

IMPLICATIONS OF GLOBALISATION ON PRIVATE HIRE VEHICLE COMPANIES IN NAIROBI

BY

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the Award of a Degree of Master of Business Administration, School of Business,
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DECLARATION

This project is my original work and has not been submitted for a degree in any other University.

Signed.....~~H.N.~~.....

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D61/P/7200/2005

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This project has been submitted for examination with my approval as the University Supervisor.

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Date

DEDICATION

This study is dedicated to my husband, my parents, brothers and sisters whose encouragement and inspirations has seen me this far in pursuit of knowledge.

ACKNOWLEDGEMENTS

This study has been accomplished through the encouragement, support and various contributions from a number of people of whom I am greatly indebted. It may not be possible to thank each of those who assisted in one way or the other in realizing this goal but there are a few individuals I wish to recognize.

Special thanks go my supervisor Mr. Alex Jaleha who patiently guided me through my work. He put in extra hours to ensure that the deadlines were met and that a well researched paper was finalized.

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Last but not the least, I am sincerely grateful to the Almighty God for the many blessings. Without You I would not have made it. "Your faithfulness endures forever and to You be the glory".

ABSTRACT

As a result of liberalization of the transport sector in Kenya, hire vehicle businesses have experienced significant changes over the years due to globalization. Advanced technology has enabled the companies to carry out internet advertising through creation of their own website. In addition, advanced technology has facilitated electronic bookings and plastic money transfers. In order to remain competitive in Kenya, private hire vehicle companies have responded to the global changes by customizing their services. Among the global changes that have taken place in the public transport sector in Kenya over the last fifteen years include increased competition, technological changes, changes in consumer needs, increased operation costs due to poor road networks, increasing fuel cost and insecurity.

The study sought out to determine the implications of globalization changes on the private hire vehicle companies and also establish how private hire vehicles companies in Nairobi had responded to global changes that have taken place in the business environment in the last 10 years. The target population was all the 93 vehicle hire companies with their head office in Nairobi. Due to the relatively small population, a census approach was used. Useful responses were obtained from 57 companies implying a response rate of 61.3%. Questionnaires were used to collect the data by use of the drop and pick method. The data collected were entered in SPSS and analyzed using descriptive statistics. Output was presented in frequency tables and graphs.

Among the major findings obtained were that the vehicle hire companies thrived on the tourist/leisure clientele and consequently had heavy interest in the global scene. The changes in the global scene were said to have enabled the companies to access clientele abroad and many reported to have initiated market activities such as creation of the website to propagate them on this path. Other positive effects vehicle hire companies attributed to global changes were increased profits/demand (53.3%) and introduction of tracking/better communication systems increased costs (60%) and more specifically the escalated fuel prices and stiffer competition were among the negative effects encountered.

In view of the findings, the study recommended that smaller hire vehicle companies be encouraged to amalgamate in order to benefit from economies of scale and that are taught on other opportunities available on the global scene that they can exploit besides marketing their products.

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LIST OF ACRONYMS

- EAC - East African Community**
- GDP - Gross Domestic Product**
- IMF - International Monetary Fund**
- PEST - Political, economic, social and technological factors**
- TVs - Televisions**
- UK - United Kingdom**
- USA - United States of America**
- VIP - Very important persons**

CHAPTER ONE

INTRODUCTION

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1.1 Background

David (1997) defines globalization as a process of worldwide integration of strategy formulation, implementation and evaluation of activities. He emphasizes that, decisions are made based on their impact upon global profitability of the firm rather than on just domestic or other individual country considerations. A global strategy seeks to meet the needs of customers worldwide with the highest value at the lowest cost. It integrates actions against competitors into a worldwide plan. Globalization involves designing, producing and marketing products with global needs in mind. David warns that one of the riskiest strategies is for a domestic firm to remain solely as domestic firm in an industry that is rapidly becoming global since the firm may face extinction.

Burnes (2004) views globalization as the creation of a unified world market place. He describes globalization as the biggest challenge facing managers today. This challenge is evident firstly in trying to achieve sustainability in a world of diminishing natural resources and increasing environmental pollution. Secondly, managers find it very challenging in managing diverse workforce in organizations today due to cultural diversity. Thirdly, managers face a challenge in trying to manage ethically in a time when business leaders are considered less trustworthy than ever before.

Globalization involves more than just internalization of business operations (Campbell, Stonehouse, and Houston, 2002). Global organizations are characterized by four basic characteristics. Firstly, global organizations take advantage of the increasing trend towards convergence of customer needs and wants across international borders. Secondly, they compete in industries that are globalized. Thirdly, global organizations locate their value-adding activities in places in the world where the greatest competitive advantage can be made. Finally, global organizations are able to integrate and coordinate their international activities between countries. It is important to note that there is no common definition of globalization so far, various scholars have referred to globalizations as real processes, ideas to justify processes, or the way of thinking of ideas.

Globalization portrays a consolidated world society through the expansion of global linkages, organization of social life on a global scale and the growth of a global consciousness. International business, expatriates and franchises presents a favorable environment for development of a world society. The International Monetary Fund (IMF) refer to globalization as the growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services, free international capital flows, and more rapid and widespread diffusion of technology. IMF concurs that varied definitions exist but all appear to agree that globalization has economic, political, cultural, and technological aspects that may be closely intertwined. World Bank views globalization as a catalyst for and a consequence of human progress and as a messy process that creates significant challenges and problems hence requiring adjustment. It asserts that the rapid pace of change can be unsettling and most societies want to control or manage it (Whichard, 2003).

Heshmati (2003) shows that globalization results to free movements of goods, services and capital across borders. He affirms that although globalization does not constitute a new phenomenon, it is viewed as an inevitable integration of markets, nations and technologies to a degree never witnessed before and is enabling individuals and corporations to reach around the world further, faster, deeper and more economically than ever before. Giddens (2002) concurs that globalization involves advent of new communications technologies which is leading to the death of distance and making it possible to share knowledge and culture across the globe instantaneously and simultaneously. Nigel (1994) shows that different economies are affected differently by globalization hence, they react in different ways. He explains that nations vary in the permeability of their boundaries, allowing some trends to filter through while others are firmly rejected.

Robert (1981) argues that globalization has profound social and political implications. It creates differences and inequalities within nations, regions and communities. Furthermore, it results to disparity and insecurity of incomes, rapid transmission of financial and political crises between different areas of the world, spread of crime, health threats and environmental degradation. It also brings the threat of exclusion for a large portion of the world's population, severe problems of unemployment, growing wage and income disparities or political instability. Further, globalization makes it more and more difficult to deal with economic policy or corporate

behavior on a purely national basis. It has also brought a certain loss of control by democratic institutions in development of economic policy.

From the above views, it can be seen clearly that globalization is an inevitable phenomenon in human history, which is bringing the world closer through exchange of goods and services, information, knowledge and culture. Over the last few decades, the pace of this global integration has become much faster and dramatic because of unprecedented advancements in technology, communications, science, transport and industry. It is the role of organization to learn how to adapt the changes, else demise. For the purpose of this study, the David (1997)'s definition of globalization will be used since it closely relates to strategic management.

1.2 Overview of Private Hire Vehicle Businesses in Kenya

In Kenya, hire vehicles can be categorized into two classes, namely public and private. A Public Hire Vehicle/Taxis is a vehicle with less than nine passenger seats that is licensed to ply for hire. It has the right to be available on the streets for hire by the general public. Local by-laws can restrict the area in which passengers can be accepted and it's usual to find taxi stands at key points in a towns. On the other hand, a Private Hire Vehicle is a not licensed as a taxi and must be booked by the customer through the intermediary of an office or agency. It can either be self drive or the company provides a driver. Most private hire vehicles in Kenya have focused their operations both locally and in the East Africa region. The companies provide services to major towns in Kenya.

In Kenya, like in most developing countries, public transport continues to account for a high proportion of urban residents' movements, typically above 50 percent in major cities (Rimbert, 2002). As a mode of public transport, a hire vehicle in Kenya falls between private transport and conventional bus transport. They are preferred to other public transport means because they ran late-night services, travel to out-of-the-way places, pick up commuters and drop them back at their homes, and charge reasonable fares. They further make convenient stops on long distances and cut down time spent in long queues at bus and train stations. Most of the hire vehicles in Nairobi are parked outside hotels, restaurants, at the airport and within the city centre for ease of accessibility and marketing purposes. Recently, a new marketing strategy of fixing a wedge-like advertising board on top of the car has been introduced for advertising purposes. Individual hire vehicles may be owned by individual drivers but operated under the same company name.

Alternatively, they may be owned by a single company that pays the drivers. They are usually owned by individuals who do not involve themselves in the day-to-day running of the business.

As a result of liberalization of the transport sector in Kenya, hire vehicle businesses have experienced significant changes over the years due to globalization. Advanced technology has enabled the companies to carry out internet advertising through creation of their own website. In addition, advanced technology has facilitated electronic bookings and plastic money transfers. Since organizations are environmental dependent, it is critical for the firms to respond to these changes so as to sustain the firm's continuity in the industry. In order to remain competitive in Kenya, private hire vehicles have responded to the global changes by customizing of their services. Door to door services, night journeys, entertainment media like vedios and TVs, safety precautions like airbags and safety belts, increased sensitivity and responsiveness of customer complains are some of the responses to competition.

