THE CHALLENGES OF IMPLENTING GLOBAL STRATEGIES BY MULTINATIONAL ORGANIZATIONS OPERATING IN KENYA

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DECLARATION

This research is my original work and has not been presented for a degree in any other institute of higher learning.

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Supervisor's Approval

Thisproject has been submitted for examination with myapprovalas the university supervisor.

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DEDICATION

I dedicate this project to my family members who have given me the will to fight and finish this project. Tomyfriends, familymembers, workingcolleagues andlecturers at the UniversityofNairobi and staffat theSchool of Business. Toyou allIsayabig thankyou for being there for me.

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ABSTRACT

Global business strategy refers to plans that guide commercial transactions taking place between entities in different countries. Because methods of doing business vary appreciably in different countries, an understanding of cultural and linguistic barriers, political and legal systems, and the many complexities of Global trade is essential to commercial success. The objectives of the study were to determine the key challenges faced by MNCs in Kenyain the implementation of global strategies andthe response strategies to global strategy implementation challenges .Thefindingsofthestudyshowthattherearevariouschallengesintheimplementationof global strategybyMNC's in Kenya:themostsignificantonesare, unfavorable ownership and operational restrictions by the Kenya government , Unfavorable Kenya government fiscal and monetary policy, low Purchasing Power parity & small Kenyan economy, underdeveloped &low uptake of credit financial system , Unfavorable tax policy , Under developed infrastructure in Kenya and Fear /concern for political stability and or political interference in Kenya. The findings from the study indicated that the Kenya government policies on trade and infrastructure development are the major causes of international trade frustrations and hence

LIST OF ABBREVIATIONS AND ACRONYMS

EAC East African Community

MNC Multinational Corporation

MNE Multinational Enterprise

TMEA Trade Mark East Africa

NGO Non-governmental Organizations

FDI Foreign Direct investments

KNBS Kenya National Bureau of statistics

USA United States of America

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Global strategy as defined in business terms is an organization's strategic guide to globalization. The globalization of the world economy and markets resulted from improved production efficiencies and increased competition. Firms in an effort to exploit their economies of scale and to ensure their long term survival and competitiveness; expanded their distribution networks around the globe; this gave rise to the growth of multinational enterprises (MNEs).

With the expanded geographical scope and dispersed operations; managing MNEs effectively has become a challenging task due to different operating environments. Nevertheless firms have pursued global strategies in an effort to standardize their operations so as to improve coordination, enhance better control and reduce managerial costs. However the diverse environments that multinational organizations operate in bring forth challenges to implementation of global strategies that this study seeks to identify.

This study is anchored on the industrial organization (IO) theory which states that the “fit “between a business’s strategy and its environment has significant implications on its performance (Venkatraman and Prescott, 1990). Numerous IO studies have been conducted to understand what contributes to the success of MNEs in the global market· Academic research on global strategy came of age during the 1980s, including work by Michael Porter and Christopher Bartlett &SumantraGhoshal. Among the forces perceived to bring about globalization were convergences in economic systems and technological change, especially in information technology, that facilitated and required the coordination of a multinational firm's strategy on a worldwide scale.

Beginning with the pioneering work of Perlmutter (1969), numerous scholars have emphasized the importance of adopting a global strategic approach to business (i.e. Hamel and Prahalad 1985, Yip 1989). However, the optimal strategy for tackling global markets has been a matter of dispute, with other scholars such (Hill 2005) postulating alternative view of strategy as opposed to global strategies due to implementation challenges .this study is anchored on contradicting views postulated by the scholars as bring forth the knowledge gab that this study seeks to fill .

Multinational organizations that have pursued global strategies have encountered frustrations in their strategy implementation and often do not receive desired results. Reflecting in its complex and diverse contexts of enactment, global strategy is synonymous with big challenges. Cultural and institutional complexities remain as potent challenge and have been joined by newer concerns such as climate change, international terrorism, international fraud, unfavorable foreign political environment, economic-financial challenges and Natural catastrophe.

The problems encountered by multinationals organizations in international business have brought forth high levels of uncertainties .Firms have had to modify global strategies through trial and error to suit diverse operating environments; hence the need to identify global strategy implementation challenges to aid in making informed strategic plans for international business

1.1.1Strategy implementation

Strategy implementation is the action aspect of the strategic management process through which strategy is a translated into action. Strategy implementation boils down to managing change and the resistance thereof. The implementation process may involve significant changes in the organization structure, culture and systems (Pearce and Robinson, 1988). Implementation challenges arise in organizations as a result of failure to match these elements to the strategies.

Implementation unlike formulation permeates everyday life (Thompson and Strickland, 1993). Since change has become an enduring feature of organizational life (Rose and Lawtone, 1999), today's managers have to face the challenges posed by the environment hence embrace the ensuing strategic responses. The execution involves, motivating, controlling (David, 1997), and balancing the power politics. The unpredictable nature of today's environment makes strategy implementation more difficult and complex (Harvey, 1988). Research carried out in this area (London and Hart, 2004; Mintzberg and Quin; 1991; David, 1997; Wang, 2000) indicate an implementation failure rate of over 65% in organizations.

Strategy implementation is part of Strategic management that is described as a concept about how to compete in an industry. It achieves advantage for the organization through configuration of resources within a changing environment, to meet the needs of markets and to fulfill stakeholders' expectations (Johnson & Scholes, 2004). Strategic Management is a Set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objective (Pearce and Robinson, 1991). Strategy consists of competitive moves and business approaches to produce successful performance.

1.1.2 Global strategies

Global business strategy refers to the plans and actions of private Multinational corporations seeking to sell their products on a world wide scale using standardized operations and similar organization and management structures across its international subsidiaries; with an objective of increasing profit, market share and enhance management control. Global business strategy refers to plans that guide commercial transactions taking place between entities in different countries. Because methods of doing business vary appreciably in different countries, an understanding of cultural and linguistic barriers, political and legal systems, and the many complexities of Global trade is essential to commercial success.

As historically developing countries become increasingly prominent, new markets open up and new sources of goods become available, making it increasingly important even for long-established firms to have a viable Global business strategy. Key aspects of global strategy include treating the global market as a domestic market and creating a global marketing mix, which at the same time recognizes regional and national differences, such as differences in language and tastes. Global strategy also entails creating global production and distribution systems, e.g. super factories covering major areas of the world. Companies are increasingly viewing global strategies as a means of reducing cost, increasing quality, and enhancing a firm's overall competitive position

1.1.3 Multinational Corporations(MNCs) operating in Kenya

Multinational companies (MNC's) are corporations with substantial investments in foreign countries and are engaged in active management of those offshore assets (London and Stuart, 2004). MNCs can also be defined as organizations that have established identical units of their domestic business in different countries and markets. According to a United Nations report (1973), a central characteristic of Multinational Corporation is the predominance of large firms, typically with sales running into millions of dollars, at times exceeding economies of some nations. The market in which they operate is typically dominated by few players.

The firms are characterized by the importance of new technologies and special skills, and tend to differentiate their products through intense advertising which sustains and reinforces their oligopolistic nature. MNCs usually formulate their global plans from their international operations offices; usually the holding company home country. MNCs strategic plans are usually very broad based and would focus more on the 80/20 rule looking critically at locations that give them 80% of the values and hence evaluate factors that would influence the success or otherwise of strategy implementation.

Due to size and level of economic value, Africa and specifically Kenya tend to have minimal contribution to the overall MNCs value, which end up being rendered insignificant when formulating strategy. What finally comes out as an implementable strategy in many cases for these MNCs creates huge challenges for the managers in these parts of the world as they are forced to try and align the global strategy to their unique local situation.

