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CHALLENGES OF DOING BUSINESS IN KENYA FROM A FINNISH PERCEPTIVE



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THE CHALLENGES OF DOING BUSINESS IN KENYA FROM A FINNISH PERCEPTIVE

This study is about the challenges of doing business in Kenya from a Finnish perspective. The main objective was to identify possible challenges Finnish investors are likely to face when doing business in Kenya. The several number of challenges were discussed in this study. The challenges were corruption, insecurity, counterfeit & substandard of goods, high cost of energy and poor infrastructure the study was trying to identify whether this challenges affect Finnish companies doing business in Kenya.

The literature review was supported by both primary and secondary data, the primary data was gathered through reports, semi structured interviews while secondary data coming from books, newspaper articles and journals among others.

The study was approached by a qualitative research method. I considered the method to be appropriate for this study. An open ended questionnaire was sent to Finnish firms doing business in Kenya and phone calls were also made for the sake of clarification on issues that I needed to understand further clearly.

The findings indicated that the companies that answered my questionnaire had the knowledge of the present challenges facing businesses in Kenya. The common issues that the companies raised were the poor infrastructure in Kenya, fighting corruption in the public service and the issue of insecurity these are the issues that indicated to overshadow the other remaining challenges that are in this study.

The final conclusion presented in this thesis is only valid for this case study and cannot be generalized because the conclusion is only based on the companies that responded to my questionnaire.

KEYWORDS:

Challenge, Opportunities and perceptive

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1 .LIST OF ABBREVIATIONS (OR) SYMBOLS

Ksh	Kenya Shilling
EUR	Euro
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
MTP	Medium Term Plans
R&D	Research and Development
EAC	East African Community
WTO	World Trade Organization
JKIA	Jomo Kenyatta International Airport
NSE	Nairobi Stock Exchange
ICT	Information and Communications Technology
KTC	Konza Techno City
PEV	Post Election Violence

ASAL	Arid and Semi-Arid Area
NCIC	National Cohesion and Integration Commission
KAC	Kenya Anti-Counterfeit Agency
KARI	Kenya Agricultural Research Institute
EPC	Export Promotion Council
BPO	Business Processing Outsourcing
IMF	International Monetary Fund

1 INTRODUCTION

1.1 Background

Kenya is a very beautiful country known for its wide range of National parks and game reserves. The country is also known for its warm and humid climate along the Indian Ocean coastline and the warm and humid climate around Lake Victoria. As a results of its good climate condition and the presence of game reserves and national parks in the country, a lot of tourists visit the country annually. It is estimated that a total of 1,095,945 tourists visited the country in 2010 as at 31st December, 2010 with the sector earning Kshs 73.68 billion(€ 81.76 billion) in terms of revenue earnings within the same period. (Ministry of Tourism, n.d)

Kenya was a British colony that gained its independence in 1963, its capital city is Nairobi. It is a country in the East of Africa with a population of 43 million according to the 2012 World Data Sheet by the Population Reference Bureau (Population Reference Bureau, 2012).

Majority of Kenyans are well-educated with a 70% of the population being under the age of 35 years, and an estimated 50% of people living below the poverty line (US Embassy Nairobi, 2014)

There are 42 ethnic groups in Kenya with the official language being English and the national language Swahili. The currency used is Kenya shilling (Ksh) whereby 1 euro is an equivalent of 118 Kenya shillings (Universal Currency Convertor, 2014)

The country occupies approximately 582,650 square kilometers with its land area being 569,250 square meters and its surface water area is 13,400 square meters (Chau, 2010)

The country is located in the center of African continent's eastern portion, south of the Horn of Africa and along the western Indian Ocean, bordered to the northeast by Somali, to the north by Ethiopia, the northwest by Sudan, to the west by Uganda and to the south by Tanzania (Chau, 2010).

To have a clear view of the location of Kenya with its neighboring countries below is the map of Kenya with its neighboring countries of Uganda, Tanzania, Ethiopia, Sudan and Somalia.



Picture 1.1 Map of Kenya courtesy of maps.com

The country having been colonized by the British, follows the British education system where school going children have dress codes commonly known as school uniforms.

In Kenya the formal education was introduced by missionaries as a strategy for evangelical success. The missionaries dominated the provision and administration of education throughout the colonial period. Some of the centers they established grew into large institutions and today are among the National Secondary Schools in the country (Eshiwani, 1990).

Today Kenya is made up of public, private and missionary schools with the education in public schools being free, the education system has expanded rapidly since independence, as a result of an increasing public demand for more educational facilities, the Government's commitment to make education accessible to all Kenyans; and the pressing need for educated and trained manpower with most families in Kenya seeing education as an investment promising socio-economic returns (Eshiwani, 1990)

On the other hand Finland is a Nordic country located in the Northern Europe with a population of 5.4 million (World Bank, 2012). Its capital city is Helsinki with the official languages being Finnish and Swedish. The currency used is Euro. Unlike Kenya where school going children are required to put on school uniforms before they go to school this does not apply in Finland and also managers and supervisors are addressed by their first names regardless of their job positions.

1.2 Motivation

My motivation came from having lived in Finland for the past three years and yet there are few companies presence or doing businesses in Kenya. This motivated into trying to explore what challenges might be hindering Finnish companies from doing business in Kenya. On the same note bring out the opportunities Finnish companies can have in doing business in Kenya.

1.3 Aim of the thesis

The main objective of this thesis is to identify possible challenges when doing business in Kenya. The thesis will explore key challenges Finnish companies are likely to face when doing business in Kenya, apart from those challenges what are the opportunities likely to be found when doing business in Kenya. The aim is to inform the companies that apart from the challenges in Kenya there are also a number of opportunities for doing business in Kenya. The thesis will answer the following research questions:-

- 1) What are the major challenges of doing business in Kenya for Finnish businesses?
- 2) How does those challenges hinder doing business in Kenya?

2 LITERATURE REVIEW

2.1.1 Economic background

Kenya as a country has all a lot of potential to attract FDIs and ensure that its economy is stronger as it is a beautiful country made of wonderful people. After more than a decade of stagnation, Kenya's economy showed signs of strengthening, with continued growth in per capita gross domestic product (GDP) at rates of 1.6 percent in 2004, 2.6 percent in 2005, an estimated 2.9 percent in 2006, and an estimated 4 percent in 2007, all in an environment of perceived moderately enhanced macro stability (Giuseppe, 2009) this is supported by a recent research conducted by Lucintel research company which revealed that the country's economy is expected to outpace the growth of global GDP and grow to \$89 Billion at the current price by 2018 (Lucintel, 2013) also to note is a review conducted by the world bank a year after the new government was elected in March 2013, which indicated that Kenya's economy was expected to grow at 5.8-6% and there was a significant improvement over the 4.6% gross domestic product (GDP) growth rate the country recorded in 2012, and inflation was also expected to remain at a single digit (World Bank, 2013) all these are positive remarks that would attract FDIs to visit and invest in Kenya, but still there are a number of challenges facing the country, these challenges will be discussed in this paper and see how they can be handled.

For the first time in recent years, Kenya was likely to match the average growth rate of 6% of its peers in the East African Community and Sub-Saharan Africa but at the same time it will still be significantly short of the Vision 2030 target growth rate of 10% (World Bank, 2013). According to the World Bank, the average growth rate was as a result of the of the good performance in industries and agriculture which expanded respectively.

The country's economic prospects remained strong in 2013, with low inflation and stable interest rates, and the shilling also remained fairly stable against major trading currencies, enabling the Central Bank of Kenya (CBK) to lower interest rates and induce increased commercial bank lending to the private sector (World Bank, 2013).

Kenya's foreign exchange reserves stood at US\$5.8 billion and the Nairobi Stock Exchange (NSE) index rose to 14% since the beginning of the year, as domestic and foreign investors flocked into the market for better yields (World Bank, 2013)

In order for a country to accumulate foreign reserves authorities have to acquire foreign currency in foreign exchange market (Gonçalves, 2008, p. 5) while (Barnichon, 2008, p. 2) states that due to the fact that low to middle income countries have weak diversified economies that are vulnerable to natural disasters they rely in imports for example Kenya exports coffee and tea and through this export business the country generates foreign exchange inflows hence foreign reserves are foreign currencies in foreign exchange markets.