The period between 1964 and 1973, Kenya's Gross Domestic Product (GDP) on average grew by 6.6 per cent per year. Most of the companies (including transport companies) operating then were monopolies (Mokaya, 2003). The environment was then stable and most of the future variables for conducting business were fairly certain. Mwaura (2000) concurs that due to low competition then, the only marketing tools that mattered most were price and product availability. When the environment started changing and business planning variables became uncertain, those running the enterprises were not prepared and most businesses nose-dived. Due to increased competition in both private and public vehicle companies, some firms have gone under or are desperately surviving in very difficult operational condition (Langat, 1996).

Some of the global changes that have taken place in the public transport sector in Kenya over the last fifteen years include increased competition, technological changes, changes in consumer needs, increase operation costs due to poor road networks and increasing fuel cost and insecurity(Langat, 1996). In early 2004, the government of Kenya enforced some transport regulations on public vehicles with a view of making public transportation safer for citizens and tourists as other countries have done. In the process of enforcing the rules, there have been numerous police checks along most roads where the traffic officers ensure that the industry players comply. The challenge of globalization is not to try to make it go away or to pretend it does not exist. Instead, it is to find ways to manage change and regulate and structure

globalization so that it is subject to the popular will, supports fundamental rights, and brings prosperity to as many people as possible.

1.3 Problem Statement

Burnes (2004) asserts that change is an ever present feature of an organization and its pace and magnitude has increased over the recent past. Private hire vehicle organizations are not immune to environmental changes. Since the private hire vehicle companies do not have the ability to stop the global changes, the best they can do is to strategically respond to these changes to reduce their adverse effects on the business (Kathuku, 2005).

Rycroft (2002) studied technology-based globalization indicators and concluded that globalization and modern technological innovations reinforced each other. Sharma(2007) on the other hand studied the impacts of globalization and found out that effects of globalization are complex hence some countries and companies are winners while others are losers and that much can be done to address the negative effects of globalization. Bengelink (2002) studied the impacts of globalization for tomorrow's engineers and concluded that globalization results in high competition, increased opportunities and cross-cultural work environment. Akindele, Gidido, and Olaopo (2002) in Nigeria studied implications and consequences of globalization in Africa. They found out that globalization has created a wide gap between developing and developed countries and that Africa governments seem to have lost control of the policy making process due to pressure from the creditor nations thus making them dependent.

In Kenya, Mokaya (2003) studied the responses of inter-bus companies in Kenya to environmental changes found out that Kenyan business environment has been changing and companies have utilized cost cutting strategy for survival. Mathenge (2003) studied the organizational response to environmental changes in agricultural sector and found out that many firm in the sector responded to the changes by focusing on their core businesses, adoption of technology, improvement of product quality and re-configuring their internal processes. Kimani (2006) studied the responses of Matatu owners to KRA tax amnesty marketing promotion, Leseketeti (2006) studied the responses of KNEC to increased competition, Ongaga(2006) studied the responses of Kenol to external environment and Kombo(1997) studied responses by firms facing changes in the environmental conditions, a case of motor vehicle franchise holders

in Kenya. They all concur that the Kenyan business environment is changing and organizations have responded differently for survival and success.

The hire vehicles transport sector has experienced significant changes as a result of globalization. Increased competition, liberalization of markets, government regulations, improved information technology, use of internet, changes in customer needs are among the factors that have greatly contributed to the global changes. Due to contextual, geographical and management differences in these countries and organizations, the responses and globalization issues gained from these studies may not be assumed to explain the responses in hire vehicles in Kenya unless an empirical study suggests so. What changes have occurred in the private hire business environment with respect to globalization? How the market players have responded to the changes?

1.4 Research Objectives

- a) To determine the implications of globalization changes on the private hire vehicle companies.
- b) To establish how private hire vehicles companies in Nairobi have responded to global changes that have taken place in the business environment in the last 10 years.

1.5 Importance of the Study

This study will be used as a comparative study by scholars in furthering the body of knowledge in the area of strategic management. It will also be used by hire vehicle owners to enhance their understanding of the globalization changes affecting their businesses with the aim of addressing the negative impacts and implementing strategies that will improve their business performance. The industry operators and the hire vehicle agents will find this report beneficial in terms showing how the industry is fairing thus providing deeper understanding of the market forces with a view of improving the yield.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

The theoretical framework for this study is based on the relationship between globalization and the responses of private hire vehicles. The literature review covers the following areas: the changing global business environment, the concepts of strategic management and the role of managers in the changing global business environment.

2.2 The Changing Global Business Environment and its Implications on Organizations

Business environment is very diverse and its pace of technological change and speed of global communications are on the increase. It has thus become very complex for business persons in Kenya and world at large. Understanding the environmental changes is important in identifying the key issues and developing ways of coping with the change and complexity (Johnson and Scholes, 2002). Pearce and Robinson (1991) describe external environment as all conditions that affect firms' strategic options but which are beyond the firm's control. Forces at work in the external environment are dynamic and include the economic, political, technological and social factors (PEST). External factors influence an organization's choice of direction and action and constitute the external environment, which can be categorized into remote, industry and operating environment.

The recent liberalization and globalization of the world economies have caused turbulence in the business environment. Hitherto, protected organizations have found themselves in unfamiliar trading environment. Their operations, past inefficiencies and markets are no longer protected (Mathenge, 2003). Organizations worldwide are encountering more turbulent markets, more demanding shareholders and more discerning customers. They are under pressure to re-align their management strategies and structures to the changes in the environment.

Pearce and Robinson (2002) refer to globalization as a strategy used by organization in approaching world markets with standardized products. Such markets are most commonly created by end-consumer preferring a lower-priced, standardized product over higher-priced customized product. They affirm that global strategic planning is more complex than domestic

planning because of the extreme competition, geographical separations cultural and national differences. Rapid development of technology in the global market and information explosion through internet poses both opportunities and threats in communication and control efforts by global organizations. Some of the opportunities to be exploited include the rapid increase in speed and accuracy of information transmission thus making the geographical barrier less relevant in decision making by managers. Explosive growth of information technology is both a cause and effect of globalism. Managers can utilize this technology in video conferencing, teleconferences, and online chats hence alleviate necessity of travel. Further, this reduces the overall communication cost to organizations.

Kotter (1998) asserts that the hazards and opportunities being created by globalized economy are forcing firms to make dramatic improvements not only to compete and prosper but also to merely survive. Globalization, he says is in turn being driven by broad and powerful forces associated with technological change, international economic integration, domestic market maturation within the more developed countries and the collapse of communism. Hamel (1996) avers that the industry terrain is changing so fast that experience is becoming irrelevant and even dangerous.

Skilled international managers are faced with the challenge of making effective business decisions, improving interpersonal context and meeting societal obligations since globalization results to increasingly borderless world (Deresky, 1996). Deresky asserts due to the rapid advancement in technology, information can no longer be centrally or secretly controlled by governments or organizations. Political, economic, markets and competitive information is available almost instantaneously to anyone around the world. Consequentially, this permits informed and accurate decision making in organizations. Besides, information technology and globalization in general has gradually lowered the cultural barriers in organizations by availing an opportunity of educating societies about one another. Indeed, customers around the world have become more aware about each other's way of life, tastes and preferences through the media and internet. This has positively enhanced understanding in business operations.

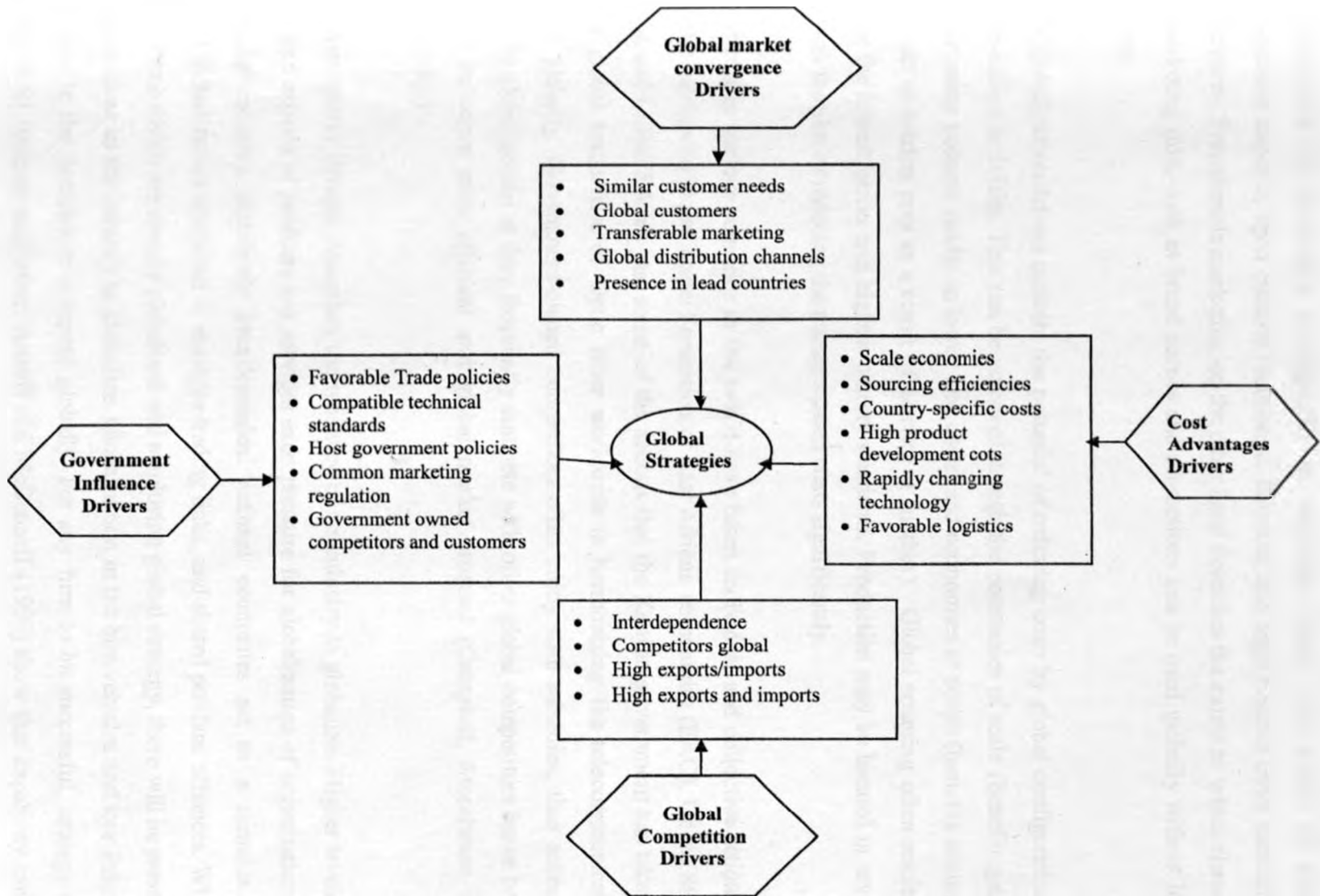
Organizations and governments respond to the globalization changes differently. It is thus critical for organizations to develop capabilities essential for effective competition in the global market place. Deresky (1996) observes that governments are responding to the globalization by

