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The Relationship between market entry strategies and financial performance: a case of international companies in Kenya

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THE RELATIONSHIP BETWEEN MARKET ENTRY STRATEGIES AND FINANCIAL PERFORMANCE: A CASE OF INTERNATIONAL COMPANIES IN KENYA

BY

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DECLARATION

This dissertation is my original work and has not been submitted for any other degree of this or any other university or institution of learning.

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Approval

This dissertation has been submitted for examination with my approval as the university supervisor.

Signed……………………………… Date………...............................

Dr. FREDRICK OGOLA

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LIST OF ABBREVIATIONS

CCK: Communication Commission of Kenya (Currently CA)

CA: Communication Authority of Kenya (Formerly CCK)

GDP: Gross Domestics Product

MNCs: Multinational Companies

ROA: Return on Assets

ROE: Return on Equity

SMEs: Small and Medium Enterprises

SPSS: Statistical Package for Social Sciences

ABSTRACT

Multinational Corporations (MNCs) are confronted with unprecedented levels of uncertainty due to increasingly rapid pace of economic globalization. The main objective of this research was to establish the relationship between multinational/ transnational market entry strategies and financial performance. The study employed a cross-sectional descriptive survey design. Cross-sectional study was considered as the most appropriate time horizon because information was gathered at a particular point in time or over a short time span. The target population 60 senior management staff of the selected MNCs and due to the small size of this population, there was no sampling hence the study was a census survey. A semi structured questionnaire was the main data collection instrument. In this study, 60 questionnaires were distributed to the respondents out of which 48 questionnaires were received and analyzed representing 80% response rate which was considered adequate. Data analysis with the help of SPSS produced descriptive statistics and correlation results. The results showed that both equity and non-equity modes as independent variables have a significant positive relationship with financial performance. Nevertheless, market entry strategies do not directly enhance the profits, ROA and ROI of these firms (no causal link). Joint ventures, strategic alliances, Mergers & Acquisitions and franchises had impacted financial performance to a great extent while exporting and contract manufacturing to a low extent. As per the findings, effective market entry strategies produce high financial performance for MNCs. The study findings revealed that the impact of entry strategies on ROA was larger compared to ROI and profitability. Moreover, internal resources, external environment and firm size are the key determinants of market entry strategies to use. The study recommends that multinationals firms should carry out research on prospective foreign markets to inform the choice of foreign market entry strategies.

DEFINITION OF KEY TERMS

Internationalisation this is when a firm has permanent operations in two or more countries with business that cross national borders. It entails increasing integration of national and regional economies and the domination of the world by MNCs. Globalisation is also associated with the political domination of a small number of industrialised states, the integration of capital markets, a worldwide, increasing ubiquity of communication and information around the world, and the spread of technology to the farthest reaches of our globe (Tallman, 2001, p.464; Tallman & Fladmoe-Lindquist, 2012).

Emerging Markets Emerging markets according the framework of this research report is defined as a term, which seeks to identify Countries that have adopted a transition in their political and economic system and are also experiencing rapid Economic development.

Multinational corporations (MNCs) are firms that control operations or income generating assets in more than one country (Jones, 1996: 4). They are enterprises with substantial direct investment in foreign nations and actively engage in the management of these investments

Equity mode Equity-based market entry modes are investment models whereby a company either establishes a wholly-owned subsidiary, with 100 per cent ownership or a joint venture subsidiary, with less than 100 per cent ownership. A subsidiary is a separate legal entity operating under the laws of its country of foreign location. However, in legal terms, subsidiaries are created in one of the legal forms of economic activities occurring in the law of the host country (Wach, 2014)

Non-Equity mode Non-equity modes are a strategy for an organization to expand its products or services into a new market without having to make an investment in items such as facilities within that market (Långbacka, 2018).

ROI Return on Investment measures the gain or loss generated on an investment relative to the amount of money invested. ROI is usually expressed as a percentage and is typically used for personal financial decisions, to compare a company's profitability or to compare the efficiency of different investments

ROA Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor, or analyst an idea as to how efficient a company's management is at using its assets to generate earnings. Return on assets is displayed as a percentage.

CHAPTER ONE: INTRODUCTION TO THE STUDY

1.1 Background of the Study

Multinational Corporations (MNCs) are confronted with unprecedented levels of uncertainty due to increasingly rapid pace of economic globalisation, the knowledge explosion accompanied by steep learning curves in science and technology, shifting world-views, substantial risks of terrorism, global warming, and so forth, research areas such as strategising in times of uncertainty, evolutionary economics, and international management are becoming more and more important (Spirig, 2011).

MNCs need to adapt to the differential pace of globalisation across the many differing markets throughout the world. Along with increasingly sophisticated decision-making processes, location and ownership strategies of MNCs are changing. Generally speaking, they revolve around the ability of MNCs to subdivide their activities more precisely and to place them in the optimal location. Simultaneously, increasingly complex, more sophisticated, and wider ownership and control strategies ranging from full ownership to market relationships are used to co-ordinate global activities (Buckley & Ghauri, 2004; Spirig, 2011). Thus, the respective control matrix ranges from wholly owned units via foreign direct investments (FDI) through market relationships, such as subcontracting including joint ventures, as options in subsequent decisions in a dynamic pattern. MNCs' strategic behavior itself affects the course of globalisation. Markets are globalised by the strategic actions of MNCs. The drivers of this process are the location and ownership strategies of MNCs mentioned above. Where an activity is placed it interacts with its immediate hinterland. Clearly, this has profound consequences for changing economic power and development (Buckley & Ghauri, 2004).

1.1.1 Multinational Companies (MNCs)

Multinational corporations (MNCs) operate in a global environment unfamiliar in political, economic, social, cultural, technological and legal aspects. Increased competition among multinational corporations and the entry of other players in the Kenyan market necessitate the design of competitive strategies that guarantee performance. MNCs in Kenya have adopted a number of strategies including: better quality, excellent customer service, innovation, differentiation, diversification, cost cutting measures, strategic alliances, joint venture, mergers/acquisitions and not forgetting lower prices, to weather competitive challenges (Kinuthia, 2010). Well-established and hitherto dominant multinational companies in Kenya are suddenly finding themselves sailing in turbulent waters. The latest multinational to leave the scene with a bloodied nose is the 200-year-old Colgate Palmolive, a global business concern. The list also includes, Johnson & Johnson, Agip, Procter & Gamble and ExxonMobil, just to mention a few (Arasa & Gideon, 2015).

In the current competitive business environment, many companies ranging from Small and Medium Enterprises (SMEs) to Multinational Companies (MNCs) are working hard to internationalize i.e. making their services and products more global. As such, a kaleidoscope of issues emerges especially related to entry strategies and financial performance. Many multinationals corporations are struggling to develop successful strategies when planning to enter these emerging markets (Khanna, Palepu, & Sinha, 2005). The challenges emerging markets pose to companies vary depending from one region to another and from one country to another and such challenges are political, economic and social systems which affect the product, labour and capital markets (Khanna et al., 2005). Other issues are ethnic, linguistic and regional differences which affects foreign investors.

What entry mode that a multinational company chooses has implications on how much resources the company must commit to its foreign operations, the risk that the company must bear, and the degree of control that the company can exercise over the operations on the new market (Zekiri & Angelova, 2011).

This study looked at three key sectors namely Telecommunication, Banking and Export. Telecommunication sector is made up of companies that make communication possible on a global scale, whether it is through the phone or the Internet, through airwaves or cables, through wires or wirelessly. Telecommunications is a form of communication at a distance by technological means, particularly through electrical signals or electromagnetic waves. It mainly involves the fixed line segment, the mobile telephone services and internet data services (Communications Authority (CA), 2017; Odhiambo, 2015). The banking sector is entirely different from other sectors of the economy due to its specific functions which make it prone to tight regulations, supervision, and public intervention. Banks are vulnerable to instability due to their special functions in the financial system. They intermediate between investors and borrowers by achieving a unique maturity transformation in their balance sheets (Danisman, 2018). Thus, banks act as intermediaries between depositors and borrowers at an agreed interest rate.

According to the Communications Authority (CA) (2016), the communications sector in Kenya has experienced tremendous growth in total subscriptions. During the quarter three of 2016, the number of mobile subscriptions stood at 38.5 million down from 39.7 million subscriptions recorded in the previous period of 2015, marking a decline of 3.0 per cent (CA, 2016). This was as a result of revision of mobile subscriptions data by Telkom Kenya Limited. However, compared to the same period of the previous financial year, a growth of 1.9 per cent was realized. Consequently, mobile penetration reduced to 87.3 per cent down from 90.0 per cent recorded during the preceding quarter (CA, 2016). This chapter provides a background of the communications sector including the market share for period 2016, a statement of the problem, research objectives and questions. It also highlights the scope and significance of the study.

According to Kenya Finance Directories (2014), by 1980s there were 24 commercial banks in Kenya with 400 branches, agencies and commercial units. Presently there are 44 commercial banks in Kenya. The proportion of foreign banks in Kenya has risen and this growth may be attributed to the implementation of financial liberalization policies by the Central Bank of Kenya (CBK) (Ukaegbu & Oino, 2014). These policies allow foreign banks to set up branches and domestic banks to become (at least partly) foreign-owned. The fast growth of operations of foreign banks has raised questions about the consequences of their presence in domestic banking markets CBK, 2014). The fast expansion of banks from developing countries in particular Pan-African banks headquartered in South Africa, Nigeria, Morocco, Kenya and Togo explains why foreign bank participation is still high (Beck, Degryse, De Haas & Van Horen, 2014).

1.1.2 Market Entry Strategies

Market entry strategies are classified into two broad categories namely equity and no-equity modes. Non-equity modes, defined as modes that do not entail equity investment by a foreign entrant, are becoming increasingly popular among service firms for organizing overseas ventures/operations. Nonequity modes are especially popular among consumer-services firms (such as hotel and restaurant firms) as compared to professional-services firms (such as consulting firms). Non-equity modes are essentially contractual modes, such as leasing, licensing, franchising, indirect exporting, direct exporting and management-service contracts (Erramilli, Agarwa & Dev, 2002; Kotler, Armstrong, Wong & Saunders 2008; Daskiewicz and Wach, 2012).

Equity-based market entry modes are investment models whereby a company either establishes a wholly owned subsidiary, with 100 per cent ownership or a joint venture subsidiary, with less than 100 per cent ownership. A subsidiary is a separate legal entity operating under the laws of its country of foreign location. However, in legal terms, subsidiaries are created in one of the legal forms of economic activities occurring in the law of the host country (Wach, 2014, Daskiewicz and Wach, 2012). Joint ventures and wholly owned subsidiaries are the main equity-based entry modes. Equity modes allow the company to be closer to the customer. On the other hand, non-equity modes are a strategy for an organization to expand its products or services into a new market without having to make an investment in items such as facilities within that market (Långbacka, 2018). For many service firms desirous of entering foreign markets, an important question is not how to choose between different equity and non-equity modes but how to choose between different non-equity modes for organizing their operations in the foreign markets.

When a firm is going to explore a foreign market, the choice of the best mode of entry is decided by the firm's expansion strategy. The main aim of every business organization is to establish itself in the global market. Thus, the process calls for developing an effective international marketing strategy in order to identify the international opportunities, explore resources and capabilities, and utilize core competencies in order to better implement the overall international strategies. The decision of how to enter a foreign market can have a significant impact on the results. Companies can expand into foreign markets via the following four mechanisms: exporting, licensing, joint venture and direct investment (Meyer, Estrin, Bhaumik, and Peng, 2008).

All of them have their advantages for the firm to explore as well as disadvantages which must be considered by the firm's top management. "What entry mode that a multinational company chooses has implications for how much resources the company must commit to its foreign operations, the risk that the company must bear, and the degree of control that the company can exercise over the operations on the new market" (Zekiri and Angelova,2011, pp 576).

Firms entering new foreign markets choose from a variety of different forms of entry, ranging from licensing and franchising, through exporting (directly or through independent channels), to foreign direct investment (joint ventures, acquisitions, mergers, and wholly owned new ventures). Entry modes vary in the degree of control the firm has over invested tangible and intangible resources, and the transactions costs associated with that resource commitment (Twarowska & Kąkol, 2013; Harrison, 2011). From another perspective, entry involves two interdependent decisions—location and mode of control. Exporting is domestically located, and administratively controlled, foreign licensing is foreign located and contractually controlled, and FDI is foreign located and administratively controlled. Transaction costs theory views each choice of entry mode as an individual transaction that involves a tradeoff between control and resource commitment (Twarowska & Kąkol, 2013; Wilkinson & Nguyen, 2011).

