COMPETITIVENESS OF GLOBAL INTEGRATION STRATEGY AMONG MULTINATIONAL CORPORATIONS IN NAIROBI, KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for a degree or any other academic award in any university.

Sign………………………………… Date:…………………………………

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D61/68172/2011

Declaration by supervisor

This research project has been submitted with my approval as the student's Supervisor

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DEDICATION

This study is dedicated to my mum Hellen Njoroge, my sister Jane waithera, my brothers Paul Njoroge and John Karanja. God bless you for who you are.

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LIST OF ABBREVIATIONS

MNC	–	Multinational Corporations
EA	–	East Africa
GDP	–	Gross Domestic Product
R&D	–	Research and Development
ICT	–	Information Communication and Technology

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ABSTRACT

This study first sought to determine if MNCs operating in Nairobi have adopted global integration strategy as part of their operations. Secondly the study was to establish whether the MNCs have competitive advantage. The study sought to establish the relationship of global integration strategy to competitiveness of MNCs.

The population of the study comprised of 40 MNCs operating in different sectors in Nairobi. Structured questionnaires focusing on meeting the objectives were delivered physically to the MNCs sampled. The methodology used to analyze the data was descriptive statistics by rating the importance of the variables studied using mean, standard deviation and regression analysis.

The results indicated that the MNCs sampled have adopted global integration strategy with some degree of autonomy. This study deduced that the degree of standardization of goods and services across countries and resource distinctiveness committed to host country operations has been seen to be positively associated with global integration. The extent to which local business units are autonomous to worldwide operations was seen to be a major influence in how the firms have some degree of autonomy which is also a critical factor that is considered especially to make the firm more competitive.

As a result of the research findings it was recommended that MNCs appreciate the global integration strategies employed and what form would make it competitive for them at the local level. Further MNCs should have a clear understanding of the type of global integration strategy they have adopted and how this affects their degree of autonomy or local responsiveness so that they can take steps to make their operations more competitive.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The globalization of the world economy and markets has given rise to the growth of multinational corporations (MNCs). Globalisation by itself is not enough as such companies need globally coherent strategies, global networks, global processes and ability to maximize profit on a global basis. This has therefore seen a move towards integration and standardization of global business operations to create a global integrated strategy. Pressures for integration include environmental and industrial forces that necessitate worldwide business resource deployment and global integration of dispersed businesses across national boundaries. The challenge has been to develop globally integrated strategies that enable competiveness of multinationals across all markets

1.1.1 Firm Competitiveness

Firm level competitiveness is the ability of a firm to design, produce and or market products superior to those offered by competitors, considering the price and non-price qualities (D'Cruz & Rugman, 1992). Competitiveness pertains to the ability and performance of a firm, sub-sector or country to sell and supply goods and services in a given market, in relation to the ability and performance of other firms, sub-sectors or countries in the same market.

Organisations exist as open systems and hence they are in continuous interaction with the external environment. Organisations operate within external environments and are affected by external forces. Since environments are constantly changing, it is imperative for organisations to continuously modify their activities so as to succeed and survive in this volatile and very dynamic environment they operate in (Ansoff, 1987). This necessitates organisations to develop competitive strategies to enable them focus on their customers' needs.

Globalization has increased competitive pressures on firms. Together with rapid technological change, it has altered the environment in which firms operate. While globalization offers unprecedented opportunities for firms to act successfully, it has at the same time heightened the risks for firms lagging behind. In an open and liberalized world, increasing firm competitiveness has become a major challenge. Therefore, survival and success in such turbulent times increasingly depend on competitiveness. Competitiveness has been described many by researchers as a multidimensional and relative concept. The significance of different criteria of competitiveness changes with time and context. Organisations responding to these changes have realized that their existing strategies may no longer serve them well (Ansoff & McDonnell, 1990). The Kenyan environment is not exempt from what is happening at the global scene.

Increased competition due to globalisation and economic liberalisation has resulted in the markets having more players basically fighting for the same customer. In this changing and turbulent environment, organisations are forced to modify their activities and internal configuration to reflect the new external realities. Implementation of strategies becomes critical especially in the context of increasing competition and complexity of today's business world which can make it difficult for a business to access and take advantage of opportunities open to it.

Porter (1980) argues that the essence of formulating a competitive strategy is relating a company to its internal and external environment. Competitive strategy employed by a firm should result to competitive advantage. Ansoff & McDonnell (1990) point out that success of every organization is determined by the match between its strategic responsiveness and how these are matched to the level of environment turbulence. Competitive advantage is a unique position that firms develop in comparison with its competitors and with good plans and measure; it assists a firm to protect its market against new entrants and rivals. Firms therefore need to view competitive advantage as an integral part of ensuring its long term survival and prosperity. According to (Hill & Jones, 2006), successful innovation could revolutionalise industry structure.

Resources held by the firm and the business strategy, have a profound impact in generating competitive advantage. Business strategy is viewed as the tool that manipulates the resources and creates competitive advantage; hence viable business strategy may not be adequate unless it possess control over unique resources that has the ability to create such a unique advantage.

1.1.2 Global Integration Strategy

Global integration involves a strategy of viewing international markets holistically and fusing operations into a single worldwide strategic entity. As Cray (1984) noted, global integration refers to coordination and control of business operations across borders. Coordination concerns developing linkages between geographically dispersed units of a function, whereas control concerns regulating business activities to align them with the expectations set in targets. This assures centralized control over key resources and operations that are strategic in the value chain and that all major decisions are made from a global perspective. The control and coordination of value chain processes of business units belonging to a single multinational firm includes the sourcing of raw materials and basic service components, production processes and linkages, marketing strategies, distribution networks, and support activities encompassing the operations of business units located in different countries but comprising the sub-units of the multinational firm.

The concept of coordination has found close links to global integration. Mintzberg (1983a; 1983b) stated that coordination constitutes a fundamental element of management and since the management of global operations involves coordination, then integrating the operation of subsidiaries with the operations of the mother company necessitates coordination. Global integration was characterized as a change process involving centralization, combination, concentration, and standardization. Coordination also meant cross-border coordination that pertains to the business efforts directed towards the alignment of the operations of various business units to ensure the completion of the tasks of these units in contributing to aggregate productivity.

Global integration is mandatory, rather than discretionary, for MNCs facing increased global competition (Yip, 1992), which suggests that the effectiveness of global integration has implications for business performance (Birkinshaw et al., 1995). Hence a real concern for global managers is how to design an organization to achieve effective global integration of business operations. Global integration does not necessarily mean selling the same product or service in the same way all over the world. What it does mean is that decisions on how to address local customer needs or market differentiation are made by managers who have an integrated global point of view.

Global integration can provide a firm operating internationally with a number of important benefits derived from a worldwide optimization of resources including economies of scale, value chain linkages, global customer coverage, global branding, capability leverage, process standardization and information advantage. Global integration may cover various business activities. One of these is sourcing, where multinational subsidiaries receive inputs or supplies for their operations. Jarillo and Martinez (1990) assessed the global integration of multinational corporation subsidiaries by measuring the percentage of inputs that the subsidiaries sourced from their parents and their networks. The more a subsidiary relies upon its parents for supplies, the more globally integrated is the subsidiary's operations. Similarly, global integration can also be measured by the level of centralization of research and development functions, and the subsidiary's autonomy in selling its products to local markets or through its parents' integrated systems (Rugman and Verbeke 2001). Existing literature argues that global integration helps MNCs save costs and achieve global efficiencies. Ghoshal (1987) indicates that MNCs gain efficiency advantages from national differences in labour costs (i.e., getting supplies from low labour cost countries), and from global economies of scale and scope, which are generated by the scale of operations/sourcing rather than by the low cost of some locations

1.1.3 Multinational Corporations in Kenya

Multinational corporations (MNCs) are organisations that are based in one country and carry out operations in other countries where they own income generating assets (Yabs 2007). They engage in production and commercial activities in more than two countries. MNCs own income generating assets in different countries and they derive their income from activities across nations. Such an entity can be conceptualized as an inter-organisational network that is embedded in an external network consisting of all other organisations such as customers, suppliers, regulators with which the different units of the MNCs must interact. MNCs are important factors in the processes of globalization. Such companies have offices and/or factories in different countries and usually have a centralised head office where they coordinate global management. MNCs like to diversify their investments into other countries to spread their risk. Host countries need international firms to invest in their country and to assist in the economic development. MNCs facilitate supplies of inputs through importation and earn the country foreign exchange through export.

Yabs (2007) argues that benefits of MNCs to the host country include bringing in capital, creation of facilities and infrastructure, creation of employment, transfer of technology, transfer of managerial expertise, payment of taxes to the government, improvement in standards of living, improved quality of goods and services and contribution towards the improvement of balance of payments. MNCs are allies in the development process of host countries. These firms also rent buildings and land; sometimes buy them, thus generating higher incomes for their owners. MNCs play an important role in developing the economies of developing countries, for example provide employment, choice of multi goods etc.

