

**COMPETITIVE STRATEGIES AND THEIR PERFORMANCE AS EMPLOYED BY  
MULTINATIONAL FIRMS IN THE FAST MOVING CONSUMER GOODS (FMCG)  
SECTOR IN KENYA**

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## **DECLARATION**

This research project is my original work and has not been presented for examination to 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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I take this opportunity to extend my sincere gratitude to The Almighty God through whose strength I have been able to achieve and do all what I have.

I would also wish to extend my gratitude to my friends for their contribution in making me what I am today. May God bless you abundantly. To my friend and wife Carol, nothing could replace you. No one could do what you do for me. You're the manifestation of what a friend ought to be to another. Thank you. God bless you.

I also wish to thank my supervisor Dr. John Yabs for his guidance, encouragement in reading, correcting, re-reading and refining this work. It's commendable. I can only say thank you!

## **DEDICATION**

I dedicate this project to my dad for his tireless inspiration to me as his son. Some of our moments were spent silently; but it is now that I realize that it is in those very moments that you spoke loudest. And though your tide came and you rode away, your presence, influence and inspiration has never been stronger than at this very moment. I am proud to have been your son. I love you and miss you.

## **ABSTRACT**

This study was conducted against a back-drop of Strategic Management. The essence of strategy lies in creating tomorrow's competitive advantage faster than the competitors mimic the ones you possess today (Hamel and Prahalad (1994). The search for this advantage begins with recognition of where and what you are now. The most dangerous competitors are the basis of its advantage. Multinationals in Kenya include some of the traditional FMCG giants like Unilever, Nestle Foods, GlaxoSmithKline among others.

Taking into account the dynamism and turbulence in the FMCG sector, the emphasis of this study was to find out the competitive strategies employed by multinational firms in the FMCG sector in Kenya. This research was a departure from previous studies and sought to answer the question: Which competitive strategies have been adopted by multinational FMCG companies in Kenya, and what is the impact of those strategies on their performance? The objective of the study was to establish the competitive strategies adopted by multinational FMCG companies in Kenya to improve performance.

This research used a cross-sectional survey design examining the Multinational FMCG companies operating in Kenya. The population of study was all the Multinational FMCG companies operating in Kenya. The researcher was able to study in detail ten (10) multinational FMCG companies which responded to the questionnaires.

Based on the findings, MNC FMCGs in Kenya have moderate usage of low-cost leadership strategy with significant variations in its adoption. The use of cost-cutting measures, improved business efficiencies and maximization of economies of scale were most popular amongst the FMCGs studied. Due to the competitive nature of the industry, most FMCGs were aiming at being the low-cost leader in the market to gain a competitive edge.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the study**

According to Hamel and Prahalad (1994), the essence of strategy lies in creating tomorrow's competitive advantage faster than the competitors mimic the ones you possess today. Comparing the firm's profile with those of its competitors can aid its managers in identifying factors that might make the competitors vulnerable to the strategies the firm might choose to implement (Pearce and Robinson 2007). Porter (1980) pioneered this thinking in this field when he proposed that there were three generic strategies by which an organization could achieve competitive advantage. These are overall cost leadership, differentiation and focus. Cost leadership strategy combines low price, low perceived product service benefits and focus, or maintain similar perceived product or service benefits to those offered by the competitors. Focus strategy seeks to provide perceived product or service a benefit justifying in a substantial price premium, usually to a selected market niche. Differentiation strategy seeks to provide product or service benefits that are different from those of the competitors and widely valued by the customers to achieve competitive advantage.

Thompson and Strickland (2003) argue that competitive strategy consists of all these moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position. Mahakam, Rangan and Zardkoohi (1996) observed that Domestic and Multinational companies (MNCs) differ in the way they see their strategic goals. All companies are concerned with profit performance, client focus, service quality, improved revenue growth and retention of existing clients but multinationals consider building a customer

base, addressing new compliance and regulations and recruiting/training country staff as the next important steps.

In comparison, domestic companies list their performance, understanding/developing new products, high dependence on new technology and increasing competition from multinationals. No company can offer all products and be the best company for all customers in any particular industry. They are forced to develop a differentiated strategy in order to find a new basis of competition. A key way to building competitive position is through product/service differentiation which creates a clear image of the company and its products and services in the eyes of the customers (Zineldin, 2006).

### **1.1.1 Concept of Strategy**

Pearce and Robinson (1997), states that a strategy can be seen as building defense against competitive forces, or as finding positions in the industry where competitive forces are weakest. Porter (1980) states strategy as competition and the means by which an organization tries to gain competitive advantage. Strategy is a deliberate search for a plan of action that will develop a business' competitive advantage and compound it. For any company, the search for an interactive process that begins with recognition of where you are now and what you are now. The most dangerous competitors are the basis of its advantage.

Mintzberg and Quinn (1998) give the definition of Mintzberg a better understanding. The five decisions are categorized as a plan, ploy, position, pattern and perspective. In his definitions, a strategy as a plan specifies a conscious intended course of action. It is designed in advance of actions it governs. A strategy as a pattern emerges from a stream of actions that is developed in the absence of intentions and without pre-conception. A strategy as a ploy refers to specific maneuvers to outwit a competitor threat. A strategy as a position means location the business in

the environment. This refers to how a business develops and sustains competitive advantage. Strategy as perspective gives an organization an identity. This is the perception in the environment in which it stands.

The views of Johnson and Scholes (2002) seem to have captured the important facets about strategy. The opine strategy is concerned with the long term direction and that it involves the matching of resources and activities under which it operates. The latter is sometimes referred to as a strategic fit: a process of developing strategy by identifying opportunity in the business environment and adapting resources and competencies to create opportunities or capitalize on them. Besides posing options for major resource changes, the strategy of an organization is affected not only by the environmental forces and resources availability but also by the environmental expectations of those who have power in and around the organization.

Schendel and Hoffer (1979) argue that strategy may be defined as the program of goals and activities to help companies achieve success. They see strategy as the match between an organization's resources and skills and the environmental opportunities and risks it faces and the purposes it wishes to accomplish. Organizations have to align their activities to match the new environment. Hayes and Upton (1998) allude that sound strategy formulation and implementation will not only help a company to defend/attack competitors successfully and hence survive and prosper in the current dynamic and turbulent environment. Strategy helps a firm to keep its customers by meeting customer expectations and the changing tastes and preferences. According to Grant (2000), there is no agreed all embracing definition of strategy. Indeed, strategy is an elusive and somewhat abstract concept. He argues that this is expected when dealing with an area that is constantly developing. Strategy is the direction and scope of

organization over the long run. Strategies are systematic choices about how to employ resources to achieve goals (Porter, 1998).

### **1.1.2 Competitive Strategy**

Guiltinan and Paul (1994) argued that, organizations are in stiff competition with each other and especially so when they try to sell similar products and services to the same group of customers. Further, still environmental factors largely influence competition within an industry especially those related to technology, economic forces, and social cultural values. Specifically, both the identity of competitors in terms of their characteristics and the type of strategic focus they take may change because of the entry of new firms, de-regulation, changing economic conditions or changing social cultural values and technology.

In a turbulent environment, the more enduring advantage is the ability to anticipate evolving customer needs and to generate new values creating capabilities based on that knowledge and unless there is an advantage over competitors that is not easily duplicated or connected, long-term profitability is likely to be elusive (Porter, 1985). Competitive strategy consists of business decisions a firm must undertake in order to attract more customers and fulfill its expectations. It is through these decisions made that will enable a firm gain leadership position. The firm is therefore able to ward off competition and strengthen its market share (Thompson and Strickland, 2003). Ansoff (1965) argues competitive strategy as the distinctive approach which a firm uses or intends to use to succeed in the market. He argues further that for a firm to be successful it has to adapt to its environment, which leads to growth and profitability by linking its internal capabilities which include resources, goals, values and systems to its external environment which relates to political situation, technology, competition, social pressure of the firm as well as saturations in the markets. Finally he summarizes the definition of strategy as a

means of establishing organizational purpose, a response to the changes in the environment, a coherent unifying and interactive pattern of decisions, as a means of defining the competitive domain of the firm as a link between internal capability and environment.