1.1.3 Financial Performance

Financial performance, as per this study, was a subjective measure of how well a firm can use its assets from its primary business to generate revenues. It is imperative to note that whereas financial performance ought to be objective since it is mostly expressed in quantitative terms, this study collects qualitative data from respondents. As such, data collected is based on respondents' perceptions of the study topic hence to some extent might be subjective in nature. Erasmus (2008) noted that financial performance measures like profitability and liquidity among others provided a valuable tool to stakeholders to evaluate the past financial performance and the current position of a firm.

The main objective of shareholders in investing in a business is to increase their wealth. Thus, the measurement of performance of the business must give an indication of how wealthier the shareholder has become as a result of the investment over a specific time. There are various measures of firm performance which include the return on assets (ROA), return on investments (ROI), return on equity (ROE) and earnings after tax (EAT). According to Boehlje et al. (1999), Return on assets (ROA) is the net income generated by all assets, after labor has been compensated but before interest payments. Rate of return on equity (ROE) is the return after all labor and interest expenses have been deducted from the earnings. It measures the return to the owner of the business for their capital investment and can be compared to alternative investments. Earnings after Tax (EAT)/ Net Profit after Tax (NPT) equal sales revenue after deducting all expenses, including taxes. Return on investment (ROI) is performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.

The choice of entry mode has become a crucial strategy decision for firms wishing to enter international markets, as it will have an important influence on their future business success (Peinado & Barber, 2009). In terms of the performance implications of internationalization, evidence supports the idea that foreign market entry, regardless of mode, significantly increases returns on sales and assets (Rasheed, 2005). Other research has compared relative financial performance between, and within modes.

Market entry strategies affect business performance in the context of manufacturing industries (Kirca, 2011). Choosing the right entry strategies is one of the key points in international marketing. These strategies have an effect on performance and duration of it through determining the method and allocating essential and sufficient resources (Ekeledo & Sivakumar, 2013; Twarowska & Kąkol, 2013). Entry mode performance is defined in terms of efficiency or profitability. Motives that are non-profit, such as resource and knowledge development or strategic moves against competitors, are assumed to be reflected in long term profit. Profitability depends on costs and revenues (Wilkinson &

Nguyen, 2011). Furthermore, some of the researches indicate that entry strategies affect financial performance by determining the control level, risk level and company share in foreign markets and end up with the success or failure of the company (Kock et al., 2014).

Previous studies have generally neglected the link between exporting and performance and survival. An exception is the study conducted by McDougall & Oviatt (2010). Their longitudinal study of 62 new manufacturing firms in the USA engaged in the computer and communications industries revealed that ventures that had increased international sales, compared to those that had not, exhibited superior performance in terms of both relative market share and return on investment (ROI). However, their study was conducted over only a 2-year period and focused solely upon a relatively small sample of manufacturing firms. Westhead (2009), during his cross-sectional study of new firms in Great Britain, focused upon the performance of firms engaged in manufacturing and producer services activities. He found that exporting firms recorded significantly higher levels of absolute growth since the businesses had received their first orders than did non-exporting firms (Westhead et al., 2009).

1.2 Statement of the Problem

The easing of trade restrictions, legislations and changes in structures across the globe has created new opportunities for the flow of Foreign Direct Investments (FDIs). This has also been assisted by the fact that many nations have experienced so much economic growth and advancement in technology at firm and nation level hence having the freedom and tools to expand rapidly across the globe (Rahman & Tantu, 2011). Some of the key considerations when expanding into foreign markets are: *national resource conditions* which related to the major resources which the product requires and where these available at low cost. *Firm-specific advantages* i.e. to what extent is the company's competitive advantage based upon firm-specific resources and capabilities and are these transferable. Lastly *tradability issues* i.e. can the product be transported at economic cost and if not, or if trade restrictions exist, then production must be close to the market. This then implies that the choice for a particular entry mode is a critical determinant in the successful running of a foreign operation. Decisions of how to enter a foreign market can have a significant impact on the results.

The choice for a particular entry mode is a critical determinant in the successful running of a foreign operation (Erramilli & Rao, 2013; Rahman & Tantu, 2011). However, it may seem that the use of particular strategies by international firms may yield higher growth and performance than others (Lages and Montgomery, 2012). According to Leiro and Letting (2012) Kenya's telecommunication sector operates in a competitive environment. Therefore, for firms to thrive in this competitive market they have to adopt market entry strategies that adapt to the changes and challenges in the operating environment. By the year 2012, three of the four Kenyan telecommunication service providers, Airtel and Orange were forced to prepare new strategies after failing to win their projected market share targets. In contrast, Safaricom market share continued to grow (CCK, 2012).

Studies on the relationship between the choice of international market entry strategy and firm performance are abundant at global level. Locally, some studies have been done on the subject matter. Ndegwa and Otieno (2008) conducted a study on market entry strategies for a transition country. The study concluded that the most significant motive to enter developing countries is potential growth of the market, the most suitable entry mode strategy is joint venture, the most significant factor influencing the entry mode decision is the legal framework, and the largest problem experienced by companies investing in the country is bureaucracy. Mugendi (2010) investigated the Equity Bank's foreign market entry strategies into Southern Sudan and Uganda. Ngetich (2010) investigated the strategies adopted by Kenya Commercial Bank to gain entry into East Africa Region Financial Market. Wachari (2010) conducted a study on the determinants of Foreign Entry Strategies adopted by Kenya Firms in selecting and entering international markets. Arasa & Gideon (2015) did a study that examined the influence of international market entry strategies on the financial performance of manufacturing multinationals in Kenya. Murage (2001) in a study on competitive strategies adopted by members of the Kenya Independent Petroleum Dealers Association found out that MNCs have adapted to methods such as better quality, excellent customer service, innovation, differentiation, diversification, cost cutting measures, strategic alliances, joint venture, mergers/acquisitions and not forgetting lower prices, to weather competitive challenges. The studies tend to agree that firms intending to go international do consider various factors when making a choice of a market entry strategy.

There exist glaring knowledge gaps as far as scarcity of local studies, context, conclusiveness and difference in opinions is concerned. Studies on the choice of international market entry strategy and firm performance seem to concentrate on the developed and emerging countries. There is a scarcity of studies on the market entry techniques used by firms in Kenya and in particular those that attempt to examine the relationship between international market entry strategies and performance of multinational/ transnationals in Kenya, hence the focus of this study. The research question that this study wished to address was; What is the impact of market entry strategies on financial performance of multinationals in Kenya?

1.3 Objectives of the Study

The main objective of the study was to establish the relationship between multinational/ transnational market entry strategies and financial performance. The following specific objectives guided the study:

i. To establish the determinants of Market entry Strategies used by international companies in Kenya.
ii. To determine the effect of equity modes of market entry strategy on the financial performance of international companies
iii. To determine the effect of non-equity modes of market entry strategy on the financial performance of international companies

1.4 Research Questions

The following research questions guided the study:

i. What are the determinants of Market entry Strategies used by multinational companies in Kenya?

ii. What is the effect of equity modes of market entry strategy on the financial performance of multinational companies?

iii. What is the effect of non-equity modes of market entry strategy on the financial performance of multinational companies?

1.5 Scope of the Study

The scope of this research report was restricted to evaluating the effectiveness of MNCs market entry strategies in Kenya. The study was restricted to the companies' corporate offices in Nairobi. The sample size was selected from executive and senior management members who were to provide the strategic information required for this study. As observed by Cresswell and Plano Clark (2011), the researcher comes up with a sample that he or she believes is rich in the desired information.

1.6 Significance of the Study

The study proposed to add to the body of knowledge, specifically in regard to market entry strategies in light of the fast-changing global environment and hopefully rekindle the demand for further research notably looking into competition, technology, innovations, government support and risks and their effects on financial performance.

The study also supplements the existing literature, and is an invaluable tool for students, academicians, institutions, corporate managers and individuals who want to know more about MNCs market entry strategies and financial performance nexus. Thus, this study was expected to increase body of knowledge to the scholars on the best market entry strategy among MNCs. In essence, it will assist future scholars, researchers and practitioners in the area of market entry strategies as they will be able to find materials besides areas where they can advance their research on the related subjects.

Policy makers both at company, Government (host country) levels would infer from the study on company initiatives especially entry strategies and how they affect performance. The study will enable the policy makers to be aware of the effects of in efficiencies on performance on companies. Thus, the study was aimed at benefiting key players such as the Kenya Investment Authority (KIA) whose main objective is the promotion of investments in Kenya. Other beneficiaries include Government agencies (Kenya Revenue Authority among others) that form part of the investment regulatory framework and firms in the sectors under study to further develop ways on how to come up with appropriate value propositions for customers and accurately strategize based on the appropriate market entry strategy for competitive advantage. This is achieved by leveraging a specific data related to various market entry strategies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents literature from previous studies that have been carried out on global strategies adopted by organizations. It also outlines the theoretical and empirical studies. Thus, this chapter gives an overview of previous studies relevant to the research objectives. A background on entry strategies adopted by multinationals in foreign markets is given and factors that influence the choice of a given entry strategy are also discussed. Challenges faced by multinationals in assessing foreign markets are discussed with the aim of determining an appropriate and sustainable entry framework for multinationals in the Kenya. The theoretical underpinnings of the study and the conceptual framework are also discussed in this chapter.

2.2 Theoretical framework

This study was guided by Institutional Theory and The Stages Theory. They are discussed in the section that follows.

2.2.1 Institutional Theory

According to Yiu & Makino (2002) institutional factors significantly determine the entry strategies of multinationals in a foreign market. The institutional theory is founded on the premise that institutions or rules that exist in a host nation have a great impact on strategies and performance of firms making an entry into the given market (North, 1990; Peng, 2003). The institutional theory focuses on the institutional environment as the main determinant of the structure of firms and their behavior in a new market (DiMaggio & Powell, 1991).

This study sought to clearly understand how the market entry strategies adopted by the multinationals in Kenya have been influenced by the various institutional structures. The success and challenges faced by the companies' market entry strategy was thus analysed alongside the factors that influenced the strategic decisions in the choice of entry mode. Isomorphism through mimicry is a strategic choice whereby one firm enhances its legitimacy in a population by resembling other incumbent firms facing the same set of environmental conditions.

This theory is applicable to this study in that the process of making decisions about internationalization evolution relates to the choice of market, timing and mode of entry. Institutional theory typically focuses on the pressures exerted by external institutions on the strategies of firms. External institutions may consist of regulatory structures, agencies, laws, courts, professions, interest groups and public opinion. To build legitimacy, organizations must comply with formal and informal rules, norms, behaviors and ceremonies set forth by external institutions in the locations where they operate

Moreover, the focus is on the institutional environment as the main determinant of the structure of firms and their behavior in a new market. Organizations that operate in international markets need to make the most important decisions in order to select a best mode of entry choice into foreign markets (Ravelomanana,Yan, Mahazomanana & Miarisoa, 2015). These factors can be grouped into two namely, internal factors and external factors. Internal factors relate to the company's internal environment, whereas external factors pertain to the conditions that are external to the company. The success or failure in foreign markets is anchored on choice of market entry mode often informed by risks such political, legal and environmental.

2.2.2 The Stages Theory

Merlin's (1992) cited by Liso & Leoncini (2010) states that stages theory focuses on managerial competencies and suggest that international expansion is driven by the gradual acquisition of competencies and experience in foreign markets. A good strategy is gradual, behaviorally oriented and developed in successive stages. This allows a firm to enhance its learning capabilities and thus reduces uncertainty and risk often associated with international business as well as improving its competitive position (Dana, 2004). The stage mode as used by Gankema, Snuif & Zwart (200) underpins internationalisation as a process that occurs in stages and adopts a stage model. In stage model firms internationalize using a staged approach, which may mean that: at first internationalizing firms begin by exporting their products before acquiring offices in the foreign country. The firms thereafter acquire office spaces and builds facilities to undertake their operations.

Nevertheless, Smolarski & Wilner (2005) also consider internationalisation of firms as one that expands in geographical stages. In other words, a company seeking to internationalise first build capacity at the domestic market and thereafter join the neighboring market before venturing into far away markets. The internationalisation of Bharti Airtel Kenya is one that is viewed in this study as having occurred through a geographical expansion model. Therefore, while undertaking the research study, the entry modes of the multinational operators were also be scrutinized, and comparisons made between the success achieved in their home countries and the successes achieved in Kenya.

