A SYSTEMATIC STUDY OF STRATEGIES EMPLOYED BY MULTINATIONAL CORPORATIONS IN RESPONSE TO THE EVER-CHANGING POLITICAL ENVIRONMENT IN KENYA

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STUDENT'S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University – Africa in Nairobi for academic credit.

Signed ______________________________ Date ___________________________

Gilbert Kiprop Sonoiya (ID: 654060)

This project report has been presented for examination with my approval as the appointed supervisor.

Signed ______________________________ Date ___________________________

Dr. Zachary Mosoti

Signed ______________________________ Date ___________________________

Dean, Chandaria School of Business

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ABSTRACT

The objective of the study was to determine strategies that have been employed by MNCs in response to the ever-changing political environment in Kenya by firms quoted at the NSE in Kenya in order for them to remain competitive in such a market and advance their growth. This study aimed at examining: the factors that affect a Firm's External Business Environment, International Business and International Business Environment and finally strategy and strategic management and how it correlates with the external and international business environments.

This study used descriptive survey, which is a process of collecting data in order to answer questions regarding the current status of the subjects in the study. The study used descriptive design because it enabled the researcher to collect a large quantity of in-depth information about the population that was studied. Descriptive research design enabled the researcher to test and measure the population needed for quantitative experimentation as it gave valuable pointers as to what variables were worth testing quantitatively.

For the purposes of this study, stratified sampling was used. Stratified sampling is a type of sampling method in which the total population is divided into smaller groups or strata to complete the sampling process. The strata were formed based on some common characteristics in the population data. After dividing the population into strata, the researcher randomly selected the sample proportionally (The Economic Times, 2018).

For this study, both primary and secondary data collection was appropriate. Primary data was collected through a self- made questionnaire. The questionnaire adopted both structured and unstructured questions. The responses in the questionnaires assisted in gaining an in-depth understanding of the strategies adopted by MNCs in Kenya in response to the ever-changing political environment. The questionnaire was structured based on the research questions. Secondary data enabled evaluation of historical strategies and analysis of studies that have been carried out in the past. The analysis of the research data was carried out using Statistical Package for Social Sciences (SPSS) and Microsoft Excel programs. Figures and tables were variably used in data representation.

The study examined the factors affecting the external business environment and regressed these findings with the effectiveness of strategies applied in response to the ever-changing political environment in Kenya. The study found out that these strategies employed by MNCs are essential in mitigating risk. The findings also indicated that the stability in external environment is a key decision-making factor in any investment initiative in a country.

The study also examined international business and the international business environment and regressed these findings with the effectiveness of strategies applied. The findings indicated that Kenya is a good international business destination bolstered by good diplomatic ties and business friendly policies. The disparities in findings represent differences in opinion and thus more needs to be done to ensure stability of the country as an international business destination.

The study finally analysed strategy and strategic management and correlated this with both the factors affecting the external business environment and the international business and international business environment. These findings indicated that the strategies employed in response to the ever-changing political environment in Kenya had different levels of success and had different success factors. We can also see that despite the effectiveness of these strategies, they have not resulted in greater investment by the MNCs.

The study concludes that the external environmental factors do not greatly affect the effectiveness of strategies applied in response to politically turbulent environment. The study also concluded that the variations in the effectiveness of strategies applied in response to politically turbulent environments were as a result of the international business environment factors and the policies of the host country in regard to multinational corporations.

The study recommends that the Kenyan government needs to do more to enhance the stability of the external business environment especially during turbulent times. In addition, the study recommends that MNCs maintain and boost their investment in Kenya boosted by the stable political structure and strong constitution that promotes foreign investments. The study finally recommends that MNCs fully adopt these political response strategies as it has been established they have been successful. It is also recommended that the MNCs maintain these strategies through election cycles in order to safeguard their businesses

ACKNOWLEDGEMENT

My family and friends, I am truly indebted to you for the support you have given me thus far. I would also like to acknowledge my supervisor for the guidance during the development of this proposal. Above all I would like to thank the Almighty God for guidance and good health during this period.

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LIST OF ABBREVIATIONS

AIMS – Alternative Investment Markets Segment

FISMS – Fixed Income Securities Market Segment

IEBC – Independent Electoral and Boundaries Commission

MIMS – Main Investments Market Segment

MNCs – Multinational Corporations

MNEs – Multinational Enterprises

NSE – Nairobi Securities Exchange

SWOT – Strengths, Weaknesses, Opportunities and Threats

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

The external environment is dynamic and ever changing. Organizations respond to the external environment and develop strategies that enable them to survive the ever-changing environment that they operate in (Beck *et al*., 2010). The ensuing political status of any market is of key concern to any organization operating in that environment. Organizations need to make key strategic decisions in order to be profitable and avoid loss making ventures and in doing so secure an organizations long term future (Johnson *et al*., 2008).

Modern day management is not possible without strategic thinking. The manager must know the company's strategic position, understand the influence of changing conditions, monitor internal and external environment of the company and choose the right time to change strategy (Johnson *et al*., 2008).

Strategic management is the most exciting of management disciplines. Strategic management is concerned with maximizing an organizations success and minimizing its failures. Effective strategy can maximize wealth, transform an organization and change the industry structure. An inefficient strategic management can fail whole companies (Miller & Dess, 1996)

Strategic management is a means of modern management, focused on changes and amendments to be made in the organization and within its interactions with the environment in which it operates, in order to avoid situations in which goods and services provided by the organization, their production and sale, entire activity become outdated, inconsistent in relation with produced changes (Sawyer & Sawyer, 1990). Thus, strategic management becomes a premise for the realization of the sustainable development of an organization, and thus of the economy and society as a whole (Sawyer & Sawyer, 1990).

Corporate strategy is a very crucial part in the operation and survival in a business. An effective strategy delivers results by ensuring a company stays competitive and relevant in the market of operation (Thompson & Strickland, 2003). Organizations exist in uncertain and ever-changing environments. In order for organizations to be successful and to thrive, they must comprehend how events and changes in their environment affects them and come up with strategies to plan and respond to these changes. Organizations should actively seek opportunities and avenues to exploit their environment in ways that maximize their strengths and minimize their exposure (Thompson & Strickland, 2003).

Modern economic environments are complicated and multifaceted making forecasting difficult. The high levels of uncertainty and unpredictability create a challenging and chaotic environment for businesses (Porter, 1980). Upon an organizations analysis of its strengths and weaknesses, it may proceed to focus human and financial resources to undertake strategies that will keep the company competitive and ensure its long-term survivability in that market environment (Rowe, 1994).

The business environment comprises of all the internal and external factors that affects a firm and its operations (Rowe, 1994). The international business environment refers to the forces that foreign firms are likely to encounter in foreign markets as they venture into or operate in that market. Both internal and external market forces affect a business's operations (Rowe, 1994).

A firm's internal business environment comprises of forces within it that it has direct control over e.g. firm's resources, factors of production and the undertakings and activities of the organization (Rowe, 1994). A firm's external business environment is constituted by the forces that a firm's management cannot influence. Some of these external forces include: Socio-cultural, Technological, Financial, Legal, Natural environment and Political forces (Rowe, 1994).

The political environment of a market is one of the key external forces that affect a business. It essentially refers to the political state of the country in which the Multinational Corporation is undertaking business in. Government actions and policy affect the operations of an organization (Degryse *et al*., 2009). The government may take political action at the either the local, regional, national or international level with the political elite being responsible for these policy decisions which will have an effect on the business environment of a country (Degryse *et al*., 2009).

The political effects on businesses in Kenya are pronounced. Some aspects that impact and shape a nation's political environment include legislation, judicial dispensation, law enforcement, taxation, government spending, demand, supply, government policy, technology and production processes among others (Degryse *et al*., 2009).

A nation's political philosophy affects its business environment and investment attractiveness. The political philosophy in the country will also impact the business environment. Political ideology or philosophy refers to, 'the body of ideas, theories, aims and means to execute the ideas, adapt the theories and fulfil the aims that constitute a socio-political program for action'. A country's political ideological leaning may be democratic, capitalist, socialist, communist, dictatorship or a monarch (Degryse *et al*., 2009).

Until late 2007, Kenya was considered one of the most stable countries in Africa. It has functioned as East Africa's financial and communications hub, the headquarters of many international nongovernmental organizations, and a magnet for tourism. Analysts looked favourably upon its healthy and broad-based economic expansion under President Mwai Kibaki, which stood in marked contrast to the growth of countries such as Angola and Equatorial Guinea that depend on the export of a single commodity—oil. Yet disputed elections in late December 2007 spurred outbreaks of violence across the country that killed more than six-hundred people. That prompted some fears that Kenya would split on tribal lines and descend into prolonged unrest. Experts say such a scenario is unlikely, but also suggest that prior depictions of Kenya's stability were premature. Kenya is a young democracy, they say, and its weak institutions—not inherent ethnic divisions—are at the root of the current political crisis (Council on Foreign Relations, 2005).

In Kenya, most institutions—including the judiciary, parliament, and the electoral commission—are subservient to the president. The president appoints high court judges and electoral commissioners, has the power to dissolve parliament, and controls the federal budget. The extent of presidential power is a holdover from the colonial period, experts say, and has changed little since independence in 1963. For instance, the president still appoints provincial and district commissioners, who oversee municipal services such as education, health, and transportation. David Anderson, director of the African Studies Center at Oxford University, says these commissioners' function like a "shadow government entirely in the control of the president." Districts known to be supportive of the opposition party, or with opposition parliamentarians, tend to receive fewer resources than those controlled by the ruling party, he says (Council on Foreign Relations, 2005).

As widely claimed by many studies, political risk is one of the critical factors that influence the operations of a country's financial market. In any country, this risk is so vital since its related damage can cost a significant amount both on the macro and micro level economic systems. In general, the political risk can come in many forms such as new legislation, change of regime, a revolution, a coup or even civil war (NSE, 2018).

Stock and share trading began in Kenya in the early 1920's when Kenya was still British colony. The market was informal in nature without rules and regulatory mechanisms to oversee the activities of the stock market. Stock trading was via a 'gentleman's agreement' where standard commissions for trades executed were charged to clients and these clients were bound to honour contracts, delivery and settlement of associated costs of the trades in a timely fashion (NSE, 2018).

In the early 1980's, the Kenyan Government realized the great impetus to design and implement economic policy reforms. These reforms were aimed at enhancing sustainable economic growth and a progressive financial system that encouraged investments in the country. The goal was to ensure a robust private sector as a key driver of economic growth, reduction of public company's financial burden on the exchequer and the rationalization of public enterprise operations in order to enhance capital market development and broaden ownership bases of these corporations. In 1984 the IFC/CBK study ("Development of Money and Capital Markets in Kenya") became a blueprint for structural reforms in the financial markets. This resulted in the establishment of the financial regulatory body "The Capital Markets Authority" (CMA) in 1989. Its mandate was to facilitate the creation of a conducive, investment-friendly environment for enhanced growth and continuous development of the Kenya's capital markets. Today the NSE is one of the most active capital markets in sub-Saharan Africa. As at 31 December 1995, market capitalization stood at Kshs. 106 billion (US$ 2 billion) making it the third largest stock exchange in Africa after Johannesburg and Morocco. Some 62 million shares valued at Ksh. 3.34 billion (US$ 62 million) were traded giving a turnover ratio of 3.3%. As at 13th March 2018, NSE Market Capitalization stood at about 2.7 trillion shillings (NSE, 2018).

Nairobi is already being transformed into an important financial centre in the African region. Financial infrastructure is by far superior than the neighbouring countries and the NSE continues to host a number of nationals from the region who visit the exchange on learning missions. Officials from Botswana, Namibia, Lesotho, Zambia, Malawi, Tanzania, Uganda and Ethiopia have in the recent past visited the NSE. In 1991 the Nairobi Stock Exchange was incorporated under the companies Act of Kenya as a company limited by guarantee and without a share capital. Subsequent development of the market has seen an increase in the number of stockbrokers, introduction of investment banks, establishment of custodial institutions and credit rating agencies and the number of listed companies have increased over time. Securities traded include, equities, bonds and preference shares In 2001, NSE was rationalised to give rise to three market segments namely; the Alternative Investment Markets Segment (AIMS), the Main Investments Market Segment (MIMS), and the Fixed Income Securities Market Segment (FISMS) (NSE, 2018).

1.2 Statement of the Problem

In 2007, Kenya experienced the worst manifestation of political violence since independence. The scale of the violence that broke out took may both locally and internationally by surprise as Kenya has been known to be a peaceful nation, beacon of stability and an attractive business hub to investors. It was the shining light of the Eastern African region. The widespread and ethnically fuelled violence led to the deaths of over 1000 people and displaced at least 350,000 others. It took a large scale international effort spearheaded by the United Nations and Western powerhouses to resolve the dispute. Kofi Annan led a panel of eminent persons comprising of former presidents and first ladies from the African continent to broker a truce between the 2 key political protagonists and thus bring an end to the widespread violence and bloodshed that had brought Kenya to its knees (Ong'ayo, 2018).

After the truce in early 2008, political tensions subsided and businesses began the process of assessing the scale of damage to their operations and develop strategies to mitigate the effects of the political season on their business in the future. The periodic election season came again in 2013 and this provided organizations a great opportunity to implement their strategies to cushion against the effects of the political season. Since the election was the first to be conducted under the new constitution which was promulgated in 2010, it provided new challenges that had an effect on the political system and rule of the country. The environment for the Multi-National Corporations (MNCs) evolved and thus they had to employ new strategies to safeguard their standing in the market, remain competitive and succeed in new ventures (Ong'ayo, 2018).

This situation emphasized that MNCs should pay close attention to the political environment in which they operate in more so in Kenya where the electoral contests are fierce and unpredictable. The new constitutional dispensation coupled with the 2007-2008 political violence that rocked the nation provides unique challenges to MNCs and thus they need to adopt new and dynamic strategies to protect their investments and remain competitive in the face of the dynamic and ever-changing political environment in Kenya (Ong'ayo, 2018).

This thesis focused on these strategies employed by MNCs in the dynamic Kenya political environment as they bid to protect their investments, remain competitive and venture into new avenues of revenue generation in order to assist other MNCs doing business in Kenya, together with local business enterprises to be better prepared for the next election cycle and have empirical evidence on the suitability of different strategies and thus enhance their decision making.

1.3 Purpose of the Study

The purpose of this study was to determine strategies that have been employed by MNCs in response to the ever-changing political environment in Kenya by firms quoted at the NSE in Kenya in order for them to remain competitive in such a market and advance their growth.

1.4 Research Questions

The research questions that guided the study were:

1.4.1 What factors affect a Firm's External Business Environment?

1.4.2 What is International Business and International Business Environment?

1.4.3 What is Strategy and Strategic Management?

1.5 Significance of the Study

This study evaluated the strategies employed by MNCs in Kenya in response to the ever-changing political environment in Kenya, thereby helping MNCs in Kenya to protect their investment and develop a competitive advantage over their competitors. This study sought to help MNCs to be better prepared for changes in the political environment. This study was of great significance in the following ways:

1.5.1 Government Foreign Investment Policy

The study was of great significance to the government in planning and drafting of foreign investor policy. It enabled the government to show that Kenya is a stable business environment and give incentives to foreign companies that invest in Kenya. In addition, it enabled the government to create laws that protect foreign investments in Kenya and ensure the long-term security and prosperity of organizations investing in the county.

