# STRATEGIES ADOPTED BY MULTINATIONAL CORPORATIONS TO COPE WITH COMPETITION IN KENYA

BY

SAMUEL CAROL M.

A Management Research Project submitted in partial fulfillment of the requirements for the award of Master of the Business Administration Degree, School of Business University Of Nairobi.

October, 2010

# DECLARATION

This Management Project is my original work and has not been submitted for degree award in any other university.

Signature........................................................Date..16/11/2010...............................

SAMUEL CAROL M;

D61/72460/2008

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

Signature........................................................Date..16/11/2010...............................

Dr. Martin Ogutu

Lecturer, Department of Business Administration

School of Business

University of Nairobi

# DEDICATION

This research project is dedicated to my parents Samuel Ndunda and Ruth Ndunda for their love, support and inspiration to excel in my further studies.

# ACKNOWLEDGEMENT

This project could have not been complete without the assistance and tolerance of the following people. My sincere thanks to my supervisor Dr. Martin Ogutu for his guidance, professional advice and constructive criticism which gave me the motivation to complete this paper.

Other appreciation goes to the University of Nairobi for giving me financial support through scholarship Award.

Thank you all.

# TABLE OF CONTENT


DECLARATION ..... ii

DEDICATION ..... iii

ACKNOWLEDGEMENT ..... iv

LIST OF FIGURES ..... ix

LIST OF ABBREVIATIONS AND ACRONYMS ..... x

ABSTRACT ..... xi

**CHAPTER ONE ..... 1**

**INTRODUCTION ..... 1**

1.1 Background of the Study ..... 1

1.1.1 Competitive Strategies ..... 1

1.1.2 Multinational Corporations ..... 4

1.1.3 Multinationals Corporations in Kenya ..... 5

1.2 Statement of the Problem ..... 8

1.3 The Research Objectives ..... 9

1.4 Importance of the Study ..... 9

**CHAPTER TWO ..... 11**

**LITERATURE REVIEW ..... 11**

2.1 Organizations and Environment ..... 11

2.2 Concept of Competition ..... 12

2.3 Challenges of Competition ..... 14

2.4 Concept of Strategy ........ 15

2.5 Competitive Strategies ........ 17

2.5.1 Cost Leadership Strategy ........ 20

2.5.2 Differentiation Strategy ........ 20

2.5.3 Cost Focus Strategy ........ 21

2.5.4 Differentiation Focus ........ 21

**CHAPTER THREE ........ 22**

**RESEARCH METHODOLOGY ........ 22**

3.1 The Research Design ........ 22

3.2 Target Population ........ 22

3.3 Sample Design ........ 22

3.4 Data Collection ........ 23

3.5 Data Analysis ........ 24

**CHAPTER FOUR ........ 25**

**DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS ........ 25**

4.1 Introduction ........ 25

4.2 General Information ........ 25

4.2.1 Year of Incorporation. ........ 25

4.2.2 Respondents Position ........ 26

4.2.3 Experience of the Respodents. ........ 27

4.2.4 Ownership Structure ........ 27

4.3 Challenges of Competition ........................................................................................29

4.4 Strategies for Competition.........................................................................................30

**CHAPTER FIVE .......................................................................................................33**

**SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION ......................33**

5.1 Introduction.............................................................................................................33

5.2 Summary.................................................................................................................33

5.3 Recommendation for Policy and Practice.....................................................................34

5.4 Limitations of the Study ...........................................................................................34

5.5 Area for Further Research.........................................................................................34

**REFERENCES .........................................................................................................35**

**APPENDICES**.........................................................................................................38

APPENDIX 1: INTERVIEW GUIDE...................................................................................38

APPENDIX 2: LIST OF MULTINATIONAL CORPORATIONS IN KENYA...........................41

# LIST OF TABLES

Table 1.1: Sample Stratification....................................................................23

Table 4.1: Year of Incorporation of Multinational Corporations in Kenya.........................26

Table 4.2: Periods for Which You Have Held the Position..........................................27

Table 4.3: Challenges for competition...................................................................29

Table 4.4: Strategies for competition....................................................................31

# LIST OF FIGURES

Figure 11: Porter's Generic strategies ....................19

Figure 4.1: Respondents Positions....................26

Figure 4.2 : Ownership structure ....................28

Figure 4.3 Shows the Country of Origin of the Multinationals....................28

# LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| AGOA | African Growth and Opportunity Act |
| EAC | East African Community |
| EPZ | Export Processing Zone |
| ICT | Information and Communication Technology |
| MNCs | Multinational Corporations |
| SPSS | Statistical Package of Social Sciences |
| UK | United Kingdoms |

# ABSTRACT

Multinational corporations operate in a global environment unfamiliar in political, economic social cultural, technological and legal aspects that give rise to the competitive forces. Increased competition among multinational corporations and the entry of other players into the industry necessitate the design of competitive strategies to guarantee their performance. Creating strategies for coping with competition is the heart of strategic management which is critical for the long term survival of any organization.

To establish the strategies adopted by multinational corporations to cope with competition in Kenya, 40 questionnaires were administered to senior managers of MCs targeting 19 percent of the total population of 213 MCs in Kenya selected through stratified disproportionate sampling.

The therefore recommends that; Multinational corporations (MCs) should initiate capacity building programmes like training, scholarship awards and on job training to overcome the challenges of skills gap. The study further recommends that, MCs should utilize others electric power sources to supplement their energy consumption needs. The government should also provide infrastructure needed for MCs including electric power to attract MCs investment in Kenya.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

Multinational entities have played a major role in international trade for several centuries. A number of multinational corporations (MNCs) from developing economies are becoming key players in the global economy. Multinational corporations (MNCs) engage in very useful and morally defensible activities in Third World countries for which they frequently have received little credit. Significant among these activities are their extensions of opportunities for earning higher incomes as well as the consumption of improved quality goods and services to people in poorer regions of the world.

This paper looks into the competitive strategies employed by multinational corporations to cope with the challenge of competition. This is important especially when looking at Multinational Corporation's performance in Kenya. Will multinational corporations survive in highly competitive and globalized environment? What are their prospects and potentials? The paper aims to provide objective answers to these and similar questions.

### 1.1.1 Competitive Strategies

Competitive strategy consists of all those moves and approaches that a firm implements in its operation to attract and retain customers. One of the environmental influences to a business arises from competition. Increased competition threatens the attractiveness of an industry by reducing the profitability of the players. Competition exerts pressure on firms to be proactive and to formulate successful response strategies to changes in the competitive environment: all in the effort to gain competitive advantage. Firms that do not respond effectively to increased competition are not likely to succeed in business.

A firm assesses its internal capability to exploit emerging opportunities effectively and also manage threats. A SWOT analysis will identify core competences that provide competitive advantage for an organization. Never the less, overtime may competitors imitate such competencies. “Core competencies are likely to be more robust and difficult to imitate if they relate to the management of linkages within the organizations’ value chain and linkages into the supply and distribution chains” (Johnson and Scholes, 1997).

In identifying strategic opportunities, the choice of strategy depends essentially on comparing and minimizing the risks involved. This is done by assessing one’s capabilities in the chosen broad areas of the business and comparing them with those of potential competitors (European Journal of Marketing, 1988). A perspective of capability and strategy holds that capability may be the lead – edge of strategic developments. New opportunities may exist by stretching and exploiting the organizations unique resources and competences in ways which competitors cannot match or in new directions altogether (Johnson and Scholes, 1997).

Firms in dynamic industries respond to competitive forces in different ways. While some may resort to improving current markets and products, diversification, divestiture, others employ techniques that ensure operational effectiveness. However, much as operational effectiveness is necessary, it is not sufficient in achieving sustainable competitive advantage. In order to achieve this, competitive strategy needs to focus on unique activities (Porter, 1996) .Greenstein (2001), in his study on technological mediation and commercial development in the internet access market, also supports the idea that different firms respond with different strategies to the same opportunities. Some offer similar solutions to different users, others develop expertise to ensure repeat business from complementary services.

With the same products and markets, a firm tries to improve their competitiveness by protecting and building their current market position. Using the same competencies, they may decide to consolidate or penetrate the market further to gain market share. The option of withdrawal from some current activities may be pursued especially when the firm lacks competencies to compete effectively. A firm may respond to increased competition by entering new markets with similar oducts. These could be markets they are currently not serving, or new geographical markets. y can come up with new uses for their current products thus exploit opportunities through slight modifications to suit the needs of the market. Market entry strategies may include acquisitions, strategic alliances and joint ventures. Firms may also react to competitive forces by developing new products. This means extending their portfolio and spreading the risk on many products. Such products can be directed to markets currently covered by the firm.

Diversification as a response to competition can be related or unrelated. Related diversification may take the form of vertical integration. In the face of increased competition, this has the benefit of cost reductions, defensive market power and offensive market power. Backward integration takes you back closer to suppliers mainly to increase supplier dependability or reliability. Forward integration takes you closer to the customer by putting a given output of the core under the firm's umbrella. Forward integration can mean increased predictability of demand for a firm's output. Unrelated diversification may involve acquisitions of businesses not within the current product and market scope. Other forms are joint developments and strategic alliances. However, such are usually the responses to international competitive forces.

Differentiation is used as a response technique to increased competition by many firms. To differentiate is to make one unique and distinct (Moore, 1996 in Barman, 2002) .In a study conducted by Barman (2002), she identified differentiation as a strategy used by non profit organizations when they are faced with a crowded market. Firms seek to assert uniqueness and superiority over their rivals by constructing a hierarchical relationship between them and others based on a certain criteria. That rivalry drives organizations to avoid following what others have done and to stake out their own positions (Han, 1994 in Barman, 2002).

