

**STRATEGIES ADOPTED BY SMALL AND MEDIUM, MANUFACTURERS  
ENTERPRISES TO COPE WITH CHALLENGES OF GLOBALISATION IN  
NAIROBI, KENYA**

**BY**

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## **DECLARATION**

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

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

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**D61/P/8452/2004**

This research project has been presented with my approval as university supervisor.

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## **DEDICATION**

This work is dedicated to the almighty God for guiding me to complete this task. I also dedicate this work to my family for their support and encouragement.

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I would like to pass my gratitude to University Of Nairobi for giving me an opportunity to do a course in Master of Business Administration. Special thanks to my supervisor Prof Martin Ogutu for his guidance throughout the period of this project.

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## **ABSTRACT**

Globalization is a powerful force shaping economies, redefining national cultures, influencing flows of capital and labor and changing traditional ways of doing business. The need to develop multicultural multinational organizations to compete in the global marketplace effectively is the logical next step in the evolution of the global organization. Challenges for maintaining global competitiveness and industrial restructuring need to be analyzed on an urgent basis, therefore the study sought to answer the question what are the strategies adopted by small and medium manufacturer enterprises to cope with challenges of globalization in Nairobi, Kenya. The design of this research was descriptive survey research. The target population of the study was 145 small and medium manufacturing companies in Nairobi. The study adopted a simple random sampling technique to select a sample size of the study 56 out of 145 SMEs in manufacturing sector in Nairobi. The researcher developed a questionnaire that contained the questions which were both closed ended and also a few open ended. The collected data was thoroughly examined and checked for completeness and comprehensibility. The study further analysed the data using correlation to establish the relation between variables. The content analysis was used to analyse the respondents' views. From the findings, the organization's factors that influenced the operations included political, economic, social, technological, economical and legal factors. From the findings, the study revealed that small and medium manufacturing companies responded to global business in SMEs sector as they have been pushed by increasing globalization, heavy competition, newly empowered customers in new markets and fast-changing technologies that has been requiring the companies to respond to global business in SMEs sector. The study concluded that organizations need to have adaptability response strategies to globalization capabilities are able to decreased risk and uncertainty facing the organization due to globalization.

## **LIST OF FIGURES**

Figure 4. 1 Whether organization responded to global business .....	27
Figure 4. 2 Whether organizations have products tailored for international customers .....	32
Figure 4. 3 Effectiveness of the adopted measures to globalization by organization .....	36

## LIST OF TABLES

Table 4.1: Working period.....	25
Table 4.2: Period in the current position.....	26
Table 4.3: Respondent's annual profits range in Kenya shillings.....	26
Table 4.4: Extent to which the given factors influence operation at the organization .....	28
Table 4.5: Organization adopt diversification strategies in response to globalization.....	29
Table 4.6 :Organization adopt the given strategies due to change in globalization.....	30
Table 4.7: Organization adaptation in response to rapid globalization trends.....	33
Table 4.8: Organization competitive positioning as strategic responses due to globalization.....	34
Table 4.9: Adaptability response strategies to globalization .....	34
Table 4.10: Challenges the organization faces in implementation response strategies.....	37
Table 4.11: Correlation analysis of the study variables.....	38

## TABLE OF CONTENTS

<b>DECLARATION .....</b>	<b>ii</b>
<b>DEDICATION.....</b>	<b>iii</b>
<b>ACKNOWLEDMENT .....</b>	<b>iv</b>
<b>ABSTRACT .....</b>	<b>v</b>
<b>LIST OF FIGURES.....</b>	<b>vi</b>
<b>LIST OF TABLES.....</b>	<b>vii</b>
<b>TABLE OF CONTENTS .....</b>	<b>viii</b>
<b>CHAPTER ONE.....</b>	<b>1</b>
<b>INTRODUCTION .....</b>	<b>1</b>
1.1 Background of the Study .....	1
1.1.1 Response strategies to globalization.....	2
1.1.2 The Concept of globalization .....	3
1.1.3 Challenges of globalization .....	4
1.1.4 Manufacturing sector in Nairobi.....	5
1.1.5 Small and Medium Manufacturing Enterprises in Nairobi .....	6
1.2 Research Problem.....	8
1.3 Objectives of the Study .....	9
1.4 Value of the Study.....	10
<b>CHAPTER TWO.....</b>	<b>11</b>
<b>LITERATURE REVIEW.....</b>	<b>11</b>
2.1 Introduction.....	11
2.2 Theoretical Perspective .....	11
2.3 Globalization and Strategic Responses .....	13



2.4 Strategies to cope with challenges of globalization .....	15
2.4.1 Adopting New technology .....	17
2.4.2 Strategic Alliances .....	17
2.4.3 Innovation Strategies .....	18
2.4.4 Diversification Strategy .....	20
2.4.5 Strategic Human Resource Management .....	20
<b>CHAPTER THREE.....</b>	<b>22</b>
<b>RESEARCH METHODOLOGY.....</b>	<b>22</b>
3.1 Introduction.....	22
3.2 Research Design.....	22
3.3 Target Population .....	23
3.4 Sampling technique and Procedure .....	23
3.5 Data Collection .....	23
3.6 Data Analysis and Presentation .....	24
<b>CHAPTER FOUR .....</b>	<b>25</b>
<b>DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS.....</b>	<b>25</b>
4.1 Introduction.....	25
4.2 General Information .....	25
4.3 Challenges of Globalization .....	27
4.4 Responses Strategies .....	29
4.5 Discussion.....	38
<b>CHAPTER FIVE .....</b>	<b>40</b>
<b>SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>40</b>
5.1 Introduction.....	40

5.2 Summary of the study.....	40
5.3 Conclusion .....	42
5.4 Recommendation .....	44
5.5 Limitations of the Study .....	44
5.6 Recommendations for future research.....	45
<b>APPENDICES .....</b>	<b>51</b>

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Small-scale industries develop their strategies effectively after analyzing the forces of globalization (Singh, Garg and Deshmukh, 2010). In a changing environment, markets have become more competitive, mainly in respect of an increased level of quality and competitively priced products. Organizations respond to these changes by reorganizing their work processes through the adoption of strategies that have a stronger customer orientation. In an uncertain environment, many small and medium manufacturing enterprises have made considerable investments in integrated manufacturing (Baines and Langfield-Smith, 2003), which in turn can increase quality, productivity and flexibility as well as reduce cost.

Johnson and Scholes (2002) view strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and fulfil stakeholders' expectations. Strategy comprises actions employed to meet a firm's long-term objectives. Pearce and Robinson (2007) have recommended three critical ingredients for the success of strategy. These are; strategy must be consistent with conditions in the competitive environment; it must take advantage of existing and emerging opportunities and minimize the impact of major threats; and strategy must place realistic requirements on the firm's resources. In late 18th century many European firms went global by setting up manufacturing facilities in their colonies to extract raw

materials. In mid-19th century, many US firms began to globalize by setting up business plants in various parts of the world (Wagner, 2001). Firms that operate principally in the domestic environment have an important decision to make with regard to their globalization.

Strategic responses adopted by SMEs in manufacturing companies reflect the company's internal strengths and the opportunities faced in the external environment. Modern day firms in Kenya such as small and medium manufacturing have to compete against those in international markets or be threatened by them in their domestic markets. Manufacturing institutions have been largely affected by the global crisis leading to loss of niche markets, laying-off of employees, reduced trade volumes, high forex rates and closure of businesses among others. This has raised the need for the manufacturing companies to adopt new competitive strategies due to challenges brought about by globalization.

### **1.1.1 Response strategies to globalization**

Strategies adoption in response is the reaction of a firm or an organization to globalization that is machinery of the resources and activities of an organization to the environment in which it operates. They can be viewed as the matching of activities of an organization to the environment in which it operates. When firms are faced with unfamiliar changes they should revise their strategies to match the turbulence (Ansoff and MC Donnel, 1990). Strategic responses affect the long-term direction of an organization and require commitments and resources both human and financial. According to Pearce and Robinson (1991) strategic responses is the set of decisions and actions that result in

the formulation and implementation of plans designed to achieve a firm's objective. It is thus a reaction to what is happening in the environment of the organization. It is through strategic responses that a firm is able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment.

