MODES OF INTERNATIONALIZATION AND PERFORMANCE OF AIRLINE FIRMS IN KENYA

BY

WINNIE JEBET CHEPTARUS

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

2017

DECLARATION

This research project is my original work and has not been presented to any other University or Institution for examination.

Signature: ………………………………… Date: ……………………………

Winnie Cheptarus

D61/72945/2014

This research project has been submitted for examination with my approval as the University supervisor

Signature: ………………………………… Date: ……………………………

Prof. Martin Ogutu

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

To my family!

ACKNOWLEDGEMENT

I am greatly indebted to my supervisor, Prof. Martin Ogutu, for offering guidance and support. Thank you for your time and availability. I also wish to acknowledge my friends and classmates for all the motivation and intense learning experiences during the period of study.

TABLE OF CONTENT

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

All the aspects involved in the internationalization process model complement each other. An organization's present position is the basis used by the organization to gather its knowledge. The overall knowledge of an organization eventually determines the organization's capability to recognize opportunities upon which decisions on relationship and commitment are made. A new position is formed after the decisions are made which lead to the organizations trust-building, learning and creating. With time, these subsequently lead to a new position in the network of the firm. This research focused on the influence of various modes of internalization on the firm's performance of airlines firms in Kenya. The study sought to discover the various modes of internalization adopted by airlines in Kenya and to establish the relationship between the various internalization modes and the firm performance of airlines in Kenya. This study was informed by three theories: market imperfections theory; the electric paradigm theory; and transaction cost analysis model.The study employed descriptive research design.There are approximately 66 airlines firms in the aviation industry in Kenya. The study targeted the 66 airlines operating in Kenya. The specific respondents were the CEO and the Senior Operations managers in the airline firms in Kenya. Fifty percent of these airlines were randomly sampled. A semi structure questionnaire was designed to mine primary data. The statistical package for social sciences (SPSS) was used to analyze the data. The results showed that there export modes of internationalization and performance of airline firms were positively and significantly related. The results also established a significantly positive correlation between Investment entry modes of internationalization and performance of airline firms. Investment Entry Modes increase the profit of the firms to a large extent. Applying export approaches to gain knowledge and experience in new markets leads to increased profitability of the firms. The study recommends that airlines firms should enter into partnership contracts or joint ventures.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The international entrepreneurship (IE) and the international business (IB) approaches seek to define two things about the internationalization process. Firstly, that the entry of firms to new markets is incremental (Johanson & Vahlne, 2009), and that international or global from (or near) formation (Knigh & Cavusgil, 2011). Several scholars have however explained internationalization as either incremental or born global although this argument has not been fully approved (Hadjikhani & Lemos 2014: Hinings & Malhotra, 2010). A business model by Teece (2010) articulates a different outlook which explains how a venture delivers and creates value to its customers and eventually makes profit.

Following the new interest and a more clear description of the business model, it was proposed that business models offer more informed insights, both for internationally recognized multinational corporations and other locally rooted service organizations (Zott, Amit & Massa, 2011).

There are a number of different theories used to enlighten the determinant of foreign entry mode decision. The current study is founded on three theories; the eclectic paradigm theory, transactional cost analysis model and the market imperfection theory. In addition, the study will draw from the network theory within the Uppsala model.

The aviation industry in Kenya has faced immense challenges in the last two decades ranging from operational inefficiency to poor foreign market entry approaches, hence the need for more studies on strategies that can be applied to make the aviation industry in Kenya more competitive in the international market. This study is the first attempt to put together different insights from new business models (Hennart, 2014; Arend, 2013; Teece, 2010) with some originating from previous studies on service internationalization which recommend that proper understanding of a business model enables us to question further on how organizational value is captured and created through the process of internationalization.

1.1.1 Firm Internationalization

Internationalization can be viewed as the evolution of an organization from elementary associations to its active involvement in the external market (Rispoli, 2002). According to the adaptation perspective, it is the process through which organizations follow in a bid to adjust to its operations so as to fit into global environments. This involves indulging in economic activities that are international; hence opening a network of associations with the rest of foreign players is important (Mathews, 2006). There are many factors that make a firm to go global and which vary among industries (Harris & Heywood, 2012).

Yip (2003) identified the market driver as key to internationalization. Customer's needs across different markets are similar thus companies can easily maneuver across the various markets. In addition, customer's needs are considered global similar customers in a market will require similar products or services in a different market. There have been significant improvements in international business in terms of improvement of global business environment, but even then, some countries and industries may be an exception to the rule. For example, there are still questions on the migration between certain countries.

According to Lu and Beamish (2001) the process of internationalization of a firm can be seen as a set of processes by which firms' business activities get connected to the transnational markets. The different ways of involvement include: Exports, Outward Foreign Direct Investment, Licensing and Strategic Alliances such as joint ventures, R&D collaborations. However, international expansion through outward FDI involves high risks and uncertainties which firms need to reduce. To this end, resource endowed firms have more leverage.

1.1.2 Firm Performance

This study attempted to add to this effort by testing and creating a one-sided level of performance which explains the areas of business performance (Ramanujam & Venkatraman, 1986). In this study, we base our operational definition of firm performance on the stakeholder theory since it allows us to differentiate between the performance outcomes and antecedents. It also provides us with a social angle to firm's objectives as well as creates an economic outlook conflict on value maximization.

According to Chakravarthy (1986) a good way to satisfy investors is through superior financial performance. However, comparing aviation enterprise performs is a composite method that includes evaluating the synergies among the environment, inner workings, and outside actions. The first approach is to look at the books of account of the firm. Rations are constantly applied to establish this. These ratios always offer a wider know-how of the organization monetary situation considering the fact that they're comprised of accounting information contained within the organization’s balance sheet and financial statements (Mwangi, 2013).

For the purpose of this study firm performance will be represented by both the financial and non financial measures. Financial measure includes increased profits, market value, return on equity and return on asset. A firm’s history on its ability to make returns is measured by profitability (Whetten, 2012). External measurements and expectations of the future of a firm’s performance are represented by its market value (Cha & Bryant, 2014). Non-financial measures of firm performance include customer satisfaction, employee learning and innovation, market growth (Ittner & Larcker, 2008). The current study will use market growth and customer satisfaction.

1.1.3 The Aviation Industry in Kenya

Kenya’s aviation sector comprises of the airlines, airports, air navigation and other ground services. In Kenya, over six million passengers and 283,000 tons of air freight are transported using the air transport infrastructure. Kenya Airways, Ethiopian Airways, British Airways, and Emirates Airline are some of the key players in Kenya’s aviation sector. The total number of passengers handled in 2015 increased by 7.9 per cent from 8,231,600 to 8,882,000. According to KIPPRA, 2013, the total traffic handled at the main airports improved during the review period, making the value to stand at 279,400 tons from 261,700 tons which was equated to be a 6.8% growth.

A report by the Oxford Economics for the year 2011 indicated that the aviation zone contributes approximately KES 24.8 billion (1.1%) to the Kenyan GDP, the sector supports over 46,000 jobs in Kenya and contributes to more than three billion Kenya

Shillings to the taxman. This therefore means that the sector contributes to the Kenyan economy (Oyieke, 2002).

Despite the high potential for growth the Aviation sector in Kenya faces immense challenges that have seen the overall performance of the sector decline drastically over the last decade (Kippra, 2015). The Kenyan aviation sector performs poorly because key stakeholders have not been able to establish a country's ability to boost its exports and to incorporate in the economy and trade costs. With liberalization continuing to decrease artificial trade barriers, the transport costs importance as an element of trade costs has been increasing. In most situations, the efficient protection rate provided by transport costs is more than one made accessible by tariffs. (Jones 2015), In addition, price volatility in the Kenyan aviation sector has seen few international airlines sign open-skies agreements which deny local airlines unexceptional opportunity to approximate to the result that a liberalized market has on transport costs.

