FRANCHISING AS A MARKET ENTRY STRATEGY BY KENTUCKY FRIED CHICKEN INTO KENYA

BY:

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DECLARATION

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

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

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DEDICATION

First, I wish to dedicate this project to God Almighty my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. He has been the source of my strength throughout this program and on His wings only have I soared. I also dedicate this work to my family and friends who have encouraged me all the way and made sure that I give this project all it takes to finish that which I started.

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ABSTRACT

Franchising is a business strategy for building a presence in foreign markets. It is common in the service and retailing enterprises. Franchising is therefore a distribution network of independent business relationship that not only allows sharing of brand identification but also provides a strong marketing and distribution system. Franchising is based on mutual agreement between two parties that is the franchisor and the franchisee. Thus, there is no standard franchising contract. This study focused on the KFC and within the context of appropriateness which has not been done before. This study was therefore designed to fill this gap. The study was based on one objective: to determine how franchising strategy is used a market entry strategy by KFC into the Kenyan Market. This was a case study. Primary data was collected through the use of an interview guide. Content analysis was used in cross examining the responses in order to arrive at valid conclusions. The findings of this study according to the objective were that KFC adopts the same franchising processes for all its branches. KFC underwent different processes to attain its various franchises. The objective of this study as stated above was to determine the factors that influence the application of franchising as a strategy by KFC. Franchising as a strategy enables a company to gain competitive advantage over its competitors. The competitiveness is achieved by nature of product, nature of the market, capacity of the franchisor, capacity of the franchisee and the rules and regulation of the host country.

A greater proportion of the respondents reported that they would actually use franchising if they were to start their own businesses, a sign that they are actually in support of franchising as a mode of entry into foreign markets. Most of the managers cited heavy taxation and cumbersome formalization procedures as the main challenges facing franchising in Kenya.

The study established that the management needs to have a positive rethink towards the use of franchising and have the right resources as the success of a business or strategy depends primarily on the value judgment, energy and skill of its top managers and the strategic implementation within the context and parameter of the uncertainty and ambiguity of the environment subjected to volatility.

The study further established that strategic training is recommended to top management and all employees in the fast food franchises in order to enhance their performance. Also it recommended that top management should undertake a comprehensive study and adoption of strategic management in all and every aspect and areas of its concern so as to synergies, restructure, re-engineer and reposition its operations and thus enhancing competitiveness and performance.

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ABBREVIATIONS AND ACRONYMS

JV **:** Joint Ventures

KFC **:** Kentucky Fried Chicken

MBA **:** Master of Business Administration

R&D **:** Research and Development

SPSS **:** Statistical Packages for Social Scientists

SWOT **:** Strengths Weaknesses Opportunities and Threats

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Franchising is a business strategy for building a presence in foreign markets (Bashel, 2010). It is a distribution network of independent business relationship that not only allows sharing of brand identification but also provides a strong marketing and distribution system. Franchising is based on mutual agreement between two parties that is the franchisor and the franchisee. Companies usually opt for franchising for various reasons such as: for easier market penetration, to enhance their production, to venture into new markets or to increase their expertise levels (Bashel, 2010). Franchising has expanded rapidly in the last 5 decades and is estimated to account for more than a third of the world's retail sales. (Holmes & Lofstrom, 2003).

The social network perspective of franchising as described in the theory of internationalization recognizes that firm internationalization depends on both firm related advantages and networking activities and alliances. Firms that share a common goal of finding markets or doing business internationally, have implemented strategies that best enable them to access the markets or effectively carry out their businesses.(Johanson & Mattsson, 1988). Porter's (1980) uses the term alliances to encompass a whole variety of arrangements that include joint ventures, franchising and other kinds of inter firm relationships. Environmental dependency theory states that organizations operate in a dynamic environment and they need to adapt and respond appropriately, hence the need for strategic management (Pearce & Robinson, 2003).

In recent years there has been an upsurge of fast food franchises setting shop in Nairobi with the aim of bringing international food quality standards. The market that is growing fastest in Kenya is the middle class comprising of about two million people who can be defined as those with high disposable income. Nairobi, Kenya’s capital is a cosmopolitan city that is considered to be a market that is a trendsetter for the country.

1.1.1 The Concept of International Business

International business has in the recent past received considerable interest from both scholars and entrepreneurs. This is attributed to the large potential benefits that are accrued from venturing into this sector. By definition, it refers to expanding the operations of a particular business beyond its country’s borders (Davis, Et al 1997).This means not only operation in a different business market but also in a different economy. Hence, a careful evaluation of the company’s dynamics is required before undertaking the international business process.

The international business has its origin from past business transaction practices such as barter trade and long trade. Of which these practices have improved drastically over the years. This diversification in the trade practices has been largely due to globalization, advancement in technology, industrialization and improved infrastructure in most states (Management Study Guide, December 2012). Thus highly enhancing how business occurs and encouraging even more entrepreneurs to expand their borders.

