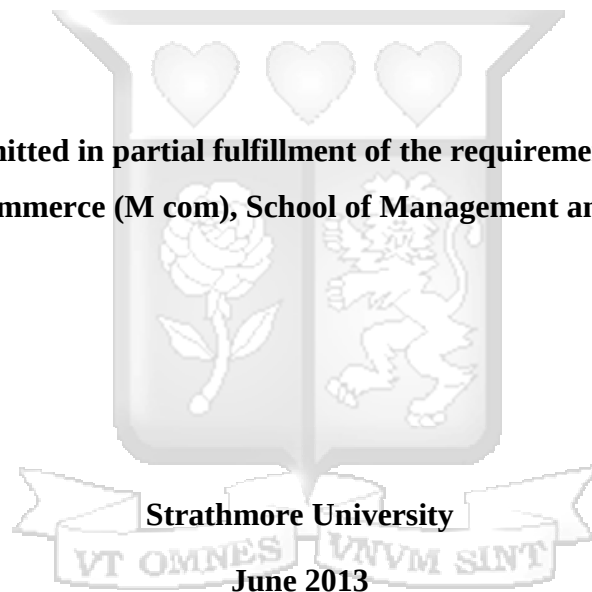


**The influence of international market entry strategies on the performance of
manufacturing multinationals in Kenya**

By

Linah Nduku Gideon **(061759)**

**A Dissertation submitted in partial fulfillment of the requirements for the Degree of
masters in commerce (M com), School of Management and Commerce.**



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ABSTRACT

The study was on the influence of international market entry strategies on the performance of manufacturing multinationals in Kenya. Mode of entry into an international market is the channel which organization that wants to operate in international markets employs to gain entry to a new international market. The choice for a particular entry mode is a critical determinant in the successful running of a foreign operation. Therefore, decisions of how to enter a foreign market can have a significant impact on the results.

The research design used in this study was descriptive research design. There are 213 Multinational Corporations in Kenya. Out of the 213 Multinational Corporations, 108 firms are in the manufacturing sector and are located in Nairobi. The population of the study is therefore 108 firms. The sampling frame was retrieved from the online yellow pages. 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, whole owned subsidiaries, joint venture, exporting, direct investment and strategic alliances. Results 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 (profitability and market share). The study findings also indicated that there are various factors to consider behind the choice of a market entry strategy. These factors or considerations include 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.

The study concludes that manufacturing multinational firms used more than one market entry strategy to venture into business. This was probably to enhance the firm's performance. It was also possible to conclude that the firms used licensing and direct investment to a very large

extent and wholly owned subsidiaries, joint venture, franchising and strategic alliances to a large extent. It was possible to conclude that there are various factors that manufacturing multinational firms consider 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 performance of firms.

The study 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 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.

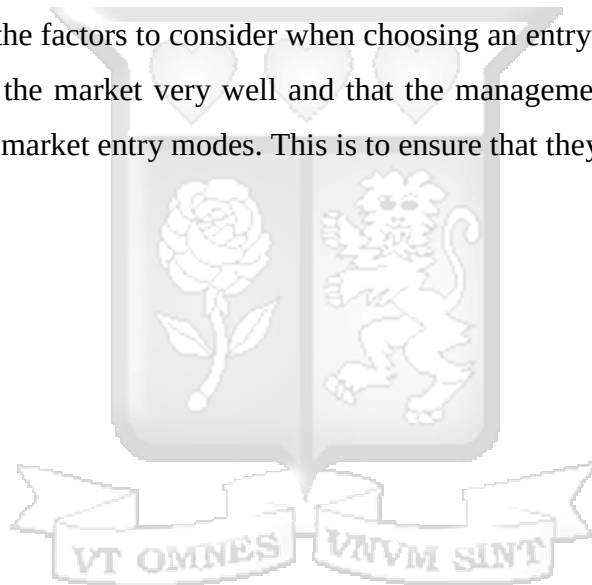


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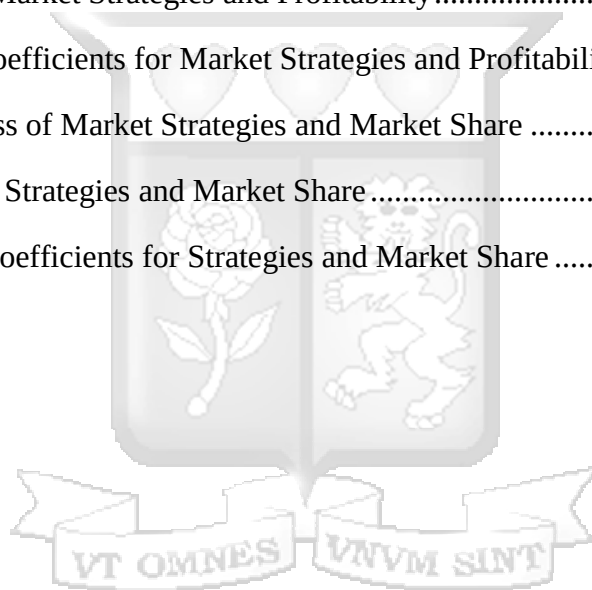
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LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
SPSS	Statistical Package for the Social Sciences
FDI	Foreign Direct Investment
USA	United States of America
MNCs	Multinational corporations
ROA	Return on assets
ROE	Return on equity
GDP	Gross domestic product
KAM	Kenya Association of Manufacturers
KIRDI	Kenya Industrial Research and Development Institute
GOK	Government of Kenya
E.A	East Africa
MNE	Multinational enterprises
ROI	Return on investment



CHAPTER ONE: INTRODUCTION

1.1 Background.

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 (Meyer, Estrin, Bhaumik, and Peng, 2008). 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 four mechanisms namely exporting, licensing, joint venture and direct investment (Meyer, Estrin, Bhaumik, and Peng, 2008).

All the marketing strategies 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 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 and Angelova, 2011, pp 576)

1.1.1 Global Market Entry Strategies

Taylor, Zou and Island (1998) did a study on a transaction cost perspective on foreign market entry strategies of USA and Japanese firms and established that several transactions costs affected the decision making of market entry mode for the US firms but did not affect the market entry mode for Japanese firms. Meyer, Estrin, Bhaumik, and Peng (2008) carried out a study on Institutions, Resources, and Entry Strategies in Emerging Economies to investigate the impact of market-supporting institutions on business strategies by analyzing the entry strategies of foreign investors entering emerging economies. Meyer, Estrin, Bhaumik, and Peng (2008) made three contributions, to enrich an institution-based view of business strategy (Oliver, 1997; Peng, 2003; Peng, Wang, and Jiang, 2008) by providing a more fine-grained conceptual analysis of the relationship between institutional frameworks and entry strategies. Secondly, they argued that institutions moderate resource-based considerations when crafting entry strategies and finally, by amassing a primary survey

database from four diverse but relatively underexplored countries and combining such data with archival data, they extended the geographic reach of empirical research on emerging countries.

Stiegert, Ardalán, and Marsh (1997) conducted a study on foreign market entry strategies in the European Union where the study utilized intra-firm, socio-cultural, geographical-proximity, and political-stability variables to explain bimodal foreign direct investment (FDI) patterns by agri-food and beverage multinational companies into and within the European Union. A logit framework incorporated a unique-count database of firm-level investment patterns from 1987 – 1998 and the results showed the 1992 structural changes under the Maastricht Treaty increased the probability of wholly owned FDI modes such as greenfields and buyouts, and also found that past modal strategies of firms, language barriers, and exchange-rate volatility all correctly explained modal investment patterns. The authors asserted that these results provide important contributions toward understanding modal investment strategies including the role of macroeconomic changes within a custom union.

Czinkota & Ronkainen (2003) carried out a study on the motivation factors for market entry and asserted that several factors result in firms taking measures in a given direction as in the case of internationalization. These are a variety of motivations both pushing and pulling companies to internationalize which are differentiated into proactive and reactive motivations.

1.1.2 Market entry strategies for Multinationals in Kenya

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. Creating strategies for coping with competition is the heart of strategic management which is critical for the long term survival of any organization. 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 (Murage, 2001).

Kinuthia (2010) suggests that Foreign Direct Investment (FDI) has risen in Kenya from the 1990s due to the liberalization of the economy. FDI is mainly concentrated in the manufacturing sector and is mainly Greenfield in nature. Most of FDI in Kenya is export oriented and market seeking. The most important FDI determinants are market size in Kenya as well as within the region, political and economic stability in both Kenya and its neighbours and bilateral trade agreements between Kenya and other countries. The most important FDI barriers in Kenya are political and economic instability in Kenya, crime and insecurity, institutional factors such as corruption, delayed licenses and work permits among other factors.

According to the Financial Post (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 which began in New York as a small soap and candle business. The list also includes, Johnson & Johnson, Agip, Unilever, Procter & Gamble, and recently, ExxonMobil, just to mention a few. The Financial Post (2010) suggests that majority of the multinationals who have so far relocated, shut down or downsized their operations consider Kenya as one of the least competitive investment destinations worldwide. Apart from the notoriously high cost of power in Kenya, difficulties in obtaining licenses and visas, inefficiencies at the Port of Mombasa and deteriorating infrastructure are among other non-tariff barriers to investment in this market. Financial Post (2010) notes that it is in the petroleum sector where the multinationals are finding it difficult to cope. A few years back, Agip shut down its pipes and sold out to BP Shell. BP sold its stake to Kenya Shell, a move that changed shareholding of BP Shell, which has been operating as a joint venture company. Recently, ExxonMobil sold its Kenya franchise to Tamoil, who will now take over the company's over 64 service stations countrywide (Financial Post, 2010).

Ndegwa and Otieno (2008) conducted a study on market entry strategies for a transition country. 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. 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.

1.1.3 Organizational Performance

Performance Measures are quantitative or qualitative ways to characterize and define performance. They provide a tool for organizations to manage progress towards achieving predetermined goals, defining key indicators of organizational performance and Customer satisfaction. Performance Measurement is the process of assessing the progress made (actual) towards achieving the predetermined performance goals (baseline). Traditional, financially based performance measurement approaches have a number of serious drawbacks (Kaplan & Norton, 1992). These include the element of outcome focus. Established financial indicators such as turnover and profit before tax are outcome indicators. Profitability measures the extent to which a business generates a profit from the factors of production: labour, management and capital. Profitability analysis focuses on the relationship between revenues and expenses and on the level of profits relative to the size of investment in the business (Gilbert and Wheelock, 2007).

