corporate goals and objectives. (Linetsky, 2009). This is because the link between strategy and structure is still in its infancy stage and many managers, including those of multinational corporations, are yet to clearly understand the how and why of this link (Lunenburg and Ornstein, 2012).

This study examined the realignment of strategy and structure in multinational corporations and was founded on the theory that structure follows strategy by Chandler (1962, 2003). In particular, the research was based on Cadbury Kenya Limited which has faced many changes in ownership over the last five years, having to restructure to fit the strategies of its new owners. The questions addressed in this study were: how has Cadbury Kenya Limited realigned its structure to fit its new strategies? Why is it important for Cadbury Kenya Limited to realign its new strategies and structure?

1.3 Research Objectives

The objectives of this study were:

i. To establish how Cadbury Kenya Limited has realigned its structure to fit its new strategies.

ii. To determine why it is important for Cadbury Kenya Limited to realign its new strategies and structure.

1.4 Value of the study

Business strategy always sets the context for organization structure and the allocation and control of corporate resources. Organizational structure and role alignment must serve the purpose of the strategy and mission. Sub-optimum structures result in sub-optimum efforts and sub-optimum results. Inappropriate organization structure can be a major catalyst for stifling human productivity, creativity, cooperation, and the natural enthusiasm individuals have to work at their maximum level of effectiveness and capability (Linetsky, 2009).

The link between strategy and structure is still in its infancy stage. The findings of this study will be useful to managers of Cadbury Kenya Limited in determining the extent to which alignment of their strategies and structure improves the performance of their organization by way of increasing structural flexibility, improving decision-making processes, boosting employee morale et cetera. They will also be useful to managers of multinational corporations and other government and non-governmental organizations in identifying and understanding the link between strategy and structure and using this knowledge to design their organizations effectively to support their strategies, gain efficiencies and improve productivity, all of which will make great leaps towards achieving their goals and objectives. Further research in this area, for example in schools, will enhance school administrators' understanding of school organizations (Lunenburg and Ornstein, 2012). These findings will be useful to other scholars and researchers in building a foundation for further research in this area.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter consists of the review of existing literature that is relevant to the study. The specific areas covered here are the theoretical foundation which is structure follows strategy – a theory by Alfred Chandler, international business – global integration versus local responsiveness, international business strategies, and international organizational structures. Finally, this chapter explains how either of the approaches – global integration or localization, influence international strategies and consequently, the organizational structures adopted to support and execute these strategies.

2.2 Structure follows Strategy

This study is founded on a theory by Chandler (1962, 2003) that asserts that structure follows strategy. It argues that strategy came before structure, therefore, after having developed the best possible strategy, companies could then determine the most appropriate organizational structure to achieve it. The theory explains that an organization begins with a single product or line of business. Over time the organization begins to grow in size and complexity with the introduction of more products and/or services and coverage of wider geographical regions, that is, internationalization.

A paper on this theory by Teece (2010) revealed that it identified strategy as responding to environmental factors, such as the opportunities and needs created by changing population tastes and preferences, changing national income and by technological innovation. Also, strategy defines how a firm will go about winning in a marketplace when it confronts capable competitors, taking into account customer needs and the expected behaviors and responses of rivals. It involves designing a business model, including the formulation of a compelling value proposition for the customer. Market segmentation is also critical, as are the decisions about which capabilities to build or not to build, and how and when to deploy them.

Ultimately the structure of the organization has to change as a result of the strategy change. Chandler (1962, 2003) shows how executives at the most successful business enterprises of the early 20th century discovered and developed roles for themselves in making long-term decisions about the direction of their enterprises and then made investments and modified organizational structures to make those strategies work.

However, there has been some controversy about this theory as other scholars have argued that while strategy influences structure, so do many other factors. Other scholars such as Hall and Saias (1980) and Mintzberg (1983) dispute that it is structure that follows strategy, instead arguing that strategy follows structure and strategy and structure are jointly interchangeable respectively.

2.3 International business

One of the most complex challenges that multinational corporations face is harmonizing the opposing forces of global integration and local responsiveness, or to use another dichotomy, between standardization and localization. The way the firm is organized along a standardization-localization continuum determines how well strategies are implemented. This is why the structural imperatives of various strategies such as globalization must be understood to organize appropriate worldwide systems and connections (Hill, 2011).

Pudelko and Harzing (2007) define global integration of MNCs as the standardization of overseas subsidiaries' management practices towards global best practices, that is, realizing cost savings by eliminating duplication of activities across subsidiaries – synergy. According to Hill (2011), global integration can be achieved by centralizing key functions such as purchasing, production and Research and Development at favourable locations while other functions such as marketing and sales are decentralized along national subsidiaries. In contrast, localization refers to the adoption by overseas subsidiaries of those management practices commonly employed by domestic companies in the respective host countries. Lessard (2003) defines localization as the degree of responsiveness to and/or fixedness in various environments.

Prahalad and Doz (1987), outlined the pressures for global integration to include pressures for cost reduction, technology intensity, economies of scale, homogenous needs/tastes, and falling trade barriers among others. They further outlined the pressures for local responsiveness as including differences in customer needs/tastes, differences in distribution systems, differing market structures (fragmented as opposed to concentrated) and host government requirements that favour localization.

2.4 Strategy and structure

Chandler (1962, 2003), defines corporate strategy as the determination of long-term goals and objectives and the adoption of courses of action and associated allocation of resources required to achieve goals. He further defines structure as the design of the organization through which strategy is administered.