In this study, the choice of market entry strategy goes through a staged process such less risky modes for example joint ventures are chosen first before risky modes such as exporting are adopted later. It is important to acquire competencies and experience in foreign markets before investing heavily. For some companies, being present and entering foreign markets comes naturally while for others, it possesses a great challenge which they have to deal with. It can be seen that the entry mode decision is conditioned by a variety of internal and external factors. Firms select their entry modes that can be supported by their resources, skills and capabilities. A number of firm level factors dictate the entry mode decision such as firm size, firm's skills and resources, characteristics of firm's products, firm's desire to get rapidly established, firm' international experience (Zekiri & Biljana, 2011; Ravelomanana et al., 2015).

2.3 Multinational/ Transnational Market Entry Strategies

The most common market entry modes are introduced in this chapter. The strategies are split into non-equity modes and equity modes depending on the level of commitment each mode require. Equity modes allow the company to be closer to the customer. On the other hand, non-equity modes are a strategy for an organization to expand its products or services into a new market without having to make an investment in items such as facilities within that market (Långbacka, 2018).

Andersen and Gatignon (2012) states that international market entry modes can be classified according to level of control, resource commitment, and risk involvement (Andersen & Gatignon, 2012). Erramilli and Rao (2013) concurs with this observation and in a study carried out in the US, Erramilli and Rao (2013) classified market entry modes into two categories based on their level of control-full-control (i.e. wholly owned operation) and shared-control mode (i.e. contractual transfer or joint venture). Many forms of market entry strategy are available to firms to enter international markets. In support of Lu and Beamish (2001), Wilkinson & Nguyen, 2011) observe that one classification first distinguishes between equity and non-equity modes. Equity modes involve firms taking some degree of ownership of the market organizations involved, including wholly owned subsidiaries and joint ventures. Non-equity modes do not involve ownership and include exporting or some form contractual agreements such as licensing or franchising (Wilkinson & Nguyen, 2011).

Thus, companies can expand into foreign markets via four mechanisms namely exporting, licensing, joint venture and direct investment. All market entry strategies have advantages for the firm to explore as well as disadvantages which must be considered by the firm's top management. According to Zekiri and Angelova (2011), the entry mode(s) that a multinational company chooses has implications on how much resources the company must commit to its foreign operations, the risk that the company must bear, and the degree of control that the company can exercise over the operations on the new market.

2.3.1 Market Entry Modes

Equity modes are within a company's control and include modes such as Joint venture/ Strategic alliances, Mergers and Acquisitions and Foreign Direct Investment (FDI). Non-equity modes, defined as modes that do not entail equity investment by a foreign entrant, are becoming increasingly popular among service firms for organizing overseas ventures/operations. Nonequity modes are especially popular among consumer-services firms (such as hotel and restaurant firms) as compared to professional-services firms (such as consulting firms). Non-equity modes are essentially contractual modes, such as leasing, licensing, franchising, and management-service contracts (Erramilli & Rao, 2013; (Långbacka, 2018). Wach, 2014).

2.3.1.1 Indirect Exporting

Under indirect exporting, a firm maintains contact with customer's proceeds through a legally and economically autonomous third party in the form of an export trader, export agency or export cooperative situated in the foreign market. The acquired cooperation partners serve the main purpose for the firm, which needs a prolonged arm with market and country knowledge to engage in the international business activity (Bradley, 1991). According to Obianyor (2011), the main advantages of indirect exporting for a firm are primarily the limited resource commitment and risks attributed to the intervening intermediaries, who are involved in the foreign operations. Obianyor indicates that indirect exporting provides a firm with low organisational and management complexity.

2.3.1.2 Direct Exporting

In direct exporting, firms reach out to foreign markets without the use of intermediaries. The firm does not engage in foreign direct Investment (FDI) but reaches out to customers in the foreign country either directly by the firm itself or indirectly through a foreign importer who buys and resells the its products in the foreign market (Twarowska & Kąkol, 2013). Unlike in indirect exporting, there is a complete transfer of risk and rights to the importer from the internationalising firm. Direct exporting gives a firm the direct contact to the market and customers. On the other hand, direct exporting increases exchange risks, which are a result of the unshared risk aspects of indirect exporting and in addition to the acceptance problems in indirect exporting, the need to establish an organisational entity for exporting in the parent company or in foreign company prevails. Direct exporting therefore calls on a firm to increase its resource commitment and establishment period (Backhaus et al., 2005; Twarowska & Kąkol, 2013).

2.3.1.3 Licensing

According to Mohibul and Alejandra (2008), licensing is an official or legal permission to do or own something specific. In business terms, licensing is the procedure whereby a company (i.e. the licensor) gives the right to another company in the target country it wishes to enter, to use its own property. Franchising, though done on a long-term basis, is a form of licensing. Licensing is as a form of "safe" market penetration, since it does not require much from the licensor, apart from handing the right to the respective foreign country to use intangible property of their company, such as the brand name. Bradley

(2005) states that licensing provides a useful vehicle for the internationalisation of small firms without the capital or foreign experience of forming joint ventures.

2.3.1.4 Contract Manufacturing

This is considered more in terms of reducing cost than availing products in the market quickly. In contract manufacturing, firms outsource other firms to provide elements of the value-added chain cheaper than the outsourcing firm can be able to do (Bradley, 2005). This gives firms the flexibility to cope with technological change and contracting out manufacturing becomes less risky than building new factories.

2.3.1.5 Joint Venture

A joint venture presupposes the cooperation between two companies with each company fulfilling its own goals to the maximum. Risks in joint venture can arise as a result of cultural differences, difficulties in management or the risk of companies in foreign countries. According to Li, Zhou & Zajac, (2009) and Kumar, (2011), advantages of a joint venture are found in the speed of market entry. In China, joint ventures with a local partner are the only possibility for a foreign company to enter the market due to government regulations (Li et al., 2009).

2.3.1.6 Strategic alliances

This involves firms procuring assets and capabilities that are not readily available in competitive factor markets. Also, a joint venture to gain access to complex technological or product development capabilities is an example as are tangible assets, such as reputation or brands (Bradley, 2005).

2.3.1.7 Foreign Direct Investment (FDI)

According to World Bank (2015), "Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor". The key drivers for FDI growth are innovation, advanced technology, ease of data processing and reduced communication barriers (OECD, 2008). Organisation for Economic Co-operation and Development (OECD) also observes that Foreign Direct Investment (FDI) is a form of investment which reflects the objective of establishing a long-term interest by a resident enterprise in an economy other than that of the direct investor. In other words, FDI is the process whereby one company from one country makes a physical investment into building e.g. a factory in another country; in short, it is the establishment of an enterprise by a foreigner. The process involves the transfer of resources, including capital, technology and personnel, and thus a greater amount of resources to be invested. This implies that this form of investment bears a greater amount of risk and higher level of commitment from your side in contrast with the aforementioned methods, as well as a higher level of managerial skills (Obianyor, 2011).

2.4 Empirical Review

Mwangi (2010) did a study on determinants of foreign entry strategies adopted by Kenyan firms in selecting and entering international markets. The research design was a descriptive survey and the population of interest was Kenyan firms listed at the NSE and have ventured into the foreign markets. The sample consisted of 22 respondents. Both primary and secondary data was used in this study. Secondary data was collected through reviews of documents while primary data was collected using a semi structured questionnaire. The questionnaire contained both closed and open-ended questions. Descriptive statistics was used in data analysis to determine the factors affecting choices of foreign entry strategies and their significance. The study found out that government policies such on legal requirements, licensing, taxation and economic are major challenges in selecting and entering foreign markets. Other significant challenges noted are political interferences, lack of financial resources, levels of corruption in the host countries, political instability, poor infrastructure, lack of foreign markets' information and level of competitions in the international markets.

Sukali and Musyoka, (2017) did a study on international market entry strategies, organizational characteristics and the performance of manufacturing firms in Kenya. The research design used in this study was descriptive research design. The population of the study was 108 firms and the sampling frame was retrieved from Mars Group Kenya. It is for this reason that the study considered 50% of the population. This yielded 54 firms. The study used a questionnaire as the preferred data collection tool. Descriptive statistics included frequencies and measures of central tendency mainly means and frequencies. Inferential statistics included regression modeling, t-test and Analysis of Variance

(ANOVA). Results indicated that manufacturing multinationals used various international market strategies to venture into business. These strategies include licensing; further indicated that the firms used these market strategy entries to a large extent. Regression results indicated that market entry strategies had an influence on performance of the firm (ROA).

Arasa and Gideon (2015) examined the influence of international market entry strategies on the financial performance of manufacturing multinationals in Kenya. 108 manufacturing firms which are located in Nairobi formed the population of the study. Questionnaire was used as the preferred data collection tool. Both descriptive and inferential statistics were utilized to facilitate data analysis. Results indicated that manufacturing multinationals used various international market strategies to venture into business. These strategies include licensing, whole owned subsidiaries, joint venture, exporting, direct investment and strategic alliances. Study findings also indicated that firms intending to go international do consider various factors when making a choice of a market entry strategy. These considerations include resources available, company competence, competition in the market, size of the host country, availability of possible partnering firms within host country, host country requirements and state of firm development. Regression results indicated that market entry strategies do influence firm financial performance (profitability and market share). The study concludes that manufacturing multinational firms use more than one market entry strategy to venture into the international arena and all market entry strategies have a positive and significant relationship with performance of firms.

Sadaghiania, Dehghanb and Zandc (2011) did a study on impact of international market entry strategy on export performance. The study was implemented with the aim of examining the impact of entry strategy on export performance of Iranian export companies. In goals and nature of research, it is based on a descriptive study, and in collecting data, it is on the basis of a survey research. Its statistical population consists of active export companies in stock market. Based on the method of judgmental, non-probable sampling (experts' choice), 75 companies were chosen which cover 90 per cent of non-petroleum exports of the country as case study. Data was collected through questionnaires. Statistical methods of analyzing variance and regression of multi-variables were used to analyze the data. The study results depict that the entry strategy affects the export performance of the export companies. Also, the variable share of entry strategy in anticipation and changes in export performance of the export companies was approximately 48%.

Andrews (2018) carried out a study on foreign market entry through acquisition and firm financial performance: Empirical evidence from Ghana. The purpose of this paper was to empirically examine the post-acquisition financial performance of acquired foreign subsidiaries and comparable unacquired local firms in Ghana to determine the effect of foreign acquisition on the financial performance of the local subsidiaries. A quantitative approach was adopted in this study. A sample of 100 locally acquired and non-acquired firms were studied using purposive and convenience sampling method. The results demonstrate a higher post-acquisition financial performance of locally acquired foreign subsidiaries in relation to their local counterparts in Ghana. Firms with pre-acquisition modernized ownership structures performed better than state-owned firms and firms with high pre-acquisition absorptive capacity outperformed firms with lower pre-acquisition absorptive capacity. The results also indicate that ROA for acquired local firms in the year of acquisition drops in relation to the year prior to acquisition

Ayyagari and Kosov (2010) analyzed the impact of FDI on domestic firms in the Czech Republic. They found that larger foreign presence stimulates the entry of domestic firms to the same industry, indicating the existence of positive horizontal spillovers from FDI. They also noted evidence of significant vertical entry spillovers-FDI in the downstream (upstream) industries initiate entry in upstream (downstream) sectors. They further show that service sectors experience significant entry spillovers which cannot be found in manufacturing industries.

Karkkainen (2011) suggest that the initial classification of different international entry modes is founded on two separate characteristics; the location of manufacturing facilities, and the percentage of ownership the firm desire in foreign investment. Entry in the foreign markets can occur in two ways based on the location of the manufacturing facilities. The firm can either export its products to the target country from production facilities outside that country (exporting strategies), or the firm can transfer its resources in technology, capital, human skills, and enterprise to the foreign country, where they may be sold directly to users or combined with local resources to manufacture products for sale in local market (non-exporting strategies). The second characteristic (percentage of ownership) offers three different options; none, partly or wholly owned investment.

Cai, Ees, van Veen & Gubbi (2013) combined argument from agency theory, transaction cost economics and organizational tendency for risk averseness to study the influence of acquirer and target ownership structures on the choice of partial and full acquisition by Brazilian firms. The study analyzed over 500 cross-border deals by Brazilian multinational firms and suggests that government equity ownership has a material impact on deal completion. They showed that target firm ownership concentration (percentage of corporate equity owned by an individual or identifiable group) increases the likelihood of partial acquisition of the target. They argued that ownership concentration increases the risk averseness of the acquiring firm due to concentrated ownership and control from shareholders. Additionally, they found no support that ownership concentration of the acquirer and the choice of partial acquisition is moderated either by the degree of industry relatedness or by the public status of the target.

Katharina & Alexandra (2018), carried out an investigation of the influence of different market entry strategies on innovation and firm performance. The authors employ a quantitative, survey-based approach to test our hypotheses based on a sample of internationally active firms headquartered in Austria. Regarding firm financial performance, the analysis of the data showed that the entry strategy of direct entry excels the direct export strategy. In terms of non-financial performance, the strategies of direct entry and direct export seem to be equally feasible.