1.2 Research Problem

All the aspects involved in the internationalization process model complement each other. An organization's present position is the basis used by the organization to gather its knowledge. The overall knowledge of an organization eventually determines the organization's capability to recognize opportunities upon which decisions on relationship and commitment are made. A new position is formed after the decisions are made which lead to the organizations trust-building, learning and creating. With time, these subsequently lead to a new position in the network of the firm. Johanson and Vahlne, (2009) this cycle of events and actions is how the authors of the Uppsala Model understand the internalization process, beginning with high uncertainty and low commitment, incrementally growing commitment and at the same time increasing knowledge.

Despite facing immense challenges, the Kenyan aviation industry pays a tax of Ksh. 3.2 billion, together with income tax receipts from social security contributions, employees contributions and corporation tax levied on profits, amid an additional Ksh. 1.4 billion of revenue from taxes from passenger departure, inclusive of VAT. The sector together with its supply chain raises another Ksh. 1.5 billion in tax income, and an extra Ksh. 1.4 billion is raised in taxation of the from the amount employees spend through various activities.

Vorgelergt (2014) did a comparative analysis on how internationalization in organizational affects performance among international US and German companies and found out that business internationalization is of very high importance to organizations, as it alters the significant task environment. The study however, falls short of establishing the specific linkages between the various internationalization practices and firm performance, the domain of the current study. McQuillan and Scott (2013) investigated a business model approach to the internalization of professional service firm, they established that frameworks that lead internationalization have contributed a lot on what we know on how organizations internationalize, however, there is no explanation on how organizations capture and create value from customers when internationalizing their activities. Palmer (2012) in his study of Internet-based service Born Globals, found out that Internet-based Service Born Globals (ISBGs) evolves through their internationalization process, particularly during their early stages of internationalization. Despite providing vital insights into the phenomenon of internationalization, the study fails to connect the main business model changes experienced by ISBGs during their internationalization stages to their performance and the main challenges driving these changes.

Locally, Alokipo (2016) conducted a descriptive survey on the internationalization of operations and the edge in competition in the banking sector and established a relationship that is positive between the extent of internationalization and the level of competitive advantage. A correlation analysis between the rank of banks according to their extent of internationalization and the rank of the banks according to the percentage of important advantages gained revealed a strong correlation. Kitavi (2013) carried out a study on the factors affecting internationalization of Davis and Shirtliff Ltd in the East African region and revealed that firm factors including size, age and staff composition affect the firm's internationalization process. Gikundi (2015) conducted a study on effects of speed of internationalization on performance of listed indigenous financial services companies in Kenya. The study used secondary data only thus presenting a methodological gap. The current study used both primary and secondary data. These studies however falls short of examining the influence of the various modes of internationalization that the company has adopted over the years on its performance.

Despite the fact that numerous studies have been conducted on internationalization, most studies have focused on the developed world. Consequently, literature on internationalization and particularly the influence of modes of internationalization on firm performance in Kenya remains scant. Against this backdrop, the current study aimed at establishing the relationship between the modes of internationalization adopted by airline firms in Kenya and their firm performance. The study attempted to respond to these questions: Which modes of internationalization have been adopted by airlines firms in Kenya? Is the relationship between the various internationalization modes and the firm performance of airline firms in Kenya known?

1.3 Research Objectives

This research focused on the influence of various modes of internalization on how Kenyan airlines perform. Specifically, the study sought to:

1. Identify the various modes of internalization adopted by airlines in Kenya;
2. Establish the relationship between the various modes of internalization and how Kenyan airlines perform.

1.4 Value of study

Findings at firm level will provide vital insights into the designing of international market entry strategies for firms in Kenya's aviation sector and beyond. Towards this end, this study aims at identifying the direct correlation between various internationalization modes and firm performance; hence will enable firm managers build their core competencies and agility in international business.

At managerial and policy level, it will be instrumental to policy makers and planners particularly in ministry of trade and industry in designing the overall foreign trade national strategy. In this context, this study will identify the strength of various modes of internationalization that the government can lay emphasis on in the process of promoting the export performance of firms in Kenya.

This study will give suggestions for further research, hence instrumental to academicians and future researchers. The current study aims at developing a conceptual model for analyzing how internationalization impacts firm performance.

While some of the findings of this study will corroborate past empirical findings, some of the findings of the study may contradict existing literature on internationalization processes, thus help refine existing theoretical perspectives.

CHAPTER TWO

LITERATURE REVIEW

The chapter reviewed the theoretical foundation of the study including market imperfections theory, the electric paradigm theory and transaction cost analysis model. The conceptual framework was also analyzed. The independent variable in this study was modes of internalization while the dependent variable was firm performance. Empirical literature was also reviewed and critiqued.

2.1Theoretical Foundation of the Study

This study was informed by three theories: market imperfections theory; the electric paradigm theory; and transaction cost analysis model.

2.1.1 Market Imperfections Theory

Developed by Hymer (1960) the market imperfections theory identifies the three main costs faced by a firm when adopting FDI strategies as; the cost of acquiring data and statistics (this depends language, culture, and laws of a country), and communication. This theory states that market imperfections and oligopolistic advantages are the reasons as to why companies internationalize through foreign direct investment (FDI). Companies being established in foreign countries face more risks and costs owing to protectionist entry barriers, or the limited knowledge in the new country.

Hymer (1960) and Moreira (2009) state that market imperfections theory points out the cases through which international cooperation’s are foreseen to occur. When sectors where organizations from different countries operate in the same market, or else do business together in an imperfect competition, an increased incentive to foreign direct investment can be a sign of collude in the host country, this way, there is an increased competitive advantage benefits over its competitors in both marketing and production.

The chosen method of entry is subjective to the organization's position .The power of decision making by the host country gives it total control with regard to licensing and control of all production activities. In oligopolistic competition, the local companies provide more favorable business conditions, but the company has to a competitor in all the countries it enters.

2.1.2 The Eclectic Paradigm Model

Dunning (1988) states that, the eclectic paradigm theory studies the production patterns implemented through FDI investments and the factors make a company to engage in producing internationally rather than exporting. The three major determinants include (Dunning, 2007; Hollensen, 2001) ; ownership advantages, firms in given country could have a competitive advantage over those from foreign countries since they possess certain assets not owned by the competitors , have easy access to assets and better asset management skills.

The advantages an organization could have in production in a foreign country involve both complementary assets such as marketing and managerial skills and its knowledge in the management of intangible assets and proximity advantages with regard to production in the home country. Value addition on assets is gained by organizations through assets through engaging in international trade or else, the company settles on exporting instead of setting base in a foreign country. Infrastructure for instance is a factor that could increase the value of the organization's assets.

The third main driver is; Foreign Direct Investments are greatly superior to exportation if activities are internalized which contribute to value addition in the company. The dynamics are specific to a country, and vary from industry to industry, and from firm to firm. If they all coexist, the organization enjoys a net advantage in organizing global production instead of doing business externally.

2.1.3 Cost of Transaction Analysis Theory

It was first introduced by Coase in 1937; who opined, "… a firm will tend to expand until the costs of organizing an extra transaction within the firm becomes equal to the costs of carrying out the same transaction by means of exchange on the open market or the costs of organizing in another firm". Transaction cost is that which organizations have to part with in order to protect themselves from their associate's opportunistic behaviors and the cost for managing the transactions of the organization. Such costs arise when an organization operates in a market that is imperfect, and as a result the organization's running is not definitely controlled by the forces of demand and supply.