Kenya is considered to be the economic, commercial and logistical hub of the East Africa (EA) region. Kenya has in the last decade continued to attract multinational companies, thanks to an expanding population of working age, access to the sea and the hinterland, a developing education system and better macroeconomic policies. Most of the multinational companies operating in Kenya have stepped up expansion plans, lured by the country's attractiveness following the promulgation of new constitution in August 2010, and established of East Africa Community (EAC) common market which embrace borderless trade. The past three years have seen other global heavyweights in the service industry such as Google, Bharti Airtel, Huawei and Procter & Gamble have announced plans to make Nairobi their headquarters for Africa. Out of the many multinational corporations that have set up in Kenya, a sample size of 40 MNCs in Nairobi will be selected for this study. The rising interest in Kenya is linked to the formation of the EAC common market, which is expected to create a market of about 134 million people, a combined GDP of US $ 74.5 billion, average per capita income of US $558 which shall allow for the free movement of factors of production, goods and services among the five member states.

1.2 Research Problem

Global competitiveness is related to the ability of the MNC to develop core competence, that is a collective learning process in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology so that the corporation becomes something more than a collection of discrete businesses (Prahalad and Hamel, 1990). The need of the MNC to combine global integration with the local responsiveness is a question of getting the best out of two different principles at one and the same time: advantage of economies of scale and scope and a local advantage through duplication of resources. The overall strategy is to balance the entrepreneurship of the MNCs as a whole with the entrepreneurship located in the different subsidiaries.

Multinational corporations in Kenya have tended to be set up as country subsidiaries that design, produce, and market products or services that are tailored to local needs. The MNC approach is seen as a multi local strategy rather than a truly global strategy.

MNCs in Kenya experience problems in integration in achieving structural and strategic fit given variances in administration and ensuring the commitment of the subsidiary managers since commitment determines the success of the integration process. This then affects local responsiveness to market needs and thus competitiveness.

Jarillo and Martinez (1990) assessed the global integration of MNC subsidiaries by measuring the percentage of inputs that the subsidiaries sourced from their parents and their networks. The more a subsidiary relies upon its parents for supplies, the more globally integrated is the subsidiary's operations. Similarly, global integration can also be measured by the level of centralization of Research & Development functions, and the subsidiary's autonomy in selling its products to local markets or through its parents' integrated systems (Rugman and Verbeke 2001). Kogut (1985) argues that MNCs achieve high efficiency through by relying upon supplies (sourcing) from low labor cost countries. Many studies have adopted the resource-based view of the firm as the theoretical basis of such an exploration, arguing that the competitive advantage of MNCs is sourced primarily in their ability to access and acquire rare and inimitable resources that create better value for customers around the world. Kogut (1985) argues that MNCs achieve high efficiency through sourcing from low labour cost countries. Ghoshal (1987) indicates that MNCs gain efficiency advantages from national differences in labour costs and from global economies of scale and scope. From the above studies, an empirical analysis on the competitiveness of MNCs as they integrate is inadequate. Therefore this study seeks to fill the research gap by answering the following questions: what is the extent to which MNCs in Nairobi involved in global integration and the level of autonomy? What extent do

MNCs in Nairobi have competitive advantage? Does the extent of competitiveness of a multinational depend on the firm's global integration and level of autonomy?

1.3 Research Objectives

This research addresses the following major objectives:

i. To determine the extent to which MNCs operating in Nairobi are globally integrated and what level of autonomy they have

ii. To assess the extent in which MNCs have competitive advantage

iii. To establish the extent to which competitiveness of MNCs depends on the firm's global integration and level of autonomy

1.4 Value of the Study

The study will benefit the management of MNCs who are responsible for development, execution and implementation of strategies in understanding how global integration strategies would help them be more competitive and successful as they expand their operations. The study will benefit MNCs as regards their integration policies by ensuring that they adopt practices and find the right global reach to maximize the firm's performance.

To the academicians, the study will provide useful basis upon which further studies on how global integration strategies in Kenya can be researched. Specifically, the study will make theoretical, practical and methodological contributions. The findings will contribute to existing knowledge in international business environment by helping to understand the importance of strategies that firms employ in globalisation.

The study will also be of interest to the government and policy makers to appreciate the strategies MNCs implement based on the market environment. The study will be useful to the government in policymaking regarding international business. The policies designed, will serve as guidelines in assisting the management in knowing when deciding to expand into a new market.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on competitive advantage and what different authors have argued are the ways organizations can gain competitive advantage. There is also the focus on global integration strategy and the different types of integration strategies that can be adopted by firms. The chapter also focuses on competiveness and global integration strategy and how companies are trying to achieve competitiveness globally. Then finally the chapter looks at global integration strategy and multinational corporations and what different authors have put forward on the same.

2.2 Competitive Advantage

Competitive advantage is a set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition. It's an advantage or a superiority gained by an organization when it can provide the same value as its competitors but at a lower price, or can charge higher prices by providing greater value through differentiation. Competitive advantage results from matching core competencies to the opportunities. Porter (1980) stated that competitive advantage, sustainable or not, exists when a company makes economic rents, that is, their earnings exceed their costs. Competitive advantage is the extent to which an organization is able to create a defensible position over its competitors (Tracey et al., 1999). In the same vein, Ma (1999) defines the competitive advantage as the asymmetry or differential in any firm attribute or factor that allows one firm to better serve the customers than others and hence create better customer value and achieve superior performance. Competitive advantage allows a firm to create superior value for its customers and profits for itself. A firm positions itself in the industry through its choice of low cost or differentiation. This decision is a central component of the firm's competitive strategy.

Porter (1980) identified two basic types of competitive advantage that is cost advantage and differentiation advantage. He indicated that by applying these positions in either a broad or narrow scope, three types of competitive advantage strategies result that is, cost leadership, differentiation and focus. He firstly identified cost leadership strategy as a type of competitive advantage strategy which calls for being a low cost producer in an industry for a given level of quality. Cost competitive advantage is when a company is able to utilize its skilled workforce, inexpensive raw materials, controlled costs, and efficient operations to create maximum value to consumers. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, improving process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing, high levels of productivity, high capacity utilization, use of bargaining power to negotiate the lowest prices for production inputs, lean production methods (e.g. JIT), access to the most effective distribution channels and other factors. This is also supported by Treacy and Wiersema (1995) who put forward another framework for gaining competitive advantage. In their framework, a firm will choose to emphasize one of three value disciplines namely operational excellence, product leadership and customer intimacy. Operational excellence focuses on optimizing the production and delivery of products and services. This results in products and services that are reliable as well as competitively priced and delivered with minimal difficulty or inconvenience.

Porter (1980) secondly identified differentiation strategy as a type of competitive advantage strategy where a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. This strategy involves selecting one or more criteria used by buyers in a market - and then positioning the business uniquely to meet those criteria. This strategy is usually associated with charging a premium price for the product - often to reflect the higher production costs and extra value-added features provided for the consumer. A firm selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price. Ways in which differentiation can be achieved include superior product quality, branding, industry-wide distribution across all major channels, consistent promotional support etc. Treacy and Wiersema (1995) also put forward product leadership as a discipline of competitive advantage. Product leadership focuses on offering leading edge products and services to customers that consistently enhance the customer's use or application of the product, thereby making competitions' goods obsolete. Ma (2004) remarks that a company must systematically and precisely analyze what it owns, what it is able to do, how it works and what it can gain according to three classified types of the competitive advantage – based on the ownership, access and efficiency. To achieve competitive advantage there must be management actions which are related to activities that are concentrated on work inside a company and they help increase firm's potential and its direct contribution to the competitive advantage while on the other hand, strategic maneuvers which include external actions taken by a company

Porter (1980) thirdly identified focus strategy as a type of competitive advantage strategy. A focus competitive advantage seeks to target and reach a single segment of the market. A single segment of the market can be based on sex, income, lifestyle characteristics, and even geography. The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focus strategy has two variants cost focus and differentiation focus. In cost focus a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. In the differentiation focus strategy, a business aims to differentiate within just one or a small number of target market segments. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. Cost focus exploits differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments. Treacy and Wiersema (1995) also put forward customer intimacy as a discipline of competitive advantage. Customer intimacy focuses on segmenting the target market and then tailoring offerings to closely match the demands of the specific niches. This looks at profit over the lifetime of the relationship with a single customer thereby making customer satisfaction crucial. This is also supported by Passemard and Kleiner (2000), who stated that competitive advantage is gained by five sources of innovation with one of them being, the occurrence of a new segment.

A firm’s survival and its development are currently more and more connected with its internationalization and competitiveness in the global environment. The main challenge facing companies is the ability to keep their competitive advantage. The most successful companies create an advantage that is unique just to the company and not easily copied. Companies must constantly be aware of external threats from their competition that will try to copy their advantage or improve on it and take their customers.

2.3 Global Integration Strategy

Global integration involves a strategy of viewing international markets holistically and fusing operations into a single worldwide strategic entity. Integration in an organization can be related to the existence of administrative measures in terms of planning procedures, liaison roles, team work, and matrix structures. The more of these measures in an MNC then the more of integration because they're expected to improve the exchange of information and cooperation between units in the corporation. Some researchers have therefore chosen to estimate the degree of integration more directly by delineating the closeness of the relationships between the subsidiary and the headquarters (Egelhoff, 1988).

The concept of coordination has found close links to global integration. Mintzberg (1983) stated that coordination constitutes a fundamental element of management and since the management of global operations involves coordination, then integrating the operation of subsidiaries with the operations of the mother company necessitates coordination. Global integration has two specific elements, which are the configuration and coordination of the multinational corporation's value chain and the standardization of marketing strategies. Porter (1985) explained that configuration of the value chain pertains to the spatial decisions of the multinational corporation covering the location or site of business units together with the number of business units within the multinational corporation and in the different sites. Porter (1985) also explained that coordination refers to the manner and extent that the activities of the different business units are combined as opposed to being autonomous.