2.4.1 International business strategies

In order to deal with the two opposing forces of standardization versus localization, four international business strategies have been worked out, empirically and/or theoretically, namely global standardization strategy, localization strategy, transnational strategy, international strategy (Liu, 2010).

Daniels and Radebaugh (2010) describe the international strategy as an opportunistic expansion into foreign operations that leverages the firm's core/domestic competencies. Woodley (2001) agrees, stating that the international strategy utilizes the firm's domestically developed core competency or firm-specific advantage as its main weapon in the foreign markets it enters. In an international strategy, ultimate control and decision-making is centralized. Value is created by transferring core competencies and unique offerings from headquarters into foreign markets where rivals are unable to develop, match, or sustain them. International activities are generally secondary to the priorities of the domestic market.

A multinational strategy is one where expansion into foreign operations grants decision-making authority to local managers and emphasizes responsiveness to local conditions. This strategy requires the firm to view itself as a collection of relatively independent operating subsidiaries, each of which focuses on a specific domestic market. A firm that adopts the localization strategy increases profitability by customizing the firm's goods or services so they provide a good match to tastes and preferences in different national markets (Woodley, 2001). Decision-making is decentralized so that offerings can be adjusted to meet the needs of individual countries or regions. Value is created by giving local managers the authority to respond to unique local cultural, legal, and economic environments (Daniels and Radebaugh, 2010).

Daniels and Radebaugh (2010) define the global standardization strategy as one in which expansion into foreign operations favours worldwide consistency, standardization, and cost competitiveness. Although activities are dispersed to the most favorable global locations, decision-making remains highly centralized. Woodley (2001) also states that the global strategy requires the firm to view the world as a single marketplace and involves adopting a primary goal of creating standardized goods and services that will meet the needs of customers worldwide. Value is therefore created by designing products for a world market, and manufacturing and marketing them as effectively and efficiently as possible. It focuses on increasing profitability and profit growth by reaping the cost reductions that come from economies of scale, leaning effect, and location economies.

Daniels and Radebaugh (2010) define the transnational strategy as one in which expansion into foreign operations exploits location economies, leverages core competencies, and responds to key local conditions. Under the transnational approach, firms attempt to combine the benefits of global scale efficiencies with the benefits of local responsiveness. They aim to simultaneously achieve low costs through location economies, economies of scale, and leaning effects; differentiate their products offering across geographic markets to account for local differences; and foster a multidirectional flow of skills between different subsidiaries in the firm's global network of operations (Woodley, 2001). Value is created by the relentless renewal, enhancement, and exchange of ideas, products, and processes across functions and borders. The transnational MNC differentiates capabilities and contributions while finding ways to systematically learn and ultimately integrate and diffuse knowledge, thus developing more powerful core competencies. Realistically, the transnational firm faces serious challenges to its attempts to efficiently and effectively configure and coordinate its activities (Daniels and Radebaugh, 2010).

According to Porter (1985), a generic business strategy is one that can be adopted by any firm regardless of the product or industry involved to achieve a competitive advantage. The differentiation strategy is one which requires innovation and significant points of difference in product offerings, brand image, higher quality, advanced technology and superior service in a relatively broad array of market segments (Crane, Kerin, Hartley and Rudelius, 2011). Differentiation involves finding one or more non-cost sources for a sustainable competitive advantage for example; quality, on-time delivery, customization to customer needs et cetera (Woodley, 2001). The main goal of firms that follow this strategy is to gain uniqueness within the market. This strategy requires all value-adding processes to be oriented towards market requirements (Wolf and Egelhoff, 2001).

The cost leadership strategy on the other hand is one that requires a serious commitment to reducing expenses that in turn lower the prices of the items sold in a relatively broad array of market segments. The cost leader must have adequate quality levels (Crane, Kerin, Hartley and Rudelius, 2011). Although product changes are infrequent, production process-related innovations occur more often in overall cost leadership firms in their quest to eliminate unnecessary costs and find more cost-effective processes of production. (Daniels and Radebaugh 2010). Cost leadership is based on economies of scope, economies of scale, exploiting the experience curve, superior logistics management and high bargaining power (Woodley, 2001).

A focus strategy involves focusing on a subset of the total possible customer base, then selecting a cost leadership or differentiation strategy to capture as large and profitable a share as possible of sales to that specific subset of all customers (Woodley, 2001). A cost-focus strategy involves controlling expenses and, in turn, lowering prices, in a narrow range of market segments. A differentiation focus strategy utilizes significant points of difference to one or only a few market segments (Crane, Kerin, Hartley and Rudelius, 2011).

2.4.2 International Organizational Structures

A number of basic structures exist that permit an MNC to compete internationally. Structure must meet the needs of both the local market and the strategy of globalization. Most MNCs evolve through certain basic structural arrangements in international operations. The first of those is the functional structure which is designed on the basis of the company's functions – production, marketing, finance, and so forth. Foreign operations are integrated into the activities and responsibilities of each department to gain functional specialization and economies of scale (Suchan, 2006). The international division structure is adopted in early stages of international business operations and coordinates all international business activities. It develops international expertise and skills, a global/international mindset and champions foreign business (Hill, 2011).

