STRATEGIES ADOPTED BY MANUFACTURING MULTINATIONAL CORPORATIONS TO COPE WITH SOCIAL CULTURAL CHALLENGES IN KENYA
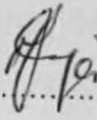
By

Gachanja Wangeci Damaris

A management research project submitted i.. partial fulfillment of the requirement for the Degree of Master of Business Administration, Department of Business Administration, school of Business.

University of Nairobi

November 2009

DECLARATION

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

Signed .... Date: 5th /11/ 2009

Gachanja Wangeci Damaris

D61/P/7127/2006

This research project has been submitted for my approval as the project Supervisor.

Signed.. Date.. 6th/11/ 2009

Dr.Martin Ogutu

Department of Business Administration

School of Business

University of Nairobi.

Dedication

To My loving and wonderful parents, Daniel and Martha Gachanja, whose encouragement has been my source of inspiration and setting a strong foundation for my education at my early age God bless you both abundantly.

In memory of Lillian Wanjugu, so far yet so near in our hearts.

Acknowledgement

Many thanks to the Almighty God for seeing me through the entire period; who inspired, guided and instructed me every step of the way.

Special thanks to my family for their encouragement and support during this entire period and more so, to my parents for their efforts to see me through my University education. I dedicate this great achievement to my wonderful parents, for without their support and advice I wouldn't be where I am

I would also want to acknowledge my project supervisor Dr. Ogutu, for his tireless effort and guidance to see me through this project. May God bless you abundantly.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

The study on manufacturing multinational corporations in Kenya, is motivated by a desire to understand how these firms are able to face the changed environment, the challenges they face when dealing with social cultural challenges within their operating environment, and coping strategies given that they are operating in a developing world whose political, economical, technological, social and cultural environment is totally different from home countries.

The research was carried out through census survey. This was chosen because it provided comprehensive information necessary for comparison purposes. The population of interest in this study included all manufacturing multinational companies in Kenya. According to the ministry of trade and industry for the year 2005, there were 2069 registered manufacturing firms in Kenya. Most of the respondents were corporate strategy managers or marketing managers who had been in the industry for at least five years.

The data collected was analyzed using descriptive statistics. Mean score and standard deviation were used to test the strength of the association between the challenges faced by manufacturing multinational corporations and their coping strategies.

The study concludes that the manufacturing multinational corporations were faced by various social cultural challenges. These included organization policies and organizational systems and procedures .In addition, the firms were faced by attitude towards change and total quality management.

In addition, the study concludes that the manufacturing multinational corporations in Kenya had adopted various to cope with social cultural challenges within the Kenyan concept.
The study recommends that for manufacturing multinational corporations in Kenya to overcome the various social cultural challenges. They need to develop various coping strategies.

The study also recommend that manufacturing enterprises need to reconfigure rapidly in response to changing needs and opportunities and develop innovative manufacturing processes and products with a focus on decreasing dimensional scale.

CHAPTER ONE: INTRODUCTION

1.1 Background

The social cultural environment is a major aspect of a firm's environment, namely, the social values and cultural institutions that influence the behaviour of a firm's internal and external stakeholders, including its employees, its Customers, and host governments. All organisations are environment dependant Ansoff [1988].The environment can either be immediate or remote. The remote or macro environment Consists of political, Economic, Social, Technological, Ecological and legal factors that would impact on an organisation. The immediate environment on the other hand, consists of organisational resources or and factors within the reach and influence of a manager.

While managers may be able to control and manipulate the immediate environment, the remote environment does pose uncontrollable challenges that managers have to cope with for the success of their organisations. These challenges must be anticipated, monitored, assessed and incorporated into the executives' 'decision making process [Wairegi, 2003].

According to Hofstede [1980] strategy is the interactive aggregate of common characteristics that influence a human group's response to its environment. Hence the personal value systems provide a framework that influences the general nature an individual's behaviour, while the aggregate of these personal values defines a society or culture. If we accept the importance of cultural differences on social behaviour, it is apparent that yet another complexity confronts the international manager. Specifically, individuals in different countries may have different value systems and may not react the same way to a given environment. Therefore, business practices that is successful in one set of countries maybe entirely inappropriate in another set of countries.

Nevertheless, a number of well respected organisations in general have had to contend with various social cultural challenges that they have to encounter in their day-today operations. A major social cultural challenge for organisations has been Technology. Levitt [1983] contends that technology has produced markets for specialised consumer products on a previously unimagined scale of magnitude. As a result, accustomed differences national or geographic preferences have largely disappeared. Economists and marketing experts have argued recently that the importance of international appropriate strategies adopted when coming up with coping strategies may be vastly overrated by international managers.

1.1.1 Challenges of Environmental Changes for Organizations

Environmental challenges refer mainly to external environment. These are factors beyond the control of the firm that influences its choice of direction and action, organizational structure and internal processes. It consists of three interrelated categories namely; remote environment which refers to economic, social, political, technological and ecological factors that originate beyond and usually irrespective of, any single firm's operating situation; industry environment refers to general conditions for competition that influence all businesses that provide similar products and services. These include entry barriers, supplier and buyer power, competitive rivalry and substitute availability. Thirdly is the operating environment which refers to factors in the immediate competitive situation that affects a firm's success in acquiring needed resources such as labour, suppliers, customers, creditor and competitors [Pearce and Robinson, 2007].

Most organizations operate in an open system. A system is a set of components that relate and interact within a boundary to the accomplishment of some objective. The system may be closed or open. Whereas a closed system does not depend on the external environment for its survival,

2

an open system depends on its external environment for survival from where it continuously consumes resources and releases resources back to the environment.

An industry's economic features and competitive structure say lot about the basic nature of the industry environment, but very little about the ways in which the environment may change. All industries are characterised by trends and new developments that either gradually or speedily produce changes important enough to require strategic response from participating firms. There are more causes of industry change than an industry's position on the growth curve.

While it is important to judge what growth stage an industry is in, there is more analytical value in identifying the specific factors causing fundamental industry and competitive adjustments. Industry and competitive conditions change because forces are in motion that creates incentives or pressures for change. The most dominant forces are called driving forces because they have the biggest influence on what kinds of changes will take place in the industry's structure and competitive environment.

Environmental turbulence is a combined measure of the change-ability and predictability of the firm's environment. Whereas change-ability is seen by the complexity and the relative novelty of the successive changes the firm encounters in the environment, predictability refers to the rapidity of change, which is the ratio of the speed with which challenges evolve in the environment to the speed with which the firms responds. Predictability is also seen in terms of the firm's vision, which assesses the adequacy and timeliness of information about the future Ansoff and McDonnell [1990]. This explains why companies succeed in times of turbulence because they define their vision and mission well in advance.

1.1.2 Manufacturing Multinational Companies in Kenya

Manufacturing companies can be defined as firms that buy certain products as inputs and then processes these inputs to a value added final product for sale. Data obtained from Kenya Association of Manufacturers [2007], the manufacturing sector plays a vital role in the overall economic performance in Kenya, contributing about 10% to the country's GDP and contributing over 60% of government revenue through taxes with an output value estimated at over KSHS.502 billion in 2005.The sector stagnated in the 90's and had a low growth rate of 1.6% in 2001, but has experienced a recovery in the last two years registering a growth of 4.9%in 2005, and 6.9% in 2006. This remarkable growth in this sector is linked to the overall economic performance.

Kenya Association of Manufacturers acknowledges that the growth in the sector has been driven more by an increase in volumes supplied to the emerging markets of southern Sudan, COMESA, EAC and USA, than the efficiency and productivity improvements. In terms of external trade, the manufacturing sector accounts for 34% of exports/foreign exchange earnings ahead of horticulture, tea, coffee, and tourism.

Despite recording significant presence in the early years of independence, most manufacturing multinationals moved out of Kenya as government policy was not conducive to doing business here compared to other friendly emerging markets and especially in the emergent Asian blocks. Only 10% of the current firms in the sector go back to 1960, and before 45% were established between 1980 and 2000, and the rest after 2000.Local manufacturing multinational firms are owned by indigenous Kenyans, Kenyans originating from other countries and majority being Kenyans of Indian origin [Aosa, 1992].

4

Despite the small number of firms, manufacturing multinational corporations' contribution in the manufacturing industry is significant, employing 88% of total labour force in the industry, with value added and value output of 74% and 88% respectively in 2005.central Bureau of statistics [2006]. The paper seeks to find out the social cultural challenges that manufacturing multinational corporations in the manufacturing sector in Kenya encounter, and their coping strategies.