There are two distinct perspectives for the rationale of global integration namely environmental contingency and strategic choice. These determine the driving factors for global integration as either industry forces and other factors in the external environment or firm-specific capabilities and other factors within the internal environment of the multinational firm. Based on the development of various typologies, three general structural and strategic distinctions emerge, which are the multinational, transnational and global configurations. These types involve different integration strategies.

Firstly, the global configuration involves the strategy of tight integration of the value chain processes of the different business units resulting to a high level of centralized strategic resources including knowledge and research and development (Bartlett & Ghoshal, 1987a; 1987b). The activities of the business units are likely to revolve around the utilization of raw materials and application of service policies instead of focusing on activities that promote the independence of the business units. Moreover, the business units under the global configuration are unable to function without consulting company headquarters. As such, the high level of centralized control leads to the importance of a strong centralized leadership and decision-making. Firms adhering to the global configuration tend to achieve high levels of integration because of centralization but low levels of responsiveness on a national level because of the lack of development and innovation coming from the business units operating in various national contexts.

Secondly, the multinational or multi-domestic configuration pertains to the fostering of high levels of autonomy on the part of the subsidiary units because of the corresponding high degrees of decentralization in decision-making (Roth & Morisson, 1990). Business units or subsidiaries are self-sufficient in their operations on a national level. Corporate headquarters manage this situation by considering the business units as independent firms but manages the productivity of the subsidiaries through output controls, especially financial measures. An informal network exists between the top managers assigned in the corporate headquarters and the expatriates serving as representatives of the headquarters in the subsidiaries (Gupta & Govindarajan, 2001). Multinational business units exercise relatively high levels of independence because of the minimal intervention and interference from the corporate headquarters except only the application of output controls. The application of the multinational configuration leads to a high level of responsiveness on a national or local level but resulting to limited integration.

Thirdly, the transnational configuration involves the creation of international business firms with the simultaneous capability for responsiveness on a local level, integration on a global level, and learning on a worldwide level. This configuration involves the ability to consider various areas of responsiveness or ambidexterity, which refers to the ability to target conflicting demands at one time (Birkinshaw & Gibson, 2004). As such, the transnational configuration involves greater integration relative to the multinational configuration but involves greater responsiveness relative to the global configuration. The subsidiaries play pre-determined roles within the context of the multinational goals instead of just focusing on the maximization of opportunities in the local level. Flow of resources is also expanded to encompass resources, products as well as knowledge across the various business units.

The challenges of global integration can be categorised as those experienced by corporate headquarters and those felt by the subsidiaries. Corporate headquarters experience a number of integration challenges. A major challenge is ensuring the creation of value to support the extent of integration i.e. the choice to integrate should create greater value compared to the previous status of the firm. Other challenges include preventing any misguided intervention that depend on the context of business units since excessive guidance can thwart much needed innovative action on the subsidiary level, enhancing the quality of execution and support staff services of the company headquarters, avoidance of the building of empires at headquarters by clearly establishing the roles of top management in maintaining corporate entity and adding value to the subsidiaries and avoidance of multiple levels of parenting that could lead to redundancy and contradictions. Another challenge is the management of various kinds of intra-firm reporting so that the type of reporting should match the simplicity or complexity of the multinational firm (Prahalad & Doz, 1987).

Subsidiaries also experience problems in integration. One of the challenges is achieving structural and strategic fit given variances in administrative heritage (Bartlett & Ghoshal, 1989) that requires the development of a common administrative infrastructure. Since the multinational firm operates in different local business contexts, the management of the organizational structure involves difficulties because of multidirectional product, capital and knowledge flows. Companies should understand and respect the local habits and cultures. Move away from a one size fits all approach. Another challenge is managing opportunism among the subsidiary managers within the context of agency relations through risk management and agency clarification. Another challenge is ensuring the commitment of the subsidiary managers since commitment determines the success of the integration process by developing a perception of fairness of the integration.

2.4 Competitiveness and Global Integration Strategy

Competitiveness depends upon internal as well as external factors. According to Hoff, Fisher, & Miller (1997), the term competitiveness can be applied to firms, industries, markets, and nations. They have also stated that competitiveness is the ability to produce goods and services that meet or exceed quality expectations of the customer; deliver these goods or services at the time, place and price required by the customer; deliver these goods or services in the form and quantity required by the customer. These scholars have cited internal determinants of efficiency and quality as aspects of competitiveness. Jusran (1992) suggested that competitive analysis must include: first, an evaluation of competitiveness of product features; and second, an evaluation of the features of the process or internal operations used to produce the products and the subsequent process yields. Competitiveness is connected to the internal operations of a firm and the technology used in those operations.

Globalization can drastically alter the conditions of competition. The new international environment opens up several opportunities with the reduction of trade barriers owing to trade liberalization affecting firms positively by facilitating expansion into international markets and integration into international production networks and supply chains and enhancing growth possibilities. But can also make the globalizing companies and economies more vulnerable to external shocks. Barlett and Ghoshal (1989) have developed an understanding as to why some companies could overcome these external shocks whereas the others could not. They reached following major conclusions that "by the mid-1980s, the forces of global integration, local differentiation, and worldwide innovation had all become strong and none could be ignored. To compete effectively, a company had to develop global competitiveness, multinational flexibility and worldwide learning capability simultaneously."

Many companies today are struggling to achieve a global competitiveness and a globally integrated organization retains the capability for local flexibility and responsiveness. Organization provides the vehicle by which strategy can be formulated and implemented. The nature of organization also affects the kind of strategy that can be developed. This is particularly true of global strategy. Building the kind of company capable of formulating and implementing total global strategy is not easy. The task is achievable if managers break it down into digestible pieces and if they relate changes in organization to the specific changes needed in global strategy. Integration is a question of the existence of transactions between the subsidiary and the rest of the company even if administrative processes can be implemented in order to enhance such integration. Gupta and Govindarajan (1991) have suggested that the MNC can be looked upon as a network of three types of flows; capita1 flows, product flows and knowledge flows. Bartlett and Ghoshal (1989) have described the manager's coordination of the MNC as a question of integrating the flows of goods, resources including technology and information. In these and other researchers' discussion about competitiveness and integration the flow of knowledge in the MNC seems to be crucial. The ability to develop knowledge about for instance new products and production processes in one unit and transfer that knowledge to other units of the MNC is a basis for long-term survival in a world of global competition.

Competitiveness of the modem MNC is characterised by a shift away from the initial stage of proprietary technology and brand labels to the exploitation of country differences through economies of scale and scope, learning and operating flexibility

(Kogut, 1990). The global firm coordinates among dispersed activities, thereby taking care of both economies of scale and local advantages (Porter 1986). Global competitiveness is also related to the ability of the MNC to develop core competence, that is a collective learning process in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology so that the corporation becomes something more than a collection of discrete businesses (Prahalad and Hamel 1990). Even though different competitive strengths are emphasized by different scholars there is one common theme behind the different definitions: the need of the MNC to combine global integration with local responsiveness. It is a question of getting the best out of two different principles at one and the same time: the advantage of economies of scale and scope and a local advantage through duplication of resources.

The overall strategy is to balance the entrepreneurship of the MNC as a whole with entrepreneurship located in the different subsidiaries. The entrepreneurial activity at the subsidiary leve1 should be encouraged because much of the competence that may later be the core competence of the whole corporation has its roots at that level. But the problem is that local entrepreneurship may reflect local needs as much as corporate needs. Local characteristics and capabilities are seen as important attributes of a firm operating in many countries and should therefore be used to develop competitive advantages. A business's global integration strategy is frequently determined in response to the actions of competitors independent of structural forces (Knickerbocker, 1973). In the context of this study, MNCs in Kenya would be expected to have in place globally integrated strategies that enable competiveness across all markets. In particular, as competitors make decisions to globalize, businesses are likely to perceive increasing pressures to integrate operations.

2.5 Global Integration Strategy and Multinational Corporations

A global strategy is where which a firm seeks to gain competitive advantage from its international presence through either a concentrated configuration, co-coordinating among dispersed activities or both". In the above definition, configuration refers to firm's activities worldwide, where each activity in the value chain is performed in different places; whereas co-ordination refers to the way similar or linked activities performed in different countries, are coordinated with each other. A firm has a choice of options in both configuration and co-ordination. Configuration options range from concentrated performing of an activity in one location and serving the world from it, for example, one R&D lab, one large plant – to dispersed, that is performing the activity in every country. In the extreme case, each country would have a complete value chain. Coordination potentially allows the sharing and accumulation of know-how and expertise among dispersed activities.

Multinational corporations are full of requirements about the need for lateral information processes, integration and collaboration between subsidiaries, global strategic planning processes involving every unit concerned, collection of information about local conditions at the headquarters level, subsidiaries having personal channels into headquarters, consistent decision making practices across subsidiary units etc. (Bartlett and Ghoshal 1987, 1989; Kogut 1990; Lorange and Probst 1990). MNC management should have a full fledged global strategy communicated to and accepted by every single unit of the firm; the management should be aware of and utilize the complexity of the corporate resources by handling several variables simultaneously; each subsidiary manager must have a good knowledge of other subsidiaries' needs and capabilities; the headquarters must inoculate a common culture in order to break down all barriers to co-operation across borders and between organization units.

