LOCALIZATION AS A STRATEGIC TOOL FOR MULTINATIONAL CORPORATIONS IN FAST MOVING CONSUMER GOODS INDUSTRY IN NAIROBI, KENYA

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DECLARATION

I declare that this is my original work and has not been in any other university or college for examination/academic purposes

Signed……………………………. Date………………….

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This research project has submitted for examination with my approval as the appointed supervisor.

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I give thanks to God for His grace. I also express my appreciation to my supervisor, Dr. Winnie Njeru for her professional guidance and motivation throughout the project work. I also give thanks to all those who believed in my abilities for their moral support and prayers.

DEDICATION

I dedicate this research work to my family and all those who have supported me in one way or the other throughout my life.

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ABBREVIATIONS AND ACRONYMS

AOL	American Online
BAT	British American Tobacco
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
GPS	Global Positioning Systems
IMR	Internet Marketing Research
MNC's	Multinational Corporations
MP3	MPEG-2 Audio Layer III
US$	United States Dollar
KBV	Knowledge Based View
RBV	Resource Based View

ABSTRACT

The main objective of this study was to establish localization as a strategic tool for multinational corporations in Fast Moving Consumer Goods Industry in Kenya. The study followed a descriptive research design and was guided by this specific objective to establish localization as a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya. The study targeted 50 MNCs operating in Kenya. The data was collected by way of self-administered structured questionnaires targeted on operation managers. Forty two completed questionnaires were collected. Regarding how MNCs use localization as a strategic tool to adapt to the Nairobi market the study results revealed that most MNCs customize thri products to meet the needs of the local market as opposed to standardizing their products and they produce high quality goods compared to their local competitors whereas they are not keen to seek advice from local consultants to determine their strategy. The localizing MNCs are keen on aligning their organization structures and having clear job responsibilities to enhance business continuity and adaptability. In terms of the opportunities and incentives available for localizing MNCs most of them prefer having committed specialized partners as opposed to having direct entries into the region. In addition to this we identified that there are numerous gaps in the market that MCs can exploit given their diverse resources. Regarding the effect of localization to MNC's overall performance, the study established that localization enhances performance because localization helps to meet target customer's needs. Additionally, it enhances ties with local distribution channel members, hence better financial results. The study recommends that future study should focus on specific factors that MNCs localizing in Kenya should consider to ensure successful localization. To this end, the study concludes that multinational corporations in Kenya should localize their strategies and products much further in order to enjoy the benefits associated with localization as noted above. However, they should carefully manage costs associated with localization so as to ensure that the costs do not exceed the benefits.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In their bid to survive profitably in the globalized business entity, most organizations adopt the localization strategy in order to meet the specific demands of different markets Globalization, technological advancements, opening up of national boarders for trade, diversified culture, and increased commercial competitiveness at home markets, have not only encouraged international trade (Cullen and Parboteeah, 2010) but also encouraged corporations to penetrate foreign markets. Organizations first start in their home countries and after the investments have fully matured and they have saturated the local market needs, the organization expands globally so as to gain international market share, increase its revenues, shift their tax bases abroad and increase their chances of survival. However, this comes with many challenges especially the perverse problem of managing; now a larger organization in dispersed geographical locations with different local cultures and expectations (Rasiah, 2008).

This study is based on the legitimacy theory, which stipulates that actions of a business are appropriate, desirable and properly contained in various communally built structures of values, norms, ideals and definitions. Therefore it means that businesses and the society are in a contract that states that they depend on each other in order to grow, survive and thrive. A social contract is a relationship in which people and organizations freely enter into in order to improve the overall wellbeing of society (Cormier & Gordon, 2001). Many researchers agree that legitimacy is the dominant theory responsible for influencing localization (Hogner, 1982;

Wilmshurt & Frost, 2000). Ensuring and maintaining legitimacy amongst stakeholders is especially important for companies with a high degree of environmental sensitivity and social impact; therefore, these companies are more likely to use localization strategy to legitimize their corporate activities (Sahay, 2004).

Kenya has become an investment destination for many multinational corporations. A close observation of the FMCG Multinational corporations in Kenya will reveal that localization is a strong tool that has been used by many FMCG MNCs, some have used it well to their advantage and some are still struggling to find their niche in the market (Mwende, 2013). For example, a company like Safaricom would be confused for a local company given how well it has managed to capture the Kenyan market by tailor making their products and marketing activities to a point where they sound authentically Kenyan.

1.1.1 Localization as a Strategic Tool

In their bid to manage the globalized business entity, most organizations adopt the localization strategy in order to meet the specific demands of different markets (Dalgic, 2006). Generally, the hurdle these firms face is the need to localize their products adequately, yet maintain their home country's touch and maintain competitively improved products in the long-run, in a market that is ruthlessly competitive. Despite the challenges, that internationalization faces most commercial businesses opt to venture into new geographical regions due to increased competition, market saturation and depletion of inputs in their home countries. Essentially, business organizations should embrace localization as a strategy to ensure that they have a "local touch" in the local markets (Jabbour, 2011). Singh (2011) notes that many organizations have succeeded in foreign markets by applying localization strategy. With regards to multinational corporations, localization is the opposite of globalization whereby the multinational corporations acknowledges national differences and becomes locally responsive so as to meet the demands of the local community. From this standpoint, regional managers of multinational corporations ought then to be emancipated to be reactive and proactive to specific localized conditions.

There are many examples of organizations that have adopted localization strategy in managing their international entities. Coca-Cola is one example. During the FIFA World Cup Coca Cola's campaign that was being aired in every country was localized with local celebrities, the household superstars and fans. Despite this, Coca Cola maintained the same brand message, image and communication in all the countries (Mergarry, 2014). According to Lalwani et al., (2006) localization strategy has been practiced by different organizations over many years through out the world. Localization strategy is inevitable as organizations establish their operations in an ever changing global scene coupled with increasing competition. Within Kenya, companies such as Safaricom, East African Breweries, Pernod Ricard, Coca Cola, Pepsi and many others have obtained diverse benefits for their localization strategies.

1.1.2 The Concept of Fast Moving Consumer Goods

Fast Moving Consumer Goods consists of food as well as non-food items like; health drinks, biscuits, chocolates, aerated drinks, napkins, toiletries and hair care sanitary (Vikapia, 2005). According to Perpetuity Research & Consultancy International (2014), fast moving consumer goods is used by those connected with retailing to describe price sensitive goods that are packaged and branded, consumables and for mass use. The report further states that, fast moving consumer goods are convenience goods that are typically purchased on a regular basis such as toiletries and detergents.

A compartment of FMCGs is Fast Moving Consumer Electronics which entails state of the art electronic Products such as MP3 players, digital cameras and mobile phones. Global positioning systems (GPS) laptops and I pads are also considered as Fast Moving Consumer Electronics. Every household spends a substantial amount of their monthly budget on FMCG goods. FMCG sector's contribution to the economy and GDP of every country is significant. Presently, because of globalization, every economy is experiencing stiff competition. The emergence of MNCs and cheaper imports have made the situation even more onerous. Conducting business in this sector. To carry out business in this sector companies have to allocate a significant part of their annual budget to advertising and promotional efforts (Vikapia, 2005).

1.1.3 Multinational Corporations in Fast Moving Consumer Goods

Over the years, Kenya has become an investment destination for many multinational corporations. The past years have seen many multinational corporations come and set up offices in the country and most of the time these offices become the hub for East and Central Africa. Examples of multinational corporations and the period in which they set up their offices in Kenya are: Diageo (1922), Samsung (2002), Unilever (1930), Lafarge (1989), and Pernod Ricard (2013). However, as much as these entities are setting up office here, it is not always a guarantee that they will reap the benefits they had envisioned, some will take time before reaping the benefits and some end up not making any headway necessitating them to close shop and move elsewhere. On the other hand, others have flourished very well and have even come to be mistaken for local companies since they have managed so well to adapt to the local environment.