Mintzberg (1989) identifies strategy as a plan that puts together an organization's major goals, policies and action sequences, a well formulated strategy enables an organization to marshal and allocate its resources in a unique way on the basis of its relative internal competencies and limitations, expected changes in the environment and the contingent actions of competitors. Hax and Majluf (1991) view strategy as a fundamental framework through which an organization can assess its vital continuity while at the same time forcibly facilitating its adoption to changing environment. The essence of strategy thus becomes the purposeful management of change in every business in which the firm is engaged. Competition is a dynamic process through which industry itself changes through evolution and transformation.

The essence of competition then, is a dynamic process in which equilibrium is never reached and in the course of which industry structure are continually reformed (Grant, 2000). Johnson Scholes and Whittington (2005) summarize the characteristics of strategic decisions in their definition of strategy and also highlighted some of the consequences. Strategic decisions are likely to be complex in nature: may also have to be made in situations of uncertainty about the future; are likely to affect operational decisions; likely to demand an integrated approach to managing the organization; require managers to sustain relationships and networks outside the organizations, and lastly the strategic decisions usually involve change in organizations which may prove difficult because of the heritage of resources and culture. In essence strategy can be seen as the search for the strategic fit with the business environment.

### **1.1.3 Corporate Performance**

Kaplan and Norton (2001) introduced the balanced score card as a more realistic measure of performance. The balance score card defines a strategy's cause and effect relationships and provides a framework to organizing strategic objectives into the financial perspective in line with the vision and mission. Key items linked are financials, customer service and satisfaction index, learning and growth within the organization and internal business processes. Internal business processes are the path to achieving strong financial results and superior customer satisfaction. Milles and Snow (1978) link success in performance of organization to types of adaptive strategies that management chooses to engage in. each of these types; defenders, prospectors, analyzers and reactors has its own competitive strategy for responding to the environment and each has a particular configuration of technology, structure and processes that is consistent with its strategy.

Pearce and Robinson (2007) highlight three economic goals, which define a company's performance guided by strategic direction. These goals are survival in the market, growth and profitability. A firm's growth is tied in explicitly to its survival and profitability. Survival means a long term strategy to remain in business and inability to do so implies that the company is not capable of satisfying stakeholders' claims, growth in the number of markets served, in the variety of products offered and in the technologies that are used to provide goods or services frequently leads to improvements in a firm's competitive ability. Growth means change, and proactive change is essential in a dynamic business environment. Profitability is the main goal of a business organization. No matter how profit is measured or defined, it is the clearest indication of a firm's ability to satisfy the claims of employees and desires of the shareholders. Decisions must be based on long term goals as short goals produce misleading profit results which

overlook the enduring concerns of customers, suppliers, creditors, ecologists and regulatory agents.

#### **1.1.4 FMCG Sector in Kenya**

Kenya's Fast Moving Consumer Goods (FMCG) market is one of the major drivers of the country's economy. It also happens to be one of the most volatile and competitive sectors. As more consumers become conscious of what they consume, the demand for quality brands they can trust and identify with has increased. Brands are therefore striving to meet consumers' needs for high quality and trust. The growth of supermarkets and grocery stores in the country has seen the sector's turnover increase significantly. On one side we have multinational firms that come in to offer very high quality products, and on the other hand we have domestic companies who have equally competitive products but who have the advantage of national pride and a long track record of success within the domestic market.

The environment in which these organizations conduct business is turbulent and gets more competitive by the day. This leads to shrinking profitability. Organizations therefore have to improve profitability in a sustainable manner.

Multinationals in Kenya include some of the traditional FMCG giants like Unilever Kenya, Nestle Foods, GlaxoSmithKline and British American Tobacco Kenya Limited among others. However, a fresh round of competition is expected in this domestic market following plans by two giant Indian firms to buy into the industry that is fast attracting foreign firms eyeing regional markets. Indian consumer product giants Dabur, and Emami have said the plan to make asset acquisition in Kenya among other African countries is a way of growing their businesses in the frontier markets.

## 1.2 Research Problem

The FMCG sector in Kenya is characterized by intense rivalry and competition. In order to compete effectively in this environment, it has become necessary to have an aggressive search and development of strategies that provide competitive advantage as competitors step up both offensive and defensive strategies to protect their competitive advantages. Superior performance is achieved through proper implementation of successful strategies. The ability of FMCG companies to command competitive advantage depends on the sustainability of the competitive advantages they hold.

Multinational FMCGs in Kenya have been largely affected by factors such as relative cost advantage, which could be due to for example different operation strategies, different organizational structures, differences in regulatory environments and/or support from home governments. Among studies on competitive strategies include, Illovi (2008), who analysed the competitive strategies adopted in the courier industry in Kenya. She found out that the firms applied cost leadership strategy but ensured their rates were as competitive as possible. Thathi (2008) focused on competitive strategies by advertising firms in Kenya and found that discounts, competitive pricing and quality service were the major strategies applied. These studies are sector specific and may not be generalize to fairly represent this study.

Nyatichi (2008) explored the challenges faced by Multinational banks in Kenya in adoption of various competitive strategies and documented intense rivalry, government policy and a rise in awareness among customers. Murimiri (2009) found out that commercial banks in Kenya pursue cost reduction, outstanding customer service and operational efficiency with respect to performance indicators of revenue growth, asset growth and market share. The findings of these studies cannot be generalize to this study because the parameters of performance were financial

performance measured by return on assets, return on equity, return of capital employed and profitability.

In filling the gaps raised thereof, and taking into account the dynamism and turbulence in the FMCG sector, the emphasis of this study was to find out the competitive strategies employed by multinational firms in the FMCG sector in Kenya. The focus of performance explored both financial and non-financial measures such as customer perspective, internal business processes and learning and growth. This research therefore was a departure from previous studies and sought to answer the question: Which competitive strategies have been adopted by multinational FMCG companies in Kenya, and what is the impact of those strategies on their performance?

### **1.3 Research objectives**

The objective of the study was to establish the competitive strategies adopted by multinational FMCG companies in Kenya to improve performance.

### **1.4 Value of the study**

The findings of this study will determine the extent to which concepts and models of competitive strategy are applied by MNCs in the FMCG sector in the light of stiff competition from domestic companies. It will further determine the impact of the strategies adopted on the firm's performance. It will contribute to the existing vast body of knowledge in validating Porter's competitive strategy model which explores the three generic strategies of overall cost leadership, differentiation and focus that determine competitive advantage. In addition current and future scholars will find the findings useful in filling the gaps identified.

The study will be important to various stakeholders in the FMCG sector especially multinational companies because it will be valuable in giving an in-depth insight on the areas where resources

can be directed to give them a competitive edge. In addition, FMCG industry bodies or regulators will find this study useful for purposes of coming up with policies and regulations that would enhance value and contribution of MNCs in the FMCG sector to the Kenya economy.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activity that can contribute to its performance; such as innovations, a cohesive future or good implementation. Competitive strategy is the search for a favorable competitive position in an industry. Competitive strategy aims to establish a profitable and sustainable position against forces that determine industry competition (Porter, 1985). Although there has been a consensus regarding the best competitive strategies to be adopted to counteract competitors, there seems to be an agreement on the broad significant strategies which are discussed below.

Mintzberg (1989) identifies strategy as a plan that puts together an organization's major goals, policies and action sequences, a well formulated strategy enables an organization to marshal and allocate its resources in a unique way on the basis of its relative internal competencies and limitations, expected changes in the environment and the contingent actions of competitors. Hax and Majluf (1991) view strategy as a fundamental framework through which an organization can assess its vital continuity while at the same time forcibly facilitating its adoption to changing environment. The essence of strategy thus becomes the purposeful management of change in every business in which the firm is engaged. Competition is a dynamic process through which industry itself changes through evolution and transformation.