The need to balance the dynamic tension between integration and adaptation has acquired increasing strategic significance towards the fulfillment of a multitude of purposes (Ghoshal, 1987). Prahalad and Doz (1987) extend this view and offer a more systematic conceptualization for examining global strategy. Their framework, namely the global integration and local responsiveness paradigm, suggests that participants in global industries develop competitive postures across two dimensions: integration and responsiveness. These two dimensions represent two important imperatives that simultaneously confront a business competing internationally. MNCs can choose to emphasize one dimension over another or compete in both dimensions, resulting in three basic strategies: integrated (global), multifocal (transnational) and locally responsive (multi-domestic). Globally integrated businesses link activities across nations in an attempt to minimize overall costs, avoid various taxes or maximize income. Locally responsive businesses perceive pressures to respond strategically to local needs. Multifocal businesses perceive the need to respond simultaneously to pressures both for integration and for responsiveness. The degree of overall integration increases along multi-domestic, transnational and global strategies.

Multinational corporations are highly heterogeneous organizations, which must make optimal trade-off for different businesses, countries, functions and tasks as a function of the whole range of economic and socio-political characteristics that differ between countries and affect individual businesses and tasks in varied ways (Doz and Prahalad, 1991). The Integration-Responsiveness paradigm holds that today's operating environment requires MNCs to link their strategic resources and organizational infrastructure in a way that would allow them to leverage their capabilities for achieving integration and responsiveness simultaneously (Bartlett and Ghoshal, 1988; Prahalad and Doz, 1987). The integration process cannot be isolated from an MNC's capability and infrastructure such as global experience, competitive advantages and corporate systems in coordination, information flow and resource flow. In designing and maintaining global integration, MNCs should not only align appropriately with external pressures, including institutional and structural factors, but also cleverly configure with internal forces such as organizational capabilities, infrastructures and needs.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the research design, target population, and research instruments that were used. Description of the sample, sampling procedures, data collection procedures and data analysis procedures will be explained.

3.2 Research Design

A descriptive study was undertaken to determine and be able to describe the characteristics and variables of key interest in this study. To achieve the stated objectives, the study used both descriptive and analytical methods.

The study used a cross sectional research design whereby a questionnaire with both open ended and close ended questions was administered as the main procedure to gather data.

3.3 Population of Study

The population of the study comprised all the MNCs registered in Kenya. The study was limited to MNCs located in Nairobi where most of the corporations are located.

A list of MNCs whose headquarters are in Nairobi was obtained from the internet (2013) and was adjusted using a list of registered MNCs from Kenya National Bureau of statistics economic survey (2007). This yielded a total of 172 MNCs (Appendix II). The list was used as a sampling frame where a sample of 40 MNCs was selected for the purpose of this study. Of these firms 26 were from USA, 1 from Canada, 1 from China, 1 from Germany, 1 from India, 1 from Japan, 2 from Netherlands, 1 from

Switzerland, 5 from UK, and 1 from South Korea. The list of MNCs contained MNCs operating in different sectors.

3.4 Sample Design

The population of the study comprised 172 MNCs of which 40 multinational corporations were selected. The selection method used to select the sample of 40 was proportionate stratified random sampling based on the MNCs country of origin. This ensured that most foreign companies that have set up in Kenya were represented in the population to provide desired level of precision and confidence in the findings.

Table 1: Proportionate Stratified Sampling

Company of origin	**Population**	**Sample**
USA	108	26
Canada	3	1
China	6	1
Denmark	1	0
Finland	1	0
Germany	6	1
India	3	1
Italy	1	0
Japan	3	1
Netherlands	7	2
Switzerland	5	1
UK	23	5
Norway	2	0
South Korea	3	1
Total	**172**	**40**

3.5 Data Collection

Primary data collection was employed through the use of a questionnaire that was sent out to the selected 40 MNCs in Nairobi. The questionnaire was organized in three sections namely; background of the organization, global integration and level of autonomy and competitive advantage respectively.

The questionnaires were administered through drop and pick method to respondents. For every MNC, two questionnaires were filled in all the sections by two employees (senior manager and middle level manager) to show their levels of involvement in organizational decision-making.

3.6 Data Analysis

The data to be collected as per the questionnaire was analyzed using descriptive analytical tools. The statistical package for the social sciences (SPSS) was used to capture and analyze data. Mean scores were used to test outcome as per objective one and objective two. Chi square test was used to test the relationship as per objective three. Correlation analysis was be used to correlate data as per objective one and objective two and a correlation coefficient was computed to determine relationship as per objective three.

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSIONS

4.1 Introduction

This chapter deals with data analysis and presentation. The first part of this chapter highlights the profile of the MNCs that were sampled. The second part highlights the extent of global integration adopted by MNCs and the third part highlights the competitiveness of the MNCs based on adoption of global integration strategy. In each MNC, two questionnaires were administered to a top level manager and a middle level manager giving a total of 80 questionnaires administered. All the questionnaires were successfully returned. The response rate was therefore 100%.

4.2 Background information

The results indicate that majority of the MNCs surveyed made up 43% of the population and operate in the manufacturing sector. The ICT sector followed and made up 18% of the population. A further 13% operate in the delivery of goods and services sector. The results also indicate that 5% of MNCs fall in the electronics, telecommunications, banking and advisory solutions sector. The minority (3%) were in the insurance, airline and hospitality sector.

Chart 1 Sector of operation

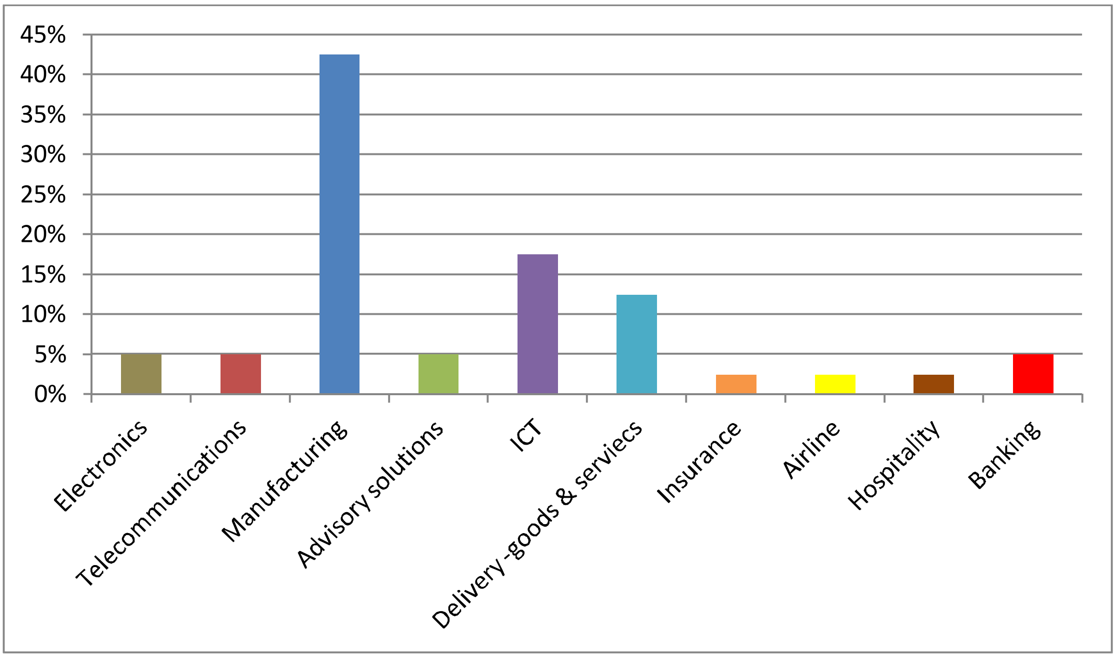


Chart 4.2 indicates that 30% of the MNCs sampled have been in operation for 50 years plus. It was revealed that 18% have been operational for 40-49 years, 30-39 years and 20-29 years. A further 10% have been operating for 10-19 years. The analysis also revealed that 8% of MNCs have been operating for less than 10 years.