Multinational entities have played a role in international trade for several Centuries. The term multinational corporation should be reserved for firms that view their domestic operations as part of worldwide or region wide operations and which direct an integrated business system. Multinational corporations are firms with substar 'al investments in foreign countries and are engaged in active management of those offshore assets London and Stuart [2004]. Multinational corporations can also be defined as organisations that have established identical units of their domestic business in different countries and markets.

Focusing in the Kenyan concept, multinational corporations have been able to establish a concrete existence in Kenya, and it is estimated that more than two hundred [200] multinational corporations operate in Kenya. According to Gershenberg [1990] Kenya, along with Mexico, Brazil, India and Nigeria ranks among the most and best researched of the less economically developed countries of the world where multinational corporations exist. In Kenya, the principal source of savings comes from the corporations 'r companies. This is because the Kenyan government tends to run a budget deficit and is therefore not a major saver. This is why only major corporations tend to be the principal savers. The principal corporations operating in Kenya

are subsidiaries of multinational corporations, and the savings from these corporations comes from retained earnings after payment of dividends.

A report by the United Nations [1973], a central characteristic of multinational corporations is the predominance of large firms, typically with sales running into millions of Dollars, at times exceeding economies of some nations. The market in which they operate is typically dominated by few players. The firms are characterised by the importance of new technologies and special skills, and tend to differentiate their products through intense advertising.

Multinational corporations role out their global plans from their head offices, mainly from their headquarters, and their strategic plans are usually very broad based and would focus on values that influence the success or otherwise of strategy implementation. Manufacturing multinational corporations in Kenya despite recording significant presence in the early years of independence, most multinationals moved out of Kenya as government policy was not conducive to doing business here as compared to other friendly emergent markets, and especially in the emergent Asian blocks. 10% of the current firms in the sector go back to 1960 and before, 45% were established in 1980 - 2000, and the rest after 2000.

Most of the firms in the sector are very small in size, capital and having an employee turnover base of less than 50. In terms of ownership, 48% are privately owned by Kenyan and non-Kenyans. The balance includes some of the few remaining foreign owned subsidiaries of multinational corporations that are fairly large with Kenya as the regional base to serve the East African region. Local firms are owned by indigenous Kenyans, Kenyans originating from other countries and majority being Kenyans of Indian origin. Despite the small number of firms, multinational corporations in the manufacturing industry are significant.

1.2 Statement of the Problem

The study sought to demonstrate that coping strategies adopted by manufacturing multinational corporations to counteract social cultural challenges, has great impact on their survival. The Parent company would in many cases expect the multinational corporations to overcome these social cultural challenges based on parent companies perceived understanding of the global markets. Coping strategies adopted by these corporations faces hitches as there is bound to be differences brought about by local factors in any one particular country.

No Previous studies were found related to this study, the only study found related to manufacturing multinational companies in Kenya was a study by Jimnah Mbaru [chairman of dyer & Blair], in Kenya the principal sources of savings comes from corporations or companies. The principal corporations operating in Kenya are subsidiaries of multinational corporations. The savings from these corporations come from retained earnings after payment of dividends. Depreciation expenses also are a form of savings when these corporations earn profits; they tend to declare hefty dividends averaging over 60% of their earnings. These are then repatriated out of Kenya to their shareholders who often are the parent companies.

Before the government liberalisation of the 90's, local manufacturing industries enjoyed a protective regime in that other import of similar products was prohibited. World Bank report [1994]. This opening up posed a significant challenge to a market that had been protected. Today, firms have to operate within this liberalised economy.

The study on manufacturing multinational corporations in Kenya, is motivated by a desire to understand how these firms are able to face this changed environment, the challenges they face when dealing with social cultural challenges within their operating environment, and coping

7

strategies given that they are operating in a developing world whose political, economical, technological, social and cultural environment is totally different from home countries.

To this pool of knowledge there is still a need to further study on social cultural challenges and coping strategies in private sector in Kenya in reference to multinational corporations whose grand strategies are developed in home countries. The research questions therefore being addressed are: What are the social cultural challenges faced by manufacturing multinational corporations, and what are their coping strategies? And also, what strategies have the manufacturing multinational corporations operating in Kenya adapted to cope with the social cultural challenges within the Kenyan concept?

1.3 Research Objectives

The research objectives to be achieved for this research are:

i.   To determine the social cultural challenges faced by manufacturing multinational corporations and their coping strategies.

ii. To establish the strategies that manufacturing multinational corporations in Kenya have adopted to cope with social cultural challenges within the Kenyan concept.

1.4 Importance of the study

The findings of the study would be of interest and value to various persons as follows:

i. Scholars: Scholars would use the findings of this study for further research on social cultural challenges facing organizations.

ii. The study will give added information or social cultural challenges of multinational companies in Kenya to business related course trainers as well as training institutions endeavoring to teach international trade/business in their curriculum.

iii. Multinational corporations operating in Kenya would find the results of this study valuable   for enriching the indigenous Kenyan firms coping strategies adopted for multinational operations.

iv. The study will provide information that will be useful generally to the government of Kenya in the design and implementation of trade policies directed at coping strategies of social cultural challenges considered by Kenyan indigenous firms.

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategy and the Environment

Strategy is a multi dimensional concept that embraces all the critical activities of the organization, providing it with a sense of unity, direction and purpose as well as facilitating the necessary changes induced by the environment as described by Hax and Majluf [1996]. Strategy can be categorized into corporate strategy, the business unit strategy and the operational strategies

Johnson and Scholes [1997] define strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of the resources within a changing environment, to meet the needs of markets and fulfil stakeholder's expectations. Its main purpose is to enable the firm to gain as efficiently as possible a sustainable edge over its competition. Corporate strategy therefore strives to alter a company's strength relative to that of competitors in the most efficient way.

All organizations operate in a macro environment, which is defined by the general elements in the external environment that can potentially influence strategic decisions. Important elements of the macro environment include the political environment, the economy, technology, demographics, and the social and natural environment. Many of these factors are uncontrollable. Today, companies large and small are being victimized or buffeted about by the recession, government interference and competitors' actions. But their being uncontrollable does not mean that managers can ignore them, try to get by, and use them as excuses for poor performance. Managers must stay abreast of and deal constantly with external development.

Hoskinson et al [1997] show that the external environment plays a significant role in the growth and profitability these of firms. Many companies now compete in global rather than domestic markets. Technological changes and the explosion of information gathering and processing capabilities demand more timely and effective competition, actions and responses. Government policies and laws affect where the organization is going to compete. Firms need to be aware of and understand the implications of the environmental realities to compete effectively. Strategic decision makers know that understanding their firm's external environment, helps to improve the firm's competitive position, increase operational efficiency and win battles in the global economy.

According to Pearce and Robinson [2000] a host of external factors influence the firm's choice of direction and action and ultimately its organization structure and internal processes. According to the two authors, the external environment can be divided into three inter-related sub-categories: the remote, the industry and the operating environment. The remote environment comprises factors that originate beyond and usually irrespective of any single firm's operation situation. These are economic, social, political, technological and ecological factors. This environment presents the firm with opportunities and threats but rarely does a single firm exert any meaningful reciprocal influence.

Changes in the environment will lead to changes in objectives and strategy [Pearce and Robinson]. The environment is complex and ever changing and it will continue to change rapidly, rapidly and unpredictably Burnes [1996]. Therefore managers have to keep reviewing their strategy to match environmental demand. A firm has to learn, adopt and reorient itself to the

changing environment, in order to enhance preparedness in handling unplanned events; an organization needs to augment the timeliness of managerial response to the unplanned changes.

The Kenyan environment has been undergoing drastic changes. Some of the changes include the globalization and liberalization of the economy discontinuation of price controls and increased international competition. In this changing environment, organizations have had to constantly adapt their activities and internal configurations to reflect the new external realities. Failure to do this may put the future success of the organization's in dilemma [Aosa, 1998].

Table 1: Environmental Influences

The Economy	The strength of the economy influences the availability of credit and the willingness of people to borrow. This affects level of demand.
Capital Markets	This includes shareholder, and their satisfaction with company success. Are they willing to buy more shares if offered to them to increase share equity?
Labour Market	Changes in structure with an ageing population and more women seeking work. Availability of skills, particular in some regions. The influence of trade unions.
Technology	Robotics in manufacturing in such industries as car assemblies. Computer for design and manufacturing information technology.
Social cultural environment	Pressure groups affecting demand in industry location. Changing tastes and values.
Government	Regional aid policies. Special industry initiatives where high

	technology is involved.
Media	The effect of good and bad publicity, drawing attention to companies, products and services.
Competitors	Changes in competitor strategies. Innovation.

Source: Irwin McGraw; competitive Analysis.

