

A Case Study of Market Strategy in Foreign Direct Investment in Kenya's Construction Industry

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Abstract

The widespread consensus is that foreign direct investment (FDI) plays a crucial role in both economic growth and the integration of nations into the global economy. In Kenya, FDI has become the primary source of funding and is essential for the growth of the construction industry. Given the various factors that influence FDI in the Kenyan construction sector, it is necessary to consider them when conducting business in the country. Therefore, this study aims to examine the impact of economic, political and social, factors in Kenya on foreign construction companies' investments. The study employs a qualitative analysis approach and gathers data from secondary literature, government reports, statistics, and publicly available information sources such as the IMF and World Bank etc. The study analyzed using SWOT, PESTEL and Space Matrix tools with case study. The findings reveal that economic factors such as GDP, inflation, interest rates significantly affect investment in the construction industry. The political factors, including election and government corruption, also influence investor decisions. Additionally, strict environmental regulations have an impact on the construction investment industry. The study also highlights that construction investors' management strategies during economic and social fluctuations align with the company's financial reports. The findings suggest that FDI in the construction industry primarily manifests through the business activities of construction companies. Economic and political factors play a significant role in shaping investment decisions and project management within the construction industry. Consequently, changes in Kenya's macro-investment environment directly impact the market strategies of foreign investors in the construction sector. These insights could serve as a reference for the Kenyan government in policy formulation and assist construction companies and investors in devising operational strategies to tackle challenges and mitigate risks.

Keywords

Foreign Direct Investment, Business Management, Construction Industry, Economics, Kenya

1. Introduction

Foreign direct investment (FDI) offers the possibility for channeling resources to developing countries. It is becoming an essential source of funds and plays a vital role in the construction industry development of Kenya. The contribution of FDI can make to economic development and its integration to countries into the world economy is widely recognized. The economic growth in Kenya, driven by the construction industry, is an important national policy. The economic outlook of the country indicates that the construction industry presents one of the critical areas that would and is attracting investors to the country.

Borensztein, De Gregorio, & Lee (1998) suggest that FDI is an important vehicle for the transfer of technology, contributing relatively more to growth than domestic investment. The private sector can play a more significant role in helping bridge the gap. There is a need for a more concerted effort by all stakeholders to mobilize and channel investment from additional potential resources to infrastructure in the region. But many investors do not get their expected profit returns in Kenya. The main reason is that the investment factors have been deep effecting construction investor's activities, and the market strategy of construction company is changing with investment factors by investors in Kenya. It provides a more specific and intuitive understanding of the sensitivity of investors in the construction field in Kenya to investment factors and their responses to different market strategies by case study. This is valuable for both the Kenyan government and investors.

2. Methodology

Qualitative approach was used utilized in this study. The research discussed the methods and procedures used to determine the Macro-investment environment factors effectiveness of Kenya and the challenges and opportunities related to the strategies to enhance the competitive advantage of the construction industry. Data were obtained through secondary literature government reports, government statistics, and publicly available information. These secondary data sources may cover a wide range of areas, such as the review of all written material on the subject and data from public resources. Data analysis will be done manually and presented in tables and graphs. Specific sources of data include Government publications, statistical abstracts, World Bank reports, and publications and economic surveys, and related official website and documentary.

The following organizations and websites can provide valuable assistance in studying how foreign direct investors adopt market strategies:

Sociological Abstracts database provides access to a wide range of sociological research articles and studies; The World Bank provides a vast amount of data and research on various aspects of the global economy; International Monetary Fund (IMF) provides economic data, research, and policy advice; Transparency International focuses on combating corruption and promoting transparency in business and governance.

By conducting a literature search using these database sources and organizations, researchers can gather relevant information, data, and insights to study how foreign direct investors adopt strategies. This can help in understanding the various factors, both social and economic, that shape the decision-making process of foreign investors in different countries.

The search strategy focused on articles or reports that measure one or more of the dimensions within the research framework. Based on screening, unrelated articles to the research and objectives excluded. Before the screening, the researcher reviewed articles, websites, reports, and guidelines to determine whether they should be included for further review or reject. After excluding the articles based on the title, keywords, and abstract, the remaining articles reviewed in detail and the information extracted on the instrument that used to assess the dimension of research interest. A complete list of items was then collated within each research targets or objectives and reviewed to identify any missing elements. The study used a database of national and international data, statistics, media reports, and industry insights during 2010-2021.

3. Results and Discussion

This study presents an analysis of foreign direct investment in the construction industry in Kenya, showcasing the impact of investment factors on the market strategy of foreign construction company investments.

Foreign Direct Investment plays a vital role in the growth and development of developing economies as it helps bridge the gap between domestic investment and savings. In Kenya, the construction sector is a key driver of economic growth, with its impact extending to both national and regional levels. The decision to invest in construction is influenced by various economic and political factors, including GDP, inflation, election, corruption etc, which are crucial considerations for potential investors.