selling its owned operations to private investors, that is privatization. World competition is on the increase, the restraints of socialization are shed in favor of free enterprises. Organizations and economies resort to privatization partly with the aim of providing capital inflow to rescue the debt-laden economies and improve efficiency. An ideal example in Kenya is Kenya Railways Limited and Telkom Kenya. Work is becoming increasingly diverse because of the rigid political boundaries, rapid travel and quick spread of information. As a result of globalization, the labor force is undergoing considerable change due to increasing movement across borders of workers at all skill level, rising average age of employees, and addition of great numbers of women to the workforce (particularly in developing countries) and many in higher levels of education.

In order to survive in this global environment, private hire vehicle companies need strategies that are focused on their core activities and deal with emerging environmental challenges accordingly. It is through strategic management that that a firm will be able to relate itself to the environment to ensure its success and also secure itself from surprises brought about by the changing business environment. Firms are environment dependent whereby they rely on the environment to get their input and further rely on the environment to consume their output. Environment is however not static but continuously changing. This implies that a firm to has respond to the turbulent in order to remain stable and successful (Ansoff and McDonnell, 1990).

Johnson and Scholes (1999) show that changes in the environment give rise to opportunities for the organization but also exerts threats on it. Yip (1992) emphasizes that industries can be global in some respected and not in others. He affirms that a global strategy will be global in many respects but may also include features that are locally oriented. To achieve the benefits of globalization, he advises, the managers of a world wide business need to recognize when the industry conditions provide the opportunity to use global strategy levers and respond accordingly. Yip identified four drivers which determine the nature and extent of globalization in an industry, these are: market drivers, cost drivers, government drivers and competitive drivers (Campbell, Stonehouse, and Houston, 2002).

Figure 1.1: Drivers of Globalization



The convergence of markets world wide is attributed to increasing similarity in the customer needs and preferences. Areas like soft drinks, motor vehicles, tourism, jeans, audio equipment are characterized by increasing homogeneity in consumer tastes. The extent of market homogenization depends upon cultural, economic, climatic, and legal besides other similarities and differences. Transferable marketing on the other hand describes the extent to which elements of the marketing mix, such as brand names and promotions can be used globally without local adaptations.

The cost globalization drivers indicate the potential of reducing costs by global configuration of the value-adding activities. This can be achieved through the economies of scale (benefits gained when increasing volume results in lower unit costs) and economies of scope (benefits arising in one product or market area as a result of activity in another). Global sourcing often results to obtaining the lowest prices and highest quality standards. Production may be located in several places with the aim of reducing the transportation costs significantly.

Governments in various countries in the world have taken individual and collective actions to reduce the barriers to global trade. Formation of East African community (EAC), United States of Africa and COMESA are just some of the actions that the Kenyan government has taken to promote global trade. Use of Optic fiber worldwide is harmonizing the telecommunication standards globally. Government-owned competitors often enjoy state subsidies, thus acting as stimulus to globalization as they frequently compete with other global competitors hence being forced to be come more efficient and global market oriented (Campbell, Stonehouse, and Houston, 2002).

Strong competitive drivers strengthen the tendency of an industry to globalize. Higher levels of imports and exports of products and services exert pressure for globalization of organizations in a particular industry. Relatively interdependent national economies act as a stimulus for increased globalization attributed to multiple trading links, and shared political alliances. Where business competitors are already globalised and employing global strategy, there will be pressure on organizations in the industry to globalize. Globalization in the hire vehicles and tour industry is high due to the pressure to compete globally. For any firm to be successful, strategy and capability must support each other. Ansoff and McDonnell (1990) show that capability can be characterized by five mutually supporting components. These are qualification and mentality of

managers, social climate within the firm (culture), power structure, systems and organizational structure, and the capacity of general management to do managerial works

2.3 Concepts of Strategic Management and Globalization

Strategic management can be defined as sets of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives (Donnelly, Gibson and Ivancevich, 1992). Thus, strategic management involves planning, directing, organizing and controlling of a company's strategy-related decisions and actions. A strategy is a company's game play. In addition, David (1997) affirms that strategic management is an art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its goals. The business objectives are important for the organization's success in that they provide direction, aid in evaluation, create synergy, reveal priorities, allow coordination and provide a basis for effective management activities.

Strategic management process consists of three main stages namely strategy formulation, strategy implementation and strategy evaluation. Strategy formulation involves developing a business mission, identifying an organization's external opportunities and threats, determining organizations internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing particular strategies to pursue. Strategy formulation implies deciding what new businesses to enter, which ones to abandon, how to allocate resources, when and how to expand business operations, whether to enter international markets, whether to merge or form joint venture and how to avoid hostile take over. The decisions made at this stage commit an organization to specific products, markets, resources and technologies over an extended period of time. Strategies determine the long-term competitive advantages of the firm and the top managers have the authority to commit the necessary resources necessary for implementation.

At the strategy implementation stage, the firm establishes the annual objectives, devises policies, motivates employees, and allocates resources so that the formulated strategies can be executed. Implementation calls for developing of a strategy-supportive culture, creation of an effective organizational structure, redirecting marketing efforts, preparing budgets, developing and utilizing information systems and linking employee's compensation to organizational performance (David, 1997). Employees and the managers are mobilized to put the formulated

strategies into action. Strategy implementation has been found to be the most difficult stage hence calls for personal discipline, commitment, sacrifice and effective communication. Interpersonal skills become very critical to stimulate the employees and managers to own and move with enthusiasm towards achieving the stated objectives. This is the view this study will be based on. Burnes (2004) emphasizes that strategy formulation is not a linear and logical process, it involves adjusting and readjusting.

The final strategy of strategic management is the evaluation stage and involves reviewing how the strategies are working. Since the internal and external factors are constantly changing, the strategies are due for modification to march with the changing environment. At this stage, performance of the strategies is measured and correction actions taken. Evaluation has paramount importance because of the turbulence in today's business environment. Success always creates new and different problems; complacent organizations experience demise (David, 1997).

Strategies are examined in three inter-related levels of strategic decision making, namely; corporate level, business level and functional level which interact in an iterative and dynamic fashion (Burnes, 2004). Corporate level consists of the Boards of directors, Chief Executive Officer and the administrative officers. It is responsible for the firm's financial performance and non-financial goals like the firm's image and social responsibility. They decide the type of business the firm will be involved with and how to exploit the firm's distinctive competencies. They develop long-term plans, set objectives and formulate strategies that span the activities and functional areas of these businesses (Pearch and Robinson, 2002).

Burnes (2004) identifies the six basic forms of strategies practiced at corporate level. These are stability/maintenance strategy (designed to keep an organization quite and stable), growth strategy (concentrates on dominating one industry), portfolio strategy (achieved through mergers, joint ventures or acquisition), retrenchment strategy (cutting back on employees and activities undertaken), harvesting strategy (reducing investment in a business or area to reduce costs and improve cash flows) and combined strategy (linking two or more of the strategies).

At the business strategy level, the corporate and business managers translate the statement of the directors and intent generated at the corporate level into concrete objectives and strategies for individual business divisions or SBU (David, 1997). In essence, the business-level strategic managers determine how the firm will compete in its chosen market(s). Business level managers strive to identify and secure the most promising market segment in the arena in terms of competitive advantage.

Porter (1985) argues that there are three generic strategies for the firm to achieve the above average performance; these are cost leadership, product differentiation and specialization by focus. Cost leadership strategy aims at achieving overall lower costs than one's competitors without reducing comparable product quality hence achieving economies of scale. Product differentiation strategy aims at achieving industry-wide recognition of different and superior products and services compared to those of competitors. This can be accomplished through special brand images, technology features, customer service, and higher quality among others. Specialization by focus strategy is concerned with selecting only certain markets, products or geographical areas in which to compete. This can be achieved through niche marketing where a firm dominates its markets through cost advantage or product differentiation.

Functional level managers compose of products, geographical and functional areas. They are responsible for development of annual objectives and short-term strategies in areas like production, operations, research and development, finance and accounting, marketing and human resources. Their main goal is to implement or execute the organizations' strategic plans. Whatever strategy is adopted, it requires an organization to achieve fit between its external environment and internal structures, culture and practices (Burnes, 2004). It is important to note that corporate managers strive to do the right things (effectiveness) while the functional managers strive to do things right (efficiency). Decisions at corporate level are more value-oriented, more conceptual, greater risk and cost, and more profit potential while those at functional level are action-oriented, relatively short and low risk (Pearch and Robinson, 2002).