The product division structure is an arrangement in which domestic divisions are given worldwide responsibility for product groups. In this structure, a single product or product line is represented by a separate division. Each division is headed by its own general manager, and each is responsible for its own production and sales functions. For firms with diversified product lines or services that have different technological bases and that are aimed at dissimilar or dispersed markets, a product division structure may be more strategically advantageous than a functional structure (Suchan, 2006).

In the geographic area structure—the most common form of organizing foreign operations—divisions are created to cover geographic regions. Each regional manager is then responsible for the operations and performance of the countries within a given region. In this way, country and regional needs and relative market knowledge take precedence over product expertise. Local managers are familiar with the cultural environment, government regulations, and business transactions. In addition, their language skills and local contacts facilitate daily transactions and responsiveness to the market and the customer. While this is a good structure for consolidating regional expertise, problems of coordination across regions may arise. With the geographic structure, the focus is on marketing, since products can be adapted to local requirements (Suchan, 2006).

A matrix structure is a combination of functional departments which provide a special base for specialized activities and a permanent location for members of staff and units that integrate various activities of different functional departments on a project team, product, programme, geographical or systems basis (Mullins, 2006).

2.4.3 International Strategy and Structure Alignment

The first task of an organization's leadership is to choose the appropriate strategic approach in light of the challenges the organization faces. Choosing the right approach, however, is not enough. Executives then need to make sure that their organizations are aligned behind it to produce sustainable performance (Kim and Mauborgne, 2009). Chandler (1962, 2003) argues that new organizational forms are no more than a derivative of strategy.

As earlier mentioned, Daniels and Radebaugh (2010) assert that the international strategy favours a centralized structure for decision making resulting in an ethnocentric orientation towards its home country, which may lead to significant missed market opportunities. The international strategy is therefore appropriate for firms when both the pressures for cost reduction/global integration and the need for local responsiveness are low. Firms pursuing this strategy tend to adopt an international division structure where a single international division co-ordinates all international business activities (Hill, 2011).

The multi-domestic/multinational strategy is often employed when pressures for local responsiveness are high but pressures for global integration are low (Woodley, 2001). It is most appropriate where consumer tastes and preferences differ substantially across nations and cost pressures are not too intense. The distribution of decision-making authority to local managers may lead to duplication in activities, significantly higher costs, and unusually powerful and autonomous local subsidiaries. Firms pursuing a multinational strategy often pursue a geographical area structure which allows them to respond more easily to local needs due to its decentralized decision-making structure (Hill, 2011).

The global standardization strategy is most suitable when there are strong pressures for cost reductions and minimal demands for local responsiveness, mainly where products that service universal needs prevail (Liu, 2010). In markets where demand for local responsiveness remains high, global strategies are largely ineffective, and market opportunities are missed (Woodley, 2001). Firms pursuing a global standardization strategy often adopt a global product division structure, each division handling a different product line worldwide (Hill, 2011).

A transnational strategy is most suitable to adopt when both pressures for cost reduction and pressures for local responsiveness are high. Under the transnational approach, MNCs attempt to combine the benefits of global scale efficiencies with the benefits of local responsiveness (Liu, 2010). The transnational approach demands case-by-case, moment-by-moment decision making about whether to act in favor of achieving global efficiencies or local responsiveness. Therefore, a transnational firm's subunits must respond to both globalization and localization pressures. For this reason, firms with a transnational strategy will tend to have a matrix structure (Wolf and Egelhoff, 2001). The global product divisions in the matrix structure allow the firms to achieve cost savings while the geographical area divisions respond to local needs.

The type of competitive strategy also has a strong influence on the structuring of the firm, since different competitive strategies require different coordinative, technical, and control-related tasks (Wolf and Egelhoff 2001). Porter's differentiation strategy for competitive advantage is consistent with the multinational strategy that requires high product differentiation in order to respond to local needs. Firms adopting a differentiation structure tend to adopt a geographical area structure. On the other hand, MNCs pursuing a cost leadership strategy are often seeking to standardize globally hence adopt a global product division structure. The final competitive strategy, focus, is adopted by MNCs pursuing either differentiation focus or cost leadership focus. Several factors had been considered during the realignment including: business processes and value chain, corporate culture, new technologies, empowerment of human resources, cost reduction and competition (Hill, 2011).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used to carry out the study. It constitutes the blue print for the collection, measurement and analysis of data (Kothari, 2003). It is a plan for selecting the sources and types of information used to answer the research questions and meet the study objectives. The chapter covers the following sections; research design, data collection procedures and data analysis.

3.2 Research Design

The study adopted a qualitative research design in the form of a case study. Orodho (2003) defines the research design as the scheme, outline or plan that is used to generate answers to research problems. It is the glue that holds all of the elements in a research project together (Kombo and Tromp, 2006). The study aimed to find out how Cadbury Kenya realigns its structure to its strategies and why it is important to do this. It therefore sought to gain deeper insights and better understanding of the Cadbury Kenya organization. Opie (2004) describes a case study as an in-depth study of interactions of a single instance in an enclosed system. Mugenda and Mugenda (1999) have a similar view defining a case study as an in-depth investigation of an individual, group, institution or phenomenon. They explain further that the primary purpose of the case study is to determine factors and relationships among these factors that have resulted in the behaviour under study. Therefore, the use of the case study design enabled the research to examine the scope of the study in detail.