#### **2.2 Theoretical Foundation**

A strategy is a long term plan of action designed to achieve a particular goal, most often ‘winning’ (Thompson and Strickland, 2003). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated and often practically rehearsed. No business operates in a vacuum. It is no doubt being constantly subjected to the forces of change whether they are economic, competitive, environmental or political very few of us can escape change – it is all around us. All organizations regardless of size are environmentally dependent. They depend on their external environment for their inputs and ultimately their outputs. Ansoff (1965) notes that the environment is constantly changing. In such an environment, organizations have to constantly adapt their operations and internal configurations to reflect new realities.

Mintzberg (1979), views strategy as the mediation force between an organization and its environment. The argument is that managers will understand around the firm and will develop organizational decisions that maintain a pace of change in the firm in response to the environment. According to Johnson Scholes and Whittington (2006), strategy is the direction and scope of an organization over the long term. The strategy achieves advantage for the firm through its utilization of resources and competencies to fulfill stakeholders’ expectations. They further argue that strategy exists as three levels in the firm: the corporate level, the business level and the operational level. Pearce and Robinson (2007) identify strategy as a company’s game plan providing a framework for managerial decisions. They observe that strategy involves large scale future oriented plans for interacting with the competitive environment to achieve the company’s objectives.

Chandler (1962) defined strategy as the determination of the basic long term goals and objectives of and adoption of courses of action and the allocation of resources necessary for carrying out of

these goals. Chandler considered strategy as a means of establishing the purpose of an organization specifying its long term objectives, action plans and resource allocation patterns to achieve set goals and objectives. Strategy helps a firm to keep its customers by meeting customers' expectations and their changing tastes and preferences. According to Grant (2000), there is no agreed all embracing definition of strategy. Indeed, strategy is an elusive and somewhat abstract concept. He argues that this is expected when dealing with an area that is constantly developing. Strategy is the direction and scope of an organization over the long run.

Ansoff (1965) defines strategy as the product market scope of the company. This refers to the decision of an organization or a firm on what to produce in which market. In a stable environment a firm can operate without changing its product market focus. This is however different in a dynamic market environment in a turbulent environment there is need to incorporate the conditions of the environment in the strategy for the firm to remain profitable. Strategy is a deliberate search for a plan of action that will develop a business' competitive advantage and compound it. For any company, it is the search for an interactive process that begins with recognition of where you are now and what you are now. The most dangerous competitors are the basis of its advantage as a vehicle for achieving consistent decision-making across different departments and individuals all of whom are engaged in making decisions that must be coordinated. For strategy to provide such coordination, it requires that the strategy process acts as a communication mechanism within the firm. Such a role is increasingly recognized in the strategic planning process of large companies.

### **2.3 Concept of Competition**

One of the major environmental influences in a business arises from competition. Increased competition threatens the attractiveness of an industry by reducing the profitability of players

(Porter, 1998). Firms respond to this by being proactive in their strategy formulation and implementation. Competition denotes the existence of firms that try to sell identical products or services to the same group of customers. Firms' competitors may change over time in terms of characteristics, strategies and strategic focus due to environmental factors that affect the structure of the industry. The firm is therefore able to ward-off competition and strengthen its market share (Thompson and Strickland, 2003). For competitive strategy to be realized, the contribution and support of all functions is necessary. The approaches and initiatives a company needs outperform competitors and achieve long term goals constitute its competitive strategy (Thompson and Strickland, 2003). There are many routes to competitive advantage, but the most basic is to provide buyers with what they perceive to be of a superior value. A good product at a low price, a superior product is worth paying more for or a best value offering that represents an attractive combination of prices, features, quality, service and other attributes buyers find attractive. Competitive strategy is thus the search for a favourable competitive position in an industry: the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable sustainable position against the forces that determine industry competition (Porter, 1998).

Competitiveness of a company is its ability to compete and prosper in the market place and can be thought of as a measure of productivity and efficiency as well as effectiveness of converting inputs and resources into useful products and services. Competitive strategy analyses the core competence and capabilities of a firm vis-à-vis the competition and customer needs so as to select the positioning the firm will take in order to survive and compete successfully. Competitive strategy therefore shapes the operational strategy and defines the competitive priorities in which the companies will compete.

Hamel and Prahalad (1990) argue that an organisation's resources can be combined to attain competitiveness. Firms pursue competitive strategies when they seek to improve or maintain their performance through independent actions in a specific market or industry: Cost leadership strategies attempt to gain advantage by lowering their costs below those of competing firms. Firms pursuing differentiation strategies attempt to gain advantage by increasing the perceived value of products and services they provide to customers.

Competitive business strategies are important strategic alternatives for many firms but they are not the only business strategic alternatives (Barney, 1997). Competitive strategies should lead to competitive dominance which in the words of Day and Wesley (1988), is about sustained leadership and levels of undisputed excellence. They contend that competitive dominance is an attitude that begins with the realization the leadership positions is not a guarantee for long term success especially in the global market place. It begins with a strong conviction that leadership is temporary and a belief that smart and competent competitors are always fully prepared to dislodge the leader or displace the incumbent. The core of a company's strategy consists of its internal initiatives to deliver superior value to customers but it also includes offensive and defensive moves to counter maneuvering of rivals, actions to shift resources around to improve the firms long term capabilities and market positions and tactical efforts to respond to whatever market conditions prevail at the moment (Thompson and Strickland, 2003).

Competition in an industry is rooted in its economic structure and goes well beyond the behavior of current competitors. The state of competition in an industry depends on the five basic competitive forces. The five forces driving competition in an industry are the threat of new entrants, the bargaining power of buyers, bargaining power of suppliers, threat of substitute *products* and services and rivalry among existing firms.

The five forces are useful only at the strategic business unit and must not be used as a snapshot in time. They must not only be described but must also be countered and overcome. Discontinuities in the environment normally affect these forces and the competitive behavior may be very disruptive to these forces.

## **2.4 Strategy Clock: Competitive Strategy Options**

Johnson, Scholes and Whittington (2006) identifies the strategy clock shown below that illustrates Michael Porter's categories of differentiation and focus alongside price. The strategy clock is based on the principle that organizations competitive advantage by providing their *customers* with what they want or need better than competitors. Route 1 is a 'no frills' strategy combining a low price and a low perceived product or price benefits. The strategy can be applied in a very price sensitive market. Route 2 is the low price strategy which seeks too achieve a lower price than competitors while trying to maintain similar perceived products or service benefits as competitors. Route 4 is the broad differentiation strategy that seek to provide products and service benefits that are widely valued by buyers and are different from those of competitors but at the same price or slightly higher than competitors. Route 3 is the hybrid strategy that seeks simultaneously to achieve differentiation and a lower price than competitors. Route 5 is the focus differentiation strategy that seeks to provide high perceived product or service benefits justifying a substantial price premium usually to a selected niche market segment. Route 6, 7 and 8 are failure strategies that do not provide perceived value for money in terms of product features, prices or both.

## **2.5 Generic Strategies**

According to Porter (1980), a company can outperform rivals if it can establish a difference it can preserve: and the essence of strategy is choosing to perform activities differently than rivals do. Competition usually results into competitive rivalry; a phenomenon associated with organizations offering similar products and services aimed at the same customer group. Porter (1980) pioneered this thinking in this field when he proposed that there were three generic strategies by which an organization could achieve competitive advantage. These were overall cost leadership, differentiation and focus.

### **2.5.1 Overall Cost Leadership**

A firm that chooses cost leadership strategy focuses on gaining advantages by reducing its economic costs below the cost of all of its competitors, Barney (1997). Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in areas such as research and development, service, sales force, advertising and so on. Having low cost position yields in the firm, above average returns in its industry despite the presence of strong competitive forces.

According to Pearce and Robinson (1997) strategists examining their business value chain for low cost leadership advantages evaluate sustainability of those advantages by benchmarking their business against key competitors and by considering the impact of any cost advantage on the five forces in their business environment. Low cost activities that are sustainable provide and that provide one or more of these advantages should be capable of reducing the likelihood of pricing pressures from buyers, lessening the attractiveness of substitute products and push rivals into other areas thereby lessening price competition.