2.4 Role of Management in Global Business Environment

Business environment is not static but continuously changing. It is through strategic management that the firm will be able to relate itself to the environment to ensure it does not only survive but also succeed in a turbulent environment. Deresky (1996) affirms that on the eve of the twenty-

first century, international managers are challenged by sweeping changes in the global arena. Signs of the democratization of the worlds, capitalists, entrepreneurs, inflation, internet and optic fiber transmissions are confronting managers. Ansoff and McDonnell (1990) emphasize that for the firm to be successful in the changing environment, it is important to position itself through strategy and capability planning, through real time strategic response, through issue management and through systematic management of resistance during strategic implementation. These are the critical roles of strategic managers.

Koontz and Weihrich (1993) refer to management as the process of designing and maintaining an environment in which individuals working together in groups can efficiently accomplish selected aims. They stress that management applies to all organizations, all organizational levels and aims at producing surplus. These scholars refer to a global enterprise as an organization in which managers view the whole world as one market. In a global environment, managers interact with employees with different educational and cultural backgrounds and value systems. For the firm to be successful, it is the role of the management to cope with these challenges besides the different legal, political and economic factors.

External environment presents opportunities and threats. It is the role of the managers to scan the environment with the aim of determining its competitive situation and making the necessary recommendations. Strategic alternatives are based on the internal and external analysis and may direct the firm to specialize, concentrate, go international, diversify, form a joint venture, liquidate or retrench in order to remain competitive in the market. Managers are expected to optimize their scarce human and material resources in fulfilling their expectation of creating shareholder's wealth. Strategic managers should take advantage of environmental analysis through scanning, monitoring, forecasting and scenario planning to expand their vision, formulate strategic plans, implement the plans, and evaluate the implementation with the aim of shaping the future of the organization and facing the challenges of global change.

To develop excellent managers, the management needs to be willing to learn and take advantage of new technology and new techniques instead of basing much of their learning on experience. Acceleration of management development through seminars and conferences should be encouraged to avail the useful new information top the practicing managers (Koontz and Weihrich 1993). Effective managers should promote a creative yet constructive environment.

They should objectively measure performance and commensurate it with the reward in addition to providing corrective actions. It is the role of managers to obtain the right information in the right form and at the right time regarding the business. They are expected to be leaders and cope with the internal and external pressures. Inside pressures may come from top managers and low-level employees pushing for change. Outside pressures may come from changes in the legal, competitive, technological and economic environments (Bateman and Zeithaml, 1990).

Based on past experiences, judgment and feelings, intuition is essential in making strategic decisions. Intuition is particularly practiced by managers in situations of great uncertainty and little precedents or where it is necessary to choose from several plausible alternatives. Most organizations can benefit from strategic management by integrating intuition and analysis in decision making (David, 1997). To survive, all organization must be capable of astutely identifying and adapting to change in the environment.

Yip (1992) emphasizes that it is the role of managers to form global strategies of an organization by careful determining which features of the strategy are globally standardized and which features are locally adapted. Managers are expected to configure and coordinate the value adding activities in securing global competitive advantage. He concluded that managers of global businesses must evaluate the globalization drivers for their industry and market and must formulate the global strategy based on this analysis for their organizations to succeed.

The chief executive of a strategically managed organization must be able to instill the organization with a strategic vision so that the organization's members are able to think big (institutionalized strategic thinking) and act big (institutionalized courage). The chief executive must be able to deal with the uncertainty of contemporary events and turn these events to the organization's advantage. Managers must be superb at continuously adjusting competitive strategy, organizational structure, and operating conditions as the marketplace demands. In a strategically managed organization, top managers accept change as a permanent condition. (Morrison and Wilson, 2003)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This study took a census of all registered private hire vehicles companies with their home base in Nairobi. Since the study involved less than a hundred firms in Nairobi, the study used a census research design. Cooper and Emory (1985) contend that a census is more exhaustive than a survey.

3.2 Population

According to Kenya Web and Nation Directory, there are 93 registered private hire vehicles companies in Nairobi. See appendix II. The researcher anticipated non response from some private hire vehicle companies contacted all the 93 firms.

3.3 Data Collection

The study being a census, the primary data was collected using questionnaires through personal interviews, electronic mails, and pick and drop method. See appendix I. The target respondents were the Operations Manager or equivalent in each company.

3.4 Data Analysis

The data collected were analyzed using descriptive statistics. It involved use of frequency tables, percentages and mean scores. The frequency tables were used for organizing data obtained and facilitated in working out percentages. The percentages transformed data obtained from different private hire vehicle companies into standard form for relative comparison.

Mean scores was calculated to indicate the adjustments that had been adapted to variables in response to the globalization changes. To further analyze the survey data, factor analysis procedure (SPSS) was used to measure and establish the critical environmental factors in the study as viewed by the various firms.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter contains data analysis and interpretation of the results. The purpose of this study was to determine the implications of globalization changes on hire vehicle companies in Kenya. It also sought out to establish how the companies in Nairobi had responded to global changes that have taken place in the business environment in the last 10 years. The target population was all the 93 private vehicle hire companies with their head office in Nairobi. Due to the relatively small population a census research design was used. Useful responses were obtained from 57 companies implying a response rate of 61.3%. Among the reasons for not achieving a higher response rate were that some of the companies were found to have moved or changed location and could not be traced immediately. A few players refused to grant interviews. The data was analyzed using descriptive statistics by use of frequency tables, percentages and factor analysis as shown in the following sections.

4.1 Firms' Profile

This section sought to establish the basic firm characteristics. The profile outlined when the company was incorporated, the fleet size, geographical network coverage in East Africa and the fleet characteristics. The findings are presented in Tables 4.1, 4.2, 4.3 and 4.4.

Table 4.1: Period since company inception

Duration (years)	Frequency	Percent
5 and below	23	40.4
6-10	16	28.1
10 and over	9	15.8
No response	9	15.8
Total	57	100.0

Table 4.1 shows that 40.4% of the respondents were established within the five year period preceding the study. 28.1% of the respondents were established between year 2002 and 1997. This finding suggests an unprecedented rate of setting up private hire vehicle companies. This is

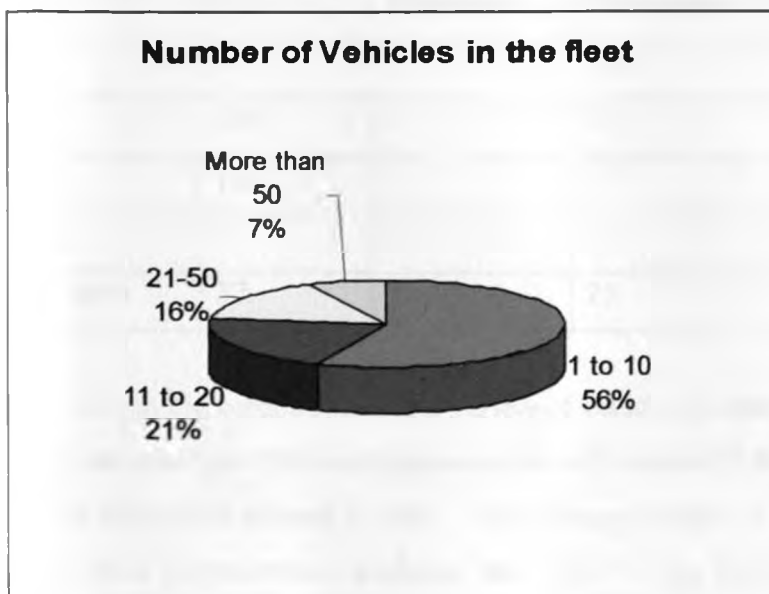
can be attributed to the effects of economic improvement backed up by the growth of the tourism industry that makes up a core market for most private hire vehicle companies. A further 15.8% of the firms had been in existence for more than 10 years. This group represents the firms that have been stable to withstand previous market turbulence in the sector.

Table 4.2: Number of vehicles in the fleet

	Frequency	Percent
1-10	32	56.1
11-20	12	21.1
21-50	9	15.8
More than 50	4	7.0
Total	57	100.0

Many of the firms surveyed were found to have a fleet size not exceeding 10 vehicles. This shows that most of the private hire vehicle companies are at a formative stage. It can be seen that vehicles with a fleet size larger than 20 vehicles comprised 22.8% of the respondents.

Figure 4.1: Number of vehicles in the fleet



About one third of the companies were found to have operations spanning the East African region besides Kenya. The other countries within which the firms operated were found to be as shown in Table 4.3 below.

Table 4.3: East African countries covered

	Frequency	Percent of cases
Uganda	16	84.2
Tanzania	18	94.7
Rwanda	1	5.3
Burundi	1	5.3

As shown above, majority of the firms that were operated to countries beside Kenya did so in Tanzania (94.7%) and Uganda (84.2%). These indicate the destinations most preferred outside Kenya. Understandably vehicle hire company's offices in Kenya were concentrated in the cities of Nairobi and Mombasa.