3.1. Economic Factors

3.1.1. Gross Domestic Product

The construction industry is a vital sector of the Kenyan economy. It contributes to the development of infrastructure, housing, and urbanization. "In 2020, the construction industry added 7.1 to Kenya's Gross Domestic Product (GDP). Notably, the sector's contribution to the Kenyan economy has been following an upward trend since 2016. That year, construction contributed 5.3 percent to the GDP" (<http://www.statista.com/>, Statista, 2022). This shows an upward trend in the sector's contribution to the national output.

The World Bank's Kenya Economic Update (KEU) (<https://www.worldbank.org/>, World Bank, 2021) reports that the industry (including construction) value added for Kenya was 18.8% in 2020, higher than the average of 16.9% for sub-Saharan Africa. The construction industry in Kenya has been growing steadily over the years, reaching a peak of 241,493 million KES in the first quarter of 2022, according to The African Development Bank Group. This is more than ten times the value recorded in the first quarter of 2009 (24,609 million KES). The growth of the construction industry in Kenya can be attributed to several factors, such as increased public and private investment, improved access to credit, favorable government policies, and regional integration. Kenya's growing GDP and well-developed construction industry demonstrate the country's attractiveness as a target market for investment. The industry has also seen an increase in foreign investment, with Chinese firms playing a significant role in large-scale projects. But domestic savings and capital accumulation are far from Kenya's infrastructure needs, so as another form of financing, FDI plays a vital role in Kenya's construction industry. FDI is also becoming an important source of funding for Kenya, and the contribution of the FDI to Kenya's economic development has been widely recognized. The growth of construction investments is closely related to the growth of FDI and GDP. In the same way, the high growth of FDI and GDP usually brings high growth of construction investment.

Figure 1 represents the changes FDI percentage of GDP from 2010-2021 in Kenya, and **Figure 2** displays the real GDP growth from 2011 to Sep 2022. The trends of these two figures indicating a strong correlation between them, growth GDP in Kenya to be the driver of FDI, and in the long-run. In the election year, GDP and FDI get high fluctuations, and it is obvious to know from above two figures in 2011 and 2017. The main reason is that in the run-up to elections, governments often increase spending on infrastructure projects, social programs, and public services to gain support from the electorate.

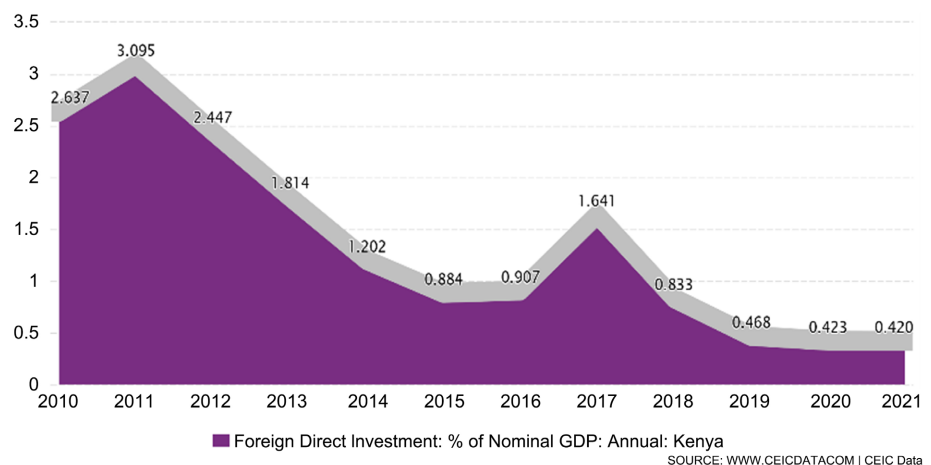


Figure 1. The changes FDI percentage of GDP from 2010-2021. (<https://www.ceicdata.com/>, The Changes FDI Percentage of GDP from 2010-2021)

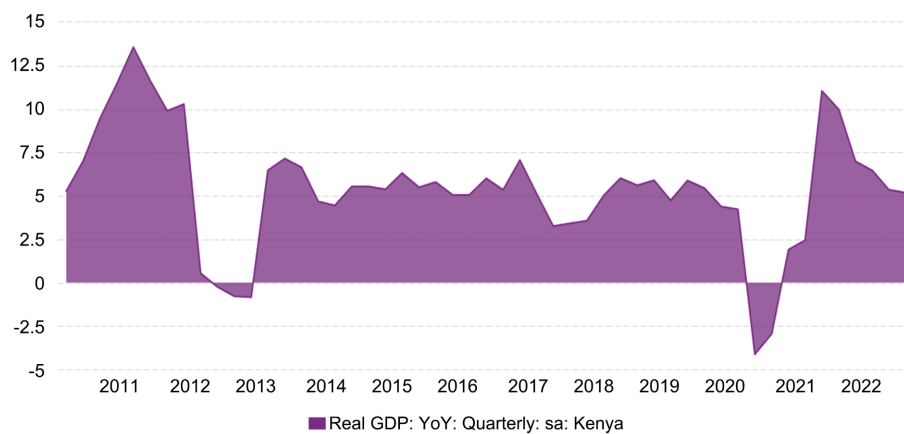


Figure 2. The changes real GDP growth from Mar 2011 to Sep 2022.
(<https://www.ceicdata.com/>, The Changes Real GDP Growth from Mar 2011 to Sep 2022)

Government expenditure can stimulate economic activity, boost GDP growth, and attract FDI in sectors related to these projects.

