

**LOCALIZATION STRATEGIES AFFECTING COMPETITIVENESS OF  
MULTINATIONALS IN EAST AFRICA: CASE STUDY OF SYSTEMS  
APPLICATIONS PRODUCTS**

**BY  
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**UNITED STATES INTERNATIONAL UNIVERSITY**

**SPRING 2014**

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**BY  
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**A Project Submitted to the Chandaria School of Business in Partial Fulfillment of the  
Requirement for the Degree of Masters in Business Administration (MBA)**

**UNITED STATES INTERNATIONAL UNIVERSITY**

**SPRING 2014**

## STUDENT'S DECLARATION

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

**Signed:** \_\_\_\_\_ **Date:** \_\_\_\_\_

Samuel Etindi Njeka (602640)

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

**Signed:** \_\_\_\_\_ **Date:** \_\_\_\_\_

Dr. Mosoti Zachary

**Signed:** \_\_\_\_\_ **Date:** \_\_\_\_\_

Dean, Chandaria School of Business

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## **ABSTRACT**

The purpose of this study was to determine the key localization strategies that can increase the competitiveness of Systems Applications Products in East Africa. To attain this, the study determined how understanding of the local market affects SAP competitiveness. It also looked at how organizational structure and people affect competitiveness. Lastly the study examined how opportunities and targets available in the market affect competitiveness.

The study used descriptive research design to analyse localization factors in East Africa and how they affect competitiveness. The study used cross sectional analysis to study all the 28 respondents who were employees of SAP East Africa who were all based in Nairobi Kenya. The primary data was collected using a questionnaire. A detailed research procedure was used to ensure the data obtained was accurate. Once the data was collected, it was edited, coded and cleaned. Statistical Product and Service Solutions (SPSS) was then used to analyse data. Descriptive data analysis was used. In the study, all measures of central tendency and measures of dispersion were be used. Data was then presented by way of tables and figures.

The first objective was to determine the effects of market understanding on the competitiveness of SAP. The findings revealed that in order to understand the market and remain competitive it is important for SAP to have sufficient coverage of the East Africa market and have enough consultants to support customers.

The second objective sought to determine the effects of organizational structure and people on competitiveness. The study findings showed that there was a significant relationship between linking workforce needs to strategy and having processes and procedures that allow the employees to effectively meet the customer needs

A majority of the respondents were happy with the organization structure in terms linking workforce needs to strategy and growth plans, learning and development opportunities and career growth opportunities. The study also showed that there was a significant relationship between linking workforce needs to strategy and a clear organizational structure that improves productivity. However on the down side, a large number of the respondents believed that reorganizations at beginning of the financial year affected their effectiveness and delivery to the customers.

The third objective sought to determine the effects of opportunities and targets available in the market on competitiveness. The study established that there is a significant relationship between opportunities and target available in the market and competitiveness. However part of the respondents felt that opportunities and targets available in the market had no relationship to competitiveness.

The study concluded that that success of a multinational and in particular SAP largely depends on how they can localize in order to meet customer needs. Coverage in the entire market is critical in order to attract more customers and at the same time be able to support them by having enough consultants. The way employees are treated in terms of training programmes, clear communication, and reward system is critical to the success of SAP as they have to maintain top talent. The need to clearly identify opportunities and targets early enough is critical to being competitive.

The study recommends that for any multinational firm seeking to be competitive in East Africa, investment in market coverage support structure and aggressive pricing is critical. The study also recommends a proper streamlining of the segmentation process and an aggressive push towards the MCAAS model and more engagements with county governments. Future comparative research however needs to be done incorporating other multinationals like Microsoft, HP, IBM, and Oracle among others who operate in East Africa

## **ACKNOWLEDGEMENT**

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## **DEDICATION**

I would like to dedicate this work to my wife and our son who was born on the 12th of March 2014. It is through her encouragement that I have been able to complete my studies and the research project. The project will be a special gift to our son.

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## CHAPTER 1

### 1.0 INTRODUCTION

#### 1.1 Background to the Problem

According to Nickols (2012), the concept of strategy has been borrowed from the military and adapted for use in business. Just as in the military, in business, strategy bridges the gap between tactics and policy. Together, strategy and tactics bridge the gap between ends and means (Nickols, 2012).

Mintzberg (2011) points out that people use "strategy" in several distinct ways, the most common being these four: Strategy is a plan, a "how," a means of getting from here to there; Strategy is a pattern in actions over time; for example, a company that regularly markets very expensive products is using a "high end" strategy; Strategy is position; that is, it reflects decisions to offer particular products or services in particular markets; Strategy is perspective, that is, vision and direction.

Mintzberg (2011) argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Therefore, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a meticulously crafted plan, with the eventual result and strategy reflected in a pattern noticeable in decisions and actions over a period of time. This pattern in decisions and actions describe what Mintzberg called "realized" or emergent strategy.

Porter (1996) argues that Strategy is all these—it is perspective, position, plan, and pattern. Strategy is the link between policy or high-order goals on the one hand and tactics or concrete actions on the other. Strategy and tactics together straddle the difference between ends and means. In a nutshell, strategy is a term that refers to a complex web of thoughts, ideas, insights, know-how, goals, expertise, memories, judgment, and expectations that provides general guidance for specific actions in pursuit of particular ends. Strategy is at once the course we chart, the journey we imagine and, at the same time, it is the course we steer, the journey we actually make. Even when we are embarking on a voyage of discovery, with no particular end in mind, the voyage has a purpose, an outcome, an end to be kept in perspective.

Strategy, then, has no essence apart from the ends sought. It is a general framework that provides guidance for actions to be taken and, at the same time, is moulded by the actions taken. This means that the basic precondition for formulating strategy is a clear and widespread understanding of the ends to be achieved. Without these ends in view, action is merely tactical and can quickly degenerate into nothing more than a flailing about (Nickols, 2012).

When there are no "ends in view" in an organization, strategies still exist and they are still operational, even highly effective, but for an individual or unit, not for the organization as a whole. The danger of not having a set of company-wide ends clearly in perspective include missed opportunities, fragmented and wasted effort, working at cross purposes, and internecine warfare (Nickols, 2012).

Some of the frameworks that have been used to describe strategy include: Porters Generic Strategies which are as follows; cost leadership, differentiation, and market segmentation (Porter, 1986). Market segmentation is narrow in scope while both cost leadership and differentiation are relatively broad in market scope (Porter, 1996).

According to Ohmae (1991) 3C's model, a strategist should focus on three key factors for success; the corporation itself, the customer, and the competition. Only by integrating the three C's (Customer, Competitor, and Company) in a strategic triangle, continuous competitive advantage can exist. According to Ohmae (1991), a corporation's foremost concern ought to be the interest of its customers rather than that of its stockholders and other parties. This is because in the long term, the corporation that is genuinely interested in its customers is the one that investors are interested in.

Ansoff (1990) outlined some important strategies for business growth. He identified four key methods to growing a business as market penetration, new product development, market development and diversification. According to Barlett and Ghoshal (2002), a multinational is defined as a corporation that has its facilities and other assets in at least one country other than its home country. Such companies have offices and/or factories in different countries and usually have a centralized head office where they co-ordinate global management.

SAP is a German multinational software corporation that makes enterprise software to manage business operations and customer relations. SAP is headquartered in Walldorf, Baden-Württemberg, Germany and has regional offices around the world. SAP is the leader in the market of enterprise applications in terms of software and software-related service (SAP, 2013). SAP has 183,000 customers worldwide; it operates in 120 countries in the world, it has 25 specific industry solutions, has 75 offices across the world and the software is written in 37 different languages (SAP, 2013).

SAP global strategy is to focus on 5 key markets, Applications, Cloud, Analytics Mobile and Database and Technology. SAP has been operating in Africa since 1988 and has more than 600 employees and 1000 + customers (SAP, 2013). Eight hundred of the customers are in South Africa while 200 are in Sub Saharan Africa. There are 80 certified partners and 2200 consultants. It has 8 regional offices as follows; three in South Africa, one in Namibia, one in Kenya, two in Nigeria and one in Cameroon (SAP, 2013).

Some of SAP's customers in Africa include; Standard Bank, Eskom, SAB Miller, Sasol, ABSA, South Africa Revenue Services, South Africa Airways, Namibia Power, Namibia water, ABSA, Vodacom and Nigeria Petroleum (SAP, 2013). Some of SAP's customers in Kenya include: KenGen, Kenya power and lighting company, Nation Media Group, Mumias sugar, Kenya Ports Authority, East Africa Breweries, Bamburi Cement, Essar Group, Bidco, Sameer Africa, New KCC, Chevron Oil, BAT Tobacco, Kenafric industries, Standard Media Group, Sameer Africa among others (SAP, 2013).

The SAP East Africa office is based in Nairobi but functions like human resources, operations, and marketing are done from a central hub in South Africa. Of the customers in East Africa, ninety percent of them are based in Kenya. Ethiopia has two groups of companies as customers while Tanzania has one company as a customer. Rwanda and Burundi has no customers. Uganda has five companies as customers. The customer numbers are based on SAP premier product, SAP Business All in One who are serviced from the East Africa office based in Nairobi Kenya. SAP East Africa is entering a growth plan where it will hire and train more than 600 consultants in the next 5 years (SAP, 2013).

## **1.2 Statement of the Problem**

SAP mission is to help every customer become a best-run business. SAP does this by delivering new technology innovations without disruptions: enterprise mobility to transform consumption of IT; in-memory technology to simplify the IT stack and drive high value applications; and the cloud delivery of IT solutions as the projected mainstream. By leveraging their strong base in applications and analytics as well as new technology innovations, SAP can offer solutions that make their customers run better. To help their customers derive value from their SAP solutions in a fast, cost-effective and predictable way SAP also provides service and support (SAP, 2013). An in-depth discussion of SAP's vision with a new employee who joined from Nokia Africa and who also worked for seven years with HP indicates a big gap in getting the market, the people and most importantly the business partners ready to embrace and go to market with some of solution like in-memory computing and cloud solutions (Kangethe, 2013). This study explored ways of bridging this practice gap.

Several researchers have addressed the nature and scope of multinationals companies' localization strategies (Petison, Lalit, Johri and Phallapa, 2007). It has been argued that companies should emphasize localization strategies because adaptation to local norms is essential for the success of a new subsidiary (Chen and Lee, 2003). Numerous benefits have been attributed to localization in its various forms (Bartlett and Ghosal, 2002; Brikinshaw, 1996).

However, the research cited above addresses localization from a wide range of perspectives and is mostly focused on emerging markets of China, Brazil, Russia and South Africa. What is lacking is an integrated analysis that comprehensively identifies the localization strategies adopted by subsidiaries of multinationals companies in East Africa. The purpose of this research was to fill this gap by investigating localization strategies that can be adopted by SAP in East Africa. The researcher carried out an all-inclusive participatory investigation on SAP East Africa. At the end of the study, the researcher established clear strategies that will give SAP East Africa a competitive advantage.

### **1.3 Purpose of the Study**

The purpose of this study was to determine the key localization strategies that can increase the competitiveness of SAP in East Africa.

### **1.4 Research Questions**

The research questions that guided this study were:

**1.4.1** How will the understanding of the local market increase SAP competitiveness?

**1.4.2** How can SAP East Africa structure and run the organization and people to increase competitiveness?

**1.4.3** What are the opportunities and targets available in the market to increase competitiveness?

### **1.5 Importance of the Study**

The study will be important to the following users:

#### **1.5.1 SAP**

SAP requires year on year growth of 20 percent in all its 5 key markets i.e. cloud, applications, mobility, Database & Technology and Analytics across the globe. Its vision is to reach one billion users in the next 5 years. The study will help SAP identify the best localization strategies that can help it increase its competitiveness and market share.

#### **1.5.2 Multinationals**

As East Africa grows, the interest from other multinationals across the globe is growing in tandem. Many of them are exploring ways to enter the market and set up profitable business. This study will provide useful information on what they need to do when they have set up operations in East Africa so as to break even, make profits and grow their market share.

#### **1.5.3 Government**

The Kenyan government can use the information gathered to attract and advise interested investors who can then help expand the economy via employment, capital inflows, skills and knowledge that will spur the take of Kenya as a middle level economy.