A firm can also resort to creating entry, mobility and substitution barriers to strategic groups. Such barriers discourage potential competitors from entering the market. Substitution barriers discourage potential competitors from entering the market. Substitution barriers can be in the form of differentiation that makes it difficult to imitate products. This constitutes some of the factors that make cottage firms in developing countries to compete effectively with large firms (Sushil, 1990). Market segmentation can be an effective way of responding to competition. Trethowan and Scullion (1997) found out that banks in the UK and the Irish republic had previously attempted to be "all things to all men" as they embarked on mass marketing campaigns. With increased competition and other challenges, new efforts are being expended in determining and focusing on customer segments that provide the most profit potential. They are also using information technology to build large relational databases.

Firms may also respond to competition, especially emanating from international sources, by collaborating with other players in the industry. Increased forces towards globalization have pushed more and more firms to seek collaboration with other firms in foreign countries to enable them compete effectively in those markets among other reasons. Such collaborations take the form of strategic alliances, mergers and acquisitions, licensing, franchising etc. Shollei (1999) argued that in order to fortify a firm's position against predators from abroad, it is important to collaborate. He also mentioned that 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 (Morrison and Lee, 1990 in Shollei, 1999).

### 1.1.2 Multinational Corporations

Multinational operations can be traced back several centuries to the British and Dutch Trading companies. After the above declined, the European overseas investments, mainly in the extractive industries dominated international trade. The phenomenon as it is known today is the result of the lead taken by U.S based companies in the post Second World War period. Western European and Japanese firms followed later.

The first modern MNC is generally thought to be the Poor Knights of Christ and the Temple of Solomon, first endorsed by the pope in 1129. The key element of transnational corporations was present even back then: the British East India Company and Dutch East India Company were operating in different countries than the ones where they had their headquarters. Nowadays many corporations have offices, branches or manufacturing plants in different countries than where their original and main headquarter is located. By 1995, the total number of multinationals exceeded 37,000 with 206,000 affiliates around the world. They are engaged in activities ranging from extractive to manufacturing and they account for a significant share of the world's output. In 2002, the U.N. Conference on Trade and Development published an article showing that 29 of the world's top 100 economies were multinational businesses rather than countries. All this said, multinational firms are more common than they were a few decades ago. Business theorist Peter Drucker, writing in the National Interest he notes that there were 7,258 known multinationals in 1969, and by 2000 there were more than 63,000, spread out among banks, telecom companies, energy, manufacturers, insurance firms, retailing, restaurant chains, consultancies, and other types of businesses.

The world's second-largest forgings-maker comes from India; the biggest Nordic insurer was bought by a South African competitor; a Mexican company reinvented the global cement business; and Brazilian restaurant chains sponsor immigration visas for highly-skilled meat carvers to support their American expansions. Understanding these trends and their implications is a priority for academics, policy-makers and business professionals alike. Instead, these firms have been misrepresented by ugly or fearful images by Marxists and "dependency theory" advocates. Because many of these firms originate in the industrialized countries, including the U.S., the U.K., Canada, Germany, France, and Italy, they have been viewed as instruments for the imposition of Western cultural values on Third World countries, rather than allies in their economic development. Thus, some proponents of these views urge the expulsion of these firms, while others less hostile have argued for their close supervision or regulation by Third World governments.

### 1.1.3 Multinationals Corporations in Kenya

A firm becomes multinational only when the headquarters or parent company is effectively owned by nationals of two or more countries. For example, Shell and Unilever, controlled by British and Dutch interests, are good examples. The Government of Kenya encourages both local and foreign direct investment Multinational companies make up a large percentage of Kenya's industrial sector. It is a Government policy to encourage investment that will produce foreign exchange, provide employment and promote backward and forward linkages and transfer of technology. The only significant sectors in which investment (foreign and domestic) is constrained are those where state corporations still enjoy a statutory or de facto monopoly. These are restricted almost entirely to infrastructure (e.g. power, mail service, fixed-line telecommunications and ports).

Even in these sectors, ongoing commercialization and economic reform is expanding the room for private business. The Government has undertaken several measures to create an enabling environment, including :Abolishing exchange controls, Removing price controls, Freeing the Kenya Shilling exchange rate to be market driven, Abolishing import licensing and Opening up of the capital markets to foreign participation .Attractive incentives are availed to all investors through generous investment and capital allowances, tax remission, manufacturing under bond status (MUB), export processing zones status, double taxation agreements, protection and promotion of investment agreements, bilateral investment treaties and trade agreements.

Multinational corporations however continue to exhibit resilience in the face of various local and global turbulences. Opportunities abound for investments in Kenya's agricultural, industrial, and commercial sectors e.g. horticulture, agro-processing, textiles and apparels, plastics and pharmaceuticals, tourism, ICT operations and financial services. In the recent past, mining has also proved to be an attractive investment opportunity as is the case with the mining of titanium in Coast province and the exploration for oil and gold by international companies. The Kenyan government organized a National Investment Conference in November 2003 followed by the International Investment Conference in March 2004. These events were meant to showcase Kenya, as an ideal investment location so as to improve the much needed local and foreign investment.

Kenya is host to a number of Transnational Corporations (TNCs) and other international investors. Virtually all the sectors of the economy are covered by the international investors, majority of whom are from Britain. The stabilization policies and broad economic reform being pursued by the Government are aimed primarily at strengthening investor confidence in the Kenyan economy, and at accelerating private-sector growth through attracting new foreign and domestic investment.

A pre-eminent role for the private sector, which today contributes more than 75% of Kenya's total GDP, represents the main thrust of Kenya's ongoing market-based reforms. To this end, the range of incentives on offer to foreign and local investors alike has been progressively widened over recent years, in the interests of encouraging private investors to take advantage of diverse business opportunities in Kenya. The Kenya Government has undertaken, meanwhile, as part of the country's ongoing structural reforms, to divest from public-sector enterprises and to reduce dramatically its direct involvement in the local production of goods and services. Enterprises earmarked for privatization include all major economic sectors and activities and vary in size from large corporations to small, localized concerns. Already, the privatization process in Kenya is gaining momentum, and this in turn is creating additional opportunities for private-sector investors.

Kenya is an important player in East Africa. Strategically placed, with a major port, Mombasa, and well-developed financial markets, the country has the makings of a regional services hub in banking, information and transportation. The country's membership in the East African Community (with Tanzania and Uganda) and the Common Market for Eastern and Southern Africa (COMESA) makes it an attractive base for foreign investors and companies looking to access the East and Central African market. Through Kenya, an investor can access the COMESA market with over 380 million people. Kenya and the three East African countries recently signed the protocol on the East African Customs Union creating a common external tariff to be applied to goods imported from outside the region and also harmonized the tariff rates between them.

Exports from Kenya also enjoy preferential access to both the United States and the European Union. Considerable effort has been made to take advantage of opportunities offered by the African Growth and Opportunity Act (AGOA) to penetrate the US market. Analysts say AGOA is responsible for over $125 million in new investments in Kenya and the creation of over 30,000 new jobs. Major Kenyan products that qualify for duty-free access under AGOA include textile, leather and processed agricultural products. Indeed, textile and apparel products have become Kenya's dominant export category to the United States, and more than tripled to $188 million in 2003 from $64 in 2001.

Multinational companies are increasing their investments in Africa, says the latest IBM's Global Location Trends Study. The study attributed this trend to concerted efforts by emerging markets to build infrastructure. Africa and Latin America jointly received approximately 17% of the global jobs created from foreign investment and expansion projects in 2007, compared to 13% in the previous year. Years after Kenya launched an off-shore oil exploration bid; multinational companies are still erecting rigs deep in the sea with the hope of striking the black diamond. The latest entrant into the turbulent waters is Origin Energy (K) Limited, a subsidiary of Original Energy Limited, Australia. The company is currently assembling a rig to explore Bloc L8 for oil and gas, 100 nautical miles east of Malindi.

## 1.2 Statement of the Problem

Organizations have come to the realization that in today's very competitive market place a strategy that insures a consistent approach to offering you a product or service in a way that will outsell the competition is critical. Creating strategies for coping with competition is the heart of strategic management which is critical for the long term survival of any organization. For any firm to adequately create coping strategies there is need to understand the factors that are shaping competition within that industry. Competitive strategies can be formulated to exploit these opportunities and avoid threats. The need to make coping strategies emanates from the need for institutional survival and growth. The environment is dynamic, posing various opportunities and threats thus requiring different survival strategies and capabilities.

Multinational corporations operate in a global environment unfamiliar in political, economic social cultural, technological and legal aspects that give rise to the competitive forces. Increased competition among multinational corporations and the entry of other players into the industry necessitate the design of competitive strategies to guarantee their performance. Superior performance is achieved through proper implementation of successful strategies. This also leads to sustainable competitive advantage. The ability of these corporations to command a competitive advantage depends on the sustainability of the competitive advantages that they hold.

Several scholars have carried out extensive studies on competitive strategies in other industries. Murage (2001),in her research on competitive strategies adopted by members of the Kenya Independent Petroleum Dealers Association found out that focus and price differentiation are some of the major strategies that the association has employed in its quest to remain competitive. Similarly, Mulaa (2004) looked at competitive strategies adopted by small scale enterprises in exhibition halls in Nairobi his conclusion was that small scale enterprises strive for low cost and price differentiation strategies.

These studies have looked at such industries as manufacturing, energy, and service but none has looked at competitive strategies adopted by multinational corporations in Kenya. Since there is increased competition in this sector, there is a compelling need to look at the strategies being adopted by multinational corporations in this competitive environment. A knowledge gap therefore exists regarding competitive strategies adopted by multinational corporations to cope with competition. On the basis of this then, what competitive strategies are adopted by multinational corporations in Kenya? and what are similarities and differences?

## 1.3 The Research Objectives

The objectives of this research were;

i. To determine the challenges of competition facing multinational corporations in Kenya.

ii. To establish the strategies adopted by multinational corporations to cope with competition in Kenya.