According to Crane, (2011) four useful measures of firm profitability are the rate of return on firm assets (ROA), the rate of return on firm equity (ROE), operating profit margin and net firm income. ROA measures the return to all firm assets and is often used as an overall index of profitability, and the higher the value, the more profitable the firm business. The ROE measures the rate of return on the owner's equity employed in the firm business. It is useful to consider the ROE in relation to ROA to determine if the firm is making a profitable return on their borrowed money. The operating profit margin measures the returns to capital per dollar of gross firm revenue. The two ways a firm has of increasing profits is by increasing the profit per unit produced or by increasing the volume of production while maintaining the per unit profit. The operating profit margin focuses on the per unit produced component of earning profit and the asset turnover ratio focuses on the volume of production component of earning a profit (Crane, 2011). Net firm income comes directly off of the income statement

and is calculated by matching firm revenues with the expenses incurred to create those revenues, plus the gain or loss on the sale of firm capital assets. Net firm income represents the return to the owner for unpaid operator and family labour, management and owner's equity. Like working capital, net firm income is an absolute dollar amount and not a ratio, thus comparisons to other firms is difficult because of firm size differences (Gilbert and Wheelock, 2007).

1.1.4 Manufacturing Sector in Kenya

Kenya has the biggest formal manufacturing sector in East Africa (UNIDO, 2008). This sector has grown over time both in terms of its contribution to the country's GDP and employment. The average size of this sector for tropical Africa is 8 percent. Despite the importance and size of this sector in Kenya, it is still very small when compared to that of the industrialized nations (KIRDI, 2009). Awino (2007) and K'Obonyo (1999) argues that Kenya's manufacturing sector is going through a major transition period largely due to the structural reform process, which the Kenya government has been implementing since the mid-eighties with a view to improving the economic and social environment of the country.

The manufacturing industry in Kenya can be classified under three main sectors, namely, the agro-based industrial sector, engineering and construction industrial sector and the chemical and mineral industrial sector (GOK Vision 2030). K'Obonyo, (1999) categorizes them into two: (i) agro-based and non-agro-based. The agro-based industrial sector in Kenya consists of seven sub-sectors and provides the bulk (68 per cent) of value added from the manufacturing industry, (KAM, 2009). K'Obonyo (1999) argues that the agro-based industrial sector has developed on the basis of traditional domestic resource activities. The major challenges faced by this sector are related to the quantity, quality and price of raw materials mostly produced by small scale farmers. The seven sub-sectors that form the agro-based industrial sector are food processing, animal feeds, beverages and tobacco, miscellaneous food products, tanneries and leather products, woods and wood products and pulp and paper (Awino, 2007).

There are 108 multinationals in the manufacturing sector in Kenya. The performance of manufacturing multinationals has improved over the last decade (2002 to 2012). For example, East African breweries have posted impressive full-year results for the period to

30th June 2012, delivering 24% increase in revenue to Kshs. 55.5 billion over prior year and 21% increase in operating profit to Kshs. 15 billion. Profit before tax grew by 24%, while profit attributable to shareholders was Kshs. 10.6 billion, representing a 45% growth over prior year (EABL Financial Results, 2012). Another example of impressive performance was by Kenya's British American Tobacco. The Kenya's British American Tobacco posted a 65 percent rise in full year pretax profit to 4.48 billion shillings (\$54.11 million) after revenues rose by close to a half, and a weaker shilling helped exports. The cigarette manufacturer said in a statement that total revenues rose to 20.14 billion shillings in 2011 from 13.54 billion, while earnings per share jumped to 30.98 shillings from 17.67 shillings. BAT said it would pay a final dividend of 27 shillings, bringing the total dividend for the year to 30.50 shillings compared with 17.50 in the previous year (Reuters, 2012).

1.2 Problem Statement

Mode of entry into an international market is the channel which organization that wants to operate in international markets employs to gain entry to a new international market. The choice for a particular entry mode is a critical determinant in the successful running of a foreign operation. Therefore, decisions of how to enter a foreign market can have a significant impact on the results. However, it may seem that the use of particular strategies by international firms may yield higher growth and performance than others. There are several strategies that manufacturing firms can select from when they want to gain entry to a new international market such as exporting; licensing and franchising; strategic alliances; and wholly owned foreign subsidiaries. This study wants to investigate and indicate the particular modes of entry that manufacturing MNCs in Kenya use and of what value they are.

Studies on the relationship between the choice of international market entry strategy and firm performance are abundant at global level. These include Taylor and Zou (1999); Zekir and Angelova(2011) ; Chung and Enderwick (2001); Zand (2011); Sadaghiani, dehghan, and Zand (2011); and Mushuku(2006). There lacks conclusiveness on these 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 paucity/scarcity of studies

on the marketing 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 manufacturing multinationals in Kenya, hence the focus of this study.

1.3 Study Objectives

The main objective of this study was to assess the influence of market entry strategies on performance of manufacturing multinationals in Kenya.

1.3.1 Specific Objectives

The specific objectives are:

- i) To identify the international market entry strategies used by manufacturing multinationals in Kenya
- ii) To establish factors influencing choice of market entry strategies by manufacturing multinationals in Kenya
- iii) To examine the influence of market entry strategies on the performance of manufacturing multinationals in Kenya

1.4 Significance of the study

The study may be of use to manufacturing firms. This is because it would highlight the effect of choice of entry strategy to growth of a firm. Managers may therefore use these results to select the optimal strategies that would optimize growth of multinationals. Findings from the study could aid managers of prospective firms, and also those other people that want to go into other markets. The study will also provide information to those firms already in the market with strategies that are not effective fully for them and apply more effective strategies.

The study results may be used by the implementation panel for vision 2030. Perhaps, they can craft a policy based on the study results that would increase the impact of entry strategies on growth of multinationals operating in Kenya. This would consequently lead to higher productivity and achievement of vision 2030 goal of annual economic growth of 10%.

The study may also be a valuable addition to literature review and scholars of international business management, business strategy and growth.

1.5 Scope of the study

There are several strategies that manufacturing firms can select from when they want to gain entry to a new international market such as exporting; licensing and franchising; strategic alliances; and wholly owned foreign subsidiaries. The study restricted itself to market entry strategies and their influence on performance of multinational manufacturing organizations.

The scope of this study was the manufacturing sector. The manufacturing industry in Kenya can be classified under three main sectors, namely, the agro-based industrial sector, engineering and construction industrial sector and the chemical and mineral industrial sector (GOK Vision 2030). However, the three major classifications can still be categorized into two: (i) agro-based and non-agro-based (K'Obonyo, 1999). Kenya's main industries are food and beverages processing, manufacture of petroleum products, textiles and fibers, garments, tobacco, processed fruits, cement, paper, pyrethrum products, engineering, wood products, pharmaceuticals, basic chemicals, sugar, rubber, and plastics products.

However, the study concentrated on the manufacturing multinationals in the two categories: Agro based and Non Agro based. The manufacturing multinationals firms in these two categories are 108 in number. The majority of manufacturing multinationals firms are located in and around the environs of Nairobi. Therefore, only the manufacturing multinationals firms locate in and around the environs of Nairobi were taken in this study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the various theoretical concepts that have been explored in the study. Specifically, the study reviewed the concept of multinationals, market entry strategies and organizational performance. The empirical review addressed the various studies that have been done on the area.

2.2 Theoretical Review

This section elaborated on various concepts that are being used in the study. For instance definitions of multinationals, market entry strategies and performance were discussed.

2.2.1 Multinationals

A multinational corporation (MNC) or multinational enterprise (MNE) is a corporation enterprise that manages production or delivers services in more than one country. It can also be referred to as an international corporation. They play an important role in globalization (Pitelis, and Sugden, 2000).

Various attempts have been made in literature to capture the true richness of MNCs with definitions and concepts. Perlmutter (1969) for instance, used a taxonomy which was based on management styles – namely geo-, poly- and ethnocentric - to measure a firm's degree of multinationality. Porter (1986) distinguished between multidomestic and global firms based on the configuration and coordination of the firm's value chain. The framework developed by Prahalad and Doz (1987) offers a rather context oriented classification based on the nature of business, differentiating between global, multi-focal and local firms. Probably Bartlett's and Ghoshal's (1989) four-fold typology of multinational, international, global and transnational companies has been the most influential and extensive one. The typology constructed, inter alia, included, environmental, corporate, subsidiary, control and human resource characteristics.

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. The main traditional sources of foreign investments are Britain, US and Germany, South Africa, Netherlands, Switzerland and of late China and India (UNCTAD, 2005).

2.2.2 Market Entry Strategies

International market entry modes can be classified according to level of control, resource commitment, and risk involvement (Hill, Hwang and Kim, 1990). For example, in a study of the international operations of service firms in the United States, Erramilli and Rao (1993) classify 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). The classification system adopted by Kim and Hwang (1992) is three fold: licensing, joint ventures and wholly owned subsidiaries. Kim and Hwang believe that these methods provide three distinctive levels of control and require different levels of resource commitment. Kwon and Konopa (1993) indicate that each foreign market entry mode is associated with advantages and disadvantages in terms of risk, cost, control, and return. Their study was designed to examine the impacts of a series of determinants on the choice of foreign production and exporting adopted by 228 U.S. manufacturing firms. Agarwal and Ramaswami (1992) suggest that the most commonly used entry modes are exporting, licensing, joint venture and sole venture. These methods involve varying levels of resource commitment.

When multinational enterprises (MNE) plan to expand overseas, they face several entry modes. Root (1994) defines an international market entry mode as an “institutional arrangement that makes possible the entry of a company's products, technology, human skills, management, or other resources into a foreign country.” Entry modes can be classified into three categories: Export entry mode, contractual entry mode and investment entry mode (Root, 1994). Expansion into foreign markets can be achieved via the following mechanisms: Exporting, Licensing, Franchising, Joint Venture, Direct Investment (Kim and Hwang, 1992; Agarwal and Ramaswami, 1992; Root, 1994; Erramilli and Rao, 1993). Exporting is the marketing and direct sale of domestically-produced goods in another country. Exporting is a traditional and well-established method of reaching foreign markets. There is no need for the company to invest in a foreign country because exporting does not require that the goods be produced in the target country. Most of the costs associated with exporting take the form of marketing expenses. Therefore, exporting is appropriate when there is a low trade barrier, home location has an advantage on costs and when customization is not crucial (Kim and Hwang, 1992).