According to Cullen and Parboteeah (2010), one can come up with several reasons as to why some multinational corporations flourish and others do not. Some of these reasons are: Poor market research leading to introduction of products that do not suite the market, lack of sufficient capital to compete effectively, stiff competition from local companies and poor political and economic conditions that make it hard to conduct business. These factors provide entities with various strategic options that they can use to adapt to a foreign market. One of the strategies that a multinational corporations can use to gain an edge is localization. Localization is whereby a company adapts its strategy to suite that of the local market, an entity does this by tailor making its products and marketing activities to that of the local market (Rugman, 2005). A close observation of the FMCG Multinational corporations in Kenya will reveal that localization is a strong tool that has been used by many FMCG MNCs, some have used it well to their advantage and some are still struggling to find their niche in the market (Mwende, 2013). For example, a company like East African Breweries would be confused for a local company given how well it has managed to capture the Kenyan market by tailor making their products and marketing activities to a point where they sound authentically Kenyan.

Pepsi has been trying to find a foothold in the Kenyan market but Coca Cola has not made it easy for them. Coca Cola has had a great advantage since it set foot in the Kenyan market first, also, it has managed very well to tailor make its products to suite the local needs. Their advertisements are endorsed by local Kenyan celebrities and their distribution network is so extensive such that it is uncommon to find a Coke even in most remote parts of the country (Zanoni, 2011). Another company that has employed the localization strategy very well is Unilever, the company has tapped into the low as well as high end markets. Most people believe that Omo is a local brand however it is sold globally and the marketing campaigns that are run are so in sync with what Kenyans identify with that they have been convinced that it is indigenously ours. Notably, localization has been employed as a strategy in the Kenyan context and has proven to be work.

1.1.4 Fast Moving Consumer Goods Industry in Kenya

According to Unilever data monitor magazine (2005), due to liberalization, the manufacturing sector is characterized by several players, increased competition, regulatory changes, changing consumer's styles and expectations, availability of a wide variety of substitutes, shorter distribution channels as manufacturers gain direct access to most markets, increased costs of advertising and distribution outlets demand higher rebates. The sector has its fair shares of challenges which include stiff competition associated with cheap imports and substitutes. (Bello, *et al*, 2012). According to the Unilever Data Monitor magazine (2005), Unilever Company has had a major blow due to increased market competition of which it is unable to survive in. Decline in sales and volumes in the hair care products in the US and Japan due to amplified competition is a clear manifestation. Continuous decline in prices together with mounting demand for discounts from the trade partners strains margins. The magazine further reveals that some emerging markets like Kenya, Unilever is disadvantaged in terms of price .In the near past it had enjoyed in its own backyard and personal care products to companies such as Reckitt and Benckiser and Procter and Gamble.

According to the journal of International Marketing Research (2005), major multinational corporations dealing with fast moving consumer goods have begun operations in Kenya as foreign companies or joint venture with a market share in Kenya to deliver and avail goods to the locals in the neighboring markets. They comprise of Nestle, Unilever, Cadbury, Coca-Cola and Wrigley. International Market Research (2005) further states that food and beverages make up over half of Kenya's export chiefly to the adjacent countries. Conventional suppliers from European Union are the focal spring of Kenya imports supplying more than 32 per cent of the FMCGs. FMCG manufacturers' use push and pull strategies to influence wholesalers as well as retailers to stockpile their products thus close the gap between producer and final consumer. They may prefer intermediaries because of their privileged margins for transporting a specific product. Other benefits from the middle men include: allowances for retail publicity, discounts as a result of quantity, contests, rebates, bonuses to award retailers and wholesalers for high ranking sales, in-store promotions and phenomenal displays for efficient selling of products .(Assael, 2003).

1.1.4.1 Multinational Corporations in Kenya

Multinational Corporation is a firm that is domiciled in more than one country excluding its local base. All its facilities, offices, resources and assets are in diverse countries; mostly their operations is directed from a central point. Generally all major multinational are from Japan, America, or countries in western European and Asia, such as Coca Cola, Pernod Ricard, Nike, Toyota, Nissan, Wal-Mart, Tesco, HP, Subaru and Mercedes Benz. Promoters of multinationals argue that they generate employment, wealth and improve technology in the countries that they chose to operate in. Conversely, multinational corporations have been criticized as they can have unwarranted political sways over governments, they are capable of taking advantage of the developing nations and in addition to that they contribute to job losses in their countries of origin (Caves, 1982). There are several companies with their roots in Kenya. Safaricom, a mobile network operator, is the leading company due to its market value strength and also contributes large has large tax returns roughly about US$ 1billion (2009). Other multinational corporations operating in Kenya include; Barclays Bank, Pernod Ricard, British American Tobacco (BAT), Standard Chartered Bank, Unilever, Toyota Tsusho, East Africa Breweries, Mitsubishi Corporation, CitiBank, BAT (k) Ltd, Coca-Cola Africa and General Motors (K) Ltd. There is a total of 50 major multinational corporations operating in Kenya, spanning the fast moving consumer goods industry of the economy (Oloko and Ogutu, 2012).

1.2 Research Problem

FMCGs manufacturers play a significant impact in the Kenyan economy. They are major employers of the Kenyan population. Central Bureau of Statistics (2014) estimates indicate that in the year 2009 the entire Kenyan manufacturing sector employed 4.7 million individuals equivalent to 68 percent of all persons engaged in the economy. Currently there are many players in the market which has resulted in reduction of the market shares of companies as well as profits (McCarthy *et al*, 1996). There is pressure on manufacturers to ensure that they get their product mix right or risk losing market share (Soderbom, 2011). According to IMR (2004), before there was more pull on the consumer side than push from the manufacturer’s side but today the reverse is the case. The customer now has a choice (Shnaars, 2011), therefore the need for manufacturers of FMCGs to embark on effective localization strategy in order to improve their performance on a long term basis.

Localization strategy in Kenya among multinational corporations in FMCGs is highly dependent on the macro environment in Kenya and the organization key competencies and capabilities. It requires extensive research by MNCs so as to understand the Kenyan market, know which specific strategies that need to be tailor made to suit the market and how to implement them. Notably, Kenya has become a hot spot for many FMCG MNCs given its vibrant and dynamic market. Given this fact, it is paramount that these MNCs have a clear understanding of the macro environment for them to succeed.

Empirical studies done internationally; Wilson (2009) did a study on localization or standardization? A comparative examination of multinational fast moving consumer goods corporations' environmental disclosure practices in India, the study established that the mass, value and multiplicity of Indian fast moving consumer goods subsidiaries' incorporate operational disclosures in activities that were more related to local companies in India than their mother companies. Sze (2009) conducted a study on analysis of a strategic business model among multinational corporations in China. The study found that MNC used corporate social responsibility and weight of guanxi in Chinese society as their business models. He and Hong (2012) did a study on localization of human resources in multinationals: a perspective of content analysis. The study found that localization of human resource is the inevitable trend of globalization.

Several researches have been carried out on multinational corporations operating in Kenya. Mutiso (2012) undertook a study on multinational corporations and the host countries: contribution by Coca-Cola to Kenya's economy. Muthoka (2008) undertook a study, a survey of strategy structure relationship in multinational banks operating in Kenya. Gichuki (2012) carried out a study on the effect of multinational Chinese firms in competition with the local firms in Kenya. Ogutu and Nyatichi (2012) undertook a study on competitive strategies adopted by multinational banks in Kenya. Mutambah (2012) undertook a research on strategies of entry adopted by manufacturing multinational companies in Kenya.

To the researcher knowledge there exists scanty and inconclusive empirical evidence on the effectiveness of localization as a strategy of FMCG MNCs more so in the Kenyan context. This study will address the knowledge gap in strategy by giving clear illustrations on the use of localization as a strategic tool for multinational corporations in fast moving consumer goods. The study unearths the present research gap by answering the following research questions? How do multinational corporations in fast moving consumer goods industry in Nairobi, Kenya use localization as a strategic tool?

1.3 Research Objective

The study's goal is towards establishing localization as a strategic tool for multinational Corporations in fast moving consumer goods industry in Nairobi, Kenya

1.4 Value of the Study

The result of the study will be of immense significance to the management of multinational corporations FMCGs in Kenya or those willing to establish their offices in Kenya as they will have a clear understanding of the Kenyan market and how to tailor make their products and organization structures to fit the Kenyan market. In addition to this, the companies will have be enlightened about the opportunities and incentives that are available for them to exploit in this part of the world.

The study findings will be of great significance to both local and foreign investors. The study will shed light on how localization can be used as a strategic tool and therefore these investors will be guided on how to access potential FMCG MNCs to invest in based on how best they have adapted to the Kenyan market.