## 1.4 Importance of the Study

The study is important to multinational corporations as it acts as an independent scorecard which shall help the management team in identifying and implementing the mentioned competitive strategies. This in addition to their respective strategies the study shall definitely improve performance within the sector.

Secondly investors will also use the information to make decisions regarding investments in a particular country .If multinational corporations operating in Kenya find the country attractive, this may be a guarantee for returns on investment hence attracting more foreign investors.
The study sought to assist policy makers like respective governments in formulating and improving policies that create a healthy operating environment for multinational corporations.
The policy makers shall therefore use the findings of this study to determine if there's a greater need for enactment of laws to achieve this objective.

Academicians and researchers may use the findings in this study to compare the application of competitive strategies in Kenya and other countries especially with the same demographics. On the basis of the findings they may research further on a wider scale and come up with new competitive strategies that may have not be included in this study.

# CHAPTER TWO
# LITERATURE REVIEW

## 2.1 Organizations and Environment

All organizations are environment dependent; they depend on the environment for their inputs and outputs. Every firm should therefore have a competitive strategy which relates it to the environment and enables it to maintain a fit between itself and the environment. Every organization is established with specific goals and objectives in mind. For business organizations, three economic goals guide their strategic direction, whether or not they are explicitly stated in their mission statement. These are survival growth and profitability. However organizations operate in a dynamic environment and they need to adapt and respond appropriately, hence the need for strategic management (Pearce & Robinson, 2003).

For an organization to operate successfully, it must establish a match between itself and the environment in which it is operating. The environmental forces could either be the internal multifaceted activities, a firm's immediate external environment or even the remote external environment all of which contribute to making the business environment complex. Therefore all environmental factors most are anticipated, monitored, assessed and incorporated in top level decision making. This complexity and sophistication of the environmental necessitates strategic management (Pearce and Robinson, 2007). Therefore the success and survival of any organization depends on how well it is able to relate and competitively position itself in the environment.

Jackson and Morgan, (1982) contend that when the business environment changes, organizations must adjust to survive and those that are successful in their adjustment may use any of several possible strategies. Mintzberg, (1979) postulate that an organization is made of structures that define its various parts and the different functions it performs in the environment to realize its goals. Peddler, Borgoyne and Boydell, (1996) introduced the concept of learning organization in a turbulent environment. They define a learning company as an organization that facilitates learning of all its members and consciously transforms itself and its context. An organization transforms itself as a result of self awareness and will to take advantage of environmental



UNIVERSITY OF NAIROBI
LOWER KABETE LIBRARY

changes, while Senge, (1990) says a learning organization is a particular vision of an enterprise that has capacity to continually enhance its capabilities to shape its future.

The Kenyan business environment has experienced many changes among them; globalization, increased competition and accelerated implementation of economic reforms by the government, privatization and commercialization of public sector, price decontrols and liberalization of both domestic and foreign markets (Aosa, 1992). All these changes require that organizations make adjustments in order for them to survive. Multinational corporations are not exception and have also been affected by these environmental changes.

All business forms exist in an open system. This means they impact and are impacted by the external conditions largely beyond their control. This requires managers to look beyond the limits of the firms own operations (Pearce and Robinson, 2002). It thus calls for all organizations regardless of the sector in which they are to formulate competitive strategies in response to this turbulent environment. This will enable them cope with competition. For effective strategic responses, continuous scanning of both internal and external environment is a prerequisite so as to keep abreast of all environmental variables underpinning current and future business operations of the firm (Rose and Holland, 1986; Thompson and Strickland, 2003).

## 2.2 Concept of Competition

Competition is a dynamic and interactive process with competing organizations constantly seeking advantage in an ever changing environment (Lewis et al. (1999:70).The purposes therefore, of analyzing the forces shaping competition is to help in formulating appropriate strategies. Competition has intensified dramatically over the last decade in virtually all parts of the world .gone are the days of protected markets and dominant market positions. Intensification of competition is attributed mainly to the remarkable post world war two economic progresses of Germany and Japan. This increase in competition has played a major role in unleashing innovation and driving progress world wide (Porter 1997).Likewise there are few industries that have not experienced competition. No company and country can ignore the need to compete and each therefore must understand and master competition.

Lewis et al. (1999:70) notes that competition is a dynamic and interactive process with competing organizations constantly seeking advantage in an ever changing environment. The purpose therefore of analyzing the forces shaping competition is to help in formulating appropriate strategies. Competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation. Two central questions underlie the choice of competitive strategy. The first is the attractiveness of industries for long term profitability and the factors that determine it. Not all industries offer equal opportunity for sustained profitability, and the inherent profitability of its industry is one essential ingredient in determining the profitability of a firm. The second central question in competitive strategy is the determination of relative competitive position within an industry (Porter, 2004).

Competition within an industry is one of the factors other than the regulatory, technological, economic, and commercial forces that determine its structure. According to Porter's (1980) five forces framework, there are five principal forces that determine industry competition-the threat of new entrants, the threat of substitution, the bargaining power of buyers, the bargaining power of suppliers and finally the rivalry amongst existing competition in the industry. Threat of entry will depend on the extent to which there are barriers to entry (Johnson and Scholes, 2002).These are factors that need to be overcome by new entrants if they are to compete successfully. Substitution reduces demand for a particular product class as customers switch to other alternatives-even to the extent that this class of products or services becomes obsolete. This depends on whether a substitute provides a higher perceived benefit or value.

Competition rivals are organizations with similar products and services aimed at the customer group (Johnson and Scholes, 2002).Rivalry among existing competitors takes the familiar form of jockeying for position using tactics like price competition, product introduction and advertising. Suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of purchased goods and services. Powerful suppliers thereby can squeeze profitability out of an industry unable to recover cost increases in its own prices (Pearce and Robinson, 2002).Powerful customers (buyers) likewise can force down prices, demand higher quality or more services and play competitors off against each other all at the expense of industry profits.

## 2.3 Challenges of Competition

Competition exerts pressure on firms to be proactive and to formulate success response strategies to changes in the competitive environment in an effort to gain competitive advantage. Porter (1980) explains his strategic options in light of analyzing the market opportunities and threats, which form the background to competitive behavior .Porter (1980) argues that most business must respond to five basic competitive forces that drive industry competition. According to him the collective strengths of these forces determines the ultimate profit potential of the industry and thus its attractiveness.

The five forces are threat of new entrants, bargaining power of buyers and suppliers, threat of substitutes and rivalry within competitors. A proper analysis of the five forces will help a firm choose one of the Porters generic strategies that will effectively enable the firm compete profitably in an industry. Porter (1988) discusses government as a force in industry competition. He explains that government at all levels must influence many aspects of industry structure either directly or indirectly. In many countries government is a buyer or a supplier and can influence industry competition by the policies it adapts. Government can also affect the position of an industry with substitutes through regulations, subsidies or other means.

Studies about challenges posed by competition in Kenya reveal that the business environment drastically changed during the 1990s and the most visible of these changes has been the economic reforms which lead to liberalization and privatization of state owned corporations. These and other changes like globalization have created challenges to all organizations both for profit and not for profit. Kombo (1997) noted that firms in the motor vehicle industry made adjustments by introducing new technologies in product development, differentiation, and segmentation and by targeting their customers with improved customer services. Bett (1995) established that due to the economic reforms in Kenya firms in the Dairy industry made substantial adjustments in their strategic variables, which included the marketing mix components of products, promotion, place and price.

Porter (1996, 1985) wrote on how information technology gives organizations competitive advantage. The current impact of internet, e-commerce, e-learning provides excellent examples of how information technology, has shaped higher education development in Kenya. We now live in a world driven by hyper competition. Hyper competition is where too many businesses are pursuing too little business; i.e. there is not enough demand to go around for all providers of goods and services. Colley, Doyle & Hardie (2002) advocate the importance of competitive analysis for managers formulating corporate or divisional strategies. Executives and planners must be aware of the levels and trends in performance of their competitors to determine the best direction for their divisions and parent corporations. They also must be capable of critically assessing their divisions and parent corporations.

The main challenge a company faces in a competitive environment following dwindling returns and low sales is identifying the right strategy that works. The other major challenge is the implementation of these strategies. Box & Watts (2000) argue that the real challenge in implementation of a generic strategy is in recognizing all support activities and discharging them correctly. According to Thompson et al (2007) the most important fit are between strategy and reward structures, between strategy and internal support systems and between strategy and organizational culture.

Fitting the organizational internal practices to what is needed for strategic success helps the organization in accomplishing a strategy. Porter (1980) identifies three fundamental competitive strategies and lays out the required skills and resources, organizational elements and risks associated with each strategy. Newsman et al (1989) identified many challenges that may hamper a firm's ability to group new offers. They included financial requirements, technological advancement, regulatory issues imposed by the government and also structural and economic barriers inherent in the industry.

## 2.4 Concept of Strategy

Strategy is a unifying theme that gives coherence and direction to the actions and decisions of an organization. It guides an organization to superior performance by helping it establish competitive advantage (Grant 1998). Strategy acts as vehicle for communication and coordination within the organization. The goal of strategic management therefore is to build and maintain sustainable

competitive advantage and create stakeholders wealth. Strategic management process includes formulation, implementation, evaluation and control (Pearce and Robinson 2003).
Strategy is a multidimensional concept that is hard to be defined in a few words. Certain aspects of strategy however have been identified by various authors. Strategy is a game plan that management has for positioning the company in its chosen market arena (Thompson and Strickland 1998, Anderson 1999). Grant (1998) sees strategy as a vehicle for communication and coordination within the organization. He states that strategy guides management decisions towards superior performance by establishing competitive advantage. This enables the company to compete successfully and please its customers while achieving good business performance.