Strategy will also consider how best to deal with internal weakness and avoid external threats. Hill and Jones (2001) noted that internal new venturing is a strategy employed when a company has a set of valuable competencies in its existing business that can be leveraged to enter a new business area. Science based companies use their technology to create market opportunities in related areas mainly through internal new venturing. A firm can also use this strategy to enter and compete in a new business area or an emerging market where there are no established players.

### **1.1.2 The Concept of globalization**

Globalization is the integration of economies throughout the world by means of trade, financial and technological flows, the exchange of technology and information and the movement of people, goods and services (Thompson and Strickland, 1993). According to Johnson and Scholes (2002) globalization refers to the strategy of approaching worldwide markets with standardized products. Globalization is multi-faceted with dimension of economic, political-legal, social-cultural and environmental. It refers to the strategy of approaching worldwide markets with standardized products.

The concept of globalization has only recently (20th Century) been popularized through the spread of multi-national enterprises. The roots of globalization however, date back to

the 16th century when European nations struggled to establish empires worldwide. The Dutch and the British East India companies were perhaps among the earliest multinational enterprises (Wagner, 2001). The options available are either be proactive by entering global markets in advance of other firms and thereby enjoy the first-mover advantages often accruing to risk taker firms that introduce new products or services or be reactive by taking more conservative approach and following other companies into global markets once customer demand has been proven and the high costs of new product or service introduction have been absorbed by competitors.

### **1.1.3 Challenges of globalization**

Organizational approaches to international business have evolved from multi-nationalism to globalization, necessitating a more sophisticated and well-trained management to cope with the complexities of the organization's involvement in multiple foreign markets. Global organizations source raw materials, production capabilities, distribution, capital, and employees from throughout the world. Managers from various cultures/countries must be successfully molded together at each corporate location, including the corporate headquarters, to maximize overall benefits to the corporate network (McKenna, 2000). Although there has been a tendency to rely on parent-country nationals, companies cannot wait to groom expatriates or take the time for them to acquire the multilingual skills, experience, and global vision needed in today's top global executives. The need to develop multicultural multinational organizations to compete in the global marketplace effectively is the logical next step in the evolution of the global organization.

Some organizations are attempting to get an instant infusion of global expertise by making a foreigner the boss instead of training parent-country managers to become more globally cosmopolitan through expatriation (Romer, 1993). These organizations are creating a truly global perspective and multicultural workforce by relocating host and third country managers into the domestic organization (Kidd, 2001).

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#### **1.1.4 Manufacturing sector in Nairobi**

Manufacturing is the art of transformation of raw materials into either intermediate goods or final products through a mechanized process. Kenya's manufacturing sector is among the key productive sectors identified for economic growth and development because of its immense potential for wealth, employment creation and poverty alleviation.

Kenya is mainly agro-based and characterized by relatively low value addition, employment, and capacity utilization and export volumes partly due to weak linkages to other sectors. The intermediate and capital goods industries are also relatively underdeveloped, implying that Kenya's manufacturing sector is highly import dependent. The manufacturing firms face challenges, among them limited market access, poor reputation, poor relationships with the government and the public, corruption and high cost of labor. They are also affected by high cost of capital required to set up a manufacturing firm.

The Kenyan Manufacturing sector contributes to 10% of the Gross Domestic Product (GDP), 13% of formal employment and 12.5% of exports. As at March 2008 there were approximately 2,300 manufacturing firms registered under the sector with a majority of 80% being owned by Kenyans. Most manufacturing firms are family-owned and operated. In addition, the bulk of Kenya's manufactured goods (95 per cent) are basic products such as food, beverages, building materials, plastic house ware and basic chemicals. Only 5 per cent of manufactured items, such as pharmaceuticals, are in skill-intensive activities.

#### **1.1.5 Small and Medium Manufacturing Enterprises in Nairobi**

Small manufacturing enterprises usually cluster together in urban centers and have the potential to gain from local external economies and collective efforts (Schmitz, 1995). These enterprises engage in flexible specialization where they perform certain operations or produce certain parts for other enterprises (Capechi, 1989). In Kenya, micro-



enterprises are those with 10 or fewer workers, "small enterprises" have from 11 to 50 workers, and "medium enterprises" have from 51 to 100 workers. Censuses indicate that micro-enterprises comprise the lion's share of enterprises in Kenya, while there are a few medium enterprises (Parker and Torres, 1994).

The small and micro enterprises (SMEs) play an important role in the Kenyan Economy. According to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created in the year 2005. In Kenya, small and micro manufacturing enterprises normally cluster together in *Jua Kali* sheds – Swahili for hot sun, since they operate in open air exposed to the sun – that could be used to create collective efficiency (Nadvi, 1999). The clusters facilitate gains in efficiency and flexibility, which individual producers can rarely attain. The cluster model is concerned with local growth processes, which arise from regional concentration of small and medium sized firms. It is therefore important to explore how collective efficiency among the Kenyan small manufacturing enterprises could facilitate their growth and transition to medium or larger enterprises. A policy consequence for this approach is to move away from targeting assistance to individual firms to providing support to cluster of enterprises (Schmitz, 1995). Small and medium-scale enterprises (SMEs) form the majority of the enterprises in the Kenyan economy. They employ a large share of the labour force. The sector is perceived as an alternative employer. Recent studies show that SMEs are at least as important as large firms in the creation of gross and net new jobs.

## **1.2 Research Problem**

Increasing globalization has resulted in intense and aggressive competition, increased customer demand and shorter product life cycles (Shields, 1997). A proper link between strategy and SMEs in manufacturing operations is the key to developing sustainable competitive advantage (Porter, 1996). One way in which organizations can respond to increasing customer demands of quality, flexibility and dependability of supply is by responding to the current changes in advanced information and manufacturing technology. For example, Martin-Pena and Diaz-Garrido (2008) found that in a competitive environment, manufacturers are focused on quality and delivery.

Recent global happenings such as the economic recession in the West have had serious implications on the local industries and investors too (Waters, 1995). Globalization has brought with it challenges that have made the local firms in Kenya to devise means of staying competitive not only in the global market but also in the local market. Globalization is creating numerous opportunities for sharing knowledge, technology, social values, and behavioural norms and promoting development at different levels including individuals, organizations, communities, and societies across different countries and cultures (Brown, 1999; Waters, 1995).

Small and medium enterprises (SMEs) in manufacturing sector are the biggest manufacturing contributor to the Kenya economy. They represent the largest proportion of the manufacturing sector in Kenya. Globalization has changed the business environment of manufacturing industry in Kenya with an increase in competition and advanced manufacturing technology. According to Kassim *et al.* (2003) globalization

brings in new technology and makes a developing country open to greater competition. These changes have forced SMEs, not only to compete among themselves, but also to compete with the larger manufacturing firms. Therefore, in order to sustain and remain competitive, SMEs in manufacturing need to ensure that they adopt business strategies to cope with the forces of globalization. As the firm strives to achieve a better fit with its environment, and to be more successful, sustaining and improving current performance will become critical.

Various studies have been done on strategic response to globalization by various firms in different sector of economy. For instance Gichira (2007) carried out a study on implications of globalization on private hire vehicle companies in Nairobi, Hannah (2007) carried a study on strategic responses to globalization by foreign commercial banks in Kenya focusing on a case of Barclays Bank. To the researcher's understanding, no study that has been done to investigate the strategies adopted by small and medium manufacturing companies to challenges of globalization in Kenya. It is in this light that this study seeks to fill the existing gap by carrying out a research on strategies adopted by small and medium, manufacturer's enterprises to cope with challenges of globalisation in Nairobi, Kenya. The study sought to answer the question what are the strategies adopted by small and medium manufacturer enterprises to cope with challenges of globalization in Nairobi, Kenya.