3.1.2. Inflation

High inflation levels indicate economic tensions within a country and can have adverse effects on foreign direct investment (FDI). Investors may be reluctant to put their profits at risk due to the uncertainties associated with high inflation rates. Additionally, inflation leads to an increase in the prices of imported materials, which is unfavorable for businesses reliant on large quantities of construction materials. Inflationary pressures have implications for operating costs, pricing decisions, and consumer demand. These factors significantly impact the economic environment and investment opportunities in a country.

In the case of Kenya, several factors contribute to its inflationary challenges, but the main inflation is deficit induced inflation. It means a deficit in the budget of government whenever expenditure exceeds revenue. To bridge this gap the government may request the central bank to print additional money that is required to bridge the budget deficit, any price rise can be called the deficit-induced inflation. Most developing countries experience similar causes for inflation (*Main Causes of Inflation in Kenya*, <https://www.tuko.co.ke/>). Inflation affects foreign direct investment (FDI) and business costs. High inflation rates create uncertainty and discourage investors. Inflation also increases the prices of imported materials, which hurts businesses that depend on them.

The trend in Kenya's inflation rate for the period 2010-2021 is shown in **Table 1**. The country experienced price fluctuations over the period 2010 to 2021 with an average inflation rate of 6.8725%, the highest inflation rate of 14.02% in the year 2011 and the lowest rate of 3.96% in the year 2010. Between 2013 and 2021, the Kenyan economy experienced relatively stable macroeconomic conditions with low level of inflation. In 2017 attributed to high inflation rate 8.01% caused by excess liquidity from the 2017 elections, after the results of the presidential election in 2018, it fell down to 4.69%.

Table 1. Kenya inflation rate-historical data (<https://data.worldbank.org>, Kenya Inflation Rate-Historical Data).

Year	Inflation Rate (%)	Annual Change (%)
2021	6.11%	0.71%
2020	5.40%	0.17%
2019	5.42%	0.55%
2018	4.69%	-0.32%
2017	8.01%	1.17%
2016	6.30%	-0.29%
2015	6.58%	-0.30%
2014	6.88%	1.16%
2013	5.72%	-3.66%
2012	9.38%	-4.66%
2011	14.02%	10.06%
2010	3.96%	-5.27%
Average	6.8725%	

3.1.3. Interest Rate

Capital can be generated internally, or it can be sourced from external. Many construction projects, which undertaken in the undeveloped countries, are financed by international loaning bodies like the international monetary fund and the World Bank. However, multinationals prefer to borrow capital locally, as it is cheap. Many construction projects are reliant on a bank funder in order to be able to get the project out of the starting blocks and a decrease in profits; businesses will need to use more of their own money to pay the increased interest on the loans.

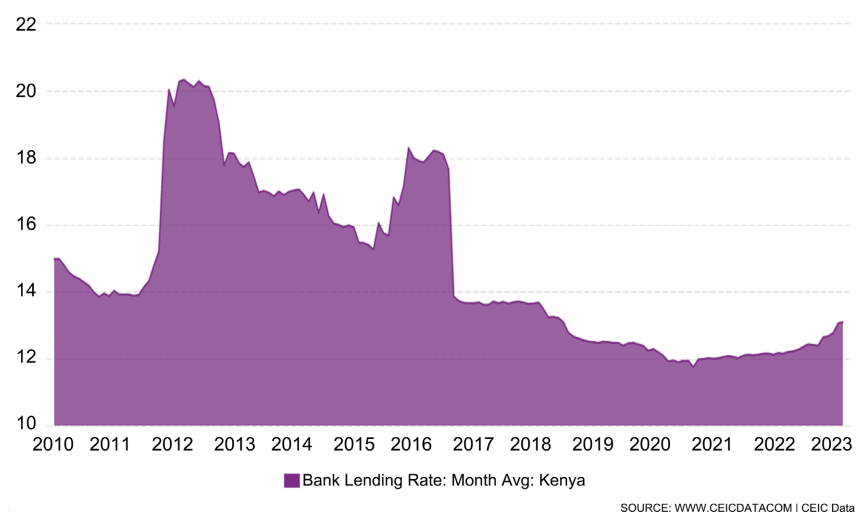


Figure 3. Bank lending rate from 2010-2023. (<https://www.ceicdata.com/>, Bank Lending Rate from 2010-2023)

Figure 3 shows the bank lending rate in Kenya from 2010-2023. The relationship between lending rates and FDI can be influenced by factors such as exchange rates. Higher lending rates can attract foreign investors seeking higher returns, but if the local currency is weak, potential gains may be offset by currency depreciation, making the investment less attractive.

