INFLUENCE OF FOREIGN MARKET ENTRY STRATEGIES ON EXPORT PERFORMANCE OF EPZ FIRMS IN KENYA

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DECLARATION

This research project is my original work and has not been presented to any other university or institution of higher learning for the award of degree or diploma or certificate

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Signature……………………………………….Date……………………………………..

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

Signature………………………………………..Date……………………………………..

DEDICATION

I dedicate this research study to my loving parents, for always being with me throughout my academic journey. All that I am, I owe to you my parents. Thank You.

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First and foremost, I thank the Almighty God, for granting me the strength, health and courage to complete this arduous task. Without Him I would have probably tried but perhaps in vain. I also wish to acknowledge all the individuals who assisted in various ways. A special thanks to my supervisor, for the guidance, insight and encouragement in the writing and compilation of this case study. Your invaluable support and patience throughout this journey has been unreal and is appreciated from the bottom of my heart.

To my classmates and friends without whose interest and co-operation I could not have produced this study. I wish to thank them for supporting this initiative and affording me their time and sharing their experiences. Finally, I thank my family for instilling in me unquestionable values and morals, thank you for your love, guidance and for always believing in me throughout the year.

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ABSTRACT

The objective of the study was to determine the influence of foreign market entry strategies on export performance of EPZ firms in Kenya. The research was conducted using descriptive cross sectional survey design. The population of interest was all the EPZ firms in Kenya. There are 113 firms in the three EPZ zones in Kenya. Thus the target population was 113 EPZ firms in Kenya. The researcher chose a representative sample of thirty-five (35) firms, which was 30% of the population. The sample was selected using the stratified sampling technique where the population was divided into subgroups based on zone and location. The study used an open ended questionnaire as the main instrument of collecting primary data. The data from the field was checked to ensure completeness, consistency and accuracy. The data was then coded and tabulated to facilitate data analysis. The researcher analyzed the data and presented the results in form of percentages, frequencies, graphs and tables. In addition, the researcher used descriptive statistics such as the mean and standard deviation to also present the data. The response rate of 86%. The study found that entry into the foreign market gave the firms a chance to relaunch themselves after many years of absence. The study found that the firm has created value for its customers through quality products and services as a results of foreign market entry strategies. The study further found that the firm’s market share has improved due to increased marketing activities as a result of foreign market entry strategies. The study concluded that the firms first used joint ventures or strategic alliances strategy. The study concluded that the strategy chosen to enter the foreign market was very effective. The study recommended that the EPZ firms should critically analyze the various strategies at their disposal in entering a new market before making decisions on how to enter the selected market. Market entry strategy plays a very important role in determining the successfulness of the multinational corporations on the local market.

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

In the international arena for a firm to survive the competition it needs to have entry strategies which are creative enough and which will ensure the firm have long-term success in the international market. The firm which have a made a decision to enter in the international market arena should devise on which appropriate strategies are best fit for them to operate (Cateora & Graham, 2012). The environment in which the firms operate keeps on changing in terms of competition, the uncertainty of market conditions, changes in technology and the very short cycles of the products. It for this reason that the introduction of new products in the market becomes critical as it helps in the growth and survival of these firms (Pinto, Escudero & Cillán, 2013). Foreign market strategies have been seen as the appropriate measures through which the firms can ensure they survive in foreign markets. This is so as they are viewed as the main agents that improves the export performance of various firm products. Despite previous studies being carried out on the relationship between foreign market entry strategies and export performance, little or no elaboration has been made to explain the concepts clearly (Cavusgil, Zou & Naidu, 2013). Entering the international market has its own advantages as well as disadvantages. Thus it has been established that most business organizations fail to enter international market until they are compelled by the available circumstances. It is therefore important for the firms to craft and research appropriately on the market entry strategies since they determine how well the firm will, perform in the international markets. The country in which a firm decides to enter is a critical determinant as its policies will determine how well the firm will perform in relation to the products it specializes in. The process of globalization presented an inevitable process of global expansion and change that gave rise to the infrastructural road-map for the future international markets as we know today (Wagner, 2001).

This study was guided by institutional theory and new trade theory. Institutional theory mainly focuses on the institutional pressures which are exerted on the market strategies of various firms. The institution may include regulatory policies and structure, groups which have interest in the operations of the firm, as well as the law and court professionals (Oliver, 2011). The theory stresses that for the firms to have a legacy in the international market they should at any time comply with the rules and regulations to ensure their success. According to Meyer and Rowan (1977) the institution laws are accepted in a ceremonious manner which ensure that the firm gain legitimacy in the environment in which it operates in. the adoption of this legitimacy presents a firm as an organization whose operations are in good faith and which are meant to help with its products and services. New Trade Theory is based on the assumptions whose focus is on monopolies and the increased returns as a result of the monopoly (Shiozawa, 2013). The argument of the theory is that a firm operates in a particular location due to the economies of scale and the capability of gaining profits which are supernormal. Additional when the transport cost from this location increases the firm will tend to relocate to another geographical location to ensure it continues to enjoy the economies of scale.

Companies gain entry into the international competition due to various reasons which may include gaining of more profit, increasing their reputation, promoting the growth of the firm as well as reaping the benefits of the economies of scale. In the international market arena for a firm to have a long term growth it should ensure that it has well-crafted market entry strategies. This is because the market entry strategies are clear determinants of how well the firm may survive the competition posed by other firms in the market (Erramilli & Rao, 2013). The EPZs firms specialized on export oriented products with the aim of attracting foreign companies to operate with them. The areas in which EPZs attract foreign companies include food processing, pharmaceuticals, jewellery, anima based products among others. EPZs entry into the foreign market has been facilitated by the strategies which have been crafted by the managers in charge of the export performance. EPZs have utilized various entry modes to enter foreign market which include foreign direct investment, joint venture, export licensing, as well as franchise (Meyer, Estrin, Bhaumik, & Peng, 2013).

1.1.1. Foreign Market Entry Strategies

There is need for foreign business to determine the mode of foreign entry that best suit its objectives and strategic fit in the foreign business environment (Nyaga, 2014). The entry mode chosen has a major impact on the level of control the Multinational enterprise has over the venture (Varmah, 2012). Huge amounts of funds are involved in international business and the choice of a particular entry mode is very significant on the business across borders. It can also be defined as the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with other countries (Wanjiru, 2013).

The current interest by business firms in international markets can be attributed in part to shifts in demand and supply characteristics in markets throughout the world as well as the ever-changing competitive environment. The process of finding new markets therefore has prompted an increasing number of firms to develop strategies to enter and expand into markets outside their home countries. Selection of foreign markets and entry modes therefore lies at the heart of any business or any organization that aspires to operate internationally (Njui, 2013). Firms may pursue internationalization due to a variety of reasons. Some of the motives may be proactive while others could be reactive.

A good example of a reactive motive is the need to serve a key customer who has expanded abroad (Munyao, 2013). On the other hand, proactive motive would be to tap foreign market opportunities or acquire new knowledge. Most firms enter regional markets sequentially beginning in markets with which they are more familiar. They also introduce their largest and strongest lines of business into these markets first, followed by their other lines of business once the first lines are successful (Wagitu, 2014). They also usually invest in the same area as their original location.

The foreign entry strategies for companies can be divided into exporting, contractual and investment entry modes. Grönroos (2012), however, mentions a fourth strategy of entry for services; the electronic strategy. To begin with, most manufacturing companies perform their initial internationalization through exporting modes (Bradley, 2015). Exporting is a low resource commitment entry mode and when the firm later on has gained knowledge and experience it may shift to a high resource commitment entry mode, such as foreign investment. Exports for manufactured goods can further be divided into direct and indirect export, where indirect export is performed through selling to intermediaries, and direct export through selling directly to the foreign buyers (Brassington and Pettitt, 2013).

Contractual entry modes, on the other hand, are long term relationships between companies in different countries that involve transfer or technology or human skills, and include licensing, franchising, and other types of contracts (Grönroos, 2012). Contractual entry modes are used when the firm wants to avoid starting up completely new operations in the new market. For this reason, this is the least risky of the entry strategies for service firms. Licensing is avoiding the risk of product and/or market development by using already established firms in the process. The licensee is, via the licenser, allowed to manufacture the product, use patents, and particular processes and/or use existing trademarks in a specific market in exchange for a fee or royalty (Brassington and Pettitt, 2013). The main advantage of licensing is the circumvention of import barriers.

Franchising is when an individual or an organization in a country is granted the right to use the company name, trademark and technology. However, the franchisor also assists the franchisee in organization, marketing, and general management under an arrangement that is intended to be permanent (Root, 2014). The advantages of franchising are rapid expansion to new markets with low investment, standardized method of marketing with a distinctive image, highly motivated franchisees, and low political risk. The disadvantages of franchising are mainly the same as for licensing. Further, licensing and franchising are suitable modes of entry when the company sells a service that cannot be exported.

Finally, the investment entry modes include international company ownership of manufacturing plants or other production units in the foreign country in the form of new establishments, are also called greenfield sites, acquisitions, joint ventures, or mergers

These modes have a considerable capability of impacting on the host economy. Williams (2013) also claims that arguments that are mounted in favour of foreign direct investments revolve around the notion that it will improve competitiveness, and through this increase employment and the welfare of the host nation. Through foreign investments, the foreign company can gain relatively more control of the market than through exporting, and it implies an expectation of a relatively higher rate of return (Kwon and Konopa, 2014).

