

**FACTORS INFLUENCING GLOBALIZATION  
STRATEGIES IN PRIVATE SECURITY FIRMS IN  
NAIROBI**

**BY**

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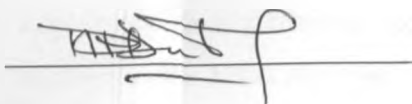
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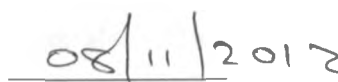
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## DECLARATION

This Research Project is my original work and has not been presented for a degree in any other university.



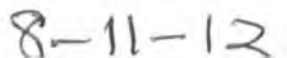
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This Research Project has been submitted for examination with my approval as University Supervisor.



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Finally, to my wife, for her love and support.

## **DEDICATION**

To my wife, Emmaculate, my two lovely daughters-Midina and Dansooye, to my parents for their endeavouring support.

## ABSTRACT

The purpose of this study was to investigate the factors influencing, and challenges affecting globalization strategies in private security firms in Kenya. Specifically, the study aimed at identifying the globalization strategies employed by private security companies in Kenya, establish the factors influencing globalization strategies in private security firms in Kenya and determine the challenges facing them when employing globalization strategies. The study used a cross-sectional design and a census method was used. The census was aimed at all private security companies in Nairobi registered with Kenya Security Industry Association (KSIA). Primary and secondary data was used in this survey. The secondary data in quantitative form was sourced from company's annual financial reports, company newsletters, and others from research articles and books. The primary data was collected through a questionnaire with structured questions and a few unstructured questions. Data collected was mainly quantitative. Data analysis was conducted using descriptive statistics, which include measures of central tendency, measures of variability and measures of frequency among others. The Statistics Package for Social Scientists (SPSS) program was used to analyze the data and output presented in form of tables, pie charts and bar graphs. This study revealed that most companies have been in operation for either 5-10 years or more than 15 years. Competition saw many firms shut doors reducing the number of firms in the global market. This was as a response to increased intensity of global competition. In addition, global economic changes affect the companies' missions and visions since as the global companies improve their production, the competing companies must also try to improve their productivity if they are to compete effectively. In the process of trying to catch up with

the changing global economic environment, companies are at times compelled to change their missions and visions. Therefore, the government through commercial attaches should undertake research on available markets globally to enable the security companies in the country to participate in the global business transactions. In addition, engagement in global transactions should be encouraged to enhance expansion of market for locally produced goods and services and also to facilitate access to goods and services that cannot be offered locally.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Rapid globalization is one of the most salient aspects of the new millennium, particularly since the fast development of information technology (IT) in the last two decades (Brown, 1999). To different observers, different types of globalization can be identified even though most of the attention is in the areas of economy, technology, and culture (Brown and Lauder, 1996). According to Cheng (2000, 2001), there should be multiple globalizations, including technological globalization, economic globalization, social globalization, political globalization, cultural globalization, and learning globalization in the new millennium.

The process of globalization is usually viewed as the conversion of national economies into a single economic space – a macro-economy or perhaps, a mega-economy. As a result, some argue that a single, seamless society and culture is emerging (Sutcliffe, 1998). As a process of the continual integration of national economies into the global economy, globalization is well underway. However, while the movement of goods, services, ideas, capital and technology across national borders is not a new phenomenon, in the past decade the process is marked by a break with the past.

Globalization has exposed companies to more intense competition than ever before (Mrak, 2002). Today, private firms are moving towards more open and market-oriented regimes, with greater reliance on private business and less direction in the allocation of resources. The new environment is characterized by the lowering of various protective

barriers and fewer restrictions on Foreign Direct Investment (FDI). In this new era, private sector organizations are now allowed into areas previously reserved for public enterprises (Lall, 1995).

The privatization of security in the age of globalization raises crucial concerns for global governance and development. Key among these are the impacts on the structures of poverty and inequality, and how these twin development issues shape global security privatization. Equally important are the structural limits on public policy imposed by the promotion of the market as a powerful alternative mechanism for security provision. These concerns have become more urgent as the dominant neoliberal security governance paradigm has tended to avoid questions relating to poverty, social inequality and the dire condition of those who live on the margins of state protection. This calls for innovative policy changes for transforming security institutions and practices in a way that promotes security, not just for state officials and the wealthy, but most importantly, for the poor

### **1.1.1 Globalization as a concept**

The term “globalization” is a continuation of international trade that began in the fifteenth century; others see it as colonial domination and empire by the great powers, particularly the USA in the twenty-first century. In reviewing the literature there is merit to all of these positions. A school of thought which evolved in the post second world war period examined globalization from a world system perspective, and painstakingly analyzed the interconnections of global trade over a 500 year period of time (Wallerstein, 2000). Several findings warrant brief mention. First, the global system represents a life cycle of capitalist world economy that observes laws of development that inhere in the

process of market economics. Second, the system is dynamic, necessitating continuous gyrations or cyclical movements that represent a moving equilibrium.

Globalization in addition constitutes one of the most significant and dominating developments of the post-Second World War era. As yet, however, there apparently is no agreed on consensus-conception of globalization appearing in the literature. The lack of conceptual clarification in turn obfuscates questions to be raised, problems to be addressed, and from this policy and resolution. Consequently, the multiplicity of differing conceptions that are offered in the basic literature is also manifest in an ambiguity of analysis and theory (Wallerstein, 2000).

It is however still arguable that the global economy is none the less currently in a state of transition toward a new structure of international interdependence led by MNC dominance and control. And as such this process of globalization, so dominated, constitutes a potential to unleash the inexorable force of free markets superseding national control. If this view is correct, the current global economy is evolving toward the polarity of what might be called not simply globalization but rather corporate globalization. Also, that the locus of sovereignty might be conceivably shifting from the nation state to multinational corporations, however, is not to assume that the process is irreversible and beyond the capacity for national control and governance. But this does not deny the fact that currently multinational corporation's power, policy and values are increasingly coming to dominate the global economy (Freiden, 2006).

### 1.1.2 Globalization Strategies

The concept of globalization strategies has only recently (20th Century) been popularized through the spread of multi-national enterprises. The roots of globalization strategies however, date back to the 16<sup>th</sup> century when European nations struggled to establish empires worldwide. The Dutch and the British east India companies were perhaps among the earliest Multi National Enterprises.

In late 18<sup>th</sup> century many European firms went global by setting up manufacturing facilities in their colonies to extract raw materials. In mid 19<sup>th</sup> Century, many US firms began to globalization by setting up business plants in various parts of the world.

In late 20<sup>th</sup> Century most Japanese firms joined the globalization strategies race although they had been major exporters prior to world war two. By the 1970s, the process of globalization strategies was quite entrenched marked by tremendous movement of people, knowledge, capital, goods, services and technology across borders.

Globalization strategies have changed the business dynamics in the private sectors. Greenberg and Baron (1997) noted the increase in capital flows, competition, and economic interdependencies across countries. Choi *et al.* (2000) observed the evolving dynamics of international labor utilization, while Wilson *et al.* (2000) cited knowledge gaps in contract catering in the private sectors.