#### **1.5.4 Academicians and Researchers**

Localization is still a major area of study in strategic management. The information gathered will be helpful to researchers and academicians thus contributing greatly to the body of knowledge.

#### **1.6 Scope of the Study**

The study was done at SAP East Africa offices in Nairobi Kenya. All the employees of SAP East Africa are based in Nairobi which acts like a hub and the study covered all those employees. The data was collected from January 2014 to February 2014. The limitations of the study were to get accurate information from the respondents including senior management who perceived the study as an attack on the way they run the business. To limit the impact of the limitations, the researcher met the Managing Director and explained to him the nature of the study and why it is important to give accurate information that will increase the competitiveness of SAP.

#### **1.7 Definition of Terms**

##### **1.7.1 Localization**

Localization is a mechanism of adapting a service or product or an organization to a particular language, culture, and desired local “look-and-feel (Bartlett and Ghosal, 2002).

##### **1.7.2 Competitiveness**

Competitiveness is the ability of a company to perceive changes in both the external and internal environment and to adapt to these in a way that the profit flow generated guarantees the long-term survival of the organization (Chikan, 2008).

##### **1.7.3 Multinational**

A multinational is a corporation that has its facilities and other assets in at least one country other than its home country. Such organizations have offices and/or factories in different countries and usually have a centralized head office where they co-ordinate global management (Barlett and Ghoshal, 2002).

### **1.7.4 Opportunity**

An opportunity is a condition in the broad environment that, if exploited effectively, helps a company to obtain strategic competitiveness (Ireland, Hoskisson, and Hitt, 2013).

### **1.7.5 Target Market**

Target market is one or more segments of individuals, businesses, or institutions towards which the firms marketing efforts will be directed. The idea is to compete where the business has some leverage (Ferrell and Hartline, 2005).

### **1.7.6 Organization**

The technical definition of Organizations is that they are a group of people that have a common goal. They emerge in situations where people recognise a common or complimentary advantage that can be best served through collective as opposed to individual action. Organizations thus imply an integrating and structuring of activities directed towards goal accomplishment (Bedeian and Zammuto, 1991).

## **1.8 Chapter Summary**

This chapter looked at the background of the study which was followed by the statement of the problem. The chapter also covered the purpose of the study and the research questions. The chapter concluded by looking at the importance of the study.

Chapter two of this study gives an elaborate literature review on this subject. Chapter three of the study discusses the research design, population design, sampling design, data collection methods, research procedures, data analysis among others. Chapter four looks at the results and findings and finally chapter five gives summary, discussion, conclusions of the study and recommendations.

## **CHAPTER 2**

### **2.0 LITERATURE REVIEW**

#### **2.1 Introduction**

The literature review focused on localization strategies effecting competitiveness of multinationals in East Africa with a specific focus on SAP. This literature review begins by considering the relationship between local market understanding and competitiveness. The review will give insights from various studies on how the understanding of local market affects competitiveness of multinationals. The literature review also looked into the impact of organizational structure and people on competitiveness. Finally the literature review considered opportunities and targets available in the local market and its effect on competitiveness. At the end of this chapter there will be a summary of the major areas reviewed.

#### **2.2 Impact of Understanding the Local Market on Competitiveness**

Research carried out by Boston Consulting Group (2013), indicates that multinationals have very high ambitions in emerging markets. More than three quarters of the companies they surveyed, or 78 percent expect to gain market share in emerging markets. Nevertheless, only 13 percent are confident that they can take on local competitors. Nearly three- quarters, or 73 percent, of respondents said that local companies are a major competitive threat. McKinsey (2012), notes that successful multinational companies in emerging markets have started to understand what consumers want and what business models they need to adopt. In their survey, some respondents stated that the most important requirement for success is the ability to understand local customers' needs, adopt local business and operating models. According Jones (2005), multinationals are spread thin in their operations while local companies, for the most part, are extremely focused. Local companies enjoy other advantages too. For example, they may be owned by or receive preferential treatment from the state. They are also likely to have strong relationships with important stakeholders, immense knowledge of local regulations, and lower labour costs if they are manufacturing abroad. Local companies are also likely to be

less risk averse with the ability to respond more swiftly than most multinational companies.

In order to understand the market, it is critical for any organization to first define its market. Lodato (2006) defines a market as a set of organizations and/or people who could benefit from the products and services offered by you and your competitors and who have the purchasing power and authority to buy. Adidam, Banerjee, and Shukla (2011), supports this definition by noting that competitive intelligence is an integral part of market understanding. Competitive intelligence is defined as the practice of gathering information about everything which could affect the business – competitors, products and practices. Competitive Intelligence has become a more generalized discipline that concurrently serves several business functions of a firm (Jones, 2005).

Various scholars have suggested that the critical areas to study in order to understand the markets include; Strengths and weakness relative to both multinational and local competitors, qualitative and quantitative market research at both macro and micro level, analysis of leading products and services in the key multinational market and their appeal to local customers, formal and informal distribution and marketing channels needed to operate in emerging markets (Kotler, 2009; BCG, 2013).

### **2.2.1 Strengths and Weakness Relative to both Multinational and Local Competition**

Strength and weakness is a common analysis method used in organizations. It relies on the Strength, Weakness, Opportunities and Threats (SWOT) methodology. Strength and weakness is one of the most respected and prevalent tools of strategic planning (Glaister & Falshaw, 1999). Strength and weakness is used to identify cultural impediments, internal company issues, advantages and external governmental roles. It has been used for identifying and exploiting strengths in a wide variety of situations. For nascent entrepreneurs, Strength and weakness analysis is an appealing methodology for both its brevity and precision (Helms, Rodríguez, de los Ríos, and Hargrave, 2011). According to Helms et al. (2011), while strength and weakness analysis is based on a seemingly simple framework, its application for complex situation analysis is widely respected.

Strength and weakness examinations are a useful strategic tool to fill gaps in the assessment of economic conditions facing an entity as well as categorize internal variables. Valentin (2001), advocates for strength and weakness analysis as the traditional means of searching for insights into ways of crafting and maintaining a profitable fit between a commercial venture and its environment.

Many scholars agree that strength and weakness analysis provides the foundation for realization of the desired alignment of variables or issues (Ansoff, 1965; Andrews, 1987; Porter, 1985; Mintzberg, Ahlstrand, and Lampel, 1998). By listing both favourable and unfavourable internal and external issues, planners can better understand how strengths can be leveraged to realize new opportunities and understand how weaknesses can slow progress or magnify threats. In addition, it is possible to postulate ways to overcome threats and weaknesses (Kotler, 2000).

With all its uses and advantages to planners and strategists, strength and weakness analysis has a number of disadvantages and limitations. The success of strength and weakness analysis depends on the thoroughness of the internal analysis which is a function of time-devoted to the task, the number of experts involved, and the level of expert consensus (Helms et al. 2011). In addition, a report by the European Union argues that categorization of variables into strengths and weakness is also challenging. Strengths that are not maintained may become weaknesses (EU, 2010). Other than these, strength and weakness does not provide actual strategies to implement in order to leverage strengths, in as much as it is useful in profiling and enumerating issues. Many scholars agree that strengths and weakness analysis provides the basic framework to perform analyses of decisions situations, they recommend adding multiple criteria decision support (MCDS) methods along with SWOT to determine analytical priorities for the identified factors (Kangas, Kurttila, and Kajanus, 2003).

### **2.2.2 Leading Products and Services in Key Markets and how they Appeal Locally**

According to McGrath and Gilmore (1995), most companies do not think of product strategy in any structured way but just that it ‘sort of happens!’ However, without a

comprehensive structure it is likely that product strategy decisions will be overlooked, addressed too late or made without sufficient consideration of the implications and alternatives, thus the product opportunities which result are somewhat random and frequently disappointing (Sanders, 2011). Product strategy starts with a clear strategic vision. Without a clear strategic vision, there is confusion about where to go and what to do, and as a result product strategy takes form randomly. With a clear strategic vision, everyone knows where the company is going, how it will get there and why it will be successful (Tischner and Charter, 2001).

Product platforms constitute the next and, perhaps, the most important level of product strategy. Usually it is the characteristics of the product platform, rather than the individual products, which determine success or failure and thus competitive advantage. By separating product platform from product line strategy, senior executives can focus more time and attention on the most important product strategy decisions (LeFever, 2012). The other two levels are product-line strategy and the individual products. Product line strategy is a time-phased conditional plan for the sequence of individual products developed in a product line. The specific definition of each individual product flows from this (McGrath, 2000).

According to Kotler (2000), product development goes through the following cycle; Idea Generation and Screening, Concept Development and Testing, Marketing Strategy, Business Analysis, Product Development, Test Marketing and Commercialization. Ideas can come from a variety of sources including; internal sources, customers, competitors, distributors and suppliers. Idea screening is the process of spotting good ideas and dropping poor ones. Concept development and testing involves develop product ideas into alternative product concepts, testing the product concepts with groups of target customers and then choosing the best one. Marketing strategy involves target market, planned product positioning, sales and profit goals and market share. Business analysis and product development includes; review of product sales, costs and profits projections to see if they meet company objectives. Test marketing involves taking the product to the market to see how consumers will react to the product (Kotler, 2009).

### **2.2.3 Macro and Micro Level Market Research**

According to Gillespie (2007), the macro environment consists of the major external and uncontrollable factors that influence an organization's decision making and affect its performance and strategies. These factors consist of the economic factors; demographics; political, legal, and social conditions; technological changes; and natural forces. These factors have been commonly referred to as PESTEL. According to (Miller, Vandome, and McBrewster, 2011), political factors refer to government policy such as the degree of intervention in the economy; economic factors include economic growth, interest rates, taxation changes, inflation and exchange rates; social factors are the changes in social trends that can impact on the demand for a firm's products and the availability and willingness of individuals to work; technological factors are new technologies to create new products and new processes; environmental factors include the weather and climate change; legal factors relate to the legal environment in which a firm operates (Henry, 2011).

Nwankwo (2000) contends that although remarkable progress has been made to expand the frontiers of knowledge about the macro-environment, the extent to which contexts outside the mainstream developed economies are focused remains largely inadequate. Some of the works that have sought to explore Africa's business environment have tended to focus on issues encompassing; dysfunctionalisms in environmental scanning activities and managerial coping strategies; environmental impact on firm performance and facilitating functions in relation to the supply of raw materials, labour and infrastructural requirements (Sawyer, 1993; Okoroafo and Kotabe, 1993; Tripodo and Dazzi, 1995). Nwankwo (2000), argues that it is therefore no surprise, that many multinational corporations often erroneously adopt a "less developed countries" mind-set, assuming that these markets are at an early stage of the same development pathway followed by the advanced or developed countries, that the game is consequently one of catch-up, and that market evolution patterns observed previously in developed economies will be replicated in the emerging markets (Arnold and Quelch, 1998).

In effect, the marketing literature has not been altogether helpful in providing frameworks useful for objectively assessing the relative attractiveness of many alternative country-markets in Africa. The conventional models for foreign market evaluation which are often

applied have proven to yield unsatisfactory outcomes partly for the following reasons; over-dependence on macro-economic and population data which are usually outdated or grossly inaccurate; lack of basic operational data which is a main feature of information-poor environments; and tendency to capture mainly moment-in-time scenarios and assessments rather than the dynamically changing states (Nwankwo, 2000).

The micro environment consists of factors or elements in an organization's immediate area of operations that affect its performance and decision-making freedom (Karagiannopoulos, Georgopoulos, and Nikolopoulos, 2005). These factors consists of competitors, customers, distribution channels, suppliers, and the general public which makes up the Porters five forces. Porter (2008) suggests that the five forces model for industry analysis broadened the supply-demand analysis of individual markets in several aspects; first, it slackened the belief of both large numbers and homogeneity, that is, of a considerable number of representative competitors. Second, along the horizontal dimension, it changed attention from two-stage horizontal chains, each consisting of a supplier and buyer, to three-stage chains made up of suppliers, rivals and buyers. Third, along the vertical dimension, it accounted for potential entrants and substitutes as well as direct rivals of a company. These nonetheless, however, forced Porter to reach beyond scientific evidence into the realm of common sense.