Lending rates also indicate a country's economic stability and investor confidence. Higher lending rates can signal economic uncertainty or perceived risk, which may discourage FDI. Conversely, lower lending rates can signal stability and confidence, attracting foreign investors. However, the relationship between lending rates and FDI is not solely determined by lending rates alone. Other factors such as political stability, infrastructure, market size, regulatory environment, and ease of doing business also play significant roles in attracting FDI.

3.2. Political Factors

3.2.1. Election

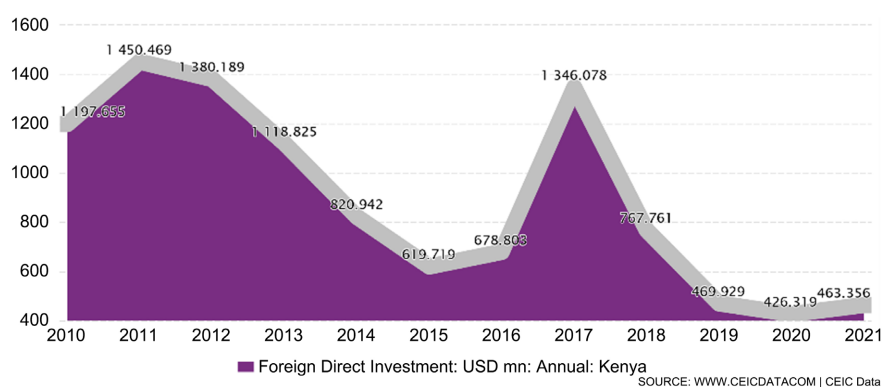


Figure 4. FDI of Kenya from 2010-2021. (<https://www.ceicdata.com/>, FDI of Kenya from 2010-2021)

Kenya has experienced significant political and economic liberalizations, and according the World Investment Report 2019 by the United Nations Conference on Trade and Development (UNCTAD) in the section of the impact of elections on foreign direct investment (FDI) FDI is likely to react to the acute policy implications associated with elections. The country's dwindling FDI profile appears to reflect its unstable political and economic climate. 2019 and 2021, Kenya's flow of inward FDI decreased year on year from \$1.1bn (Ks150.36bn) in 2019 to \$717m in 2020 to \$448m in 2021, continuing a general pattern of decline since 2010 (*The FDI landscape in Kenya in 2023*, <https://lloydsbanktrade.com/>). The number of greenfield investments also shrunk by nearly 60% over the same three-year period, from 95 in 2019 to 39 in 2021. This decline in foreign investment deals bucks a trend seen elsewhere in east Africa, where average FDI inflows increased by 35% between 2019 and 2021, to a total of \$8.2bn. In 2022, foreign investors withdrew \$170m from the Nairobi Securities Exchange, citing escalating global risks political uncertainty, such as that caused by elections, can have an impact on Foreign Direct Investment (FDI) (*Word Investment Report*

2022, *Regional Trends Africa*). Uncertainty incentivizes investors to wait-and-see and to hold back their investments. Studies have found that FDI drops significantly in election years when policy uncertainty increases. The negative effect of policy uncertainty on FDI also depends on the degree of democratization and the political system.

From **Figure 4**, we can see that 2012-2013 and 2017-2018 are the years when the presidential election began and ended, and FDI showed significant fluctuations.

3.2.2. Corruption

Corruption is a major obstacle for foreign direct investment (FDI) in Kenya. It erodes the confidence of investors who face high costs and risks due to bribery, fraud, and weak institutions. Corruption also affects the quality and stability of the investment environment in the construction sector and other key industries. Corruption is a major issue in Kenya and has been a source of frustration for many voters. In the 2022 election, the government's anti-graft watchdog, the Ethics and Anti-Corruption Commission (EACC), recommended that 241 candidates be disqualified from running, but only five were. The leading presidential candidates, Deputy President William Ruto and veteran opposition leader Raila Odinga, have both promised to crack down on corruption.

Kenya has made some progress in fighting corruption, but it remains a pervasive problem that hampers the country's competitiveness and development.