Johnson and Scholes (2003) on the other hand see strategy as the direction and scope of an organization over a long term. They argue that strategy achieves advantage for the organization through its configuration of resources within the changing environment to meet the needs of the market, and fulfill stakeholders' expectations. Chandler (1962) in his definition of strategy states that strategy is the determination of basic long term goals and objectives of the enterprise and the adoption of courses of action. Hence strategy helps in the allocation of resources necessary for carrying out those goals.

Mintzberg (1996) offers his view of strategy by asserting that strategy is a plan, a ploy, a position and a perspective as it specifies consciously the intended course of action. He says that strategy is a specific maneuver intended to outwit the competitor and that it is a means of locating the organization in its environment. Hence, according to Mintzberg (1996), strategy gives the organization its identity. Porter (1985) provides a basis for strategic analysis by classifying sources of competition in an industry into five. The model popularly referred to as five force model gives factors that must be looked into for an organization to gain competitive advantage.

The essence of strategy is to relate the organization to the changes in the environment (Ansoff and McDonnell, 1990). Koch (1995) affirms that a good strategy is the commercial logic of any business that defines why a firm can have competitive advantage. Mismatching the two creates a problem, and the matching is achieved through development of organizations capabilities and relating them to external environment. Other researchers on strategy see it as the process of deciding a future course for business and have a role in organizing and steering the business on that course (Webb, 1998). Therefore the organization must trade off and make hard choices in determining what to do and what not to and perform different activities from those performed by its rivals (Amurle 2003).

Strategy is a unifying part of a decision that helps in identifying purposes, goals, objectives, and priorities of the organization. Strategy also helps the organization create competitive advantage as the organization needs to be aware of what the competitors do to effectively compete. Strategy helps in defining the obligations of the organization to its stakeholders as well as defining its specific business in terms of geographic scope. The success of any organization therefore depends on how new strategies are crafted to enable countering of challenges that are thrown by the environment (Johnson & Scholes 2003).

It is not enough just to formulate good strategies. A good strategy must be implemented and managed properly as desired to give good results. It has been stated that organizations are dependent on the environment and as such interact with the environment. They rely on the environment for their inputs and rely on the same environment to consume its services or products as outputs. The organization must therefore discharge the services or output that meet the needs of the environment. The external environment is always changing. The changes are usually very turbulent and full of surprises. The organization must therefore be flexible and be able to move with speed to counter these changes (Ansoff & McDonnell 1990).

## 2.5 Competitive Strategies

Competitive strategy specifies the distinctive approach which the firm intends to use in order to succeed in each of the strategic business areas. Competitive strategy gives a company an advantage over its rivals in attracting customers and defending against competitive forces (Ansoff, 1985). There are many roots to competitive advantage, but the most basic is to provide buyers with what they perceive to be of superior value a good or service at a low price, a superior service that is worth paying more for, or a best value offering that represents an attractive combination of prices, features, quality, service, and other attributes that buyers find attractive (Thompson and Strickland, 2003).Competitive strategy is thus the search for a favorable competitive position, in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition (Porter, 1998).

Firms pursue competitive strategies when they seek to improve or maintain their performance through independent actions in a specific market or industry .There are two major types of competitive business strategies: cost leadership and product differentiation (porter,1980).Firms pursuing cost leadership strategies attempt to gain advantages by lowering their costs below those of competing firms. Firms pursuing product differentiation strategies attempt to gain advantages by increasing the perceived value of the products or services they provide to customers. Competitive business strategies are important strategic alternatives for many firms, but they are not the only business strategic alternatives (Barney, 1997). Competitive strategy needs to focus on unique activities (Porter, 1996).

Competitive strategies should lead to competitive dominance, which in other words of Tang and Bauer (1995) is about sustained leadership and levels of undisputed excellence. They contend that competitive dominance is an attitude that begins with the realization that leadership is no guarantee for long term success, especially in the global market place. Firms also develop competitive strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (porter,1998).The competitive aim is to do a significantly better job of providing what buyers are looking for, thereby enabling the company to earn a competitive advantage and out compete rivals in the market place.

Competitive strategies provide a frame work for the firm to respond to the various changes within the firms operating environment. Firms also develop competitive strategies that enable them develop strategic initiatives and maintain competitive edge in the market (Grant, 1998, Macmillan, 1998). Ansoff and Mc Donnell (1990) define competitive strategy as the distinctive approach which a firm uses or intents to use to succeed in the market. In examining the concept of competitive strategies, different authors have done it differently, however major studies in this area have been done by Michael Porter. He defines competitive strategy as the art of relating a company to the economic environment within which it exists.

Porter (1998) states that the goals of a competitive strategy for a business unit in an industry is to find a position the industry where the company can best defend itself against the five forces which are rivalry, threat of substitutes, buyer power, supplier power and the threat of new entry. These five forces constitute the industry structure and it is from this industry analysis that a firm determines its competitive strategy. Porter unveiled four generic competitive strategies that can be viable in the long term business environment. They are cost leadership strategy, differentiation strategy, cost focus strategy and differentiation focus strategy. Pierce and Robinson (1997), states knowledge of this underlying source of competitive pressure provides the groundwork for strategic agenda of action. The highlight of the critical strengths and weaknesses of the company animate the positioning of the company in its industry, clarify the areas of strategic changes and may yield benefits. The differentiation and cost leadership strategies seek competitive advantage in broad ran market or industry segments while in contrast, the differentiation focus and cost focus strategies adopted in a narrow market or industry .This is represented in the diagram below:-

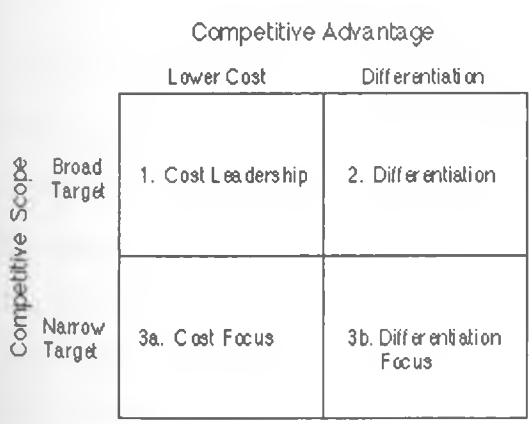



Figure 1.1 Porter's Generic strategies

Source: Porter M.E (1988) Generic Strategies. The free press pp.4

### 2.5.1 Cost Leadership Strategy

A firm producing at the lowest cost in the industry enjoys the best profits. Producing at lower cost is a strategy that can be used by various firms so as to have a significant cost advantage over the competition in the market. This in effect leads to growth in the market share. This strategy is mostly associated with large businesses offering standard products that are clearly different from competitors who may target a broader group of customers. The low cost leader in any market gains competitive advantage from being able to many to produce at the lowest cost. Factories are built and maintained; labor is recruited and trained to deliver the lowest possible costs of production.

Cost advantage is the focus. Costs are shaved off every element of the value chain. Products tend to be 'no frills.' However, low cost does not always lead to low price. Producers could price at competitive parity, exploiting the benefits of a bigger margin than competitors. Some organizations, such as Toyota, are very good not only at producing high quality autos at a low price, but have the brand and marketing skills to use a premium pricing policy. A low cost leader's basis for competitive advantage is lower overall costs than competitors. The need to manage cost is nothing new, yet surprising number of organizations struggles to successfully control their operating expenses overtime (Bertone, Clark, West & Groves, 2009). Successful low cost leaders are exceptionally good at finding ways to drive costs out of their business.

### 2.5.2 Differentiation Strategy

Differentiated goods and services satisfy the needs of customers through a sustainable competitive advantage. This allows companies to desensitize prices and focus on value that generates a comparatively higher price and a better margin. The benefits of differentiation require producers to segment markets in order to target goods and services at specific segments, generating a higher than average price. For example, British Airways differentiates its service. The differentiating organization will incur additional costs in creating their competitive advantage. These costs must be offset by the increase in revenue generated by sales. Costs must be recovered. There is also the chance that any differentiation could be copied by competitors. Therefore there is always an incentive to innovated and continuously improve.

Targeting smaller market segments to provide special customer needs is a strategy widely used in the corporate scene. It involves identification of the needs of the customers in the market and designing products that can fit their needs. Companies can pursue differentiation from many angles. Varian (2003, p.454) notes that firms may find it profitable to enter an industry and produce a similar but distinctive product.

### 2.5.3 Cost Focus Strategy

Lower cost advantages to a section of the market segments with basic services offered to a higher priced market leader is a strategy acceptable in the corporate world. It results to similar products to much higher priced products that can also be acceptable to sufficient customers in the market. A focused strategy based on low cost aims at securing a competitive advantage by serving buyers in the target market niche at a lower price than rival competitors. This strategy has considerable attraction when a firm can lower costs significantly by limiting its customer base to a well defined buyer segment. Focused low cost strategies are fairly common.

### 2.5.4 Differentiation Focus

A business aims to differentiate within one or a number of target market segments. The special customer needs of the segment means that there are opportunities to provide products that are clearly different from competitors who may be targeting a broader group of customers. This demands that the customer's different needs and wants be recognized. Porter (1980) reiterates that only if a company makes a strong and unwavering commitment to one of the generic competitive strategies does it stand much chance of achieving sustainable competitive advantage that such strategies can deliver if properly executed. Many scholars have questioned this; in particular, Miller (1992) questions the notion of being "caught in the middle". He claims that there is a viable middle ground between strategies. Many companies for example, have entered a market as a niche player and gradually expanded. Hill (1988) claimed that Porter's model was flawed because differentiation can be a means for firms to achieve low cost. He proposed that a combination of differentiation and low cost might be necessary for firms to achieve a sustainable competitive advantage.