1.5.2 Aid MNCs in Developing Entry and Sustainability Strategies for Investment in Kenya

The study assisted MNCs devise best market entry strategies to delve into the Kenyan market. In addition to this, the study also facilitated understanding of sustainability in the Kenyan market with a view to sustain long term competitiveness and growth in the Kenyan market.

1.5.3 Advance Research

This study advanced research into various strategies and allow empirical comparison to understand which strategies work best and under what conditions. This allowed for the development of further strategies to assist existing ones and identify key market factors during an electioneering period. It also allowed for further studies on this topic.

1.5.4 Enhance Academics

This study assisted business students especially those majoring in International Business Administration and International finance to understand different effects of political changes in business and relate that research with globalization and investments in emerging markets.

1.6 Scope of the Study

This study analysed the strategies employed by MNCs listed at the NSE in response to changes in the political climate in Kenya. The period of study runs from January 2007 to May 2013 a total of 77 months. The population of study was 39 MNCs operating in Nairobi, Kenya that are listed at the NSE Main Investments Market Segment (MIMS).

This study had certain limitations. Firstly, the strategies employed during the time period 2007-2013 may have evolved by future election cycles. Secondly, different organizations are affected differently by the political climate and hence there is no one size fits all strategy to mitigate effects of political changes. Finally, other international political changes need to be taken into account in order to obtain a wholesome strategic picture e.g. East African Community regional integration.

1.7 Definition of Terms

1.7.1 Multinational Enterprise

A multinational enterprise (MNE) is a company that has a worldwide approach to markets and production or one with operations in more than one country (Johnson & Scholes, 2008).

1.7.2 Multinational Corporation

An MNE is often called multinational corporation (MNC) (Johnson & Scholes, 2008).

1.8 Chapter Summary

This chapter covered the background of the problem, statement of the problem, purpose of the study, research questions, the significance of the study, scope of the study and the definition of the terms. Chapter two covered literature review, chapter three covered the research methodology, chapter four the results and findings and finally chapter five covered the summary, discussion, conclusion and recommendations.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This study sought to find out how MNCs, government and policy makers craft the necessary strategies and policies that protect foreign investors and investments in the country given the country's ever-changing political environment. Understanding the business environment and the strategic management is imperative to survival in a turbulent business environment.

2.2 Factors Affecting a Firms External Business Environment

2.2.1 Business Environment

All organizations operate in an environment. The external environment of a firm is made up of other organizations and people with whom the organization trades and interacts with. The external environment includes suppliers, clients and competitors. The need to stay competitive and maintain a competitive advantage in different environments leads organizations to adopt different strategies (Johnson & Scholes, 2008).

Since firms operate in a given environment, strategy is important for firms to obtain a viable match between their external environment and their internal capabilities (Johnson & Scholes, 2008). Pearce & Robinson (1997) emphasize that either the building of defences against competitive forces in an industry or finding suitable factors/positions where competitive forces are weakest always seem to generate the best strategy.

According to the World Bank (2010), Kenya's recent political reform stemmed from the passage of a new constitution in 2010 that introduced a bicameral legislative house, devolved county government, a constitutionally tenured Judiciary and electoral body. The first election was in 2013. The August 8, 2017 presidential elections were nullified on September 1, 2017 by the Supreme Court, and a new presidential election is scheduled for October 17, 2017.

Devolution remains the biggest gain from the August 2010 constitution, which ushered in a new political and economic governance system. It is transformative and has strengthened accountability and public service delivery at local levels (World Bank, 2018).

While economic activity faltered following the 2008 global economic recession, growth resumed in the last three years reaching 5.8% in 2016 placing Kenya as one of the fastest growing economies in Sub-Saharan Africa. The economic expansion has been boosted by a stable macroeconomic environment, low oil prices, rebound in tourism, strong remittance inflows and a government led infrastructure development initiative (World Bank, 2018).

MNCs operate in complex political, economic, sociological, technological, ecological and legal environment across the world. Changes in the external environment of MNCs have adverse effects on them given that they operate in different external environments around the globe (Johnson and Scholes, 2008). Political, Ecological, Social, Technological and Legal (PESTEL) analysis is often carried out by managers to enable them develop more informed and long-term strategies and plans (Johnson & Scholes, 2008). Both private and public organizations will be in a competitive position, either for customers or for resources. It's important for organizations therefore to understand their competitive positions (Johnson & Scholes, 2008).

The business environmental factors can be classified into two groups ; internal environment and external environment. The internal environment of an organization consists of elements that are within the control of the management of that organization (Kalpana, 2018).

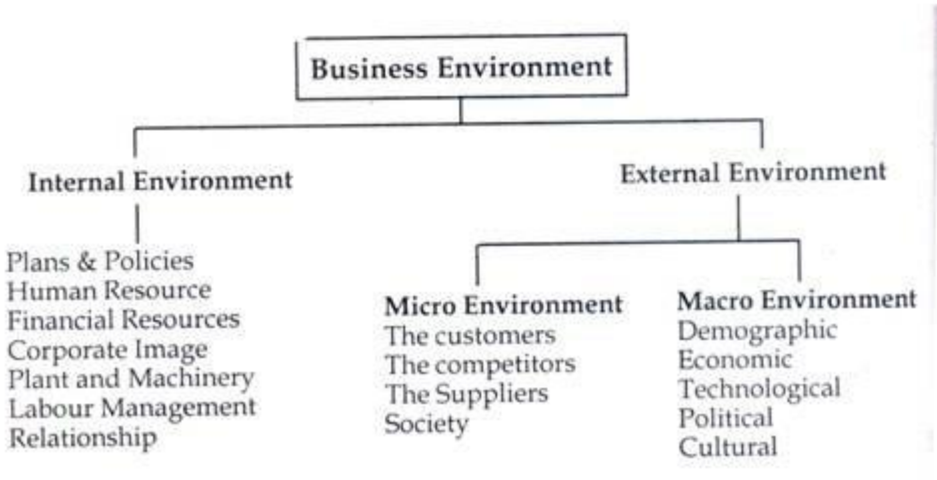

Figure 2.1: Business Environment

Source: Kalpana, (2018)

2.2.2 Firm's Internal Environment

A firm's internal environment is the factors which lie within the organizations control. Factors in the internal environment are within the managements control and they are predictable and are governed by the organizations management (Kalpana, 2018).

According to Kalpana (2018), an organization's plan and governing policies should be crafted in line with the objectives of the firm and the resources available to the firm. Well-crafted policies enable a firm to achieve its goals and objectives. Secondly, Quality human resource is essential for the survival of a firm. They key elements of human resource include morale, quality of service, social behaviour and culture. Skilful and committed employees can greatly advance the firms interests and lead to great returns for the organization whereas poor and neglected human resource hampers a firm's growth and profitability.

Financial capital is essential to all businesses. An organization needs working capital to finance its operations and fixed capital to safeguard the firms long term future. Proper financial management is thus essential to safeguard a firm's interests. Other key financial factors that influence the internal environment of a firm include capital structure, financial policies, debts, leverage and financial position. Extensive financial resources allow a firm to undertake research and finance marketing and promotional activities (Porter, 1980).

Corporate image is also essential to a firm's reputation. A poor corporate image reduces the value of a firm. A firm needs to maintain a good image to its investors, customers, employees and other stakeholders in order to maintain its standing and reputation in the market. In addition to this, an organization should endeavour to have modern plants and machinery in order to ensure efficiency in its business processes. Old and outdated machines hamper business and production processes and should be upgraded and replaced to ensure smooth business processes (Kalpana, 2018).

An organization where the workers and management are not in tandem cannot succeed. The management should endeavour to understand the challenges the workers face and strive to alleviate them. The management can provide monetary and non-monetary benefits to the workers in order to boost morale and enhance productivity and thus the organization grows (Porter, 1980).

Finally, the promoter of the organization should be a visionary and be able to forecast opportunities and threats to the firm so as to safeguard the firm's future. Failure to seize opportunities and mitigate threats negatively impacts the firm's future well-being (Porter, 1980).

The ease of doing business is a Key factor that is determined by the external business environment. The World Bank's Doing Business report is issued annually, benchmarking 190 countries globally against 10 indicators on how easy it is to do business. A high ranking on the ease of doing business index means the regulatory environment is more conducive to start and operate a local firm. In the World Bank's Doing Business 2018, Kenya moved up 12 spots in this year's global rankings in Doing Business, a clear manifestation of the concerted effort between Government and private sector efforts to improve the business environment is bearing positive results. The 2018 report ranks Kenya at position 80 out of 190 countries globally, an improvement from last year's 92. Cumulatively, Kenya moved up global rankings 56 spots over the last three years, but the 2018 was Kenya's best in the last 15 years (KEPSA, 2018).

2.2.3 Firm's External Environment

A firm's external environment is the factors which lie outside the organizations control. Factors in the external environment are outside the managements control and they are unpredictable (Kalpana, 2018).

The environment in which businesses operate in Kenya has been changing significantly over the last few years. This has mainly been impacted by political, economic, social, technological and demographic factors as well as the various developments in the more immediate environment of doing business namely, changes in the industry. Companies have had to change strategies in order to adapt to these changes. Those that have been able to change with the times have survived whereas those that have failed to recognise and adapt to these changes have fallen on the wayside (Buto, 2018).

Buto (2018) further alludes that the environment in which companies are doing business in Kenya is a volatile one. This is even more considering that the world has become a global village with what is happening in one country having an impact on countries thousands of miles away. This is evidenced by the recent spiral effect witnessed of the economic crunch, which began in the European and US market and quickly spread to the rest of the world. Companies therefore need to arm themselves well to be able to react to these changes; otherwise they could as well be pushed to extinction.

External factors bring both opportunities and threats to an organization. The external environment is further classified into the micro and macro environments.

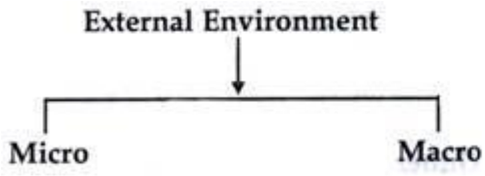

Figure 2.2: External Business Environment

Source: Kalpana, (2018)

The micro environment refers to the firms operating environment that directly affects the firm's performance. It includes intermediaries, competitors, customers, suppliers, etc.

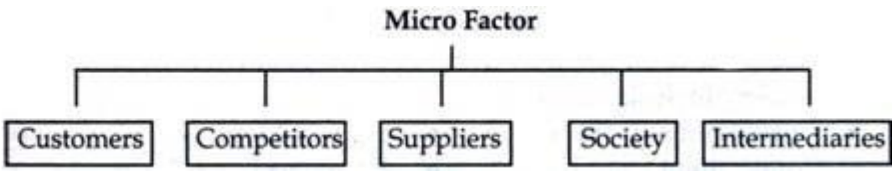

Figure 2.3: Micro Factors in the external Business Environment

Source: Kalpana, (2018)

Of the micro factors that affect a business, the customer is key. A happy and satisfied customer becomes a returning customer. In the modern age, customer satisfaction has become increasingly difficult due to globalization. Customers expect good value propositions and high standards of the products they consume (Kalpana, 2018).

A successful firm needs to identify its competitors, their activities and business processes in the market. A firm should have data such as competitor prices, products, distribution channels and promotion strategies in order to offer a better valuable proposition to its own customers and increase its own market share. Globalization, liberalisation and privatisation has led to tremendous competition and has threatened domestic industries that have to compete with the financial might of MNCs. Hence companies need to develop apt strategies that will enable them to remain competitive (Porter, 1980).

Suppliers are also crucial as they provide the raw materials and equipment to enable an organization to produce products. The firm has to monitor supply price, material quality, machines supplied and also maintain a good relationship with suppliers by paying them on time. Reliable supply of materials is imperative to maintain the good running of a firm and avoid uncertainties in production. Companies should also avoid high inventory costs and have back-up supply chains (Johnson & Scholes, 2008).

The society in which the business operates in has high expectations of that company. The firm should have public relations officers and procedure to handle grievances and communication from the public and from the stakeholders. The society comprises of financial institutions, government, employees, investors and the public (Porter, 1980).

Market intermediaries are agents and brokers who facilitate customer access for a firm. They facilitate the promotion and distribution of goods to the end consumers and right markets. They include media, wholesalers, advertisers, retailers and financial institutions (Kalpana, 1980).

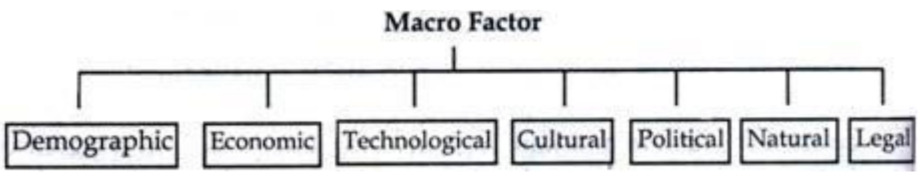

Figure 2.4: Macro Factors in the external Business Environment

Source: Kalpana, (2018)

The macro environment refers to the general environmental factors that affect a business and are difficult to control in nature. Of the key macro-environmental factors is demographics. Demographics refer to statistical data about the human population such as age, sex, literacy population density etc. These demographics have a significant impact on businesses. E.g. larger populations have a larger demand for products and services from a company (Kalpana, 2018).

Additionally, economics is a key factor. The economic environment refers to economic factors that affect various business units. These factors include fiscal policy, financial resources, economic systems, government spending policy etc and are complex and diverse in nature (Porter, 1980).

The technological environment refers to the various technologies that affect the business. Modern technology has brought changes in productivity, distribution channels, quality of goods and supply chains. Technological changes and their effect on the business need to be monitored. Initial capital outlay for modern technology is expensive however production and other costs go down with time and enables a company to remain competitive in the market (Johnson & Scholes, 2008).

Culture is a combination of values, beliefs, traditions, customs, laws within a society. Culture is passed down from one generation to the next through schools and family. Society is influenced by culture and culture influences the business. Cultural changes affect an organization (Kalpana, 2018).

The politics of the environment of business is a key factor to be considered. The political environment consists of the judiciary, legislature and executive. The judiciary refers to the court system which litigates whether executive decisions are constitutional in nature and ensure that they don’t subvert the rights of the citizens. The legislature constitutes parliament and legislative assemblies that make laws and regulations. The executive includes the governmental bureaucracy that implements government policies and decisions (Porter, 1980).

Companies need to acknowledge the macro and a micro political risk environment. Micro level risks impact industries or projects; macro level risks affect the entire economy. Micro level risks can be managed with far more easily as they come - investments can be shifted to different industries, firms can find a new local partner, and, worst case scenario firms can file an insurance claim. Macro-level risk, however, is the variety that you need to see before it comes because if the nation in which you are investing closes its borders, devalues its currency or even enters a civil war, you and your money are left with very few options (Rajwani, 2011).

Rajwani (2011) further states that leaders need to diversify their political risks: firms that have strategic business units in various geographies need to acknowledge their cost base, and that some regions that look very attractive might also carry high political risk. For example, if you plan to move into Nigeria there may be ‘some’ political risk, but at the same time cheap materials and resources are available to those firms too. This implies that there is a trade off, and leaders should look at their costs and benefits of diversifying their strategic business units throughout different regions.