International business not only improves the welfare of the business owners, but also the country’s economy at large. This is though the various custom duty charged on the goods exported and also taxation on the products. However, despite this importance, not all organizations venturing into the international business are always successful. Particularly, some do not even last more than a year in the foreign market. This raises concern as to what is required for firm to effectively integrate and gain maximally from the international business practice (Shrader, et al 2000).

1.1.2 Foreign Entry Strategies

Strategy is termed as a method employed in attaining the set targets and objectives. The strategy adopted by an organization is a main pre-determining factor as to whether the organization will prosper or tumble down. The strategies enable proper alignment of the available resources so as to maximize the efficiency at the minimal possible cost. Additionally, if well-chosen and implemented, the strategy will be able to give the company competitive advantage thus an upper hand against its competitors. Thus strategy formulation ought to be highly prioritized by any particular management so as to avoid insolvency and collapsing of organizations (Jayabalan, et al, 2009).

International business introduces even more intense competition and risks, and thus requires well-structured strategies. At the outset of a foreign venture the company must carry out extensive research to ascertain the viability of the venture. The company must prepare adequately in terms of the available resources. There are several strategies that a multinational company could use to enter into new markets. However the strategies are affected by a number of factors such as: social cultural issues, level of technology, legal requirements, and political factors as well as the level of competition. This study aims at investigating the suitability of franchising as one of the market entry strategies in Kenya.

1.1.3 Concept of Franchising

Franchise can be termed as an existing business relationship where the right to distribute the firm’s products are granted to the franchisee by the franchisor using the latter’s system and brand for a certain fee (Arasa & Gideon, 2015). In this case, franchising allows the firm to rapidly expand into another market by utilizing the franchisor’s intellectual property as well as the network’s enthusiasm and capital of the owner-operators.

Franchises are mostly formed to attain a various purposes. To begin with, some are undertaken so as to avoid the riskiness involved in venturing to new markets. Also, it could be due to franchising being convenient in that it is not permanent thus can be terminated anytime incase need arises. Additionally, unlike partnership where each partner is delegated equal responsibilities, franchising only takes into the consideration the obligations that agreed and signed for in the Franchising Agreement (Coase 1937).

Franchising has thus gained preference among most international business takers as it permits firms to have easier market penetration due to sharing the ideas and expertise. Hence, as compared to the organizations operating solely, those under franchising are most likely to perform better. This has seen even micro enterprises grow into multinational organizations due to the increased knowledge of the foreign market situations and being able to curb the intense competition (Denis & McConnell 2003).

1.1.4 Kentucky Fried Chicken

KFC Corporation, that is located in Louisville, Kentucky, constitutes one of the few brands organizations in America that can pride about having over 5 decade history of business success. KFC was started by Harland Sanders, an entrepreneur who began selling fried chicken from his roadside restaurant in Corbin. The organization has immensely grown over the recent years and currently, KFC has branches in 118 countries and territories around the world. Particularly, there are 4,563 outlets in China, 4,491 in the United States, and 9,821 across the rest of the world. These outlets are either operated by franchisees or directly by the company.

Currently, KFC, the world's largest chicken chain has 3 outlets in Kenya at the Nakumatt Junction Mall along Ngong road, the Nakumatt Galleria near Bomas of Kenya Mall and in Kimathi Street the center of Nairobi town. Their menu includes crispy fried chicken, fries, burgers and fruit juices. Due to the success and expansion achieve much focus is given to how exactly franchising aided the company to gain competitive advantage and to be well known not only in Kenya but also globally.

1.2 Research problem

Ruiz (2014) conducted a survey on Franchising: A choice of entrepreneurship in the Honduran fast food industry and affirmed that extensive market research, flexibility in adjusting existing business model to accommodate local culture differences and a good training program would result in success of a fast food franchise. KFC highly prioritizes the quality of management, technology, product and operations. KFC opened the first ever drive through in Nairobi on 15th June 2013 enabling motorist on the busy Mombasa road to enjoy their KFC chicken on the go.

The local studies include; Gikonyo (2014) researched on critical success factors for franchised restaurants entering the Kenyan market customers‟ perspective and identified product mix, convenience, employee competence, price and atmosphere as the critical success factors. Mwangi (2010) conducted a study on strategic responses to competition among large fast food restaurants in Nairobi central business district. The research established that for a firm to survive in a competitive environment it should be able to identify its target market and tailors its products and service to suit their tastes and preferences.

Wanja (2015) on his study on fast food franchises’ strategies in Nairobi City County, concluded that strategic management has a positive relationship with performance of the fast food franchises and that strategic management practices influenced performance of fast food franchises to a great extent. This shows that the franchises are committed to applying strategic management practices to steer their operations in the Kenyan market. The study further recommended that strategic training should be given to all employees in the fast food franchises and that adoption of strategic management practices in developing economies like Kenya should form part of the fast food franchise’s method of improving organizational performance in order to cope with turbulent business environment and the global economy.