2.2 Social Cultural variables and Challenges for Organizations

Indeed, Levitt [1983] argues that many of today's differences among nations and firms as to products and their features actually reflect the respectful accommodation of multinational corporations to what they believe are fixed local preferences. Another profound social cultural challenge for organizations in the recent years has been the large number of women entering the labour market. Not only have women affected the hiring and compensation policies and resource capabilities of firms employing them, they have also created or greatly expanded demand for a wide range of products and services necessitated by their absence from homes.

Human Resource practices is also a social cultural challenge, because it requires firms to adapt to cultural needs, but a failure to recognize and adapt to these cultural different needs has caused problems Irrespective of whether it is a local firm or a multinational corporation. Achieving success in business, demands that firm's human resources practices be adapted to country norms. Religion is also or may also be considered as a social cultural challenge to any organization, this is because spiritual beliefs of a society are often so powerful that they transcend other social cultural aspects. Religion commonly underlies both moral and economic norms. For example in the United States, the effects of religion in the work place are limited, whereas in other countries

religious beliefs and practices often influence everyday business transactions and on –the –job-behaviours.

Change may also be considered as s social cultural challenge to organisations because it is based largely on long standing religious beliefs, values regarding the acceptance of change and the pace of change can vary immensely among cultures. International firms are usually considered as agents of change throughout the world; however, some changes are more popular than others.

In societies that place great importance on tradition uch as china, one small area of change may threaten the entire way of life as suggested by [Webber,1995].Aesthetics is also a major component of social cultural as aspects of an organization, and may also be considered as a social cultural challenge. Aesthetics generally pertains to a cultures' sense of beauty and good taste and is expressed in its drama, music and dances. Art may become a social cultural challenge to organizations due to the different symbolic meanings it may portray to different people. Colours, especially, can be deceptive because they mean different things to different cultures. In Islam, any advertisement or package featuring green colour is looked at favorably in the Islamic world. On the other hand, in parts of Asia, the colour green connotes illness or death of the jungle or forest. This illustrates that organizations when undertaking their marketing campaigns, must be careful to check if colours have any special meanings before using them for products, packages or advertisements.

Music and folklore may become a social cultural challenge, because an incorrect use of these items may sometimes cost the firm a share of its market. Hence, Herskovits [1995] states that, folklores are valuable in maintaining a sense of group unity, and thus knowing them is an

indication that one belongs to the group, which recognizes that the outsider is unfamiliar with its folklore.

Every culture has a set of attitudes and beliefs that influence nearly all aspects of human behaviour and help bring order to a society and its individuals. The more managers can learn about key attitudes, the better prepared they will be able to understand why people behave the way they do. The major social cultural challenge posed by attitudes includes mainly attitudes towards work and attitude towards change. Attitude towards time is a social cultural challenge because it presents more adaptation problems for organizations. From the foregoing, it should be apparent that to be successful in their relationships with people in other countries, organizations must be students of culture.

They must have factual knowledge, which is relatively easy to obtain, but they must be sensitive to cultural differences and its challenges. The more you know about another's culture, the better will be your predictions of that Person's behaviour. It is therefore evident that numerous social cultural challenges do exist for any organization that exists, and that the success of the organization requires that these challenges be recognized and addressed.

2.3 Organisational response to environmental changes

Most organizations operate within an open system which is defined as a set of components that relate and interact within the boundary to the accomplishment some objective. The system may be closed or open. Whereas a closed system does not depend on the external environment for its survival in an open system depends on how it responds to the changes in the external environment. There are two types of responses that a company can adopt: Strategic and operational responses to environmental challenge

15

Operational responses include raw materials sourcing and purchasing, production and manufacturing, distribution and logistics. Its role in strategic process is in delivering competitive advantage and coordinated support for products. The link between overall strategy and operational aspects of the organization is important because, if the operational aspects of the organization are not in line with the strategy, then, no matter how well the strategy is, it will not succeed. Secondly, it is at the operational level that real strategic advantage can be achieved. If change is to be successful it also has to link the strategic and the operational and everyday aspects of the organization.

On the other hand, according to Porter [1980] strategic responses reflect a firm's competitive position in the industry and a fast changing environment may force the firm to change its position and this may be achieved through cost, leadership, differentiating products and/or services or focused strategy. Whereas strategic responses are ambiguous/uncertain, complex, organization-wide fundamental and have long term implications, operational responses are customized, operationally specific and have short term implications.

2.3.1 Strategic Responses

According to Grant [2000], survival and success of an organization occurs when an organization creates and maintains a match between its strategy and environment and also between its internal capability and the strategy. Strategic responses require organizations to change their strategy to match the environment and also to transform or redesign their internal capability to match this strategy. This in turn means that organizations need to harness both its tangible and intangible assets to maintain a strategic fit between its strategy and environment. If this fit is not realized then a strategic gap exists. Also if its internal capabilities are not matched with the strategy then

16

a capability gap arises. Mwanthi [2003] showed that it is important for organizations to remain relevant to their consumers and that sustaining shareholder value is of prime importance.

This can only be achieved by setting strategic priorities that will ensure that it meets its long term objectives. Strategic planning is therefore crucial for every manager due to the high degree of competition and unpredictability prevailing in many industries. Environmental scanning is paramount and both managers and employees must be involved in the planning process in order to achieve a holistic implementation. Mwaura [2001] recommends that it is important for firms to develop methods of collecting competitor intelligence by undertaking serious market analysis to be able to formulate appropriate and effective strategies. Furthermore, strategic plans should be flexible and should involve the whole organization. He therefore recommends that managers must have futuristic orientation in their thinking and actions.

Ansoff and McDonnell [1990] notes that strategic responses involve changes in the firm's strategic behaviours to ensure success in the transforming future environment. The choice of the response depends on the speed with which a particular threat or opportunity develops in the environment. According to Porter [1980] strategic responses reflect a firm's competitive position in the industry and a fast changing environment may force the firm to change its position. He asserts that a competitive position may be created around cost leadership, differentiating products and/or services or focused strategy. Firms may sometimes pursue more than one approach as its primary target. Pearce and Robinson [1997] observe that a long term or grand strategy must be based on a core idea about how a firm can best compete in the market place. Strategic responses may be categorized in two levels: corporate level and Business level strategy.

17

The Corporate Level strategy is referred as the overall managerial game plan for a diversified company. Corporate strategy extends companywide-an umbrella over all businesses that a diversified company is in. It consists of the moves made to establish business positions in different industries and the approaches used to manage the company's group of businesses. Crafting a corporate strategy for a diversified company involves four kinds of initiatives:

The first concern in diversification according to Pearce and Robinson [1997] is making the moves to accomplish diversification. This means, what portfolio of businesses should consist specifically, what industries to diversify into and whether to enter those industries by starting a new business or acquiring a company already in the industry. This piece of corporate strategy establishes whether diversification is based narrowly in a few industries or broadly in many industries, and it shapes how the company will be positioned in each of the target industries.

The second concern is that, as positions are created in the chosen industries, corporate level strategy making concentrates on ways to get better performance out of the business-unit portfolio. A firm should initiate actions to boost the combined performance of the business the firm has diversified in. Decisions must be reached about how to strengthen long-term competitive positions and profitability of the businesses the corporation has invested in Ansoff and McDonnell [1990]. Corporate parents can help their business subsidiaries be more successful by financing additional capacity and efficiency improvements, by supplying missing skills and managerial know-how, by acquiring another company in the same industry and merging the two operations into a stronger business, and/or acquiring new businesses that strongly complement existing businesses.

18

Thirdly, a firm should find ways to capture the synergy among related business units and turn it into a competitive advantage Porter [1980]. When a company diversifies into businesses with related technologies, similar operating characteristics, the same distribution channels, common customers, or some other synergistic relationship, it gains competitive advantage potential not to open to a company that has diversified into totally unrelated businesses. With related diversification companies can usually transfer skills, share expertise or share facilities across businesses, thereby reducing overall costs, strengthening the competitiveness of some of the corporations products, or enhancing the capabilities of particular business units-any of which can represent a significant source of competitive advantage. Indeed, what makes related diversification so attractive is the synerginistic strategic fit across related businesses.

A firm should establish investment priorities and steering corporate resources into the most attractive business units. A diversified company's different businesses are usually not equally attractive from the standpoint of investing additional funds. Corporate executives need to rank the attractiveness of investing more capital in each business so they channel resources into areas where earning potentials are higher Porter [1980]. Corporate strategy may include divesting businesses that are chronically poor performers or those in unattractive industry. Divestiture frees up unproductive funds for redeployment to promising businesses or for financing attractive new acquisitions.