The global economy is more integrated than ever, with more markets opening every year. Yet global supply lines and other business operations and investments are more dependent on particular political factors than at any time in modern history. Political unrest, instability and even conflict are “normal” realities that drive business decisions in evermore areas of the world. This risk can be managed. To do it, executives need to get serious about bringing their risk management strategies into line with the adequate facts (Rajwani, 2011).

Politics never stops moving, and risk analysts must be able to follow a nation’s story as it develops. Usually, that means being on the ground in that country. And in the case of a particularly opaque regime, it can mean being there a very long time. Some information is published in official reports or in the media, but analysts will gather most of their intelligence from primary sources: well-connected journalists in the local and foreign press, current and former midlevel officials, and think tank specialists (Bremmer, 2018).

Bremmer (2018), further states that speculation on political outcomes can appear in numerous publications, but corporations debating operational or infrastructure investments abroad need more objective, rigorous assessments than those found in the op-ed pages. Companies can either buy political risk services from consultants or, like some multinationals, develop the capacity in-house. Either way, a complete and accurate picture of any country’s risk requires analysts with strong reportorial skills; timely, accurate data on a variety of social and political trends; and a framework for evaluating the impact of individual risks on stability. Such detailed reports on the political stability of a country need resources. Many a time, financial considerations are not considered when obtaining these consultancy services because the risks of making an uninformed investment far outweighs the comparatively smaller remuneration given to these consultants.

Politics in Kenya has a ripple effect on the economy. Due to the post-election violence (PEV) that followed the 2007 election, the country’s GDP growth fell from a high of seven per cent to a low of three per cent. A study by the Brookings Institution found that political institutions matter greatly for incipient or young democracies, not for consolidated or mature democracies.

Why? Well, mature democracies have already internalized the effect of political institutions whereas new democracies need the felt presence of political institutions as part of the democratic experience. As a consequence, the impact of politics on economic performance is more visible. It is important that both government and opposition appreciate the import of their role and influence over the economic trajectory (Were, 2016).

Availability of resources like land, water and minerals is paramount for the development of a business entity. Each business needs to evaluate these factors before settling on the location of a business. Disasters such as cyclones, tsunamis, drought and floods can greatly affect a firm’s operations (Kalpana, 2018).

The government sets the laws of the land that govern the operations of businesses. These laws comprise of rules and regulations together with the enforcement and regulatory authorities. The business should endeavour to understand these laws fully in order to be compliant and to run their businesses effectively (Kalpana, 2018).

2.3 International Business and International Business Environment

2.3.1 International Business

International business comprises all trade that takes place between two or more regions, countries and nations beyond their political boundaries. A multinational enterprise (MNE) is a company that has a worldwide approach to markets and production or one with operations in more than one country (Johnson & Scholes, 2008).

An MNE is often called multinational corporation (MNC) (Johnson & Scholes, 2008). Globalization and international investment will have a massive impact on international trade. A complex and dynamic modern environment will inevitably be difficult to forecast and the inherent uncertainties can make it highly unpredictable and potentially chaotic (Porter, 1980).

The internal business environment is made up of forces that the organization has direct control over (e.g. the factors of production and the activities of the organization) known as dependent variables while the external environment is made of forces that are highly unpredictable and potentially chaotic over which the organization has no control over (i.e.

uncontrollable forces such as financial, legal, socio-cultural, technological, natural environment and political) known as independent variables (Porter, 1980).

The functioning and success of MNCs is affected by intervening variables that have a bearing on the business environment industry that often fluctuates depending on the uncontrollable forces such as financial, legal, socio-cultural, technological, natural environment and political (Porter, 1980).

Kenya's political context has been heavily shaped by historical domestic tensions and contestation associated with centralization and abuse of power, high levels of corruption, a more than two decades long process of constitutional review and post-election violence. The approval of the new constitution in 2010 and relatively peaceful elections in March 2013 are milestones constituting steps forward in Kenya's transition from political crisis (Institute of Development Studies, 2018).

The new constitution introduces an expanded Bill of Rights that includes social, economic and cultural rights (with a strong focus on the needs and entitlements of children and women), reduces Presidents' powers, defines better separation of powers between the three arms of government, circumscribes the power of security agencies, reforms the electoral devolves power to regions and introduces changes to the budget process Institute of Development Studies, 2018).

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How well the MNCs organizations perform largely depends on these intervening variables which have an influence on internal and external business environments and eventually financial, socio-economic and political performance in Kenya. These variables include bank regulations, credit risk, competitive edge, political leadership and the then prevailing macro-economic conditions such as inflation and exchange rates (Wheelan & Hunger, 2008; Brunnermeier, 2008; Zarutskie, 2006; Zarruk, 1989).

International business includes any type of business activity that crosses national borders. Though a number of definitions in the business literature can be found but no simple or universally accepted definition exists for the term international business. At one end of the definitional spectrum, international business is defined as organization that buys and/or sells goods and services across two or more national boundaries, even if management is located in a single country. At the other end of the spectrum, international business is equated only with those big enterprises, which have operating units outside their own country. In the middle are institutional arrangements that provide for some managerial direction of economic activity taking place abroad but stop short of controlling ownership of the business carrying on the activity, for example joint ventures with locally owned business or with foreign governments (Coulter, 2002).

In its traditional form of international trade and finance as well as its newest form of multinational business operations, international business has become massive in scale and has come to exercise a major influence over political, economic and social from many types of comparative business studies and from a knowledge of many aspects of foreign business operations. In fact, sometimes the foreign operations and the comparative business are used as synonymous for international business (Johnson & Scholes, 2008).

Foreign business refers to domestic operations within a foreign country. Comparative business focuses on similarities and differences among countries and business systems for focuses on similarities and differences among countries and business operations and comparative business as fields of enquiry do not have as their major point of interest the special problems that arise when business activities cross national boundaries. For example, the vital question of potential conflicts between the nation-state and the multinational firm, which receives major attention is international business and its centrality to an organizations core mandate (Porter, 1980).

The study of international business focuses on the particular problems and opportunities that emerge because a firm is operating in more than one country. In a very real sense, international business involves the broadest and most generalized study of the field of business, adapted to a fairly unique across the border environment (Viswanathan, 2018).

Many of the parameters and environmental variables that are very important in international business (such as foreign legal systems, foreign exchange markets, cultural differences, and different rates of inflation) are either largely irrelevant to domestic business or are so reduced in range and complexity as to be of greatly diminished significance. Thus, it might be said that domestic business is a special limited case of international business. The distinguishing feature of international business is that international firms operate in environments that are highly uncertain and where the rules of the game are often ambiguous, contradictory, and subject to rapid change, as compared to the domestic environment. In fact, conducting international business is really not like playing a whole new ball game, however, it is like playing in a different ballpark, where international managers have to learn the factors unique to the playing field. Managers who are astute in identifying new ways of doing business that satisfy the changing priorities of foreign governments have an obvious and major competitive advantage over their competitors who cannot or will not adapt to these changing priorities (Mugenda, 1999).

2.3.2 International Business Environment

The Kenyan constitution is one of the Key safeguards for international businesses and has created a conducive environment for their operation. The Kenyan constitution explicitly states that Subject to Article 65, every person has the right, either individually or in association with others, to acquire and own property of any description and in any part of Kenya. In addition, parliament shall not enact a law that permits the State or any person to arbitrarily deprive a person of property of any description or of any interest in, or right over, any property of any description; or to limit, or in any way restrict the enjoyment of any right under this Article on the basis of any of the grounds specified or contemplated in Article 27(4) which covers equality and freedom from discrimination. The Kenyan constitution has also ratified the World Trade Organization charter and is thus included in Kenya’s laws (Kenya Law, 2010).

The guiding principles of a firm engaged in or commencing in international business activities should incorporate a global perspective. Firms guiding principles can be defined in terms of three board categories products offered/market served, capabilities, and results. However, their perspective of the international business is critical to understand the full meaning of international business. That is, the firm’s senior management should explicitly define the firms guiding principles in terms of an international mandate rather than allow the organizations guiding principles in terms as an incidental adjunct to its domestic activities. Incorporating an international outlook into the organizations basic statement of purpose will help focus the attention of managers (at all levels of the organization) on the opportunities (and hazards) outside the domestic economy (Viswanathan, 2018).

It must be stressed that the impacts of the dynamic factors unique to the playing field for international business are felt in all relevant stages of evolving and implementing business plans. The first broad stage of the process is to formulate corporate guiding principles. As outlined below the first step in formulating and implementing a set of business plans is to define the organizations guiding principles in the market place (Harvey, 1992).

The guiding principles should, among other things, provide a long-term view of what the firm is striving to become and provide direction to divisional and subsidiary managers vehicle, some firms use ―the decision circle‖ which is simply an interrelated set of strategic choices forced upon any firm faced with the internationalization of its markets. These choices have to do with marketing, sourcing, labour, management, ownership, finance, law, control, and public affairs. Here the first two marketing and sourcing-constitute the basic strategies that encompass organizations initial considerations. Essentially, management is answering two questions: to whom are we going to sell what, and from where and how will we supply that market? We then have a series of input strategies-labour, management, ownership, and financial. They are in their efforts to develop their own business plans. As an obligation addressed essentially to the query, with what resources are we going to implement the basic strategies? That is, where will we find the right people, willingness to carry the risk, and the necessary funds (Viswanathan, 2018).

A third set of strategies-legal and control-respond to the problem of how the firm is to structure itself of implement the basic strategies, given the resources it can muster. A final strategic area, public affairs, is shown as a basic strategy simply because it places a restraint on all other strategy choices. Each strategy area contains a number of subsidiary strategy options. The decision process that normally starts in the marketing strategy area is an iterative one. As the decision maker proceeds around the decision circle, previous selected strategies must be readjusted. Only a portion of the possible feedback adjustment loops is shown here (Viswanathan, 2018).

According to the Oxford Business Group (2018), Kenya's diplomatic manoeuvring has played into a broader effort by the Ministry of Foreign Affairs and International Trade to improve regional integration and cooperation. This is not only as a means of creating peace and stability, but also as a way of fostering economic growth in Kenya and the wider African community. Kenya continues to play a lead role in fast-tracking regional and continental integration so as to boost intra-African trade as part of the efforts to reduce economic marginalisation of Africa in the global economy. The overarching objective is the improvement of Kenya's competitiveness for foreign direct investments and that of its export products, increase of market access and developing its attractiveness as a leading tourist destination.

These regional communities are a key means of bolstering export-led growth in Kenya – something that is increasingly helping to drive the country’s foreign policy. The foreign policy framework, which is set out by the Ministry of Foreign Affairs and International Trade, emphasizes that Kenya seeks to diversify its economic relationships and partnerships with increased focus on the emerging economies and economic zones. These efforts collectively have sown the seeds of Kenya’s new era of economic diplomacy which seeks to promote a pragmatic approach that best illustrates commitment to strengthen relations with all countries and regions based on shared mutual interests (Oxford Business Group, 2018).

Kenya also maintains strong ties with Western countries, including the EU. The country has a long history with the UK, its former colonial power, while the EU on the whole serves as a long-standing strategic ally and a major trade partner. Eurostat data published in January 2013 shows that trade with Europe represents approximately 17% of Kenya’s overall trade. Trade volumes are also likely increase in coming years, following the signing of the EAC Economic Partnership Agreement (Oxford Business Group, 2018).

The Government of Kenya (GOK) prioritizes investment retention and maintains an ongoing dialogue with investors both local and international. All bills must pass through a period of public consultation in which investors have an opportunity to offer feedback. Private sector representatives can serve as board members on Kenya’s state-owned enterprises. Since 2013, when the current government assumed power, the Kenya Private Sector Alliance (KEPSA), the apex private sector association, has had bi-annual round table meetings with President Kenyatta and his cabinet (Export.gov, 2017).

The government does not have a policy to steer investment to specific geographic locations but encourages investments in sectors that create employment, generate foreign exchange, and create forward and backward linkages with rural areas. Kenya puts significant effort into assuring the health and growth of its tourism industry. To strengthen Kenya’s manufacturing capacity, the government offers incentives for the production of goods for export (Export.gov, 2017).

KenInvest, the country's official investment promotion agency, is viewed favorably by international investors. KenInvest mandate is to promote and facilitate investment by assisting investors in obtaining the licenses necessary to invest and by providing other assistance and incentives as necessary for smoother operations. In order to help investors to navigate local regulations, KenInvest has developed an online database known as eRegulations, which is designed to provide investors and entrepreneurs with full transparency on investment-related regulations and procedures in Kenya (Export.gov, 2017).

Although we have elaborated strategy areas separately, they obviously do not stand-alone. There must be constant reiteration as one moves around the decision circle. The sourcing obviously influences marketing strategy, as well as the reverse. The target market may enjoy certain preferential relationships with other markets. That is, everything influences everything else. Inasmuch as the number of options a firm has is multiplied as it moves into international market, decision-making becomes increasingly complex the deeper the firm becomes involved internationally. One is dealing with multiple currency, legal, marketing, economic, political, and cultural systems. Geographic and demographic factors differ widely. In fact, as one moves geographically, virtually everything becomes a variable: there are few fixed factors (Coulter, 2002).

For our purposes here, a strategy is defined as an element in a consciously devised overall plan of corporate development that, once made and implemented, is difficult (i.e. costly) to change in the short run. By way of contrast, an operational or tactical decision is one that sets up little or no institutionalized resistance to making a different decision in the near future. Some theorists have differentiated among strategic, tactical, and operational, with the first being defined as those decisions, that imply multi-year commitments; a tactical decision, one that can be shifted in roughly a years' time; an operational decision, one subject to change in less than a year. In the international context, we suggest that the tactical decision, as the phrase is used here, is elevated to the strategic level because of the rigidities in the international environment not present in the purely domestic-for example, work force planning and overall distribution decisions. Changes may be implemented domestically in a few months, but if one is operating internationally, law, contract, and custom may intervene to render change difficult unless implemented over several years (Harvey, 1982).

2.4 Strategy and Strategic Management

Strategic management essentially means the implementation and formulation of various strategies in order to achieve the goals of the company (Ansoff, 2014).

Strategic Management will include understanding the strategic position of an organization, choices for future and turning strategy into action. Strategic position will be concerned with identifying the impact of the strategy to the external environment, on the organizations strategic capability (resources and competencies) and expectations and influence of stakeholders (Johnson, Scholes & Whittington, 2007).

Deciding on the viable strategies for a firm will require a thorough understanding of the firm's industry and competition. The operating environment will comprise of factors that influence a firm's immediate competitive position, customer profile, suppliers, creditors and the labour market. Factors that more directly influence a firm's prospects originate in the environment of its industry, including entry barriers, competitor rivalry, the availability of substitutes, and the bargaining power of buyers and suppliers. The remote industry and operating environment will provide many challenges that a particular firm will face in its attempts to attract or acquire needed resources and to profitably market its goods and services (Pearce & Robinson, 2007).

The strategic management process has various facets which are being discussed here. The strategies are applied in order to have proper planning and appropriate allocation of funds for the accomplishment of the goals of the company (Reddy, 2018).

The formulation of the strategies essentially involves the environment within which every company has to survive. Here various important decisions are made in order to figure out how the company will reach out to the competition. Here the external environmental analysis is done. The political, economic, legal and social aspects are assessed during the formulation of the strategies (Reddy, 2018).

The external environmental analysis seeks to establish the resources available to rivals and the value proposition that they offer their customers. It is also important to understand the trend of the suppliers; check if there are any latest threats of the new entrants in the industry (Ansoff, 2014).