1.1.2. Export Performance

According to Shoham (2015), export performance is a composite outcome of a firm's international sales, which includes three sub dimensions: export sales, export profitability, and export growth. Each of the three includes an objective component, as well as a subjective managerial satisfaction component. A number of scholars have indicated that only managers know the intended results from exporting and thus it is not useful to evaluate export effectiveness and thus export performance apart from management's satisfaction with the results of exporting activities.

Export level (or volume) has been regarded as a traditional indicator of the overall importance of exports to a firm, while export sales growth and profitability are the dynamic and crucial indicators of export performance respectively. Moreover, including a subjective component in the measurement of export performance is consistent with previous studies (Dominguez & Sequeira, 2013) who argue that relative measures of export performance are more reliable than the traditionally used absolute measures of export performance. There is a cascading effect in the measurement of export performance. For example, it is contended that firms that use sales growth to measure organisational performance should use export sales growth to measure export performance.

Export performance is a pivotal outcome construct in the study of exporting. Westhead, Dinks, Ucbasaran and Wright (2012) report a positive relationship between exporting and firm performance (measured in terms of relative market share, return on investment and sales growth). These authors contend that the performance of an export venture is an implicit measure of strategy success in the export market. The fact that exporting is an investment, we argue that firms need to measure performance of their export ventures in order to justify continued commitment of resources (financial, human, and time) toward exporting activities in order to Feminize overall export investment risk.

Firm characteristics and competencies represent the capacity and resources available to the firm. Goll and Rasheed (2014) noted that firms with scarce resources (such as SMEs) are forced to pay greater attention to their conservation. Consequently, a firm's export marketing strategy largely depends on the resources and abilities it possesses. Cavusgil and Zou (2014) in a study of export market ventures established that adaptation of export marketing strategy was influenced by a firm's international competence, experience, product characteristics and technology orientation of the industry. Past studies have examined the relationship between firm competencies and export marketing strategy.
For instance, Ritter (2016) argues that competencies facilitate a firm to enter into an economic exchange and are a source of differentiation. As a rejoinder, Smith (2008) contends that product and production competencies enable the exporting firm to design, create and deliver unique products. This view is consistent with Horton (2010) who

observed that competencies (especially the core ones) enable the firm to access a wide variety of markets (including niche markets) that may require adaptation, be it the marketing mix or regulatory requirements.

Azizi and Samsinar (2011) found that product certification competency among Malaysian wooden lumiture exporters was critical in enhancing end-user perceived benefits while terracing tor imitations from the competition. In markets characterized by fast-changing customer needs and wants, growth oriented enterprises need information to enable them constantly make adjustments in their export marketing strategy (Marandu, 2013). Using insights from organization memory, the ability of the firm to collect, transfer and employ knowledge generated through experience and by scanning the activities of other firms has profound performance effects. Notably, such activities lead to enhanced export performance through enhanced learning, development of innovative products and/or services, greater stability in conditions of change and lower transaction costs (Wexler, 2012).

1.1.3. EPZ Firms

Export Processing Zone refers to a type of free trade zone (FTZ), set up generally in developing countries by their governments to promote industrial and commercial exports (EPZA, 2015). The first EPZ program was established in 1990 to provide an attractive investment opportunity for export-oriented business ventures within designated areas or zones. This sought to help the economy through increased productive capital investment, jobs generated, technology transferred, backward linkages developed and diversified exports. Managed and promoted by the Export Processing Zone Authority (EPZA), the scheme offers a range of attractive incentives to ensure low cost operations, fast set up, smooth operations and high profitability. An effective one-stop-shop service at the EPZ Authority facilitates the investment process.

There are 113 Export Processing Zones (EPZs) strategically located across Kenya constituting an economic proposition that makes a compelling case for companies and businesses to contemplate. The individual EPZs are located in the capital city Nairobi, Athi River, the Indian Ocean Port city of Mombasa, nearby Kilifi and Malindi along Kenya's North coastline, Voi and Kimwarer in the country's inland Rift Valley region. Kenya is a fiscally sensible destination for assured returns on their investments while engaging in planned and sustainable development of the national economy and providing employment to the country's workforce.

The EPZs specialize in export-oriented investments and particularly to develop projects that attract foreign companies in the areas of food processing, fresh produce, packaging for shelf ready products, wooden products, leather and animal based products, jewellery and gemstones, pharmaceutical products and herbal medicines, medicinal supplies, cosmetic and personal care products, packaging products, textiles, commercial handicrafts, transport equipment, electronic and electrical goods, building materials and furnishings, data processing & audio-visual services and consultancy and professional services (EPZA, 2013).

Most of the EPZ firms are concentrated around Athi River, Nairobi and Mombasa regions. A summary of performance in respect to the number of operating enterprises, exports, local employment creation, local resource utilization, investment and imports indicated that on average those enterprises located in Athi River, Mombasa and Nairobi had strong performance. It is also an indication that enterprises in the hinterland could also perform equally high as those firms located near the seaport where operational logistics are minimal as long as required facilitation is offered. Although Mombasa region had the second highest number of operating enterprises numbering 33, it generated total local employment of 20,573 compared to 69 firms in Athi river region creating 18,914 jobs. During the year 2016, Mombasa region created 20,124 while Athi River region managed 18,033 jobs respectively.

1.2. Research Problem

With the current international economic integration where there is free trade between members, common external tariffs, free movement of factors of production, common currency and common government, the world export patterns are changing fast as a result of reduction in trade barriers and technological advancements (Lee & Griffith 2014). Such increase in the international trade is leading the countries to get productive gains through the competitiveness of their products over other countries. Developing countries including Kenya have opened up their borders for trade and are enjoying notable increase in the volume of exports. Despite this companies are still experiencing difficulties in the international market due to lack of appropriate foreign market entry strategies as well as that they possess characteristics which are not well suited to the international export market (Karelakis et al., 2014).

The export processing zone in Kenya have engaged in different businesses for export. However, over the past five years, the country has witnessed high fluctuations in foreign currency with the exchange rate for the USD ranging from Ksh 80-104 (Njunge, 2015). This has not only affected the output prices but also the input as majority of their inputs are imported and the output exported. The high fluctuations in the foreign exchange rates have called on the firms to institute appropriate strategic response strategies to manage exchange rate exposure. Ideally, several EPZs have been established to increase export promotion, diversify the domestic industry base and increase employment opportunities within the countries of operation (Mwangi, 2016). However, the firm still continue to experience the challenges in international market. The export strategy and performance has been affected due to their poor entry strategies by these firms.

Despite considerable research, studies pinpointing the influence of foreign entry market strategies on export performance of EPZs have remained scanty, largely fragmented and often contradictory. Rhee (2012) studied international expansion strategies of Korean venture firms. Using data on the internationalization of new Korean ventures, the study found evidence that social network and absorptive capacity theories have considerable explanatory power beyond that of transaction cost theory in predicting entry mode choice and the internationalization performance of new ventures. Sadaghiani, Dehghan and Zand (2013) studied the impact of international market entry strategy on export performance. The outcome depicted that the entry strategies affect the export performance of the export companies. Li (2013) also conducted a study on foreign entry and survival: effects of strategic choices on performance in international markets. The results show that firms benefit from learning and experience in foreign operations, which improves the chances of success for subsequent foreign investments.

Acheampong and Kumah (2012) studied the impact of firm-level factors and market entry mode on performance: a study of service Multinational Corporations in an emerging economy. The study examined the market entry strategies of multinational services companies into Ghana's service sector and the linkages to firm level performance after entry. The study adopted a quantitative research approach to enable empirical testing. It found that firm specific factors affect the market entry strategy while the entry strategy also affects performance after entry. The aspect of export performance was not adequately addressed.

Locally, Cheptegei (2012) assessed foreign market entry strategies used by MNCs in Kenya: A case of Coca Cola Kenya Limited. The study employed a case study as its research design. Primary data was used in the research. The data was collected using an interview guide and analysed using content analysis as the study aimed to collect data that was qualitative in nature. The study concluded that the Coca Cola Company has ventured into various foreign markets in order to increase its customer base and its profits. Mutambah (2012) studied entry strategies adopted by multinational manufacturing companies in Kenya. The study revealed that the factors that lead a company to enter international business can be divided into either external (environment specific) or internal (firm specific) factors. Wholly owned subsidiaries were used as the main entry strategy to a very great extent. The study concluded that the decision criteria for the mode of entry depended on socioeconomic characteristics, political and legal characteristics, financial conditions and consumer variables.

Cherop (2011) researched on the foreign market entry strategies used by Fina bank Kenya when entering the East African market, while Wachari (2010) studied the contributing factors of foreign market entry strategies embraced by Kenyan companies in picking and entering international markets. As such, there was a persuasive need to investigate the strategies being embraced by international companies in entering this competitive environment and the strategies that had enabled them to survive the increasingly more challenging competition due to increased competition in this sector. Barasa (2013) studied foreign market entry strategies used by multinational firms in Kenya. The findings showed that firms that want to internationalize must decide on a fitting mode of entry into a foreign market in order to make the best use of their resources.

Most previous studies conducted on foreign market entry strategies on export performance with the exceptions of a few have concentrated on developed nations. The few studies conducted locally have not been exhaustive as they have dealt with some aspects of market entry strategies and different contexts. To fill this gaps, the current study will examine how foreign market entry strategies influence export performance of EPZs. To achieve this the study will answer the question: what is the influence of foreign market entry strategies on export performance of multinational corporations in Kenya: a case of EPZ firms?