Corporate strategy is crafted at the highest levels of management. Senior corporate executives normally have lead responsibility for devising corporate strategy and for synthesizing whatever recommendations bubble up from lower level managers. Key business-unit heads may also be

19

influential, especially in strategic decisions affecting the business they head. Major strategic decisions are usually reviewed and approved by the company's board of directors.

The term business strategy or business-level strategy refers to the managerial game plan for a single business. It is mirrored in the pattern of approaches and moves management devises to produce successful performance in one specific line of business. Business strategy is concerned principally with [A] forming responses to changes underway in the industry, the economy at large, the regulatory and political arena, and other relevant areas, [B] crafting competitive moves and market approaches that can lead to sustainable competitive advantage, [C] uniting the strategy initiatives of functional departments, and [D] addressing specific strategic issues the business faces.

Clearly, business strategy encompasses whatever moves and new approaches managers deem prudent in light of competitive forces, economic trends and market developments, buyer demographics, new legislation and regulatory requirements, and other broad external factors Porter [1980]. A good strategy is well matched to the external situation; as the external environment changes in significant ways, adjustments in strategy eventually become desirable. Whether a company's response to external change is quick or slow tends to be a function of how long events must unfold before managers can assess any implications for the business and how much longer it takes them to form a strategic response. Some external changes, of course, require little or no response, while others call for significant strategy alterations.

On a broader internal front, business strategy must also aim at uniting strategic initiatives in the various functional areas of business [purchasing, production, R&D, finance, human resources, sales and marketing, and distribution]. Strategic actions are needed in each functional area to

20

support the company's competitive approach and overall business strategy Pearce and Robinson [1997]. Strategic unity and coordination across the various functional areas add power to the business strategy.

2.3.2 Operational Responses

This link between overall strategy and operational aspects of the organization is important. First, if the operational aspects of the organization are not in line with the strategy, then, no matter how well considered the strategy is, it will not succeed. Second, it is at the operational level that real strategic advantage can be achieved. The strategy of an organization is affected not only by environmental forces and resource availability, but also by the values and expectations of those who have power in and around the organization. Whether a company is expanding or more concerned with consolidation, and where the boundaries are drawn for a company's activities, may say much about the values and attitudes of those who influence strategy-the stakeholders of the organization. [Johnson and Scholes , 2002].

In overall, a strategy is required. However, the characteristics described below can provide the basis for a fuller definition: Strategy is the direction and scope of any organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfil stakeholder expectations. There are a number of consequences of these characteristics: Strategic decisions are likely to be complex in nature. It will be emphasized that this complexity is a defining feature of strategy and strategic decisions Porter [1998]. This is especially so in organizations with wide geographical scope, such as multinational firms, or wide ranges of products or services. Strategic decisions may also have to be made in situations of uncertainty; they may involve taking decisions with the views of the

future about which it is impossible for managers to be sure. Strategic decisions are also likely to demand an integrated approach to managing the organization Pearce and Robinson [1991]. Unlike functional problems, there is no one area of expertise, or one perspective, that can define or resolve the problems. Operational responses may be categorized in the following classes of strategies, which cover the various functional areas of the firm:

Under marketing strategies, Kotler [1998] observes that marketing plays a critical role in the company's strategic planning process. Marketing is seen to be a more durable alternative to increase volume instead of continuously cutting profit margins morine, [1980] in Mugambi [2003]. Marketing policies need to be redefined in line with customer shifts for more valued adding products or services Slatter [1992] in Mugambi [2003]. A firm needs to be constantly in touch with its existing customer base, quickly introduce adjustments to its portfolio as necessary and refocus customer needs. Marketing responses can be in any of the four Ps of marketing that is product, price, promotion and place [distribution].

In product strategy, Kotler and Keller [2005] define a product as anything that can be offered to a market to satisfy a need or want. It is a bundle of different attributes from the firm's point of view. The product element of the marketing mix is what is being sold. A new product development strategy may be either reactive or proactive. According to Boy and Walker [1990] in Mwangi [2003], reactive strategies include a defensive strategy; where existing products are adjusted in such a way that they more effectively compete against recently introduced competitive goods and services or an imitative strategy. A proactive strategy is one where the firm goes ahead of competition and introduces a new product through innovation.

22

In price strategy, price is the only element of the marketing mix that generates revenue. The price set depends on the customers' assessment of the unique product features [perceived quality], competitors, substitute's prices and the actual costs Kotler [1999]. Kibera [1998] observes that from a marketing point of view, price is the value placed on a good or service by customers at the same point in time. Pricing strategies are complex and difficult. Pricing must be consistent with the firm's overall strategy, target markets and brand positioning. Pricing strategies include cost-plus pricing, penetration pricing, skimming, and odd pricing, geographical pricing and suggested retail pricing strategies.

Place strategy deals with how the product is distributed and how it reaches its customers. Successful value creation needs successful value delivery. Marketers are increasingly taking a value network view their business. Instead of limiting their focus to their immediate suppliers, distributors and customers, they are examining the whole supply chain that links raw materials, components and manufactured goods and show how they move towards the final consumers.

Place strategy helps in the selection of suitable branch locations and other channels through which to distribute the products and services to customers. It overcomes the time, place, possession gaps that separate goods and services from those who need them or those who want them Kotler [1998]. A firm can distribute the product itself or it could distribute it through intermediary organizations. A firm could either use push strategy in managing its intermediaries. A push strategy involves the use of sales force and trade promotion mainly by a manufacturer to include intermediaries to carry, promote and sell the product to the end users. It is appropriate where there is low brand loyalty, the product is an impulse item and product benefits are well known. A pull strategy involves the manufacturer using advertising and promotion to persuade

customers to ask intermediaries for the produc. It is appropriate where perceive differences between brands or when people choose the brand before they go to the store [Kotler and Keller 2005].

Promotion strategy is the element of the marketing mix that the organization has most control over. Modern marketing calls for more than developing a good product, pricing it attractively and making it accessible Kotler and Keller [2005]. Promotion includes all the marketing communications effort that let the public know of the product or service. Kotler [1998] summarizes the promotion decisions areas as sales promotion, advertising, sales force, public relations and direct marketing. The aims of promotion are arousing attention, generating interest, inspiring desire and initiating action. Marketing communications allow companies to link their brands to other people, places, events, brands, experiences, feelings and things.

According to Pearce and Robinson [2005] the production and operation management is the core function of the organization. The operation strategy is the game plan for the production of goods and services for the organization. Its aim is to achieve efficiency and effectiveness in manufacturing and service operations. Production and operation decisions usually determine if operations will be demand oriented or outsourcing oriented to take a balance of the two.

Operation strategies include decisions on such issues as what new products must be developed and when they must be introduced into production, what new production facilities are needed and what production schemes will be followed to produce products or services. The elements of production strategy include: positioning the production system, focus of production/ services, production process and technology plans [Galther, 1996].

24

A technology strategy is one of the central functions for achieving competitive advantage because of the fast paced transformations being witnessed today. Technology intelligence is a must in order to gather information on the dynamic technological markets. Hax and Majluf [1996]. The interplay between computers and rapid technology development has made flexible manufacturing systems a major consideration in operations.

Finance is the most centralized functional area. Financial accountability unavoidably resides within the CEO. Financial strategy involves decisions such as obtaining and allocating funds, working capital management, and financial intelligence. Its strategic decisions are in the sphere of corporate decisions. The financial strategies direct the use of financial resources in support of business strategy, long term goals and annual goals and objectives Pearce and Robinson [2005]. The human resource function is the most decentralized and pervasive of the managerial functions. The strategic decisions cannot be realized without the full participation and responsibility of managers and supervisors at all hierarchical levels. The human resource management ''paradigm shift'' involves looking at the people expense as an investment in human capital. It involves looking at the business value chain and the value of human resource components along the various links in the chain [Pearce and Robinson, 2005].

Procurement strategies help in the supply of raw materials, supplies and services needed for the smooth operation of the firm's business at minimum cost and achieve a high level of service quality. This requires the creation of a special base of suppliers, developing relationships with suppliers, participating in the design of the product and contributing to the resolution of the make vs. Buy decisions Hax and Majlif [1996]. Outsourcing strategies provide guidelines about questions such as: Are the cost advantages of using few suppliers outweighed by the risk of

overdependence? How will volume and delivery requirements of purchases support operations? The procurement strategy chosen will depend on the answer given to these questions.

2.4 Organization coping strategies to Social Cultural challenges

Management means more than reacting and adapting to environments; it can also mean changing or shaping the organization's environment. In strategic decision making, an excellent example of analyzing, adapting to [coping strategies], and shaping the environment is Michael Porters' model for competitors analysis. Michael Porter is a professor of corporate strategy at Harvard University. Include Porters model for competitor analysis.

