PORTER’S FIVE FORCES INFLUENCE ON COMPETITIVE ADVANTAGE IN THE KENYAN BEVERAGE INDUSTRY: A CASE OF LARGE MULTINATIONALS


EAMARC 2 CONFERENCE
November 18 - 20, 2015
Presentation Outline

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Background of the Study

Strategic management gurus and academicians alike have long been engrossed with the phenomenon of persistent superior performance demonstrated by highly successful firms. This has compelled a great deal of attention to be focused on competitive advantage as a whole.

The beverage industry as a whole faces challenges as a result of the slumping economy and changes in consumers’ consumption patterns due to increased health consciousness (Public Health Law and Policy, 2011).

The multinational companies in the food and beverage industry in Kenya currently are facing steep competition from local companies, substitute products and imports from other countries. Other new set of challenges that the multinationals are facing are increased awareness among consumers on the healthy living and a new global trend in reporting where organizations highlight their Corporate Social Responsibility (CSR) activities after the normal financial reports (Mbugua, 2012).

A study and estimation of business competitive environment assists in evaluating factors contributing to competitive ability and success.

There are a lot of different and sometimes contradicting evidence in the literature about application of Porter’s Five Forces and how it enhances competitive advantage.
Many researchers Nadeau and Casselman (2008), Cantner, Kruger, and Rhein (2009), Johnson and Scholes (2002) have studied how the five forces determine the intensity of the competition and the profitability of the industry.

Indeed, studies of Porter’s Five Forces in enhancing competitive advantage have been done in various industry studies including:

- Telecommunications Industry (Rajasekar and Raee, 2013),
- Musia (2013) studied Factors Influencing Competitive Advantage by East African Breweries Ltd within Beer Manufacturing which concentrated on strategies employed by EABL to gain competitive advantage through a study of competitive advantage theories,
- Strategies Adopted by Multinational Corporations to cope with Competition in Kenya (Ogutu and Samuel, 2012) anchored on generic competitive strategies and grand strategies,
- Alam et al., (2010) studied the Attractiveness of Tea Industry in Bangladesh,
- The Non-alcoholic Beverage has also been studied at a global level (Manuel, 2007),
- The Electronic Commerce (Shin, 2001).

To the best of my knowledge, there exists a dearth of study on how firms derive competitive advantage through application of Porter’s five forces to influence the competitive intensity of the firms’ strategy focusing on the Beverage Industry & particularly large Multinational Companies in Kenya. A knowledge gap therefore exists.
General Objective

The purpose of this study was to investigate how organizations and their capabilities provide best defense against competitive forces, influencing the balance of the forces through strategic moves and anticipating shifts in the factors underlying the forces while responding to them thereby gaining competitive advantage focusing on the large multinationals in the Kenyan Beverage Industry.
Specific Objectives

i. To examine the degree to which barriers to entry affects the firm’s competitive advantage

ii. To determine the degree to which rivalry among established firms affects competitive advantage

iii. To determine the extent to which the bargaining power of buyers affects competitive advantage

iv. To examine the degree to which the bargaining power of suppliers affects competitive advantage

v. To examine the degree to which substitute products affects competitive advantage

vi. To examine the extent to which government policies affects the industry forces in deriving competitive advantage
Hypotheses

- $H_1$: Barriers of Entry do not affect competitive advantage
- $H_2$: Rivalry among established firms does not affect competitive advantage
- $H_3$: Bargaining power of buyers does not affect competitive advantage
- $H_4$: Bargaining Power of suppliers does not affect competitive advantage
- $H_5$: Threat of substitute products does not affect competitive advantage
- $H_6$: Government policies do not affect the industry forces in deriving competitive advantage
Justification of the Study

• Contribution to Managers
The study will contribute to policy through identifying the extent to which Porter’s Five Forces can be proven to work and provide the needed competitive advantage to competing beverage firms fighting for the same consumers’ share of throat as well as how the beverage companies in Kenya weather the ever intensifying challenge of competition within the market.

• Kenyan Beverage Industry
This study will be a pioneer to the Kenyan beverage industry on application of Porter’s Five Forces in large Multinationals and how they derive competitive advantage and thus be a great contribution to knowledge.

• International Business and Strategy Scholars
International Business and Strategy scholars may also find this study useful for further research on analysis of the Kenyan Beverage Industry beyond the three companies to be studied and in other countries or within other sectors of the Kenyan economy. The general contribution to the academic field is to challenge and provide feedback of the application of the Five Forces model.
A major function of theory is to provide a model or map of *why* the world is the way it is (Strauss, 1995). Theory is a statement about what is going on with the phenomena that you want to understand.