Corruption Perceptions Index, Kenya scored 32 on a scale from 0 ("highly corrupt") to 100 ("very clean") (*Corruption Perceptions Index*). When ranked by score, Kenya ranked 123rd among the 180 countries in the Index. Despite corruption being rampant in Kenya, the country has had an anti-corruption legislation dating back to 1956; The Prevention of Corruption Act (Cap. 65), which was in operation from August 1956 to May 2003 when the Anti-Corruption and Economic Crimes Act, No. 3, became operational (Transparency International Reports)

4. A Case Study of Market Strategy in Foreign Direct Investment in Kenya's Construction Industry

Company A (for commercial secret not using real name) will be used in this study to analyze how factors affecting FDI in construction industry in Kenya. Company A is a foreign invested construction investment enterprise registered in Kenya. By analyzing the business activities of a Kenyan foreign construction company (Company A) in 2017 and 2018, this research expounds the impact of changes in Kenya's macro-investment environment on the operation of construction investors and the corresponding market adjustment strategies. In this study, we selected the financial reports of Company A in 2017 and 2018 as the basis for analysis. The reason for choosing 2017 and 2018 is because Kenya has a presidential election every five years, with the most recent one taking place in 2022 (last election year is 2017). However, due to the impact of the COVID-19

pandemic, the data in the financial reports is difficult to represent the normal operating status of a normal company. Therefore, we chose to analyze the financial report data from 2017 and 2018, before and after the last presidential election, which is more objective.

4.1. SWOT Analysis (Table 2)

Company A is a leading provider of land and water integrated system solutions, with a strong capability to handle large-scale and diverse engineering projects. It has gained trust and recognition from the local government and people in Kenya, where it has built several high-quality projects and trained thousands of local workers. It also has strategic partnerships with major commercial banks and other business units in the group, which enhance its resource integration and financing capabilities.

Table 2. SWOT analysis.

Strengths	Weaknesses
<ul style="list-style-type: none"> -management advantage -brand reputation -capability advantage -localization employment -integrates resources -financial capability 	<ul style="list-style-type: none"> -segment management -long term capital turnover -cross culture conflict
Opportunities	Threats
<ul style="list-style-type: none"> -Economic growth countries -service system -Investment incentive policy 	<ul style="list-style-type: none"> -recession -competitive market -corruption -security -labor associate -law risk

4.2. PESTEL-SWOT

Analysis combines the macro environment with the company's strengths, weaknesses, opportunities, and threats to obtain competitive strategies. Company A can use its strengths to seize external opportunities and overcome weaknesses. For example, it can fully grasp the opportunities brought by the "One Belt and One Road" initiative and Kenya's regional connectivity projects. It can also rely on its strengths to defuse external threats and build a "brand barrier". If a project is not suitable for investment and external factors are unfavourable, the company should consider giving it up.

Market strategy is a long-term approach to achieving sustainable competitive advantage. Company A adopted a defensive market strategy in 2017 due to the uncertainty of the presidential election and delayed payments by the government. After the election, government works and social recovered and new infrastructure projects were proposed. Company A adopted an aggressive market

strategy in 2018. Different market strategies include defensive, conservative, competitive, and aggressive.

In summary, Company A has adopted different market strategies in response to the changing investment environment in Kenya. It has made full use of its advantages and seized external opportunities while also overcoming its weaknesses and defusing external threats. **Table 3** below presents strategy posture.

Table 3. Strategy posture.

Strategy	Defensive	Conservative	Competitive	Aggressive
Industry	Unattractive	Unattractive	Attractive	Attractive
Economic	Weak	Strong	Weak	Strong
Social	Unstable	Stable	Unstable	Stable
Environment	Strict	Strict	Encourage	Encourage
Finance	Weak	High	Weak	High

4.3. SPACE Matrix Analysis

The SPACE matrix assesses a company’s internal and external strategic dimensions, considering factors such as industry attractiveness, environmental stability, financial strength, and competitive advantage. In the SPACE matrix, CA and IS values are plotted on the X-axis and FS and ES dimensions are plotted on the Y-axis. It values ranging from -1 to -6, different strategies can be recommended for each quadrant of the matrix. **Figure 5** below presents SPACE matrix model.

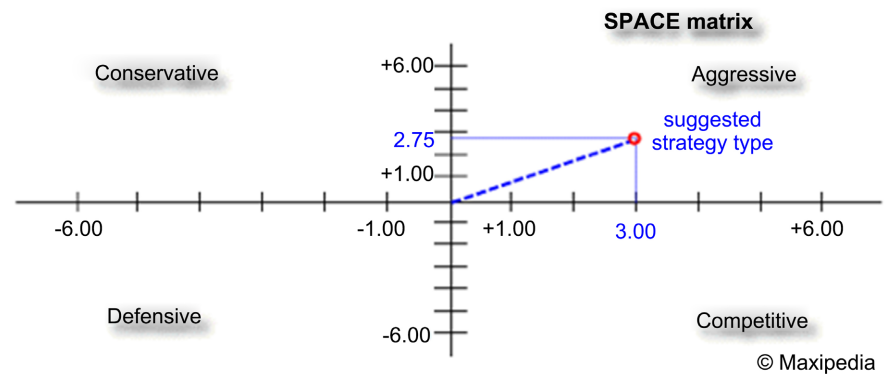


Figure 5. SPAEA matrix model.