#### **2.2.4 Formal and Informal Distribution and Marketing Channels**

According to Kotler (2009), a marketing channel is a set of interdependent organizations involved in the process of making a product or service available for use or consumption. Distribution and marketing channels are the other major area believed to be important in the understanding of markets (Marshall and Johnston, 2010). According to Nordin (2005), proper distribution channels can lead to the following benefits to a firm; source of revenue for manufacturing firms, improve customer satisfaction, provide competitive advantage and can increase the success rate of new products. One important issue for industrial firms interested in leveraging the opportunities related to delivering product services deals with the structuring of the distribution channels for the product services. Nordin (2005), contends that services are inherently relational because the customer always has to interact

with the service provider in some way and thus the position of a company, in relation to its customers, is important.

The choice of direct channels (using the internal organization for the delivery of services) or indirect channels (using agents, retailers and third party service providers, etc.) must be guided by the attributes of the products, the market, and the firm (Marshall and Johnston, 2010; Kotler, 2000). According to Goffin (1999), although product services are still an area with relatively little published academic research; some articles have been published on service channels by authors such as (Loomba, 1996; Goffin, 1999; Armistead and Clark, 1992). Still there is a need for further empirical testing, refinement and extension of the research into how distribution channels should be arranged, and how they are actually arranged. According to Gorchels (2004), owing to the importance of the distribution channel, it can be expected that firms failing to arrange their service channels appropriately will encounter pressure from investors and informed employees within their own organization hence reducing their competitive advantage.

Some of the advantages of a distribution system include: They are a key external resource which takes the distribution risk from the multinational, they takes years to build hence it is easier for a multinational to leverage on the already existing networks, they also commitment to a set of policies that nourishes long term relationships and commit to other large firms in the market (Kotler, 2009).

### **2.3 Impact of Organization Structure and People on Competitiveness**

According to BCG (2013), leadership and talent management are especially crucial in emerging markets. By 2020, in Indonesia for example, a 40 to 60 percent gap in the supply and demand for middle managers is expected to develop. In their report, BCG notes that finding the right people with the right bundle of attitude, sophistication, aptitude, capabilities, and cultural fit to drive double digit growth over the next ten years is the biggest challenge in emerging markets. According to Bratton & Gold, (2012), while many multinationals have a strong employer brand in these markets, local companies can increasingly compete effectively for top talent with multinationals. In China, 32 of the 50 most preferred employers in 2012 are local companies. Strong local companies can match

or exceed the compensation offered by multinationals and they often offer employees equity packages. By comparison, multinationals are perceived as having a “glass ceiling” that limits career opportunities. Local employees use those companies as stepping stones to strengthen their careers (Robbins and Judge, 2009).

According to Olsen, Pinto, and Virji (2005), achieving profitable growth in emerging markets is an increasingly high priority for multinationals. Yet many have found it difficult to realize the potential of these markets because of formal decision-making processes that hamper local agility – or because the centre fails to add sufficient value to the local business. Olsen et al. (2005), focuses on ways to modify such processes to make emerging market subsidiaries more flexible and efficient. According to Bushnell, Stone, and Wilson (2013), exceptional leaders typically don’t stay in the same place for very long before moving up the corporate hierarchy – or moving elsewhere. To avoid banking too much on the talent of one man, multinationals must have in place solid but adjustable management practices and decision-making standards. Only by skilfully adapting corporate processes to the demands of local markets can they consistently provide in-country managers with a more manoeuvrable machine for the long haul.

The studies that have been conducted under organization and people have focused on the following areas; the workforce needs required to reach growth targets and achieve competitive advantage, assessing the strengths of the local emerging market organization to ascertain its competitiveness, putting in place training and development programs to ensure that the emerging organization has strong local leaders and effective middle managers and identifying potential rising stars in emerging markets and exposing them to the same types of accelerated career paths that their counterparts in mature markets follow (BCG, 2013).

### **2.3.1 Workforce Needs Required to Reach Growth Targets**

According to Emmerichs, Marcum, and Robbert (2004), one of the best ways to understand staffing needs is through strategic workforce planning, a process that models the future supply and demand for people and then identifies how to close the gaps. The

supply is determined by the projected availability of employees taking into account likely promotions, attrition and other movements. Demand is then directly linked to the company's strategy and growth plans. Companies should anticipate and simulate several different demand options. BCG,(2013) argues that when spotted early enough, workforce shortfalls and surplus can be addressed through recruitment, transfers, cross- training, retention and outsourcing.

According to Sumetzberger (2005), depending on the market situation and the infrastructure in the different countries in which the multinational enterprise is working, human resource management has to build up staff and support personnel recruitment in growth markets. This is so as to; manage the availability of employees with a certain qualification level, e.g. management know how by recruiting managers from the local job market, by fostering local high potentials in management training programs or by dispatching expatriates to develop and manage systems and models for the multinational.

According to Hughes and Rog (2008), whose paper described a workforce-planning model, the following was noted as a best practice procedure to adopt; stage one is concerned with understanding the current workforce, capacity/capability/culture. In addition to gathering the data about the numbers, levels and status of the existing workforce, the potential for change needs to be considered. Some of the questions asked in this stage include; what are the human resource management policies that will aid or hinder changes in the organization? What is the potential for retraining? Do opportunities exist for redeployment? According to Smith (2012), stage two involves understanding future requirements. Effective workforce planning needs to be based on comprehensive environmental scanning. The aim of this stage is to explore trends impacting on, and being taken up by other multinationals, as well as understanding the changes occurring in the context in which the multinational is operating.

Stage three involves understanding roadblocks and opportunities. In this stage, the findings of the environmental scan are developed in more detail. In stage four an implementation plan or working document is done to make it all happen (Hughes and Rog, 2008). According to Little (2010), an organization needs scalability and adaptability so as to meet the organisation's needs both today and tomorrow hence talent management

applications that deal with workforce planning, workforce acquisition (recruitment of new employees, selection and induction), career development, performance management, succession planning and learning management, and compensation management are required.

The existing research on multinational companies tends to emphasise the adoption of process and analysis based on the parent company assessment. Few studies have examined the work force supply and development based on the local needs and how this can lead to competitive advantage (Little, 2010).

### **2.3.2 Assess the Strength of the Local Emerging Market Organization**

According to Holweg (2005), globalization is testing the ability of established firms and new ventures to give customers what they want within acceptable timeframe. Indeed, as the pace of globalization has increased so has the importance of responsiveness as an essential capability for competitive advantage (Holweg, 2005; Peteraf, 1993; Reichhart and Holweg, 2007; Bernardes and Hanna, 2009). Responsiveness, or the purposeful and timely behaviour in the face of ever-changing market conditions, signals to the new breed of international customers that a firm is ready for business in the twenty-first century (Bernardes and Hanna, 2009).

Internationalization is a resource-intensive process that requires managerial time and financial investment. However, new ventures have fewer resources than established firms and often resort to improvising, using what resources are available, when they are available (Baker and Nelson, 2005). At the same time, new ventures are less rigid than established firms and can develop specific capabilities that increase the likelihood of growth and survival in international markets (Sapienza, Autio, George, and Zahra, 2006). In fact, entrepreneurship researchers contend that internationalizing at an early age confers certain learning advantages (Sapienza et al.2006). That is, when young firms venture abroad, they are less likely to suffer from inertial disadvantages that are associated with organizational maturity and that may constrain the adaptability of established firms. Such adaptability is critical to establishing responsiveness to the demands of international customers because they may be radically different from those in a firm's domestic market.

This argument has been made consistently in entrepreneurship, but a palpable disconnect exists between this stream of research and corresponding discussions of responsiveness in global operations management. Barney and Clark (2007), anchored their arguments in the resource-based view of the firm (RBV). In entrepreneurship, RBV has been used to explain the internationalization of new ventures and in operations management to explain a firm's operational strength or competitive strategy (Boyer and Lewis, 2002). In addition RBV has been used to assess supply chain linkages and operational performance of firms (Rungtusanatham, Salvador, Forza, and Choi, 2003).

Khavul, Prater, and Swafford (2012), define responsiveness as purposeful and timely customer-focused behaviour. RBV suggests that linking a firm with its suppliers and customers provides on-going opportunities to acquire knowledge and improve a firm's internal functionality. According to Rungtusanatham et al. (2003), international responsiveness is the firm's emphasis on short lead times, ability to deliver at agreed times, and the availability of extended service hours to customers. According to Vickery, Calantone, and Droge (1999), short lead times that relate to delivery speed have been identified as market capabilities and offer a competitive advantage in a global environment. According to Khavul et al. (2012), it is the ability to deliver faster than your competitors that is key in bringing new products to the market. Delivery at the agreed time involves making interrelated decisions regarding operations and pricing (So and Song, 1998). Short lead times, ability to deliver at agreed times, and availability of extended service are all time-based indicators on which a firm tries to satisfy its customers.

### **2.3.3 Training and Development Programs for Effective Middle Managers and Strong Local Leadership**

The role of Human Resource Development (HRD) in promoting human capital and core competencies is advocated as an investment for competitive advantage (Garavan, Gunnigle, and Collins, 2001). Skills and knowledge can be acquired by individuals and then shared to improve the organisation itself. BCG(2013), in its study with a large conglomerate in China found out that to meet its five-year growth plan, the company

discovered it would need to recruit, train and develop 2,000 middle level managers- the equivalent of one- third of its entire local workforce.

Managers are among the organisation's most valuable talents (Sheehan, 2011). This is reflected in their role in directing and influencing strategy, controlling resources, monitoring performance and through their increased responsibility for delivering HR and the associated importance of their leadership behaviour (Purcell and Hutchinson, 2007). While there is a general recognition that talent management and within this framework, management development is important for corporate and national competitive performance, little is known about if and how organisations may benefit from investment in management development (Mabey and Ramirez, 2005). This is perhaps surprising given the sizeable proportion of HR budgets targeted at training and developing managers within organisations (Garavan, Shanahan, and Carbery, 2008). By focusing on a key talent group – line managers – and examining the extent to which these managers are developed and whether this development is associated with perceived subsidiary performance, this paper helps to fill this gap. It is indeed surprising that line managers and their development have not been given more emphasis in previous analysis of talent management given the central role that they are widely recognised to have within organisations and especially in mediating the HR-performance relationship (Purcell and Hutchinson, 2007; Sanders and Frenkel, 2011).

Previous research on management development has primarily focused on how factors such as country of ownership, corporate strategy, firm location, size, industry, and sales turnover influence the extent of formalised management development within organisations (Akuratiyagamage, 2006; Heraty and Morley, 2003; McDonnell, 2008; Ruth, 2007). Scholars suggest that it is important to examine how these factors influence the effectiveness of management development within different geographical boundaries since only a limited number of studies have examined whether there is a link between management development and organisational performance especially in a multi-national (Mabey and Gooderham, 2005; Mabey and Ramirez, 2005).

### **2.3.4 Accelerated Career Paths for Potential Raising Stars**

According to BCG (2013), some multinationals have actively created programs and plans to develop and nurture talent in emerging markets. BCG (2013), gives an example of Maersk who explicitly strives to hire and train local talent in emerging markets and expose them to other countries throughout their careers. According to BCG (2013), Maersk is increasing their recruitment activities for top talent in the developing world and trying to diversify the skills and cultural background in the group (BCG, *Playing to Win in Emerging Markets*, 2013). For a multinational in an emerging market to grow and be competitive, it needs to tap into the best talent available and ensure that there are programs to nurture the same talent like accelerated career path which leads not only to better remuneration package but also better positions in the company (O'Connor, Corbett, and Pierantozzi, 2009).

According to Pruis (2011), there are five talent development principles to follow in talent development. A crystal clear talent policy requires careful deliberation on the scope of talent development. Research shows that clearly targeted talent development approaches (on high potentials or out-performers) work best for the short term (2-5 years). Talent development approaches that regard the entire organisation as the existing talent pool reap the highest business benefits in the longer run (Berger and Berger, 2010). The strongest talent development programs are the result of a coherent organisational talent management effort; from strategic resource planning, to recruitment and assessment, pipelining, career planning, career development, engagement, mentoring and coaching and learning and development (Rothwell, 2010).

Ruijters (2006), a Dutch professor on learning and development, has found through her research that talents, especially future leaders, have two preferred modes of learning which are observing role models and learning by discovering and doing. Through observation, talents learn what works best and how to build their own best practices. The research further finds that future leaders are not afraid to make mistakes and are driven by results and challenges (Ruijters, *Liefde voor leren: over diversiteit van leren en ontwikkelen in en van organisaties*, 2006). According to Jones (2008), mentoring in coaching, intervention and

supervision are all examples of interventions that bring peers into contact with each other to exchange their work experiences.