# CHAPTER THREE
# RESEARCH METHODOLOGY

## 3.1 The Research Design

The study employed descriptive survey to identify competitive strategies adopted by multinational corporations to cope with competition in Kenya. Descriptive research attempts to provide a description of variables from members of the population. Mugenda and Mugenda (1999) notes that a descriptive research attempts to collect data from members of a population and helps a researcher get a description of the variables. Descriptive research enables one to describe existing conditions and attitudes through observation and interpretation techniques. It is also preferred as it offers the researcher the methodology to appropriately describe and portray characteristics of events, process and organizations and the population (Chandran, 2004). A survey is deemed appropriate as it enables one to make comparisons based on differences in demographics.

## 3.2 Target Population

The target population was all MCs operating in Kenya. According to Kenya Bureau of Statistics Economic survey 2007 there are 213 Multinational Corporations in Kenya.

## 3.3 Sample Design

Multinational corporations were stratified according to the country of origin. A sample size of 40 was drawn using disproportionate stratified sampling technique since some categories were too small to be proportioned as shown in the table 1.1:-

**Table 1.1: Sample Stratification**

| CATEGORY | POPULATION | SAMPLE |
|---|---|---|
| Canada | 2 | 1 |
| China | 7 | 3 |
| Netherlands | 25 | 5 |
| France | 3 | 2 |
| Germany | 6 | 3 |
| India | 13 | 4 |
| Italy | 9 | 3 |
| Japan | 26 | 4 |
| Korea | 6 | 1 |
| Sweden | 15 | 3 |
| Switzerland | 17 | 2 |
| UK | 73 | 5 |
| USA | 11 | 4 |
| **TOTAL** | 213 | 40 |

## 3.4 Data Collection

The research used primary data, semi structured questionnaires (see appendix 1) which were considered appropriate. The questionnaire were divided in three parts where part A had the General information, part B addressed challenges of competition and Part C of the questionnaire covered strategies for competition.

Interviews were conducted on heads of departments and other senior export managers who are in management since they understand the strategies being employed. A drop and pick method was used in administering the questionnaire. This method was considered appropriate as it provided detailed information including other supplementary information through probing which gave the respondent chance to give other information that they considered relevant.

## 3.5 Data Analysis

Data collected was cleaned, validated edited and then coded. Descriptive statistics was used to analyze the data. These included percentages, frequency distribution tables and other descriptive statistics such as mean and standard deviation. The Statistical Package for Social Sciences (SPSS) was used for this analysis. This analysis is suitable where there are several variables under consideration, a group of which refer to one major variable. This will establish the strategies being used as well as challenges facing MCs.

# CHAPTER FOUR

# DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

## 4.1 Introduction

This chapter presents the analysis and findings of the study. It provides general information of the study sample on the strategies adopted by multinational corporations to cope with competition in Kenya. The study sample and demographic information of the respondents are discussed in this chapter. This chapter also highlights the finding and interpretation of data in relation to specific objectives. From the study population a total of forty questionnaires were administered to senior export managers out of which twenty three were collected giving a total response rate of 57.5 percent, which was deemed adequate for the analysis.

## 4.2 General Information

The senior export managers provided their information their position in the organization, years of experience, ownership structure, country of origin and the number of employee. The results were analyzed and presented as tabulated in table 4.1 to 4.4.

### 4.2.1 Year of Incorporation.

The year of incorporation of the multinational organizations varied from one organization to another. Some of the multinationals like Barclays had been incorporated as early as 1690, while others were incorporated as late as 2008 as presented in Table 4.1.

**Table 4.1: Year of Incorporation of Multinational Corporations in Kenya**

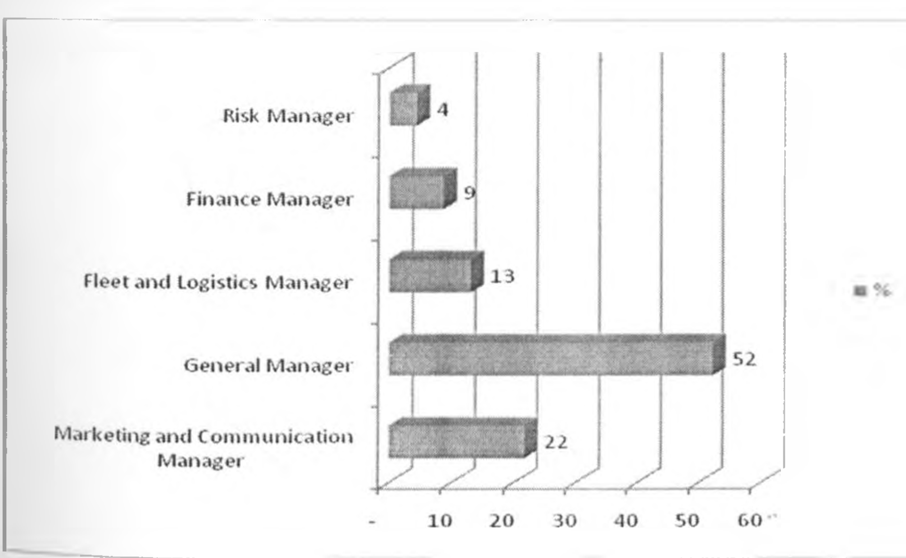
| Year(incorporated) | Frequency | Percentage |
|---|---|---|
| 1600-1650 | 0 | 0.0 |
| 1651-1700 | 1 | 4.8 |
| 1701-1750 | 0 | 0.0 |
| 1751-1800 | 0 | 0.0 |
| 1801-1850 | 0 | 0.0 |
| 1851-1900 | 1 | 4.8 |
| 1901-1950 | 9 | 42.9 |
| 1951-2000 | 9 | 42.9 |
| 2001-date | 1 | 4.8 |
| **Total** | **21** | **100** |

From Table 4.1, majority (85.8 percent) of multinationals were incorporated between 1901 to the year 2000.

### 4.2.2 Respondents Position

Most of the respondents were senior managers in the MCs in Kenya as shown in Figure 4.1.

**Figure 4.1: Respondents Positions**



### 4.2.3 Experience of the Respodents.

The respondents were asked to tick the period for which they had held the position in their organizations and the responses were presented as shown in Table 4.2.

**Table 4.2: Periods for Which You Have Held the Position**

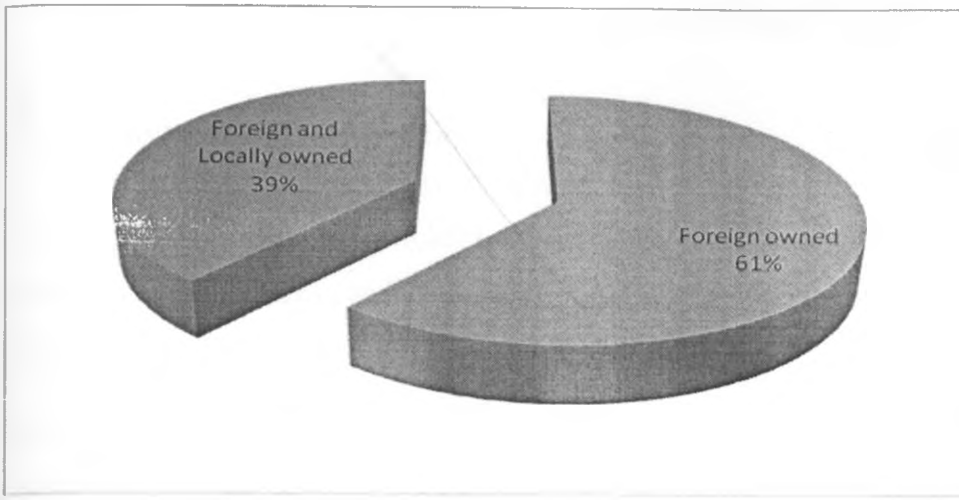
| Period | Frequency | Percent |
|---|---|---|
| Less than a year | 2 | 8.7 |
| 1 - 5 Years | 17 | 73.9 |
| 5 - 10 Years | 2 | 8.7 |
| 10 - 15 Years | 1 | 4.3 |
| Over 15 years | 1 | 4.3 |
| **Total** | **23** | **100** |

The study established that majority of the respondents 73.9 percent had served between 1-5 years, indicating that they had adequate understanding of the strategies for competition adopted by their organizations. In terms of branches, the MCs in Kenya ranged from those with one branch to over 130 branches.

### 4.2.4 Ownership Structure

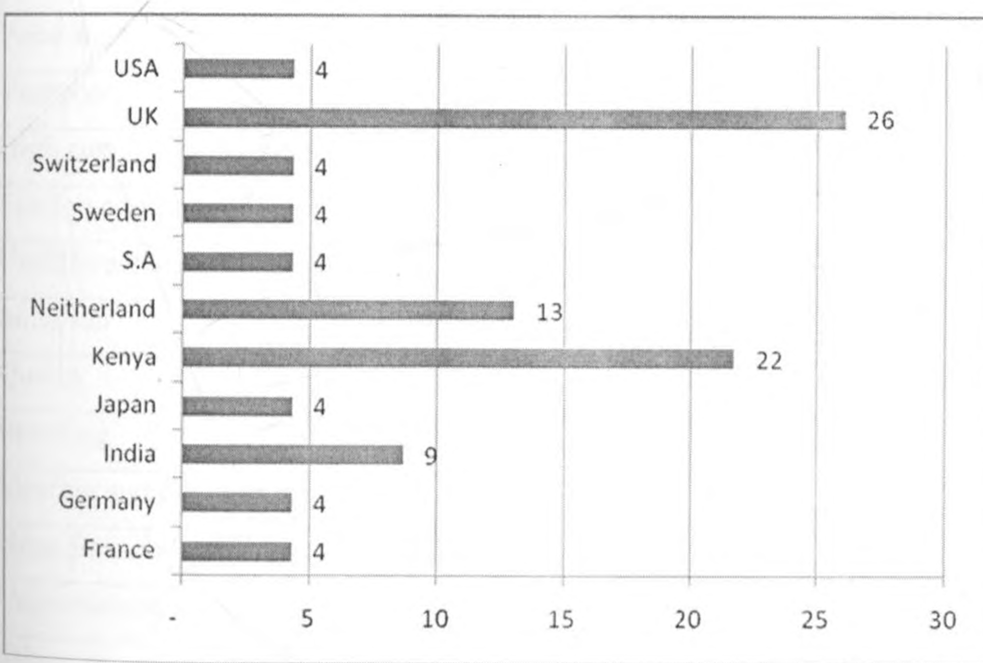
The respondents were asked to list the ownership structure of their organization and the findings were presented as shown in Figure 4.3

**Figure 4.2 : Ownership structure**




The study established that 61 percent of the multinational corporations are foreign owned, while 39% are Locally and foreign owned meaning majority of the MCs are owned by non citizens.Ownership may be important in the choice of strategy an organization seeks to pursue.Foreign MCs sometimes have to purue the strategies of its foreign based company.

