

**STRATEGIES EMPLOYED BY GLOBAL FIRMS TO BECOME
LEADERS IN KENYA'S DOMESTIC MARKET**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION**

**SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI**

OCTOBER 2012

DECLARATION

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


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ACKNOWLEDGEMENT

I take this opportunity to extend my sincere gratitude to The Almighty God through whose strength I have been able to achieve and do all what I have.

I would also wish to extend my gratitude to my family and friends for their contribution in making me what I am today. May God bless you abundantly. To my friend Monica, nothing could replace you. No one could do what you do for me. You're the manifestation of what a friend ought to be to a fellow friend. Thank you. God bless you.

I also wish to thank my supervisor Dr. John Yabs for his guidance, encouragement in reading, correcting, re- reading and refining this work. It's commendable. I can only say thank you!

DEDICATION

I dedicate this project to my dad for his tireless inspiration to me as his son. Some of our moments were spent silently; but it is now that I realize that it is in those very moments that you spoke loudest. And though your tide came and you rode away, your presence, influence and inspiration has never been stronger than at this very moment. I am proud to have been your son. I love you. I miss you.

ABSTRACT

This study was conducted against a back-drop of International Business Management. International Business is a term used to collectively describe all commercial transactions that take place between two or more nations. The objective of the study was to find out the strategies being employed by global firms to become leaders in Kenya's domestic market.

This research used a cross-sectional survey design in collecting data from the respondents. In the study, the total population for the study was all the global firms operating in Kenya; however close scrutiny is on those which have successfully managed to become market leaders locally. In this study, emphasis was given to primary data. Content analysis was greatly used to analyse the qualitative data that was gathered for the study.

According to the findings, factors that have been repeatedly observed as facilitating the ease or difficulty of entry and operation in Kenya include lack of tax holidays on entry; favourable profit repatriation policies also facilitate entry of global companies. The free enterprise market in Kenya makes doing business much easier. Kenya also has a very highly skilled job market. Also, with Kenya being a growing economy, it has been relatively easy for global companies to gain momentum in the market due to the growth path. These and other factors have influenced the migration or otherwise of global companies to Kenya.

The main modes of entry that the global companies that we surveyed used to enter the market included partnerships, direct entry, mergers, franchising and exporting. These strategies succeeded and were directly attributed by the respondent companies to their success.

Strategies employed to achieve market leadership included localization and standardization, mergers, partnerships, market penetration and premium pricing in some remote cases. These strategies worked well to enhance the leadership of global firms in Kenya.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

This study was conducted against a back-drop of International Business Management. International Business is a term used to collectively describe all commercial transactions (private and governmental, sales, investments, logistics, and transportation) that take place between two or more nations. Usually, private companies undertake such transactions for profit; governments undertake them for profit and for political reasons. e.g. China business activities in Kenya (construction of roads) earns them profit and political ties with African states. These transactions include the transfer of goods, services, technology, managerial knowledge and capital to other countries. It refers to all those business activities which involves cross border transactions of goods, services, resources between two or more nations. Transaction of economic resources include capital, skills, people etc. for international production of physical goods and services such as finance, banking, insurance, construction etc.

Within the global business environment in which an organization is operating, there are various environmental factors that affect every business or organisation. The business environment is a set of political, economic, social, technological, environmental and legal forces that are largely outside the control and influence of any particular individual business, and that can potentially have both a positive and a negative impact on the business. Today's world is a rapidly changing place. Developments across a range of factors will have an impact on any business or industry.

1.1.1 Global Business Operations

International business can be traced back to Greek, Mesopotamian and Phoenician Merchants of 4000 years ago and thus it's not a new phenomenon. Then developed by the rise of the Roman Empire due to building of roads and Mediterranean Sea becoming safe from the threats of pirates, there was a decline in its growth after the fall of Roman Empire but it revived again, during the rise of nation states, industrial revolution, development of multinational corporation among other factors.

A global firm is a company that has managed to extend its physical operations to all markets around the globe. These are firms with a worldwide approach to markets and production. Some of the well known global firms in Kenya are Barclays Bank, Sony, Toyota, General Motors, LG e.t.c.

These firms, in establishing operations in various countries face challenges in areas such as; legal systems, political systems, labour laws, trade agreements, different cultures e.g. language, values, beliefs etc. Despite these challenges faced by these global firms there are various factors that have precipitated the growth in international business. These include; Technological growth in key areas such as transportation and communications, Fall in international business restrictions due to governments interventions, Emergence of instructions which provides services to ease the performance of international trade. Increased knowledge by consumers about foreign goods and services, Competition has become more global. Political relationships have improved among major economic powers, Cross-national cooperation and agreements.

Modes of International Business Operation/Entry Strategies

There are various modes that global firms can use to enter and operate in foreign markets and these may vary according to the competitive advantage the entering firm plans to gain. Such modes may include the following: Exporting, where the firm may opt to use the following strategies; exporting directly to the foreign buyer, exporting through a domestic export intermediary to the foreign buyer, exporting through a foreign import intermediary to the foreign buyer, exporting through domestic export intermediary and foreign import intermediary to the foreign buyer.

Assembly, where all or most of the product components are manufactured in domestic plants or in other countries and then transferred to foreign market for final assembly and is mainly for labour intensive operations e.g. mixing operations of Coca-Cola. Contract manufacturing: The firm's product is manufactured or assembled in the foreign market by another producer under contract. Licensing, whereby a contract-manufacturer is given a wider responsibilities e.g. manufacture of the product and marketing of the same to assigned territory. Franchising: This is a special form of licensing but franchiser makes a total marketing programme available and franchisee agrees to a total operation. Joint ventures, where an international firm gains an equity position and management voice in the foreign firm, thus, sharing firm shares both in the ownership and management of the foreign firm. Mergers: This is where two corporations combine under only one company services, and the merged goes out of existence. Strategic alliances: This is where cooperative arrangements are made between two or more companies which are seeking to add their competences by combining their resources to reach an agreed goal.

1.1.2 The Kenyan Business Environment

According to a Kaplan & Stratton 2011 report, Kenya is sub-Saharan Africa's fifth largest economy (GDP of USD 29.38 billion in 2010), after South Africa, Nigeria, Angola, and Sudan. Its economy is principally agriculture based (30% of GDP) with tea, coffee and horticulture providing the principal export commodities. Tourism is a major foreign exchange earner. Nairobi is the third largest centre in the world for the UN and is also home to numerous other international organizations, non-governmental organizations, press agencies and diplomatic missions who use Nairobi as their African or regional base. Significant resources have been committed to the East African region in recent years in terms of relief and conflict resolution in Somalia, Sudan, Rwanda, Democratic Republic of Congo and Burundi, and most of these operations have been conducted from Nairobi.

Kaplan & Stratton reported that with relative political stability, a multi-party parliamentary democracy (since 1991), a well educated and hard-working people (population 39 million) and a sound legal system, Kenya has the potential to be the power-house of development for East Africa. The current surge in tourism, infrastructure development (notably roads and telecommunications), regional economic integration demand for products through the reconstruction of Southern Sudan and improved prospects for agriculture suggest, among other factors, that economic growth should strengthen in the short to medium term. However, a highly partisan political climate and an endemic malaise of corruption within most aspects of public services continue to hamper Kenya's development. Exchange rates are relatively stable in a range of 78 to 81 Kenya shillings to 1 US Dollar for 2010.

Kenya is a member of The Common Market for East and Central African States (COMESA) and of the East African Community (EAC) (with Uganda and Tanzania). Both entities seek to establish a common market for trade and economic activity, free movement of goods and

labour with common external tariffs. Other international memberships include the UN, the African Union and the British Commonwealth.