Peng (2001) observed that firms strategies in emerging economies suffer from a preoccupation with strategies that seek to overcome the lack of western style business environment" It was little wonder therefore that with liberalization of the 90’s many MNCs packed and left Kenya including big names like IBM, Gillette, Johnson and Johnson, Proctor and Gamble, etc. From the above it can be argued that strategy implementation, against a background of rapid and significant environmental changes that we have witnessed in Kenya for the last twenty years faces certain challenges that can lead to exit or closure.

1.2 The research problem

It is of great interest to appreciate that MNCs mainly formulate their strategies at their company headquarters and roll them out to their global operations for implementation. The parent company would in many cases expect the MNCs to implement these strategies based on parent companies perceived understanding of the global markets. Global Strategy implementation therefore faces resistance as there is bound to be differences brought about by local factors. These factors which include local management styles, shared values, skills, systems and structure may not be congruent with the parent company.

Additionally the global strategies having been formulated at the parent company may have had limited participation and input from the local operations and can lead to systemic and even importantly behavioral resistance to implementation. The research problem is to identify global strategy implementation challengesand to establish broad based strategy plans, which take into account both the local and international environmental factors in which the MNCs are operating. Kenya’spolitical, economic, technological, social and cultural environment is turbulent posing a greater challenge to Global strategy implementation.

Global Strategy implementation as a field of study is so new that there is no consensus about its dimensions (Stoner et al 2001). Hrebiniak (2005) states that strategy implementation is still a new field of management and has not been fully understood compared to formulation. The need to add to the existing knowledge exists and in addition the current literature is biased towards developed nations, creating a further gap in the emerging economies and their unique needs. Aosa (1992) covered strategy formulation and implementation in large private manufacturing companies in Kenya but this is 21 years ago and a lot has happened since then

.Awino (2000), Muthuiya (2004) wrote on strategy implementation challenges for Non-profit making organizations and Non Governmental Organizations (NGOs) respectively, Ochanda (2005) has looked at the challenges facing firms in strategy implementation at Kenya Industrial Estates being a sample of a state corporation. To this pool of knowledge it is evident there is still a need to further study global strategy implementation challenges in private sector in Kenya in reference to MNCs whose global strategies are developed in home countries.

1.3 The research objective

The objectives of this study are:

i. What challenges doMNCs operating in Kenya encounter in implementing their global strategies?

ii. What response strategies to global strategy implementation challenges are employed by MNCs operating in Kenya?

1.4 Value ofthe study

The results of this study will bring additional understanding of conflict between MNCs global decisions and challenges encountered at local company implementation level.This will enable the multinational corporations to formulate implementable global strategies by getting an even better understanding of Kenya's business operating environment. This study will also help the government to gain more awareness of local environmental challenges for policy framework improvements that encourage Foreign Direct Investment (FDI).The government of Kenya needs to continually improve its foreign policy to keep track with changes in the global business environment and new demands by the international investors.

To Kenya companies seeking to go global, such as Equity bank, kenolkobiletc; this study will enable them to understand and appreciate international business challenges.To potential investors (global firms) they will appreciate the challenges in developing nations before investment decision. This study will also be useful to scholars and researchers in the field of global strategy and international business as studies on global strategy implementation challenges in Kenya are limited. The study will provide rich literature on international business and a guideline to research finally, the study is meant to help in bridging the knowledge gap that currently exists between the local entrepreneur and the global one

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the knowledge of study available in field of global strategy. It is a summary of the findings, recommendations and theories postulated from studies done by scholars and researchers in the field of global strategy and global strategy implementation challenges .This chapter will give us an insight on the findings of other studies, understanding of international business and to acknowledgetheircontribution to the body of knowledge.

2.2 Theoretical foundation

2.2.1 The industrial organization theory

Similar to writings in mainstream economics regarding strategy, the literature on global strategy in the past has been dominated by the industrial organization perspective (Bartlett and Ghoshal, 1991).The IO-based theory of strategy is best captured in the “principle of co-alignment” (or contingency or consistency), which states that the “fit “between a business’s strategy and its environment has significant implicationsfor performance (Venkatraman and Prescott, 1990). Thus, the externalenvironment imposes requirements to which a business must adapt (Hannanand Freeman, 1976), and the role of internal organizational factors in makingstrategic choices becomes far less relevant.

In the IO-based model is conceivedas a firm’s deliberate response to the industry/market imperatives, whilecompetitive advantage can be sustained by business strategy, such as erectingbarriers to entry; seeking the benefits of economies of scale, experience or learning curve effects, product differentiation, capital investmentsand raising buyer switching costs (Porter, 1980).Businesses which adapt successfully to these pressures through formulating and implementing a strategy will survive and prosper, whereas those which fail to adapt are doomed to failure (Collis, 1991).

Within the IO-economics literature, the five most influential theories are: neoclassical perfect competition; Bain-type IO, the Schumpeterian view; theChicago tradition; and transaction cost economics. By stressing the importance of external factors, theIO approach has significantly enriched the environmental dimensions ofAndrews' (1971) influential model of corporate strategy. It suggests that firmsobtain sustained competitive advantages by implementing strategies which exploit their internal strengths through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses (Andrews, 1971; Hofer and Schendel, 1978).

2.2.2 Resource dependence theory

The theory on global strategy has also been dominated resource dependency theory and is also part of the theoretical foundation of this study; this is the study of how the external resources of organizations affect the behavior of the organization. The basic argument of resource dependence theory can be summarized as follows: Organizations depend on resources. These resources ultimately originate from an organization's environment. The environment, to a considerable extent, contains other organizations. The resources one organization needs are thus often in the hand of other organizations. Resources are a basis of power. (Pfeffer and Salancik 1978).

2.3 Global business strategies

Attheintersection betweenstrategic managementandinternationalbusiness, global strategy hasemergedasoneof thefrontier disciplinewithin businessschools(Peng 2006,2007,2009).Therearethree views onglobalstrategy. First, globalstrategy isoneparticularformof multinational enterprise(MNE)strategy thattreatscountries aroundtheworld asacommon,global marketplace (Levitt, 1983; Yip2003). The otherMNEstrategiesaretypicallyknown as international(orexport-driven),multidomestic and transnational (Bartlett and Ghoshal 1989).Thethird viewdefinesglobal strategyin even broaderterms:thestrategy of firmsaround theglobe,whichisfirms' theoryabouthow tocompetesuccessfully(Peng2006).

Definitions of globalization refer to it as growing economic interdependence among countries as reflected in increasing cross-border flows of three types of commodities: goods and services, capital, and knowhow" (Govidarajan& Gupta 2000, p.275), or as "the closer integration of the countries and peoples of the world; brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and people across borders" (Stiglitz 2002, p. 9).

Globalization is usually divided into globalization of markets and globalization of production (Hill 2005). According to Levitt (1983), market globalization implies a standardization of products across the world as national barriers become less and less relevant. Nevertheless, this type of globalization appears less of a reality as national markets still present significant differences, marketing strategies continue to have country-specific traits and customer needs differ across countries (Douglas & Wind 1987). Instead, production globalization appears more of a reality. Globalization of production refers to the sourcing of goods and services to take advantage of a difference in the factors of production (land, labour, capital).

Globalization of production continues to suffer from trade barriers, costs of transportation, economic, social and political risks and others (Hill 2005). In order to create a successful global business, Bengley and Boyd (2003) have underlined the importance of a global mindset, defined as the ability to develop and interpret criteria for business performance that are not dependent on the assumptions of a single country, culture or context. Corporate management must not automatically assume that the culture of the home office is equally applicable elsewhere (Bradley 2005).

Beginning with the pioneering work of Perlmutter (1969), numerous scholars have emphasised the importance of adopting a global strategic approach to business (i.e. Hamel and Prahalad 1985, Yip 1989). However, the optimal strategy for tackling global markets has been a matter of dispute. Often scholars propose an evolutionary view of strategy, which goes from a simple international strategy to sophisticated transnational solutions (Hill 2005). As the international business develops, the company may decide to source some components from overseas, and to standardize some of its products. As Briscoe and Schuler (2004) point out, when a certain critical mass develops, the company must choose other, more complex strategies of tackling the international market.

