

**DETERMINANTS OF MULTINATIONAL CORPORATIONS (MNCs)
INVESTMENT IN KENYA**

**BY
JULIET WERE**

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DECLARATION

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

Signed..... Date.....

JULIET WERE

D61/63044/2012

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

Signed..... Date.....

MR. JEREMIAH KAGWE

DEPARTMENT OF BUSINESS ADMINISTRATION

UNIVERSITY OF NAIROBI

DEDICATION

This work is dedicated to my family.

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I thank God for giving me the wisdom and courage and for guiding me throughout my life for without Him I would not have come this far. I would also like to acknowledge the following for their contributions which facilitated the completion of this project.

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ABBREVIATIONS

AGOA	African Growth and Opportunities Act
EPZs	Export Processing Zones
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
MNC	Multi National Corporation
UNCTAD	United Nations Commission for Trade and Development

ABSTRACT

Foreign Direct Investments have grown and continue to grow as well as playing significant roles in growth and development of many economies in the world by contributing to the Gross Domestic Products. However; In Kenya FDIs have performed below expectations due to the combination of various factors which attract FDI. The determinants of foreign direct investments have become an important topic not only for the governments, policy makers but also for academic research. This study intended to examine the determinants of multinational corporations' investment in Kenya.

The study was designed as a descriptive survey of MNCs in Kenya. The target population was 43 MNCs but only 35 (81%) agreed to take part in the final survey. Primary data was collected using questionnaires and were administered to the managers in the selected MNCs by the researcher. Data was analysed using SPSS where descriptive analysis was used and results presented in tables and charts.

The results showed that the most significant factors that affected the decision to invest in Kenya were stable and growing economy (mean = 4.49, SD = 1.32), the availability of a market in Kenya and neighbouring countries (mean = 4.29, SD = 1.07), political and economic stability (mean = 4.20, SD = 0.92), and the resources and raw material availability (mean = 4.17, SD = 0.95).

The study concludes that the major determinants of MNC investment in Kenya are stable and growing economy, the market in Kenya and those of the neighbouring countries, political/economic stability, availability of resources and raw materials, human resource availability, entrepreneurial spirit in Kenya, financial systems, strategic infrastructure, economic liberalisation, EPZ concessions, Kenya's popularity, and cheap labour. The study recommends that for the Government of Kenya to attract more foreign investors to Kenya, one of the issues that must be focused on is marketing our strategic position in East Africa which has been a centre of focus when MNCs want to invest in Kenya. The study also recommends that the Government needs to work on growing the economy more and ensuring stability of economic development. The study further recommends that MNCs need to invest in Kenya more as there is readily available resources in terms of human and raw materials and therefore human capital will not be a hindrance in investing in Kenya. With the port of Mombasa and the proposed Lamu port, Kenya stands at a better position for investors and therefore more foreign investors should take interest in investing in Kenya as we have the largest port in East Africa and will soon have more than one port which will enhance efficiency.

CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Multinational corporations (MNCs) have been defined as incorporated or unincorporated enterprises that comprise parent enterprises and their foreign affiliates (UNCTAD 2007). MNCs pursue profits by implementing a strategy of internationally seeking enhanced differentiation and reduced costs (Caves, 1996). To achieve this, they place different stages of production, or the production of part of the same product, in various countries according to the costs and the availability of inputs, which are most critical for the respective stage of production or the kind of the product. For example, the production of a relatively labour-intensive good will be undertaken in a country with relatively cheap labour, whereas the production of a relatively capital- or technology-intensive good will be undertaken in a country with relatively high specialized labour, developed infrastructure and agglomeration economies (unit cost economies resulting from the concentration of economic activities). There is increasing recognition that understanding the forces of economic globalization requires looking first at foreign direct investment (FDI) by multinational corporations (MNCs): that is, when a firm based in one country locates or acquires production facilities in other countries (Blonigen, 2006).

During the 1990's, foreign direct investment (FDI) by multinational corporations (MNCs) grew at a faster rate than incomes and trade. This growth and the anticipated potential beneficial effects on growth and development, especially of developing and emerging economies have led to attempts by governments to devise policies that attract FDI. It has also renewed discussion and research on the determinants of FDI. The attitude towards inward foreign direct investment (FDI) has changed considerably

over the last couple of decades, as most countries have liberalised their policies to attract all kinds of investment from multinational corporations (MNCs). On the expectation that MNCs will raise employment, exports, or tax revenue, or that some of the knowledge brought by the foreign companies may spill over to the host country private sector, many governments have also introduced various forms of investment incentives, to encourage foreign owned companies to invest in their jurisdiction (Hill, 2005).

1.1.1 Global Multinational Corporations investments

Multinational corporations (MNCs) can be defined as incorporated or unincorporated enterprises that comprise parent enterprises and their foreign affiliates (UNCTAD 2007). A parent company is defined as an enterprise that controls assets of other entities in countries other than its home country, usually by owning an equity stake. An equity stake of 10 per cent or more of the shares or voting power for an incorporated enterprise is normally considered as a threshold for the control of assets, or its equivalent for an unincorporated one. The definition of what constitutes FDI, as opposed to other capital flows, follows from the above convention. For example, UNCTAD (2007) considers FDI to involve equity capital, the reinvestment of earnings and the provision of long-term and the short-term intra-company loans between parent and affiliate enterprises.

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relatively cheap labour, whereas the production of a relatively capital- or technology-intensive good will be undertaken in a country with relatively high specialized labour, developed infrastructure and agglomeration economies (unit cost economies resulting from the concentration of economic activities).

Hymer (1960) was the first economist who considered FDI as the defining feature of the MNC and tried to explain it in terms of its relative advantages vis-à-vis other forms of foreign operations. The first reason to explain why firms favour FDI to alternative modalities such as licensing or cooperation, He suggested, was the reduction of rivalry in international markets. A second reason was that FDI allowed firms to better exploit their monopolistic advantages. A third was the diversification of risk. MNCs can be horizontally integrated, vertically integrated and/or diversified (Caves, 1996). Horizontally integrated are enterprises producing the same group of outputs irrespective of the geographical market. Vertically integrated are enterprises, which use some of their partner firms, or as Caves refers to “plants”, to produce commodities that serve as inputs for other activities. He also claimed that “the strength of a multinational enterprise stems from the fact that it can trade knowledge internally more quickly than two firms which have to negotiate conditions each time” (Hymer 1968). Overall, He concluded that “multinational firms are better institutions than international markets for stimulating business, transmitting information and fixing prices” (Hymer 1968).

According to Ngowi (2000) FDI inflows to a country depend largely on the presence in that country, of a certain critical minimum of FDI determinants. The determinants are among the factors that give MNEs the confidence and interest to invest their massive and expensive capital in foreign markets. Among the FDI determinants that MNCs look for are the presence of economic, political and social stability; and rules

regulating entry and operations of businesses. Others are standards of treatment of the foreign affiliates; business facilitation (including, inter-alia, investment incentives; market size, growth, structure and accessibility; raw materials, low cost but efficient labour force and physical infrastructure in form of ports, roads, power and telecommunication).

According to UNCTAD (1998) economic factors such as business facilitation, investment promotion (including image-building and investment-generating activities and investment-facilitating services), investment incentives, hassle costs (related to corruption and administrative efficiency), social amenities (for example quality of life) and after investment services are some of the determinants of FDI investments. UNCTAD (1998) lists the principal economic determinants in the host countries. It matches types of FDI by motives of the firms with those principal economic determinants. Where we have a market- seeking type of FDI, it looks for criteria concerning market size and per capital income; market growth; access to regional and global and global markets; country specific consumer preferences and; structure of the markets. In case of FDI of a resource/asset seeking type, the focus would turn on raw materials, low cost unskilled labour as well as skilled labour, technological, innovative and other created assets (like brand names), and physical infrastructure (roads, ports, telecommunications and power).