Akoth (2013) researched on expansion trend of fast food franchises in Kenya and ascertained that factors used to gain competitive advantage varied with the particular organization. Most of the studies focused on firm's competitive environment. Thus a gap of knowledge was left in the area of entry strategy with relation to franchise business. Few studies have, been done on the use of Franchising by KFC. This study therefore aims at contributing to the wealth of knowledge and help fill this research gap. This study therefore, seeks to investigate franchising as an entry strategy by KFC into Kenyan market. It was guided by the following research questions: how has KFC used franchising as an entry strategy into Kenyan market?

1.3 Research Objective

The objective of the study was to determine how franchising strategy is used as a market entry strategy by KFC into Kenyan Market.

1.4 Value of the Study

The study will contribute knowledge and enhance franchising activities in Kenya. It will also enhance the competitiveness of franchisees in creating wealth for their members and employment for the country. Moreover, the study will equip both policy makers and stakeholders with knowledge to identify the strengths and weaknesses of various strategies/incentives and practices as well as policy guidelines on areas that require immediate intervention for development of international business. This will make it easier for the government and stakeholders to combine and adopt the best role with the appropriate policy interventions and incentives to achieve the desired economic growth rate as envisioned in Vision 2030.

The study will be of great importance to government agencies responsible for regulation of multinationals in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents relevant theories and empirical studies on the appropriateness of entering a foreign market through a franchise. The first part of the chapter deals with the theoretical review followed by empirical studies, theories and general literature review.

2.2 Theoretical Foundation

This study will be anchored on Internationalization theory, Porters generic business strategies and Environmental dependency theory.

2.2.1 Internationalization Theory

The theory of internationalization was developed by Johanson, J., & Vahlne, J.E. (1977). It was later explained by Dunning (1980) by relating it to the competitive mechanism and firm's behavior. This theory suggests that internationalization depends on internal factors such as manager attitudes and commitments and external factors such as unsolicited inquiries and orders. This implies that factors such as knowledge, experience, resource base, innovation activities and firm processes impact the international performance of firms and subsequently, their international performance. The social network perspective of internationalization recognizes that firm internationalization depends on both firm related advantages and networking activities and alliances (Johanson & Mattsson, 1988).

The firm's direct and indirect relationships provide a portfolio of networks which a firm can exploit to achieve its internationalization goals. The networks may comprise of relationships with individuals, businesses, government agencies and other organizations.

Firms can exploit the capabilities, competencies and networks of these relationships to access resources which was assist them expand internationally (Johanson and Vahlne, 2009). This implies that the internationalization and performance of firms is influenced by network relationships. The business strategy framework in internationalization theory is pragmatic and suggests that firms review a varied number of factors when assessing the benefits and costs associated with various internationalization strategies (Porter, 1990; Reid, 1983).

Research in this framework highlights internal and external factors relevant to internationalization. Internal factors comprise of firm specific factors of firm resources and product characteristics. External factors consist of host country 30 conditions, market characteristics and industry factors. These factors are expected to have an effect on the internationalization and performance of firms and are considered to be more flexible in that the theory considers both internal and environmental aspect when determining international development of the firm. Under this theory, multinationals are said to be created when transactions are internalized beyond national borders thereby the costs in the organization are lower than the costs in the market (Galánat al 1999).

This theory also explains the country selection of a country for foreign direct investment. The internationalization process is determined by the realization of advantages of OLI. The ownership advantage relates to a 31 specific organization and it includes aspects such as the level of product innovation, intangible assets and technological capabilities. Location advantages relate to the production and institutional factors that are resident in a particular geographical location and location advantages of host and home countries. The internationalization advantage stems from a firm's ability to create value through management and coordination of internal activities through foreign direct investment.

2.2.2 Porter's Generic Business Strategies

Porter (1998) holds that there exist five strategies which when adopted effectively by an organization, it ought to impact positively. The collective strength of these five forces determines the ultimate profit potential of an industry (Pearce & Robinson, 2002., Porter 1998). However, rivalry occurs when players use competition practices or tactics like price competition, advertising battles, product introductions and increased customer service warranties. It occurs because one or more competitors feel the pressure or sees the opportunity to improve position. Pressure comes from substitute products because substitute products limit the potential returns of an industry by placing ceilings on prices firms in the industry can charge. Suppliers can exert bargaining power over participants by threatening to raise prices or reduce quality of purchased goods or services. They can thus squeeze profitability out of an industry. This practices also known as strategies include cost leadership, differentiation and market focus. The theory thus implies that apart from franchising, these Porter strategies can also be adopted by the organizations so as to enhance their penetration in the foreign market even further.

2.2.3 Environmental Dependency Theory

This theory was developed Aldrich & Pfeffer (1976). 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.

The success and survival of any organization depends on how well it is able to relate and competitively position itself in the environment (Pearce and Robinson, 2007).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. An organization transforms itself as a result of self-awareness and was to take advantage of 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 (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 was 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).