### **1.3 Objectives of the Study**

- i. To determine the challenges of globalization, facing small and medium manufacturing companies.

- ii. To establish the strategies adopted by small and medium manufacturing companies to cope with challenges of globalization in Nairobi.

#### **1.4 Value of the Study**

The results of this study will be invaluable to researchers and scholars, as it will form a basis for further research. The students and academics may use this study as a basis for discussions on globalization.

Players in the manufacturing industry will gain understanding on the strategic issues they need to address in order to position them more competitively.

The findings of the study will be important to management in small and medium manufacturing companies in Nairobi, as it may be able to assess whether the strategies it has adopted have been beneficial to the organisation as far as globalization is concerned.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter deals with the available literature that has been reviewed for the study. The literature is mainly on the strategic responses to the effects of globalization. The chapter is hence structured into concept of globalization, challenges of globalization and strategic responses to the challenges of globalization.

#### **2.2 Theoretical Perspective**

According to Johnson and Scholes (2002), the term strategy gives the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within changing environment to meet the needs of the market and fulfill stakeholders' expectations. Mintzberg (1988) identified five interrelated definitions of strategy as a plan, ploy, pattern, position and as a perspective. He does not argue that one definition should be preferred to the others, but rather be considered as alternatives or complementary approaches. Since resources are scarce, managers must decide which alternative strategies will benefit the firm most. For any organization to succeed, it will be necessary for top management, managers and employees to work as a team to achieve the company goals and objectives.

Globalization of the world economy is the integration of economies throughout the world through trade, financial flows, the exchange of technology and information and the movement of people. Different companies have moved into globalization for different

economical, technological, socio-technological, political and market significations. Levitt (1983), the founding father of globalization, described globalization as a standardized market for the globe with no boundaries between regions and nations. At the time Levitt released his definition, it was the beginning of the new era in trade, openness, and knowledge mobilization across the globe. At that juncture, the economy was virtually described as a commodity economy before its transformation into a digital economy a decade later, then at long last its transubstantiation into a knowledge economy. This dramatic revolution from the tangibility to the intangibility of the economy calls for the amendment of Levitt's vision to cope with the twenty-first century's speedy convergence of globalization, knowledge, and technology.

Globalization introduces enormous opportunities to the developed world, but greater challenges to developing countries. The effectiveness of developing countries in business decisions depends on the availability and the speed of relevant knowledge. However, the developing world is already suffering the digital divide, and consequently information gaps. Paradoxically, even within the developed world, many multinational enterprises restrict their knowledge to certain areas such as offshore manufacturing and product design, while localizing the most knowledge-demanding entity, i.e. the management. This may result in a cultural collision either between the branches of the same company or between the company and its customers and/or allies. In globalization, the scope of thinking must extend beyond the localized environment to global dimensions. Hence, there is a drastic need for new global knowledge governance strategies to handle such relations. Kidd (2001) stated that enterprises should become cultural literate to improve

their understanding of exchanging or brokering knowledge between peers within the firm, or through linking with individuals in other firms.

### **2.3 Globalization and Strategic Responses**

Challenges come from foreign competitors entering firms' domestic markets, and from domestic competitors reducing their costs through global sourcing, moving production offshore or gaining economies of scale by expanding into new markets. Globalization challenges firms to become more streamlined and efficient while simultaneously extending the geographic reach of their operations. Small and medium manufacturing Companies aspiring to meet the challenges of today's rapidly changing markets and increasing global competition require management decisions to be founded on well-conceived strategies and plans that are vital if the firm is to achieve its objectives while optimizing the use of its limited resources. Intense global competition has forced many firms to examine their core business processes and to devise plans to respond to an increasingly competitive market place. Many companies have had to critically assess their key competencies and develop strategies to compete effectively in a global economy (Bradley et al, 2003). At the forefront of these efforts have been attempts to improve flexibility and quality, stimulate innovation, and reduce lead times, while simultaneously keeping costs down.

It is important to note that the advancements of science as well as technology and the consequent expansion of the market mechanism have been the real forces behind the movement of globalization. Of course, the expansion of globalization has been taking place in all directions. However, the economic dimension has been playing a central role

in the process of globalization. Responses to globalization require organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy. If an organization's strategy is not matched to its environment, then a strategy gap arises. If its internal capabilities are not matched to its strategy, then a capability gap arises. Porter (1990) affirms that it is important that organizations be able to shift strategy with changes in the environment and match their capabilities to the selected strategy in order to survive, succeed and remain relevant.

Underlying responses to global competition has been the recognition of the role of product and process improvement in business strategy. Throughout the 1990s, firms examined and, in many cases, changed their quality focus. Instead of relying on inspecting quality into products, they emphasized improving product and process design, implementing process control, and continually improving processes (Burns and Scapens, 2000).

Firms in dynamic industries adopt strategies due to global changes and competitive forces in different ways. Some improve current products, diversify and divest, while others employ techniques that ensure operational effectiveness. In order to achieve a competitive advantage, strategy needs to focus on unique activities. Operational effectiveness is necessary but not sufficient for achieving a sustainable competitive advantage (Porter, 1990). Changes in environmental conditions shape a firm's opportunities and challenges. A new environment necessitates the formulation of new strategy best suited to cope with change. According to Ansoff (1988) turbulent environments are characterized by unfamiliar rapid and unpredictable events.



Total quality management became a major element in corporate strategy (Calvo and Reinhart, 2002). Indeed significant numbers of Small and medium manufacturing Companies are adopting quality programs during the 1990s (Craig and Douglas, 2000) though with mixed results. Quality improvement is but one-way for Small and medium manufacturing Companies to improve its competitiveness and respond effectively in regards to globalization. Even in the absence of competition, improvements in quality can facilitate an organization's competitiveness, though as witnessed over the last decade, competition has for many Small and medium manufacturing Companies in Kenya been the driver of quality improvement efforts. Commercial openings and economic activities resulting from globalization have rendered to the need for formulating and implementing competitive strategies among the small and medium manufacturing Companies due to challenges posed by globalization.

#### **2.4 Strategies to cope with challenges of globalization**

In globalization, new knowledge can be fetched from business alliances, partners, customers, competitors, products, and various channels of distribution. Inkpen (1998) concluded that in bringing together firms with different skills and knowledge bases, alliances create unique learning opportunities for the partner firms. By definition, alliances involve a sharing of resources. However Kasul and Motwani (1995) warned that the deployment of effective global strategy is not trouble-free. The authors argued that the principal issues of globalizing organizations are transferring of knowledge, autonomy, integration, and responsiveness. Nevertheless, the relationship between globalization and knowledge is recursive, as stated by Lau et al. (2005) that globalization and growth

resulted in new business opportunities to utilize the widely dispersed firms experience and expertise. The emergence of global environmental influences and their effect on firm's strategy has gained tremendous attraction in the management literature (Pearce and Robinson, 2005 and Johnson and Scholes, 2001). While these concerns are global in nature, they manifest themselves differently based on firm context.

As the external environment changes, organizations find themselves in unfamiliar environment and have to respond by integrating change and internalizing the ability to adapt to the new environment for survival and growth. According to Nickols (2006), organizations respond to turbulence in the environment by formulating new strategies. These provide directional cues to the organization that permit it to reach its goals while responding to the opportunities and threats in the environment. Pearce and Robinson (2007) urge that the organization have to respond to the turbulence by crafting new strategies that they define as a large- scale future-oriented plans for interacting with the environment.

Competitive flexibility provides a company with the capability to compete in a global market that has high competitive intensity and demand; technological uncertainty. Competitive intensity is the degree of competition a company faces, that requires firms to take a flexible approach so that they can adapt and improvise to the changing conditions to put their best foot forward. In highly competitive environments, strategic responses become a valuable asset (Aaker, 2000).

