

**THE INFLUENCE OF CULTURE IN THE OPERATION
OF SELECTED MULTINATIONALS (MNCs) IN KENYA**

BY

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DECLARATION

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

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D61/P/7256/2003

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

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DEDICATION

This project report is dedicated to my family and friends for their love, support and encouragement during the entire period of my studies.

“The future belongs to those who believe in the beauty of their dreams.”

ABSTRACT

The purpose of the research study was to determine the influences of culture on the operations of multinational corporations in Kenya. The study in particular sought to determine the language factor as a cultural influence, examine the effects of education on culture, and identify the social institutions that influence culture in MNCs. Further the study sought to determine the values and attitudes that influence culture in the business operations of multinational corporations, establish the influence of religion and also identify the manners and customs that have impact on the operations of the MNCs. Operating in ways that are congruent with a firm's cultural contexts can improve business performance. For multinational companies, some variation in operating practices across locations is normally required. And as companies push further with variation across locations, complementary moves such as decentralization of decision-making and indigenization of in-country management teams can support a company's ability to be responsive to local conditions. At the extreme, a multinational becomes so localized that it gives up all of its potential interactional synergies and performs no better (and perhaps even worse) than a series of separate local firms would. Therefore, managing adaptation (to cultural as well as other types of differences) entails finding ways to limit the need for and/or cost of variation. Cultural differences remain persistent and present an array of challenges for multinational companies. Firms that manage adaptation effectively are able to achieve congruence in the various cultures where they operate while extending their main sources of advantage across borders, and in some cases even making cultural diversity itself a source of advantage. This study endeavours to determine the influences of culture on the operations of multinational corporations in Kenya. The study was able to meet this objective by employing a descriptive research design. The main tool for data collection for this study included a questionnaire for the major multinational corporations operating in Kenya, these were a total of 20 companies. In both practice and theory, the cultural distances between countries do vary and hence affecting business decisions of companies operating in cross nations. The study found cultural factors such as religion, education, language, cultural infrastructure, social institutions, values and attitudes, and manners and customs to influence the way multinational companies carries out their operations. Different factors have unique influence, education plays a major role in the passing on and sharing of culture, social institutions affects the buying power and decision making positions as well as the consumption patterns of a society. Religion on the other hand provides a basis for trans-cultural similarities and influences consumption of goods and services as well as consumptions patterns. The study found that the culture of the society is highly influential on the performance of the firm in a given society and recommends companies to understand societal culture and align their internal cultures with those of the society they are investing and operating in so as to gain from the culture.

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LIST OF ACRONYMS & ABBREVIATIONS

CEOs	:	Chief Executive Officers
IB	:	International Business
MDs	:	Managing Directors
MNCs	:	Multinational Corporations
MNEs	:	Multinational Enterprises
PESTEL	:	Political- Economic – Socio- Technological Environmental and Legal Factors
R&D	:	Research and Development
RBV	:	Resource-Based View

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Multinational Corporations (MNCs) have played a major role in international trade for several centuries. A number of multinational corporations from developing economies are becoming key players in the global economy. Multinational corporations engage in very useful and morally defensible activities in Third World Countries for which they frequently have received little credit. Significant among these activities are their extensions of opportunities for earning higher incomes as well as the consumption of improved quality goods and services to people in poorer regions of the world. Compared to local firms, multinational corporations provide developing countries with critical financial infrastructure and enormous resource for economic and social development (Ogutu and Samuel, 2011).

One of the most significant developments since World War II is the increasing internationalization of business. Although business has been conducted across national boundaries for centuries, during the last three decades business dealings on a global scale have dramatically escalated. Initially, only innovative/risk taking corporations around the world turned their attention to international business in order to maintain a competitive edge in a dynamic market place. But slowly, even hitherto strictly domestic firms have been forced into looking beyond national frontiers for their economic survival (Jain and Tucker, 1995).

Multinational Corporations operate in a global environment unfamiliar in political, economic, social, cultural, technological and legal aspects. Increased competition among multinational corporations and the entry of other players in the Kenyan market

necessitate the design of competitive strategies that guarantee performance. Creating strategies to cope with cultural influence is critical for the long term survival of any organization (Ogutu and Samuel, 2011).

In this new millennium, few executives can afford to turn a blind eye to global business opportunities. Japanese auto-executives monitor carefully what their European and Korean competitors are up to in getting a bigger slice of the Chinese auto-market. Executives of Hollywood Movies studios need to weigh the appeal of an expensive movie in Europe and Asia as much as in the US before a firm commitment. The globalizing wind has broadened the mindsets of executives, extended the geographical reach of firms, and nudged international corporations business (Guillen, 2001).

Conventional wisdom holds that the national cultural differences between countries will significantly impact on cross-national business relationships between firms from different countries and cultures. Culture is considered as a nebulous construct that is difficult to define (Triandis et al, 1986) and is posited to be subject to change over periods of time. It is however complex to understand how these culture differences translate into influencing multinational corporations business relationships.

1.1.1 Concept of Culture in Multinational Corporations

Conceptualization of culture will necessarily give rise to a more complex view of its effects. Culture can be an antecedent, a moderator or a mediator, and a consequence, and its effects may be domain-specific and are subjected to boundary conditions. Much research on culture and international business tends to focus on main effects of culture. The immediate challenge for the field is to map out other more complex effects of culture routinely into substantive theories, so that cultural elements

constitute a major type of building block for theoretical models in IB (Newman and Nollen, 1996).

In both practice and theory, the cultural distances between countries vary (Hofstede, 1980). Barkema (1996) implored the impact of national culture on modes of foreign entry and ownership structure, and implored future researchers to be attentive to the differences between cultural blocs. Although cultural differences bear on the management of joint ventures, the selection of a specific foreign joint venture partner has important implications on the scope and breadth of a firm's global strategy.

Although at the stage of commitment both parties are keen on doing business with one another, companies in masculine cultures are posited to be relatively performance-driven (Kale and McLyntyre, 1991). Their adversarial management style might not be entirely compatible with the relationship marketing philosophy of maintaining and enhancing customer relationships.

A multinational corporation consists of geographically dispersed and goal-disparate organizations that include its headquarters and the different national subsidiaries, such an entity can be conceptualized as an inter-organizational network that is embedded in an external network consisting of all other organizations such as customers, suppliers, regulators, and so on, with which the different units of the multinational must interact (Jain and Tucker, 1995).

1.1.2 Multinational Corporations in Kenya

Multinational Corporation is a corporation that has its facilities and other assets in at least one country other than its home country. Such companies have offices and /or factories in different countries and usually have a centralized head office where they

co-ordinate global management. Nearly all major multinational are either American, Japanese, or western European, such as Nike, Coca-cola, Wal-Mart, AOL, Toshiba, Honda and BMW. Advocates of multinationals say they create jobs, wealth and improve technology in countries that are in need of such development. On the other hand, critics say multinationals can have undue political influence over governments, can exploit developing nations as well as create job losses in their own home countries (Caves, 1982).

There are many companies with their origins in Kenya. Safaricom, a mobile network operator, is the largest company by market value and has revenues of around US\$ 1 billion (2009). Among many multinational affiliates operating in Kenya are; Barclays Bank, British American Tobacco (BAT), Standard Chartered Bank, Unilever, Toyota Tsusho East Africa, Mitsubishi Corporation, Citi Bank NA, BAT (k) Ltd, Coca-Cola Africa and General Motors (K) Ltd. There are a total of 40 major multinational corporations/enterprises operating in Kenya, spanning all sectors of the economy (Oloko and Ogutu, 2012).

1.2 Research Problem

In effectively managing its global operations, a multinational corporation has a degree of choice in the type of control relationship it has with each individual overseas subsidiary. Because no organization in the real world is actually a pure “ideal type”, all organizations employ a mixture of both cultural and bureaucratic control mechanisms. Those organizations that are classified as having cultural control have a more pervasive organizational culture and rely more heavily on this culture for control than do their bureaucratic control counterpart.

As an overseas subsidiary is usually quite distant from the headquarters, the interactions between organizational culture units occur via a relatively limited and definable set of channels. Furthermore, an overseas subsidiary is usually created by the headquarters, giving the headquarters great influence on how it will ultimately be managed. Thus particularly in the case of the headquarters-subsidary relationship, the headquarters of a multinational firm can exercise a choice in the control system employed and the extent of delegation, in regard to cultural differences of the subsidiary firm.

Several studies have been carried out on multinational corporations operating in Kenya. Mutiso (2012) undertook a study on multinational enterprises and host nations: contribution by coca-cola to Kenya's economy. Muthoka (2008) undertook a study, a survey of strategy-structure relationship in multinational banks operating in Kenya. Gichuki (2012) carried out a study on the effect of multinational Chinese firms in competition with the local firms in Kenya. Ogutu and Nyatichi (2012) undertook a study on competitive strategies adopted by multinational banks in Kenya. Mutambah (2012) undertook a study on entry strategies adopted by multinational manufacturing companies in Kenya. There is no single study which has been undertaken on the influence of culture in the operation of multinational corporations and enterprises operating in Kenya. This study therefore is meant to establish the cultural influence on the operations of multinational corporations in Kenya.