A license arrangement is a business arrangement where a licensor using its monopoly position and right such as a Patent, a Trade Mark, a design or a copyright that has exclusive right which prevents others from exploiting the idea, design, name or logo commercially. The licensee pays a fee in exchange for the rights to use the intangible property and possibly for technical assistance (Erramilli and Rao, 1993). Franchising is a similar entry mode to licensing. By the payment of a royalty fee, the franchisee will obtain the major business know-how via an agreement with the franchiser. The know-how also includes such intangible properties as patents, trademarks and so on. The difference from the licensing mode of entry is that the franchisee must obey certain rules given by franchiser. Franchising is most commonly used in service industries, such as McDonald's, etc. (Hill, Hwang and Kim, 1990). Joint ventures represent an agreement between two parties to work together on a certain project, Operate in a particular market, etc. Some of the main common objectives in a joint venture: Market entry; Risk and reward sharing; Technology sharing and joint product development, etc. (Kwon and Konopa, 1993)

Foreign direct investment (FDI) is the direct ownership of facilities in the target country. It involves capital, technology, and personnel. FDI can be made through the acquisition of an existing entity or the establishment of a new enterprise. Direct ownership provides a high degree of control in the operations and the ability to better know the consumers and competitive environment, and the market in general. However, it requires a high level of resources and a high degree of commitment (Root, 1994). Acquisitions can be defined as a corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm. Acquisitions are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own (Investopedia.com, 2011)

Green field can be defined as a form of foreign direct investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up. In addition to building new facilities, most parent companies also create new long-term jobs in the foreign country by hiring new employees (Investopedia.com, 2011). The main advantages of setting up a new company: normally feasible, avoids risk of overpayment, avoids problem of integration, Still retains full control. The main disadvantages of setting up a new company: Slower startup, requires knowledge of foreign management, high risk and high commitment. Acquisition is appropriate when the market is developed for corporate control, the acquirer has high absorptive capacity, and when there is high synergy, whereas Green field entry is appropriate when there is lack of proper acquisition target, in-house local expertise, and embedded competitive advantage (Agarwal and Ramaswami, 1992).

2.2.3 Organization Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.). Most organizations view their performance in terms of

effectiveness in achieving their mission, purpose or goals. Most NGOs, for example, would tend to link the larger notion of organizational performance to the results of their particular programs to improve the lives of a target group (e.g. the poor). At the same time, a majority of organizations also see their performance in terms of their efficiency in deploying resources. This relates to the optimal use of resources to obtain the results desired. Finally, in order for an organization to remain viable over time, it must be both “financially viable” and relevant to its stakeholders and their changing needs.

A fundamental debate in strategic management and international marketing research is questioning about the performance, especially when the companies involve in international performance (Florin and Agboei, 2004). An accurate understanding of the crucial link between international strategy and performance is especially important in the face of world markets that are increasingly global. Consequently, international marketing research has moved from being descriptive – studying the differences between exporters and non-exporters – to providing performance explanations (shoham and kropp, 1998). In today’s complex business world, performance is an indispensable guide for any company analyzing its level of success, in both the domestic and international arenas. Assessing export performance is quite a complex task, as export performance can be conceptualized and operationalized in many ways. Broadly speaking, the literature considers three aspects of export performance: financial, strategic, and that of performance satisfaction (Lages and Montgomery, 2004).

Although considerable progress has since been made, research remains underdeveloped. Defining and understanding performance is problematic, especially in terms of identifying uniform, reliable, and valid performance measures (Katsikeas, Leonidou and Morgan, 2000). Export performance is the dependent variable in the simplified model and is defined as the outcome of a firm’s activities in export markets. There are two principal ways of measuring export performance: economic (financial measures such as sales, profits, and market share) and noneconomic (nonfinancial measures relating to product, market, experience elements, etc.). Most background and intervening variables were associated with economic measures of

performance, particularly export sales intensity (export-to-total sales ratio), export sales growth, and export profitability (Katsikeas, Leonidou and Morgan, 2000). Also, Export performance, a widely studied construct, refers to the outcomes of a firm's export activities, although conceptual and operational definitions vary in the literature (Calantone, 2005)

2.3 Empirical Literature

2.3.1 International Market Entry Strategies by Multinationals

International market entry modes can be classified according to level of control, resource commitment, and risk involvement (Anderson and Gatignon, 1986; Erramilli and Rao, 1993; Hill, Hwang and Kim, 1990). For example, in a study of the international operations of service firms in the United States, Erramilli and Rao (1993) classify 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).

The classification system adopted by Hill, Kim and Hwang (1992) is three fold: licensing, joint ventures and wholly owned subsidiaries. Hill, Kim and Hwang (1992) believe that these methods provide three distinctive levels of control and require different levels of resource commitment. Kwon and Konopa (1993) indicate that each foreign market entry mode is associated with advantages and disadvantages in terms of risk, cost, control, and return. Their study was designed to examine the impacts of a series of determinants on the choice of foreign production and exporting adopted by 228 U.S. manufacturing firms.

Agarwal and Ramaswami (1992) suggest that the most commonly used entry modes are exporting, licensing, joint venture and sole venture. These methods involve varying levels of resource commitment. Based on the location of products produced, Terpstra and Sarathy (2000) divide market entry methods into three major categories—indirect exporting, direct exporting and foreign manufacturing.

Many forms of market entry strategy are available to firms to enter international markets. 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 and Nguyen, 2003). Caves (1982) identified four basic ways to expand internationally, from the lowest to the highest risk: exporting; licensing and franchising; strategic alliances; and wholly owned foreign subsidiaries.

Cateora and Graham (2002) stated there are six basic strategies for entering a new market: export/import, licensing and franchising, joint venturing, consortia, partially-owned subsidiaries, and wholly-owned subsidiaries. Generally, these represent a continuum from lowest to highest investment and concomitant risk-return potential. In choosing a particular strategy, a company constructs a fit between its internal corporate risk “comfort level” and the externally-perceived risk level of the target entry market. Two companies may perceive different risks as they evaluate the same market and therefore choose different entry modes. Two companies also may perceive the same risks in a country but still choose different strategies because of their firm’s differing tolerances of risk. More specifically, the different market-entry strategies can be encapsulated as follows.

Karkkainen (2005) 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.

Osland & Cavusgil (1996) suggest that the different entry strategies are: exports, contractual agreements (such as licensing agreements), equity joint ventures, partial and wholly owned foreign acquisitions, and greenfield startup investments. Nonequity-based entry strategies offer better protection against country risks and transactional hazards than equity-based strategies but non-equity strategies, such as export and contractual agreements, enable less organizational learning. Barkema, Bell & Pennings (1996) suggest that low commitment entry strategies may be preferred to overcome unfamiliarity with the host country environment. For example, the establishment of a subsidiary through the acquisition of a local firm permits fast access to foreign firms' knowledge (e.g., market or technological knowledge), and access to an already established market position. An acquisition also provides some degree of immediate embeddedness and allows the firm to enter a network of ties to suppliers, clients and agents in the host country.

Tallman & Fladmoe-Lindquist (2002) suggest that joint ventures have also been noted as vehicles for learning since cooperation with a local partner provides the focal firm an opportunity to utilize the partner's local market knowledge and social and business ties. In addition, joint ventures allow technological advancement through the transfer of technologies among partners. In contrast, contractual agreements (i.e., licensing, R&D contracts, alliances, etc.) often involve explicit descriptions of technologies intended to be learned by one party. Finally, a greenfield entry strategy essentially consists of the replication in a foreign target of home country operations. This strategy is based on full control over the foreign subsidiaries and pretty much an ethnocentric orientation whereby directives emanate from corporate headquarters. While this strategy is appropriate when seeking to protect proprietary resources and technologies it is also the one that imposes higher degrees of "foreignness" in the host market.

When multinational enterprises (MNE) plan to expand overseas, they face several entry modes. Root (1994) defines an international market entry mode as an "institutional arrangement that makes possible the entry of a company's products, technology, human

skills, management, or other resources into a foreign country.” Entry modes can be classified into three categories: Export entry mode, contractual entry mode and investment entry mode (Root, 1994).

2.3.2 Factors Influencing Choice of an Entry Strategy

Because many factors influencing the choice of market entry modes have been suggested in the literature, it is not possible to include all the factors in a single study (Anderson and Coughlan, 1987). The conceptual framework regarding the choice of foreign market entry modes used in this study is based on the results of studies in the literature, mainly those in the area of the eclectic framework. The eclectic framework was first proposed by Dunning (1977, 1980, 1988) and was then expanded by other researchers (e.g. Hill, Hwang and Kim, 1990; Kim and Hwang, 1992). The eclectic approach has been widely used in explaining the choice between FDI and other market entry modes (e.g. Agarwal and Ramaswami, 1992; Kim and Hwang, 1992). This study will focus on one of its three key elements—location specific factors. It has been suggested that location and ownership endowments are the most likely factors determining the choice of FDI or exporting modes (Dunning, 1973, 1977).

The influence of location factors on the choice of market entry modes has been specifically or partially examined in a number of studies (e.g. Kwon and Konopa, 1993; Brouthers, Brouthers and Werner, 1996; Hill, Hwang and Kim, 1990; Kim and Hwang, 1992; Terpstra and Yu, 1988). Prior studies have offered a number of subthemes for examining the impact of host country location factors on the market entry decision. As these items have been reviewed and reported thoroughly in several recent studies (Sarkar and Cavusgil, 1996; Tatoglu and Glaister, 1998), a complete review on this literature might seem to be redundant. Past studies have suggested that the choice of FDI modes is related to a firm’s familiarity with the host market (Gatignon and Anderson, 1988; Sarkar and Cavusgil, 1996; Kim and Hwang, 1992). It has been found that firms which have prior host market experience are more likely to choose a FDI mode (Kim and Hwang, 1992).

Although it has not yet been included in the market entry mode literature, the immigrant effect has been widely discussed in the general business literature (e.g. Gould, 1994; Lever-Tracy et al., 1991). These studies suggest that immigrants from the host market are likely to act as a bridge between the foreign firm and the host market. Immigrants often have significant knowledge about their country of origin and understand the culture of the host market well. The findings of previous studies' (Gould, 1994; Lever-Tracy et al., 1991) have implied that the immigrant effect could be considered as a location endowment of a firm. In this study, this variable is suggested as a factor of location-specific endowment in the FDI literature. A number of studies assert that target country market characteristics affect the choice of market servicing modes. Research has indicated that the size of the host country is an important attraction to foreign direct investment (Agarwal and Ramaswami, 1992; Kwon and Konopa, 1993; Root, 1994; Terpstra and Yu, 1988).