International reserves play a critical role in low and middle class economies by allowing a rapid access to foreign exchange to avoid large imports fluctuations due to balance of payment constraints (Barnichon, 2008, p. 2)

Kenya has a well sophisticated financial system in Eastern Africa, with the presence of foreign banks such as Barclays bank, Standard chartered bank, Commercial bank of Africa, Gulf Bank, and Middle East bank operating in the country. The country's financial system consists of markets, banks, insurance, and other formal institutions such as supplier credit; small enterprise credit programmes; and informal sources.

Formal financial organizations are registered with the state and are highly regulated. Capital markets are those in which capital in monetary form is lent and borrowed on varying terms and for varying periods. Treasury bills, commercial paper, bonds, and equities are the most common instruments traded. Banks provide both deposit and lending facilities and are, therefore, key to satisfying the financial needs of business (Omosa, et al, 2008, p. 20)

The country's tourism sector is one most successful in the world with tourist attractions like the Masai Mara National park, Nairobi National Park, Amboseli and Tsavo East and West National parks pulling tourists yearly thus putting the

country into the world map in relation to tourism. Away from the tourism, Kenya has also other valuables that are of high attraction to FDIs and these are mineral commodities such as titanium, coal and oil which was discovered in March of 2012, by a British oil company Tullow (US Embassy Nairobi, 2014)

In terms of transportation system Nairobi is the transportation hub of Eastern and Central Africa and it is also the largest city between Cairo and Johannesburg with the Port of Mombasa being the most important deep-water port in the region supplying the shipping needs of many countries. Even though the port of Mombasa is the most important deep-water port in the region it faces a numerous number of challenges which includes equipment deficiencies, inefficiency, and corruption. (US Embassy Nairobi, 2014)

Kenya is a member of the East African Community (EAC) and Investing in the country provides access to larger regional markets of the East African Community (EAC) which has a population of over 133.5 million. Taking into consideration that Nairobi is a major transport hub for Eastern Africa with Jomo Kenyatta International Airport (JKIA) acting as the nucleus of regional air transport. The airport has the connectivity to Key African, European and Middle East cities and the country's port of Mombasa serves most of the Eastern and Central African landlocked countries, which includes Burundi, Ethiopia, Rwanda, Sudan, Southern Sudan, Uganda and parts of Northern Tanzania. (Doing Business in Kenya, 2011)

In January 2001, the governments of Uganda, Kenya and Tanzania formalized a treaty to set up the East African Community (EAC) with the goal of creating an economic and political union between the three countries and later in the year 2007 Rwanda and Burundi became members. (East African Community, 2014)

Apart from the country being a member of EAC it's also a member of the Common Markets of Eastern and Southern Africa (COMESA). This is through the coordination of the Ministry of Trade and Industry, the Kenya National Chamber of Commerce and Industry, of Kenya Association of Manufacturers (KAM) and

Export Promotion Zone (EPZ) (COMESA, nd) thus investing in Kenya puts the investors to access larger regional markets both in East and Southern Africa.

For investors looking at investing in Kenya, they need to understand the business context. Business context consists of present conditions, and institutions that have the power to affect the establishment, growth, and development of business (Omosa, et al, 2008, p. 20)

(Whitley, 1992; Whitley and Kristensen, 1996) states that institutions that shape business are, therefore, many and complex. They range from the economic institutions of markets, firms and relational contracting, to political and social institutions, such as the state, family, gender, and ethnicity. In form, they include formal rules, such as constitutions, policies, laws, and regulations, as well as the less formal norms, customs, and codes of conduct. These come together and are in constant interaction in the notion of the business system, which is central to our analysis (Omosa, et al, 2008, p. 21)

Business context are important because, like other living organisms, businesses tend to adapt to their environment for example compensating for weak demand, taking advantage of a strong legal system, substituting for missing infrastructure, or self-finance when banks are unfriendly (Omosa, et al, 2008, p. 20).

Government policy is also a critical component of that context everywhere in the world, especially in the countries of Africa, which gained their independence at a time when many believed that the state must drive development (Omosa, et al, 2008, p. 20) Understanding the policy process is, therefore, essential to understanding how business has evolved in Kenya. Not only does business in Kenya differ from that in other continents and countries, but also earlier investigations suggest that business systems in Africa tend to be internally fragmented (Pedersen and McCormick, 1999).

Business in Kenya comprises trade in agricultural products, real estate industries, tourism sector, export and import of economic goods. Kenya's trading partners are Asia, Middle East and Europe.

Growth acceleration in Kenya has been driven largely by the private sector from the demand side, by private consumption and exports, and from the supply side, by a broad array of activities producing tradable and nontradable goods and services, including horticulture, telecommunication, wholesale and retail trade, manufacturing, and transportation (Giuseppe, 2009)

2.1.2 Definitions of terms

There are a number of terms and definitions used in this paper, the terms and definitions will be introduced to avoid any sort of misunderstanding since they might be of a different meaning in other context.

2.1.3. Business environment

This refers to all those internal and external factors which affect business or decision making in business. Internal factors can be important decisions related to business such as what business to do, where to do the business, when to do the business, how to do the business, whether to continue a business and whether to expand a business and if yes where and how to expand it. External factors are government legal, political, social- cultural and demographical factors

The business environment consists of a number of factors which have different types and degrees of influence on business. Some factors such as demographical factors might have a favorable impact on some business. Some adversely affect them while some are neutral as far as their impact on certain business. A factor that has a favorable effect on some business may adversely affect some others. For example. While import liberalization favorably affects the user industries it harms the import competing industries. (Cherulinam, 2009)

2.1.4 Foreign Direct Investment (FDI)

This is an investment in which a firm acquires a substantial controlling interest in a foreign firm (above 10 per-cent share) or sets up a subsidiary in a foreign country. It is a major force shaping globalization (Chen, 2000)

FDI offers the possibility for channeling resources to developing countries, according to this argument, FDI is becoming an important source of funds at a time when access to other means of financing is dwindling, and Lipsey (1999) argues that FDI has been the most dependable source of foreign investment for developing countries. (Foreign Direct Investment: Theory, 2002, p. 4)

It is important for a country to have FDI because FDI firms increases the level of competition on the host economy market, forcing domestic firms to become more efficient (Foreign Direct Investment, 2009, p. 3)

2.2 Assessment of Kenya Using Pestle Framework

As stated above business environment refers to all those internal and external factors which affect business or decision making in business the factors might be favorable or unfavorable and they can be divided into internal factors and external factors.

Internal factors are generally regarded as controllable factors because the company has control over them and it can modify such factors for example personnel, physical facilities, organization and functional means (Cherulinam, 2009, p. 6)

External factors also regarded as uncontrollable factors are large beyond the control of a company, and are factors such as the economic factors, socio-cultural factors, government and legal factors, demographic factors, geo-physical factors (Cherulinam, 2009, p. 7) the external environments can affect investors decision to invest in a country as uncertainty might make FDIs hesitant to invest in

Kenya. While assessing Kenya using the pestle framework, the external business environment factors will be discussed below.

2.2.1 Political Environment

Kenya is a country in suspense, political fallouts and popular anxiety with a tradition of political violence, be it state-sponsored or private, which climaxes during elections, especially since the inception of multiparty politics in 1991 (Jerome, 2009, p. 12)

During election periods tension is always high due to the fact that there is use of ethnicity in political debate and in social relations, both as inward-looking censure and a means of renegotiating social relations (Jerome, 2009, p. 23) this remarks are supported by (Kimani, 2013) who states that culmination of years of tension is related to access to state power and control of state resources as well as a weak governance institutions including the judiciary and electoral bodies.

In 2007-2008 Kenya suffered political violence as a result of the former president Mwai Kibaki being declared a winner in the presidential election held on 27th of December 2007, according to the Kenya Red Cross Society 1000 people lost their lives and thousands more sustaining injuries. Due to the Post Election Violence (PEV) 300,000 people were internally displaced and lived in camps (Kenya Red Cross Society, 2008, p. 1 &2)

According to Kimani the post-election violence was without doubt, the culmination of years of tension related to access to state power and control of state resources as well as weak governance institutions including the judiciary and electoral bodies (Kimani, 2013, p. 4)

The widespread violence of the December 2007 presidential election results undoubtedly left a mark on Kenyan politics and Kenyans became keen for history not to repeat itself. Due to the fact that majority of the youths are jobless and idle

they tend to be used during such times by politicians who pay them to cause violence as a result of this in August 2012 Africa Health and Development International (AHADI) with the support of Rockefeller foundation held a conference to discuss youth and the socio-economic impact of peaceful and fair elections. The main idea was to create a better understanding of the imperatives of peaceful and fair elections and anchor the principle of citizen agency in ensuring that the nation remains peaceful and stable at moments of transition (Kimani, 2013).