In this landscape, it becomes important for private sector managers to understand the implications of globalization strategies and plan for the implementation of strategic approaches. For instance, Jones (1999) indicated the need to heighten attention to multi-

location chain management through activities such as integration, location, configuration, organization, implementation, and adaptation.

Additionally, private sector managers in emerging locations need to plan to respond to growing globalization. When effectively regulated, private security actors can make a valuable contribution to the provision of security within a state. However, an uncontrolled or poorly regulated sector can function as an obstacle to peace building, good governance and sustainable development in transitional or post-conflict states. Though donors and policymakers often administrate security sector reform programmes in such states, it is too often the case that the private security industry is overlooked.

### **1.1.3 Security Industry in Kenya**

The private security industry comprises those actors who provide security for people and property under contract and for profit. Worldwide, the industry is experiencing a period of rapid growth, and, when effectively regulated and fully accountable, can make a valuable contribution to the provision of security. However, the activities of an uncontrolled or poorly regulated private security industry can present unique governance problems, and in transitional or post-conflict states, can act as an obstacle to peace building, good governance and sustainable development. This is of particular importance given that, over the last decade, private actors have increasingly assumed roles that have traditionally been the responsibility of the state.

Many states worldwide are increasingly outsourcing functions to private contractors that were traditionally undertaken by their military and police, partly in response to public sector downsizing, but also because of the changing nature of warfare. In theory at least,

this new model of security provision allows governments and public institutions to increase efficiency by concentrating on their core functions whilst transferring surplus responsibilities to private companies.

Although an accountable and effective private security industry can help to increase safety and security, allegations of misconduct by private security companies staff or of inappropriate links between companies and actors such as political parties or paramilitaries are all too frequent. These problems are particularly apparent in countries where the rule of law and democratic governance is weak or where there is widespread armed violence.

One particular problem is presented by an absence of adequate legislation and regulation, which can lead to a lack of control over the type or quality of services provided by some private security companies. This is further exacerbated by the fact that unlike state security providers, private security companies are not directly accountable to the electorate or parliament, but rather to a combination of often weak regulators, company boards and shareholders. This can be particularly problematic when it is noted that there are, on occasion, close ties between former and serving government officials and private security companies, which can lead to potential conflicts of interest.

Where private security companies are armed, further problems can arise. As the introduction of armed private security companies weakens the state's monopoly over the use of force, an unregulated private security industry can hinder rather than help law enforcement. Untrained staff with questionable backgrounds may also be able to access weaponry and use force in an illegitimate way. This raises related concerns of operational



independence; not only can companies empowered to use force serve as fronts for organized crime, there is a potential for them to fulfill an unauthorized political or paramilitary function, particularly in those territories emerging from armed conflict. The problems outlined in this study highlight the considerable challenges raised by the operation of private security companies, and the consequent need for practitioners to develop a comprehensive system providing for their effective regulation and oversight.

Private security provision has a long history in Kenya, and companies like KK Security, Security Group and G4S have operated in the country since the 1960's. The main expansion in the sector can be dated to the late 1980's and early 1990's, and the sector appears to be one of the fastest growing sectors in the Kenyan economy. Some 2000 private security companies currently operate in the country, and large sections of the population rely on private providers for their everyday security (Ngugi, et.al, 2004). It is however important to note that no exact number of private security firms is available, the main reason being no special license is required and security companies are registered in the same manner as any other business. In addition a vast number of companies are not registered at all.

The private security sector in Kenya is regulated by Kenya Security Industry Association (KSIA) and Protective Security Industry Association (PSIA) and it is a major source of employment. It is currently employing about 50,000 people. Given the high dependency ratios in the country, it is further estimated that the industry supports indirectly a total of 195,524 people (Security Research and information centre, 2004). KSIA has a membership of 26 private security companies while PSIA has a membership of 64 private security companies majority of which are based in Nairobi. The two Associations seeks

to provide a platform for exchange of views among stakeholders of the security community, they coordinate resources for commercial, professional and public education on security issues, technology and practice and to develop and maintain a professional security industry in Kenya through quality assurance for its members.

## 1.2 Research Problem

The debate on globalization strategies of international markets continues unabated. In addition, globalization has changed the business dynamics in the private sector.

With the growing trend in globalization, many private companies are expanding into foreign markets. Among the different publics for a multinational organization, local employees are an especially important group. In discussing problems facing multinational entities, Maddox (1993) identified that there are multiple regulatory areas governing products, language, employees, taxation, and could be confusing. Among these concerns, the multicultural employee forces with divergent perceptions about work-related issues would create additional problems in internal communication. For example, the diversity in employee publics make organizational function more challenging because the members find it difficult to reach agreement (Adler, 2002).

Some scholars have made some studies in globalization strategies. Lynch *et al.* (2007) used structural equation model to study the relationships among logistics capability, globalization strategy and performance. The strategies identified in their studies included alliances and merger to enhance capability. Carbone and Stone (2005) investigated the top 20 3PL services providers during 1998 to 2004, and focused on merging with multinational firms, reorganization and alliances among them. The results demonstrated

that these companies paid close attention to resources integration during development and to global services expansion and innovation. They advised 3PL services providers should care the portfolio effect of globalization strategy and resource integration strategy. Li *et al.* (2006) studied development strategies of Chinese township and village enterprises, and revealed the development path of their globalization strategies. Chew *et al.* (2008) studied core capabilities and globalization strategies of small and medium-sized enterprises in developing countries, and considered that core capabilities are closely related to competition strategies, in which strategies included the marketing and innovation capability; and potential competition strategies included cost, quality, and distribution to different regions.

Following the intense competition, globalization and technological advancement in the industry, it is only those private security firms that are able to adapt to the globalization environment and adopt new ideas and ways of doing business that can be guaranteed of survival. Even with this concern, existing studies have not adequately identified the drivers into the globalization strategies as well as the challenges affecting these strategies. This study therefore intends to fill the existing gap by answering the question: what are the factors influencing, and challenges affecting globalization strategies in private security firms in Kenya?

### **1.3 Research Objectives**

The objectives of this study are:

1. To identify the globalization strategies employed by private security companies in Kenya

- ii. To establish the factors influencing globalization strategies in private security firms in Kenya
- iii. To determine the challenges facing private security companies in Kenya face when employing globalization strategies

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

The researcher will benefit from this study by adding to his knowledge the concept of globalization in the context of private security firms. At the same time, the researcher will expand his research knowledge and skills, a fact that will enable him to undertake future research effectively.

The policy makers include the government and other relevant regulatory bodies. These policy makers will use this study to come up with policies destined to improve the sector, bearing in mind that this is one of the basic requirement in human existence.

The security firms will use this study to enhance their expansion programs and for profit maximization. This will also ensure that security firms in Kenya are in a better position to compete effectively with other global firms in the same industry.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This chapter presents literature review on global strategies in form of both empirical review and literature review.