- The base theory in this area of study is **The Profit-Maximizing and Competition-Based Theory** advanced by Michael Porter's (1985).
- The most important model in explaining the competitiveness of a firm is probably the emerging theory — the **Resource-Based Theory (RBT)** of the firm (Penrose, 1959; Conner, 1991; Mahoney and Pandian, 1992) - the competitiveness of a firm depends on identifying its core competence and the capability to deploy it.
- **Knowledge Management Theory** involves the formulation of and access to experience, knowledge, and expertise that create new capabilities, enable superior performance, encourage innovation, and enhance customer value (Beckman, 1997).
- **The Survival-Based Theory** centers on the concept that organizations need to continuously adapt to its competitive environment in order to survive (Raduan et al., 2009).
- **The Contingency Theory** brought forth by Joan Woodward (1958) draws the idea that there is no one or single best way or approach to manage organizations.
- **The Product Life Cycle Theory** (Vernon, 1966) can help companies to predict the changes in the market in different stages, and provide strategic guidance.
Theoretical Framework

The Profit-Maximizing and Competition-Based Theory

Resource Based Theory
(Penrose, 1959; Conner, 1991; Mahoney and Pandian, 1992)

Knowledge Management Theory
(Beckman, 1997)

The Survival-Based Theory
(Raduan et al., 2009)

The Contingency Theory
Joan Woodward (1958)

The Product Life Cycle Theory
(Vernon, 1966)

Porter’s Five Forces

1. Threat of New Entrants
2. Bargaining Power of Suppliers
3. Bargaining Power of Buyers
4. Intensity of Rivalry
5. Threat of Substitutes
6. Government Policies

Competitive Advantage

1. Value Creation
   • Measured by:
     (a) value (V),
     (b) price (P) and
     (c) cost (C).

2. Profitability
   • Metrics used are:
     • return on investment, (ROI),
     • return on assets (ROA) and
     • return on equity (ROE).
Conceptual Framework

**CONCEPTUAL FRAMEWORK**

**Moderating Variable**
- Government Policies
  - National Standards
  - Licensing Requirements
  - Safety Regulations
  - Environmental laws and regulations

**Independent Variable**
- 1. Threat of New Entrants
- 2. Bargaining Power of Suppliers
- 4. Intensity of Rivalry
- 5. Threat of Substitutes

**Hypotheses**
- \( H_1 \)
- \( H_2 \)
- \( H_3 \)
- \( H_4 \)
- \( H_5 \)

**Competitive Advantage**

**Dependent Variable**
1. Value Creation
   - Measured by
     - Value \((V)\)
     - Price \((P)\)
     - Cost \((C)\)
2. Profitability
   - Metrics used are:
     - Return on investment (ROI)
     - Return on assets (ROA)
     - Return on equity (ROE)
Research Methodology

This study employed an integrated method of qualitative and quantitative research.

Research Philosophy/ Paradigms

- The study adopted the ontology of objectivism portraying the position that social entities exist in reality to social actors concerned with their existence (Saunders et al., 2007).
- The study reflected the Philosophy of Positivism focusing on theory testing.
- This emphasizes the deductive orientation the study adopted.

Research Design/Strategy

- The study adopted a cross sectional research design.

Population

The target population comprised of three large multinationals in the Kenyan Beverage Industry namely: East African Breweries Limited, Coca Cola (Nairobi Bottlers Limited) and Nestlé Foods.
Research Procedure

Sample Size
• Yamane (1967) provides a simplified formula to calculate sample sizes. Where \( n \) is the sample size, \( N \) is the population size, and \( e \) is the level of precision. When this formula was applied to the sample of Multinationals the researcher got the following equation, at 95% Confidence level and \( P=0.05 \) was assumed:

\[
n = \frac{N}{1+N(e)^2} = \frac{3}{1+3(0.05)^2} = 2.977
\]

Sample Frame
• The sample frame that was used for this study was the Top & Middle Management Team broken down as follows:
  ✓ Functional Heads and their deputies to include; Sales Director, Marketing Director, Supply Director, Operations Director, Finance Director, Strategy Director, Compliance Manager, Risk Manager.
  ✓ Business Unit Managers to include; Divisional Sales Managers (Central, Mountain, Coast, Western), Marketing Managers (six), Customer Service Managers (3), Customer Marketing Managers (2), Finance Team leads (4), Operations Manager (1), for the three selected companies - Coca-Cola, East African Breweries Limited and Nestlé Foods.