Partnership and networking resources of various kinds are less important for entering institutionally mature countries, such as those of the European Union or the U.S. because these countries already have well-established institutions that facilitate internationalization (Henisz, 2000). Developed countries possess well-structured, highly specialized and effective institutions, which smooth the process of MNEs' entry. In addition, because these countries have more sophisticated markets and more developed firms (both domestic firms and subsidiaries of foreign MNEs), it is likely that foreign firms entering these countries will base their advantage on some form of intangible resource (e.g., knowledge) or capability (Kogut and Zander, 1992; Dunning, 1998). Thus, it is important for MNEs to internally guard their firm-specific advantage(s) to compete in host countries. As a result, these MNEs are more likely to prefer wholly-owned subsidiaries to protect their advantages (Buckley and Casson, 1976; Dunning, 1998). In contrast, MNEs are more likely to select collaborative entry strategies to uncover the possible hazards of embedded rules and hidden norms when they enter an institutionally primitive market from an institutionally mature market (Johanson and Mattson, 1988; Chen and Chen, 1998).

Foreign entry strategies are also determined by the degree of conformity to internal pressures (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Oliver, 1997; Kostova, 1999; Xu and Shenkar, 2002). Internal pressures include existing organizational structure, corporate mission, vision and goals of MNEs, norms and values, management and dominant coalitions and organizational culture. For example, MNEs favoring a high degree of control and coordination of subsidiaries are more likely to favor wholly-owned strategies over other foreign entry strategies (Davis, Desai, and Francis, 2000) as the means of parental isomorphism to better override internal disruptions and inefficiencies. Tallman and Yip (2003) argue that absolute adaptation to the host country would reduce the MNEs “to a loose collection of autonomous businesses that enjoy little synergy while incurring the overheads of a large MNE.” Specifically, we may expect acquisition of existing firms to be more likely to cause disruption in the overall organization’s stability and dominant culture (Prahalad and Bettis, 1986). Conversely, greenfield startup entry strategy permits fuller replication of internal structures and normative values, with less internal disruption.

Relatively small investments in foreign market entries are less likely to have a major internal impact on firms, and hence, may be more easily realized through greenfield investments as opposed to the acquisition of a local firm. On the contrary, collaborative entry strategies are more likely to introduce internal disruptions because participation in equity joint ventures or alliances imposes increased coordination, control and management demands. Partnership entry strategies not only permit a better fit with existing host institutional pressures than, for example, Greenfield entries, but they also offer partial control over the subsidiary’s operations and provide the subsidiary with autonomy for local action. Greenfield subsidiaries allow MNEs to maintain full control over its foreign operations but may be less responsive to host institutional pressures: “as parents exercise increasing control, pressures to maintain internal isomorphism may override pressures for isomorphism in the external environment” (Davis, Desai, and Francis, 2000: 243). Hence, MNEs are more likely to select export or Greenfield entry strategies to minimize internal disruptions. Conversely, MNEs are more likely to utilize acquisition of incumbent firms or entering into international alliances when internal pressures toward conformity are less salient.

Finally, several studies have suggested that the service requirements of a product can also affect the choice of market entry mode. It has been suggested that when a manufacturing firm's product requires a higher level of before or after sales service, it tends to produce products in the host market or to have a local presence in order to ensure that adequate services are performed (Anderson and Coughlan, 1987; Ramaseshan and Patton, 1994). The same conclusion is reached by research on the internationalization of the service sector where it appears that service providers whose products require a high degree of supplier-buyer interaction tend to choose a FDI mode to serve the market (Vandermerwe and Chadwick, 1989; Patterson and Cicic, 1995).

2.3.3 Influence of market entry strategies on the performance of multinationals

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 and Barber, 2006). Market entry strategies affect business performance in the context of manufacturing industries (Kirca, 2005). 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, 1998).

Entry mode performance is defined in terms of efficiency or profitability. Non profit motives, 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 and Nguyen, 2003). Furthermore, some of the researches indicate that entry strategies affect export 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 (Kouck et al 2003, Karkkainen 2005, Shi et al 2002).

Previous studies have generally neglected the link between exporting and performance and survival. An exception is the study conducted by McDougall and Oviatt (1996). 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 (1995), 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, 2001).

2.4 Conceptual Framework

The study conceptual framework is as follows; The dependent variable is the performance of manufacturing multinationals. Performance was measured by profitability. The independent variables were the market entry strategies (exporting, licensing, joint venture and sole venture). The moderating variables were size of the host country, resources, and partnerships. The moderating variables represent a process or a factor that alters the impact of an independent variable on a dependent variable.

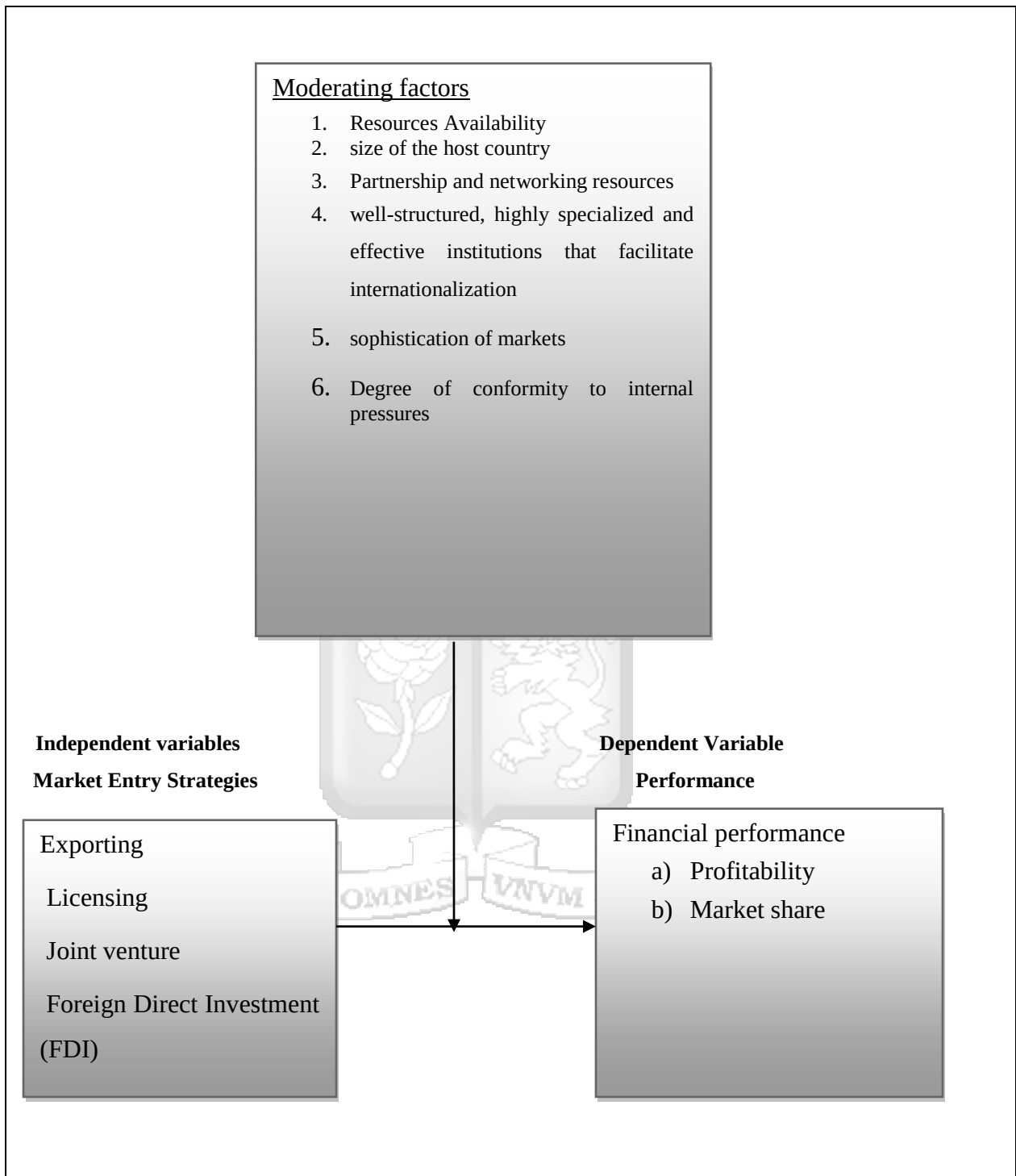


Figure 1.1: Relationship among resources, capabilities, and competitive advantage

2.5 Operationalization of Variables

Exporting is the marketing and direct sale of domestically-produced goods in another country (Kim and Hwang, 1992). This is measured by likert scale questions. This was explained by identifying the mode used by manufacturing firms and to which extent the market entry strategies have been used (if used) on a scale of 1 to 5, where 1 represents very small extent and 5 represents very large extent.

A license arrangement is a business arrangement where a licensor using its monopoly position and right such as a Patent, a Trade Mark, a design or a copyright that has exclusive right which prevents others from exploiting the idea, design, name or logo commercially (Erramilli and Rao, 1993). This was measured by likert scale questions. This was explained by identifying the mode used by manufacturing firms and to which extent the market entry strategies have been used (if used) on a scale of 1 to 5, where 1 represents very small extent and 5 represents very large extent.

Joint ventures represent an agreement between two parties to work together on a certain project, Operate in a particular market (Kwon and Konopa, 1993). This was explained by identifying the mode used by manufacturing firms and to which extent the market entry strategies have been used (if used) on a scale of 1 to 5, where 1 represents very small extent and 5 represents very large extent.

Foreign direct investment (FDI) is the direct ownership of facilities in the target country. It involves capital, technology, and personnel (Root, 1994). This was explained by identifying the mode used by manufacturing firms and to which extent the market entry strategies have been used (if used) on a scale of 1 to 5, where 1 represents very small extent and 5 represents very large extent.

Performance is the extent to which a business generates a profit from the factors of production (Richard et al. 2009). This was captured by profitability and market share

2.6 Chapter Summary

Studies on the relationship between the choice of international market entry strategy and firm growth are abundant. For instance, Taylor and Zou (1999) conducted a study on foreign market entry strategies for Japanese MNCs. Zekir and Angelova (2011) conducted a study on factors that influence choice of entry mode strategies in foreign markets. Chung and Enderwick (2001) conducted an investigation of Market Entry Strategy Selection: Exporting vs Foreign Direct Investment Modes—A Home-host Country Scenario. Sadaghiani, dehghan and Zand (2011) conducted a study on the impact of international market entry strategy on export performance and concluded that their results depict that the entry strategy affects the export performance of the Iranian export companies. Also, Sadaghiani, dehghan, and Zand (2011) concluded that the variable share of entry strategy in anticipation and changes in export performance of the export companies is approximately 48%. Mushuku (2006) conducted a study on modes of market entry and strategies for South African companies doing business in Kenya.