Ndegwa and Otieno (2008) conducted a study on market entry strategies for a transition country. The focus was on motives to enter developing countries, the strategies used to enter developing countries, the factors influencing the decision of entry strategy, and finally problems facing companies entering developing markets experience. The study concluded that the most significant motive to enter developing countries is potential growth of the market, the most suitable entry mode strategy is joint venture, the most significant factor influencing the entry mode decision is the legal framework, and the largest problem experienced by companies investing in the country is bureaucracy.

Kinuthia (2010) suggests that Foreign firms in Kenya since the 1970s have invested in a wide range of sectors. Most notably they played a major role in floriculture and horticulture, with close to 90 percent of flowers being controlled by foreign affiliates. In the Manufacturing sector FDI has concentrated on the consumer goods sector, such as food and beverage industries. This has changed in the recent years with the growth of the garment sector because of African Growth and Opportunities Act (AGOA). Of the 34 companies involved in AGOA 28 are foreign most of them concentrated in the Export Processing Zones (EPZs). FDI is also distributed to other sectors including services, telecommunication among others. 55 percent of the foreign firms are concentrated in Nairobi while Mombasa accounts for about 23 percent, thus Nairobi and Mombasa account for over 78 percent of FDI in Kenya. The main form of FDI establishment has been through the form of green fields establishments and Kenya has in total more than 200 multinational corporations.

Ndegwa & Otieno (2010) conducted a study on market entry strategies for a transition country, Kenya, a case study that focused on mode of entry strategies that would be used by a Finnish firm, YIT Group to enter a developing country, Kenya. A case study of a Finnish company within the subject area was done and data collected via interviews. The focus was on motives to enter developing countries, the strategies used to enter developing countries, the factors influencing the decision of entry strategy, and finally problems facing companies entering developing markets experience. The study concluded that the most significant motive to enter developing countries is potential growth of the market, the most suitable entry mode strategy is joint venture, the most significant factor influencing the entry mode decision is the legal framework, and the largest problem experienced by companies investing in the country is bureaucracy.

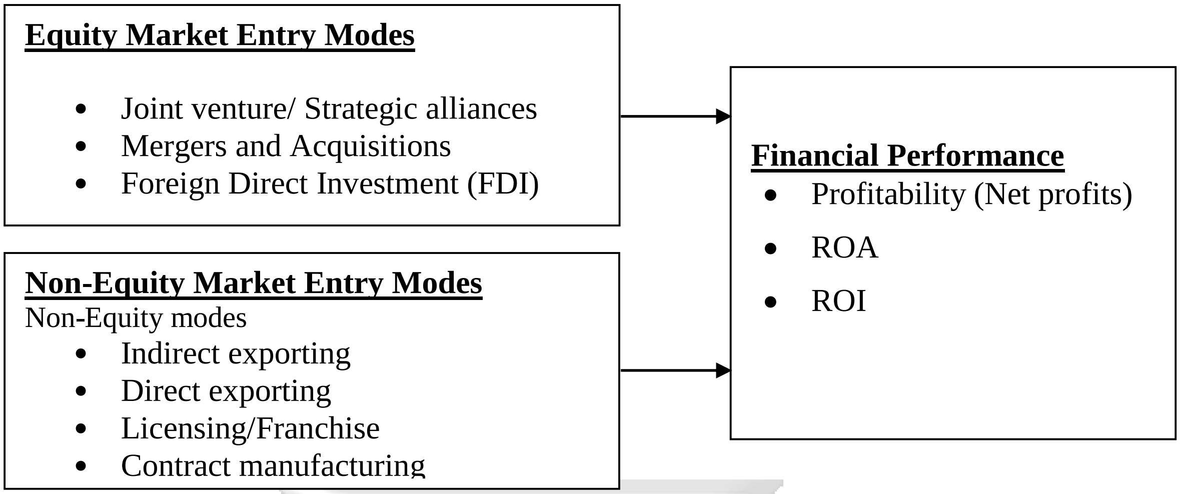
2.5 Research Gaps

Much of the literature review such as Arasa and Gideon (2015), Cai et al. (2013) and Karkkainen (2011) have tended to focus on manufacturing sector and not the banking and telecommunication sectors which this study was seeking to address. The aim of this dissertation was to bridge the gaps in the literature on MNEs acquisition entry strategies and influence on financial performance especially in the banking and telecommunication industries in Kenya. Past studies have tended to focus on market entry strategies on the overall and only stop at the type of entry strategies adapted by firms. In addition, few studies if any have been done in the banking and telecommunication industries in Kenya adapting a case study approach. The study shows on one hand, why multinationals distinctively utilize various entry strategies at the time of market entry. On the other hand, it shows why multinationals increase and decreases in financial performance i.e. post entry performance. Furthermore, the study shows that, the degree to which institutions choose of a specific type of entry strategy(ies) depends upon the initial motives for setting up the foreign subsidiary.

Overall, there lacks conclusiveness on global studies about the choice of market entry strategy and firm performance. There exist glaring knowledge gaps as far as scarcity of local studies, context, conclusiveness and difference in opinions is concerned. Studies on the choice of international market entry strategy and firm performance seem to concentrate on the developed and emerging countries. There is a scarcity of studies on the entry strategies techniques used by firms in Kenya and in particular those that attempts to examine the relationship between international market entry strategies and performance of the different multinationals in Kenya, hence the focus of this study.

Thus, many studies have examined the choice between different types of equity and non-equity modes; however, none has focused on the choice between different types of market entry modes and their impact on financial performance. This study developed a theoretical framework based on the “organizational capability” perspective to explain the choice between equity and non-equity modes.

2.6 Conceptual Framework



Independent variables **Dependent**

Variables

Figure 2.1: Conceptual framework

2.6.1 Operationalization and Measurement of Variables

Table 2.1 summarizes how the variables were measured or operationalized. The financial performance measures (Net profits), Return on Assets (ROA) and Return on Investments (ROI) in this study were subjective since they were based on the respondent's perceptions. Primary data was collected from senior management staff based on the personal views on the variables under study.

Table 2.1: Measurement of various variables

Variable	Operational definition	How it is measured	Authors
Dependent Variable			
Financial performance	• Profitability • ROA • ROI	• Ordinal 5-point Likert Scale • Qualitative • Quantitative	Peinado & Barber, (2009); Rasheed, (2005); McDougall & Oviatt (2010); Kock et al., (2014); Arasa and Gideon

Variable	Operational definition	How it is measured	Authors
			(2015); Sukali and Musyoka, (2017)
Independent Variables			
Equity modes	• Foreign Direct Investment (FDI) • Joint ventures and Strategic alliances • Mergers and Acquisitions	• Ordinal 5-point Likert Scale	(Ekeledo & Sivakumar, 2013; Twarowska & Kąkol, (2013); Arasa and Gideon (2015); Sukali and Musyoka, (2017)
Non-Equity modes	• Indirect exporting • Direct exporting • Licensing/Franchises • Contract manufacturing	• Ordinal 5-point Likert Scale	(Ekeledo & Sivakumar, 2013; Twarowska & Kąkol, (2013); Arasa and Gideon (2015); Ndegwa and Otieno (2008); Sukali and Musyoka, (2017)

The study was seeking to find out whether or not choice of market entry strategies (equity and non-equity modes) has a significant influence on the financial performance of MNCs that have set base in Kenya.

2.7 Summary of Literature Review

As highlighted in the literature review, making a choice of the right entry mode into a specific market such as developing nations has become an essential strategy decision for firms wishing to enter international markets. This to a large extent will have an important influence on their future business success. Market entry strategies affect business performance depending on the type of sector. In addition, whereas firms seek to expand into foreign markets, they are motivated by various reasons such as increasing profitability, market expansion, saturated domestic markets, taking advantage of tax breaks among others. Furthermore, in as much as entry into foreign markets has its benefits, the study has shown that various challenges abound. Such challenges as enumerated under PESTEL model are political, environmental, social, technological and legal.

In summary, companies enter international competitions because of different motives such as gaining global reputation, assurance of long-term growth, increase of profitability, reaping the economy of scale and for other reasons such as saturation of internal market, intensity of competition in internal market and pressure of governmental rules and regulations. In international competition, a proper and creative entry strategy guaranties a long-term presence in the market and leads to the success of the company in international markets. When a firm is going to explore a foreign market, the choice of the best mode of entry is decided by the firm's expansion strategy. The main aim of every business organization is to establish itself in the global market. Thus, the process calls for developing an effective international marketing strategy in order to identify the international opportunities, explore resources and capabilities, and utilize core competencies in order to better implement the overall international strategies. The decision of how to enter a foreign market can have a significant impact on the results. Companies can expand into foreign markets via the following International Market Entry Strategies: exporting, licensing, joint venture and direct investment.

In connection to data collection to fulfill the research objectives, the researcher made use of three research assistants who were trained on how to collect data using a questionnaire and a basic understanding of the topic being studied. In addition, secondary data was obtained from secondary sources such as audited financial statements, publications, media reports and Government statistics.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter explained the methodology and procedures that were used during the course of the study. These included; the research design, the sampling method and procedure, the composition of the study population, the sample size and how the sample size was reached. This section also discussed the methods of data collection and the tools that were used, the mode of data analysis and the dissemination method that were adopted at the end of the data collection and analysis process. The research methods were geared towards seeking answers to the main objective being to evaluate the influence of market entry strategies on financial performance.

3.2 Research Design

This research adopted a descriptive design because the respondents in this study were required to provide a description on market entry strategies and effect on financial performance. Descriptive research design according to Saunders et al. (2012) clearly defines the focus of the research study and comes up with the right measures for the problem under investigation. It is also concerned with finding out the what, where and how of a phenomenon. In this regard a descriptive design describes who, what, when, where and how the study is to be conducted. This method thus prescribes the type of information to be collected and the methods to be used in the collection of information with the aim of describing the status of a phenomenon (Yin, 2009; Saunders et al., 2012).

Descriptive research design was suitable for this study because it was concerned with collection of information from respondents on their perception, understanding and opinion in relation to the destination attributes and satisfaction. It concerns itself with issues to do with where, what, how, and when of a phenomenon. A questionnaire was used so as to standardize the responses. According to Chandran (2004) descriptive studies portray an accurate profile of persons, events or situations, describing the existing conditions and attitudes through observation and interpretation techniques. This study was cross sectional since information was gathered at a particular point in time or over a short time span (Levin, 2006). Cross sectional is more often than not descriptive surveys carried out to establish some areas of interest by a section of a population (Levin, 2006).

3.3 Population of the study

Market entry strategies are firm specific. This study looked at the following MNCs and the selection is based on year of entry in Kenya being not more than Ten (10) years: GT Bank Limited, United Bank for Africa (UBA), Ecobank, Dubai International Bank (DIB), Airtel and Heineken. The ten (10) year period was selected on the assumption that there would be minimal changes at the management level, hence a higher probability of getting respondents with market entry strategy knowledge. Other criteria used for choosing the said MNCs are that they are international, key players in their respective industries and with different modes of entry.

Therefore, to meet the objectives of this study, the target population in the study was executive and senior management staff of the chosen firms in Kenya based at the Headquarters. As shown in table 3.1, the target population was Sixty (60) management staff who were conversant with market entry strategies and their effect on financial performance. As observed by Cooper and Schindler (2013), a researcher deliberately chooses a specific population or respondents who are rich in certain information. The reason why senior management staff were chosen is due to the fact that the researcher believed that this study population was conversant with the operations of the company and therefore provided valuable information to this study; the lower cadre employees might be conversant with operational aspects of the firms but not strategic aspects which this study required and lastly it would have been impossible to collect data from all the employees of the firms under study due to time constraints. Finally, because of the small size of this population, census survey was done, and sampling was not conducted.

Table 3.1: Target Population

Company Name	**Population**
GT Bank Limited	10
United Bank for Africa (UBA),	8
Ecobank	10
Dubai International Bank (DIB),	12
Airtel	13
Heineken	7
Total	**60**

Source: Company Websites

3.4 Data Collection

Data was collected from primary sources and supported by secondary sources. Primary data was collected through a structured self-administered questionnaire. The questionnaire was prepared on a five-point Likert scale so that the respondents indicated the extent to which they agreed or disagreed with the statements regarding market entry strategies and financial performance. The study applied self-administration method in administering the questionnaires to ensure a high response rate. An introductory letter was provided to the respondents. This method helped the study to collect enough information, which would otherwise have been impossible using interviews and observations (Singh, 2006).