2.4.1 Generic strategies

Porter [1998] reformulated the three generic strategies. These strategies must be taken into account when firms have to change their strategies. The strategic response reflects the firm's competitive position in the industry. To overcome the competitive forces and succeed in the long term, management can select from several competitive strategies: Cost leadership, can be achieved by a firm adopting functional policies and result to aggressive construction of efficient scale facilities. It can also be done through rehabilitation of the plants and machinery installation which is necessary to achieve efficiency and cost reduction. Cost cutting strategies minimize wastage and unnecessary expenditure.

The generic responses are cost leadership, differentiation and focus. The adoption of one of these approaches will provide the context for actions taken in each of the organizations functional areas which include production, marketing, human resources, accounting and finance. A firm adopting a generic of cost leadership sets to be the lowest cost producer in the industry. Among

26

the more common sources of cost advantage are economies of scale, specialist technologies which are owned by the company and preferential access to raw materials. For example, manufacturers of low priced cars require large manufacturing facilities, low cost designs, a ready supply of components and semi-skilled labour and a large number of sales outlets in order to ensure that their products are sold.

Differentiation can be achieved by creating the perception of uniqueness about a product or service Barman [2002] in Mugambi [2003]. In a study conducted by Barman [2002] she identified differentiation as a strategy use by non-profit organizations when they were faced with a crowded market. Differentiation can also be created through aggressive marketing campaigns. Rivalry between firms drives them to avoid what others have done and to stake out their own options. Firms adopting a generic strategy of differentiation seek to be unique within their industries along some lines which is widely valued by buyers. Company which adopts a differentiation strategy is rewarded for its uniqueness by being able to charge a high price for its goods or services. This will lead to higher profits if the price premium is greater than the cost of differentiation.

The third generic strategy, according to Porter [2005] rests on the choice of a narrow segment of the market. Organizations adopting this approach aim to obtain a competitive advantage by specialising in serving the needs of a small group of buyers. Cost focus strategies are designed to meet the price concerns of small specialist markets, while differentiation focus strategy aim to meet the specialist design and the status needs of customers. Porter suggests that firms that don't pursue a generic strategy will tend to lose out to competitors that do. He is particularly damning companies which get stuck in the middle and neither pursues a low cost nor differentiation

strategy. He suggests that it is better to concentrate on one of the generic approaches listed above, than to attempt to please all sections of a particular market, and one way of overcoming the dangers associated with becoming stuck in the middle is to restructure the organization in recognition of these pressures Focus strategy is about identification of a particular customer segment, geographical market and coming up with products suitable for that segment focusing on a specific market segment.

2.4.2 Collaborative strategies

Firms may enter into collaborative agreements with other players in the industry, either local or foreign. Such collaborations take the form of strategic alliances, mergers and acquisitions, licensing and franchising. Shollei [1999] argued that in order to fortify a firm's position against predators form abroad, it is important to collaborate. Increased forces have pushed more and more firms to enable them effectively in those markets. Pooling of resources is necessary since some market opportunities are too massive for a single firm to exploit. Collaboration also reduces the cost of differentiation and enhances competitive advantage.

Restructuring is based on the notion that some activities in a business value chain are more critical to the successes of its strategy than others Pearce and Robinson [1998]. Managers need to make the strategically critical activities the central building blocks for designing the organization's structure. Restructuring includes both process and structural organizations such as business process reengineering [BPR], Total quality management [TQM], downsizing and outsourcing. Reengineering is the fundamental rethinking and radical design of business process to achieve dramatic improvement in critical contemporary measures of performance such as cost, quality, and service and speed Hammer and Champy [1993] in Hill and Jones [2004].

28

Total quality management [TQM] stresses that all company operations should be oriented towards improving reliability of the company's product offering Dean and Bowen [1994].TQM is about continuous improvement in the quality of products or services being offered. Reengineering and TQM are highly interrelated and complimentary. After reengineering has taken place and the value chain activities have been altered to speed the product to the consumers, TQM takes over with its focus on how to continue to improve and refine the new process and find better ways of managing task and role relationships [Hill and Jones 2004].

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research was carried out through census survey. This was chosen because it provided comprehensive information necessary for comparison purposes. It was important to find out how various categories of manufacturing multinationals cope with the socio-cultural challenges in the host country basis. This approach is indeed supported by [Cooper and Schindler 2003].

3.2 The Population

The population of interest in this study included all manufacturing multinational companies in Kenya. According to the ministry of trade and industry for the year 2005, there were 2069 registered manufacturing firms in Kenya. Using additional data from the Kenya Association of Manufacturers (KAM 2008 directory), 15 of these firms were determined to be multinational manufacturing companies. The study was a census which was feasible because the population is small and it was practical to survey the whole population. Census gave results representative of the population compared to sampling in this industry.

3.3 Data Collection Method

A questionnaire was used to collect data. The questionnaire was divided into three sections: Section A focused on the profile of the firm; Section B with the social cultural challenges faced by the firm within the industry; and Section C focused on the coping strategies adopted by the firm to cope with the challenges. The primary data was collected through the "drop and pick later" technique. This was an approach that had been used by Abdullahi (2000). Most of the respondents were corporate strategy managers or marketing managers who had been in the industry for at least five years. The length of time in the organization was important in that it

30

ensured that the respondents were well versed with their organization and the changes in the industry.

3.4 Data Analysis

The data collected was analyzed using descriptive statistics. Mean score and standard deviation were used to test the strength of the association between the challenges faced by manufacturing multinational corporations and their coping strategies. Descriptive statistics entailed frequency distribution and percentages to analyze the ownership of the firm, size of the firm, years of experience, and the strategies that manufacturing multinational corporations have adopted to cope with social-cultural challenges within the Kenyan concept.

CHAPTER FOUR:

4.0 DATA FINDINGS, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter discusses data findings, analysis and interpretation. A questionnaire was designed and administered, and discussions held with key informants who included senior managers and departmental heads. The interview guide was comprised of closed and open ended questions. In addition, quantitative data was collected from available in-house publications, and periodic performance reviews. Content analysis and descriptive analysis was utilized in the analysis of the findings and data.

4.2 General background

4.2.1 Year of start of operations

This section of study aimed at establishing the year in which the companies started their operations. The Figure 4.1 shows the results.
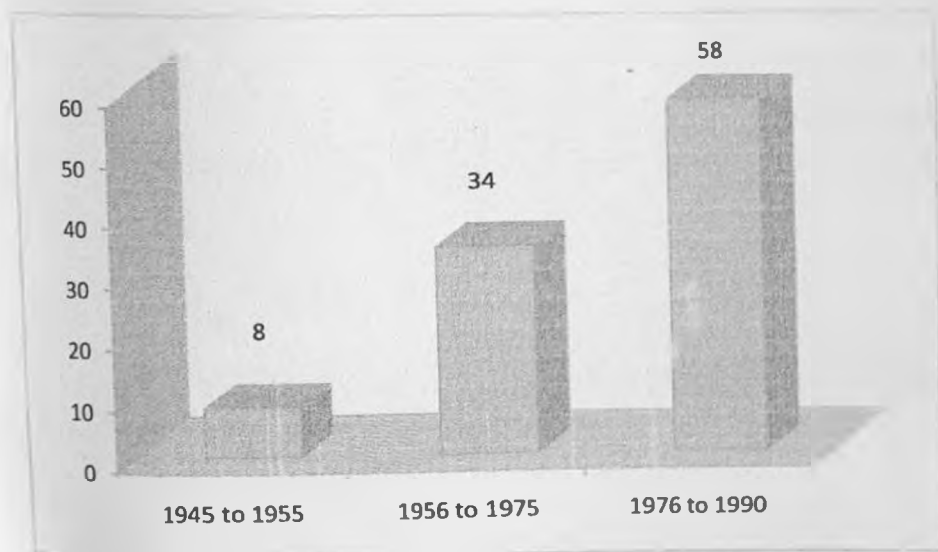
Figure 4.1 Year of start of operations

Data presented in the Table 4.1 shows that majority of the companies started their operation from the period of year 1976 to year 1990, and this was followed by 34 percent who had started operations from the year 1956 to the year 1975.Only 8 percent had started operations from the year 1945 to 1955.

4.2.2 Years of operations

The study proceeded to establish the number of years that the companies had operated.

	Freq	Percent
1 to 5 years	0	0
6 to 10 years	3	25
11 to 15 years	2	17
16 to 20 years	7	58
Over 21 years	0	0
Total	12	100

Table 4.1 Years of operations

Data portrayed in the Table 4.1 shows that most of the companies had been in operation for a period of 16 to 20 years (58 percent) and this w.. closely followed by 25 percent of companies which had been in operation for a period of 10 years.17 percent had been in operation for a period of 11 to 15 percent while none of the companies had been in operation for more than 21 years.