### 2.2 Concept of Globalization

Globalization is the integration of economies throughout the world by means of trade, financial and technological flows, the exchange of technology and information and the movement of people, goods and services (Thompson and Strickland, 1993). Globalization refers to the strategy of approaching worldwide markets with standardized products (Levit, 1982). Such markets, according to Pearce and Robinson (1999) are commonly created by end customers who prefer lower priced standardized products, over the higher priced, customized products, and by global corporations that use their worldwide operations to compete in local markets. According to Hill and Jones (2001) globalization of production entails individual companies dispersing parts of their production process to different locations around the globe to take advantage of the national differences in the cost and quality of the factors of production. The objective is to lower costs and boost profits. Globalization of markets on the other hand, entails firms moving away from the economic system in which national markets are distinct entities, isolated from each other by trade barriers and barriers of time, distance, and culture, towards a system where national markets are merging into one, huge global market place (Dicken, 1992). Increasingly, consumers around the world demand and use the same basic product

offering. Consequently in many industries, it no longer meaningful to talk about a national market, as there is only the global market.

The trend towards globalization of production and markets has several important implications for competition within an industry first, it is crucial for companies to realize that an industry's boundaries do not stop at National borders. Because many industries are becoming global in scope actual and potential competitors exist not only in the company's home market, but also in other national markets (Hill and Jones, 2001). Companies that scan just their home market can be caught unprepared by the entry of foreign efficient, low priced competitors. The globalization of markets and production implies that companies around the globe are finding their home markets under attack from foreign competitors.

The shift from national to global markets during the last twenty years has intensified competitive rivalry in industry after industry. National markets that were once consolidated oligopolies dominated by three or four companies and subjected to relatively little foreign competition have been transformed into segments of fragmented global industries, where a number of companies battle each other for market share in country after country. This rivalry has driven down profit rates, and made it all the more critical for companies to maximize their efficiency, quality, customer responsiveness, and innovative ability (Porter, 1990). Painful restructuring and downsizing has been a commonplace over the last five years as firms came to grips with the reality of globalization. This more than anything else was a response to increased intensity of global competition.

## 2.3 Globalization strategy

Global strategic management is concerned with managing a firm's relationship with the global business environment (Thompson & Strickland, 2002). More specifically, it is concerned with strategies for managing the challenge of international competition. The global business environment is both locally and foreign based. This is because the global business challenge is pervasive or omnipresent. Globalization strategy makes sense in those cases where there are strong pressures for cost reductions and where demands for local responsiveness are minimal (Porter, 1990). Increasingly, these conditions prevail in many industrial goods industries. However, the strategy is inappropriate where demands for local responsiveness are high. Companies that pursue a global strategy focus on increasing profitability by reaping the cost reductions that come from experience curve effects and location economies. That is, they are pursuing a low cost strategy. The production, marketing and research and development activities of companies pursuing global strategy are concentrated in a few favourable locations.

In order to achieve a competitive advantage, strategy needs to focus on unique activities. Operational effectiveness is necessary but not sufficient for achieving a sustainable competitive advantage (Porter, 1985). Firms are faced with the challenge of managing strategy. Strategic issues need to be understood in terms of firm's particular context. Different firms are therefore likely to emphasize different aspects of the strategic management process. For some firms, it is competitive advantage, for others, understanding competencies while others create a fit as well as innovation (Johnson and Scholes, 1999).

As competition intensifies, so has the rate of innovation (Hill and Jones, 2001). Companies strive to gain an advantage over their competitors by pioneering new products, processes and ways of doing business. The result has been to compress product life cycles and make it more vital for companies to stay of the leading edge of technology. Even though globalization has increased both the threat of entry and the intensity of rivalry within many formerly protected national markets, it has also created enormous opportunities for companies in those markets. The steady decline in trade barriers has opened up many protected markets to companies based outside them. Global companies tend not to customize their product offering and marketing strategy. The reason is that customization raises costs for it involves shorter production runs and the duplication of functions. Instead, global companies prefer to market a standardized product worldwide so that they can reap the maximum benefits from economies of scale that underlie the experience curve. They also tend to use their cost advantage to support aggressive pricing in world markets.

## **2.4 Strength of global market**

A firm entering into the international markets needs to consider various potential factors in selecting the mode of entry choice into foreign markets. It is therefore paramount to consider both internal and external forces in choosing international markets and their foreign market entry modes through environmental analysis.

### **2.4.1 Cost Disadvantages Independent of Size**

Entrenched companies may have cost advantages not valid to potential rivals, no matter what their size and attainable economies of scale. These advantages can stem from the



effects of the learning curve (and of its first cousin, the experience curve), proprietary technology, access to the best raw materials sources, assets purchased at pre-inflation prices, government subsidiaries, or favorable locations. Sometimes cost advantages are legally enforceable, as they are through patents. A new entrant may well be more efficient than the more experience competitors; if it has built the newest plant, it will face no disadvantage in having to catch up. The strategic prescription, “You must have the largest, most efficient plant,” is a lot different from “You must produce the greatest cumulative output of the item to get your costs down (Brown & Lauder, 1996).

Whether a drop in costs with cumulative (not absolute) volume arrests an entry barrier also depends on the sources of the decline. If costs go down, it is because of technical advances known generally in the industry or because of the development of improved equipment that can be copied or purchased from equipment suppliers. The experience curve is not an entry barrier at all – in fact, new or less experience competitors may actually enjoy a cost advantage over the leaders. Free of the legacy of heavy past investments, the newcomer or less experienced competitor can purchase or copy the newest and lowest-cost equipment and technology (Mrak, 2002).

#### **2.4.2 Access to Distribution Channels**

The new boy on the block must, of course, secure distribution of his product or service. A new food product, for example, must displace other from the supermarkets shelf via price breaks, promotions, intense selling efforts, or some other means. The more limited the wholesale or retail channels are and the more that existing competitors have these tied up, obviously the tougher that entry into the industry be. Sometimes this barrier is so high

that, to surmount it, a new contestant much creates its own distribution channels, as Timex did in the watch industry in the 1950s (Lall, 1995).

### **2.4.3 Government Policy**

The government can limit or even foreclose entry to industries with such controls as license requirements and limits on access to raw materials. Regulated industries like trucking, liquor retailing, and freight forwarding are noticeable examples; more subtle government restrictions operate in fields like ski-area development and local mining. The government also can play a major indirect role by affecting entry barriers through controls such as air and water pollution standards and safety regulations (Cheng, 2000).

The potential rival's expectations about the reaction of existing competitors also will influence its decision on whether to enter. The company is likely to have second thoughts if incumbents have previously lashed out at new entrants or if: The incumbents possess substantial resources to fight back, including excess cash and unused borrowing power, productive capacity, or clout with distribution channels and customers. The incumbents seem likely to cut prices because of a desire to keep market shares or because of industry wide excess capacity. Industry growth is slow, affecting its ability to absorb the new arrival and probably causing the financial performance of all parties involved to decline (Wallerstein, 2000).

### **2.4.4 Changing Conditions**

From a strategic standpoint there are two important additional points to note about the threat of entry. First, it changes, of course, as these conditions change. The expiration of Polaroid's basic patents on instant photography, for instance, greatly reduces its absolute

cost entry barrier built by proprietary technology. It is not surprising that Kodak plunged into the market. Product differentiation in printing has all but disappeared. Conversely, in the auto industry economies of scale increased enormously with post- World War II automation and vertical integration-virtually stopping successful new entry (Brown, 1999).