### **2.5.2 Differentiation**

Firms pursuing product differentiation strategies attempt to gain advantages by increasing the perceived value of the products or services they provide to customers. Product differentiation is always a matter of customer perception, but a few firms can take a variety of actions to influence those perceptions (Barney, 1997). Differentiating the product or service offering of the firm is thus the act of creating something that is unique (Porter, 1998). Approaches to differentiating can take many forms: design or brand image, features, customer service, dealer network and other dimensions. Differentiation if achieved is a viable strategy for earning above average returns in an industry because it creates a defensible position for coping with the five competitive forces albeit in a different way than cost leadership. Differentiation usually arises from one or more activities in the value chain that creates a unique value important to buyers (Pearce and Robinson, 2002).

Strategists examining their business value chain for differentiation advantages evaluate the sustainability advanced by benchmarking against key competitors and by considering the impact of any differentiation advantage on the five forces in their business environment. Sustainable activities that offer one or more opportunities where rivalry is reduced when a business successfully differentiates itself buyers are less sensitive to prices for effective differentiated products or brand loyalty is hard to overcome, should become the basis for differentiation aspects of the business competitive strategy. Thompson and Strickland (2003) argue that the differentiation strategies tend to work best in market situations where there are many ways to differentiate the product/service and many buyers perceive the differences as having value. Buyers' needs and uses should be diverse and few rival firms should be following a similar differentiation approach.

When technological change and product innovation are fast paced and competition revolves around rapidly evolving product features, then differentiation strategies work best. Firms can differentiate their products by altering/modifying the product features, functions within the firm, introducing the product at the right time, exploiting location advantages, mixing products, linking with other firms and reputation (Porter, 1980).

### **2.5.3 Focus**

Porter's final generic strategy is focus. Focusing on a particular buyer group, segment of the product line or geographic market as with differentiation may take many forms. Porter states further that although the differentiation on strategies are aimed at achieving their objectives industry wide, the entire focus strategy is built around serving a particular target very well and each functional policy is developed with this in mind. The strategy rests on the premise that a firm is able to serve its narrow strategic target more effectively or sufficiently than competitors who are competing more broadly. As a result the firm achieves either differentiation from better meeting the needs of the particular target or lower cost in serving this target or both.

Thompson and Strickland (2003) argue that focus strategy based on either low cost or differentiation becomes increasingly attractive as more of the following conditions are met. First, the target market niche is big enough to be profitable and offer good growth potential and industry leaders do not see that having a presence in the niche market is crucial to their own success. Secondly, it is costly and difficult to multi-segment competitor to put capabilities in place to meet the specialized needs of the target niche, and at the same time satisfy the expectations of their main stream customers. Finally, the focuser can compete effectively against challengers based on capabilities and resources it has to serve the target niche and the customer

goodwill it may have built up. A firm that is not pursuing any particular strategies but is choosing between various aspects of the different strategies is said to be 'stuck' in the middle.

## **2.6 Challenges of industry competition**

A strategic group is formed by firms that pursue a similar range of competitive strategies in response to the particular industry conditions facing them. These results from strong economic forces acting easily in an industry that constrains firms from easily switching from one competitive position to another or seen often in firms that face similar economic conditions or constraints. These include selling in the same price and quality reaches, covering the same geographic areas, having comparable product line, breadth and emphasizing on the same types of distribution channels. They also offer buyers similar services and use identical technological approaches. Lusch and Laczniak (1989) identified many challenges that may hamper a firm's ability to grow new offers. These include: Financial requirements, technological advancements, regulatory issues imposed by the government and also structural and economic barriers inherent in the industry. Other challenges that affect companies include climatic and ecological concerns brought about by unforeseen weather changes and mainly influence firms whose products are seasonal: Social factors that focus on values and attitudes of people, customers and employees, these can affect strategy. Changes in technology also affect operations and products and can offer opportunities for improving goal achievements. The major challenge with cost leadership strategy is the ability of competitors to produce at a lower cost. The success of competitors in realizing this would put the cost leader at par with the competitors rendering the strategy unsustainable. The ability of competitors to initiate a firm's production process and product also renders the strategy unsustainable. This strategy therefore places high demands on an organization to invest in new technology and modern equipment in order to sustain the strategy.

Porter (2004) points that another great risk of the strategy is the desire to reduce costs which may lead to loss of sight in changes to customer needs.

The major challenge with the differentiation strategy is the firm's ability to maintain its product's perceived uniqueness. Competitors may imitate and copy the product thus eroding the uniqueness held by the firm. Another risk lies with the cost differential between low cost competitors and the differentiated firm. When the difference in cost is high, it may be difficult to hold brand loyalty of buyers who may perceive cost savings as a motivator to switch loyalty to the low cost competitors (Porter, 2004). A major challenge with the focus niche is that it can be easily eroded with technological changes and changes in consumer tastes.

## **2.7 Firm Performance**

The link between competitive strategies used to the performance achieved, is evidence that strategy is the game plan that creates a match between a firm's capability and the environment. It is an action plan that a firm takes in order to achieve a set of goals. Competitive strategies drive organizations to superior performance through establishing competitive advantage (Porter, 1980). Both quantitative and qualitative criteria should be taken into account when establishing a firm's performance. According to Steiner (2002), a company performance is closely linked to competitive marketing strategy it adopts. Each company's strategy must be unique since each company is different with respect to customer channel partner and company needs. Balancing the different needs is not easy and costly missteps may occur quickly. In addition to customer, channel and competition, a company has to watch competition. Breene and Nunes (2005) demonstrated that what distinguishes high performers from their competitors is the consistent way they construct and maintain this competitive essence. While many companies compete on the basis of a single point of differentiation, the competitive essence of high performers is almost

always achieved through the balance, alignment and renewal of what they identified as the three building blocks of high performance: market focus and position, distinctive capabilities and performance anatomy.

Walker and Ruekert (1989), the ability of the company to outperform its competition depends on five major factors. The first four set the strategic direction for success. These are the ability to take advantage of market activity trends; ability to capture and protect 'unfair share' of markets; ability to capture premium pricing; prudent creation and introduction of new products. The last one assures execution. This entails having people, processes and technology for execution excellence.

Balanced Score Card is a performance management approach that applies to the four perspectives. It allows measuring the performance of a working group and this is better than measuring the workers as individuals, as this will enhance cooperation and reduce suspicion of workers against the threat of measurements on their position. Various approaches performed for quantitative performance measurement will help management to understand something important in service. The Balanced Scorecard emphasizes the linkage of measurement to strategy and the cause-and-effect linkages that describe the hypotheses of the strategy. The tighter connection between the measurement system and strategy elevates the role for non-financial measures from an operational checklist to a comprehensive system for strategy implementation (Kaplan and Norton, 2001).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the methodology that was used to carry out the study. It covers the research design, the target population, data collection method and data analysis that was used during this study.

#### **3.2 Research design**

This study was a descriptive survey research intended to establish competitive strategies being used by Multinational FMCGs in Kenya. The researcher used a cross-sectional survey design examining the Multinational FMCG companies operating in Kenya. This survey method was considered appropriate because the population of interest is small.

According to Sekaran (2006), a descriptive study is undertaken in order to ascertain and to be able to describe the characteristics of the variable of interest in the situation. It is designed to describe characteristics or behaviors of a particular population in a systematic and accurate fashion.

#### **3.3 Target Population**

The population of study was all the Multinational FMCG companies operating in Kenya. The focus of the study was on these foreign FMCG companies in Kenya from where the researcher studied a sample. The researcher was able to study in detail ten (10) multinational FMCG companies which responded to the questionnaires.

#### **3.4 Data collection**

The data was collected by way of self-administered questionnaires (See appendix). The questionnaire consisted of both open and closed ended questions developed in line with the objectives of the research. The questionnaires targeted one senior level manager in each of these multinational FMCG companies or their equivalents since their role and position gave them the ability to respond to the questions appropriately.

The questionnaire was structured into two parts: Part A focuses on the general organizational data and Part B focuses on the extent of adoption of various selected strategies (Low cost leadership, differentiation and focus). Part C explores the impact of competitive strategy on Performance of Multinational FMCG companies (Internal Business Processes, Financial aspects, Customer Perspective and Learning and Growth).