Table 4.4: Fleet characteristics of surveyed firms

Number	N	Minimum	Maximum	Mean	Std. Deviation
Saloon	45	1	850	31.7	126.53
Nissan	20	1	32	6.0	8.35
Minibus	16	1	15	5.3	3.59
Pickup	7	1	2	1.4	0.53
4 wheel drive	37	1	25	4.1	4.75

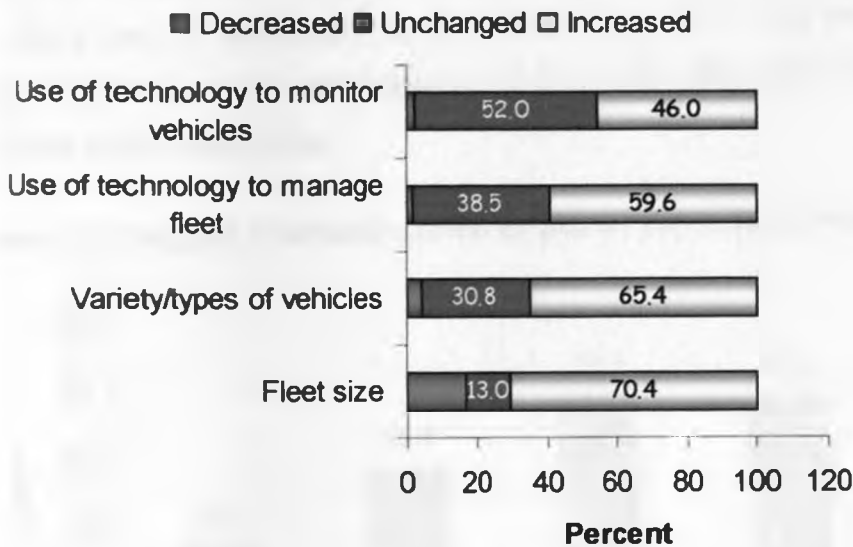
Private hire vehicle companies used a variety of vehicles in their business as shown in Table 4.4 above. Solon cars were the most common type of vehicles in the surveyed companies which 45 out of the companies attested to have. The average number of salon cars was found to be 31.7 vehicles while the standard deviation was 126.53. The high values of mean and standard deviation on saloon cars is as a result of large dispersions among the 45 respondents. This is evidenced by the minimum of 1 car and maximum of 850 vehicles across the companies surveyed. Four wheel drive vehicles were found to be among 37 of the companies indicating the

preparedness of these firms to serve clients with off-road needs. It was viewed as a distinctive competence in the sector.

4.2 Implications of Globalization Changes on the Vehicle Hire Companies

This section sought to establish the changes that have occurred as a result of globalization in the private hire vehicle companies in Kenya. Changes in the business environment were evaluated.

Figure 4.2: Changes experienced in the fleet in the last 10 years



From the above table, most of the private hire vehicle companies had experienced change in their businesses in the last 10 years. 70.4% of the respondents indicated that expansion of the fleet had occurred in the firms. This suggests that demand for car hire services had increased in the said period to trigger the resultant expansion of the fleet in most of the companies. Further, 65.4% of the companies reported an increase in the variety of vehicles. This shows that the fleet of many of the companies had increased both the numbers and variety.

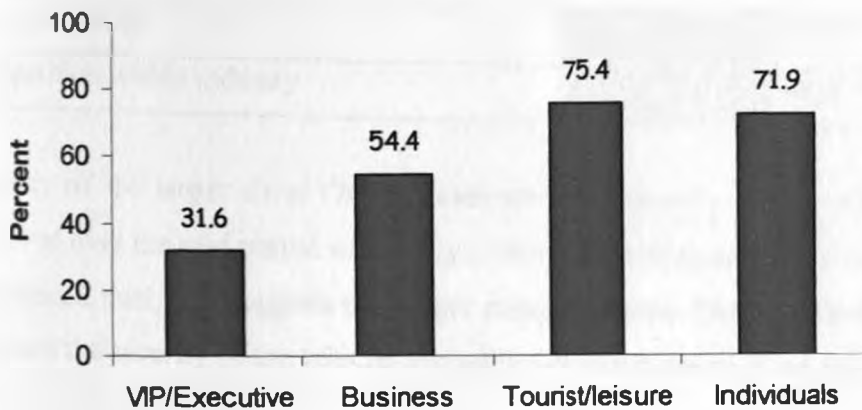
The use of technology both in monitoring and managing of the fleet had remained unchanged for most of the companies, that is 52% and 38.5% respectively. This implies that the use of technology in hire vehicle companies had not increased rapidly. Table 4.5 further shows the number of firms that had integrated a fleet management system.

Table 4.5: Use of computerized fleet management system

	Frequency	Percent
Yes	17	29.8
No	40	70.2
Total	57	100.0

According to Table 4.5, only 30% of the firms integrated a fleet management system. Whilst this low usage can be attributable to the small fleet sizes, it may be indicative of the firms responsiveness to novel technological advancements that could be harnessed to enhance efficiency in their operations.

Figure 4.3: Category of clientele served by private hire vehicle companies



Tourist and leisure category of customers were targeted by 75.4% of the firms surveyed while 71.9% targeted individual clients. The findings show that most of the firms targeted a cross section of clientele for their services.

The respondents were asked to rank the extent to which various aspects of their operations had changed in the 10 year period preceding the study. The findings are clustered by size of the company as indicated by the number of vehicles owned. Table 4.6 shows the proportion of respondents reporting the aspects given to have improved or increased.

Table 4.6: Extent of changes affecting the hire vehicle sector

% saying improved/increased	Company size (Number of vehicles)		
	1-10	11-20	More than 20
Road safety	25.0	22.2	33.3
Reliability of vehicles	58.1	66.7	50.0
Security of vehicle	33.3	28.6	76.9
Profit margin	46.9	33.3	7.7
Road conditions	18.2	0.0	15.4
Environmental pollution (car emissions)	6.1	22.2	8.3
Formation of industry cartels	6.3	33.3	18.2
Cost of fuel	3.0	0.0	25.0
Government taxes	36.4	22.2	30.8
Customer needs	72.7	55.6	58.3
Competition within industry	69.7	44.4	33.3

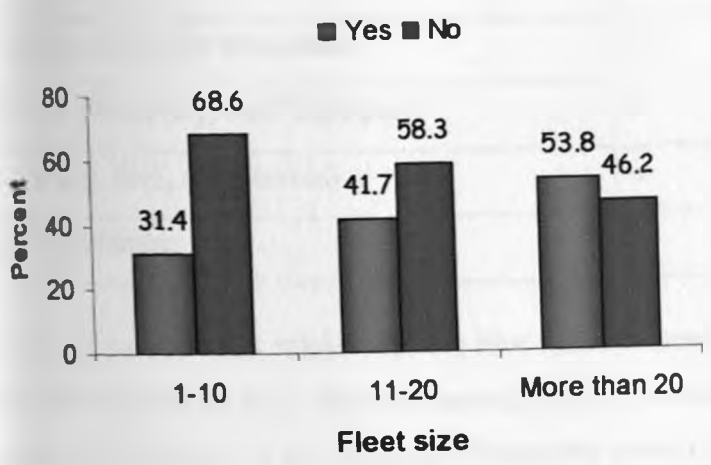
Majority of the larger firms (76.9%) indicated that security of the vehicles had considerably improved over the said period while only a third of the companies with less than 10 vehicles had experienced this. This suggests that larger companies were likely to have adopted measures that enhanced the security of the vehicles probably due to a superior financial position.

In terms of profitability, 46.9% of the smaller firms reported to have had an improvement in profitability compared to the larger firms. In fact, profitability is seen to increase with reducing size of the company measured in terms of fleet size. Coupled with one quarter of the larger firms reported an increase in the cost of fuel. This suggests that smaller companies did better in controlling the cost of fuel hence reported higher profitability compared to larger firms.

The smaller firms reported to have experienced stiff competition (69.7%) compared to the 33.3% of the larger companies. This can be attributed to the fact that larger companies are likely to have been in operation for longer and have established a market niche that partly shield them from the adverse effects of industry competition. Further, larger companies could afford to market their services both locally and abroad thereby ensuring a steady flow of clients.

The study investigated whether companies had entered into strategic alliances with other companies and the findings are shown in Figure 4.3 below.

Figure 4.4: Ever entered into a strategic alliance/partnership?



From the figure above, 31.4% of the smaller companies were found to have entered into partnerships with other firms compared to 53.8% of the larger firms. This implies that the tendency to enter into such partnerships increased with increasing company size. The type of partnerships entered into is as shown in the table below.

Table 4.7: Type of partnership

	Frequency	Percent
Local partners	15	65.2
Foreign partners	5	21.7
Not indicated	3	13.0
Total	23	100.0

Majority (65.2%) of the respondents that had entered into partnerships did so with other local companies while 21.7% sought alliances with foreign firms. The nature of partnerships entered into is as shown in the table below.

Table 4.8: Nature of partnerships entered

	N	Percent of cases
Association of similar businesses	15	65.2
Service provision (e.g. staff transport)	8	34.8
Supplies (e.g. fuel, accessories)	6	26.1
Merger/acquisition	2	8.7

The kind of partnerships made with the hire vehicle companies were mainly associations with similar businesses (65.2%). Business associations in aimed at an amalgamation to collectively champion for solutions to the challenges facing the sector or to protect the interests of the market players.

Thirty five percent of the respondents had made alliances in the service provision field. These firms are likely to have established a unique demand in other companies and poised themselves to fulfill it. Globalization can foster this kind of partnerships in terms of enhanced media for exchange of information and hence identification of such opportunities. It also provides an expanded scope for seeking partnerships from across the globe.

Asked to enumerate the positive and negative effects the companies perceived to have resulted from global changes, the findings in Table 4.9 below were elicited.