Second, strategy decisions involving a large segment of an industry can have major impact on the conditions determining the threat of entry. For example, the actions of many U. S wine producers in the 1960s to step up product introductions, raise advertising levels, and expand distribution nationally surely strengthened the entry roadblocks by raising economies of scale and making access to distribution channels more difficult. Similarly, decision by members of the recreational vehicle industry to vertical integrate in order to lower costs have greatly increased the economies of scale and raise the capital costs barriers (Sutcliffe, 1998).

Suppliers can expect bargaining power on participants in an industry by raising prices or reducing the quality of purchase goods and services. Powerful suppliers can thereby squeeze profitability out of an industry unable to recover cost increases in its own prices. By raising their prices, soft-drinks concentrate producers have contributed to the erosion of profitability of bottling companies because the bottlers, facing intense competitive from powdered mixes, fruit drinks, and other beverages, have limited freedom to raise their prices accordingly. Customers likewise can force down prices, demand higher quality or more services, and play competitors off against each other-all at the expense of industry profits. The power of each important supplier or buyer group depends on a

number of characteristics of its market situation and on the relative importance of its sales or purchase to the industry compared with its overall business (Mrak, 2002).

#### **2.4.5 Technological Improvements**

One of the often cited drivers of global business is the improvement in new technology. Improvements in transport and communications have fundamentally facilitated the growth and movement of international tourists. According to Shaw and Williams (2002), the process of global business has significantly been advanced through technological developments in the fields of transport and communications, particularly long range aircrafts, the internet, computer reservations systems (CRS) and e-commerce. Microsoft Encarta (2000) also affirmed that a whole world of new opportunities for business and trade has been opened up by technological improvements in transport and communication systems as well as by internet banking. Due to the exponential growth in air transport, global travel has shrunk in terms of time and distance, allowing tourists to travel to distant international destinations with ease [World Tourism Organization (WTO), 1983]. Hence Binns et al (1999) are of the view that tourism was now quintessentially linked to the phenomenon of time-space compression.

The deregulation of transport and trade around the world have also made business travel more competitive and allowed the emergence of budget airlines and cruise lines. According to Wikipedia.com (2006), these low cost carriers have facilitated travel and are the fastest growing trend in the tourism industry. Competition for terminal slots and space, for example, as well as the stage of maturity of the domestic travel industry, has thus created the need for air travel to be expanded and harmonized regionally and internationally (Cooper et al, 1998; Knowles et al, 2001).

According to Page (1999), information technology (IT) has particularly revolutionized the organization and management of tourist businesses. For example, the introduction of computer reservation systems (CRS) and global distribution systems (GDS) in particular, has assisted the global business of the supply side of tourist services. Inkpen (1998) estimated that there were over half a million GDS terminals around the world, connecting most of the world's airlines to potential travelers. These include some of the largest terminals that allow travelers to choose their airline, check the time of flight, read the rules for travel and reserve their tickets online.

The internet is probably the most important development underpinning the process of global business. According to Microsoft Encarta (2000), the internet has tended to make national boundaries invisible, thus extending the ability of potential travelers to reach out across the globe in search of new travel information and opportunities. Most of the international and regional agencies, airlines, hotels as well as many travel associations and public sector bodies all now have their own websites aimed at promoting tourism around the world. The purchase of Internet-based entertainment has also greatly facilitated the rapid global dispersal of new forms of leisure activities. This has reinforced the role of the increasingly global media in the social construction of desirable lifestyles (Page, 1998).

The advances in e-commerce have seen tourism products becoming some of the most traded items on the internet (Wikipedia.com, 2006), thus making it much easier to choose, book and pay for holidays from the comfort of one's home. Furthermore, in many parts of the world, including in Africa, credit cards can now be used to pay for any purchases online.

## 2.5 Economic realization of a global strategy

The interconnectedness of global markets, however, meant that an economic collapse in one area could impact other areas. With global business, companies can produce goods and services in the lowest cost location. This may cause jobs to be moved to locations that have the lowest wages, least worker protection and lowest health benefits. For Industrial activities this may cause production to move to areas with the least pollution regulations or worker safety regulations.

Almost all notable worldwide IT companies have a presence in India. Four Indians were among the world's top 10 richest in 2008, worth a combined \$160 billion. In 2007, China had 415,000 millionaires and India 123,000.

Health Policy - On the global scale, health becomes a commodity. In developing nations under the demands of Structural Adjustment Programs, health systems are fragmented and privatized. Global health policy makers have shifted during the 1990s from United Nations players to financial institutions. The result of this power transition is an increase in privatization in the health sector. This privatization fragments health policy by crowding it with many players with many private interests. These fragmented policy players emphasize partnerships and specific interventions to combat specific problems (as opposed to comprehensive health strategies). Influenced by global trade and global economy, health policy is directed by technological advances and innovative medical trade. Global priorities, in this situation, are sometimes at odds with national priorities where increased health infrastructure and basic primary care are of more value to the public than privatized care for the wealthy.

Political - some use "global business" to mean the creation of a world government which regulates the relationships among governments and guarantees the rights arising from social and economic global business. Politically, the United States has enjoyed a position of power among the world powers, in part because of its strong and wealthy economy. With the influence of global business and with the help of The United States' own economy, the People's Republic of China has experienced some tremendous growth within the past decade. If China continues to grow at the rate projected by the trends, then it is very likely that in the next twenty years, there will be a major reallocation of power among the world leaders. China will have enough wealth, industry, and technology to rival the United States for the position of leading world power.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The chapter discusses the research design used in this study, the methodology applied, sampling procedure, data collection and data analysis technique.

### **3.2 Research Design**

The study used a cross-sectional design and a census method. Cross-sectional designed is useful to measure the characteristics of a particular population, either at a fixed point in time, or comparatively over time (Gay, 2004). The design is considered appropriate for the study because according to Kothari (2003) the cross-sectional design is concerned with describing, recording, analyzing, and reporting conditions that exist or existed. A census on the other hand is the procedure of systematically acquiring and recording information about the members or items of a given population. Saunders; Lewis and Thornhill (2009) observe that this method is the best suited for gathering descriptive information, since the researcher is able to collect a large amount of data from a sizeable population in an economical way. This design gave the researcher a comprehensive information aimed at identifying globalization strategies in security firms in Kenya since the method is the only means of accurately measuring and giving statistical inferences.



### **3.3 Target Population**

The census was aimed at all private security companies in Nairobi registered with Kenya Security Industry Association (KSIA). According to KSIA (2012), there were 21 security companies which had registered with the association by 2011 as listed in Appendix II.

### **3.4 Data Collection**

Primary and secondary data was used in this survey. The secondary data in quantitative form was sourced from company information like the annual financial reports, company newsletters, and others from research articles and books.

