

**CASE STUDY INTO THE KENTUCKY FRIED CHICKEN'S
FAILURE IN ITS OUTLET IN KATHMANDU NEPAL**



**A THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF MANAGEMENT
COLLEGE OF MANAGEMENT
MAHIDOL UNIVERSITY
2017**

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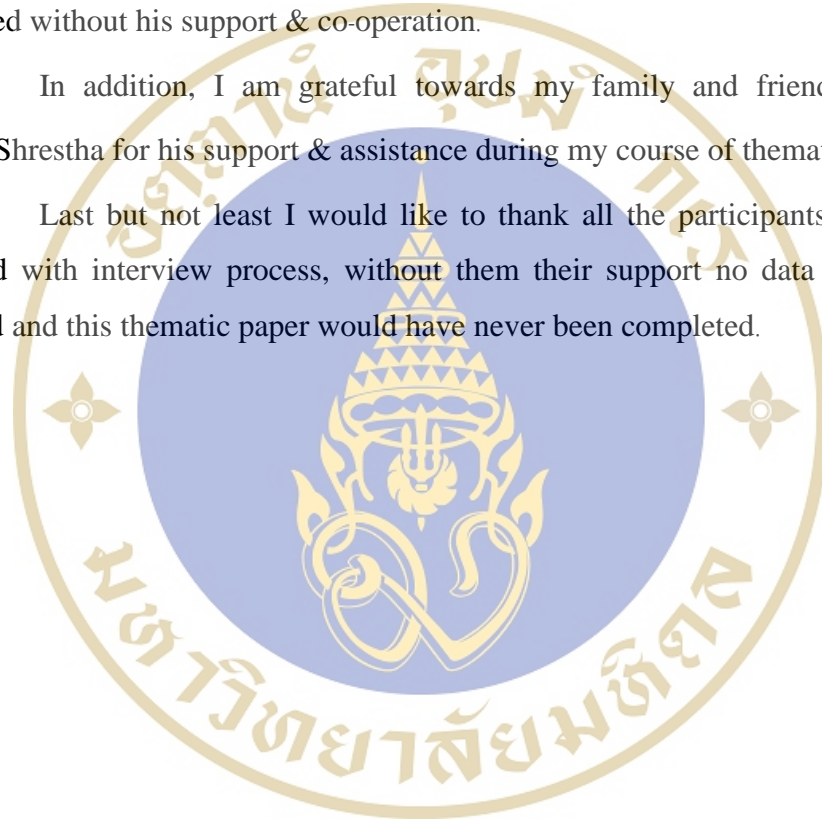
ACKNOWLEDGEMENTS

I would like to express my sincere gratitude toward my thematic paper advisor, Asst. Prof. Randall Shannon for the invaluable help, co-operation and guidance throughout the course of this thematic paper. This thematic paper would not have been completed without his support & co-operation.

In addition, I am grateful towards my family and friend, especially Mr. Rueben Shrestha for his support & assistance during my course of thematic paper.

Last but not least I would like to thank all the participants who voluntarily complied with interview process, without them their support no data could have been collected and this thematic paper would have never been completed.

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M.M. (Innovation in Management)

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ABSTRACT

Aim of this research is to figure out the reason why Nepal's only international fast food chain restaurant KFC Kentucky fried chicken was closed down prematurely. In this research we would like to focus on internal management issues, relationships with external stakeholder and as well as cross-cultural issues among the organization and its employee.

KFC (Kentucky Fried Chicken) is a popular fast food outlet established in Kentucky, USA by Colonel Harland Sanders. Its first franchising began in 1952, when Sanders gave away the first licensed franchise to an outlet in Utah. This was the first step in the milestone, which established fried chicken as a prominent fast food item. Furthermore, it was able to go head to head with some of the biggest names in fast food industry, such as McDonalds. Hamburgers were no longer the most popular fast food.

KEY WORDS: Nepal/KFC/Labor Union/Crisis Management/MNC

50 pages



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CHAPTER I

INTRODUCTION

Aim of this research is to figure out the reason why Nepal's only international fast food chain restaurant KFC Kentucky fried chicken was closed down prematurely. In this research we would like to focus on internal management issues, relationships with external stakeholder and as well as cross-cultural issues among the organization and its employee.

KFC (Kentucky Fried Chicken) is a popular fast food outlet established in Kentucky, USA by Colonel Harland Sanders. Its first franchising began in 1952, when Sanders gave away the first licensed franchise to an outlet in Utah. This was the first step in the milestone, which established fried chicken as a prominent fast food item. Furthermore, it was able to go head to head with some of the biggest names in fast food industry, such as McDonalds. Hamburgers were no longer the most popular fast food.

With US cultural influence and globalization, this once Kentucky based fast food outlet has been an international phenomenon. In their process of further expansion, they ventured in Nepal as well where they had a mixed tell of fortune.

On November 2009, Deveyani group launched a KFC outlet in Kathmandu, Nepal. Not only was it the first KFC outlet, but it was also the first international food chain in the entire country. This established that Nepalese people are ready and should be given opportunity to enjoy the taste of international food chains in their own backdrop.

When KFC was initially launched it got an overwhelming response from public from the public. Hence, there used to be long queue of people of which used to start long way from the gate. As this was first ever international fast food outlet me in Nepal it

had gathered a lot of interest from the public which was very much visible from the public reaction.