One of the economic problems of developing countries is that they do not have enough national savings to finance their investments. They are in constant need of foreign capital in forms of both direct and indirect investments. Initially, they took loans from international commercial banks. But in the 1980s the drying-up of commercial bank lending, because of debt crises, forced many countries to reform their investment policies so as to attract more stable forms of foreign capital, and FDI

appeared to be one of the easiest way to get foreign capital without undertaking any risks linked to the debt. Thus, it became an attractive alternative to bank loans as a source of capital inflows (Bouoiyour, 2003).

Agiomirgianakis et al. (2003) mentioned that FDI is mostly defined as capital flows resulting from the behaviour of multinational companies (MNCs). Thus, the factors to affect the behaviour of MNCs may also affect the magnitude and the direction of FDI. MNCs expand their activities to a foreign country for a number of reasons including, among others, the exploitation of economies of scale/scope, the use of specific advantages, often owing to a life-cycle pattern of their products or just because their competitors are engaged in similar activities. On the other hand, governments are also engaged in a policy competition by changing key factors of their economic policies, such as domestic labour market conditions, corporate taxes, tariff barriers, subsidies, privatization and regulatory regime polices so as to improve FDI activity in their countries.

1.1.2 Multinational Corporations investments in Kenya

Kenya is a relatively big country with a total land area of 580.4km square. Its location is strategic within East Africa and has a population of approximately 40 million people. The country is well endowed with a broad range of natural resources, flora and fauna and arable land. Kenya highlands comprise of the most successful agricultural production regions in East Africa. Foreign investment has been of considerable significance in financing development in Kenya not only in the manufacturing but also in the primary and tertiary sectors (Mwega and Ndungu, 2002).

According to Gachino (2006), after land resettlement between 1962 and 1964, the Kenyan government prevented foreign firms from purchasing more land and as a

result foreign ownership in agriculture was greatly reduced. In commerce and industry by contrast, virtually all the expansion which took place, that is a 50 percent increase in output between 1964 and 1970 and 100 percent increase in the annual level of investment, was foreign owned. At first much of it involved capital transfer out of agriculture, especially following the introduction of exchange controls in 1965. But two years later after the initial period of uncertainty as to the government development strategy, a substantial inflow of foreign direct investment and its diversification to other sectors occurred. In addition the government set up institutions which would assist in the development of the manufacturing sector. During this period Kenya had pursued import substitution from as early as 1950s. This industrial policy advocated for a large role of the public sector participation and protection of the infant manufacturing industries.

During this period FDI levels were reasonably high in comparison to other East African countries. This was partly attributed to the fact that Kenya had maintained a favourable investment climate. O'Brien and Ryan (2002) note that Kenya was for many years a relatively attractive location for foreign investment. However, Bradshaw (1988) observes that although that was the case, there were already concerns by both scholars and government planners that, because of Kenya's liberal repatriation policies, more international investment income left Kenya in the form of profit remittances than flows into the country. As a result the government instituted measures to encourage reinvestment of their profits in the country. From 1974, firms with high repatriation rate had their local borrowing rights restricted by the Central Bank. The government also attempted to cut down on the level of management remittances and technical fees by imposing a 14 percent withholding tax. These efforts discouraged foreign investors.

FDI in Kenya has not only been volatile but also low since the 1970s. This led to the stagnation of the manufacturing sector which was largely been dominated by the foreign firms. This decline was blamed on the inward oriented strategy as well as the collapse of the East Africa Community in 1977. Ensuing economic distortions resulted in severe structural constraints and macro-economic imbalances and firms failed to develop competitive capabilities to penetrate the international markets. The inward looking policies pursued at the time under import substitution made it difficult to effectively participate and compete keenly in the export markets. As a result the manufacturing industry failed to play a more dynamic role enough to function as an engine of country's growth and did not contribute significantly to foreign exchange (Rasiah and Gachino 2005).

After the disappointing period of the 1990s, Kenya resumed the path to rapid economic growth in 2002 through the implementation of the Economic Recovery Strategy paper which was replaced by vision 2030 after it expired in 2007. During this period the government embarked on establishment of free trade zones, improvement of business climate, infrastructure, and development of incentives among initiatives. These efforts are aimed at building a momentum that can sustain economic growth and promote development. At the centre of these efforts is a commitment to attract foreign direct investment which was hoped would assist in the industrialization process (UNCTAD, 2005).

Foreign firms in Kenya since the 1970s have invested in a wide range of sectors. Most notably they played a major role in floriculture and horticulture, with close to 90 percent of flowers being controlled by foreign affiliates. In the Manufacturing sector FDI has concentrated on the consumer goods sector, such as food and beverage industries. This has changed in the recent years with the growth of the garment sector

because of African Growth and Opportunities Act (AGOA). Of the 34 companies involved in AGOA 28 are foreign most of them concentrated in the Export Processing Zones (EPZs). FDI is also distributed to other sectors including services, telecommunication among others. 55 percent of the foreign firms are concentrated in Nairobi while Mombasa accounts for about 23 percent, thus Nairobi and Mombasa account for over 78 percent of FDI in Kenya. 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. The main traditional sources of foreign investments are Britain, US and Germany, South Africa, Netherlands, Switzerland and of late China and India (UNCTAD, 2005).

Foreign Direct Investment (FDI) not only provides the African countries with much needed capital for domestic investment, but also creates employment opportunities, helps transfer of managerial skills and technology, all of which contribute to economic development. Recognizing that FDI can contribute a lot to economic development, all governments of Africa including that of Kenya want to attract it. Indeed, the world market for such investment is highly competitive, and Kenya in particular, seeks such investment to accelerate her development efforts. With liberal policy frameworks becoming common place and losing some of their traditional power to attract FDI, Kenya is paying more attention to the measures that actively facilitate it. Hence, the economic determinants remain very important. What is likely to be more critical in the future is the distinctive combination of location advantages, especially, created assets that Kenya can offer potential investors. The level of FDI has been low and stagnant over the past couple of years and well below Kenya's potential. There has also been a worrying trend of foreign investors moving out of Kenya and gravitating to other countries (Kinaro, 2006).

1.2 Problem Statement

Foreign Direct Investments (FDIs) have grown and continue to grow as well as playing significant roles in growth and development of many economies in the world by contributing to the Gross Domestic Products (GDP). However; In Kenya FDIs have performed below expectations due to the combination of various factors which attract Foreign Direct Investments (FDIs). The determinants of foreign direct investments have become an important topic not only for the governments, policy makers but also for academic research. Moreover; the importance of foreign direct investments to both countries arises in view of dismal performance of previous policies that emphasized more attraction of foreign direct investments in their countries (Mahiti, 2012).

It is now widely acknowledged that FDI has potential benefits that can accrue to developing countries. This view is mainly based on the neo liberal and development economists. They suggest that FDI is important for economic growth as it provides the much needed capital for investment, increases competition in host countries economies, and aids local firms to become more productive by adopting more efficient technology or by investing in human or physical capital. FDI is also said to contribute to growth in a substantive manner because it's more stable than other forms of capital flows. Kenya has had a long history with foreign firms. In the 1970s it was one of the most favoured destinations for FDI in East Africa. However over the years, Kenya lost its appeal to foreign firms a phenomenon that has continued to the present. In 2008, Kenya launched vision 2030 where it hopes to achieve global competitiveness and prosperity of the nation. This initiative has seen a renewed commitment to attract FDI to assist in the industrialization process. This subject has received little attention in Kenya (Kinuthia, 2010).

A number of studies have been carried out on Foreign Direct Investments and Multi-National Corporations in Kenya. Kinuthia (2010) and Kinaro (2006) investigated the determinants of Foreign Direct Investment in Kenya, Gachino (2006) focused on foreign direct investments in the Kenyan manufacturing industry, Chombo (2009) investigated the influence of the global credit crunch on Foreign Direct Investment (FDI) inflows in Kenya. It is therefore evident that few studies have been carried out to investigate the determinants of Multinational Corporations investments in the Kenyan context. There is therefore a gap in literature as far as a study on determinants of Multinational Corporations investments in Kenya is concerned. The following research question is therefore explored: What are the determinants of Multinational Corporations investments in Kenya?