**Figure 4.3 Shows the Country of Origin of the Multinationals**



MCs in Kenya provide employment opportunities to a number of Kenyan, when asked to list the number of employees in their organizations the number ranged from 26 to 80,000 employees.

## 4.3 Challenges of Competition

The first objective of this study sought to determine the challenges of competition facing multinational corporations in Kenya. The researcher used primary data obtained from semi structured questionnaires conducted on heads of departments and other senior export managers in management.

The data collected was scored using a five point scale to rate the impact of the challenge of competition in multinationals with 1 = Not at All, 2= Little Extent, 3=Moderate Extent, 4 =great extent and 5= Very Great Extent. Further, the data was analyzed using means and standard deviations as presented in table 4.3 to establish the key challenges faced by MCs in Kenya.

**Table 4.3 Challenges for Competition**

| Challenge | Mean | Std. Deviation |
|---|---|---|
| Increased number of competitors | 4.04 | 1.02 |
| Price wars | 3.76 | 1.14 |
| Technology | 3.57 | 1.33 |
| High cost of maintaining quality service | 3.23 | 1.23 |
| Foreign competition | 3.22 | 1.28 |
| Undifferentiated products | 3.21 | 1.03 |
| Imitation | 3.17 | 1.37 |
| Quality | 3.17 | 1.61 |
| Branding | 3.05 | 1.43 |
| Meeting and maintaining MCs rules | 3.00 | 1.19 |
| Huge financial requirements | 3.00 | 1.41 |
| Unpredictable government policies | 2.91 | 1.04 |
| Sabotage | 2.61 | 1.23 |
| Lack of entry barriers | 2.50 | 1.20 |

The actual mean was 3, and a mean of greater than 3 denoted that the challenge is greatly affect MCs, while a mean less than 3 denoted little effect of the challenge to the MCs in Kenya. Out of 14 Challenges identified, 11 were rated as affecting MCs to a great extent. Prominent Challenges were increased number of competitors (M=4.04, SD =10.2), Price wars (M=3.76, SD= 1.14) and Technology (M=3.57, SD = 1.33)

Increased competition of MCs in Kenya has led to price wars as a competitive strategy confirming the recent battle between in the mobile industry (Daily nation September 15, 2010). Lewis et al (1999:70) notes that competition is a dynamic and interactive process and thus MCs should constantly seek advantage in an ever changing environment.

Conversely, Unpredictable government policies (M=2.91), Sabotage (M=2.61) and Lack of entry barriers (M=2.51) were the least common challenges for completion on MCs in Kenya. Porter (1988) discusses government as a force in any industry competition. Kombo (1997) noted that firms in the Motor vehicle industry made adjustments by introducing new technologies in product development, differentiation and segmentation as well as targeting their customers with improved customer services.

## 4.4 Strategies for Competition

The second objective of this study sought to establish the strategies adopted by multinational corporations to cope with competition in Kenya .The researcher used the five point scale to rate the impact of the challenge of completion in multinationals with 1 = Not at All, 2= Little Extent, 3=Moderate Extent, 4 =great extent and 5= Very Great Extent.

The data collected was analyzed using means and standard deviations as presented in table 4.3 to establish the key challenges faced by MCs in Kenya.

**Table 4.4 Strategies for Competition**

| Statistics | Mean | Std. Deviation |
|---|---|---|
| Better Quality | 4.48 | 0.85 |
| Excellent customer service | 4.48 | 0.79 |
| Innovation | 4.43 | 0.66 |
| Differentiation | 4.29 | 0.78 |
| Diversification | 3.73 | 0.94 |
| Cost cutting measures | 3.61 | 1.08 |
| Strategic alliances, joint venture, mergers/acquisitions | 3.39 | 1.16 |
| Lower price | 3.17 | 0.98 |
| Franchising | 2.81 | 1.40 |
| Licensing | 2.62 | 1.16 |

Again the actual mean on the strategies for competition was 3 due to the rating scale and a mean of greater than 3 denoted that the strategy is greatly adopted by MCs, while a mean less than 3 denoted little adoption by MCs in Kenya. Out of 10 strategies identified, 11 were rated as affecting MCs to a great extent. Prominent Challenges were Better Quality (M=4.48, SD =0.85), Excellent customer service (M=4.48, SD =0.79), Innovation (M=4.43, SD =0.66) and Differentiation (M=4.29, SD =0.78). Increased counterfeit has necessitated MCs in Kenya to make better quality products as a competitive strategy. On the other hand, Franchising (M=2.81) and Licensing (M=2.62) were the least common strategies for competition on MCs in Kenya.

. Multinational Corporation builds its total sales by acquiring or establishing other businesses that are not directly related to the company's present product or market. The finding is in agreement Mintzberg, Henry, and James Brian Quinn (1992) that "as organizations grow large, they become inclined to diversify and then to divisionalize. One reason is protection in addition as the firms grow large; they come to dominate their traditional market, and so must often find growth opportunities elsewhere, through diversification. Moreover, diversification feeds on itself. It creates a cadre of aggressive general managers, each running his or her own division, who push for further diversification and further growth. Thus, most of the giant corporations ...

not only were able to reach their status by diversifying but also feel great pressures to continue doing so. Price Reduction Strategies by constantly reviewing operations and relative costs, to set a price which can give a competitive advantage to multinationals, supporting the finding of (Anne Arundel County, MD Sheriff).In summary, MCs face a mumber of challenges of competitions and the managers in the MCs adopt a number of strategies to overcome the challenges of competition.

# CHAPTER FIVE

# SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

## 5.1 Introduction

This Chapter Explains The Summary, Conclusion, Recommendations And The Extent To Which The Research Objectives Have Been Achieved. The study focused on the strategies adopted by multinational corporations to cope with competition in Kenya.

## 5.2 Summary

The study targeted 19 percent of the total population of 213 MCs in Kenya where a total of 40 questionnaires were administered to the respondents. The sample was selected through stratified disproportionate sampling. A total of 23 questionnaires were collected giving a response rate of 58.5 percent. The filled questionnaires were coded, cleaned and analyzed using Statistical Package for Social Sciences (SPSS) and presented using tables and charts.

From the findings, MCs in Kenya were established as early as 1650, and the respondents were senior officials of the respective organizations with majority 73.9 percent having experience ranging from one to five years. The ownership structure of the multinational was dominated by foreign owned 61 percent with foreign and local ownership constituting 39 percent. Their country of origin varied and they employed staff ranging from 26 to 80000 staff.

The first objective sought to determine the challenges of Competition faced MCs in Kenya, the study established that MCs in Kenya face a number of challenges for competition including: increased number of competitors ,Price wars ,Technology, High cost of maintaining quality service ,Foreign competition ,Undifferentiated products, Imitation ,Quality ,Branding ,Meeting and maintaining MCs rules and Huge financial requirements .

The second objective sought to determine the strategies of competition adopted by MCs in Kenya. It was established that MCs in Kenya have adopted a number of strategies including: Better Quality, Excellent customer service, Innovation ,Differentiation ,Diversification, Cost cutting measures and Strategic alliances, joint venture, mergers/acquisitions and not forgetting lower prices.

## 5.3 Recommendation for Policy and Practice

The study has established that lack of skilled personnel is key challenge of competitions, the study recommends that multinational can overcome the challenges through training and other capacity building programmes to create a pull of qualified personnel to support operations of multinationals especially provision of focused onsite customer care.

The study further established that provision of adequate electric power to meet their demand is a challenge. The study recommends that, MCs to utilize others electric power sources to supplement their consumption needs. The government should also provide infrastructure needed for MCs including to attract investment in Kenya

## 5.4 Limitations of the Study

A number of limitations were encountered in carrying out this study. These included low response rate. There was a general respondent apathy to fill the questionnaire. Even for the twenty three respondents, the questionnaire had to be dropped up to even three or four times and respondents persuaded in order to respond. Although the twenty three respondents were enough for the analysis, it would have been a more comprehensive study if all the forty MCs had responded. The educational background of the respondents also posed a challenge and hence unwillingness to respond.

## 5.5 Area for Further Research

The study recommends the following as areas for further research in determining the Strategies adopted by the republic of Kenya to encourage MCs investment in Kenya as well as Strategies that can be adopted by MCs in Kenya to overcome the skills gap challenges.

# REFERENCES


Aharoni, Y. (1993). "From Adam Smith to Schumpeterian Global Firms." *Research in Global Strategic Management*. JAI Press Inc.

Ansoff, H. I. (1965). *Corporate Strategy.* New York: McGraw-Hill.

Aosa, E. (1992). An empirical investigation of aspects of strategy formulation and implementation within large, private manufacturing companies in Kenya, Unpublished PhD Thesis.

Barnett, W. P., & Hansen, M. T. (1996). "*The Red Queen in Organizational evolution.*" *Strategic Management Journal.*

Barman & Chaves, M. (2005). "Strategy *and restructure at the United Church of Christ.*" pp. 466-492.