However, due to different external and internal factors crimped the operation of KFC in Nepal. Shortly after the massive earthquake in Nepal in 2015, Deveyani group decided to close the KFC outlet in Kathmandu. Although it was a major setback, earthquake was not the sole reason for this. The management, both inside and outside, was failing since long. Dissatisfied staff, labor strikes, cultural issues, relationship with the stakeholders and many more factors contributed to this problem, which we will discuss more in depth as we research the topic.

Objectives of the Study

This research aims to trace out the reasons behind the failure of KFC, despite the fact that the restaurant had been providing quality service, and had been meeting the need of its consumers. The following are the primary objectives of this research:

- To explore the reasons behind the closure of KFC in Kathmandu, Nepal.
- To analyze the conflicts amongst the management and employees of KFC.
- To explore the reasons behind the failure of the management for the proper understanding or addressing of similar conflicts in the future

Limitations of the study

This study is limited within KFC Kathmandu with regards to the implementation of proper management in order to address the conflict amongst the managerial team and employees. It only deals with the reasons behind the failure of management in order to address the situation. Total quality management of KFC, the implementation of proper conflict management and the impact of external/ internal situation in a business industry with regard to KFC will be studied properly.

Significance of Study

The research has a significant contribution in the following four areas of concern. First, the research will analyze the incident of KFC closure in Nepal. Second, it documents how the management failed to run KFC in Nepal. Third, it focuses on the proper way of the implementation of conflict management among management teams as well as with employee of a business industry based of KFC's experience. Forth, the research aims to trace how to handle the conflict management in Nepal for the successful franchise like KFC.



CHAPTER II

LITERATURE REVIEW

This chapter looks into the presently available academic literature regarding the factors, which impacted the initial failure of KFC in Nepal. Despite having the first mover advantage as the first multinational fast food chain in Nepal, KFC could not capitalize on this opportunity. Furthermore, we would look into the state of MNCs in Nepal and the challenges it faces doing business in Nepal. In addition to this, cultural dimension that plays an important part in the success or failure would be evaluated upon. Apart from this, country's socio-political state would also be looked upon to better understand the fate of a MNC in Nepal.

MNC

“MNE are firm that own significant equity share (typically 50% or more) of another company (henceforth subsidiary or affiliate) operating in foreign country. (Navaretti, et al., 1998)

MNC, in general, can be defined as a business firm, which has a headquarter in one particular location. In addition to that, it operates in many other countries where its resource, in terms of capital, technological or knowledge, can be transferred from one entity to another.

There are many types of MNC running in different models and below are those models:

Franchising: This is one of the models where a parent company allows its franchiser to use its technological know-how, trade-mark, and intellectual property rights.

However, they must strictly obey to guidelines set by the parent company. In this model, royalty and/or franchising fee could be included.

Branches: It is a model where the parent company opens a new unit in a different country, and is administered by the headquarter itself. But in certain cases, slight adjustments in policies might be introduced in-order to comply with the culture, tradition, and legislation related issue of the host country.

Subsidiaries: Under this model, parent company can wholly or partly be owned by another company. In most cases, the parent company holds the majority share.

Joint Venture: It a model where two different companies join together to form a new company. This is one way for MNC to expand its market with risk and resource sharing.

MNC in Nepal

The decade long civil war and the present political turmoil in Nepal has caused a very unfavorable environment for FDI. Hence, we can see that many MNC are reluctant to enter the Nepalese market. This political unrest has put many infrastructural developments to a halt, making it more difficult for FDI to come in. In spite of this, some of the MNC like Coca cola, Unilever, and Radisson Hotel are currently present.

Increase in tourism, and remittance from Nepalese staying abroad has improved the purchasing power of the Nepalese people. Hence, many international chain hotels and restaurants look into it as their preferred destination for expansion.

Political Factors Effecting MNC

Institute favors some groups to benefit, while others to lose their livelihood. Ribot, and Tu have provided a deeper insight into this argument in the following excerpt.

A centralised forestry policy of Senegal has excluded local villagers from gaining benefit from charcoal enterprises. Policies provided urban based entrepreneurs an access to production and marketing of charcoal from local forests reducing availability of firewood for local people (Ribot 1995). This information shows that exclusion in conservation context is linked to policy and institutional arrangement created through a policy. Gibbs defines institutional arrangement between stakeholders as 'the rule, norm and conventions which establish relationship between people over resources, translating interests to claim property rights' (in Berkes 1989:22 in Tu 2004:10). The relationship affects the resource use patterns of the actors. 'Conservation resources are important to people, especially the poorest and other forest dependent groups. However, their access to resources and opportunity is shaped by institutional arrangement that people choose to adopt about resource utilization' (Tu, 2004). Therefore, we can conclude from both Ribot and Tu that favoritism is a very prominent and prevailing business practice which has both direct and adverse impact depending upon which end one is in. The same, if not worse, is the case in Nepal.

As many trade and labour unions in Nepal are affiliated to political parties, they always tend to create more problems for the business entity. The most prevalent reason being their demands not being fulfilled. Many of the present companies need to have a very cordial relationship with political parties in order for smooth operation of their activity. But, the frequent change in political scenario makes it hard for companies with different political parties and different agendas.