1.3. Objective of the Study

The objective of the study was to determine the influence of foreign market entry strategies on export performance of EPZ firms in Kenya

1.4. Value of the Study

The study would be of value to several areas of theory building, offer significant contribution to the already existing theories like institutional and new trade theories. Foreign market entry strategies are drivers to improvement of the performance of the various export processing firms.

The study would add value to policy as the government of Kenya will benefit especially in the agencies like the Transport Licensing board, Kenya Bureau of Standards (KEBS), Kenya Revenue authority (KRA) in the formulation of policies regarding taxes, Motor vehicle registration and safety. The government of Kenya requires taxes in order to meet the need of its citizens and the motor industry in Kenya is one of the leading revenue generator in the country, through the import duties, value added tax, excise duty, license fees and the import declaration fees.

The study would similarly make contributions to the practice of global business management and specifically in the export processing zone firms of Kenya. The study findings could be beneficial to these firms by equipping them with relevant managerial tools such as choices to make along the continuum of various export strategies, the requisite foreign entry strategies that can yield to lunar performance. Additionally, this study shows the deeper understanding of export performance variables and their manifestation across export processing zone firms would give these organisations managerial insights for further decision making within these entities.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter presents the literature review on influence of foreign market entry strategies on export performance of EPZ firms in Kenya. The chapter also presents the theoretical foundation guiding the study. In addition, the chapter presents the empirical review, and the conceptual framework of the study.

2.2. Theoretical Foundation

The theoretical foundation is the structure that can hold or support a theory of a research study. The theoretical foundation introduces and describes the theory that explains why the research problem under study exists. The study was guided by institutional theory and new trade theory. The theories are discussed in the subsequent sections.

2.2.1. Institutional Theory

The proponents of institutional theory are Meyer and Rowan, in 1977. Institutional theorists assert that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. Innovative structures that improve technical efficiency in early-adopting organizations are legitimized in the environment. Ultimately these innovations reach a level of legitimization where failure to adopt them is seen as irrational and negligent (or they become legal mandates). At this point new and existing organizations will adopt the structural form even if the form doesn't improve efficiency. The theory first appeared formally in the works of Meyer and Rowan (1977).

Institutions are emergent, higher-order factors above the individual level, constraining or constituting the interests and political participation of actors without requiring repeated collective mobilization or authoritative intervention to achieve these regularities (Jepperson, 1991). Meyer and Rowan (1977) argue that often these institutional myths are merely accepted ceremoniously in order for the organization to gain or maintain legitimacy in the institutional environment. The adoption and prominent display of these institutionally-acceptable trappings of legitimacy help preserve an aura of organizational action based on good faith. Legitimacy in the institutional environment helps ensure organizational survival.

However, these formal structures of legitimacy can reduce efficiency and hinder the organization's competitive position in their technical environment. To reduce this negative effect, organizations often will decouple their technical core from these legitimizing structures. Organizations will minimize or ceremonialism evaluation and neglect program implementation to maintain external (and internal) confidence in formal structures while reducing their efficiency impact.

DiMaggio and Powell (1991) conclude that the net effect of institutional pressures is to increase the homogeneity of organizational structures in an institutional environment. Firms will adopt similar structures as a result of three types of pressures. Coercive pressures come from legal mandates or influence from organizations they are dependent upon. Mimetic pressures to copy successful forms arise during high uncertainty. Finally, normative pressures to homogeneity come from the similar attitudes and approaches of professional groups and associations brought into the firm through hiring practices. They add that rate of institutional isomorphism is increased when firms are highly dependent on the institutional environment, exist under high uncertainty or ambiguous goals, rely extensively on professionals.

Organizational institutionalism therefore examines the adaptations and conformations of the organizations to the pressures of the institutional environment to get legitimacy (Scott, 2001). Institutional theory has recently been used to identify factors at different analytical levels that influence organizations responsiveness to pressures for family-friendly work policies (Ingram and Simons, 1995). The concept of institutional isomorphism therefore incorporates the idea that organizations conform to pressures such as those for family-friendly work policies, because in doing so, they augment their legitimacy and are able to enhance their resources and survival prospects (Townley, 1997).

2.2.2. New Trade Theory

The proponent of new trade theory was Alexander Hamilton in 1791. New Trade Theory tries to explain empirical elements of trade that comparative advantage-based models above have difficulty with. These include the fact that most trade is between countries with similar factor endowment and productivity levels, and the large amount of multinational production (FDI) that exists. New Trade theories are often based on assumptions such as monopolistic competition and increasing returns to scale. One result of these theories is the home-market effect, which asserts that, if an industry tends to cluster in one location because of returns to scale and if that industry faces high transportation costs, the industry will be located in the country with most of its demand, in order to minimize cost. Although new trade theory can explain the growing trend of trade volumes of intermediate goods, Krugman's explanation depends too much on the strict assumption that all firms are symmetrical, meaning that they all have the same production coefficients.

2.3. Empirical Studies and Knowledge Gaps

Acheampong and Kumah (2012) studied the impact of firm-level factors and market entry mode on performance: a study of service Multinational Corporations in an emerging economy. The study examined the market entry strategies of multinational services companies into Ghana's service sector and the linkages to firm level performance after entry. The study adopted a quantitative research approach to enable empirical testing. It found that firm specific factors affect the market entry strategy while the entry strategy also affects performance after entry. The aspect of export performance was not adequately addressed. The current study will fill the gap by the influence of foreign market entry strategies on export performance of EPZ firms in Nairobi County.

Sadaghiani, Dehghan and Zand (2013) studied the impact of international market entry strategy on export performance. The aim was to examine the impact of entry strategy on export performance of Iranian export companies. The study used a case study design. Descriptive statistics were utilized to analyze data. The study results depicted that the entry strategy affects the export performance of the export companies. The aspect of export performance was only addressed in the international arena and thus the findings could not be addressed from the local perspective creating a research gap. The current study will fill the gap by the influence of foreign market entry strategies on export performance of EPZ firms in Nairobi County.

Li (2013) also conducted a study on foreign entry and survival: effects of strategic choices on performance in international markets. The study used a case study design. The qualitative data was obtained through interactive interviews. The results show that firms benefit from learning and experience in foreign operations, which improves the chances of success for subsequent foreign investments. The aspect of export performance was not adequately addressed. The current study will fill the gap by the influence of foreign market entry strategies on export performance of EPZ firms in Nairobi County.

Rhee (2012) studied international expansion strategies of Korean venture firms. Using data on the internationalization of new Korean ventures, the study found evidence that social network and absorptive capacity theories have considerable explanatory power beyond that of transaction cost theory in predicting entry mode choice and the internationalization performance of new ventures.

Grosse (2012) in his study observes that foreign direct investment involves ownership and control of a company in a foreign country. In exchange for the ownership, the investing company usually transfers some of its managerial, financial, technical, trademark and other resources to the foreign country. The foreign company may be created as a new venture by the investor or it may be acquired from an existing owner. Kioi (2013) study on foreign direct investment found out that benefits derived from foreign direct investment by host countries can be quite diverse and that the actual effect of foreign direct investment on the economic growth of the host countries may vary greatly from one country to the other. The case of host country conditions affecting the contribution of foreign direct investment on economic growth of a country is therefore strong. MNE’s seeking to invest in another country should always be ready to accept a case per case analysis of the mutual benefits to both the firm and host country. Such analysis should be based on the unique characteristics of the host country environment.

Kieti (2014) study on the choice of foreign entry mode indicated that the choice of foreign entry mode greatly impacts on the entrant's future decisions and performance in foreign markets. The study used a case study design. The qualitative data was obtained through interactive interviews. He further notes that Kenyan firms venturing into foreign markets need to devise entry strategies that will preposition them to take advantage of the opportunities in the economy in a manner that is sustainable.

Cheptegei (2012) assessed foreign market entry strategies used by MNC's in Kenya: A case of Coca Cola Kenya Limited. The study employed a case study as its research design. Primary data was used in the research. The data was collected using an interview guide and analyzed using content analysis as the study aimed to collect data that was qualitative in nature. The study concluded that the Coca Cola Company has ventured into various foreign markets in order to increase its customer base and its profits. These market entry strategies include foreign direct investment, joint ventures, franchising and exporting. It also concluded that there are various factors influencing the choice of market entry strategy, the factors are legal framework, risk of macroeconomic instability, loss of assets due to non-enforceability of contracts and physical destruction caused by armed conflicts. The study focused only on market strategies and did not focus on issues of export performance thus creating a knowledge gap. The current study will fill the gap by the influence of foreign market entry strategies on export performance of EPZ firms in Nairobi County.

Mutambah (2012) studied entry strategies adopted by multinational manufacturing companies in Kenya. The study adopted a census approach and all the 45 companies which were involved in large scale manufacturing in Kenya were selected from the Kenya Association of Manufacturers (KAM) directory as at 31st July 2010. The study used both primary and secondary data. The study revealed that the factors that lead a company to enter international business can be divided into either external (environment specific) or internal (firm specific) factors. Wholly owned subsidiaries were used as the main entry strategy to a very great extent. The study concluded that the decision criteria for the mode of entry depended on socioeconomic characteristics, political and legal characteristics, financial conditions and consumer variables. The study focused on factors influencing market strategies ignoring the aspect of export performance thus creating a knowledge gap. The current study will fill the gap by the influence of foreign market entry strategies on export performance of EPZ firms in Nairobi County.