Therefore this clearly indicates that no study has been undertaken on the influence of culture in the operation of multinational corporations in Kenya. The knowledge gap necessitates this research study to be conducted "what influences does culture have on the operations of multinational corporations in Kenya?"

1.3 Research Objective

The study objective was to determine the influences of culture on the operations of multinational corporations in Kenya.

1.4 Value of the Study

This study will be beneficial in a number of ways;

It will assist academicians and scholars interested in issues pertaining to cultural influences in the operations of multinational corporations, especially in the foreign countries.

It will assist the management of multinational corporations in formulation of policies, standards, guidelines and procedures for tackling and handling influences emanating from cultural related factors in their business operations.

It will act as a useful resource for the government both host and foreign in understanding the need and usefulness of combating cultural differences in their business operations. It will be a blueprint for policy making for the governments.

It will also add into the foundation that is being laid in research on the various cultural differences that influence the operations of multinational corporations in the overseas branches, especially in the developing countries.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses essential issues that form the background of the study. It is organized systematically starting from the theoretical literature, main discussion, empirical evidence on operations of multinational corporations and eventually the summary.

2.2 Theoretical Foundation

Many of the extant theories of culture used in managerial studies have come under considerable criticism (e.g. culture universals, high and low context cultures, self-reference criterion) (Jack and Desmond, 1996). Few studies have received as much support and praise as Hofstede's (1984) examinations of the influence cultural differences have on work-related values between the members of different societies resulting in the creation of five indices of culture; uncertainty avoidance (UAI), power distance (PDI), masculinity (MAS), individualism (IDV), and long-term orientation (LTO). Hofstede (1984) argues that people carry 'mental programs' which highlight the differences in values between people from different countries and that are developed in the family in childhood and receive reinforcement from various bodies such as educational establishments and other organizations such as religious institutions.

2.2.1 The Stages Approach Theory

Multinational Enterprises (MNEs) are believed by many people to evolve only after a period of domestic maturation and home market saturation (Caves, 1982). Empirical researchers have in the past found that large, mature MNEs/MNCs and small

exporters go through distinct stages in the development of their international business. They begin perhaps with an unsolicited foreign order, proceed sometimes through exporting and the development of an international division, and occasionally advance to the establishment of a fully integrated global enterprise (Czinkota and Johnston, 1991).

This staged development of firm internalization is described as an incremental risk-averse and reluctant adjustment to changes in a firm or its environment. The process preserves routines that bind organizational coalitions, and recognizes the difficulty of gaining knowledge about foreign markets. Differences in language and culture and in the past, the slow speed of communication and transportation channels between countries have inhibited the gathering of information about foreign markets and have increased the perceived risks of foreign operations (Johanson and Vahlne, 1990).

2.2.2 The Resource-Based View

The resource-based view (RBV) of a firm has become an influential theoretical perspective in recent international business (IB) research. The theory provides a state-of-the-art review of the substantive work through a proposed organizing framework, focusing on multinational management, strategic alliances, market entries, international entrepreneurship, and emerging markets strategies. It has also been observed that a key insight in traditional international business is that MNCs face a substantial “liability of foreignness”, which leads to nontrivial costs. To overcome such a liability RBV extends these perspectives by specifying the nature of these resources and capabilities, such as administrative heritage, organizational practices and bargaining power (Peng, 2001).

Hofstede (1994) increased the influence of the minority. But culture was still thought of as “out there” and thus of little point occurred when culture started to be conceived of as “inside” the person. This view argued that the psychological processes have a cultural component and influences a firm’s business operations.

Hofstede (2001) observed that cultural diversity in resource-based view of a firm among countries persists to influence business outcomes. New technologies might even intensify the cultural differences between and within countries. Ethnic groups around the world observe the lifestyles and cultural values of other countries, and some are interested adopting part of the lifestyle and values, but others reject it completely.

2.2.3 Social Identity Theory

Social identity theory has commonly been examined in relation to membership in social groups and national cultures. However the global environment creates a new collective and impersonal entity that affects people’s identity. Global identity means that people develop a sense of belongings to a worldwide culture, by adopting practices, styles, and information that are part of the global culture (Arnett, 2002). However in parallel, people continue to hold their local identity as well, based on their socialization to their local culture.

Top-down processes from the global culture to the individual level may lead to changes in the self as cultural values are represented in the self and social identities. Self-identity differentiates one person from another, whereas social identity is based on the groups in which one participates (Tajfel and Turner, 1979).

2.3 Socio-Economic-Political-Environmental and Legal Factors

Influence

The plea of studying the effects of culture in conjunction with socio-economic political variable is not new, but our review has provided specific theoretical rationale and concrete directions for such research efforts. Cultural change is intertwined with socio-economic-political variables, and that these contextual variables may also add to, moderate, and/or mediate the effects of culture. Culture may relate to socio-economic-political-environmental and legal (PESTEL) variables in complex ways, and a simple consideration of their joint effects is inadequate (Jain and Tucker, 1995).

Many multinationals are confronted with either pooled or sequential interdependence. Under conditions of pooled interdependence, headquarters has the maximum number of degrees of freedom. Sequential interdependence requires more coordination (that is, centralization) between headquarters and subsidiary and is more likely to occur when multinational corporations follow strategies of global rationalization either voluntarily or as a result of demand made by host governments to export a percentage of outputs as a necessary condition for permission to invest (Ogutu and Samuel, 2011).

Regardless of the type of interdependence, under conditions of high environmental uncertainty some degree of delegation should be provided to subsidiary management so that they may be more responsive to their local environment. Conversely, centralization could be extensive under conditions of low uncertainty. Under conditions of low cultural proximity, employment of cultural control systems would probably not be worth the expenditure. Where cultural proximity is high, socialization

and indoctrination can be carried out more effectively, and use of cultural control would permit a higher level of delegation (Ansoff and McDonnell, 1990).

A number of concerns are associated also with an organization's use of a cultural control system. An important one is that of costs and the limited ability of the system to handle turnover. If multinational firms were strongly committed to a cultural difference it would probably have to sacrifice some economies of scale, thereby further increasing costs. Furthermore, if demand fluctuates widely, the firm would not be able to adjust its labour force accordingly. Hence companies that operate in industries that are extremely price-competitive and cost-sensitive or are very cyclical may have a limited ability to utilize cultural control systems. The effects of new technologies on improving efficiencies of multinational and global corporations are well known, but it is not known how these new technologies, especially computer-mediated communication and the internet, might create significant shifts in the cultural patterns of different ethnic groups.

Another concern could arise from the fact that a firm employing cultural control import into a host country a culture that may be distinctly different if cultural proximity is low. Most host governments generally keep an eye on movements of capital and technology but are rarely alert to cultural influences in specific cases. Whether the importation of this culture is positive or negative is difficult to assess generally. If the company culture is in serious conflict with local laws or customs, it might be difficult for the company to change its behaviour in order to comply with them, especially if this culture is constantly reinforced by headquarters. Japanese firms have had such problems in imposing their organizational culture in their Asian subsidiaries (Kobayashi, 1992).

2.4 Elements of Culture

Attempts to understand culture have led to the development of many generalizations intended to provide insight into the way of life of any group of people. Cultures are typically described and compared according to such concrete elements as language, infrastructure, social institutions, education, or such abstract elements as religion, values and attitudes, manners and customs, and aesthetics (Czinkota et al, 2009).

2.4.1 Language as a Cultural Factor

Language has been described as the mirror of culture. Language itself is multi-dimensional. This is true not only of the spoken word but also of the non-verbal language of international business. The manager's command of the national language(s) in a market must go beyond simple word recognition. For example, how dramatically different English terms can be when used in the United Kingdom or the United States. In negotiations, for example when US delegates speak of "tabling a proposal", it means that they want to delay a decision, but their British counterparts understand the expression to mean that immediate action is to be taken (Jack and Desmond, 1996).

Language capability serves four distinct roles in international business; (1) language aids information – gathering and evaluation. Fluency in the language diminishes the manager's dependence on the perceptions and opinion of others. The best intelligence on a market is gathered by becoming part of that market rather than by observing it from the outside. This is why managers of a multinational corporation should be the firm's primary source of political information; they are in the best position to assess potential risk and opportunity (Kobayashi, 1992). (2) Language provides access to local society. People are far more comfortable speaking their own language, and this should be treated as an advantage. Although English may be widely spoken and may

even be the official company language, conversing in the local language can make a dramatic difference. 3) Language reduces the risk of errors. The ability to speak fluently without the use of an interpreter ensures accuracy of communication. (4) Language extends beyond the mechanics of communication into the accurate interpretation of cultural contexts that may influence business operations. Understanding national and cultural differences in the concept of time is critical for an international business manager in many parts of the world, time is flexible and is not seen as a limited commodity, people come late to appointments or may not come at all (Jack and Desmond,1996).