Table 4.9: Positive and negative effects attributable to global changes

	N	Percent of cases
Positive effects		
Increased profits/demand	16	53.3
Introduction of tracking/better communication	9	30.0
Easier access to market through internet/Increased in number of tourists	8	26.7
Improved infrastructure	3	10.0
Introduction of fleet management system	2	6.7
Increased product variety	2	6.7

<i>Negative effects</i>		
Increased costs/higher fuel prices	21	60.0
Stiff competition	15	42.9
Travel advisories/uncertainties	5	14.3
Enlightened clients demanding higher quality service	3	8.6
Increased insecurity	2	5.7

As shown in Table 4.9, the positive effects the hire vehicle companies attributed to global changes were increased profits/demand (53.3%) and introduction of tracking/better communication systems (30%). This implies that accessibility due to better transport and communication systems had directly benefited the hire vehicle business sector.

Among the negative effects of global changes mentioned were increased costs (60%) and more specifically the escalated fuel prices. Forty three percent reported to face stiff competition as a result of global changes. Respondents indicated that competition is one of the environmental changes that they have to deal with on a regular basis. The competition emanates not only from the rivalry amongst themselves, but also from the other means of passenger transport in addition to the international private hire vehicles. The findings show that globalization presented both challenges and opportunities for the hire vehicle companies. It can thus be concluded that the success of such companies is a function of how well they capitalized on such opportunities while limiting the effects of the challenges posed by globalization.

4.3 Hire Vehicle Companies Responses to Globalization Changes

Having established that all the respondent companies had experienced the effects of global changes in their businesses, the study then sought to establish how the firms had responded to the same. Table 4.10 shows the extent to which the companies had responded to various aspects of service provision in the face of the perceived global changes.

Table 4.10: Extent of adjustments to global changes with regard to service

	No at all/ slight extent	Moderate	Great/very great extent
Reduction of customer complaints	14.8	18.5	66.7
Introduction of new services	13.0	24.1	63.0
Improvement of service level	22.2	24.1	53.7
Global benchmarks on quality of service	14.8	31.5	53.7
Retrenchments/rationalization	54.7	22.6	22.6

As evidenced by findings in Table 4.10, majority of the hire vehicle companies had to a great or very great extent made strides in reduction of customer complaints (66.7%) as well as in the introduction of new services (63%). This finding suggests that effects of globalization had enhanced the services of hire vehicle companies as well as inspired the expansion of variety of services offered. Contrary to common trends, global changes had not resulted in redundancies in this companies as evidenced by 54.7% of the respondents indicating that retrenchments or rationalization had occurred to minimal extent.

Table 4.11: Extent of adjustments to global changes with regard to marketing and promotion

	No at all or slightly	Moderate	Great or very great extent
Advertising through internet	19.2	3.8	76.9
Emphasis on brand name for marketing	15.1	18.9	66.0
Increase in advertisement expenditure	26.4	11.3	62.3
Sales promotion	35.3	11.8	52.9
Niche marketing	19.2	30.8	50.0
Event sponsorship	44.2	13.5	42.3
Use of global marketing themes	25.0	32.7	42.3
Developed global brands	49.0	15.7	35.3

As evidenced by findings above, advertising through internet (76.9%) was a marketing measure most of the firms had put in place in response to the unfolding global changes. This implies a two way scenario in that as a result of globalization hire vehicle companies were able to reach out to clients abroad and who were in turn expected to buy into the despite being miles away. This clearly demonstrates that global changes were regarded by the firms to positively impact on their businesses.

Other marketing measures by which the hire vehicle companies had ascribed to included emphasis on brand name for marketing (66%) and most firms generally reported an increase in advertising expenditure. These findings may imply that the global changes encouraged global competition thus necessitating the heightening marketing and promotional activities.

Table 4.12: Extent of adjustments to global changes with regard to pricing

	No at all/ slight extent	Moderate	Great/very great extent
Price increments	33.3	13.7	52.9
Marching competitors fare	19.6	33.3	47.1
Use of discriminatory pricing	50.0	18.0	32.0
Price reductions	57.7	17.3	25.0

With regard to pricing, majority of the firms (52.9%) reported to have put in place price increments resulting from the global changes felt. Though affecting all sectors, the ever rising price of fuel due to international factors could be the most likely cause of the price increments. It can further be seen that 47.1% of the firms reported have benchmarked their pricing with that of competitors although this did not necessarily result in price reductions.

Advancements in technology have been at the very centre of global changes experienced in the world. The study inevitably sought to establish the extent of responses by the hire vehicle companies to the technology as shown below.

Table 4.13: Extent of adjustments to global changes with regard to technology

	No at all or slightly	Moderate	Great or very great extent
Created own website	17.0	7.5	75.5
Introduced internet advertising	26.4	3.8	69.8
Use of electronic bookings	39.6	7.5	52.8
Installed entertainment media in vehicles	36.5	26.9	36.5
Introduces fleet tracking system	50.0	13.6	36.4
Introduced fleet management system	48.1	17.3	34.6
Use teleconferencing, online chats	48.1	19.2	32.7

Establishing of a website (75.5%) was the most common technological response that many of the firms reported to have ventured into. Internet advertising (69.8%) and use of electronic bookings (52.8%) were also among the main responses to technology the hire vehicle companies had made. It can be seen that these firms mainly exploited technology to market their services.

Table 4.14: Extent of adjustments to global changes with regard to Cost Structure

	No at all or slightly	Moderate	Great or very great extent
Cost controls/cutting	14.0	20.0	66.0
Input sourcing e.g. fuel/supplies	7.8	27.5	64.7
Capital investment in technology	21.2	26.9	51.9
Diversification of business options	38.5	13.5	48.1
Divesture from business operations	35.3	23.5	41.2
Seeking cheaper credit globally	34.0	31.9	34.0

As evidenced by the findings in Table 4.14, the global changes had to a great extent inspired cost controls or cost cutting in the hire vehicle companies. This is seen as a response to the pressure of escalating costs such as fuel costs that could have necessitated the companies to institute such measures.

The findings also show that in spite of globalization, companies had to a little extent sought cheaper credit globally. This suggests that majority of the operators viewed globalization in terms of accessing a global market for their services.

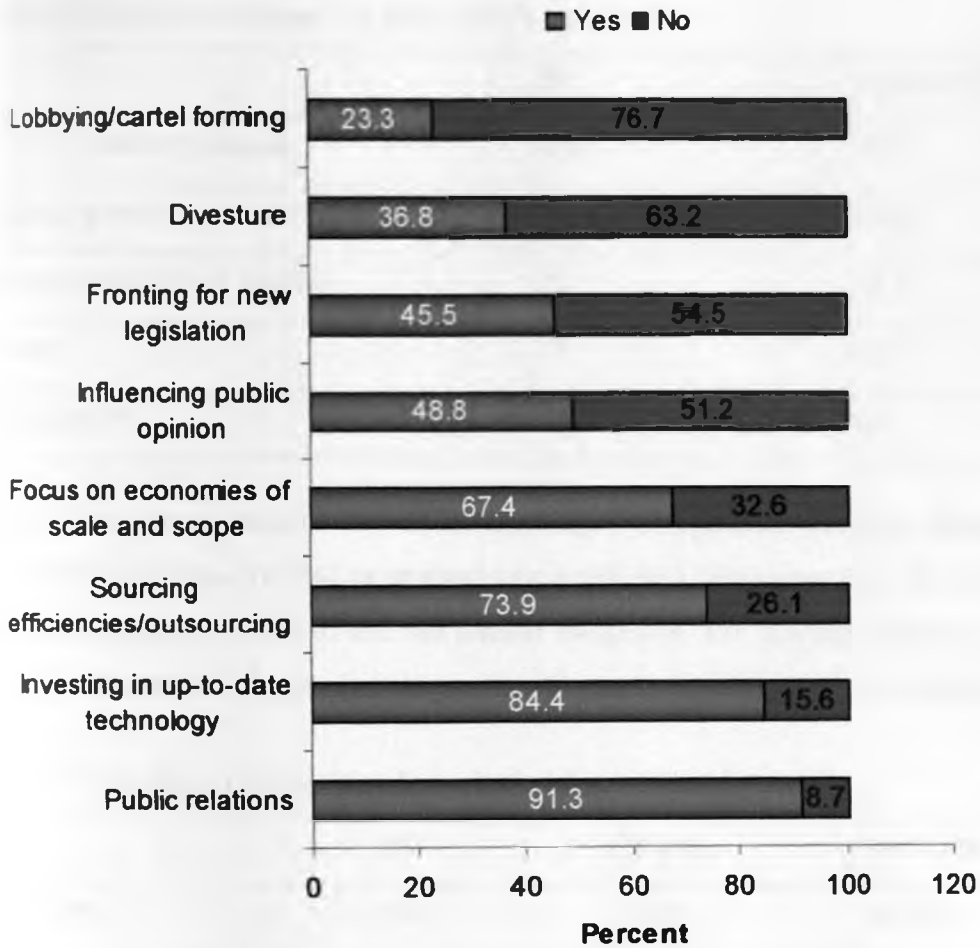
Table 4.15: Extent of adjustments to global changes with regard to Market Research Activities

	No at all or slightly	Moderate	Great or very great extent
Research on customer needs/satisfaction	16.0	14.0	70.0
Research on competitor strategies	11.5	19.2	69.2
Training and development programs	28.8	28.8	42.3
Hiring of experts/consultants	46.9	24.5	28.6
Increase on strategic planning cost	34.6	23.1	42.3
Cross cultural training	49.0	17.6	33.3
Employees speaking several languages	43.8	14.6	41.7

As shown in Table 4.14 majority of the firms (70%) did to a great extent respond to global changes by conducting market research on customer needs or evaluation of customer satisfaction levels. Most of the private hire companies (69.2%) also reported to have researched on competitor strategies. This implies that in view of globalization where the customers has a relatively higher bargaining power due to availability of many sellers and availability of substitutes, most of the private hire vehicle companies made efforts to satisfy their customer's needs in addition to offering higher quality services compared to those of competitors.