Hollensen (2007) argues that in the context of internalization, both externalization and internalization are broader models which enable a company to foretell the mode of entry that that will be used by a company in choosing between exports and FDIs so when approaching a foreign market.

2.2 Modes of Internationalization

Internationalization model is an arrangement by the institution to enable the entry of an organization's human skills, technology, products and management of other assets into a foreign country (Root, 1987). According to Porter 2004, once an organization opts to penetrate an international market most times it's for the fact that there are financial or other advantages that push them to making such decisions. Pla-Barber &Sanchez-Peinado 2015 add that, a company choosing to set base in a new country is faced with very important decisions to make.

Hill et al (1990) assert that decisions on the mode of are subject to three variables; transaction, environment, and strategy. Issues under environment include involving risks of a country, familiarity of location and the competitive and demanding conditions in the foreign country. Whether or not the organization adapts the products to the new country or if they have the same products, the strategic variables still apply. According to Vahlne and Johanson(1977), the choice on what foreign country to penetrate is dependent on an organizations current state, its past experiences, access to assets, organizations past experience and composition of the target market.

Several studies have been carried out on foreign modes of entry; most of it has acknowledged existence of numerous issues likely to affect entrance to a market (Pla-Barber & Sanchez-Peinado, 2006); Enderwick and Chung (2001). According to Hill, et al. 1990, modes of entry can be commitment, level of control, and risk and resources involved. Control is the greatest influence.

Companies that want to penetrate into a new market have an array of the mode of entries to choose from, Root (1994) states there are three divisions. The first one is the group that enters the foreign markets through modes of exports and this includes exporting directly and indirectly, having a local company and distributing directly. Secondly, firms can enter into contracts, such as franchising, licensing, management contracts, service contracts, technical agreements, construction/turnkey contracts and co-production contracts. Thirdly is the investment mode of entry which includes new establishments, joint venture and sole ventures.

2.2.1. Export Modes

Enderwick and Chung (2001) argue that the most popular alternative are export modes. They consist of entries that are indirect, direct distribution and branch subsidiaries which are also direct (Root 1994). Bradely (2005) states that in general, exporting is the fastest and the simplest means to a new country. It allows the firm to gather experience as well as know-how of the foreign country (Porter 2004; Enderwick & Chung, 2001). Once an organization decides on the mode of entry, they also pick risk involvement and resources, and the level of commitment (Enderwick & Chung, 2001).

2.2.2 Contractual Entry modes

Contractual entry modes include franchising, licensing, technical agreements, management contracts, service contracts, construction/turnkey contracts, co-production contracts and other (Roots, 1994).

Bradely (2005) opines that when an organization provides other companies in a different country with the needed technology, at a fee, it is called licensing. Such licensing entails operation knowledge, one or a mixture of brand names, and right of entry to business secrets. The organization that is licensing the association/partnership gets entry to a new country at a considerably low cost of investment and gets the market know-how from already established and experienced local companies. This mode is favorable when the preferred has controlled FDIs and imports. Bradley 2005 adds that there are two ways in which one can license agreements; future and current technology license and current technology license. According to Bradley (2005), franchising is derived from licensing. Here, instead of the technology, the business format is licensed. He adds that this business structure is not new, even if it has recently become popular.

According to Duerr and Albaum (2008); Root (1994); Contract manufacturing is a combination between investment entry and licensing. The organization enters into a contract with a company in a new country to manufacture or assemble goods while retaining distribution and marketing functions (Duerr & Albaum, 2008). The global management contracts usually give the organization the full rights to manage the daily operations in the organization located in the new country. Often, the contract does not give the company to make any decisions on policy changes, capital investment, and new capital, assume debt that are long-term or alter ownership agreement (Duerr & Albaum, 2008); Root, 1994).

According to Duerr and Albaum (2008), Turnkey construction contract is an unusual arrangement, called the turkey construction contract by Root (1994). The customers acquire a comprehensive operation system including the skill to control the system. This mode of entry calls for training of the workforce, how the plant was formerly used and construction of plan.

2.3.3 Investment Entry modes

This mode is also referred to as; Foreign Direct Investment (FDI) (Enderwick & Chung, 2001), wholly possessed subsidiary (Ramaswami & Agarwal, 1992), sole venture Root (1994). According to Enderwick and Chung (2001) and Ramaswami and Agarwal (1992) FDI, articles sole venture, wholly possessed subsidiary, and solely possessed subsidiary is linked under one headline, which is, investment entry modes. According to Roots (1994), huge investments in a foreign market can be run as sole ventures with different institutions or joint ventures and even sole venture acquisitions, the latter is a high investment which brings the possibility to high returns and high risks (Ramaswani & Agarwa, 1992).

According to Enderwick & Chung (2001), FDI is a strategic approach. This mode of entry provides a greater degree of control over the global firm in the country hosting. (Bradley, 2005; Enderwick & Chung, 2001) It is a higher financial mode of commitment, however a way of transferring skills, production processes, technology, marketing and manufacture and other resources.

Another investment mode is the sole venture acquisition. Here, a firm purchases an organization. The reasons could be due to; technology, financial diversification, raw material sourcing or sale products, changing of location (Root, 1994). The precise benefits can be a faster beginning in the foreign market about to setup a line of new products allowing for a short period of pay back due to immediate income coming from investors.

2.3 Internalization and Firm Performance

According to the internalization FDI theory, the multinational corporation emergence since it is more beneficial to the enterprise which possess this advantages to internalize them (Rugman 1980). Lastly, Dunning’s (1995) eclectic theory states that the companies that own these advantages use them together with other input factors existing in the new country. According to Harris et al. (1990), possible global expansion advantages include gathering intelligence, volume economies, operational flexibility, product improvement, organizational benefits, stability, and tax arbitrage. Knowing that diversification across national borders leads to profit stabilization is the most important assumptions (Whyte & Madura, 1991; Yeung & Morck, 1990).

According to Tsetsekos (1991) the international corporation is also seen as a group of valued option and creates an arbitrage profit which increases its value. The arbitrage advantages result from various reasons. They include, time option; staging options; the exploitation of several organizational imperfections; and technological options (Kogut, 1983; Baldwin, 1986).

Capital availability (Stonechill & Giavazzi, 1989) and better financing bargains (Shapiro, 1989; Stonehill & Eiteman, 1989) are possible due to internationalization. Consequently, this capacity of the global organization to exploit interrelationships amongst diverse segments, related sectors, geographical areas, coupled with the advantage of economies of scale, experience and scope, advocate for a positive partnership between dependence on profit performance and foreign operations.

2.4 Empirical Literature and Knowledge Gap

A study conducted by Annica (2011) on the selection of mode of entry when entering a new market in education institutions indicated that; the way in which universities operate and the various transformations they undergo is similarly a step towards global strategic decision.

Belkaoui (2012) analyzed how the degree of internationalization affected the performance of organizations. Data collected from a several U.S international organizations showed proof of a relationship that is non-monotonic between firm performance and internationalization. The return rate on assets drops, then increases, and then slightly decreases as the internationalization degree increases. This was a US study and cannot be generalized in Kenya. This study sought to close the gap in scope. Kabst and Schwens (2012) established that the relationship changes, that is, equity mode and owning specific assets changes from it being favorable for assets that are low level to negative for assets that are specifically high level.