The internal environment is among the most important factors to evaluate while implementing strategic management fundamentals. You should have a clear SWOT analysis about your employees, processes and resources (Reddy, 2018).

The implementation stage is the next important step in strategic management – here the management has to take the decision as to how the resources will be utilized in order to reach out to the goals formulated by the company. The implementation phase also checks how the resources of the organization have been structured (Reddy, 2018).

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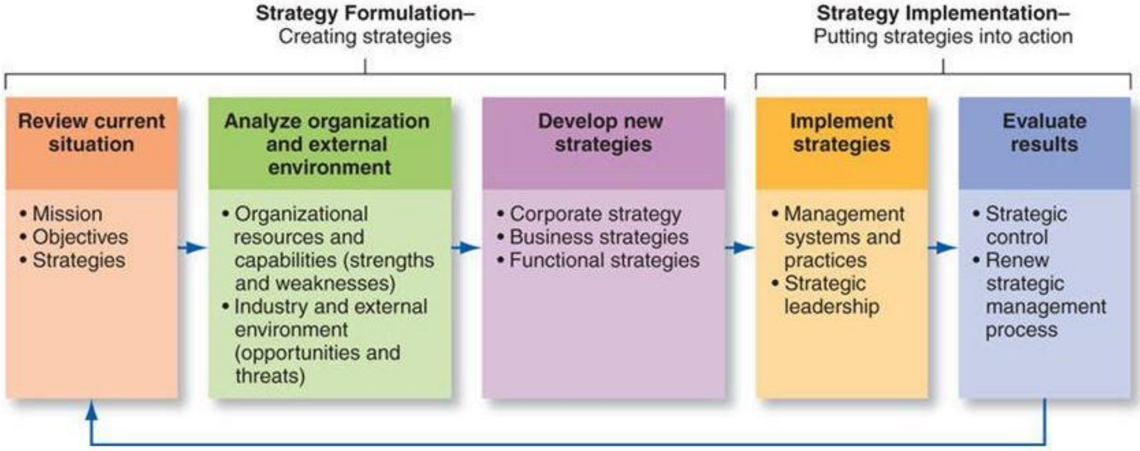

Figure 2.5: Strategic Management Process

Source: Hunger & Wheelen, (2014).

2.4.1 Benefits of Strategic Management

The process of strategic management is a comprehensive collection of different types of continuous activities and also the processes which are used in the organization (Reddy, 2018).

Strategic Management creates a better future by ensuring an organization is proactive as opposed to reactive. It ensures that a company is offensive in nature and is keen on market dominance as opposed to being defensive and reactive in nature where an organization is always trying to catch up to competitors (Sawyer & Sawyer, 1990).

Strategic management provides a basis for which progress can be measured and employees can be compensated within an organization. Strategic management also ensures that the company has a firm position in the industry. Upon analysis of various industries, companies that don't practice strategic management have a difficult time penetrating and thriving in the market. Companies should therefore have a clear focus on the longevity of the business in the ever-competitive market (Hunger & Wheelen, 2014).

Strategic management also enables a company to increase its market share and enhance profitability. This is achieved by an organizations ability to achieve better customer segmentation, ensure better delivery of products and services and enable organizations to better understand the markets in which they operate in (Sawyer & Sawyer, 1990).

Many companies exist in fiercely competitive markets and as a result tend to copy the practices and elements that make the industry leaders thrive. As a result, differentiation in the market becomes difficult. Strategic management allows an organization to learn all the best practices of a company and become a unique identity which will differentiate the company from its competitors (Hunger & Wheelen, 2014).

Firms which follow the strategic management process accrue more profits than companies that do not. Firms which utilize strategic management are in charge of their future. They tend to have well thought out budgets that enable their future project to be well planned for and thus ensures these projects will come into fruition (Sawyer & Sawyer, 1990).

Companies that utilize strategic management have a better understanding of their own strengths and weakness and thus are able to adapt better to competition. Strategic management possibilities are not endless. There are a number of limitations in the use of strategic management that shows that this method of management and, like others, is not universal for all situations and problems (Hunger & Wheelen, 2014).

2.4.2 Limitations of Strategic Management

Strategic management also has some limitations. Firstly, strategic management cannot provide a precise and detailed picture of the future. The method of describing in detail the future of an organization is not a detailed description of its internal state and the situation in the external environment, but rather a mixture of qualitative wishes towards the state in which the organization wants to be in the future, what position to take in the market and in the business and what organizational culture to have (Kłosowski, 2012).

Secondly, strategic management cannot be limited to a set of routine rules, procedures and schedules. It has got a theory that describes how and what to do to solve problems or situations.

Strategic management is more of a philosophy or ideology of business and management and thus every manager has their own understanding and charts a company's future based on that understanding (Coulter, 2002).

Thirdly, it takes time and resources for an organization to implement a strategic plan. It involves both financial and human capital in order to achieve the objectives as set out in the strategic plan. Achievement of strategic management often focuses on strategic planning. However, this alone is not enough because the existence of a plan does not ensure its success. In fact, the most important component of strategic planning is to meet the plan. This means creating an organizational culture that would enable the strategy to create a motivation system, to organize labour and to facilitate flexibility in the organization. An organization thus cannot achieve strategic goals and objectives if there is no means for strategy realization (Coulter, 2002).

Adverse effects may occur if people who formulate the strategy are not involved in its implementation, because it becomes difficult to assign individual tasks to other persons not involved in the process. As such, managers should be aware of promises on company performance that could result from the strategy, while taking into account the internal and external environmental factors that could influence the whole process. Making managers aware of the possible negative consequences and preparing them effectively means minimizing risk and increases strategic planning potential (Verbeke & Merchant, 2012).

Strategic management process is increasingly used by small businesses, large corporations, non-profit institutions, government organizations, multinational corporations in a wide array of markets. The empowerment of managers and employees has virtually unlimited benefits. Organizations should rather take a proactive attitude than reactive one in their industry. They should rather fight to influence, anticipate and to initiate rather than just respond to events. Strategic management leads to smart decision making for organizations in different contexts and this process along with similar strategies can be applied across the board to markets that have similar prevailing factors. This is a logical, systematic and objective approach, to determine an organization's future direction. The stakes are usually too high for strategists to use only intuition to choose between alternative action developments. Successful strategists take their time to consider the business position in the industry and which direction the company wants to move in and thus implement programs and policies in order to realize these goals in a timely fashion (Pearce & Robinson, 2009).

Any organization should implement strategic management in order to efficiently achieve its objectives and to ensure survival in dynamic business environment. The strategic management process if fully implemented and resources allocated to actualize the strategies to achieve the goals and objectives of the company will eventually bring good returns (Hiriyappa, 2008).

Strategic management should not be riddled with bureaucracy. Rather it must be a self-reflective learning process that familiarizes managers and employees in the organization with key strategic issues and feasible alternatives for resolving those issues (Reddy, 2018).

Secondly, Strategic management must not be too formalized and rigid. Where words are supported by numbers, rather than numbers supported by words, it should represent the medium for explaining strategic issues and organizational responses. Strategic management should facilitate a learning opportunity and provide a mechanism for better change in an organization (Reddy, 2018).

Remember, strategic management is a process for fostering learning and action, not merely a formal system for control. To avoid routinized behaviour, vary assignments, team membership, meeting formats and the planning calendar (Saloner, Shepard & Podolny, 2011). The process should not be totally predictable and the settings must be changed to stimulate creativity. Emphasize word-oriented plans with numbers as back-up material. If managers cannot express their strategy in a paragraph, they either do not have one or do not understand it (Pearce & Robinson, 2009).

The process should stimulate thinking that challenge the assumptions underlying current corporate strategy. Welcome bad news. If the strategy does not work, managers desperately need to know it. Further, no pertinent information should be classified as inappropriate because at least it cannot be quantified (Pearce & Robinson, 2009).

An important guideline for effective strategic management is open-mindedness. A willingness and eagerness to consider new information, new perspectives, new ideas and new opportunities is essential; all organizational members must share a spirit of inquiry and learning. Strategists such as chief executives, presidents, owners and heads of government agencies must commit themselves to listen to and understand managers' positions well enough to be able to reaffirm those positions to managers' satisfaction. In addition, managers and employees throughout the firm should be able to describe the strategists' positions to the satisfaction of the strategists. This level of discipline will promote understanding and learning and will strive to boost investor confidence especially during turbulent economic and political periods (Pearce & Robinson, 2009).

No organization has unlimited resources and no firm can take on unlimited amount of debt or issue or unlimited amount of stock to raise capital. Therefore, no firm can pursue all possible beneficial strategies. Strategic decisions thus always have to be made to eliminate some courses of action and to allocate organizational resources among others. Most organizations can afford to pursue only a few corporate level strategies at any given time. It is a critical mistake for manger to pursue too many strategies simultaneously, thereby spreading the firm's resources so thin that all strategies are jeopardized (Harvey, 1982).

Strategy trade-offs require subjective judgments and preferences. In many cases, a lack of objectivity in formulating strategy results in a loss of competitive posture and profitability. Most organizations recognize the positive effect of strategic management on decision making. Subjective factors such as attitudes toward risks, concern for social responsibilities, and organizational culture will always affect strategy-formulation decisions, but organizations need to be as objective as possible in considering qualitative factors (Harvey, 1982).

2.5 Chapter Summary

This Literature review chapter addresses the 3 research questions namely: What factors affect a firm's external business environment? What is international business and international business environment? And what is strategy and strategic management? Chapter 3 discusses the research methodology that guided this study.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented a detailed assessment of the various methods that were employed during this study. The research methodology included a careful description of the approach and design that was be used to conduct the research, methods for data collection and data analysis.

3.2 Research Design

This study utilized descriptive survey, which is a process of collecting data in order to answer questions regarding the current status of the subjects in the study (Mugenda, 1999). They have defined it as an attempt to collect data from members of the population with respect to one or more variables. According to Cooper and Schindler (2003), descriptive design discovers and measures the cause and effect of relationships between variables. The study used descriptive design because it enabled the researcher to collect a large quantity of in-depth information about the population being studied. A descriptive research design enabled the researcher to test and measure the population needed for quantitative experimentation since it gives valuable pointers as to what variables are worth testing quantitatively.

The descriptive survey research design enabled the researcher to ascertain the strategies adopted by multinational corporations (MNCs) within the main investment segment of the Nairobi Security Exchange (NSE) in response to the ever-changing political environment in order to gain competitive edge in business study (Mugenda, 1999).

3.3 Population and Sampling Design

3.3.1 Population

Since the focus of the study was on MNEs operating in Nairobi, Kenya, the population of interest comprised of 39 companies in the Main Investment Market Segment at the Nairobi Securities Exchange ltd. Cooper & Schindler (2003) define a population element as the subject on which the measurement is being taken and is the unit of study. The population was categorized into four categories namely Agriculture, Commercial and Services, Finance and

Investment and Industrial and Allied. The population that was selected provided ample information about the risks brought about by changes in the political environment and the various challenges they face in implementing strategies to protect themselves.

Table 3.1: Population Distribution

	Distribution	
Company Categories	**Population**	**Percentage**
Agriculture	1380	24.82%
Banking	950	17.09%
Commercial and Services	1550	27.88%
Manufacturing and Allied	1680	30.22%
Total	5560	100%

Source: NSE, (2018).

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

The sampling frame refers to the list from which a sample is obtained (Groves *et al*, 2009). For this study, the frame was drawn from the NSE online register that listed the different companies in the different market segments.

3.3.2.2 Sampling Technique

Sampling is a means of selecting some part of a group to represent the entire group or the population of interest. It reduced the length of time needed to complete the study and cut costs. Furthermore, the use of samples enabled a higher overall accuracy than a census. In addition, collecting data from fewer cases meant that one will collect more detailed information (Saunders, Lewis & Thornhill, 2000).

Stratified sampling is a type of sampling method in which the total population is divided into smaller groups or strata to complete the sampling process. The strata are formed based on some common characteristics in the population data. After dividing the population into strata, the researcher randomly selects the sample proportionally (The Economic Times, 2018).

Stratified sampling is a common sampling technique used by researchers when trying to draw conclusions from different sub-groups or strata. The strata or sub-groups should be different and the data should not overlap. While using stratified sampling, the researcher should use simple probability sampling. The population is divided into various subgroups such company industry as is the case in this research. Stratified sampling is used when the researcher wants to understand the existing relationship between two groups. The researcher can represent even the smallest sub-group in the population. There are two types of stratified sampling – one is proportionate stratified random sampling and another is disproportionate stratified random sampling. In the proportionate random sampling, each stratum would have the same sampling fraction (The Economic Times, 2018).

The only difference is the sampling fraction in the disproportionate stratified sampling technique. The researcher could use different fractions for various subgroups depending on the type of research or conclusion he wants to derive from the population. The only disadvantage to that is the fact that if the researcher lays too much emphasis on one subgroup, the result could be skewed (Adwilah, 2018).

In this research, disproportionate stratified sampling technique was utilized. The sample size taken from each stratum in the population was determined disproportionately based on the contribution of the strata population to the total population as indicated in table 3.2.

The aim of the stratified random sample is to reduce the potential for human bias in the selection of cases to be included in the sample. As a result, the stratified random sample provides us with a sample that is highly representative of the population being studied, assuming that there is limited missing data. Since the units selected for inclusion within the sample are chosen using probabilistic methods, stratified random sampling allows us to make statistical conclusions from the data collected that will be considered to be valid (Adwilah, 2018).

Relative to the simple random sample, the selection of units using a stratified procedure can be viewed as superior because it improves the potential for the units to be more evenly spread over the population. Furthermore, where the samples are the same size, a stratified random sample can provide greater precision than a simple random sample. Because of the greater precision of a stratified random sample compared with a simple random sample, it may be possible to use a smaller sample, which saves time and money. The stratified random sample also improves the representation of particular strata (groups) within the population, as well as ensuring that these strata are not over-represented. Together, this helps the researcher to compare strata, as well as make more valid inferences from the sample to the population. In contrast to the advantages laid above, stratified random sample can only be carried out if a complete list of the population is available (Adwilah, 2018).

It must also be possible for the list of the population to be clearly delineated into each stratum; that is, each unit from the population must only belong to one stratum. In this case, the population could be clearly demarcated based on the company category as listed at the Nairobi Securities Exchange. Additionally, in terms of human populations (as opposed to other types of populations, some of these populations will be expensive and time consuming to contact, even where a list is available. Assuming that your list has all the contact details of potential participants in the first instance, managing the different ways (postal, telephone, email) that may be required to contact your sample may be challenging, not forgetting the fact that your sample may also be geographical scattered (Adwilah, 2018).

3.3.2.3 Sample Size

Sample size is a count the of individual samples or observations in any statistical setting, such as a scientific experiment or a public opinion survey. Though a relatively straightforward concept, choice of sample size is a critical determination for a project. Too small a sample yields unreliable results, while an overly large sample demands a good deal of time and resources (Zamboni, 2018).

Sample size is a direct count of the number of samples measured or observations being made. Sample size measures the number of individual samples measured or observations used in a survey or experiment. For example, if you test 100 samples of soil for evidence of acid rain, your sample size is 100. If an online survey returned 30,500 completed questionnaires, your sample size is 30,500. In statistics, sample size is generally represented by the variable "n" (Zamboni, 2018).