This study will have a big impact on the body of understanding on localization as a strategic tool for multinational corporations. They will be of great importance to managers of multinational corporations and other government and non-governmental organizations in identifying and understanding the link between localization strategy and performance and using this knowledge to manage their organizations effectively to support their strategies, gain efficiencies and improve productivity, all of which will make great leaps towards achieving their goals and objectives. The study will be of immense significance to prospect scholars and academia as it will provide a foundation for studies in future as well as provide literature for further advancement. The study will provide further knowledge to scholars in the field of strategy. These findings will be useful to other scholars and researchers in building a foundation for further research in this area.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review relevant to the study specifically theoretical foundation. The chapter discusses works from other scholars that give insight on the establish localization as a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya. This chapter outlines three main strategic management theories that are relevant to this study namely, Resource Based Theory, Knowledge Based Theory and Entry Strategy Theory.

2.2 Theoretical Foundation

This part presents a vital review of major theoretical point of view regarding the connection involving the research variables. This study solely relies on the resource-based view of the firm, knowledge-based examination of the firm and entry strategy theory as it seeks to establish localization as a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya

2.2.1 Resource-Based View of the Firm

The resource-based view (RBV), in its perspective views a firm as a coagulation of capital which the company puts together in form of management structure and goes on to give the company its strengths and weaknesses. RBV argues that companies increase sustainable competitive returns by injecting valuable resources that are unavailable in supply (Grunert & Hildebrandt, 2004). This view asserts that a firm's competitive gain is preceded by endowment of planned resources that are precious, scarce, very expensive to duplicate, and also costly for an alternative. The assumption is that firms ought to be thrive in acquiring and in their management of valued resources so as to be efficient. In the resource-based perceptions, organizational efficiency is determined by the capacity and capability of the organization in absolute or relative terms, in obtaining limited and precious resources and effectively integrating and managing them (Dess, Lumkin, Eisner, Lumkin & McNamara, 2012)

In the RBV approach, a firm is recognized as the strategic significance of both social and behavioral relations in the choice of which strategies the organization is going to implement. RBV combines the macro and micro environments of the industry and Porter's five force model which explain the competitive forces (Dess Lumkin & McNamara). Moreover, firm's resources must be assessed in requisites of the degree of value, scarcity, and the vulnerability to duplication of duplication by competitors. If not, the firm attains only competitive uniformity. These Intangible resources are commonly found in the organization as (Makhija 2003).

The resources found in an organization are categorized based on financial, social, physical, organizational and technological factors that allow a company to build value for its consumers. (Jones & Hill, 2009).Intangible resources are mainly non-physical unit that are the conception of the managerial, the workers at large. The intangible resources include: brand name, the public view of the company, the skills of the employees mainly gained through experience, intellectual assets of the company which is inclusive of that safeguarded by patents, copyrights and trademarks. Tangible resources include: buildings, manufacturing plant, land, equipment, money, and inventory. Mathews (2003) views assets as either tangible or intangible. According to Machida (2003), physical resources could generate returns beyond the ordinary level, but indefinable assets if they are improved overtime through research and development can yield a firm continuous competitive advantage.

The assumption in RBV is that resources are heterogeneous between competing firms and argues that the resources are immobile, making competitive advantage attainable and sustainable in the long term, on the basis of internal configuration of strategically important resources (Grunert & Hildebrandt, 2004). A more firm-specific and hard to duplicate resource gives a firm a higher unique competence. A unique competence is a distinctive firm-specific strength allowing more differentiation of a firm's products and enabling the firm to substantially reduce costs compared to its competitors hence a competitive advantage to the company. A resource capable of giving the company a unique competence should thus be inimitable, unique, valuable, non-substitutable and distinct (Jones & Hill 2009).

An organization could have specific and precious resources unique to the firm; nevertheless, without the capabilities for effectively using them, it cannot have a unique competence (Jones & Hill, 2009). By definition, capabilities are an organization's skills to coordinate resources and convert them into productive usage. Such skills exist in a company's policy, routines, and procedures. That is, the manner in which an organization uses its internal procedures and processes to achieve the set objectives. Capabilities results from a company's structure, processes and control systems. They guide decision making in the organization, specifies the behavior rewarded and the norms and values of the firm.

Distinctive competencies shape the strategies pursued by the firm, which build high efficiency, quality, innovation or customer responsiveness. Consequently, they give the company competitive advantage and higher profitability. Nonetheless, it should be realized that the adopted strategies of a firm may build novel resources and capabilities or strengthen the current ones, hence enhancing unique competencies of the company. Therefore, there exists a reciprocal (rather than a linear) relationship between unique competencies and strategies in which the unique competencies shape strategies and the latter help to build the former (Kim & Mauborgne, 2005).

2.2.2 Knowledge-Based View of the Firm

The knowledge-based view (KBV), posits that firms need innovative knowledge for them to dominate an industry (Malik & Malik, 2008). The knowledge-based view considers a firm to be a "distributed knowledge system" composed of knowledge-loaded workers, and this perspective argues that the organization's responsibility is co-ordination of the workers' activities in such a manner to generate knowledge and value for the organization. Carlucci (2004), claim that knowledge assets, (if not more valuable) are as valuable as financial and physical assets in enhancing the firm's competitive advantage and survival. KBV largely expands resource based arguments in strategy by alleging that knowledge is the fundamental resource for creating new gains, heterogeneity as well as competitive advantage (Felin & Hesterly, 2007; Barney, 2001). Moreover, Felin and Hesterly argue that empirical and anecdotal evidence, about the dominance of people as the center of knowledge and source of novel value, are widespread in research and practice. Tsai et al (2012) asserted that an organizational capability is usually established via a package of related knowledge including knowledge items plus the levels of such items as well.

Knowledge-based view perceives knowledge as the critical source of an organization's competitive advantage (Feng, Chen & Liou, 2005). Arguments have been put forward that knowledge is fundamental resource of a company's strategy and the source of competitive advantage as the integration of a package of knowledge as opposed to individual knowledge (Felin & Hesterly, 2007; Grant, 1996). Additionally, Knowledge assists companies in products' and market strategic development in addition to provision of an alternative avenue for realizing differentiation and competitive advantage.

KBV has facilitated a shift from a competitive advantage that is based on market position to one that focuses on firm's capabilities (Felin & Hesterly, 2007). Moreover, the orientation of firm's strategies has been also changed from position-based to capabilities-based. Firms often absorb new knowledge to improve their capabilities from collaborative partners by alliance (Kale & Singh, 2007) or developing effective models (Capron & Mitchell, 2009). KBV stresses knowledge-based competition. Knowledge based view facilitated a shift from competitiveness on the basis of market position to an organization's capabilities basis (Felin & Hesterly, 2007). Furthermore, orientation of an organization's strategies has also been moved to capabilities based from position-based. Organizations usually imbibe new knowledge to enhance their capabilities from collaborative partners through alliances (Kale & Singh, 2007) or introducing effective models (Capron & Mitchel, 2009). KBV emphasizes on competition based on knowledge. In summary, the KBV demonstrates that companies are capable of differentiating themselves based on knowledge management strategies (KMS).

2.2.3 Entry Strategy Theory

Ansoff and McDonnell (1990) noted that Strategies entail changes in the organization's strategic behavior to guarantee success in transformation of the long term environment (Ansoff and McDonnel, 1990). According to Pearce and Robinson (1997), strategies are a set of decisions and actions leading to the formalization and implementation of tactics formulated to realize the organization's objectives. The old FDI theory posits that firm can invest in new markets to create economic gains through the exploitation of an organization's particular strategies (such as knowledge or products), and boost the organization's strategic position through enhanced accessibility to limited resources such as labor, knowledge among others (Hitt et al., 2006; Chen & Chen, 1998). Firms that consider entering foreign markets have to cope with uncertainty, due to a lack of information, uncertainty about the reliability of information, and a general liability of foreignness (Johanson & Vahlne, 1977).

Due to the growing competition by domestic as well as international competitors, contracting market size as well as deteriorating market growth rates, firms look for opportunities globally. Nevertheless, thriving in the new markets usually is determined by the response by the existing firms in the market. Literature points out that existing companies develop defensive tactics to deter the entrance of new competitors or protect their markets upon the entry of the new competitor in the market (Yeung *et al.*, 2003).