A study carried out by Ofili (2016) on choosing the right entry mode using a case study of EBay's strategy in China and found out that they implemented the wrong mode of entry by procuring 100 per cent of Each Net. EBay could have performed much better had it retained a minority stake as it did when it bought 33 percent of Each Net, or embraced the joint venture tactic with a minority stake as did with Tom Online. Ofili discovered that each mode of entry has its pros and cons dependent on the peculiarity of the hosting country. The geographic location of the study presents a gap in scope that this study sought to fill.

Gikundi (2015) analyzed the effects of speed of internationalization on performance of listed indigenous financial services companies in Kenya. The study finds that the speed of internationalization has a positive effect on performance of listed indigenous financial services firms. This was indicated by the ROA P value of 0.014 and the R Squared value. A Pearson coefficient measure showed a strong, significant, positive relationship between ROA and internationalization speed of listed financial services firms in Kenya. The study concludes that firms should consider the speed at which they internationalize if they want to improve performance. The study used secondary data only thus presenting a methodological gap. The current study used both primary and secondary data.

Ngugi (2012) applied a descriptive research design to establish what affects how firms Chinese airlines perform in the Kenyan market. The findings showed that the political environment, the economic circumstance, the technique, the product quality, prices and the services after sale were key influencers as shown by the significant levels of 0.001. Chinese firms deliver better and more service and products to Kenya Market, and therefore the relationship will grow stronger by enhancing the cooperation between these two countries. The study focused on Chinese firms in aviation industry in Kenya only thus presenting a contextual gap.

CHAPTER THREE

RESEARCH METHODOLOGY

Martin (2013) defines research methodology as a systematic way through which a solution to a problem is arrived at. Yin (2008) states that, the logical sequence that links the empirical data to the research questions and draws conclusions is referred to as a research design. Generally, research methodology is concerned with the steps taken by the researchers/scholars in explaining, describing, and predicting phenomena.

The chapter discussed the way the study was designed; the population that was targeted in the study; the manner in which the study sample size was arrived at; how the variables were measured; the validity and reliability of research instruments, and; how the data was processed, analyzed, and presented.

3.1 Research Design

The study applied descriptive research design. This design allows the researchers to capture the opinions and views of the respondents on specific variables (Lee & Ling, 2008). Descriptive design also illustrates events and their specific context. Also, a descriptive survey allows the researcher to obtain quantitative data that he/she can analyze using inferential and descriptive statistics.

3.2 Population & Sampling Procedures

Mugenda (2008) describes a target population as a collection of all that conforms to certain characteristics. There are approximately 66 airlines operating in Kenya. The study targeted all the CEOs and Senior Operations Managers of 66 airlines in Kenya totaling 132. The study randomly sampled 50% of the target population to arrive at 66 respondents (Mugenda & Mugenda, 2003).

3.3 Data Collection

Burns and Grove (2003) define data collection as the precise, systematic gathering of information relevant to the research sub-problems, using methods such as interviews, participant observations, focus group discussion, narratives and case histories. This study used primary data only.

Collection of primary data was done through semi-structured questionnaire which was divided into three. Part one had questions focusing at obtaining demographic data. Part two consisted of questions focusing on data collection on the different modes of internalization being used by Kenya's airline firms. The respondents comprised the CEO's of the firms and Aviation Attorney. In the study, a 5-point Likert scale was used. The questionnaires were dropped at the offices of the selected respondents and picked at a later date.

3.4 Data Analysis

The data were coded, cleaned, polished and organized for consistency, accuracy and effectiveness. The results were then computed using Version 22 of SPSS (Statistical Package for Social Scientists) to generate percentages, frequencies and inferential statistics. The multiple linear regression models were used to measure the relationship between the independent variables and the dependent variable.

CHAPTER FOUR

ANALYSIS, RESULTS AND DISCUSSIONS

4.0 Introduction

The composition of this chapter includes data output presentation and interpretation of the findings. The findings were tabulated through frequency tables and presented diagrammatically.

4.1 Response Rate

The researcher administered 66 questionnaires to the CEO and Operations managers of Airline firms in Kenya. The results were as shown in Table 4.1.A total of 55 questionnaires were properly filled and returned. This represented an overall successful response rate of 87.88% way above the 50% recommended by Kothari (2004) as shown on Table 4.1.

Table 4.1: Response Rate

Questionnaire	Number	Percentage
Responded to	58	87.88%
Not Respond to	8	12.12%
Total	**66**	**100.0%**

4.2 General Information

4.2.1 Internationalization Period

The respondents were asked to indicate the period of internationalization of their firms. From the findings of the study, 30% of the interviewees opined that their companies had been internationalized for a period of 16-20 years; 28% for a period of 21 years and above; 24% for a period of 11-15 years; 9% for a period of 6-10 years; while another 9% indicated that their firms had been internationalized for a period of 1-5 years. This implies that most airline firms interviewed had been internationalized for a long period of time.

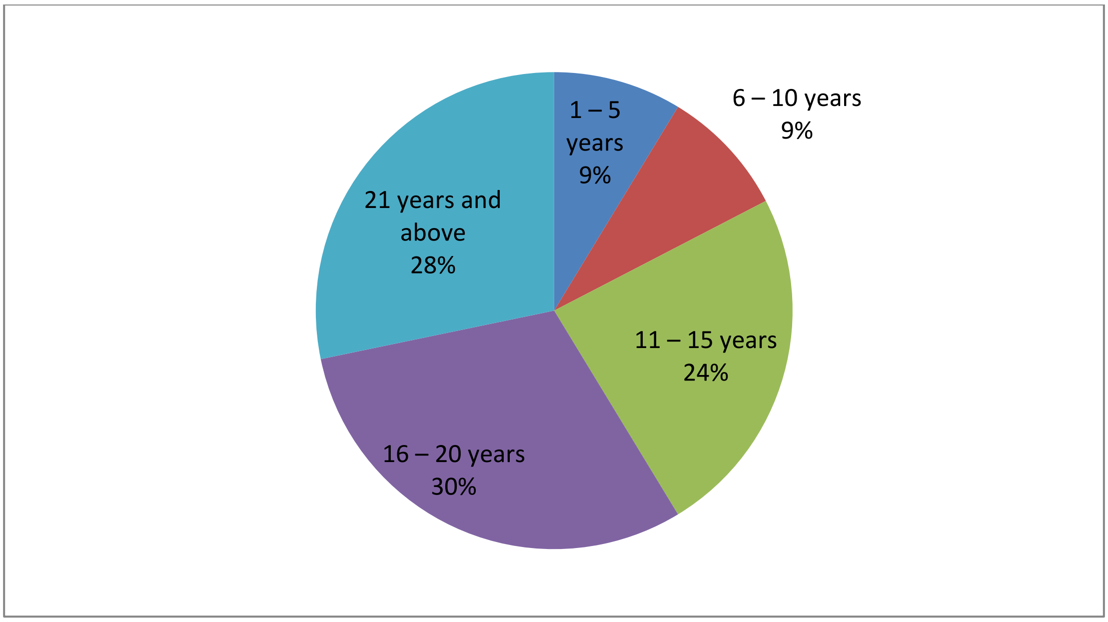

Figure 4.1: Internationalization Period

4.2.2 Operation in Kenya

Forty two percent (42%) of the interviewees indicated that their airline firms had operated in Kenya for 21 years and above. The findings also showed that 22% of the respondents indicated that their firms had operated in Kenya for 16-20 years, 19% for

11-15 years, and 10% for 6-10 years while only 7% indicated that firms had operated in Kenya for 1-5 years. This implies that most airline firms interviewed had operated in Kenya for a long period of time.