Cherop (2011) researched on the foreign market entry strategies used by Fina bank Kenya when entering the East African market, while Wachari (2010) studied the contributing factors of foreign market entry strategies embraced by Kenyan companies in picking and entering international markets. As such, there was a persuasive need to investigate the strategies being embraced by international companies in entering this competitive environment and the strategies that had enabled them to survive the increasingly more challenging competition due to increased competition in this sector.

Barasa (2013) studied foreign market entry strategies used by multinational pharmaceutical firms in Kenya. The research adopted cross sectional and descriptive survey method aimed at establishing entry strategies used by Multinational Corporations in Kenya. The study relied on primary data which was collected through administering structured questionnaire comprising of closed and open-ended questions. The findings showed that firms that want to internationalize must decide on a fitting mode of entry into a foreign market in order to make the best use of their resources. The aspect of export performance was not addressed thus creating a knowledge gap. The current study will fill the gap by the influence of foreign market entry strategies on export performance of EPZ firms in Nairobi County.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter presents the methods that were used to conduct the study on influence of foreign market entry strategies on export performance of EPZ firms in Kenya. Specifically, the methodology comprised of the design used to conduct the study, the population of the study, sampling technique, sample size, data collection procedure and methods of data analysis. The subsections in this chapter are presented in accordance with the subsequent headings:

3.2. Research Design

According to Creswell (2003) a research design provides a framework for the collection and analysis of data. Khumar (2005) described research design as a method that is procedurally acquired by the researcher and that which enables the researcher to be able to answer research questions accurately, validly, objectively, and economically. The design describes the features of particular information as at that specific time.

The research was conducted using descriptive cross sectional survey design. Cross sectional survey methodology attempts to elicit information from a limited but representative number of units that possess the required information. A Cross sectional survey was suited for this kind of study because data was collected from a cross section of organizations at one point in time.

3.3. Population of the Study

A population is a set of people, service, elements, and events, group of things or households being investigated (Newman, 2000). According to Bhattacherjee, (2012) population is termed as the unit of analysis the researcher is interested to study its characteristics. Kathuri & Pals (1973) defined target population as the large population from which a researcher selects a representative sample for observation and analysis. For a specific number to be handled, there must be a large collection of individuals or things and this is what is referred to as a population.

Due to time consumption and large amounts of money, the population cannot be handled in the big and large numbers. It is for this reason that a sample design must and could be employed in order to be able to tackle these large number of population. The population of interest in this study was all the EPZ firms in Kenya. There are 113 firms in the three EPZ zones in Kenya. Thus the target population was 113 EPZ firms in Kenya.

3.4. Sample Design

Due to the large size of the population, the researcher chose a representative sample of thirty-five (35) firms, which was 30% of the population. The sample was selected using the stratified sampling technique where the population was divided into subgroups based on zone and location. The researcher then used simple random sampling technique to select 30% of firms from each group.

Since the research was conducted through a survey, the researcher deduced that information collected from the sample would adequately be representative and would be useful in making appropriate conclusions. In addition, all firms were in a similar industry, which made it a study of geographically comparable population with similar exposure to the factors affecting their business environment.

3.5. Data Collection

According to Kothari (2004) data collection is a process of collecting information from all the relevant sources to find answers to the research problem, test the hypothesis and evaluate the outcomes. The study will collect primary data from the respondents. The data collection instruments that will be used in this study to collect primary data will include a questionnaire. Lee & McKinney, (2013) defines a questionnaire as a data collection instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents.

The study used an open ended questionnaire as the main instrument of collecting primary data. The questionnaire was divided into sections. Section A addressed general background while section B, and C addressed independent variables as well as dependent variable. The open ended questions followed Likert five-point scale with predetermined responses. In order to enhance the response rate, the respondents were assured of confidentiality.

3.6. Data Analysis

According to Burn and Grove (2003), data analysis is means by which the collected data is processed to adduce meaningful information. The data from the field was thoroughly checked to ensure completeness, consistency and accuracy. The data was then coded and tabulated to facilitate data analysis. The researcher further analyzed the data and presented the results in form of percentages, frequencies, graphs and tables. In addition, the researcher used descriptive statistics such as the mean and standard deviation to also present the data. Statistical Package for Social Science (SPSS) and Microsoft excel was also used to produce the output of the data. Further the study utilized simple regressions to find out the relationship between foreign market entry strategies and export performance.

The model is indicated below:

$$Y = \alpha + \beta_1 X_1 + ẹ$$

Where

Y=export performance

α = constant term

β_1= Parameters

X_1= foreign market entry strategies

ẹ = Error

The collected data from the open ended questions was qualitative. The data was therefore analyzed using content analysis. It is a method used to examine artifacts of social communication. This method entails making interpretations by analytically and accurately ascertaining specific features of messages and information as the foundation to relate to trends. Content analysis provides a qualitative image of the respondents, apprehensions, thoughts, outlooks and approaches. In addition, it provides valuable historical and cultural insights through analysis of texts.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter present the findings on the influence of foreign market entry strategies on export performance of EPZ firms in Kenya. The research was conducted on a sample of 35 respondents to which questionnaires were administered. The chapter introduces the analysis conducted as per the research objective.

4.2 Questionnaire Response Rate

This section presents the information on the response rate in relation to the questionnaires that were returned and not returned from the field. Findings on filled in questionnaires and unreturned questionnaires are presented in Table 4.1.

Table 4.1. Response Rate

Response	Frequency (n)	Percentage (%)
Filled in questionnaires	30	86
Un returned questionnaires	5	14
Total Response Rate	**35**	**100**

Source: Field Data (2019)

Out of the sampled population, 30 questionnaires were returned duly filled in making a response rate of 86%. The response rate was representative and was adequately used to answer the research questions. A Response rate above 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent (Kothari, 2009).

4.3. Background of Information

This study focused on the EPZ firms in Kenya. There are 113 firms in the three EPZ zones in Kenya. 35 EPZs firms were interviewed, and an interview guide administered to the managers in charge of exports who were the respondents of the study. The background information included position in the organization, duration of working in the organization and the length of time they have been holding the current position.

From the findings all the respondents indicated they were export managers in charge of export operations in the firm. Further the respondents indicated that they had worked in the firm for more than eight years. In addition, majority of the respondents indicated they had been holding the position for a duration of over five years and thus could offer appropriate information in relation to foreign entry strategies and export performance.

4.4. Foreign Market Entry Strategies

This section presents findings on foreign market entry strategies which are presented in the following subsequent sections:

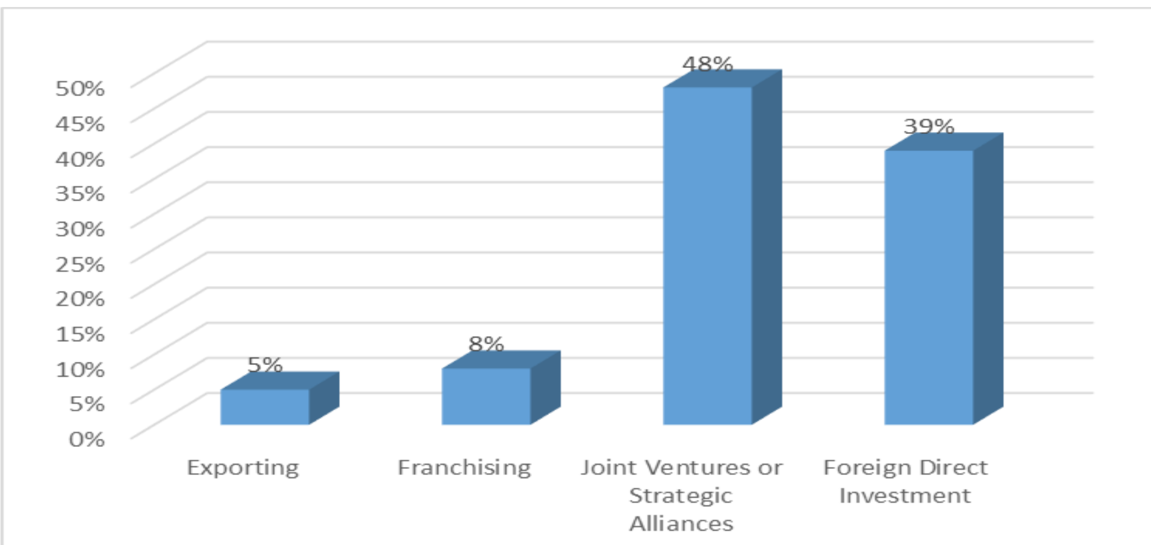
4.4.1. Major Factors that Led the Firm to Enter the Foreign Market

The respondents were requested to indicate the major factors that led the firm to enter the foreign market. According to the respondent's entry into the foreign market gave the firms a chance to relaunch themselves after many years of absence. The respondents indicated that for the one year that the firms had re-entered foreign market through exports, they discovered the market had great potential. In order to serve the market better, the respondents indicated that the firms decided to establish international plants which would help in cutting down the operational costs as compared to importing the raw materials. Another motivation for the firms in entering the foreign market was the increasing demand for its brands on the market. The products supplied through exportations were not enough to meet the international demand. In order to meet the needs of the foreign market, the firms saw it fit to set up a foreign processing plan that would allow mass production to meet the international demand.

4.4.2. Application of the Foreign Strategy

The respondents were requested to indicate the entry strategy or a combination of the strategies that the firm employ in entering the international market. The findings are as shown in figure 4.1.