Chart 2 Year of operation

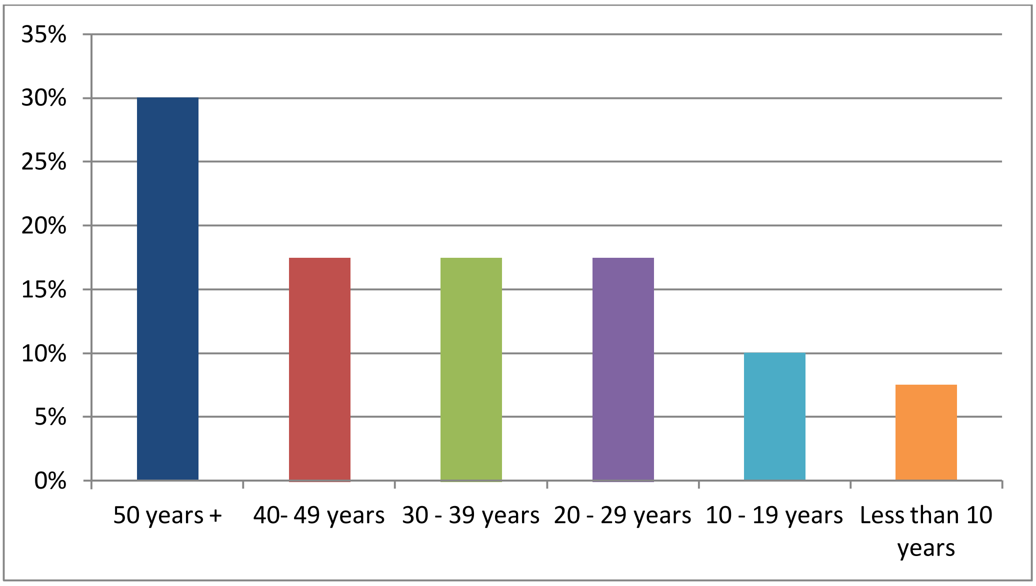
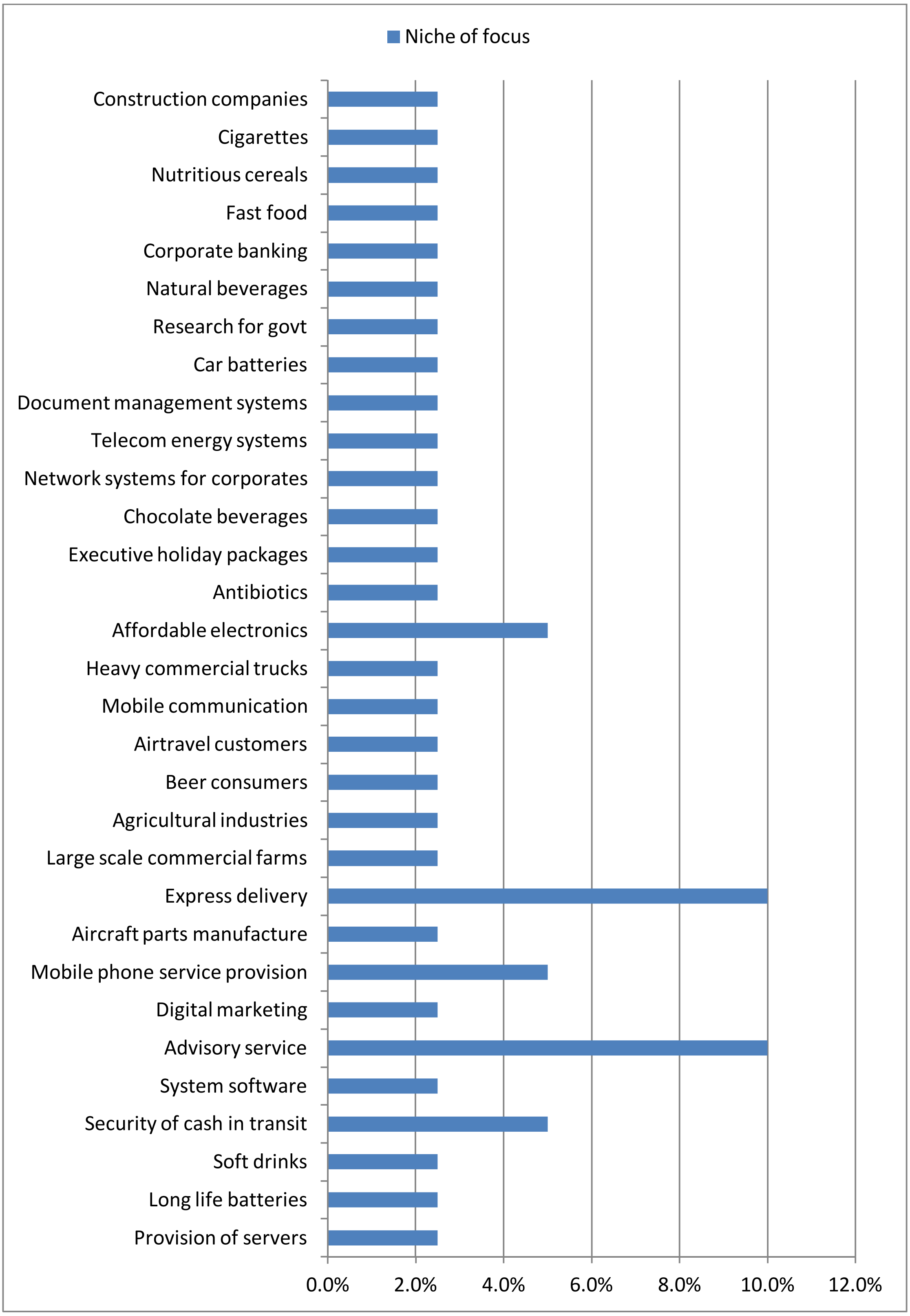


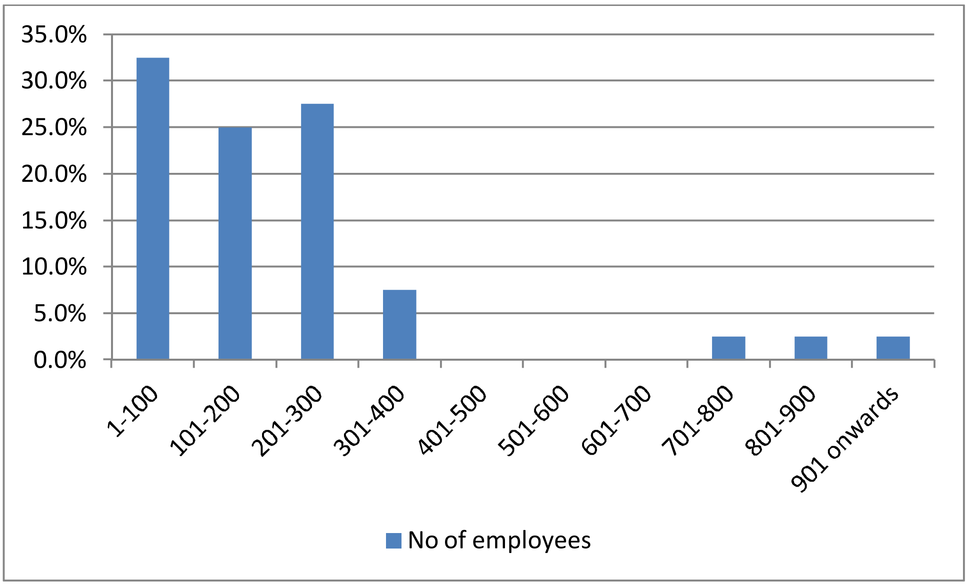
Chart 4.3 indicates that most of the MNCs sampled focus on specific markets with most having 2.5% to indicate the niche they're each operating in. the analysis revealed that 10% of the MNCs focus in the sector of delivery of goods and services focus on express delivery as being their niche. A further 10% of MNCs in the advisory services sector provide a number of advisory services to their customers. The 5% of MNCs focus on providing affordable electronics to consumers.

Chart 3 Niche of focus



The results indicate that 33% of the MNCs surveyed have less than 100 people employed in the corporations. A further 27.5% showed that employees numbered between 201 to 300 in the organisations. The one following showed that 25% of employees numbered between 101 to 200. The analysis also revealed that 2.5% of the respondents have employed over 700 people in the MNCs.

Chart 4 Number of employees



4.3 Global Integration of Multinational Corporations

The study first sought to determine whether the MNCs have adopted global integration strategy and the extent of autonomy in their operations. Respondents were therefore requested to indicate the extent of global integration strategy and degree of autonomy using a five point Likert scale. The range was ‘very great extent (5)’ No extent ‘(1). The scores of ‘no extent ‘and’ little extent;’ have been taken to present a variable which had an impact to a small extent (S.E) (equivalent to mean score of 1 to 2.6 on the continuous Likert scale ;($1 \leq$ S.E <2.6).

For every MNC, two questionnaires were filled in all the sections by top level management and middle level management to show their levels of involvement in organizational decision-making. Thus for each section a grand mean was calculated based on the results obtained.

The scores of 'To a moderate extent;' have been taken to represent a variable that had an impact to a moderate extent (M.E.) (equivalent to a mean score of 2.6 to 3.4 on the continuous Likert scale: $2.6 \leq$M.E. <3.4). The score of 'great extent; and very great extent' have been taken to represent a variable which had an impact to a large extent (L.E.) (equivalent to a mean score of 3.4 to 5.0 on a continuous Likert scale; $3.4 \leq$ L.E. <5.0). A standard deviation of >1.5 implies a significant difference on the impact of the variable among respondents.

Table 2: Global Integration Table

Global Integration Strategy	**Mean**	**Std. Deviation**
To what extent do your customers have similar demands for functionalities and design across countries	3.56	1.0045
To what extent do your products or services have a high proportion of standard components across countries	3.975	1.0475
To what extent do your customers or distributors operating in different countries buy products or services locally	3.14	0.8375
To what extent are economies of scale in your industry important for the cost of your product	3.69	0.943

To what extent is the speed of introducing new products worldwide important for your competitiveness	3.975	0.97
To what extent are the sales of your products or services based on cultural factors	2.475	1.0065
To what extent is experience gained in other countries(e.g. a "sister" subsidiary) if successful be applied in your organisation	3.69	0.6565
To what extent do competitors in your industry operate in a "standardised" way across countries and are successful in doing so	3.735	0.906
To what extent do customers in your organisation "behave" the same way across countries	3.565	0.9165
To what extent does innovative activities (Research & Design)require concentration of expertise in order to be effective in your organisation	3.965	0.7385
Grand mean	**3.577**	**0.90265**

The researcher determined on the extent global integration strategy affects on competitiveness of global integration strategy among MNCs in Nairobi. The results of the findings was computed and tabulated as in table 4.1. It can be observed that most respondents indicated that to a great extent there is global integration strategy as shown by mean and standard deviation figures above. The study further reveals that some of the participants indicated that to a moderate extent there is global integration strategy. It can be therefore deduced that for most respondents the extent of global integration strategy was to a great extent according to the study findings.