In March 2013 presidential elections were held and this time round they were peaceful elections. The country has made strides and parliament has passed crucial Bills to initiate reforms in a number of sectors including the judiciary and the police, but much still needs to be done considering inequalities and socio-economic contradictions which have characterized the country for decades and are likely to burst at the seams unless addressed purposefully and urgently (Kimani, 2013, p. 5)

The current national leadership is alienated from the people and it's driven by selfish interests and the pursuit of power through ethnic and regional mobilization, the political and economic elite do not endear hope to the people. At another level, the communities are themselves divided on the basis of clan and ethnicity as they struggle over meager resources (Kimani, 2013, p. 5)

Apart from the communities being divided on the basis of clan and ethnicity there have also been religious tension among Muslims and Christians in various parts of the country.

According to an article published by the Standard newspaper there have been repeated attacks on churches and unsolved killings of both Muslim and Christian clerics in recent days bringing to the fore simmering religious tensions in various parts of the country. As a result of this tension it has become difficult for Christians to get business permits or permission to put up churches from Mombasa county government and those operating business are even harassed or attacked by the county government officials (Standard Media, 2013)

For FDIs to be comfortable in a country like Kenya the government needs to address these vices that are related to tension and instability in the government, considering that Mombasa where religious tension has been building up is a tourist attraction city with so many business opportunities in the fields of hotels and apartments.

FDIs are scared of investing in instable Government (Kumar, 1998) this is also emphasized from a finding published by the “Working Group of the Capital Markets Consultative Group on FDI” the findings states that a stable political environment, as well as conditions that support physical and personal security, are an important benchmark that is used in judging the likelihood of adverse changes in the investment climate for foreign owned firms. (Capital Markets Consultative, 2013, p. 4)

The Kenyan government is facing a major test of implementing the new devolved system of governance and also trying to cope with the number of insecurities and terrorist attacks facing the country with the recent one being September 2013, terrorist attack of an upmarket mall in Nairobi (World Bank, 2013)

2.2.2 Economic Environment

In the past, Africa was overlooked when considering investment opportunities, due to its poverty, lack of infrastructure, unsettled politics, and unfamiliarity on the part of investors. South Africa was the only sizable stock market on the continent south of the Mediterranean with a heavy exposure to resource stocks. Investors classified Africa as difficult to access and lacking in suitable investment opportunities even if one did make the effort. (Graham, 2013) but things have changed and Africa has become the second most attractive frontier market region after Asia, due to its young and rapidly growing population, extensive natural resources, low levels of GDP per capita and cheap valuations, with the appropriate investment vehicle, investors should certainly consider African investment (Graham, 2013) The Chinese have shown a lot of interest in Africa

with the business between Africa and China having grown tremendously in recent years, as has China's economic and political role in Africa. China has a long standing links with Africa, but the intensity and diversity of its recent engagement on the continent, driven by the search for resources and markets for its rapidly expanding economy, is historically unprecedented (Harneit-Sievers, Axel, Marks et al, 2010)

The Economist has pointed out that over the past decade, six of the ten fastest-growing economies in the world have been African, and that the region has enjoyed GDP growth of 5 percent from 2010 to 2012 (Graham, 2013).

Kenya's on the other hand is ranked position 111th in the 2014 economy index with an economic score of 57.1. The score increased by 1.2 points from the 2013 with notable advancements being in trade freedom, labor freedom, and monetary freedom (The Heritage Foundation, 2014)

The Kenyan government has had a move to liberalize the economy through its vision 2030 which identified six sectors as potential to contributing to the economic growth. The six were Tourism, Agriculture, Wholesale and Retail trade, Manufacturing, ICT and Business Process Outsourcing (BPO) and finally financial services.

Agriculture accounts for about 25 percent of GDP and employs a majority of the workforce. The vision 2030, was being implemented through 5 years medium term plans (MTP) with the first MTP having covered 2008-2012 with an achievement of the financial sector. The second MTP 2013-2017 wants to increase the manufacturing exports (Kenya Vision 2030, July 2013).

Kenya's laws do not discriminate against foreign investors, but new investment is screened by the government. The financial sector remains relatively stable with non-performing loans, particularly from state-owned banks to state-owned enterprises declining (The Heritage Foundation, 2014)

The country is also a member of several trade blocks like the East Africa Community (EAC) and Common Market for Eastern and Southern Africa

(COMESA) The country is also one of the signatories of the East Africa Customs Union making the country attractive to foreign investors and companies looking to access East and Central Africa markets. Kenya enjoys a good financial market with the Nairobi stock Exchange and the Capital Markets allowing foreigners to participate in the Nairobi stock exchange.

2.2.3 Social Environment

Kenya is a multicultural society and individuals are free to express their language, dress, food and customs. The five largest tribes being the kikuyu, luau, Kalenjin, Luo and Kamba. In 2013 the National Cohesion and Integration Commission (NCIC) revealed gaping ethnic disparities in public universities employment with data showing that 80% of the jobs were being occupied by the five largest tribes (Capital Fm, 2012), the public servants commission on the other hand revealed that the three most populous tribes in Kenya, Kikuyu, Kalenjin and Luhya hold half of the civil servants jobs with the Kikuyu community having the highest numbers followed by the Kalenjin's then the luhyas (Nation Media, 2014) This information reveals how tribalism has ruined Kenya as a society.

Apart from tribalism, poverty and inequality remains high in Kenya with the poverty revealing regional disparities in distribution of poverty with lowest poverty levels being in central region and the highest being in northern and eastern arid and semi-arid areas (World Bank, 2014)

Even though Kenya hopes to eliminate poverty by 2030 poverty and inequality has remained high in the country. Poverty is highest in the arid and semi-arid areas that cover about 80% of the land area and are inhabited by about 20% of the population and also in the coastal area, which receives fewer resources (World Bank, 2014).

The Kenyan government, through Vision 2030, has some flagship project of building Tier 1 Markets in all regions to increase economic activities and creation of jobs an example being a program in Arid and Semi-Arid Areas (ASAL) to rehabilitate, expand and equip 37 boarding primary schools in 23 out of a total of

46 constituencies through Economic Stimulus Programmed (ESP). The aim is to increase enrollment rates in schools and ensure equity in these disadvantaged areas (KENYA VISION 2030, nd)

The government has also started irrigation projects in ASAL with the aim of supporting the small scale farmers in these regions with the aim of achieving high crop yields in these regions (KENYA VISION 2030, nd) all these initiatives are aimed at fighting the poverty levels all around the country.

2.2.4 Technological Environment

Information technology (IT) is a key in Kenya's quests to be an industrialized country by 2030. The level at which the technology is moving in Kenya is unbelievable considering that a few years ago mobile phones were unheard of. At the moment, there are four mobile companies in Kenya. Safaricom, Esser, Orange and Zain.