In the face of the changes in the local transport industry, the respondents were asked if they had instituted the strategies given or any other. The responses obtained are as shown in Figure 4.4 below.

Figure 4.5: Responses employed to changes in the transport industry



As illustrated in Figure 4.4 above, public relations (91.3%) and investment in newer technology (84.4%) were measures the hire vehicle companies most instituted in response to changes in the transport industry. On the other hand the operators least involved themselves formation of cartels (23.3%) neither did they divest (3.8%). This shows that many of the companies concentrated in carrying out measures they deemed necessary to enhance the efficiencies of their operations.

In view of the existent market environment, the operators were asked to mention the most likely strategy to be adapted. Table 4.15 shows the responses obtained.

Table 4.16: Likely strategies for hire vehicle companies

	N	Percent of Cases
Increase in market presence	35	74.5
Maintaining market presence	23	48.9
Form partnership/joint venture	5	10.6
Not sure	2	4.3
Exit the market	1	2.1

From the table above, most of the respondents target to implement strategies aimed at increasing their market presence (74.5%) or maintaining it (48.9%). Whatever they the environment was only 2.1% reported to want to exit the market altogether. The findings reflect optimism on the majority of the market players as evidenced by the type of strategies they contemplated.

Table 4.17: Ranking of priorities for private hire vehicle companies

	N	Mean	Std. Deviation
Profitability	44	4.43	0.950
Growth	46	4.26	1.219
Competitive position	42	4.17	1.080
Market share	44	3.91	1.291
Survival	45	3.76	1.417

Scale: 5 – Most important, 1 – Least important

To understand the responses of the private hire vehicle companies to the globalization changes, specific variables were posed to the respondents and requested to indicate the level of priorities in their business operations. It was found out that profitability (mean=4.43) and growth (mean=4.26) were the most highly ranked priorities for the hire vehicle companies. This implies the desire by these firms achieve an above average performance by making the best out of their market presence. Survival (mean=3.76) was ranked lowest relative to other priorities suggesting that majority of the firms did not feel threatened by the market environment.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter gives a summary of the study findings, conclusion and the recommendations. The collected data was analyzed and interpreted in chapter four and this chapter presents a brief summary of the study findings in light of the objectives of the study. The data was analyzed by use of SPSS package to produce the descriptive statistics. Frequency tables and charts were used to describe the data and draw conclusions on the findings.

5.1 Summary of Study Findings

The study revealed that 40.4% of the private hire vehicle companies surveyed were established within the five year period preceding the study. This is attributable to the economic improvement the subsequent growth of the tourist industry that makes up a core market for vehicle hire companies. It was noted that besides Kenya, Tanzania and Uganda were the countries that the private hire vehicle companies extended their operations into. Within Kenya, hire vehicle company's offices were concentrated in the cities of Nairobi and Mombasa.

Over the 10 years preceding this study, 70.4% of the firms reported to have had an expansion of the fleet while 65.4% of the companies reported an increase in the variety of vehicles implying that the fleet of most of the companies had increased both the numbers and variety. In addition, larger hire vehicle companies mainly indicated that security of their vehicles had considerably improved over the said period compared to about one third of the companies with less than 10 vehicles. Smaller firms however reported an improvement in profitability compared to the larger firms. The smaller firms also reported experienced the effects of stiff industry competition compared to larger firms.

It was further revealed that 31.4% of the smaller companies had entered into partnerships with other firms compared to 53.8% of the larger firms. The partnerships were mostly (65.2%) with other local companies and mainly took the form of associations with similar businesses.

The positive effects that the private hire vehicle companies attributed to global changes included the increased profits/demand (53.3%) and introduction of tracking/better communication systems. On the other hand the negative effects were increased costs (60%) and more specifically the escalated fuel prices and stiffer competition.

In response to effects of global changes, the firms had to a great or very great extent made a lot of effort towards reduction of customer complaints (66.7%) as well as in the introduction of new services (63%) in order to remain relevant in the changing market environment. Advertising through internet (76.9%) was a marketing measure most of the firms had put in place in response to the unfolding global changes since it focused on the global customers. Majority of the firms (52.9%) reported to have put in place price increments in order to break-even in the changing global environment.

Most of the firms (70%) did to a great extent respond to global changes by conducting a market research on customer needs or evaluation of customer satisfaction levels. Emphasis was put to ensure that customers were satisfied hence encouraging repeat customers and strengthening customer loyalty. The study revealed that most of the private hire vehicle companies target to implement strategies that are likely to increase their in market presence (74.5%) or maintain it (48.9%).

Establishing of a website (75.5%) was the most common technological response that many of the firms reported to have ventured into. Internet advertising (69.8%) and use of electronic bookings (52.8%) were also among the main responses to technology the hire vehicle companies had made. Most of the firms mainly exploited technology to market their services.

The study also established that, though the private hire vehicle business is very competitive, the cost of operation is a critical factor. Most of the surveyed companies identified cost cutting/cost leadership as a critical factor for their survival. Indeed most of the companies surveyed outsourced their non-core activities like security services in order to concentrate on their key activities thus achieving operation efficiency.

5.2 Conclusion

Globalization comes with its own challenges and opportunities that would affect all businesses especially those that have interests across the border of their country of operation. The private hire vehicle sector was found to thrive on the tourist/leisure clientele and consequently had heavy interest in the global scene. The changes in the global scene were said to have enabled the companies get access to clientele abroad and many reported to have initiated market activities such as creation of the website to propagate them on this path. The firms were however hit by an escalation of fuel prices that negatively affected their profitability. The responses of these firms to global changes were internet advertising, reduction of customer complaints in face of competition and also benchmarking their services with those of the competition. In view of the global changes, the firms reported to target to implement strategies that are likely to increase or maintain their market presence.

In conclusion, the objective of the study was to determine the implications of globalization to the private hire vehicle companies and how they have responded to the global changes. From the findings, it can be concluded that the objective of the study was met and the responses to the changes that the firms utilize were determined as shown in the previous chapter..

5.3 Recommendations

First, it was noted that the global market is partially exploited by the private hire vehicle companies. The study it was revealed that 31.4% of the smaller companies had entered into partnerships with other firms compared to 53.8% of the larger firms. It is thus recommended that smaller vehicle hire companies be encouraged to amalgamate in order to benefit from economies of scale. Such integration may include both local and international firms.

Secondly, it was also revealed that in spite of globalization, companies had to a little extent sought cheaper credit globally. It is recommended that vehicle hire companies are taught on other business opportunities available on the global scene that they can exploit besides just marketing their products. This will not only improve their business efficiency but also improve their profitability and modern technology utilization.

5.4 Limitations of the Study

This study could have been a lot better if it was not for several limitations. The chief among these limitations was the understanding of the subject. This had to take a lot of time to explain. Some of the respondents did not have the time and expertise to respond to such a study. Some of the respondents are not widely knowledgeable, thus the data collected at one point in Kenya could contain some bias results. The research was restricted to Nairobi Only. Operators who are based in other towns may respond to the environmental changes differently. Possibly the data could have been more helpful if it was collected from two or more towns and then be compared to be able to have more accurate and objective information for conclusions and generalizations.

The other limitation was that like all other projects, it is expensive both in resources and time spent. Some private hire vehicle companies operate in informal set-up to the extent that they. This makes it difficult for such companies to have records that can be relied on.

5.5 Recommendations for Further Research

Due to resource constraints and time limit the study was carried out among hire vehicle companies with their head offices in Nairobi. More research can be carried out in other towns in Kenya such as Mombasa or in East African region to gather adequate information that can be used to formulate a sustainable framework for advising the hire vehicle companies on strategies for coping with the effects of globalization.

In addition a comparative study is suggested to be carried out with other transport systems like inter-urban bus companies, “*matatus*”, personal vehicles, trains, ships and aircrafts.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

August 2007.

Dear Sir/Madam,

I am a post graduate student in the School of Business, University of Nairobi. I am conducting a management research on the implications of globalization on the private hire vehicles in Nairobi.

In order to undertake the research, you have been selected to form part of the study. This letter is therefore to request your assistance in collecting information to enable me carry out the research. The information you give will be treated with strict confidentiality and is needed purely for academic purposes; even where a name of your hire vehicle company has been provided, it will not under any circumstances be divulged.

A copy of the final report will be available to you upon request. Your assistance and cooperation will be highly appreciated.

Yours sincerely,

Hannah N. Ngugi
Student

Mr. Alex Jaleha,
Lecturer, School of Business
Administration (Supervisor)

APPENDIX II: QUESTIONNAIRE

QUESTIONNAIRE FOR IMPLICATIONS OF GLOBALISATION ON HIRE VEHICLE COMPANIES IN NAIROBI

Section A: Classification Questions

1. Name of the company.....
2. Which is your country of incorporation?.....
3. In which year was your private hire vehicle company established in Kenya?.....
4. Which town represents your home base of operations?.....
5. What is your total number of vehicles in your fleet? **(Please tick below)**
 1-10 11-20 21-50 More than 50
6. What is your geographical network coverage served by your hire vehicles in East Africa?
(Please tick below)
 Kenya Uganda Tanzania
7. In Kenya, what is your geographical network coverage by way of routing from your home base? **(Please tick below)**
 Nairobi Central Kenya region All over the country
8. What type of vehicles do you currently use in your operations in Kenya?