Labour union in Nepal

Labour union like any other organization which represent itself collectively in the wellbeing of the workers in that organization where they come in understanding regarding the salary, working hour & benefits to oversee that worker's benefits are well seen and employers don't exploit them.

As state in “States that labour unions are widely respected institutions in modern society. Argues that this reputation is unearned insofar as these organizations are the only ones, besides that Government, which have not only a de facto warrant to initiate violence against innocent people (e.g. scabs) but a de jure one as well (right to strike). Suggests that in a society characterized by economic freedom, organized labour as presently constituted would be banned outright. (Jason Evans, Walter Block, (2002) "Labour union policies: gains or pains?", Cross Cultural Management: An International Journal, Vol. 9 Iss: 1, pp.72 – 80)

Having power in number may sometime see them in negative light as well and try to exploit the situation as mentioned the above extract. In many cases, whenever there is any conflict in interest between the employee and employers and being the representative of workers well-being the union tries to mediate the situation. But in many situations these issues are not resolved through dialogue or negotiation but through violence and protest.

“The press release states that the labor union leaders manhandled the senior management members on May 11 accusing them of not complying with the rules set by the trade union” (Rajendra Rijal, Environmental Determinants of Multinational Companies in Nepal: A Case of KFC and Pizza Hut, 2015)

As from the abstract above we can know that labour union has a strong influence on the labour market in Nepal. Due to its strong political affiliation their rouge behaviors are usually swept under the carpet. Similarly in the case of KFC in Nepal when the union’s demand where not met they resolved to violence.

National Culture Vs Organizational Culture in MNC

Each individual firm or an organization has its own distinct characteristic or culture. This creates a basis on how they operate their entity. First of all, we need to understand the meaning of culture to better understand the meaning organizational culture.

One of the definitions John Thompson (1990) provides states: “Culture is the pattern of meanings embodied in symbolic forms, including actions, utterances and meaningful objects of various kinds, by virtue of which individuals communicate with one another and share their experiences, conceptions, and beliefs” (p. 134). Similarly, Wendy Leeds-Hurwitz (1993), taking a semiotic perspective, defined culture as “a set of systems or codes of symbols and meanings” (p.17).

Simply put, if we have to explain culture it would be “set value of norms and beliefs, according to which you practice your day to day life”. Hence, culture differs from place to place and people to people. Similarly, as for in a work place “Organizational culture typically is defined as a complex set of value, belief, assumption and symbols in which a firm conducts a business. In this sense, culture has pervasive effects on a firm because a firm's culture not only defines who its relevant employees, customers, suppliers, and competitors are, but it also defines how a firm will interact with these key actors (Louis, 1983). Thus, we can say that organizational culture is norms and beliefs that an organization possesses, which determines their course of action in terms of management, operation, administrative and marketing task. Furthermore, organizational culture also plays a key role in defining the potential business partners & associates internally as well as externally.

Similarly, national culture is a bit more complex than organizational culture as it may represent different types of people with different races, religion and ethnicity. Now here are two explanations provided by the experts in their field regarding the national culture (e.g., Hofstede 1980, 1991, 2001; House et al. 2004; Trompenaars 1994).

First, national cultures are divided into individualist or collectivist, feminine or masculine, and so forth. As per Hofstede's theory, “the vast majority of people in our world live in societies in which the interest of the group prevails over the interest of the individual. I will call these societies collectivist and a minority of people in our world live

in societies in which the interests of the individual prevail over the interests of the group, societies which I will call individualist” (1991, 50).

Second, the paradigm represents a static and deterministic vision of culture. As Hofstede stated it, “Cultures, especially national cultures, are extremely stable over time... Differences between national cultures at the end of the last century were already recognizable in the years 1900, 1800, and 1700, if not earlier. There is no reason they should not remain recognizable until at least 2100” (2001, 34–36). Hence, as defined above, national culture can be attributed into four categories, that are- uncertainty avoidance- that is more risk taking, power distance- that is more of lower or higher hierarchical structure, masculinity vs femininity- which is different role defined to male and female, and lastly individualism vs collectivism- which represents trying out things by yourself or with a group.

Therefore, from above mentioned points we can figure that out in-terms of cultural dimension as stated by Hofstede, Nepal and KFC’s cultural point is highly distinct as KFC has a predominantly American cultural aspect as its originating point.

Conflict Management

Conflict management is the process of limiting the negative aspects of **conflict**, while increasing the positive aspects of **conflict**. The aim of **conflict management** is to enhance learning, and group outcomes including effectiveness or performance in organizational setting (Ra him, 2002, p. 208). As conflict management can be termed as a process of minimizing the impact of any conflict occurring in an organization and using this process as learning curve to increase the efficiency in operation or performance of an organization.

Conflict management is a process of identifying and handling of any issue, which may bring the disturbance to a business through a rational, balanced and effective

way. In general, a conflict management can be handled through good communication and negotiation skill.

Five approaches used for conflict management as stated in Killman & Thomas 1977, are accommodating, avoiding, collaborating, competing and compromising.

Accommodating: Under this approach, one is willing to highly co-operate with ones conflicting party to get to their desired goal. This is generally seen in the case where the opposing party is more of an expert or has a better solution.

Avoiding: Under this approach, one keeps a blind eye to the demands of the conflicting party. This approach is generally used when an organization feels that complying with the demands of the opposite party might be of higher cost, or not up to the organizational goal.