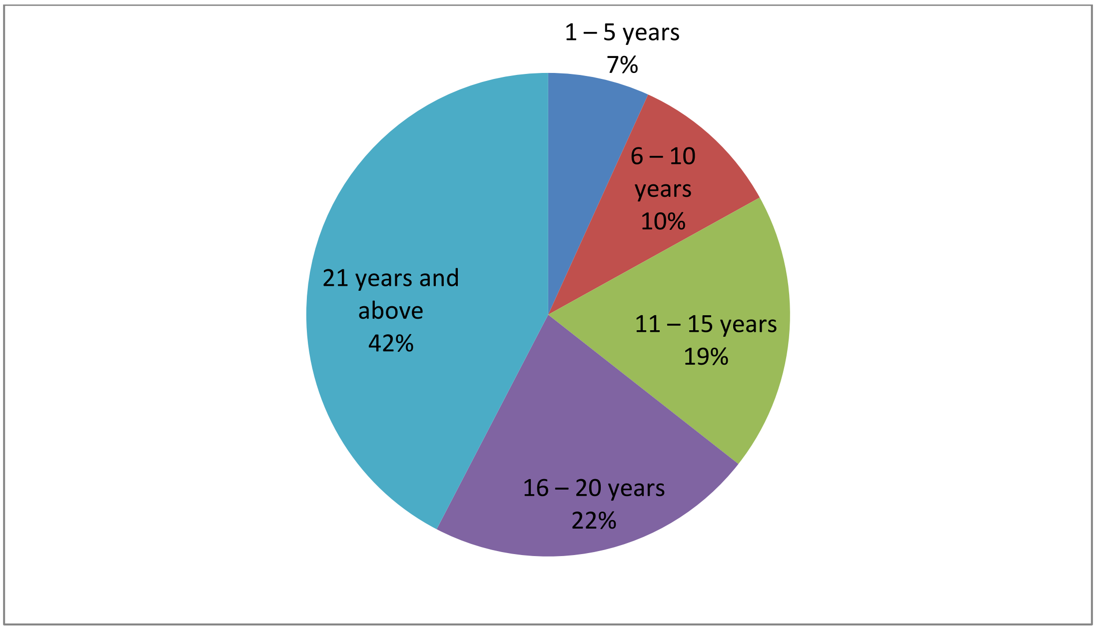

Figure 4.2: Operation in Kenya

4.3 Descriptive

The respondents were asked to indicate the rationale for airline going international. Majority of the respondents who were 41.38% indicated that the rationale of their firm for airline going international was Long term agreement relating to marketing. In addition the results showed that 24.14% indicated that the rationale of their firm for airline going international was export management or trading companies. The results further showed that 17.24% indicated that the rationale of their firm for airline going international was technology alliances relating to product research & development. The results further showed that 10.34% indicated that the rationale of their firm for airline going international was purchaser – supplier relationships. The results further showed that 6.90% indicated that the rationale of their firm for airline going international was outside contracting.

Table 4.2: Modes of Internationalization

	Frequency	Percent
Long term agreement	24	41.38
Export management	14	24.14
Technology alliances	10	17.24
Purchaser – supplier agreement	6	10.34
Outside contracting	4	6.90
Total	**58**	**100%**

4.3.1 Export Modes of Internationalization

On the extent to which their Airline had adopted the export modes of Internationalization, the results showed that majority of the respondents indicated that their airline sold tickets directly to customers in another country with a mean score of 3.69 and a SD of 0.91 implying that the answers were not wide spread from the mean. The results also showed airlines had largely embraced direct branch subsidiary as key export modes as a major foreign market entry strategy with a MS of 3.68 and a SD of 0.82 implying that the answers were not wide spread from the mean.

The results also showed that airlines had largely embraced indirect entry as a major foreign market entry strategy with a MS of 3.64 and a SD of 1.06 implying that the answers were varied from the mean. In addition the results showed that majority of the respondents indicated that their airline applies export approaches largely to gain knowledge and experience in new markets with a MS of 3.63 and a SD of 1.08 implying that the answers were varied from the mean.

The results also showed that airlines had moderately embraced direct agent/distribution as a major foreign market entry strategy with a MS of 3.24 and a SD of 1.19 implying that the answers were varied from the mean. It was further revealed that airlines moderately contracted local companies in the host countries to export on its behalf a MS of 3.1 and a SD of was 1.24 implying that the answers were varied from the mean. The MS of 3.49 implies that most of the firms had adopted the export mode of internationalization to a large extent. The standard deviation was 1.04 and this implies that there was variation of the responses from the mean.

Table 4.3: Export Modes of Internationalization

	Mean	**Std. Dev.**
The airline sells directly to client	3.69	0.91
The airline has adopted direct branch strategy.	3.68	0.82
The airline has adopted indirect entry	3.64	1.06
The airline applies export approaches	3.63	1.08
The airline has adopted direct agent/distribution	3.24	1.19
The airline uses a firm in the domestic country	3.10	1.24
Grand Mean	**3.49**	**1.04**

4.3.2 Contractual Entry Modes

The interviewees were asked to indicate the extent of adoption of Contractual Entry Modes of internationalization. The results indicated that airlines largely licensed, contracted and ventured jointly with others with a MS of 4.14 and a SD of 0.73 implying that the answers were not varied from the mean. Further, majority of the respondents indicated that their airlines engaged in technological transfer with foreign airlines for a fee/royalty to a large extent with a MS of 4.08 and a SD 0.97 implying that the answers were not wide spread from the mean. Results also show that airlines had largely franchised their brands to other airlines a MS of 4.05 and a SD of the statement was 1.19 implying that the answers were wide spread from the mean.

In addition the results indicated that airlines gives foreign companies control rights over day-to-day operations to a large extent with a MS of 4.05. The standard deviation of the statement was 0.95 implying that the answers were not varied from the mean. The results also show that show that majority of the respondents indicated that their airline has entered into some sort of partnership with foreign firms to a very large extent with a MS of 3.8 and a SD of 1.48.

Table 4.4: Contractual Entry Modes

	Mean	**Std. Dev**
The airline licensed, contracted and jointly ventured	4.14	0.73
The airline engaged in technology transfer	4.08	0.97
The airline franchised its brand	4.05	1.18
The airline gave control rights to foreign airlines	4.05	0.98
The airline partnered with other airlines	3.8	1.48
The airline has transferred non-tangible assets	3.27	1.03
The airline issued (IPR) to foreign firms	2.95	0.97
Grand Mean	**3.89**	**1.04**

The results further showed that airlines had moderately transferred non-tangible assets without import restrictions with a MS of 3.27 and a SD of 1.03 implying that the answers were varied from the mean. The results further show that majority of the respondents indicated that their airline issues intellectual property rights (IPR) to foreign firms to a large extent with a MS of 2.95 and a SD of the statement was 0.97 implying that the answers were not varied from the mean. The MS of 3.89 implied that most of the firms had adopted the contractual entry mode of internationalization to a large extent. The SD of 1.04 implies that there was variation of the responses from the mean.

4.3.3 Investment Entry Modes

On the extent of adoption of Investment Entry Modes of internationalization, results also indicated that airlines largely undertakes foreign direct investment (FDI) with a MS of 4.24 and a SD of 1.25 implying that the answers were varied from the mean. Further, the results indicated that airlines largely undertake foreign direct investment to gain controlling right over commerce in those countries with a MS of 4.12 and a SD of 1.27 implying that the answers were varied from the mean. In addition, the results showed that majority of the respondents indicated that their airline joint venture is, to a very large extent, associated with gaining access to resources with a MS of 3.95 and a SD of 1.92 implying that the answers were varied from the mean.