2.3 Empirical Studies

Quite a number of Studies have been done on the franchising in the fast foods sector. For instance, Eisenhardt (1994) studied the impact of franchising on the fast food sector. On the other hand Denis and McConnell (2003) studied and found that the right choice of foreign entry is very vital in transforming the fast food sector.

Walton-Roberts and Hiebert (1997), while referring to the role of franchising in business management amongst Indo-Canadian entrepreneurs, argue that the use of technology and globalization are central tenets of the establishment and sustainability of franchise business. Wheeler (2006) conducted a study on the factors affecting Franchises in the fast food industry in the United States. The results of his study indicated that government regulation and bureaucracies are the main challenges facing the development of franchises in the United States. The cost of capital was however not found to be a challenge.

Banerjee & Duflo (2008), in their study on franchises around the world conclude that franchises have gained prominence in the twenty first century because of people's entrepreneurial spirit and the ease of forming a franchise. Most franchisees run ventures mostly because of the low capital requirements and the goodwill associated with renowned brand names.

2.4 International Business and Modes of Foreign Entry

International Business involves doing business across geographically dispersed areas. International business has also gained greater visibility over the years because of the growth of 'large multinational corporations. Effective communication is important in international business due to the geographical and physical separation of the market (s) and the supplier. Thus those involved in international business need to deal with various issues in international business. In the current arena, international business is global in nature or regional in nature however advancement in technology has enabled various companies and nations to do business regardless of the geographical separations.

Firms that share a common goal of finding markets or doing business internationally, have implemented strategies that best enable them to access the markets or effectively carry out their businesses. Thus there are various entry methods that were traditionally used by firms to do businesses internationally. Porter uses the term alliances to encompass a whole variety of arrangements that include joint ventures, licenses, long term supply agreements and other kinds of inter firm relationships. Theories of international business demonstrate that strategies create a competitive edge for a firm. The choice of a certain strategy depends on the costs of strategy formulation and implementation. The theories highlighted above are in relation to the scope of this study.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the research methods and techniques that were employed to carry out the study: Section 3.2 Presents the research design; Section 3.3 presents the sample and sampling design; Section 3.4 Presents data collection techniques; finally Section 3.5 Presents data analysis.

3.2 Research Design

Research design is detailed description of the procedure employed by the researcher so as to go about various research questions (Cooper & Schindler, 2006). The study adopted a case study design. Gay (1981) defines a case study research as a process of collecting data in order to answer questions concerning the current status of the subjects in the study.

Case study design was appropriate for the study since it enabled the researcher to get all facts and detailed information from the selected number of the respondents about the variables in study. The case study was instrumental in determining the use of franchising by KFC in Kenya.

There are six departments at KFC Nairobi. They include Sales and Marketing, Human Resource and Administration, Finance and Accounts, Food Production, records and Procurement departments. All heads of departments were interviewed and their responses recorded for further analysis. Each department maintains its own records. However, all relevant sources of information were gathered, scrutinized and studied. Primary data was collected from senior management by way of interview. This method has a clear advantage of being an effective way of collecting data from the population cheaply and faster.

3.3 Data Collection

The study purely used primary data in obtaining information. This was through conducting interviews. Interviews entail an interchange of ideas and views so as to gain knowledge from individuals (Kvale 1996). The interview guide was considered appropriate for this study since there was need to gain an in-depth understanding of the use of franchising by KFC in Kenya and this could only be achieved by conducting interviews.

Both primary and secondary data was used in the study. Primary data was collected using an interview guide. Secondary data was obtained from secondary sources, which are the various operations data available from the KFC records department. The data set included a performance history of selected KFC branches.

3.4 Data Analysis

The data collected from the study was qualitative. Thus content analysis was adopted in analyzing the data. Content analysis is termed as any method used to make inferences through identification of collected data. (Nachmias & Nachmias, 1996). Before embarking on content analysis, the researcher assessed the written material's quality to ensure that the available material accurately represents what is written or said. These sources included; audited accounts, financial performance records, journals and documentary materials.

The researcher then listed and summarized the major issues contained in the interview guide responses. This enabled her to structure the data in a way that can make it possible to analyze and interpret it. The result of the analysis was then interpreted and conclusion made. Results were presented using charts and tables. After successful data collection exercise, the obtained data was verified and edited for completeness and consistency. Tables and other geographical presentations as appropriate were used to present the data collected for ease of understanding and analysis.

This was case study hence the need to use the research methods and techniques of case studies to carry out the analysis. A case study is the best research technique in business and applied research (Ghauri & Gronhaug, 2002). Both primary and secondary data were gathered and analyzed. Qualitative techniques were used in the collection and analysis of data. This formed the basis for the methodology that was used in this study.