3.3 Data Collection

The study relied on primary data which was obtained through a semi-structured interview guide with both open and closed-ended questions (see Appendix I). According to Walliman (2005), the use of interviews to question people is a very flexible tool with a wide range of applications. Interviewing is particularly useful when qualitative data is required. In this study, an interview guide was used to facilitate personal interviews with the target respondents who are the Human resource manager, Production manager, Accounting manager and a total of four other officers in those three departments resulting in a total of seven respondents. The guide was submitted by the researcher to obtain in-depth and comprehensive data regarding the objectives of the research study.

According to Kombo and Tromp (2006), semi-structured interviews are flexible because they consist of both open and closed-ended questions. Open-ended questions allow respondents to freely respond to an issue, enabling the researcher to not only gather a lot of information, but also reliable data. Closed-ended questions on the other hand gather in-depth information that provides complete understanding of the issue at hand. The interview guide was broken down into two sections; section one contained the demographic data of the respondents while section two contained questions centered on obtaining information pertaining to the research objectives.

3.4 Data Analysis

Data analysis in this case study was done through content analysis. Data analysis refers to examining what has been collected and making inferences Kombo and (Tromp, 2006). According to Walliman (2001), little sense can be made of a huge collection of data; therefore an essential part of research is the analysis of data. Such data must be cleaned, coded, key-punched into the computer and analyzed. It is from the results of such analysis that researchers are able to make sense of the data (Mugenda and Mugenda, 1999).

Kothari (2004) argues that content analysis is a central activity whenever the nature of the study includes verbal materials. It examines the intensity with which certain words have been used, systematically describing the form or content of written and spoken material. This was done by counter checking the interview results for errors and completeness, editing and coding by organizing the data into logical groupings. The researcher then established patterns, trends and relationships from the information gathered and made valid and replicable inferences from it. The qualitative data analysis was presented through narratives.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results and discussions of the data from the field. The research is a case study of Cadbury Kenya Limited and is qualitative in nature. It is organized into two parts according to the objectives which are: to establish how Cadbury Kenya Limited has realigned its structure to fit its new strategies and to determine why it is important for Cadbury Kenya Limited to realign its new strategies and structure.

4.2 Cadbury Kenya Limited's change in strategies

The study sought to know whether Cadbury Kenya Limited had changed its strategies in the last five years. All of the respondents of the study confirmed that Cadbury Kenya limited had in deed changed its strategies several times over the last five years following a demerger of Cadbury Schweppes in 2008, the hostile takeover of its parent company Cadbury PLC by Kraft foods in 2009, a surprise demerger of the two in 2012 and finally its placement under a newly formed multinational corporation named Mondelez International. The respondents also revealed that Cadbury Kenya Limited adopted the strategies of its parent company and implemented them on the ground.

The study then sought to know what strategies Cadbury Kenya had adopted before the changes began. The respondents disclosed that Cadbury Kenya Limited implemented a corporate strategic plan dubbed 'Vision into Action' which was a financial scorecard with six financial targets which included: revenue growth, total confectionery market share gain, strong dividend growth, return on investment capital growth and an efficient balance sheet. The Vision into Action plan aimed to reach these financial targets through a set of priorities, its sustainability commitments and its corporate culture.

The researcher requested further clarification on this strategy upon which interviewees provided more information from company reports. The first of these priorities was one dubbed ‘Growth: fewer, faster, bigger, better. This priority aimed to accomplish the aforementioned financial targets by focusing on a fewer number of advantaged global and regional brands, making investments to get its new product developments into more markets at a faster rate and using joined up commercial marketing programs to enjoy a bigger impact. The second of these priorities was efficiency which relentlessly focused on cost and recognized that the company not only needed to grow faster but also become more profitable. The third and final priority was capabilities where by Cadbury sought to ensure world class quality by responding to changing customers and customer behaviour as quickly as possible by developing new products and customizing global product platforms to new markets.

The respondents listed the Vision into Action sustainability commitments as follows: promoting responsible consumption, ensuring ethical and sustainable sourcing, prioritizing quality and safety, reducing carbon, water use and packaging, nurturing and rewarding colleagues and investing in communities. These commitments were chosen to grow sustainability and ensure that growth and changes were driven through a performance-driven and values-led corporate culture. As part of the corporate culture, Cadbury Kenya attached great importance to performance quality, respect, integrity and responsibility. Not only that, the respondents confirmed that Cadbury's strategy encouraged a culture of teamwork despite functional and geographical boundaries and having fun while at work. Finally, the Vision into Action competitive strategy focused on investing heavily on technology of taste, flavour, packaging, process development and nutrition.

The researcher then asked which new strategies Cadbury Kenya had adopted. The interviewees indicated that because Cadbury Kenya Limited was now under the banner of Mondelez International, its strategies had to be aligned with those of Mondelez. Cadbury Kenya Limited adopted Mondelez International's five main strategies. The first is to unleash the power of its people by creating a performance-driven, values-led mindset, inspirational leaders, collaborative, creative, learning communities and unquestioned integrity. The second is to transform snacking through the creation of power brands and global innovation platforms, contemporary and engaging brand communications, a global scale with entrepreneurial spirit and fulfilling customers' needs through their range of boost, fuel and treat snacking choices.

The third strategy is to revolutionize selling by providing snacking solutions anywhere, anytime, creating powerful customer partnerships and superior routes to the market as well as ensuring stunning visibility at the point of market. The fourth strategy is to drive efficiency to fuel growth by proving great quality at advantaged costs, having integrated supply networks and focusing resources on priority markets as well as lean and simple processes. The fifth and final strategy is to protect the well-being of the planet by ensuring safety of their people and products, using sustainable resources and agriculture, nurturing community partnerships and offering balanced snacking choices.