2.4.2 Cultural Infrastructure

A culture's infrastructure is directly related to how society organizes its economic activity. The basic economic infrastructure consists of transportation, energy, and communications systems. Social infrastructure refers to housing, health and educational systems. Financial and marketing infrastructures provide the facilitating agencies for a multinational firm's operation in a given market. In some parts of the world the multinational firm may have to be a partner in developing the various infrastructures before it can operate, whereas in others it may greatly benefit from their high level of sophistication. Technological advances often influence the pace of cultural change. Due to such influences consumers seek more diverse products as a way of satisfying their demand for a higher quality of life (Czinkota and Johnston, 1981).

2.4.3 Education as a Cultural Factor

Education either formal or informal plays a major role in the passing on and sharing of culture. Educational levels of a culture can be assessed using literacy rates,

enrolment in secondary education, or enrolment in higher education available from secondary data sources. Multinational firms also need to know about the qualitative aspects of education, namely varying emphasis on particular skills and the overall level of the education provided. Japan and South Korea, for example, emphasize the sciences, especially engineering to a greater degree than western countries (Czinkota et al, 2009).

Education also affects the types of new products introduced and the manner in which they are sold and marketed. For instance, a high level of illiteracy suggests the use of visual aids rather than printed manuals. Successfully marketing of sophisticated technologies depends greatly upon the educational level of prospective users. Product adaptation decisions are often influenced by the extent to which targeted customers are able to, or can be educated to use the good or service properly (Hofstede, 1984).

2.4.4 Social Institutions

Social institutions affect the ways people relate to one another. The family unit which in western industrialized countries consists of parents and children, in a number of cultures is extended to include grandparents and other relatives. This affects consumption patterns and must be taken into account. The division of a particular population into classes is termed as social stratification. Stratification ranges from the situation in Northern Europe where most people are members of the middle class, to highly stratified societies in which the higher strata control most of the buying power and decision-making positions (Hofstede, 1984).

Social organization also determines the roles of managers and subordinates and how they relate to one another. In some cultures, managers and subordinates are separated explicitly and implicitly by various boundaries ranging from social class status to

separate office facilities. Fitting an organizational culture to the larger context of a national culture has to be executed with care (Czinkota et al, 2009).

2.4.5 Religion as a Cultural Factor

In cultures the world over, people turn to religion in search of a reason for being and legitimacy in the belief that they are part of a larger context. Religion both acknowledges the existence of a higher power and defines certain ideals for life, which in turn are reflected in the values, attitudes, and behaviours of societies and individuals. As well as providing insight into the differences between cultures, religion provides a basis for trans-cultural similarities as peoples from different nations share similar beliefs and behaviours (Czinkota et al, 2009).

In the context of international business the influence of religion is evident, for example in attitudes toward entrepreneurship, consumption and social organization. International managers must be aware of the differences not only among the major religions but also within them. In Hinduism, for example people are divided into subgroups that determine their status and to a large extent their ability to consume (Hofstede, 1984).

Religion impacts the types of goods and services it is possible to bring into new markets. When beef or poultry is exported to an Islamic country the animal must be killed in the *halal* method and certified appropriately. Religious restrictions on products (for example, alcoholic beverages) can reveal opportunities, as evidenced by successful launches of several non-alcoholic beverages in the Middle East. Other restrictions may call for innovative solutions like the use of video cameras to monitor building projects inside the city of Mecca, where non-Muslims are not allowed access (Czinkota et al, 2009).

2.4.6 Values and Attitudes

Values are shared beliefs or group norms that have been internationalized by individuals. Attitudes are evaluations of alternatives based on these values. Differences in cultural values affect the way business planning is executed, decisions are made, strategy is implemented, and personnel are evaluated (Czinkota et al, 2009).

Cultural attitudes are not always a deterrent to foreign business practices or foreign goods. Japanese youth, for instance display extremely positive attitudes toward western goods, from popular music to Nike sneakers to Louis Vuitton haute couture to Starbucks lattes. While products that hit the right culture buttons can be huge successes in foreign markets, not all brands will translate easily from one culture to another (Hofstede, 1984).

2.4.7 Manners and Customs

Manners and customs provide clues to culture and are influenced by religion, values, and attitudes. Manners and customs influence the ways in which different cultures use products. Understanding manners and customs is especially important in business negotiations, because interpretations based on one's own frame of reference may lead to incorrect conclusions. Americans for instance tend to interpret inaction or silence as negative signs, while the Japanese use silence to get business partners to sweeten a deal (Czinkota et al, 2009).

2.5 Empirical Evidence

A study by Eren-Rein et al (2004) demonstrated how a multinational company that acquired an Israeli company that develops and produces medical instruments changed organizational culture of the acquired company. The study identified a cultural gap between the two companies, with the Israeli company being higher on the cultural

dimensions of attention to detail and conformity to rules and standard as compared with the acquiring company.

Schwartz (1994) has identified seven cultural-level dimensions of values; conservation, intellectual autonomy, effective autonomy, hierarchy, Egalitarian, commitment, mastery, and harmony. These dimensions have been used to predict cultural differences, including focus on control and work-related issues, such as the sources of guidance that managers relied on, and capital structure have identified two cultural-level dimensions from an analysis of managerial values.

Studies from both the field of anthropology and management science have concluded that most human behaviour is mediated by culture (Hofstede, 1984). Nevertheless, there are a growing number of scholars who are becoming disconnected with this notion, instead advancing the argument that cultural differences are overrated and insignificant. Furthermore there is little evidence to illustrate the impact of culture on international business. A growing number of studies suggest that culture does not pervade all aspects of beliefs and values that the individual possesses, thus contributing to the general argument that cultural influences are limited (Markoczy, 2000).

Ralston et al (1999) also offer empirical evidence to suggest that there is a new generation of Chinese manager who is individualistic and more likely to act independently (albeit while not forsaking their confusion values) in what is a culture of managerial values, content that being a manager is a way of life that transcends a country's cultural values.

Triandis (1988) argued that this in-group concept is considered significant in collectivistic cultures, in which the needs, goals and beliefs of the in-group often take

precedence over those of the individual. Hofstede and Triandis (1994) in a collectivist culture like the Chinese, people emphasize fitting in with and belonging to the in-group, and they focus on 'we' identity.

2.6 Summary

We have seen that operating in ways that are congruent with their cultural contexts can improve business performance. So it's clearly a bad idea to simply ignore cultural differences. For multinational companies, some variation in operating practices across locations is normally required. And as companies push further with variation across locations, complementary moves such as decentralization of decision-making and indigenization of in-country management teams can support a company's ability to be responsive to local conditions. At the extreme, a multinational becomes so localized that it gives up all of its potential interactional synergies and performs no better (and perhaps even worse) than a series of separate local firms would. So managing adaptation (to cultural as well as other types of differences) entails finding ways to limit the need for and/or cost of variation.

Cultural differences remain persistent and present an array of challenges for multinational companies. Firms that manage adaptation effectively are able to achieve congruence in the various cultures where they operate while extending their main sources of advantage across borders, and in some cases even making cultural diversity itself a source of advantage.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section presents the procedures that were used to conduct the study. The section focuses on research design, target population, sample and sampling procedures, research instruments, data collection and data analysis and interpretation procedures.

3.2 Research Design

This study adopted a descriptive research design. This is because the study aims at giving an accurate description on the influence of culture in the operation of multinational corporations in Kenya. A descriptive research is more rigorous than exploratory research and seeks to find out the who, what, when and how aspects of research (Cooper and Schindler, 2006).

This study is a cross sectional survey research. It is deemed appropriate because the research involves seeking information from personal experiences of people in the international business. A cross-sectional study is done on the sample population to make measurements at a specific point in time, (Lewis, Saunders & Thornhill, 2011).

3.3 Target Population

Population is the entire group of individuals, events and objects having common characteristics (Mugenda and Mugenda, 2003). According to Cooper and Schindler (2006) population is the total collection of elements about which a researcher wishes to make some inferences. The target population of this research comprised of all major multinational corporations operating in Kenya, these are a total of 40 companies.

3.4 Sample Size and Sampling Technique

The research selected 20 corporations/enterprises from the entire list of the major multinational corporations/enterprises operating in Kenya. Mugenda and Mugenda (2003), suggests that 50 percent is desirable in a population of this magnitude. Therefore 20 corporations/enterprises is a proportion of 50 percent of the 40 multinational organizations operating in Kenya. The sampling technique used to select the companies for the study was simple random sampling where all the 20 companies were listed in a strata, and the researcher picked those with even numbers, starting with 2, 4, 6, 8.....40. This was repeated until the desired population of 20 companies was attained. The respondents in each of the 20 chosen groups were obtained through stratified random sampling depending on their career position within the firm as either support staff, middle level managers, upper level managers or MD/CEO. Four (4) respondents were selected for the study from each corporation to represent the support staff, Middle level managers, senior management and C.E.Os/MD through stratified random sampling making a total of 80 respondents.