To determine the sample size needed for an experiment or survey, researchers take a number of desired factors into account. First, the total size of the population being studied must be considered -- a survey that is looking to draw conclusions about all of New York state, for example, will need a much larger sample size than one specifically focused on Rochester. Researchers will also need to consider the margin of error**,** the reliability that the data collected is generally accurate; and the confidence level**,** the probability that your margin of error is accurate. Finally, researchers must take into account the standard deviation they expect to see in the data. Standard deviation measures how much individual pieces of data vary from the average data measured. For instance, soil samples from one park will likely have a much smaller standard deviation in their nitrogen content than soils collected from across a whole county (Zamboni, 2018).

Sample size varies based on target population. Before you can calculate a sample size, you need to determine a few things about the target population and the sample you need.

Firstly, determine the population size. How many total people fit your demographic? For instance, if you want to know about mothers living in the US, your population size would be the total number of mothers living in the US. Not all population sizes need to be this large. Even if your population size is small, just know who fits into your demographics. Don't worry if you are unsure about this exact number. It is common for the population to be unknown or approximated between two educated guesses (Smith, 2018).

Secondly, determine the margin of error (Confidence Interval)**.** No sample will be perfect, so you must decide how much error to allow. The confidence interval determines how much higher or lower than the population mean you are willing to let your sample mean fall. If you've ever seen a political poll on the news, you've seen a confidence interval. For example, it will look something like this: "68% of voters said yes to Proposition Z, with a margin of error of +/- 5%" (Smith, 2018).

Thirdly, determine the confidence level. How confident do you want to be that the actual mean falls within your confidence interval? The most common confidence intervals are 90% confident, 95% confident, and 99% confident (Smith, 2018).

Finally, determine the standard of deviation. How much variance do you expect in your responses? Since we haven't actually administered our survey yet, the safe decision is to use 0.5 – this is the most forgiving number and ensures that your sample will be large enough (Smith, 2018).

According to Smith (2018), your confidence level corresponds to a Z-score. This is a constant value needed for this equation. Here are the z-scores for the most common confidence levels. 90% confidence level corresponds to a Z Score of 1.645, 95% confidence level corresponds to a Z Score of 1.96 and 99% confidence level corresponds to a Z Score of 2.576.

Large sample sizes are needed for a statistic to be accurate and reliable, especially if its findings are to be extrapolated to a larger population or group of data. Say you were conducting a survey about exercise and interviewed five people, two of whom said they run a marathon annually. If you take this survey to represent the population of the country as a whole, then according to your research, 40 percent of people run at least one marathon annually -- an unexpectedly high percentage. The smaller your sample size, the more likely outliers -- unusual pieces of data -- are to skew your findings. The sample size of a statistical survey is also directly related to the survey's margin of error. Margin of error is a percentage that expresses the probability that the data received is accurate (Zamboni, 2018).

The sample size necessary for estimating a population proportion *p* of a small finite population with $(1-\alpha)100\%$ confidence and error no larger than ε is:

$$n = \frac{m}{1 + \frac{m-1}{N}}$$

where:

$$m = \frac{z^2_{\alpha/2}\hat{p}(1-\hat{p})}{\epsilon^2}$$

is the sample size necessary for estimating the proportion *p* for a population (Zamboni, 2018).

In order to estimate the sample size needed from the population of NSE companies that we are evaluating we do the following:

Max error = 0.8

p = 0.05

$$m = \frac{(1.96^2)\,(1/4)}{0.1^2} = 150.0625 \simeq 151$$

$$N = 151 \Big/ \left(1 + \frac{151 - 1}{5560}\right) = 146.6 \simeq 147 \text{ people}$$

Table 3.2: Table Case

	Distribution	
Company Categories	**Population**	**Percentage**
Agriculture	37	24.82%
Banking	25	17.09%
Commercial and Services	41	27.88%
Manufacturing and Allied	44	30.22%
Total	147	100%

3.4 Data Collection Methods

For this study, both primary and secondary data collection were appropriate. Primary data was collected through a self- made questionnaire. The questionnaire adopted both structured and unstructured questions. The responses in the questionnaires helped in gaining an in-depth understanding of the strategies adopted by MNCs in Kenya in response to the ever-changing political environment. The questionnaire was structured based on the research questions. Secondary data enabled for the evaluation of historical strategies and analysis of studies that have been carried out in the past. This also gave a good indication of what was to be expected from the primary data sources.

The study targeted respondents from the MNCs as well as the senior NSE management team. At the multinational corporation level, the study target group included the Managing Director, Finance Administrator, the Human Resources Manager, the Public Relations and Advertising Manager, the Marketing and Sales Managers, the Information and Communications Technology Manager, among others. Similarly, the NSE top level personnel were interviewed.

3.5 Research Procedures

Validity of the questionnaire was established by peers and a panel of experts from the school of business, USIU-Africa. The research instrument was availed to the experts and peers, who established its content and construct validity and ensured that the items were an adequate representation of the subject area being studied.

This research study used a test-rest method which involved administering the same scale or measure to the same group of respondents at two separate times. This was after a time lapse of one week. Test re-test method was used to test for reliability of the instrument. The instruments were administered to the respondents and re-administered to the same respondents after one week. This was in line with Kothari (1985) who stated that the instrument should be administered at two different times and then the correlation between the two sets of scores computed. A correlation coefficient of above 0.7 was deemed to mean that the instrument was reliable thus the questionnaire was used for data collection.

3.6 Data Analysis Methods

The collected data was cleaned, edited and entered into a computerized system to enable the carrying out of a descriptive statistical analysis of the data that was collected. The data was then coded and presented in a thematic manner. Thereafter, the data was analysed using descriptive statistics such as mean of the sample, regression and analysis of variance. The data was then tabulated and the most appropriate charts, tables and graphs chosen to present the findings. This greatly aided data visualization to enable better inferential analysis. Tables were used to enable reading of specific values and to facilitate ease of data representation.

3.7 Chapter Summary

This chapter analysed the research methodology used in this project. It began by looking at the research design of the project, population and sampling design and then analysed sampling techniques. It then analysed data collection methods, research methods and finally concluded with data analysis. Chapter four covered the results and findings of this project.

CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter covered the analysed results and findings of the study undertaken on the research questions of this thesis. The research questions led to the collection of data from the respondents. The first section of this chapter covered the background information of the respondents. This background covered the demographic representation of the respondents.

The second section covered what factors affect a firm's external business environment. The third section addressed international business and international business environment while the fourth section addressed what strategy is and what strategic management entails while the final section is a summary of the whole chapter.

4.2 General Information

4.2.1 Response Rate

Figure 4.1 depicts the rate of response of the study. From the figure below we can establish that there was a 70.25% response rate from the sample population. 29.25% of the sample population did not return the questionnaire and thus did not participate in the study. The 70.25% response rate for the study is adequate and substansive results and findings were obtained.

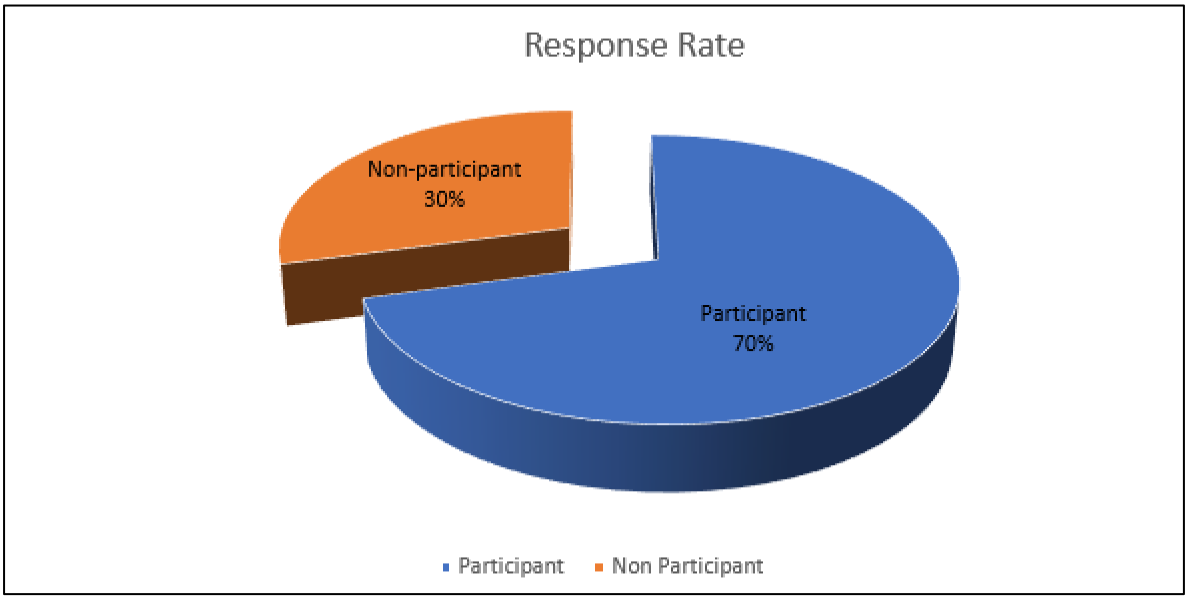

Figure 4.1: Response Rate

4.2.2 Gender of Respondents

Figure 4.2 depicts the gender distribution of the respondents in the study. From the figure below, we can clearly see the sample population of the study comprised of 60% female and 40% male respondents. From this we can thus see that the majority of the respondents was female.

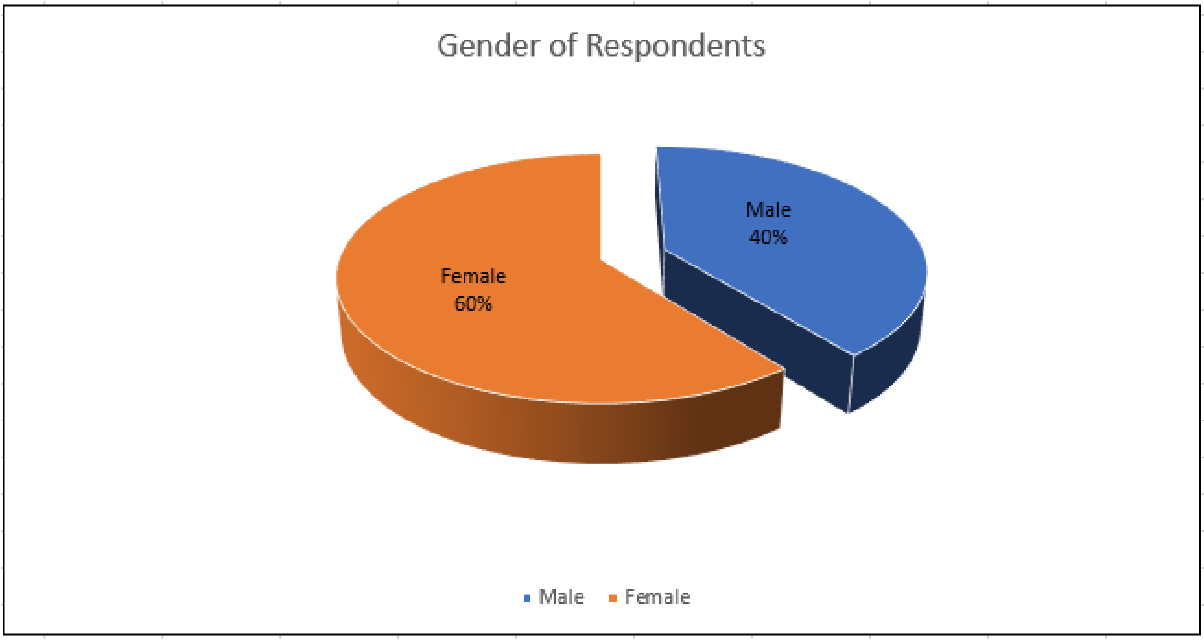

Figure 4.2: Gender of the Respondents

4.2.3 Years of Service of the Respondents

Figure 4.3 represents the years of service of the respondents of the study in their various organizations. The figure indicates that 20% of the respondents have worked in their respective organizations for 5 years and less while 29% of the respondents have worked in their organizations for 6 to 10 years. Subsequently, 17% of the respondents have worked for 11 to 15 years while 23% of the have worked for 16 to 20 years. The final 11% have worked in their respective organizations for over 20 years. The implication of this study is that majority of the respondents have worked for 6 to 10 years at their respective organizations.

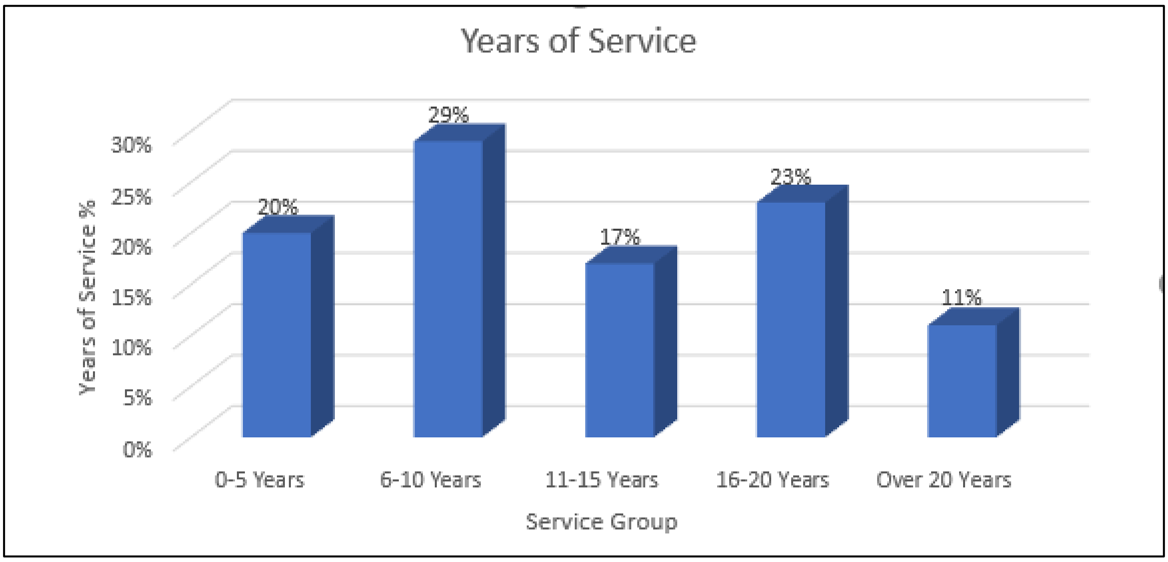

Figure 4.3: Years of Service

4.2.4 Level of Education of Respondents

Figure 4.4 depicts the level of education of the respondents. From the figure, we can clearly establish that 9% of the population had obtained PHDs while 29% had obtained Masters degrees. The bulk 62% of the population had undergraduate degrees. This clearly indicates that the majority of the workforce had an undergraduate degree as their highest level of education.