Safaricom introduced mobile money transfer called M-PESA which enables users to send money both domestically and internationally to their loved ones living in Kenya. The service, had started as a mobile money transfer but currently it enables users to make payments using the same services hence the raise of technology (Safaricom Kenya, nd)

The Kenyan Government through its Ministry of Information, Communications and Technology is putting more effort in the Information and Communications technology (ICT) sector. The government unveiled a plan to position Kenya as a leader in ICT investment and innovation by the year 2017 and this will be made possible through partnering with private sector and development partners to fund flagship projects planned for the period (Oduogi, 2014)

The government is planning to create an enabling policy, legal and regulatory environment, provide e-government services that are simple to use and convenient for Kenyans and by doing this Kenya will be able to develop a dynamic and robust ICT sector that will enhance socio economic growth. The plan also

projects that by 2017, Kenya's ICT industry would create 180,000 jobs and contribute 8% of the GDP (Oduogi, 2014)

Some of the ICT projects the Kenyan government is working on are, National Digital Registry Services, a Citizen Service Portal and Government Shared Services. There have also been plans by the government to move Kenyans from analogue to the digital broadcasting platforms though this efforts were halted by a court order which suspended the switch off. (Ministry of Information, Communications and Technology, nd)

The government is also working on a key flagship project of its vision known as Konza Techno City(KTC) the objective is to establish Konza city which is to generate 17,000 direct jobs at the end of 2018 in the fields of sports, telecom, hospitality, healthcare, construction, academic and life sciences, energy, infrastructure, real estate, financial services and manufacturing. The establishment of the city is expected to contribute to the growth of GDP by 10% annually since there will be a wide range of Investment opportunities (Ministry of Information, Communications and Technology, n.d)

On the same note the government started a computer supply program in public primary schools, public secondary schools, diploma colleges and learning center for adults all across the country with an aim of equipping the students with modern Information and Communication Technology (ICT) skills in order to achieve the Vision 2030 goal of mainstreaming Information Technology in schools. (KENYA VISION 2030, nd)

2.3 Five Challenges of doing business in Kenya

Kenya being a developing country is home to many challenging marketing opportunities considering the country is faced with high insecurity, unemployment, HIV-Aids, and poverty. Even though there are many business opportunities in Kenya, the challenges are a hindrance to the opportunities. It is therefore important to know what these challenges are and how they can be approached before investing in Kenya.

2.3.1 Corruption and Insecurity

Corruption has been around for a while in Kenya and because of this fact that it has always been around its being treated as a normal issue with the term ***“toa kitu kidogo or nunua chai”*** when translated in English means “give something small or buy tea” This is a polite way for asking for a bribe and it has been widely and commonly used by people in different government positions.

Buying tea does not necessarily mean taking a person for a cup of tea but it means giving that person some money for work to be processed or done at a fast rate. This is a great challenge that the Kenyan government needs to address because it has a negative effect on FDI especially when doing business with a country like Finland which is position 3 on the least corrupt countries. (Transparency International, 2014)

Kenyan firms still place corruption amongst the most important constraints to their businesses. Almost one-third of firms ranked corruption among the top three constraints; 38 percent rated it as a major or severe problem. Nearly 70 percent of firms that reported corruption as a binding constraint ranked it as a top constraint (Giuseppe, 2009)

Corruption comes in different forms for example bribery, extortion, influence, fraud, and embezzlement of funds. Macrae’s (1982: 679) defines corruption as an “arrangement” that involves “a private exchange between two parties (the ‘demander’ and the ‘supplier’), which (1) has an influence on the allocation of resources either immediately or in the future, and (2) involves the use or abuse of public or collective responsibility for private ends.” The demanders in our case may be the public officials and the suppliers are foreign investors (Sadig, n.d).

Corruption has a negative effects on any government with the effects of the level of corruption on FDI inflows being analyzed in context of the costs of doing business. This is due to the fact that foreign investors have to pay extra costs in the form of bribes in order to get licenses or government permits to conduct investment, and as a result of this it raises the costs of investment. Such additional costs decrease the expected profitability of investment and so corruption is generally viewed as a tax on profits (Bardhan 1997)

Corruption has a negative impact on the level of investment and economic growth (Mauro 1995), and Tanzia and Davoodi adds that it has a negative impact on the quality of infrastructure and on the productivity of public investment (Tanzi and Davoodi 1997), on health care and education services (Gupta, Davoodi, and Tiongson 2000), and on income inequality (Gupta, Davoodi, and Alonso-Terme 1998; Li, Xu, and Zou 2000).

Foreign investors tend to avoid investing in countries with high levels of corruption even though (Bardhan 1997) tend to believe that there may exist positive effects of corruption on FDI inflows. Bardhan, states that in the presence of a rigid regulation and an inefficient bureaucracy, corruption may increase bureaucratic efficiency by speeding up the process of decision making, however, this view has been rejected empirically by (Kaufman and Wei 1999) using firm level data covering more than 2,000 firms found that firms paying more bribes spend more time negotiating with bureaucrats (Sadig, n.d)

Even though the Kenyan government through the Kenya Anti-corruption commission is trying to fight the corruption vice by gathering information on corruption occurring in Government and the public sector from a variety of sources there is still a lot that needs to be done in the fight against corruption since as earlier stated it is a vice that has been in the society for a long time and the public views it as a normal day to day matter.

Insecurity and tribal tensions is also an issue that needs to be addressed by the Kenyan government since majority of Kenyans feel one ethnicity group out of the 42 ethnicity groups in Kenya has more benefits than the rest of the tribes.

2.3.2 Counterfeit and Substandard goods

People living in developed world live in greatest comfort and luxury, majority of the population can make choices on a variety of brands, this is not the case when it comes to people living in developing world. In developing world and to be specific in Kenya a huge number of the population is living below a dollar daily hence the need to result on cheaper substandard goods which mostly are counterfeited. Counterfeit equals theft (Phillips, 2005, p. 11)

According to an article posted in the East African newspaper dated 11 October 2011, two large Kenyan manufacturers have announced plans to shut down their plants and shift operations to Egypt. In both cases, counterfeits and cheap imports have been blamed for the closures (Olingo, 2011)

Cadbury Kenya a confectionary company and Eveready East Africa, a battery manufacturing company announced close down of their manufacturing plants in Kenya by the end of October as a result of being negatively affected by cheap imports and counterfeits (Olingo, 2011)

Kenyan manufacturers incur an annual net loss of approximately \$42 million due to counterfeit products while the government loses approximately \$80million in potential tax revenue due to counterfeit products this is according to a study on counterfeit goods in Kenya. (Trade Mark East Africa, n,d)

According to a study which was conducted by the Kenya Association of Manufacturers (KAM) revealed that 30% of medicines sold in Kenya are fake and it focused on five major sectors that were considered to be affected by the counterfeit menace. The sectors were motor vehicle assembly and accomponents, energy, electrical and electronic sector, food, beverages and tobacco sector, chemical and allied sector and pharmaceuticals and medical equipment's (Trade Mark East Africa, n,d).

Due to a high poverty level in Kenya majority of the people resolve into buying cheap substandard goods without realizing both the economical and physical dangers they put themselves. Use of sub standards goods or counterfeit goods affects not only the economy by retarding economic growth but it also threatens the customers safety and security. Even though the Kenyan government through the Kenya Anti-Counterfeit Agency is trying to enlighten and inform the public on counterfeits the war against the vice is still far reached

2.3.3. High cost of energy

According to an article published in AllAfrica.com Kenyan goods were becoming increasingly uncompetitive due to rising energy costs.

"Energy costs alone constituted over 40 per cent of the total manufacturing costs, driving a 33 per cent increase in overall costs," (Riungu, 2008)

Kenya's power supply remains unreliable because its generation and transmission are stretched too thin. Growing demand, combined with recent droughts have reduced the supply of hydropower leading to frequent power interruptions, private sectors suffer as a result with 70% of the firms feeling the need to install backstop generation and 3% of turnovers lost to power outages (Shkaratan & Briceño-Garmendia, 2011).

2.3.4 Culture

Cultural difference presents a number of challenges in the global market place, companies must recognize, differences in language, social values, ideas of status, decision-making, attitudes towards time, use of space, body language, manners and ethical standards otherwise such differences can lead to misunderstandings when doing business in a foreign country. The best way to

prepare yourself for doing business with people from another culture is by studying the culture in advance. (Courtland & Thill, 2004, pp. 74, 75).

(Lustig & Koester 1999) defines culture as a learned set of shared perceptions about beliefs, values, and needs that affect the behaviors of relatively large groups of people while (Tylor 1913) defines culture as a complex and interrelated set of elements, comprising knowledge, beliefs and values, arts, law, manners and morals of all other kinds of skills and habits acquired by a human being as a member of a particular society (Jean Claude Usunier, 2005)

(Useem J.&Useem R.1963) sees culture as a learned and shared behavior of a community of interacting human beings while (Hofstede G, 1984) defines culture as a collective programming of the mind that distinguishes the members of one category of people from another, all these authors have found one way or the other to define culture nevertheless I couldn't agree more with whoever related culture with an iceberg, it is a perfect relation due to the fact that one cannot be able to see everything just with a look but it is important to analyze the whole ground. Hence it is important to find out whether there is any issue of cultural difference between Kenya and Finland from the questionnaire that will be sent to Finnish companies doing business in Kenya.