The Legal System: Kenya has a well-developed legal system, partially inherited from its colonial past, with English common law forming the basis, combining with traditional customary law and elements of Islamic law in the realm of marriage and succession. Kenya adopted a new Constitution on 27 August 2010 which sets the reform agenda for better governance and a path to democratic stability. Under Kenyan law, the business enterprises that can be established range from limited companies of various forms, branch office registration, and partnerships. Trusts are recognised and land law is a mixture of English statutes, Indian colonial laws and local codes. Some of the principle statutes that govern the business and commercial area are: The Companies Act, The Insurance Act, The Banking Act, The Kenya Communications Act, The Capital Markets Act, The Investment Promotion Act, The Environmental Management and Co-ordination Act, The Transfer of Businesses Act, The Trade Marks Act, The Arbitration Act, The Restrictive Trade Practices, Monopolies and Price Control Act, The Retirement Benefits Act, The Partnership Act and various statutes providing for land titles (leasehold and freehold).

Kenya has a four tier courts system – Magistrates, High Court, Court of Appeal and Supreme Court. Judicial proceedings are slow and inefficient and sometimes are tainted by corruption. The courts are overloaded with lack of capacity caused by failure to invest adequately in technology and training. As a result many litigants resort to arbitration and other ADR for resolving their differences. Membership of COMESA and the EAC also provides recourse for appeals in treaty-specific areas.

As the Kaplan & Stratton 2011 report indicates, there are public registries for lands, companies, trade and service marks, designs and patents – although most require a major modernization exercise. Statutory protection of intellectual property rights exists and Kenya is a signatory to the Paris and Berne Conventions, the TRIPS Agreement, the ARIPO (Harare) Protocol and the Madrid Agreement and Protocol. There is provision for enforcement in Kenya of certain foreign judgments and arbitration awards. Kenya is a signatory and has adopted the 1923 Protocol on arbitration clauses of the League of Nations and the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. The Arbitration Act 1995 embodies most of the provisions of the UNCITRAL model law.

Investment Climate: Although official Government policy has been to encourage investment in Kenya, including from abroad, its record in attracting significant foreign investment has been poor. With a liberalized economy (price controls and foreign exchange controls were lifted more than a decade ago), and a vibrant market-driven private sector, Kenya could be further along the development path than it is. Government privatization has moved along slowly with a patchy record of success (Kenya Airways was a highly successful privatization (1996), though recent efforts have seen activity in the telecommunications, electric power, railways, ports and other utilities.

The Investment Promotion Act 2004 aims to encourage foreign investment and facilitate the issue of licences and permits for foreign investors by the issue of Investment Certificates by the Kenya Investment Authority. The licences include both general and industry-specific licences. Foreign investment in the private sector has generally had a good record. Kenya's

membership of the EAC and COMESA presents opportunities for manufacturing operations to exploit the benefits of those markets.

There are limited foreign investment incentives available in Kenya. The main area of growth has been in light assembly manufacturing in export processing zones where 10 year tax holidays are available to approved enterprises (Kaplan & Stratton 2011). There are no restrictions on investment by foreigners in private companies and foreigners can be directors of companies. Minimum Kenyan co-ownership in insurance companies, banks and telecommunications companies is mandatory, while at least 25% of the shares of companies listed on the Nairobi Stock Exchange must be held by Kenyans. Certain dealings in agricultural land and beach-front property involving non-citizens are prohibited unless special approval is obtained; otherwise foreigners are free to own land on the basis of leasehold tenure only, not exceeding ninety nine years.

Tax System: The Kenya Revenue Authority is responsible for all revenue collection and management of the tax system. (See Appendix III for a break-down of the main taxes).

Kenya has double taxation treaties which can, in certain circumstances, mitigate the tax charge. Treaty countries are Canada, Denmark, Norway, Sweden, India, Zambia, United Kingdom, France and Germany. Neither the USA nor South Africa have double taxation treaties with Kenya.

Various capital deductions are available on industrial buildings, hotels, plant and machinery and mining investment. Capital allowances are provided for on the basis of cost on a reducing balance basis. Benefits-in-kind paid to employees such motor cars, housing and loans are taxable. Employee taxes are based around a pay-as-you-earn income tax deduction, a national social security fund and a national hospital insurance levy. Excise and customs

duties are also payable depending on the nature of the goods produced or imported. There is no capital gains tax system presently in force. There are no death duties/taxes payable on personal estates (Kaplan & Stratton 2011).

Financial and Capital Markets: Kenya has the most sophisticated financial and capital markets in the East African region. Professional standards among bankers, investment advisers, fund managers, accountants, lawyers, brokers and other intermediaries are high. The Central Bank of Kenya is responsible for management of Kenya's financial and banking system, in tandem with the Treasury. Bank supervision is of a high standard. There are over 40 licensed banks and numerous other financial institutions such as building societies, foreign exchange bureau and credit reference agencies.

The Capital Markets Authority is responsible for regulation and supervision of the capital markets, including the Nairobi Stock Exchange. There are over 50 listed companies with their combined market capitalization standing at over USD 11 billion. The market is divided between a main segment, an alternative investment market (for smaller companies) and a fixed income segment (for debt issuers). Corporate bonds have been issued by a number of regional multilateral institutions (East African Development Bank, PTA Bank), local financial institutions and other companies dealing in various sectors of the economy. Competition law is supervised by the Monopolies and Prices Commission. Most mergers and acquisitions fall within the scope of the law and require an approval (Kaplan & Stratton 2011).

1.1.3 Global Firms Operating in Kenya

Nairobi, Kenya is the business and financial centre of East Africa. This is highlighted by the number of companies and organizations headquartered in the city. See Appendix IV for a list

of global firms operating in Kenya with their African (continent-wide or regional) headquarters in Nairobi Kenya.

In the recent past, many global firms have opted to open up their regional operations physically using Nairobi as an epicenter the most recent being Visa Incorporated. This is an electronic payment and money transfer company that has interconnected millions of pay-points world-wide. Kenya is therefore a very appropriate case study in examining how global firms manage to enter and lead domestic markets. The researcher believes that the findings of this study will be applicable to other developing countries and therefore executives and business consultants will be able to obtain insights into the workings domestic market competition that would favour or disfavour a global firm in its quest to conquer a given domestic market.

1.2 Research Problem

Expanding your business internationally can create unlimited opportunities for growth, particularly in emerging and other fast-growth markets. With business expansion also comes a unique set of challenges including supply chain sourcing, manufacturing, market-entry strategy, and building your consumer base; add onto that finance, tax, and human resource considerations and the challenges become harder. Therefore, firms that want to expand beyond their borders must develop international growth strategies that further their corporate goals in these developing or emerging markets. Traditionally, global firms have used various methods of growing in other markets which include licensing, franchising, joint-venturing, setting up more subsidiaries, localizing products, lobbying among others.

Some of the global firms that operate in Kenya and have in the past managed to emerge market leaders in Kenya include Barclays Bank in the financial services sector, PwC in the

consulting industry, Coca Cola in the consumables sector, Toyota operating in the manufacturing sector and Safaricom (Vodafone) in the information and communication technology sector. How did these global firms manage to enter, operate and win in this market which is swamped by tens of other industry players in each sector which include both domestic and other foreign-based firms? This is the understanding the researcher seeks to contribute towards by conducting this study.

In the past decade more than any other time in history, big firms which were formerly only concentrating on the developed markets are setting their sights on emerging and fast-growing markets (EFGMs), where economic conditions are rebounding more quickly than in the mature markets. These moves have frequently been met by various opportunities and risks in these markets. Further, many international firms have dismally failed after entering these markets. A good example of such failures is when SABMiller set up their own brewery in Kenya with their brand Castle Lager, only to close before the end of the first year. It couldn't compete with Kenya's East and Central Africa's largest brewer, East African Breweries Ltd (EABL) which marketed Kenya's brand Tusker under 'my country my beer'. SABMiller later sold its plant to EABL.