Chaffee. E. (1985). "Three models of strategy." *Academy of Management Review.*

Chandler, A. D. (1962). ***"Strategy and structure, chapters in the history of the Industrial"*** Cambridge: MIT press.

Craig, J. C., & Grant, R. M. (1995). *Strategic Management in Global Industries.*

Cusumano, M. A., & Yoffie, D. B. (1999). *Judo Strategy, the dynamics of Internet time, Enterprise.* Cambridge: MIT Press.

Erramilli, M. K., Agarwal, S. & Kim, S. (1997). "Are Firm Specific Advantages Location Specific?" *Journal of International Business Studies.*




UNIVERSITY OF NAIROBI
LOWER KABETE LIBRARY

Greenstein, Shane & Stango, V. (2008). "The Economics and Strategy of Standards and Standardization." In *Handbook of Technology and Innovation Management*, (S. Shane, Ed.) Hoboken, N.J.: John Wiley and Sons. 267-293.

Harvard Business Review, Jan-Feb 1999, vol. 77 number 1.

Johnson, G., & Scholes, K. (2002). "*Exploring Corporate Strategy*" ($6^{th}$ ed.). Prentice Hall.

Trethowan, J., & Scullion, G. (1997). "*Strategic responses to change in retail banking in the UK." International Journal of Bank Marketing*. Vol. 15.

Lewis, G. (1993). *Concepts in Strategic Management.* In G Lewis. Penguin books.

Miller, D. (1989). *Configuration of Strategy and Structure: Towards a Synthesis.* Mcmillan.

Mintzberg, H. (1990). *Strategy Formation: Schools of Thought* of India, 2002.

Mulaa, N. (2004). Competitive strategies adopted by small scale enterprises in exhibition halls in Nairobi. Unpublished MBA project.

Mugenda , O. M., & Mugenda, A. G. (1999). *Research Methods: Quantitative & Qualitative Approaches.* Nairobi: Acts Press.

Murage, S. (2001). *Competitive strategies adopted by members of the Kenya Independent Petroleum Dealers Association.* Unpublished MBA project.

Pearce, J. A., & Robinson, R. (1997). *Strategic Management – Strategic Formulation and Implementation*. Irwin, Boston.

Peter, M. S. (1990). *The fifth discipline: The art and Practice of the Learning. Organization.* McGraw-Hill Book Company.

Porter, M. E., & Kramer, M. R. (1999). *Philanthropy's new agenda: Creating value*. The free press.

Porter, M. *(1985). Competitive advantage.* NY: The free press.

Porter, M. *(2004). Competitive advantage.* NY: The free press.

Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors.* New York: Free press.

Porter, M. E. (1985). *Competitive advantage: Creating and sustaining superior performance.* New York: Free Press

Porter, M. E. (1979). *How competitive forces shape strategy.* Havard business Review, March/April 1979.

Stern, C. W., & Stalk Jr, G. (1998). *Perspectives on Strategy from The Boston Consulting Group.* Boston Massachusetts: John Wiley & Sons.

Sushil. (1990). "*Corporate Financial Reporting in India Corporate Financial Reporting.*" Penguin books.

Thompson, A. A Jr, & Strickland, A. J. III. (2003). "*Strategic management: Concepts and cases*" (13th ed.). New Delhi: Tata McGraw-Hill Publishing company Ltd.

# APPENDICES

## APPENDIX 1: INTERVIEW GUIDE

### PART A: GENERAL INFORMATION

1. Multinational Corporation name……………………………………………………………………
2. Year of incorporation……………………………………………………………………………
3. The position you occupy in your organization? ………………………………………………
4. Period for which you have held the position:-

   Less than a year ( )

   1-5 Years ( )

   5-10 Years ( )

   10-15 Years ( )

   Over 15 ( )

5. How many branches does the organization have? ……………………………………………
6. Ownership structure (Tick)

   Foreign owned ( )

   Foreign and locally owned ( )

7. How many employees does the organization have? …………………………………………
8. What is the country of origin of the organization……………………………………………

## PART B: CHALLENGES OF COMPETITION

To what extent do you find each of the following aspects of competition a challenge to your organization?

Rate using a five point scale where:-

1 = Not al all

2 = Little extent

3 = Moderate extent

4 = Great extent

5 = Very great extent

| VARIABLES | NOT AT ALL 1 | LITTLE EXTENT 2 | MODERATE EXTENT 3 | GREAT EXTENT 4 | VERY GREAT EXTENT 5 |
|---|---|---|---|---|---|
| Undifferentiated products | | | | | |
| Imitation | | | | | |
| Technology | | | | | |
| Increased number of competitors | | | | | |
| Foreign competition | | | | | |
| Meeting and maintaining MCs rules | | | | | |
| Huge financial requirements | | | | | |
| High cost of maintaining quality service | | | | | |
| Unpredictable government policies | | | | | |
| Lack of entry barriers | | | | | |
| Price wars | | | | | |
| Quality | | | | | |
| Branding | | | | | |
| Sabotage | | | | | |

## PART C: STRATEGIES FOR COMPETITION

To what extent do you use each of the following strategies to cope with competition?

| VARIABLES | NOT AT ALL 1 | LITTLE EXTENT 2 | MODERATE EXTENT 3 | GREAT EXTENT 4 | VERY GREAT EXTENT 5 |
|---|---|---|---|---|---|
| Diversification | | | | | |
| Differentiation | | | | | |
| Strategic alliances, joint venture, mergers /acquisitions | | | | | |
| Cost cutting measures | | | | | |
| Lower prices | | | | | |
| Better Quality | | | | | |
| Excellent customer service | | | | | |
| Innovation | | | | | |
| Licensing | | | | | |
| Franchising | | | | | |

# APPENDIX 2: LIST OF MULTINATIONAL CORPORATIONS IN KENYA

| COMPANY | COUNTRY | PRODUCT |
|---|---|---|
| Bata Shoes Co (K) Ltd | Canada | Shoes |
| Tiomin Resources Inc | Canada | Mining |
| China Jiangsu International Economic – Technical Cooperation Corporation | China | Manufacturing & exporting |
| China National Aero-Technology Import – Export Corp | China | Manufacturing & merchandise trading |
| China Overseas Engineering Corp | China | Engineering |
| China Road & Bridge Corporation | China | Construction |
| Chinese Technical Cooperation | China | Infrastructure construction |
| Sietco Development Corp | China | Construction |
| Sinotaco | China | Maritime organization |
| Airlink Ltd | Netherlands | Netherlands Aviation |
| Anova Food BV | Netherlands | Fish Supplies & Exports |
| Anova East Africa (ANEA) | Netherlands | Fresh and Frozen Fish Products |
| Christchurch Holdings | Netherlands | Transport |
| Dreamcoat Automotive Refinishing Products Ltd | Netherlands | Manufacturing |
| Fairview Hotel | Netherlands | Hotel |
| Fourteen Flowers | Netherlands | Horticulture |
| Grabowsky & Poort (Arcadis) | Netherlands | Consulting Engineers & Architect |
| Groundwater Survey (Kenya) Ltd | Netherlands | Ground Water Consultants |
| Happy Cow Limited | Netherlands | Dairy Products |
| Indu Farm EPZ Ltd | Netherlands | Horticulture processing |
| Jet Travel Ltd | Netherlands | Travel Agency |

| | | |
|---|---|---|
| Kenya Shell & BP | Netherlands | Petroleum products |
| KLM Royal Dutch Airlines | Netherlands | Aviation |
| Logistic Container Centre | Netherlands | Logistics |
| Martinair Holland BV P & O Nedlloyd | Netherlands | Shipping & Logistics |
| Philip Medical Systems | Netherlands | Electronic Medical Equipments |
| Procter & Gamble | Netherlands | Food products, cereals |
| Regina Seeds | Netherlands | Agriculture |
| SDV Transami | Netherlands | Cargo agents/Freight forwarders |
| SERA Software East Africa | Netherlands | IT |
| Sher Flowers | Netherlands | Floriculture |
| TNT Express Worldwide | Netherlands | Courier |
| Van Leer East Africa Ltd | Netherlands | Packaging |
| WEC lines Ltd | Netherlands | Shipping |
| D.T. Dobie (Kenya) | France | Motor Vehicles |
| Peugeot Kenya | France | Motor Vehicles |
| Total Kenya ltd | France | Petroleum products |
| BASF | Germany | Manufacturing and marketing of a wide range of chemical products |
| Bayer East Africa Ltd | Germany | Pharmaceuticals |
| Henkel Kenya Ltd | Germany | Chemicals |
| Pfizer Laboratories Ltd | Germany | Pharmaceuticals |
| Siemens | Germany | Tele-com, Electrical Equipments |
| Schenker Ltd | Germany | Logistics services |
| Air India | India | Aviation |
| Bank of Baroda | India | Banking |
| Bruce Trucks Ltd – Iveco trucks | India | Motor Vehicles |
| Cadila Pharmaceuticals ltd | India | Pharmaceutical |
| CMC (Maruti) | India | Motor Vehicles |