## **2.4 Impact of Opportunities and Targets Available in the Market on Competitiveness**

McGrath and Gilmore (1995) asks some fundamental questions around how certain companies like Microsoft grow from \$125 million to \$3.7 billion in less than ten years. Why IBM and Apple have been tremendously successful with some products, and failed with others and how Compaq became the most successful personal computer company in 1994? According to English and Moate (2009), as technology companies attempt to develop a successful strategy, they are faced by unique challenges stemming from the complications of products and markets which are technology driven. There are four major challenges which these companies must muster; constantly building new markets, managing short and rapidly-changing product and market life cycles, harnessing emerging technology and adapting to collapsing markets (Moore, 2009).

McGrath and Gilmore (1995), states that managing short and rapidly-changing product and market life cycles is critical. Individually, short product life cycles are difficult for companies to manage, but of greater complexity is the speed with which the entire market can grow and decline. Driven by new technologies pushing the market in a different direction, a high technology market can go from the development to the growth stage in two years and then into maturity less than two years later. Throughout this rapid progression, prices drop and differentiation advantages change (Hill and Harvey, 2009).

According to Christensen (1997), technology companies should harness emerging technology. High technology products are feasible because of new technology and achieve competitive advantage from emerging technologies. Typically, these technologies are complex and change rapidly making them difficult for companies to evaluate and manage. Additionally, they are always under threat from alternative approaches generated from competing technologies. Selection and pursuit of the winning technologies are fundamental decisions for technology- based companies (McGrath and Gilmore, 1995). The studies that have been done under market opportunities and targets have focused on

the following areas; priorities by market and customer segment, specific targets and required resource levels and significant opportunities in local market (Kotler , 2000).

#### **2.4.1 Defining Priorities by Market and Customer Segment**

According to Meredith, Schewe, and Karlovich (2002), there is an escalation in complexities in many markets. Defining, analysing markets and competitive space is a key strategic marketing responsibility. In more than a few situations, oversimplified views of markets have led to errors in business and marketing strategies (Cravens, 2006). According to Harker (2009), markets are increasingly complex, turbulent, and interrelated, creating challenges to managers in understanding market structure and identifying opportunities for growth.

Lodato (2006), argues that segmenting consumer markets is generally much simpler and easier than segmenting industrial markets because industrial products such as forklifts and trucks have multiple applications and appeal to diverse customer groups.

Some of the commonly used methods of customer segmentation are; demographic-age, sex, family size, family lifecycle, income, occupation, education, and region; geographic-political boundaries, climatic regions, regional boundaries and density. Psychographic-activities, interests, opinions, self-orientation, attitudes, social class, lifestyle, personality, politics and perceptions; Behavioural: use occasion, user status, usage rate, and attitude towards product, loyalty status, readiness, time to purchase and media habits. Benefits-health benefits, safety benefits, social benefits and intellectual benefits.

According to Weinstein (2004), the following is a checklist of issues that can be addressed in describing a market segment; number of prospects and their distribution, growth rate, number that can be expected to make purchases in a given time period, who they are, where they are among others. Once market segments are defined, analysing market segment follows and looks at the following situations; is the market segment Overcrowded? – is existing competition competent and entrenched? Market segments where there is little hope for differentiation and no way to build barriers to entry by

competitors, unmet needs. Market segments that is already large and growing rapidly (Wedel and Kamakura, 2000).

#### **2.4.2 Define Specific Targets and Required Resource Levels**

According to McDonald and Dunbar (2004), target markets are those markets in which the business will focus its marketing, sales, and product development efforts. The idea is to compete where the business has some leverage. All the remaining components of the product marketing strategy – product, pricing, promotion, positioning, and distribution – are specified based upon the target markets chosen. Lodato (2006), identified the following methodology for identifying target markets; Identify market segments, describe and analyse segments, select candidate target markets and choose target markets.

According to Barney and Clark (2007), most organisations today operate in turbulent environments. The ever-changing external pressures emanating from the economic, technological, demographic, social and political factors impact on the internal systems of operations and control. This makes it increasingly necessary for managers to be ever aware of how they need to adjust their resources and capabilities to maintain present and future strategic “fit” (Taylor, A feedforward and feedback framework for analysing an organisation’s resources, capabilities and development needs, 1998). The resource based view (RBV) supports that organisations exist through the efforts and capabilities of the workforce. It considers that the driving force is from within the organisation and that its internal capabilities must be developed as a source of superior performance (Madhani , Resource Based View (RBV): Concepts and Practices, 2009). Strategy formulation therefore, is not merely a balancing act with the external pressures as advocated by (Porter, 1985).

According to the RBV, the organisation itself is dynamic, comprising of its resources and capabilities that can be built on. Based on this argument therefore, strategies that are based on merely meeting the pressures of the external environments, without assessing if their internal resources are capable of meeting the strategic objectives are less likely to be successful (Taylor, 1998). These two polarised views provide a debate as to whether an

RBV strategy is a complementary or a substitute approach to a market positioning strategy (Taylor, 1998). Hamel and Prahalad (1991) then introduced the idea of resource stretching and leveraging to get the most of the resources an organisation already has and advice for consideration of the relatedness of resources rather than merely stretching them. Mitchell and Coles (2003), stressed that the most acceptable view should be the corporate conglomerate view where synergy is achieved between visible and invisible assets while Whittington (1993) in “What is strategy?” favours a supported approach through learning and incremental adaptation, craft or technical knowhow and “entrepreneurialship”.

Various authors agree that managers are forced to make “discretionary managerial decisions on strategy crafting”, based on the pressures of the turbulent environments both inside and outside the organisation. These pressures make it necessary for them to identify a set of internal “strategic assets” available through their resources and capabilities mix to meet the external demands (Schoemaker and Amit, 1993; Grant, 1991 Argenti, 1980 Taylor, 1998).

### **2.4.3 Identify the Most Significant Opportunities in Local Market**

Organizations continuously learn about their markets through the linked processes of market sensing and sense making. Firms that have mastered these two process processes gain an advantage by anticipating market opportunities ahead of rivals and more accurately forecast how the market will respond to their moves (Kim and Mauborgne, 2006).

According to Day (2002), market-driven firms stand out in their ability to continuously sense and act on events and trend in their markets. They are better equipped to anticipate how their markets will respond to actions designed to retain or attract customers, improve channel relations or thwart competitors. Day (2002) recommends market sensing as a learning process. Market sensing depends on open- minded inquiry rather than looking for information to confirm pre-existing beliefs about the market. The information is then disseminated so as to absorb the insights into the collective mental models of how the market behaves. The mental models help make sense of information, ensuring that everyone pays attention to the essence and potential of the information.

The process of learning about markets may be triggered by an impending decision, an emerging problem, or a belief that effective innovation requires deep insights into latent customer needs. This spark begins the active collection and distribution of information about the needs, expectations and requirements of customers, how the market is segmented, how relationships are sustained and the intentions and capabilities of competitors (Day, 2002). According Perks, Hogan, and Shukla (2013), multinationals are increasingly pursuing opportunities in emerging markets in which the growth of consumer demand is being driven by industrial development and the emergence of significant numbers of new middle class consumers. This is being fuelled by the increasing saturation in many developed markets and the effects of their economic woes and faltering growth (Jargon, 2010). One of the other models that the researcher will use to analyse the opportunities available and which has been discussed earlier is SWOT analysis (Ahmed, Zairi, and Almarri, 2006).

Most of the research done on the opportunities available in local markets by multinationals has focused on the larger emerging markets of China, Brazil, South Africa and India. Not much research has been done in Sub Saharan Africa and East Africa and large (Nwankwo, 2000).

## **2.5 Chapter Summary**

This Chapter presented a summary of literature and studies in relation to aspects of localization strategies in multinationals and how they affect competitiveness in East Africa with specific focus on SAP. The chapter reviewed literature on the impact of understanding the local market on competitiveness, the impact of organization structure and people on competitiveness and the impact of opportunities and targets available in the market on Competitiveness . Chapter three looks at the research methodology that was used to collect and analyse data.

## **CHAPTER 3**

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter is about research methodology. The chapter covered the following areas: research design methodology of this study, population and sampling design, data collection methods, research procedures and an explanation of the statistical data analysis methods. At the end a summary was provided.

#### **3.2 Research Design**

Descriptive research methodology was used for this study. Descriptive design is the discipline of quantitatively describing the main features of a collection of information; it is used to present quantitative descriptions in a manageable form (Saunders, Lewis, and Thornbill, 2003). Descriptive research is the most appropriate as it helped the researcher identify what localization factors affect competitiveness, who should the target market for SAP, where can the researcher obtain the required information from the respondents, why is the researcher obtaining the information and when should the researcher obtain the information. The study used cross sectional analysis and specifically a survey. The term “survey” is commonly applied to a research methodology designed to collect data from a specific population, or a sample from that population, and typically utilizes a questionnaire or an interview as the survey instrument (Cooper and Schindler, 2000). The dependant variable was competitiveness while the independent variable was localization strategies.

#### **3.3 Population and Sampling Design**

##### **3.3.1 Population**

A population is the total collection of elements about which we wish to make some inferences (Cooper and Schindler, 2000). The population in this study consisted of all the employees of SAP East Africa. According to Human Resources Department of SAP, there were 28 employees at SAP East Africa at all levels in the organizational structure.

**Table 3.1: Population Distribution**

<b>Category</b>	<b>Population No.</b>	<b>Population %</b>
Managers	5	18%
Administration	3	11%
Sales	15	54%
Pre –Sales	4	14%
Marketing	1	4%
Total	28	100%

Source: (Queen, 2013)

### **3.3.2 Sampling Design**

#### **3.3.2.1 Sampling Frame**

A sampling frame is the list of elements from which the sample is actually drawn and is closely related to the population (Cooper and Schindler, 2000). The sampling frame was the list of all permanent and contract employees at SAP East Africa as provided by the Human Resources Department (Queen, 2013) .

#### **3.3.2.2 Sampling Technique**

Sampling Technique provide a range of methods that enable a researcher to reduce the amount of data a researcher needs to collect by considering only data from a sub-group rather than all possible cases or elements (Saunders, Lewis, and Thornbill, 2003). Since the population was small, all the elements in the population were surveyed thus constituting a census (Cooper and Schindler, 2000).

#### **3.3.2.3 Sample Size**

A sample size is the number in a trial or a sample denoted by (n) (Saunders, *et all*,). The sample size consisted of 28 employees of SAP East Africa (Queen, 2013). This represented all the employee population within the organization.

**Table 3.2: Sample Size Distribution**

<b>Category</b>	<b>Population No.</b>	<b>Population %</b>
Managers	5	18%
Administration	3	11%
Sales	15	54%
Pre –Sales	4	14%
Marketing	1	4%
Total	28	100%

### **3.4 Data Collection Methods**

The primary data for this study was collected using a structured questionnaire that was developed by the researcher. A questionnaire approach was chosen as it is quicker and inexpensive to administer. The questionnaire sort to establish localization strategies affecting competitiveness of multinationals in East Africa with specific reference to SAP.

The values from a 5-point interval scale rating as well as open ended questions was used in the data collection to enable the researcher to measure the level of importance attached to each factor. The questionnaire was in both closed and open ended format that used the likert dichotomous scale in order to maintain the respondent’s interest and reduce the time each respondent would spend responding to the questionnaire. This format is easy and quick to fill and minimizes discrimination against the less literate in self-administered questionnaire, is easy to code, record and analyse results and report the results. The values from the ratings were used in the data collection to enable the researcher measure the level of importance attached to each of the factor.

The research questions were based on the research questions and the rules that applied were to begin with the general information questions then a variation of the dichotomous, likert scale and open ended questions which were relevant to the subject under study.

### **3.5 Research Procedures**

The researcher identified one respondent from SAP East Africa to pilot test the research questionnaire to refine it and ensure that the respondents do not face problems while answering the questionnaire. The pilot test also detected any weaknesses in design and instrumentation. Two respondents were selected to pilot test, one from management and one from the other staff that does not constitute management. The two did not participate in the final survey. This ensured that the company participants are representative of the various levels within the hierarchy of SAP East Africa. The supervisors of this research project also pre-tested the questionnaire.