Table 3: Degree of autonomy

Degree of autonomy	Mean	Std. Deviation
To what extent can pricing be different from country to country without introducing dysfunctionalities in your organization	3.55	0.943
To what extent does distribution channel management as practiced in your organization differ from country to country	3.35	1.0705
To what extent do business regulations and contexts differ from country to country requiring a high degree of local practices	3.475	0.8775
To what extent do your products or services require a high degree of interaction with customers (customization)	3.55	0.9705
To what extent are transportation costs or customer interface in your organization different such that local operations are needed	3.29	0.6825
To what extent are management functions in your organization localized	3.625	0.7665
To what extent are functions/business units in your organization autonomous to worldwide operations	4	0.785
Grand mean	**3.548**	**0.870**

The researcher sought to determine the degree of autonomy among the respondents. The results of the findings reveals that most participants were to a great extent as it can be shown by X=4, S.D=0.716, X=37, S.D=0.723, X=3.55, S.D=1.037, and X=3.5, S.D=1.177. The study further revealed that those who were to a moderate extent were shown by X=3.4, S.D=0.871, X=3.15, S.D=0.864 and X=3.15, S.D=0.802 respectively. This implies that most respondents were to a great extent as it can be shown by table 4.2.

4.4 Competitiveness of Multinationals

The second objective of the study was to establish whether the MNCs have competitive advantage. The respondents were requested to indicate the extent of competitive advantage in the company using a five point Likert scale. The range was 'very great extent (5)' No extent '(1). The scores of 'no extent 'and' little extent;' have been taken to present a variable which had an impact to a small extent (S.E) (equivalent to mean score of 1 to 2.6 on the continuous Likert scale ;(1≤ S.E <2.6).

The scores of 'To a moderate extent;' have been taken to represent a variable that had an impact to a moderate extent (M.E.) (equivalent to a mean score of 2.6 to 3.4 on the continuous Likert scale: 2.6≤M.E. <3.4). The score of 'great extent; and very great extent' have been taken to represent a variable which had an impact to a large extent (L.E.) (equivalent to a mean score of 3.4 to 5.0 on a continuous Likert scale; 3.4≤ L.E. <5.0). A standard deviation of >1.5 implies a significant difference on the impact of the variable among respondents.

Table 4: Competitive advantage

Competitiveness of multinationals	**Mean**	**Std. Deviation**
To what extent are your products/services preferred	3.875	1.1145
To what extent is your marketing strategy stronger than that of competition	4.39	0.6295
To what extent are you stronger than your competitors in distribution of product/services	3.84	0.77
To what extent do you come up with new innovative	3.875	0.8945

products/services that are easily taken up by your customers		
To what extent are you stronger than your competitors in technology	3.41	0.8845
To what extent are you stronger than your competitors in people	3.875	0.6015
To what extent are you stronger than your competitors in capital	3.565	0.7435
To what extent are you stronger than your competitors in processes	3.575	1.0515
To what extent is your market share stronger than your competitors	3.86	0.804
Grand mean	**3.807**	**0.8326**

Table 4.3 shows the analysis of the findings of the study. It can be observed that most respondents were to a great extent on competitive advantage as shown by means and standard deviations above.

On competitive advantage in multi-national corporations, the results of the findings indicated clearly that majority were to a great extent. It was noted that for the MNCs there was a great extent; to how products/services of MNCs are preferred with a mean of 3.875 and std dev of 1.1145, the way they come up with new innovative products/services that are taken up by customers with a mean of 3.875 and std dev of 0.8945 and strong in the people aspect with a mean of 3.875 and std dev of 0.6015. The findings also revealed that on marketing strategy being stronger than that of competitors a mean 4.58 and standard deviation .501 were obtained which indicated a very great extent.

4.5 Global Integration and Competitiveness of Multinationals

4.5.1 Chi-Square Analysis

The study sought to determine the association between the competitive advantage and global integrated strategy and tested the hypothesis through Chi-square analysis. To achieve this, the study determined the index (aggregated) values of competitive advantage and global integrated strategy. Chi-square tests the null hypothesis that there is no significant association between one ordinal or nominal factor and the other against the alternative hypothesis that there is a significant linear association between the two factors. The Chi-square was done at 95% confidence level ($\alpha = .05$); that is, p-values lower than 0.05 depicts significant association.

From Table 4.4, a Pearson Chi-Square test value of 16.516 was established at p = .036; thus, significant association. This depicts that global integrated strategy has an effect on competitiveness of multinationals. Linear by linear association was insignificant depicting no linear association.

Table 5: Chi-Square Result

	Value	**df**	**Asymp. Sig. (2-Sided)**
Pearson Chi-Square	16.516a	8	.036
Likelihood Ratio	16.228	8	.039
Linear-by-Linear Association	.008	1	.928
N of Valid Cases	72		

4.3.2 Regression Analysis

The study conducted inferential statistics to determine the competitiveness of global integration strategy among multinational corporations. The simple linear regression model was

$$Y = \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where Y is global integration strategy of multinationals, X_1 competitive advantage and X_2 level of autonomy.

Table 6: Model's Goodness of Fit Statistics

R	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
.582a	.338	.321	.38453	2.054

a. Predictors: (Constant), competitive advantage, level of autonomy

b. Dependent Variable: global integration strategy

Table 4.5 shows that there is a good linear association between the dependent and independent variables used in the study. This is shown by a correlation (R) coefficient of 0.582. The determination coefficient as measured by the adjusted R-square presents a moderately strong relationship between dependent and independent variable given a value of 0.338. This depicts that the model accounts for 33.8% of the total observations (variations in competitiveness of multinationals) while 66.2% remains unexplained by the regression model (variations in competitiveness of multinationals).

Durbin Watson test was used as one of the preliminary test for regression which to test whether there is any autocorrelation within the model's residuals. Given that the Durbin Watson value was close to 2 (2.054), there was no autocorrelation in the model's residuals.

Table 7: Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.875	1	2.875	19.442	.000[b]
	Residual	5.619	38	.148		
	Total	8.494	39			

a. Predictors: (Constant), Competitive Advantage, global integration, Autonomy

b. Dependent Variable: Competitiveness of global integration strategy

The ANOVA statistics presented in Table 4.6 was used to present the regression model significance. An F-significance value of $p < 0.001$ was established showing that there is a probability of less than 0.1% of the regression model presenting false relationship. Thus, the model is significant.

Table 8: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.468	.539		2.722	.010

Competitive Advantage	.666	.151	.582	4.409	.000
Level of autonomy	.612	.142	.492	3.92	.000

a. Dependent Variable: global integration strategy

The following regression result was obtained:

$Y = 1.468 + 0.666X_1 + 0.612X_2 + \varepsilon$ $P < 0.001$

From the model, when global integration strategy is at zero, the competitive advantage and level of autonomy of the multinational firms becomes 1.468. A unit increase in competitive advantage and level of autonomy would lead to 0.666 ($p<.001$) and 0.612 ($p<.001$) increase in global integration strategy of the multinational firms respectively.

4.3.3 Correlation Analysis

The study sought to establish the relationship between the global integrated strategy and competitiveness of MNCs. Pearson Correlation analysis was used to achieve this end at 95% confidence level ($\alpha = 0.05$).

Table 9: Correlation analysis

Competitiveness of multinationals	**Global integration**	
To what extent are your products/services preferred	Pearson Correlation	.534**
	Sig. (2-tailed)	.000
To what extent is your marketing strategy stronger than that of competition	Pearson Correlation	.338*
	Sig. (2-tailed)	.033

To what extent are you stronger than your competitors in distribution of product/services	Pearson Correlation	.444**
	Sig. (2-tailed)	.004
To what extent do you come up with new innovative products/services that are easily taken up by your customers	Pearson Correlation	.725**
	Sig. (2-tailed)	.000
To what extent are you stronger than your competitors in technology	Pearson Correlation	.522**
	Sig. (2-tailed)	.001
To what extent are you stronger than your competitors in people	Pearson Correlation	.522**
	Sig. (2-tailed)	.001
To what extent are you stronger than your competitors in capital	Pearson Correlation	.444**
	Sig. (2-tailed)	.004
To what extent are you stronger than your competitors in processes	Pearson Correlation	.725**
	Sig. (2-tailed)	.000
To what extent is your market share stronger than your competitors	Pearson Correlation	.522**
	Sig. (2-tailed)	.000

**. Correlation is significant at the 0.01 level (2-tailed).

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

Table 4.14 shows that significant correlation coefficients were established between global integrated strategy and competitiveness of firms. Very good linear relationships were established between competitiveness of multinationals and: extent of coming up with new and innovative products that are easily taken up by customers (R = 0.725, p < .001); and, stronger than competition in processes management (R = 0.725, p < .001). This depicts that there is positive and very good linear relationship between competitiveness of global integration strategy of firms (coming up with new products that are easily taken up by customers, and having great internal processes and global integrated strategy. Good linear relationship was also established between global integration strategy and competitiveness of multinationals and: extent at which products are preferred by customers ((R = 0.534, p < .001).