Sampling Technique
• The study used a purposive sample/ judgmental sample; the researcher worked with the following strata:
  • 60 from EABL,
  • 50 from Coca Cola and
  • 36 from Nestle Foods Ltd.

Data Collection Methods
• The study used questionnaires as the main instrument for primary data collection. Semi-structured questionnaires were applied as they enabled the researcher to balance between the quantity and the quality of data collected
Data Analysis

The study used **descriptive statistics** to analyze the collected data into tables, charts with frequency distribution and percentages which are a vital part of making sense of the data.

Additionally, in order to test the hypotheses and access the strength of the relationship between the independent variable (Porter’s Five Forces) and the dependent variable (competitive advantage), the study also used **inferential statistics**.

- In particular,
  1) Chi-square statistics to identify the relationship that is derived from organizations employing Porter’s Five Forces in deriving competitive advantage. Scores of 0.05 or less will assert that Porter’s Five Forces can be used to derive competitive advantage.
  2) Pearson Correlation was used to determine the relationship between Porter’s Five Forces and Competitive Advantage. Model estimation $-1 \leq r \leq 1$. The closer the value is to 1 or -1, the stronger the linear correlation. The sign of the correlation coefficient tells of the trend in the relationship. A positive (negative) coefficient means that one variable increases (decreases), when the other increases.
  3) Bi-Variate Regression ($Y = \beta_0 + \beta_1 X + \epsilon$) simply because the study has a continuous dependent variable and continuous independent variable. With a 0.05 or less probability of the F Statistic, the results assumed there was a relationship between the independent variable and the dependent variable.
  4) The study also used Ordinary Least Squares (OLS) Analysis where; $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_n X_n + \epsilon$. This hypothesis tested whether the coefficient of the dependent variable equals zero. If the analysis found that the null hypothesis i.e. that the coefficient of interest does not in fact equal zero), then that variable has a significant effect on the dependent variable (Y).
<table>
<thead>
<tr>
<th>Objective</th>
<th>Hypothesis</th>
<th>Analysis Technique</th>
<th>Result Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To examine the difficulties and nature of barriers to entry and how they affect the firm’s competitive advantage</td>
<td>$H_1$: Barriers of Entry does not affect competitive advantage</td>
<td>-Ordinary Least Squares (OLS) Analysis</td>
<td>$\beta_0$ is the intercept (or constant) and $\beta_1$ is the coefficient, which represents the slope of the straight line the equation describes. $\epsilon$ is a random variable, which may have both positive and negative values.</td>
</tr>
<tr>
<td>2. To determine the degree to which rivalry among established firms affects competitive advantage</td>
<td>$H_2$: Rivalry among established firms does not affect competitive advantage</td>
<td>-Chi-square test statistic</td>
<td>Conveys the existence or non-existence of the relationship between the variables investigated</td>
</tr>
<tr>
<td>3. To determine the extent to which the bargaining power of buyers affects competitive advantage</td>
<td>$H_3$: Bargaining power of buyers does not affect competitive advantage</td>
<td>-Pearson Correlation</td>
<td>A value of 0 denotes no linear correlation. The closer the value is to 1 or -1, the stronger the linear correlation. The sign of the correlation coefficient tells of the trend in the relationship. A positive (negative) coefficient means that one variable increases (decreases), when the other increases.</td>
</tr>
<tr>
<td>4. To examine the degree to which the bargaining power of suppliers affects competitive advantage</td>
<td>$H_4$: Bargaining Power of suppliers does not affect competitive advantage</td>
<td>-Simple Regression</td>
<td>Linear regression determines the best-fit line through a scatterplot of data, such that the sum of squared residuals is minimized; equivalently, it minimizes the error variance. The fit is &quot;best&quot; in precisely that sense: the sum of squared errors is as small as possible.</td>
</tr>
<tr>
<td>5. To examine the degree to which substitute products affects competitive advantage</td>
<td>$H_5$: Threat of substitute product does not affect competitive advantage</td>
<td>-Ordinary Least Squares (OLS) Analysis</td>
<td>$Y$ is the dependent variable, $X_1...X_n$ are the independent variables, $\beta_0$ is the intercept, $\beta_1...\beta_n$ are the coefficients of interest, $\epsilon$ is the error. This hypothesis tests whether the coefficient of a given dependent variable equals zero. If the analysis finds that the null hypothesis i.e. that the coefficient of interest does not in fact equal zero), then that variable has a significant effect on the dependent variable ($Y$).</td>
</tr>
</tbody>
</table>
Overall Result

The analysis was based on 136 respondents who completed and returned the questionnaires forming a response rate of 93.2%. The study found that industry forces, influence the CA of the large multinational firms in the Beverage Industry in Kenya.