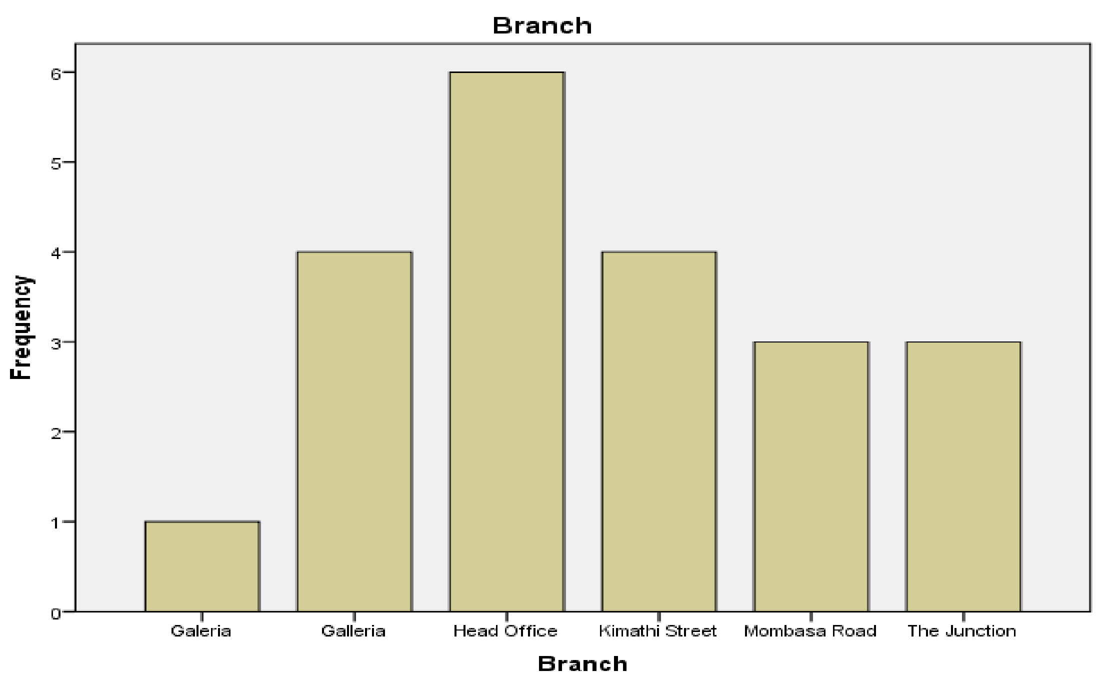
CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

Data analysis entailed analyzing and interpreting the findings of the study as set out in the research objectives. This chapter presents the quantitative analysis of data collected from owners of enterprises as well the finance managers. It gives the findings from the questionnaires and other observations that were encountered during the fieldwork. The data has been analyzed to give clear and vivid findings of the study.