Collaborating: Under this approach, ones tries to work along with another party in order to come up with a win-win situation. This approach is generally applied when two conflicting parties can come to an understanding, where both are content with a solution.

Competing: Under this approach, organization generally tries to push forward their agendas in an assertive way without seeking the consent of the other party. This approach is generally seen in case of an emergency situation where an instant action is required.

Compromising: Under this approach, one gives into the demand of another party. This approach is useful in seeking an instant resolve of conflict. This is usually considered a temporary measure to diffuse a crisis.

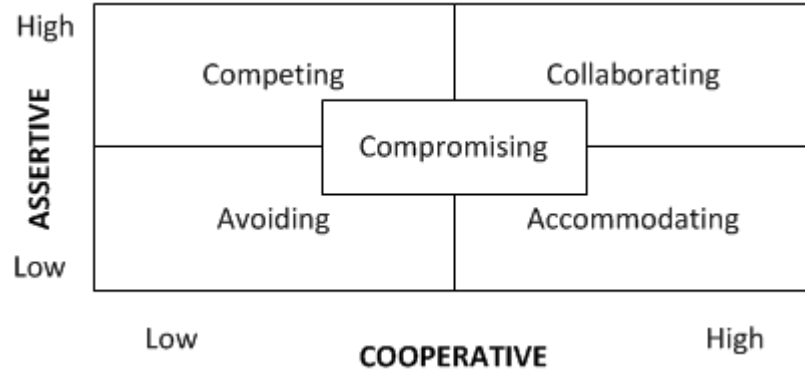


Figure 2.1 Conflict Management

Source: <http://sourcesofinsight.com/wp-content/uploads/2011/03/image1.png>



CHAPTER III

METHODOLOGY

RESEARCH DESIGN

The proposed study is based on the primary sources of information about the contemporary status of conflict management in KFC. Information had been collected using both qualitative tools.

As the research methodology is the main task through which we achieved our research objectives, in this section, the tools and techniques of the study are presented. Research methodology highlights the implementation process of the research, which generate the data and analysis it for the finding of the study (Dangal, 2008). Kothari (2004) argued that research methodology is a way to systematically solve the research problem. According to him, the scope of research methodology is wider than that of research methods.

As for the Research Design, the study will be especially based on descriptive and analytic tools. Multiple research techniques methods were used for the study. The major sources of data were primary and secondary, which were applied in data collection methods that were properly used as; documents review, field visit, observation, interview & case study. Furthermore, secondary data will be collected by formal journals, researches, books, reports, reference materials of different publication, related literature as well as from internet. Later the data will be analyzed, observed and reached to a conclusion.

Qualitative sampling techniques are concerned with seeking information from specific groups and subgroups within the population. Criteria used to assess reliability and validity differs from those used in quantitative research. Hancock, Beverley (2002) stress

that a review of textbooks reveal a variety of terms used to describe the nature of qualitative and quantitative research. Some of the common terms used in qualitative research are subjective, holistic, phenomenological, post-positivist, descriptive, naturalistic and inductive. Meanwhile, the common terms used in quantitative research are objective, reductionist, scientific, positivist, experimental, contrived, and deductive as stated by the authors.

Research Methodology

As for the research methodology, I would be taking into account the secondary data- like newspaper articles and other publications. Along with this, I would be taking in consideration conducting a qualitative research in form of semi-structured interview with customer and staff alike, to better get the understanding of the closure of KFC.

The type and nature of data this study will mainly use upon two types of data- primary and secondary. Primary data will be obtained from the field visit through household survey, observation, and informal interview. From field survey primary data will be collected in the study area. Secondary data also will be used wherever necessary while discussing about reviews and other parts. In nutshell, Data Collection, Survey, Interview, Observation, Data Analysis and Interpretation will be the proper way deal with the research problem about the failure of management to address the conflict in KFC.

Research design is an overall plan of research work. It is a predetermined course of action. Research design, simply means measures for collecting, organizing, analyzing, interpreting and reporting data in research. (Best & Kahn, 2007, Creswell (2003) Research design exhibit different models for researching and procedures associated with it (Creswell 2006), Cited by Dangal M. R. Meanwhile, (Wolf & Pant Prem R.2002) argued that Research design means an overall framework or plan for the collection and analysis of data. Really good research design guides the researcher in formulating, implementing,

and controlling the study. Such research design can produce the answers to the proposed research questions. (P.74.). Kerlinger (1986) says that, “Research design is the plan, structure, and strategy of investigation conceived so as to obtain answers to research questions and to control variance.” (P. 275). This study is based on the following research design. It provides an accurate description of the related elements, face to face filled in interview, annual report & online data bases was used to get information. It's a fact finding activity and is also used to assess the opinions and behaviors of the concerned individual, group or community according to requirement of research design.

Furthermore, I would be conducting an open end question based interview via e-mail to a total of 10 people, which would include 5 men and 5 women, where the following questions will be asked:

Did you find the food price at KFC expensive?

Did you prefer local dish over meal at KFC?

What did you like or dislike about KFC?

Were you aware of latest promotions happening in KFC?

How was the hospitality level at KFC?

Was the food quality up to standards at KFC?