### **3.6 Data analysis**

Prior to data analysis, the questionnaires were checked for completeness; entries checked for consistency and coding was done. The data was both qualitative and quantitative and was objective, systematic and free from any selective perceptions that could have diluted its reliability and validity.

The findings have been represented in tables, and the data has been analyzed and measured through percentages, mean scores and standard deviations. The five point Likert Scale was used to determine the various competitive strategies and the extent of their usage. Mean scores, standard deviation, frequencies and percentages were used to analyze data. These data measures assisted the study greatly to identify the competitive strategies in use by multinational FMCGs and the extent of their usage. They also assisted the study in establishing the effect on performance the FMCGs were able to achieve or not, as a result of using these competitive strategies.

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND DISCUSSION

#### 4.1 Introduction

The objectives of this study were to identify the competitive strategies adopted by multinational FMCGs in Kenya and assess their impact on the performance of these companies. Out of the population of 15 FMCGs, 10 of them responded representing about 66% of the population. This was considered adequate for the objectives of this study.

In this chapter, the analyzed data is presented together with the relevant interpretations. Findings have been presented in four parts: General information on firms, information relating to the competitive strategies adopted, factors considered important in identifying the competitive strategy and information relating to the impact of the competitive strategies adopted by the firms.

#### 4.2 General Information on Firms

This section provides the findings on the size of FMCG (in terms of number of employees), years of incorporation, and geographical spread of the FMCGs in Kenya. This section is meant to provide the background information on the population under study.

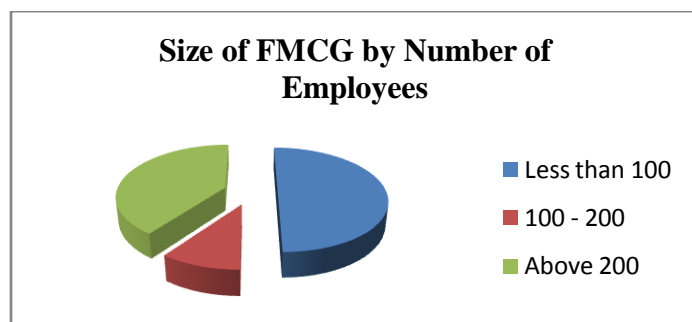
##### 4.2.1 Size of the FMCGs

Size of the FMCG	Frequency	%
Less than 100 employees	5	50
100 – 200 employees	1	10

Above 200 employees	4	40
<b>Total</b>	<b>10</b>	<b>100</b>

*Table 4.1 Size of the FMCG Source: Researcher*

From the table it is evident that 5 out of 10 FMCGs that participated in the study are small-sized (50%) while 1 (10%) is medium-sized and 4 (40%) are large-sized FMCGs. This implies that majority of those surveyed were small and large-sized FMCGs. The following chart also implies the information above.



*Figure 4.1 Size of the FMCG Source: Researcher*

#### 4.2.2 Years of Incorporation

Years of Incorporation	Frequency	%
1 - 5 years	0	0
6 - 10 years	1	10
More than 10 years	9	90
<b>Total</b>	<b>10</b>	<b>100</b>

Table 4.2 Years of Incorporation

Source: Researcher

Table 2 shows that majority (90%) of the FMCGs have been in operation for more than 10 years. Only one FMCG has been incorporated for 6 to 10 years. None of the FMCGs surveyed was in the category of 1 to 5 years. This information is also represented on the graph below:

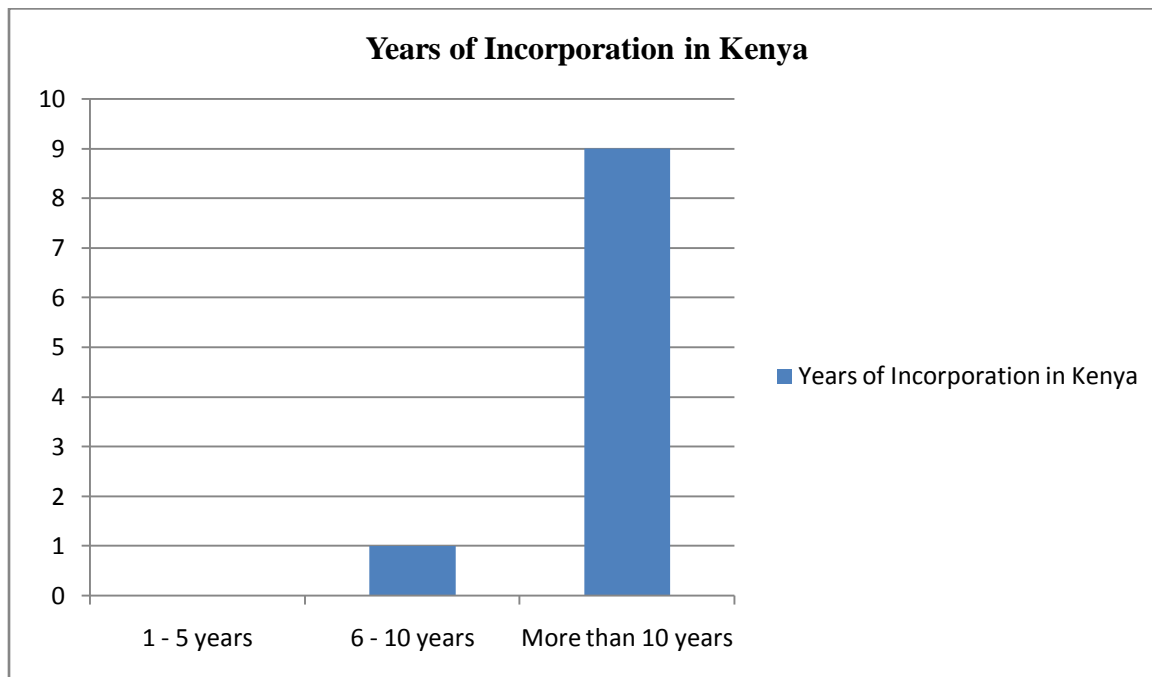


Figure 4.2: Years of Incorporation

Source: Researcher

### 4.2.3 Geographical Spread of the FMCGs

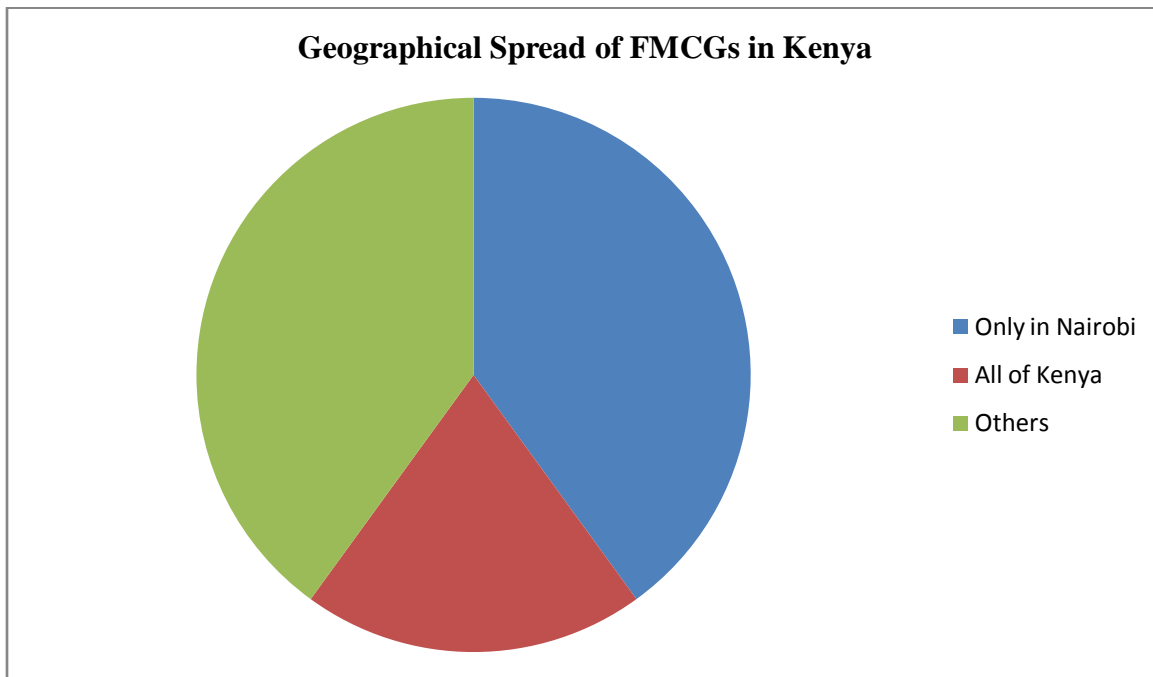
Years of Incorporation	Frequency	%
Only in Nairobi	4	40
All of Kenya	2	20
Others	4	40

<b>Total</b>	<b>10</b>	<b>100</b>
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*Table 4.4 Geographical Spread of the FMCGs*

*Source: Researcher*

Table 4 above shows that 4 out of 10 FMCGs (40%) are spread only in Nairobi while another 4 (40%) are also spread in other places. Only 2 out of the 10 FMCGs surveyed (20%) are spread in every province.