Type	How many of them	Seating capacity
Saloon car		
Nissan Matatu		
Minibus		
Pick up		

4 wheel drive vehicles		
Other (please specify)		

9. What changes (if any) has your fleet undergone over the last 10 years in terms of the following?

	Decreased	Unchanged	Increased
Fleet size			
Variety or types of vehicles			
Use of technology to manage fleet			
Use of technology to monitor vehicles e.g. GPS			
Other (please specify) _____ _____			

10. Have you integrated a computerized fleet management system? (Please tick below)

Yes No

11. Under which of the following categories do your passengers typically fall?(Tick all that apply)

a) VIP/Executive

b) Business

c) Tourist/Leisure

d) Individuals

e) Other e.g. group (specify) _____

12. What can you say about the following in the vehicle hire sector over the last 10 years? Rate them on a scale of 1 to 5 as shown below.

	No change	Worsened	Slightly Improved	Improved	Much Improvement
Road safety					
Reliability of vehicles					
Security of vehicle					
Profit margins					
Road conditions					
Environmental pollution (Car emissions)					
Formation of industry cartels					
Cost of Fuel					
Government taxes					
Customer needs					
Competition within industry					

Section B: Response Questions

- 1) Does your company entered into a strategic alliance/partnership with any other organization? Yes No
- b) If yes, what is the nature of the cooperation?
- a) Merger/Acquisition
 - b) Service provision (e.g. staff transport)
 - c) Supplies (eg fuel, accessories)
 - d) Association of similar businesses
 - e) Other (specify) _____
- 3) c) If yes to 1, what is the ownership of the company(ies) you are in partnership with?
(Please tick below)

Local

Foreign

d) If no to 1 above, why?.....

2) State ways by which the operations of your company has been affected by global changes in the last 10 years?

Positive effects

- (i) _____
- ii) _____
- iii) _____
- iv) _____
- v) _____

Negative effects

- (i) _____
- ii) _____
- iii) _____
- iv) _____
- v) _____

3) To what extent can you attribute the following adjustments made by your company (if any) in the last 10 years to global changes? Please give a ranking by putting a circle from 1=Not at all to 5=To a very great extent

A. Service

	Not at all	1	2	3	4	5	to a very great extent
1) Improvement of service level			[]	[]	[]	[]	[]
2) Introduction of new services			[]	[]	[]	[]	[]
3) Introduction of new and unique service			[]	[]	[]	[]	[]
4) Global benchmarks on quality of service			[]	[]	[]	[]	[]

5) Reduction of customer complaints	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6) Retrenchments/Rationalization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7) Other (specify).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B) Marketing and Promotion

	Not at all	1	2	3	4	5 to a very great extent
1) Increase in advertising expenditure		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) Event sponsorship		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) Sales promotion		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) Niche marketing		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5) Developed global brands		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6) Use of global marketing and themes		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7) Emphasis on brand name for marketing		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8) Advertising through internet		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9) Other (please specify).....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C). Pricing

	Not at all	1	2	3	4	5 to a very great extent
1) Price reductions		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) Price increments		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) Use of discriminatory pricing		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) Marching competitors' fare		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) Other (please specify).....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D). Technology

	Not at all	1	2	3	4	5 to a very great extent
1) Use electronic bookings		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) Introduced internet advertising		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) Created own website		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) Use teleconferencing, online chats		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5) Installed entertainment media in vehicles		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6) Introduced fleet management system		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 7) Introduced fleet tracking system
- 8) Other (please specify).....

E. Cost Structure

- | | Not at all | 1 | 2 | 3 | 4 | 5 | to a very great extent |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1) Capital investment in technology | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2) Input sourcing e.g. fuel/supplies | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) Cost controls/ cutting | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4) Diversification of business options | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5) Divesture from business operations | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6) Seeking cheaper credit globally | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7) Other (please specify)..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

F. Market Research Activities

- | | Not at all | 1 | 2 | 3 | 4 | 5 | to a very great extent |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1) Research customer needs/satisfaction | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2) Research on competitor strategies | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) Training and development programs | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4) Hiring of experts/consultants | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5) Increase on strategic planning cost | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6) Cross-cultural training | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7) Employees speaking several languages | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8) Other (specify)..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

4 Could you indicate any other responses you have employed in regard to the changes in the transport industry?

- | | Yes | No |
|-------------------------------------|--------------------------|--------------------------|
| Lobbying/cartel forming | <input type="checkbox"/> | <input type="checkbox"/> |
| Fronting for new legislation | <input type="checkbox"/> | <input type="checkbox"/> |
| Public relations | <input type="checkbox"/> | <input type="checkbox"/> |
| Influencing public opinion leaders | <input type="checkbox"/> | <input type="checkbox"/> |
| Investment in up-to-date technology | <input type="checkbox"/> | <input type="checkbox"/> |
| Sourcing efficiencies/outsourcing | <input type="checkbox"/> | <input type="checkbox"/> |

Focus on economies of scale and scope [] []

Divesture

[] []

Any other responses (please specify)

5. Which of the following is the most likely strategy regarding your area of coverage?

- a) Increase in market presence []
- b) Maintain market presence []
- c) Decrease market presence []
- d) Exit the market []
- e) Form partnership/joint venture []
- f) Not sure []

6. Kindly rank the following in order of importance to your hire vehicle company. Please use the following scale.

	Least important	1	2	3	4	5	Most important
Survival		[]	[]	[]	[]	[]	
Growth		[]	[]	[]	[]	[]	
Profitability		[]	[]	[]	[]	[]	
Market share		[]	[]	[]	[]	[]	
Competitive position		[]	[]	[]	[]	[]	

10. Please highlight any other issues regarding the effects of global changes on the car hire industry in Kenya

THANK YOU VERY MUCH FOR YOUR TIME AND CO-OPERATION

APPENDIX III: LIST OF PRIVATE HIRE VEHICLE COMPANIES IN NAIROBI

	Private Car hire Companies in Nairobi	Telephone no.
1	Access Car Hire	220331
2	Airporter Ltd	822348
3	Alamco Car Hire	331648
4	Amco Taxis and Car Hire	446376
5	Archers Cabs Ltd	221035, 229652
6	Arrow Car Ltd	224668
7	Avenue Car Hire	332166
8	Avis Rent A Car Ltd	336703
9	Balta Car Hire Ltd	446253
10	Barnany Car Hire	217456
11	Bayo Ltd	552555
12	Bonfree Car Hire Services	212161
13	Bornfree Car Hire	224845
14	Budget Rent A Car	334904
15	Buzz A Cab Limited	
16	Car Hire Company	225255
17	Car Hire Services	743270
18	Central Rent A Car	332296
19	Chequered Flag Ltd	443354
20	Chesco Travel	747790
21	Coast Car Hire	220365
22	Comfort Taxis	570219
23	Concorde Car Hire	743304
24	County Car Hire Ltd	241754
25	Crossways Car Hire & Tours	223949
26	Davanu Car Hire and Tours	217178
27	Dial a Cab Ltd	243244
28	Dliscount Travel Services	215196
29	Empire Car Hire and Tours	751590

30	Europcar Inter Rent	334722
31	First Cab	550914
32	Freeway Car Hire	331894
33	Freight Tours and Travel	330525
34	Glory Car Hire, Tours & Safaris	222910
35	Golan Care Hire	250775
36	Gold Ride Safaris	335668
37	Habibs Cars Ltd	220463
38	Hardy's Car Hire	224748
39	Heiwa Auto Company	471931
40	Herble Car Hire	224748
41	Hertz Rent A Car	331974
42	Hilltop Radio Call Taxis	723218
43	Hilltop Taxis	2723218
44	Independent Taxis	442272, 446123
45	Inter Rent A Car	229760
46	Inter Rent Auto Ltd	337063
47	Jambo Taxis	822011
48	Jatco Taxis	448162
49	John Irene Safaris	340321
50	Just In A Moment Cab Services	7122565
51	Kenatco Taxis	225123, 338611
52	Kenya Taxi Cab Association	340280
53	Kenyatta Golf Course Taxi Association	722130
54	Kenyatta Market Taxis	2720719
55	Larsen's Car Hire	558864
56	Leisure Car Hire	219667
57	Lexinda Travels Ltd	213535
58	Link Taxis	606095
59	Longonot Travel Co	338450
60	Market Car Hire	225797
61	Mars Car Hire	748418
62	Monarch Car Hire	492423

63	Mwalimu Taxis	4440258
64	National Car Rental	440333
65	Naz Car Hire and Tours	246171
66	New Jambo Taxis	822011
67	On Time Cabs	2730995
68	Payless Car Hire & Tours Ltd	212904
69	Polays Car Hire	337993
70	Princess Cabs	4451309
71	Protocol Car Hire Ltd	570463
72	Rasul's Car Hire	558234
73	Rent A Car	223110
74	Royal Cabs	4442869
75	Sembis Car Hire Ltd	212136
76	Skylink Travels	330704
77	Southern Travels	210458
78	Speigel Ltd	762648
79	Spirit of Africa Safaris	211596
80	Tourline and Travel Ltd	227551
81	TransKenya Safaris & Travel	340559
82	Tropical Car Hire Ltd	225679
83	Turkana Shuttle Services	883288
84	U-Drive Car Hire Tours	337465
85	Universal Cabs	4440950
86	Waka Car Hire Ltd	336660
87	Westlands Car Hire Ltd	440785
88	Wheels Car Hire	568113
89	Wonder Holiday Safari Ltd	213026
90	Wonderview Taxis	4449234
91	Yaya Car Hire Ltd	565651
92	Yaya Taxi Cabs	3866549
93	Zaz Car Hire Tours & Safari Ltd	822418

Source: Kenya Web and Nation Directory, June 2007