And here are few of the response to the following questions:

Table 3.1 Open end interview with customers

Question	Response
1. Did you find the food price at KFC expensive?	Yes, extremely.
2. Did you prefer local dish over meal at KFC?	Depends upon the timing.
3. What did you like or dislike about KFC?	Likes: fast service compared to other restaurants. Chicken quality seems to be

	nice. Dislikes: Oily, expensive.
4. Were you aware of latest promotions happening in KFC?	No
5. How was the hospitality level at KFC?	There are no waiters, so I dont know.
6. Was the food quality up to standards at KFC?	It seemed nice.

Table 3.2 Open end interview with customers

Question	Response
1. Did you find the food price at KFC expensive?	Of course. Who doesn't
2. Did you prefer local dish over meal at KFC?	As long as it is hygienic, yes.
3. What did you like or dislike about KFC?	Likes: They have AC, that's a plus point Dislikes: Expensive
4. Were you aware of latest promotions happening in KFC?	Never
5. How was the hospitality level at KFC?	They seemed polite
6. Was the food quality up to standards at KFC?	I have been to KFC abroad. This was the same standard- atleast for me.

Table 3.3 Open end interview with customers

Question	Response
1. Did you find the food price at KFC	It is not a fast food chain. It is a luxury

expensive?	restaurant.
2. Did you prefer local dish over meal at KFC?	There are many restaurants serving local dish. There are only 2 KFC. I like to think I like KFC better.
3. What did you like or dislike about KFC?	Likes: Almost everything . Dislikes: I wish it was cheaper.
4. Were you aware of latest promotions happening in KFC?	I would like to know. Do they even have promotions??
5. How was the hospitality level at KFC?	Very nice.
6. Was the food quality up to standards at KFC?	It was very clean.

Plus here are questions asked to the management and operational staff regarding the issue along with their response:

- Was communication clear between two parties?
- How did you pass or receive the information?
- Were they understanding to your problem?
- Were you happy with benefits?
- What was your main problem in KFC?

Table 3.4 Open-end interview with management staff & operation staff

Management Staff	Operation Staff
- We generally talked with the union leader regarding the main issues	- General issue was forwarded to the management but our group related issue used to be forwarded by our union representative
- For important issue it used to be union	- General issue where consulted with our

representative and us. And after the final out-come it used to be passed on the general staff	supervisor but group level activity was done through our union representative
- No they were not	- Not at all
- Yes	- No
- Union interfered too much and were unreasonable with their demands sometime	- They were not understanding to our problems

Data analysis

In any research work, data collection undoubtedly is an important process. However, mere collection of data cannot lead to any definitive conclusion. Therefore, systematical analysis and interpretation becomes an important process so that the entire exercise can lead to some final outcomes. It is with this background that the researcher is able to analyze the data collected through the different tools and present these findings systematically.

CHAPTER IV RESEARCH FINDING

Finding of this research is based on secondary data collected from the news articles and journals published online. Furthermore, to add on to the findings from this, I conducted a semi structured interview with two of their former employee- one supervisor and another kitchen helper, to better understand the situation that affected Nepal's Kentucky Fried Chicken branch.

Please find the following findings from the research.

Political affiliation in work force:

Many of staff working in KFC were associated to labor union which was affiliated to Maoist Party of Nepal. Hence, KFC's western working culture, which is more into hire and fire, and the hourly wage policy was contradictory to the ideology of the union. Due to their strength in numbers, the union assert their so called rights and policies on to the management of KFC. If the management did not concur with their mandates, they resorted to violence and vandalism.

“KFC restaurants in Nepal, operated by Indian company Devyani International, faces closure after Maoist trade union activists attacked and threatened to kill senior managers, a company official said recently.”

Source: <http://www.indiahospitalityreview.com/news/kfc-nepal-face-closure-after-maoist-unrest>

“In 2007, Coke, Pepsi and Unilever were involved in a labor dispute with [local workers who, among other demands, wanted higher wages](#), Two Circles reports.”

Source: http://www.huffingtonpost.com/2012/08/15/kfc-pizza-hut-nepal-shut-down_n_1779004.html

From the above abstracts, it is clearly visible that running a business as a large corporation always involves a labor union. These labor unions are always affiliated to some political party. As in the case of KFC- it was Maoist Party of Nepal.

Hence, it would be correct to assume that when going to a foreign country, business entities must be careful that they learn to adapt to the new work culture, and try to blend it in with their own work culture. The phrase 'act locally, think globally' suits this scenario perfectly.

Cultural difference

Nepal falls in collectivism under Hofstede's cultural dimension, whereas KFC's work culture falls under individualism as their parent country is USA based. When

the initial conflict started, KFC management tried to contact employees individually, rather than persuading the more influential dissatisfied union. This resulted into a backlash from the majority of the employees who in turn retaliated with aggression and violence. They felt that senior management wasn't in favor of well being of the overall group. Furthermore, this made them feel cheated and they felt few of their team betrayed them and retaliated against with violence. Therefore, understanding a national culture is very important while doing business in a foreign land as your well deed might also be considered a negative one if its against their normal norms and value.

Miscommunication

A proper communication channel wasn't created from KFC management with operation counterparts due to which KFC's management didn't properly address the issue with its operational staff. Unionism definitely hindered this flow of communication. As in most union organization, a few leaders would represent the whole group and the flow of right information may not have been distributed equally amongst the union hierarchy, which could have resulted in the information being distorted or lost in transition.