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.832</td>
<td>.692</td>
<td>.600</td>
<td>.0378</td>
</tr>
</tbody>
</table>

The six independent variables that were studied, explain only 69.2% of the CA in the Kenyan Beverage Industry as represented by the $R^2$. This therefore means the six independent variables only contribute 69.2% to the performance while other factors not studied in this research contributes 30.8% of the CA in the Kenyan Beverage Industry.
## Results and Findings

### Chi-Square Tests between Porter’s Five Forces and Competitive Advantage

<table>
<thead>
<tr>
<th>Variables</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barriers of Entry and Competitive Advantage</td>
<td>33.8794 (a)</td>
<td>2</td>
<td>0.087</td>
</tr>
<tr>
<td>Rivalry Firms and Competitive Advantage</td>
<td>15.686(a)</td>
<td>2</td>
<td>0.003</td>
</tr>
<tr>
<td>Bargaining power of buyers and competitive advantage</td>
<td>12.046(a)</td>
<td>2</td>
<td>0.005</td>
</tr>
<tr>
<td>Bargaining Power of suppliers and competitive advantage</td>
<td>37.344(a)</td>
<td>2</td>
<td>0.001</td>
</tr>
<tr>
<td>Threat of substitute product and competitive advantage</td>
<td>48.362(a)</td>
<td>2</td>
<td>0.004</td>
</tr>
<tr>
<td>Government policies and competitive advantage</td>
<td>17.615(a)</td>
<td>2</td>
<td>0.040</td>
</tr>
</tbody>
</table>
# Results and Findings

## Correlation on influence of Porter’s Five Forces on Competitive Advantage

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlations</th>
<th>Competitive advantage in the Kenyan beverage industry</th>
<th>Intensity rivalry</th>
<th>Bargaining power of buyers</th>
<th>Bargaining power of suppliers</th>
<th>Substitute products</th>
<th>Government policies</th>
<th>Barriers to entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive advantage in the Kenyan beverage industry</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.321</td>
<td>.526</td>
<td>.122</td>
<td>.166</td>
<td>.235</td>
<td>.404</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.020</td>
<td>.032</td>
<td>.039</td>
<td>.024</td>
<td>.030</td>
<td>.023</td>
<td></td>
</tr>
<tr>
<td>Intensity rivalry</td>
<td>Pearson Correlation</td>
<td>.321</td>
<td>1</td>
<td>.426</td>
<td>.166</td>
<td>.174</td>
<td>.205</td>
<td>.127</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.020</td>
<td>.</td>
<td>.002</td>
<td>.024</td>
<td>.030</td>
<td>.048</td>
<td>.034</td>
<td></td>
</tr>
<tr>
<td>Bargaining power of buyers</td>
<td>Pearson Correlation</td>
<td>.526</td>
<td>.426</td>
<td>1</td>
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<td>.103</td>
<td>.242</td>
<td>.538</td>
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<tr>
<td>Sig. (2-tailed)</td>
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<td>.043</td>
<td>.036</td>
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</tr>
<tr>
<td>Bargaining power of suppliers</td>
<td>Pearson Correlation</td>
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<td>.166</td>
<td>.042</td>
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<td>.7043</td>
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<tr>
<td>Sig. (2-tailed)</td>
<td>.039</td>
<td>.024</td>
<td>.047</td>
<td>.</td>
<td>.046</td>
<td>.004</td>
<td>.042</td>
<td></td>
</tr>
<tr>
<td>Substitute products</td>
<td>Pearson Correlation</td>
<td>.166</td>
<td>.235</td>
<td>.103</td>
<td>.097</td>
<td>1</td>
<td>.213</td>
<td>.4660</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.024</td>
<td>.047</td>
<td>.043</td>
<td>.046</td>
<td>.012</td>
<td>.047</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.030</td>
<td>.048</td>
<td>.036</td>
<td>.004</td>
<td>.012</td>
<td>.</td>
<td>.038</td>
<td></td>
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<tr>
<td>Barriers to entry</td>
<td>Pearson Correlation</td>
<td>.4045</td>
<td>.127</td>
<td>.5385</td>
<td>.7043</td>
<td>.4660</td>
<td>.273</td>
<td>1</td>
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<tr>
<td>Sig. (2-tailed)</td>
<td>.023</td>
<td>.034</td>
<td>.027</td>
<td>.042</td>
<td>.047</td>
<td>.038</td>
<td>.</td>
<td></td>
</tr>
</tbody>
</table>
## Results and Findings