3.5 Data Analysis

Data analysis started immediately after data collection and ended at the point of interpretation and processing data (Kothari, 2004). Editing, coding, classifying and tabulating were the steps used to process the collected data for a better and efficient analysis. The statistical package for social sciences (SPSS version 20) was used for further analysis. Data was analyzed using descriptive statistics whereby frequencies, percentages, mean and standard deviations generated from the various data categories was computed and presented in graphs and tables. The data collected was analysed in accordance with the study objectives.

Descriptive statistic (mean and standard deviation) was used in the analysis of the data. In addition to descriptive statistics, correlation analysis was used to determine the relationship between the variables. This was determined by analyzing the variables and getting a Pearson correlation coefficient to measure the linear significance of two-attributes. The correlation coefficient ranged from -1 (perfect negative correlation) to +1 (perfect positive correlation) and 0 (no correlation at all).

After descriptive statistics (mean and standard deviation) and correlation coefficients had been computed, regression analysis was carried out and this study made use of the test for Multicollinearity. There exists multicollinearity problem when some independent variables are highly related (Pallant, 2007). The survey data was quantitative in nature analyzed using descriptive statistics such as the frequency distribution, bar charts, pie charts, percentages and mean ranks. Inferential statistics such as ANOVA were used to tell us the model diagnostic test and if the model is overall significant, while R-squared was used to tell us what variation in dependent variable is explained by independent variables. Therefore, the model coefficients are the ones that explain the research questions.

The data was collected using coded tools and analyzed using SPSS and descriptive statistics techniques were used to analyze quantitative data. The Pearson correlation technique was used to establish the relationship between the dependent and independent variables (Hauke & Kossowski, 2011). The data was edited for correctness and coding of the variables was done using the Likert scale. This data was then analyzed using descriptive statistics methods such as the frequencies, means and the standard deviations. In addition, the data was analysed using inferential statistics in the form of the summary of the basic logic of ANOVA that displayed the correlation between the dependent variable and the independent variables. Data was presented inform of tables, charts and graphs.

3.6 Research Quality

To ensure validity, the following factors were considered and adhered to. For instrumental validity, the research ensured that all questions asked were domiciled in the instrument and adequately represented the domain of the variables being measured (Saunders et al., 2012). The instrument used for data collection was fine-tuned to be predictive and to assure concurrency. For design validity, the research clearly outlined the independent variable and developed appropriate questions to infer conclusions. Similarly, this was done for dependent variables to ensure external validity (Mugenda & Mugenda, 2003).

3.6.1 Reliability Test

Table 3.2 shows the Cronbach's alpha that was used to test internal consistency of the study components and how closely related a set of components are as a group. A reliability coefficient of 0.70 and above is considered “acceptable" in most social science research situations (Mosadeghrad & Yarmohammadian, 2006; Cronbach, 1951).

Table 3.2: Reliability tests

Variable	Cronbach’s Alpha
Foreign Direct Investment (FDI)	.834
Joint ventures and Strategic alliances	.746
Mergers and Acquisitions (M&As)	.711
Direct and Indirect exporting	.754
Licensing/Franchises	.670
Contract manufacturing)	.876

Source: Primary Data

The findings in table 3.2 reveal that most of the elements have relatively high internal consistence since they had Cronbach’s Alpha’s higher than 0.70 recommended by Cronbach (1951).

3.6.2 Test for Multicollinearity

There exists multicollinearity problem when some independent variables are highly related (Pallant, 2007). One way to measure or detect multicollinearity is the variance inflation factor (VIF), which assesses how much the variance of an estimated regression coefficient increases if your predictors are correlated. If no factors are correlated, the VIFs will all be 1 or less with tolerance values within the threshold of .1 (Hair et al., 2010; Martz, 2013). The results of multicollinearity for the variables under study are documented in table 3.3.

Table 3.3: Test for Multicollinearity

	Market entry strategies	
Variables	**Tol.**	**VIF**
Foreign Direct Investment (FDI)	.902	1.108
Joint ventures and Strategic alliances	.932	1.073
Mergers and Acquisitions (M&As)	.824	1.213
Direct and Indirect exporting	.847	1.181
Licensing/Franchises	.395	2.530
Contract manufacturing)	.409	2.447

Source: Primary Data

Note: Tol. = tolerance, VIF = variance inflation factor

As shown in table 3.3, the study also checked multicollinearity in the multiple linear regression where Tolerance should be >0.1 or VIF (variance inflation factor) <10. The results show that all the variables met this criterion hence multicollinearity did not pose a problem in the study.

3.6.3 Pilot Test

Semi structured questionnaires were developed guided by the research objectives. The questionnaires were tested on a pilot sample drawn from population outside the study area. The study carried out a pilot study on 10 colleagues and this helped to validate the questions, remove errors, rectify mistakes and check the general structure of the questionnaire. This was done before proceeding to collect the actual data for analysis.

Data from the pilot sample was not used or included in the final analysis of the study. However, the results from the pilot was used to correct weaknesses found in the questionnaire. The research assistants who helped in the collection of data were trained on research skills such as probing, listening and accurate recording. The research assistants were taken through the whole study for them to understand the core of the study.

3.7 Ethical Considerations

Ethical considerations such as confidentiality, anonymity and voluntary consent are very important issues in research (Mugenda & Mugenda, 2003; Tripathy, 2013). Since the data was available on the internet, books or other public forums freely, permission for further use and analysis was sought from relevant authorities. Also, ownership of the original data was acknowledged. Where the research was part of another research project and the data was not freely available, except to the original research team, explicit, written permission for the use of the data was obtained from the research team and included in the application for ethical clearance. Permission was first sought from Strathmore University to confirm that the information collected was used for academic purposes only.

CHAPTER FOUR: PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

The study sought to analyze the relationship between market entry strategies and financial performance of international companies in Kenya. The specific objectives of the study were: To establish the determinants of Market entry Strategies used by international companies in Kenya, to determine the effect of equity modes of market entry strategy on the financial performance of international companies and to determine the effect of non-equity modes of market entry strategy on the financial performance of international companies. This chapter presents findings from the data analysis in line with the research objectives. The analysis is divided into three parts. Part 4.2 shows the response rate, 4.3 present the demographic information such as education level, gender and age. In part 4.4 the analysis as per the research objectives is presented and 4.5 present results from multiple variate regression analysis.

4.2 Response Rate

The study was carried out on 60 senior management staff of the chosen MNCs that have set base in Kenya in the last 10 years. A total of 48 responses were received out of a possible 60 questionnaires, representing an overall response rate of 80% which was considered adequate. According to Mugenda & Mugenda (2003), a response rate of 50% or more is adequate. Results are shown in table 4.1.

Table 4.1: Response rate

	Frequency	Percent
Responded	48	80
Did not respond	12	20
Total	**60**	**100**

Source: Primary Data

4.3 Demographic Information

4.3.1 Gender of the respondents

The respondents were asked to indicate their gender. Results are shown in table 4.2

Table 4.2: Gender of the Respondents

	Frequency	Percent
Male	33	68
Female	15	32
Total	**48**	**100**

Source: Primary Data

As shown in table 4.2, most respondents were male at 68% then female at 32%. This could imply that there are more male senior management team members in the MNCs chosen although it may also entirely be attributed to researcher's selection bias.

4.3.2 Length of continuous service with the company

The researcher believed that length of service in the company and industry measured in terms of years worked can be equated to better understanding of market entry strategies impact on financial performance. Results are shown in table 4.3

Table 4.3: Length of service with company

	Frequency	Percent
Less than 2 years	15	7
2-5 years	5	10
6-10 years	25	53
More than 10 years	14	30
Total	**48**	**100**

Source: Primary Data

As shown in figure 4.2, most of the respondents in the study 53% have worked with the respective companies between 6-10 years followed by those who have worked for more than 10 years at 30% then 2-5 years at 10% and finally less than 2 years at 7%. This shows that the respondents had enough experience to respond to questions relating to market entry strategies and impact on financial performance.

4.3.3 Highest academic qualification

The researcher believed that length of service in the company and industry measured in terms of years worked can be equated to better understanding of market entry strategies impact on financial performance. Results are shown in table 4.4

Table 4.4: Highest academic qualification

	Frequency	Percent
Certificate	0	0
Diploma	0	0
Bachelors Degree	25	52
Masters Degree	18	38
PHD	5	10
Total	**48**	**100**

Source: Primary Data

As shown in table 4.4, majority of the respondents (52%) were educated up to the bachelor's degree level followed by master's degree at 38% then PHD level at 10%. None of the respondents had been educated up to a certificate and diploma levels. This shows that the respondents were knowledgeable enough to tackle questions related to markets entry strategies and impact on financial performance.

4.4 Market Entry Strategies and Financial Performance

This section looks at market entry strategies and it is structured in line with the research objectives.

4.4.1 The determinants of Market entry Strategies used by international companies in Kenya

The study sought to establish the determinants of foreign market entry strategies used by international companies in Kenya. First, the respondents were asked to indicate if their companies have used any of the market entry strategies when setting operations in Kenya. All the respondents 100% said yes and none said no implying that the MNCs based in Nairobi County have used some of the entry strategies. The study identified the following determinants of market entry strategies: firm's size and internal resources, risks in foreign markets, cultural distance, Situation of the Industry/ competition, External Environment and firm's motives for market entry. Most of the respondents indicated that the external environment is the most significant determinant of the firm's market entry strategy. In addition, the respondents were also asked to indicate their level of agreement or disagreement with the statements on determinants of market entry strategies. The responses were measured on a likert scale of 1-5 where Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, Strongly disagree=1 and results are shown in table 4.5

Table 4.5: Determinants of Market entry Strategies

	Determinants of Market Strategy	Mean	S.Dev
1	My organization consider most the firm's size and internal resources in determining market entry strategy to venture into Kenya	4.13	.107
2	My organization consider most the risks in foreign markets in determining market entry strategy to venture into Kenya	3.77	.466
3	My organization consider most the cultural distance in determining market entry strategy to venture into Kenya	2.36	.771
4	My organization prefers most the Situation of the Industry/ competition in the host market in determining market entry strategy to venture into Kenya	2.76	.674
5	My organization consider most the External Environment in determining market entry strategy to venture into Kenya	4.67	.832
6	My organization consider most the following firm's motives for entry to foreign market in determining market entry strategy to venture into Kenya	3.66	.382
	a) Shared goals, vision and objectives		
	b) New Skills and development		
	c) Achieving a strong market position/Market Share		
	d) Economies of Scale/Reduced Costs		
	e) Increased revenue & profits		
	Overall mean	**3.56**	

Source: Primary Data

The results in table 4.5 indicate an overall mean of 3.56 implying that the respondents were in agreement that the selected determinants had impacted on market entry strategies to a moderate extent. More importantly, majority of the respondents with a mean of 4.67 agreed that the organizations consider external environment as a key determining factor in market entry strategy to venture into Kenya. This was followed by firm's size and internal resources as a determinant of market entry strategy to venture into Kenya with a mean of 4.13. Cultural distance was the least considered factor in determining market entry strategy to venture into Kenya with a mean of 2.36 i.e. respondents disagreed that cultural distance affects market entry strategy. Overall, the results indicate that external environment, firm's size and internal resources have a huge influence on financial performance (profitability, ROA and ROI) among the selected MNCs who ventured into Kenya in the last 10 years.

Overall, the determinants can be grouped into two namely, internal factors and external factors. Internal factors relate to the company's internal environment such as firms resources, whereas external factors pertain to the conditions that are external to the company such as political risks.

4.4.2 The effect of equity modes of market entry strategy on the financial performance of international companies

The respondents were also asked to indicate the extent to which the preferred equity modes market entry strategies contributed to financial performance in terms of the following financial performance measures. The equity modes under consideration were Foreign Direct Investment (FDI), Joint ventures and Strategic alliances and Mergers and Acquisitions. The responses were measured on a scale of 1-5 where 1. Very low extent; 2. Low extent; 3. Moderate extent; 4. Great extent; 5. Very great extent and results are shown in table 4.6.

Table 4.6: Equity modes of market entry strategy on the financial performance

	Foreign Direct Investment (FDI) and Financial Performance Measures	**Mean**	**S.Dev**
1	Profitability (Net profit)	4.13	.107
2	Return on Assets (ROA)	3.77	.466
3	Return on Investment (ROI)	2.36	.771
	Overall mean	**3.42**	
	Joint ventures and Strategic alliances and Financial Performance Measures	**Mean**	**S.Dev**
1	Profitability (Net profit)	4.17	.559
2	Return on Assets (ROA)	4.67	.630
3	Return on Investment (ROI)	4.11	.715
	Overall mean	**4.32**	
	Mergers and Acquisitions (M&As) and Financial Performance Measures	**Mean**	**S.Dev**
1	Profitability (Net profit)	2.77	.694
2	Return on Assets (ROA)	4.55	.859
3	Return on Investment (ROI)	2.80	.772
	Overall mean	**3.37**	

Source: Primary Data

Table 4.6 shows the results for various equity modes and effect financial performance metrics (profitability, ROA and ROI). The overall mean for Foreign Direct Investment

(FDI) and Financial Performance Measures was 3.42 which implies that FDI has impacted on financial performance to a moderate extent. When individual performance measures were considered, FDI had impacted on profitability (net profit) to a great extent with a mean of 4.13 followed by ROA with a mean of 3.77. FDI had impacted on ROI to a low extent with a mean of 2.36. Thus, FDI had impacted financial performance of the MNCs to a moderate extent.