It was further revealed that airlines' international joint venture is to a very large extent, fueled by need of business expansion with a MS of 3.92 and a SD of 1.31 implying that the answers were varied from the mean. It was further revealed that airlines largely buy established businesses in foreign markets with a MS of 3.87 and a SD of 1.23 implying that the answers were varied from the mean. The results indicated that airlines invested in sole venture with new establishment to a large extent with a MS of 3.73 and a SD of 1.46 implying that the answers were varied from the mean. It was established that airlines have moderately invested in joint ventures with a MS of 3.36 and a SD of 1.14 implying that the answers were varied from the mean.

The results also indicated that airlines engaged in the transfer of technology, skills, and management through foreign projects to a large extent with a MS of 3.32 and a SD of 1.11 implying that the answers were varied from the mean. The MS 3.81 which implied that most of the airlines adopted the Investment Entry Modes to a large extent. The standard deviation was 1.23 and this implies that there was variation of the responses from the mean.

Table 4.5: Investment Entry Modes

	Mean	**Std Dev.**
The airline undertakes foreign direct investment (FDI)	4.24	1.25
The airline undertakes foreign direct investment	4.12	1.27
The airline’s joint venture is aimed at accessing to resources	3.95	1.42
Expansion motivates airline’s joint venture	3.92	1.31
Airline buys established businesses in foreign markets	3.87	1.23
Airline has invested in sole venture with new establishment.	3.73	1.46
The airline has invested in joint venture	3.36	1.14
The airline engages in the transfer of technology	3.32	1.11
Grand Mean	**3.81**	**1.23**

4.3.4 Internationalization Modes and performance

On the extent of increased profits due to internationalization, it was revealed that Investment Entry Modes (e.g. joint venture, foreign direct investment, management through foreign projects etc.) largely increased the profitability of airlines with a MS of 4.19 and a SD of 1.31 implying that the answers were varied from the mean.

In addition, majority of the respondents indicated that Contractual Modes largely increased the profitability of airlines with a mean score of 3.86 and a SD of was 0.86 implying that the answers were not varied from the mean. In addition, majority of the respondents indicated that the Export Modes (e.g. direct agent/distribution, direct branch subsidiary etc.) largely increased the profitability of airlines firms with a MS of 3.71 and a SD of 1.02 implying that the answers were varied from the mean. The MS of 3.92 implied that the internationalization modes increased the profitability of their airline firms to a large extent. The standard deviation was 1.06 and this implies that there was variation of the responses from the mean.

Table 4.6: Internationalization Modes Performance

	Mean	Std. Dev.
Investment Entry Modes	4.19	1.31
Contractual Modes	3.86	0.86
Export Modes	3.71	1.02
Grand Mean	**3.92**	**1.06**

4.3.5 Performance of Airline firms in Kenya

On the rating of airlines' performance in Kenya, it was established that there is an efficient management that ensures the sound functioning of their firms with a MS of 3.9 and a SD of 1.39 implying that the answers were varied from the mean. The results showed that majority of the respondents agreed with the statement that their firms' asset base has greatly increased over time with a MS of 3.86 and a SD of 1.06 implying that the answers were varied from the mean. The results also showed that firm goals/objectives were always attained with a MS of 3.58 and a SD of 1.34 implying that the answers were varied from the mean.

The results also showed airlines had enough cash to meet its obligations effectively (as and when they fall due) with a MS of 3.37 and a SD of 0.96 implying that the answers were not wide spread from the mean. Further, the study established that airlines were able to meet their customers' expectations with a MS of 3.37 and a SD of 1.26 implying that the answers were varied from the mean.

Table 4.7: Performance of Airline firms in Kenya

	Mean	**Std. Dev.**
There is an efficient management	3.90	1.39
The firms' asset base has greatly increased over time	3.86	1.06
The firm goals/objectives are always attained.	3.58	1.34
Our firm profit has been increasing with time	3.54	1.19
The market growth in the firm is very high	3.41	1.21
Our firm has enough cash flow	3.37	0.96
The firm has been able to meet customer expectations	3.37	1.26
Grand Mean	**3.57**	**1.20**

4.4 Inferential Statistics

4.4.1 Correlation

These results in table 4.8 showed that Export modes and performance are significantly related and have a moderately strong positive correlation ($r = 0.573$, $p= 0.000$).The results also showed that Contractual entry modes and performance are significantly related and have a positive correlation ($r = 0.587$, $p =0.000$). It was further determined that Investment entry modes and performance were significantly related and have a positive correlation ($r = 0.405$, $p = 0.002$). This denotes that an increase in any unit of the variables results in improvement in performance of airline firms.

Table 4.8: Correlation Matrix

		Firm Performance	Export Modes	Contractual Entry Modes	Investment Entry Modes
Performance	Pearson Correlation	1.000			
	Sig. (2-tailed)				
Export Modes	Pearson Correlation	.573**	1.000		
	Sig. (2-tailed)	**0.000**			
Contractual Entry Modes	Pearson Correlation	.587**	.599**	1.000	
	Sig. (2-tailed)	**0.000**	0		
Investment Entry Modes	Pearson Correlation	.405**	0.238	0.207	1.000
	Sig. (2-tailed)	**0.002**	0.073	0.119	

** Correlation is significant at the 0.01 level (2-tailed).

4.4.2 Regression Analysis

The results presented in Table 4.9 present the fitness of the model used in the regression model to explain the study phenomena. Entry modes, contractual entry modes and investment entry modes were found to be satisfactory variables in performance. This is supported by coefficient of determination also known as the R square of 48.5%. This means that Entry modes, contractual entry modes and investment entry modes explain 48.5% of the variations in how Kenyan airlines perform.

Table 4.9: Model Fitness

variables	**Co-efficients**
R	0.696
R Square	0.485
Adjusted R Square	0.456
Std. Error of the Estimate	0.35302

From Table 4.10, the significance level is 0.000 and the F statistic is 16.933 indicating that there is a statistically significant relationship between the entry modes and airline performance.

Table 4.10: Analysis Of Variance

	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Regression	6.327	3	2.109	16.923	**0.000**
Residual	6.729	54	0.125		
Total	13.056	57			

The results in table 4.11 showed that there was a positive and significant relationship between export modes of internationalization and performance of airline firms (r=0.423, p=0.019). The results also showed that there was a positive and significant relationship between Contractual entry modes of internationalization and performance of airline firms (r=0.414, p=0.006). The results also revealed that there was a positive and significant relationship between Investment entry modes of internationalization and performance of airline firms (r=0.234, p=0.012).

Table 4.11: Regression of Coefficient

	B	**Std. Error**	**t**	**Sig.**
(Constant)	-0.314	0.562	-0.558	0.579
Export modes	0.423	0.175	2.422	0.019
Contractual entry modes	0.414	0.143	2.89	0.006
Investment entry modes	0.234	0.091	2.586	0.012

Optimal regression model,

Performance of airline firms=0.314+0.423 Export Modes of Internationalization+0.414 Contractual Entry Modes of Internationalization +0.234 Investment Entry Modes of Internationalization

4.5 Discussions

The results showed that there export modes of internationalization and performance of airline firms were positively and significantly related. These findings agreed with that of Belkaoui (2012) who established a significantly positive correlation between internationalization and how firms perform.

It was also established that a significantly positive relationship exists between Contractual entry modes of internationalization and performance of airline firms.