#### **2.4.1 Adopting New technology**

Change in technology stemming from product and process innovations contributes to technological uncertainty. Strategic responses involve capability building to respond quickly to changing market conditions. Such capability building usually involves investing in diverse resources and possessing a wide array of strategic options (Bowman, 1993). Because technologically uncertain markets are likely to offer a greater number and range of threats and opportunities for firms to adapt and improvise, we expect competitive flexibility to be of crucial importance in an environment that is characterized by high levels of technological uncertainty. Indeed, the rapid advancement in information and communication technology will greatly facilitate the development of global products. Empirical evidence suggests a growing number of companies are attempting to develop global products by adopting global virtual teams. Such a global perspective in product development is summarized succinctly in the global product road pursued by a major multinational manufacturer of household products.

#### **2.4.2 Strategic Alliances**

Alliances are constructed as effective means to acquire access to new markets and special expertise or compete with others on the market. Today, enterprises of all sizes will have to depend more heavily on worldwide networks of communications and transportation and establish virtual organizations to remain responsive and flexible. To adopt agile manufacturing practices, they have to organize them into new teams as new opportunities arise. Speed-to-market practices require companies to adopt concurrent engineering in which all aspects of a product's development are planned simultaneously rather than

waiting for R&D phases to end before testing them with customers and developing marketing and service strategies. Cross-functional teams representing engineering and design, marketing, purchasing, distribution and service departments and customer representatives, some of whom are scattered widely in different cities or countries is becoming part of the product development process (Smith, 2003).

Globally competitive firms will have to enter into international strategic alliances more aggressively in the future and in this light the Kenya Revenue Authority has adopted various types of strategic alliances with Professional bodies, Business community, Clearing Agents and other East African countries to cope with the challenges of globalization. Marketing of manufacturing products and services through public education, billboards advertising, and media broadcasting can furnish a deep understanding of customer needs and demands. This help to reduce the cost of service delivery. An operation has the knowledge and experience to cost effectively produce and deliver the product to the market (Smith, 2003). Just as alliances geared towards reducing supplier costs or improving the quality supplied can greatly affect the productivity and attractiveness of the firm's own products and services to its customers (Das and Teng, 2000). Globally competitive enterprises will not only have to manage their own internal operations effectively, but coordinate the entire value chain of suppliers and distributors on which they depend (Maslen, 1997).

#### **2.4.3 Innovation Strategies**

Innovation strategies are the response to global challenges or future opportunities (Li and Atuahene-Gima, 2001). It invariably needs a purpose and, therefore, the introduction and

identification of a new consumer need or the development of additional technology within the market place usually initiates the process. This is more commonly identified as the push-pull process (Tidd et al., 2001). Consequently, the key precipitating environmental factors for innovation are uncertainty, risk and change (Braganza and Ward, 2001). The generation of new ways of doing things, or new product or services, has tended to be the domain of research and development (R&D) as a response to the challenges of globalization, new and old knowledge combine to generate innovation. R&D functions do not just create, or drive, innovation they are also charged with the dissemination of the outcomes. An innovation is of little practical use if it cannot be absorbed by the market, organization, process or service at which it is targeted (Brockhoff, 1998). Afuah, (2003) provided empirical evidence that R&D not only generates new knowledge, but it also enhances an organization's ability to assimilate existing knowledge.

A related stream of research suggests that an increasing number of firms have begun to develop global products as a response in order to overcome the challenges globalization. Such globally oriented new product development efforts are apparently evident in small firms as well as large multinationals, attempting to design and develop products aimed at the worldwide market (Subramaniam, Van Helden et al., 2001). After in-depth case studies of large Japanese multinationals, for instance, Takeuchi and Porter (1986) found that products were developed with the global market in mind from the start in more than three-quarters of the product categories examined.

#### **2.4.4 Diversification Strategy**

Increased international diversity may increase a firm's ability to share activities of different geographic areas (Geringer et al., 1989), providing greater opportunities to achieve economies of scale in critical functions such as research and development and manufacturing over a broader base. In addition, internationally diversified firms have greater opportunities to leverage strategic resources while simultaneously diversifying market risks, thus raising their performance (Kim et al., 1993). They can arbitrage across factor markets and leverage their market power to reduce input costs.

Further, many small and medium-sized firms are developing, and marketing, their products for the worldwide market. In addition to presenting greater opportunities for its products, international expansion also offers to the firm significant advantages to enhance its performance from being exposed to diverse and heterogeneous customers, technologies, cultures, competitive practices, and other environmental contingencies (Craig and Douglas, 2000). The positive impacts are expected to originate mostly from the firm's ability to access new technologies, the ability to leverage scale economies, and the potential to take advantage of arbitrage opportunities in factor cost differentials across multiple locations (Bartlett and Ghoshal, 1989).

#### **2.4.5 Strategic Human Resource Management**

Huselid et al. (1997) presents a framework for Strategic Human Resource Management as a response to prepare organizations for the challenges of globalization. He observed that by and large organizations have achieved relatively low levels of effectiveness in implementing Strategic Human Resource Management (SHRM) practices (Huselid et al.,

1997). If the propositions he outlined are supported, then the real challenge for organizations in the era of globalization is to pay particular emphasis to strengthening their human resources by upgrading the relevant competencies.

Firms can develop this competitive advantage only by creating value in a way that is difficult for competitors to imitate. Traditional sources of competitive advantage such as financial and natural resources, technology and economies of scale can be used to create value. However, the resource-based argument is that these sources are increasingly accessible and easy to imitate. Thus they are less significant for competitive advantage especially in comparison to a complex social structure caused by globalization. If that is so, human resource policies and practices may be an especially important source of sustained competitive advantage despite the challenges of globalization (Delery & Doty, 1996).

As SMEs manufacturing companies brace up for the new millennium characterized by an ever-increasing global challenge, developing countries have no choice but to develop and continuously upgrade the human resource and business competencies of their workforce (Delery & Doty, 1996). In the case of developing countries, distinct competencies are important to deal with not only the human resource issues but also others including partnerships in economic recovery especially in South East Asia (Delery & Doty, 1996).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. In this section the study identifies the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections included research design, target population, data collection and finally data analysis.

#### **3.2 Research Design**

The design of this research was descriptive survey research. A descriptive survey research seeks to obtain information that described existing phenomena by asking individuals about their perceptions, attitude, behavior or values (Mugenda and Mugenda 2003).

Descriptive research portrays an accurate profile of persons, events, or situations. This design described the characteristic of the population or phenomenon. It generated detailed information regarding the key aspects in order to develop a profile of the phenomenon. Facts were generated from experiences and observations. The design was deemed to portray clear pictures of what strategies small and medium manufacturing companies has adopted in response to challenges of globalization in Kenya.



### **3.3 Target Population**

Target population refers to the entire group of individuals or objects from which the study seeks to generalize its findings (Cooper and Schindler, 2008). The target population of the study was 145 small and medium manufacturing companies in Nairobi. According to Ngechu (2004), a population is defined as a set of people, services, elements, and events, group of things or households that are being investigated. The population for this study was 145 small and medium manufacturing companies in Nairobi, Kenya (KBS, 2012)

### **3.4 Sampling technique and Procedure**

Sampling is that part of statistical practice concerned with the selection of an unbiased or random subset of individual observations within a population of individuals intended to yield some knowledge about the population of concern, especially for the purposes of making fair generalization of results back to the population from which they were chosen (Kothari, 2008). Ngechu (2004) underscores the importance of selecting a representative sample through making a sampling frame. The study adopted a simple random sampling technique to select a sample size of the study 56 out of 145 SMEs in manufacturing sector in Nairobi. The use of simple random sampling method in selecting sample size gave the SMEs an equal opportunity of being selected for the study. Mugenda and Mugenda (2003) indicated that a sample size of 30 and above of the population is sufficient sample size for the study.