### Multiple Regression Analysis

The regression equation: $Y = 2.466 + 0.289X_1 + 0.223X_2 + 0.420X_3 + 0.257X_4 + 0.230X_5 + 0.260X_6$

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.466</td>
<td>0.515</td>
<td>0.917</td>
</tr>
<tr>
<td></td>
<td>Barriers to entry</td>
<td>0.289</td>
<td>0.144</td>
<td>0.165</td>
</tr>
<tr>
<td></td>
<td>Intensity of rivalry</td>
<td>0.223</td>
<td>0.113</td>
<td>0.020</td>
</tr>
<tr>
<td></td>
<td>Bargaining power of buyers</td>
<td>0.420</td>
<td>0.120</td>
<td>0.224</td>
</tr>
<tr>
<td></td>
<td>Bargaining power of suppliers</td>
<td>0.257</td>
<td>0.050</td>
<td>0.048</td>
</tr>
<tr>
<td></td>
<td>Substitute products</td>
<td>0.230</td>
<td>0.096</td>
<td>0.215</td>
</tr>
<tr>
<td></td>
<td>Government policies</td>
<td>0.260</td>
<td>0.056</td>
<td>0.453</td>
</tr>
</tbody>
</table>
## Results and Findings

<table>
<thead>
<tr>
<th>Objective</th>
<th>Chi-Square Tests</th>
<th>Correlation</th>
<th>Multiple Regression</th>
</tr>
</thead>
</table>
| Threat of New Entrants                 | 33.8794 at 2 df. This value was > P value of 0.087. The null hypothesis was rejected. | 0.404 (p<0.05). Thus a positive correlation between CA and threat of new entrants. | $Y = 2.466 + 0.289X_1$  
Constant at zero - the attractiveness of the CA in the Kenyan beverage industry was 2.466. A unit increase in the Threat of New Entrants will lead to a 0.289 increase in desirability the CA in the Kenyan beverage industry. |
| Bargaining Power of Suppliers          | 37.344 at 2 df was established at p = 0.001. The chi-square value is > than p value hence the researcher rejected the null hypothesis. | 0.122 (p<0.05). This results show that there was a positive correlations between CA and bargaining power of suppliers. | $Y = 2.466 + 0.257X_4$  
A unit increase in bargaining power of suppliers will lead to a 0.257 increase in competitiveness of the competitive advantage in the Kenyan beverage industry. |
| Bargaining Power of buyers             | 12.046 at 2 df. Since this p-value is > than 0.05, it was concluded that there was no statistically significant association between the two variables hence the null hypothesis was rejected. | 0.526 (p<0.05). This is a clear indication that there were significant positive correlation between CA and bargaining power of buyers in the Kenyan Beverage Industry. | $Y = 2.466 + 0.420X_3$  
A unit increase in bargaining power of buyers will lead to a 0.420 increase in competitiveness of the competitive advantage in the Kenyan beverage industry. |
## Results and Findings

<table>
<thead>
<tr>
<th>Objective</th>
<th>Chi-Square Tests</th>
<th>Correlation</th>
<th>Multiple Regression</th>
</tr>
</thead>
</table>
| **Intensity of Rivalry**| 15.686 at 2 df. This value was more than P values of 0.359. Therefore, the null hypothesis was rejected. Thus there exist a relationship between rivalry among established firms and competitive advantage. | 0.321 (p<0.05). There was a positive correlation between competitive advantage and intensity rivalry in the Kenyan Beverage Industry. | $Y = 2.466 + 0.223X_2$  
A unit increase in intensity rivalry will lead to a 0.223 increase in competitiveness of the competitive advantage in the Kenyan beverage industry. |
| **Threat of Substitute Products** | 48.362 at 2 df. With a p-value of 0.004. The researcher concluded that there is an association between the threat of substitute product and competitive advantage | 0.166 (p<0.05). There was a positive correlation between competitive advantage and substitute products in the Kenyan beverage industry. | $Y = 2.466 + 0.230X_5$  
A unit increase in substitute products will lead to a 0.230 increase in competitiveness of the competitive advantage in the Kenyan Beverage Industry. |
| **Government Policy**    | 17.615 at 2 df. With a p-value of 0.040. Hence the null hypothesis was rejected. Conclusion there is an association between government policies and the industry forces in deriving CA. | 0.235 (p<0.05). There was a positive correlation between competitive advantage and government policies in the Kenyan beverage industry. | $Y = 2.466 + 0.260X_6$  
A unit increase in government policies will lead to a 0.260 increase in competitiveness of the competitive advantage in the Kenyan beverage industry. |
Summary