In summary, there exists various market entry modes; Agarwal and Ramaswami (1992) suggest that the most commonly used entry modes are exporting, licensing, joint venture and sole venture. Review of literature also suggest that the company's motives to enter a new market include; economic growth, demand, closeness, size of the market, flexible workforce, general attitude Ndegwa and Otieno, (2008). Ndegwa and Otieno (2008) also indicate that factors Influencing Entry Strategy Decision include; Access to quality material, Local Government Attitudes, Bureaucracy, Local Infrastructure, Desired degree of Control, Level of Technology Needed, Costs and Legal Framework. Results also indicate that entry strategies affect export 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 (Kouck et al 2003, Karkkainen 2005, Shi et al., 2002). McDougall and Oviatt (1996) suggested 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).

There lacks conclusiveness on these 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. This implies that there are scarce studies in developing economies such as Kenya. Studies on the choice of international market entry strategy and firm performance seem to concentrate on the developed and emerging countries which leave a knowledge gap for developing economies such as Kenya. There is a paucity/scarcity of studies on the marketing strategies techniques used by firms in Kenya and the researcher is not aware of any study that has been done on the influence of international market entry strategies on the performance of manufacturing multinationals in Kenya. This study therefore wishes to bridge this knowledge gap by assessing the influence of market entry strategies in manufacturing firm's performance in Kenya.



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. Specifically, it identified the research design, the target population, the sample design, the data collection instrument and methods of data analysis.

3.2 Research Design

This study was conducted through a descriptive survey study. The design was considered suitable as it allowed a methodical choice of samples and a rigorous analysis of data. According to Kothari (2004), a descriptive study is undertaken in order to describe the general characteristics of the study population and be able to describe the characteristics of the variable of interest in a situation. The research was carried out through descriptive survey design that involved gathering of facts, opinions and views of the employees in the organization about the international market entry strategies. The choice of research design was justified since the study aimed at identifying the general characteristics of MNCS. Similar studies that have used this approach include Ndegwa and Otieno (2008), McDougall and Oviatt (1996), Mushuku (2006), Zekir and Angelova (2011).

3.3 Study Population

A population is the total collection of elements about which we wish to make some inferences (Kumar,2005). The target populations of this study were multinationals in the manufacturing sector in Nairobi. This is because majority of firms are located in Nairobi. According to Kenya Bureau of Statistics Economic survey (2007) there are 213 Multinational Corporations in Kenya which can be stratified according to the country of origin. Out of the 213 Multinational Corporations, 108 firms are in the manufacturing sector and are located in Nairobi. The population of the study is therefore 108 firms. The sampling frame was retrieved from the online yellow pages on June 18th, 2012 and is given at the appendix III

Table 3.1: Population stratification according to sector

Sector	Number
BUILDING, CONSTRUCTION & MINING	3
CHEMICAL & ALLIED	12
ENERGY, ELECTRICAL AND ELECTRONICS	7
FOOD & BEVERAGE	8
MOTOR VEHICLE & ACCESSORIES	4
PAPER & BOARD	13
PHARMACEUTICALS & MEDICAL EQUIPMENT	4
PLASTIC & RUBBER	24
LEATHER & FOOTWEAR	2
METAL & ALLIED	18
TEXTILES & APPARELS	10
TIMBER, WOOD & FURNITURE	3
Total	108

3.4 Sample Size and sampling Design

Mugenda and Mugenda (2003) recommend that 10 percent or more of the population is representative of the population. Therefore, the 10% of 108 firms would yield 10 firms. However, 10 firms are too few. It is for this reason that the study considered 50% of the population. This yielded 54 firms.

Table 3.2 :Sample size

SECTOR	Number	Sample size	50% Sample
BUILDING, CONSTRUCTION & MINING	3	1	33.3%
CHEMICAL & ALLIED	12	6	50%
ENERGY, ELECTRICAL AND ELECTRONICS	7	4	57.1%
FOOD & BEVERAGE	8	4	50%
MOTOR VEHICLE & ACCESSORIES	4	2	50%
PAPER & BOARD	13	7	53.8%
PHARMACEUTICALS & MEDICAL EQUIPMENT	4	2	50%

SECTOR	Number	Sample size	50% Sample
PLASTIC & RUBBER	24	12	50%
LEATHER & FOOTWEAR	2	1	50%
METAL & ALLIED	18	9	50%
TEXTILES & APPARELS	10	5	50%
TIMBER, WOOD & FURNITURE	3	1	33.3%
Total	108	54	50%

3.5 Data Collection

Primary data is data that you collect yourself using such methods as direct observation which allows one to focus on details of importance and to see a system in real rather than theoretical use. Primary data can also be sourced from surveys; written surveys allow for collection of considerable quantities of detailed data.

The study used both primary data and secondary data. Primary data was data collected through the questionnaire about preferred market entry strategies. Secondary data constituted the financial performance of the multinational manufacturing firms for a period of 5 years (2007- 2011). The secondary data collected was profitability (ROA) and Market share from the NSE hand book 2012.

The study used a questionnaire as the preferred data collection tool. Structured questions were therefore used in an effort to conserve time and money as well as to facilitate an easier analysis as they are in immediate usable form; while the unstructured questions were used so as to encourage the respondent to give an in-depth and felt response. The questionnaire had both open ended and close ended questions. The questionnaire designed in this study comprise of four sections.

- i. The first part was devoted to collecting data on firm characteristics of the multinationals.
- ii. The second section was on the market entry strategy used by manufacturing MNCs
- iii. The third part investigated the motives for choosing particular market entry strategies

- iv. The fourth was on the influence of market entry strategies to performance of multinationals.

3.6 Data Analysis and Presentation

This study used the quantitative method of data analysis. Quantitative methods of data analysis included inferential and descriptive statistics. The rationale for using quantitative methods for data analysis is because some of the data results required quantitative interpretation. For instance, 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). The tool for data analysis was Statistical Package for Social Sciences (SPSS) version 17 program. The choice of the data analysis technique was justified and informed by the study objectives. The study objectives sought to establish the influence of international market entry strategies on the performance of manufacturing multinationals in Kenya. To establish the “influence” regression analysis was appropriate. The results were presented using tables and pie charts to give a clear picture of the research findings

The regression model for profitability was as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Y= profitability

X1=Licensing

X2=joint venture

X3=Foreign Direct Investment

X4=Exporting

e=error term

b₁;b₂,b₃,b₄= regression coefficients

The regression model for market share was as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Y= Market Share

X1=Licensing

X2=joint venture

X3=Foreign Direct Investment

X4=Exporting

e=error term

b₁;b₂,b₃,b₄= regression coefficients



CHAPTER FOUR: FINDINGS

4.1 Introduction

In this chapter, the data collected during the research was analyzed and reported. This chapter looked at the realized sample in comparison to the planned sample, consequently resulting to the response rate derived for the study. The realized sample became a representation of the study's results and findings as per the administered questionnaires administered to the selected respondents. The sample respondents were derived from multinational Manufacturing companies in Kenya. Data collected was presented in the form of frequency distribution tables, bar graphs and pie charts. A total of 38 responses/questionnaires were received out of a possible 54 Questionnaires. This represented an overall successful response rate of 70%. According to Mugenda & Mugenda (2003), a response rate of 50% or more is adequate. Babbie (2004) also asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good.

4.2 Demographics

The respondents were asked to indicate the position they hold in the organization. Majority (61%) of the respondents indicated financial manager while 39% of the respondents indicated operational manager. The findings imply that all the respondents were aware of the issues related to market entry strategies hence this may have resulted to more accurate results. The respondents were asked to indicate the period they have been in that position in the company. Majority (50%) of the respondents indicated 6-10 years while 32% of the respondents indicated 11-15 years and 18% of the respondents indicated up to 5 years. The findings imply that the respondents had been in the company long enough to know the issues being researched on. The study sought to establish the level of education for the respondents. The findings were presented in table 4.1.

As illustrated in table 4.1, the findings revealed that a majority (55%) of the respondents had master's degree, while 32% of the respondents had attained bachelor's degree and 13% of the respondents indicated they had attained PhD doctorate. These results imply that the managers had high academic qualifications and this may have a positive implication on their decision making capacity on the choice of market entry strategies. The respondents were asked to indicate the length of period of operation in Kenya. Results are presented in figure

4.1. Majority (60%) of the respondents indicated over 10 years while 24% of the respondents indicated 6-10 years and 16% of the respondents indicated 2 to 5 years. The findings imply that the organizations had existed for a long period and hence they have enough experience on the use of market entry strategies. The respondents were asked to indicate the listing status of the companies. Results are presented in table 4.1. Results revealed that majority 63% of the respondents indicated not listed while 37% indicated listed. The findings may have an implication on the choice of market entry strategies. In addition, listed firms may have different motivations and factors affecting their choice of market entry strategies compared to non listed firms. The respondents were asked to indicate the sector their companies operate in. The finding is presented in table 4.1 Of those who responded, 66% indicated that they are in non-agro base subsector while the rest are agro based. The findings may have an implication on the choice of market entry strategies. In addition, agro based firms may have different motivations and factors affecting their choice of market entry strategies compared to non agro firms. The respondents were asked to indicate the number of the employees in the companies. Results are presented in Table 4.1. Results in table 4.1 revealed that majority 68% of the respondents indicated over 150 employees while 32% indicated 51 to 150 employees. The findings imply that the organizations were large enough and that they fell into the categories of large business. Table 4.1 shows the summary of the demographic information about the respondents

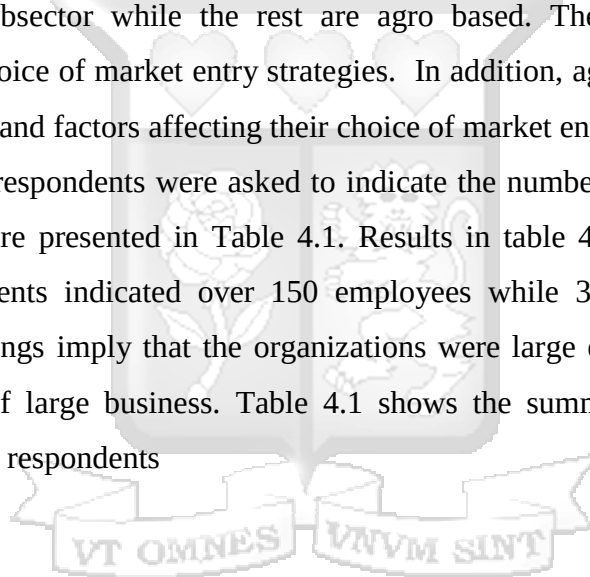


Table 4. 1: Demographic information

	Characteristic	Percent
Position held in Organization	Finance Manager	61
	Operational manager	39
Length of period in position	11-15 years	32
	6-10 years	50
	up to 5 years	18
Level of Education	PHD/Doctorate	13
	Masters	55
	Bachelors	32
Length of period in operation	over 10 years	60
	6-10 years	24
	2-5 years	16
Listing Status	Listed	37
	Non listed	63
Company's Sector	Agro based	34
	Non agro based	66
Number of Employees	Over 150	68
	51-150	32

4.3 International market entry strategies used by manufacturing multinationals

The study sought to identify the international market entry strategies by manufacturing multinationals in Kenya. Results in table 4.2 revealed that firms use different market strategies. A majority (74%) of the respondents indicated that they have used licensing as the market entry strategy while 82% of the respondents indicated whole owned subsidiaries and 87% of the respondents indicated joint venture.