The questionnaires were physically distributed to the respondents and explanation given to each respondent in order to explain the purpose of the study to the respondents. The instrument was collected by the researcher from the respondents as only physical hard copies. The questionnaire was briefly explained to the respondents by the researcher and the instructions on how to complete it explained. All respondents were thanked at the end of the questionnaire. The questionnaires had a one week timeline after which they were collected back. The study was done from January, 2014 and a completed report submitted by April 2014. To ensure a high response rate, the questionnaires were administered early in the morning when the respondents were still fresh and in the board room with the researcher also present to make any required clarifications.

### **3.6 Data Analysis Method**

Once data was collected it was edited, coded, transcribed and cleaned. This involved correcting, condensing, or modifying any errors, assigning a code for easy classification and identification.

Statistical Product and Service Solutions (SPSS) was used to analyse data. Descriptive data analysis was used. In the study, all measures of central tendency and measures of dispersion were used. The analysis began by looking at individual variables. The research questions guided the selection of the key aspects to be considered and included values and proportions. Depending on the type of question, ordinal, nominal or measurement type was used for analysis. Both univariate and bivariate analysis was done to explore relationships among different variables. Descriptive statistics was used where qualitative data was

collected and summarized in a frequency distribution tables. Data was then presented by way of tables and figures.

### **3.7 Chapter Summary**

This chapter outlined the research methodologies that were employed to carry out the study. It has discussed research design, population and sampling design that was used. It has also discussed the data collection, research procedure and data analysis methods that was used in this study. Chapter four gives the results and findings of the study according to the research questions. Statistical Package for the Social Sciences research software was employed for data analysis

## CHAPTER 4

### 4.0 RESULTS AND FINDINGS

#### 4.1 Introduction

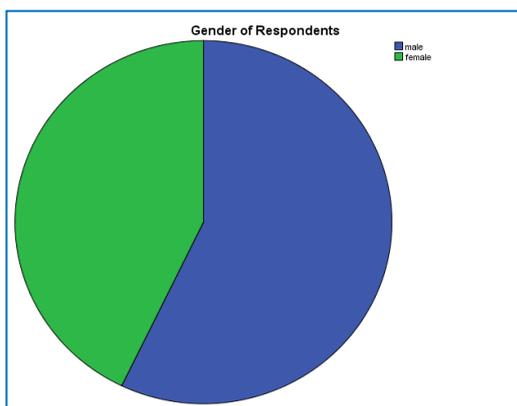
The main focus of this chapter was to critically analyse, interpret and present the results of the study. The chapter considers the findings from the questionnaires collected from a census of employees at System Applications Products (SAP). The results of this chapter were subdivided into three broad areas as per the research questions. Those were; understanding of the local market, Structure of the local organization and opportunities and targets available in the market. In analysing data, descriptive statistics such as frequency and percentages were used. Results were generated using Statistical Package for Social Sciences (SPSS) and presented in tables and graphs.

#### 4.2 General Information

The respondents sampled from SAP and who successfully filled in the self-administered questionnaire and returned it were 28 representing 100 percent of the sample size which was a census.

##### 4.2.1 Gender Distribution

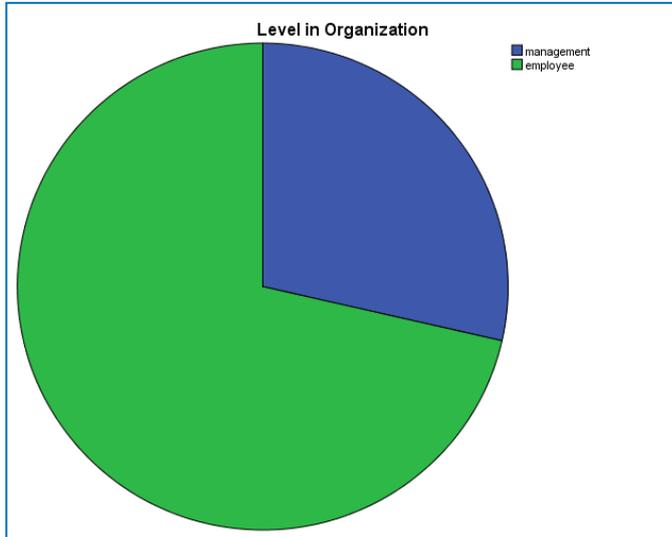
An analysis of the samples size of 28 showed that males represented 57% and females represented 43% of the sample size. Figure 4.1 below shows that male represents a higher percentage but females are also well represented.



**Figure 4.1: Gender Distribution**

### 4.2.2 Level in Organization

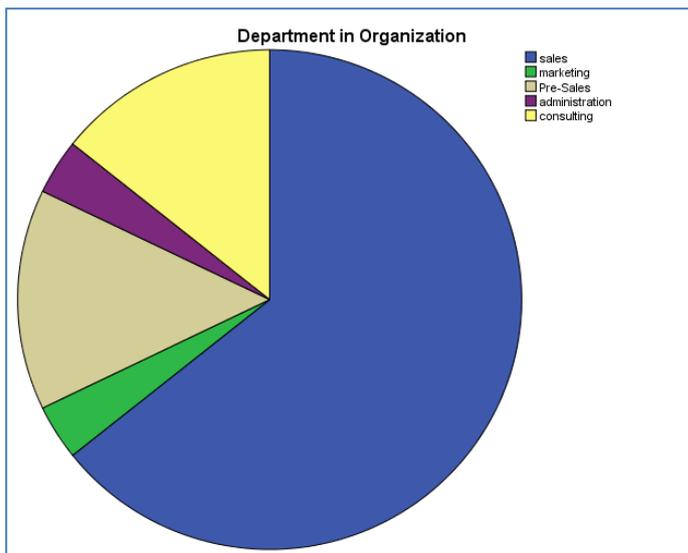
The highest number of respondents comprised of employees (71%) while the rest were management (29%). This is represented in the Figure 4.2 below.



**Figure 4.2: Levels in Organization**

### 4.2.3 Department in Organization

Among the respondents sampled, sales staff accounted for the highest percentage (64%) while marketing and administration each accounted for the least number of respondents (3.6%). This is represented in the Figure 4.3 below.



**Figure 4.3: Departments in Organization**

#### 4.2.4 Age

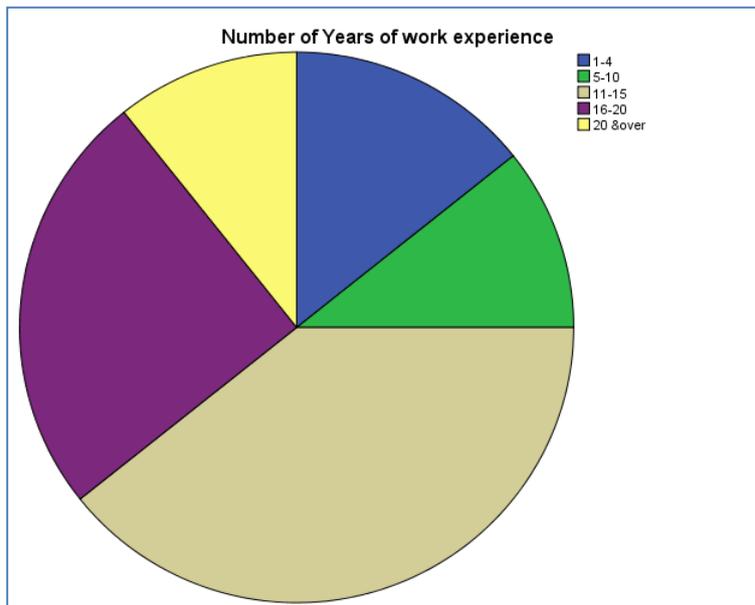
Ninety six percent of the respondents were below 50 with those between 31- 40 and 41- 50 years of age accounted for 36% and 32% respectively. Only 1 respondent was above 50 years of age as shown in Table 4.1.

**Table 4.1: Age of Respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	8	28.6	28.6	28.6
	31-40	10	35.7	35.7	64.3
	41-50	9	32.1	32.1	96.4
	51-& over	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

#### 4.2.5 Number of Years Work Experience

Eleven respondents (39% of the total respondents sampled) had between 11-15 years of work experience while respondents with 5- 10 and 20 and over years of experience comprised the least number of respondents and accounted for 11% each. This is represented in Figure 4.4 below.



**Figure 4.4: Number of Years Work Experience**

#### 4.2.6 Number of Years with SAP

From table 4.2 most of the respondents (13) had been with SAP for less than a year and accounted for 46% of the respondents while those who had been with the company for over 2 - 4 years accounted for 25% of the respondents.

**Table 4.2: Number of Years with SAP**

Description	Frequency	Percent
Less than One Year	13	46.4
Between Two and 4 Years	7	25
Between Five and 7 Years	3	10.7
Eight Years and Over	2	7.1
Total	27	96.4
Missing Value	1	
Total	28	100

### 4.3 Impact of Understanding the Local Market on Competitiveness

#### 4.3.1 Strengths and Weakness Relative to both Multinational and Local Competition

Eighty two percent of the respondents believe that SAP has a strong ERP solution and is a strong brand compared to its local competitors. This is seen by the strong means of 3.8 and 3.4 for a strong ERP and brand respectively. Fifty percentage of the respondents think that SAP is not competitively priced compared to its competitors. This is shown by the low mean and high standard deviation as shown in the table. Sixty four percent of the respondents disagree that SAP has sufficient consultants with its network and coverage in East Africa and extensive marketing capabilities. This is supported by the average mean of 2.4 and 2.3 for both variables shown in the table 4.3. The high variance indicates that the respondent's observations were very spread out from the mean and from each other.

**Table 4.3: Strength and Weakness of SAP**

Variable	N	Mean	Std. Deviation	Variance
SAP has a strong ERP solution compared to its competitors	28	3.8214	0.39002	0.152
SAP has a strong brand compared to its local competitors	28	3.4286	0.7418	0.55
SAP solutions are competitively priced compared to local competitors	28	2.6429	0.82616	0.683
SAP has sufficient consultants within its network to better support customers compared to local competition	28	2.4286	0.92009	0.847
SAP has sufficient coverage in East Africa and extensive marketing capabilities compared to local competition	28	2.3571	0.86984	0.757
Valid N (listwise)	28			

#### 4.3.2 Leading Products and Services in Key Markets and how they Appeal Locally

From table 4.4 most of the respondents (85%) strongly agree SAP products and services are competitive and believe SAP's products and services are of better than its competitors. A high percentage (93%) of the respondents believes that SAP's development of new products and services is better than that of its competitors. The strong mean (3.7) and low standard deviation (0.6) support the respondents view as well as the low variance of (0.36)

A mean of 3.3 and 3.2 shows that the respondents believe that SAP product and services are in tune with the requirements of customers and SAP product and services are mature for local market compared to competitors respectively. The low variance of 0.4 and 0.47 further indicates the believe the respondents have in SAP products and services and how they relate customer requirements

**Table 4.4: SAP Products and Services**

Variable	N	Mean	Std. Deviation	Variance
I strongly believe in SAP Products and Services compared to local competing products	28	3.8571	0.35635	0.127
SAP's development of new products and services is better than that of its competitors in the local market	28	3.7143	0.59982	0.36
SAP's quality of products and services is better than that of its competitors in the local market	28	3.75	0.44096	0.194
SAP product and services are in tune with the requirements of customers in the local market	28	3.3214	0.66964	0.448
SAP product and services are mature for local market compared to competitors	28	3.2143	0.68622	0.471
Valid N (listwise)	28			

### 4.3.3 Macro and Micro Level Market Research

Table 4.5 shows a low mean and high standard deviation which indicates that at 61% and 85% of the respondents disagree that the VAT act and the ICC cases will affect SAP negatively respectively. Sixty four percent of the respondents believe that government regulations in East Africa have positive effects on SAP. Sixty four percent of the respondents are of the opinion that local competitors have a better understanding of the market and hence have a more competitive advantage than SAP as shown by the mean of 2.3 the responses received and the slightly high standard deviation. SAP faces greater market threats from new entrants as shown by the 2.2 mean from the respondents which represent at least 61% (17) of the respondents.