2.3.5 Poor Infrastructure

“Infrastructure not only contributes to economic growth, but it is also an important input to human development (Fay and others 2005)” (Africa's infrastructure a time for transformation, 2009)

Infrastructure is a key ingredient for achieving all the Millennium Development goals (MDGs) and on just about every measure of infrastructure coverage, African countries lag behind their peers in the developing world (Yepes, Pierce, and Foster 2008). This lag is perceptible for low and middle-income countries in Sub-Saharan Africa relative to other low and middle-income countries with the

differences being particularly large for paved roads, telephone main lines, and power generation (Africa's infrastructure a time for transformation, 2009, p. 2)

Not only are Africa's infrastructure networks deficient in coverage, but the price of the services provided is also exceptionally high by global standards whether for power, water, road freight, mobile telephones, or Internet services, the tariffs paid in Africa are several multiples of those paid in other parts of the developing world with the explanation for Africa's higher prices sometimes being genuinely higher costs, and sometimes in high profits. The policy prescriptions for the two cases are, of course, radically different. Power provides the clearest example of infrastructure with costs genuinely higher in Africa than elsewhere. (Africa's infrastructure a time for transformation, 2009, p. 4)

Infrastructure contributed half a percentage point to Kenya's annual per capita GDP growth over the last decade and an evidence from enterprise surveys suggests that infrastructure constraints are responsible for about 30 percent of the productivity handicap faced by Kenyan firms, with the remainder being due to poor governance, red tape, and financing constraints. Power is the infrastructure constraint that weighs most heavily on Kenyan firms, with transport a close second. (World bank report on Kenya's infrastructure, 2011)

2.4 Opportunities of doing business in Kenya

To begin with there have been a number of stereotype views who believe that Africa is still not developed and for such stereotypes they generalize Africa forgetting that it is a continent not a country.

Colin Leys (1996, 134) African people are poor and even if external conditions are favorable, most African regimes will be unable to do much more than moderate the poverty of most of their populations in the next generation while Rist (2007, 487) added that "Development" is certainly a buzzword—"a modern shibboleth" for anyone wanting to improve their lives since decolonization began after World War II, Africa has been a recipient of this "essential password." The

irony though is that while other regions in the global South (the BRIC nations generally) are making headway in socioeconomic growth, Africa seems to remain caught-up in a development quagmire (Nathans; et al, 2013, p. 1)

This has been the portrait of Africa to the world with stereotypes seeing poverty, HIV & Aids, donor funding's as Africa and forgetting that Africa is a continent not a country. Due to globalization, FDIs and Technology transfer the picture of Africa as a continent of poverty has greatly changed. There are many opportunities of doing business in Kenya considering it is the most developed country in East Africa with an open economy hence a good candidate for foreign investment (Walden Publishing Ltd, 2001).

Also to note is that Kenya is a member of several trade agreements and it is a signatory of a number of agreements aimed at enhancing trade amongst member states. Kenya has been a member of the World Trade Organization(WTO) since 1995, East African Community(EAC), Common Markets of Eastern and Southern Africa(COMESA), ACP/Cotonou Partnership Agreement this is an agreement where exports from Kenya entering European Union are entitled to duty reductions and freedom from all quota restrictions (Export, n.d)

ACP/ Cotonou trade preferences include duty-free entry of all industrial products as well as a wide range of agricultural products including beef, fish, dairy products, cereals, fresh and processed fruits and vegetables.

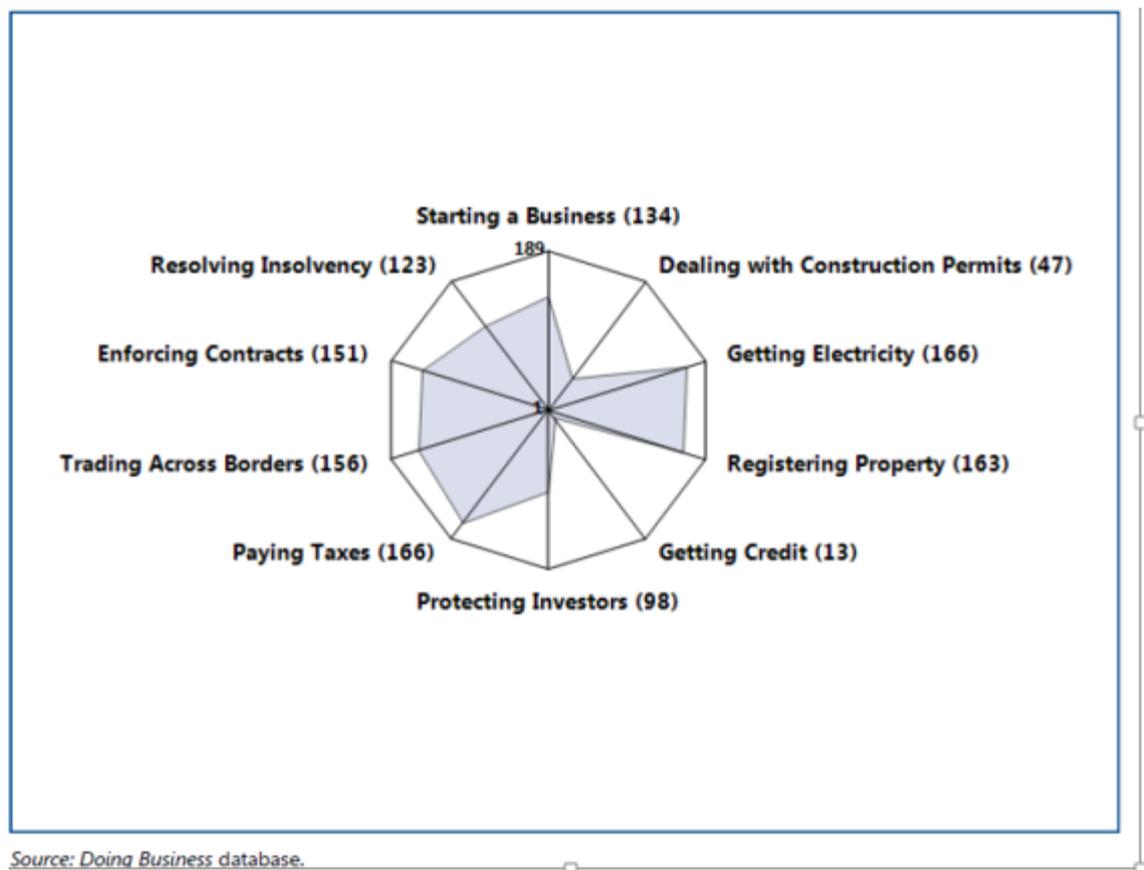
Kenya's industrial sector is diverse and open to foreign investment with opportunities exist for processing agricultural produce, including frozen food, cigarettes and brewing. Tourism is also a robust sector, given the country's outstanding natural beauty (Walden Publishing Ltd, 2001)

The country's economy has steadily recovered since the global financial crisis of 2008, however to achieve its goals of becoming a globally competitive middle-income country by 2030, Kenya needs substantial foreign direct investment (FDI) in order to achieve double digit economic growth (export.gov, 2013).

Even though the country has a lot of challenges there are still hundreds of millions of potential customers living there a few pioneering companies are thriving there and therefore their success offers lessons on how to tap these complex environments for profits and growth.