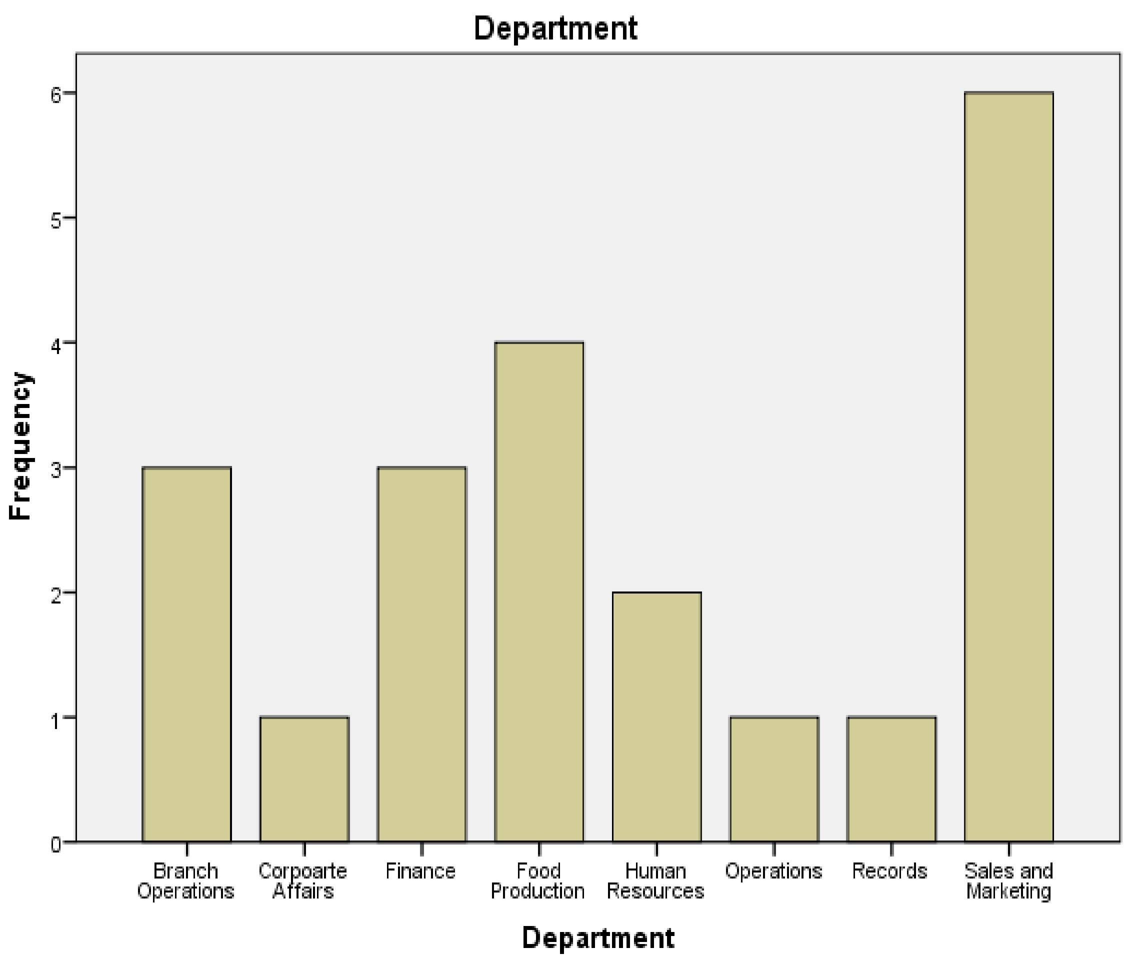
4.2 Demographic Information

Fig 4.2.1 KFC Branches in Kenya



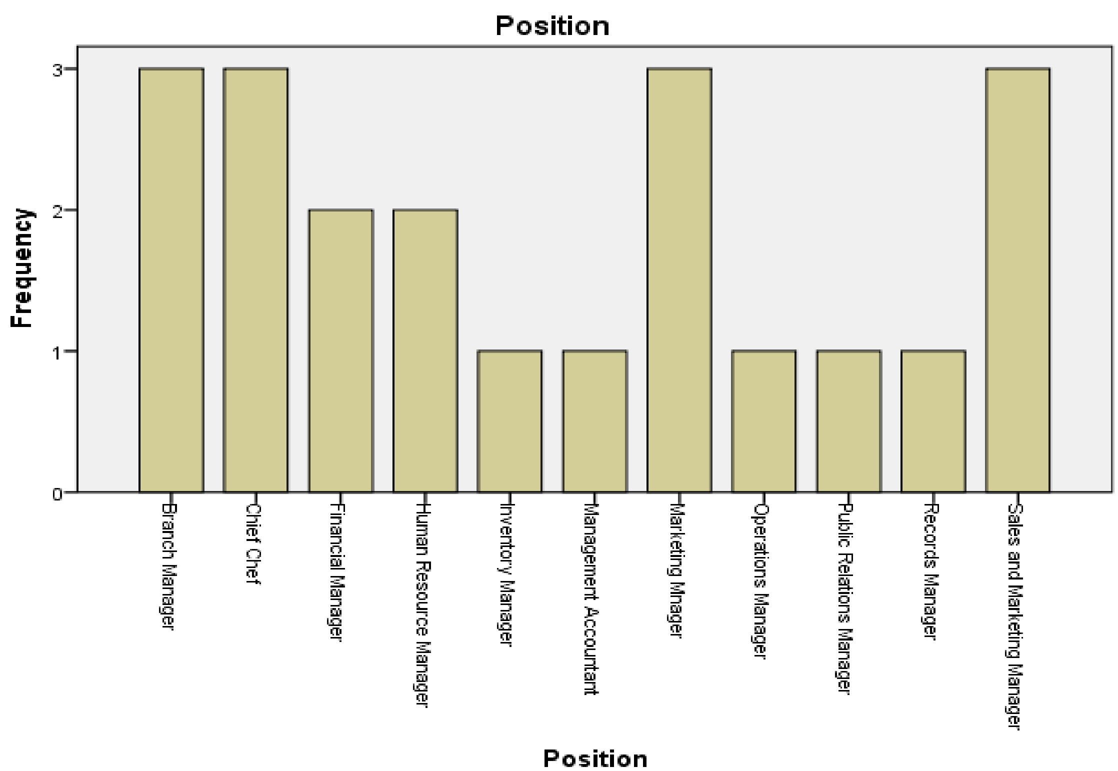
The researcher sought to establish the branches of the respondents who filled the questionnaires, based on the data presented in figure 4.2.1, 57% were from the leading KFC branches while 43% were from other branches. The respondents were mainly Managers of departments and therefore the findings imply that the researcher obtained very accurate information since they fully understand issues relating to the topic of discussion.

Fig 4.2.2 Respondents' Departments



Data on figure 4.2.2 indicates the departments from which the samples were drawn, based on the findings, 49% were from food production and 32.6% were branch managers while only 6% were from finance and public relations. The findings imply that most of the respondents had vast experience in the fast food sector.

Fig 4.2.3: Distribution of Position held by the respondents



The researcher further sought to categories the respondents as per the position held in the organization during the period of study, based on the findings presented on figure 4.2.3, 74% of the respondents held senior positions that could directly influence the policy and choice of strategy while only 26% had no direct influence. The findings imply that the franchise was in a good position to implement the best strategies.