4.3 Cadbury Kenya Limited's change in structure

The study sought to know whether Cadbury Kenya Limited had changed its organizational structure in the last five years. All of the respondents of the study confirmed that Cadbury Kenya limited had in deed made changes to its organizational structure several times over the last five years following a demerger of Cadbury Schweppes in 2008, the hostile takeover of its parent company Cadbury PLC by Kraft foods in 2009, a surprise demerger of the two in 2012 and finally its placement under a newly formed multinational corporation named Mondelez International.

The most significant restructures were made in 2010 after Kraft Foods took over Cadbury PLC and made a strategic decision, as part of their quest to create the most efficient network in the industry to support snacking, to move the production of chocolates from Kenya to South Africa. Respondents in the Human Resource department of Cadbury Kenya confirmed that this decision led to the lay-off of approximately 100 casual employees.

Because Cadbury Kenya Limited was retained as the hub for manufacture and distribution of food beverages such as Cadbury Cocoa, Cadbury Drinking Chocolate and BournVita, other restructures to optimize the use of the plant had to be made in the production department as well. An upgrade to automated production lines of dry powder and food drinks products Also, the respondents indicated that the transfer of production of chocolates to South Africa meant that the East African market would have to depend on supply either from South Africa or Egypt. The restructuring included the upgrade of the existing plant to an ultra-modern distribution centre with training of existing human resources to take on jobs of a different nature and recruitment logistics personnel to handle the procurement of shipments of chocolate and distribution to the East African market.

The researcher then asked the respondents why the restructures were necessary. Respondents from the Human Resource department cited that the work force needed to be reduced in order to reduce labour costs and eliminate redundancies as well as improve communication within the organization. They also indicated that employees' roles needed to be changed either through job rotation or enrichment, which then necessitated a clarification of their new job descriptions and duties. This was done by incorporating new skills through internal training and development, and recruitment of new human resources.

Respondents from the Production department cited that a lean work force was needed to improve work flow and efficiency within the factory and was much easier to co-ordinate. Respondents from the Accounting department indicated the obvious cost reduction advantages gained from the restructure as the parent company aimed to restructure not only the organization structure, but also the accounting model. This was seen particularly after Kraft foods took over Cadbury and moved their headquarters from the United Kingdom to Switzerland in order to cut back on corporate taxes and significantly increase revenue.

The respondents in management also supported the need for the restructure indicating that a reallocation of resources to focus on the manufacture of food beverages was necessary. They also said that the restructure came in handy as management was able to increase flexibility in the structure to respond more quickly to further looming changes as well as ease the process of implementing and sustaining change. The respondents further revealed that their new owners viewed South Africa as a priority market, which further influenced their decision to restructure Cadbury Kenya, because they found it easier and more cost-effective to operate sales and distribution centres rather than manufacturing plants. This was in order to position it as a focused manufacturer of food beverages and supply to the broader East African market which was also a key emerging market in their business unit as it had achieved consistent growth over the preceding years.

Moreover, the parent company conducted an analysis of their environment which is the manufacturing industry in Kenya and found it unfavourable to execute their plans in. This is because Cadbury Kenya itself had been experiencing energy problems in the form of frequent black-outs and ever rising energy costs which caused significant inefficiencies in their operations and increased costs from using back-up generators which utilized fuel, which was also another expensive commodity due to the inflation in the Kenyan economy, making business operations in Kenya very high-cost. Further, the responds cited transportation inefficiencies, such as operations at the Kenyan port delaying shipments and bureaucracy issues that substantively reduced Cadbury's competitive advantage if it was to continue its manufacturing operations in Kenya.

However, respondents who weren't in management had a differing opinion on the grounds that the massive lay-offs as a result of the restructure were demoralizing to the staff and induced in them fear for their jobs. The survivors of the lay-offs felt that the restructure was a foreign decision coming from the new ownership of the company and were thus more resistant to any further organizational changes attempted by management.

4.4 Cadbury Kenya Limited’s realignment of structure to strategy

The researcher further sought to know whether Cadbury Kenya Limited had realigned its structure to fit its new strategies and if so, whether the realignment was successful. The interviewees confirmed that in deed, the changes in structure were in reaction to the changes in strategy and that the realignment was successfully implemented, albeit, with some restructuring costs. The researcher requested clarification on the respondents’ reasons for terming the realignment successful and they responded by citing increased revenues and revenue growth.

The researcher then asked what factors were considered in the realignment. It was primarily the respondents in management who were able to list some factors. The first was their business processes and value chain. Respondents explained that a clear understanding of the business was needed in order to determine how work would flow most effectively and develop work programmes based on that. Also, an analysis of the value chain needed to be done in order to determine if there were gaps in which value-adding activities could be introduced in order to enhance the competitiveness of the company’s products and identify non-value adding activities that needed to be eliminated to improve efficiency of production. The second was the business culture that they needed to create in order to support the execution of strategies in a shared manner and ease co-ordination within staff. This meant that re-organization of jobs and roles needed to be done and new teams needed to be formed. In this re-organization, matters of decision-making processes were considered since they needed to determine how authority would be shared and how communication would flow.