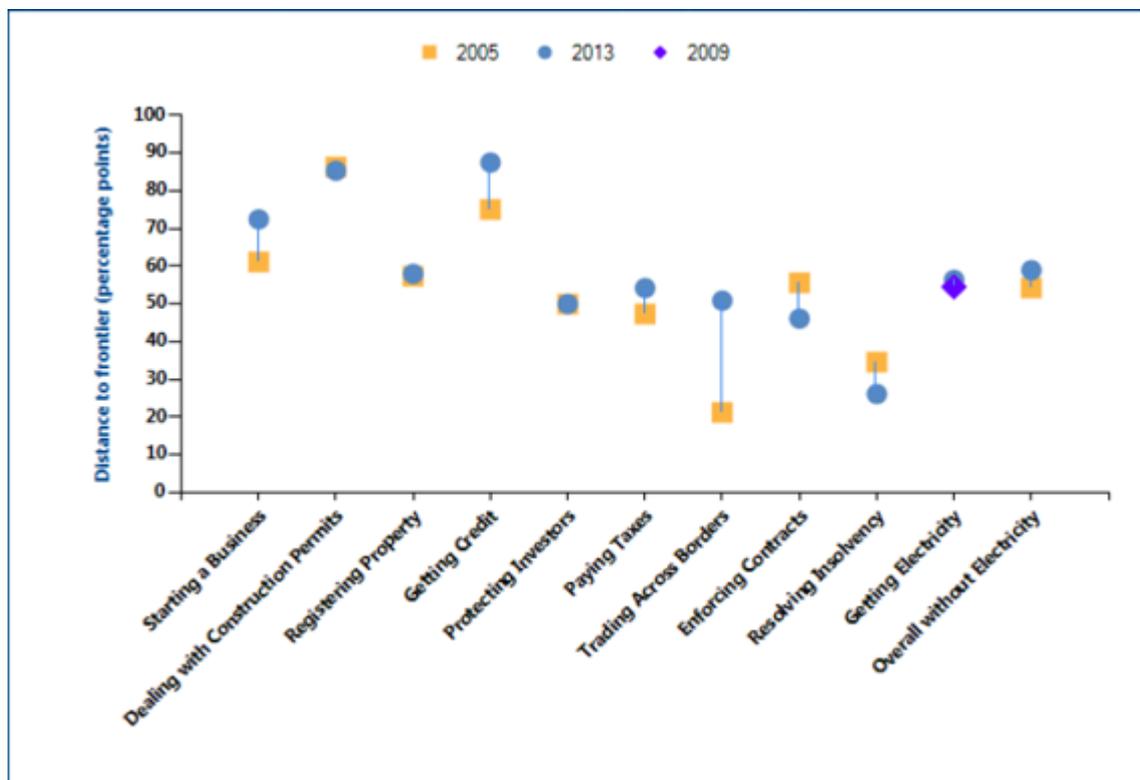
Over a number of years the Kenyan Government has tried to motivate FDIs by making the procedure of starting a business in Kenya to be shorter. The below diagram shows how the country ranks in doing business topics. This has slightly improved compared to a few years ago when the process was a little hectic as the two diagrams figure 2 and figure 3 indicates.

Figure 2 Ease of starting a business in Kenya



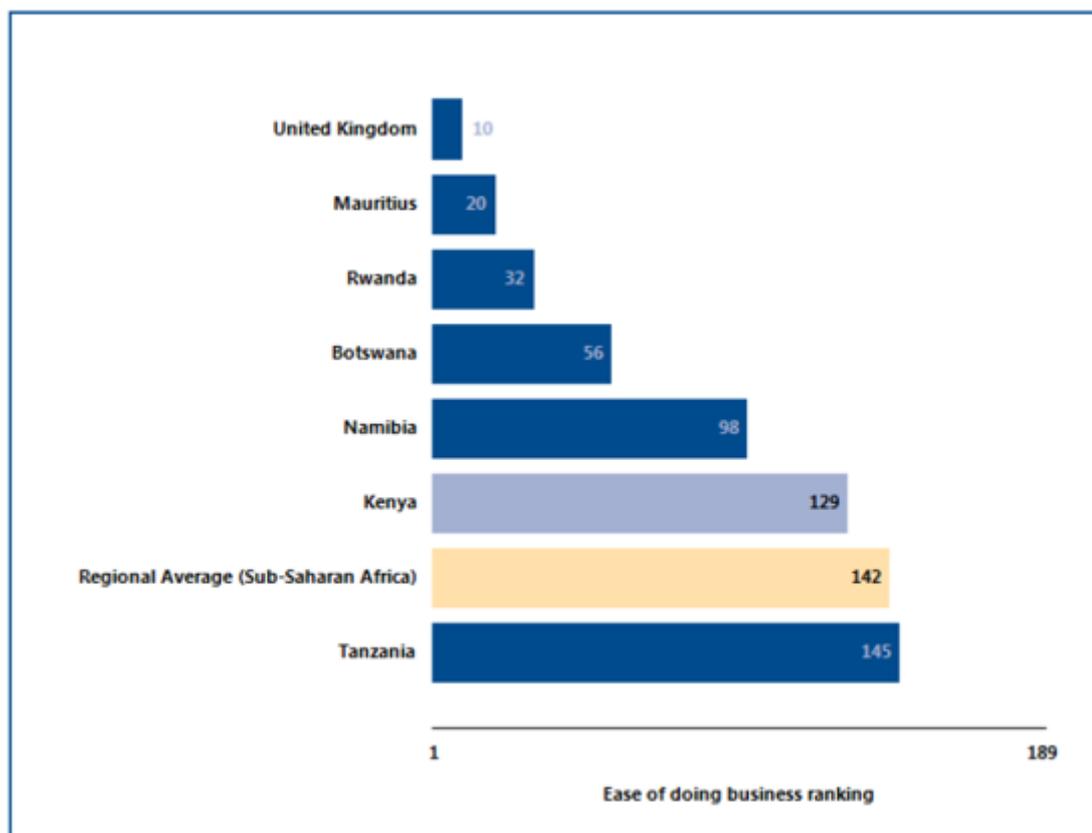
Before looking at figure2 it is important to note that the distance to frontier measure shows how far on average an economy is from the best performance achieved and the measure is normalized to range between 0 and 100 with 100 representing the best performance (frontier)

Figure 3 shows how far Kenya has come in areas measured by doing business



It is important for FDIs to understand where an economy stands and where its ranked relative to comparator economies and relative to regional average (Doing Business, 2014, p. 7) and when Kenya is compared to other comparators it is position 129 out of 189 with its neighboring country of Tanzania being position 145 this is an indication that Kenya is not doing so bad considering other 60 more countries are behind her.

Figure 4 below shows ease of doing business between Kenya and other countries



Source: Doing Business database.

Kenya is the economic, commercial, and logistical hub of East Africa, and private equity capital is flowing into the country with more American companies investing and setting up local and regional operations taking advantage of the country's strategic location, comprehensive air routes, and status as a regional financial center. There have been the discovery of oil reserves which has put Kenya as a promising frontier in the oil and gas industry this has made American oil companies enter the market with plans to begin drilling exploratory wells (US Embassy Nairobi, 2014) making the country more attractive to FDI

China on the other hand has invested heavily in Kenya's infrastructure with the latest deal \$5bn being signed in 2013 to build a railway line, an energy project and to improve wildlife protection (BBC News Africa, 2013)

I will highlight the booming industries in Kenya that are making American and Chinese companies invest in Kenya and whether this can also be attractive to the Finnish companies.

Below are the six booming industries in Kenya:-

- Construction Industry
- Information and communication Technology (ICT)
- Oil drilling/ oil refineries
- Energy(Expansion of geothermal power)
- Medical equipment's
- agribusiness

2.4.1 The agriculture sector

According to the Kenya Agricultural Research Institute (KARI) approximately 45% of the Government revenue is derived from agriculture and the sector contributes over 75% of industrial raw materials and more than 50% of the export earnings with tea and coffee being the main exports. The sector is the largest employer in the economy, accounting for 60 per cent of the total employment and over 80% of the population, especially those living in rural areas, derive their livelihoods mainly from agricultural related activities. The agricultural sector is the mainstay

of the Kenya's economy and it contributes directly 24% of the Gross Domestic Product (GDP) and 27% of GDP indirectly through linkages with manufacturing, distribution and other service related sectors. (Kenya Agricultural Research Institute, n.d)

2.4.2 Wholesale and Retail

The wholesale and retail trade is an important sector contributing to the gross domestic product and it's expected to spur the country's economy towards attainment of Vision 2030. There have been a considerable growth and this is attributed to increased purchasing power among Kenya's middle class and upper class populations, improved infrastructure, which has facilitated the movement of goods and meant higher quality at lower price and the sustained property boom that has allowed retailers to establish outlets prime locations near residential neighborhoods, offering more convenience to consumers (Euromonitor International, 2014)