### **3.5 Data Collection**

The researcher developed the structured and unstructured questionnaire instruments which were used to collect the necessary information. The questionnaire contained the

questions which were both closed ended and also a few open ended. These types of questions were accompanied by a list of possible alternatives from which respondents is required to select the answer that best describes the situation. The main advantage of close ended questions is that they are easier to analyze since they are in an immediate usable form. They were easy to administer because each item was followed by an alternative answers and was economical to use in terms of time saving. The questionnaires were administered through drop and pick to 56 respondents from 56 small and medium manufacturing companies who were managers.

### **3.6 Data Analysis and Presentation**

The collected data was thoroughly examined and checked for completeness and comprehensibility. The data was then summarized, coded and tabulated. Descriptive statistics means and standard were used to analyse the data. Data presentation was done by the use of tables for easy of understanding and interpretations. The study further analysed the data using correlation to establish the relation between variables. The content analysis was used to analyse the respondents' views on strategies on adopted by small and medium manufacturing in Kenya in coping with challenges of globalization.

## **CHAPTER FOUR**

### **DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter discusses the analysis, interpretation and presentation of the findings. The main objective of this study was to determine the challenges of globalization facing small and medium manufacturing companies and strategies adopted to cope with challenges of globalization in Kenya. Data was analyzed using frequencies and percentages and presented in form of tables, pie charts, and a graph. From the study, the target population was 56 respondents, 48 respondents responded and returned the questionnaires. Of the 48 respondents were managers of the small and medium manufacturing companies in Nairobi. This constituted 85.71% response rate which was considered sufficient for analysis and reporting. Mugenda and Mugenda (2003) who suggested that for generalization purposes a response rate of 50% is adequate for analysis and reporting.

#### **4.2 General Information**

**Table 4.1: Working period**

	<b>Frequency</b>	<b>Percent</b>
6-10years	22	46
11- 15years	16	34
0-5 years	7	15
Over 16 years	3	5
Total	48	100

**Source: Author (2012)**

The study sought to know the period in which the respondents had been in their organization. From the findings, majority of the respondents indicated that they had been in the organization of 6-10 years, 11- 15 years, 0-5 years and over 16 years as indicated by 46%, 34%, 15% and 5% of the respondents respectively. This implies that managers in the small and medium manufacturing companies had been working in the firm for a long period and therefore were aware of the challenges of globalization and strategies adopted to cope with challenges in small and medium manufacturing companies.

**Table 4.2: Period in the current position**

	Frequency	Percent
6-9 yrs	24.96	52
Over 10 yrs	18.24	38
3-5 yrs	4.8	10
Total	48	100

**Source: Author (2012)**

The study sought to know the length of period the respondents had been working in their current position. From the findings, majority 52%, 38% and 10% of the respondents had been working for 6-9 years, over 10 years and for 3-5 years respectively in the organization.

**Table 4.3: Respondent's annual profits range in Kenya shillings**

	Frequency	Percent
51-100 million	30	63
0-50 millions	18	37
Total	48	100

**Source: Author (2012)**

The study sought to know the respondent's annual profits range in Kenya shillings. From the findings, majority of the respondents indicated that the small and medium manufacturing companies had an annual profits range of 51-100 million and 0-50 millions in Kenya shillings. This implies that the profits of small and medium manufacturing companies annually only ranges from 51 to 100 million greatly.

#### 4.3 Challenges of Globalization

**Figure 4.1: Whether organization responded to global business**



**Source: Author (2012)**

The respondents were requested to indicate whether the organization responded to global business in SMEs sector. From the findings, 56% of the respondents indicated that the organization responded to global business in SMEs sector while 44% of the respondents indicated that organization was not responding to global business in SMEs sector. Respondents stated that small and medium manufacturing companies have been pushed against the proverbial wall by rising costs, which is sapping their competitiveness and eroding their profit margins. The study found that there has been increasing globalization,

heavy competition, newly empowered customers in new markets and fast-changing technologies that has been requiring the companies to respond to global business in SMEs sector. This is in line with Baines and Langfield-Smith (2003), who stated that organizations respond to global changes by reorganizing their work processes through the adoption of strategies that have a stronger customer orientation. This implies that in an uncertain environment many small and medium manufacturing enterprises make considerable response strategies.

**Table 4.4: Extent to which the given factors influence operation at the organization**

Statement	Mean	Std dvt.
Technological advancement	4.88	0.78
Global intense competition due to entry of foreign firms	4.76	0.64
Change in global social framework	4.64	0.87
Change in environmental conditions	4.19	0.57
Change in customer preferences	4.23	0.99
Innovation development	4.18	1.19
Cultural and language change	4.58	0.69
Global financial crises	3.75	0.87
Global political change	4.80	0.74
Legal changes	4.51	0.56
Labour laws	4.36	0.30

**Source: Author (2012)**

The study sought to know the extent to which the given factors influence operation at the organization. From the findings, majority of the respondents indicated that technological advancement, competition due to entry of foreign firms and legal changes factors influence operation at the organization to a very great extent as indicated by a mean of 4.88, 4.76 and 4.51 with standard deviation of 0.78, 0.64 and 0.56. The study found that

global political change was a great global challenge to operation of the SME to a very great extent as indicated by a mean of 4.80, change in global social framework was a challenge to SMEs in manufacturing sector to a very great extent as indicated by a mean 4.64 while cultural and language change affected the operation of the SMEs in manufacturing sector to a very great extent as indicated by a mean of 4.58. The study also found that change in customer preferences, change in environmental conditions, innovation development and global financial crises affects the operation of the SME in manufacturing industry to a great extent as indicated by a mean of 4.23, 4.19, 4.18 and 3.75 respectively. Most of the respondents indicated that labour laws influence operation at the organization to a great extent as indicated by a mean of 4.36 with standard deviation of 0.30. This implied that an organization's factors that influence the operations include political, economic, social, technological, economical and legal factors. This is in line with Johnson and Scholes (2002) who stated that globalization is multi-faceted with dimension of economic, political-legal, social-cultural and environmental.

#### **4.4 Responses Strategies**

**Table 4.5: Organization adopt diversification strategies in response to globalization**

	<b>Frequency</b>	<b>Percent</b>
Very great extent	31	65
Great extent	17	35
Total	48	100

**Source: Author (2012)**

The study sought to know how the organization adopted diversification strategies in response to globalization. From the findings majority 65% of the respondents indicated that organization adopted diversification strategies in response to globalization to a very great extent while 35% of the respondents indicated that organization adopted diversification strategies in response to globalization to a great extent.

The study further found that diversifying into new businesses, restructure, improve performance, cost sharing, pooling of resources and in developing products, technologies and resources enabled the organization to strategically respond to the globalization. This is in line with Kim et al. (1993), who stated that internationally diversified firms have greater opportunities to leverage strategic resources while simultaneously diversifying market risks, thus raising their performance. This implies that adopting diversification strategies in response to globalization enhance firm productivity and improve in delivery of the services thereby improving firm competitiveness.