This study sought to address this problem by examining the entry and operational strategies that global firms have used to successfully conquer Kenya's domestic market. It will be of great value to all the players in the international markets to know exactly what moves create successes and which ones create losses. International firms usually make huge investments into entering these markets which will often go to waste if the wrong strategies are adopted. The truth is that, the strategies used to move into developed economies may not work in developing countries where consumers are mainly low-income earners, few people have

access to credit, distribution channels are not conventional and may not be uniformly structured, legal systems are still decades behind, corruption levels soar high and the vast majority of wealth is controlled by an alarmingly small number of people. These are just some of the challenges that international businesses must expect when entering these markets; and the right strategies must be adopted to address these challenges.

Other scholars have explored this area of strategies being used by global firms. For instance, Kamau (2010) studied the response strategies adopted by multinational corporations to cope with barriers of entry into the Kenyan market. She only examined how these corporations deal with barriers of entry and not how they succeed in Kenya. Kasyoka (2011) examined the use of strategic positioning to achieve sustainable competitive advantage at Safaricom Limited. Though he examined an aspect of this study which is competition in Kenya, he only looked strategic positioning as a factor that can help a global firm become a leader. He did not examine other factors that can contribute to market leadership. Gombe (2011) assessed the factors influencing the operations of foreign-owned business establishments in Kenya. Though he looked at the factors that influence operations of foreign businesses, he did not limit his search to global companies, nor did he examine the factors that make these foreign businesses market leaders. Compared to the study the researcher intends to carry out, his study was limited in scope. Wasike (2010) came closer to the objectives of this study by examining the competitive strategies adopted by Barclays Bank in Kenya which is one of the global firms operating in Kenya. However, by looking at Barclays only, he limited his findings to only one global firm. This study will therefore deliver more value by examining about five global companies in Kenya in order to ascertain that the strategies they employ are well-proven by more than one firm and are therefore likely contribute to the success of other

global firms in this and other developing markets. None of the authors cited above has specifically looked at the strategies being adopted by global firms to become leaders in the Kenyan domestic market. That is exactly what this study would like to address. The researcher will produce a manuscript that can be used as a manual by global firms intending to start operations in developing countries and which have an intention of leading in those markets. Therefore, the question the researcher sought to answer is: what are the strategies in use by global firms that have managed to enter, operate, and lead in Kenya's domestic market?

1.3 Research Objective

The objective of the study was to:

Find out the strategies being employed by global firms to become leaders in Kenya's domestic market.

1.4 Value of the Study

This study is of great importance to the management boards of global and other international firms which are interested in entering or exploring new markets in developing countries and also government departments in these countries which want to create a healthy entry environment for these international firms.

It is also important to the management of the international firms already operating in Kenya and which have not been able to successfully conquer substantial market share in these markets. It will elaborate on the strategies these firms should adopt in order to be able to substantially build business volumes in domestic markets in developing countries.

This study is also of great importance to scholars of international business as they seek to understand the phenomenon surrounding the successful entry of foreign firms into domestic markets and their usual quick acceleration to the top in these domestic markets which possess unique characteristics away from international markets; yet these firms still manage to build majority market share.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter has two broad sections. The first section covers International Business and the entry strategies that global firms use to enter domestic markets abroad. It will examine the strategies that have particularly been proven successful for businesses that are entering new markets. The second section will examine the growth strategies that global firms have successfully used to gain market share and leadership within domestic markets.

2.2 International Business

International Business consists of all commercial transactions –including sales, investments, and transportation – that take place between two or more countries. Private companies undertake such transactions for profit, governments may undertake them either for profit or political reasons. According to Sullivan Radebaugh & Daniels 2011, International Business comprises of a large and growing portion of the world’s total business. Today, global events and competition affect almost all companies, large and small, regardless of industry. This is the result of selling output to and securing supplies and resources from foreign countries, as well as competing against products and services from abroad. Thus, most managers need to approach their operating strategies from an international standpoint.

Han, Wild & Wild, 2010 say that technology makes it all possible. They state that, “technology is perhaps the most remarkable facilitator of societal and commercial changes today. Consumers use technology to reach out to the world on the Internet – gathering and sending information and purchasing all kinds of goods and services. Companies use

technology to acquire materials and products from distant lands and to sell goods and services abroad. When businesses or consumers use technology to conduct transactions, they engage in e-business (e-commerce) – the use of computer networks to purchase, sell, or exchange products, service customers, and collaborate with partners. E-business is making it easier for companies to make their products abroad, not simply import and export finished goods. For instance, consider how Hewlett-Packard (HP) designed and built a computer server for small businesses. Once HP identified the need for a new low-cost computer server, it seized the rewards of globalization. HP dispersed the design and production of its ProLiant ML150 server throughout a specialized manufacturing system across five Pacific Rim nations and India. This helped the company minimize labour costs, taxes and shipping delays yet maximize productivity when designing, building, and distributing its new product. Companies use such innovative production and distribution techniques to squeeze inefficiencies out of their international operations and boost their competitiveness.

2.3 Factors Affecting MNC's Business Environment in Kenya

In Kenya a number of factors affect the business environment. Yabs (2007) notes that these factors relate to the economy, socio-culture, finance, politics, legal, labour and ecology. The economic forces include the rate of inflation, growth of GDP, balance of payments, bank lending interest rates, and propensity for people to spend. Kenyans are more of consumers than savers because the standard of living is still low.

Beliefs, attitudes and opinions of Kenyans are the other force. These forces are conditioned by ethnicity, religion, education and upbringing. Kenya has a mix of cultures unlike India, China or Japan. Financial forces on the other hand include the availability of money, access to sources of finance, attractive lending rates, well-developed stock exchange market,

availability of foreign exchange, convertibility of currencies. These forces are developed in Kenya. Money for investment is available locally either through banks or through off-shore borrowing. MNCs in Kenya find it easier to source operating capital locally.

Most political parties in Kenya are capitalist-oriented and almost all of them profess the sanctity of private property and pursuit of personal gain. MNCs are averse to quick turnover of governments because of frequent changes in economic policies followed by each regime coming to power. Stability especially at the political level can give business confidence in the country of their location and can plan on long-term basis. Frequent changes of regimes and constant quarreling of those in power worry MNCs.

Legislation of laws that are either conducive to business growth or are aimed at controlling (discouraging) the activities of MNCs. Positive laws pertain to trade markets, patents, foreign investment protection acts e.t.c. Negative laws include those that limit/restrict the freedom of firms in their activities e.g. minimum wages, price controls, social security, working time and hours to be worked, anti-monopolies and anti-pollution laws. Legal forces also cover the settlement of legal disputes between firms themselves and between firms and host government.

Competition within industry/sector producing smaller goods is another factor. The intensity of competition within industry influences the inter-industry environment of firms and external environment within that industrial sector. The ecological forces refers to the demands on every firm to preserve the environment and use sparingly the products of nature. Most firms use the products of nature (water, land, soil) responsibly by way of eliminating waste, reducing pollution and contributing towards the preservation of the environment.

Yabs (2007) continues to assert that a number of factors can cause turbulence (instability) in the environment e.g. political changes, unstable governments, inconsistent economic policies, frequent changes of CEOs, unreliable suppliers and unpredictable market behavior. Yabs suggests that there is need to mitigate against factors causing turbulence that may be external to the firm, beyond its control. Firms then institute measures to protect themselves from the effects of these factors e.g. lobbying in the corridors of power.