Figure 4.1. Application of the Foreign Strategy



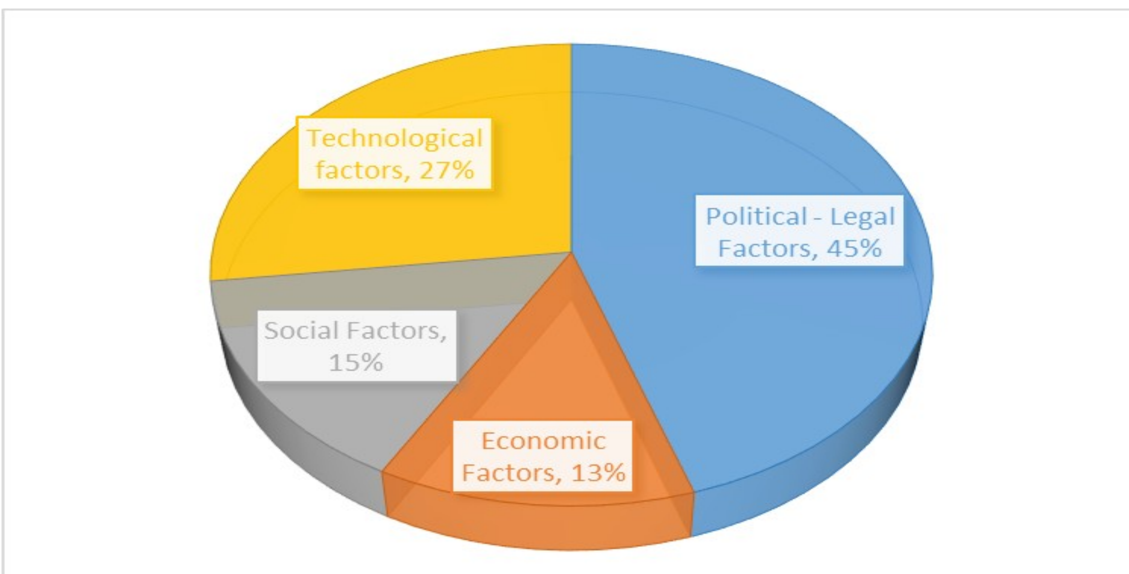
Source: Field Data (2019)

From the findings most (48%) of the respondents indicated that the firm utilized joint ventures or strategic alliances in entering the international market, 39% indicated foreign direct investment, 8% indicated franchising, while 5% indicated exporting. This depicts that the firm utilized joint ventures or strategic alliances in entering the international market. Firms have ventured into various foreign market entry strategies in order to increase its customer base and its profits. These market entry strategies include foreign direct investment, joint ventures, franchising and exporting. It also found that there are various factors influencing the choice of market entry strategy, the factors are legal framework, risk of macroeconomic instability, loss of assets due to non-enforceability of contracts and physical destruction caused by armed conflicts.

4.4.3. Challenges in Entering Foreign Market

The respondents were asked to indicate whether various factors challenged the firm in entering the foreign market. The findings are shown in figure 4.2

Figure 4.2. Challenges in Entering Foreign Market



Source: Field Data (2019)

From the findings most (45%) of the respondents indicated political-legal factors challenged the firm in entering the foreign market, 27% indicated technological factors, 15% indicated social factors, while 13% indicated economic factors. This depicts that political-legal factors challenged the firm in entering the foreign market.

4.4.4. How EPZ Firms Choose Market Entry Strategy

The respondents were requested to indicate how EPZ firms choose their market entry strategies in a given market. According to the respondents the EPZ firms studies the market and the demands available. In addition, the respondents indicated that the firms also explore the prices on the various commodities they export and determines the profit to be realized. As a result, the firms chooses whether to enter a certain market on leave depending on the conditions.

4.4.5. Market Entry Strategies used by EPZ to establish its Presence in the International Market

The respondents were asked to indicate the market entry strategies used by EPZ to establish its presence in the international market. According to the respondents the firms first used joint ventures or strategic alliances strategy. The respondents indicated that this was a viable strategy as it allowed it time to assess the viability of the foreign market so as to arrange on how to approach it. After several three years of exporting and distributing through joint ventures/strategic alliances, the firms entered into arrangements to set up an international plant to facilitate production internationally. The respondents indicated that the strategy chosen to enter the foreign market was very effective. By first testing the market for three years through joint ventures/strategic alliances to see the market viability, this ensured that the firms invested in a viable venture that would bring worthwhile returns for the owners.

4.5. Export Performance

This section presents findings on export performance which are presented in the following subsequent sections:

4.5.1. Foreign Market Entry Strategies and Export Performance of the EPZs

The respondents were requested to indicate whether the foreign market entry strategies have improved the export performance of the EPZs. According to the respondents since the firms adopted foreign market entry strategies the number of customers has grown significantly thus increasing the performance of the exports. The respondents indicated that this trend was because the firms have won the confidence of customers not only in terms of supply but also support and warranty. The entry strategies adopted have seen EPZ firms reap positive return on investment through the increase in sales. At the same time, EPZ firms have had opportunity to align their growth in sales with a cost-reduction strategy thereby, compounding their gains. According to the respondents EPZ firms have distributors whom they refer to as channel partners. By selling through distributors/channel partners, EPZ firms have been able to increase their revenue on the back of those distributors existing business and customer contacts. This has led to an increase in the economic value added. EPZ firm's products are also perceived by the customers to be of a superior value owing to the fact that they have longer life and are backed by the availability of local support.

4.5.2. Financial Performance of EPZ Firms

The respondents were requested to indicate their level of agreement on statements on effect of foreign market entry strategies on financial performance of EPZ firms. The responses were placed on a 5 likert scale where 1= strongly disagree; 2=disagree; 3=Neutral; 4=agree; 5=strongly agree. The findings are shown in table 4.2

Table 4.2. Financial Performance of EPZ Firms

Statement	Mean	Std. Dev
The firm's sales revenues have increased	3.88	0.20
Firm's profits have increased	4.04	0.12
The firm's investment and growth has increased	4.09	0.22
The firm's sales revenue has improved due to repeat sales.	4.16	0.20
The firm has achieved good returns by improving its asset utilization.	4.13	0.23
The firm uses cost control systems in monitoring performance	3.79	0.20
Firm's innovations are more important for achieving higher export performance	3.60	0.23

Source: Field Data (2019)

From the findings the respondents agreed that the firm's sales revenue has improved due to repeat sales as a results of foreign market entry strategies (mean=4.16), followed by the firm has achieved good returns by improving its asset utilization (mean=4.13), the firm's investment and growth has increased (mean=4.09), firm's profits have increased (mean=4.04), the firm's sales revenues have increased (mean=3.88), the firm uses cost control systems in monitoring performance (mean=3.79), and firm's innovations are more important for achieving higher export performance (mean=3.6). This depicts that the firm's sales revenue has improved due to repeat sales as a results of foreign market entry strategies.

4.5.3. New Markets for EPZ Firms

The respondents were requested to indicate their level of agreement on statements on effect of foreign market entry strategies on new markets for EPZ firms. The responses were placed on a 5 likert scale where 1= strongly disagree; 2=disagree; 3=Neutral; 4=agree; 5=strongly agree. The findings are shown in table 4.3

Table 4.3. New Markets for EPZ Firms

Statements	Mean	Std. Dev
The firm has ventured in more international markets	3.96	0.96
The firm has created value for its customers through quality products and services.	4.32	0.91
A firm enters a new market because of having new competitive products	4.17	1.43
Firm's market position and creation of new markets is attributable to innovation.	3.90	0.89
Business group affiliation helps a firm to expand new business partners and establish new markets.	3.32	0.92
Access to knowledge makes it possible for the firm to extend its activities to new markets.	4.04	0.90

Source: Field Data (2019)

From the findings the respondents agreed that the firm has created value for its customers through quality products and services as a results of foreign market entry strategies (mean=4.32), followed by a firm enters a new market because of having new competitive products (mean=4.17), access to knowledge makes it possible for the firm to extend its activities to new markets (mean=4.04), the firm has ventured in more international markets (mean=3.96), firm's market position and creation of new markets is attributable to innovation (mean=3.90) and that business group affiliation helps a firm to expand new business partners and establish new markets (mean=3.32). This depicts that the firm has created value for its customers through quality products and services as a results of foreign market entry strategies.

4.5.4. Market Share for EPZ Firms

The respondents were requested to indicate their level of agreement on statements on effect of foreign market entry strategies on market share for EPZ firms. The responses were placed on a 5 likert scale where 1= strongly disagree; 2=disagree; 3=Neutral; 4=agree; 5=strongly agree. The findings are shown in table 4.4

Table 4.4. Market Share for EPZ Firms

Statements	Mean	Std. Dev
Firm's Market share has been improving	3.95	1.04
The firm's market share has improved due to increased marketing activities.	4.39	0.91
Firm's Market share has improved due to increases exports	4.25	0.80
Market share improved due to increased producers/service	3.88	0.99

Source: Field Data (2019)

From the findings the respondents agreed that the firm's market share has improved due to increased marketing activities as a result of foreign market entry strategies (mean=4.39), followed by firm's market share has improved due to increases exports (mean=4.25), firm's Market share has been improving (mean=3.95), and that market share improved due to increased producers/service (mean=3.88). This depicts that the firm's market share has improved due to increased marketing activities as a result of foreign market entry strategies.