The third was the introduction of new technologies to complement their organizational design, which was in line with their strategies to transform snacking through innovation. The respondents explained that Cadbury Kenya Limited was looking to enhance performance through the incorporation of new technologies in their production lines of the food beverages as well as the ultra-modern sales and distribution centre. This automation would not only increase efficiency but also, automation of some roles led to some job cuts which reduced the labour costs of the company. Another factor they considered was the empowerment of their human resources to further equip them with the skills to utilize the new technologies effectively in order to implement their strategies and achieve the company objectives as well as their personal development. This was in line with their strategy to unleash the power of their people and was done through internal training programmes and the recruitment of new skills.

Cost reduction was another key factor considered as this was one of their major strategies to drive efficiency to fuel growth. It was an important factor since the re-organization of the company structure, reexamination of the business processes and culture, introduction of new technologies and empowerment of human resources was all geared towards cost-reduction. Lastly, the respondents indicated competition as another factor they had considered since global competitors such as Nestle, Mars-Wrigley, Hershey and Ferrero also had market share in the region and were seeking to expand and profit from the instability being experienced by Cadbury. Also, Cadbury Kenya was facing competition regionally and locally leading them to realign their structure to strategy in a way that would position them to gain competitive advantage.

The researcher then sought to know whether they were facing high global standardization pressures or pressures for local responsiveness. Respondents indicated that their snacking products were relatively standardized across the globe save for a few differences in packaging which were customized according to customer preferences. It appeared that pressures for global standardization were higher than those for local responsiveness since Cadbury Kenya was focusing more on cost reduction and achieving synergies across its operations.

4.5 Importance of Cadbury Kenya Limited's realignment of structure to strategy

The researcher presented the respondents with a list of possible factors that Cadbury Kenya considered important for them to realign their structure to their new strategies. This was a closed-ended question in the interview guide. However, the respondents considered some of more importance than others among them being: to reduce costs caused by corrections (wastage) and redundancies (in labour) within the organization; to improve business processes by eliminating redundancies; to improve workflow and communications; to increase structural flexibility to respond more quickly to environmental changes; to clarify purpose and roles of employees in implementing strategy throughout the organization and increasing competitive advantage.

Upon further consideration, they agreed that the other factors were also beneficial consequences of the realignment that Cadbury Kenya was enjoying. These were: increased quality assurance due to the use of more advanced technologies and empowered employees who were able to do their jobs more effectively; improved focus and allocation of resources as a result of more focus on operations towards the manufacture of food beverages only and focus on optimizing the growth potential of the East African market which gave the company competitive advantage; improved co-ordination within the organization due to not only a leaner work-force, but also a more integrated organization design; improved decision-making processes as a result of the re-organization of the organizational design; increased ease of implementing and sustaining change due to the flexibility of structure and a more open and informed workforce and lastly; improved corporate culture bred from a fresh mode of operation and new skills and ideas brought into the company.

The study finally sought to find out any other factors that Cadbury Kenya found important which necessitated them to realign their structure to their new strategies. Various respondents gave various responses but six of the most consistent were: Cadbury Kenya was able to align its incentives to employees towards its business focus which is manufacture, sales and distribution of food beverages which helped boost its productivity in all sectors. It was also able to set up improved management control systems to monitor the performance of the business unit and take corrective measures where necessary, helping the organization identify its points of weakness and inefficiency and make improvements. This allowed the progress of the achievement of goals to be tracked. The realignment also played a role in enabling the organization to fully utilize their human resources through job enrichments and other techniques which encouraged innovation and contribution to the business unit's strategy formulation and implementation.

Also, the clarification of job descriptions and duties in the restructure and realignment helped to increase accountability of both employees and management in their role towards the achievement of organizational objectives. Finally, the respondents indicated that there was an improvement in the organization's capabilities as a result of the realignment. This was also due to the enhanced business processes and value chain constitution that ensured that at each point of the value chain, value was added to their products to improve their competitiveness and that non-value adding activities such as waiting times were eliminated through the streamlining of the business processes.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is divided into four major sections which are; the summary of the findings based on the objectives of the study, conclusions of the study, recommendations of the study and implications for policy and practice.

5.2 Summary of the findings

The study to establish how Cadbury Kenya Limited has realigned its structure to fit its new strategies and to determine why it is important for Cadbury Kenya Limited to realign its new strategies and structure. The study found that Cadbury Kenya Limited had in deed changed its strategies several times over the last five years following a demerger of Cadbury Schweppes in 2008, the hostile takeover of its parent company Cadbury PLC by Kraft foods in 2009, a surprise demerger of the two in 2012 and finally its placement under a newly formed multinational corporation named Mondelez International. The study also established that Cadbury Kenya Limited adopted the strategies of its parent company and implemented them on the ground.

The study found out that Cadbury Kenya's former strategy was known as the Vision into Action plan which was a financial scorecard with six financial targets which included: revenue growth, total confectionery market share gain, strong dividend growth, return on investment capital growth and an efficient balance sheet. The Vision into Action plan aimed to reach these financial targets through a set of priorities, sustainability commitments, corporate culture and its competitive strategy. The first of these priorities was one dubbed ‘Growth: fewer, faster, bigger, better; the second of these priorities was efficiency while the third was capabilities. The sustainability commitments were as follows: promoting responsible consumption, ensuring ethical and sustainable sourcing, prioritizing quality and safety, reducing carbon, water use and packaging, nurturing and rewarding colleagues and investing in communities.