4.2.2 Form of ownership

The aim of the study in this area was to establish the form of ownership of the various companies. The results are shown in the Figure 4.2
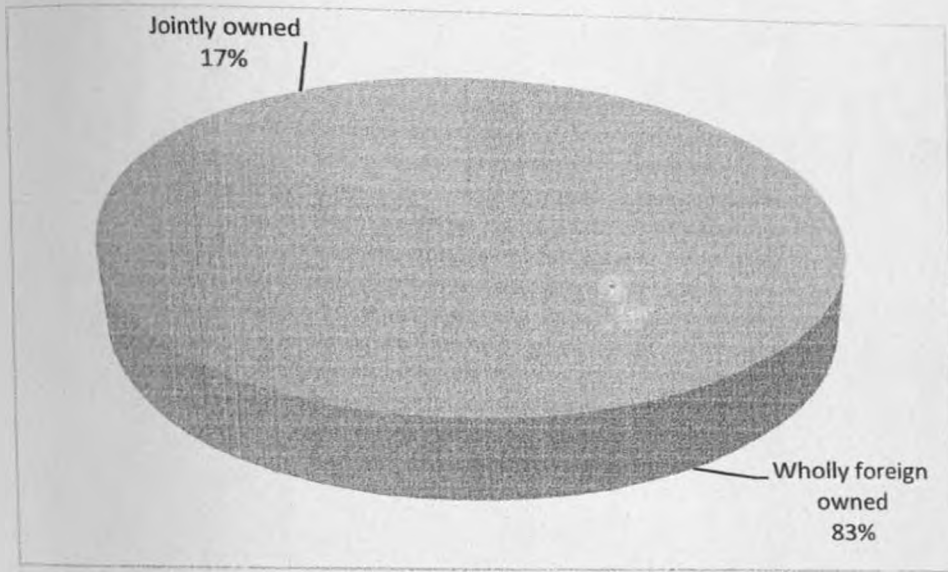
Figure 4.2 Form of ownership

Data portrayed in the Figure 4.2 shows that most of the companies were wholly foreign owned and comprised of 83 percent while 17 percent were jointly owned.

4.2.3 Countries of operation

In this section, the aim was to establish the number of countries that the companies operated at. This is as shown in the Figure 4.3 below.
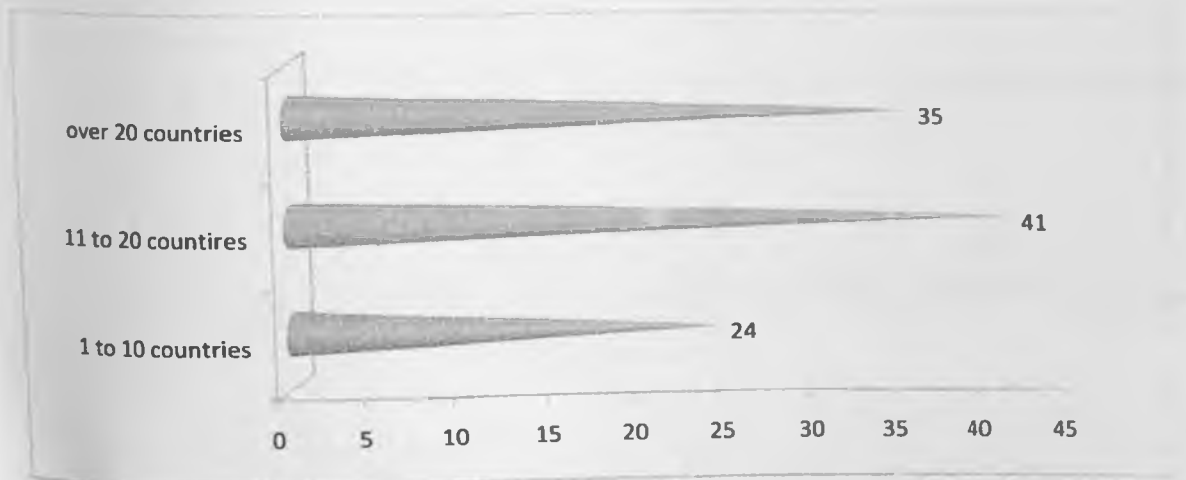
Figure 4.3 Countries of operation

The Figure 4.3 shows that majority of the companies operated in 11 to 20 countries (41 percent) while 35 percent operated in over 20 countries. 24 percent operated in 1 to 10 countries. The study proceeded to inquire whether the companies preferred hiring Kenyans or hiring expatriate. All respondents agreed that the companies preferred hiring Kenyans.

4.2.4 Number of branches

The study also proceeded to establish the number of branches that the companies had.
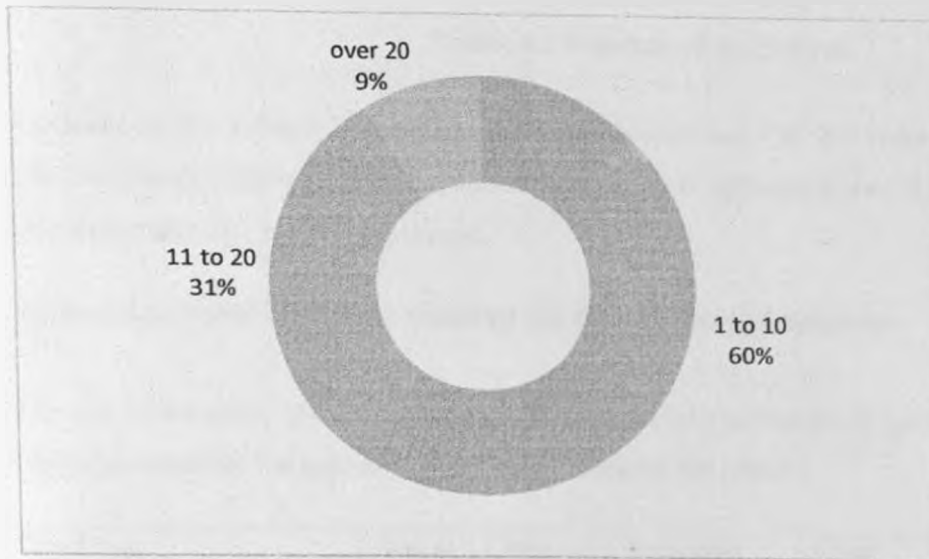
Figure 4.4 Number of branches

Data from the Figure 4.4 shows that majority of the companies had 1 to 10 branches (60 percent) while 31 percent had 11 to 20 branches. Only 9 percent had over 20 branches.

4.2.5 Total number of staff

The study then proceeded to determine the total number of staff that worked at the companies. The results are as shown in the Table 4.2 below.

35

	Freq	Percent
1 to 200	7	58
201 to 400	1	8
401 to 600	1	8
601 to 800	1	8
Over 800	2	16
Total	12	100

Table 4.2 Number of employees

As shown in the Table 4.2, majority of the companies had 1 to 200 employees (58 percent) and this was closely followed by 16 percent which had over 800 employees. 8 percent had 201 to 400 employees and 401 to 600 employees.

4.3 Social cultural challenges faced by the firm within the industry

The aim of the study in this section was to establish the various social cultural challenges that the firms faced within the industry. The Table 4.3 shows the results.

Challenge	Not at all	Little extent	Moderate extent	Great extent	Very great extent	Mean
Religion	100	0	0	0	0	1.000
Attitude and beliefs	67	25	8	0	0	1.4167
Culture (Shared values)	50	20	10	20	0	2.000
Aesthetics	83	17	0	0	0	1.050
Change	17	17	33	33	0	2.8333
Organization culture	0	25	25	50	0	3.750
Attitude towards work	25	8	50	8	8	2.667
Human resource practices	25	17	17	25	17	2.917
Organization structure	17	42	25	0	17	2.583
Attitude towards change	25	17	17	17	25	3.002
Organization systems and	0	8	17	8	67	4.333

36

procedures						
Organization policies	0	8	8	17	68	4.334

Table 4.3 Social cultural challenges faced by the firm within the industry

Data portrayed in the Table 4.3 shows that most of the respondents strongly agreed that organization policies was a major social cultural challenge faced in their firms (68 percent) and this was closely followed by organizational systems and procedures which comprised of 67 percent, while 25 percent cited attitude towards change. On the other hand, 33 percent agreed moderately that change was a social cultural challenge faced in their firms. Surprisingly, all respondents agreed that religion was not a social cultural challenge faced in their firms while 42 percent strongly disagreed that organization culture was a social cultural challenge faced in their firms.