As a company's international presence increases, often a multi-domestic or localization strategy develops. Under this strategy, the company sets up subsidiaries in several countries, which tend to operate independently from each other and often relatively independently from the headquarters (Briscoe & Schuler 2004). This type of strategy emphasizes local responsiveness, but this is often achieved at the expense of costs and possibly quality. When MNEs grow in size, they could reach a level where 'global standardization strategy' may be a strategic choice. The global strategy was promoted by Levitt (1983), who considered that globalization naturally results in uniformity of consumer taste.

In addition to the global strategy solution, many large MNEs with significant international presence may choose the transnational strategy approach. This was first introduced by Bartlett and Ghoshal (1998) and differs from the global strategy in that transnational companies tend to produce localized products that employ global expertise, technology and resources. At a very simple level, a company may choose to invest in foreign firms (Briscoe & Schuler 2004). A company could restrict itself to exportation of goods or to franchising, which is type of quality or brand export. In more involved strategies, a MNE may choose to establish an equity joint venture with a local or global company, or to create a whole-owned subsidiary.

2.4 Challenges of global business strategies

The central issues for the decision to go global are concerned with minimizing risk. A company, when considering the environment that it will deal with when entering a new market, has to deal with certain variables. This concern, for example, the cultural barriers to investment, the ability to reach a competitive edge with new investments and the strategic use of new technologies and natural resources that international investment might bring.

2.4.1Cultural challenges and cost of doing business

Culture is an elusive term that has received hundreds of definitions. Hofstede's (1984, p. 21) influential definition is that culture is "the collective programming of the mind which distinguishes the members of one human group from another" Hofstede (1984) identified the main dimensions of culture that affect work practices in different countries: Power distance, uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity, long vs. short-term orientation. In a national culture framework, large power distance can translate into potential corruptive practices. Takyi-Asiedu (1993) associated power distance to corruption in sub-Saharan Africa.

2.4.2 The impact of political risk

Political risk was defined by Wells (1998) as the challenges faced by investors that result from some sort of government action, and sometimes inaction. Political risk implies negative business consequences due to the behavior of governments and public sector organizations (Suder 2004). The most important political risk has been the threat of nationalization (Brooks et al 2004). The extreme threat of nationalization sometimes takes milder forms as when, in times of crisis, some governments resort to exchange rate controls. Another source of political risk are wars or civil strife. However, Jones (2001) observes that dramatic events such as wars, assassinations and sequestrations are rare in the international business arena.

Another important political risk is represented by corruption practices (Hill 2005). For instance, a company may lose a contract because of a government's unethical dealings (Madura 2006). Political risk can also translate in the change in tariff barriers, which make a company more or less competitive globally. Other political risks are more mundane and include, as Jones (2001) points out, government procurement policies, health and safety, environmental regulations, new standards, consumer protection policies or technology transfer. Hill (2005) also adds intellectual property rights as a political risk, since the legal framework varies from country to country.

2.4.3Legal Considerations challenges

Firms involved in global business must be familiar with and obey the laws of their home country, the local laws of each country in which they do business, and international laws. For example, countries may well have different laws covering employees such as minimum wages, overtime, insurances, maximum work weeks, and so on. Under such laws, companies are required to use locally available raw materials, local labor resources, or purchase parts from local suppliers, this can compromise quality. Hofstede (1984)

2.4.4 The complexities of global business economic activities

Governments of different countries use various techniques to encourage and discourage global transactions. When governments favor international trade, they create a friendly environment in the form of free trade zones, free trade agreements and trading blocs and the reverse is true with no government favor. Hofstede (1984)

2.4.5Economic systems

When approaching a host country, it is essential to determine the tendency of the economic system of that country. One key factor is the rate of inflation. Inflation is an overall rise in prices without commensurate raise in productivity. Sometimes governments are unable to control the rate of inflation through monetary policy and other times they even exacerbate inflation but printing too much currency. Jones (2001)

2.4.6 Technological environment and infrastructure

A nation‘s transportation, communication, and utility systems are referred to as its infrastructure., it is a matter of importance to evaluate a host country's communications systems to ensure that it can support the type of high-speed international communications necessary. Moreover, the quick diffusion of ideas to create a market for goods and services is dependent on adequate communications. The physical distribution of products is also dependent on infrastructure. Are there sufficient facilities for safe and timely distribution of products and movement of personnel such as roads, ports, airports, etc?Jones (2001)

2.4.7National and international accounting disparities

Business accounting has historically developed on a national basis (Walton & al 2003). As Walton et al point out, the national differences are a reflection of the culture of the country where businesses operated. In addition to culture, another variable of national accounting principles is represented by influences from one's neighbors, major trading partners or culturally tied countries (Walton et al 2003). Recently, the cross-border ties have been a driver of accounting harmonization, as countries become regionally integrated (i.e. European Union, NAFTA).

.As the world is becoming more and more globalized, there have been increasing efforts toward harmonization of accounting. Currently, the idea of convergence rather than standardization of accounting has become the most popular (Walton et al 2003). The challenges of different taxation and accounting policies post a big challenge to implementation of global strategies because different policies demand different strategic responses. Doing business internationally presents far greater challenges to local activity. The complexity of playing at the global level presents companies with different conundrums and choices, many of which are not straightforward.

2.5 Response strategies

Managing of external environmental challenges to global strategy implementation in international trade can lead to successful strategy implementation. The management of political risks is an important response towards strategy implementation challenges. It is divided into integrative and protective techniques (Brink 2004). Integrative techniques seek to integrate the company within the host society.

Such measures include local sourcing and employment, ownership sharing with government or local firms; training of managers to ensure cultural sensitivity; cultivation of close ties to the government.

The downside of integrative techniques is the risk of a MNE embedding itself too much into local culture and losing its worldwide optimization (Gregory 1988) Protective techniques attempt to discourage government interference or to minimize the losses in case interference happens.A typical protective measure is political risk insurance (Brink 2004). Too many protective techniques can adversely affect companies as the government may identify it as a hostile entity (Gregory 1988). Generally, to minimize political risk, companies can respond through political behavior such as lobbying the central government (Suder 2004).

Harmonization of International accounting practices is another key response to global strategy implementation challenges. The drive toward harmonization is given by the need for efficient cross-border transactions, as well as reduction of burden for multinational companies. Harmonization has been led by two main organisations: the International Accounting Standards Board (IASB) and the European Union.

According to Hasbison and Meyes (1959) high managerial involvement are essential for successful implementation. Visionary leadership that creates a learning environment and empowers employees will motivate them towards achieving the desired results. This view is supported by Aosa (1992) when he noted that a strategy is likely to succeed when there is congruence between the elements of culture, resource allocation, staff competences, policies and procedures. This study focusedon determining the key challenges faced by MNCs in Kenyain implementing their global strategies responses to these challenges.. Contemporary studies on global strategy implementation have not specifically been done in Kenyahence the knowledge gab.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. It outlines procedures and techniques used in the collection, processing of data such as the research design, target population, sample design, data collection instruments, data collection procedures, data validity and reliability, and finally data analysis.

3.2 Research design

Research design refers to the method used to carry out a research. It outlines the methodology usedfor data collection and analysis .The research was asurvey study aimed at determining the key challenges encountered by MNC's operating in Kenya when implementing global strategy as well as the response strategies to global strategy implementation challenges.

3.3 Target Population

Target population in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. The population of study included all MNCs in Kenya that seek to employ global strategies there are approximately over 1,116 MNC's operating in Kenya as of 2010 according to KNBS . They formed the target population.