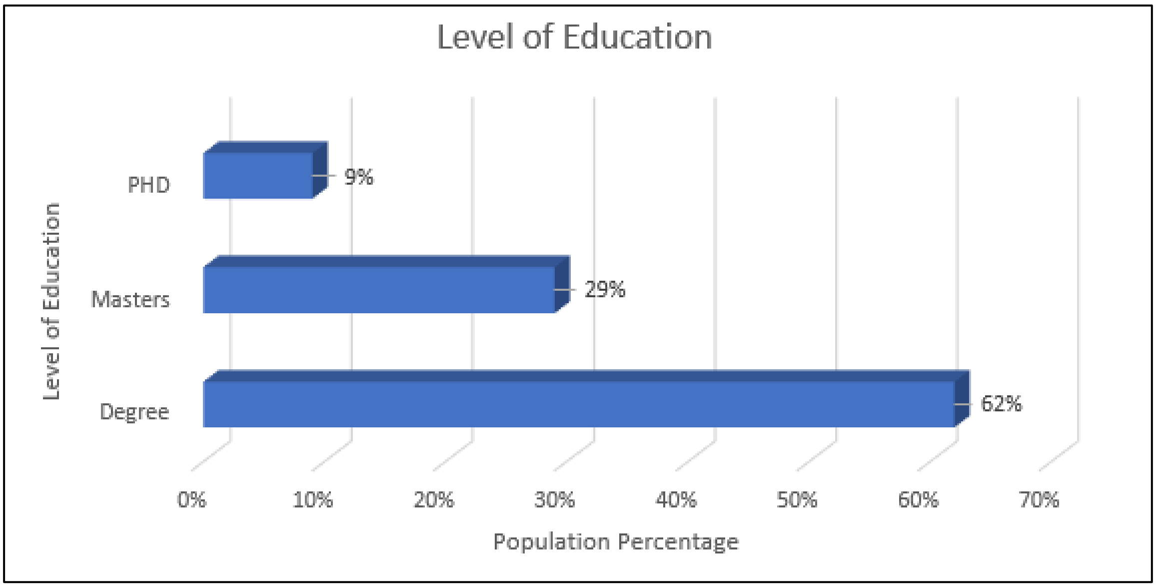

Figure 4.4: Level of Education of Respondents

4.3 Factors Affecting the Firms External Business Environment

The first objective of the study was to examine the factors affecting the firm's external business environment and their implications on the success of strategies applied by multinational corporations. Here the study would focus on both the micro and macro environmental issues that affect the business operations of a firm.

4.3.1 Statistical Outcomes on Factors Affecting the Firms External Business Environment

The tests for statistical outcomes were carried out using the SPSS statistical software. The descriptive outcomes for variables of factors affecting the firms' external business environment were represented in terms of the mean and standard deviation. The total number of respondents in each measure was 104. This was determined by the complete number of valid, completed and returned questionnaires.

From Table 4.1 the mean of the factors affecting the firms' external business environment ranged from 2.942 to 3.644 representing a small mean difference of 0.702. From this information, we gather that the external business environment in Kenya is average and could be improved to foster investment in the country as it would facilitate better business operations for multinational corporations.

The study variable with the highest mean (3.644) shows that political response strategies are essential in mitigating risk while the study variable with the lowest mean (2.942) shows that the external business environment could be better according to majority of the respondents.

The standard deviation for the factors affecting the firms' external business environment had a high of 1.525 and a low of 1.148. The greatest disparity in terms of standard deviation was in the response to external business environmental stability in Kenya. The lowest standard deviation was in response to the essentiality of political response strategies in mitigating risk. This indicates that majority of respondents agreed that these response strategies are essential in mitigating risk. These findings indicate that stability in external environment is a key decision-making factor in any investment initiative in a country.

Table 4.1 Factors affecting the Firms External Business Environment

	N	Mean	Std Dev
The external business environment is stable	104	2.94	1.525
Kenya has a great ease of doing business	104	3.29	1.363
The external business factors make Kenya Investor friendly	104	3.11	1.336
Political response strategies are essential in mitigating risk	104	3.64	1.148
Financial implications of political response strategies	104	3.00	1.47
Importance of the politics factor in the external environment	104	3.13	1.398

Table 4.2 indicates that majority of respondents (24%) strongly disagreed that the external business environment was stable whereas 23% simply disagreed and 11% were neutral. 19% agreed that the external business environment was stable while the final 23% strongly agreed with this statement.

Table 4.2 Stability of External Business Environment

Option	Frequency	Percentage (%)
Strongly Disagree	25	24
Disagree	24	23
Neutral	11	11
Agree	20	19
Strongly Agree	24	23
Total	104	100

Table 4.3 indicates that 13% of the respondents strongly disagreed with the statement that 'Kenya has a great ease of doing business' whereas 18% simply disagreed with that

statement. 17% of the respondents were neutral where that majority 28% of the respondents agreed with the statement. 23% of the respondents strongly agreed that 'Kenya has a great ease of doing business'.

Table 4.3 Kenya's Ease of Doing Business

Option	Frequency	Percentage (%)
Strongly Disagree	14	13
Disagree	19	18
Neutral	18	17
Agree	29	28
Strongly Agree	24	23
Total	104	100

Table 4.4 indicates that 15% of the respondents strongly disagreed that 'The external business factors make Kenya investor friendly', 21% disagreed whereas 17% were neutral. The majority 30% agreed with this statement and the final 16% strongly agreed.

Table 4.4 External Business Factors

Option	Frequency	Percentage (%)
Strongly Disagree	16	15
Disagree	22	21
Neutral	18	17
Agree	31	30
Strongly Agree	17	16
Total	104	100

Table 4.5 reveals that only 6% strongly disagreed with the statement that 'Political response strategies are essential in mitigating risk' whereas 11% disagreed and 23% of the respondents were neutral. The majority 35% of respondents agreed with the statement and the final 26% of the respondents strongly agreed.

Table 4.5 Political Response Strategies

Option	Frequency	Percentage (%)
Strongly Disagree	6	6
Disagree	11	11
Neutral	24	23
Agree	36	35
Strongly Agree	27	26
Total	104	100

Table 4.6 reveals that 23% of the respondents strongly disagreed that 'Financial implications are paramount in selecting political response strategies', 18% disagreed and 14% were neutral. The majority 24% agreed with this statement and the final 20% strongly agreed.

Table 4.6 Financial Implications

Option	Frequency	Percentage (%)
Strongly Disagree	24	23
Disagree	19	18
Neutral	15	14
Agree	25	24
Strongly Agree	21	20
Total	104	100

Table 4.7 indicates that 19% of the respondents strongly disagreed that 'The political environment is the most important factor in the external environment', 13% disagreed whereas 26% were neutral. The majority 21% agreed with this statement and the final 21% strongly agreed.

Table 4.7 Political Environment

Option	Frequency	Percentage (%)
Strongly Disagree	20	19
Disagree	13	13
Neutral	27	26
Agree	22	21
Strongly Agree	22	21
Total	104	100

4.3.2 Regression analysis of Factors Affecting the External Business Environment and Effectiveness of Strategies Applied

In order to establish the relationship between factors affecting the external business environment and effectiveness of strategies applied regression analysis was done between factors affecting the external business environment as a predictor variable against effectiveness of strategies applied (in chapter 4.5). Table 4.8 portrays the regression analysis of the above.

The R^2 of the model was 0.277. This means that 27.7% of the variations in effectiveness of strategies applied was achieved as a result of factors affecting the external business environment. The 72.3 % difference is attributable to factors not predicted in this model which are represented by the error term. From this model, the empirical evidence shows that factors of the external environment do not greatly influence the effectiveness of strategies employed in response to turbulent political environment.

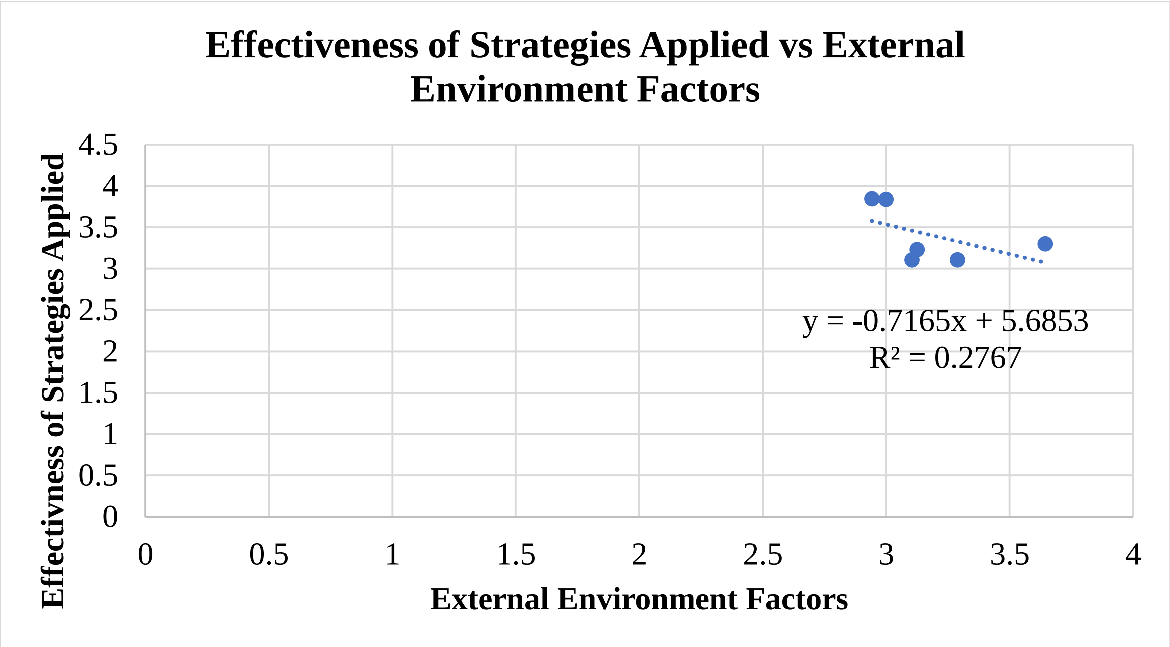

Figure 4.5: Graph of Effectiveness of Strategies Applied vs External Environment Factors

The graph above is a representation of the correlation of the effectiveness of strategies applied vs external environmental. The regression analysis and explanation of the equation was done above.

Table 4.8 Regression Model of Factors Affecting the External Business Environment and Effectiveness of Strategies Applied

Regression Statistics	
Multiple R	0.526029682
R Square	0.276707226
Adjusted R Square	0.095884033
Standard Error	0.329993721
Observations	6

From table 4.9 which carries the test results from the analysis of variance (ANOVA), F > Significance F and thus we deduce that the means of the 2 data sets are not equal.

Table 4.9 ANOVA of Factors Affecting the External Business Environment and Effectiveness of Strategies Applied

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.16663941	0.16664	1.53026	0.28373358
Residual	4	0.435583423	0.1089		
Total	5	0.602222833			

4.4 International Business and International Business Environment

The second objective of the study was to discuss international business and the international business environment and their implications on the success of strategies applied by multinational corporations in response to the ever-changing political environment.

4.4.1 Statistical Outcomes on International Business and International Business Environment

The tests for statistical outcomes were carried out using the SPSS statistical software. The descriptive outcomes for variables of international business and international business environment were represented in terms of the mean and standard deviation. The total number of respondents in each measure was 104. This was determined by the complete number of valid, completed and returned questionnaires.

From Table 4.1 the mean of the factors affecting the firms' external business environment ranged from 2.894 to 4.231 representing a small mean difference of 1.337. From this information, we gather that the international business environment is conducive but could do with certain policy improvements to better safeguard international investments in the country.

The study variable with the highest mean (4.231) shows that the political structure and nature in Kenya is conducive for business and thus promotes a good international business environment. The study variable with the lowest mean (2.894) shows many respondents do not believe that the home country and Kenya have similar political ideologies.

The standard deviation for international business and international business environment had a high of 1.396 and a low of 0.894. The greatest disparity in terms of standard deviation was in the response to whether foreign firms are allowed to market their products and services freely within Kenya. The lowest standard deviation was in response to whether the political structure and nature in Kenya is conducive for business.

These findings indicate that Kenya is a good international business destination bolstered by good diplomatic ties and business friendly policies. The disparities in findings represent differences in opinion and thus more needs to be done to ensure stability of the country as an international business destination.

Table 4.10 International Business and International Business Environment

Option	Frequency	Percentage
Strongly Disagree	2	2
Disagree	5	5
Neutral	5	5
Agree	47	45
Strongly Agree	45	43
Total	104	100

Table 4.11 indicates that only 2% of the respondents in the study strongly disagreed that ‘the political structure and nature in Kenya is conducive for business’ while slightly more at 5% just disagreed. Of all the respondents, 5% were neutral in their response to this statement while the majority 45% agreed with the statement. The final 43% strongly agreed that the political structure and nature in Kenya is conducive for business.

Table 4.11 Political Structure

Option	Frequency	Percentage
Strongly Disagree	8	8
Disagree	11	11
Neutral	21	20
Agree	34	33
Strongly Agree	30	29
Total	104	100

Table 4.12 reveals that 8% of the respondents strongly agreed with the statement that ‘The Kenyan constitution safeguards businesses and investments’ while 11% directly disagreed with this statement. Of the other respondents, 20% were neutral to this statement which the largest share of 33% agreed with these sentiments. The final 29% were strongly in agreement

Table 4.12 Kenyan Constitution

Option	Frequency	Percentage
Strongly Disagree	22	21
Disagree	19	18
Neutral	29	28
Agree	16	15
Strongly Agree	18	17
Total	104	100

Table 4.13 indicates that 21% of the respondents strongly disagreed with the statement ‘The firm’s home country and host country have similar political ideologies while 18% of the respondents simply disagreed. The study revealed that 28% of the respondents were neutral when posed with this statement while 15% agreed with it. The final 17% strongly agreed. The large neutral response indicates that respondents were not able to clearly differentiate between the political ideologies and dispensation in both countries.

Table 4.13 Political Ideology

Option	Frequency	Percentage
Strongly Disagree	2	2
Disagree	8	8
Neutral	19	18
Agree	35	34
Strongly Agree	40	38
Total	104	100

Table 4.14 reveals that only 2% of the respondents strongly disagreed with the statement that 'The firms home country and host country have cordial relations '. A meagre 8% disagreed with this statement while 18% were neutral in their response. Of all the respondents a good 34% indicated that they agreed with this sentiment while the majority 38% of the respondents strongly agreed with this statement and thereby indicate the presence of good international relations that is evidenced by the international investment of MNCs.

Table 4.14 Inter-Country Relations

Option	Frequency	Percentage
Strongly Disagree	2	2
Disagree	5	5
Neutral	10	10
Agree	42	40
Strongly Agree	45	43
Total	104	100

Table 4.15 reveals that 2% of respondents strongly disagreed with the sentiment that 'Foreign firms are allowed to operate anywhere in the country'. 5% disagreed with the statement whereas 10% of the respondents were neutral. 40% of the respondents agreed with this statement while the final majority of 43% strongly agreed with this statement. This shows that MNCs are mostly free to operate in any region of the country apart from restricted zones as gazetted by the government.

Table 4.15 Location of Operations

Option	Frequency	Percentage
Strongly Disagree	2	2
Disagree	5	5
Neutral	10	10
Agree	42	40
Strongly Agree	45	43
Total	104	100

Table 4.16 indicates that 13% of the respondents in this study strongly disagreed with the statement 'Foreign firms are allowed to market their products and services freely' where as 22% disagreed with this statement. 12% of the respondents were neutral whereas the majority 29% agreed with this statement. The final 24% strongly agreed with this statement.