The corporate culture attached great importance to performance quality, respect, integrity and responsibility and encouraged a culture of teamwork despite functional and geographical boundaries and having fun while at work. Finally, the Vision into Action competitive strategy focused on investing heavily on technology of taste, flavour, packaging, process development and nutrition. The study then established Cadbury Kenya Limited’s new strategies based on its parent company Mondelez International to be as follows: unleash the power of our people; transform snacking; revolutionize selling; drive efficiency to fuel growth and protect the well-being of our planet.

It was established that Cadbury Kenya Limited had made changes to its organizational structure several times over the last five years, the most significant being some operational restructures in the year 2010 where following a change in strategy by their new owners US-based Kraft Foods, which saw an entire product line moved. The manufacture of chocolates was moved from Kenya to South Africa for various reasons, among them being very high energy costs and problems such as power outages that caused serious inefficiencies, transport inefficiencies, difficulties in doing business in Kenya which threatened their competitiveness among others. However, Kenya remained the hub for the manufacture of food beverages in order to supply to the broader East

African market which was a key emerging market. As part of the restructure, the plant was upgraded to automated production lines of dry powder and food drink products as well as an ultra-modern sales and distribution centre.

The study found that Cadbury Kenya Limited had realigned their structure to fit their new strategies successfully. Several factors had been considered during the realignment including: business processes and value chain, corporate culture, new technologies, empowerment of human resources, cost reduction and competition. It was also established that Cadbury Kenya Limited was facing higher global standardization pressures than local responsiveness pressures as they were putting in more efforts towards cost reduction and achieving synergies.

The most significant importance of conducting the realignment of structure and strategy in Cadbury Kenya Limited was established in the study to be as follows: to reduce costs caused by corrections (wastage) and redundancies (in labour) within the organization; to improve business processes by eliminating redundancies; to improve workflow and communications; to increase structural flexibility to respond more quickly to environmental changes and to clarify purpose and roles of employees in implementing strategy throughout the organization and increasing competitive advantage.

Other significances of the realignment were: increased quality assurance due to the use of more advanced technologies and empowered employees who were able to do their jobs more effectively; improved focus and allocation of resources as a result of more focus on operations towards the manufacture of food beverages only and focus on optimizing the growth potential of the East African market which gave the company competitive advantage; improved co-ordination within the organization due to not only a leaner work-force, but also a more integrated organization design; improved decision-making processes as a result of the re-organization of the organizational design; increased ease of implementing and sustaining change due to the flexibility of structure and a more open and informed workforce and lastly; improved corporate culture bred from a fresh mode of operation and new skills and ideas brought into the company. Other benefits enjoyed by Cadbury Kenya due to the realignment were: aligned incentives that helped boost productivity of employees; establishment of improved management control systems; improved capabilities; full utilization of key human resources, enhanced business processes and value chain constitution and enhanced accountability within the organization.

5.3 Conclusions of the study

The study concludes that business strategy is the basic alignment tool and organizational structure is the internal arrangement of the organization. Therefore, structure follows the alterations of strategy while strategy follows the environmental variations, consequently determining the structural form. The study also concludes that multinational corporations operate in a very complex and uncertain economic environment where they face to major pressures: to either standardize globally which means that they must seek synergies and reduce their costs evidently standardizing their products or to respond to localization pressures where there is demand for highly differentiated products which require a lot of research and development as well as innovation, evidently raising the cost of production significantly.

The study concludes that on the basis of this environmental pressures, multinational corporations formulate their strategies which are either global standardization, localization, transnational or international strategies. These strategies are then coupled with competitive strategies – either cost leadership, differentiation or focus – in order to achieve their international business objectives. The study also concludes that international businesses generally take on either one of the following structures: functional, international division, product division, geographical area or matrix structure. International businesses adopting an international strategy are likely to adapt to an international division structure or functional structure. Multinational corporations adopting a global standardization strategy are likely to adapt to a product division structure while those adopting a localization strategy are likely to adapt to a geographical area structure. Finally, multinational corporations adopting a transnational strategy are likely to adapt to a matrix structure.

The study concludes that structure, when aligned with strategy, can be used to achieve competitive advantage for multinational corporations in a globally complex and highly competitive environment. It follows that when an organization re-strategizes, it is important to realign its structure to its new strategies in order to achieve strategic fit. Some of the other benefits gained from this realignment by Cadbury Kenya Limited include: improved business processes, improved decision-making and control systems, improved work flow and communication, improved quality assurance, improved corporate culture, cost effectiveness, structural flexibility, enhanced focus and allocation of resources et cetera.

The study concludes that in order to realign strategy and structure, Cadbury Kenya Limited considered various factors, among them: business processes and value chain, technology, corporate culture, human resources, costs and competition. Other multinational corporations can follow this model of realignment which generally follows a process that begins with understanding the business strategy, understanding the current organizational structure, understanding the business process and value chain then determining the change agenda – what needs restructuring, elimination or improvement – implementing the alignment while maintaining control systems to ensure that the realignment is on track. Also, a programme to reinforce the changes to ensure that new cultures, processes and generally other changes take root.

5.4 Limitations of the study

Limitation is an aspect of research that may influence the results negatively, but over which, the researcher has no control (Mugenda and Mugenda 1999). Due to the fact that Cadbury Kenya Limited was only a subsidiary of Cadbury PLC which is further under the ownership of Mondelez International, some of the information the study sought was beyond the scope of the respondents since some decisions were made higher up in the management hierarchy. Further, some of the respondents were hard to reach due to the demanding nature of their work.