4.3 Challenges of Competition

This section addresses first objective that aims at determining the challenges of competition faced by KFC in Kenya. The respondents were asked to indicate the challenges their businesses faced from competition from the various aspects of competition in the industry. A content analysis was done and responses are reported below.

Most respondents described competition in the industry as intense. They noted that pricing is a major competition factor. The non-franchised fast food businesses sell a combination of local and international dishes. These non-franchised fast food businesses are able to offer lower prices to the market due to the quality and cost of their recipe's supply chain. It was noted that the some of the independent stock suppliers, are able to purchase their stock from cheaper and unsanitary sources. This consequently makes it possible for them to have lower costs that are passed on the customers in form of lower prices which, the franchised businesses cannot match without making losses.

It was further noted that Kenchic is a major competitor due to the fact that it has been in the market for quite a long time and has branches all over Kenya. Increased levels of internet usage in Kenya have seen most customers go for cheaper and more convenient restaurants who offer round the clock delivery services. This has been a major drawback to KFC restaurants. The respondents revealed that customers are increasingly expecting shorter turnaround times, have knowledge on available cheaper options and using this knowledge to demand for competitive and better services.

4.4 Response Strategies to Increased Competition

This section addresses the second objective of the study that aimed at determining the response strategies to the increased competition. The respondents were asked to indicate the strategic responses they adopted in their businesses. 50% of the respondents stated that restructuring of operations had been done in their branch. This involved the re-organization of company structure to eliminate bureaucracy and reduce costs. It involved consolidating some department's roles at functional levels for example resulting from a previous fifteen operational sections to seven functional areas. This resulted to improvement in service delivery and the structures are more business oriented since various functional areas were combined and streamlined to remove duplication of activities. It was noted that this was successfully achieved through training conducted first to prepare the staff and secondly through lots of negotiations with functional heads.

The respondents stated that there is increased emphasis on Marketing and product coverage activities. This is aimed at enhancing revenue base, increasing profitability and improving the accessibility of recipes and chicken in the various target markets. New markets are targeted to reach those in remote areas and to capture new business. Promotions are conducted constantly and there is increased advertising on both print and electronic media to educate people and offer discounted products. There is noted increased field visits by the marketing and sales officers to lure new customers by offering give away promotion items on purchase of food stuffs.

All respondents also noted that customer service has been given a more prominent role in their businesses. Introduction of customer friendly services example electronic enquiries through short messaging services (SMS) and acceleration of resolution of queries is being enhanced progressively. KFC is constantly exploring ways to make the consumers happy through convenience and most often service delivery without any extra charges. There is also increased customer service training in the organizations to remind and educate staff, on new or better ways of serving the customers. Some respondents noted that they conduct customer service contests where customers are asked to rate the employees serving them and the wining employees are recognized while other staff encouraged on improving.

Incorporation and upgrading of new information technology system was noted to be a key factor in the industry. All the restaurants noted that their systems were highly manual in the past five to ten years but the situation has now changed. It was further noted that all the restaurants interviewed have installed Wide Area Networks to integrate the various business divisions located in various parts of the country.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings reported in Chapter Four. The conclusions of the study are drawn and recommendations made. The chapter also suggests areas for further research.

5.2 Summary of Findings

The first objective of the study was to establish the challenges of competition faced by KFC restaurants in Kenya. The study revealed that increased competition from independent owned restaurants purchase most of their stock from cheap and unsanitary dealers, thereby reducing the cost of operation which is reflected on the final price presented to customers. Price has therefore become a key competition aspect in the industry and the franchised restaurants marketing costs have gone up as they aim at securing and expanding their Customer base.

It was also realized that customer service is a key factor in securing a competitive advantage in the fast food industry, therefore after sale service are set in place to secure customer loyalty, customer comfort ability is also set on place by refurbishing restaurants to the taste of customers.

5.2.1 KFC Franchises

The findings revealed that there was adequate justification for franchising by KFC. This is because a greater proportion of the respondents (86%) indicated that they prefers franchising to all other joint ventures, 90% reported that they were involved in all decision making processes of the franchise. A greater proportion of the respondents (92%) reported that they were happy to work for KFC, while 82% reported that they liked the working arrangements under the KFC franchise. On challenges affecting franchises, 78% of the respondents indicated that they were facing stiff competition while 22% did not think KFC has a chance of survival given the highly competitive conditions.

5.3 Conclusion

With regard to providing information relating to franchising requirements to enable and facilitate the determination of the importance of and how the fast food sector in Kenya is dominated by franchises, it was found that franchising was the most appropriate model of entry in into Kenya by KFC. As a result of franchising, KFC managers reported that franchising is the most appropriate mode of entry into international business. A greater proportion of the respondents also reported that they would actually use franchising if they were to start their own businesses, a sign that they actually in support of franchising as a mode of entry into foreign markets. On the challenges faced by franchises in Kenya, most respondents reported that government had not done enough to ensure a conducive business environment for franchises, an indication that the respondents were actually dissatisfied with the legal and regulatory interventions imposed by the Kenya government. Most of the managers cited heavy taxation and cumbersome formalization procedures as the main challenges facing franchising in Kenya. Thus most KFC managers had never been satisfied by the government because of heavy fees and documentation.