**Table 4.5: Macro and Micro Factors Affecting SAP**

Variable	N	Mean	Std. Deviation	Variance
The VAT act will effect SAP negatively compared to its local competitors	27	2.0741	0.8738	0.764
The current ICC cases will effect SAP negatively compared to its local competitors	27	1.5926	0.69389	0.481
Government regulations in East Africa effects SAP positively compared to local competitors	25	2.16	0.85049	0.723
SAP local competitors have a better understanding of the market and hence have a competitive advantage	28	2.3929	0.78595	0.618
SAP faces greater market threats from new entrants e.g. Epicor compared to its competitors	27	2.2593	0.76423	0.584
Valid N (listwise)	25			

#### 4.3.4 Formal and Informal Distribution and Marketing Channels

Slightly more than half of the respondents (57%) of respondents believe that SAP partners are not mature and do not have a good coverage of the East Africa market. Sixty eight percent of the respondents (19) agree that the SAP partners provide satisfactory services to customers compared to its competitors as shown by the above average mean of 2.8. Nineteen percent of respondents, accounting for 68% of respondents sampled are of the opinion that SAP partners do not have enough expertise and consultant to cover the market. Slightly more than half (55%) of the respondents believe that the SAP has an extensive informal partner model. Table 4.6 shows the results of mean where most respondents agreed with the statement hence the mean of 2.7. However, the high standard

deviation of 0.86 shows that the individual views of the respondent's varied significantly which is also reflected in a high variance of 0.75.

**Table 4.6: Distribution and Marketing Channels**

<b>Variable</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Variance</b>
SAP has mature partners compared to its local competitors	27	2.7037	0.8689	0.755
SAP partners have good coverage in the entire East Africa Market compared to local competitors	28	2.4286	0.99735	0.995
SAP partners are able to provide satisfactory service to the customers compared to local competitors	28	2.8214	0.94491	0.893
SAP partners have enough expertise and consultants to cover the market compared to competitors	28	2.25	0.70053	0.491
SAP has an extensive informal partner model via Extended Business Model compared to its competitors	27	2.7778	0.89156	0.795
Valid N (listwise)	26			

#### 4.4 Impact of Organization Structure and People on Competitiveness

##### 4.4.1 Workforce Needs Required to Reach Growth Targets

A large number of the respondents (21) agreed that SAP workforce needs are linked to its strategy and cross training is available to staff. This opinion is supported by the high means of 3.1 and 3.0 for the strategy and cross training respectively. The high standard deviations of 0.8 indicates that the respondents had very different views on how training is linked strategy .Workforce planning is important as can be seen by the results on table 4.7 where more than 70% of the respondents agreed that staff is well distributed, replacements are done quickly and future demand and supply is estimated and taken into account. This is shown by the means of these variables that range between 2.7 and 2.8 showing that most respondents had positive opinions.

**Table 4.7: Respondents Organizational Needs**

Variable	N	Mean	Std. Deviation	Variance
SAP workforce needs are linked to its strategy and growth plans compared to its local competitors	27	3.1481	0.81824	0.67
SAP staffing is distributed evenly based on the departments in the company	28	2.7143	0.85449	0.73
Replacements arising from turnover are done efficiently and quickly	27	2.8519	0.7181	0.516
Future demand and supply is estimated and taken into account	27	2.8889	0.75107	0.564
Cross Training, transfers are possible for employees who request for them	27	3.037	0.80773	0.652
Valid N (listwise)	27			

#### 4.4.2 Assess the Strength of the Local Emerging Market Organization

Eighty five percent of the respondents agreed (mean of 3.2) that growth plans and strategy is well communication while 60% agreed that reorganisation at the beginning of the financial year affects their effectiveness and delivery of to the customers. More than half (85%) of the respondents agreed that information to allow them to carry out their responsibilities is locally available and the processes and procedures in place allow them effectively meet their customers' needs. Eighty one percent of the respondents agreed that that the organizational structure provides clear accountabilities and moves towards changed processes to improve productivity. The mean of 3 shown on table 4.8 supports this opinion as it shows the positive response of more than half the respondents.

**Table 4.8: Strengths of Local Emerging Market Organization**

Variable	N	Mean	Std. Deviation	Variance
I can get the information I need to do my job locally	28	3.0714	0.60422	0.365
Processes and procedures allow me to effectively meet my customers' needs	28	2.9286	0.7164	0.513
Reorganizations at the start of the financial year do affect my effectiveness and delivery to the customers	26	3.1154	0.76561	0.586
I am effectively communicated to on the growth plans and strategic direction of SAP East Africa	28	3.2857	0.89679	0.804
SAP's Organizational structure provides clear accountabilities and always moves towards changed processes to improve productivity	28	3.0357	0.63725	0.406
Valid N (listwise)	26			

#### 4.4.3 Training and Development Programs for Effective Middle Managers and Strong Local Leadership

From table 4.9 it can be observed that a large number of respondents (approximately 80%) agree that SAP offers and supports training and development programs for staff. This is shown by the average means ranging from 3.1 – 3.4 as shown on the table 4.9 which presents the mean from the variables.

**Table 4.9: Respondents Training and Development Programs**

Variable	N	Mean	Std. Deviation	Variance
In the last 12 months, I was able to take advantage of opportunities to enhance my skills and competencies	27	3.1111	0.57735	0.333
My direct manager facilitates my development	27	3.1852	0.83376	0.695
SAP offers learning and development opportunities to me that match my career goals	28	3.3214	0.66964	0.448
SAP strongly supports the learning and development of its employees	27	3.4444	0.64051	0.41
Senior leadership provides mentorship to other employees as a form of learning	28	3.1429	0.80343	0.646
Valid N (listwise)	25			

#### 4.4.4 Accelerated Career Paths for Potential Raising Stars

Table 4.10 shows that a large number of respondents (89%) agree that SAP offers excellent career opportunities for strong performers as can be seen by mean of 3.4 which shows that big number of respondent support the statement. A great number (93%) of the respondent agree that SAP is promoting the people who are best equipped to meet the future demands of its business and that their career prospects look good. This can be seen

by a mean on 3.3 for both variables. Eighty five percent of the respondents believe that SAP manages performance well and that they receive appropriate recognition for their contributions. The mean of 3.1 support both statements.

**Table 4.10: Respondents Career Growth**

Variable	N	Mean	Std. Deviation	Variance
SAP offers excellent career opportunities to employees who are strong performers	28	3.4643	0.69293	0.48
The way SAP manages performance enables me to contribute as much as possible to our organizations success	28	3.1786	0.66964	0.448
I receive appropriate recognition (beyond my pay and benefits) for my contributions and accomplishments	27	3.1852	0.78628	0.618
my future career opportunities here look good	28	3.3571	0.73102	0.534
SAP is promoting the people who are best equipped to meet the future demands of its business	28	3.3571	0.67847	0.46
Valid N (listwise)	27			

#### **4.5 Impact of Opportunities and Targets Available in the Market on Competitiveness**

##### **4.5.1 Defining Priorities by Market and Customer Segment**

While a large number of respondents (27) agree that SAP customer segmentation is aligned with the demand of the market and a big number (92%) of the respondents also agree that there are gaps in the market that SAP can capture better. The statements are supported by the mean of 3.4 and 3.2 observed on table 4.11. About 64% of the respondents agreed that SAP customer segmentation is effective to enable the company to serve the customer and with a mean of 2.9 and a standard deviation of 0.75, 78% of respondents disagree that the customer segmentation is better than its competitors.

**Table 4.11: Customer Segmentation**

Variable	N	Mean	Std. Deviation	Variance
There are gaps in the market for products that SAP can capture better than competitors	28	3.2857	0.59982	0.36
SAP customer segmentation is based on industries and is aligned with the demand of the market	28	3.4286	0.57275	0.328
Customer segmentations is based the turnover of customers and is effective	27	2.7407	0.71213	0.507
SAP market and customer segmentation is better compared to the local competition	27	2.8889	0.75107	0.564
Valid N (listwise)	26			

#### 4.5.2 Define Specific Targets and Required Resource Levels

The results from table 4.12 show that a large number (26) of respondents agreed that SAP has the required financial resources compared to its local competitors. This is shown by the mean of 3.4 which indicates that most respondent either agreed (by ticking 3 from the choices) or strongly agreed (by ticking 4). More than half (at least 68%) of the respondents agreed that SAP has the required human, physical and organizational resources to effectively serve the market. This is average mean of 2.8 for the resource availability variables as shown on table 4.12. Thirty two percent of the respondents (11 in number) disagree that the company has sufficient resources to serve its target market. From the mean of 2.9 and a low variance of 0.4 indicate that a great number of respondents agree that SAP has clearly identified targets.

**Table 4.12: Organizational Resources and Targets**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Variance</b>
SAP has the required financial resources to target the market compared to its local competitors	28	3.4286	0.63413	0.402
SAP has the required Human resources to effectively target the market compare to its competitors	28	2.8929	0.91649	0.84
SAP has the required Physical and organizational resources to effectively target the market	28	2.8571	0.89087	0.794
SAP has clearly identified specific targets compared to the local competitors	28	2.9286	0.66269	0.439
Valid N (listwise)	28			

### 4.5.3 Identify the Most Significant Opportunities in Local Market

The high means shown on table 4.13 indicate that a large number of respondents (89%) agree that SAP offering including MCAAS are competitive compared to competition. Many of the respondents (82%) also agree that there are opportunities in county governments and that the industry vertical approach adopted by the company presents an opportunity.

71% of the respondents agree that an increase in committed specialized partners offers a significant competitive advantage to SAP as shown by the mean on table 4.13 which indicates that the respondent agree with this statement.

**Table 4.13: Opportunities**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Variance</b>
SAP cloud offerings will offer competitive advantage compared to local competition	27	3.2593	0.85901	0.738
SAP MCAAS will offer competitive advantage compared to local competition	27	3.4444	0.64051	0.41
The county governments presents opportunities that SAP can tap better compared to competitors	28	3.5357	0.63725	0.406
The industry verticals approach adopted by SAP presents significant opportunities to SAP compared to local competitors e.g. manufacturing, ENR	28	3.4643	0.63725	0.406
An increase in committed specialized partners offers a significant competitive advantage to SAP compared to local competitors	28	3.6786	0.54796	0.3
<b>Valid N (listwise)</b>	<b>26</b>			

#### 4.6 Impact of Understanding the Local Market on Competitiveness

There is a significant relationship between respondent's levels of importance of SAP partners having good coverage in the entire East Africa Market and SAP having sufficient coverage in East Africa because the Sig. 2- tailed level is .000 shown on table 4.13. The relation between the two variables is a positive 71.4% which means that as one variable goes up or down so will the other one. This shows that respondents believe that in order to understand the market and remain competitive it is important to have sufficient coverage of the market.

**Table 4.14: Correlation on Understanding the Local Market**

		Level in Organization	Number of Years with SAP	SAP product and services are in tune with the requirements of customers in the local market	SAP local competitors have a better understanding of the market and hence have a competitive advantage	SAP partners have good coverage in the entire East Africa Market compared to local competitors	SAP has sufficient coverage in East Africa and extensive marketing capabilities compared to local competition
Level in Organization	Pearson Correlation	1	-.291	.189	-.088	.196	-.013
	Sig. (2-tailed)		.141	.336	.657	.317	.947
	N	28	27	28	28	28	28
Number of Years with SAP	Pearson Correlation	-.291	1	-.126	.009	.007	-.008
	Sig. (2-tailed)	.141		.531	.965	.972	.968
	N	27	27	27	27	27	27
SAP product and services are in tune with the requirements of customers in the local market	Pearson Correlation	.189	-.126	1	.033	.174	.050
	Sig. (2-tailed)	.336	.531		.869	.375	.801
	N	28	27	28	28	28	28
SAP local competitors have a better understanding of the market and hence have a competitive advantage	Pearson Correlation	-.088	.009	.033	1	-.034	-.104
	Sig. (2-tailed)	.657	.965	.869		.865	.597
	N	28	27	28	28	28	28
SAP partners have good coverage in the entire East Africa Market compared to local competitors	Pearson Correlation	.196	.007	.174	-.034	1	.714**
	Sig. (2-tailed)	.317	.972	.375	.865		.000
	N	28	27	28	28	28	28
SAP has sufficient coverage in East Africa and extensive marketing capabilities compared to local competition	Pearson Correlation	-.013	-.008	.050	-.104	.714**	1
	Sig. (2-tailed)	.947	.968	.801	.597	.000	
	N	28	27	28	28	28	28

\*\* Correlation is significant at the 0.01 level (2-tailed).