Furthermore, the study sought to analyse the impact of Joint ventures and Strategic alliances on Financial Performance Measures. As shown in table 4.5, the overall mean was 4.32 implying that Joint ventures and Strategic alliances had impacted on financial performance to a great extent. When individual performance measures were considered, Joint ventures and Strategic alliances had impacted on ROA to a great extent with a mean of 4.67 followed by profitability with a mean of 4.17 then ROI with a mean of 4.11. Thus, joint ventures and Strategic alliances had impacted financial performance of the MNCs to a great extent.

Lastly, the study sought to analyse the impact of Mergers and Acquisitions (M&As) on the selected Financial Performance Measures. As shown in table 4.5, the overall mean was 3.37 implying that Mergers and Acquisitions (M&As) had impacted on financial performance to a moderate extent. When individual performance measures were considered, Mergers and Acquisitions (M&As) had impacted on ROA to a great extent with a mean of 4.55 followed by ROI with a mean of 2.80 then profitability with a mean of 2.77. Thus, Mergers and Acquisitions (M&As) had impacted on profitability and ROI of the MNCs to a low extent and ROA to a great extent.

4.4.3 The effect of Non-Equity modes of market entry strategy on the financial performance of international companies

The respondents were also asked to indicate the extent to which the preferred equity modes market entry strategies contributed to financial performance in terms of the following financial performance measures. The non-equity modes under consideration were indirect exporting, direct exporting, licensing/franchises and contract manufacturing. The responses were measured on a scale of 1-5 where 1. Very low extent; 2. Low extent; 3. Moderate extent; 4. Great extent; 5. Very great extent and results are shown in table 4.7.

Table 4.7: Non-Equity modes of market entry strategy on the financial performance

	Direct and Indirect exporting and Financial Performance Measures	**Mean**	**S.Dev**
1	Profitability (Net profit)	2.32	.767
2	Return on Assets (ROA)	2.40	.652
3	Return on Investment (ROI)	2.37	.559
	Overall mean	**2.36**	
	Licensing/Franchises and Financial Performance Measures	**Mean**	**S.Dev**
1	Profitability (Net profit)	4.17	.565
2	Return on Assets (ROA)	4.67	.477
3	Return on Investment (ROI)	3.21	.594
	Overall mean	**4.02**	
	Contract manufacturing and Financial Performance Measures	**Mean**	**S.Dev**
1	Profitability (Net profit)	4.17	.565
2	Return on Assets (ROA)	4.67	.477
3	Return on Investment (ROI)	2.21	.594
	Overall mean	**3.68**	

Source: Primary Data

Table 4.7 shows the results for various non-equity modes and effect financial performance metrics (profitability, ROA and ROI). The overall mean for impact of Direct and Indirect exporting on Financial Performance Measures was 2.36 which implies that Direct and Indirect exporting has impacted on financial performance to a low extent. When individual performance measures were considered, Direct and Indirect exporting had impacted on profitability (net profits), ROA and ROI to a low extent with a mean of 2.32, 2.40 and 2.37 respectively. Thus, Direct and Indirect exporting had impacted financial performance of the MNCs to a low extent.

Furthermore, the study sought to analyse the impact of Licensing/Franchises on Financial Performance Measures (profitability, ROA and ROI). As shown in table 4.6, the overall mean was 3.68 implying that Licensing/Franchises had impacted on financial performance measures to a moderate extent. When individual performance measures were considered, Licensing/Franchises had impacted on ROA to a great extent with a mean of 4.67 followed by profitability with a mean of 4.17 then ROI with a mean of 2.21. This implies that Licensing/Franchises had impacted on ROI to a low extent while ROA and profitability to a great extent. Thus, Licensing/Franchises had impacted financial performance of the MNCs to a moderate extent.

Lastly, the study sought to analyse the impact of Contract manufacturing on the selected Financial Performance Measures. As shown in table 4.6, the overall mean was 4.02 implying that Contract manufacturing had impacted on financial performance to a great extent. When individual performance measures were considered, Contract manufacturing had impacted on ROA to a great extent with a mean of 4.67 followed by profitability with a mean of 4.17 then ROI with a mean of 3.21. This shows that Contract manufacturing had impacted to ROI to a moderate extent and ROA to a great extent.

4.5 Pearson Correlation Analysis

The Pearson Correlation coefficient is used to test the strength of the relationship between variables (Laerd Statistics, 2013). Pearson's correlation was therefore used to categorize the type of correlation (positive or negative) by considering the predictor variables (market entry strategies) that were strongly related with the dependent variable (financial performance). Table 4.8 shows the distribution of correlation of variables. The correlation coefficient ranges from -1 to +1, with -1 indicating a perfect negative correlation, +1 indicating a perfect positive correlation, and 0 indicating no correlation at all.

Table 4.8: Pearson correlations

		Y	X1	X2	X3	X4	X5	X6
Y	Pearson Correlation	1	.047	.273	.038	.052	.003	.122
	Sig. (2-tailed)		.764	.076	.808	.740	.987	.434
X1	Pearson Correlation	.047	1	.047	-.226	.034	-.085	-.066
	Sig. (2-tailed)	.664		.765	.146	.828	.586	.676
X2	Pearson Correlation	.873	.047	1	.096	-.057	.091	-.014
	Sig. (2-tailed)	.076	.765		.542	.717	.560	.929
X3	Pearson Correlation	.038	-.226	.096	1	.132	-.241	.092
	Sig. (2-tailed)	.608	.146	.542		.398	.120	.555
X4	Pearson Correlation	.052	.034	-.057	.132	1	.011	.132
	Sig. (2-tailed)	.340	.828	.717	.398		.945	.400
X5	Pearson Correlation	.003	-.085	.091	-.241	.011	1	-.226
	Sig. (2-tailed)	.787	.586	.560	.120	.945		.145
X6	Pearson Correlation	.122	-.066	-.014	.092	.132	-.226	1
	Sig. (2-tailed)	.434	.676	.929	.555	.400	.145	

Source: Primary Data

Correlation is significant at the 0.05 level

Key: Y= Financial performance; Equity modes (X1= Foreign Direct Investment (FDI); X2= Joint ventures and Strategic alliances; X3= Mergers and Acquisitions (M&As)). Non-equity modes (X4= Direct and Indirect exporting; X5= Licensing/Franchises and X6= Contract manufacturing)

Table 4.8 shows that there is a positive relationship between market entry strategies (equity and non-equity modes) and financial performance. None of the independent variables had a zero (0) correlation with financial performance. Foreign Direct Investment (FDI); Joint ventures and Strategic alliances; X3= Mergers and Acquisitions (M&As Licensing/Franchises had a strong positive and significant correlation with financial performance at r=.664. P<0.05) and r=.873, P<0.05), r=.608. P<0.05) and r=.787, P<0.05) respectively. Overall, the relationship between the independent variables under market entry strategies and financial performance is significant. The implication is that Foreign Direct Investment (FDI), Joint ventures and Strategic alliances, Mergers and Acquisitions (M&As) and Licensing/Franchises impacts financial performance to a large extent.

4.6 Model Summary and ANOVA

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.818[a]	.670	.636	.14559

Source: Primary Data

a. Predictors: (Constant), Foreign Direct Investment (FDI), Joint ventures and Strategic alliances, Mergers and Acquisitions (M&As), Direct and Indirect exporting, Licensing/Franchises, Contract manufacturing

Table 4.9 shows the results for variations between the dependent and independent variables. R square which is the coefficient of determination showed how financial performance is influenced by market entry strategies. With R^2 .670 for the model, this means that the independent variables in the model (equity and non-equity entry modes) could offer about 67% explanation of the variance in the dependent variable MNCs financial performance. This is a very high variation but, the conservative explanation offered by adjusted R square was 63.6%. This implies that variations in independent variables causes 67% change in dependent variable (financial performance). This is a strong relationship such that the combined predictors identified in this study are great influencers of financial performance.

ANOVA statistics indicate that the overall model is insignificant. The reported probability was more than the conventional probability of 0.05 (5%) significance level. This statistic is shown in table 4.10.

Table 4.10: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	.342	8	.043	5.377	.0100[b]
1	Residual	.693	40	.017		
	Total	1.035	48			

Source: Primary Data

a. Dependent Variable: Financial Performance (Profitability, ROA and ROI)

b. Predictors: (Constant), Foreign Direct Investment (FDI), Joint ventures and Strategic alliances, Mergers and Acquisitions (M&As), Direct and Indirect exporting, Licensing/Franchises, Contract manufacturing

The ANOVA analysis is intended to investigate the variation in variables; the independent variables explain the observed variance of the outcome of the study and outcome level of MNCs entry into Kenya. The coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R^2 equals .670 with 33% unexplained. The ANOVA results indicate that the independent variables ($F=5.377$, $p=0.0100$) have a weak significance at 5%. In linear regression, the F-statistic is the test statistic for the analysis of variance (ANOVA) approach to test the significance of the model or the components in the model. The P value is the observed significance levels for the t statistics. Thus, the P values tell us whether a variable has statistically significant predictive capability in the presence of the other variables, that is, whether it adds something to the equation. Overall, $P<0.1$ is considered weak significance, $P<0.05$ would normally be considered significant and $P<0.001$ highly significant.

4.7 Distribution of Coefficients

Table 4.11 shows distribution of coefficients that gives an indication of how each variable affects logistics performance.

Table 4.11: Distribution of Coefficients

b. Predictors: (Constant), Foreign Direct Investment (FDI), Joint ventures and Strategic alliances, Mergers and Acquisitions (M&As), Direct and Indirect exporting, Licensing/Franchises, Contract manufacturing						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.523	.072		1.601	.001
	Foreign Direct Investment (FDI)	.878	.083	.094	2.411	.015
	Joint ventures and Strategic alliances	.605	.295	.489	2.055	.047
	Mergers and Acquisitions (M&As)	.532	.034	.041	2.672	.013
	Direct and Indirect exporting	.026	.011	.770	2.288	.029
	Licensing/Franchises	.732	.045	.051	2.662	.014
	Contract manufacturing	.479	.541	.276	2.092	.002
a. Dependent Variable: Financial Performance (Profitability/Net profit), ROA, ROI						

Source: Primary Data

Note Sig. (Testing hypothesis accept $p<0.05$), p-value

The model shows a statistically significant positive relationship between Foreign Direct Investment (FDI) (β = .878, t= 2.411, $p<0.05$) and financial performance. There is also statistically significant positive relationship between Joint ventures and Strategic alliances (β =.605, t= 2.055, $p<0.05$) and financial performance. Mergers and Acquisitions (M&As) (β = .532, t= 2.672, $p<0.05$) and Licensing/Franchises (β = .732, t= 2.662, $p<0.05$) also have a weak and positive relationship with financial performance. Overall, the consistency of regression coefficients on the variables suggests that they are important factors affecting financial performance. Moreover, the un-standardized value of the mentioned table illustrates obviously that independent variables have a positive impact on financial performance in this study. Overall, all the independent variables had a positive impact on financial performance. This is also shown by the t-values. The positive relationship and impact was also significant at 95% confidence level, $p<0.05$.

From the regression model the following regression equation was derived:

$FP= \beta_0 + .878X_1+.605X_2+.532X_3+.026X_4+.732X_5+.479X_6+\varepsilon$

Constant = 1.523, shows that if market entry modes are rated as zero or held constant; financial performance would be a factor of 1.523.