Constant changes of and in governments are a major source of political instability, not conducive for business progress. Frequent changes in government may lead to frequent changes in economic policies. Firms would like to deal with stable governments and with stable policies, so that they can predict and plan for the long-run. Effects of political changes on economic growth can reduce or increase the pace of economic growth as indicated by trends in GDP. Implementation of party manifestos indicating a certain party's economic program, whose implementation (or non-implementation) will determine the rate GDP growth in a country. As far as regional economic groupings are concerned, most firms would like to take advantage of a wider market available in an economic grouping (COMESA). Most international firms coming to Kenya would like to access the wider East African market.

2.4 Entry Strategies into Foreign Domestic Markets

Broadly, MNCs adopt different strategies when selecting and entering a market. Strategies adopted when selecting and entering may differ from those that MNCs adopt when already in the market. Grousse (1992) argues that the MNCs therefore have various alternatives to pursue. These alternatives range from of direct investment, licensing of a local firm, use of a turnkey venture or some other organizational strategy that employs local production.

According to the Economist Intelligence Unit (2006), the MNCs can also pursue different strategies to overcome challenges of protectionism which include monitoring (keeping up to speed on regulations), lobbying in the corridors of power, complying with regulations, localising operations, strategic alliances, joint ventures or local partnerships. One fact is that whichever response strategies are employed by a multi-national organization will depend on the environment that the organization is in. Jeannot and Hennessey (1988) concur that closed markets (i.e. those with a high level of tariffs and/or non-tariff barriers) are the biggest challenge to firms entering international trade.

However, the level of protectionism encountered may be influenced by a firm's choice of entry strategies. The entry strategies of direct and indirect exporting usually face more barriers than other strategies such as joint-ventures, foreign licensing, or direct investment. Since exporting countries or firms gain more benefits (profits, wages, employment, e.t.c.) than importing countries or firms (lower prices, increased variety), many countries may discriminate against imports. Those same countries may be very encouraging for joint ventures or licensing agreements, however. Therefore, the selection of any entry strategy should be directly related to the level and nature of protectionism likely to be encountered. Thus, the choice of an entry strategy should 'flow' from knowledge about specific non-tariff barriers that will be encountered. The following sections are a review of the various entry strategies that MNCs pursue.

2.4.1 Exporting

This is a strategy in which a company markets and directly sells domestically-produced goods in another country. Exporting is a traditional and well established method of reaching foreign markets. Since exporting does not require that goods be produced in the target

country, no investment in the foreign production facilities is required. Exporting can be in two forms; indirect and direct exporting.

Indirect exporting involves the use of middlemen to handle exporting activities. The most common types of middlemen are export brokers and manufacturing export agents who develop expertise in particular countries. These individuals develop a network of contacts in a given country and gain experience in penetrating foreign markets. Thus, they become quite familiar with the various tariffs in a country and are quite knowledgeable about whether or not one can circumvent trade constraints, and if so, how. By operating on a commission basis, these middlemen represent only variable costs for the exporter. Indirect exporting may only lead to MNC learning that foreign demand for its product exists in a given country. However, it may never fully be cognisant of how or why certain non-tariff barriers affect its strategy and related success or failure (Kamau 2010).

Direct exporting typically requires that the MNC assumes responsibility for all the activities necessary to deliver its products to a foreign market. The MNC might hire specialized firms to assist in fulfilling various tasks, but the ultimate responsibility rests with the exporter. Due to the higher level of involvement, this gives the MNC the opportunity to gain experience in international trade very quickly. A working first-hand knowledge of non-tariff barriers is a major benefit of direct exporting. However, much international trade experience is unique to a given country. Kedia and Chhokar (1985) indicated in their study of small businesses exporting that each exporter exported to an average of nine countries. This implies a much managerial commitment and the need to deploy many resources to become familiar with the unique environment in each country.

2.4.2 Licensing

This is an agreement that permits a foreign company to use industrial property (i.e. patents, trademarks and copyrights), technical know-how and skills, architectural and engineering designs, or any combination of these in a foreign market. Such property is usually intangible. The licensee pays a fee in exchange for the rights to use the intangible property and possibly for technical assistance. The license agreement normally specifies geographical and time horizon agreements. This entry strategy requires little initial cash investment, but it does require careful research in identifying the possible foreign firms to license. Licensing has the potential to provide a very large return in investment (ROI). However, because the licensee produces and markets the product, potential returns from manufacturing and marketing activities may be lost.

Foreign licensing can provide additional cash flow to defray product development costs and effectively extend product life cycles. A possible limitation of foreign licensing is the emergence of the foreign licensee as a competitor in other markets. Also, countries with currency restrictions make the repatriation of royalty earnings difficult (Kamau 2010).

2.4.3 Franchising

Franchising is essentially an advanced form of licensing that results in a much higher level of control by the franchisor. The franchisor typically provides marketing programs, training, managerial support, and operations policies and guidelines. As with licensing, franchising usually requires a foreign firm to pay an initial franchise fee and subsequent royalties with little direct foreign investment required by the franchisor. The problems of franchisee selection, product adaptation, and repatriation of royalty fees are the primary constraints.

2.4.4 Joint-Ventures

A joint venture is a partnership at corporate level formed for a specific business purpose by two or more investors (from more than one country) sharing ownership and control. The key issues to consider in joint ventures are ownership, control, length of agreement, pricing, technology transfer, local firm capabilities and resources and government intentions. Conditions under which organizations pursue joint ventures as strategies include when there is existence of import barriers in the target market country, large cultural distances between the home and host countries, divergent goals and government restrictions on foreign ownership. For these relationships to be successful, they require a substantial amount of research and information seeking. Many small businesses lack the resources and commitment to fully develop meaningful joint ventures (Kamau 2010).

2.4.5 Wholly-Owned Subsidiaries

Wholly-owned subsidiaries usually involve larger multinational corporations pursuing a Foreign Direct Investment of facilities in the target country. It involves the transfer of resources including capital, technology and personnel. Direct ownership provides a higher degree of control in the operations and the ability to better understand the consumers and the competitive environment. However, it requires a high level of resources and a high degree of commitment. FDI may be made through acquisition of an existing entity or the establishment of a new enterprise. Existence of import barriers in the target market allow for this method.

2.5 Growth Strategies by Global Firms in Domestic Markets

2.5.1 Localization and Standardisation

Localizations or partnerships with local firms are far away and the most popular method of dealing with protectionism is engaging in a strategic alliance or joint venture with a local

firm. Working with a well-connected partner is a powerful way of minimizing regulatory impact. Investing in local staff, producing goods locally or providing other forms of local investment are also powerful means of reducing trade tariffs and other barriers. What is more is that, local staff will be an invaluable means of getting an MNC up to speed on local regulations and loopholes (Economist Intelligence Unit, 2006)

Once firms have also settled in the host country, they also face a number of trade and investment barriers. Some firms decide to adopt long term view of the business environment that keeps in changing. The Economic Intelligence Unit (EIU) observes that firms do not get obsessed with short-term problems, but have a clear view of how the industry is evolving and where they want it to go. Reciprocity or standards harmonization therefore becomes the goal in creating a long-term strategy. The EIU argues that let no organization assume that current trade arrangements (particularly bilateral ones) are cast in stone (Economist Intelligence Unit, 2006).