Low linear relationship was established between global integrated strategy and: having good distribution of products and services (R = 0.444, p = .004); being stronger than competition in capital (R = 0.444, p = .004); marketing strategy being stronger than that of competition (R = 0.338, p = .033).

Table 10: Correlation analysis

Competitiveness of multinationals	**Level of autonomy**	
To what extent are your products/services preferred	Pearson Correlation	. 725**
	Sig. (2-tailed)	.000
To what extent is your marketing strategy stronger than that of competition	Pearson Correlation	.338*
	Sig. (2-tailed)	.033
To what extent are you stronger than your competitors in distribution of product/services	Pearson Correlation	.725**
	Sig. (2-tailed)	.000
To what extent do you come up with new innovative products/services that are easily	Pearson Correlation	.725**
	Sig. (2-tailed)	.000

taken up by your customers		
To what extent are you stronger than your competitors in technology	Pearson Correlation	.444**
	Sig. (2-tailed)	.004
To what extent are you stronger than your competitors in people	Pearson Correlation	.634**
	Sig. (2-tailed)	.000
To what extent are you stronger than your competitors in capital	Pearson Correlation	.444**
	Sig. (2-tailed)	.004
To what extent are you stronger than your competitors in processes	Pearson Correlation	.522**
	Sig. (2-tailed)	.001
To what extent is your market share stronger than your competitors	Pearson Correlation	.725**
	Sig. (2-tailed)	.000

**. Correlation is significant at the 0.01 level (2-tailed).

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

Table 4.14 shows that significant correlation coefficients were established between level of autonomy and competitiveness of global integration strategy of firms. Very good linear relationships were established between competitiveness of multinationals and: extent of coming up with new and innovative products that are easily taken up by customers ($R = 0.725$, $p < .001$); coming up with new innovative products/services easily taken up by customers ($R = 0.725$, $p < .001$); and having a strong market share ($R = 0.725$, $p < .001$). This depicts that there is positive and very good linear relationship between competitiveness and level of autonomy of firms (market share, product preferred by customers and coming up with new products/services) and global integrated strategy.

There is low linear relationship was established between level of autonomy and having stronger marketing strategy than competitions (R = 0.338, p = .033); having stronger capital (R = 0.444, p = .004); and being strong in technology (R = 0.444, p = .004).

4.6 Discussion of Findings

From the research, the results analysed from the data obtained from both top level and middle level management were harmonized and they indicate that most MNCs in Nairobi have employed global integration strategy with high degree of autonomy.

The results of the analysis show that there is good linear association between the dependent and independent variables used in the study. It was noted that the regression model accounts for 33.8% of the total observations (variations in competitiveness of multinationals) while 66.2% remains unexplained by the regression model (variations in competitiveness of multinationals) meaning other factors affect competitiveness of MNCs other than global integration strategy.

The research also indicates that there exists good linear relationship between global integration strategy and competitiveness of multinationals. MNCs are able to come up with new and innovative products that are easily taken up by customers, having good internal processes and fast rate at which products are preferred by customers making them competitive. Further the level of autonomy based on integration shows that MNCs are able to come up with new and innovative products that are easily taken up by customers, products having preference in the market and having a strong market share which increases competitiveness of firms. These were found to be key factors in the MNCs competitiveness.

The above results are similar to findings emerged from empirical work conducted by Hoff, Fisher, & Miller (1997) in which they found significant relationship between the way the organization is structured and competitiveness to meet or exceed quality expectations of the customer and provide goods or services in the form and quantity required by the customer. The results are also consistent with Barlett and Ghoshal (1989) who concluded that the forces of global integration and local differentiation could not be ignored and that for organizations to compete effectively, they had to develop global competitiveness and have multinational flexibility through degree of autonomy. The results were also found to be consistent with Bartlett and Ghoshal (1989) who concluded that for organizations to be competitive there had to be coordination of the MNC as a question of integrating the flows of goods, resources including technology and information. From the results of the analysis it was noted that that for MNCs studied there was a great level of innovation and R&D taking place and flow of information between subsidiaries. The ability to develop knowledge about for new products and production processes in one unit and transfer that knowledge to other units of the MNC is a basis for long-term survival in a world of global competition which was found to be consistent with the findings.

The research findings contrast with (Knickerbocker, 1973; Hamel and Prahalad, 1985). They concluded that a business's global integration strategy is frequently determined in response to the actions of competitors independent of structural forces therefore it doesn’t matter the structure which the firm takes.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of key data findings, conclusion and recommendations on competitiveness of global integration strategy among MNCs in Nairobi. It also highlights the suggestions for further research work and the limitations of the study

5.2 Summary of Findings

Our analysis of survey data including 40 MNCs in Nairobi suggests the following results. The interviewees were both from top level management and middle level management. Each of the interviewee's assessment of the extent of global integration and local responsiveness were almost agreeable.

First, most MNCs in Nairobi have adopted some degree of global integration strategy. This has contributed to coming up with new and innovative products that are easily taken up by customers, having good internal processes as well as contributing to fast rate at which products are preferred by customers.

Second, the degree of autonomy matters as most of the MNCs have great degree of autonomy which has led to easily coming up with new and innovative products that are easily taken up by customers, products having preference in the market and contributing to a strong market share. With greater autonomy there is high likelihood of MNCs increasing their market share as shown in the analysis. This has favourable effect on overall competitiveness of the MNC.

It was noted from the regression analysis that global integrated strategy has an effect on competitiveness of multinationals. There was a good linear association between the dependent and independent variables which was indicated by a correlation coefficient of 0.582. This depicted that the model accounts for 33.8% while 66.2% are variations in competitiveness of multinationals. From the model, when global integration strategy is at zero, the competitive advantage and level of autonomy of the multinational firms becomes 1.468. A unit increase in competitive advantage and level of autonomy would lead to 0.666 and 0.612 increase in global integration strategy of the multinational firms respectively

The overall effect of having moderate to great extent of global integration, degree of autonomy has a significant effect on MNCs competitiveness. Global integration with high degree of autonomy seems to be necessary to achieving the desired competitiveness for MNCs operating in Nairobi.

5.3 Conclusion of the Study

From the findings, the study concludes that global integration with high degree of autonomy seems to be necessary to achieving the desired competitiveness for MNCs operating in Nairobi. MNCs adopting a multi-domestic kind of integration where extent of local responsiveness is high seems to work for all types of industries sampled irrespective of the number of years they've been operating in Nairobi.

To ensure competitiveness MNCs set up should ensure that the degree of autonomy provided to local operations to contribute to market share and coming up with products/services that are easily taken up by customers. This will ensure MNCs adopt the best strategies for each industry segment for successful operations of the firms.

The analysis of data of the 40 MNCs in Nairobi suggests that the resource distinctiveness committed to host country operations is positively associated with the overall integration of local activities with the rest of the network. Being able to provide goods and services that meet client needs is positively associated with overall responsiveness in that local environment. The extent of being able to be innovative activities is important for the local subsidiary as it has favorable effects on competitiveness where the MNC is able to produce preferred goods and also goods that meet client demands. The degree of standardization of goods and services across countries has also been seen to be positively associated with global integration. The extent to which local business units are autonomous to worldwide operations was seen to be a major influence in terms of the degree of autonomy which is also a critical factor that is considered especially to make the firm more competitive.

Globalization having drastically altered the conditions of competition, and opening up opportunities with the reduction of trade barriers, there has been expansion into international markets. To enable MNCs to remain competitive and less vulnerable to external shocks, they should adopt global integration and local differentiation. Global integration with some degree of autonomy seems to be necessary for achieving competitiveness in Nairobi

5.4 Recommendations of the Study

For the management of MNC's operating in Nairobi, the findings of this study would be used in appreciating the global integration strategies employed and what form would make it competitive for them at the local level. From the findings of this study, most MNCs are involved in global integration and most have adopted the multi-domestic strategy where there is high degree of autonomy or local responsiveness.

The managers of these MNCs can relook at the strategies adopted and whether it encourages a high degree of autonomy.

The government and policy makers at various levels of management can use the findings of this study to develop policies that would promote MNCs competitiveness because the policies designed, serve as guidelines in assisting the management in knowing what the procedures and policies to follow when deciding to operate in the local market.

Researchers and academicians should make use of this study as a basis upon which further studies on competitiveness of global integration strategies on MNCs operating in Nairobi could be researched. The findings should contribute to professional extension of existing knowledge on competitive strategies employed by MNCs and challenges they face.

5.5 Limitations of the Study

The study did not analyze the underlying instruments of information, coordination and resource flow systems. Future research may extend this study to look at specific areas such as knowledge management, financial reporting systems, and employee policies for both locals and expatriates.

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on competitiveness of global integration strategy of MNCs operating in Nairobi. The study, however, minimized these by conducting the interview at the institution's head offices in Nairobi. Additionally, because of the specific nature of the research and the lack of resources to do a more comprehensive study the findings do not capture data outside of Nairobi.

5.6 Suggestion for Further Research

The research was based on looking at global integration strategy and degree of autonomy as affecting competitiveness which may limit the generalizability of the findings without taking into consideration other factors. Research based on what other factors affecting competitiveness of MNCs would provide another view of competitiveness of corporations which would lead to greater contributions being made to the field.