*Figure 4.4 Geographical spread of the FMCGs*

*Source: Researcher*

### **4.3 Competitive Strategies adopted by FMCG MNCs**

Competitive strategies adopted by the MNCs that were assessed include: low-cost leadership strategy, differentiation strategy and focus strategy. Data was analysed using mean scores and standard deviations. A mean score of <1.5 implies low extent, 2.5 to 3.5 implies neutral and 3.5 to 4.5 implies moderate extent while a mean score of >4.5 implies a great extent. Standard

deviation of <1 means that there were no significant variations in response while that >1 implies that there were significant variations in responses.

Table 4.3 Competitive Strategies adopted by FMCG MNCs

<b>Low Cost Leadership Strategy</b>	<b>Mean</b>	<b>Standard Deviation</b>
Improved business efficiencies	3.8	1.62
Maximised economies of scale	3.30	1.70
Implemented cost-cutting measures	3.50	1.78
Avoided loss-making areas	1.70	1.78
<b>Average Mean/SD</b>	<b>3.73</b>	<b>1.58</b>

<b>Differentiation Strategy</b>	<b>Mean</b>	<b>Standard Deviation</b>
Introduced unique features to a product or service	4.2	1.23
Introduced new unique products and services	4.10	1.20
Marketing channels through which products and services are delivered	3.20	1.48
Improved service network that supports those products and services	3.40	1.26
<b>Average Mean/SD</b>	<b>3.73</b>	<b>1.33</b>

<b>Focus strategy</b>	<b>Mean</b>	<b>Standard Deviation</b>
Focused on a specific niche/segment in the market	3.6	1.65
Offering specialized products/services to than niche market	3.6	1.65
Expanded branch networks to isolated geographical areas	2.80	1.48
Tailored products and services to the demand of small & medium-sized cusotmers	3.0	1.49
<b>Average Mean/SD</b>	<b>3.25</b>	<b>1.55</b>

Low-cost leadership strategy had the following mean scores; improved business efficiencies (3.8), maximized economies of scale (3.3), implemented cost-cutting measures (3.5) and avoided loss-making areas (1.7). The findings imply that improved business efficiencies had the highest mean (3.8) followed by implemented cost-cutting measures at 3.5. Although most of the low-cost leadership strategies had mean scores of 3 (neutral), there was a significant variation in the responses with all standard deviation scores being >1. The average mean score for this strategy was 3.73 suggesting a moderate extent adoption by the MNCs.

Differentiation strategy had the following mean scores for each aspect, introduced unique features to a product or service (4.2), introduced new unique products or services (4.1), marketing channels through which products and services are delivered (3.2) and improved service network that supports those products and services (3.4). the results imply that the FMCG MNCs introduced unique featured to a product or service which had a mean score of 4.2. There

was significant variation in all aspects of differentiation strategies as the standard deviation was >1.

Results on Focus Strategy in terms of mean scores were; focused on a specific niche/segment in the market (3.6), offering specialized products/services to that niche market (3.6), expanded branch networks to isolated geographical areas (2.8), and tailored products and services to the demand of small and medium-sized customers (3.0). The findings showed that there was moderate extent on focus on specific nich/segment in the market and offering specialized products and services to that niche market. The findings also showed that the FMCGs were neutral on expanding branch networks to isolated geographical areas (2.8). There was significant variation for the standard deviation with all the scores being >1.

#### **4.4 Factors Influencing Competitive Strategy to be adopted**

Factor	Frequency	%
Internal factors (Strengths & Weaknesses) Only	0	0
External Factors Only	0	0
Both internal & external factors	10	100
<b>Total</b>	<b>10</b>	<b>100</b>

*Table 4.4 factors influencing competitive strategy to be adopted Source: Researcher*

The table reveals that all the 10 FMCG MNCs studied (100%) indicated that both internal and external factors were considered important in identifying the competitive strategy to be adopted.

This implies that they considered the SWOT analysis to be important in the choice of a competitive strategy.

This information is also represented in the chart below;

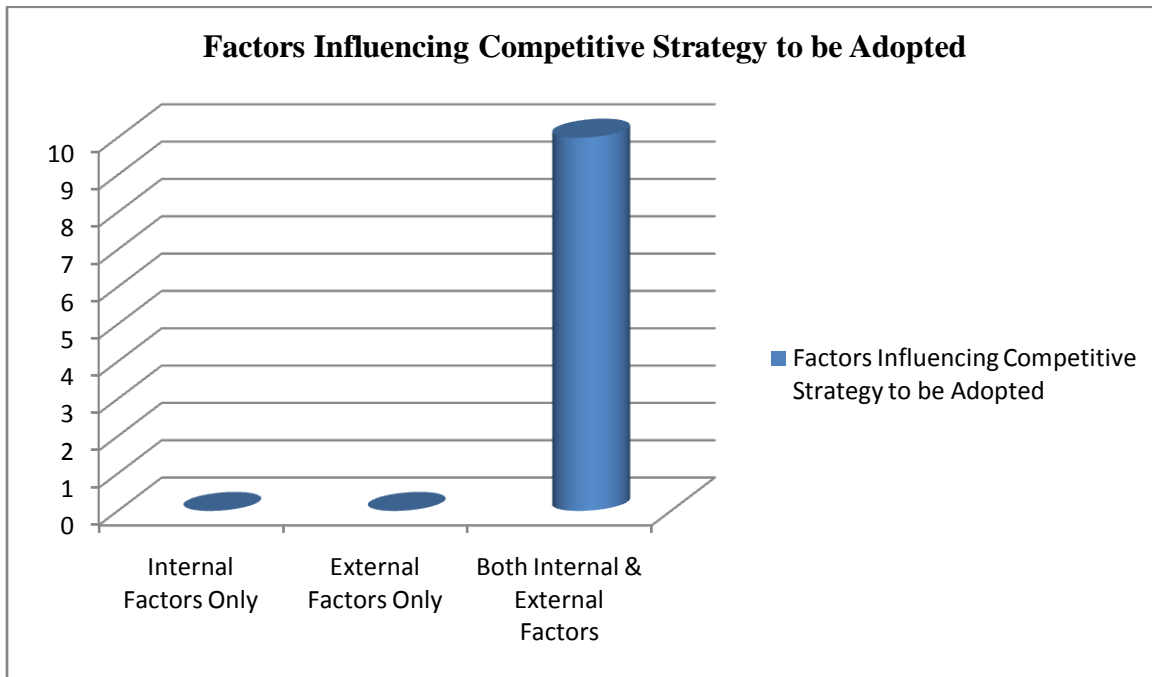


Figure 4.4 Factors influencing competitive strategies to be adopted Source: Researcher

### 4.5 Impact of Competitive Strategies on Corporate Performance

The impact of competitive strategies in corporate performance of the FMCG MNCs was assessed under the headings; internal business processes, customer perspective, learning and growth and financial perspective. Data was analyzed using mean scores and standard deviations. A mean score of <1.5 implies that the impact of the strategy were rated to no-extent. A mean score of 1.5 – 2.5 implies low-extent, 2.5 – 3.5 implies neutral and 3.5 – 4.5 implies moderate extent, while a mean score of >4.5 implies a great extent. Standard deviation of <1 means that there were no significant variations in responses while that >1 implies that there were significant variations in responses.