In addition, majority (89%) of the respondents indicated exporting as the market entry strategy used by manufacturing multinationals, while 84% of the respondents indicated franchising and 74% indicated direct investment. Finally, 76% of the respondents indicated strategic alliances as the market entry strategy used by manufacturing multinationals.

The findings imply that the manufacturing forms in Kenya use several market entry strategies. The finding also imply that manufacturing firms in Kenya do not rely on only market entry strategies since there are gains to be made and advantages to be exploited when sing different market entry strategies. Results are presented in table 4.2 below.

Table 4.2: Market entry strategy

	No	Yes
Licensing	26%	74%
Whole Owned Subsidiaries	18%	82%
Joint venture	13%	87%
Exporting	11%	89%
Franchising	16%	84%
Direct Investment	26%	74%
Strategic Alliances	24%	76%

4.3.1 Extent to which the marketing entry strategies are used

The study sought to determine the extent to which each of the above market entry strategies have been used. Results are presented in Table 4.3 below:

Table 4.3: Descriptive Statistics for Extent to which the marketing entry strategies are used

	N	Minimum	Maximum	Mean	Std. Deviation
Licensing	38	1	5	3.79	1.580
Whole Owned Subsidiaries	38	1	5	4.00	1.208
Joint venture	38	1	5	3.89	1.226
Exporting	38	1	5	4.29	.768
Franchising	38	1	5	3.66	1.341
Direct Investment	38	1	5	3.71	1.431
Strategic Alliances	38	1	5	3.74	1.288
Valid N (listwise)	38				

As illustrated in Table 4.3, licensing attracted a mean of 3.79 to show that respondents agreed it was used to a large extent. Whole owned subsidiaries attracted a mean of 4.0, Joint venture had a mean of 3.89 and exporting attracted a mean of 4.29. In addition, franchising got a mean of 3.66, direct investment had a mean of 3.71 and strategic alliances attracted a mean of 3.74. These findings imply that manufacturing firms in Kenya used the marketing strategies to large extent.

4.4 Motive behind the choice of market entry strategies by manufacturing multinationals

The study sought to establish the motive behind the choice of market entry strategies by manufacturing multinationals in Kenya. Results in table 4.4 revealed that majority (58%) of the respondents indicated resource availability as the motive behind the choice of market entry strategy while 66% of the respondents indicated company competence and 58% of the respondents indicated competition in the market.

Sixty six percent of the respondents indicated size of the host country, while 61% of the respondents indicated availability of possible partnering firms with host country and another 61% of the respondents indicated host country requirements as the motives behind the choice of market entry strategy. Finally, majority (61%) of the respondents indicated state of firm development as one of the considerations for choosing international market entry strategy.

The findings imply that the motives for choosing market entry strategies are informed by the macro environmental forces such as host country requirements and size of host market, industry specific forces such as competition in the market and firm specific factors such as company competences and capacities and resources available.

Table 4.4: Factors for Choosing Particular Market Strategy

	No	Yes
Resources available	42%	58%
Company competences and capacities	34%	66%
Competition in the market	42%	58%
Size of host country market	34%	66%
Availability of possible partnering firms with host country	39%	61%
Host country requirements	39%	61%
State of firm development	39%	61%

4.4.1 Extent to which each market entry strategy is prioritized

The study sought to determine the extent to which each of the market entry strategies were prioritized. Results are presented in Table 4.5:

Table 4.5: Descriptive Statistics for Prioritization of Market Entry Strategies

	N	Minimum	Maximum	Mean	Std. Deviation
Resources available	38	2	5	3.89	1.034
Company competences and capacities	38	2	5	3.92	1.075
Competition in the market	38	2	5	4.00	1.013
Size of host country market	38	2	5	4.11	.953
Availability of possible partnering firms with host country	38	2	5	3.95	1.064
Host country requirements	38	2	5	3.92	1.050
State of firm development	38	2	5	4.16	.973
Valid N (listwise)	38				

Results in Table 4.5 reveal that manufacturing firms in Kenya prioritized the marketing strategies differently. Resources availability attracted a mean of 3.89, company competence and capacities attracted a mean of 3.92 and competition in the market attracted a mean of 4.0. Furthermore, size of the host country market had a mean of 4.11, availability of possible partnering firms with host country had a mean of 3.95 and host country requirements attracted a mean of 3.92. Finally, state of the firm development attracted a mean of 4.16. The findings imply that manufacturing firms prioritized the extent to which they used strategies based on the above factors. The factor that had a high mean implies that it was used to a large extent.

4.5 Influence of market entry strategies on the performance of manufacturing multinationals

The study sought to examine the influence of market entry strategies on the performance of manufacturing multinationals in Kenya. The respondents were asked to indicate the

organization performance indicators that their organization consider when reporting performance. Results revealed that all organizations considered profitability and market share 100%.

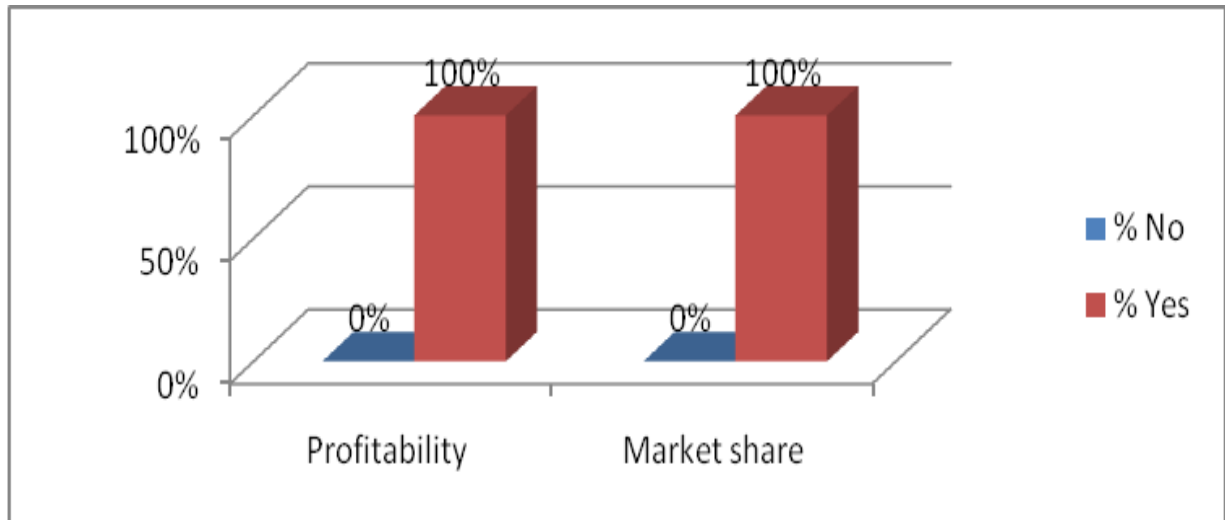


Figure 4.1: Performance indicators

4.5.1 Influence of market entry strategies on profitability

The study sought to examine the influence of market entry strategies on the profitability of manufacturing multinationals. Results are presented in Table 4.5 below.

Table 4.6: Descriptive Statistics for Influence of Market Entry Strategies on Profitability

	N	Minimum	Maximum	Mean	Std. Deviation
Exporting	38	2	5	3.13	1.298
Licensing	38	2	5	3.26	1.201
Wholly owned subsidiaries	38	2	5	4.34	.847
Franchising	38	3	5	4.29	.611
Joint Venture	38	2	5	3.50	.923
Direct Investment	38	2	5	3.39	1.152
Strategic Alliances	38	2	5	3.39	1.220
Valid N (listwise)	38				

Results indicate that market entry strategies had influence on profitability of manufacturing firms in Kenya. This evident by the means that the marketing strategies attracted. Exporting

attracted a mean of 3.13, licensing attracted a mean of 3.26 and wholly owned subsidiaries attracted a mean of 4.34. In addition, franchising attracted a mean of 4.29, joint venture had a mean of 3.50, direct investment had a mean of 3.39 and strategic alliances attracted a mean of 3.39. The findings imply that market entry strategies had an effect on the profitability of the firms

4.5.2 Influence of market entry strategies on Market Share

The study sought to examine the influence of market entry strategies on market share of manufacturing multinationals. Results are presented in Table 4.7 below

Table 4.7: Descriptive Statistics for Influence of Market Entry Strategies on Market Share

	N	Minimum	Maximum	Mean	Std. Deviation
Exporting	38	2	5	3.11	1.311
Licensing	38	2	5	3.24	1.218
Wholly owned subsidiaries	38	2	5	4.34	.847
Franchising	38	3	5	4.29	.611
Joint Venture	38	2	5	3.45	.978
Direct Investment	38	2	5	3.39	1.152
Strategic Alliances	38	2	5	3.29	1.293
Valid N (listwise)	38				

Results in Table 4.7 indicate that exporting attracted a mean score of 3.11, licensing attracted a mean of 3.24 and wholly owned attracted a mean of 4.34. In addition, franchising attracted a mean of 4.29, joint venture had an average mean of 3.45, direct investment had an average mean of 3.39 and strategic alliances attracted an average mean of 3.29. These findings imply that marketing strategies had an effect on market share of the firms.

4.6 Inferential Statistics

4.6.1 Multivariate Regression of Market Entry and Profitability

Regression analysis was conducted to empirically determine whether strategic alliances were a significant determinant of profitability. Regression results in table 4.8 indicate the goodness of fit for the regression between strategic alliances and profitability is satisfactory. An R squared of 0.322 indicates that 32.2% of the variances in profitability are explained by the variances in strategic alliances

Table 4.8: Model Fitness of Market Strategies and Profitability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.567 ^a	.322	.163	10822930099.555

a. Predictors: (Constant), Strategic Alliances, Joint Venture , Wholly owned subsidiaries, Franchising, Direct Investment, Exporting, Licensing

ANOVA results were presented in Table 4.9 below. ANOVA statistics indicate that the overall model was insignificant. This was supported by an F statistic of 2.031 and p value of 0.084. The reported probability was more than the conventional probability of 0.05 (5%) significance level.