1.3 Research Objective

The objective of this research was to investigate the determinants of Multinational Corporations investments in Kenya.

1.4 Value of the Study

The study will be significant in the sense that Kenya has experienced a decreasing trend of FDI inflows and MNC investments over the years. This study is also important in the sense that FDI stimulates domestic investment, promotes economic growth, creates employment opportunities and promotes transfer of new technology.

The findings of this study will be significant to academicians in that it will add to the knowledge of the researchers in this field of study. Researchers will also be able to borrow from this study when carrying out similar studies.

The study will also be valuable to the policymakers in government as it will serve as a guide them in their tasks of making policies for economic growth and development.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review. First, a theoretical review is provided focusing on theories that explain the determinants of multinational Corporations investments. Secondly, the empirical review of the studies that have been done on the determinants of multinational Corporations investments is made. The research gap is then provided.

2.2 Theoretical Foundation

This study will be based on three main theories. These are: internalisation theory, Eclectic theory and the product life cycle theory. These are presented below.

2.2.1 Internalisation Theory

Internalization theory holds that the available external market fails to provide an efficient environment in which the firm can profit by using its technology or production resources. Therefore, the firm tends to produce an internal market via investment in multiple countries and thus creates the needed market to achieve its objective. A typical MNE consists of a group of geographically dispersed and goal-disparate organizations that include its headquarters and different national subsidiaries. These MNEs achieve their objectives not only through exploiting their proprietary knowledge but also through internalizing operations and management. Internalization is the activity in which an MNE internalizes its globally dispersed foreign operations through a unified governance structure and common ownership (Buckley and Casson, 1985).

Internalization theorists argue that internalization creates “contracting” through a unified, integrated intrafirm governance structure. It takes place either because there

is no market for the intermediate products needed by MNEs (e.g., Falk, a global power transmission manufacturer, must use intermediate goods such as couplings and backstops produced by its Brazilian subsidiary owing to the unavailability from any outside source) or because the external market for such products is inefficient (e.g., IBM's speech-recognition technology is "transacted" internally among different units because the external market has not been developed enough to properly value and protect such expertise). The costs of transactions conducted at arm's length in an external market (i.e., a fair price in an open market) may be higher than transactions within an intra-organizational market. The incentives to internalize activities are to avoid disadvantages in external mechanisms of resource allocation or to benefit from an internally integrated and intra-organizational network (Buckley and Casson, 1985).

Through internalization, global competitive advantages are developed by forming international economies of scale and scope and by triggering organizational learning across national markets. Operational flexibility can leverage the degree of integration. The allocation and dispersal of resources (both tangible and intangible) serve as a primary device for maintaining operational flexibility in global business activities. Essentially, by directing resource flows, an MNE may shift its activities in response to changes in tax structures, labour rates, exchange rates, governmental policy, competitor moves, or other uncertainties. Thus, resource flows are a necessary condition for achieving either location-specific or competitive advantages in global business. Resource flow requires internalization within an MNE network because it involves interdependence among subsidiaries. Internalization, in turn, requires centralized decision-making responsibility and authority. Nevertheless, control should be segmented by product line and distributed among different subsidiaries, depending on particular capabilities and environmental conditions (Buckley, 1988).

To increase profitability, some transactions should be carried out within a firm rather than between firms and this is one of the reasons why multinational companies exist. In other words, there are transactions that should be “internalized” to reduce transaction costs and hence increase profitability. This theory may answer the question why production is carried out by the same firm in different locations. One of the reasons of internalization is market imperfection. Any kind of economically useful knowledge can be called technology. Mostly, technologies or knowhow can be sold and licensed. However, sometimes, there are technologies that are embodied in the mind of a group of individuals and not possible to write or sale to other parties. This difficulty of marketing and pricing know how forces multinational companies to open a subsidiary in a foreign country instead of selling the technology. In addition, a number of problems may arise if an output of a firm is an input to other firm in other country. For instance, if each has a monopoly position, they may get into a conflict as the buyer of the input tries to hold the price down while the firm that produces input tries to raise it. Nevertheless, these problems can be avoided by integrating various activities within a firm rather than subcontracting the activities (Krugman and Obstfeld, 2003).

2.2.2 The Eclectic Theory

John Dunning developed an eclectic theory of FDI, which is called OLI paradigm. O, L and I refer ownership advantage, location advantage and internalization conditions, respectively. Operating in a foreign country market has many costs and these “costs of foreignness” include a failure of knowledge about local market conditions, cultural, legal and many other costs. Therefore, foreign firms should have some advantages that can offset these costs. Ownership advantage is a firm specific advantage that gives power to firms over their competitors. This includes advantage in technology, in

management techniques, easy access to finance, economies of scale and capacity to coordinate activities. Unlike ownership advantages, location advantages are country specific advantages (Soderstein, 1992).

Transnational Companies (TNCs) in order to fully reap the benefit of firm specific advantages, they should consider the location advantage of the host country. This includes accessibility and low cost of natural resource, adequate infrastructure, political and macroeconomic stability. As a consequence, the location advantage of the host country is one essential factor that determines the investment decision of TNCs. Internalization is multinational companies' ability to internalize some activities to protect their exclusive right on tangible and intangible assets, and defend their competitive advantage from rival firms Accordingly, all the three conditions must be met before transnational companies open a subsidiary in a foreign country (Laar, 2004).

Overall, the eclectic paradigm provides a more comprehensive view explaining FDI than do the product life-cycle theory, the monopolistic advantage theory, or the internalization theory. It combines and integrates country specific, ownership-specific, and internalization factors in articulating the logic and benefits of international production. Although today's international business environment and MNE behaviour are markedly different from what they were two decades ago, when the theory first emerged, the OLI advantages are still vital to explaining why FDI takes place and where MNEs' superior returns come from. The eclectic paradigm, like other theories of FDI, has some limitations, however. First, it does not adequately address how an MNE's ownership specific advantages such as distinctive resources and capabilities should be deployed and exploited in international production. Possessing these resources is indeed important, but it will not yield high returns for

the MNE unless they are efficiently deployed, allocated, and utilized in foreign production and operations. Second, the paradigm does not explicitly delineate the ongoing, evolving process of international production. FDI itself is a dynamic process in which resource commitment, production scale, and investment approaches are changing over time (Dunning, 1981).

2.2.3 The Product Life Cycle Theory

This theory was first developed by Vernon in 1966. A new product is first produced and sold in home market. At the early stage, the product is not standardized. i.e. per unit costs and final specification of the product are not uniform. As the demand for the product increases the product will be standardized. When the home market is saturated, the product will be exported to other countries. The firm starts to open subsidiaries in locations where cost of production is lower, when the competition from the rival firms intense and the product reaches its maturity. Therefore, FDI is the stages in the product lifecycle that follows the maturity stage (Dunning, 1993). Vernon's product life cycle theory is a dynamic theory because it deals with changes overtime. However, it seems that the theory is not confirmed by empirical evidence, as some multinational companies start their operations at home and abroad simultaneously (Chen, 1983).

2.3 Determinants of Multinational Corporation Investment

Piteli (2009) analysed the determinants of foreign direct investment (FDI) by multinational corporations (MNCs) in developed economies. He compared between EU and non-EU countries, in the context of an estimated equation derived from economic theory, which compares the main demand and supply-side determinants of FDI. The study contributes to the literature in three ways: first, by employing different proxies for demand and supply-side factors; second, by comparing between European

and non-European developed countries; third, by testing for the relative importance of total factor productivity (TFP) as a determinant of FDI. The results are in line with theoretical predictions, but point to the importance of TFP as the determinant par excellence of FDI in dev Altzinger, W. (1999), "Austria's Foreign Direct Investment in Central and Eastern Europe: 'Supply Based' or 'Market Driven'", presented at The 47th International Atlantic Economic Conference, Vienna. eloped countries. They also highlight differences even within developed European and non-European countries.