3.4 Sample design

The sampling plan describes the sampling unit, sampling frame, sampling procedures and the sample size for the study. Stratified random sampling was used to select the sample for study in which the population of study was be divided into homogeneous subgroups before sampling. The sub groups were based on nature of operation and included manufacturing and mining, financial institutions, telecommunication, research and consultancy, marketing and distribution and pharmaceutical industry. A target sample size of 30 multinational companies drawn from the homogeneous subgroups was used.

3.5 Data collection method

The study usedprimary data, collected using questionnaires containing both structured and unstructured questions .The questionnaireswere divided into 3 sections. Section**A** captured information about general characteristics of the firm. Section **B** dealtwith global strategy implementation challenges. Section **C**dealt with responses to global strategy implementation challenges. The basic data collection method employed wasuse of email and "drop and pick later" technique. Responses weresought from senior managers who have been in the industry for at least five years.

3.6Data Analysis and Presentation

After the data had been collected, it wasedited,coded, ranked,classified and tabulated following the variables in the study. Data classification reduced data into homogeneous attributes that enabledestablishment of meaningful relationships between variables. Two statistical methods; descriptive and inferential analysis were applied to measure and determine the relationship that existed among the collected data.

Descriptive analysis using mean and modewere used to understand and interpret variables; also standard deviation and use of spearman'scoefficient of correlation were used to rank the variables of study .The F-test and T-test statistic were used to identify the accuracy of information.Datawas consolidated, content analyzed and narrative report used to depict respondent'sviews. Finally, the data wasanalyzed and the research findings presented using frequency tables and percentages

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter contains the results from applying the methodology described in chapter three. Section 4.2 outlines the general data information and summary statistics. Section 4.3 mathematically derives the actual challenges of global strategy implementation and the response strategies, through detailedanalysisofthedatacollectedusing spearman's rank coefficient of correlation to identify the mean, mode, standard deviation, and margin of error. Data is presented in the formof frequencytables and percentages. Section 4.4 is the discussion of the results and finally 4.5 provides a summary of the findings.

4.2 General information and descriptive statistics

4.2.1The profile of the organizations involved in the study

Thissectionprovidesaprofileoftheorganizationsinvolvedinthestudy.Thisdatawas obtainedfromquestionnairesthatwerefilledinbytherespondents.Thissectioncontains ownershipstructureoftheorganization; extend of global presence of the organization and yearsof operation in Kenya. Thissectionintendedtoidentifythe natureof theorganizations that wereinvolved in thestudy as well as to focus the data collection to the objective of the study which is to identify global strategy implementation challenges and response strategies to those challenges by focusing only on truly global enterprises with worldwide presence

4.2.2 OwnershipoftheOrganization

The multinational organizations' involved in the study were either fully foreign owned or the foreign companies had controlling ownership of over 51%.Thenatureof ownership structure would determinethe operations of theorganization.In this section respondents were asked toindicateorganizationsownershipfromalistoftwocategoriesprovided. The table below summarizes the results as pertains to ownership. Table3showsthat53%ofthecompaniesinvolvedinthesurveywerewhollyforeign owned while 47% were jointly owned by foreign parent company and local shareholding.It can beconcluded that majorityofthese companies were foreign owned.

Table: 4.2.2.1: Ownership structure

ownership	Number	percentage
Fully foreign owned	16	53%
Jointly owned	14	47%
	30	100%

Source: research data.

4.2.3Years ofOperationinthe country

Thenumberofyearsinoperationiscrucialsinceacompanyisinapositiontorecount the challenges in the industry according to the length of time it has been in the organization. This section sought to find out the length of time the Global companieshad been in operation in the country. Mostofthecompaniesinvolvedinthestudycomprisingof27%hadbeeninoperation inthecountryforover21years,33%hadbeeninoperationfor8to15yearswhile another 40%hadbeeninoperationfor16to20years.Fromthesefindingsitcanbeseen thatmostofthesecompanieshadbeenwellexposedintheirrespectiveindustriesover timeto know the challenges encountered in implementation of global strategy.

Table: 4.2.3.1: Years of Operation in Kenya

years of operation in Kenya	Number	percentage
8-15 years	9	30%
16-20 years	12	40%
over 21 years	9	30%
Total	30	100%

Source: research data

4.2.3 Nature of the strategies pursued

The understanding as to whether the respondents pursued global strategies was critical in determining their significance to the study. The opinions of multination companies that abandoned global strategies and pursued other strategies was particularly important in recounting the challenges encountered that resulted in the abandonment of global strategy .Firms that had however not pursued global strategies irrespective of their multinational nature were not involved in the study and were replaced by those with experience with global strategy implementation.

4.3. Analysis on challenges of global strategy implementation

Multinational Organizationsfacevariouschallengesandthreatsintheirpursuittoimplement globalstrategies. Therespondentswereaskedtoratetheextentofthefactorslistedinthetablebelowon how theyaffected theorganization in implementation of global strategy. The table is a frequency table that shows the number of respondents that rated a particular challenge to certain degree of severity. Therearevariousthreatsto implementationof global strategy. Most of those threats are similar to normal strategy implementation challenges.In this study however we focused on those challenges unique to global strategy implementation.Below are some of thosechallenges unique to global strategy implementation

Table: 4.3.1: global strategy implementation challenges frequency table

Global strategy implementation challenges	Not at all	%	little extend	%	moderate extend	%	great extend	%	very great extend	%
Unfavorable ownership and operational restrictions of MNCs by the Kenya government	0	0%	2	7%	10.0	0.3	11	37%	7.0	23%
Unfavorable Kenya government fiscal and monetary policy	0	0%	1	3%	9.0	0.3	19	63%	1.0	3%
low Purchasing Power parity & small Kenyan economy	1	3%	7	23%	5.0	0.2	10	33%	7.0	23%
underdeveloped &low uptake of credit financial system of the Kenyan economy	1	3%	7	23%	7.0	0.2	7	23%	8.0	27%

Unfavorable tax policy in Kenya		0%	1	3%	17.0	0.6	9	30%	3.0	10%
Under developed infrastructure in Kenya	1	3%	3	10%	12.0	0.4	10	33%	4.0	13%
Fear /concern for political stability and or political interference in Kenya	1	3%	5	17%	9.0	0.3	11	37%	4.0	13%
High cost of production in Kenya	2	7%	6	20%	7.0	0.2	8	27%	7.0	23%
international accounting disparities with Kenyan accounting system	1	3%	4	13%	11.0	0.4	14	47%	0.0	0%
Inadequate skills and technological knowledge of Kenya's workforce	5	17%	4	13%	5.0	0.2	10	33%	6.0	20%
The conservative consumer taste and cultural differences in Kenya	1	3%	8	27%	6.0	0.2	12	40%	3.0	10%
corrupt government tendering process in Kenya	1	3%	2	7%	15.0	0.5	12	40%	0.0	0%
Local resistance inadequate planning and staff training	2	7%	9	30%	9.0	0.3	5	17%	5.0	17%
Undeveloped Market distribution channels	4	13%	5	17%	11.0	0.4	4	13%	6.0	20%

Source: research data

It can be noted that all these factors either affected the organization Moderatelyortoalargeextent as stipulated by the rank coefficient used in the analysis . The challenge with the highest rank coefficient is one that presents the biggest challenge to global strategy implementation and vice versa as stipulated by the table below. The biggest challenge identified from the study is Unfavorable ownership and operational restrictions of MNCs by the Kenya government.