On threat of new entrants, the study found that, the Kenyan Beverage Industry is attractive for long-term profitability to lure new entrants; the findings also indicated that the Multinational Organizations share value exceeds that of other industry players in the same segment and thus very attractive to lure new entrants.

The study also found that the bargaining power of suppliers does certainly affect the competitive advantage of the three MNC’s.

With regard to bargaining power of buyers, the study found that innovation through technological development impacts the quality of products sold through buyers and has a positive impact on return on assets.

The study found that intensity of rivalry affects the competitive advantage of the multinational firms in the beverage industry in Kenya. According to the results, being market leaders empowers organizations to play a coordinative role in the industry of price leadership.

On threat of substitute products, the study found that the organizations focus on product uniqueness as a value creation measure to guard against threat of substitutes.

The study found that government policies affects the industry forces in deriving competitive advantage. Environmental laws and regulations affect how an industry operates within the community.
Conclusions

The study concludes that the **threat of new entrants** applies to the MNC’s in the Kenyan Beverage Industry due to the presence of various competing organizations performing similar roles and offering such products and services at lower rates.

The study concludes that the **bargaining power of suppliers** applies to the Kenyan Beverage Industry and is a factor to watch as increase in the cost of the beverage products leads to an increase in the cost of products offered by the multinational firms. The quality of their services, such as assured security and clean working environment determines employee motivation and satisfaction.

This study also concludes that the **bargaining power of buyers** of multinational firms studied in the Kenyan Beverage Industry is critical in terms of understanding the firms’ buyers and successfully meeting their demands as a way of retaining them and achieving high customer satisfaction for repeat sales.

On **intensity of rivalry** The study concludes that to strategies and win in this highly competitive industry, product differentiation is a way used by organizations to create value to customers and consumers.

On **threat of substitute products**, the strength and effects of substitutes should not be ignored. From the study, the organizations should focus on product uniqueness as a value creation measure to guard against threat of substitutes.

On **Government policies**, the study concluded that the government through regulations, subsidies, or other means affect the position of an industry and its profitability. Additionally, environmental laws and regulations affect how an industry operates within the community.
Recommendations

Threat of new entrants – MNC’s in the Kenyan Beverage Industry should increase their product diversity and customize its products in a way that suits and retains the already existing customers as well as increase quality, efficiency and effectiveness in product delivery.

Bargaining power of suppliers - place high priority on building long term partnerships with suppliers

Bargaining power of buyers – MNC’s in the Kenyan Beverage Industry should engage in innovation through technological development which will impact the quality of products sold through buyers and have a positive impact on return on assets, favorable/attractive product prices create value to the customers who purchase the organizations products delivering persistent profits

Intensity of rivalry – for MNC’s to succeed in this highly competitive market, the firms should always consider how new technology advancement is going to improve on the products the offered and the impact of such changes to their product prices.

Threat of substitute products – MNC’s in the Kenyan Beverage Industry should research and understand ever changing trends of its consumers and innovate appropriately, realize the world is becoming a global village and adapt by taking advantage of the growing middle class through dynamic product propositions.

Government policies - government through its policy makers should check on laws and regulations that affect how the firms within the Kenyan Beverage Industry operate, licensing requirements, regulation of cost structures implemented, subsidies and other means that affect the position of firms in an industry and other forces in the operating environment.
Suggestions for Further Research

1. This study focused on Multinational Organizations who are pace setters, running their organizations under a global umbrella, local organizations would be worth a study, to identify how they sustain Competitive Advantage operating in markets that are dominated by Multinationals.

2. Whereas Porters Five Forces model is widely regarded as the best industry analysis tool, it is often criticized for being too static (Bose, 2007), this poses an opportunity to study rapid growing industries especially in the Beverage Industry and/or fast changing environments i.e. globally and/or Africa.

3. Further, it would be interesting to see if the findings from this study are applicable to other industries in Kenya.
Thank YOU