Pye (1998) conducted a survey with a sample of 334 firms from the main European and North American countries in terms of investment into the Czech Republic, Romania, Slovakia, Poland and Hungary between 1989 and 1996. He found that the leading drive in 34 per cent of the sample was market size and its growth potential. Further research suggests that 116 West European firms planning to operate in one of sixteen Central and Eastern Europe (CEECs) share as their primary motive the size of the market, with the exception of Hungary and Czech Republic, where political and economic stability were the dominant factors to attract investment flows (Lankes and Venables, 1997). Moreover, Poland's size and homogeneity of its market, and its relatively higher personal incomes seemed to be the major factors attracting FDI. The latter applies for the Czech Republic and Hungary, which along with Poland have the highest personal incomes in the district.

Altzinger (1999) found that among 150 Austrian firms investing in CEECs, those specializing in finance and insurance, food and beverages and construction considered market potential to be the most significant factor. Meyer (1996) examined 267 British and German companies that invest primarily in Hungary, which mainly emphasized on the purchasing power of the consumers. Also, the market size in terms of population size that could be a way to proxy expected market growth seemed to be a

most important factor for attracting FDI. Market size and growth were the primary motive for market-oriented MNCs.

Masca and Demirhan (2008) carried out a cross sectional analysis on the determinants of foreign direct investment flows to developing countries. The aim of this paper was to explore, by estimating a cross-sectional econometric model, the determining factors of foreign direct investment (FDI) inflows in developing countries over the period of 2000-2004. The study is based on a sample of cross-sectional data on 38 developing countries. We have used average value of all data for the 2000-2004 periods. In the models, dependent variable is FDI. Independent variables are growth rate of per capita GDP, inflation rate, telephone main lines per 1,000 people measured in logs, labour cost per worker in manufacturing industry measured in logs, degree of openness, risk and corporate top tax rate. According to the econometric results, in the main model, growth rate of per capita, telephone main lines and degree of openness have positive sign and are statistically significant. Inflation rate and tax rate present negative sign and are statistically significant. Labour cost has positive sign and risk has negative sign. However, both are not significant.

Schoeman, Robinson and de-Wet (2000) analyse how government policy (mainly deficit and taxes) affects FDI through the estimation of a long-run co-integration equation for FDI in South Africa during the past 30 years. Of special importance are the deficit/GDP ratio, representing fiscal discipline, and the relative tax burden on prospective investors in South Africa. The main finding is that both fiscal policy variables have a negative effect on FDI flows to South Africa. According to the authors, there is room for the South African government to transform its economy into an investor-friendly environment, by adjusting fiscal policy. Serious attention should be paid to the tax burden which is still relatively high.

Bende-Nabende (2002) carried out an empirical assessment on the macro locational determinants of FDI in Sub Saharan Africa (SSA) through the assessment of co-integration or rather long-run relationships between FDI and its determinants. The study comprises 19 SSA countries over the 1970-2000 period and employs both individual country data and panel data analyses techniques. The empirical evidence suggests that the most dominant long-run determinants of FDI in SSA are market growth, a less restrictive export-orientation strategy and the FDI policy liberalization. These are followed by real effective exchange rates and market size. Bottom on the list is the openness of the economy. Thus, as far as SSA is concerned, their long-run FDI positions can be improved by improving their macroeconomic management, liberalizing their FDI regimes and broadening their export bases.

Asiedu (2006) utilised panel data for 22 SSA over the period 1984-2000 to investigate the influence of natural resources and market size vis-à-vis government policy, host country's institutions and political instability in directing FDI flows to the region. The results suggest that countries in SSA that are endowed with natural resources or have large markets will attract more FDI. However, small countries and/or countries that lack natural resources in the region can also obtain FDI by improving their institutions and policy environment, because good infrastructure, an educated labour force, macroeconomic stability, openness to FDI, an efficient legal system, less corruption and political stability also promote FDI.

Woldemeskel (2008) focuses on the determinants of foreign direct investment in Ethiopia. To identify the determinants of FDI in Ethiopia, the determinants to Africa are first studied. The least developed African countries performance in attracting FDI is highly related to their natural resources endowments. That is, natural resource-rich countries, mainly the petroleum-rich countries attracted sizeable FDI, regardless of

their political and economic environment. For the middle income African countries, economic development, the political environment, and the business environment are the major determinants of FDI. Therefore, a host country receives a diversified FDI or non-resource-seeking FDI when it has reached a certain minimum level of development. The implication of this for Ethiopia, resource poor least developed country, is that a certain minimum level of development is a necessary condition to attract FDI.

Morisset (2000) argues that Sub-Saharan African countries can become internationally competitive and attract FDI like any other developing country by improving their business environments. Jenkins and Thomas (2002) conducted a research on determinants and characteristics of FDI in Southern Africa. They argue that the size of the local market, particularly for non-primary sector enterprise, is an important motivation for FDI in the region. In addition to natural resources and privatization, the historical bond with Africa propels investment in the sub-Sahara region. Linda and Said (2007) conducted a study on the determinants of FDI in North African countries and the Middle East region and conclude that country openness, return on investment, being oil exporting country and being a member of world trade organization (WTO) are the chief deriving factors of FDI inflow.

Lemi and Asefa (2003) and Yasin (2005) find that the availability of an abundant and cheap labour force has the expected positive effects on FDI to Africa. While it may not be singled out as a sole factor, the success of Mauritius in attracting FDI is partly explained by the relatively cheap, adaptable and well trained workforce (Odenthal, 2001). In the same vein, Fedderke and Romm (2006) show that wage costs impact negatively on FDI to South Africa. In addition, Lemi and Asefa (2003) and Asiedu (2006) also find evidence for the important role played by an educated labour force in

attracting FDI flows to African countries. However, the lack of middle or senior level entrepreneurial experience has increased the existing skills gap in Africa, and many foreign companies have resorted to employment of expatriate managers (Bhinda et al., 1999).

In a survey of foreign owned firms in Africa, Sachs and Sievers (1998) find that the greatest concern of firm owners is stability, both political and macroeconomic. In an empirical analysis of the social and political development of foreign investment in Africa, Kolstad and Tondel (2002) find that countries that are less risky attract more FDI per capita. Asiedu (2006) also shows that both macroeconomic and political instability deter investment flows in Africa. In addition, Rogoff and Reinhart (2003) obtain a statistically significant negative correlation between FDI and the following indicators of political and economic instability in Africa: conflicts; inflation; probability that the parallel market premia is above 50 percent. Furthermore, a closer look at the improvements in the business climate of Mali and Mozambique during the 1990s also reveals that macroeconomic and political stability was among the reasons for their recent success (Morisset, 2000).

Lemi and Asefa (2003) address the relationship between economic and political uncertainty and FDI flows in African countries. The authors stress the following contributions of their paper: the first study in formally dealing with the role of political and economic uncertainty in affecting FDI in Africa using Generalized autoregressive heteroscedastic (GARCH) model to generate economic uncertainty indicators; the study analyze FDI from all source countries, overall US FDI, US manufacturing FDI and US non-manufacturing FDI, and their responses to uncertainty, whereas previous studies disregarded how the role of uncertainty differs by industrial groups and source countries; the period of analysis and sample countries

are large enough for the result to be robust, which other studies did not consider. The results of the panel study for 29 African countries over the period 1987-99 are as follows: for FDI from all source countries, the impact of uncertainty is insignificant; for aggregate US FDI, economic and political uncertainties are not major concerns; for US manufacturing FDI, only political instability and government policy commitment are important factors; for US non-manufacturing FDI, economic uncertainties are the major impediments only when coupled with political instability and debt burden of host countries; other economic factors such as labour, trade connection, size of export sector, external debt, and market size are also significant in affecting FDI flows to African economies.