The primary data was collected through a questionnaire with structured questions and a few unstructured questions. The questionnaire comprised of questions relating to the globalization strategies in security industry. The respondent consisted of the Operations Managers of the selected organizations. Where these managers (Operations) were not be available, Finance Manager were picked who are also conversant with details of their respective organization. The self-administered questionnaires were hand delivered and administered mainly by the researcher and an assistant to the respondents to be picked later after completion.

### **3.5 Data Analysis**

Data collected was mainly quantitative. Data analysis was conducted using descriptive statistics, which include measures of central tendency, measures of variability and measures of frequency among others. According to Mugenda and Mugenda (2003) descriptive statistics enable meaningful description of a distribution of scores or

measurements using a few indices or statistics measures of central tendency yield the expected score or measure from a group of score in a study. Measures of variability, such as standard deviation, inform the analyst about the distribution. Frequency distribution shows a record of the number of times a score or record of the number of times a score or record appears. The Statistics Package for Social Scientists (SPSS) program was used to analyze the data and output presented in form of tables, pie charts and bar graphs.

## CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

### 4.1 Introduction

This chapter presents data analysis, findings, interpretation and presentation. Data was analyzed using descriptive tools where frequencies, percentages, mean as well as standard deviation were used to interpret the findings. The purpose of this study was to determine the factors influencing globalization strategies in private security firms in Nairobi. The target respondents were management staff of security companies within Nairobi.

The chapter is organized into seven sections based on the number of years the companies have been in operation, the extent of international transactions, alteration of company's mission and vision, rate of impact of globalization, global challenges, extent to which government policies on e-business affect the company and the extent to which the companies engage in environmental scanning.

### 4.2 General Information

**Table 4.1: Year of operation**

	Frequency	Percent
Less than 5 years	4	23.5
5-10 years	5	29.4
11-15 years	3	17.6
Above 15 years	5	29.4
<b>Total</b>	<b>17</b>	<b>100.0</b>

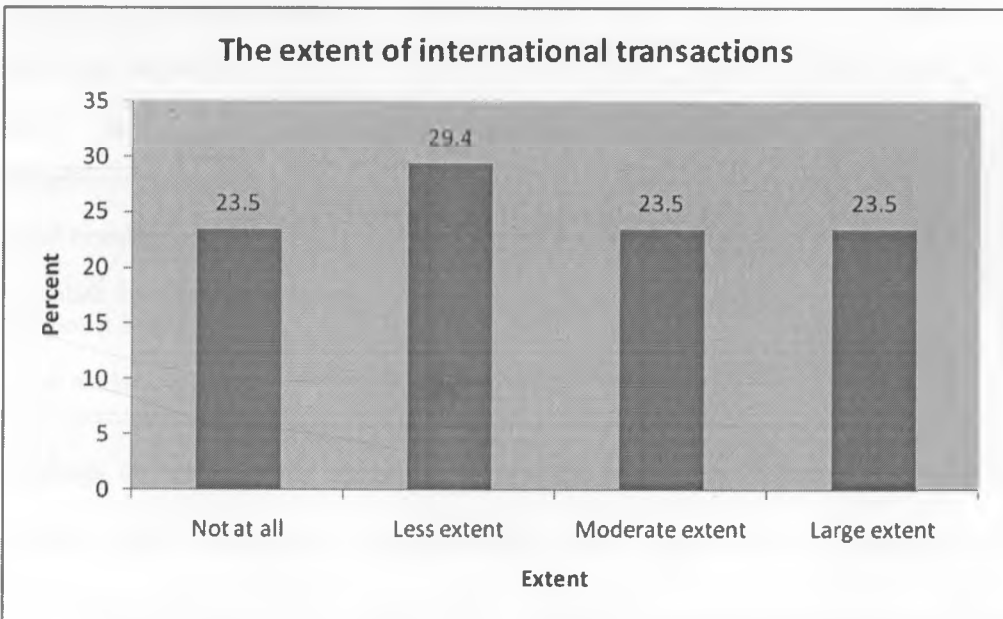
Findings on the number of years the various security companies have been in operation indicated that most companies (29.4%) have been in operation for either 5-10 years or

more than 15 years, 23.5% have been in operation for less than 5 years while the remaining 17.6% have been in operation between 11-15 years. This implies that in the past 15 years there were many firms operating but the number went down as globalization brought rivalry which drove down profit rates and made it all the more critical for firms to maximize their efficiency, quality, customer responsiveness and innovative ability ( Porter, 1990).

This kind of competition saw many firms shut doors reducing the number of firms to 23.5% after which painful restructuring and downsizing has been a common practice over the past five years where the firms increased to 29.1%. This was a response to increased intensity of global competition.

### 4.3 Interpretation of findings

Figure 4.1: The extent of international transactions



Regarding the extent to which the companies engage in international transactions, majority of them (29.4%) have little transactions, 23.5% have no transactions at all, the other 23.5% have moderate transactions while the remaining 23.5% have relatively many transactions. Companies engage in profit maximizing transactions and whenever a transaction seems not to be any promising, most companies react to such transactions either by improving them so as to start giving profits or by avoiding it completely. This reaction enables the companies to improve their employees' income and thus improve economic growth of the country.

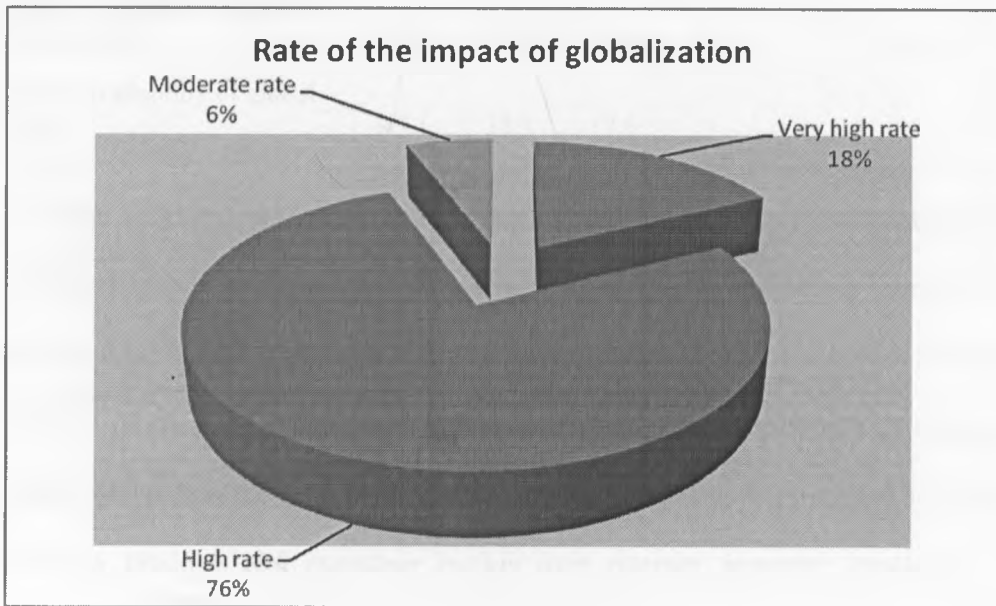
**Table 4.2: Alteration of the company's mission and vision**