4.6. Regression Analysis

The study utilized simple regression analysis to find out the relationship between the predictor variable and export performance of EPZ firms in Kenya. The study utilized

SPSS version 24 to generate output of the regression statistics after cleaning and coding data from the field. The coefficient of determination was used to explain how the change in the dependent variable can be explained by the change in the independent variables. The dependent variable for the current study was export performance of EPZ firms in Kenya while the independent variable was foreign market entry strategies.

4.6.1. Model Summary

The table below provides the model summary of the relationship between the predictor variable and export performance of EPZ firms in Kenya. The findings are as shown in table 4.5

Table 4.5. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	P-value
1	0.89	.792	.742	.312	31.341	.001

a. Predictors: (Constant), Foreign Market Entry Strategies

b. Dependent Variable: Export Performance of EPZ firms in Kenya

From the results in the table R^2=0.792 that is 79.2% disparity in export performance of EPZ firms in Kenya is explained by the independent variable in the model. However, 20.8% unexplained difference in export performance of EPZ firms in Kenya is as a result of other unrepresented determinants in the regression model. As per the findings in the above table it can be ascertained that the model is good and can be utilized for the purposes of estimation. From the results in the table a significant relationship was established which is indicated by the variables as depicted by R^2=0.792 that is 79.2%

which shows that a significant relationship exists between the independent variables and the export performance of EPZ firms in Kenya.

4.6.2 ANOVA Results

The table below provides the ANOVA results of the relationship between the predictor variable and export performance of EPZ firms in Kenya. The findings are as shown in table 4.6

Table 4.6. ANOVA of the Regression

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.123	1	3.123	25.185	.002[a]
	Residual	3.472	28	.124		
	Total	**6.595**	**29**			

a. Predictors: (Constant), Foreign Market Entry Strategies

b. Dependent Variable: Export Performance of EPZ firms in Kenya

The significance value is 0.002 which is less than 0.05 thus the model is statistically significance in predicting how foreign market entry strategies impact the Export Performance of EPZ firms in Kenya. The F critical at 5% level of significance was 3.123. Since F calculated (value = 25.185) is greater than the F critical, this shows that the overall model was significant.

4.6.3 Coefficient of Determination

The table below provides the coefficient of determination on the relationship between the predictor variable and the Export Performance of EPZ firms in Kenya. The findings are as shown in table 4.7

Table 4.7. Coefficient of Determination

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
Model 1(Constant)	0.289	0.116		2.491	0.005
Foreign Market Entry Strategies	0.319	0.122	0.514	2.61	0.001

a. **Dependent Variable:** Export Performance of EPZ firms in Kenya

Simple regression analysis was conducted as to determine the export performance of EPZ firms in Kenya. As per the SPSS generated table below, regression equation

($Y = \alpha + \beta_1 X_1 + ẹ$)

Becomes:

($Y = 0.289 + 0.319 + \varepsilon$)

From the regression taking the independent variable at constant (Foreign Market Entry Strategies) constant at zero, export performance of EPZ firms in Kenya was 0.289. The data findings analyzed also showed that taking all other independent variables at zero, a unit increase in foreign market entry strategies will lead to a 0.319 increase in export performance of EPZ firms in Kenya. At 5% level of significance and 95% level of confidence, foreign market entry strategies were significant on Export Performance of EPZ firms in Kenya.

4.7. Discussion of Findings

This section presents the discussion of findings as shown in the subsequent sections:

4.7.1. Foreign Market Entry Strategies

The study found that entry into the foreign market gave the firms a chance to relaunch themselves after many years of absence. For the past years that the firms had re-entered foreign market through exports, they discovered the market had great potential. In order to serve the market better, the respondents indicated that the firms decided to establish international plants which would help in cutting down the operational costs as compared to importing the raw materials. A good example of a reactive motive is the need to serve a key customer who has expanded abroad (Munyao, 2013). On the other hand, proactive motive would be to tap foreign market opportunities or acquire new knowledge. Most firms enter regional markets sequentially beginning in markets with which they are more familiar. They also introduce their largest and strongest lines of business into these markets first, followed by their other lines of business once the first lines are successful (Wagitu, 2014). They also usually invest in the same area as their original location.

Another motivation for the firms in entering the foreign market was the increasing demand for its brands on the market. The products supplied through exportations were not enough to meet the international demand. Williams (2013) also claims that arguments that are mounted in favour of foreign direct investments revolve around the notion that it will improve competitiveness, and through this increase employment and the welfare of the host nation. Through foreign investments, the foreign company can gain relatively more control of the market than through exporting, and it implies an expectation of a relatively higher rate of return (Kwon and Konopa, 2014).

In order to meet the needs of the foreign market, the firms saw it fit to set up a foreign processing plan that would allow mass production to meet the international demand. The findings are in agreement with a study by Njui, (2013) who stated that the current interest by business firms in international markets can be attributed in part to shifts in demand and supply characteristics in markets throughout the world as well as the ever-changing competitive environment. The process of finding new markets therefore has prompted an increasing number of firms to develop strategies to enter and expand into markets outside their home countries. Selection of foreign markets and entry modes therefore lies at the heart of any business or any organization that aspires to operate internationally.

The study found that the firm utilized joint ventures or strategic alliances in entering the international market. The study also found that political-legal factors challenged the firm in entering the foreign market. These study findings are consistent with the study by Mutambah (2012). The study established that decision criteria for the mode of entry depended on socioeconomic characteristics, political and legal characteristics, financial conditions and consumer variables. The study also found that EPZ firms studies the market and the demands available. In addition, the respondents indicated that the firms also explore the prices on the various commodities they export and determines the profit to be realized. As a result, the firms chooses whether to enter a certain market on leave depending on the conditions.

The study found that the firms first used joint ventures or strategic alliances strategy. This was a viable strategy as it allowed it time to assess the viability of the foreign market so as to arrange on how to approach it. After several three years of exporting and distributing through joint ventures/strategic alliances, the firms entered into arrangements to set up an international plant to facilitate production internationally. The study found that the strategy chosen to enter the foreign market was very effective. By first testing the market for three years through joint ventures/strategic alliances to see the market viability, this ensured that the firms invested in a viable venture that would bring worthwhile returns for the owners. This is consistent with the study by Cheptegei (2012) who stated that firms have ventured into various foreign market entry strategies in order to increase its customer base and its profits. These market entry strategies include foreign direct investment, joint ventures, franchising and exporting. It also found that there are various factors influencing the choice of market entry strategy, the factors are legal framework, risk of macroeconomic instability, loss of assets due to non-enforceability of contracts and physical destruction caused by armed conflicts.

4.7.2. Export Performance

The study found that since the firms adopted foreign market entry strategies the number of customers has grown significantly thus increasing the performance of the exports. The respondents indicated that this trend was because the firms have won the confidence of customers not only in terms of supply but also support and warranty. The entry strategies adopted have seen EPZ firms reap positive return on investment through the increase in sales. At the same time, EPZ firms have had opportunity to align their growth in sales with a cost-reduction strategy thereby, compounding their gains. The findings agree with a study by Li (2013) who stated that firms benefit from learning and experience in foreign operations, which improves the chances of success for subsequent foreign investments. Westhead, Dinks, Ucbasaran and Wright (2012) report a positive relationship between exporting and firm performance (measured in terms of relative market share, return on investment and sales growth). These authors contend that the performance of an export venture is an implicit measure of strategy success in the export market.

The fact that exporting is an investment, we argue that firms need to measure performance of their export ventures in order to justify continued commitment of resources (financial, human, and time) toward exporting activities in order to Feminize overall export investment risk. Cavusgil and Zou (2014) in a study of export market ventures established that adaptation of export marketing strategy was influenced by a firm's international competence, experience, product characteristics and technology orientation of the industry. Past studies have examined the relationship between firm competencies and export marketing strategy.

For instance, Ritter (2016) argues that competencies facilitate a firm to enter into an economic exchange and are a source of differentiation. As a rejoinder, Smith (2008) contends that product and production competencies enable the exporting firm to design, create and deliver unique products. The study found that EPZ firms have distributors whom they refer to as channel partners. By selling through distributors/channel partners, EPZ firms have been able to increase their revenue on the back of those distributors existing business and customer contacts. This has led to an increase in the economic value added. EPZ firm's products are also perceived by the customers to be of a superior value owing to the fact that they have longer life and are backed by the availability of local support.

The findings are consistent with a study by Dominguez & Sequeira, (2013) who argue that relative measures of export performance are more reliable than the traditionally used absolute measures of export performance. There is a cascading effect in the measurement of export performance. For example, it is contended that firms that use sales growth to measure organizational performance should use export sales growth to measure export performance. Goll and Rasheed (2014) noted that firms with scarce resources (such as SMEs) are forced to pay greater attention to their conservation. Consequently, a firm's export marketing strategy largely depends on the resources and abilities it possesses. Cavusgil and Zou (2014) in a study of export market ventures established that adaptation of export marketing strategy was influenced by a firm’s international competence, experience, product characteristics and technology orientation of the industry. Past studies have examined the relationship between firm competencies and export marketing strategy.

The study found that the firm’s sales revenue has improved due to repeat sales as a results of foreign market entry strategies. The study found that the firm has created value for its customers through quality products and services as a results of foreign market entry strategies. Azizi and Samsinar (2011) found that product certification competency among Malaysian wooden lumiture exporters was critical in enhancing end-user perceived benefits while terracing tor imitations from the competition.