*Table 4.7: Impact of Competitive Strategies on Corporate Performance*

<b>Internal Business Processes</b>	<b>Mean</b>	<b>Standard Deviation</b>
Have led to development of new products and services	4.3	1.06
Have led to stronger internal control systems	4.50	0.71
Have led to reduced wastage hence high productivity	4.30	0.48
Have led to high efficiency levels and quick service	4.30	0.67
Have led to minimal error rate and fraud	4.30	0.48
<b>Average Mean/SD</b>	<b>4.34</b>	<b>0.69</b>

<b>Customer Perspective</b>	<b>Mean</b>	<b>Standard Deviation</b>
Has led to improved customer retention rate	4.40	0.70
Has led to higher levels of customer satisfaction	4.40	0.70
Has led to increase in market share	3.70	0.82
Has led to strong customer loyalty	3.90	1.10
Has led to positive image of FMCG in the market	3.90	1.29
<b>Average Mean/SD</b>	<b>4.06</b>	<b>0.96</b>

<b>Learning and Growth</b>	<b>Mean</b>	<b>Standard Deviation</b>
Have led to stronger internal control systems	3.20	0.92
Has led to higher staff retention rate	3.30	1.06
Has improved employee commitment	3.20	1.14
Has enhanced employee skills and innovation	2.90	0.88
Has led to training and development programs	3.30	1.06
<b>Average Mean/SD</b>	<b>3.18</b>	<b>0.98</b>

<b>Financial Perspective</b>	<b>Mean</b>	<b>Standard Deviation</b>
Has led to improved profit levels	4.50	0.71
Has led to improved liquidity levels	4.20	0.79
Has enhanced the capital adequacy of the FMCG	4.00	1.04
Has enhanced quality of the product portfolio	3.54	0.67
Has led to minimization of operations costs	3.20	1.03
<b>Average Mean/SD</b>	<b>3.94</b>	<b>0.91</b>

*Source: Researcher*

Internal business processes had the following mean scores; have led to development of new products and services (4.3), have led to stronger internal control systems (4.5), have led to reduced wastage hence high productivity (4.3), have led to high efficiency levels and quick service (4.3) and have led to minimal error rate and fraud (4.3). The findings imply that stronger internal control systems had the highest mean of 4.5 whereas all others had a mean score of 4.3. Majority of the responses had a standard deviation of  $<1$  indicating that there was no significant variation in the responses. The average mean score for internal business processes was 4.34 suggesting a moderate extent impact on the FMCG MNCs. Customer perspective had the following mean scores for each aspect; has led to improved customer retention rate (4.4), has led to higher levels of customer satisfaction (4.4), has led to increase in market share (3.7), has led to strong customer loyalty (3.9) and has led to positive image of FMCG in the market (3.9). The results imply that the competitive strategies adopted had a moderate extent impact of improving customer retention rate and higher levels of customer satisfaction (4.4). There was no significant variations in most aspects of customer perspective as the standard deviation  $<1$ . Results on learning and growth in terms of mean scores were; have led to stronger internal control systems (3.2), has led to higher staff retention rate (3.3), has improved employee commitment (3.2), has enhanced employee skills and innovation (2.9) and has led to training and development programs (3.3). The findings showed that there was neutral impact on all learning and growth variables. There was no significant variation for the standard deviation with all the scores being  $<1$ .

The financial perspective had the following mean scores; has led to improved profit levels (4.5), has led to improved liquidity levels (4.2), has enhanced the capital adequacy of the FMCG (4.0), has enhanced quality of the product portfolio (3.54) and has led to minimization of operations

costs (3.2). The findings imply that improved profit levels had the highest mean (4.5), followed by improved liquidity levels (4.2) and enhanced capital adequacy (4.0). Majority of the responses had a standard deviation score of  $<1$  indicating that there was no significant variation in the responses. The average mean score for financial perspective was 3.94 suggesting a moderate extent impact on the FMCG MNCs.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

The objectives of this study were to identify the competitive strategies adopted by multinational FMCGs in Kenya and assess their impact on performance. This chapter presents a summary of the discussions, conclusion and recommendations drawn after analyzing data.

#### 5.2 Summary

The first objective of the study was to identify the competitive strategies adopted by MNC FMCGs in Kenya. The study as far as low-cost strategy is concerned revealed that improved business efficiencies and implemented cost-cutting measures had mean scores of between 3.5 to 3.8 (moderate extent), while maximized economies of scale had a score of 3.3 (neutral) and avoided loss-making had a mean score of 1.7 (low extent). The standard deviation in all aspects showed significant variations.

Differentiation strategy had introduction of unique features to a product or service and introduction of new unique products and services with mean scores of 4.1 to 4.2 implying moderate extent. Marketing channels through which products and services are delivered and improved service network that supports those products and services had mean scores of 3.2 to 3.4 (neutral). The standard deviation in all aspects showed significant variations.

Focus strategy had focused on a specific niche/segment in the market and offering specialized products/services to that niche market had a mean score of 3.6 (moderate extent), expanded branch networks to isolated geographical areas and tailored products and services to the demand

of small and medium sized customers had a mean score of between 2.8 and 3.0 (neutral). The findings showed that significant variations. Findings on the factors considered important in identifying the competitive strategy to be adopted, indicated that all the FMCG MNCs consider both internal and external factors. This implies that the firms considered strengths and weaknesses and opportunities and threats.

The second objective was to assess the impact of the competitive strategies on the performance of the FMCG MNCs in Kenya. Internal business processes had development of new products and services, stronger internal control systems, reduces wastage hence high productivity, high efficiency levels and quick service and minimal error rate and fraud with mean scores of between 4.3 and 4.5 (moderate extent). Majority of the aspects showed no significant variations. Customer perspective had improved customer retention rate, higher levels of customer satisfaction, and increase in market share, strong customer loyalty and positive image of the FMCG in the market had mean scores of between 3.7 and 4.4 (moderate extent). There was no significant variation in most aspects of customer perspective.

Results on learning and growth had stronger internal control systems, higher staff retention rate, improved employee commitment, enhance employee skills and innovation and training and development of programs all had mean scores of between 2.9 and 3.3 (neutral). The findings showed that there was neutral impact on all learning and growth variables. There was no significant variation in the aspects of learning and growth. The financial perspective had improved profit levels, improved liquidity levels, enhances the capital adequacy of the FMCG and enhanced quality of the product portfolio have mean scores of between 3.54 and 4.5 (moderate extent). Minimization of operations had mean score of 3.2 (neutral). There was no significant variation in most of the financial perspective aspects.

### **5.3 Conclusion**

Based on the findings, it can be concluded that the MNC FMCGs in Kenya have moderate usage of low-cost leadership strategy with significant variations in its adoption. The use of cost-cutting measures, improved business efficiencies and maximization of economies of scale were most popular amongst the FMCGs studied. However, there was low-extent in avoidance of loss-making areas. Due to the competitive nature of the industry, most FMCGs were aiming at being the low-cost leader in the market to gain a competitive edge.

It is also evident that most of them also use the differentiation strategy especially their impact on the performance was varied depending on the perspective. The greatest impact was on internal business processes and customer perspective. The strategies adopted had marked impact on strengthening internal control and higher levels of customer satisfaction. In financial perspective the greatest impact was on improving profit levels of the FMCGs. The impact on learning and growth was not significant. Introduction of unique features to a product or service and unique products and services; these were found to be more popular with the FMCG MNCs in Kenya. There were significant variations in the adoption of all aspects of this strategy.

With regard to the focus strategy, there was moderate usage. Focus on a specific niche/segment market and offering specialized products to these markets were more popular aspects. Tailoring products and services to the demand of small and medium sized customers had neutral usage. There were however significant variations in all aspects.

Overall, the strategies were moderately in use by these FMCGs. Strategies chosen depended on both internal and external factors – strengths, weaknesses, opportunities and threats.