Table: 4.3.2: Ranking of challenges to global strategy implementation

Ordinal scale ranking	1	2	3	4	5.0		ordinal
Global strategy implementation challenges	Not at all	little extend	moderate extend	great extend	very great extend		percentage
Unfavorable ownership and operational restrictions of MNCs by the Kenya government	0	4	30	44	35.0	113.0	7.96%
Unfavorable Kenya government fiscal and monetary policy	0	2	27	76	5.0	110.0	7.75%
low Purchasing Power parity & small Kenyan economy	1	14	15	40	35.0	105.0	7.39%
underdeveloped &low uptake of credit financial system of the Kenyan economy	1	14	21	28	40.0	104.0	7.32%
Unfavorable tax policy in Kenya	0	2	51	36	15.0	104.0	7.32%
Under developed infrastructure in Kenya	1	6	36	40	20.0	103.0	7.25%
Fear /concern for political stability and or political interference in Kenya	1	10	27	44	20.0	102.0	7.18%
High cost of production in Kenya	2	12	21	32	35.0	102.0	7.18%
international accounting disparities with Kenyan accounting system	1	8	33	56	0.0	98.0	6.90%
Inadequate skills and technological knowledge of Kenya’s workforce	5	8	15	40	30.0	98.0	6.90%
The conservative consumer taste and cultural differences in Kenya	1	16	18	48	15.0	98.0	6.90%
corrupt government tendering process in Kenya	1	4	45	48	0.0	98.0	6.90%
Local resistance inadequate planning and staff training	2	18	27	20	25.0	92.0	6.48%
Undeveloped Market distribution channels	4	10	33	16	30.0	93.0	6.55%

Source: research data

Table: 4.3.2: Variance analysis

Variance analysis							
Global strategy implementation challenges	Rank	%	Mean	Average mean	variance	SD	COV
Unfavorable ownership and operational restrictions of MNCs by the Kenya government	113	8%	3.77	3.38	0.1	0.4	0.11
Unfavorable Kenya government fiscal and monetary policy	110	8%	3.67	3.38	0.1	0.3	0.08
low Purchasing Power parity & small Kenyan economy	105	7%	3.5	3.38	0.0	0.1	0.04
Underdeveloped &low uptake of credit financial system of the Kenyan economy	104	7%	3.47	3.38	0.0	0.1	0.03
Unfavorable tax policy in Kenya	104	7%	3.47	3.38	0.0	0.1	0.03
Under developed infrastructure in Kenya	103	7%	3.43	3.38	0.0	0.1	0.02
Fear /concern for political stability and or political interference in Kenya	102	7%	3.4	3.38	0.0	0.0	0.01
High cost of production in Kenya	102	7%	3.4	3.38	0.0	0.0	0.01
international accounting disparities with Kenyan accounting system	98	7%	3.27	3.38	0.0	0.1	0.03
Inadequate skills and technological knowledge of Kenya's workforce	98	7%	3.27	3.38	0.0	0.1	0.03
The conservative consumer taste and cultural differences in Kenya	98	7%	3.27	3.38	0.0	0.1	0.03
corrupt government tendering process in Kenya	98	7%	3.27	3.38	0.0	0.1	0.03
Local resistance inadequate planning and staff training	92	6%	3.07	3.38	0.1	0.3	0.09
Underdeveloped Market distribution channels	93	7%	3.1	3.38	0.1	0.3	0.08

Source: research data

The above analysis the finding indicates that unfavorable ownership & operationalrestrictions;stringent monetary and fiscal policies by the Kenya government are the biggest contributors to global strategy implementation challenges. The standard deviation of 0.1is an indication that irrespective of them being ranked the biggest challenge ; they do not cut across all the respondents and hence unique to certain multinational corporations whose global strategies depend on complete ownership and favorable government fiscal and monetary policy; that includes low interest rates and elimination of international trading barriers

The challenges of low purchasing power parity in Kenya, under developmentand low uptake of credit financial systems facilities, unfavorable tax policy, under developed infrastructure , fear /concern for political stability and or political interference , high cost of production, international accounting disparities with the Kenyan accounting system, inadequate skills and technological knowledge of Kenya's workforce , conservative consumer taste and cultural differences, corrupt government tendering process and underdeveloped market distribution channels all rated the same with a standard deviation of zero.

A standard deviation of zero is an indication the above stated challenges cut across the board and affect all multinational corporations in Kenya. Therefore even though they do not present as the number one challenge, they are the most common challenges amongst multinational corporations operating in Kenya. the average mean is 3.38 of the ranking of a maximum of 5 is an indication that the challenges stated either affected the organizations in a moderate and to a great extend in their pursuit to implement global strategy. The challenge of local resistance and inadequate staff training appears to be the least major of all the challenges. This could be attributed to the fact that the challenges of local resistance, inadequate planning and training are a common feature in normal strategy implementation challenges and therefore not a unique challenge to global strategy implementation as compared to other challenges

Table: 4.3.3: Variance analysis &Margin of error analysis

variance & margin of error analysis @99%confidence interval								
Global strategy implementation challenges			Mean	Average mean	variance	SD	(sd/n^0.5)2.58/2	AVME
Unfavorable ownership and operational restrictions of MNCs by the Kenya government	113	8%	3.77	3.38	0.1	0.39	0.1	3.57%
Unfavorable Kenya government fiscal and monetary policy	110	8%	3.67	3.38	0.1	0.3	0.1	3.57%
low Purchasing Power parity & small Kenyan economy	105	7%	3.5	3.38	0.0	0.1	0.0	3.57%
underpeopled &low uptake of credit financial system of the Kenyan economy	104	7%	3.47	3.38	0.0	0.1	0.0	3.57%
Unfavorable tax policy in Kenya	104	7%	3.47	3.38	0.0	0.1	0.0	3.57%
Under developed infrastructure in Kenya	103	7%	3.43	3.38	0.0	0.1	0.0	3.57%
Fear /concern for political stability and or political interference in Kenya	102	7%	3.4	3.38	0.0	0.0	0.0	3.57%
High cost of production in Kenya	102	7%	3.4	3.38	0.0	0.0	0.0	3.57%
international accounting disparities with Kenyan accounting system	98	7%	3.27	3.38	0.0	0.1	0.0	3.57%
Inadequate skills and technological knowledge of Kenya’s workforce	98	7%	3.27	3.38	0.0	0.1	0.0	3.57%
The conservative consumer taste and cultural differences in Kenya	98	7%	3.27	3.38	0.0	0.1	0.0	3.57%
corrupt government tendering process in	98	7%	3.27	3.38	0.0	0.1	0.0	3.57%

Kenya								
Local resistance inadequate planning and staff training	92	6%	3.07	3.38	0.1	0.3	0.1	3.57%
undeveloped Market distribution channels	93	7%	3.1	3.38	0.1	0.3	0.1	3.57%

Source: research data

The data on global strategy implementation challenges were subjected to error testing and the findings indicated that the results are a true indication of global strategy implementation challenges in Kenya at 99% confidence interval and a Margin of error of 3.57%. The information is therefore highly reliable

4.3.1 Response to Global Strategy Implementation Challenges

Multinational Organizations employ varied ways as responses to global strategy implementation challenges. Therespondentswereaskedtoratetheextentto which they employed below stated strategies as Reponses to global strategy implementation challenges. The table is a frequency table that shows the number of respondents that rated a particular response strategy on the extent of use.

Table: 4.3.4: Frequency table on responses strategies

Response strategies to global strategy implementation challenges	Not at all		little extend		moderate extend		Great extend	%	very great extend	%
Modifying global strategy to suit local environment.	0	0%	0	0%	5	17%	21	70%	4.0	13%
Use of hedging strategies & harmonization of accounting practices to reduce financial risks	0	0%	1	3%	6	20%	18	60%	5.0	17%
Merging of East African markets &product differentiation to enlarge market	1	3%	1	3%	7	23%	15	50%	6.0	20%
Proactive approach towards good relationship with the government	0	0%	0	0%	12	40%	17	57%	1.0	3%
development of modern market distribution	0	0%	2	7%	10	33%	11	37%	7.0	23%

challenges across the east African markets										
partnering with financial institutions to modernize financial systems	0	0%	5	17%	8	27%	15	50%	2.0	7%
partnering with government for infrastructure development	2	7%	8	27%	13	43%	4	13%	3.0	10%
Local training to enhance technological competence	0	0%	0	0%	7	23%	8	27%	15.0	50%
not pursuing global strategy and seeking alternative strategy	12	40%	5	17%	8	27%	5	17%	0.0	0%

Source: research data

Percentages have been used to analyze the frequency data as indicated in the table above .The percentages indicate different degrees that the respondents use a particular response strategy to solve global strategy implementation challenges.