X_1 = 0.878, shows that one unit increase in Foreign Direct Investment (FDI) results in an increase in financial performance by a factor of 0.878

X_2 = 0.605, shows that one unit increase in Joint ventures and Strategic alliances results in an increase in financial performance by a factor of 0.605

X_3 = 0.532, shows that one unit increase in Mergers and Acquisitions (M&As) results in an increase in financial performance by a factor of 0.532

X_4 = 0.026, shows that one unit increase in Direct and Indirect exporting results in an increase in financial performance by a factor of 0.026

X_4 = 0.732, shows that one unit increase in Licensing/Franchises results in an increase in financial performance by a factor of 0.732

X_4 = 0.479, shows that one unit increase in Contract manufacturing results in an increase in financial performance by a factor of 0.479

From the above regression model, holding Foreign Direct Investment (FDI), Joint ventures and Strategic alliances, Mergers and Acquisitions (M&As), Direct and Indirect exporting, Licensing/Franchises, Contract manufacturing constant, financial performance would be 1.523. Thus, it can be seen that although all the independent variables have a positive influence on the dependent variable, Foreign Direct Investment (FDI), Joint ventures and Strategic alliances and Licensing/Franchises have a large effect on financial performance compared to Contract manufacturing and Direct and Indirect exporting.

Overall, the respondents felt that there was a strong influence of market entry strategies on financial performance.

CHAPTER FIVE: DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Based on its objectives, this study provided answers to research questions in chapter one. The answers to the research questions are based on regression results and these are discussed in this chapter. The aim of the study was to show the link between independent variables (Foreign Direct Investment (FDI), Joint ventures and Strategic alliances, Mergers and Acquisitions (M&As), Direct and Indirect exporting, Licensing/Franchises, Contract manufacturing) and dependent variable (financial performance). Thus, this chapter presents the discussions drawn from the data findings analyzed and presented in the chapter four. The chapter is structured into summary, conclusions, recommendations and areas for further research.

5.2 Discussion of the Findings

The discussion of findings has been structured around each research objective and the findings made from the analysis. Ideally, it was expected that the relationship between financial performance and market entry modes for MNCs that have established operations in Kenya during the study period would be positive. Although this was the case, in some instances the relationship was positive but weak.

5.2.1 The Determinants of Market entry Strategies used by international companies in Kenya

The study sought to investigate the determinants of market entry strategies used by the MNCs in Kenya. This was presented by descriptive and correlation analysis. When respondents were asked to indicate if the organizations have employed one or more or the entry strategies 100% said yes and none said no. This implied that MNCs make use of entry strategies when setting base in a foreign country. Moreover, the results indicated that external environment, firm's size and internal resources have a huge influence on financial performance (profitability, ROA and ROI) among the selected MNCs who ventured into Kenya in the last 10 years compared to firms motive, industry situation or competition and cultural distance. This shows that MNCs under study consider internal resources and firm size to venture into external markets such as Kenya.

The above findings reiterate Andrews (2018) findings that there is a higher post-acquisition financial performance of locally acquired foreign subsidiaries in relation to their local counterparts in Ghana. Ideally, since external environment maybe hostile, foreign firms tend to acquire or form synergies with local firms in order to survive. As per Ravelomanana et al., (2015), the process of making decisions about internationalization evolution relates to the choice of market, timing and mode of entry. Organizations that operate in international markets need to make the most important decisions in order to select a best mode of entry choice into foreign markets. These factors can be grouped into two namely, internal factors and external factors. Internal factors relate to the company's internal environment, whereas external factors pertain to the conditions that are external to the company. This implies that external factors play a major role in determining the mode of entry. Perhaps that is why Ndegwa and Otieno (2008) found out that joint venture is widely used as a mode of entry compared to the other modes. This is because joint venture spreads the risks of entry compared to other modes such as FDIs. Hence external environment, resources and firm size are key determinants of market entry strategies.

As per staged theory, organizations that operate in international markets need to make the most important decisions in order to select a best mode of entry choice into foreign markets (Ravelomanana,Yan, Mahazomanana & Miarisoa, 2015). Choice of market entry strategies is determined by both internal and external factors and as such, experience might mean use of risky modes and vice versa. Staged entry and growth allows a firm to enhance its learning capabilities and thus reduces uncertainty and risk often associated with international business as well as improving its competitive position (Dana, 2004).

5.2.2 The effect of equity modes of market entry strategy on the financial performance of international companies

The study sought to investigate the effect of equity modes market entry strategies on financial performance. The equity modes under consideration were Foreign Direct Investment (FDI), Joint ventures and Strategic alliances and Mergers and Acquisitions. The overall mean for effect of equity modes on financial performance was 3.37 which implies that the selected modes (Foreign Direct Investment (FDI), Joint ventures and

Strategic alliances and Mergers and Acquisitions) had impacted on financial performance to a moderate extent. When individual modes were taken into account, joint ventures and strategic alliances had impacted on financial performance measures to a great extent with a mean of 4.32 compared to Foreign Direct Investment (FDI) and Mergers and Acquisitions with a mean of 3.42 and 3.37 respectively. This reiterates what Ndegwa and Otieno (2008) found out that joint venture is widely used as a mode of entry compared to the other modes. This is because joint venture spreads the risks of entry compared to other modes such as exporting. This is mainly attributed to risks in the external environment, firm's resources and firm size. Joint ventures and strategic alliances assist in spreading risks compared to other entry modes such as FDIs, Mergers and Acquisitions.

Furthermore, the equity entry modes impacted more on Return on Assets (ROA) than Return on Investments (ROI) and profitability. This finding contradicts findings from a study by Andrews (2018) on foreign market entry through acquisition and firm financial performance who found out that ROA for acquired local firms in the year of acquisition drops in relation to the year prior to acquisition. But this may be due to the short period of consideration. The resource-based view (RBV) and the institutional theory-based studies found out that a joint venture with a local partner helps them to understand the demands of the local environment (Magnusson, Westjohn, & Boggs, 2009) and to establish acceptability in the local environment quicker (Lu & Xu, 2006). This then impacts of financial performance to a great extent. This study can imply that joint venture and strategic alliances have a huge impact on ROA and profitability compared to the FDIs and M&As. The correlation results also show that joint venture at r=.873 had a strong positive correlation with financial performance.

The study findings concurs with Bordonaba Juste, Lucia-Palacios, and Polo-Redondo (2009) who found that franchise entry mode offered a greater likelihood of survival, while Blesa and Ripolles (2008) argued that the low investment entry mode provided low market capabilities. Second, the shared-control entry modes (Joint venture) is a type of equity entry mode that involve at least two companies that share the ownership, management, risks, and resources (Zekiri & Angelova, 2011). Institutional theory-based studies found that a joint venture with a local partner helps them to understand the demands of the local environment (Magnusson, Westjohn, & Boggs, 2009), and to establish acceptability in the local environment quicker (Lu & Xu, 2006).

5.2.3 The effect of Non-Equity modes of market entry strategy on the financial performance of international companies

The study sought to investigate the effect of non-equity modes market entry strategies on financial performance. The equity modes under consideration were indirect exporting, direct exporting, licensing/franchises and contract manufacturing. The overall mean for effect of non-equity modes on financial performance was 3.35 which equally implies that the non-equity modes had impacted on financial performance to a moderate extent. When individual modes were taken into account, Licensing/Franchises had impacted on financial performance measures to a great extent with a mean of 4.02 compared to direct exporting, indirect exporting and contract manufacturing means of 2.36 and 3.68 respectively.

This finding reiterates Bordonaba et al. (2009) findings that franchise entry mode offered a greater likelihood of survival, while Blesa and Ripolles (2008) argued that the low investment entry mode provided low market capabilities. Lu and Beamish (2001) also argued that while both equity and non-equity-based modes of entry have the potential for increasing financial performance, exporting had a negative effect on financial performance. In this study, exporting had impacted on financial performance to a low extent. The study also revealed that non-equity modes impacted ROA to a great extent followed by profitability then ROI. This shows that non-equity modes affect ROA than profitability and ROI although all the performance measures had a positive correlation with all the non-equity modes.

Institutional and stage theory show that firms select their entry modes that can be supported by their resources, skills and capabilities. Non-equity modes are risky hence require experience, huge resources and competencies. A number of firm level factors dictate the entry mode decision such as firm size, firm’s skills and resources, characteristics of firm's products, firm's desire to get rapidly established, firm' international experience (Zekiri & Biljana, 2011; Ravelomanana et al., 2015; Root, 1994).

5.3 Conclusion

From the study, it was possible to conclude that the multinational firms used more than one market entry strategy to venture into business. This was probably to enhance the firm's financial performance. It was also possible to conclude that the firms used franchising, strategic alliances, joint ventures mergers and acquisitions to a very large extent and exporting, manufacturing to a small extent. It was possible to conclude that the market entry strategy and organizational characteristics influenced the performance of multinational firms. It was possible to conclude that all market entry strategies had a positive and significant relationship with performance of firms.

The study results indicate that some of the variables have a direct impact on modal choice. It is worth noting that firm characteristics, like size of the foreign entrant, size of the host country property, the entrant's international experience and brand reputation, all of which have been found to significantly influence choice between different types of equity modes and between equity and non-equity modes. There was consistency in results for both equity and non-equity modes effect on financial performance whereby the modes impacted ROA to a great extent followed by profitability then ROI. This shows that regardless of the mode of entry, the effect on ROA is higher compared to profitability and Return on Investments. Moreover, the results revealed that both equity and non-equity modes had a positive correlation with the financial performance measures under study.

Furthermore, the results for variations between the dependent and independent variables showed that equity and non-equity modes combined led to change in financial performance measures. R square which is the coefficient of determination showed how financial performance is influenced by market entry strategies. With R^2 .670 for the model, this means that the independent variables in the model (equity and non-equity entry modes) could offer about 67% explanation of the variance in the dependent variable MNCs financial performance. This is a very high variation but, the conservative explanation offered by adjusted R square was 63.6%. This implies that variations in independent variables causes 67% change in dependent variable (financial performance). This is a strong relationship such that the combined predictors identified in this study are great influencers of financial performance.

In conclusion, the correlation and descriptive results demonstrate a higher post-acquisition financial performance of MNCs in Kenya based on the type of entry strategy chosen. As such, joint venture, strategic alliances, franchises, mergers and acquisitions affect financial performance to a great extent in that order. The study concludes that multinational firms sampled out in this study use more than one market entry strategy to venture into foreign markets. Firms in Kenya use joint venture, strategic alliances, franchises and mergers and acquisitions to a great extent and contract manufacturing, exporting to a low extent. Firms consider various factors before choosing the market entry strategy to use. These factors are resources available, company competence, competition in the market, size of the host country, availability of possible partnering firms with host country, host country requirements and state of firm development. Firm size, external environment and internal resources are given great consideration. It was possible to conclude that all market entry strategies had a positive and significant relationship with firm ROA and profitability.

5.4 Recommendations

This study recommends that the management of the MNCs to evaluate the factors to consider when choosing an entry strategy thoroughly so as to make sure they know the market very well and that the management to evaluate the factors influencing the choice of market entry modes. This is to ensure that they choose the best mode. It is imperative to know that entry into foreign markets is influenced by internal and external factors and this informs the entry mode to choose.

Following the study conclusions, it is recommended that the multinationals firms to carry out research on the market entry strategies before venturing into international market. This is to ensure they use the appropriate entry strategy to enhance the organization performance. The study also recommends that the management to evaluate the factors to consider when choosing an entry strategy thoroughly so as to make sure they know the market very well. It is also recommended that the management to evaluate the factors influencing the choice of market entry modes. This is to ensure that they choose the best mode.

5.5 Suggestions for further studies

The present study is perhaps the first empirical study exclusively focused on the choice between different non-equity modes. It is also one of a few recent attempts to examine a mode's effectiveness in transferring capabilities as the basis for explaining modal choice.

The study concludes that multinational firms use more than one market entry strategy to venture into foreign markets. Firms in Kenya use licensing and direct investment to a very large extent and wholly owned subsidiaries, joint venture, franchising and strategic alliances to a large extent. Firms consider various factors before choosing the market entry strategy to use. These factors are resources available, company competence, competition in the market, size of the host country, availability of possible partnering firms with host country, host country requirements and state of firm development. It was possible to conclude that all market entry strategies had a positive and significant relationship with firm profitability and market share.

The study recommends that multinationals firms should carry out research on prospective foreign markets to inform the choice of foreign market entry strategies. This is to ensure they use the appropriate entry strategy to enhance the organization performance. The study also recommends that MNCs management should evaluate factors influencing the choice of market entry modes. This is to ensure that they choose the best entry mode.

5.6 Limitations of Study

Since primary data collection was the main source of obtaining the relevant information, there was reluctance by respondents to divulge information. Also, the data collected was based on respondents' perceptions about the topic under study. The personal perceptions might have caused biased results. This limitation was addressed by explaining to the respondents clearly the topic and how relevant the information will be to policy making by management.

Since the respondent were senior management staff, they did not have enough time for an interview and the management felt uncomfortable with observation as company information was feared to leak outside the firms. In such a scenario, the researcher was prepared with a questionnaire template and presented it to the management and sought to focus on areas that the respondents were conversant with. The questionnaires were designed to take only 10 minutes to fill out and the respondents were allowed one week to fill out the questionnaires before they were collected.