Hence, it could be said that KFC's management team wasn't able to create a proper downward channel of communication in-order, which resulted in a failure to convey their message that wasn't properly sent to their operational team. Similarly, no proper upward communication channel had been created in order for the operational staff to communicate their issues with higher level management of KFC.

Instable political situation

KFC came in Nepal in year 2009. It was just few years after the mass protest had erupted in the country and overthrew the Constitutional Monarchy in Nepal. As many people assumed that this transitional phase from old system to the new political system, might lead up to many years of political instability. This would see many political parties

coming and going out of power. As the new government in power, so did new policies. Especially, the Maoist party of Nepal who were more in favor of domestic and state owned investments. On top of this, they resented towards investments coming from the capitalist nations like USA and India.

During this political uncertain situation, Nepal had seen many political strikes during which many businesses were shut for many days, which hampered the economy and many individuals who used to operate on day to day income. On top of this, political situation didn't help Nepal's tourism industry, which is one on the top GDP contributors to Nepal's economy. This in return had an adverse impact on the hospitality industries from hotels to F&B outlets. As price range in KFC is generally considered on a higher side for the general population in Kathmandu, tourists were one of the major market segments to them.

Other than this, as mentioned earlier that in Nepal labor union is prevalent. With different political parties, came along a different labor union that was affiliated to them. Thus, it was hard for KFC to establish a good relation with one particular political party in order for them to smoothly function with their labor union.

Relationship with stakeholders

From this research, we can say that KFC's management in Nepal didn't have a good relationship with its stakeholder parties. In this instance, stakeholders for KFC in Nepal were its investors, employees, government and its customers. And from what we have studied upon, it is clear to see that it didn't have good relationship with its two major stakeholders i.e. government and its employee.

When their initial problems with their employees erupted, they tried to enforce a stricter policy by introducing the hire and fire policy, which was not welcomed by the labor union associated with their group of employees. Rather than going for this approach

they could have talked through problem with their employees and come with agreement on the ways to resolve the differences.

As for government sector, due to government instability and constant changing political scenario, KFC weren't able to have a particularly good relationship with government. If KFC and the government were in good terms, then the government could have stepped in and pushed management & operation team's conflict to more efficiently and quickly.

Hence, KFC's inability to handle its stakeholder into confidence caused their problem to be prolonged and eventually led to their downfall. Therefore, in any business it's always important to have good relationship with your stakeholders.

Disaster Management

Final nail in KFC coffin was 2015 earthquake in Nepal, as they were not able to handle this natural disaster, which killed nearly 9000 people. After the earthquake, employees of KFC requested some time off work in order to back to their village to repair the damage caused by earthquake, to which KFC management declined. This created a major rift, which they could not reconcile from and eventually KFC had to call off their operations in Nepal.

Thus, we can see that in cases of these sorts of issues many firms take in more sensitive approach as it they don't want to hurt the public sentiment, which in turn might come to haunt them in form of bad publicity. Many other companies try safer approach and try for more motivational leadership approach to overcome similar issues.

Pricing

As from the information acquired through the people who we interviewed it was perceived that many people thought that the price of food item was bit on the higher

side. Majority of the people who participated in this interview felt that the price of food was higher than its other competitors. This result might have come due to the fact there are many other local food competitors to which people still have much liking, hence they see them as their alternative to the KFC.

Labour Union Problem in Nepal

Labour union associated with the work force in KFC in Nepal was associated to Maoist Party of Nepal which is one of the most powerful and influent political entity of Nepal. Hence in-order to maintain a cordial relation with your employee's than business entity do need to make sure that they have good relation with political party associated with them. Nepal has seen a long history of labour union disturbing the local & international business alike when their demands are not meet. Sometime these disturbances might come in as force the staff not to work or violent attack on the management team.

Similarly, in the case of KFC in Nepal, labour union resorted into violence which resulted into the vandalism & physical assault on KFC's management when their demands were not meet. This subsequently made KFC stop their operation in Kathmandu.

Crisis Management

KFC in Nepal didn't have a proper crisis management plan in hand either. It was in terms of revolting staffs or handling the earthquake issue. It seemed they didn't plan B for any possible crisis which could have occurred to them.

Many companies go through these types of crisis either foreseen or unforeseen and they change their style of work to cope with this issue- be it to improve the communication within organizational structure, or simply to take on the active leadership role to motivate their employees. But these changes were not seen in management of KFC as it seemed they were least prepared for these kind of matters.

As in 2012 itself, the strain in relationship had already been started to be seen with operational staff attacking the management. Hence, they should have already have come up with crisis management model which are avoiding, collaborating, compromising, competing or accommodating.

From the above mentioned models they should have come up with a crisis management strategy to better handle the situation from their previous experience. A proper communication and negotiation plan should had been apprehended in advance.

Basically from the above reading we can say that a proper PESTEL analysis and subsequent SWOT analysis had was bit mis-read by KFC management in Nepal.