2.5.2 Lobbying and Adoption of a Flexible Strategy

MNCs also lobby widely and in multiple directions i.e. both friend and foe alike. The best lobbying is friendly, positive and demonstrative of bilateral benefits; ultimatums are unwise. MNCs may prefer to lobby as a group to get better results because host governments can be wary of extending benefits to a single firm. And realize that you can realistically obtain by lobbying and what you can't (Economist Intelligence Unit, 2006)

International businesses find that there are merits of smaller, more autonomous business units, which can move quickly to react and take advantage of changes as they happen (Economist Intelligence Unit, 2006). In this regard most organizations when operating in a foreign market prefers to be flexible in their operation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the research design, the target population, data collection procedure, and data analysis. The research design followed the survey method. The population targeted was the global firms that are operating in Kenya. Data was collected from several organizations selected from various industries in which these firms are operating in Kenya. This chapter contains a description of the methods and procedures that were used to carry out the study.

3.2 Research design

This research used a cross-sectional survey design in collecting data from the respondents since the study focused on determining the strategies that have been used by global firms in conquering Kenya's domestic market. A cross-sectional survey design was used to ascertain the strategies of effective operation in these foreign markets. The design was preferred because the study looked at market leaders across various industries and therefore the sample cut across several major industries in Kenya that have had global firms as leaders.

3.3 Population

In this study, the total population for the study is all the global firms operating in Kenya; however close scrutiny is on those which have successfully managed to become market leaders locally. These firms were considered appropriate for the study since a large number of them have entered this market and are currently the leaders in the market; and hence are in

a position to elaborate on the success strategies that are proven to work when operating in Kenya's domestic market.

3.4 Sample design

Since it was not possible to study the whole population, the study focused on selecting a sample of five global firms across different industries which have become local market leaders. The whole population under study was stratified based on the various industry sectors i.e. manufacturing, telecommunications, financial services, consumables and consulting. This assisted in ensuring that the major sectors in which most global firms operate are covered. A simple random sample from each stratum was selected for the study.

3.5 Data collection

In this study, emphasis will be given to primary data. Secondary data was however used to determine some of the strategies that the firms may have used to enter and expand their operations in Kenya. This secondary data was used as a guide to know the strategies and confirm whether the strategies given by the respondents are valid. The primary data was collected using a structured questionnaire consisting of open and closed ended questions. The questionnaires were administered by way of interview where necessary and where this is not possible a 'drop and pick later' method was used.

3.6 Data analysis

The data collected from these questionnaires was analysed using prescriptive statistics such as tables and percentages to represent the response rate and information on the variables under study. However, content analysis was greatly used to analyse the qualitative data that was gathered for the study. The findings were largely qualitative. The analysis of this study

was expected to bring out the specific strategies being used by global firms to become market leaders in Kenya's domestic market. The study therefore involved observation and a detailed description of objects, items or things that comprised the theme of study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results and findings of the study based on the research objective. The study used structured questionnaires which were administered by way of interview where necessary and where not necessary a drop-and-pick-later method was used. The study sought to determine the strategies used by global firms to become leaders in the Kenyan domestic market. The study targeted 5 global firms operating in Kenya, picking one from five major industries namely consulting, manufacturing, financial services, consumables and telecommunications technology. We obtained responses from all the five firms. These responses therefore form the basis of our findings.

4.2 Analysis of the characteristic of the sample

This section describes the names of the firms we sampled and the industries they operate in, as well as the characteristics of the firms that were used as respondents for the study. The characteristics described include the industry or sector the firm operates in, its end-product, the number of years it has operated in Kenya, the size of the organization in terms of the current number of employees, and the length of time it took the firm to become a market leader.

Table 4.2: Distribution of global firms that participated in the study

| Firm | Industry | End- | Years of operation in | Size of the firm (No. of | Length of time to |
|------|----------|------|-----------------------|--------------------------|-------------------|
|------|----------|------|-----------------------|--------------------------|-------------------|

| | | product | Kenya | employees) | market leadership |
|-----------|--------------------|------------------------------------|--------------|-------------------|--------------------------|
| Coca Cola | Consumables | Soft drinks | 80 | Over 500 | Less than 1 year |
| Barclays | Financial Services | Cash handling and Credit | 95 | Over 500 | 6 - 10 years |
| Toyota | Manufacturing | Vehicles | 50 | 101 - 250 | Over 10 years |
| PwC | Consulting | Professional advice and/or opinion | 14 | Over 500 | Less than 1 year |
| Vodafone | Telecomms | Voice and data | 12 | Over 500 | 1 – 5 years |

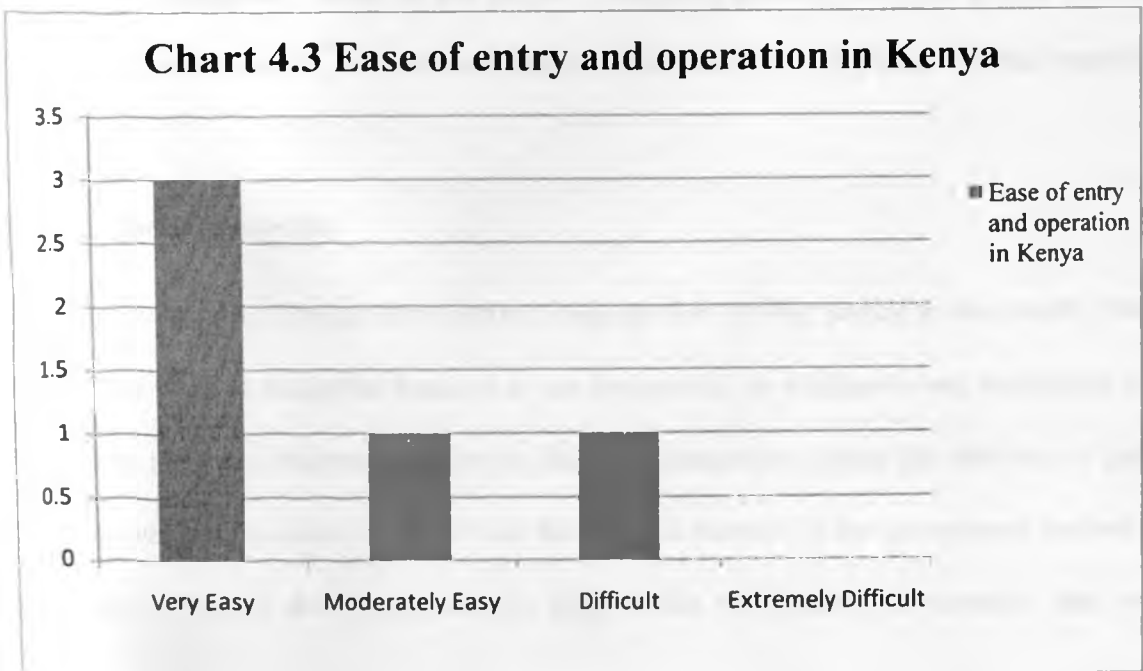
4.3 Ease of entry and operation in Kenya

The respondents were asked about the level of ease of entry and operation into the Kenyan market given the experience of their firms locally in the last several decades, and the results were as follows;

Table 4.3. Ease of entry and operation in Kenya

| Global firm | Ease of entry |
|--------------------|----------------------|
| Coca Cola | Very easy |
| Barclays | Moderately easy |
| Toyota | Difficult |
| PwC | Very easy |
| Vodafone | Very easy |

The data regarding how the respondents rated the ease of entry and operation in Kenya is displayed in the chart below;



Three of the five global firms we sampled said that entry and operation in Kenya is moderately easy. Three firms rated it very easy while one rated it moderately easy and another rated it difficult to enter and operate here. In the next section, we discuss the factors or reasons the respondent firm attributed the ease or difficulty of entry into Kenya to.

4.4 Factors affecting ease or difficulty of entry and operation in Kenya

The respondent firms profiled some factors that have been repeatedly observed as facilitating the ease or difficulty of entry and operation in Kenya. Here are the factors that were presented;

Lack of tax holidays on entry

Some countries in the world offer tax holidays to new firms setting up operations within their borders. This usually involves giving them a period, say ten years, within which they do not pay the corporate tax of 30%. This benefit in Kenya has historically been restricted to some firms only, specifically those in the Export Processing Zones. However, if this benefit is extended to other sectors, we could see more global firms migrating their regional operations to Nairobi.