3.5 Data Collection Instrument and Procedures

The study collected both primary and secondary data. For the primary data, a semi-structured questionnaire was used to collect data. According to Mugenda and Mugenda (2003) questionnaires are suitable to obtain important information about the population. Orodho (2004) said this method reaches a large number of subjects who are able to read and write independently. The influence of culture in the operation of multinational corporations questions were used in order to obtain specific information by providing a list of possible alternatives from which the respondents select the answer that best describe their opinion, while benefits accruing from the influence of

culture in the operations of multinational companies in both the host country and allow respondents to express their feeling and opinion. This study collected information from the study sample from each of the selected multinational corporations operating in Kenya. A total number of eighty (80) respondents from the different departments in each company were to be targeted. Secondary data, on the other hand entailed the review of documentaries such as organization journals and statements of accounts and other related business operations to derive the required information.

3.6 Data Analysis

Data from the field was edited and coded according to themes which emanate from the research objectives and questions. Descriptive statistical techniques were employed in data analysis. The coded data was analyzed using the statistical package for social sciences (SPSS). Descriptive statistics such as mean and percentages were utilized to analyze demographic information and the Likert type of responses. Responses obtained from questionnaires were organized, tabulated and analyzed through the use of simple frequencies and percentages.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study. The findings are presented using tables, charts, graphs and simplified discourse. A brief explanation accompanies each figure so as to make the findings more user-friendly and easy to understand.

4.2 Demographic Analysis

4.2.1 Age Distribution, Marital Status and Gender of the respondents

The study looked at the age distribution of its respondents as well as their gender and the following was observed as represented in figure 4.1 below.

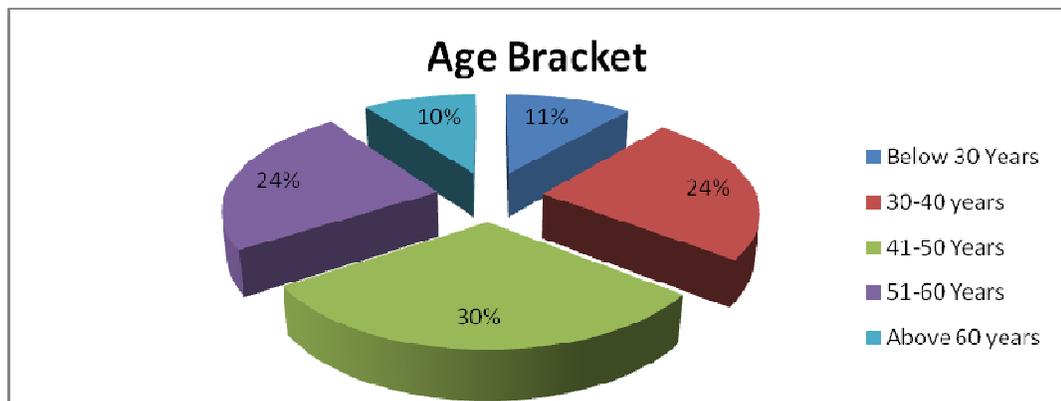


Figure 4.1 Age distribution

Source: Author

Most of the respondents (65%) were observed to be at the age of less than 50 years distributed as, 30% for 41-50 years, 24% for 31-40 years and 11% for below 30 years). The remaining 34% of the respondents were aged 50 years and above distributed as 24% at 51-60 years, and 10% at above 60 years. Since the respondents were selected through random sampling only stratified by their position of work, the distribution may be used as a presentation of the general age distribution of

employees in multinational corporations in Kenya. The gender distribution for the same case was observed to be as below.

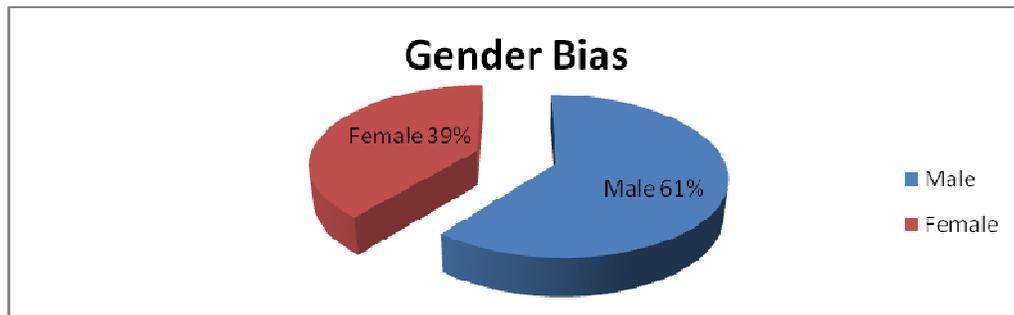


Figure 4.2: Gender of the respondents

Source: Author

Most of the respondents that were randomly selected for the study were made up of male employees (61%) in the multinational corporations, while only 39% of them were female employees. This is a clear indication that the number of female employees in these corporations is lower than that of their male counterparts. The respondent marital status were as shown below.

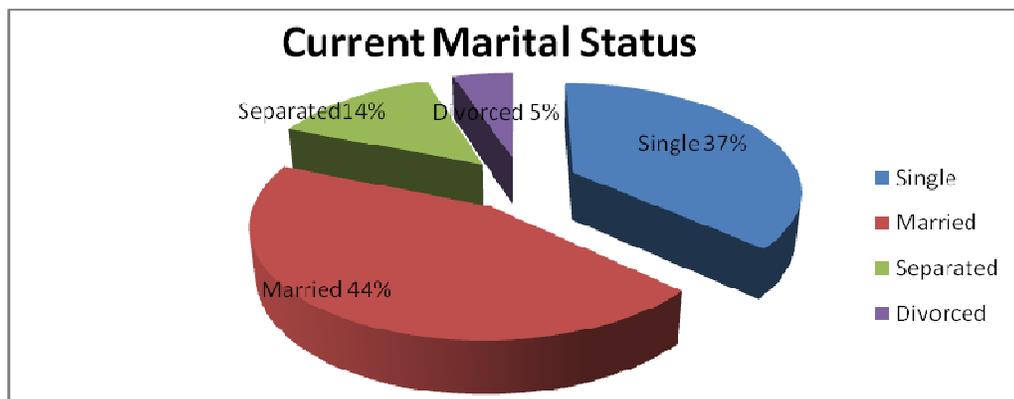


Figure 4.3: Marital Status of respondent

Source: Author

The study found that most of the respondents were married (44%) while 37% were single. Only 14% of the respondents had separated in their marriage and 5% had been divorced.

4.2.2 Period of Service in the Corporation

The study also probed on the period of service of the respondents on the firm of interest so as to assess the reliability of the information offered. The following figure represents respondents' length of service in the organization.

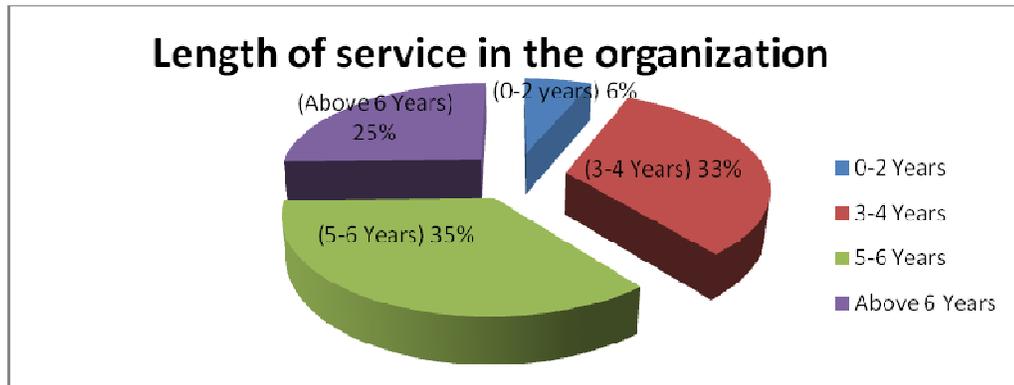


Figure 4.4: Length of service in the organization

Source: Author

Most of the respondents (94%) who were involved in the study had been in the firm for more than three years, a period that is enough for one to fully understand the operations and cultural setup of the firm. Only 6% of the respondents had spent less than 2 years in the firms of interest. The respondents were distributed as follows: Less than 2 years (6%); 3-4 years (33%); 5-6 years (35%) and above 6 years (35%).

4.2.3 Education Background

The study looked at the education background of the respondents and the following were the observations ascertained from the analysis.