Mahiti (2012) examined the determinants of foreign direct investments in East Africa countries of Tanzania and Kenya. The research was carried out at Tanzania Investment Centre (TIC) and the Embassy of Kenya. The study was conducted with the following objectives: To assess the determinants for attracting FDI to East Africa, To assess the difficulties of attracting FDI to East Africa, To determine the efforts done by the selected East African governments in attracting FDI in favour of their countries, To determine the contribution of FDI to the selected countries' social economic development. Both qualitative and quantitative methods were collectively employed in the process of collecting data and information required in this research. The study concluded that Tanzania Investment Centre and Kenya Investment Authority have a lot to do in order to attract more Foreign Direct Investment in Tanzania and Kenya respectively. This study recommends that it is necessary to attract high quality investment. Also the study notes that such infrastructure as Roads, Airports and Railways need significant improvement for attracting more Foreign Direct Investments in East African Region. Indeed it is important to review incentives

granted to Investors from time to time in order to make sure that they serve the intended objectives. Finally to ensure that new technologies are transferred to Tanzania and Kenya so that the two countries become competitive in terms of technologies.

Kinuthia (2010) investigated the main drivers of foreign direct investment (FDI) in Kenya. It is now widely acknowledged that FDI has potential benefits that can accrue to developing countries. This view is mainly based on the neo liberal and development economists. They suggest that FDI is important for economic growth as it provides the much needed capital for investment, increases competition in host countries' economies, and aids local firms to become more productive by adopting more efficient technology or by investing in human or physical capital. FDI is also said to contribute to growth in a substantive manner because it's more stable than other forms of capital flows. Kenya's FDI record over the years has not been impressive. Although Kenya was among one of the most favoured destination for FDI in the 1970s in East Africa, it is now among the countries with very low levels of FDI. Few studies have investigated the reasons for low levels of FDI in Kenya and most of these studies are based on macroeconomic data. This study provides fresh evidence on the determinants of FDI based on a survey of foreign firms in Kenya in 2007. The study findings reveal that most of the foreign firms in Kenya are marketing firms and that the most important determinants are market size, political and economic stability, bilateral trade agreements and a favourable climate. In addition the three main impediments to FDI inflow to Kenya are political instability, crime and insecurity, and institutional factors most notably corruption.

Kinaro (2006) investigated the determinants of Foreign Direct Investment in Kenya. The main objective of the study was to identify the key factors that influence FDI

decisions in Kenya. This study employs an econometric technique for analysis of various variables included in the model. In the examination of the locational factors of FDI inflows to Kenya, he proposed foreign direct investment as the endogenous variable on which the exogenous variables are econometrically regressed using Eviews version 3.0. These exogenous variables include; human capital, real exchange rate, annual inflation and openness of the economy. The researcher used Johansen co-integration technique to ascertain the co-integration of the series and it was robust. After this he designed the Hendry log type model and put it in an error correction model and it was estimated using the ordinary least squares method. In order to trace lag effects in the model, one period lag time was introduced and estimated the equations until a parsimonious (empirical) model was obtained for the error correction model. By estimating an error correction model, the long term and short term effects of the model was examined. The validity tests were conducted for the estimated parsimonious model before making conclusions on the strength of the working model. This study concludes that the coefficient of determination of the model ($R^2 = 0.75$) shows that 75 percent of the variations in FDI is explained by the explanatory variables which include economic openness, human capital, real exchange rate , inflation FDI of the previous year. The researcher obtained the expected signs from all the variables in the empirical model. The results indicate that both economic openness and human capital affects FDI positively in the short run. Likewise, inflation and real exchange rate have a negative influence on FDI inflows in the short and long run respectively.

Mwega and Rose (2007) using panel data of 43 countries with a Kenyan dummy find that Kenya is not different from other countries and that FDI is determined by growth rates, terms of trade shocks, external debt ratio and quality of institutions. UNCTAD

(2005) argue that Kenya's inability to attract FDI is due to growing problems of corruption and governance, inconsistencies in economic policies and structural reforms, deteriorating public service and poor infrastructure. Todd et al (2005) argues that Kenya officially encourages and grants national treatment to foreigners but that the problem is Kenya's political elites who resent FDI perceiving it to lead to dependency. Himbara (1994) shares similar sentiments. Kareithi (1991) concerned with the impact of foreign-owned media upon the body politic of Kenya argues that foreign ownership undermines both national sovereignty and even the rudiments of political freedom.

2.4 Research Gap

The literature review carried out above has presented the various determinants of Multinational Corporations investments in various countries. But these studies have shown varying results as well as conflicting results in some cases. The fact that these studies have conflicting results makes it necessary to carry out a study focusing in Kenya in order to clarify some of the conflicting issues. Mahiti (2012) focused on the entire East African Region to investigate the factors that determine Multinational Corporations investments. The study mainly focused on the political systems of the countries and was therefore not exhaustive enough.

Mwega and Rose (2007) in an attempt to investigate the determinants of Multinational Corporations investments used panel data of 43 countries with a Kenyan dummy. They therefore did not focus on the Multinational Corporations in Kenya and the results cannot be generalised to the Kenyan situation in an accurate manner. Kinuthia (2010) investigated the main drivers of foreign direct investment (FDI) in Kenya in 2007. This study was carried out during a volatile period in the country's political system and it is therefore important to carry the current study. This is due to the fact

that the political regime has changed and therefore is therefore a different foreign investor attitude towards making investments in the country.

From these studies, there is therefore a gap in literature as far as the determinants of Multinational Corporations investments in Kenya are concerned. This is a gap the present study sought to bridge.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the method that was used in the collection of data pertinent in answering the research questions. It is divided into research design, population and sample design, data collection, and data analysis methods.

3.2 Research Design

The study used descriptive survey. This is because this method most captures the objectives of the study. In this manner, the study was able to establish the relationship between the variables in the study. This was therefore the appropriate research design in this study. According to Mugenda & Mugenda (1999) the purpose of descriptive research is to determine and report the way things are and it helps in establishing the current status of the population under study. Borg & Gall (1996) noted that descriptive survey research is intended to produce statistical information about aspects of a study that interest policy makers.

3.3 Population of the Study

The population of this study was all the multinational companies that have their African or regional headquarters in Nairobi. According to Kenya Investment Authority, there were 43 Multinational companies with their headquarters in Nairobi (Appendix 1).

3.4 Data Collection

This study used primary data in order to answer the research questions sought and to make the required conclusions. Primary data is data that has not been collected from the source for any other prior purpose other than the particular study. Primary data was obtained through a questionnaire that was structured to meet the objectives of the

study. The questions were both open ended and closed ended. The questionnaire was then administered by the researcher in order to capture all the issues required and also to avoid low response rates. This means that there was no time allocated for collection of filled questionnaires later.

The questionnaires were administered to the managers in charge of operations in all the 43 multinational companies targeted in this study. This was due to the fact that these managers were likely to have the required information about investment decisions.

3.5 Data Analysis

The collected data through questionnaires were entered into the Statistical Package for Social Sciences (SPSS) analysis software as well as into the MS Spreadsheets. The analysis was done using descriptive statistics (percentages and mean scores) and factor analysis.