#### 4.7 Impact of Organization Structure and People on Competitiveness

There is a significant relationship between linking workforce needs to strategy and having processes and procedures that allow the employees to effectively meet the customer need. This is shown by low the Sig. 2 - tailed level is .003 which is below the significant level of 0.01. There is also a significant relationship between linking workforce needs to strategy and a clear organizational structure that improves productivity as shown by the low Sig. 2 - tailed level is .006 on the table 4.15.

There is also a significant relationship between company processes and procedures used by employees to meet customer needs and SAP clear organizational structure and career opportunities for employees. This is shown by low is the Sig. 2- tailed level is .03 and 0.18. This also shows that the relation between these variable is a positive 41% and 44% for clear organizational structure and career opportunities for employees

**Table 4.15: Correlation on Organization Structure and People**

		SAP workforce needs are linked to its strategy and growth plans compared to its local competitors	Processes and procedures allow me to effectively meet my customers' needs	SAP offers excellent career opportunities to employees who are strong performers	Reorganizations at the start of the financial year do affect my effectiveness and delivery to the customers	SAP's Organizational structure provides clear accountabilities and always moves towards changed processes to improve productivity
SAP workforce needs are linked to its strategy and growth plans compared to its local competitors	Pearson Correlation Sig. (2-tailed) N	1 27	.542** .003 27	.352 .072 27	.284 .159 26	.512** .006 27
Processes and procedures allow me to effectively meet my customers' needs	Pearson Correlation Sig. (2-tailed) N	.542** .003 27	1 28	.442* .018 28	0.000 1.000 26	.411* .030 28
SAP offers excellent career opportunities to employees who are strong performers	Pearson Correlation Sig. (2-tailed) N	.352 .072 27	.442* .018 28	1 28	-.094 .647 26	.129 .514 28
Reorganizations at the start of the financial year do affect my effectiveness and delivery to the customers	Pearson Correlation Sig. (2-tailed) N	.284 .159 26	0.000 1.000 26	-.094 .647 26	1 26	-.185 .367 26
SAP's Organizational structure provides clear accountabilities and always moves towards changed processes to improve productivity	Pearson Correlation Sig. (2-tailed) N	.512** .006 27	.411* .030 28	.129 .514 28	-.185 .367 26	1 28

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

#### 4.8 Impact of Opportunities and Targets Available in the Market on Competitiveness

The Sig. 2 - tailed level of .022 shows that there is a significant relationship between gaps in the market for SAP products and SAP MCAAS offering as shown on table 4.16. Clearly identified targets have a significant relationship with SAP MCAAS offering because the Sig. 2- tailed level of .001. This indicates that SAP has a strong MCAAS product offering and should competitively position itself to fill the market gaps.

**Table 4.16: Correlation on Opportunities and Targets Available in the Market**

		There are gaps in the market for products that SAP can capture better than competitors	SAP market and customer segmentation is better compared to the local competition	SAP MCAAS will offer competitive advantage compared to local competition	The county governments presents opportunities that SAP can tap better compared to competitors	SAP has clearly identified specific targets compared to the local competitors
There are gaps in the market for products that SAP can capture better than competitors	Pearson Correlation Sig. (2-tailed) N	1  28	-.093  .643 27	.439*  .022 27	.166  .398 28	.240  .219 28
SAP market and customer segmentation is better compared to the local competition	Pearson Correlation Sig. (2-tailed) N	-.093  .643 27	1  27	.107  .597 27	-.115  .568 27	.149  .458 27
SAP MCAAS will offer competitive advantage compared to local competition	Pearson Correlation Sig. (2-tailed) N	.439*  .022 27	.107  .597 27	1  27	.353  .071 27	.596**  .001 27
The county governments presents opportunities that SAP can tap better compared to competitors	Pearson Correlation Sig. (2-tailed) N	.166  .398 28	-.115  .568 27	.353  .071 27	1  28	-.081  .680 28
SAP has clearly identified specific targets compared to the local competitors	Pearson Correlation Sig. (2-tailed) N	.240  .219 28	.149  .458 27	.596**  .001 27	-.081  .680 28	1  28

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

#### **4.9 Chapter Summary**

This chapter has presented and explained the results and finding of the study based on the three research questions. The research questions are: The effect of understanding the local market on the competitiveness of SAP; The effects of the organizational structure and people on the competitiveness of SAP and how opportunities and targets available in the market can increase SAP competitiveness. Chapter five gives the summary, discussions, conclusions and recommendations of the study.

## CHAPTER 5

### 5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter discusses the summary, discussion, conclusions and recommendations of the study of the key localization strategies that can increase the competitiveness of SAP in East Africa.

#### 5.2 Summary

The purpose of this study was to determine the key localization strategies that can increase the competitiveness of Systems Applications Products in East Africa. The study endeavoured to answer the following research question: The effect of understanding the local market on the competitiveness of SAP, the effects of the organizational structure and people on competitiveness of SAP and how opportunities and targets available in the market can increase SAP competitiveness. The research targeted SAP employees based in Nairobi Kenya. The primary data was collected using a questionnaire. Once the data was collected, it was be edited, coded and analysed using Statistical Product and Service Solutions (SPSS). Descriptive data analysis was be used to describe the opinions and views of the employees. Analysis was done using measures of central tendency and measures of dispersion. The dependant variable was competitiveness while the independent variable was localization strategies. Correlation and level of significance was also used to analyse data. Data was then presented in tables and figures.

The first objective was to determine the effects of market understanding on the competitiveness of SAP. The findings revealed SAP had a strong brand and ERP solution according to 82% of the respondents. However 64% of the respondents were the opinion that in order to understand the market and remain competitive it is important for SAP to have sufficient coverage of the East Africa market and have enough consultants to support customers.

The second objective sought to determine the effects of organizational structure and people on competitiveness. The study findings showed that there was a significant relationship between linking workforce needs to strategy and having processes and procedures that

allow the employees to effectively meet the customer needs. This is shown by low the Sig. 2 - tailed level is .003 which is below the significant level of 0.01.

A majority of the respondents (85%) were happy with the organization structure in terms linking workforce needs to strategy and growth plans, learning and development opportunities and career growth opportunities. A Sig. 2 - tailed level is .006 from the study showed that there was a significant relationship between linking workforce needs to strategy and a clear organizational structure that improves productivity. However on the down side, 60% of the respondents believed that reorganizations at beginning of the financial year affected their effectiveness and delivery to the customers. This was showed by the mean of 3.1 which indicated that most respondents agreed (by ticking 3 or 4) with this statement.

The third objective sought to determine the effects of opportunities and targets available in the market on competitiveness. The study established that there is a significant relationship between opportunities and target available in the market and competitiveness as shown by the Sig. 2 - tailed level of .022 indicated in the study.

### **5.3 Discussion**

In this section, the results and findings of the study are interpreted with respect to the research questions that will be used to determine the key localization strategies that can increase the competitiveness of SAP in East Africa.

#### **5.3.1 Impact of Understanding the Local Market on Competitiveness**

The impact of understanding the local market is further analysed by assessing the strengths and weakness relative to both multinational and local competition, SAP products and services offerings, macro and micro environment in which SAP operates and distribution and marketing channels used by SAP.

From the study, majority of the respondents (82%) believed that SAP strengths lie in its strong ERP solution and brand compared to competition. The study findings agree with the a study carried by Boston Consulting Group which concluded that 78% of multinationals expect to gain market share and this can be directly attributed to the strong

solutions and brands that they have globally. SAP being a global company that was founded 40 year with strong products is therefore better able to compete than local competitors.

Sixty four percent of the respondents were of the opinion that SAP main weaknesses include insufficient consultants to support customers and insufficient coverage in East Africa compared to local competition. The respondent's views support McKinsey (2012), who notes that multinationals are spread thin meaning and that is very difficult for them to have sufficient consultants to help their customers and also have sufficient resources in a large territory. The respondents by carrying out an internal assessment through the questionnaire allude to this by identifying a big gap in coverage meaning that SAP does not have enough resources to sufficiently meet the needs of the East Africa potential customer base. In contrast, local competitors have better coverage and consultants hence they have a competitive edge.

From the results of the study, 85% of the respondents strongly believed that SAP had mature, superior and better quality products and services compared to local competitors. In order to respond to the market needs, SAP undertakes product development which 93% of the respondents believed make the company more competitive compared to its local competitors. Overall, respondents agree that SAP products are in tune with the market needs as shown by the strong mean of 3.3 from the study. According to McGrath and Gilmore (1995), product strategy starts with a clear strategic vision which SAP seems to have based on the respondents.

Respondents agree that the macro and micro environment is unlikely to affect SAP business. Specifically, respondents were of the opinion that the VAT Act, the ICC cases and government regulations were the most unlikely factors to affect the company operations as indicated by 61%, 85% and 64% of the respondents respectively. The respondent's sentiments do not support Gillespie (2007), who stated the macro environment factors affect organizations decision making capacity, performance and strategies. According to Miller, Vandome and McBrewster, 2011, factors that affect business include political factors which include government intervention and economic factors which include inflation and taxation. The study findings showed that employees

were of the opinion that these political and economic factors will not affect the company negatively. This may be because employees believe that the changes in the economic and political environment will impact all the players including the local competitors.

Slightly more than half the respondents (55%) believed that SAP has an extensive informal partner model and mature partners that are able to provide satisfactory service to the customers compared to local competitors. However, 57 of the respondents were of the opinion that there is a lack of enough partners to cover the market and those partners do not possess enough expertise and consultants to cover the market. According to Nordin (2005), proper distribution channels can lead to improved customer satisfaction and can provide competitive advantage. In the case of SAP, while employees believe that there is a good partner network, at least half the employees (57%) believed that the partners are not enough to serve the market nor are they equipped with sufficient expertise and consultants to cater for client needs.

### **5.3.2 Impact of Organization Structure and People on Competitiveness**

The impact of SAP's structure and people on the competitiveness of the company is assessed by further analysing SAP's workforce needs required to reach growth targets, assess the strength of the local emerging market organization, SAP's training and Career growth for potential rising star.

According to Emmerichs, Marcum, and Robbert (2004), one of the best ways to understand staffing needs is through strategic workforce planning, by modelling future supply and demand for people and linking demand to the company's strategy and growth plans. This view is shared by majority of the respondents (75%) who agreed that SAP workforce needs are linked to its strategy and growth plans and that the company anticipates future demand and supply of people. Seventy percent of the respondents agreed that staff is evenly distributed in each department and that replacements arising from turnover are done efficiently and quickly. This supports Sumetzberger (2005) view that human resource management has to build up staff and support personnel recruitment. The study finding also support the findings of BCG (2013), which states that when spotted early enough, workforce shortfalls and surplus can be addressed through recruitment, retention, cross-training, transfers and outsourcing.

Majority of the respondents agreed (85%) that the company effectively communicated on the growth plans and strategic direction of the company and that the organizational structure was clear. These agreed with Barney and Clark (2007), who anchored their arguments in the resource-based view of the firm (RBV). The RBV is used to explain the internationalization of new ventures and in operations management to explain a firm's operational strength or competitive strategy in certain given markets.

Khavul et al. (2012) argues that the ability to deliver faster than competitors at agreed on timelines is key to competitive advantage. According to SO and Song (1998), short lead times, ability to deliver at agreed times and availability of extended service are all time based indicators on which a firm tries to satisfy its customers. The study results agreed with these views as indicated by 60% of the respondents who believed that reorganizations at beginning of the financial year affected their effectiveness and delivery to the customers.

A large number of respondents (80%) believed that SAP had a good training and development programs for middle management and that the company strongly supported learning and development efforts. This is supported by the respondents who agreed that SAP offered good learning and development opportunities and that direct supervisors facilitated the development through mentorship of young managers as indicated by the strong means of 3.1 which indicated that respondents agreed with this statement.

The study findings supported BCG (2013) view that training and development at all levels of the organization, effective middle level managers skills was crucial to success. This was also noted by Sheehan, 2011 who stated that managers were among the most valuable talents in an organization thus need more training to undertake their responsibilities. Garavan, Shanahan & Carbey (2008), suggest that proper middle level training can fill gaps in skills for a multinational seeking to localize hence improve its perform.