| | | |
|---|---|---|
| Kenindia Assurance company ltd | India | Insurance |
| Kingsway Motors (Eicher) | India | Motor Vehicles Dealers |
| Lakshmi Textiles Exports ltd | India | Textile |
| Manugraph Kenya Ltd | India | Printing |
| Marshalls EA (Tata) | India | Motor Vehicles |
| Orient Paper Mills (Pan African Paper Mills) | India | Paper |
| Praj Industries Ltd | India | Engineering & Fabrication, Alcohol & Brewery plants |
| UB Pharma ltd | India | Pharmaceutical |
| Auto Italia / Car & General (agents for Alfa Romeo & Piaggio) | Italy | Motor Vehicles Dealers |
| Chimaco East Africa (agents fro Enichem) | Italy | Chemical dealers |
| Fila East Africa | Italy | Sports wear |
| Framin Kenya Ltd (agents for Farmitalia) | Italy | Pharmaceutical |
| Kenya Motors (agents for IVECO) | Italy | Motor Vehicles Dealers |
| Kirdam Consortium | Italy | Drilling |
| New Holland – Fiat Spa | Italy | Motor Vehicle Dealers |
| Pirelli Tyre | Italy | Tyres |
| Technogym | Italy | Fitness and rehabilitation Equipment |
| Asahi Shimbun Nairobi Bureau | Japan | Media |
| Asami Motor Services | Japan | Motor vehicle dealers |
| Chiyo & Company | Japan | Watches manufacturer |
| Construction Project Consultants | Japan | Construction |

| | | |
|---|---|---|
| Escape Ltd | Japan | IT |
| Falcon Travel services | Japan | Tours & Travel |
| Itochu Corporation | Japan | Trading Company |
| Japan African Culture Interchange Institute | Japan | Cultural Exchange Programs |
| Japan External trade Corporation | Japan | Foreign Trade Promotions |
| Japanesse International Cooperation Agency (JICA) | Japan | International Assistance & Corporation |
| Kajima Corporation | Japan | General Contracting firm |
| Kenya Tenri Society | Japan | Foreign Development Agency |
| Kyodo News Services | Japan | Media |
| Matsushita Electric Industrial | Japan | Electrical & electronics components |
| Metameta Office | Japan | IT – Web Design |
| Mitsubishi Corporation (Rep Office) | Japan | Motor vehicles |
| Mitsui & Co ltd | Japan | Widespread – exploration, power |
| Nec Corporation | Japan | Electronics |
| Nippon Koei Ltd | Japan | General Engineering & Consulting |
| Nissan (KVA) | Japan | Motor Vehicle – Urvan (Caravan) |
| Nissho Iwai Corporation | Japan | Heavy Construction machinery &Equipment |
| Osaka Motors Company | Japan | Used motor vehicles Dealers |
| Overseas Courier Company | Japan | Courier services |

| | | |
|---|---|---|
| Sanyo Armco | Japan | Electronic, Home Appliances |
| Sumitomo Corporation | Japan | Widespread |
| Toyota Kenya | Japan | Motor Vehicles |
| Daewoo Corporation | Korea | Motor Vehicles |
| Hwan Sung Industries (Kenya) Ltd | Korea | Furniture |
| Hyundai Corporation | Korea | Motor Vehicles |
| LG | Korea | Electronics |
| Safari Park Hotel | Korea | Hotels |
| Samsung | Korea | Electronics |
| Alfa Laval Regional Office | Sweden | Ship technology |
| Atlas Copco | Sweden | Manufactures compressors, generators, industrial tools etc |
| EARS group Kenya | Sweden | Guarding & Alarms |
| Kenya Grange Vehicle Industries | Sweden | Motor Vehicles |
| Photomap (Kenya) ltd | Sweden | Mapping |
| Riverdell Gardens | Sweden | Hotels |
| Sandvik (Kenya) | Sweden | Hand Tool Manufacturer |
| Scala (EA) Ltd | Sweden | Computers-Software& Services |
| Skanska | Sweden | Construction services |
| SKF (Kenya) Ltd | Sweden | Manufacturing bearings |
| Technical engineering ltd | Sweden | Engineering |
| Tetra Pak Ltd | Sweden | Integrated processing, packaging and distribution line |
| Tour Africa Safaris | Sweden | Tourism |

| | | |
|---|---|---|
| Ulf Ashcan Safaris | Sweden | Tourism |
| Water & Drilling Consultancy Ltd | Sweden | Water Consultancy |
| ABB Asea Brown Boveri Ltd | Switzerland | Power and automation technologies |
| African Safari Club | Switzerland | Hotels |
| Airside Ltd | Switzerland | Aviation |
| Andre Promotion & Consulting Co. Ltd | Switzerland | Consulting Agents |
| Baobab Farm Ltd | Switzerland | Wildlife Conservatory & Tour Site |
| Ciba Geigy | Switzerland | Pharmaceuticals |
| Express Kenya | Switzerland | Cargo Agents / Freight Forwarders |
| Heritage AII Insurance Ltd | Switzerland | Insurance |
| International Cementia | Switzerland | Cement |
| Nestle | Switzerland | Processed food products |
| Pollmans Tours | Switzerland | Tour Companies |
| Private Safaris | Switzerland | Tour companies |
| Roche Products | Switzerland | Pharmaceutical Company |
| Schindler | Switzerland | Manufactures, maintains, and modernizes elevators, escalators |
| SGS Kenya Ltd | Switzerland | Custom Inspection & Valuation |
| Texchem Ltd | Switzerland | Textile Chemical Products |
| Yellow Wing Air Services Ltd | Switzerland | Air Charter Services |
| Abercrombie & Kent Tours Ltd | UK | Tourism – Hotels & Tour Companies |
| African Consulting Engineering | UK | Engineering |

| | | |
|---|---|---|
| African Highland Produce Co Ltd | UK | Agriculture |
| Avery Kenya Ltd | UK | Petroleum Equipment dealers |
| Bacho United Printers | UK | Printing |
| Barclays Bank (K) Ltd | UK | Banking |
| Barker & Barton (K) Ltd | UK | Hotels |
| Baumann (K) Ltd | UK | Investment |
| Bee Health Propolis Ltd | UK | Bee Glue / Propolis |
| Berger Paints | UK | Paints |
| Blackwood Hodge | UK | UK 2nd Hand Spares for heavy machinery |
| BOC Kenya Limited | UK | Industrial gases |
| Bonar EA ltd | UK | Plastic Bag Dealer |
| Booker Tate | UK | Professional management services |
| BP Solar | UK | Solar Panels & Batteries |
| Brackla Nodor Ltd | UK | Dartboards |
| British Airways | UK | Aviation |
| British American Tobacco | UK | Tobacco/Cigarettes |
| British Broadcasting Corporation | UK | Media |
| British Leyland | UK | Motor Vehicle, especially military |
| Cadbury Kenya<br>Carnaud Metalbox Kenya Ltd | UK<br>UK | Beverages<br>Metal packaging |
| Chancery | UK | Investment |
| Chloride Exide | UK | Car Batteries |

| | | |
|---|---|---|
| Church Orr & Associates | UK | PR Agency (tourism) |
| Coates Bros (EA) | UK | Chemicals |
| Commonwealth Development Cooperation | UK | Investment |
| Crown Paints | UK | Paints |
| Cussons & Co Ltd | UK | Toiletries |
| De La Rue | UK | Security printing firm |
| Deloitte & Touché | UK | Auditors |
| Dunlop Kenya | UK | Rubber, Tyres & tubes |
| Eastern Produce Kenya | UK | Coffee & Tea |
| Elgon Chemicals Ltd | UK | Chemicals |
| Ernst & Young | UK | Auditing |
| George Williamson | UK | Agriculture |
| Gestetner | UK | Office Equipments |
| GlaxoSmithkline Beecham (GSK) | UK | Pharmaceuticals |
| Guinness PLC | UK | Brewery |
| ICL Kenya | UK | IT |
| Inchcape Shipping Services | UK | Shipping |
| Intercontinental Hotels | UK | Hotels |
| Kenya Supply & Logistics | UK | Shipping Logistics |
| Knight Frank | UK | Estate Agents |
| KPMG Peat Marwick | UK | Auditors |
| La Farge Cement UK (East Africa Portland Cement | UK | Cement |

| | | |
|---|---|---|
| Mackenzie Maritme Ltd | UK | Shipping |
| Magadi Soda | UK | Soda Ash |
| Minet ICDC Insurance Brokers | UK | Insurance |
| Nairobi Hilton Hotel | UK | Hotels |
| Next Technology | UK | IT |
| Otis Elevators | UK | Elevators & Lifts |
| Pricewaterhouse Coopers | UK | Auditors |
| Rea Vipingo Plantations | UK | Agriculture – Sisal |
| Rectitt Benkiser | UK | Toiletries & Domestic Chemicals |
| Rentokil Ltd | UK | Pest Control / Fumigation |
| Reuters | UK | Media |
| Ryden International | UK | Property Consultant |
| Securicor | UK | Guarding, Courier & Alarms services |
| Shell-British Petroleum | UK | Petroleum products |
| Silentnight | UK | Furniture |
| Sir Isaac Pitman | UK | Secretarial Shorthand Exams |
| Sollatek electronics | UK | Power Protection Products |
| Standard Chartered | UK | Banking |
| Stem cor Kenya | UK | Steel products |
| Thomas Cook Group Ltd | UK | Travel Agents |
| Tibett & Britten Kenya | UK | Warehousing & distribution (logistics) company |
| Unilever E.A. | UK | Vegetable oils & toiletries, agriculture & beverages |

| | | |
|---|---|---|
| Vitafoam | UK | Foam mattresses |
| Vodafone (Safaricom) | UK | Tele-com |
| Watson Wyatt Worldwide Actuaries | UK | Consulting Firm |
| Wilken Communications Ltd | UK | Communication Equipments |
| World Cargo | UK | Cargo |
| Caltex Oil (Kenya) Ltd | USA | Oil Refinery Products |
| Coca Cola | USA | Soft Drinks |
| Colgate Palmolive | USA | Toiletries |
| Firestone East Africa | USA | Tyres |
| Fresh Del Monte | USA | Canned Fruits |
| General Motors | USA | Vehicle Assembly |
| IBM | USA | IT |
| Mobil Oil Kenya ltd | USA | Refinery products |
| The Wrigley Company (EA) Ltd | USA | Confectionery |
| DHL | USA | Courier |
| Microsoft | USA | IT |

Source: Kenya bureau of Statistics/Economic Survey 2007