5.4 Recommendations

Adoption of strategic management practice is considered indispensable in small scale enterprises and especially in developing economies like Kenya and it should form part of the fast food franchise's method of improving organizational performance to enable them cope with the changes and challenges of the turbulent business environment and the global economy.

The study established that the management needs to have a positive rethink towards the use of franchising and have the right resources as the success of a business or strategy depends primarily on the value judgment, energy and skill of its top managers and the strategic implementation within the context and parameter of the uncertainty and ambiguity of the environment subjected to volatility.

The study further established that strategic training is recommended to top management and all employees in the fast food franchises in order to enhance their performance. Also it recommended that top management should undertake a comprehensive study and adoption of strategic management in all and every aspect and areas of its concern so as to synergies, restructure, re-engineer and reposition its operations and thus enhancing competitiveness and performance.

5.5 Limitations of the Study

The Methodology used in this study has limitations and the findings are not exhaustive; requiring further scrutiny. One of the limitations was that some managers were unwilling to co-operate. They cited fear of victimization Further it will be interesting to have a full fledge study, that focuses on the precursors of other franchises impacting on their strategic management practices and establish the critical success factors for each of these franchises.

5.6 Suggestion for Further Research

This study focused on the responses of KFC franchised restaurants in Kenya to challenges of increased competition. A similar study could be done targeting all fast restaurants in Kenya.

The respondents recommended the need to evaluate the success of policies formulated by the government to govern the restaurant franchising in Kenya. A study in this area would help us understand whether there is a level playing field by all the marketers in the restaurant businesses in the Kenyan fast food industry.

The hospitality sector has very many non-franchised restaurants and it would also be important to evaluate the success of their businesses and strategies used to survive in the highly competitive industry.

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APPENDICES

APPENDIX I- LETTER OF INTRODUCTION

APPENDIX II: INTERVIEW GUIDE

PART A: BACKGROUND INFORMATION

1. Year of incorporation...

2. The position you occupy in your organization? ....

3. Period for which you have held the position...

4. How many employees does the branch have? ....

5) Indicate your most favorite foreign Franchise brand in the fast food sector in Kenya. (e.g. Subway, KFC etc.)

…………………………………………………………………………………………

6) Indicate your KFC branch e.g. The Junction, Kimathi Street, etc. …………………………………………………………………………………………
…………………………………………………………………………………………

7) Indicate your department and position at KFC

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

8) Is KFC a good employer? ....

9) How would you describe your branch's general outlook?...

PART B: STRATEGIC MANAGEMENT PRACTICES APPLIED

Strategy Formulation

1) Has your franchise articulated a vision for the organization?...

2) Has your franchise developed a mission statement? ....

3) Do you feel that your current mission statement is compatible with the activities being carried on by the organization?..

4) Has your branch conducted a SWOT analysis? ....

5) On A scale of 1-10 how would you rate the importance of the SWOT analysis process to the effective operation of your branch?...

6) Is a SWOT analysis employed when dealing with significant issues outside of strategic planning? ....

7) Has your organization established long term objectives?..

8) How important is it to establish long-term objectives for your franchise? ....

9) How important is it to generate strategies to deal with issues for your franchise?........

10) Does your organization maintain a policy manual?..

For questions 2-5 rate using a five point scale where:-

1 = None

2 = Very low

3 = Low

4 = High

5 = Extremely high

2) Rate your organization's capacity to implement strategies...

3) Rate the commitment to providing financial resources to support the implementation of strategic initiatives...

4) Rate the motivation to maintain and support the implementation of strategic initiatives by the Board of Directors ....

5) Rate the competencies of your organization staff to plan, manage and implement strategic initiatives. ....

PART C: STRATEGY EVALUATION

1) Has your organization developed a set of key performance indicators or some other form of accountability to track the success of strategic initiatives?....................................

If yes list at least 3

For questions 2 – 4rate use a five point scale where:-

1 = None

2 = Very low

3 = Low

4 = High

5 = Extremely high

2) Rate your organization's performance in communicating assessment results to the:

Membership...

Board of Directors..................................

Auditors/Public/Others..............................

3) Rate your organization's response time after they acknowledge that a strategic initiative is failing.

4) Rate the level of participation in strategy evaluation by the:

Board of Directors..

Departmental Heads..

Other Staff..

PART D: STRATEGIC MANAGEMENT PRACTICES APPLIED

Where would you like to see KFC in the next five (5) years?

....
....

Given a chance, what would you change about KFC with regards to its operations in Kenya

....

Do you think KFC is strategically positioned to meet the growing demand for fast food in Kenya? (*Explain*)..

....

THANK YOU FOR YOUR PARTICIPATION!