4.4 Whether most of these challenges are unique to the department

The study then proceeded to inquire whether most of these social cultural challenge faced in their firms were unique to their departments.

Apply to other departments 13%

Unique to my department 87%

Figure 4.5 Whether most of these challenges are unique to the department

Data presented in the Figure 4.5 shows that most of the respondents cited that most of these challenges were unique to the departments (87 percent) while the rest 17 percent cited that most of the challenges applied to other departments.

4.5 Whether the social cultural changes are widespread among other firms in industry

The study proceeded to determine the respondents view on whether the social cultural changes were widespread, or were faced by only a few organizations.
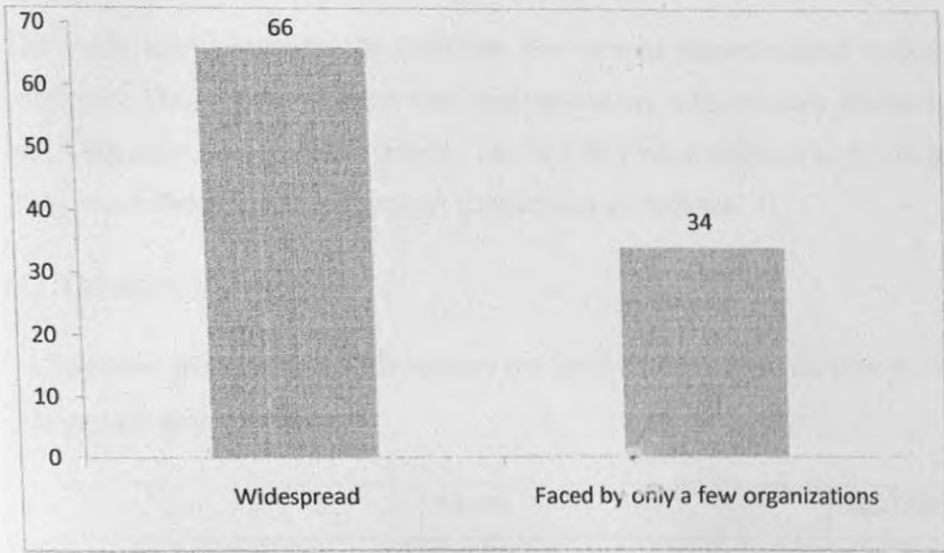
Figure 4.6 Whether the social cultural changes are widespread among other firms in industry

Data portrayed in the Figure 4.6 shows that most respondents (66%) cited the social cultural changes were widespread, while 34 percent cited the social cultural changes were only faced by only a few organizations.

4.6 Suggestions that would help firms to avoid or minimize social cultural challenges

In this section, the aim was to establish the respondents view on the various suggestions that would help firms to avoid or minimize social cultural challenges. The respondents cited developing of appropriate coping strategies and undertaking environmental scanning and

forecasting as suggestions. In addition, the respondents cited proper planning and adequate funding of research and development department. The study proceeded to inquire what the government would do to overcome the social cultural issues. The respondents cited more financial funding, government support to facilitate growth and that the government ought to enhance encouragement to be more receptive to their environments. In addition, the respondents' also cited that the government ought to ensure organizations were well funded.

4.7 Organizational coping strategies

The study also proceeded to establish the various organizational coping strategies that were employed. Data in this section was analyzed using a likert scale where 1 represented not at all and 5 represented very great extent. The results were presented in means and standard deviation. They were divided into the various subsections as follows.

4.7.1 Generic strategy

In this area, the aim was to determine the level of agreement on how the organizations had used various generic strategies.

	Mean	Std Deviation
Cost leadership strategy	2.1667	1.466
Differentiation focus strategy	2.083	1.786

Table 4.5 Generic strategy

The Table 4.5 shows that most respondents agreed to a little extent that cost leadership strategy and differentiation focus strategy was employed as a strategy in their firms as was shown by a mean of 2.083 and 2.166.

4.7.2 Collaborative strategy

The study proceeded to determine the extent in which the firms used collaborative strategy.

39

	Mean	Std Deviation
Strategic alliance	4.818	0.402
Mergers and acquisitions	4.454	0.820
Licensing	4.333	0.8766
Franchising	4.834	1.5773

Table 4.6 Collaborative strategy

Data from Table 4.6 shows that franchising and strategic alliance was the most used strategies as was shown by mean of 4.834 and 4.818 respectively. Mergers and acquisitions was represented by mean of 4.454 while licensing was the least used collaborative strategy as was shown by mean of 4.333.

4.7.3 Restructuring strategy

The study also proceeded to establish the various restructuring strategies that were used in the firms. The Table 4.7 shows the results.

	Mean	Std Deviation
Business process reengineering	2.250	1.138
Total quality management	2.416	1.781
Downsizing	2.916	1.505

Table 4.7 Restructuring strategy

Data presented in the Table 4.7 above shows that downsizing was the most used restructuring strategy as was shown by a mean of 2.916, followed by total quality management with a mean of 2.416 and downsizing with a mean of 2.916.

4.8 Suggestions to other manufacturing corporations for successful implementation of coping strategies.

The study went further to ascertain the respondents view on various suggestions to other manufacturing corporations that would assist them in successful implementation of coping strategies. The respondents cited identification of underlying challenges and come up with appropriate strategies. Other respondents also cited good governance.

CHAPTER FIVE SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings from chapter four, conclusions and recommendations of the study based on the objectives of the study.

5.2 Summary of the Findings

From the study, majority of the companies started their operation from the period of year 1976 to year 1990, and this was followed by 34 percent who had started operations from the year 1956 to the year 1975. In addition, the study found that most of the companies had been in operation for a period of 16 to 20 years (58 percent) and this was closely followed by 25 percent of companies which had been in operation for a period of 10 years.

On the issue of ownership, the study ascertained that most of the firms were wholly foreign owned and comprised of 83 percent while 17 percent were jointly owned. On the area of countries of operations, the study found that majority of the firms operated in 11 to 20 countries (41 percent) while 35 percent operated in over 20 countries. 24 percent operated in 1 to 10 countries, while on the issue of employment, most companies preferred hiring Kenyans.

The study also found that majority of the companies had 1 to 10 branches (60 percent) while 31 percent had 11 to 20 branches. On number of employees, the study found that majority of the companies had 1 to 200 employees (58 percent) and this was closely followed by 16 percent which had over 800 employees. 8 percent had 201 to 400 employees and 401 to 600 employees.

On the issue of social cultural challenges, the study established that most of the respondents strongly agreed that organization policies was a major social cultural challenge faced in their firms (68 percent) and this was closely followed by organizational systems and procedures which comprised of 67 percent, while 25 percent cited attitude towards change.

The study also asserted that most of the respondents cited that most of these social cultural challenges were unique to the departments (87 percent) while the rest 17 percent cited that most of the challenges applied to other departments.

On the issue of whether the challenges were widespread, the study asserted that most respondents (66 percent) cited the social cultural changes were widespread, while 34 percent cited the social cultural changes were only faced by only a few organizations.

On suggestions to social cultural challenges majority of the respondents cited developing of appropriate coping strategies and undertaking environmental scanning and forecasting as suggestions. In addition, the respondents cited proper planning and adequate funding of research and development department

On the area of how the government would assist to overcome these challenges, most respondents cited more financial funding, government support to facilitate growth and that the government ought to enhance encouragement to be more receptive to their environments. In addition, the respondents' also cited that the government ought to ensure organizations were well funded.

The study also established that franchising and strategic alliance were the most used strategies as was shown by mean of 4.834 and 4.818 respectively. On the issue of restructuring strategies, downsizing was the most used restructuring strategy as was shown by a mean of 2.916, followed by total quality management with a mean of 2.416 and downsizing with a mean of 2.916.

The studies also enquired the respondents view on various suggestions to other manufacturing corporations that would assist them in successful implementation of coping strategies. The respondents cited identification of underlying challenges and coming up with appropriate strategies for successful implementation of coping strategies.

5.3 Conclusions

The study concludes that the manufacturing multinational corporations were faced by various social cultural challenges. These included organization policies and organizational systems and procedures .In addition, the firms were faced by attitude towards change. However, the firms had used various coping strategies in response to the challenges and these included franchising and strategic alliance .The firms also employed various restructuring strategies such as downsizing and total quality management.

In addition, the study concludes that the manufacturing multinational corporations in Kenya had adopted various to cope with social cultural challenges within the Kenyan concept. These included identification of various coping strategies and their application.