This study was limited in scope in that the small sample in this study decreases the generalizability to the sectors under study.

Most firms feared that their information will be exposed out to competitors because of confidentiality privacy policies. The researcher guaranteed confidentiality to the respondents who were worried that the information will be leaked or linked to them individually. This encouraged them to respond honestly.

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APPENDIX I: INTRODUCTORY LETTER

James Muigai Kamau

P.O. Box 16731 - 00620

Nairobi.

April 2019

Dear Respondent,

RE: RESEARCH QUESTIONNAIRE

This questionnaire (attached) is designed to gather information on the relationship between multinational/transnational telecommunications market entry strategies and financial performance. This study is being carried out for a management project paper as a requirement in partial fulfillment of the Master of Business Administration, Strathmore University.

Please note that this is strictly an academic exercise towards the attainment of the above purpose. You are hereby assured that the information will be treated with the strictest confidence. Your co-operation will be highly appreciated.

Thank you for your anticipated kind response.

Yours Sincerely,

James Muigai Kamau

APPENDIX II: QUESTIONNAIRE

PART A: Demographic and Respondents Profile

2. Name of the respondent (optional) …………………………………………….………
3. What is your position in the organization?

   ………………….……………………….
4. What is your highest academic qualification? (Tick as applicable).
   a) Certificate [ ]
   b) Diploma [ ]
   c) Bachelor's Degree [ ]
   d) Master's Degree [ ]
   e) PhD [ ]
5. Length of continuous service with the company?
   a) Less than two years [ ]
   b) 2-5 years [ ]
   c) 6- 10 years [ ]
   d) Over 10 years [ ]
6. Listing status at Nairobi Securities Exchange
   a) Listed [ ]
   b) Not listed [ ]
7. What is your gender: Male [ ] Female [ ]
8. Total number of employees in the organization

   a) Less than 50 employees [ ]

   b) 51 to 150 employees [ ]

   c) Over 150 employees [ ]

Part B: Market Entry Strategies

9. Rate the following statements using a Likert scale given below to show your agreement or disagreement with the statement.

   Use *Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, Strongly disagree=1*

	Equity modes/strategy	**1**	**2**	**3**	**4**	**5**
1	My organization prefers to use Joint Venture or Strategic Alliance mode of international market entry strategy to venture into Kenya					
2	My organization prefers to use Mergers & Acquisition (M&As) mode of international market entry to venture into Kenya					
3	My organization prefers to use Foreign Direct Investment mode of international market entry strategy to venture into Kenya					
	Non-equity-based mode/strategy	**1**	**2**	**3**	**4**	**5**
1	My organization prefers to use Licensing/Franchising mode of international market entry strategy to venture into Kenya					
2	My organization prefers to use wholly owned subsidiaries mode of international market entry strategy to venture into Kenya					
3	My organization prefers to use Direct Exporting mode of international market entry strategy to venture into Kenya					
4	My organization prefers to use Indirect Exporting mode of international market entry strategy to venture into Kenya					
5	My organization prefers to use Contract Manufacturing method of international market entry strategy to venture into Kenya					

Part C: Determinants of Market Entry Strategies

10. Rate the following statements using a Likert scale given below to show your agreement or disagreement with the statement.

    Use *Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, Strongly disagree=1*

	Determinants of Market Strategy	**1**	**2**	**3**	**4**	**5**
1	My organization consider most the firm's size and internal resources in determining market entry strategy to venture into Kenya					
2	My organization consider most the risks in foreign markets in determining market entry strategy to venture into Kenya					
3	My organization consider most the cultural distance in determining market entry strategy to venture into Kenya					
4	My organization prefers most the Situation of the Industry/ competition in the host market in determining market entry strategy to venture into Kenya					
5	My organization consider most the External Environment in determining market entry strategy to venture into Kenya					
6	My organization consider most the following firm's motives for entry to foreign market in determining market entry strategy to venture into Kenya					
	a) Shared goals, vision and objectives					

	b) New Skills and development					
	c) Achieving a strong market position/Market Share					
	d) Economies of Scale/Reduced Costs					
	e) Increased revenue & profits					

Part D: Market Entry Strategies and Financial Performance

11. To what extent has your preferred market entry strategy contributed to your financial performance in terms of the following financial performance measures?

    Use 1. Very low extent; 2. Low extent; 3. Moderate extent; 4. Great extent; 5. Very great extent

	Financial Performance Measures	**1**	**2**	**3**	**4**	**5**
1	Return on Investment (ROI)					
2	Return on Equity (ROE)					
3	Return on Assets (ROA)					
4	Profitability					
5	Market Share					

12. To what extent has Joint Venture or Strategic Alliance as your preferred market entry strategy contributed to your financial performance?

    Use 1. Very low extent; 2. Low extent; 3. Moderate extent; 4. Great extent; 5. Very great extent

	Financial Performance Measures	**1**	**2**	**3**	**4**	**5**
1	Return on Investment (ROI)					
2	Return on Equity (ROE)					
3	Return on Assets (ROA)					
4	Profitability					
5	Market Share					

13. To what extent has Mergers and Acquisitions (M&As) as your preferred market entry strategy contributed to your financial performance?

    Use 1. Very low extent; 2. Low extent; 3. Moderate extent; 4. Great extent; 5. Very great extent

	Financial Performance Measures	**1**	**2**	**3**	**4**	**5**
1	Return on Investment (ROI)					
2	Return on Equity (ROE)					
3	Return on Assets (ROA)					
4	Profitability					
5	Market Share					

14. To what extent has Foreign Direct Investment (FDI) as your preferred market entry strategy contributed to your financial performance?

Use 1. Very low extent; 2. Low extent; 3. Moderate extent; 4. Great extent; 5. Very great extent

	Financial Performance Measures	**1**	**2**	**3**	**4**	**5**
1	Return on Investment (ROI)					
2	Return on Equity (ROE)					
3	Return on Assets (ROA)					
4	Profitability					
5	Market Share					

15. To what extent has Indirect Exporting as your preferred market entry strategy contributed to your financial performance?

Use 1. Very low extent; 2. Low extent; 3. Moderate extent; 4. Great extent; 5. Very great extent

	Financial Performance Measures	**1**	**2**	**3**	**4**	**5**
1	Return on Investment (ROI)					
2	Return on Equity (ROE)					
3	Return on Assets (ROA)					
4	Profitability					
5	Market Share					

16. To what extent has Direct Exporting as your preferred market entry strategy contributed to your financial performance?

Use 1. Very low extent; 2. Low extent; 3. Moderate extent; 4. Great extent; 5. Very great extent

	Financial Performance Measures	**1**	**2**	**3**	**4**	**5**
1	Return on Investment (ROI)					
2	Return on Equity (ROE)					
3	Return on Assets (ROA)					
4	Profitability					
5	Market Share					

17. To what extent has Licensing or Franchising as your preferred market entry strategy contributed to your financial performance?

Use 1. Very low extent; 2. Low extent; 3. Moderate extent; 4. Great extent; 5. Very great extent

	Financial Performance Measures	1	2	3	4	5
1	Return on Investment (ROI)					
2	Return on Equity (ROE)					
3	Return on Assets (ROA)					
4	Profitability					
5	Market Share					

18. To what extent has Contract Manufacturing as your preferred market entry strategy contributed to your financial performance?

    Use 1. Very low extent; 2. Low extent; 3. Moderate extent; 4. Great extent; 5. Very great extent

	Financial Performance Measures	1	2	3	4	5
1	Return on Investment (ROI)					
2	Return on Equity (ROE)					
3	Return on Assets (ROA)					
4	Profitability					
5	Market Share					

Thank you very much for your cooperation.

APPENDIX III: TIMELINES

Description	**Dec. 2017-Jan 2018**	**Jan 2018**	**Feb-Mar,2017**	**Apr. 2017**
Proposal Writing				
Proposal Defense				
Questionnaire design				
Presetting questions				
Data Collection				
Data analysis				
Report writing; thesis report assessment by Supervisors; Thesis correction upon assessment by Supervisors				
Submission of final report				

APPENDIX IV: LIST OF RESPONDENTS

Management respondents	Y	X_1	X_2	X_3	X_4	X_5	X_6	X_7
1	3	3.43	2	3.24	3.67	3.13	3.37	3.1
2	3.67	3.65	2.13	4.13	3.86	3.57	2.46	3.48
3	4.1	4	2.56	2.56	4.86	3.16	3.67	3.67
4	4.1	3.44	2.9	3.19	3.76	3.54	2.56	2.56
5	3.88	2.45	2.12	4.67	3.67	3.17	3.16	3.16
6	3.59	3.46	2.76	2.76	4.15	2.99	4.67	4.67
7	3.78	3.47	2.45	2.45	2.86	3.81	2.86	2.86
8	3.56	3.71	2.34	2.34	4.16	3.37	3.16	3.16
9	4.17	3.83	2.53	2.53	3.77	3.27	2.76	2.76
10	3	3.43	2.16	3.16	4.34	4.56	3.34	3.34
11	3.34	3.65	2.78	2.78	3.87	2.77	3.87	3.87
12	2.75	3.44	2.55	2.55	3.06	3.96	4.06	4.06
13	3.87	3.43	1.67	2.67	3.88	2.68	3.86	3.16
14	3.15	3.74	2.35	2.35	3.25	3.21	3.26	3.26
15	2.37	3.43	2.83	2.83	4.53	4.21	2.56	2.56
16	4	4.43	2.88	3.28	3.96	3.23	2.96	2.96
17	2.45	3.73	2.71	2.71	3.87	3.26	4.4	4.4
18	3.12	4.23	2.01	2.01	3.23	3.67	3.23	3.23
19	3.55	3.99	2.17	2.17	4.13	3.19	3.14	3.14
20	4.34	3.45	2.04	2.04	4.56	3.67	2.56	2.56
21	3.1	4.75	3.28	3.28	4.43	3.53	3.43	3.43
22	3.98	2.93	3.08	3.08	2.89	3.52	2.89	2.89
23	3.23	3.53	3.04	3.04	4.85	4.67	2.84	2.84
24	3.12	4.63	2.67	2.67	4.34	3.3	3.34	3.34
25	3.95	3.51	2	3.88	3.86	3.77	3.75	3.75
26	4.67	3.81	2.46	2.46	4.11	3.72	4.11	4.11
27	2.89	3.81	2.89	2.89	3.47	3.11	3.08	3.08
28	3.44	3.87	2.15	2.15	3.87	3.25	2.87	2.87
29	3.66	3.56	2.37	2.37	3.88	3.78	2.88	2.88
30	3.67	3.83	1.75	2.75	3.56	3.36	3.56	3.56
31	3.19	4.56	2.13	2.13	4.36	3.84	3.36	3.36
32	3.51	4.14	2.03	4.03	4.16	3.17	4.16	4.16
33	3	3.1	2.1	3.23	4.78	2.71	3.78	3.78
34	3.15	3.54	2.11	3.11	4.44	2.79	3.42	3.42
35	2.88	3.47	2.12	3.12	3.85	3.12	3.85	3.34
36	4.32	3.89	2.38	3.38	4.79	3.77	3.43	3.17
37	4.2	3.87	2.34	3.45	4.45	3.1	3.45	3.45
38	5	3.93	2	2.98	4.23	3.13	3.99	3.76
39	4	3.66	2.38	2.38	4.17	3.83	5	4
40	3.32	3.87	1.58	3.68	3.89	2	3.45	3.45
41	5	3.93	2.18	2.89	4.55	2.99	3.77	3.77
42	3.11	3.67	2.43	3.43	4.5	3.37	3.5	2.3

43	3.21	3.66	2.14	4.43	3.89	2.84	4.5	3.55
44	4.32	3.89	2.38	3.38	4.79	3.77	3.43	3.17
45	4.2	3.87	2.34	3.45	4.45	3.1	3.45	3.45
46	5	3.93	2	2.98	4.23	3.13	3.99	3.76
47	3.11	3.67	2.43	3.43	4.5	3.37	3.5	2.3
48	3.21	3.66	2.14	4.43	3.89	2.84	4.5	3.55
Overall Mean	**3.56**	**3.72**	**2.36**	**2.96**	**4.02**	**3.37**	**3.45**	**3.35**

Key: Y= Financial performance; X_1= Foreign Direct Investment (FDI); X_2= Joint ventures and Strategic alliances; X_3= Mergers and Acquisitions (M&As); X_4= Direct and Indirect exporting; X_5= Licensing/Franchises and X_6= Contract manufacturing

N/B: Names of respondents were concealed to avoid breach of confidentiality and security.