Additionally research into other factors affecting competitiveness of MNCs in Nairobi should be studied especially with the government of Kenya's ambitious Vision 2030 strategy being rolled out. More MNCs are expected to venture operations into Nairobi and this will require ensuring they're competitive enough to operate in this market.

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APPENDICES

Appendix 1: Introductory Letter

Date: 23/5/2013

<u>TO WHOM IT MAY CONCERN</u>

The bearer of this letter …BENADATTE NJOROGE…………………

Registration No …D61/68172/2011……………………………….

is a bona fide continuing student in the Masters of Business Administration (MBA) degree programme in this University

She is required to submit as part of her course work 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 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

FOR: MBA COORDINATOR

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

Appendix II: Questionnaire

a) Section 1: Background Information

Please answer the questions below by filling in the spaces provided

1. Company name ……………………………………………………

   Country of origin ……………………………………………………

   Sector of operation……………………………………………………

   Year of establishment……………………………………………………………

   Size of company in terms of employees…………………………………………

   Specify any particular market niche in which you focus……………………….

   Who are your customers…………………………………………………………

b) Section 2a: Global integration strategy

In the following section, kindly indicate the extent of integration in your company

Use a 5 point scale where:

1 – No extent

2 – Little extent

3 – Moderate extent

4 – Great extent

5 – Very great extent

	Global Integration:	1	2	3	4	5
i.	To what extent do your customers have similar demands for functionalities and design across countries					
ii.	To what extent do your products or services have a high					

	proportion of standard components across countries					
iii.	To what extent do your customers or distributors operating in different countries buy products or services locally					
iv.	To what extent are economies of scale in your industry important for the cost of your product					
v.	To what extent is the speed of introducing new products worldwide important for your competitiveness					
vi.	To what extent are the sales of your products or services based on cultural factors					
vii.	To what extent is experience gained in other countries (e.g. a 'sister' subsidiary) if successful be applied in your organisation					
viii.	To what extent do competitors in your industry operate in a 'standardised' way across countries and are successful in doing so					
ix.	To what extent do customers in your organisation 'behave' the same way across countries					
x.	To what extent does innovative activities (R&D, design) require concentration of expertise in order to be effective in your organisation					

Section 2b: Degree of autonomy:

	Degree of autonomy	1	2	3	4	5
i.	To what extent can pricing be different from country to country without introducing dysfunctionalities in your organisation					
ii.	To what extent does distribution channel management as practiced in your organisation differ from country to country					

iii.	To what extent do business regulations and contexts differ from country to country requiring a high degree of local practices					
iv.	To what extent do your products or services require a high degree of interaction with customers (customisation)					
v.	To what extent are transportation costs or customer interface in your organisation different such that local operations are needed					
vi.	To what extent are management functions in your organisation localised					
vii.	To what extent are functions/business units in your ogranisation autonomous to worldwide operations					

c) Section 3: Competitive advantage

In order to grasp the competition, understanding the competitive dynamics of industry is very important.

Please indicate the extent in your industry with each of the following statements below apply in your organization:

		1	2	3	4	5
i.	To what extent are your products/services preferred					
ii.	To what extent is your marketing strategy stronger than that of competition					
iii.	To what extent are you stronger than your competitors in distribution of product/services					
iv.	To what extent do you come up with new innovative products/services that are easily taken up by your customers					
v.	To what extent are you stronger than your competitors in technology					
vi.	To what extent are you stronger than your competitors					

	in people					
vii.	To what extent are you stronger than your competitors in capital					
viii.	To what extent are you stronger than your competitors in processes					
ix.	To what extent is your market share stronger than your competitors					

Thank you for your kind cooperation in this research study

Date ………………

Appendix III: List of companies

	Company Name	Country
1.	IMF	USA
2.	Intel	USA
3.	Kiva	USA
4.	Master card	USA
5.	Motorolla	USA
6.	Qualcomm	USA
7.	Rockerfeller foundation	USA
8.	RTI international	USA
9.	Stratlink global	USA
10.	Xerox	USA
11.	IFC	USA
12.	Accenture	USA
13.	Alcatel-Lucent	USA
14.	Bic	USA
15.	Black & Decker	USA
16.	Cadbury Kenya	USA
17.	Cannon	USA
18.	Caterpillar	USA
19.	Cisco Systems	USA
20.	Chartis	USA
21.	Citigroup	USA
22.	Coca-Cola	USA
23.	Deloitte & Touche	USA
24.	Ericsson	USA
25.	Ernst & Young	USA
26.	ExxonMobil	USA
27.	General Electric	USA
28.	General Motors	USA
29.	Goodyear Tire and Rubber Company	USA
30.	Google	USA

31.	Hewlett-Packard	USA
32.	HSBC	USA
33.	IBM	USA
34.	KPMG	USA
35.	Microsoft	USA
36.	Mobil	USA
37.	Nissan	USA
38.	Oracle Corporation	USA
39.	PepsiCo	USA
40.	Pfizer	USA
41.	Philips	USA
42.	Procter & Gamble	USA
43.	Proton (carmaker)	USA
44.	Siemens	USA
45.	Samsung	USA
46.	SAP AG	USA
47.	Sony	USA
48.	Total S.A.	USA
49.	Toyota	USA
50.	Unilever	USA
51.	Visa Inc.	USA
52.	Wrigley Company	USA
53.	3M	USA
54.	Kentucky Fried Chicken	USA
55.	Mckinsey & Rogers	USA
56.	AAPAM	USA
57.	ACCOSCA	USA
58.	ACORD	USA
59.	ADB	USA
60.	AERC	USA
61.	AFRAA	USA
62.	AFRALTI	USA

63.	AIHTTR	USA
64.	AICAD	USA
65.	APAC	USA
66.	APHRC	USA
67.	AFRICA RE	USA
68.	ARSO	USA
69.	ASESP	USA
70.	ATI	USA
71.	ATU	USA
72.	AU	USA
73.	AU/IBAR	USA
74.	AVU	USA
75.	BIOVERSITY INT	USA
76.	CAB INTERNATIONAL	USA
77.	CARITAS INTERNATIONAL	USA
78.	CDE	USA
79.	CIMMYT	USA
80.	CIP	USA
81.	CWS	USA
82.	DLCO - EA	USA
83.	EADB	USA
84.	EIB	USA
85.	EASBRICOM	USA
86.	ICA	USA
87.	ICFTU-AFRO	USA
88.	ICIPE	USA
89.	ICRAF	USA
90.	ICRC	USA
91.	ICRISAT	USA
92.	IDRC	USA
93.	IFC	USA
94.	IFRCRCS	USA

95.	ILRI	USA
96.	IMFINTERPOL.	USA
97.	IOM	USA
98.	IPPF	USA
99.	IUCN	USA
100.	RCMRD	USA
101.	RECSA	USA
102.	Daimler	USA
103.	SITA	USA
104.	EDS	USA
105.	Ford	USA
106.	Colgate Palmolive	USA
107.	Fresh Del Monte	USA
108.	Mobil	USA
109.	Research in motion	Canada
110.	Bata	Canada
111.	Tiomin	Canada
112.	Huawei	China
113.	Lenovo	China
114.	ZTE	China
115.	CCTV	China
116.	Foton automobiles	China
117.	Huawei	China
118.	Maersk	Denmark
119.	Nokia	Finland
120.	Bayer	Germany
121.	Mercedes	Germany
122.	Müller (company)	Germany
123.	SAP AG	Germany
124.	DHL express	Germany
125.	BASF - Baden aniline and soda factory	Germany
126.	Bharti Airtel	India

127.	Infosys	India
128.	NIIT	India
129.	Pireli	Italy
130.	Sony	Japan
131.	Toyota	Japan
132.	Honda	Japan
133.	Heineken	Netherlands
134.	Philips	Netherlands
135.	TNT	Netherlands
136.	SDV Transami	Netherlands
137.	Vanleer EA	Netherlands
138.	KLM Royal Dutch airlines	Netherlands
139.	Logistics container center	Netherlands
140.	Nestlé	Switzerland
141.	Kuehne + Nagel	Switzerland
142.	Syngenta	Switzerland
143.	IUCN- International Union for Conservation of Nature	Switzerland
144.	Hearst Corporation	Switzerland
145.	GlaxoSmithKline	United Kingdom
146.	Standard chartered bank	United Kingdom
147.	Barclays bank	United Kingdom
148.	ITF	United Kingdom
149.	British Petroleum	United Kingdom
150.	Sage group	United Kingdom
151.	British American Tobacco	United Kingdom
152.	Price Waterhouse Coopers	United Kingdom
153.	Woolworths	United Kingdom
154.	Identity	United Kingdom
155.	Vodafone	United Kingdom
156.	Motorolla	United Kingdom
157.	Avery (K) Ltd	United Kingdom

158.	Baumann	United Kingdom
159.	BOC gases	United Kingdom
160.	BP Solar	United Kingdom
161.	BBC	United Kingdom
162.	Chloride Exide	United Kingdom
163.	Cussons	United Kingdom
164.	De La Rue	United Kingdom
165.	Dunlop	United Kingdom
166.	George Williamson	United Kingdom
167.	Inchcape shipping services	United Kingdom
168.	Eltek	Norway
169.	Kaspersky	Russia
170.	LG	South Korea
171.	Daewoo	South Korea
172.	Hwan Sung	South Korea