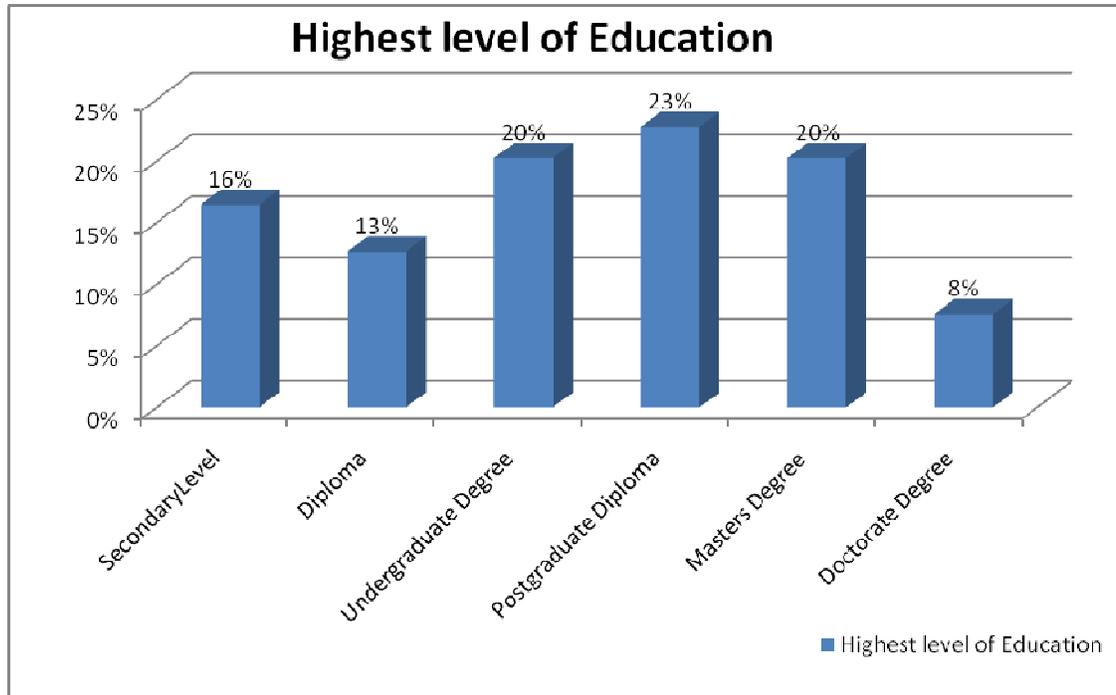


Figure 4.5: Education level

Source: Author

The respondents in the study were observed to be highly educated with more than half the respondents (51%) having attained at least a post graduate diploma level. It was also noticed that most of those who had lower education background were mainly in the support staff level within the firms. They were distributed as follows: Doctorate, 8%; masters, 20%; post graduate diploma, 23%; Undergraduate degree, 20%; Diploma, 13%; and Secondary level, 16%. This shows the education distribution of the organizations and the distribution can be used to understand the firm’s culture on education.

4.2.4 Position of the respondents in the firm

The study enquired on the current position of its respondents within the firms involved in the ‘study and the following table shows the observations.



Figure 4.6: Position in the company of the respondent

Source: Author

Since the study stratified its sample on the basis of the position within the firm, equity in distribution of the positions was observed, which doesn't mean that each position holds equal number of employees. All the positions acquired a 25% representation level in each and every firm but only the middle level managers lacked a representative in one of the companies hence were represented by 24% of the total respondents.

4.3 Company Culture

4.3.1 Perception of Company's Culture and its Operations

The culture of the firm is an integral part of its operational structure and has been of influence in most of the firms strategies. The study looked at the influence of the firm on its different areas of operations and the outcomes of the study are as presented in the table below.

Table 4.1 Company's culture

	To a Very Low Extent	To a low extent	To a moderate extent	To a great extent	To a very great extent	Total	Mean
Persistence of cultural diversity to influence business outcomes	0%	19%	16%	38%	27%	100%	3.72
Psychological processes have a cultural component and influence a firm's business operations	0%	5%	19%	47%	29%	100%	4.00
Differences in language and culture inhibits gathering of information	0%	3%	8%	20%	70%	100%	4.57
New technologies intensify the cultural differences between and within countries	0%	3%	10%	24%	63%	100%	4.48
Cultural differences have work-related values between the members of different societies	0%	0%	5%	32%	63%	100%	4.58

Source: Author

Most of the respondents were of the view that persistence of cultural diversity does influence business outcomes to a great extent (63%), (38% to a great extent and 27% to a very great extent); while the rest think it affects business outcomes to a moderate extent 16% and low extent 19%. With a mean of 3.72, the study observes that company's culture influence business outcomes to a great extent.

The issue that psychological processes have a cultural component and influence a firm's business operations was observed to be agreed on to a great extent by respondents at a mean of 4.00, with 29% agreeing to a very great extent, 47% agrees to a great extent, 19% to a moderate extent and 5% to a low extent.

Most of the respondents (90%) agreed to a very great extent that differences in language and culture inhibits gathering of information with a mean of (4.57). 70% agreed to a very great extent, 20% to a great extent, 8% to a moderate extent and 3% to a low extent.

It was agreed that to a great extent (mean 4.48); new technologies intensify the cultural differences between and within countries. 63% of the respondents agreed to a very great extent, 24% to a great extent, 10% to a moderate extent, and 3% to a low extent.

It was also observed that cultural differences have work-related values between the members of different societies where the respondents agreed to a very great extent, mean 4.58. 63% agreed to a very great extent, 32% to a great extent, and 5% to a moderate extent.

4.3.2 Staff Ability in Adapting to Different Culture

The study looked at the cultural background of the staff and how they operate in the firm through them. The following were the outcomes from the study.

Table 4.2: Cultural bearing among the staff

	To a Very Low Extent	To a low extent	To a moderate extent	To a great extent	To a very great extent	Total	Mean
Staffs are constantly trying to understand themselves better; to know their strengths and weaknesses	20%	38%	30%	10%	1%	100%	3.31
Staffs respect the opinions of others; though they may not always agree with them	0%	37%	44%	10%	9%	100%	1.91
Staffs are always curious about new things, people and places	0%	22%	15%	42%	22%	100%	3.63
In unfamiliar situations, Staffs watch (or observe) and listen before reacting	0%	20%	18%	32%	30%	100%	3.71
Staffs like other people and accept them as they are	0%	15%	4%	28%	52%	100%	4.14
Staffs are able to change courses quickly	0%	22%	24%	28%	24%	100%	3.49

Source: Author

The study observed that to a moderate extent, staff are constantly trying to understand themselves better; to know their strengths & weaknesses at a mean of 3.31, that to a

low extent, staff respect the opinions of others; though they may not always agree with them at a mean of 1.91; to a great extent, staffs are always curious about new things, people and places at a mean of 3.63; to a great extent, in unfamiliar situations, staff watch (or observe) and listen before reacting at a mean of 3.72; to a great extent, staff like other people and accept them as they are at a mean of 4.14; and to a moderate extent, staffs are able to change courses quickly.

4.4 PESTLE Factors on Culture Change

The study also looked at the companies' ability to change its cultural bearing based on political, environmental, social, technological, economic and legal factors that influence cultural operations of MNC's. The table below shows the findings of the study.

Table 4.3 Pestle factors on cultural change

	To a very low Extent	To a low extent	To a moderate extent	To a great extent	To a very great extent	Total %	Mean
Many multinationals are confronted with either pooled or sequential interdependence	43%	44%	13%	0%	0%	100 %	1.70
Under conditions of low cultural proximity, employment of cultural control systems would not be worth the expenditure	54%	38%	5%	3%	0%	100 %	1.56
Where cultural proximity is high, socialization and indoctrination can be carried out more effectively, and use of cultural control would permit a higher level of delegation	3%	29%	37%	20%	11%	100 %	3.09
If a multinational firm was strongly committed to a cultural difference it would probably have to sacrifice some economies of scale, thereby further increasing costs	6%	54%	23%	14%	25%	100 %	2.52
Companies that operate in industries that are extremely price-competitive and cost-sensitive or are very cyclical may have a limited ability to utilize cultural control systems	1%	49%	14%	28%	8%	100 %	2.91
The effects of new technologies on improving efficiencies of multinational and global corporations create significant shifts in the cultural patterns of different ethnic groups	1%	23%	22%	22%	33%	100 %	3.62
If the company culture is in serious conflict with local laws or customs, it might be difficult for the company to change its behaviour in order to comply with local laws and customs	57%	39%	4%	0%	20%	100 %	1.47

Source: Author

The study observed that to a low extent, multinationals are confronted with either pooled or sequential interdependence at a mean of 1.70; that under conditions of low cultural proximity, employment of cultural control systems would not be worth the expenditure at a mean of 1.56; and to a very low extent that if the company culture is in serious conflict with local laws or customs, it might be difficult for the company to change its behaviour in order to comply with local laws and customs at a mean of 1.47, to show the flexibility of the multinational company cultures. The study also found that to a moderate extent, where cultural proximity is high, socialization and indoctrination can be carried out more effectively, and use of cultural control would permit a higher level of delegation at a mean of 3.09; that if a multinational firm was strongly committed to a cultural difference it would probably have to sacrifice some economies of scale, thereby further increasing costs, at a mean of 2.91; and to a great extent that if the company culture is in serious conflict with local laws or customs, it might be difficult for the company to change its behaviour in order to comply with local laws and customs at a mean of 3.62. The study shows that the respondents attach a little importance of culture on PESTLE factors.

4.5 Elements of culture that influence the operations

The study considered different factors that influence operations in multinational corporations such as language, cultural infrastructure, education, social structure, religion, values and customs.