	Very high	High	Moderate	Low	Negligible	Mean	Std. Deviation
Global political changes	17.6	52.9	29.4	-	-	3.9	0.7
Global economical changes	47.1	41.2	11.8	-	-	4.4	0.7
Physical environmental changes	29.4	29.4	29.4	11.8	-	3.8	1.0
Social cultural factors	5.9	29.4	29.4	23.5	11.8	2.9	1.1
Global competitors actions	58.8	29.4	11.8	-	-	4.5	0.7
Management policies	35.3	35.3	29.4	-	-	4.1	0.8
Global brand positioning	11.8	70.6	17.6	-	-	3.9	0.5
Streamline management policies with global trends	35.3	47.1	17.6	-	-	4.2	0.7
Global marketing efforts	29.4	41.2	23.5	5.9	-	3.9	0.9

Findings on respondents' opinions on how the companies' missions and visions were altered, global competitors actions alters with a mean of 4.5 followed by global economical changes with a mean of 4.4, streamline management policies with global trends alters with a mean of 4.2 then management policies with a mean of 4.1. Global

political changes, global brand positioning and global market efforts equally altered the companies' missions and visions with a mean of 3.9 each. Physical environmental changes altered the companies' missions and visions with a mean of 3.8 and social cultural factors altered the companies' missions and visions with a mean of 2.9. Almost all notable worldwide IT companies have a presence in India. Four Indians were among the world's top 10 richest in 2008, worth a combined \$160 billion. In 2007, China had 415,000 millionaires and India 123,000. Though to a moderate extent, global marketing strategies alters the companies' missions and visions.

**Figure 4.2: Rate of the impact of globalization**



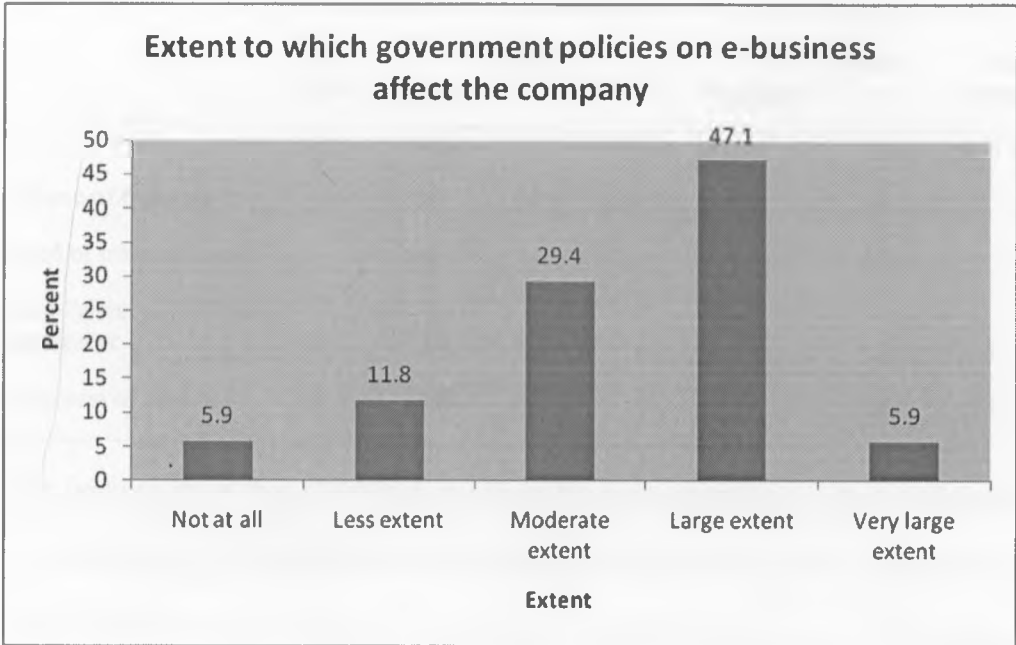
Pertaining the rate at which globalization has impacted security companies, a vast majority of the companies (76.5%) have been affected at a high rate, 17.6% have been affected at a very high rate while the remaining 5.9% have been affected moderately.

**Table 4.3: Global challenges on security firms**

	Very high	High	Moderate	Low	Negligible	Mean	Std. Deviation
New products entering Kenyan market	29.4	64.7	5.9	-	-	4.2	0.5
Low prices for new product	-	47.1	52.9	-	-	3.5	0.5
Consumer buying over internet	-	47.1	52.9	-	-	3.5	0.5
Foreign based markets selling in Kenya	-	70.6	17.6	11.8	-	3.6	0.7
Product information available on internet	29.4	41.2	29.4	-	-	4.0	0.8
Greater consumer awareness about products	29.4	52.9	17.6	-	-	4.1	0.7
Greater availability of global brands	47.1	35.3	17.6	-	-	4.3	0.7

Findings on global challenges to the security companies indicated that greater availability of global brands is a challenge with a mean of 4.3, new products entering the Kenyan market follows with a mean of 4.2, then greater consumer awareness with a mean of 4.1. Product information available on internet challenges the companies with a mean of 4.0, while foreign based market selling in Kenyan challenges with a mean of 3.6. Low prices for new products and consumer buying over internet, however, challenges security companies to a less extent with a mean of 3.5 each.

**Figure 4.3: Extent to which government policies on e-business affect the company**



The researcher also wanted to know the extent to which government policies on e-business affects the companies and he found out, 47.1 percent of the companies are affected to a large extent 29.4 percent are affected to a moderate extent, 11.8 percent are affected to a less extent while 5.9 percent are affected to a less extent. The remaining 5.9 percent, however, are not affected at all.

This implies that the government policies in e-business affect security companies to a large extent. This is in agreement with what (Cheng, 2000) noted about the government policy and new entrants into the industry. He noted that the government can play a major indirect role by affecting entry barriers through controls such as air and water pollution standards and safety regulations.