Profit repatriation policy

Kenyan law requires foreign firms retain a huge portion of their profits in the country. Many times firms want to retain the freedom to use their profits in whichever way they deem most favourable to them. This requirement in Kenya influences or deters the decision of global firms on whether to enter or not into the Kenyan market. If the government revised the percentage of profit that firms have to keep within the country downwards, this could

ns in Kenya as firms want to be free to invest their profits where which may not be in Kenya.

more than often demanded bribes directly or indirectly from firms with a promise to hasten various processes in government. The firms in turn have documented anti-bribery policies and are e. This means that these firms continually face procedural hitches s which leads to delay in processes and licensing or authorization. Effects not only the growth of the firms but the health of the general Kenya.

arket to operate in once you have succeeded in creating a strong ntry, the competition may be stiff. Barclays and Toyota recorded operation. This in part is precipitated by the very nature of their ny players. Competition, though a challenge to firms, it is a benefit t ensures they get the best quality of products.

r, it is different as was the case with Coca Cola who had no Up to date, Coca Cola fiercely dominates its market with a very ot be duplicated. This is its strength. They also have a very unique ally as is seen in its advertising and sponsorship programs all over niche for them that is hard to emulate and this has been consistently entury.

Legal system

Since the justice system is fair and free from government interference, global firms are finding it easy to operate in Kenya.

Existence of a free enterprise market

Kenya is a capitalist state, and this makes doing business much easier because it means the market is fully controlled by forces of demand and supply, and there is no limit as to the amount of wealth an individual or organisation can accumulate and how they can use it. This makes global firms feel safe doing business in Kenya.

Skilled labour market

Kenya's population is relatively better educated than most African countries. When global firms set up in Kenya, they easily find skilled workers to fill in positions, and these workers are not only well educated, but they also have working experience with some even having worked in other markets internationally.

Support services

The Kenyan market has many firms offering support services like ICT, HR support, call centres and business process outsourcing centres. These services are extremely crucial especially for global firms because these have become crucial for business partnerships for firms worldwide. Global firms would find it difficult to operate without them because it would mean they would have to set up these services for themselves in-house.

Good economic growth

With Kenya being a growing economy, it has been relatively easy for global companies to gain momentum in the market due to the growth path. Slow economies find it hard to absorb

new companies or products. However, for Kenya, since independence, the economy has always been growing. This has favoured the migration of global companies into the market.

Statutory requirements

The growth of PwC as a global firm has been favoured the statutory obligation for companies to have their accounts audited annually. This created a ready market for PwC as an audit firm. Other global firms in the consulting industry have also profited from this making their entry and operation in Kenya very easy.

New products

When Vodafone entered the market as Safaricom, the greatest driver for their growth was that this was the initial mobile penetration in the country. The market therefore did not have much of an option but to take up its services and that of its rival, at the time called Kencell. The entry of Vodafone-Safaricom was therefore mainly on this premise. Global companies that introduce new products to markets in developing countries therefore, experience phenomenal reception in these markets as is the case of Safaricom.

Another global firm that was a pioneer in this market was Coca Cola. Being a pioneer with a unique product almost guarantees success in the market. Product uniqueness creates a competitive advantage that puts the company way ahead of its competitors.

Peace and stability

Kenya has been a haven of peace in the region. This has made it a preferred investment destination regionally. Companies that want to enter the region prefer to set up shop in Nairobi first due to the country's stability. Though this faced a significant threat for a period

of about two months in 2008, Kenya has proved to be the icon of peace and stability in the region. This encourages more businesses to set up here.

4.5 Preferred Modes of Entry

Barclays

Barclays bank entered the Kenyan market by opening a foreign branch directly as a receiving bank for the British investors in the Kenyan protectorate in the early 19th Century. Having investors who needed a bank to facilitate their trade was a precipitating factor for its entry.

The success of Barclays is attributed to its mode of entry through business lines with British investors; it became locally accepted because the British investors were offering employment opportunities to local people who eventually felt secure dealing with an established international bank.

Toyota

The preferred mode of entry was exporting. Toyota exported its vehicles for a long time after which they opened local subsidiaries namely Toyota Kenya Ltd and Toyota East Africa Ltd in order to take care of the established market.

PwC

This global firm entered the market through local partnerships. Accounting firms by law are required to have local elements in their ownership. This firm therefore came in as a brand, but established partnerships with local experts. Its foot-hold in the market was solidified after the merger of its former predecessors Pricewaterhouse and Coopers & Lybrand forming PricewaterhouseCoopers (PwC).

Coca Cola

This firm initially exported its products to Kenya but then had to set up franchises here. It has since grown its operations tremendously with about five local bottling plants locally. These are all franchises that involve independent investors who are able to adhere to the global company's standards to produce the world's most celebrated soft drinks.

This firm directly attributed its success to franchising since the firm is unable to do central production due to its extremely large scale of operation. It therefore has to franchise other investors to do production on its behalf. However, the reason why franchising was the best option and not subsidiaries is because the beverage formulas can only be manufactured centrally due to secrecy and then exported worldwide to the production plants.

Vodafone

The entry mode of Vodafone in the market was through a partnership with the government to set up the first mobile telephony company in the country. Vodafone, the government of Kenya and Mobitelea an independent investor all came together to form a new company by the name 'Safaricom'.

The success of Safaricom was directly attributed to this mode of entry because it enabled Vodafone to profit from the credibility and feeling of ownership of a local brand. This is in contrast to its main rival Kencell which has failed at establishing a consistent brand locally and has changed its brand three times and all the changes do not involve local brands; they change to the brands of the new investors each time. Therefore, in some instances, having a local brand, enhances the chances of success and it generates the enthusiasm that comes with the homegrown premium products.

All the above firms directly attributed their success to their modes of entry into the Kenyan market.

4.6 Strategies Employed to Achieve Market Leadership

Localisation and Standardisation

This strategy was employed by Safaricom and PwC. Safaricom adopted a local name for itself, and its products. This has enhanced its brand and acceptability. PwC in turn also used local ownership and partnerships to improve its foot-hold in the market. Standardisation of products and services to local standards and requirements was employed by both firms to ensure that the market was feeling more comfortable dealing with them than with the un-localised competitors.

Lobbying

This strategy has been used by PwC to enhance market leadership. PwC lobbies on behalf of clients to have the government change some regulations for instance, tax laws. It does this by teaming up with persons, companies and groups with special interest in the matter at hand, and they lobby the government, in many instances, the Kenya Revenue Authority, to have them change regulations, laws, or requirements that adversely affect operations of various companies. This has made PwC a favourite with some of these clients who have benefitted from lobbying and even others who view this as a strength that a consulting firm should have.

Mergers and acquisitions

In 1998, PwC was formed through a merger between its two former predecessors Pricewaterhouse and Coopers & Lybrand. When two large competitors merge, it creates a large companies that almost automatically becomes that market leader, and this became the case with PwC. To date, it is the largest consultancy in the Kenyan market.

Partnerships

Safaricom was formed as a result of a partnership between Vodafone, the government of Kenya, and a private investor Mobitelea. This local partnership facilitated the ease of operation of Safaricom to become the market leader especially because of the partial government ownership.

W.C. has succeeded locally largely due to its local element in its ownership. The majority of its partnership is local. It has also in very many instances partnered with local firms who possess competencies in certain specialization areas. This enables the firm to participate in consortiums and other such-like beneficial partnerships.