4.4. Analysis Company A Market Strategy

The contents of the following design according to the operating conditions of Company A. The SPACE matrix base on four areas of analysis:

Internal strategic dimensions

Financial strength (FS)

Competitive advantage (CA)

External strategic dimensions

Environmental stability (ES)

Industry strength (IS)

There are different SPACE matrix factors under the internal strategic dimension. These factors analyze a business's internal strategic position. Financial strength factors often come from company accounting. These SPACE matrix factors can include, for example, return on investment, leverage, turnover, liquidity, working capital, cash flow, and others. Competitive advantage factors include, for example, the speed of innovation by the company, market niche position, customer loyalty, product quality, market share, and others. Two internal dimensions financial strength (FS) & competitive advantage (CA) are specified by the axes of the matrix graph. Similarly, the remaining two axes of the graph represent environmental stability (ES) and industry strength (IS). The overall strategic position of the organization is determined by these four factors. For the formulation of the framework, another important matching tool is used, known as Strategic Position and Action

Evaluation or SPACE Matrix. The factors of Industry Attractiveness (IS) include:

- Growth potential
- Profit potential
- Financial stability
- Resource utilization
- Capital intensity
- Ease of entry into the market
- Productivity, capacity utilization

The factors of Environmental Stability (ES) include:

- Technological changes
- Rate of inflation
- Demand variability
- The price range of competing products
- Barriers to entry into the market
- Competitive pressure

The factors of Financial Strength (FS) include:

- Return on Investment
- Leverage liquidity
- Working capital
- Ease of exit from the market
- The risk involved in the business
- Materials turnover

The factors of Competitive Advantage (CA) include:

- Market share
- Product quality
- Customer loyalty
- Product replacement cycle

- Competition's capacity utilization
- Technological know-how
- Control over suppliers and distributors
- Integration management
- Speed of project

By definition, the CA and IS values in the SPACE matrix plotted on the X-axis.

CA values range from -1 to -6

IS values range from +1 to +6

The FS and ES dimensions of the model plot on the Y-axis.

ES values range from -1 and -6.

FS values range from +1 to +6.

There are a certain set of strategies for each kind of quadrant of the matrix specified by the framework. The organization that lies in the first aggressive quadrant of the graph should adopt an aggressive strategy. The organization that falls in the second conservative quadrant of the graph follows the conservative strategy. Value scores criteria of IS and FS from 1 to 6 as follows:

- 1—worst
- 2—bad
- 3—not bad
- 4—good
- 5—very good
- 6—best

A numerical value ranging between -1 (best) to -6 (worst) is assigned to the variables that make the dimensions of environment stability & competitive advantage. Value scores criteria of ES and CA from -6 to -1 as follows:

- 6—worst
- 5—bad
- 4—not bad
- 3—good
- 2—very good
- 1—best

According to the above scoring criteria, the contents of IS factors are scored individually, and the scores for 2017 and 2018 are obtained. The results are presented in the next table.

Table 4 indicates the scores of individual factors of IS, and the average scores for 2018 is 5.43 and 3.14 of 2017, calculation formula as follows:

$$\text{Average IS of 2018} = (5 + 5 + 5 + 6 + 5 + 6 + 6)/7 = 5.43$$

$$\text{Average IS of 2017} = (2 + 3 + 3 + 3 + 3 + 5 + 3)/7 = 3.14$$

Table 5 indicates the scores of individual factors of ES, and the average scores for 2018 is -4.3 and -4.67 of 2017, calculation formula as follows:

$$\text{Average ES of 2018} = (-6 - 5 - 1 - 4 - 5 - 5)/6 = -4.33$$

$$\text{Average ES of 2017} = (-4 - 2 - 5 - 5 - 6 - 6)/6 = -4.67$$

Table 4. Industry attractiveness (IS).

Factors	2018		Scores					2017
	1. Growth potential	5	6	5	4	3	2	1
2. Profit potential	5	6	5	4	3	2	1	3
3. Financial stability	5	6	5	4	3	2	1	3
4. Resource utilization	6	6	5	4	3	2	1	3
5. Capital intensity	5	6	5	4	3	2	1	3
6. Ease of entry Into the market	6	6	5	5	3	2	1	5
7. Productivity, capacity utilization	6	6	5	4	3	2	1	3
Average (7 items)	5.43							3.14

Table 5. Environmental stability (ES).