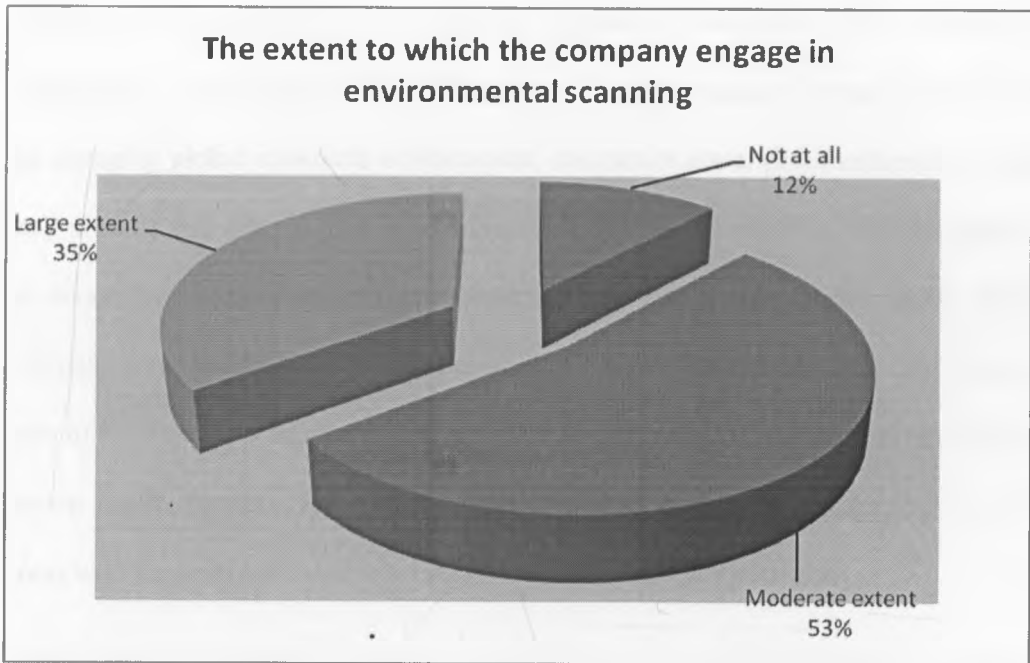


**Table 4.4: Effect of globalization on business operations in some selected areas**

	Very high	High	Moderate	Low	Negligible	Mean	Std. Deviation
Service quality	17.6	58.8	11.8	11.8	-	3.8	0.9
Volume of business	17.6	35.3	29.4	17.6	-	3.5	1.0
Speed of transactions	-	100.0	-	-	-	4.0	-
Compliance to regulations	35.3	52.9	11.8	-	-	4.2	0.6
Reduction of cost	29.4	17.6	52.9	-	-	3.8	0.9

The findings show that globalization affects business operations in terms of compliance to regulations to a large extent with a mean of 4.2 and speed of transactions with a mean of 4.0. The effect is moderate on service quality and reduction of cost with a mean of 3.8. Volume of business is the least affected with a mean of 3.5. The large effect on compliance to regulations is mainly due to the international regulations on exchange of services across borders and also the government policies of individual nations concerning foreign business. Service quality is to a moderate extent affected by globalization because consumers in most cases buy goods and services with regard to the quality of those goods and services. This therefore acts as an advantage to those companies whose goods and services are of high quality. On the other hand however, those companies whose goods and services are of low quality are disadvantaged by the same.

**Figure 4.4: The extent to which the company engage in environmental scanning**



Findings on the extent to which the companies engage in environmental scanning revealed that majority (52.90 percent) engaged to a moderate extent, 35.3 percent engaged to a large extent while 11.2 percent did not engage at all.

#### **4.4 Discussion of results**

From the findings, majority of the companies do not engage in international transactions due to various threats of entry to the global market. These findings are in agreement with the research carried out by Brown (1999) where he found out that the expiration of Polaroid's basic patents on instant photography, for instance, greatly reduces its absolute cost entry barrier built by proprietary technology. It is not surprising that Kodak plunged into the market. Product differentiation in printing has all but disappeared. Conversely, in the auto industry economies of scale increased enormously with post- World War II automation and vertical integration-virtually stopping successful new entry.

Global economic changes affect the companies' vision since as the global companies improve their production, the competing companies must also try to improve their productivity if they are to compete effectively. In the process of trying to catch up with the changing global economic environment, companies are at times compelled to change their missions and visions. The interconnectedness of global markets, however, meant that an economic collapse in one area could impact other areas. With global business, companies can produce goods and services in the lowest cost location. This may cause jobs to be moved to locations that have the lowest wages, least worker protection and lowest health benefits. For Industrial activities this may cause production to move to areas with the least pollution regulations or worker safety regulations.

This implies that global competitors' actions is the most prevalent factor that alters the companies' missions and visions. This goes hand in hand with the research done by (Hill and Jones 2001). He noted that because many industries are becoming global in scope actual and potential competitors exist not only in the company's home market, but also in other national markets. Pertaining to the rate at which globalization has impacted security companies, a vast majority of the companies (76.5%) have been affected at a high rate. This indicates that most companies are highly affected by globalization. (Wallerstein, 2000) notes that incumbents seem likely to cut prices because of a desire to keep market shares or because of industry wide excess capacity. Industry growth is slow, affecting its ability to absorb the new arrival and probably causing the financial performance of all parties involved to decline.

Findings on global challenges to the security companies indicated that greater availability of global brands is a challenge with a mean of 4.3. This implies that greater consumer

awareness about products is the most prevalent challenge to security companies within Nairobi. This is because consumers tend to go for products according to their taste and preference. When they get to know that there is a new product from another country, then in most cases prefer those products so that they appear unique relative to other consumers.

Given that most (47.1 percent) of the companies are affected to a large extent. The government actions in most cases affect various companies' operations and thus determining whether or not the company is to continue with its production activities or not. This is because the government is concerned with very crucial requirements from most profit oriented companies. For example the government can limit or even foreclose entry to industries with such controls as license requirements and limits on access to raw materials. Regulated industries like trucking, liquor retailing, and freight forwarding are noticeable examples; more subtle government restrictions operate in fields like ski-area development and local mining.

From the findings, some companies do not engage in environmental scanning at all. This can be risky because such companies may not be familiar with various challenges and even economies of scale which would have been of significant importance to them if they had. According to (Thompson & Strickland, 2002) global strategic management is concerned with managing a firm's relationship with the global business environment. More specifically, it is concerned with strategies for managing the challenge of international competition. The global business environment is both locally and foreign based. This is because the global business challenge is pervasive or omnipresent. Globalization strategy makes sense in those cases where there are strong pressures for cost reductions and where demands for local responsiveness are minimal (Porter, 1990).

Increasingly, these conditions prevail in many industrial goods industries. However, the strategy is inappropriate where demands for local responsiveness are high. Companies that pursue a global strategy focus

The researcher also sought to know the different global factors considered most important in the different firms. Responses given include; global competitor's action, security and technology, global economic changes and challenges, streamlining management police with global branch as well as global political changes. The respondent were asked about their strategic plans for engaging in international business where they gave the following plans; planning to be importing things from other countries, to joint ventures and to be the best security firm as well as offering the best service. Competition, inflation and service diversification are the current local business changes which have led the firm to opt for international business. Challenges resulting from globalization include; elimination of small firms from the market due to steady competition, change in managerial skills, market drive services, inadequate capital and retirement of some staff.

Findings on the aspects of globalization showed that there were both positive and negative aspects. The positive aspects are international marketing, technological advancement, global funding as well as monopoly elimination. On the other hand, high inflation was the only stated negative aspect.

Improvements which the government can undertake to assist private security companies in Kenya to deal with e-business include; make internet security in e-business, offer specialized training and inform companies about e-business, reduce taxation, legislate to stringent laws on and lastly do tax waives on some software or hardware for security

sector. These results indicate that companies who largely engage in environmental scanning are few compared to those who moderately engage in environmental scanning. This affects the companies' effectiveness in competing globally. In order to achieve a competitive advantage, strategy needs to focus on unique activities. Operational effectiveness is necessary but not sufficient for achieving a sustainable competitive advantage (Porter, 1985)

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary of findings, conclusions and recommendations. The study also presents suggestions for further studies

### **5.2 Summary of findings**

This study used descriptive survey to investigate the effects of globalization on security companies. The target respondents were security companies within Nairobi. Majority (29.4 percent) has been in operation for 5-10 years and the other 29.4 percent have been in operation for above 15 years. 23.5 percent have been in operation for less than 5 years while the remaining 17.6 percent have been in operation for 11- 15 years.