Coca Cola has also engaged in partnerships with local investors in form of franchising relationships.

Market Penetration

This refers to offering low-priced products in order to expand market penetration to as many customers as possible. This strategy has been employed by Safaricom, Toyota and Coca Cola. This strategy has made them automatically market leaders since Kenya is a low-income market.

Premium Pricing

This involves charging a high price to reflect or depict high product quality. This strategy has in the past been used by Barclays whereby it was seen as a bank for the 'rich'. This enabled it to amass large sums of money in deposits from its clients in turn giving it the necessary lending power to become profitable. This enabled it to become a market leader in the past. This has since changed as it later resorted to market penetration. It has also since lost market

leadership. Toyota also has used premium pricing in the past whereby it has a line of vehicles that are sold at a very high price because they target the high-earners. It is therefore notable that Toyota has used both market penetration and premium pricing successfully to become leaders in this market.

Safaricom highly attributed its success to localization and standardization, partnership, and market penetration. Coca Cola highly attributed its success to local partnerships and market penetration also. PwC credited localization and standardization and its merger.

4.7 Enhancements for Market Leadership

These are suggestions that were offered by the global companies that would have further improved or enhanced their market leadership positions.

If Toyota would have gained exclusive rights for all Toyota products in this market, they would have further strengthened their position since they would have marketed these products better and more widely. Barclays thinks that putting in mind low-income earners from the start would have made its influence indomitable in this market. They started penetrating the low-income market after its rivals did so. If PwC would extend its lobbying to other areas in which it consults other than tax services, this would assist in enhancing its influence in this market.

4.8 Selection of Strategies in Use

Barclays selected its operational strategies based on the economic growth rate of Kenya, the peace and stability enjoyed within. They also considered the wishes of the early British settlers who had huge investments.

Toyota selected its strategies after consultation with its local investment advisors who had a deeper understanding of this market.

Coca cola selected the strategies it would use in the market based on affordability of its products, the distribution network which has been and still is immensely wide, its competitive advantage, and the quality and uniqueness of its products.

Safaricom's strategies were mainly informed by government legislation; to be more specific, the rules set up by the Communications Commission of Kenya (CCK); it also selected its strategies based on what the competitors were doing, and also based on how much its customers could afford.

PwC's selection of strategies was based on the success of its strategies in other markets globally, and also based on the strength of its brand which brings out a perception of quality.

Further, these five global firms that we surveyed, directly attribute their success to the strategies above that they selected to use for operation in this market.

4.9 Documentation of Strategies

Four of the five firms we surveyed have documented the strategies they have used over the years to secure market leadership. However, these documents cannot be shared with the researcher due to their confidentiality.

4.10 Competitor Strategies

The researcher enquired from the respondents about some of the strategies that their competitors had used that had contributed to the competitors' failure and these were;

entry into the market. This has really played out well for Safaricom. Two of its competitors (Yu and Orange) entered the market quite late and have never garnered significant market share. Their other competitor (Airtel) in turn started out with premium pricing and has never gotten ahead of Safaricom since. Stiff competition in the mobile market has really worked against the growth of its competitors.

Coca Cola's competitors have been unable to match its quality, have employed poor marketing strategies, high pricing, poor distribution networks; all those, coupled with entering the market decades after Coca Cola already had bottling plants locally. This has contributed to their failure.

Toyota's competitors have failed mainly due to pricing. They have been unable to match the market penetration pricing that Toyota has employed over decades. Unfortunately, a vehicle's price is mainly determined by its cost of production, therefore, if their cost of production is high, they cannot be able to lower their prices since they cannot operate at a loss.

Many banks have failed because they do not consider the economic and market factors that hinder their expansion. They also have failed at pricing disabling them from being able to fully utilize the competitive advantage of their products. This has in the past given Barclays an upper-hand in the market.

IBM's competitors in the market have not been as aggressive as itself. Failure to pursue market opportunities actively in the consulting industry is a recipe for poor performance. A consultant many times has to be strong and assertive in the market in order to secure contracts.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the findings, conclusions reached, recommendations, limitations for the study and suggestions for further research. Findings have been summarized alongside the objective of the study, conclusions have been drawn from the study and recommendations for the action given.

5.2 Summary of findings

Factors that have been repeatedly observed as facilitating the ease or difficulty of entry and operation in Kenya include lack of tax holidays on entry; if this benefit is extended to all sectors of the economy, we could see more global firms bringing their regional operations to Nairobi. Profit repatriation policies also facilitate entry of global companies. Kenyan law requires foreign firms retain a huge portion of their profits in the country. If the government revised the percentage of profit that firms have to keep within the country downwards, this could encourage entry of more firms in Kenya as firms want to be free to invest their profits where they are likely to yield more which may not be in Kenya.

Government officials have more than often demanded bribes directly or indirectly from managers of these global firms with a promise to hasten various processes in government departments or ministries. This affects not only the growth of the firms but the health of the general operating environment in Kenya. Competition; Kenya is a very good market to operate in once you have succeeded in creating a strong foothold. However, on entry, the competition may be stiff. Barclays and Toyota recorded stiff competition during operation.

This in part is precipitated by the very nature of their industries which have many players. Competition, though a challenge to firms, it is a benefit to the customers because it ensures they get the best quality of products. Kenya has a justice system that is fair and free from government interference, thus global firms are finding it easy to operate in Kenya.

Kenya is a capitalist state, and this makes doing business much easier because it means the market is fully controlled by forces of demand and supply, and there is no limit as to the amount of wealth an individual or organisation can accumulate and how they can use it. This makes global firms feel safe doing business in Kenya. Kenya also has a very highly skilled job market. Also, with Kenya being a growing economy, it has been relatively easy for global companies to gain momentum in the market due to the growth path. Slow economies find it hard to absorb new companies or products. However, for Kenya, since independence, the economy has always been growing. This has favoured the migration of global companies into the market. These and other factors have influenced the migration or otherwise of global companies to Kenya.

The main modes of entry that the global companies that we surveyed used to enter the market included partnerships, direct entry, mergers, franchising and exporting. These strategies succeeded and were directly attributed by the respondent companies to their success.

Strategies employed to achieve market leadership included localization and standardization, mergers, partnerships, market penetration and premium pricing. These strategies worked well to enhance the leadership of global firms in Kenya.

5.3 Conclusions

The study found that the global companies operating in Kenya used different entry strategies to enter the market. They also used different strategies to become market leaders though in some instances, similar strategies were used by more than one global companies. All in all, proven and successful strategies employed included partnerships, mergers, direct entry operation, franchising, market penetration and premium pricing.

However, there were suggestions as to how market leadership would have been achieved faster. If Toyota would have gained exclusive rights for all Toyota products in this market, they would have further strengthened their position since they would have marketed these products better and more widely. Barclays thinks that putting in mind low-income earners from the start would have made its influence indomitable in this market. They started penetrating the low-income market after its rivals did so. If PwC would extend its lobbying to other areas in which it consults other than tax services, this would assist in enhancing its influence in this market also.

5.4 Recommendations from the study

The study recommends that any global companies intending to enter this market should use these proven strategies of succeeding in the market. These include partnerships, mergers, localization, lobbying, market penetration pricing, and premium pricing on rare occasions. The study further recommends the adoption of proven strategies by other global companies not surveyed. Some of the global firms surveyed under this study have documented their proven success strategies. Other firms entering Kenya or any other similar developing market can borrow from this knowledge from them in order to ensure their success.

5.5 Limitations for the study

The study was faced with a scope limitation as only five global firms were surveyed. It would be good to find out what is happening with other global firms in the market. The study faced both time and financial limitations since the duration that the study was conducted through was limited hence exhaustive and extremely comprehensive research of all global firms in the market could not be carried out.