The correlation analysis was done using SPSS to examine the nature (positive or negative) and significance of the relationships between the variables in the study. This was interpreted using the Pearson correlation. Data presentation was in form of descriptive statistics such as frequency distribution, percentages and tables.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

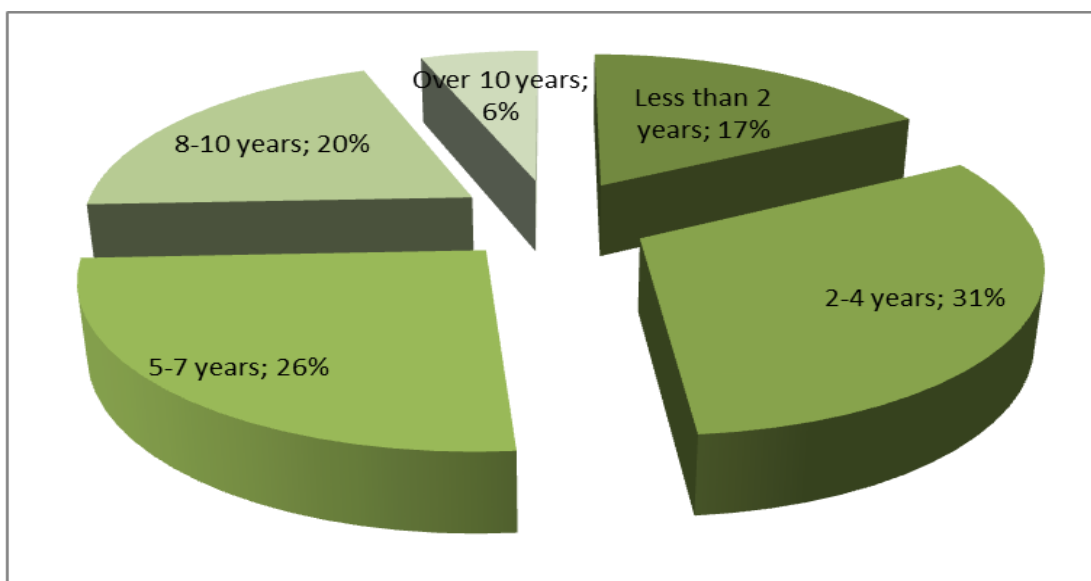
4.1 Introduction

This chapter presents the results of the study. The chapter first presents the demographic results where results on designations of respondents, experience of respondents, and the sector of the organisation are shown. The second section then presents the results of determinants of MNC investment in Kenya. Finally, the last section is a discussion of findings.

4.2 Demographic Results

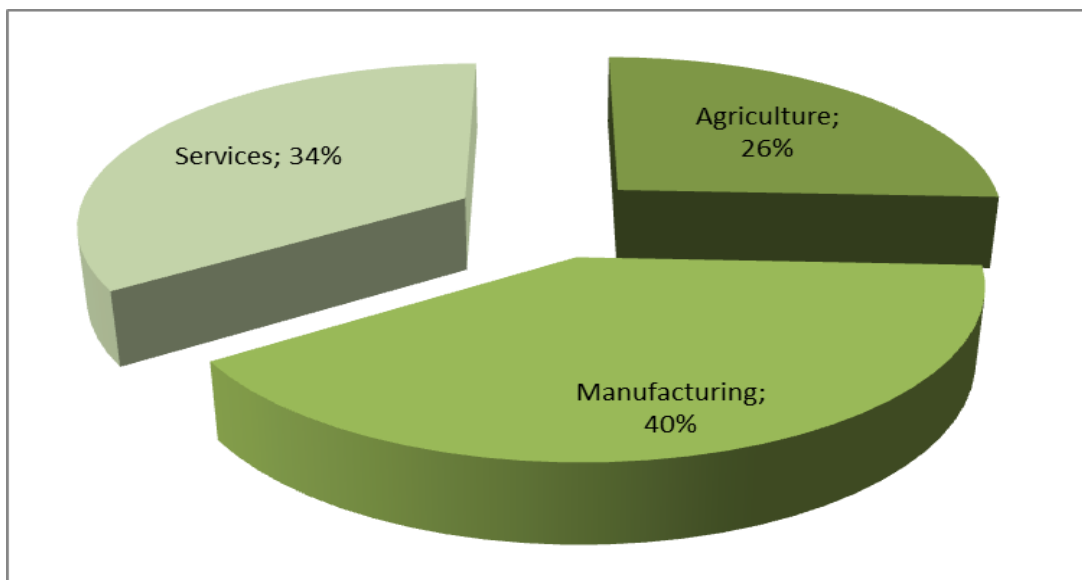
The respondents were asked to state their designation. It was noted that most of the respondents were senior level managers in the MNCs which took part in the study. The study sought to establish the experience of the respondents. The results of this analysis are shown in Figure 1.

Figure 1: Experience of Respondents



As shown in Figure 1, 17% of the respondents stated that they had worked in their companies for less than two years, 31% of the respondents stated that they had worked in their companies for between 2 and 4 years, 26% of the respondents stated that they had worked in their companies for between 5 and 7 years, 20% of the respondents stated that they had worked in their companies for between 8 and 10 years while 6% of the respondents stated that they had worked in their companies for more than 10 years.

Figure 2: Sectoral Analysis of Companies

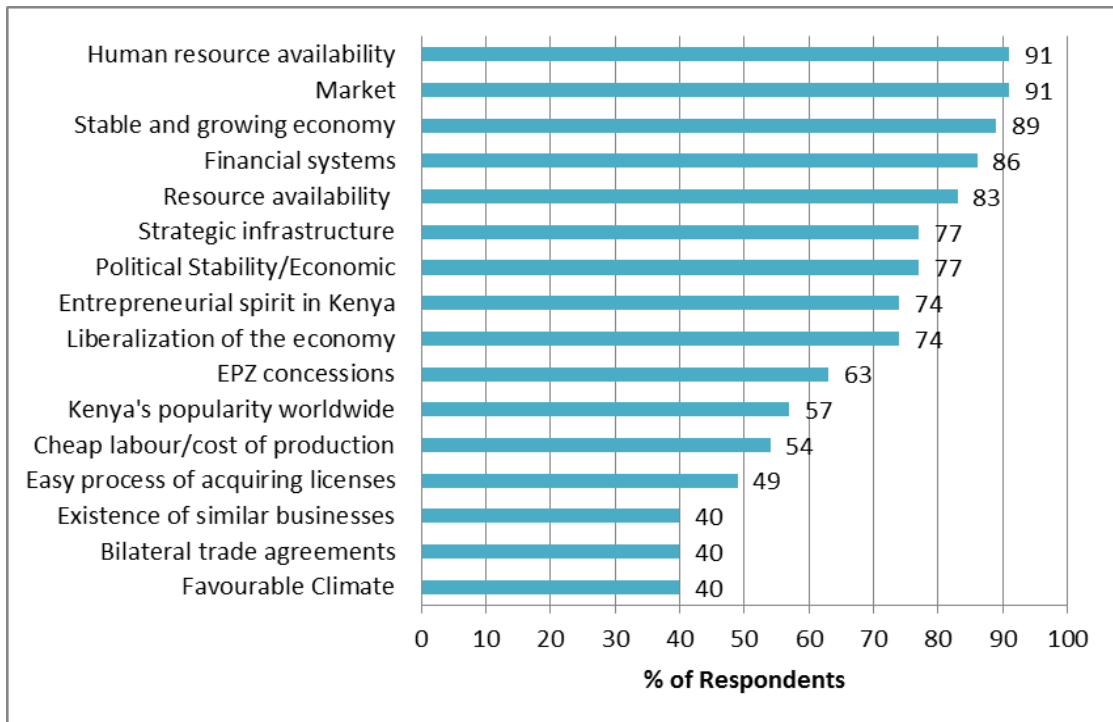


The study sought to establish the sectors the companies operated in. The results are presented in Figure 2. As shown, the study found that 26% of the respondents stated that their company operated in the agricultural sector, 40% of the respondents stated that their companies operated in the manufacturing sector while 34% of the respondents stated that their company operated in the services sector.

4.3 Determinants of Multinational Investments

This section presents the analysis of the determinants of the multinational investments. The results in Figure 3 show the factors which MNCs considered before investing in Kenya.