Table 4.16 Marketing of Products and Services

Option	Frequency	Percentage
Strongly Disagree	14	13
Disagree	23	22
Neutral	12	12
Agree	30	29
Strongly Agree	25	24
Total	104	100

4.4.2 Regression analysis of International Business and International Business Environment and Effectiveness of Strategies Applied

In order to establish the relationship between international business, international business environment and effectiveness of strategies applied, regression analysis was done with international business environment as a predictor variable against effectiveness of strategies applied (in chapter 4.5). Table 4.17 portrays the regression analysis of the above.

The R^2 of the model was 0.6421. This means that 64.21% of the variations in effectiveness of strategies applied was achieved as a result of the international business environment. The 35.79 % difference is attributable to factors not predicted in this model which are represented by the error term. From this model, the empirical evidence shows that factors of the international business environment greatly influence the effectiveness of strategies employed in response to turbulent political environment.

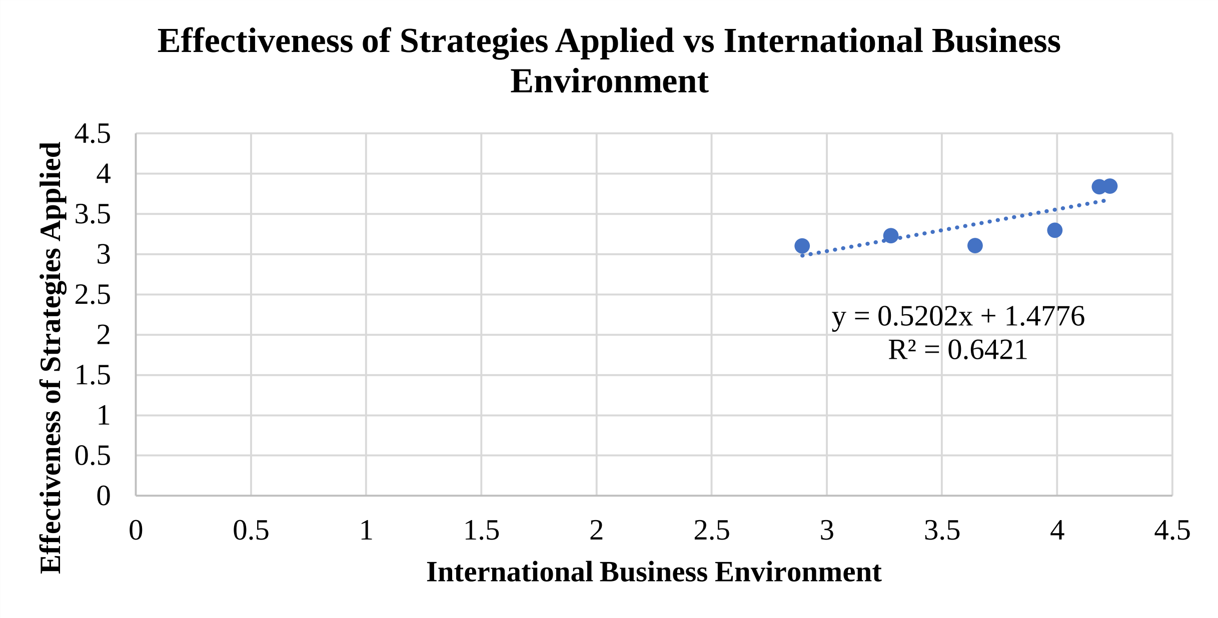

Figure 4.6: Graph of Effectiveness of Strategies Applied vs International Business Environment

The graph above is a representation of the correlation of the effectiveness of strategies applied vs international business environmental. The regression analysis and explanation of the equation was done above.

Table 4.17 Regression Model of International Business Environment and Effectiveness of Strategies Applied

Regression Statistics	
Multiple R	0.801282816
R Square	0.642054151
Adjusted R Square	0.552567689
Standard Error	0.232143901
Observations	6

From table 4.18 which carries the test results from the analysis of variance (ANOVA), F > Significance F and thus we deduce that the means of the 2 data sets are not equal.

Table 4.18 ANOVA of International Business Environment and Effectiveness of Strategies Applied

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.38665967	0.38666	7.174875	0.055309255
Residual	4	0.215563163	0.053891		
Total	5	0.602222833			

4.5 Strategy and Strategic Management

The third second objective of the study was to discuss strategy and strategic management. This was in context of MNCs operating in Kenya and how they employ various strategies in response to the ever-changing political environment in Kenya. These strategies were then evaluated in terms of their effectiveness with regard to the external business environment and the international business environment as captured in chapter 4.3 and 4.4.

4.5.1 Statistical Outcomes on Strategy and Strategic Management

The tests for statistical outcomes were carried out using the SPSS statistical software. The descriptive outcomes for variables of effectiveness of strategy and strategic management were represented in terms of the mean and standard deviation. The total number of respondents in each measure was 104. This was determined by the complete number of valid, completed and returned questionnaires.

From Table 4.19 the mean of strategy and strategy management ranged from 3.105 to 3.846 representing a small mean difference of 0.741. From these observations we see that the effectiveness of strategies applied varied across different questions and respondents. The effectiveness of strategies applied were later regressed with the external business environment and the international business environment.

The study variable with the highest mean (3.846) shows that the strategies applied in response to changes in the political environment have been mostly effective. The study variable with the lowest mean (3.105) shows many respondents do not believe that these strategies have led to greater investment by the MNCs in Kenya.

The standard deviation for strategy and strategic management had a high of 1.367 and a low of 1.025. The greatest disparity in terms of standard deviation was in the response to whether these strategies have boosted shareholder confidence thus showing the respondents had the most variable response to this question. The lowest standard deviation was in response to whether these strategies require huge financial outlay.

These findings indicate that the strategies employed in response to the ever-changing political environment in Kenya had different levels of success and success factors. We can also see that despite the effectiveness of these strategies, they have not resulted in greater investment by the MNCs.

Table 4.19 Strategy and Strategic Management

	N	Mean	Std Dev
These strategies have been effective	104	3.846	1.077
Strategies yield better over longer period	104	3.106	1.336
These strategies have resulted in greater investment by the firm	104	3.105	1.336
These strategies are applicable in other international markets	104	3.298	1.407
These strategies require huge financial outlay	104	3.837	1.025
These strategies have boosted shareholder confidence	104	3.231	1.367

Table 4.20 indicates that only 2% of the respondents in this study strongly disagreed that ‘These strategies have been effective’ where as 12% disagreed with this statement. 20% of the respondents were neutral whereas 33% agreed with this statement. The majority 34% strongly agreed with this statement.

Table 4.20 Effectiveness of Strategies

Option	Frequency	Percentage
Strongly Disagree	2	2
Disagree	12	12
Neutral	21	20
Agree	34	33
Strongly Agree	35	34
Total	104	100

According to table 4.21 only 3% of the respondents agreed with the statement that ‘Employing these strategies for a longer period will yield better results’ while 18% disagreed with this statement. 27% of the respondents were neutral whereas 18% agreed with this statement. The majority of the respondents who accounted for 34% strongly agreed with this statement.

Table 4.21 Longevity of Strategy and Corresponding Results

Option	Frequency	Percentage
Strongly Disagree	3	3
Disagree	19	18
Neutral	28	27
Agree	19	18
Strongly Agree	35	34
Total	104	100

Table 4.22 reveals that 15% of the respondents strongly disagreed that 'These strategies have resulted in greater investment by the firm' in Kenya whereas 21% simply disagreed with this statement.17% of the respondents were neutral in this regard whereas the majority 30% agreed with this stance. The final 16% strongly agreed with this statement.

Table 4.22 Strategies have Resulted in Greater Investment by the Firm

Option	Frequency	Percentage
Strongly Disagree	16	15
Disagree	22	21
Neutral	18	17
Agree	31	30
Strongly Agree	17	16
Total	104	100

According to table 4.23, 15% of the respondents strongly disagreed with the statement 'These strategies are applicable in other international markets' while 17% of the respondents disagreed. Where 13% of the total respondents in this study were neutral, I found out that 30% which represented a majority of the respondents agreed with this statement. The final 24% strongly agreed with the applicability of these strategies in other international markets.

Table 4.23 Strategy Applicability in International Markets

Option	Frequency	Percentage
Strongly Disagree	16	15
Disagree	18	17
Neutral	14	13
Agree	31	30
Strongly Agree	25	24
Total	104	100

According to table 4.24, only 3% of the respondents strongly disagreed that ‘These strategies require huge financial outlays’ whereas 7% disagreed with this statement. Additionally, 24% of the respondents were neutral while the majority of the respondents at 37% agreed with the statement above. A good 30% of the respondents strongly agreed with the statement above that was put forward.

Table 4.24 Financial Outlay of Strategies

Option	Frequency	Percentage
Strongly Disagree	3	3
Disagree	7	7
Neutral	25	24
Agree	38	37
Strongly Agree	31	30
Total	104	100

According to table 4.25, 14% of the respondents agreed that ‘These strategies have boosted shareholder confidence’ where 17% of the respondents disagreed with this statement. 22% of the respondents were neutral while a tied majority of them at 23% agreed and strongly agreed with the findings.

Table 4.25 Strategy Boost of Shareholder Confidence

Option	Frequency	Percentage
Strongly Disagree	15	14
Disagree	18	17
Neutral	23	22
Agree	24	23
Strongly Agree	24	23
Total	104	100

The regression analysis of the external environment and international business environment vis a vis the effectiveness of the strategies applied was captured in chapter 4.2 and 4.3 respectively.

4.6 Chapter Summary

The results and findings were provided in this chapter. These results and findings originated from the data provided by the respondents from MNCs that were interviewed at large who work in MNCs that are traded at the NSE. This chapter provided analysis on the effective response rate, background, factors affecting the external business environment, international business and international business environment and strategy and strategic management. Chapter five provided the summary of the study, the discussion, conclusions and the recommendations of the study.

CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Chapter 5 covers the discussion, conclusions and recommendations of this study. The summary of the study is presented in the first section whereas the discussion of the study is covered in the second section. The conclusion is covered in the third section while the final section covers recommendations based on this study.

5.2 Summary

The objective of the study was to determine strategies that have been employed by MNCs in response to the ever-changing political environment in Kenya by firms quoted at the NSE in Kenya in order for them to remain competitive in such a market and advance their growth. This study aimed at examining: the factors that affect a Firm’s External Business Environment, International Business and International Business Environment and finally strategy and strategic management and how it correlates with the external and international business environments.

This study used descriptive survey, which is a process of collecting data in order to answer questions regarding the current status of the subjects in the study (Mugenda, 1999). The study used descriptive design because it enabled the researcher to collect a large quantity of in-depth information about the population that was studied. Descriptive research design enabled the researcher to test and measure the population needed for quantitative experimentation as it gave valuable pointers as to what variables were worth testing quantitatively.

For the purposes of this study, stratified sampling was used. Stratified sampling is a type of sampling method in which the total population is divided into smaller groups or strata to complete the sampling process. The strata were formed based on some common characteristics in the population data. After dividing the population into strata, the researcher randomly selected the sample proportionally (The Economic Times, 2018).

For this study, both primary and secondary data collection was appropriate. Primary data was collected through a self- made questionnaire. The questionnaire adopted both structured and unstructured questions. The responses in the questionnaires assisted in gaining an in-depth understanding of the strategies adopted by MNCs in Kenya in response to the ever-changing political environment. The questionnaire was structured based on the research questions. Secondary data enabled evaluation of historical strategies and analysis of studies that have been carried out in the past. The analysis of the research data was carried out using Statistical Package for Social Sciences (SPSS) and Microsoft Excel programs. Figures and tables were variably used in data representation.

The study examined the factors affecting the external business environment and regressed these findings with the effectiveness of strategies applied in response to the ever-changing political environment in Kenya. The study found out that these strategies employed by MNCs are essential in mitigating risk. The findings also indicated that the stability in external environment is a key decision-making factor in any investment initiative in a country.

The study also examined international business and the international business environment and regressed these findings with the effectiveness of strategies applied. The findings indicated that Kenya is a good international business destination bolstered by good diplomatic ties and business friendly policies. The disparities in findings represent differences in opinion and thus more needs to be done to ensure stability of the country as an international business destination.

The study finally analysed strategy and strategic management and correlated this with both the factors affecting the external business environment and the international business and international business environment. These findings indicated that the strategies employed in response to the ever-changing political environment in Kenya had different levels of success and had different success factors. We can also see that despite the effectiveness of these strategies, they have not resulted in greater investment by the MNCs.

5.3 Discussion

5.3.1 Factors Affecting the External Business Environment

The study sought to ascertain the stability of the Kenyan business environment. The study found out that only 42% of the respondents agreed that Kenya has a stable environment. This finding contradicts the World Bank which stated that while economic activity faltered following the 2008 global economic recession, growth resumed in the last three years reaching 5.8% in 2016 placing Kenya as one of the fastest growing economies in Sub-Saharan Africa. The economic expansion has been boosted by a stable macroeconomic environment, low oil prices, rebound in tourism, strong remittance inflows and a government led infrastructure development initiative (World Bank, 2018). This clearly indicates that despite the 5.8% growth, economic and business stability was still not assured and further bolstering of the economic environment was required.

The study also sought to establish the ease of doing business in Kenya. The study found out that 52% agreed Kenya has a great ease of doing business. Porter (1980) contends that the government is responsible for the conditions of the external economic environment such as fiscal policy, economic systems and government spending policy all of which are key factors to be considered by MNCs who have invested in Kenya. This finding goes hand in hand with the report published by KEPSA (2018) and the World Bank's Doing Business 2018, which indicated that Kenya moved up 12 spots in the year's global rankings in Doing Business, a clear manifestation of the concerted effort between Government and private sector efforts to improve the business environment was bearing positive results. The 2018 report ranks Kenya at position 80 out of 190 countries globally, an improvement from 2017's 92. Cumulatively, Kenya moved up global rankings 56 spots over the last three years, but 2018 was country's best in the last 15 years (KEPSA, 2018).

In addition, the study also sought to establish whether the external business factors make Kenya business friendly. From the findings, it was established that only 46% agreed that the external business factors make Kenya investor friendly. These findings are in line with Buto (2018) who alluded that the environment in which companies are doing business in Kenya is a volatile one. This is even more considering that the world has become a global village with what is happening in one country having an impact on countries thousands of miles away. This is evidenced by the recent spiral effect witnessed of the economic crunch, which began in the European and US market and quickly spread to the rest of the world. Buto further stated that companies therefore need to arm themselves well to be able to react to these changes; otherwise they could as well be pushed to extinction.

The study also sought to ascertain how essential political response strategies were essential in mitigating risk. From the study, it was established that a majority 61% agreed that political response strategies were essential in mitigating risk. These findings are in line with Rajwani's (2011) sentiments which stated that companies need to acknowledge the macro and a micro political risk environment. Rajwani further stated that leaders need to diversify their political risks: firms that have strategic business units in various geographies need to acknowledge their cost base, and that some regions that look very attractive might also carry high political risk. Political unrest and instability drives business decisions however, they can be managed.by executives bringing their risk management strategies into line with the adequate facts (Rajwani, 2011).

The study additionally sought to establish the weight of financial implications in the selection of political response strategies. It was established that only 44% agreed that financial implications are paramount in selecting political response strategies. These findings concur with Bremmer (2018) who stated that many a time, financial considerations are not considered when obtaining political risk consultancy services because the risks of making an uninformed investment far outweighs the comparatively smaller remuneration given to these consultants. He further stated that politics never stops moving, and risk analysts must be able to follow a nation's story as it develops. Usually, that means being on the ground in that country. And in the case of a particularly opaque regime, it can mean being there a very long time. Some information is published in official reports or in the media, but analysts will gather most of their intelligence from primary sources: well-connected journalists in the local and foreign press, current and former midlevel officials, and think tank specialists (Bremmer, 2018).