5.6 Suggestions for further research

Further studies should be conducted on international companies in Kenya to see how they have achieved their success. This would further strengthen the case for the above detailed entry and operational strategies since these companies also operate on an international scale. A survey of all global companies operating locally could also reveal more strategies that have been employed locally by global firms. A study on these global companies in other developing markets would also highly contribute to the wealth of knowledge regarding how global firms manage to become leaders in various developing markets.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

University of Nairobi
School of Business
Department of Business Administration
P.O. Box 30197, 00100
NAIROBI

Dear Sir/Madam,

RE: MBA Research Project

This letter is to introduce to you David M Muiga an MBA student who is carrying out a study on the strategies being employed by global firms to become leaders in Kenya's domestic market. This study is expected to be of importance in the development of an emerging economy since MNCs have to a large extent contributed greatly to opening up the markets of developing economies to the rest of the world.

We kindly request your cooperation and adequate information that will assist the researcher in attaining his objective. Please also provide further comments or suggestions that you consider necessary in contributing to building the knowledge base of strategies used by global firms.

Your assistance is highly appreciated.

Yours Faithfully,

.....

David M. Muiga

Researcher

.....

Dr. John Yabs

Supervisor

APPENDIX II: QUESTIONNAIRE

Instructions

For certain questions, you are required to choose by ticking (✓) one answer among the alternatives. For other questions you are asked to rank the alternatives in terms of their relative importance to the firm. Use '1' to refer to the most important, '2' for the second most important, et cetera. Please do not assign ranks to alternatives that do not apply to your firm, just leave the space blank. For certain questions, you are encouraged to specify other alternatives in the space provided or to fill the blank spaces. For questions where boxes are given, tick inside the box to indicate the option selected. Also feel free to write helpful comments where appropriate in the margins.

1. What is the name of your organization?

.....

2. What is your position in the organization?

.....

3. Of the following, which sector does your business fall?

Choose one

(a) Manufacturing ()

(b) Telecommunications ()

(c) Financial Services ()

(d) Consulting ()

(e) Consumables ()

4. What is your end-product to the market?

.....

5. How many years have you been operating in Kenya?

.....

6. How many employees does your organization have at the moment?

- (a) Below 100 employees ()
- (b) 101 - 250 employees ()
- (c) 251 – 350 employees ()
- (d) 351 – 499 employees ()
- (e) Over 500 employees ()

7. How many years did it take you to become market-leaders?

Choose one

- (a) Less than one year ()
- (b) 1 – 5 years ()
- (c) 6 – 10 years ()
- (d) Over 10 years ()

8. How would you generally rate the ease of entry and operation in Kenya?

Choose one

- (a) Very Easy ()
- (b) Moderately Easy ()

()

()

y Difficult

attribute the level of ease or difficulty to?

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.....

of entry did your organization choose to enter the Kenyan market?

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.....
.....

u attribute your success directly to your mode of entry into the Kenyan market?

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.....

f the following strategies has your firm used in its Kenya operations? Please rank level of use' in case more than one strategies were used.

Choice

Localisation and Standardisation

()

- (b) Lobbying ()
- (c) Mergers and Acquisitions ()
- (d) Licensing ()
- (e) Partnerships ()
- (f) Market Penetration ()
- (g) Premium Pricing ()

2. How would you rate the attribution of the above strategies to your firm's success in this market?

| <i>Strategy</i> | <i>N/A</i> | <i>Highly-Attributable</i> | <i>Fairly-Attributable</i> |
|--------------------------------------|------------|----------------------------|----------------------------|
| (a) Localisation and Standardisation | () | () | () |
| (b) Lobbying | () | () | () |
| (c) Mergers and Acquisitions | () | () | () |
| (d) Licensing | () | () | () |
| (e) Partnerships | () | () | () |
| (f) Market Penetration | () | () | () |
| (g) Premium Pricing | () | () | () |

13. Of the strategies above that have a rating of 'fairly'attributable', what enhancements do you think would have strengthened the contribution of these strategies to the growth of the firm in this market?

- (b) Lobbying ()
- (c) Mergers and Acquisitions ()
- (d) Licensing ()
- (e) Partnerships ()
- (f) Market Penetration ()
- (g) Premium Pricing ()

2. How would you rate the attribution of the above strategies to your firm's success in this market?

| <i>Strategy</i> | <i>N/A</i> | <i>Highly-Attributable</i> | <i>Fairly-Attributable</i> |
|--------------------------------------|------------|----------------------------|----------------------------|
| (a) Localisation and Standardisation | () | () | () |
| (b) Lobbying | () | () | () |
| (c) Mergers and Acquisitions | () | () | () |
| (d) Licensing | () | () | () |
| (e) Partnerships | () | () | () |
| (f) Market Penetration | () | () | () |
| (g) Premium Pricing | () | () | () |

13. Of the strategies above that have a rating of 'fairly' attributable', what enhancements do you think would have strengthened the contribution of these strategies to the growth of the firm in this market?

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14. What procedure, protocol or precedent was used in selecting the strategies to be employed in strengthening the firm's foot-hold in the market?

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15. Is there any documented feedback/lessons-learnt mechanism that the firm has established as a knowledge base to assist in future operations?

Are the results relating to the strategies used by the firm sufficiently documented in there?

.....

If documented, can this be shared for research purposes only?

.....

16. Do you feel that it the use of these strategies that has put you ahead of your competitors in this market?

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Why? What strategies have the competitors used that contributed to their failure or slow growth?

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Thank You for your cooperation














APPENDIX III: KENYA'S MAIN TAXES

| Tax | Rate | |
|---|--------------------|-------------------|
| Income tax on individuals | 30% | |
| Corporate tax | 30% | |
| Branch of a foreign company | 37.5%(nonresident) | |
| VAT | 16% | |
| Stamp Duty: | | |
| Creation or increase in share capital | 1% | |
| Transfer of stock or marketable securities | 1% | |
| Transfer of securities listed on the stock exchange | nil | |
| Debentures and Mortgages | | |
| - Primary security | 0.2% | |
| - Auxiliary security | 0.1% | |
| - Transfer | 0.05% | |
| Leases | | |
| - up to 3 years | 1% of annual rent | |
| - over 3 years | 2% of annual rent | |
| Assignment of debts | 2% | |
| Conveyance of land | | |
| - urban area | 4% | |
| - outside urban area | 2% | |
| Withholding Taxes: | | |
| | Resident Rate | Non-resident rate |
| Management and professional fees | 5% | 20% |
| Royalties | 5% | 20% |
| Consultancy and Agency fees | 5% | 20% |
| Interest | 15% | 15-25% |

| | | |
|----------------------------|---|-----|
| Dividends | 5% if own less than 12.5% voting power nil if own more than 12.5% | 10% |
| Rent – immoveable property | - | 30% |
| Rent – lease of equipment | - | 15% |
| Rent - lease of aircraft | - | - |


Source: Kaplan & Stratton Advocates (2011)

APPENDIX IV: GLOBAL FIRMS OPERATING IN KENYA

| Organization | Region Covered |
|--|-----------------------------------|
|  Bharti Airtel | Africa |
|  Vodafone (Safaricom) | Kenya |
|  Citibank | East Africa |
|  Coca Cola | Africa |
|  Google | Africa |
|  Heineken | East Africa and the Indian Ocean |
|  Mastercard | East Africa |
|  Nokia Research Hub | Africa, India and the Middle East |
|  PricewaterhouseCoopers | East Africa |
|  Standard Chartered Bank | East Africa and Southern Africa |
|  TNT | East Africa and Central Africa |
|  Toyota | Africa |
|  Visa Inc | Sub Saharan Africa |

Organization

Region Covered

 Barclays

Kenya