5.4 Recommendations

The study recommends that for manufacturing multinational corporations in Kenya to overcome the various social cultural challenges. They need to develop various coping strategies. For firms to be successful, they need to adopt a clear strategy based upon cost leadership implementation of coping strategies, differentiation or focus and will succeed by trying to combine the approaches. These may include differentiation focus strategy and business process reengineering.

The study also recommend that manufacturing enterprises need to reconfigure rapidly in response to changing needs and opportunities and develop innovative manufacturing processes and products with a focus on decreasing dimensional scale.

REFERENCES

Abdullahi, O.S. (2000). "A study of the strategic responses by Kenyan insurance companies following liberalization" unpublished   MBA project, University of Nairobi.

Ansoff, H. (1988). Corporate strategy, Mc Graw Hill, New York.

Ansoff, H.I and E. Mc Donnell, E (1990). Implementing strategic management. Second New Jersey, Prentice Hall.

Aosa, E. (1992). "An empirical investigation of aspect of strategy formulation and implementation within large private manufacturing companies in Kenya" .Unpublished PHD Thesis , University of Strathclyde UK.

Burnes B, (2004). Managing change a strategic Approach to organizations Dynamics fourth edition, Prentice Hall, London.

CBS, (2006). Economic Report, Central Bureau of Statistics.

Chandler A. (1962). strategy and structure, Cambridge, Mass.: MIT Press.

Churchill J (1991). Strategic Management: Tools and cases for Business Policy: Boston Massachusets. Kent Publishing Comp.

Cooper, D.R,& Emory, C.W.(1995). Business Research methods, 5th Edition. Boston Mc Graw Hill Co.

Drucker, P. (1974). Management: Tasks, Responsibilities, And Practices. New York: Harper & Row.

Grant, M.R. (1998). Contemporary Strategy analysis: Concepts, Techniques, Applications. 3rd Edition Britain: MPG books ltd, Bodmin, Cornwall.

Hax & Majluf. (1996). The strategy concept and process. A pragmatic Approach. 2nd Edition. New Jersey: Prentice Hall, Upper saddle River

Hill, C and Gareth, J. (2001). <u>Strategic Management Theory: An intergrated Approach</u>. Houghton Mifflin Company, 5th Edition.

Harvey, D.F. (1988). <u>Strategic Management and Business Policy</u>. 2nd Edition, Eastern Washington University.

Irwin McGraw, (1982). <u>Implementation and control</u>. 6th Edition New York, Free Press.

Johnson G, Scholes K and Whitting R. (2005). <u>Exploring Corporate Strategy</u>. 7th Edition Prentice Hall.

Johnson G. and Scholes, K. (2002). <u>Exploring Corporate Strategy</u>, Prentice Hall, 6th Edition, London.

John L. Thompson, (1985). Strategic Management: <u>Awareness and change</u>. 2nd Edition.

KAM (2007). <u>Members Directory</u>, Kenya Association Of Manufacturers.

Mwangi, A.K.G. (2002). <u>A Survey of Corporate Governance Practices among insurance companies in Kenya</u>. **Unpublished MBA Project**, University of Nairobi.

Mintzberg H. And Quin J.B. (1991). <u>The Strategy Process, Concepts, Contexts and Cases</u>. 2nd Edition Prentice Hall Inc.

Mintzberg, H. (1994). <u>The Rise And Fall Of Strategic Planning</u>: New York Free Press.

Pearce J. A (11) and Robinson, R B. (Jr), (1997). <u>Strategic Management: Formulating, Implementing and Control</u>. 6th Edition.

Porter, M. (1980). <u>Competitive Strategy</u>. New York, Free Press.

Robbins S (2001). <u>Organizational Behaviour</u>. Prentice Hall

Thompson A.A Jr. and Strickland A.J (2003). Strategic management: <u>concepts and cases</u>. 13th Edition. Tata McGraw-Hill publishing company ltd. New Delhi.

46

United Nations Report (1973). Multinational Corporations In World Development. Department of Economics and Social Affairs, New York.

Yabbs, J (2007). International Business Operations in Kenya: A strategic Approach. 2nd Edition. Nairobi:Lelax Global Ltd

Wairegi B I, (2004). "The strategic Response By Life Insurance Companies in Kenya to Changes in Their Environment." Unpublished MBA Project. University Of Nairobi.

World Bank Report (1994). Kenya: Patchy; Intermittent committee Adjustment in Africa: Lessons from country case studies. World Bank, Washington DC.

APPENDICES

APPENDIX 1- LETTER OF INTRODUCTION

Dear Respondent,

RE: <u>DATA COLLECTION</u>

This questionnaire is designed to gather information on social cultural challenges faced by manufacturing multinational corporations in Kenya and their coping strategies. The study is being carried out for a management project paper as a partial fulfilment of the Masters Degree, school of Business, University of Nairobi.

You have been selected to form part of this study. This therefore, is to kindly request you to assist me to collect the data by filling out the accompanying questionnaire, which i will collect from your premises.

The information and data provided will be exclusively used for academic purposes. At no time will you or your company name appear on the report. Your assistance will be highly appreciated.

Yours Sincerely,

....

Wangeci Gachanja   Dr. Martin Ogutu

Student   Supervisor

APPENDIX 2: QUESTIONNAIRE

SECTION A: General Background

. Name of the organization?..

. Which year did your company start operations in Kenya?

....

3. For how long has your company been operating in Kenya?

- 1-5 years   [   ]
- 6-10 years   [   ]
- 11-15 years   [   ]
- 16-20 years   [   ]
- Over 21 years   [   ]

4. In how many other countries does the organization operate in?

....

5. How would you classify your firm concerning ownership?

- Wholly foreign owned   [   ]
- Jointly owned   [   ]

6. Other than the manufacturing sector, which other sector is your organization involved in?

....

7. In your operations in Kenya, do you as a company prefer hiring Kenyans or hiring expatriates?

- Prefer to hire Kenyans
- Prefer to hire expatriates
- Hire both Kenyans and expatriates

49

8. How many branches do you have in Kenya? State number [   ]

9. What was your total number of staff as at the end of December 2008?

- 1- 200   [   ]
- 201-400   [   ]
- 401-600   [   ]
- 601-800   [   ]
- Over 800   [   ]

SECTION B

Social Cultural challenges faced by the firm within the industry

Please indicate the extent to which the above has acted as a social cultural challenge to your corporation.

Kindly tick the relevant box for each as follows: 1= Not at all, 2=little extent, 3=Moderate Extent, 4= Great extent, 5=Very great extent.

CHALLENGE	1	2	3	4	5
Human resources practices					
Religion					
Attitudes &Beliefs					
Culture (shared values)					
Aesthetics					
Change					
Attitude towards work					
Attitude towards change					
Organization Culture					
Organization structure					
Organization systems &procedures					

Organization policies					

10. Are most of these challenges unique to your department or to others as well? Please tick appropriately

- Unique to my department   [   ]
- Apply to other departments   [   ]

11. Are these social cultural challenges mentioned above widespread among other firms in the industry?

- Are wide spread   [   ]
- Are faced by only a few organizations   [   ]

12. What suggestions would you give that would help other firms to avoid or minimize these social cultural challenges?

....

....

....

13. In your view, do you think that that there is anything that the Government can do to help these organizations to overcome some of the social cultural issues that they face in their day-today operations?

....

....

....

Section C:

Organization Coping Strategies

Please indicate the extent to which the organization has used the following strategies to counter-react to social cultural challenges?

Kindly tick the relevant box for each as follows:1= Not at all, 2= Little extent, 3=Moderate Extent, 4=Great extent, 5= Very great extent.

Coping Strategies	1	2	3	4	5
Generic Strategy					
i. Cost leadership strategy					
ii. Differentiation focus strategy					
Collaborative Strategy					
i. Strategic Alliance					
ii. Mergers &Acquisitions					
iii. Licensing					
iv. Franchising					
Restructuring Strategy					

i. Business process Re-engineering					
ii. Total Quality Management					
Downsizing					

14. What suggestions would you give other manufacturing corporations that would assist them in the successful implementation of their coping strategies?

....
....
....

15. Please give any other comments you may have regarding the subject of research.

....
....

THANK YOU FOR YOUR CO-OPERATION

APPENDIX 3: List of MNCs in Kenya

1. Unilever Kenya

2. Reckit & Beckiser

3. Nestle Kenya

4. Procter&Gamble

5. British American Tobacco

6. Spectre International Ltd

7. Mutsimoto Motor Company

8. General Motors E.A Ltd

9. Furniture International Ltd

10. Frigorex E.A Ltd

11. Friendship Container Manufacturers

12. Pharmaceutical Manufacturing Co. (K) Ltd

13. London Distillers

14. Biersdorf E.A Ltd

15. Associated Battery Manufacturers