Additionally, the study sought to establish whether the political environment was the most important factor of the external environment. The study concluded that only 42% agreed that the political environment was the most important factor in the external environment. These findings contradict Were (2016) who cited a Brookings Institution report which belabored the importance of the political environment to Kenya's economic sphere especially in its state as a young democracy. She stated that politics in Kenya has a ripple effect on the economy and cited the post-election violence (PEV) that followed the 2007 election which saw the country's GDP growth fall from a high of 7% per cent to a low of 3%. She alluded her sentiments to the fact that mature democracies have already internalized the effect of political institutions whereas new democracies need the felt presence of political institutions as part of the democratic experience. As a consequence, the impact of politics on economic performance was more visible (Were, 2016).

5.3.2 International Business and International Business Environment

The study also examined the political structure and nature in Kenya. The study reveals that a majority 86% of the respondents agreed that the political structure and nature in Kenya is conducive for business. This is in line with research carried out by the Institute of Development Studies (2018) which states that Kenya’s political context has been heavily shaped by historical domestic tensions and contestation associated with centralization and abuse of power, high levels of corruption, after more than two decades long process of constitutional review and post-election violence. The approval of the new constitution in 2010 and relatively peaceful elections in March 2013 are milestones that have constituted steps forward in Kenya’s transition from political crisis.

The study also found out that 62% agreed that the Kenyan constitution safeguards businesses and investments thereby agreeing with Kenya Law (2010) which cited that the Kenyan constitution is one of the Key safeguards for international businesses. In addition, the Kenyan constitution explicitly states that Subject to Article 65, every person has the right, either individually or in association with others, to acquire and own property of any description and in any part of Kenya. In addition, parliament shall not enact a law that permits the State or any person to arbitrarily deprive a person of property of any description or of any interest in, or right over, any property of any description; or to limit, or in any way restrict the enjoyment of any right under this Article on the basis of any of the grounds specified or contemplated in Article 27(4) which covers equality and freedom from discrimination. The Kenyan constitution has also ratified the World Trade Organization charter and is thus included in Kenya’s laws (Kenya Law, 2010).

Of all the respondents who compared the political ideologies in Kenya and their home nations, only 32% agreed that the firm's home country and host country have similar political ideologies indicating the existence of different political systems and dispensations across the various home nations of MNCs. The MNCs at the Nairobi Securities Exchange are diverse in their nature of business as well as in their country of origin and thus the political ideology diversity.

Despite the difference in political ideology as evidence from the research between Kenya and the home nations of MNCs a good 72% agreed the firm's home country and host country have cordial relations indicating Kenya’s strong diplomatic ties with various countries. These findings concur with the Oxford Business Group which cites the foreign policy framework, which was set out by the Ministry of Foreign Affairs and International Trade and states that, “Kenya seeks to diversify its economic relationships and partnerships with increased focus on the emerging economies and economic zones. These efforts collectively have sown the seeds of Kenya’s new era of economic diplomacy which seeks to promote a pragmatic approach that best illustrates commitment to strengthen relations with all countries and regions based on shared mutual interests,”

The study also revealed that a majority 83% of the respondents agreed that foreign firms in Kenya are allowed to operate anywhere in the country. These findings concur with Export.gov (2017) an arm of the US State Department of Treasury which cited that Kenya does not have a policy to steer investment to specific geographic locations but encourages investments in sectors that create employment, generate foreign exchange, and create forward and backward linkages with rural areas. It also states that Kenya puts significant effort into assuring the health and growth of its tourism industry. To strengthen Kenya’s manufacturing capacity, the government continues to offer incentives for the production of goods for export and local investment (Export.gov, 2017).

The study also sought to establish whether foreign firms are allowed unrestricted market access to market their products. The study established that 53% of the respondents agreed that foreign firms are allowed to market their products and services freely. This shows that the Kenyan constitution and business environment is progressive and seeks to attract investors from far and wide. This concurs with findings from Export.gov that states KenInvest, the country’s official investment promotion agency, is viewed favourably by international investors. KenInvest mandate is to promote and facilitate investment by assisting investors in obtaining the licenses necessary to invest and by providing other assistance and incentives as necessary for smoother operations. In order to help investors to navigate local regulations, KenInvest has developed an online database known as eRegulations, which is designed to provide investors and entrepreneurs with full transparency on investment-related regulations and procedures in Kenya. In addition to helping investors understand the regulatory framework, KenInvest enables investors to identify key investment areas and assists them in getting their products and services freely to the market by organizing symposiums to showcase themselves (Export.gov, 2017).

5.3.3 Strategy and Strategic Management

The study revealed that 67% of the respondents agreed that these strategies that have been employed by their various MNCs have been effective. These findings are in tandem with Sawyer (1990) who contends that strategy enables an organization to remain competitive in challenging markets and to also enhance market share and boost profitability. Sawyer also contends that firms which follow the strategic management process accrue more profits than companies that do not. Firms which utilize strategic management are in charge of their future and tend to have well thought out budgets. This ensures that their future projects are well planned for and thus have a high chance of fruition (Sawyer & Sawyer, 1990).

The study also sought to understand whether employing these strategies for a longer period of time yielded better results. From the findings we established that 52% agreed that employing these strategies for a longer period will yield better results. These findings are consistent with Hunger & Wheelen (2014) who argue that upon analysis of various industries, companies that don't practice strategic management have a difficult time penetrating and thriving in the market. Companies should therefore have a clear focus on the longevity of the business in the ever-competitive market (Hunger & Wheelen, 2014).

In addition, the study also looked to ascertain whether the employment of these strategies has resulted in greater investment by the firm. The findings indicate that only 46% agreed that these strategies have resulted in greater investment by the firm. These findings are inconsistent with Hunger & Wheelen (2014) who contend that strategies have allowed for product differentiation and thus allowed firms to invest more in a new competitive market segment or product segment. Hunger and Wheelen argue that these strategies have allowed organizations to learn all the best practices of a company and become a unique identity which will differentiate the company from its competitors and have a better understanding of their own strengths and weakness and thus are able to adapt better to competition. Despite this, the respondents felt that this did not necessarily lead to greater investment by the MNCs.

Research also showed that about half of the respondents at 54% agreed that these strategies are applicable in other international markets that have similar prevailing factors to Kenya. These findings are in tandem with the sentiments of Pearce & Robinson (2009) who contend that the strategic management process is increasingly used by small businesses, large corporations, non-profit institutions, government organizations, multinational corporations in a wide array of markets. They state that strategic management leads to smart decision making for an organization in different contexts and this process along with similar strategies can be applied across the board to markets that have similar prevailing factors. They also state that successful strategists take their time to consider the business position in the industry and which direction the company wants to move in and thus implement programs and policies in order to realize these goals in a timely fashion.

The study also sought to establish whether these strategies require huge financial outlay. The findings revealed that 67% agreed that these strategies require huge financial outlay thereby agreeing with Coulter (2002) that implementation of strategy requires both financial and human capital in order to achieve the objectives as set out in the strategic plan. Coulter argues that it takes time and resources for an organization to implement a strategic plan. It involves both financial and human capital in order to achieve the objectives as set out in the strategic plan. Additionally, the most important component of strategic planning is to meet the plan by creating an organizational culture that would enable the strategy to create a motivation system, to organize labour and to facilitate flexibility in the organization. An organization thus cannot achieve strategic goals and objectives if there is no means for strategy realization.

The study finally sought to establish whether the application of these strategies have resulted in investor confidence. The findings of the study indicated that a minority 46% of the respondents agreed that these strategies have boosted shareholder confidence and allayed their fears of loss of business during turbulent political times. These findings indicate that the majority of respondents disagreed with Pearson & Robinson (2009) who argue the disciplined strategic management which promotes understanding and learning boosts investor confidence especially during turbulent economic and political periods.

5.4 Conclusions

5.4.1 External Business Environment

The study concludes that the external business environment is not stable and improvements need to be made to facilitate a more conducive business environment. In addition, the study revealed that Kenya has a great ease of doing business coupled with the fact that the external environmental factors make Kenya investor friendly. The study also revealed that political response strategies are essential to mitigating risk. Some of these strategies include: managing credit risk, protecting the employees, have a risk management fund and ensuring the supply chain is not disrupted during turbulent times. The study also concluded that financial implications are not paramount in selecting these strategies because the survivability of the organization comes first. The study also concluded that the political environment is not the most important factor of a firm's external environment,

5.4.2 International Business and International Business Environment

The study concludes that the political structure and nature is conducive for business and that the Kenyan constitution safeguards businesses and investments having been bolstered by economic reforms in the 1980's and new constitutional dispensation in 2010. In addition, it was concluded that Kenya and the home nations of MNCs do not have similar political ideology however they have cordial relations that have been bolstered by strong diplomatic ties thus promoting investment in the country. The study also concluded that MNCs are free to operate anywhere within the country and are also free to market their goods and services anywhere in the country albeit with varying levels of success.

5.4.3 Strategy and Strategic Management

The study concluded that the strategies that have been employed by MNCs in order to mitigate political risk have been effective and also that employing these strategies for longer periods will yield better results for the organization as it encompasses long term planning and ensures the firms are prepared for future election cycles. The study also concludes that these strategies have not resulted in greater investment by the firm as they have chosen a wait and see approach toward future election cycles. In addition to this, the study concludes that these strategies are applicable in other international markets as well as they require huge financial outlay by the MNC. The study finally concluded that despite the success of these strategies, they have not boosted shareholder confidence.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 External Business Environment

From the findings of the study, it is recommended that the Kenyan government needs to do more to enhance the stability of the external business environment especially during turbulent times. Initiatives such as safeguards for MNCs, boosting foreign investment insurance policies and ensuring leadership changes do not affect businesses will go a long way in boosting the stability of the external business environment. In addition, since political response strategies are essential in mitigating risk, industry players need to have forums and workshops to discuss these strategies with a view of enhancing their use. Despite the cost of these strategies not being a concern, financial prudence is paramount in order to ensure the future standing of the firm and ensure the firm does not leverage itself excessively. Investors should also focus on other factors of the external business environment and not only focus on the current political environment.

5.5.1.2 International Business and International Business Environment

Based on the study, it is recommended that MNCs maintain and boost their investment in Kenya boosted by the stable political structure and strong constitution that promotes foreign investments. Despite different political ideologies with different countries, MNCs should take advantage of strong diplomatic ties by their home governments to Kenya to boost their investments in the region and enhance economic co-operation with local firms. Finally, it is recommended that foreign firms take advantage of locational factors and free licence to operate anywhere within the country to increase their business footprint and product and service outreach to a larger percentage of the population.

5.5.1.3 Strategy and Strategic Management

From the study, it is recommended that MNCs fully adopt these political response strategies as we have seen they have been successful and ensure that they maintain these strategies through election cycles in order to safeguard their businesses. It is also recommended that despite these strategies not resulting in greater investment by MNCs, foreign firms should consider greater investment in Kenya due to the increasing stability of the political environment and presence of these risk mitigating strategies. Finally, MNCs need to do more to boost shareholder confidence with initiatives such as diversification, product differentiation and venturing into regional markets to ensure the long-term stability of the investments by the MNCs.

5.5.2 Recommendations for Further Research

The study only focused on MNCs listed on the NSE. Future research should also include local based firms and also extend to the East African region in order to boost the East African Region as an African investment hub. Additional work should also involve study into mitigating economically turbulent environments caused by currency fluctuations, globalization and new trade alliances to ensure firms remain competitive in such an environment both in Kenya and in the East African Region.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Dear Sir/Madam,

RE: RESEARCH QUESTIONNAIRE

My name is Gilbert Sonoiya. I am a student at United States International University – Africa currently undertaking a Master's Degree in Business Administration – (MBA) majoring in Strategic Management. As partial fulfilment of my MBA degree, I am concluding a research on " **A Systematic Study of the Strategies Employed by Multinational Corporations in Response to the Ever-Changing Political Environment in Kenya "**.

The purpose of this study will be to determine strategies that have been employed by MNCs in response to the ever-changing political environment in Kenya by firms quoted at the NSE in Kenya in order for them to remain competitive in such a market and advance their growth.

I therefore request your involvement in answering the questionnaire to the best of your knowledge. Kindly note that any information given through this questionnaire is confidential and will only be used for the purpose of this study. Your assistance and response is much appreciated.

Yours Sincerely,

Gilbert Sonoiya.

APPENDIX II: QUESTIONNAIRE

"A SYSTEMATIC STUDY OF STRATEGIES EMPLOYED BY MULTINATIONAL CORPORATIONS IN RESPONSE TO THE EVER-CHANGING POLITICAL ENVIRONMENT IN KENYA"

This questionnaire is designed to collect information on the strategies employed by multinational corporations in response to the ever-changing political environment in Kenya. The information obtained will only be used for academic purposes and shall be treated in confidence. This questionnaire is to be completed by the Chief Finance Officer, Finance Manager, Finance Director or persons in similar positions only.

For the multiple-choice questions in sections B, C and D, please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 where 1= strongly disagree, 2= disagree, 3= neither agree nor disagree, 4=agree, 5 = strongly agree. Tick (√) which best describes your opinion of the statement in reference to impact of political changes.

PART A: BACKGROUND INFORMATION

1. Name of respondent
2. Gender of the respondent
   Male [] Female []
3. Designation.
4. Number of Years in Service

   0 – 5 [] b) 6 – 10 [] c) 11 – 15 [] d) 16 – 20 [] e) Over 20 years []

5. Highest Education Level Attained:
   Primary Certificate [] Diploma [] Undergraduate [] Postgraduate []

PART B: FACTORS AFFECTING THE FIRMS EXTERNAL BUSINESS ENVIRONMENT

6. The external business environment is stable:

   Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

7. Kenya has a great ease of doing business:

   Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

8. The external business factors make Kenya investor friendly:

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

9. Political response strategies are essential in mitigating risk:

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

10. Financial Implications are paramount when choosing political response strategies:

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

11. The political environment is the most important factor in the external environment:

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

PART C: INTERNATIONAL BUSINESS AND INTERNATIONAL BUSINESS ENVIRONMENT

12. The political structure and nature in Kenya is conducive for business

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

13. The Kenyan constitution safeguards businesses and investments.

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

14. The firm's home country and host country have similar political ideologies

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

15. The firm's home country and host country have cordial relations

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

16. Foreign firms are allowed to operate anywhere in the country

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

17. Foreign firms are allowed to market their products and services freely

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

PART D: STRATEGY AND STRATEGIC MANAGEMENT

18 What strategies has your firm employed in response to the political environment in Kenya?

19 Why and what informed the selection of these strategies?

20 The strategies have been effective:

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

21 Employing these strategies for a longer period will yield better results

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

22 These strategies have resulted in greater investment by the firm;

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

23 These strategies are applicable in other international markets

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

24. These strategies require huge financial outlay

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

25. These strategies have boosted shareholder confidence

Strongly Disagree ( ) Disagree ( ) Neutral ( ) Agree ( ) Strongly Agree ( )

26 What are the specific factors that have affected the adoption of these strategies?

27 What are the challenges that have been encountered in adopting the selected strategies?

28 How did you overcome those challenges?