4.5.1 Influence of Language on Operations

The study considered the influence of language on the operations of a firm and the following table represents the outcomes of the study.

Table 4.4 Influence of language

	To a very low extent	To a low extent	To a moderate extent	To a great extent	To a very great extent	Total	Mean
Language influence the operations of MNCs	0%	15%	23%	30%	30%	100%	4.41
Language aids information gathering and evaluation	0%	0%	13%	32%	56%	100%	4.43
Language provides access to local society		4%	7%	32%	58%	100%	4.44
Language reduces the risk of errors			6%	39%	54%	100%	4.48
Language extends beyond the mechanics of communication into the accurate interpretation of cultural contexts that may influence business operations	2%	23%	16%	32%	27%	100%	3.57

Source: Author

The study found that to a great extent, language influences the operations of MNCs at a mean of 4.41 with majority of the respondents having the view that it affects operations to a very great extent. The respondents were of the view that language aids information gathering and evaluation (mean 4.43), provides access to local society, (mean 4.44), and reduce risk to error, (mean, 4.48), and that language extends beyond the mechanics of communication into the accurate interpretation of cultural contexts that may influence business operations, at a mean of (3.75).

4.5.2 Infrastructural effect on Operations

The study looked at different infrastructural characteristics and related them to the companies' operations and the following were the observations collected in the study as presented in the table below.

Table 4.5: Infrastructural factors

	To a very low Extent	To a low extent	To a moderate extent	To a great extent	To a very great extent	Total	Mean
A culture's infrastructure is directly related to how society organizes its economic activity	0%	48%	35%	14%	3%	100%	2.71
Financial and marketing infrastructures provide the facilitating agencies for a multinational firm's operation in a given market	0%	3%	4%	32%	62%	100%	4.53
Technological advances often influence the pace of cultural change	0%	0%	14%	53%	33%	100%	4.19

Source: Author

The study found that to a moderate extent, culture's infrastructure is directly related to how society organizes its economic activity at a mean of 2.71, while to a very great extent, financial and marketing infrastructures provide the facilitating agencies for a multinational firm's operation in a given market with a mean of 4.53, and to a great extent, technological advances often influence the pace of cultural change at a mean of 4.19.

4.5.3 Education Effects on Operations

Some educational factors that are indicators of a firm's cultural framework were also considered in the study on their effects to operations. The following was the observed scenario.

Table 4.6: Educational Issues

	To a very low extent	To a low extent	To a moderate extent	To a great extent	To a very great extent	Total	Mean
Education either formal or informal plays a major role in the passing on and sharing of culture	0%	11%	22%	33%	34%	100%	3.90
Education also affects the types of new products introduced and the manner in which they are sold and marketed	0%	0%	3%	24%	73%	100%	4.71
Successfully marketing of sophisticated technologies depends greatly upon the educational level of prospective users	0%	0%	14%	32%	54%	100%	4.41
Product adaptation decisions are often influenced by the extent to which targeted customers are able to, or can be educated to use the good or service properly	0%	0%	6%	29%	65%	100%	4.58

Source: Author

The study found that to a great extent, education either formal or informal plays a major role in the passing on and sharing of culture at a mean of 3.90 and that successfully marketing of sophisticated technologies depends greatly upon the educational level of prospective users at a mean of 4.41. The study also found that to a

very great extent, education also affects the types of new products introduced and the manner in which they are sold and marketed at a mean of 4.71 and that product adaptation decisions are often influenced by the extent to which targeted customers are able to, or can be educated to use the good or service properly at a mean of 4.58.

4.5.4 Social Institutions and Impact on Operations

The foundation of a culture is the social institutions that are inherent in the society.

The study looked at major social institutions and the following was the observations.

Table 4.7: Social institutions' impacts

	To a very low extent	To a low extent	To a moderate extent	To a great extent	To a great extent	Total	Mean
Highly stratified societies control most of the buying power and decision-making positions	0%	0%	23%	22%	55%	100%	4.33
Social organization also determines the roles of managers and subordinates and how they relate to one another	4%	30%	51%	0%	15%	100%	2.77
The family unit affects consumption patterns	0%	3%	19%	25%	53%	100%	4.29

Source: Author

It was observed that to a great extent, highly stratified societies control most of the buying power and decision-making positions at a mean of 4.33, and that the family unit affects consumption patterns at a mean of 4.29. The study also found that social organization also determines the roles of managers and subordinates and how they relate to one another to be agreed upon to a moderate extent with a mean of 2.77.

4.5.5 Religion

The study considered religion as a factor that influence culture and the following are the outcomes of the study as to what may be observed as religious influences on culture.

Table 4.8: Religious effects on operations

	To a very low Extent	To a low extent	To a moderate extent	To a great extent	To a very great extent	Total	MEAN
Religion impacts on the types of goods and services it is possible to bring into new markets	0%	0%	8%	39%	38%	100%	4.43
Religion provides a basis for trans-cultural similarities as peoples from different nations share similar beliefs and behaviour	0%	0%	10%	30%	60%	100%	4.08
Religious restrictions on products (for example, alcoholic beverages) can reveal opportunities	4%	47%	34%	0%	15%	100%	2.61

Source: Author

4.5.6 Values and Attitudes

The study also considered the values and attitudes observed within the workforce of MNCs and the following was observed as shown in the table below.

Table 4.9: Values and attitudes

	To a very low Extent	To a low extent	To a moderate extent	To a great extent	To a very great extent	Total	MEAN
While products that hit the right culture buttons can be huge successes in foreign markets, not all to brands will translate easily from one culture to another	0%	15%	23%	30%	30%	100%	3.80
Cultural attitudes are not always a deterrent to foreign business practices or foreign goods	1%	38%	34%	22%	5%	100%	2.91
Differences in cultural values affect the way business planning is executed, decisions are made, strategy is implemented, and personnel are evaluated	1%	41%	30%	25%	3%	100%	2.87

Source: Author

The study agreed that to a great extent, while products that hit the right culture buttons can be huge successes in foreign markets, not all to brands will translate easily from one culture to another at a mean of 3.80, and to a moderate extent, that cultural attitudes are not always a deterrent to foreign business practices or foreign goods, and that differences in cultural values affect the way business planning is executed, decisions are made, strategy is implemented, and personnel are evaluated (mean2.87).

4.5.7 Manners and Customs

The study looked into the effects of manners and customs on the operations of the firm and the table below shows the outcomes of the study.

Table 4.10: Manners and customs

		1	2	3	4	5	Total	MEAN
1.	Manners and customs provide clues to culture and are influenced by religion, values, and attitudes	0%	9%	17%	30%	43%	100%	4.08
2.	Manners and customs influence the ways in which different cultures use products	0%	9%	18%	30%	43%	100%	3.97
3.	Understanding manners and customs is especially important in business negotiations, because interpretations based on one's own frame of reference may lead to incorrect conclusions	0%	1%	4%	48%	47%	100%	4.41

Source: Author

The study realized that to a great extent: manners and customs provide clues to culture and are influenced by religion, values, and attitudes, at a mean of 4.08; manners and customs influence the ways in which different cultures use products, at a mean of 3.91; and that understanding manners and customs is especially important in business negotiations, because interpretations based on one's own frame of reference may lead to incorrect conclusions (mean 4.41). This may be taken to mean that manners and customs that are important factors of the company's culture affects to a great extent the operations of any firm including multinational corporations.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary of findings that helps in developing conclusion and recommendations from the study outcomes. It will also include the suggestion for further research to cater for the areas that were not covered in this research but needs to be explored. The chapter is divided into sections such as the summary of findings, conclusions and recommendations of the study.

5.2 Summary of Findings

The following were the summary of the research findings upon which the conclusion and recommendations of the study were made. The findings were summarized as follows:

5.2.1 Demographic Analysis

The multinational companies operating in Kenya are faced with the challenge of the change in culture since their culture may not be the same as that they experienced in the parent country or in other countries they operate. They therefore have to institute change in order to be able to competitively align themselves in the Kenyan market. Since human resource is their main locally fetched input, they are affected by the prevailing cultural systems of the people.

The demographic situation in these multinational corporations is that they source their human resource while upholding the prevailing local conditions. The age distribution in these firms is such that most of their employees lies within the age bracket 30-50 years, an employee group that is observed to be experienced and very productive. Those at the age group of below 30 years are a bit fewer since they are thought to be

inexperienced and those beyond 50 years are seen as exiting the employment scene hence risky to the company. This distribution persists when it comes to positions within the companies where most of those who are at the age of below 30 years held lower job positions than those above 30 years. This is because the education level among those in the above 30years age group is bound to be higher than for those in the below 30 years age bracket. The education level among the respondents was observed to be very high since most of the respondents (71%) had at least an undergraduate degree. The companies also practices employee retention in their companies. The study observed that most of the respondents used in the study had stayed in the firms for more than five years, and it was observed that those who had stayed long in the company had better position within the firm than those who had stayed for a lesser period.