Table: 4.3.5: Ranking of response strategies

Ordinal scale ranking	1	2	3	4	5.0	Total rank	ordinal
Response strategies to global strategy implementation challenges	Not at all	little extend	moderate extend	great extend	very great extend	Rank	%
Local training to enhance technological competence	0	0	21	32	75.0	128	13.36%
Modifying global strategy to suit local enviroment.	0	0	15	84	20.0	119	12.42%
Use of hedging strategies & harmonization of accounting practices to reduce financial risks	0	2	18	72	25.0	117	12.21%
Merging of East African markets &product differentiation to enlarge market	1	2	21	60	30.0	114	11.90%
development of modern market distribution challenges across the east African markets	0	4	30	44	35.0	113	11.80%
Proactive approach towards good relationship with the government	0	0	36	68	5.0	109	11.38%
partnering with financial institutions to modernize financial	0	10	24	60	10.0	104	10.86%

systems							
partnering with government for infrastructure development	2	16	39	16	15.0	88	9.19%
not perusing global strategy and seeking alternative strategy	12	10	24	20	0.0	66	6.89%

Source: research data

Ordinal ranking scale was used to rank the challenges according to what the respondents' considered to be the most to the least sever challenges to global strategy implementation . The findings are illustrated in the above table.

Table: 4.3.6: Variance &margin of error on response strategies

variance & margin of error analysis @99%confidence interval							
Response strategies to global strategy implementation challenges	Rank	Mean	Average mean	variance	SD	(sd/n^0.5)2.58/2	AVME
Local training to enhance technological competence	128	4	4	1	1	0.033	2%
Modifying global strategy to suit local enviroment.	119	4	4	0	0	0.018	2%
Use of hedging strategies & harmonization of accounting practices to reduce financial risks	117	4	4	0	0	0.015	2%
Merging of East African markets &product differentiation to enlarge market	114	4	4	0	0	0.011	2%
development of modern market distribution challenges across the east African markets	113	4	4	0	0	0.009	2%
Proactive approach towards good relationship with the government	109	4	4	0	0	0.004	2%

partnering with financial institutions to modernize financial systems	104	3	4	0	0	0.004	2%
partnering with government for infrastructure development	88	3	4	0	1	0.026	2%
not pursuing global strategy and seeking alternative strategy	66	2	4	2	1	0.058	2%

Source: research data

The data on responses to global strategy implementation challenges were subjected to error testing and the findings indicate that the results are a true indication of response strategies to global strategy implementation challenges in Kenya at 99% confidence interval and a Margin of error of 2%. The information is therefore highly reliable.

4.4 Discussion of the findings

4.4.1 Global strategy implementation challenges

The findings from the date analysis indicate that the number one challenge to global strategy implementation is Kenya government's policy on multinational business operations in the country. The respondents pointed out operational restrictions and ownership restrictions by the Kenya government as their biggest challenge at 8% approval rating. Ownership restrictions limit the global enterprise ability to make major decisions on restricting, discontinuations, mergers & acquisitions due to part ownership by the government and other local interest groups. These minority shareholders; Kenya government included may restrict certain actions by the global enterprise hence limiting its ability to fully implement global strategy, hence the global strategy implementation challenge.

Another act of government identified as an impediment to global strategy implementation is unfavorable fiscal and monetary policies at 7.95%. Attempts by the Kenya government to control inflation and prevent devaluation of the Kenya currency, has seen increase in interest rates. The reverse effect of this is reduced ability to borrow by the Kenyan consumers and consequent reduction in purchasing power. Reduced ability to buy limits multinational firm's sales volumes and consequently increases their operational costs. High operational cost in one business segment is in contrast with most firms' global strategy of standardizing costs globally.

Other trade restrictions such as tariffs and import duties increase operational costs and increases the period of manufacturing lifecycle. Unstable interest rates lead to fluctuations in exchange rates and hence increasing forex transaction exposures. These tractions exposure force MNC, s to amend their global financing, marketing and selling strategies to counter turbulent economic environment. The tax policy of the Kenya government was ranked at 7% level as an impediment global strategy implementation. The VAT act was pointed out as being counteractive and at times repetitive with value addition. It was noted that the tax authorities are keen on collecting output VAT and very slow in facilitating VAT refunds in the case of input VAT overriding output VAT.

Several multinational firms are believed to be having pending VAT refunds running into decades. The failure of the tax authorities to make timely VAT refunds and refusal to accept setoffs of TAX payable with pending VAT refunds has seen multinational firms seek alternative cash flow sources. This has prevented MNC, s from having global accounting, reporting and tax policies strategies due to unique tax situation in Kenya. Other accounting disparities such as reporting of fixed asset and income has resulted in lack of global strategy on financial reporting and taxation.

Undeveloped infrastructure in Kenya was ranked as the 6^{th} challenge to global strategy implementation with 7% of the respondents acknowledging so. Poor infrastructure has resulted in power outages hence increasing in cost of production. Poor infrastructure is blamed for limiting MNCs operating efficiency hence not able to operate at par with their multinational subsidiaries globally. High cost of production means no standardized production costs, no standardized pricing and marketing strategies and no control over subsidiary operations. Such deviation from their global counterparts has made Kenyan

MNC to operate almost as independent Kenyan organizations due to unique operating business environment in Kenya.

Another challenge is concern for political stability in Kenya. The 2007 post-election violence, constant terrorist attacks, and the pending ICC trials for the country's leaders have made MNC, s to have a cautious approach towards doing business in Kenya. Some organizations affiliated to American and Israeli Multinationals choose to keep a low profile for fear of being targets for terrorist. Such low profiling limits their publicity and marketing potential, a case which might be against global marketing strategies.

Consequently changing political governments and onset of new systems of government such as the county governance in Kenya is perceived to bring forth change in government policy that might negatively or positively affect the private sector enterprise. A Case in hand is the change in the VAT act and the county government act. The change in political regimes has made MNC, s to tailor-make their business strategies to suit the existing political environment hence not able to abide by global business strategies but rather make changes to accommodate changes in the business environment for their survival in business

Inadequate skills and technological knowledge in Kenyans workforce was ranked 8^{th} with 7% of the respondents acknowledging it as a problem in global strategy implementation. The organizations that identified this as a significant problem were manufacturing firms and pharmaceutical industries. Most of these organizations have global strategies aimed at having standardized local production so as to achieve cost reduction, gain local acceptance and government support. However such organizations are not able to carry out their productions locally due to lack of necessary technological skills to meet local production requirements .these organizations are therefore forced to import fully assembled products, hence rendering their Kenyan subsidiaries as distribution centers and not bases for major production. This reduces the number of jobs available for local employees and increases the balance of trade;

consequently MNC are not able to implement global production strategies.

The conservative consumer taste in Kenya and cultural sensitivity was also identified as a challenge to global strategy implementation. Corrupt government tendering process was ranked in 9th place; same as conservative consumertaste and cultural differences with 6.7% approval rating. The Kenyan culture and attitudes towards corruption and integrity has significantly altered the opinion of international investors in Kenya. Corruption is almost being accepted as a way of doing business or necessary for business competitiveness and survival. MNC are particularly faced with the challenges of implementing global marketing and selling strategies in Kenya due to high incidences of corruption and restrictive consumer taste.