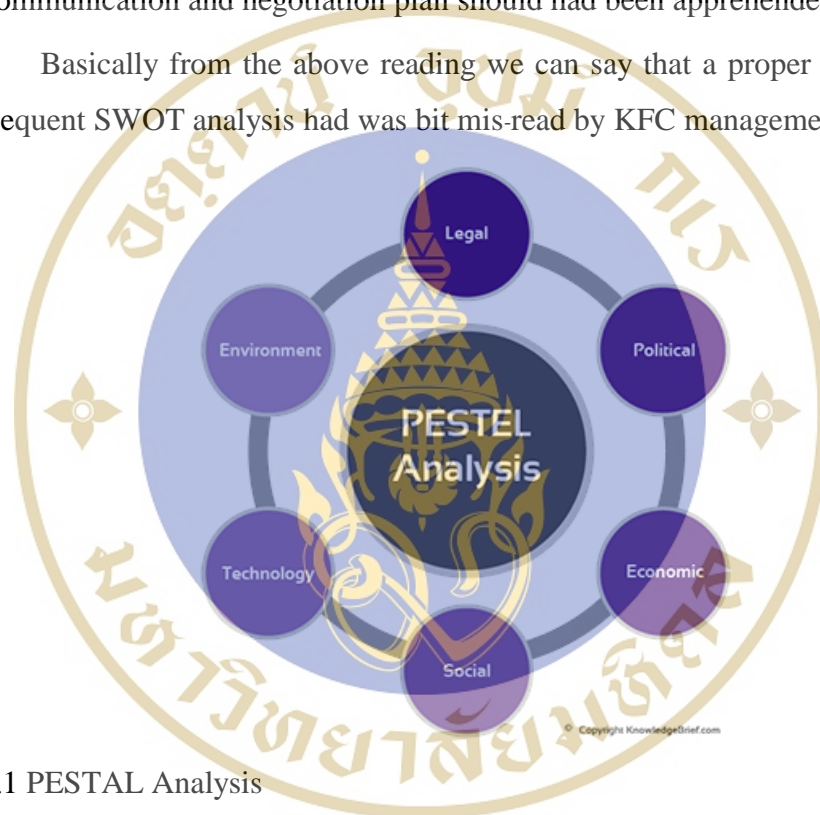


Figure 4.1 PESTAL Analysis

Political: Political situation in Nepal was going through a transitional period from constitutional monarchy to a republic nation, which was to be decided through a constitutional assembly that was finally agreed upon after 10 years of civil war between state and Maoist rebel. Till 2009, Nepal's political situation was still unstable with constant change in government and in-fighting among the national parties.

Economical: Nepal was just reeling from the decade long civil war which had effectively taken their economy to tatters. Nepal's major contributor to GDP is remittance from abroad, agriculture and tourism. It's an import dependent nation with 70% of its good being imported from abroad. Due to urban immigration caused by the civil war, Kathmandu in particular had growing urban middle class population with spending power.

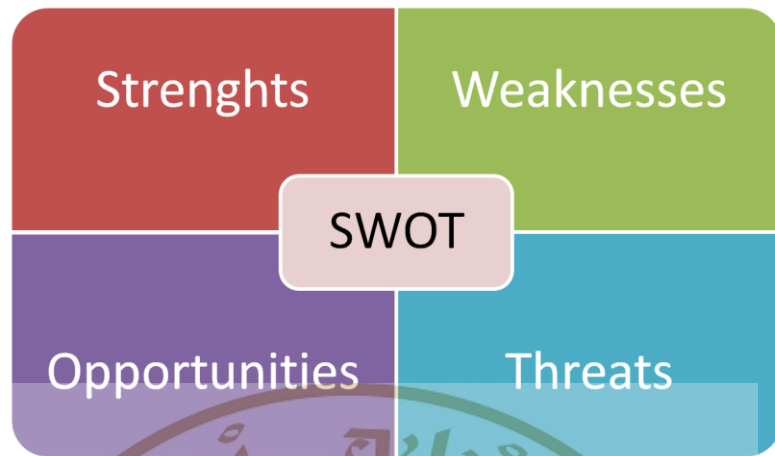
Socio-Cultural: Nepal is landlocked country between china and India with a population of 27 million, where majority of people are Hindus that roughly constitutes for 80% of the population. In terms of cultural dimension, they fall under collectivism, masculinity, high power distance, and sensitive group.

Technological: Nepal is still technological and infrastructural wise back-ward. It still can't produce or buy sufficient power it requires. But, it is rich in water resources and it can produce sufficient electricity to be self sufficient and also sell to its neighboring countries if required.

Environmental: Nepal is situated in sub-tropical region in sub-continent with most of its land mass covered by mountains and hills. Only 20% of its total land mass is cultivatable which major necessity food items still being to be imported from outside to fulfill the domestic market.

Legal: As constitutional assembly is in its first phase hence still many rules and law are still on hold or uncertain stage. Furthermore as Maoist got the majority of vote in the constitute assembly hence many law are more inclined to communist philosophy.