In markets characterized by fast-changing customer needs and wants, growth oriented enterprises need information to enable them constantly make adjustments in their export marketing strategy (Marandu, 2013). Using insights from organization memory, the ability of the firm to collect, transfer and employ knowledge generated through experience and by scanning the activities of other firms has profound performance effects. Notably, such activities lead to enhanced export performance through enhanced learning, development of innovative products and/or services, greater stability in conditions of change and lower transaction costs (Wexler, 2012).

Export level (or volume) has been regarded as a traditional indicator of the overall importance of exports to a firm, while export sales growth and profitability are the dynamic and crucial indicators of export performance respectively. Moreover, including a subjective component in the measurement of export performance is consistent with previous studies (Dominguez & Sequeira, 2013) who argue that relative measures of export performance are more reliable than the traditionally used absolute measures of export performance. There is a cascading effect in the measurement of export performance. For example, it is contended that firms that use sales growth to measure organisational performance should use export sales growth to measure export performance.

The study further found that the firm's market share has improved due to increased marketing activities as a result of foreign market entry strategies. The findings are consistent with a study by Westhead, Dinks, Ucbasaran and Wright (2012) who reported a positive relationship between exporting and firm performance (measured in terms of relative market share, return on investment and sales growth). These authors contend that the performance of an export venture is an implicit measure of strategy success in the export market. The fact that exporting is an investment, we argue that firms need to measure performance of their export ventures in order to justify continued commitment of resources (financial, human, and time) toward exporting activities in order to Feminize overall export investment risk.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents the summary, conclusion and recommendations on influence of foreign market entry strategies on export performance of EPZ firms in Kenya.

5.2. Summary of the Study

5.2.1. Foreign Market Entry Strategies

The study found that entry into the foreign market gave the firms a chance to relaunch themselves after many years of absence. For the past years that the firms had re-entered foreign market through exports, they discovered the market had great potential. In order to serve the market better, the respondents indicated that the firms decided to establish international plants which would help in cutting down the operational costs as compared to importing the raw materials. Another motivation for the firms in entering the foreign market was the increasing demand for its brands on the market. The products supplied through exportations were not enough to meet the international demand. In order to meet the needs of the foreign market, the firms saw it fit to set up a foreign processing plan that would allow mass production to meet the international demand.

The study found that the firm utilized joint ventures or strategic alliances in entering the international market. The study also found that political-legal factors challenged the firm in entering the foreign market. The study also found that EPZ firms studies the market and the demands available. In addition, the study indicated that the firms also explore the prices on the various commodities they export and determines the profit to be realized. As a result, the firms chooses whether to enter a certain market on leave depending on the conditions.

The study found that the firms first used joint ventures or strategic alliances strategy. This was a viable strategy as it allowed it time to assess the viability of the foreign market so as to arrange on how to approach it. After several three years of exporting and distributing through joint ventures/strategic alliances, the firms entered into arrangements to set up an international plant to facilitate production internationally. The study found that the strategy chosen to enter the foreign market was very effective. By first testing the market for three years through joint ventures/strategic alliances to see the market viability, this ensured that the firms invested in a viable venture that would bring worthwhile returns for the owners.

5.2.2. Export Performance

The study found that since the firms adopted foreign market entry strategies the number of customers has grown significantly thus increasing the performance of the exports. The respondents indicated that this trend was because the firms have won the confidence of customers not only in terms of supply but also support and warranty. The entry strategies adopted have seen EPZ firms reap positive return on investment through the increase in sales. At the same time, EPZ firms have had opportunity to align their growth in sales with a cost-reduction strategy thereby, compounding their gains.

The study found that EPZ firms have distributors whom they refer to as channel partners. By selling through distributors/channel partners, EPZ firms have been able to increase their revenue on the back of those distributors existing business and customer contacts.

This has led to an increase in the economic value added. EPZ firm's products are also perceived by the customers to be of a superior value owing to the fact that they have longer life and are backed by the availability of local support.

The study found that the firm's sales revenue has improved due to repeat sales as a results of foreign market entry strategies. The study found that the firm has created value for its customers through quality products and services as a results of foreign market entry strategies. The study further found that the firm's market share has improved due to increased marketing activities as a result of foreign market entry strategies.

5.3. Conclusion of the Study

The study concluded that entry into the foreign market gave the firms a chance to relaunch themselves after many years of absence. For the past years that the firms had re-entered foreign market through exports, they discovered the market had great potential. In order to serve the market better, the respondents indicated that the firms decided to establish international plants which would help in cutting down the operational costs as compared to importing the raw materials. Another motivation for the firms in entering the foreign market was the increasing demand for its brands on the market. The products supplied through exportations were not enough to meet the international demand. In order to meet the needs of the foreign market, the firms saw it fit to set up a foreign processing plan that would allow mass production to meet the international demand

The study concluded that the firms first used joint ventures or strategic alliances strategy. This was a viable strategy as it allowed it time to assess the viability of the foreign market so as to arrange on how to approach it. After several three years of exporting and distributing through joint ventures/strategic alliances, the firms entered into arrangements to set up an international plant to facilitate production internationally. The study concluded that the strategy chosen to enter the foreign market was very effective. By first testing the market for three years through joint ventures/strategic alliances to see the market viability, this ensured that the firms invested in a viable venture that would bring worthwhile returns for the owners.

The study concluded that since the firms adopted foreign market entry strategies the number of customers has grown significantly thus increasing the performance of the exports. The study concluded that this trend was because the firms have won the confidence of customers not only in terms of supply but also support and warranty. The entry strategies adopted have seen EPZ firms reap positive return on investment through the increase in sales. At the same time, EPZ firms have had opportunity to align their growth in sales with a cost-reduction strategy thereby, compounding their gains.

The study concluded that EPZ firms have distributors whom they refer to as channel partners. By selling through distributors/channel partners, EPZ firms have been able to increase their revenue on the back of those distributors existing business and customer contacts. This has led to an increase in the economic value added. EPZ firm's products are also perceived by the customers to be of a superior value owing to the fact that they have longer life and are backed by the availability of local support.

The study concluded that the firm's sales revenue has improved due to repeat sales as a results of foreign market entry strategies. The study also concluded that the firm has created value for its customers through quality products and services as a results of foreign market entry strategies. The study further concluded that the firm's market share has improved due to increased marketing activities as a result of foreign market entry strategies.

5.4. Recommendations

From the findings and conclusions in this chapter, the study recommends that:

The EPZ firms should critically analyze the various strategies at their disposal in entering a new market before making decisions on how to enter the selected market. Market entry strategy plays a very important role in determining the successfulness of the multinational corporations on the local market.

This is true especially considering the acceptability of the EPZ by the international customers and how the EPZ is treated by the host government. For the case of EPZ the study established that it adopted several strategies at different times until it was sure that the market was viable before investing huge sums of money in a plant.

The study also recommends that EPZ firms should consider the advantages and disadvantages the different strategies before selecting on a given strategy. They need to assess the options available for their market entry and be able to select the strategy with more advantages and one that will ensure successful market entry and acceptability by the local market regulators.

The study further recommends EPZ firms should use the same strategies in creating a sustainable position in the market. Therefore, continuing with innovating and coming up with unique products which will compete with other companies' products and at the same they should do aggressive marketing in order to attract more customers. To stay ahead of the competition, the firm will need to produce tailored products to target specific needs of different market segments.

5.5. Limitations of the Study

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on market entry strategies adopted by EPZ in entering the international market. In addition, the time I was able to collect data was not enough since the time when the respondents were free is when I was to attend evening classes this is so because during the day they were busy with official meetings and attending to their clients and outsourcing for more business for the company.

The researcher organized to meet with the respondents over the weekend to facilitate the data collection as we were not able to adequately have enough time during the week day. The other limitation included a very busy schedule run by the targeted respondents in this study. The researcher had to limit the effects of this limitation by aggressively contacting the intended interviewees and booking appointments for the interview. Otherwise, it would not have been easy to complete the study on time.

5.6. Recommendations for Further Research

The study focused on the influence of foreign market entry strategies on export performance of EPZ firms in Kenya. The study recommends that further research should be done on the foreign market entry strategies adopted by Multinational corporations including other banks in the Kenyan market to allow for generalization of foreign market entry strategies adopted by MNCs in Kenya since each employs a different market entry strategy.

The researcher further recommends that a similar study be done on other institutions for the purposes of benchmarking. In addition, the study focused on EPZs firms that excludes companies in Kenya. A research study can be formulated to carry out the challenge facing adoption of foreign market entry strategies in Kenya. From the conclusions and the findings, the study ought to recommend an in-depth study to be carried out on the relationship between foreign market entry strategies and firm performance in Kenya rather than just export performance.

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APPENDICES

APPENDIX I: QUESTIONNIARE

The following questionnaire aims at collecting information and data for use by the researcher to facilitate research in the field management. Your kind participation will go a long way in providing useful information required to complete this research. The information provided will be treated in confidence. You need not indicate your name.

PART A: GENERAL BACKGROUND

1. What is your position in your organization?

   …………………………………………………………………………………………

2. For how long have you worked with EPZs?

   ……………………………………………………………………………………….

3. For how long have you been holding your current position?

   ………………………………………………………………………………………..

PART B: FOREIGN MARKET ENTRY STRATEGIES

4. What are the major factors that led your firm to enter the foreign Market?

   …………………………………………………………………………………………

   …………………………………………………………………………………………

   ………………………………………………………………………………………..