Some vehicle companies reported to be selling a limited number of vehicle brands in Kenya due limited consumer taste and preference for specific few brands which have already been faced out in some of the 1st world countries. Consequently additional comments given by the interviewees indicated that their business volume is normally reduced due to adhering to their global integrity standards that cannot allow them to pay bribes to secure government tenders; the effect is normally worse if the organizations client base is normally government organizations.

4.4.2 Responses to global strategy implementation challenges

The respondents indicated that local training to enhance technological competence was the best response strategy to global strategy implementation challenges with 13% of the respondents ranking it as the best alternative. Consequently modifying global strategy to suit local environment was identified as the second best alternative as a response to global strategy implementation challenges with an approval rate of 12%. The strategy of hedging of securities and harmonization of accounting practices to reduce financial risks was ranked the third best (12%) alternative as a response to global strategy implementation challenges.

Hedging of securities and harmonizing of accounting practices were identified as the best responses to interest and exchange rate parity problems; they being the major fiscal and monetary problems affecting global strategy implementation. Other strategies such as merging of east African markets and development of modern distribution channels across east Africa were closely ranked. The expansion of markets and modernizing the distribution channels was seen to address the challenge of small size of the Kenyan market and economy with an approval rate of 11.85%

The strategy of proactive attempt to establish good relationships with the government was ranked as the fifth best response to global strategy implementation challenges with an approval rate of 11%. The strategy is seen as the best response to fear or concern for political instability and interference. The option of partnering with financial institutions to create financial efficiency and enhance improved uptake of credit facility was ranked sixth best response with an approval rating of 10.79%. . The response was seen to be best fit to increasing market size due to access to credit facilities. The respondents ranked the option of partnering with government for infrastructure development as the seventh best option with approval rating of 9%. The option of not perusing global strategy at all and seeking alternative strategy was ranked 8th @ 7%approval rating

4.5 Summary of the Findings

The findings of this study indicate that over 70% of the challenges encountered by MNC's operating in Kenya in the implementation of global strategy are directly related to Kenya government economic policy and political governance. The findings indicate that the government of Kenya policy has a significant impact on the success of multinational business. The problems encountered relate directly to poor economic condition in Kenya that's characterized by high interest rates, high import and export duties, fluctuating exchange rates, unstable Kenyan currency, poor infrastructure, high levels of unemployment, low technological advancement inadequate and exploited natural resources and frequent fears of political instability or interference

Multinational corporations have attempted to overcome such challenges through adjusting to the external environment by adapting their business to changing external e environmental factors. Others have attempted to adjust their internal environment to counter changing external environmental factors but over 70% of the time global strategy implementation is not successful and often is eventually modified to suit the business operating environment in Kenya. The solutions however to international business challenges lie with the government's intent in creating a conducive environment for investors in Kenya.

CHAPTER FIVE

SUMMARYCONCLUSION ANDRECOMMENDATION

5.1 Introduction

This chapter presents a summary, conclusions and recommendations of the study. Section 5.2 summarizes the key results found, while section 5.3 draws the conclusions. Section 5.4 notes the recommendations from the findings of the study. Section 5.5 outlines the limitations of the study while section 5.6 gives suggestions for further research.

5.2 Summary of the findings

The objectives of the study were to determine the key challenges faced by MNCs in Kenyain the implementation of global strategies andthe response strategies to global strategy implementation challenges .Datawascollectedusinga semi-structuredquestionnaireandstatistical methods of analysis such as mean, variance analysis, standard deviations covariance analysis and spearman's rank coefficient of correlation to determine the nature of the relationship between variables of study. The data was consequently subjected to error testing's to increase the level of confidence on the information.

Thefindingsofthestudyshowthattherearevariouschallengesintheimplementationof global strategybyMNC'sandthat themostsignificantonesare ; unfavorable ownership and operational restrictions by the Kenya government at 7.96%,Unfavorable Kenya government fiscal and monetary policy at 7.75%, low Purchasing Power parity & small Kenyan economy at 7.39%, underdeveloped &low uptake of credit financial system of the Kenyan economy, Unfavorable tax policy in Kenya at 7.32%,Under developed infrastructure in Kenya at 7.25%, Fear /concern for political stability and or political interference in Kenya , High cost of production in Kenya at 7.18%,international accounting disparities with Kenyan accounting system ,inadequate skills and technological knowledge of Kenya's workforce , The conservative consumer taste and cultural differences in Kenya, corrupt government tendering process in Kenya, all at 6.9%,Local resistance &inadequate planning and staff training at 6.48%,Underveloped Market distribution channels at 6.55%.

The findings also indicated that MNC respond to global strategy implementation challenges through: Local training to enhance technological competence at 13.36%,modifying global strategy to suit local environment at 12.42%,Use of hedging strategies & harmonization of accounting practices to reduce financial risks at 12.21%,merging of East African markets &product differentiation to enlarge market at 11.90%,develoment of modern market distribution challenges across the east African markets at 11.8%,Proactive approach towards good relationship with the government at 11.38%,patnering with financial institutions to modernize financial systems at 10.86%, partnering with government for infrastructure development at 9.19%,and finally not pursuing global strategy and seeking alternative strategy 6.89%.

5.3 Conclusion

The study therefore concludes that global strategy implementation challenges are mainly caused by operational restrictions imposed by the Kenya government through its fiscal and monetary policy. Other restrictions such as ownership restrictions have been concluded to limit MNE operational flexibility and hence causing challenges in implementation of global strategy. The small nature of the Kenya economy was also identified as a significant barrier to global strategy implementation. This is because global strategies are usually effective with a large market areas with many target consumers. It is therefore important for the government to review its fiscal & monetary policy to enhance effectiveness and to promote economic growth

The lower purchasing power parity of the Kenyan consumers was concluded to be a compliment of the small size of the Kenyan economy. Limited & unexploded natural resources, undeveloped infrastructure and lower technological advancement have resulted in high levels of unemployment in Kenya and East Africa in general. High levels of unemployment's implies lower household income and consequently lower purchasing power parity .the unemployment situation has resulted in market segmentation by MNE in terms of brand quality , cost and regional affordability . This has become a major challenge in the implementation of global marketing strategies. Job creation should therefore be the government's number one priority.

The uptake of credit facilities in Kenya was identified as still being low. Consequently the financial payment mechanisms and financial infrastructure in Kenya is still undeveloped. Kenyan consumers have not fully exploited the benefits of credit facilities as compared to other countries like the USA, Australia and European countries. The uptake of credit facilities such as use of credit cards is still very low in Kenya, this limits consumer purchasing power and creates inefficiencies in the payment systems. MNC seeking to implement global financial systems strategies are undermined by such drawbacks and hence are not able to fully implement such strategies. Government of Kenya should continually improve its financial systems to keep track with changes in the global economy

High cost of production coupled with stringent and constantly changing tax policy were also identified as challenges to global strategy implementation. Poor infrastructure increases the cost of production locally. In such instances MNC's resort to manufacturing in other countries such as China where there is cheap sources of powers and labor. MNC are therefore not able to fully implement global standard manufacturing polices in Kenya due to high cost of production. The tax policy in Kenya is different from other countries and hence strategies affecting tax remittance to the government are normally unique to the country of operation. Strategies on infrastructure development should be top priority of the Kenya government

Fear or concern for political stability or interference was also identified and concluded to be one of the challenges of global strategy implementation. Even though not to larger extend; Change of political regimes is perceived to bring forth change in government policy that would affect business operations. Change of government system of governance, rioting, looting, political violence and risk of terrorism;

influence the decision on plant location and product distribution channels. Consumer spending behavior is to a large extend influenced by their perception of political stability.