Table 4.9: ANOVA for Market Strategies and Profitability

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.665E+21	7	2.379E+20	2.031	.084 ^b
1 Residual	3.514E+21	30	1.171E+20		
Total	5.179E+21	37			

a. Dependent Variable: Av_Profitability

b. Predictors: (Constant), Strategic Alliances, Joint Venture , Wholly owned subsidiaries, Franchising, Direct Investment, Exporting, Licensing

Regression results in Table 4.10 indicate that the relationship between profitability and licensing, joint venture is positive and significant while positive and insignificant with direct investment and strategic alliances. However there was negative and insignificant relationship between Exporting, Franchising, Wholly owned subsidiaries and profitability

Table 4.10: Regression Coefficients for Market Strategies and Profitability

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-5957630307.440	36324187511.358		-.164	.871
Exporting	-1031801093.454	2330398091.807	-.113	-.443	.661
Licensing	8985343860.330	3143934411.446	.912	2.858	.008
Wholly owned subsidiaries	-5559651689.444	2632088854.774	-.398	-2.112	.043
Franchising	-4647469565.357	4134601344.760	-.240	-1.124	.270
Joint Venture	6780153598.909	2923245420.487	.529	2.319	.027
Direct Investment	3162755638.705	2763714125.907	.308	1.144	.262
Strategic Alliances	42981057.213	1671525019.536	.004	.026	.980

a. Dependent Variable: Av_Profitability

4.6.2 Multivariate Regression of Market Strategies and Market Share

Regression analysis was conducted to empirically determine whether strategic alliances were a significant determinant of profitability. Regression results in table 4.11 indicate the goodness of fit for the regression between strategic alliances and profitability is satisfactory. An R squared of 0.246 indicates that 24.6% of the variances in market share are explained by the variances in market entry strategies

Table 4. 11: Model Fitness of Market Strategies and Market Share

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.496 ^a	.246	.071	.038655863

a. Predictors: (Constant), Strategic Alliances, Joint Venture , Wholly owned subsidiaries, Franchising, Direct Investment, Exporting, Licensing

ANOVA results in Table 4.12 indicate that the overall model was insignificant. This was supported by an F statistic of 1.402 and p value of 0.241. The reported probability was more than the conventional probability of 0.05 (5%) significance level.

Table 4. 12: ANOVA for Strategies and Market Share

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.015	7	.002	1.402	.241 ^b
Residual	.045	30	.001		
Total	.059	37			

a. Dependent Variable: market

b. Predictors: (Constant), Strategic Alliances, Joint Venture , Wholly owned subsidiaries, Franchising, Direct Investment, Exporting, Licensing

Regression results in Table 4.13 indicate that the relationship between market share and licensing is positive and significant while positive and insignificant with direct investment, joint venture and exporting. However there was negative and insignificant relationship between Franchising, Wholly owned subsidiaries, strategic Alliances and market share.

Table 4.13: Regression Coefficients for Strategies and Market Share

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.042	.130		-.326	.746
Exporting	.000	.008	-.009	-.034	.973
Licensing	.026	.011	.770	2.288	.029
Wholly owned subsidiaries	-.014	.009	-.306	-1.540	.134
Franchising	-.011	.015	-.164	-.728	.472
Joint Venture	.019	.010	.436	1.813	.080
Direct Investment	.011	.010	.315	1.111	.275
Strategic Alliances	-.002	.006	-.063	-.346	.732

a. Dependent Variable: market

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study sought to assess the influence of market entry strategies on performance of manufacturing multinationals in Kenya. The purpose of this chapter is to discuss and summarize the findings of the study and finally give conclusions and recommendations for improvement or practice. This will be done with justification from the data that was collected and analyzed.

5.2 Summary

The general objective of this study was to assess the influence of market entry strategies on performance of manufacturing multinationals in Kenya.

Study findings indicated that (61%) of the respondents were financial managers and a majority (50%) of the respondents had worked in those positions for 6-10 years. A majority (55%) of the respondents had master's degree, while 32% of the respondents had attained bachelor's degree and 13% of the respondents indicated they had attained PhD doctorate. Sixty percent of the respondents indicated the multinationals had been in operation in Kenya for over 10 years. A majority (63%) of the respondents indicated the firms as not listed while 66% of the respondents indicated that the firms were in non agro based sector. Finally majority (68%) of the respondents indicated that the firms had over 150 employees while 32% indicated 51 to 150 employees.

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. Results further indicated that the firms used these market strategy entries to a large extent. Regression results indicated that all the market entry strategies had an influence on performance of the firm (profitability and market share).

The study findings also indicated that there are various factors to consider or motives behind the choice of a market entry strategy. These factors or considerations include 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.

5.3 Discussion of Findings

This section presents the discussion of the key findings of the study based on the already reported research questions.

5.3.1 International Market Entry Strategies used by Manufacturing Multinationals

The first objective of the study was to identify the international market entry strategies by manufacturing multinationals. Results revealed that majority 74% of the respondents indicated that they have used licensing as the market entry strategy while 82% of the respondents indicated whole owned subsidiaries and 87% of the respondents indicated joint venture. The findings agree with those in Agarwal and Ramaswami (1992) who suggested that the most commonly used entry modes are exporting, licensing, joint venture and sole venture.

In addition, majority 89% of the respondents indicated exporting as the market entry strategy used by manufacturing multinationals, while 84% of the respondents indicated franchising and 74% indicated direct investment. Finally, 76% of the respondents indicated strategic alliances as the market entry strategy used by manufacturing multinationals. The findings also agree with those in Caves (1982) who identified four basic ways to expand internationally, from the lowest to the highest risk: exporting; licensing and franchising; strategic alliances; and wholly owned foreign subsidiaries. The findings also agree with those in Cateora and Graham (2002) who stated there are six basic strategies for entering a new market: export/import, licensing and franchising, joint venturing, consortia, partially-owned subsidiaries, and wholly-owned subsidiaries.

The study sought to determine the extent to which each of the above market entry strategies have been used. The study findings indicated that licensing attracted a mean of 3.79 to show that respondents agreed it was used to a large extent. Whole owned subsidiaries attracted a mean of 4.0, Joint venture had a mean of 3.89 and exporting attracted a mean of 4.29. In addition, franchising got a mean of 3.66, direct investment had a mean of 3.71 and strategic

alliances attracted a mean of 3.74. These findings imply that manufacturing firms in Kenya used the marketing strategies to large extent. The findings concur with those in Tallman & Fladmoe-Lindquist (2002) who argued that joint ventures have also been noted as vehicles for learning since cooperation with a local partner provides the focal firm an opportunity to utilize the partner's local market knowledge and social and business ties. The findings also agree with those in Wilkinson and Nguyen, (2003) who asserted that non equity modes of market entry strategy do not involve ownership and include exporting or some form contractual agreements such as licensing or franchising.

5.3.2 Factors Influencing Choice of Market Entry Strategies by Manufacturing Multinationals

The other objective of the study was to establish the motive behind the choice of market entry strategies by manufacturing multinationals. Results revealed that majority 58% of the respondents indicated resources available as the motive behind the choice of market entry strategy while 66% of the respondents indicated company competence and 58% of the respondents indicated competition in the market.

Sixty six percent of the respondents indicated size of the host country, while 61% of the respondents indicated availability of possible partnering firms with host country and another 61% of the respondents indicated host country requirements as the motives behind the choice of market entry strategy. Finally, majority 61% of the respondents indicated state of firm development as one of the considerations for choosing international market entry strategy. The findings agree with those in (Agarwal and Ramaswami, 1992; Kwon and Konopa, 1993; Root, 1994; Terpstra and Yu, 1988) who asserted that the size of the host country is an important attraction to foreign direct investment and target country market characteristics affect the choice of market servicing modes.

The study sought to determine the extent to which each of the market entry strategies were prioritized. Results revealed that manufacturing firms in Kenya prioritized the marketing strategies differently. Resources availability attracted a mean of 3.89, company competence and capacities attracted a mean of 3.92 and competition in the market attracted a mean of 4.0. Furthermore, size of the host country market had a mean of 4.11, availability of possible

partnering firms with host country had a mean of 3.95 and host country requirements attracted a mean of 3.92. Finally, state of the firm development attracted a mean of 4.16. The findings imply that manufacturing firms prioritized the extent to which they used strategies based on the above factors. The factor that had a high mean implies that it was used to a large extent. The findings concur with those in Kim and Hwang, (1992) who asserted that firms which have prior host market experience are more likely to choose a FDI mode

5.3.3 Influence of Market Entry Strategies on the Performance of Manufacturing Multinationals

Another objective of the study was to examine the influence of market entry strategies on the performance of manufacturing multinationals.

The study sought to examine the influence of market entry strategies on the profitability of manufacturing multinationals. Results indicate that market entry strategies had influence on profitability of manufacturing firms in Kenya. This evident by the means that the marketing strategies attracted. Exporting attracted a mean of 3.13, licensing attracted a mean of 3.26 and wholly owned subsidiaries attracted a mean of 4.34. In addition, franchising attracted a mean of 4.29, joint venture had a mean of 3.50, direct investment had a mean of 3.39 and strategic alliances attracted a mean of 3.39. The findings imply that market entry strategies had an effect on the profitability of the firms. The findings disagreed with those in Westhead (1995), who during his cross-sectional study of new firms in Great Britain, focused upon the performance of firms engaged in manufacturing and producer services activities and asserted 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, 2001).

Regression analysis was conducted to empirically determine whether market entry strategies were a significant determinant of profitability. The findings indicate that the variances in profitability are as a result of the variances in the extent which the market entry strategies are used. The relationship between profitability and exporting, licensing, wholly owned subsidiaries, franchising, joint venture, direct investment and strategic alliances show a

positive and significant relationship. The findings agree with those in Kirca, (2005) who asserted that market entry strategies affects business performance in the context of manufacturing industries and choosing the right entry strategies is one of the key points in international marketing. The findings also agreed with those in Ekeledo & Sivakumar, (1998) who argued that these strategies have an effect on performance and duration of it through determining the method and allocating essential and sufficient resources.

The study sought to examine the influence of market entry strategies on market share of manufacturing multinationals. Results revealed that that exporting attracted a mean score of 3.11, licensing attracted a mean of 3.24 and wholly owned attracted a mean of 4.34. In addition, franchising attracted a mean of 4.29, joint venture had an average mean of 3.45, direct investment had an average mean of 3.39 and strategic alliances attracted an average mean of 3.29. These findings imply that marketing strategies had an effect on market share of the firms.