Figure 3: Factors Considered by MNCs before Investing in Kenya



The results in Figure 3 show that 91% of the respondents stated that their company considered the market in Kenya and the neighbouring countries, 40% of the respondents stated that their company considered favourability of the climate, 77% of the respondents stated that their company considered the political stability of the country, 74% of the respondents stated that their company considered the liberalization of the country's economies, 54% of the respondents stated that their company considered the affordability of labour and cost of production, 40% of the respondents stated that their company considered the bilateral trade agreements, 91% of the respondents stated that their company considered the human resource

availability in the countries, and 89% of the respondents stated that their company considered the stability and growth of the economy

The results in Figure 3 also show that 40% of the respondents stated that their company considered the existence of similar businesses, 57% of the respondents stated that their company considered Kenya's popularity worldwide, 74% of the respondents stated that their company considered the entrepreneurial spirit in Kenya, 49% of the respondents stated that their company considered the ease with which licenses were acquired, 83% of the respondents stated that their company considered the availability of raw materials and other resources, 63% of the respondents stated that their company considered EPZ concessions, 77% of the respondents stated that their company considered strategic infrastructures like ports while 86% of the respondents stated that their company considered the financial systems of the country before investing in Kenya.

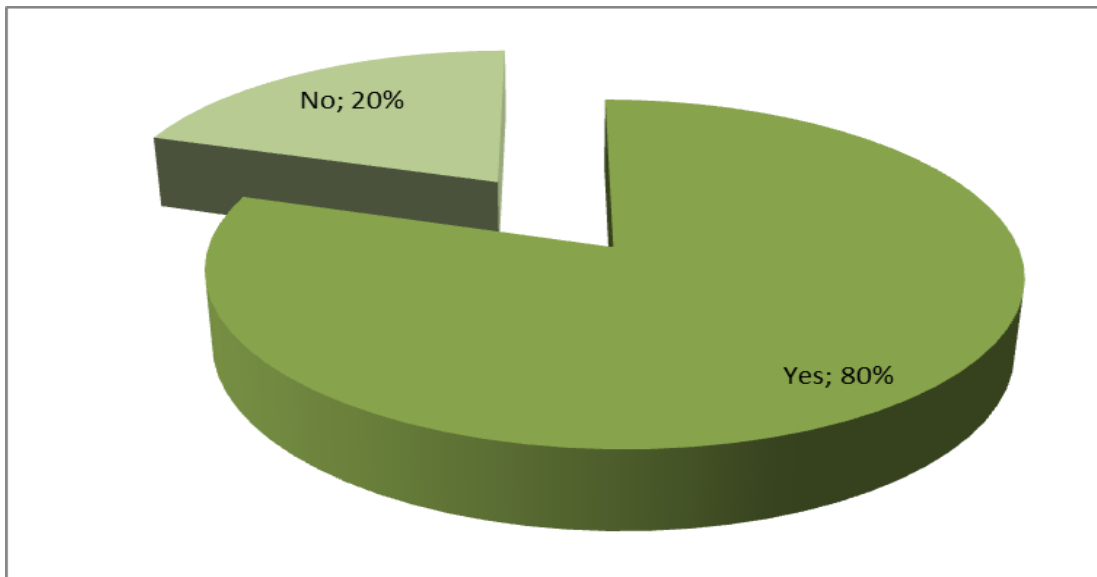
Table 1: Determinants of MNC Investment Decisions

	%	Mean	SD
Stable and growing economy	89	4.49	1.32
Market in Kenya and Neighbouring countries	91	4.29	1.07
Political Stability/Economic	77	4.20	0.92
Resources and Raw material availability	83	4.17	0.95
Human resource availability	91	4.14	1.17
Entrepreneurial spirit in Kenya	74	4.11	1.03
Financial systems	86	4.11	0.98
Strategic infrastructure e.g. port	77	3.91	0.85
Liberalization of the economy	74	3.86	0.82
EPZ concessions	63	3.83	0.71
Kenya's popularity worldwide	57	3.60	0.82
Cheap labour and cost of production	54	3.31	0.57
Easy process of acquiring licenses	49	2.97	0.58
Favourable Climate	40	2.91	0.30
Bilateral trade agreements	40	2.80	0.31
Existence of similar businesses	40	2.69	0.41

The study sought to examine how the factors influenced the decision to invest in the country. The results of the descriptive analysis are presented in Table 1. The most significant factors that affected the decision to invest in Kenya were stable and growing economy (mean = 4.49, SD = 1.32), the availability of a market in Kenya and neighbouring countries (mean = 4.29, SD = 1.07), political and economic stability (mean = 4.20, SD = 0.92), and the resources and raw material availability (mean = 4.17, SD = 0.95).

From the results in Table 1, the factors that least influenced the decision to invest in Kenya were the existence of similar businesses (mean = 2.69, SD = 0.41), the bilateral trade agreements (mean = 2.80, SD = 0.31), the favourability of the climate (mean = 2.91, SD = 0.30), the easy process of acquiring licences (mean = 2.97, SD = 0.58) and cheap labour and cost of production (mean = 3.31, SD = 0.57).

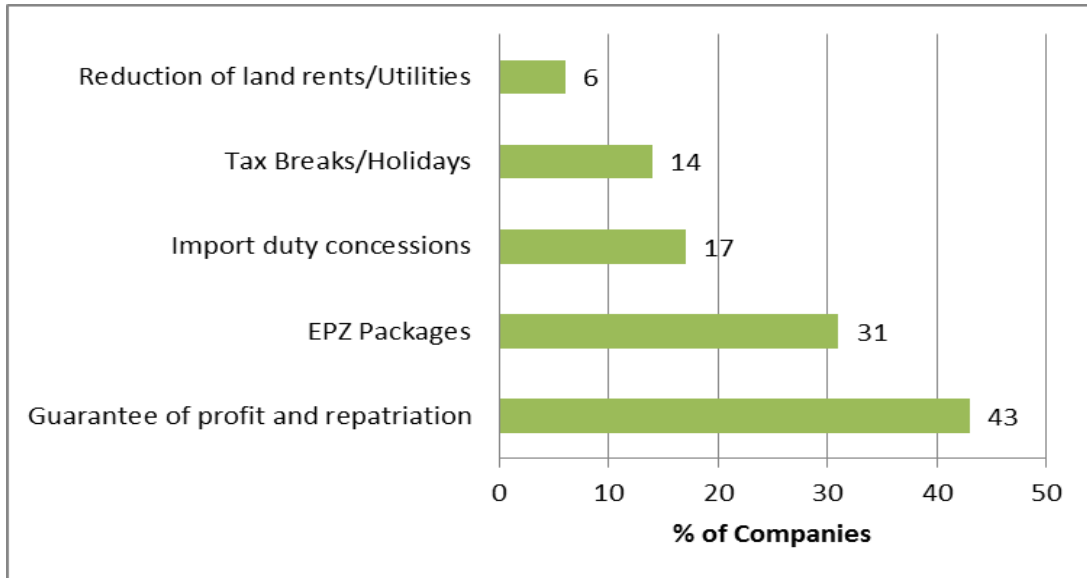
Figure 4: Government Assistance



The respondents were asked to state if the government offered any assistance to their parent company. The results in Figure 4 show that 80% of the respondents agreed that

the government offered their parent company some assistance while 20% of the respondents disagreed.

Figure 5: Form of Government Assistance



The respondents were asked to state the form of assistance that was offered by the government. The results in Figure 5 shows that 14% of the respondents stated that the government offered their parent company tax breaks, 17% of the respondents stated that the government offered their parent company import duty concessions, 6% of the respondents stated that the government offered their parent company a reduction of land rates, 43% of the respondents stated that the government guaranteed their parent company some profit and repatriation while 31% of the respondents stated that the government offered their parent company EPZ packages.

4.4 Discussion of Findings

The results show that there are a number of factors which numerous MNCs considered before investing in Kenya. The factors that were mostly considered were the market in Kenya and its neighbouring countries (91%), human resource

availability (91%), stable and growing economy (89%), financial systems (86%), resources and raw material availability (83%), political/economic stability (77%), strategic infrastructure (77%), liberalisation of economy (74%), entrepreneurial spirit (74%), EPZ concessions (63%), Kenya's popularity worldwide (57%) and cheap labour/cost of production (54%).