Findings on engagement in international transactions revealed that majority (29.4 percent) of the companies engaged in international transactions to a less extent. As regards the alteration of company's mission and vision, Findings on respondents' opinions on how the companies' missions and visions were altered, global competitors actions alters with a mean of 4.5 followed by global economical changes with a mean of 4.4, streamline management policies with global trends alters with a mean of 4.2 then management policies with a mean of 4.1. Global political changes, global brand positioning and global market efforts equally alter the companies' missions and visions with a mean of 3.9 each. Pertaining the rate at which globalization has impacted security companies, a vast majority of the companies (76.5%) have been affected at a high rate,

and 17.6% have been affected at a very high rate while the remaining 5.9% have been affected moderately.

Findings on global challenges to the security companies indicated that greater availability of global brands is a challenge with a mean of 4.3, new products entering the Kenyan market follows with a mean of 4.2, then greater consumer awareness with a mean of 4.1. Product information available on internet challenges the companies with a mean of 4.0, while foreign based market selling in Kenyan challenges with a mean of 3.6. Low prices for new products and consumer buying over internet, however, challenges security companies to a less extent with a mean of 3.5 each. From the findings on the extent to which government policies on e-business affects security companies, majority (47.1 percent) of the companies are affected to a large extent, 29.4 percent are affected to a moderate extent, 11.8 percent are affected to a less extent while 5.9 percent are affected to a less extent. The remaining 5.9 percent, however, are not affected at all. Findings on the extent to which the companies engage in environmental scanning revealed that majority (52.90 percent) engaged to a moderate extent, 35.3 percent engaged to a large extent while 11.2 percent did not engage at all.

### **5.3 Conclusion**

This study revealed that Findings on the number of years the various security companies have been in operation indicated that most companies (29.4%) have been in operation for either 5-10 years or more than 15 years,

Competition saw many firms shut doors reducing the number of firms in the global market. This was as a response to increased intensity of global competition.



Global economic changes affect the companies' missions and visions since as the global companies improve their production, the competing companies must also try to improve their productivity if they are to compete effectively. In the process of trying to catch up with the changing global economic environment, companies are at times compelled to change their missions and visions.

Moreover, consumers tend to go for products according to their taste and preference. When they get information that there is a new product from another country, in most cases they prefer those products so that they appear unique relative to other consumers.

It is important to note that the government actions in most cases affect various companies' operations and thus determining whether or not the company is to continue with its production activities. This is because the government is concerned with very crucial requirements from most profit oriented companies. For example the government can limit or even foreclose entry to industries with such controls as license requirements and limits on access to raw materials.

The large effect of globalization on compliance to regulations is mainly due to the international regulations on exchange of services across borders and also the government policies of individual nations concerning foreign business.

Service quality is to a moderate extent affected by globalization because consumers in most cases buy goods and services with regard to the quality of those goods and services. This therefore acts as an advantage to those companies whose goods and services are of high quality. On the other hand however, those companies whose goods and services are of low quality are disadvantaged by the same.

## **5.4 Recommendations**

Given the findings and conclusions for this study the researcher recommends that the government through commercial attaches should undertake research on available markets globally to enable the security companies in the country to participate in the global business transactions.

Engagement in global transactions should also be encouraged to enhance expansion of market for locally produced goods and services and also to facilitate access to goods and services that cannot be offered locally.

It is also important to offer training to the security companies to enable them to know how to deal and cope with the challenges that come along with globalization.

The government policies should also work in favor of the security companies to enable them operate efficiently in order to compete effectively in the harsh global environment.

## **5.5 Suggestions for further study**

Given the scope and limitation of this study, another study on factors influencing globalization strategies should be carried out for private security firms outside Nairobi for comparative purpose in addition, study on challenges facing private security firms in Kenya should be carried out particularly on globalization.

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## APPENDICES

### Appendix I: Questionnaire

#### Background Information

Name of company \_\_\_\_\_

Name of respondent \_\_\_\_\_

Years in operation \_\_\_\_\_

#### Section B: Specific information

1. Which global environmental factors do you consider the most important?

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2. Does your company have any international transactions? Kindly indicate the extent with 1 representing very little extent and 5 representing very large extent

Not at all [ ] Large extent [ ]

Less Extent [ ] Very Large extent [ ]

Moderate extent [ ]

3. With which countries does your company engage with in international business transactions?

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4. What current local business changes lead you to opt for international business?

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5. To what extent do the following factors cause the alteration of the company's mission and vision?

	Very high	High	Moderate	Low	Negligible
Global Political changes					
Global Economical changes					
Physical environmental changes					
Social Cultural factors					
Global Competitors actions					
Management policies					
Global brand positioning					
Streamlining management policies with global trends					
Global marketing efforts					

6. What are your strategic plans for engaging in international business?

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7. How would you rate the impact of globalization on your company?

- Very High     
  High     
  moderate     
  Low   
  Negligible

8. What challenges has globalization brought to your sector?

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9. What are the aspects of globalization in your sector?

Positive

Negative

10. How would you rate the following as global challenges?

	Very high	High	Moderate	Low	Negligible
New products entering Kenyan market					
Low prices for new products					
Consumers buying over internet					
Foreign based marketers selling in Kenya					
Product information available on internet					
Greater consumer awareness about products					
Greater availability of global brands					

Other factors:

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11. Are there strategies in place to deal with the challenge of globalization?

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17. Does your company engage in environmental scanning?
- Not at all [ ] Large extent [ ]
- Less Extent [ ] Very Large extent [ ]
- Moderate extent [ ]

18. Who is entrusted with the task of environmental scanning?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

19. How is the information obtained from environmental scanning utilized?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

20. What concrete global strategy does your firm have in place to deal with the following challenges?

Challenge	Strategy
Globalization	
E-business trade	
Increased competition	
New market entrants	
New competing products	
Technology change	
More knowledgeable customers	
Greater information flow	

## **Appendix II: List of Security Firms in Kenya**

- 1) Wells Fargo Limited
- 2) Sunrays Solar Ltd
- 3) Collindale Security
- 4) Bob Morgan Services Limited
- 5) Ultimate Security Ltd
- 6) G4S Security Services Kenya Limited
- 7) Instarect
- 8) KK Security
- 9) Magnum Allied Systems Ltd
- 10) Pinkerton's
- 11) Riley Services Limited
- 12) Securex Agencies Kenya Ltd
- 13) Security Group Of Companies Ltd
- 14) Watchdog Alert
- 15) Total Security
- 16) Radar Security Limited
- 17) Fidelity Security Services
- 18) Corporate Security
- 19) Cobra Security
- 20) Delight Security Services Ltd
- 21) Brinks' Security Services

*Source: KSIA (2012)*