These findings were consistent with that of Gikundi (2015) who concluded that firms should consider the speed at which they perform contractual entry mode of internationalize if they want to improve performance. The results concur with those of Ngugi (2012) who found that Investment Entry Modes of internationalization is one of the factors that affected how Chinese airlines performed in Kenya.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The findings and interpretations of the study have been summarized in this chapter with conclusions and recommendations hereof.

5.2 Summary of Findings

The study established a significantly positive correlation between export modes of internationalization and performance of airline firms ($r=0.423$, $p=0.019$). This was supported by the responses in the questionnaire whereby the mean score of the responses for the export modes was 3.49 which imply that most of the firms had adopted the export mode of internationalization to a large extent.

The results also indicate a significantly positive correlation between contractual entry modes of internationalization and performance of airline firms ($r=0.414$, $p=0.006$). This is also supported by the responses in the questionnaires. The mean score of the responses was 3.8983 which imply that most of the firms had adopted the contractual entry mode of internationalization to a large extent. Most of the airlines have entered into some sort of partnership with foreign firms.

The results also revealed that there is a positive and significant relationship between Investment entry modes of internationalization and performance of airline firms ($r=0.234$, $p=0.012$). This is also supported by the responses in the questionnaire. The mean of the responses was 3.8137 which imply that most of the airlines adopted the

Investment Entry Modes to a large extent. Most of the airlines have invested in joint venture and undertakes foreign direct investment.

5.3 Conclusions

From the findings, export entry modes, Contractual Modes and Investment Entry Modes have a positive and significant effect on the performance of airline firms in Kenya. The study also concluded that airline firms that adopted direct branch subsidiary as key export modes as a major foreign market entry strategy are able to improve their performance. In addition, airline that applies export approaches to gain knowledge and experience in new markets have good performance.

In addition the study concluded that airlines licensed, contracted and jointly ventured into business with foreign firms in order to increase profits. Contractual modes and investment entry modes also lead to increased profits for the airline firms. Airlines have entered into partnership with foreign firms has improved their performance.

The study also concluded that airline firms undertake foreign direct investment to gain a high degree of control over the international business in the host country. This helps to improve their performance. In addition most airlines had invested in sole venture with new establishment and thus boosting their performance.

5.4 Recommendations

The study recommends that airlines firms should enter into partnership contracts or joint ventures in order to gain access to resources. The study also recommends that the airlines should issue intellectual property rights (IPR) to foreign firms. In addition to that, airlines may sell directly to the importer or buyer located in a foreign country instead of using a firm in the domestic country to do the exporting on its behalf as it would lead to lower profits.

The study also recommends that all airline firms should adopt direct a branch subsidiary as key export modes as a major foreign market entry strategy so as to improve their performance. In addition airline firms should apply export approaches to gain knowledge and experience in new markets so as to boost their performance. Airline firms should enter into a partnership with foreign firms so as to improve their performance.

The study recommends that airline firms should undertake foreign direct investment to gain a high degree of control over the international business in the host country. This will help to improve their performance. In addition airline firms should invest in sole venture with new establishment so as to boost their performance.

5.5 Limitations of the Study

Limitations included challenges of accessing the respondents. To reach the prospective respondents the researcher asked for permission from the Airline management through the letter of introduction from the university.

Besides, it was difficult to gauge the extent to which the interviewees were objective. To overcome this, they were assured of anonymity and confidentiality.

5.6 Suggestions for Further Research

The study focused on only three modes of internalization adopted by airlines in Kenya which included export modes, contractual entry and investment entry modes. Other studies may focus on other modes of internationalization such as strategic alliances.

REFERENCES

Albaum, G., &Duerr, E. (2008). *International marketing and export management*. Pearson Education.

Arend, E. (2013). Markets and Hierarchies: Analysis and antitrust implications. *The Journal of Law and Economics*, 22(3), 21-35.

Bradley, F. (2005). *International marketing strategy*. Pearson Education.

Cha, A. & Bryant, L. (2014). *International business: firm and environment*. New York: McGraw-Hill.

Chakravarthy, B. S. (1986). Measuring strategic performance. *Strategic management journal*, *7*(5), 437-458.

Chung, H. F., &Enderwick, P. (2001). An investigation of market entry strategy selection: Exporting vs foreign direct investment modes—a home-host country scenario. *Asia Pacific Journal of Management*, *18*(4), 443-460.

Defee, C., Williams, B., Randall, W. S., & Thomas, R. (2010). An inventory of theory in logistics and SCM research. *The International Journal of Logistics Management*, *21*(3), 404-489.

Dunning, J. H. (1988). The eclectic paradigm of international production: A restatement and some possible extensions. *Journal of international business studies*, 1-31.

Eiteman, D., Stonehill, A., &Moffet, M. (1989). Multinational financial management.

Gikundi, R. K. (2015). *Effects of speed of internationalization on performance of listed indigenous financial services companies in Kenya* (Doctoral dissertation, School Of Business, University of Nairobi).

Harris, K. &Hywood, T. (2012). Firm and industry determinants of the decision to invest abroad. *Review of Economics and Statistics*, 1(54), 258–266.

Heinnart, H. (2014). Transaction Costs and the Internationalization of Business Franchising. *Centre for International Business studies, South Bank University, Paper Number 1-97*

Hymer, S.A. (1960).The international operations of national firms: a study of direct foreign investment. *Doctoral dissertation, Cambridge, MA: MIT Press*.

Illo, A. D. (2012). *The effect of macroeconomic factors on financial performance of commercial banks in Kenya* (Doctoral dissertation, University of Nairobi).

Ittner, C.D. &Larcker, D.F. (2008), Innovations in performance measurement: trends and research implications, *Journal of Management Accounting Research*, Vol. 10,Fall, pp. 205-38.

Johanson, J., &Vahlne, J. (2009). The internationalization process of the firm-A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23-32.

Jones, K. (2015). Case study methods: Complementary Methods for Research in Education, *American Educational Research Association, Washington, DC, 3rded*

Kippra (2015). Economic Outlook. *A working paper on the strategic direction of the Aviation Industry in Kenya.*

Knight, L. &Cavusgil, G. (2011). Commitment and opportunity development in the internationalization process: A note on the Uppsala internationalization process model. *Management International Review*, 46 (2), 1–14.

Lemos, H. &Hadjikhani (2014). Inward-outward internationalization of small andmedium enterprises. *Doctoral dissertation. Helsinki School of Economics and Business Administration.*

Lu, J. W., & Beamish, P. W. (2001). The internationalization and performance of SMEs. *Strategic management journal*, *22*(6- 7), 565-586.

Madura, J., & Whyte, A.M. (1990). Diversification benefits of direct foreign investment *Management International Review*, 30(4), 73–85

Maekelburger, B., Schwens, C. &Kabst, R. (2012). Asset specificity and foreign market entry mode choice of small and medium-sized enterprises: The moderating influence of knowledge safeguards and institutional safeguards. *Journal of International Business Studies*, 43(5), 458-476.

Malhotra, N. K. &Hinings, M. (2010). Internationalization and Entry Modes: A Multitheoretical Framework and Research Propositions. *Journal of International Marketing,* 11 (4): 1-31

Martin, X. (2013). Solving theoretical and empirical conundrums in international strategy research: Linking foreign entry mode choices and performance. *Journal of International Business Studies*, 44(1), 28-41.

Maskus, K. E. (1998). The international regulation of intellectual property. *WeltwirtschaftlichesArchiv*, *134*(2), 186-208.