**Table 4.6 :Organization adopt the given strategies due to change in globalization**

Statement	Mean	Std dev
Becoming more innovative	4.56	0.51
Leadership with technical and innovative motivational style of management	4.48	0.47
Forming industry networking with suppliers and other stakeholders	4.24	0.33
Integrated Information Systems /Information Technology	4.79	0.75
Join the competition foreign market	4.09	0.29
Engage in research and development in production of new products	4.73	0.60
Differentiating products to suit the market needs	4.32	0.41



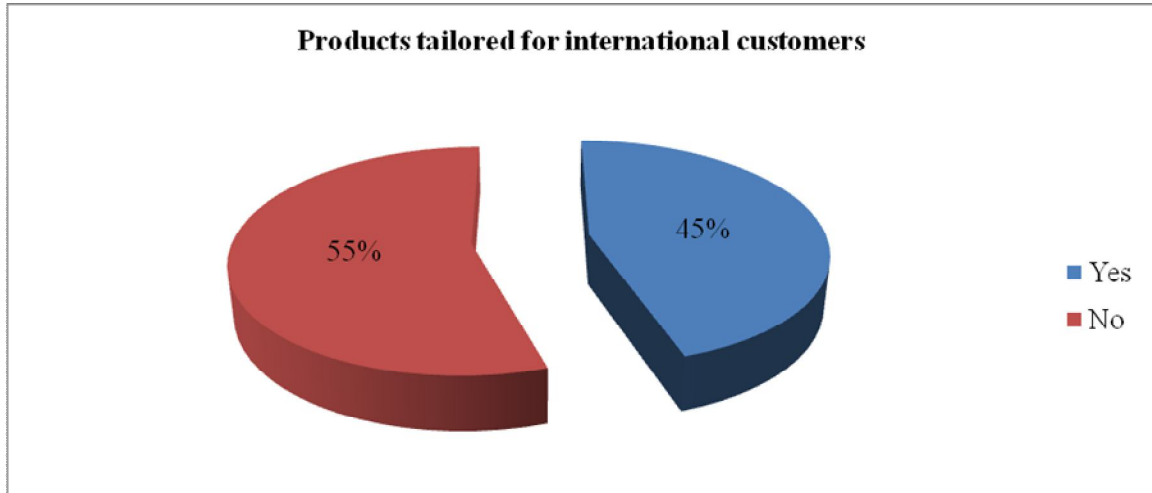
Change production techniques and product mix	4.61	0.53
Specialist staff recruitment to acquire high skill human resources	4.00	0.27

**Source: Author (2012)**

Table 4.6 shows the respondent's response on the extent to which organization adopts the given strategies due to change in globalization. From the findings, majority of the respondents indicated that organization integrated information systems or information technology, engage in research and development in production of new products, change production techniques and product mix and becomes more innovative to a very great extent as indicated by a mean of 4.79, 4.73, 4.61 and 4.56 with standard deviation of 0.64, 0.60, 0.53 and 0.51.

Most of the respondents indicated that organizations had leadership with technical and innovative motivational style of management, differentiating products to suit the market needs and forming industry networking with suppliers and other stakeholders to a great extent as indicated by a mean of 4.48, 4.32 and 4.24 with standard deviation of 0.47, 0.41 and 0.33. The study further found that organizations join the competition foreign market and the specialist staff recruitment to acquire high skill human resources to a moderate extent as indicated by mean of 4.09 and 4.00 supported by standard deviation of 0.29 and 0.27. This implies that there were strategies adopted due to change in globalization. This implies that small and medium manufacturing companies adopt various strategies to respond to the challenges of globalization in order to survive and grow.

**Figure 4.2: Whether organizations have products tailored for international customers**



**Source: Author (2012)**

The study sought to know whether the organizations have products tailored for international customers. From the findings, 45% of the respondents indicated that they had products tailored for international customers while 55% of the respondents indicate that they had no products tailored for international customers. This is in line with Geringer et al. (1989), who stated that increased international diversity may increase a firm's ability to share activities of different geographic areas providing greater opportunities to achieve economies of scale in critical functions such as research and development and manufacturing over a broader base. This implies that small and medium-sized firms are developing and marketing their products for the worldwide market.

**Table 4.7: Organization adaptation in response to rapid globalization trends**

Statement	Mean	Std dvt
The organization have merged other institution outside Kenya	4.20	0.31
The organization has formed strategic alliance with firm in foreign market	4.69	0.66
The company has forged joint ventures with international strategic partners	4.40	0.39
The organization undertaken restructuring .e.g. infrastructure development and improvement	4.65	0.52
Undertaking turn round measures like rebranding of products etc.	4.57	0.48
Outsourcing non-core business activities in order to concentrate with core business activity in order to gain a competitive edge	4.36	0.35

**Source: Author (2012)**

The study sought to know the extent to which the organizations adopted the given strategies in response to rapid globalization trends. From the findings, majority of the respondents indicated that the organizations has formed strategic alliance with firm in foreign market, undertaken restructuring e.g. infrastructure development and improvement and undertaking turn round measures like rebranding of products to a very great extent as indicated by a mean of 4.69, 4.65 and 4.57 with standard deviation of 0.66, 0.52 and 0.48. Most of the respondents indicated that the company has forged joint ventures with international strategic partners; outsource non-core business activities in order to concentrate with core business activity in order to gain a competitive edge and the organization have merged other institution outside Kenya to a great extent as indicated by a mean of 4.40, 4.36 and 4.20 with standard deviation f 0.48, 0.35 and 0.31.

**Table 4.8: Organization competitive positioning as strategic responses due to globalization**

Statement	Mean	Std dvt
Manufacturing quality products	4.55	0.61
Focusing on target market	4.83	0.70
Implementing product positioning in the market	4.91	0.76
Enhancing efficient product delivery	4.64	0.67

**Source: Author (2012)**

The study sought to know the extent to which respondents agreed with the given statement concerning the organization competitive positioning as strategic responses due to globalization. From the findings, majority of the respondents strongly agreed that implementing product positioning in the market, focusing on target market and enhancing efficient product delivery as well as manufacturing quality products were used as organization competitive positioning as strategic responses due to globalization to a very great extent as indicated by a mean of 4.91, 4.83, 4.64 and 4.55 with standard deviation of 0.76, 0.70, 0.67 and 0.61.

**Table 4.9: Adaptability response strategies to globalization**

Statement	Mean	Std dvt
Implementing new ideas in manufacturing in response to stakeholders needs	4.16	0.42
Adhering to set regulations in manufacturing process	4.58	0.53
Acquiring new and advance equipment for improving manufacturing	4.10	0.32
Designing and implementation of new manufacturing models to produce variety of products	4.64	0.57

**Source: Author (2012)**

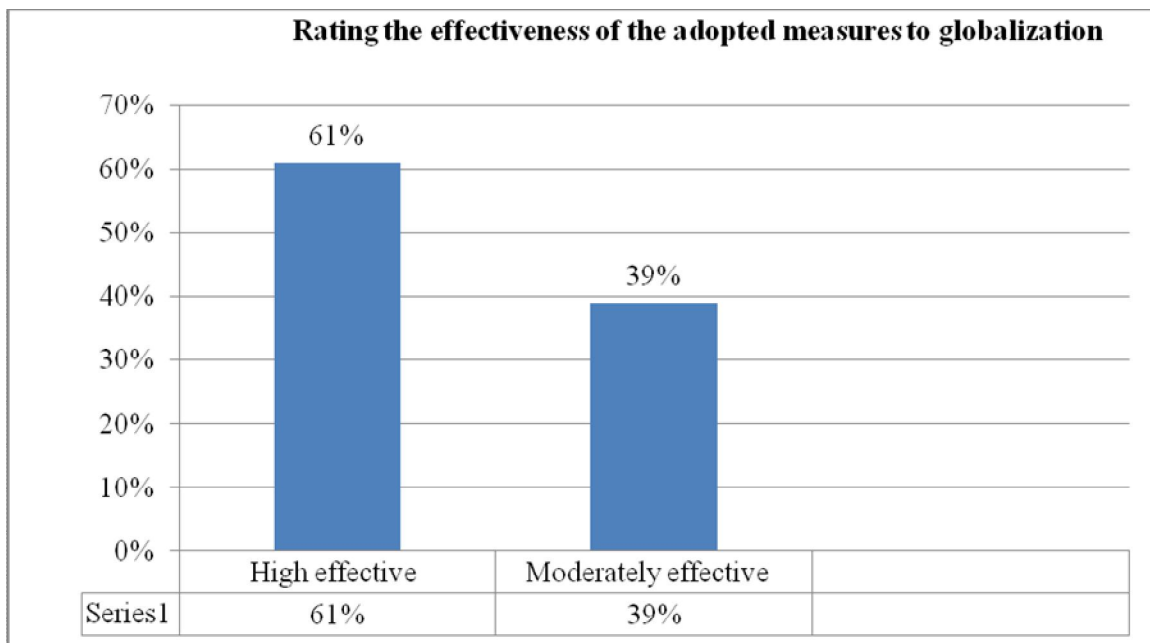
The study sought to investigate the extent to which the respondents agreed with the given statement concerning the organization's adaptability response strategies to globalization. From the findings, majority of the respondents strongly agreed that designing and implementation of new manufacturing models to produce variety of products and adhering to set regulations in manufacturing process are ways in which organization adapts in response to globalization issues as indicated by a mean of 4.64 and 4.58 with standard deviation of 0.57 and 0.53. Most of the respondents agreed that organizations implements new ideas in manufacturing in response to stakeholders needs and acquires new and advance equipment for improving manufacturing process as a way to adopt response strategies to globalization issues as indicated by a mean of 4.16 and 4.10 with standard deviation of 0.42 and 0.37. This is in line with Bowman (1993), who stated that strategic responses involve capability building to respond quickly to changing market conditions. Such capability building usually involves investing in diverse resources and possessing a wide array of strategic options. This implies that organizations that have adaptability response strategies to globalization capabilities are able to decreased risk and uncertainty facing the organization due to globalization.