The results on the extent to which these factors were considered when investing in Kenya by the surveyed MNCs show that the most significant factors were stable and growing economy, the market in Kenya and those of the neighbouring countries, political/economic stability, availability of resources and raw materials, human resource availability, entrepreneurial spirit in Kenya and financial systems. These results are consistent with prior research especially those of Jenkins and Thomas (2002) who conducted a research on determinants and characteristics of FDI in Southern Africa and found that the size of the local market, particularly for non-primary sector enterprise, was an important motivation for MNC investment in the region. The study also found that natural resources and privatization were among the most salient determinants of MNC investment in the region.

CHAPTER FIVE

SUMMARY. CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions of the study, limitations of the study, recommendations, and suggestions for further research.

5.2 Summary

This study intended to examine the determinants of multinational corporations' investment in Kenya. The study was designed as a descriptive survey of MNCs in Kenya. The target population was 43 MNCs but only 35 (81%) agreed to take part in the final survey. Primary data was collected using questionnaires and were administered to the managers in the selected MNCs by the researcher. Data was analysed using SPSS where descriptive analysis was used and results presented in tables and charts.

The results show that there are a number of factors which numerous MNCs considered before investing in Kenya. The factors that were mostly considered were the market in Kenya and its neighbouring countries (91%), human resource availability (91%), stable and growing economy (89%), financial systems (86%), resources and raw material availability (83%), political/economic stability (77%), strategic infrastructure (77%), liberalisation of economy (74%), entrepreneurial spirit (74%), EPZ concessions (63%), Kenya's popularity worldwide (57%) and cheap labour/cost of production (54%).

The results on the extent to which these factors were considered when investing in Kenya by the surveyed MNCs show that the most significant factors that affected the

decision to invest in Kenya were stable and growing economy (mean = 4.49, SD = 1.32), the availability of a market in Kenya and neighbouring countries (mean = 4.29, SD = 1.07), political and economic stability (mean = 4.20, SD = 0.92), and the resources and raw material availability (mean = 4.17, SD = 0.95).

The factors that least influenced the decision to invest in Kenya were the existence of similar businesses (mean = 2.69, SD = 0.41), the bilateral trade agreements (mean = 2.80, SD = 0.31), the favourability of the climate (mean = 2.91, SD = 0.30), the easy process of acquiring licences (mean = 2.97, SD = 0.58) and cheap labour and cost of production (mean = 3.31, SD = 0.57).

5.3 Conclusion

The study concludes that the major determinants of MNC investment in Kenya are stable and growing economy, the market in Kenya and those of the neighbouring countries, political/economic stability, availability of resources and raw materials, human resource availability, entrepreneurial spirit in Kenya, financial systems, strategic infrastructure, economic liberalisation, EPZ concessions, Kenya's popularity, and cheap labour.

5.4 Recommendations

The study recommends that for the Government of Kenya to attract more foreign investors to Kenya, one of the issues that must be focused on is marketing our strategic position in East Africa which has been a centre of focus when MNCs want to invest in Kenya.

The study also recommends that the Government needs to work on growing the economy more and ensuring stability of economic development. In this regard, the adoption and implementation of Vision 2030 blue print will be important in ensuring the economy grows and is stable.

The study further recommends that MNCs need to invest in Kenya more as there is readily available resources in terms of human and raw materials and therefore human capital will not be a hindrance in investing in Kenya.

With the port of Mombasa and the proposed Lamu port, Kenya stands at a better position for investors and therefore more foreign investors should take interest in investing in Kenya as we have the largest port in East Africa and will soon have more than one port which will enhance efficiency.

5.5 Limitations

The study focused on MNCs in Kenya. Therefore, the results herein may just be applicable to MNCs and not to local corporate organisations. Attempts to interpret these results in other organisations should therefore be approached with care.

The study also used primary data which was collected through questionnaires. This is only one method among others which may have been used in this study. Reliance on one data source for a study does not allow for triangulation and therefore this was one of the major limitations of the study.

The use of primary data and not secondary data, as has been used before was another limitation of the study. The results are therefore firm specific as a survey of MNCs was done and therefore other macro or microeconomic determinants of MNC investment in Kenya could not be established.

5.6 Suggestions for Further Research

The study suggests that this study be replicated to other firms other than MNCs to examine whether the results found here still hold for other corporate organisations. This will aid in enhancing comparability of findings.

The study also suggests that further studies in this area need to expand the sources of information. Instead of relying on questionnaires as the only source of data, there is need to use other methods such as focus group discussions and interviews in order to triangulate results.

It is also recommended that more studies be used to examine the determinants of MNCs investment in Kenya using secondary data as this will aid in strengthening the model and using macro and micro economic level data to examine the same.

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APPENDICES

Appendix 1: Multinational Companies in Kenya

1. Germany BASF
2. Bharti Airtel
3. Cisco Systems
4. Chartis
5. Citibank
6. Coca Cola
7. Eltek Kenya Limited
8. General Electric
9. Google
10. GSM Association
11. Heineken
12. Huawei
13. IBM
14. Intel Corporation
15. Kaspersky Lab
16. Kiva
17. LG
18. Mastercard
19. Motorola Solutions
20. Nokia/Siemens
21. Pfizer
22. Pricewaterhouse Coopers
23. Qualcomm
24. Research in Motion
25. RTI International
26. Sage Group
27. Sony
28. Standard Chartered Bank
29. Stratlink Global
30. TNT Express Worldwide (K) Ltd

31. Toyota
32. Visa Inc.
33. British American Tobacco
34. Nestle Kenya
35. Weetabix East Africa Limited
36. Bata Shoe Company
37. Cadbury East Africa
38. Procter & Gamble
39. Biersdoff
40. Barclays
41. Deloitte and Touche
42. Ernest & Young
43. Samsung Electronics

Source: Kenya Investment Authority (2013)

Appendix 2: Questionnaire

Answer these questions as truthfully as possible. There is no right or wrong answers. The responses will be kept confidential.

Section 1: General Information

1. Which Company do you work with?
.....
2. What is your designation?
.....
3. How long have you been working for the company?
Less than 2 years ()
2-4 years ()
5-7 years ()
8-10 years ()
Over 10 years ()
4. Which sector does your company operate in?
Agricultural ()
Manufacturing ()
Services ()

Section 2: Study Questions

Determinants of multinational investments

5. What are the factors that your company considered before investing in Kenya?
Market in Kenya and Neighbouring countries ()
Favourable Climate ()
Political Stability/Economic ()
Liberalization of the economy ()
Cheap labour and cost of production ()
Bilateral trade agreements ()
Human resource availability ()
Stable and growing economy ()
Existence of similar businesses ()
Kenya's popularity worldwide ()

- Entrepreneurial spirit in Kenya ()
- Easy process of acquiring licenses ()
- Resources and Raw material availability ()
- EPZ concessions ()
- Strategic infrastructure e.g port ()
- Financial systems ()

Use the key 1-5 for the following question

- 1) Great Extent 2) Moderate Extent 3)Neutral
- 4) Low extent 5) No extent

6. To what extent did the following factors influence the decision to invest in the country

	1	2	3	4	5
Market in Kenya and Neighbouring countries					
Favourable Climate					
Political Stability/Economic					
Liberalization of the economy					
Cheap labour and cost of production					
Bilateral trade agreements					
Human resource availability					
Stable and growing economy					
Existence of similar businesses					
Kenya's popularity worldwide					
Entrepreneurial spirit in Kenya					
Easy process of acquiring licenses					
Resources and Raw material availability					
EPZ concessions					
Strategic infrastructure e.g port					
Financial systems					

7. Did the government offer any assistance to the parent company during entry?

- Yes ()
- No ()

8. What form of assistance did the government offer?

Tax Breaks/Holidays	()
Subsidies/Cash Payments	()
Import duty concessions	()
Reduction of land rents/Utilities	()
Guarantee of profit and repatriation	()
EPZ Packages	()
Others	()

9. What are the reasons that led to your company choosing to invest in Kenya rather than in the other EAC countries?

.....
.....