Existing companies try to prevent the entrance of new competitors long before the new entrant thinks of the entry. Likewise, the firms protect their markets by reacting upon the entrance of the new competitor in the market (Chen and Miller, 1994). In competitive environments with several existing firms, some of them wait for the others to react and then follow or do nothing. Some of those incapable of competing against the new entrant may opt to exit (Nargundkar, 1996). Firms engaged in the fight realize that their actions are interdependent; that is, the results of marketing actions by one firm is to some extent dependent on its rivals' reactions. Failure to consider a rival's reaction could make the company deduce the wrong inferences concerning the results of such actions (Putsis & Dhar, 1998).

2.3 Empirical Studies

2.3.1 Understanding the Local Market as a Strategic Tool

Research carried out by Boston Consulting Group (2013), indicates that multinational corporations have very high ambitions in new markets. Over three quarters of the firms they surveyed (78%), hope to get a share in emerging markets. Nonetheless, just 13% were confident they would tackle domestic competitors. Approximately 73% of the respondents affirmed that domestic firms were a major threat in the competition. McKinsey (2012) notes that established MNCs in new markets have begun to realize the consumers' need and the business models they ought to adopt. In their survey, some respondents stated that the critical requirement for success is the understanding of the local consumer needs, adopt local business and operating models. According Jones (2005), multinationals are spread thin in their operations; on the other hand, local companies for the biggest part, are extremely focused. Local companies benefit from the advantages also. For example, they may be absorbed or be given privileges by the state. They are also prone to having enhanced relationships with vital stakeholders, immense knowledge on domestic regulations as well as minimized labor costs should they be manufacturing internationally. Local companies could also probably become less risk averse with the ability to respond more swiftly than most of the MNCs.

In order to understand the market, it is critical for any organization to first define its market. Lodato (2006) defines A market is a set of firms and or individuals who may benefit from the products offered by you as well as the rivals and who possess purchasing power and authority to buy (Lodato, 2006). Adidam, Banerjee, and Shukla (2011), supports this definition by noting that competitive intelligence is an integral part of market understanding. Competitive intelligence is defined as the collection of information regarding everything that may affect the business rivals, products and practices. Competitive Intelligence has evolved to a more general discipline which concomitantly serves multiple business functions of a firm (Jones, 2005). Various scholars have suggested that the critical areas to study in order to understand the markets include; strengths and weakness in regard to MNCs and local competitors as well, qualitative and quantitative market research at macro and micro level as well, analysis of top products in the major multinational market as well as their plea to local consumers, formal and informal distribution and marketing channels needed to operate in new markets (Kotler, 2009; BCG, 2013).

2.3.2 Organization Structure and Human Resource as a Strategic Tool

According to BCG (2013), leadership and talent management are particularly vital in new markets. For instance, in Indonesia, a 40-60% aperture in demand and supply for top level management is anticipated to occur by 2020. In their report, BCG notes that getting the exact people with the exact match of attitude, aptitude, sophistication, cultural fit and capabilities fit to grow triple digit growth over the next 10 to 15 years is the major impediment in new markets. According to Bratton & Gold, (2012), although most MNCs have a strong employer brand in the new markets, local firms can equally compete effectively for leading skilled personnel with multinationals. Out of 50 preferred employers in China, 32 are local firms.

Strong local firms can equal or surpass the benefits given by MNCs and they usually offer workers competitive packages. In contrast, MNCs are viewed to have numerous political wars which hinder career opportunities. Local workers use these companies as springing boards to kick start their careers (Robbins and Judge, 2009).

According to Olsen, Pinto, and Virji (2005), attaining profitable continued growth in new markets is a key deliverable for MNCs. Nevertheless, many see it hard to achieve full potential of these markets due to structured decision making processes that obscure local alertness – or lack of visibility as to how these companies will add adequate value to the domestic business. Olsen et al. (2005), focuses on methods of modifying such processes to enhance the flexibility and efficiency of the new markets subsidiaries. According to Bushnell, Stone, and Wilson (2013), outstanding leaders usually don't last in their current positions for long prior to going up the corporate ladder – or moving elsewhere. To shun away from overreliance on the talent of one man, MNCs should have in place concrete but flexible management practices and decision-making principles. The only way organizations can thrive is by adapting their management practices to the needs of the local market so that they can offer local managers with flexible careers and in the long term.

The studies that have been conducted under organization and people have focused on the following areas; the workforce needs required to reach growth targets and achieve competitive advantage, assessing the strengths of the local emerging market organization to ascertain its competitiveness, putting in place training and development programs for ensuring that the emerging organization has tough local leaders and efficient middle managers and identifying potential future leadership in promising markets and exposing them similar career opportunities that their peers in developed markets pursue. (BCG, 2013).

2.3.3 Opportunities and Incentives Available in the Market as a Strategic Tool

McGrath and Gilmore (1995) asks some fundamental questions around how certain companies like Microsoft grew to $3.7 billion from $125 million in less than a decade. Why Google and Apple have been extremely successful with various products, and unsuccessful with others and how Compaq emerged to be the most thriving personal computer company in 1994? According to English and Moate (2009), as technology companies' effort to build up a winning tactic, they are faced by distinctive obstacles resulting from complicated products and markets that are driven by technology. There are five major challenges that localizing firms need to overcome these are adapting to new markets, harnessing new technology, managing product life cycles, continually building new markets and adapting to consumer needs. (Moore, 2009).

McGrath and Gilmore (1995), states that dealing with rapidly-changing and reduced market and product life cycles is critical. The entire market is changing at an incredibly fast rate. Products are evolving at faster rate than research and development can keep up. Technology is changing and finding new and better ways of doing things every day. A product can move from initial stage to maturity to decline stage in less than two years. In this rapid turn of events prices fall and advantages of differentiation vary. The market needs are also changing with a change in culture and preferences (Hill and Harvey, 2009).

According to Christensen (1997), technology companies should harness emerging technology. High technology products are feasible because of continually changing technology and gain competitive edge from budding technologies. Ordinarily, technology is complex and changes rapidly making it difficult for companies to keep up and change with the times. In addition the companies are constantly under the threat of new competition who have better innovations. Pursuit and selection of new technologies are paramount decisions for technology based institutions (McGrath and Gilmore, 1995). The research findings that have been found under market opportunities and incentives have narrowed down on the following aspects: customer segmentation, adequate resources, market segments and maximizing local market opportunities (Kotler, 2000).

According to Meredith, Schewe, and Karlovich (2002), there is an escalation in complexities in many markets. Defining, assessing market diversity and expanding competitive space is a paramount in identifying and sustaining strategic marketing. In numerous situations, oversimplified market perceptions have resulted to flaws in marketing, operational and business strategies (Cravens, 2006). According to Harker (2009), markets are ever more complex, unstable, and interconnected, which therefore create problems for management in understanding the structure of the market and identifying growth opportunities for the organization.

Lodato (2006), argues that consumer market segmentation is ordinarily a lot easier and straightforward compared to industrial markets that tend to be larger and more complex to understand. For example the use of tractors and which customers are most likely to buy these industrial equipment is harder to come by compared to the consumption of bread. Ways of segmenting the consumer market include; demographic factors - age, family, gender, religion, family income, occupation, education, income, geographic – physical location, climatic areas, density, political regions. Psychographic activities like opinions, social class, lifestyle, personality, perceptions. Benefits – safety benefits, health benefits, social and intellectual benefits. Consumer segmentation is useful in the identifying how to divide the market in order to achieve maximum benefits.

According to Weinstein (2004), the following is a of problems that need to be tackled in defining a market segment; customer numbers and their distribution, rate of growth, number if purchases expected in a given duration of time, what describes them, where they are located among others. Once market segments are defined, analyzing market segment follows and looks at the following situations; is the market segment Overcrowded? – is present competition competent and deep-rooted? Market segments with little hope for modifying their products and zero channels to build hindrances for competition entry. Segments of the market that are already big and fast growing. (Wedel and Kamakura, 2000)

2.4 Research Gap

Wilson (2009) did a study on standardization or localization. Standardization is the uniform presentation of all qualities of a product such as texture, color and product name, packaging in all markets. A comparison was done of multinational corporations fast moving consumer goods' environmental disclosure practices in India. The study found that the amount of products, quality and diversity of Indian fast moving consumer goods subsidiaries' disclosures on wellness of the corporate environment are more similar to domestic Indian companies than their parent companies. Sze (2009) conducted a study on analysis of a strategic business model among multinational corporations in China. The study found that MNC used corporate social responsibility and weight of guanxi in Chinese society as their business models. He and Hong (2012) did a study on localization of human resources in multinational corporations: a perspective of content analysis. The study found that localization of human resource is the inevitable trend of globalization.