#### **Other strategies organization have implemented in response to globalization force**

The study sought to know other strategies the organization has to implement in response to globalization force. From the findings, majority of the respondent indicate that organization has been forced to diversify their product portfolio to cope with technological advancement, maintain market share, enter into new markets and seal off any unexplored market segments that global competitors may come to exploit. The respondents further concurrently stated that sharing of knowledge, skills, and intellectual

assets that have been necessary for development at different levels in the organization. There has been mutual support, supplement and benefit to produce synergy for the growth of firm creating values and enhancing efficiency through adaptation of response strategies. This is in line with Maslen (1997), who stated that globally competitive enterprises will not only have to manage their own internal operations effectively, but coordinate the entire implementation of strategic response on the global challenges. This implies that managers have been faced with enormous challenges while adapting to increasingly complex organizations to rapidly changing global environments.

**Figure 4.3: Effectiveness of the adopted measures to globalization by organization**



**Source: Author (2012)**

The study sought to rate the effectiveness of the adopted measures to globalization by the organization. From the findings, majority 61% of the respondents indicated that the adopted measures to globalization by the organization were highly effective while 39% of

the respondents indicated that adopted measures to globalization by the organization were moderately effective. Respondents explained that firms develop competitive advantage by creating value in a way that is difficult for competitors to imitate. This is in line with (Porter, 1990), who stated that operational effectiveness is necessary but not sufficient for achieving a sustainable competitive advantage. This implies that the organizations are required to be flexible in order to respond to competitive and global market changes and ensure continuous operational effectiveness in the race to stay ahead of competitors.

**Table 4.10: Challenges the organization faces in implementation response strategies**

	Frequency		% of yes
	Yes	No	
High competition	37	19	77
Technical challenges	33	14	68
Fraud	31	27	64
Strict regulations	38	18	79

**Source: Author (2012)**

The study sought to investigate the challenges that organization faces in implementation response strategies to globalization. From the findings, majority 79%, 77%, 68% and 64% of the respondents indicate that strict regulations, high competition, technical challenges and fraud are the challenges that organization faces in implementation response strategies to globalization. The study further found that limited market access, poor reputation, poor relationships with the government and the public, corruption and high cost of labor are the globalization matters that challenges the small and medium, manufacturers enterprises in Nairobi, Kenya. Globalization also challenges firms to become more streamlined and efficient while simultaneously extending the geographic

reach of their operations. This is in line with Waters (1995), who stated that globalization has brought with it challenges that have made the local firms in Kenya to devise means of staying competitive not only in the global market but also in the local market. This implies that globalization also affected by high cost of capital required setting up a manufacturing firm and when firms are faced with unfamiliar changes they revise their strategies to match the turbulence.

#### 4.5 Discussion

To establish the relationship between strategic responses to challenges of globalization facing small and medium manufacturing companies a correlation analysis was done.

**Table 4.11: Correlation analysis of the study variables**

<b>Independent Variables</b>	<b>Adopting New technology</b>	<b>Strategic Alliances</b>	<b>Innovation Strategies</b>	<b>Diversification Strategy</b>	<b>Strategic Human Resource Management</b>
Adopting New technology	1				
Sig. (2-tailed)	.001				
Strategic Alliances	.028	1			
Sig. (2-tailed)	.00416(*)	.400(*)			
Innovation Strategies	.218(*)	.216(*)	1		
Sig. (2-tailed)	.020	0.001	.000		
Diversification Strategy	.416(*)	.400(*)	.410(*)	1	
Sig. (2-tailed)	.028	.028	.028	.028	
Strategic Human Resource Management	.206(*)	1	.461(*)	.387(*)	1
Sig. (2-tailed)	.000	.000	.000	.0001	.0001

**Source: Author (2012)**



Correlation is significant at the 0.05 level (2-tailed).

From Table 4.11 above, the study shows that the factors have a strong positive correlation with strategic response to challenges of globalization facing small and medium manufacturing companies and strategies adopted to cope with challenges of globalization in Kenya.

Adopting new technology scored a correlation coefficient of 0.416 and a 95% precision level. The correlation was statistically significant since it had a P-Value  $< 0.005$  at 0.000.

Innovation strategies had correlation coefficient of 0.218 and a 95% precision level. The correlation was statistically significant since it had a  $P < 0.05$  at 0.001. This implied that innovation strategies have a positive association with challenges of globalization facing small and medium manufacturing companies.

Diversification strategy had a positive association with challenges of globalization facing small and medium manufacturing companies with a score of 0.416 and a precision level of 95%. This correlation was statistically significant since its  $P < 0.05$  at 0.028.

Strategic human resource management had a strong positive relationship with challenges of globalization facing small and medium manufacturing companies with a correlation coefficient of 0.206 (\*) at 95 % confidence level. The association was significant as  $p > 0.05$  at 0.000. This implied that strategic responses adopted by the SME in manufacturing sector were positive in minimising challenges of globalization.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary, conclusions and recommendations of the study based on the research objectives.

#### **5.2 Summary of the study**

From the findings, the organization's factors that influenced the operations included political, economic, social, technological, economical and legal factors. The study revealed that small and medium manufacturing companies responded to global business in SMEs sector as they have been pushed by increasing globalization, heavy competition, newly empowered customers in new markets and fast-changing technologies that has been requiring the companies to respond to global business in SMEs sector.

The study established that global political change, change in global social framework, cultural and language change, change in customer preferences, change in environmental conditions, innovation development and global financial crises affects the operation of the SME in manufacturing industry to a great extent.

The study revealed that organization adopted diversification strategies such as venturing into new businesses, restructure, improve performance, cost sharing, pooling of resources and in developing products, technologies and resources enabled the organization to strategically respond to the globalization. Organizations integrated IS/IT, engaged in

research and development in production of new products, changed production techniques and product mix and became more innovative leadership with technical and innovative motivational style of management and differentiated products to suit the market needs and forming industry networking with suppliers and other stakeholders. There were products tailored for international customers. This is in line with Geringer et al. (1989), who stated that increased international diversity may increase a firm's ability to share activities of different geographic areas providing greater opportunities to achieve economies of scale in critical functions such as R&D and manufacturing over a broader base.

It was revealed that organizations has formed strategic alliance with firm in foreign market, undertaken restructuring and undertaking turn round measures like rebranding of products. The company has forged joint ventures with international strategic partners. Implementing product positioning in the market, focusing on target market and enhancing efficient product delivery as well as manufacturing quality products are the strategic responses used in organization competitive positioning due to globalization.