2.4.3 Financial Intermediation and Construction

The key milestones in the sector includes deposit accounts which have increased by 26.8%, from 14.9million accounts in June 2002 to 18.9 million accounts in June 2013; Loans and advances accounts increased by 80.9%, from 2.1million accounts in June 2012 to 3.8 million accounts in June 2013; Bank branches domestically increased by 8.9%, from 1197 branches in June 2012 to 1303 branches in June 2013; and Kenyan bank branches outside the country increasing by 26.4%, from 223 branches in June 2012 to 282 branches in June2013. There have also been a number of initiatives, including rapid expansion of money transfer through telephones and electronic mobile banking services, raised the quality of financial services and expanded access. The M-PESA mobile phone-based payment system, M-KESHO banking and M-SHWARI lending services provide opportunities to the poor to save and borrow as little as USD 1.20 at any point in time (Walter Odour & Wilmot Reeves, 2014)

3 RESEARCH METHODOLOGY

3.1

Research is defined as something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge, with two phrases being important “**systematic way**” and “**to find out things**” (Saunders et al, 2012, p. 5)

Research Methodology is defined as the underlying theory and analysis of how research does or should proceed, often influenced by discipline it is "an epistemology" a theory of knowledge and decides what can be observed (Sachdeva, 2009)

The main objective of the thesis was to investigate the challenges of doing business in Kenya from a Finnish perspective, information was collected and presented in the previous chapters based on the literature review. Jankowicz (2005) stated that a research is not done in a vacuum, a writer has to discuss what has been published and relevant to his or her research topic while (Sharp et al.2002) states that there are two major reasons for reviewing literature the first one is to help generate and refine your research ideas while the second one is just to critically review the literature with (Gill and Johnson 2010) stating that reviewing literature critically is essential and demonstrates awareness of the

current state of knowledge of a particular subject, its limitations and how the research fits in this wider context (Saunders et al, 2012, p. 70 & 71)

3.2 Choice of Research Method

The method of data collection was through primary and secondary data. The primary data was through an open questionnaire that was sent to a selected group of companies that are doing business in Kenya while the secondary data was through, the internet, books, journals and newspaper articles. Secondary data contributed towards the formation of background information needed to build a constructive research.

The data collected through this research was Qualitative data which was used to compare a limited number of observations and explain the difference aspects. Qualitative data is also used as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorizing data) that generates or uses non-numerical data (Saunders et al, 2012, p. 161)

3.3 Data Collection and Study design

From the topic the challenges of doing business in Kenya from a Finnish Perceptive, I had to critically review literature to gain the in-depth knowledge about topic. The background information, and literature review was through books, electronic books from TUAS, online articles, and newspaper articles.

In order to find out the challenges of doing business in Kenya from a Finnish perceptive, I created an open ended questionnaire. This was because I wanted some detailed answers which would include feelings, attitude and understanding of the subject. The questionnaire targeted Finnish companies currently doing

business in Kenya and were sent to companies through the help of an organization based in Finland. Initially the questionnaire was targeting to get responses from 10 companies but only 5 responses were received. The organization and the companies will remain anonymous in relation to this study.

Purposive sampling was used, this is where you use your judgment to select cases that will best enable you to answer your research question(s) and to meet your objectives (Saunders et al, 2012, p. 287)

Purposive sampling is often used when working with very small samples such as in a case study research and when you wish to select cases that are particularly informative (Neuman 2005), it cannot be considered to be statistically representative of the total population (Saunders et al, 2012, p. 287)

3.4 Reliability, validity and limitation of the study

Prior to using the questionnaire I did a pilot test. The purpose of the pilot test is to refine the questionnaire so that the respondents will have no problems in answering the questions and there will be no problems in recording the data (Saunders et al, 2012, p. 451)

I contacted the recipients by email and telephone calls and advised them to expect a questionnaire, then emailed an introduction letter about my thesis topic, my cover letter and the questionnaire.

The reliability and validity was enhanced through a mixed methods of research. A mixed methods of research may be conducted sequentially or concurrently

(Creswell and Plano Clark 2007) In this method the researcher will follow the use of one method with another in order to expand or elaborate on initial set of findings. Mixed methods research involve multiple phases of data collection and analysis (Saunders et al, 2012, p. 167)

One of the greatest challenge of the study was to obtain up to date literature and statistics about Kenya. Most of the government website did not have the required information that I needed for the research, prompting me to use newspaper

articles or other website sources that were not government. The survey also had a limited geographical focus since it focused on Finland and Kenya therefore the findings might be different if applied to other countries for example China and Kenya or USA and Kenya.

It was also challenging to get contacts about companies doing business in Kenya. Due to this I had to contact a public organization based in Finland to help me with the contacts. The organization could not give me the contacts directly, they had to channel my questionnaire to the companies by themselves. Due to this factor I had to wait for companies to contact me, and I only got response from one company. This prompted me to send the questionnaire to a Finnish organization based in Kenya, which was also able to answer my questionnaire.

The rest of the companies I got their information through friends.

The last challenge worth mentioning was that the thesis mentioned the issue of corruption, I felt it might have been the reason most companies did not respond to the questionnaire for fear of being in the bad books with the Kenyan government.

4 FINDINGS AND RESULTS OF THE QUESTIONNAIRE

When collecting my literature, there were a number of challenges FDIs face when doing business in Kenya but I decided to focus on 5 challenges. The five were chosen when I was reviewing my literature and they appeared to be major challenges when doing business in Kenya. The five as mentioned in chapter 2 were: ***-Corruption and insecurity, Counterfeit & Substandard goods, High Cost of Energy, Culture and poor infrastructure.***

I decided to have an open ended questionnaire which had 8 questions so that I could get detailed responses from the respondents.

Below is how the questions were responded with question number 1 being a question that would enable me understand whether am dealing with companies that are still young in doing business in Kenya . Question number 2 was to help me come up with an analysis of the kind of businesses Finnish companies are interested in doing in Kenya. Due to the fact that the questionnaire was answered by 5 companies I would limit the findings of this research to the five companies that answered and it should not be seen as an opinion from all the Finnish companies doing business in Kenya.

1. Is your organization currently doing business In Kenya?
 - a) If yes how long have you been doing business in Kenya?
 - 1) **Less than a year**
 - 2) **1-5 years**
 - 3) 5-10 years
 - 4) 10-15 years
 - 5) 15 and above years

One company had done business in Kenya for less than a year, with the rest of the companies between 1-5 years. From the respondents it showed that most of the companies were still young in doing business in Kenya.

2. In what industry are you in?

- a) Export
- b) Pharmaceutical
- c) Machinery
- d) Mining
- e) Construction
- f) Functional foods & beverages
- g) **Others:**

In responding to the second question all the companies were in the **g** category of others with businesses. They were either in consulting and public service or telecom & mobile services. This was an indication that the companies were in the service industry.

3. This was the third question which required the companies to give a score on the major challenges they face when doing business in Kenya? Please rate in a scale of 1-5. The scaling was as indicated below.

(1) No challenge (2) a small challenge (3) a moderate challenge (4) a big challenge (5) a very big challenge

According to the scores received from the companies the major challenge was poor infrastructure, followed by insecurity and dealing with travel advisories, corruption, cultural differences and high cost of energy followed respectively with the least challenge being counterfeit and substandard of goods

3.1 Poor Infrastructure

This was voted the highest challenge when doing business with all the 5 companies. This is a true indication of the World Bank report 2011 which indicated that from enterprise surveys infrastructure constraints are

responsible for about 30 percent of the productivity handicap faced by Kenyan firms. Most parts of the roads in country are in poor conditions with potholes making it difficult to transport goods from one place to another especially during the rainy seasons. Due to the bad state of the roads there is also a high cost of transportation with majority of the citizens being over charged in terms of transport fee or bus fare.

3.1.2 Insecurity and dealing with travel advisories

Insecurity was indicated as the second major challenge when doing business in Kenya. The truth of the matter is that Kenya has suffered a series on insecurities which led to travel advisories being issued by foreign countries, due to this a number of businesses have been affected especially in the coastal city of Mombasa which is a tourist city but has been marked with a number of insecurity incidences.

3.1.3 Corruption as seen by the respondents

This was voted as the third among the challenges with one company indicating that there is no challenge when it comes to the issue of corruption as they do not face corruption in their line of business, while the rest of the companies agreed that corruption was real in Kenya but it was mostly concentrated in the government offices . The responses on the issue of corruption came to me as a surprise as I was expecting it to top up the scale with a 5 or a 4.