Regression analysis was conducted to empirically determine whether market entry strategies were a significant determinant of market share. The findings indicate that the variances in market share are as a result of the variances in the extent which the market entry strategies are used. The relationship between market share and exporting, licensing, wholly owned subsidiaries, franchising, joint venture, direct investment and strategic alliances show a positive and significant relationship. The findings agree with those in (Kouck et al 2003, Karkkainen 2005, Shi et al 2002) who indicated that entry strategies affect export 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.

5.4 Conclusion

The study made the following conclusion based on the key findings:

It was possible to conclude that manufacturing multinational firms used more than one market entry strategy to venture into business. This was probably to enhance the firm's performance. It was also possible to conclude that the firms used licensing and direct investment to a very large extent and wholly owned subsidiaries, joint venture, franchising

and strategic alliances to a large extent. It was possible to conclude that there are various factors that manufacturing multinational firms consider 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 performance of firms.

5.5 Recommendations

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.

The study recommends that further investigation be done on the effect of market entry strategies in public and private organizations.

5.6 Limitations of the Study

Several limitations were experienced in this study, for example resistance from respondents primarily because they were suspicious of the study intentions although they were assured of their anonymity and the findings were to be used purely for academic purposes. The accuracy of the results depended on the honesty of the respondents, though with the assurance given to officers it is the hope of the Researcher that honest responses were given.

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QUESTIONNAIRE

APPENDIX II QUESTIONNAIRE

Introduction

This questionnaire is meant to aid in assessing the influence of international market entry strategies on the performance of manufacturing multinationals in Kenya. Specifically, it involves aspects of foreign market entry strategies, motives behind its choice of market entry strategy and implementation of entry strategies on firm performance.

Section A: General Information (Tick as appropriate)

1. Respondents Information

- i) Please indicate the position you hold in the company _____
- ii) How long have you been in this position?
 - Up to 5 years ☐
 - 6-10 years ☐
 - 11-15 years ☐
 - 16-20 years ☐
 - Above 20 years ☐
- iii) Please indicate (✓) your highest level of education?

O level ☐	A level ☐
Certificate ☐	Diploma ☐
Bachelors Degree ☐	Masters Degree ☐
Ph.D/Doctorate ☐	

2. Firm Characteristics

- i) Length of period in operation in Kenya
 - a) About 1 year
 - b) 2 to 5 years
 - c) 6 to 10 years
 - d) Over 10 years
- ii) Listing status
 - a) Listed
 - b) Non listed
- iii) Sector

- a) Agro based
- b) Non Agro based
- iv) Number of employees
 - a) Less than 50 employees
 - b) 51 to 150 employees
 - c) Over 150 employees

Section B: Market Entry Strategy used by manufacturing MNCs.

3 Please tick the mode of international market entry used by your company.

	Yes	No
i) Licensing		
ii) Whole Owned Subsidiaries		
iii) Joint venture		
iv) Exporting		
v) Franchising		
vi) Direct Investment		
vii) Strategic Alliances		
Others_Please indicate----- -----		

4 Please state the extent to which each of the above market entry strategies have been used (if used) on a scale of 1 to 5, where 1 represents very small extent and 5 represents very large extent.

Very large Extent =5, Large Extent =4, Moderate Extent =3, Small extent =2, Very small extent =1

Statement	Very small extent	Small extent	Moderate Extent	Large Extent	Very large Extent
	1	2	3	4	5
i) Licensing					
ii) Whole Owned Subsidiaries					
iii) Joint venture					
iv) Exporting					
v) Franchising					
vi) Direct Investment					
vii) Strategic Alliances					
viii) Others- Please specify					

Section C: The Motivations for Choosing Particular Market Entry Strategies

4. Below is a list of possible considerations for choosing an international market entry strategy. Tick the ones that your organization considers

- i) Resources available []
- ii) Company competences and capacities []
- iii) Competition in the market []
- iv) Size of host country market []
- v) Availability of possible partnering firms with host country []
- vi) Host country requirements []
- vii) State of firm development []

5. On each of the strategies that have been pursued, please rate the extent to which each is prioritized using a likert scale

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

Consideration	<i>Strongly Agree=5</i>	<i>Agree=4</i>	<i>Agree nor Disagree=3</i>	<i>Disagree=2</i>	<i>Strongly disagree=1</i>
i) Resources available					
ii) Company competences and capacities					
iii) Competition in the market					
iv) Size of host country market					
v) Availability of possible partnering firms with host country					
vi) Host country requirements					
vii) State of firm development					

Section D: The Influence of Market Entry Strategies to Performance of Multinationals.

6. Below is a list of organization performance indicators. Tick the ones that your organization considers when reporting performance

- i) Profitability []
- ii) Market share []

7. Please indicate how -the extent- each of the market strategies used by your firm affects each of their indicators using a 5 point likert scale.

- i) Profitability

Entry strategy	<i>Strongly</i>	<i>Agree=4</i>	<i>Agree nor</i>	<i>Disagree</i>	<i>Strongly</i>
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	<i>Agree=5</i>		<i>Disagree=3</i>	<i>=2</i>	<i>disagree=1</i>
Exporting					
Licensing					
Wholly owned subsidiaries					
Franchising					
Joint Venture					
Direct Investment					

ii) Market share

Entry strategy	<i>Strongly Agree=5</i>	<i>Agree=4</i>	<i>Agree nor Disagree=3</i>	<i>Disagree =2</i>	<i>Strongly disagree=1</i>
Exporting					
Licensing					
Wholly owned subsidiaries					
Franchising					
Joint Venture					
Direct Investment					

8. Indicate your level of performance for the following years.

Statement	Profitability	Market Share
2007		
2008		
2009		
2010		
2011		

9. Please state any other effect of entry strategy on firm's performance.

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MANUFACTURING FIRMS LIST

Serial No.	Name of Company	Serial No.	Name of Company
A	BUILDING, CONSTRUCTION & MINING	31	British American Tobacco Kenya Ltd
1	Athi River Mining Ltd	32	Brookside Dairy Ltd
2	Bamburi Cement Ltd	33	Coca Cola East Africa Ltd
3	East Africa Portland Cement Co. Ltd	34	Cadbury Kenya Ltd
B	CHEMICAL & ALLIED	35	Eastern Produce (K) Ltd.(Kakuzi Ltd).
4	Bayer East Africa Ltd	36	East African Breweries Ltd
5	BOC Kenya Ltd	37	Eastern Produce Kenya Ltd (+ Kakuzi Ltd)
6	Chemicals and Solvents (E.A) Ltd	38	London Distillers Co. Ltd.
7	Colgate Palmolive (E.A.) Ltd	39	Jambo Biscuits (k) Ltd
8	Crown Berger Kenya Ltd	40	Kapa Oil Refineries Ltd
9	Cooper K-Brands Ltd	41	Kenchic Ltd
10	Osho chemicals industries ltd	42	Corn Products Kenya Ltd.
11	Crown Paints Co. Ltd.	43	Kenya Tea Development Agency
12	Vitafoam Co. Ltd.	44	Kenya Wine Agencies Ltd
13	Orbit Chemicals Ltd.	45	Koba Waters Ltd
14	Inter-Consumer Products Ltd.	46	Manji Food Industries Ltd
15	Johnson Diversey East Africa ltd	47	Mastermind Tobacco (k) Ltd
C	ENERGY, ELECTRICAL AND ELECTRONICS	48	Nairobi Bottlers Ltd
16	PCTL Co. Ltd.	49	Nairobi Flour Mills Ltd
17	East African Cables Ltd	E	LEATHER & FOOTWEAR
18	Optimum Lubricants Ltd.	50	Bata Shoe Co. (K) Ltd
19	Holman Brothers (E.A) Ltd.	51	East Africa Tanners (k) Ltd
20	Kenya Shell Ltd	F	METAL & ALLIED
21	Oilibya (K) Ltd.	52	Reliable Engineering Co. Ltd.
22	Manufactures & Suppliers (k) Ltd	53	East African Foundry Works (k) Ltd

D	FOOD & BEVERAGE	54	Kens Metal Industries Ltd.
23	Patco Industries Ltd	55	Friendship Container Manufacturers Ltd
24	Nestle Foods Kenya Ltd	56	General Motors East Africa Ltd
25	Proctor & Allan (E.A) Ltd.	57	Impala Glass Industries Ltd
26	Unga Group Ltd	58	Mabati Rolling Mills Ltd
27	Pembe Flour Mills Ltd	59	Nails & Steel Products Ltd
28	Aquamist Ltd	60	Orbit Engineering Ltd
29	Premier Flour Mills Co. Ltd	61	Steel makers Ltd
30	Eldoret Grains Ltd.	62	Steelwool (Africa) Ltd
G	MOTOR VEHICLE & ACCESSORIES	90	Kingsway Tyres & Automart Ltd
63	Associated Battery Manufacturers (E.A) Ltd	91	Plastics & Rubber Industries Ltd
64	Pipe Manufacturers Ltd	92	Packaging Industries Ltd.
65	Auto Spring Manufacturers Ltd	93	King Plastic Industries Ltd
66	Toyota East Africa Ltd	93	Kenpoly Manufacturers Ltd
H	PAPER & BOARD	95	Kentainers Ltd
67	Carton Manufacturers Ltd	K	TEXTILES & APPARELS
68	East Africa Packaging Industries Ltd	96	Ken-Knit (Kenya) Ltd
69	Cartubox Industries (E.A) Ltd	97	Africa Apparels EPZ LTD
70	Colour Print Ltd	98	Alltex EPZ Ltd
71	United Bag Manufacturers Ltd	99	Spin Knit Limited
72	Kartasi Industries Ltd	100	Thika Cloth Mills Ltd
73	Nation Media Group Ltd.	101	Midco Textiles (EA) Ltd
74	The Standard Ltd.	102	Riziki Manufacturers Ltd
75	Tetra Pak Ltd	103	Le-Stud Ltd
76	Modern Lithographic Co. Ltd.	104	Straightline Enterprises Ltd
77	Printpak Multi Packaging Ltd.	105	Spinners & Spinners Ltd.
78	Bag and Envelop Converters Ltd.	L	TIMBER, WOOD & FURNITURE
79	Bags and Balers Manufactures (K) Ltd.	106	Economic Housing Group Ltd

I	PHARMACEUTICALS & MEDICAL EQUIPMENT	107	Furniture International Ltd
80	Beta Healthcare International Ltd	108	Timsales Ltd.
81	Cosmos Ltd		
82	Glaxo Smithkline Kenya Ltd		
83	Pharmaceutical Manufacturing Co. (k) Ltd		
J	PLASTIC & RUBBER		
84	Polythene Industries Ltd		
85	Sameer Africa Ltd		
86	General Plastics Ltd		
87	Haco Industries Kenya Ltd		
88	Nairobi Plastics Ltd		