The study reveals that designing and implementation of new manufacturing models to produce variety of products and adhering to set regulations in manufacturing process are ways in which organization adapts in response to globalization issues. Organizations implements new ideas in manufacturing in response to stakeholders needs and acquires new and advance equipment for improving manufacturing process as a way to adopt response strategies to globalization issues. The adopted measures to globalization by the organization were effective.

Strict regulations, high competition, technical challenges and fraud are the challenges that organization faces in implementation response strategies to globalization. Limited market access, poor reputation, poor relationships with the government and the public, corruption and high cost of labor are the globalization matters that challenges the small and medium, manufacturers enterprises in Nairobi, Kenya. Globalization also challenges firms to become more streamlined and efficient while simultaneously extending the geographic reach of their operations.

From correlation analysis strategies adopted to cope with challenges of globalization had a strong positive relationship with challenges of globalization facing small and medium manufacturing companies.

### **5.3 Conclusion**

Managers have to face the increasing globalization of markets and competition. Kenyan firms in particular face conflicting challenges such as the need to complete their internationalization by increasing their adaptation to local needs and at the same time to make their strategies more global. This creates managers need to figure out what the global strategy is and then must successfully implement the strategy. An organization which intends to evolve as a prominent entity in this globalized arena, has to respond in a way that it does not fail to miss a single beat. This should be in aspects of domination of major markets, core product standardization, concentrating of value-adding activities, adopting uniform market positioning and marketing mix and an integrated competitive strategy.

The study concludes that continued globalization, coupled with the technological revolution led by the internet has changed the way most of the organizations and institutions operate. Environmental forces have caused changes that have brought business challenges and opportunities particularly due to globalization. The change in environment has forced most organizations to develop a global strategy based on systems that are adaptable to the ever changing external forces.

The study concludes that small and medium manufacturing companies are radically reorganizing their operating structures in response to the globalization. Adopting diversification strategies in response to globalization enhance firm productivity and improve in delivery of the services thereby improving firm competitiveness. Organizations need to have adaptability response strategies to globalization capabilities are able to decreased risk and uncertainty facing the organization due to globalization. Firms develop competitive advantage by creating value in a way that is difficult for competitors to imitate making operational effectiveness for achieving a sustainable competitive advantage. Therefore organizations are required to be flexible in order to respond to competitive and global market changes.

Small and medium manufacturing companies encounter increasing competitive pressure fuelled by globalization, legislation and the relaxing of trade barriers, as well as an increase in market expansion due to emerging technologies and innovation. Small and medium manufacturing often flourish on their adaptability and agility such as their close proximity to their customers, their openness towards new ways of working and their risk

taking approach, but many micro, small and medium enterprise are susceptible to major external shocks.

#### **5.4 Recommendation**

Based on the survey findings and available literature, the study proposes the following guidelines and strategies that small and medium manufacturing companies can use to boost their performance.

The study recommends that small and medium manufacturing companies should have a global outlook. Businesses of all sizes across the globe can interact and share information, technology and products. Small businesses should consider what global trends are affecting availability of resources, increasing or decreasing demand for products or service and where there is an unfilled need one might be able to meet. This reduces challenge to companies even when the government steps in to provide information on business trends.

The government needs to provide financial aid, counseling and other forms of assistance and protection to small and medium manufacturing companies and is a good model for African countries to adopt.

#### **5.5 Limitations of the Study**

Time constraint was a limiting factor because the study had to be concluded within a short time. Availability of funds was also a limiting factor to the study since the researcher was self-sponsored. There was no assurance that the respondents would return

all the questionnaires duly completed, neither was there a guarantee that the interviewers would respond to all the questions put forward to them comprehensively.

### **5.6 Recommendations for future research**

The study established the strategies adopted by small and medium manufacturer enterprises to cope with challenges of globalization in Nairobi, Kenya. Further studies are required to establish the impact of the strategies adopted by small and medium manufacturer enterprises to cope with challenges of globalization in Nairobi, Kenya.

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## APPENDICES

### Appendix I: Questionnaire

Please respond to questions in this questionnaire. All answers will be used for academic purpose only. Your information will be confidential. Tick appropriately

#### Section A: Back ground information

1. Name of the respondent (optional).....
2. How long have you been in this organization?  
0-5 yrs [ ] 6-10 yrs [ ] 11-15 yrs [ ] Over 16yrs [ ]
3. How long have you been in your current position?  
0-2 yrs [ ] 3-5 yrs [ ] 6-9 yrs [ ] Over 10 yrs [ ]
4. How is your annual profits range in Kenya shillings?  
0-50 millions [ ] 51-100 million [ ] 101-200 million [ ] 201-400 million [ ]  
401- 600 million [ ] Over 601 million [ ]

#### Section B: Challenges and Strategic Responses to Globalization

5. Has your organization responded to global business in SMEs sector?  
Yes [ ] No [ ]  
Give reasons for your answer.....
6. To what extent do the following factors challenge operations at your organization?

(1= Not at all. 2= Less Extent. 3= Moderate Extent. 4 = Great Extent & 5=Very Great Extent.)

Statement	1	2	3	4	5
Technological advancement					
Competition due to entry of foreign firms					
Legal changes					
Labour laws					

List other factors that influence operation at your organization.....

7. To what extent would you say your organization have adopted the following in response to rapid globalization trends?

(1- very great extent, 2- great extent, 3-some extent, 4- less extent, 5 – not at all )

Statement	1	2	3	4	5
The organization have merged other institution outside Kenya					
The organization has formed strategic alliance with firm in foreign market					
The company has forged joint ventures with international strategic partners					
The organization undertaken restructuring .e.g. infrastructure development and improvement					
Undertaking turn round measures like rebranding of products etc					
Outsourcing non-core business activities in order to concentrate with core business activity in order to gain a competitive edge.					

8. To what extent does your organization adopt diversification strategies in response to globalization?

- i. Not at all [ ]
- ii. Less Extent [ ]
- iii. Moderate Extent [ ]
- iv. Great Extent [ ]
- v. Very Great Extent [ ]

Give reasons for your answer.....

9. To what extent does your organization adopt the following strategies due to change in globalization?

(1= Not at all. 2= Less Extent. 3= Moderate Extent. 4 = Great Extent & 5=Very Great Extent.)

Statement	1	2	3	4	5
Becoming more innovative					
Leadership with technical and innovative motivational style of management					
Forming industry networking with suppliers and other stakeholders					
Integrated IS/IT					
Join the competition foreign market					

Engage in research and development in production of new products					
Differentiating products to suit the market needs					
Change production techniques and product mix					
specialist staff recruitment to acquire high skill human resources					

10. Does your organization have products tailored for international customers?

Yes [ ] No [ ]

If yes which ones name them?

.....

.....

.....

.....

11. To what extent do you agree with the following statement concerning your organization competitive positioning as strategic responses due to globalization?

(1=means strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree)

Statement	1	2	3	4	5
Manufacturing quality products					
Focusing on target market					
Implementing product positioning in the market					
Enhancing efficient product delivery					

12. To what extent do you agree with the following statement concerning your adaptability response strategies to globalization?

(1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5- strongly agree).

Statement	1	2	3	4	5
Implementing new ideas in manufacturing in response to stakeholders needs					
Adhering to set regulations in manufacturing process					

Acquiring new and advance equipment for improving manufacturing process					
Designing and implementation of new manufacturing models to produce variety of					

13. What other strategies has your organization done to implemented in response to globalization force?

.....  
.....  
.....  
.....

14. How would you rate the effectiveness of the adopted measures to globalization by your organization?

- i. High effective [ ]
- ii. Moderately effective [ ]
- iii. Somewhat effective [ ]
- iv.** Less effective [ ]
- v. Not effective [ ]

15. What challenges does your organization faces in implementation response strategies to globalization?

High competition	Yes [ ]	No [ ]
Technical challenges	Yes [ ]	No [ ]
Fraud	Yes [ ]	No [ ]
Strict regulations	Yes [ ]	No [ ]

Others specify .....

.....  
.....  
.....  
.....