Based on these finding, SWOT of KFC in Nepal at that should have been of this sort:



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Figure 4.2 SWOT Analysis

Table 4.1 Opportunity & Threat for KFC in Nepal

Opportunity	Threat
<p>First mover advantage: KFC would be the first of its internationally renowned fast food chain to establish its branch in Nepal.</p> <p>Growing middle class urban population in Kathmandu</p> <p>Kathmandu is first transit point for all tourist visiting Nepal</p> <p>No other direct competitor</p> <p>Different food items compared to their competitors</p>	<p>Political unrest</p> <p>Competitor price range lower</p> <p>Low adaptively to new food items from traditional food</p> <p>Electricity problem</p> <p>Lack standardized food products</p>



CHAPTER V

CONCLUSION

From the analysis of KFC's failure in Nepal following this can be summarized:

Political situation and political affiliation of their labor work force played in a key factor in their operation failure in Nepal. As an unstable government, gave in more upper hand to labor union which had more power than the management. Furthermore, unstable political situation didn't give them a better chance to create any form of good and long lasting relationship with government. Thus, there was minimal stakeholder relationship between the government and KFC

As KFC already had faced a labor disturbance issue already in the past, yet they were unable to come up with better crisis management model to resolve the issue. When the first disturbance issue was on the rise with labor in 2012, than their only they should have come up with proper Crisis management model to tackle any up-coming issues in the future.

Miscommunication and lack of proper negotiation skill hampered them and any other opportunity to come up with an appropriate conclusion with a protesting labor union. Sign of a any good business firm is that it has a very clear communication channel to reduce any chances of miscommunication and proper negotiation strategy in case of any differences.

Proper blend of national & organizational culture should be maintained in-order to avoid in case of misunderstanding. Hence the approach KFC must have apprehended was to think globally act locally.

Recommendation

Here are few of the recommendations, which I believe could have prevented the KFC's misfortune in Nepal:

Adapt work culture to national culture: KFC's work culture should have been adjusted or made more flexible in order to be more compatible to that of Nepalese culture. For example, Nepalese people are not much strict when it comes to time orientation hence management could be bit lenient regarding the same.

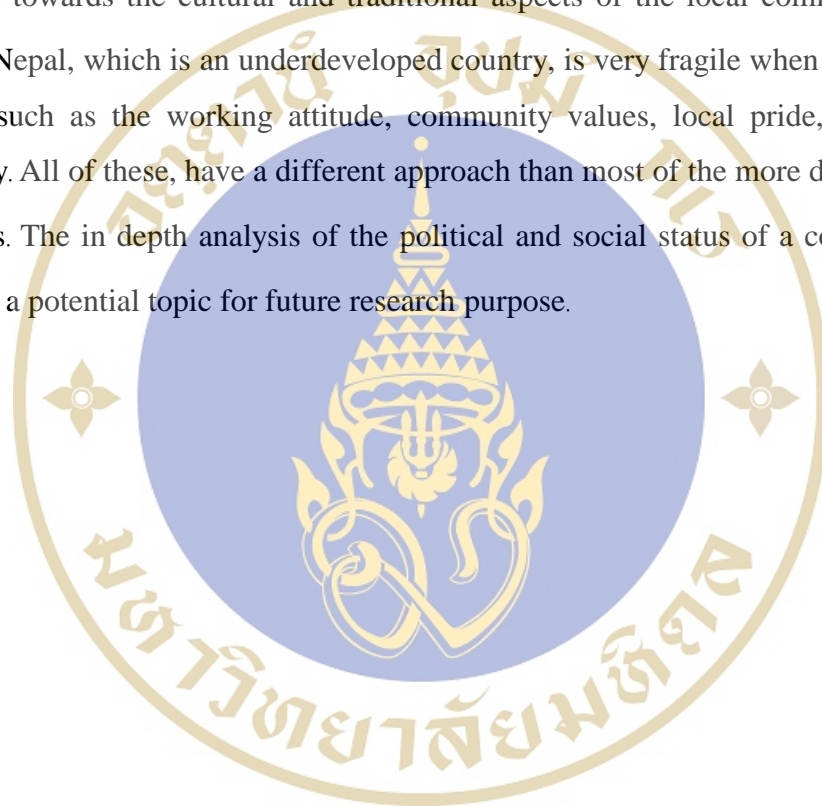
Create clear communication channel: A clear communication channel should be established between the management and operational team so that information couldn't be distorted or mislead. Hence, during shift or opening briefing one of the top management could attend those briefing and let them know what they have plan for them and encourage them to speak their mind if they have any issue.

Motivate employee with appraisal or recognition: If any employee is working hard or efficiently than motivate them by appraisal or recognition. For example, they can provide them extra day off for star employee or other motivational tactics to maintain their staff's work enthusiasm.

Corporate Social Responsibility: In case of any natural disaster effecting human life, a company should be more understand and use that opportunity as a mean of corporate social responsibility. As for example, during any natural calamity making money should be secondary mindset as to go & serve the effected people. This will not only helps with CRS but your brand reputation grows as well.

In conclusion, the unfortunate fate of KFC could probably have been overturned had they practiced the above mentioned points. Other companies, especially MNC planning to operate or establish their venture in Nepal in the future need to be aware

primarily the two following aspects which are political and social. The political instability has been one of the most concerning factors that have hindered the development of every aspect of the country. The locals have come to understand and adapt to this unbalanced system. The MNC need to adjust their operations plan accordingly (this is a huge factor as most MNC are used to being operated in an almost perfect political environment of a much developed country). Similarly, on the social side, the MNC needs to be more sensitive towards the cultural and traditional aspects of the local community. A market such as Nepal, which is an underdeveloped country, is very fragile when it comes to many aspects such as the working attitude, community values, local pride, and the official hierarchy. All of these, have a different approach than most of the more developed western countries. The in depth analysis of the political and social status of a country like Nepal could be a potential topic for future research purpose.



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