Fear or concern for political violence and or terrorist attacks negativity affects consumer purchases, hence limiting volume of sales and eventually global business operation. Political stability and constituted government policy on business operations is essential for investor confidence in the country. Consequently the private sector should emulated noninterference & nonpartisan relationship policy with political parties to avoid costs associated with change in political regimes

Other challenges such as international accounting disparities, inadequate technological skills of Kenya's workforce, cultural differences and corrupt government tendering processes, local resistance and undeveloped market distribution channels were also identified to bring forth challenges in global strategy implementation.

In this study we conclude that the Kenya government should undertake to align its accounting systems with IFRS, GAAP and GFRS. Intuitions of higher learning in collaboration with the government should seek expatriate training on technology subjects. Fighting corruption through changing the culture by introducing subjects to the teaching curriculum on the negative effects of corruption in Kenya are strategies to be implemented if investor confidence is to be increased in Kenya

5.4 Recommendations for Policy

As noted earlier the application of general prescriptions to the developmental problems of an individual country like Kenya can lead to the formulation of inappropriate policies. The results of this study show that there is a need for the country to reformulate its trade policies if the country is to benefit from international trade as postulated by the findings of global strategy implementation challenges. Up to the present time, the application of foreign direct investment incentives by the Kenya government has not seen the country "take-off" via export led growth as the proponents of outward orientation would predict. Foreign investors still face operational challenges and the Kenyan economic standards are still far undeveloped compared to their developed counterparts hence investor frustration in global strategy implementation.

The findings from the study indicated that the Kenya government policies on trade and infrastructure development are the major causes of international trade frustrations and hence recommendation for policy will mainly target government of Kenya and its development partner's such as EAC and TMEA. Recommendations for policy will also focus on MNC's as advice on how to manage and overcome global strategy implementation challenges

It is therefore, apparent that there is need for the adoption of relevant accompanying policies if Global operations in Kenya are to succeed. The export sectors needs to be given further incentives, apart from the price incentives in the liberalization packages. The significance of the installed capacity variable in the export supply system shows the importance of providing complimentary services to allow MNE and other trading agents to respond to FDI incentive signals. Such services may include improved provisions of inputs, infrastructural development, technological training of Kenya's workforce as well as research and marketing assistance. In the absence of such services agents are unable to respond adequately to incentives aimed at attracting and retaining foreign investors. East African development organizations such TMEA ant the EAC should speed up negations on elimination of trading barriers, adoption of single monetary union as well as merging of the east African markets to expand market size and eliminate trading barriers. Such Incentives are very necessary for the business success for both local and global enterprises

Foreign direct investment incentives also require macroeconomic stability to succeed. Therefore, there is also a need to tailor fiscal and monetary policies to match the FDI programs. The absence of fiscal and monetary discipline has been shown to be a major cause of the failure of trade liberalization in other countries (Michael et al 1991). In the Kenyan case it is likely that high inflation has undermined international trade, particularly since nominal devaluations do not seem to affect the real exchange rate. This suggests a need to precede FDI programs with tightening of fiscal and monetary policy not only in Kenya East African through the help of political governments EAC and TMEA.

5.5 limitations of the study

Everystudyinevitablyencounterscertainlevelsoflimitationsduetoavarietyoffactors.Respondentssuch aschiefexecutivesorseniormanagersare usuallyverybusyhencethetendencynottogivein-depthattentiontotheunstructured parts ofthe questionnaire.Interviewingmanagersatthislevelinorganizationonstrategyimplementationislike askingthemfor aself- evaluation,expectedresponsesthereforearelikelytobemore positivethanthetruesituation. Consequently since global strategy focuses mainly on external factors of the environments, respondents are more likely to blame the external factors to an excessive extend to cover for their inadequacies in addressing global strategy implementation challenges.

5.6 Recommendations for further research

This study seeks to identify the trading barriers that MNC encounter in Kenya through global strategy implementation .however there are various field of research that still need to be looked into. Further research should be undertaken to study the effect of globalization on economic growth in Kenya and on poverty eradication. This is so because the Kenya government since independence has been offering foreign investor incentives to attract foreign investments. Studies into the effectives of these foreign investor incentives in poverty reduction and economic development should be undertaken for informed government decisions on foreign investor relationships.

Studies on the effect of profit repatriation by international firms on the economy of Kenya Should be undertaken. This is important for cost-benefit analysis for Kenya involvement in international trade. Consequently this study has identified various challenges to global strategy implementation; they can therefore be viewed as international trade challenges.

Studies on how to overcome each the mentioned challenges should be undertaken especially on appropriate fiscal and monetary policy for economic growth as & trade efficiency. Others include the effectives of tax policy in enhancing business growth and public policy.

My recommendation for further studies will mainly focus on Kenya government economic policies because most of the challenges mention by the respondents are directly linked to either government of Kenya actions or inactions. Studies on the efficiency of government spending, infrastructure development and level of resource utilization in Kenya should be undertaken. This is generally aimed at finding solutions to economic growth problems so as to expand the economy of Kenya and realize the benefits of globalization and economic development.

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APPENDICES

APPENDIX I: Letter of Introduction

Dear Respondent,

RE: Data collection

This questionnaire is designed to gather information on “Global strategy implementation challenges faced by Multinational corporations operating in Kenya”Thestudyisbeingcarriedas a research project inpartialfulfilment of the requirements for the award ofthedegreeof master of business administration at theSchoolofBusiness Universityof Nairobi.

Theinformation in the questionnaire will be treated with utmost confidentiality and atno instancewillyournamebementionedinthisresearch.Also,theinformationwillnotbe usedfor anyother purposeotherthan for this research.

Yourassistanceinfacilitating the same will be highlyappreciated. Thankyou in advance.

Yours sincerely,

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Caroline Kosiom

Student

ix)

APPENDIX II: Questionnaire

SECTION A: General Background

1. Name ofthecompany:____

2. Year of Establishment: ____

3. Position of the respondent in the organization______________________

4.Howlong haveyou been with theorganization?______________________

5. Indicateareas of specialization___________________________________

6.Howwouldyouclassify yourfirm concerning ownership?

- Whollyforeign owned [ ]
- jointlyowned [ ]

7.Forhow long hasyourcompanybeen operatingin Kenya?__

SECTION B: Global strategy challenges

To what extend do you face each of the following challenges in implementing global strategies .Use a five point scale where 1=Not at all, 2=little extent, 3=Moderate extent, 4= Great extent, 5=Very great extent. Tick below accordingly.

Global strategy implementation challenges	1	2	3	4	5
Unfavorable ownership and operational restrictions of MNCs by the Kenya government					
Unfavorable Kenya government fiscal and monetary policy					
low Purchasing Power parity & small Kenyan economy					
under developed &low uptake of credit financial system of the Kenyan economy					
Unfavorable tax policy in Kenya					
Under developed infrastructure in Kenya					

Fear /concern for political stability and or political interference in Kenya					
High cost of production in Kenya					
international accounting disparities with Kenyan accounting system					
Inadequate skills and technological knowledge of Kenya’s workforce					
The conservative consumer taste and cultural differences in Kenya					
corrupt government tendering process in Kenya					
Local resistance					
Undeveloped Market distribution channels					

x)

OTHERS: PLEASE SPECIFY

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SECTION C: Response strategies

To what extend does your organization implement the following strategies as response to global strategy implementation challenges.Use a five point scale where 1=Not at all, 2=little extent, 3=Moderate extend, 4= Great extent, 5=Very great extent. Tick below accordingly.

Response strategies to global strategy implementation challenges	1	2	3	4	5
Modifying global strategy to suit local environment.					
Use of hedging strategies & harmonization of accounting practices to reduce financial risks					
Merging of East African markets &product differentiation to enlarge market					
Proactive approach towards good relationship with the government					
development of modern market distribution challenges across the east African markets					
partnering with financial institutions to modernize financial systems					
partnering with government for infrastructure development					
Local training to enhance technological competence					
not pursuing global strategy and seeking alternative strategy					

OTHERS: PLEASE SPECIFY

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