5.2.2 Culture's Influence on Operations

The study found that cultural diversity in resource-based view of a firm among countries persists to influence business outcomes to a great extent. It was also observed that the psychological processes have a cultural component and greatly influence an MNC's business operations. New technologies were agreed upon as a factor that greatly intensifies the cultural differences between and within countries. These cultural differences were observed to have work-related values between the members of different societies to a great extent hence showing the potential of affecting their work input into operations. Differences in language and culture, the slow speed of communication and transportation channels between countries were agreed upon as to have greatly inhibited the gathering of information about foreign markets and have increased the perceived risks of foreign operations.

It was also observed that moderately, staff are constantly trying to understand themselves better to know their strengths and weaknesses. They also were found to have a low respect of the opinions of others though they may not always agree with them. They were found to possess great curiosity about new things, people and places and in unfamiliar situations, they are great in watching (or observe) and listening before reacting. Staff were said to have moderate capability to be able to change courses quickly but they greatly like other people and accept them as they are.

The MNCs to a low extent confronted with either pooled or sequential interdependence. It was observed that under conditions of low cultural proximity, employment of cultural control systems would not to a low extent be worth the expenditure. This means that employment of cultural control systems to change conditions of cultural proximity may be worth the expenditure. Where cultural proximity is high, socialization and indoctrination were said to be moderately effective, and use of cultural control would moderately permit a higher level of delegation. Therefore, socialization, indoctrination and cultural control would not be very effective in managing cultural proximity of the MNCs. Multinational firm that is strongly committed to a cultural difference would probably have to sacrifice some economies of scale, thereby further increasing costs. Companies that operate in industries that are extremely price-competitive and cost-sensitive or are very cyclical may moderately have a limited ability to utilize cultural control systems, therefore, experiencing further increased cost in implementing cultural controls. The effects of new technologies on improving efficiencies of multinational and global corporations to a great extent creates significant shifts in the cultural patterns of different ethnic groups, hence do not affect the internal realm of the firm but also the external realm of the society. When company culture is in serious conflict with local laws or

customs, it was observed that it might not be that difficult for the company to change its behaviour in order to comply with local laws and customs, especially given that it has to change so as to operate in the said company.

5.2.3 Elements of Culture Influencing Operations of MNCs

a) **Language:** It was greatly agreed upon that language aids information gathering and evaluation and therefore it greatly provides access of MNCs to local society and greatly reduces the risk of errors. Language to a moderate extent extends beyond the mechanics of communication into the accurate interpretation of cultural contexts that may influence business operations.

b) **Cultural infrastructure:** To a moderate extent, culture's infrastructure is directly related to how society organizes its economic activity. Therefore, the study found cultural infrastructure to be mildly related to a society's economic activities but it was observed that to a very great extent, financial and marketing infrastructures provide the facilitating agencies for a multinational firm's operation in a given market. Also, technological advances in the society often influence the pace of cultural change, and since there has been observed a fast technological advancement, this may explain the mild effect of cultural infrastructure to MNCs since the culture is being globalized at a very fast pace.

c) **Education:** Education either formal or informal to a great extent plays a major role in the passing on and sharing of culture. It also to a very great extent affect the types of new products introduced and the manner in which they are sold and marketed to the final consumers. Product adaptation decisions are often greatly influenced by the extent to which targeted customers are able to, or can be educated to use the good or service properly. Therefore, successful marketing of sophisticated technologies

depends greatly upon the educational level of prospective users of the commodities being marketed and therefore, the education background of the targeted customer of the MNCs product is a very important factor to the company.

d) **Social institutions:** The observed that to a great extent, highly stratified societies control most of the buying power and decision-making positions. The family unit being one of society stratification moderately affects consumption patterns within the society and to a great extent, social organization also determines the roles of managers and subordinates and how they relate to one another. Therefore, it was observed that the social institutions in a society that the MNCs operate in are very important to the firms and they do affect their operations as well as their survival in that society.

e) **Religion:** Religion to a great extent provides a basis for trans-cultural similarities as peoples from different nations share similar beliefs and behaviours. Religion greatly impacts on the types of goods and services it is possible to bring into new markets since consumption of some goods is not allowed by some religion but is allowed by others. Religious restrictions on products (for example, alcoholic beverages) were said to moderately reveal opportunities. Since religion is becoming more and more global where the people are being classified as either Christians or Muslims, and both are found coexisting in the world, the similarity of the MNC culture to that of another country is much more similar. Religion was observed to be a cultural factor that the MNCs need to be aware of before venturing into a market.

f) **Values and Attitudes:** Differences in cultural values greatly affect the way business planning is executed, decisions are made, strategy is implemented, and personnel are evaluated. Though products that hit the right culture buttons can be huge successes in foreign markets, moderately, not all brands will translate easily

from one culture to another, hence affecting the performance of the brand in the country. To a moderate extent cultural attitude is not always a deterrent to foreign business practices or foreign goods, therefore, cultural attitude in some way affects the foreign business practices of foreign goods.

g) **Manners and Customs:** Understanding manners and customs is especially important to a great extent in business negotiations, because interpretations based on one's own frame of reference may lead to incorrect conclusions that may provide a misguided approach that may lead affect decision made by the clients therefore affecting the firm's business position and operations. Manners and customs greatly influence the ways in which different cultures use products and provide clues to culture which are greatly influenced by religion, values, and attitudes, hence have great impacts to the MNCs operations.

5.3 Conclusion

Multinational corporations are key players in the global economy who are known to engage in very useful and morally defensible activities in third world countries for which they frequently have received little or no credit. Significant among these activities are their extensions of opportunities for earning higher incomes as well as the consumption of improved quality goods and services to people in poorer regions of the world. Compared to local firms, multinational corporations provide developing countries with critical financial infrastructure and enormous resource for economic and social development. A multinational corporation consists of geographically dispersed and goal-disparate organizations with a complex external network consisting of all other organizations such as customers, suppliers, regulators, and so on, with whom the different units of the multinational must interact. These provide

the multinational with a wide, complex and dynamic cultural obstacle to deal with. The study found culture to be an antecedent, a moderator or a mediator, and a consequence, and its effects may be domain-specific and are subjected to boundary conditions.

The study has found that the multinational corporations in Kenya try to decrease the cultural differences by sourcing their staff from Kenya who are educated and experienced. They practice staff retention and promotions based on experience and education, as other local companies as well as the government does, hence seem to have integrated the local culture in their systems.

The study found that: cultural diversity in resource based view of a firm was found to influence business outcomes; the psychological processes have a cultural component and greatly influence an MNC's business operations; cultural differences were observed to have work-related values between the members of different societies to a great extent hence showing the potential of affecting their work input into operations; differences in language and culture have greatly inhibited the gathering of information about foreign markets and have increased the perceived risks of foreign operations. The technological changes were agreed upon as to greatly intensify the cultural differences between and within countries.

Staff dynamics were found to be the driving force of cultural alignment in the firm. Factors such as need to understand oneself better so as to know their strengths and weaknesses; respect of the opinions of others; curiosity about new things, people and places; reactions in unfamiliar situations; and ability to change courses quickly were some of the issues that determine the type of staff in a firm, all which affects the firms operations, especially in changing the culture to fit the desirable one.

The study found that employment of cultural control systems to change conditions of cultural proximity may be worth the expenditure, though socialization and indoctrination as well as cultural control may not be very effective in managing cultural proximity. Usage of new technologies in improving efficiencies of multinational and global corporations to a great extent create significant shifts in the cultural patterns of different ethnic groups, hence do not affect the internal realm of the firm but also the external realm of the society. When company culture is in serious conflict with local laws or customs, it is not difficult for the company to change its behaviour in order to comply with local laws and customs, especially given that it has to change so as to operate in the said locality or exit it since the external culture of the society is not flexible in the short run as is the internal culture of a firm.

Elements of culture that were found to affect operations MNCs include: Language which aids information gathering, evaluation and dispersal; cultural infrastructure which is easily affected by technological change was found to have a mild effect on MNCs operations; Education which plays a major role in the passing on and sharing of culture was said to affect the types of new products introduced and the manner in which they are sold and marketed to the final consumers and was found to greatly influence the operations of MNCs; Social institutions that affects the buying power and decision-making positions as well as the consumption patterns of the society, was found to be highly influential on the operations of MNCs; Religion provides a basis for trans-cultural similarities and influences consumption of some goods and services as well as consumption pattern, hence religion was observed to be a cultural factor that the MNCs need to be aware of before venturing into a market; Values and attitudes affects how business planning is executed, decisions are made, strategy is implemented, and personnel are evaluated, and since cultural attitude is not always a

deterrent to foreign business practices or foreign goods, therefore, in some way it affects the foreign business practices of foreign goods, and therefore affects business operations for MNCs; and finally, manners and Customs which influence the ways in which different cultures use products and provide clues to culture and influence or is influenced by religion, values, and attitudes, hence is of great importance in defining cultural bearing of the MNCs as it will affect them in one way or another.