Several studies have also been done locally such as Karanja, (2002). He found that real estate firms in Nairobi popularly applied focus strategy to gain competitive advantage and that there was a percentage of firms that were stuck in the middle who were more or less guaranteed low profits. Murage (2001) found that the petroleum dealers used cost leadership strategy by sourcing their products at lower prices. Muturi (2000), noted that there was an effort by East African Breweries to differentiate their products from their competitors after liberalization. Other studies that have been done on fast moving consumer goods industry includes Kabura (2002), who found that 82% of all fast moving consumer goods firms in Kenya used a combination of media tools and journals to create impact on their activities but did not focus on the use of competitive strategies in the industry. Ndegwa (2003), looked at promotional mix in the fast moving consumer goods industry but did not focus on competitive strategies in the same industry. It is therefore important to conduct this study, investigate and document various competitive strategies used by multinational firms to compete in the fast moving consumer goods industry in Kenya

From the literature reviewed, it’s clear the research in competitive strategies has been carried out but there is inadequate literature in some areas of study. In addition the literature reviewed there are some gaps that have been experienced such as out dated information, insufficient information, too unspecific or too vast information to address the research objectives. The information might have been altered or misinterpreted in the process of simplification and recombination. This study seeks to bring out up to date relevant information on localization as a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, It will contribute to the scanty and little literature and add to the body of knowledge in the area that has not been much ventured into by other scholars.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter, describes the procedure and methods applied in data collection, measurement and analysis. Specifically, it contains subsections on research design, population of the study, data collection methods and data analysis.

3.2 Research Design

Research design can be defined as the manner in which parameters for data collection and analysis are arranged in a particular way that incorporates relevance and purpose of the study in an economical way. In a nutshell, it is the blue print for data collection, measurement and analysis. The study will use descriptive research design in form of cross sectional survey. Kothari (2006) asserted that cross section survey is used for gathering information of the phenomenon of current information to describe what exists concerning the variables in a given situation. This cross section survey study aimed at clearly establishing localization as a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi Kenya. A cross section survey mainly focuses on the what, where and how of a phenomenon (Donald & Pamela, 1998). The design was preferred for the study due to its contribution in minimizing bias thus maximizing reliability of data.

3.3 Population of the Study

According to Kombo and Tromp (2008) target population is a defined as a group of things, people, firms, households, events or elements under investigation. It should fit the specific situation that the research is interested in and it should be homogenous. In this study, the target population was 50 FMCGs manufacturers in located in Kenya, (Kenya Manufacturers and Exporters, 2015). Nairobi will be chosen because most of the established FMCGs manufacturers in Kenya are found in Nairobi (Appendix II). Owing to the small number of FMCGs manufacturers, the study adopted a census survey from where one respondent (Operation Manager) was selected from each organization. Thus, the sample size for the study was 50 respondents to whom the questionnaire was administered.

3.4 Data Collection

Secondary and primary data was used in the study. Secondary data was collected from the companies' published financial statements and websites while primary data was administering a questionnaire. The questionnaire contained both closed and open ended questions and was administered through drop and pick method to the operations managers or their equal in the organizations.

By using open-ended questions, it is possible for a respondent to give deep insights to their feelings background, unseen motivation, interests and decisions and divulge as much information as they can. In addition, using close-ended questions allows the researcher to collect information perceived as relatively easier to collect with a set of alternatives provided for every question. To support the data received from questionnaire and information from interview the study shall obtain secondary data from respective firms' annual financial reports as well as non-financial information from respective firm's websites.

3.5 Validity and Reliability Test

Validity means accuracy and meaningfulness of conclusions drawn from the research findings (Copper & Schindler, 2006). This is ensured by avoiding errors in the collected data. To achieve this, the instrument was pilot tested by administering it to 5 respondents whose results were not incorporated in the final data collection for the main study. The pilot study sought to achieve construct validity of the instrument (Kombo & Tromp, 2008). The piloted questionnaire was revised and ambiguous items modified.

To ascertain the instrument reliability, split-half technique was used. The instrument was split in to two subsets (one with odd numbers another with even numbers). Items with even numbers were computed separately from those with odd numbers. In using the method, the aim was to determine the internal consistency co-efficient as well as the reliability co-efficient whose value ranges from 0.00 (no reliability) to +1.00 (perfect reliability). A coefficient of 0.50 will be considered adequate but a coefficient of 0.80 is good according to Gay (2003).

3.6 Data Analysis

All completed questionnaires were first reviewed then edited to ensure consistency and completeness prior to processing the responses. Descriptive statistics were used which included the use of weighted mean, frequencies, standard deviation and percentages. Data was coded for grouping of responses in different categories. The descriptive statistics helped to summarize the data for easier analysis and understanding. Regression analysis was also used to find the correlation between variables. The regression equation was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where Y is Performance (the dependent variable), β_0 is the regression constant, β_1 and β_2 are the co-efficient of independent variables, X_1 is organizational culture and X_2 is the opportunities and incentives.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

In this chapter, findings have been presented and interpreted. It includes respondents' background information and other findings are categorized in line with the study objectives. The study sought to find out if localization was a strategic tool that could be used by Multinational Corporations in Fast Moving Consumer Goods in Nairobi, Kenya. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. The first part summarizes the general profiles of the respondents from the companies that responded. The second part summarizes the responses with regard to localization as a strategic tool for multinational corporations in fast moving consumer goods industry.

4.2 Response Rate

In the study, 50 FMCGs manufacturers in located in Nairobi, Kenya were targeted. Owing to the small number of FMCGs manufacturers, the study adopted a census survey from where one respondent (Operation Manager) was selected from each organization. The study targeted a sample size of 50 respondents who were served with questionnaires. Out of the 50 who were handed questionnaires, 42 filled in and handed back their questionnaires making it 84.7% of the total targeted population. This response rate was satisfactory to make conclusions for the study. The response rate was representative.

4.3 Demographic Information

4.3.1 Position in the Organization

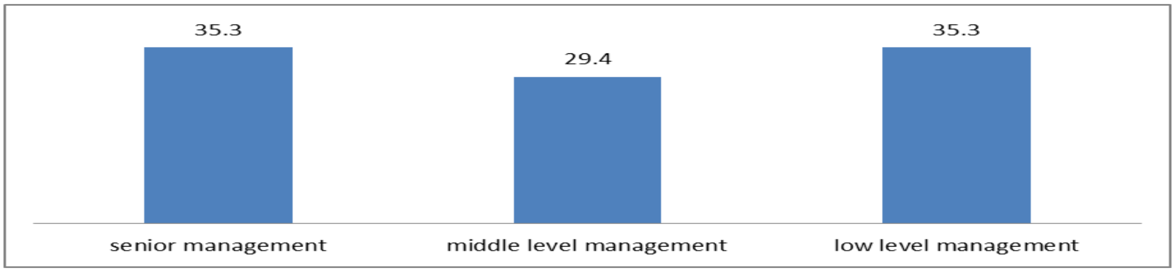

Figure 4.1: Position in the Organization

Source: Researcher 2016

The study aimed to determine the respondent' level of seniority (position) in the organization and therefore requested the respondents to indicate the level of position in the organization. From the research findings the study established that majority of the respondents as shown by 35.3% in low level management. This is an indication that both the organization was fairly involved in this research and thus the findings of this study was not impaired by management biasness.