The Kenyan government through the Kenya Anti-Corruption Commission (KACC) has been in the frontline in the fight against the vice hence the positive scores from my questionnaire might be an indication that KACC is doing a good job or that the companies did not want to come out clearly and talk about the vice for fear of being in bad books with their host country. Some of the responses I got on this issue were as follows and I quote:-

Respondent A “Kenya should begin with small things like petty corruption in traffic. There should be zero tolerance. If there is law enforcement in everyday life issues people respect law. Now everybody can see how police collect their money on the roads, how unroadworthy Matatus keep on going and nobody cares. If government cannot put traffic in the order, how they are able to lead country for prosperity”

Respondent B “Ha! They should really start by giving an example. If members of government and parliament keep on behaving as they do, it is very difficult expect anything more from local businesses or citizens”

3.1.4 Cultural difference

Even though there is a huge cultural difference between Kenya and Finland the issue of culture did not come out as a strong challenge when doing business in Kenya according to the respondents this might be due to the fact that Kenya as a country is growing very fast and majority of the Kenyans are highly educated and open minded.

3.1.5 High Cost of Energy

Two out of the five respondents agreed that there was a high cost of energy in Kenya compared to Finland while the rest gave a score of one this might be due to the fact that the companies are mostly offering consulting services hence the high cost of energy seems not to affect their businesses.

3.1.6 Counterfeit and substandard of goods

This was voted the least of a challenge by all the companies, the issue of counterfeits and substandard of goods has been a big problem in Kenya forcing some companies to relocate to other African countries as a result the Kenyan government formed the Kenya Anti-Counterfeit Agency to fight counterfeits, hence the good scores from this issue might be an indication that the Kenya Anti-Counterfeit Agency is doing a good job in the fight against the vice.

4. Which one of the above challenges mentioned in question number 3 was the most difficult to overcome?

This was the fourth question and the responses received from the companies was poor infrastructure as poor infrastructure is seen to affect economic growth and development. When the government invest in good road construction this will cut down on the high cost of transportation and also a much faster and safer way when it comes to the transportation of goods from one place to another.

5. How did you overcome these challenges?

This question was answered by 3 companies and two companies did not answer the question. The responses were as follows and I quote:-

“I have lived and worked 5 years in Kenya, I am somewhat weathered with the environment. Mostly things work by knowing the right people. This is both the strength and a weakness, but certainly a barrier for the entry”

“We are still in the process of coping to terms with the poor infrastructure because we are still a young company it will take time before we can say we have overcome the challenge” This was in response to the poor infrastructure.

“ I am a Kenyan hence I somehow get my ways since it’s an environment I was born and raised in, its only difficult for my husband who is a foreigner and does not understand all the insecurities, traffic jams, why we have to pay huge electricity bills”

6. How often does your company have to deal with the issue of giving a bribe Considering that Finland is a no Corruption country while Kenya as many writers have written is a “**Toa kitu kidogo country**” or “**nunua chai country**” which when translated in English is “give something small” or “buy tea”

These question was answered by 3 companies with the responses being as follows:-

“Rather rarely as “acting stupid” in these situations, when such a possibility is delicately suggested, usually takes the topic off the plate. In my experience foreigners are more subject to scam attempts in a form of made up expenses etc.”

“We don’t face corruption in our line of business”

“Corruption is real in Kenya but it’s mostly in the government offices not the private sector”

7. What recommendations would you give to the government of Kenya on tackling corruption? These question was answed by all the 5 respondents and the answers were as follows:-

“Kenya should begin with small things like petty corruption in traffic. There should be zero tolerance. If there is law enforcement in everyday life issues people respect law. Now everybody can see how police collect their money on the roads, how unroadworthy Matatus keep on going and

nobody cares. If government cannot put traffic in the order, how they are able to lead country for prosperity”

“Ha! They should really start by giving an example. If members of government and parliament keep on behaving as they do, it is very difficult expect anything more from local businesses or citizens”

“The Kenyan government should try emulate the western countries rather than stay mum on the issue of corruption”

“ The Kenyan government should pay the civil servants better wages since corruption is more in the government offices and the public service, the police are paid peanuts, the Nairobi city council mostly workers go without pays all this gives the workers temptations to take a bribe, let the government start with the root of the cause which is poor wages”

“ Let the government start paying civil servants better wages instead of paying the members of parliament hefty wages yet the civil servants get peanuts by the end of the month, the issue of salaries for civil servants is something the government really needs to look into if the fight against corruption has to be worn”

5 CONCLUSION

The study attempted to find out what are the 5 major challenges Finnish companies face when doing business in Kenya. The five which were ***Corruption & insecurity, Counterfeit & Substandard goods, High Cost of Energy, Culture and poor infrastructure*** were chosen as a result of a prior research that was undertaken by the writer which indicated that the 5 posed as a challenge when doing business in Kenya. Even though the results of the study might not be 100% in consistent with five challenges mentioned when doing business in Kenya, there is an indication that indeed the 5 mentioned challenges pose as a challenge for Finnish Companies doing business in Kenya.

The reason why the consistent might not be 100% is due to the fact that the survey had a limited geographical coverage of Kenya and Finland. The other reason might be due to the fact that the companies that answered the questionnaire were still young in doing business in Kenya and were mostly offering services. The purpose was to find out whether ***Corruption & insecurity, Counterfeit & Substandard goods, High Cost of Energy, Culture and poor infrastructure*** were a challenge when doing business in Kenya and there was an indication that indeed it was.

The research brought up valuable elements when it comes to challenges of doing business in Kenya as indicated from the results of the survey, even though its believed that corruption hinders FDIs from doing business in Kenya the survey indicated otherwise that poor infrastructure is much worse than the issue of corruption which has been widely seen as a barrier to FDI.

To conclude I would like to say that the Kenyan government is faced with a huge challenge of trying to put in order the poor infrastructure in the country since this was the strongest point that came out from the results of the survey. Even though the government might not have reached the pass mark in the fight against corruption and counterfeits there is an indication that the Kenya Anti-Corruption

Commission and the Kenya Anti-Counterfeit Agency are doing a good job in the fight against corruption and counterfeit.

The Kenyan government should put more effort on the issue of Insecurity since it drives away investors. The thesis was able to answer my research questions. In future I would like to specifically talk about poor infrastructure as a challenge when doing business in Kenya or I would recommend this since it's a point that came up strongly. It would be of interest to hear what other countries have to say when it comes to challenges they face when doing business in Kenya.

5.1.1 Recommendations to the Kenyan Government

The government should try to fight corruption from its root cause which as the study has indicated is more in the government sector than the private sector. Better wages to the police officers, Nairobi city council workers and the entire civil servants will help reduce corruption.

The government should also put more effort in road construction not only in one part of the country but the entire country as good transport system will lead to an efficient movement of goods from one place to another.

5.1.2 Suggestion for further research

Due to the fact that the research had a limited geographical coverage of Kenya and Finland I would recommend a broader research that would include other foreign countries this way the results might be different from what this current study indicated.

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Appendices

Questionnaire

1. Is your organization currently doing business In Kenya?

b) If yes how long have you been doing business in Kenya?

6) Less than a year

7) 1-5 years

8) 5-10 years

9) 10-15 years

10) 15 and above years

2. In what industry are you in?

h) Export

i) Pharmaceutical

j) Machinery

k) Mining

l) Construction

m) Functional foods & beverages

n) Others _____.

3. As a foreign company what are the major challenges you have faced when doing business in Kenya? Please rate in a scale of 1 -5. (1) no challenge (2) a small challenge (3) a moderate challenge (4) a big challenge (5) a very big challenge

No	Challenges	scale 1-5
1.	Corruption	
2.	Insecurity and dealing with travel advisories	
3.	Poor Infrastructure	
4.	Cultural differences	
5.	High Cost of Energy	
5.	Counterfeit & Substandard of goods	
6.	other (if other kindly specify)	

4. Which one of the above challenges was most difficult to overcome?

5. How did you overcome those challenges?

6. Considering that Finland is a no Corruption country while Kenya as many writers have written is a “**Toa kitu kidogo country**” or “**nunua chai country**” which when translated in English is “give something small” or “buy tea” which means give a bribe, how often does your business have to deal with the issue of corruption?

7. What recommendations would you give to the government of Kenya on tackling corruption?

8. How can Kenya improve its investment climate? What recommendations would you give to the government?

Thank you very much for taking your time to answer the above questions and making my project a successful one. Kiitos paljon, Asante Sana.