5.4 Recommendations

The study recommends that multinational companies should fully understand the social cultures in the area they are bound to invest in so as to strategize on how to cushion themselves from adverse effects of cultural differences. The companies should also strategize on ways to integrate the cultural bearing of that society to its operations so as to use it as an advantage rather than let it affect the firm negatively.

Multinational companies should also ensure that their products are culturally acceptable within the society they aim to invest in since this will affect their chances of finding the requisite human resource as well as market. The service industry multinationals should ensure their operating culture is in line with that of the society so as to be able to work without conflicts with the social environment, especially by considering factors such as religion, cultural infrastructure, language, education, social institutions, values and attitudes, and Manners and customs.

So as to avoid public outcry that may lead to aggravated international relations as well as loss of time and financial resources, the Kenyan government should ensure that multinational corporations should have favourable institutional cultures before their entry into the country's market.

5.5 Suggestions for Further Research

Further research should be carried out on the most effective and globally competitive internal culture bearing of multinational companies that is applicable in all companies so as to bring forth such a culture that would make it easy for MNCs to easily access a market in any country or region in the world.

Further research should also be carried out to provide a quantitative value of the influence of culture on multinational companies.

Given the scope and limitations of this study, further study should be undertaken on the influence of culture in the operations of other firms and companies beside the MNCs and MNEs in Kenya.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
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P.O. Box 30197
Nairobi, Kenya

DATE 12/9/13

TO WHOM IT MAY CONCERN

The bearer of this letter JOSEPH K.K. MUIYA

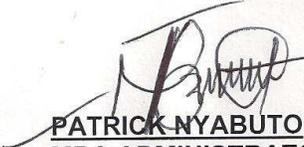
Registration No. D 618/7257/2003

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS



APPENDIX II: QUESTIONNAIRE

Instructions: *(Please read the instructions given and answer the questions as appropriately as possible).* It is advisable that you read carefully and correctly fill in each section as provided.

Section A: Demographic Information

1. What is your gender?

Female Male

2. In which age bracket do you belong?

20-30 years 31-40 years 41-50 years 51-60 years More than 60 years

3. How many years have you worked at the Corporation?

0 – 2 years 2 – 4 years
4 – 6 years Over 6 years

4. What is the highest education you achieved?

Diploma Degree
Masters degree Doctorate

5. What is your current marital status?

Married Divorced Single

6. What is your position in the organization?

.....

Section B Culture

1. The following statements relates to the influence of culture on operations of multinational corporations. To what extent do you agree with each one of them?

Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent,

4- To a great and 5- To a very great extent

	1	2	3	4	5
Cultural diversity in resource-based view of a firm among countries persists to influence business outcomes.					
Psychological processes have a cultural component and influence a firm's business operations.					
New technologies intensify the cultural differences between and within countries.					
Differences in language and culture, the slow speed of communication and transportation channels between countries have inhibited the gathering of information about foreign markets and have increased the perceived risks of foreign operations					
Cultural differences have work-related values between the members of different societies					

2. The following statements address the staffs' abilities in adapting to a different culture during relocation assignments. To what extent do you agree with each one of them? Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5- To a very great extent

	1	2	3	4	5
Staffs are constantly trying to understand themselves better; to know their strengths & weaknesses					
Staffs respect the opinions of others; though they may not always agree with them.					

Staffs are always curious about new things, people and places					
In unfamiliar situations, Staffs watch (or observe) and listen before reacting.					
Staffs are able to change courses quickly					
Staffs like other people and accept them as they are.					

Section C Political, Environmental, Social, Economic and Legal factors that influence cultural operations of MNC's

1. The following statements relates to the political, Environmental, Social, Economic and Legal factors that influence cultural operations of MNC's. To what extent do you agree with each one of them? Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5-To a very great extent

	1	2	3	4	5
Many multinationals are confronted with either pooled or sequential interdependence.					
Under conditions of low cultural proximity, employment of cultural control systems would not be worth the expenditure.					
Where cultural proximity is high, socialization and indoctrination can be carried out more effectively, and use of cultural control would permit a higher level of delegation					
If a multinational firm was strongly committed to a cultural difference it would probably have to sacrifice some economies of scale, thereby further increasing costs.					
Companies that operate in industries that are extremely price-competitive and cost-sensitive or are very cyclical may have a limited ability to utilize cultural control systems					

The effects of new technologies on improving efficiencies of multinational and global corporations create significant shifts in the cultural patterns of different ethnic groups.					
If the company culture is in serious conflict with local laws or customs, it might be difficult for the company to change its behaviour in order to comply with local laws and customs					

Section D Elements of culture that influence the operations of MNCs

1. To what extent does language influence the operations of MNCs?
 - a) Very great extent []
 - b) Great extent []
 - c) To a Moderate extent []
 - d) To a low extent []
 - e) To a very low extent []

2. The following statements relates to Language factors that influence the operations of MNCs. To what extent do you agree with each one of them? Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5-To a very great extent

	1	2	3	4	5
Language aids information – gathering and evaluation					
Language provides access to local society.					
Language reduces the risk of errors.					
Language extends beyond the mechanics of communication into the accurate interpretation of cultural contexts that may influence business operations.					

3. The following statements relates to how Infrastructure affect the operations of MNCs. To what extent do you agree with each one of them? Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5-To a very great extent

	1	2	3	4	5
A culture's infrastructure is directly related to how society organizes its economic activity.					
Financial and marketing infrastructures provide the facilitating agencies for a multinational firm's operation in a given market					
Technological advances often influence the pace of cultural change					

4. The following statements relates to how Education affect the operations of MNCs. To what extent do you agree with each one of them? Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5- To a very great extent

	1	2	3	4	5
Education either formal or informal plays a major role in the passing on and sharing of culture					
Education also affects the types of new products introduced and the manner in which they are sold and marketed.					
Successfully marketing of sophisticated technologies depends greatly upon the educational level of prospective users.					
Product adaptation decisions are often influenced by the extent to which targeted customers are able to, or can be educated to use the good or service properly					

5. The following statements relates to how Social Institutions affect the operations of MNCs. To what extent do you agree with each one of them? Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5-To a very great extent

	1	2	3	4	5
Highly stratified societies control most of the buying power and decision-making positions					
Social organization also determines the roles of managers and subordinates and how they relate to one another.					
The family unit affects consumption patterns					

6. The following statements relates to how Religion affect the operations of MNCs. To what extent do you agree with each one of them? Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5- To a very great extent

	1	2	3	4	5
Religion provides a basis for trans-cultural similarities as peoples from different nations share similar beliefs and behaviours					
Religion impacts on the types of goods and services it is possible to bring into new markets.					
Religious restrictions on products (for example, alcoholic beverages) can reveal opportunities,					

7. The following statements relates to how Values and Attitudes affect the operations of MNCs. To what extent do you agree with each one of them? Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5-To a very great extent

	1	2	3	4	5
Differences in cultural values affect the way business planning is executed, decisions are made, strategy is implemented, and personnel are evaluated					
Cultural attitudes are not always a deterrent to foreign business practices or foreign goods.					
While products that hit the right culture buttons can be huge successes in foreign markets, not all to brands will translate easily from one culture to another					

8. The following statements relates to how Manners and Customs affect the operations of MNCs. To what extent do you agree with each one of them? Use a scale where 1- To a very low extent, 2- To a low extent, 3- To a moderate extent, 4- To a great and 5-To a very great extent

	1	2	3	4	5
Manners and customs provide clues to culture and are influenced by religion, values, and attitudes					
Manners and customs influence the ways in which different cultures use products.					
Understanding manners and customs is especially important in business negotiations, because interpretations based on one's own frame of reference may lead to incorrect conclusions.					

THANK YOU FOR YOUR TIME AND PARTICIPATION

**APPENDIX III: LIST OF MULTINATIONAL
CORPORATIONS/ENTERPRISES OPERATING IN KENYA**

1.	Unilever Kenya Ltd
2.	Standard Chartered Bank Kenya Ltd
3.	Barclays Bank Kenya
4.	British American Tobacco Kenya
5.	Bata (K) Ltd
6.	Cadbury Kenya
7.	BASF
8.	Bayer EA
9.	British Airways
10.	British Oxygen Company
11.	Itochu Corporation
12.	Toyota Tsusho East Africa
13.	Mitsubishi Corporation
14.	Hotel Intercontinental
15.	Colgate and Palmolive
16.	PZ Cussons (E.A)
17.	Glaxo Smith Kline
18.	General Motors
19.	Safaricom Ltd
20.	Hilton Hotel
21.	Coca Cola Africa
22.	Wrigley Company E.A Ltd
23.	Proctor & Allan
24.	Nestle
25.	Kodak (E.A)
26.	Microsoft
27.	Bamburi Portland Cement
28.	Beta Health Care International Ltd
29.	Johnson Wax (E.A) Ltd

30.	Sara Lee
31.	General Electric
32.	Marubeni Corporation
33.	Sumitomo Corporation
34.	Crown Agent
35.	Total Kenya
36.	Celtel Kenya
37.	Reckitt & Benkiser
38.	Siemens
39.	IBM (E.A) Ltd
40.	Ibero Kenya Ltd

Source: Author