Length of Time Company Has Been In Operation

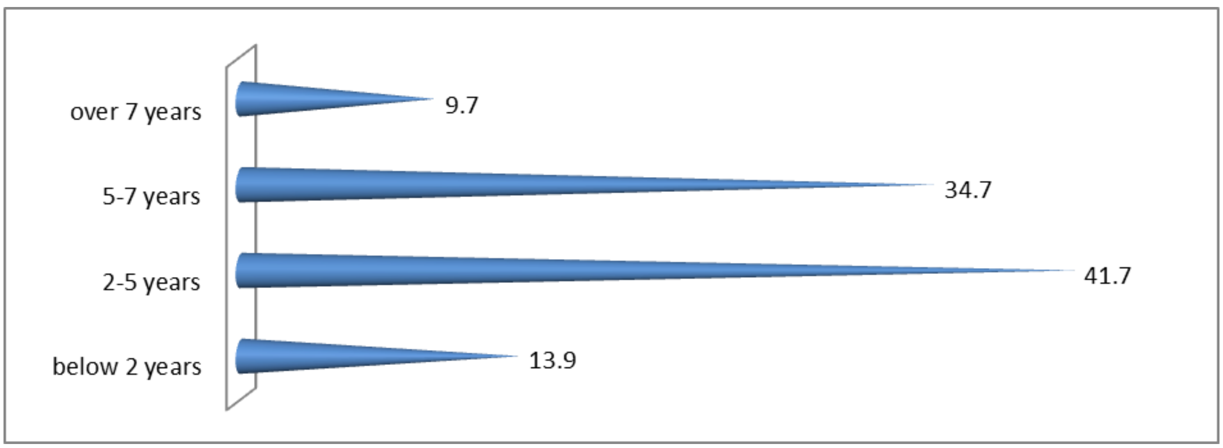

Figure 4.2: Length of Time in Operation

Source: Researcher 2016

The study requested the respondents to indicate the length their respective organizations had been in operation in Nairobi. From the findings, most of the respondents as shown by 41.7 % indicated their company as being in operation for 2-5 years, 34.7 % of the respondents indicated their company had been in operation for 5-7 years, 13.9% of the respondents indicated that their company had been in operation for below 2 years and 9.7% indicated that their company as being in operation for over 7 years. This is a representation that respondents' companies were well distributed in terms of the period they had been in operation.

Level of involvement in strategic decisions

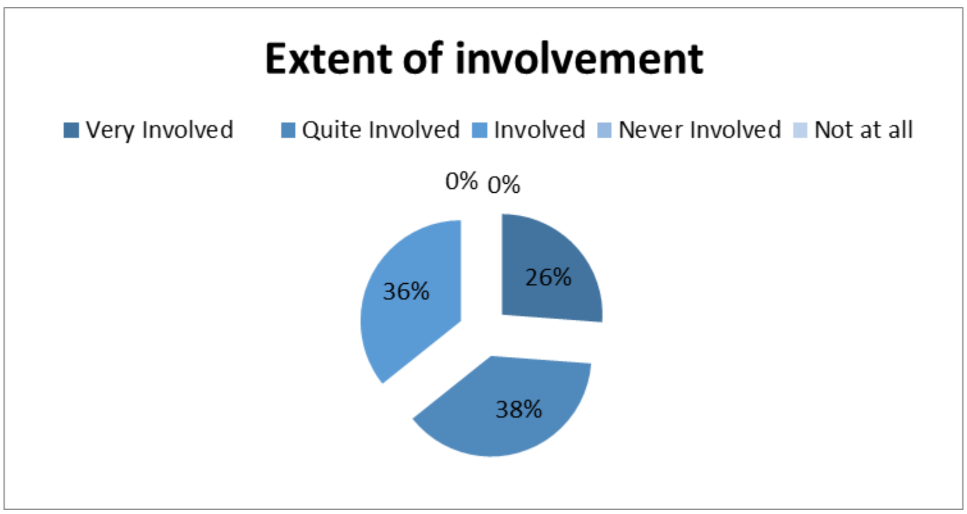

Figure 4.3: Level of Involvement in Strategic Decisions

Source: Researcher 2016

The study implored the respondents to indicate their level of involvement in strategic decisions in their organizations. From the findings, majority of the respondents as shown by 26 % showed they were very involved in strategic decisions, 38 % of the respondents indicated that they were only fairly involved and 36% were only merely involved in strategic decisions. This is an indication that respondents were in some way involved in the strategy of the organization.

4.4 Understanding the Local Market as a Strategic Tool Aspect

Table 4.1: Local Market a Strategic Tool for Multinational Corporations

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Standard Deviation
Our organization's local competitors have a better knowledge of the market and hence have a competitive advantage	18	20	4	0	0	1.89	0.46
Our organization has sufficient extensive localized marketing capabilities compared to local competition	12	23	7	0	0	1.83	0.44
Our organization involves local consultants to advice to offer knowledge of local market conditions	18	22	2	0	0	1.72	0.41
Our organization's quality of products is better than that of its local competitors	16	21	5	0	0	2.07	0.52
Our organization products are priced in line with the expectations of customers in the local market	7	25	10	0	0	1.78	0.36
Our organization distribution network is tailored to meet the needs of the local market better than compared to its local competitors	17	17	8	0	0	1.94	0.44
Our organization development of new products is tailored to meet the needs of the local market better than its competitors in the local market	11	23	8	0	0	1.95	0.47
I strongly believe that our organization has tailored its products to fit the local market compared to local products	12	21	9	0	0	2.1	0.49
Our organization seeks to meet local market needs in its product packaging and documentation	8	21	13	0	0	1.87	0.46

From table 4.1, on the respondent's degree of agreement with the following statements relating to understanding the local market a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya. From the findings majority of the respondents agreed that customizing the products to the needs of the local market contributes greatly to the performance and competitive advantage of the organization as shown by a mean of 2.1. The respondents also agreed that the quality of the products offered by multination corporations was good quality compared to its local competitors as shown by a mean of 2.07. The least common factor was the use of local consultants to advice to offer advice about the local market conditions as shown by a mean of 1.72. This gives a range of 0.38 between the most common factor and the least common one

The results from table 4.1 also shows other factors of the local market that can affect the performance and survival of a multinational corporation in the local market. These include: an organization's ability to be innovative and introduce new products in the market as shown by a mean of 1.95, the distribution channels used of an organization for its products as shown by a mean of 1.94. It is vital to note that these scores are relatively below the mean score of 2.1 showing that they should also be equivalent attention to the two main factors indicated above.

Other factors in the local market that do affect localization as a strategic tool for multinational corporations as per Table 4.1 are: local competitors do not have as much knowledge of the market to have competitive advantage over multinationals as shown by a mean of 1.89, organizations seeks to meet local market needs in their product packaging and documentation as shown by a mean of 1.87, organization has sufficient extensive localized marketing capabilities compared to local competition that has a mean of 1.83, organizations' products are priced in line with the expectations of customers in the local market as shown by a mean of 1.78 and organizations that involve local consultants to advise them on local market conditions as shown by a mean of 1.72.

The findings of the study were in line with McKinsey (2012) who notes that successful multinational companies in the fast moving consumer goods sector have started to decipher what consumers want and which business models they need to adopt. In the survey, some respondents stated that the most critical prerequisite for success is the adopt local business, ability to understand local customers' needs, operate models that suit the local needs and produce products that specifically meet the needs of the customers by customizing them. It is also in line with Jones (2005) who states that multinationals are spread thin in their operations while local companies, more often than not, are extremely focused. Local companies are given special terms by their governments in order to promote local industrialization, are very likely to have strong ties with key stakeholders in decision making in their countries, have immeasurable local knowledge of regulations and labor costs unlike a foreign company. They also tend to be less risk averse with the malleability to respond more promptly than a multinational company that needs to consult the parent company before it can act.

4.5 Organization Structure and Human Resource as a Strategic tool

Table 4.2: Organization Structure and Human Resource as a Strategic Tool for Multinational Corporations

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Standard Deviation
Our organization workforce needs are linked to its strategy and growth plans compared to its local competitors	24	18	0	0	0	1.44	0.41
Our organization staffing is distributed evenly based on the departments in the company	14	23	5	0	0	1.79	0.44
Replacements arising from turnover are done efficiently and quickly	12	24	6	0	0	1.86	0.48
Future demand and supply is estimated and taken into account	18	23	1	0	0	1.61	0.47
Cross Training, transfers are possible for employees who request for them	21	18	3	0	0	1.58	0.36
Processes and procedures allow employees to effectively meet my customers' needs	16	21	5	0	0	1.72	0.41
Reorganizations at the start of the financial year do affect my effectiveness and delivery to the customers	22	20	0	0	0	1.49	0.44
Our organization structure provides clear accountabilities and always moves towards changed processes to improve productivity	7	21	14	0	0	2.18	0.53
Our organization offers learning and development opportunities to its employees that match their career goals	18	17	7	0	0	1.75	0.36

From table 4.2 on the respondent's level of agreement with the following statements relating to organization structure and human resource as a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya. From the findings majority of the respondents agreed that organization structure provides clear accountabilities and always moves towards changed processes to improve productivity as shown by a mean of 2.18 and that replacements arising from turnover are done efficiently and quickly as shown by a mean of 1.86. The least common parameter was that the organization workforce needs are linked to its strategy and growth plans compared to its local competitors as shown by a mean of 1.44. This gives a range of 0.74 between the most common factor and the least common one.