From the results of the study, majority of the respondents (89%) were of the opinion that SAP offered excellent career opportunities and believed that career growth prospects at SAP were good. A large number of the respondents (93%) believed that they receive appropriate recognition and that the company performance management system is good.

The study findings support the conclusion from a study done by O'Connor, Corbett and Pierantozzi (2009), of Harvard business review which indicates that for a multinational to grow and be competitive, it needs to tap into the best talent available and ensure that there are programs to nurture the same talents like accelerated career path and better remuneration. Other studies done by BCG (2013), Pruis (2011), and Jones (2008) also affirm the need to have special programs for rising stars that also include mentorship and coaching programs.

### **5.3.3 Impact of Opportunities and Targets Available in the Market on Competitiveness**

This section is analysed by defining priorities and customer segments, defining specific targets and required resources and identifying the most significant opportunities in the market. According to McGrath and Gilmore 1995, managing short and rapidly-changing product and market life cycle is critical to any business enterprise.

Although majority of the respondents (97%) agreed that SAP customer segmentation is good as it is based on industries and is aligned with the demand of the market, a large number (92%) also agreed that there were gaps in the market for products that SAP could take advantage of.

The findings agree with Weinstein (2004), who outlined a checklist of issues that can be addressed in describing a market segment like the number of prospects and their distribution, growth rate, number that can be expected to make purchases in a given time among others. However, the findings also seem to agree with Harker (2009), who points out that markets are increasingly complex, turbulent and interrelated, creating challenges to managers in understanding market structure and identifying opportunities for growth hence the response that there are gaps in the market that SAP can address from the respondents.

More than half the respondents (68%) were of the opinion that SAP had sufficient financial, human resources, physical and organization resources than its competitors. The respondent's opinions supports the RBV view put forward by Barney and Clark (2007) which states that organizations exist through the efforts and capabilities of the workforce.

It considers that the driving force for an organizations success is from within the organization and that its internal capabilities must be developed as a source of superior performance.

A large number of respondents (98%) admitted that SAP had good product offerings like cloud and MCAAS products which made SAP more competitive. Eighty two percent of the respondents also agreed there were several opportunities in the market like county government, industry verticals approach adopted and increased specialized partners. The respondent's views support Day (2002), who is of the opinion that market –driven firms stand out in their ability to continuously sense and act on events and trends in their market. They are better equipped to anticipate how their market will respond to actions designed to retain or better attract customers, improve channel relations or thwart competitors. From the study results respondents believed that offerings such as cloud and MCAAS have been positioned by SAP in order to take advantage of the existing opportunities in the local market

## **5.4 Conclusion**

### **5.4.1 How will the understanding of the local market increase SAP competitiveness?**

First, the study sort to establish whether understanding the local market had any influence on the competitiveness of SAP. The study finding showed that respondents believe that in order to understand the market and remain competitive it is important to have sufficient coverage of the East Africa Market and have enough consultants to support customers. However, some respondents think that SAP had a good brand name, products, distribution channels and therefore understanding the market had no influence on competitiveness.

### **5.4.2 How can SAP East Africa structure and run the organization and people to increase competitiveness?**

With respect to how SAP can structure the organization and people in order to increase competitiveness, the study findings showed that there is a significant relationship between linking workforce needs to strategy and having processes and procedures that allow the

employees to effectively meet the customer need. From the finding majority of the respondents were happy with the organization structure in terms linking workforce needs to strategy and growth plans, learning and development opportunities and career growth opportunities. The study also showed that there is a significant relationship between linking workforce needs to strategy and a clear organizational structure that improves productivity. However on the down side, a large number of the respondents believed that reorganizations at beginning of the financial year affected their effectiveness and delivery to the customers.

### **5.4.3 What are the opportunities and targets available in the market to increase competitiveness?**

With regard to opportunities and targets available in the market to increase SAP competitiveness, the study findings showed that there is a significant relationship between opportunities and target available in the market and competitiveness. However part of the respondents felt that opportunities and targets available in the market had no relationship to competitiveness.

## **5.5 Recommendations**

### **5.5.1 Recommendations for Improvement**

#### **5.5.1.1 Understanding of the Local Market**

For SAP to increase its competitiveness they need to invest in training more consultants and engaging the partners to increase their presence in other countries outside Kenya. SAP should also look at their pricing regime with a view of bringing prices down to increase customer uptake of its solutions.

#### **5.5.1.2 Organizational Structure and People**

Respondents are very positive about SAP in this areas and it needs to continue with the same trend while at the same ensuring that the segmentation process does not hamper the performance of employees by starting the process earlier and keeping employees informed.

### **5.5.1.3 On Opportunities and Targets Available**

SAP needs to strongly leverage on its MCAAS model to increase its competitiveness. SAP also needs to engage the county governments more to tap into the opportunities that the county governments present.

### **5.5.2 Recommendation for Further Study**

The study established localization strategies affecting competitiveness of Multinationals in East Africa. The study is a case study of Systems Applications Products. It is recommended that further studies be done on the same topic incorporating other multinationals operating in East Africa like Microsoft, HP, IBM, Oracle among others.

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## **APPENDIX**

### **APPENDIX I: COVER LETTER**

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA (USIU-A)  
P.O. BOX 14634, 00800.  
NAIROBI

Dear Respondent,

I am carrying out research on localization strategies affecting competitiveness of multinationals in East Africa with a case study of SAP. This is in partial fulfillment of the requirement of the Master in Business Administration degree program at United States International University.

The purpose of this study is to determine the key localization strategies that can increase the competitiveness of SAP in East Africa. The results of this study will contribute to the broad understanding of how localizations effects competitiveness thereby giving SAP insights on what they need to do to stay ahead of competition.

This is an academic research and confidentiality is strictly emphasized, your name will not appear anywhere in the report. Kindly spare some time to complete the questionnaire attached.

Thank you in advance.

Yours sincerely,

Samuel Njeka

## APPENDIX II: QUESTIONNAIRE

This study is a requirement for the partial fulfillment of the Master of Business Administration (MBA) program at the United States International University Africa (USIU-A). The purpose of this study is to examine the “**LOCALIZATION STRATEGIES AFFECTING COMPETITIVENESS OF MULTINATIONALS IN EAST AFRICA: CASE STUDY OF SAP.**” The findings of this study will provide the management of SAP with information that can be used to increase its competitiveness. This is an academic exercise and all information collected from respondents will be treated with strict confidentiality.

### PART I: GENERAL INFORMATION

**Kindly answer all the questions either by ticking in the boxes or writing in the spaces provided**

1. Gender of Respondent  Male  Female
  
2. Level in Organization  Management  Employee
  
3. Department in Organization  Sales  Marketing  Pre Sales  
 Administration
  
4. Age  20-30  31- 40  41-50  51-& over
  
5. Number of Years  5-10  11- 15  16-20  20& over  
Work Experience
  
6. Number of Years  > one Year  2-4  5-7  & over  
With SAP
  
7. Division in Organization  Large Enterprise  General Business

**PART II**

	<b>Strongly agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly disagree</b>
1. SAP has a strong ERP solution compared to its local competitors	(4)	(3)	(2)	(1)
2. SAP has a strong brand compared to its local competitor	(4)	(3)	(2)	(1)
3. SAP solutions are competitively priced compared to local competitors	(4)	(3)	(2)	(1)
4. SAP has sufficient consultants with its network to better support customers compared to local competition	(4)	(3)	(2)	(1)
5. SAP has sufficient coverage in East Africa and extensive marketing capabilities compared to local competition	(4)	(4)	(4)	(1)
6. I strongly believe in SAP Products and Services compared to local competing products	(4)	(3)	(2)	(1)
7. SAP's development of new products and services is better than that of its competitors in the local market	(4)	(3)	(2)	(1)
8. SAP's quality of products and services is better than that of its competitors in the local market	(4)	(3)	(2)	(1)
9. SAP product and services are in tune with the requirements of customers in the local market	(4)	(3)	(2)	(1)
10. SAP product and services are mature for local market compared to competitors	(4)	(3)	(2)	(1)
11. The VAT act will effect SAP negatively compared to its local competitors	(4)	(3)	(2)	(1)
12. The current ICC cases will effect SAP negatively compared to its local competitors	(4)	(3)	(2)	(1)

13. Government regulations in East Africa effects SAP positively compared to local competitors	4	3	2	1
14. SAP local competitors have a better understanding of the market and hence have a competitive advantage	4	3	2	1
15. SAP faces greater market threats from new entrants e.g. Epicor compared to its competitors	4	3	2	1
16. SAP has mature partners compared to its local competitors	4	3	2	1
17. SAP partners have good coverage in the entire East Africa Market compared to local competitors	4	3	2	1
18. SAP partners are able to provide satisfactory service to the customers compared to local competitors	4	3	2	1
19. SAP partners have enough expertise and consultants to cover the market compared to competitors	4	3	2	1
20. SAP has an extensive informal partner model via Extended Business Model compared to its competitors	4	3	2	1

**PART III**

	<b>Strongly agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly disagree</b>
1. SAP workforce needs are linked to its strategy and growth plans compared to its local competitors	(4)	(3)	(2)	(1)
2. SAP staffing is distributed evenly based on the departments in the company	(4)	(3)	(2)	(1)
3. Replacements arising from turnover are done efficiently and quickly	(4)	(3)	(2)	(1)
4. Future demand and supply is estimated and taken into account	(4)	(3)	(2)	(1)
5. Cross Training, transfers are possible for employees who request for them	(4)	(3)	(2)	(1)
6. I can get the information I need to do my job locally	(4)	(3)	(2)	(1)
7. Processes and procedures allow me to effectively meet my customers' needs	(4)	(3)	(2)	(1)
8. Reorganizations at the start of the financial year do affect my effectiveness and delivery to the customers	(4)	(3)	(2)	(1)
9. I am effectively communicated to on the growth plans and strategic direction of SAP East Africa	(4)	(3)	(2)	(1)
10. SAP's Organizational structure provides clear accountabilities and always moves towards changed processes to improve productivity	(4)	(3)	(2)	(1)
11. In the last 12 months, I was able to take advantage of opportunities to enhance my skills and competencies	(4)	(3)	(2)	(1)
12. My direct manager facilitates my development	(4)	(3)	(2)	(1)
13. SAP offers learning and development opportunities to me that match my career goals	(4)	(3)	(2)	(1)

14. SAP strongly supports the leaning and development of its employees	4	3	2	1
15. Senior leadership provides mentorship to other employees as a form of learning	4	3	2	1
16. SAP offers excellent career opportunities to employees who are strong performers	4	3	2	1
17. The way SAP manages performance enables me to contribute as much as possible to our organizations success	4	3	2	1
18. I receive appropriate recognition (beyond my pay and benefits) for my contributions and accomplishments	4	3	2	1
19. my future career opportunities here look good	4	3	2	1
20. SAP is promoting the people who are best equipped to meet the future demands of its business	4	3	2	1

**PART IV**

	<b>Strongly agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly disagree</b>
1. There are gaps in the market for products that SAP can capture better than competitors	4	3	2	1
2. SAP customer segmentation is based on industries and is aligned with the demand of the market	4	3	2	1
3. Customer segmentations is based the turnover of customers and is effective	4	3	2	1
4. SAP market and customer segmentation is better compared to the local competition	4	3	2	1
5. SAP has the required financial resources to target the market compared to its local competitors	4	3	2	1
6. SAP has the required Human resources to effectively target the market compare to its competitors	4	3	2	1
7. SAP has the required Physical and organizational resources to effectively target the market	4	3	2	1
8. SAP has clearly identified specific targets compared to the local competitors	4	3	2	1
9. SAP cloud offerings (MCAAS) will offer competitive advantage compared to local competition	4	3	2	1
10. SAP is better positioned to penetrate the East Africa market compared to the local competitors	4	3	2	1
11. The county governments presents opportunities that SAP can tap better compared to competitors	4	3	2	1
12. The industry verticals approach adopted by SAP presents significant opportunities to SAP compared	4	3	2	1

to local competitors e.g. manufacturing, ENR				
13. An increase in committed specialized partners offers a significant competitive advantage to SAP compared to local competitors	4	3	2	1