Factor	2018		Scores					2017
	1. Technological changes	-6	-6	-5	-4	-3	-2	-1
2. Rate of inflation	-5	-6	-5	-4	-3	-2	-1	-2
3. Demand variability	-1	-6	-5	-4	-3	-2	-1	-5
4. The price range of competing products	-4	-6	-5	-4	-3	-2	-1	-5
5. Barriers to entry into the market	-5	-6	-5	-4	-3	-2	-1	-6
6. Competitive pressure	-5	-6	5	-4	-3	-2	-1	-6
Average (6 items)	-4.33							-4.67

Table 6 below indicates the scores of individual factors of FS, and the average scores for 2018 is 4.83 and 2.50 of 2017, calculation formula as follows:

$$\text{Average FS of 2018} = (5 + 5 + 6 + 4 + 3 + 6)/6 = 4.83$$

$$\text{Average FS of 2017} = (1 + 2 + 3 + 2 + 5 + 2)/6 = 2.50$$

Table 7 indicates the scores of individual factors of CA, and the average scores for 2018 is -1.11 and -4.67 of 2017, Calculation formula as follows:

$$\text{Average CA of 2018} = (-1 - 1 - 1 - 2 - 1 - 1 - 1 - 1 - 1)/9 = -1.11$$

$$\text{Average CA of 2017} = (-6 - 2 - 5 - 6 - 5 - 4 - 5 - 3 - 6)/9 = -4.67$$

Table 6. Financial strength (FS).

Factors	2018		scores					2017
	1. Return on Investment	5	6	5	4	3	2	1
2. Leverage liquidity	5	6	5	4	3	2	1	2
3. Working capital	6	6	5	4	3	2	1	3
4. Ease of exit from the market	4	6	5	4	3	2	1	2
5. The risk involved in the business	3	6	5	4	3	2	1	5
6. Materials turnover	6	6	5	4	3	2	1	2
Average (6 items)	4.83							2.50

Table 7. Competitive advantage (CA).

Factors	2018								2017							
	scores								scores							
1. Market share	-1	-6	-5	-4	-3	-2	-1	-6	-1	-6	-5	-4	-3	-2	-1	-6
2. Product quality	-1	-6	-5	-4	-3	-2	-1	-2	-1	-6	-5	-4	-3	-2	-1	-2
3. Customer loyalty	-1	-6	-5	-4	-3	-2	-1	-5	-1	-6	-5	-4	-3	-2	-1	-5
4. Product replacement cycle	-2	-6	-5	-4	-3	-2	-1	-6	-2	-6	-5	-4	-3	-2	-1	-6
5. Competition's capacity utilization	-1	-6	-5	-4	-3	-2	-1	-5	-1	-6	-5	-4	-3	-2	-1	-5
6. Technological know-how	-1	-6	-5	-4	-3	-2	-1	-4	-1	-6	-5	-4	-3	-2	-1	-4
7. Control over suppliers and distributors	-1	-6	-5	-4	-3	-2	-1	-5	-1	-6	-5	-4	-3	-2	-1	-5
8. Integration management	-1	-6	-5	-4	-3	-2	-1	-3	-1	-6	-5	-4	-3	-2	-1	-3
9. Speed of project	-1	-6	-5	-4	-3	-2	-1	-6	-1	-6	-5	-4	-3	-2	-1	-6
Average (9 items)	-1.11								-4.67							

Two scores are added on the x-axis and the resultant points are plotted on the X. Similarly two scores are added on the y-axis and the resultant points are plotted on the Y. The new intersection point of the xy is plotted.

Form the origin of SPACE Matrix a directional vector is drawn that passes through the new intersection point. The vector in this graph represents the effective category of strategies for the organization which may anyone among the aggressive, defensive, competitive or conservative.

The point A of 2017 is:

IS (3.14 0), CA (-4.67 0),

FS (0 2.50), ES (0 -4.67)

$$X = (IS + CA)/2 = (3.14 - 4.67)/2 = -0.765$$

$$Y = (FS + ES)/2 = (2.50 - 4.67)/2 = -1.085$$

Point A: (-0.765, -1.085)

Each quadrant of the matrix has a specific strategy. The first quadrant is aggressive, the second is conservative. Company A adopted a defensive market strategy in 2017 based on external investment factors. **Figure 6** showed as below:

The point B of 2018 is:

IS (5.43 0), CA (-1.11 0)

FS (0 4.83), ES (0 -4.3)

$$X = (IS + CA)/2 = (5.43 - 1.11)/2 = 2.16$$

$$Y = (FS + ES)/2 = (4.83 - 4.3)/2 = 0.265$$

Point B (2.16, 0.265)

Company A adopted an aggressive market strategy in 2018 based on external investment factors. The figure showed as above.

5. Results and Findings

Figure 6 and **Figure 7** show that Company A's market strategy was defensive in 2017 and aggressive in 2018 due to Kenya's investment climate changes.