From Table 4.2 the results job roles and descriptions need to be clear because they improve productivity and performance of the organization. Other factors of localization that contribute to it being a strategic tool are, organization's staffing is distributed evenly based on the departments in the company as shown by a mean of 1.79, that the organization offers learning and development opportunities to its employees that match their career goals as shown by a mean of 1.75, that the processes and procedures allow employees of the firm to effectively meet my customers' needs as shown by a mean of 1.72, that the future demand and supply is estimated and taken into account as shown by a mean of 1.61, that cross training, transfers are possible for employees who request for them as shown by a mean of 1.58 and that reorganizations at the start of the financial year do affect the effectiveness and delivery to the customers as shown by a mean of 1.49 .

The findings of the study were in line with Bratton & Gold, (2012) who states that many multinational corporations have a strong organization structures hence the roles and responsibilities of their employees are clear which improves their performance while local companies' organizations structures are lean hence making multinational corporations to have a competitive advantage. It was also in line with Olsen, Pinto, and Virji (2005) who says that multinationals are increasingly trying to achieve profitable growth in emerging markets in a bid to increase their profitability. Olsen *et al.* (2005), focuses on methods of changing processes in a bid to make subsidiaries in emerging markets more efficient, effective and flexible. Corporate processes should be adapted to the needs of the local market in order to provide local managers with a platform to work with flexibility and thrive in their positions in the long haul.

4.6 Opportunities and Incentives Available in the Market as a Strategic Tool

Table 4.3: Opportunities and incentives available in the market

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Standard Deviation
Our organization's market and customer segmentation is better compared to the local competition	5	17	20	0	0	2.36	0.63
Our organization has the required financial resources to target the market compared to its local competitors	6	20	16	0	0	2.24	0.55
Are there gaps in the market for products that our organization can capture better than competitors	8	11	23	0	0	2.39	0.7
Our organization customer segmentation is based on the culture variations of the market	9	19	14	0	0	2.1	0.49
Customer segmentations is based on the characteristics of customers and is effective	8	18	16	0	0	2.19	0.53
Our organization has the required human resources to effectively target the market compare to its competitors	9	18	15	0	0	2.14	0.5
Our organization has the required physical and organizational resources to effectively target the market	8	19	15	0	0	2.14	0.5
Our organization has clearly identified specific market incentives that are available to foreign investors compared to the local competitors	5	17	20	0	0	2.36	0.63
Our organization is better positioned to penetrate the Nairobi market compared to the local competitors	6	20	16	0	0	2.24	0.55
Collaborating with committed specialized partners offers a significant competitive advantage to foreign companies compared to local competitors	8	11	23	0	0	2.4	0.7

From table 4.3 on the respondent's level of agreement with the following statements relating to opportunities and incentives available in the market as a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya. From the findings majority of the respondents agreed that collaborating with committed specialized partners offers a significant competitive advantage to foreign companies compared to local competitors as shown by a mean of 2.4 and that there are gaps in the market for products that the companies can offer better than competitors as shown by a mean of 2.39. The least common parameter was that the organization customer segmentation is based on the culture variations of the market as shown by a mean of 2.10. This gives a range of 0.03 between the most common factor and the least common factor.

Other factors that organization should consider are: has the organization clearly identified specific incentives compared to the local competitors as shown by a mean of 2.36, that the organization market and customer segmentation is better compared to the local competition as shown by a mean of 2.36, that the organization is better positioned to penetrate the Nairobi market compared to the local competitors as shown by a mean of 2.24, that the organization has the required financial resources to target the market compared to its local competitors as shown by a mean of 2.24, that the customer segmentations is based on the dynamics of customers and is effective as shown by a mean of 2.19, that the organization has the required human resources to effectively target the market compare to its competitors as shown by a mean of 2.14, that the organization has the required physical and organizational resources to effectively target the market as shown by a mean of 2.14.

The findings of the study were in line with McGrath and Gilmore (1995) who asks some fundamental questions around how certain companies like Microsoft grew to $3.7billion from $125 million in less than a decade if not less. English and Moate (2009), who states that as fast moving consumer goods companies aspire to evolve successful strategies, many peculiar impediments face them stemming from complicated markets and products to customers who know their needs and a market that are driven by micro and macro environmental factors. It is also in line with Moore, (2009) who states that there are five major challenges that localizing firms need to overcome these are adapting to new markets, harnessing new technology, managing product life cycles, continually building new markets and adapting to consumer needs.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objectives of the study. The study sought to establish localization as a strategic tool for Multinationals Corporations in fast moving consumer goods industry in Nairobi, Kenya. The objective of the study is to establish localization as a strategic too for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya.

5.2 Summary of the Finding

5.2.1 Understanding the Local Market as a Strategic Tool Aspect

The study established that multinational organizations are good at customizing products' to meet the needs of the local market which contributes greatly to the performance and competitive advantage of the organization. The findings also stipulated that multinational corporations produce good quality of products that are better than those of its competitors in the local market. Multinational corporations' products are distributed better than its competitors in the local market. This is majorly due to more financial resources that that companies have enabling them to penetrate all channels. Multinational corporations' development new products better than their local competitors in the local market. MNCs invest heavily in research and development. For instance Samsung Group invested $ 65 million in research and development between 1995 and 2000 enabling it to be a mobile phone leader by 2008 therefore bypassing giants like Nokia which had dominated the industry in early 2000. Multinational corporations' have a strong brand compared to its local competitor. Most of the brands they offer are known worldwide. From the findings that the organization has customized its products well to meet the local customer needs, that the organization's products meet the local specifications for product packaging and documentation, that the organization has sufficient extensive marketing capabilities compared to local competition that the organization's product pricing is in line with the expectations of customers in the local market. That organizations involve local consultants to advice and offer knowledge on local market conditions and the respondents strongly believe in their organization products compared to local competing products.

The findings of the study were in line with McKinsey (2012) who notes that successful multinational companies in the fast moving consumer goods sector have started to decipher what consumers want and need and what business structures they need to adopt. In the survey, some respondents stated that the most important requirement for success is the ability to understand local customers' needs, adopt local business and operating models and produce products that specifically meet the needs of the customers by customizing them. It is also in line with Jones (2005) who states that multinationals are endowed with resources in their operations while local companies, for the most part, are spread thin hence their inability to produce high quality goods.

5.2.2 Organization Structure and Human Resource as a Strategic Tool

The study found that organization structure provides clear accountabilities and always moves towards changed processes to improved productivity. Clear job descriptions are paramount to the productivity of the local people in the country of operation. that replacements arising from turnover are done efficiently and quickly in order to avoid disruption of work. The replacement may be expatriates from abroad however they are replacements and succession planning is done efficiently so that there is business continuity. Multinational corporations' workforce needs are linked to its strategy and growth plans compared to its local competitors. Linkages between strategy and growth in emerging markets are critical and MNs seem to be keenly monitoring this parameter in order to localize and thrive. The findings are in line with Bratton & Gold, (2012) who state that while many multinational corporations have a strong employer brand in these markets and human resource planning is critical if a company is going to localize and thrive in an emerging economy. Multinational Corporations are increasingly competing effectively for top talent and local employees use these companies as stepping stones to strengthen their careers (Robbins and Judge, 2009).

5.2.3 Opportunities and Incentives Available in the Market as a Strategic Tool

The study revealed that an increase in committed specialized partners offers a significant competitive advantage to foreign companies compared to local competitors, that there are gaps in the market for products that the organization can capture better than competitors, that the organization has clearly identified specific incentives available compared to the local competitors, that the organization market and customer segmentation can be exploited compared to the local competition, that the organization is better positioned to penetrate the Nairobi market compared to the local competitors, that the organization has the required financial resources to target the market compared to its local competitors, that customer segmentations is based the characteristics of customers and is effective, that the organization has the required human resources to effectively target the market compare to its competitors, that the organization has the required physical and organizational resources to effectively target the market, that the organization customer segmentation is based on industries and is aligned with the demand of the market. English and Moate (2009), who states that as fast moving consumer goods companies attempt to develop a successful strategy, they are faced by peculiar impediments stemming from the complications of products and markets which are technology driven. Moore, (2009) who states that there are five challenges that localizing firms need to overcome these are adapting to new markets, harnessing new technology, managing product life cycles, continually building new markets and adapting to consumer needs.