### **5.4 Implications on Policy, Theory and Practice**

It will contribute to the existing vast body of knowledge in validating Porter's competitive strategy model which explores the three generic strategies of overall cost leadership, differentiation and focus that determine competitive advantage. The use of the balance scorecard in assessing performance of MNC FMCGs, points out that the study is a departure from the traditional single application of financial factors which measure performance. In light of the rapidly and complex changing business environment, MNC FMCGs will have to critically analyze their internal and external environment in order to become more competitive.

Customers today are highly informed and more demanding than before. Responsiveness to customer needs and changing market conditions become important for the success of FMCGs and calls for the introduction of new products and services together with innovation capacity for a FMCG. The findings of this study have several managerial implications for the FMCG sector in Kenya. First, managers are advised to place more emphasis on the adoption of various competitive strategies in tandem with their mission and vision. Second, all FMCGs face an external business environment that constantly changes. Changes in the business environment create both opportunities and threats to an organization's strategic development, and the MNC FMCGs cannot risk remaining static. They must monitor their environment continually in order to; build the business, develop strategic capabilities than move them forward, improve the ways in which they create products and services and develop new and existing markets with a view to offering their customers better services. Finally, they should be sensitized to the importance of their offerings to their clients, including the impressions their clients have of those offerings.

To obtain corporate performance within the scope of sustainable competitive advantage, decisions on shaping a firm's competitive strategies are one of the main issues for managers under the firm's business level strategy because the formulation and completion of competitive

business strategies that will improve performance are one of the competent methods to achieve a firm's sustainable competitive advantage. Therefore, the impact of competitive strategies on firm performance is a major issue of unease for the policy makers and will play an important role to refine firm performance for a long time. Competitive advantage is the result of a strategy helping a firm to maintain and sustain a favorable market position. This position is translated into higher profits compared to those obtained by competitors operating in the same industry. Indeed, understanding which resources and firm behaviors lead to competitive advantage is considered to be the fundamental issue in strategic management.

Financial measures are direct reflections of current profitability and operating efficiency, and can also be used as an indicator for future earnings potential, which publicly-traded FMCGs simply cannot afford to neglect when reporting to their stakeholders in order to attract more capital and increase public confidence. However, non-financial measures are also important because they are more actionable and future-oriented, and their use can improve an organization's capability in future planning and strategy implementation. Therefore, both financial and non-financial measures are important to organizational performance. In other words, effective performance measures should provide a map that guides managers' behaviors toward critical firm's outcomes such as profit, cash flow, new product development and personnel development. Looking to the future, there is need to put emphasis on intangible assets (people) since the FMCG sector is knowledge intensive where intellectual resources especially on innovation is extremely vital for long-term competitiveness and survival of MNC FMCGs.

## **5.5 Recommendations**

The study revealed that there were gaps in a number of dimensions in the strategies used by the FMCG MNCs in Kenya. The MNCs do not maximize on the usage of Focus and Differentiation

strategies which are key in improving their long-term competitiveness and performance. The FMCGs should allocate more funds on strategies which aim at building long-term competitive edge such as building customer loyalty by offering specialized products. They should also increase their branch networks to isolated geographical areas in order to reach out to more customers. They should also avoid any loss-making areas and concentrate resources on more profitable business units. This will assist in increasing profit margins and lead to growth in future.

### **5.6 Limitations of the study**

The study was limited to the perspective of the MNC FMCGs in Kenya and not the entire FMCG sector in Kenya. Out of the 15 MNCs, 10 filled and returned the questionnaire. The response rate was therefore 66% and non-response rate of 34%. Respondents did not give additional information to the questions asked which could have been essential in coming up with findings and conclusions.

### **5.7 Suggestions for further research**

This study was conducted on MNC FMCGs only. The findings can be verified by conducting the same study on other major local FMCGs as well. The study findings are according to the FMCGs' management point of view. The study can be conducted to find out the customers' point of view.

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# APPENDICES

## APPENDIX I: LETTER OF INTRODUCTION

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P.O. Box 30197, 00100  
NAIROBI

Dear Sir/Madam,

**RE: MBA Research Project**

This letter is to introduce to you Joseph K. Muiga an MBA student who is carrying out a study on the competitive strategies that have been adopted by multinational FMCG companies in Kenya. This study is expected to be of importance in the development of an emerging economy since MNCs have to a large extent contributed greatly to opening up the markets of developing economies to the rest of the world.

We kindly request your cooperation and adequate information that will assist the researcher in attaining his objective. Please also provide further comments or suggestions that you consider necessary in contributing to building the knowledge base of competitive strategies used by multinational firms.

Your assistance is highly appreciated.

Yours Faithfully,

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Joseph K. Muiga  
Researcher

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Dr. John Yabs  
Supervisor

## APPENDIX II: QUESTIONNAIRE

### Instructions

For certain questions, you are required to choose by ticking (√) one answer among the alternatives. For other questions you are asked to rank the alternatives in terms of their relative importance to the firm. Use '5' to refer to 'Great Extent', '4' for 'Moderate Extent', et cetera. Please do not assign ranks to alternatives that do not apply to your firm, just leave the space blank. For certain questions, you are encouraged to specify other alternatives in the space provided. For questions where boxes are given, tick inside the box to indicate the option selected. Also feel free to write helpful comments where appropriate in the margins.

### Part A: General Information

1. What is the name of your organization?

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2. What is the size of the organization?

i) Less than 100 employees ( )

ii) 100-200employees ( )

iii) Above 200 employees ( )

3. Year of incorporation in Kenya?

i) 1 – 5 years ( )

ii) 6 – 10 years ( )

iii) More than 10 years ( )

4. What is the geographical spread of the company in Kenya?

Nairobi region ( )

Entire country ( )

**Part B: Competitive Strategies adopted by the FMCG MNCs**

5. The table below represents various aspects regarding to what extent firms adopt strategies to remain competent in the market. Kindly indicate your rating on the statement applying the following key:

5-Great Extent      4-Moderate Extent      3-Neutral      2-Low Extent      1-No Extent

<i>Low Cost Leadership</i>					
<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Improved business efficiencies					
Maximized economies of scale					
Implemented cost-cutting measures					
Avoided loss-making areas					

<i>Differentiation Strategy</i>					
<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Introduced unique features to a product or service					

Introduced new unique products and services					
Marketing channels through which products and services are delivered					
Improved service network that supports those products and services					

<i>Focus Strategy</i>					
<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Focused on a specific niche/segment in the market					
Offering specialized products/services to that niche market					
Expanded branch networks to isolated geographical areas					
Tailored products and services to meet the demand of small and medium-sized customers					

6. What factors does your organization consider to be important in identifying the competitive strategy to be adopted?

Internal factors (strengths and weaknesses) (      )

External factors (opportunities and threats) (      )

Both internal and external factors (      )

Others (please specify) .....

**Part C: Impact of Competitive Strategies on Corporate Performance**

7. To what extent do you agree that the following are the impacts of competitive strategies on the performance of your firm? Kindly indicate your rating on the statement by applying the following key:

5-Great Extent      4-Moderate Extent      3-Neutral      2-Low Extent      1-No Extent

<i>a) Internal Business Processes</i>					
<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Have led to development of new products/services					
Have led to stronger internal control systems					
Have led to reduced wastage hence high productivity					
Have led to high efficiency levels and quick service					
Have led to minimal error rate and fraud					

Others (please specify) .....

.....

<i>b) Customer Perspective</i>					
<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Has led to improved customer retention rate					
Has led to higher levels of customer satisfaction					

Has led to increase in market share					
Has led to strong customer loyalty					
Has led to a positive image of the firm in the market					

Others (please specify) .....

.....

<i>c) Learning and Growth</i>					
<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Has led to high employee satisfaction					
Has led to higher staff retention rate					
Has improved employee commitment					
Has enhanced employee skills and innovation					
Has led to training and development programs					

Others (please specify) .....

.....

<i>d) Financial Perspective</i>					
<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

Has led to improved profit levels					
Has led to improved liquidity levels					
Has enhanced the capital adequacy of the firm					
Has enhanced quality of cash flow in the firm					
Has led to minimization of operational costs					

Others (please specify) .....

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**Thank You for your cooperation**