Also, most respondents were reluctant to reveal information that has not yet been cleared to be in the public space. Cadbury Kenya Limited has serious information policies and most information revealed was that which was already in the public helm. It is for this reason that some of the information that is critical to the manner in which the company conducted its realignment has not been included in the findings. The researcher notes the importance of keeping information that gives the organization an advantage over its competitors as a company secret.

This study focused on the management's perspective. It would have been of value to obtain views from lower level employees and other stakeholders who are affected directly by the restructures made in the realignment efforts in order to obtain information with regard to both sides of the coin. This would have given the study a fuller picture of the concept of realignment of strategy and structure exercise.

5.5 Recommendations for further studies

The study has explored the factors considered in realignment of strategy and structure in a multinational corporation and the importance of this realignment. It has established in part, the process followed in this realignment and the benefits gained by multinational corporations that partake in it. There is need to do more research and look into the roles of other stakeholders, other than the management, in the realignment of strategy and structure such as the employees, suppliers and shareholders.

The study further recommends that other studies be done with the aim of investigating further the challenges faced by multinational corporations in realignment of strategy and structure, the control systems put in place to monitor the success of the realignment process and the various models adopted in the realignment. This may help to place the findings of this study in a bigger context to give a wholesome framework that other multinational corporations can consider adopting. Other scholars should also try to establish a comprehensive framework that can be studied by students and that provide full understanding of the link between structure and strategy in a way that multinational corporations can implement it in their plans.

The study recommends that multinational corporations adopt the latest technologies to help increase the flexibility of their structures to ease the realignment process. It also recommends that reforms be made in the strategy formulation process to include plans for realignment of strategy and structure as these are instrumental in not only implementation of strategies internally, but are also a core strength of the organization and a source of competitive advantage that is rare in the global market.

5.6 Implications for Policy and Practice

The findings of the study indicated some implications on organizational policies and practices primarily management, human resource and accounting practices. Management practices should consider structure as an internal strength while conducting SWOT analysis as it is clear that it can be used to give the firm advantage to either cope with threats or facilitate quick adaptation to exploit new opportunities in the environment if it is flexible. Management should determine how to allocate decision-making authority within the structure – either centralized or decentralized – and matters of span of control since this is critical in restructures and can provide significant cost advantages if structure is considered and designed to be flatter, that is, more decentralization to make decisions faster and a wider span of control to eliminate hierarchical levels.

Human resource policies of the organization should include performance appraisals in order to improve accountability within the organization as this is important in implementing successful restructures and realignment to strategies. Each employee should know clearly what their role in strategy execution is and be held fully accountable for their responsibilities. Further, their rewards should be based on their performance. In the past, companies have restructured but due to poor human resource policies, execution of strategy was unsuccessful since employees were not incentivized nor held accountable for their duties which were not made clear to them. Human resource practices should include regular job analysis and rotations and job enrichments especially in dynamic multinational corporations as this will help to empower human resources to be prepared to take on any role when restructures are made.

The findings of this study also has some implications on accounting policies and practices. These practices should be globally standardized and consistent so as not to be distracted by restructures in the event of a realignment since consistent accounting is important for comparison of financial performance and for monitoring the financial implications of the realignment –for example, have cost reductions really been made?

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APPENDICES

APPENDIX II: INTERVIEW GUIDE FOR CADBURY KENYA LIMITED RESPONDENTS.

Introduction: This interview guide seeks information on strategy and structure realignment practices employed by Cadbury Kenya Limited following the events of the last five years. All the information will be treated confidentially and for academic purposes only.

SECTION A

Background information

a) Name of respondent (optional)…………………………………………………..

b) Title of the respondent………………………………………………………….

c) Department/Division…………………………………………………………….

d) How many years have you worked for Cadbury Kenya Limited? ………………………….

SECTION B

1. Has Cadbury Kenya Limited adopted new strategies in the last five years?

   a) If so, what strategies had Cadbury Kenya Limited previously adopted?

   b) What are the new strategies that Cadbury Kenya Limited has adopted?

2. Has Cadbury Kenya Limited had to restructure its organization in the last five years?

a) If so, what aspects of the organization were restructured?

b) What reasons necessitated this restructuring?

3. Has Cadbury Kenya Limited had to realign its new strategies with structure?

a) If so, was the realignment successful?

b) What factors were considered in this realignment?

c) How was the realignment implemented?

4. Were the following factors important for Cadbury Kenya to realign its new strategies with its structure?

i. To increase structural flexibility to respond more quickly to environmental changes …………………………………………………………………………..

ii. To clarify purpose and roles of employees in implementing strategy throughout the organization…………………………………………………………………..

iii. To improve decision-making processes…………………………………………….

iv. To improve co-ordination within the organization…………………………………

v. To improve focus and allocation of resources……………………………………...

vi. To improve business processes by eliminating redundancies………………………

vii. To improve workflow and communications………………………………………..

viii. To increase competitive advantage…………………………………………………

ix. To improve corporate culture……………………………………………………….

x. To reduce costs caused by corrections and redundancies within the organization……………………………………………………………………………

xi. To increase quality assurance………………………………………………………

xii. To increase ease of implementing and sustaining organizational change…………

5. What other factors did Cadbury Kenya Limited find important necessitating the realignment of its new strategies with structure?

THANK YOU FOR YOUR TIME AND COOPERATION