2017 strategy

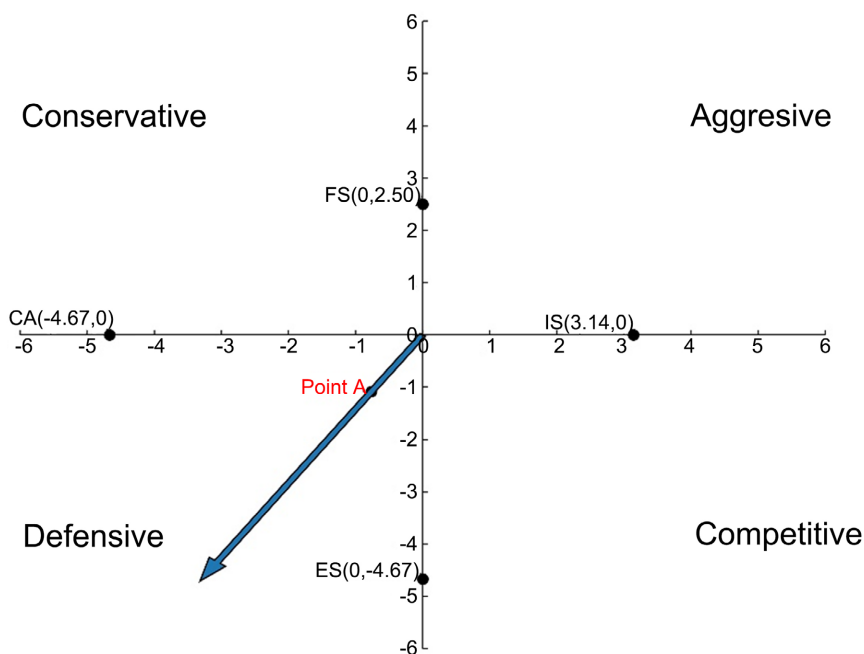


Figure 6. Market strategy 2017.

2018 strategy

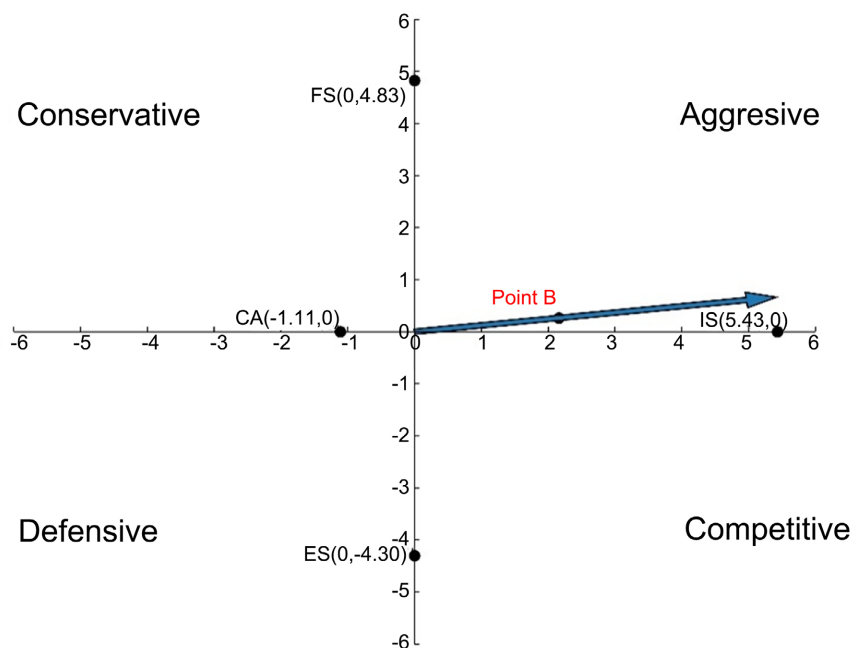


Figure 7. Market strategy 2018.

The presidential election riots in 2017 affected the economic, social, and environmental factors and delayed the payments of infrastructure projects. Company

A faced increased receivables, cash flow problems, and operation costs. In 2018, the government introduced policies to encourage investment, such as lower interest rates, fewer audits, and tax incentives. The investment factors improved in 2018 compared to 2017. Kenya's investment policies in 2018 boosted business activities and economic growth, as shown by company A's financial reports (appendix). The company's revenue increased significantly from 2017 to 2018 due to more infrastructure projects after the presidential election. The construction industry is sensitive to investment factors and market competition. Company A adopted an aggressive market strategy in 2018 and benefited from government financial support.

6. Conclusion

FDI has a profound impact on the construction industry in Kenya. As a result, foreign investors are extremely sensitive to any factors that affect investment results, whether economic or political. Although we can see from the previous chart that in 2017, as a presidential election year, the ruling party released many positive policies in a short period of time to gain the support of voters, such as more infrastructure construction projects and promises to create more jobs, so that the GDP and FDI data for 2017 looked good. However, due to the uncertainty brought about by the election, such as high inflation, delayed fiscal payments, corruption, and uncertain political election results, investors in the market tended to adopt a more conservative and wait-and-see attitude. Once the uncertain factors are reduced or eliminated due to the end of the election and society returns to normal, investor confidence will quickly increase in 2018.

It is crucial for policymakers to carefully evaluate the potential outcomes of FDI on the construction industry and implement measures to mitigate any adverse effects while maximizing the positive impacts.

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Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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