5. What entry strategy or a combination of the following strategies did your firm employ in entering the international Market?

a. Exporting

b. Franchising

c. Joint Ventures or Strategic Alliances

d. Foreign Direct Investment

6. How have the following factors challenged your firm in entering the foreign market?

    a. Political - Legal Factors

    b. Economic Factors

    c. Social Factors

    d. Technological factors

7. How does the EPZ firms choose its market entry strategy in a given market?

    ……………………………………………………………………………………

    ……………………………………………………………………………………

    …………………………………………………………………………………..

8. What market entry strategies did EPZ use to establish its presence in the international market?

    ……………………………………………………………………………………

    ……………………………………………………………………………………

    ……………………………………………………………………………………

PART B: EXPORT PERFORMANCE

9. Explain how the foreign market entry strategies have improved the export performance of the EPZs?

    ……………………………………………………………………………………

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……………………………………………………………………………………..

10. Using a scale of 1-5, where 1= strongly disagree; 2=disagree; 3=Neutral; 4=agree; 5=strongly agree; Please indicate the extent to which you agree with the following statement on effect of foreign market entry strategies on export performance

Statement	**1**	**2**	**3**	**4**	**5**
Financial					
The firm's sales revenues have increased					
Firm's profits have increased					
The firm's investment and growth has increased					
The firm's sales revenue has improved due to repeat sales.					
The firm has achieved good returns by improving its asset utilization.					
The firm uses cost control systems in monitoring performance					
Firm's innovations are more important for achieving higher export performance					
New Markets					
The firm has ventured in more international markets					
The firm has created value for its customers through quality products and services.					
A firm enters a new market because of having new competitive products					
Firm's market position and creation of new markets is attributable to innovation.					
Business group affiliation helps a firm to expand new business partners and establish new markets.					
Access to knowledge makes it possible for the firm to extend its activities to new markets.					
Market Share					

Firm's Market share has been improving					
The firm's market share has improved due to increased marketing activities.					
Firm's Market share has improved due to increases exports					
Market share improved due to increased producers/service					

THE END

THANK YOU FOR YOUR PARTICIPATION

APPENDIX II: LIST OF EPZ FIRMS IN KENYA

	Company Name & Contacts	Location
1.	ADEC Group Kenya (EPZ) Ltd	Athi River
2.	Africa Apparel EPZ Ltd.	Nairobi
3.	All Fruit EPZ Ltd	Mombasa
4.	Alpha Logistics EPZ Ltd.	Mombasa
5.	Ammar EPZ Ltd.	Mombasa
6.	Alltex EPZ Ltd.	Athi River
7.	Asante Gifts & Souvenirs EPZ Ltd.	Athi River
8.	Ashton Apparel EPZ Ltd.	Mombasa
9.	Avenue Fresh Produce EPZ Ltd.	A#thi River
10.	Avo Health (EPZ) Ltd.	Nairobi
11.	Balaji EPZ Ltd	Nairobi
12.	Barnes EPZ Ltd.	Athi River
13.	Belat EPZ Ltd.	Athi River

14.	Biocorn Products EPZ Ltd.	Eldoret
15.	Blue Sky Films EPZ Ltd.	Athi River
16.	Botanical Extracts EPZ Ltd.	Athi River
17.	Brilliant Garments EPZ Ltd.	Mombasa
18.	Capital Industrial Park EPZ Ltd.	Athi River
19.	Celebrity Fashions K. EPZ Ltd.	Athi River
20.	Central Africa Trading EPZ Ltd.	Athi River
21.	De La Rue Currency and Security Print EPZ Ltd.	Nairobi
22.	Earth Oil Kenya Proprietary EPZ Ltd.	Athi River
23.	East Africa Halal Industries (EPZ) Ltd.	Athi River
24.	Emrok Tea Factory (EPZ) Ltd.	Nandi
25.	Erdemann (EPZ) Ltd.	Mlolongo
26.	ET Elasto Tech (EPZ) Ltd.	Kilifi

27.	Exotic EPZ Ltd.	Nairobi
28.	Fairoils EPZ Ltd.	Athi River
29.	Forest Gate EPZ Ltd.	Laikipia
30.	Future Garments EPZ Ltd.	Athi River
31.	Garsen Holding EPZ Ltd.	Mombasa
32.	Ginger Ink Films EPZ Ltd.	Athi River
33.	Global Apparels (K) EPZ Ltd.	Athi River
34.	Gokal Beverages (EPZ) Ltd.	Mombasa
35.	Gold Crown Foods EPZ Ltd.	Mombasa
36.	Growth Point Warehousing EPZ Ltd.	Athi River
37.	Hantex Garments EPZ Ltd.	Mombasa
38.	Halai Brothers (EPZ) Ltd.	Mombasa
39.	Hardy Technology Park EPZ Ltd.	Athi River
40.	Hui Commercial EPZ K. Ltd.	Mombasa

41.	Imperial Teas (EPZ) Ltd.	Mombasa.
42.	Indu Farm EPZ Ltd.	Nairobi
43.	Insta Products EPZ Ltd.	Athi River
44.	Ivee Aqua EPZ Ltd.	Athi River
45.	Ivee Infusions Epz Ltd.	Athi River
46.	Jungle Cashshews EPZ Ltd.	Thika
47.	Jungle Macs EPZ Ltd.	Thika
48.	Kapric Apparels EPZ Ltd.	Mombasa
49.	Katchy Kollections EPZ Ltd.	Athi River
50.	Kencall EPZ Ltd.	Nairobi
51.	Kensis EPZ Ltd.	Athi River
52.	Kenya Fluorspar EPZ Ltd.	Kerio Valley
53.	Kenya Marine Contractors EPZ Ltd.	Mombasa

54.	Kikoy Mall EPZ Ltd.	Athi River
55.	Kipevu Inland Container EPZ Ltd.	Mombasa
56.	Kenya Trading EPZ Ltd.	Nairobi
57.	Leatherlife EPZ Ltd.	Athi River
58.	Lifesciences Consultants EPZ Ltd.	Athi River
59.	Longyun Garments Kenya EPZ Ltd.	Mombasa
60.	Lowdan Exporters (EPZ) Ltd.	Mombasa
61.	Lycan (EPZ) Enterprises Ltd.	Athi River
62.	Mac Nut International EPZ Ltd.	Athi River
63.	Manda Bay SEZ EPZ Ltd.	Athi River
64.	Mega Garments EPZ Ltd.	Mombasa
65.	Middle East Texco EPZ Ltd.	Athi River
66.	Mohazo EPZ (K) Ltd.	Athi River
67.	Mombasa Apparels EPZ Ltd.	Mombasa

68.	Mugama Containers EPZ Ltd.	Mombasa
69.	Mukafa EPZ Ltd.	Athi River
70.	New Wide Garments (K) EPZ Ltd.	Athi River Zone
71.	Nodor Kenya EPZ Ltd.	Athi River EPZ
72.	Olivado EPZ Ltd.	Murang'a
73.	Oilfields Logistics Services Africa EPZ Ltd (OLSA)	Mombasa
74.	Organic Growers and Packers EPZ Ltd.	Kilifi/Malindi
75.	Orion EPZ Ltd.	Athi River
76.	Pure Fry EPZ Ltd.	Athi River
77.	PJ Dave EPZ Ltd.	Isinya, Kajiado
78.	Pontact Productions EPZ Ltd.	Athi River
79.	Premium Machinery Distributor EPZ Ltd.	Athi River
80.	Property Vision (EPZ) Ltd.	Athi River EPZ

81.	Quite Bright Films Lifestyle (EPZ) Ltd.	Athi River
82.	Real Beverages EPZ Ltd.	Nairobi
83.	Red Dot Distribution EPZ Ltd.	Athi River
84.	Redington EPZ Ltd.	Athi River EPZ
85.	Reltex Tarpaulins Africa EPZ Ltd.	Athi River
86.	Revital Healthcare EPZ Ltd.	Mombasa
87.	Ricardo EPZ International Co. Ltd.	Athi River
88.	Royal Garments EPZ Ltd.	Athi River,
89.	Rupa Cotton Mills EPZ Ltd.	Athi River
90.	Sameer Africa EPZ Ltd.	Nairobi
91.	Sameer Industrial Park EPZ Ltd.	Nairobi
92.	Sajan Trading EPZ Ltd.	Mombasa
93.	Sandton Park EPZ Ltd.	Nairobi
94.	Saw Africa EPZ Ltd.	Athi River

95.	Smart Properties EPZ Ltd.	Athi River
96.	Solitaire Gems EPZ Ltd.	Nairobi
97.	Soko EPZ Ltd.	Voi
98.	Soyana Industrial Park (EPZ) Ltd.	Athi River
99.	Suman Shakti EPZ Ltd.	Nairobi
100.	Supply base (EPZ) Ltd.	Mombasa
101.	Spartan Relief EPZ Ltd.	Mlolongo
102.	Tailormade Jeanswear (EPZ) Ltd.	Athi River
103.	Talab EPZ Ltd.	Mtwapa
104.	Taurus EPZ Ltd.	Mlolongo
105.	Techno Relief Services EPZ Ltd.	Nairobi
106.	Transfleet EPZ Ltd.	Athi River
107.	United Aryan EPZ Ltd.	Nairobi
108.	Unity Beverages (EPZ) Ltd.	Athi River
109.	Vermont Flowers EPZ Ltd.	Nairobi
110.	View Finders EPZ Ltd.	Athi River
111.	Wild Life Works EPZ Ltd.	Voi
112.	Wondernut International (EPZ) Ltd.	Athi River
113.	YKK Kenya EPZ Ltd.	Mombasa

Source: http://www.epzakenya.com/index.php/licensed-epz-firms.html