5.3 Conclusions

The study revealed that multinational corporations in fast moving consumer goods industry understood the local market a strategic tool. The study established that multinational corporations have customize the products to the needs of the local market hence contributing immensely to the performance and competitive advantage of these organizations. The organization’s quality of products offered by multinational corporations is better than those of their competitors in the local market.

The study established that organization structure and human resource was a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya. The study further found that organization structure provides clear accountabilities and always moves towards changed processes to improve productivity and that replacements arising from turnover are done efficiently and quickly.

The study found that opportunities and incentives available in the market acted as a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya. The study established that an increase in committed specialized partners offers a significant competitive advantage to foreign companies compared to local competitors and that there are gaps in the market for products that multinational corporations can capture better than local competitors.

5.4 Recommendations

The study recommends that there is need for the management to understand the local market and use it as a strategic tool, this will enable companies better understand the market and hence have a competitive advantage. There is need for the management to consider organization structure and human resource as a strategic tool; this will help the workforce needs which are linked to its strategy and growth plans compared to its local competitors.

5.5 Limitation of the Study

The study was mostly constrained by lack of strategic information availability. Given the nature of information that was collected many of the respondents who were involved in strategic decisions and were unwilling to divulge strategic information. Furthermore, parent companies dictate the level of localization to implement in the countries they invest in. Therefore approval needs to be sought from parent companies before implementation or even access can be granted in Nairobi, Kenya. Time constraints came about due to the dispersion of the companies under survey. The researcher overcame these limitation since he works in the FMCG sector and he was able to use his contacts in the industry to gather adequate information while explaining to the respondents what he needed. This was mainly done through the use of emails and physically delivering some of the questionnaires. The reality that the researcher works for a FMCG MNC was also a constraint because some of the information being asked for was strategic hence highly confidential and a breach to some of the companies' confidentiality clauses. The researcher realized this opposition and explained to the respondents that the study was exclusively for academic purposes and nothing will be used or leaked to another MNC to the detriment of their organization. Finally, the researcher experienced challenges balancing a full time job that involves a lot of travel and study. This necessitated the researcher to work late hours in order to complete the study with in the stipulated time.

5.6 Areas for Further Study

The study sought to determine localization as a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya. The study recommends that a study be carried out in detail to determine factors that should be considered to ensure an effective localization strategy in the Kenyan context. Focusing on factors that should be considered to ensure successful localization strategy in Kenya can help MNCs to know what they specifically need to implement for successful localization strategy.

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APPENDICES

Appendix I: Questionnaire

Section A: General Information of the Organization

1. Name of the company ______________________________________ (Optional)

2. Position in the organization?

Senior management [ ]
Middle level manager [ ]
Low level staff [ ]

3. How long has your company been in operation?

0-2 years [ ]   2-5 years [ ]   5-7 years [ ]   over 7 years [ ]

4. Kindly indicate your level of participation in influencing the strategy of your organization?

Very Involved ( )   Quite Involved ( )   Involved ( )
Never Involved ( )   Not at all ( )

5. What are the products offered by your organization?

……………………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………

Section B: Understanding the Local Market as a Strategic Tool

6. Kindly indicate your level of agreement with the following statements relating to understanding the local market a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya? 1=strongly agree, 1=agree, 3=neutral, 4=disagree, 5=strongly disagree.

Statement	1	2	3	4	5
Our organization's local competitors have a better knowledge of the market and hence have a competitive advantage					
Our organization has sufficient extensive localized marketing capabilities compared to local competition					
Our organization involves local consultants to advice to offer knowledge of local market conditions					
Our organization's quality of products is better than that of its local					

competitors					
Our organization products are priced in line with the expectations of customers in the local market					
Our organization distribution network is tailored to meet the needs of the local market better than compared to its local competitors					
Our organization development of new products is tailored to meet the needs of the local market better than its competitors in the local market					
I strongly believe that our organization has tailored its products to fit the local market compared to local products					
Our organization seeks to meet local market needs in its product packaging and documentation					
Our organization's local competitors have a better knowledge of the market and hence have a competitive advantage					

Section C: Organization Structure and Human Resource as a Strategic Tool

7. Kindly indicate your level of agreement with the following statements relating to organization structure and human resource as a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya? 1=strongly agree, 1=agree, 3=neutral, 4=disagree, 5=strongly disagree.

Statement	1	2	3	4	5
Our organization workforce needs are linked to its strategy and growth plans compared to its local competitors					
Our organization staffing is distributed evenly based on the departments in the company					
Replacements arising from turnover are done efficiently and quickly					
Future demand and supply is estimated and taken into account					
Cross Training, transfers are possible for employees who request fo r them					
Processes and procedures allow employees to effectively meet my customers' needs					
Reorganizations at the start of the financial year do affect my effectiveness and delivery to the customers					
Our organization structure provides clear accountabilities and always moves towards changed processes to improve productivity					
Our organization offers learning and development opportunities to its employees that match their career goals					

Section D: Opportunities and Incentives Available in the Market as a Strategic Tool

8. Kindly indicate your level of agreement with the following statements relating to opportunities and incentives available in the market as a strategic tool for multinational corporations in fast moving consumer goods industry in Nairobi, Kenya? 1=strongly agree, 1=agree, 3=neutral, 4=disagree, 5=strongly disagree.

Statement	1	2	3	4	5
Our organization market and customer segmentation is better compared to the local competition					
Our organization has the required financial resources to target the market compared to its local competitors					
There are gaps in the market for products that our organization can capture better than competitors					
Our organization customer segmentation is based on industries and is aligned with the demand of the market					
Customer segmentations is based the dynamics of customers and is effective					
Our organization has the required human resources to effectively target the market compared to its competitors					
Our organization has the required physical and organizational resources to effectively target the market					
Our organization has clearly identified specific opportunities in the market compared to the local competitors					
Our organization is better positioned to penetrate the Nairobi market compared to the local competitors					
An increase in committed specialized partners offers a significant competitive advantage to foreign companies compared to local competitors					

Appendix II: List of Multinational Corporations Fast Moving Consumer Good Companies in Kenya

1. Bayer East Africa Ltd.
2. Beiersdorf East Africa Ltd.
3. Cadbury Kenya Ltd.
4. Coca-Cola East Africa Ltd.
5. East African Breweries Ltd.
6. Johnson Diversy East Africa Ltd.
7. L’Oreal East Africa Ltd.
8. Nestle Foods Kenya Ltd.
9. Procter & Gamble East Africa
10. SC Johnson and Son Kenya
11. Unilever East and Southern Africa
12. Wrigley Company (E.A.) Ltd.
13. Samsung Kenya Limited
14. GlaxoSmithKline
15. Pfizer Corp (Agency)
16. Aventis Pasteur SA East Africa
17. Phillips Pharmaceuticals Limited
18. Pernod Ricard Kenya Limited
19. GAPCO Limited
20. Novartis Rhone Poulenic Ltd
21. Oracle Plc
22. Orange SA Telecommunications Company
23. Bharti Airtel Kenya Limited
24. Google Kenya Limited
25. IBM East Africa Limited
26. Hewlett and Packard
27. General Motors
28. Toyota Kenya Limited
29. Vivo Energy Kenya Limited

30. CFAO Motors Company Limited
31. Tullow Oil Company
32. Knight Frank Kenya Limited
33. Wiko Company
34. Nokia Siemens East Africa Limited
35. Bamburi Cement Limited
36. General Electric East Africa Limited
37. Techno Mobile Company
38. PZ Cussons East Africa Limited
39. LG Electronics Africa
40. Heineken East Africa Limited
41. Huawei Technologies Company Limited
42. Coca Cola East Africa
43. Pepsi Company
44. Pfizer Laboratories Limited
45. Reckitt Benckiser East Africa
46. Colgate Palmolive East Africa
47. British American Tobacco
48. Tiger Industries
49. Java Company Limited
50. Debonairs East Africa Limited

Source: (KAM) Kenya Manufacturers & Exporters Directory, 2015