Mathews, D. (2006). Measuring the degree of internationalization of a firm. *Journal of International Business Studies,* 25, 325–342.

Mentzer, J. T., Stank, T. P., &Esper, T. L. (2008). Supply chain management and its relationship to logistics, marketing, production, and operations management. *Journal of Business Logistics*, *29*(1), 31-46.

Morck, R., & Yeung, B. (1991). Income shifting in U.S. multinational corporations. *Studies in international taxation, 4(2), 56-89*.

Moreira, E. P. (2009). *Accelerating trade and integration in the Caribbean: policy options for sustained growth, job creation, and poverty reduction*.

Mwangi, F. K. (2013). The effect of macroeconomic variables on financial performance of aviation industry in Kenya. *Unpublished MSc Project, University of Nairobi*.

Ngugi, S. N. (2012). Factors affecting performance of Chinese firms in aviation industry in Kenya. *Unpublished MBA project, University of Nairobi*.

Rispoli, I. (2002). Are multinational corporations safer?*Journal of International Business Studies,* 5(17),75–80.

Root, F. J. (1987). *Foreign market entry strategies*. New York: AMACOM

Rugman, A.M. (1980). Internalization as a general theory of foreign direct investment: a reappraisal of the literature. *WeltwitschaftlichesArchiv*, 7(2), 365–379.

Teece, R. (2010). International Investment and International Trade in the Product Cycle. *The Quarterly Journal of Economics*, 80 (2), 190-207

Tsetsekos, G. P. (1991). Multinationality and Common Stock Offering Dilution. *Journal of International Financial Management & Accounting*, *3*(1), 1-16.

Venkatraman, E. &Ramanujam K. (1986). Theories of international trade, foreign direct investment and firm internationalization: a critique. *Management Decisions*, 35 (1), 68-97

Whetten, J. (2012). Boundaries of Multinational Enterprises and the Theory of International Trade, *Journal of Economic Perspectives,* 9 (2), 169-189

Yip, J. (2003). Recent growth of the largest U.S. multinationals.*Oxford Bulletin of International Financial Management and Accounting*, 3 (2), 1–16.

Zott, Y. & Massa (2011). The Product Cycle Hypothesis in a New International Environment. *Oxford Bulletin of Economics and Statistics*, 41 (4), 255-267

APPENDICES

Appendix I: Airlines in Aviation Industry

1. British Airways
2. Ethiopia Airways
3. Kenya Airways
4. Fly 540 Aviation
5. Jubba Airways
6. African Express LTD
7. Air Arabia
8. Etihad Airways
9. Turkish Airlines
10. Lufthansa –German Airline
11. Swiss International Airline
12. Emirates Airline
13. South African Airways
14. Rwanda Air
15. Oman Air
16. Air Maroc
17. East African Safaris;FlySaxs
18. Air Mozambique
19. KLM Royal Dutch Airline
20. Precision Air
21. China Southern Airline
22. Qatar Airways
23. Saudi Arabian Airline
24. Egypt Air
25. Air Mauritius
26. Astral Aviation
27. Air France
28. Martin Air
29. Condor
30. Enter Air
31. Blue Paranoma
32. Air Kenya
33. Neon Airways
34. Freedom Air
35. Skyward International Aviation
36. Ocean Air
37. Buff Air
38. Condor
39. Meridian airlines
40. Rudufu Aviation
41. Som Air
42. Air Traffic Limited
43. Air Malawi
44. Silverline aviation
45. Aero-Pioneer Group
46. Acariza Aviation
47. AD Aviation charters
48. Aeronov Air services
49. Aerospace Consortium
50. Air direct
51. Airlink Kenya
52. ALS-Aircraft leasing services
53. Astral Aviation
54. Avro Express
55. Blue Bird Aviation
56. Blue Bird Aviation Services
57. Capital Airlines
58. DAC Aviation
59. Global Airlift
60. Great Airways
61. Jetways Airlines
62. KASAS
63. Tubania Aviation Group
64. Knight Aviation
65. Lady Lori
66. Mombasa Air Safari

Appendix II: Questionnaire

PART 1: GENERAL INFORMATION

1. For how many years has your airline internationalized her operations?

One to Five	[ ]	Six to Tent	[ ]
Eleven to Fifteen	[ ]	Sixteen to Twenty	[ ]
For over Twenty	[ ]		

2. For how many years has your airline been operating in Kenya?

One to Five	[ ]	Six to Tent	[ ]
Eleven to Fifteen	[ ]	Sixteen to Twenty	[ ]
For over Twenty	[ ]		

PART 2: MODES OF INTERNATIONALIZATION

3. Kindly indicate reason for internationalization:

Long term agreement	[ ]	Export management	[ ]
Technology alliances (R&D)	[ ]	Purchaser/supplier agreement	[ ]
Outside contracting	[ ]	Others (Specify) ______________	

4. To what extent has your Airline adopted the following Modes of Internationalization? Please indicate on a Scale of 1 – 5 where: 1 = To a Small *Extent*. 2 = To Some *Extent*. 3 = To a Moderate *Extent*. 4 = To a Great *Extent*. 5 = To a Very Great *Extent*.

No	**MODES OF INTERNATIONALIZATION**	**1**	**2**	**3**	**4**	**5**
	A. Export Modes					
a.	The airline has adopted indirect entry					
b.	The airline has adopted direct agent/distribution					
c.	The airline has adopted direct branch subsidiary as key export					
d.	The airline applies export approaches					
e.	The airline uses a firm in the domestic country					
f.	The airline sells directly to the importer					
	B. Contractual Entry Modes					
a.	The airline has transferred intangible assets					

b.	The airline engages in technology transfer					
c.	The airline provides one or a combination of brand name and operations expertise access					
d.	The airline gives the foreign companies operational control rights					
e.	The airline has partnered with foreign firms					
f.	The airline has licensed, contracted and jointly ventured into business with foreign companies					
g.	The airline issues intellectual property rights (IPR) to foreign					
	C. Investment Entry Modes					
a.	The airline has invested in sole venture with new establishment.					
b.	The airline has invested in joint venture					
c.	The airline undertakes foreign direct investment (FDI)					
d.	The airline undertakes foreign direct investment to gain a high degree of control					
e.	The airline engages in the transfer of technology, skills, management through foreign projects					

f.	The airline buys established businesses in foreign markets					
g.	The airline's international joint venture is often motivated by the desire to expand					
h.	The airline's joint venture is associated with gaining access to resources					

PART 3: INTERNATIONALIZATION MODES AND FIRM PERFORMENCE

5. In your opinion to what extent have the following internationalization modes increased the profitability of your airline over the last five years? Please indicate on a Scale of 1 – 5 where: 1 = To a Small *Extent*. 2 = To Some *Extent*. 3 = To a Moderate *Extent*. 4 = To a Great *Extent*. 5 = To a Very Great *Extent*.

No	**PERFORMANCE MEASURES**	**1**	**2**	**3**	**4**	**5**
a.	Export Modes					
b.	Contractual Modes					
c.	Investment Entry Modes					

PART 4: PERFORMANCE OF AIRLINE FIRMS IN KENYA

6. On a rating scale of five, please indicate your level of agreement with the following statements on performance of airline firms in Kenya? Please indicate on a Scale of 1 – 5 where: 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree

Statement	**1**	**2**	**3**	**4**	**5**
a. The firms' asset base has greatly increased					
b. Our firm has enough cash to meet its obligations					
c. The firm goals/objectives are always attained					
d. There is an efficient management					
e. Our firm profit has been increasing with time					
f. The market growth in the firm is very high					
g. The firm meets customers' expectations					