ENTRY STRATEGIES USED BY ATLAS COPCO EASTERN AFRICA LTD TO ENTER INTO THE EAST AFRICAN MARKET

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DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

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This research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

I dedicate this work to my mother, Alice Waweru, for her immeasurable and invaluable support throughout my life and also her support for me to complete this project. Her love, care, concern, support, encouragement and enthusiasm inspired me to achieve this goal.

ABSTRACT

This research project was a case study which sought to establish the entry strategies used by Atlas Copco Eastern Africa Ltd (ACEA) a Multinational Corporation, to enter into the East African market. ACEA operates in 13 countries and its main business is supply of equipment, installation and aftermarket support. It is structured in four main divisions which include Compressor Technique, Construction Technique, Mining and Rock Excavation Technique and Industrial Technique. The study used primary data which was collected using an interview guide that had open-ended questions. The data was obtained from the two top managers of ACEA who are in charge of running the business in the region and also in charge of making and implementing key decisions in the operation of the company. The interview guide was edited for completeness and consistency. Content analysis was then used to analyse the respondents' view on entry strategies used by the company to enter into East African market and the findings were presented in a continuous prose. The study found out that each division has a key role to play in the overall strategy of market entry and sustenance in the region. It was found out that divisions used different entry strategies to serve the region some overlapping each other. The research found that the company has used entry strategies like Foreign Direct Investments in form of wholly owned subsidiaries in countries like Kenya and Tanzania; exporting in countries such as Somalia, Burundi, Rwanda; Joint Ventures in several countries through strategic partnerships in Ethiopia, South Sudan, Madagascar, Uganda, Eritrea and Sudan. The study concludes that ACEA has used more than one entry strategies depending on the intentions of the company towards aspired control, challenges offered by that market as well as the risks involved in operating in that market.

TABLE OF CONTENTS

Declaration ....
Acknowledgements i
Dedication i
Abstract ....
List of Abbreviations i

CHAPTER ONE: INTRODUCTION ....

1.1 Background of the Study ....

1.1.1 Entry Strategies ....

1.1.3 Atlas Copco Eastern Africa ....

1.2 Research Problem ....

1.3 Research Objectives ....

1.4 Value of the Study ....

CHAPTER TWO: LITERATURE REVIEW 1

2.0 Introduction 1

2.1 Entry Strategies 1

2.1.1 Choice of Entry Strategy 1

2.2 Foreign Direct Investment 1

2.3 Mergers and Acquisitions 1

2.3.1 The Resource Based View and Mergers and Acquisitions 1

2.4 Technology Transfer 1

2.4.1 The Resource Based View and Internalization 19

CHAPTER THREE: RESEARCH METHODOLOGY 22

3.1 Introduction 22

3.2 Research Design 22

3.3 Data Collection 22

3.4 Data Analysis 23

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION 24

4.1 Introduction 24

4.2 General Information 24

4.3 Analysis of Results 25

4.3.1 Target Markets 25

4.3.2 Joint Ventures 25

4.3.3 Mergers and Acquisitions 27

4.3.4 Exporting 28

4.3.4 Foreign Direct Investment 28

4.3.5 Different Entry Strategies 29

4.5 Challenges in adopting the chosen market entry strategy 31

4.5.1 Competition 32

4.6 Future Prospects 34

4.7 Technology 35

4.9 Discussions of Key Findings 36

4.9.1 Joint Ventures 36

4.9.2 Mergers and Acquisitions 37

4.9.3 Entry Strategy Choice 38

4.9.4 Technology Transfer 39

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 41

5.1 Introduction 41

5.2 Summary of findings 41

5.3 Conclusion 44

5.4 Recommendations 45

5.7 Limitations of the Study 47

REFERENCES 48

APPENDICES 52

APPENDIX I: INTRODUCTION LETTER 52

APPENDIX II: INTERVIEW GUIDE 53

LIST OF ABBREVIATIONS

ACEA	Atlas Copco Eastern Africa
CM	Common Market
CT	Construction Technique
CU	Customs Union
DRC	Democratic Republic of Congo
EAC	East Africa Community
FDI	Foreign Direct Investment
IT	Industrial Technique
JV	Joint Venture
MNCs	Multinational Corporations
MR	Mining and Rock Excavation Technique
MU	Monetary Union
PF	Political Federation

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The term international business denotes all international dealings of a country that pertain to the exchange of goods, services and information for commercial purposes, and money (Hill and Jones, 2011). This has been enhanced by globalization of economies. Globalization (Hill, 2011) refers to the shift toward a more integrated and interdependent world economy. Globalization has several facets including the globalization of markets and globalization of production. According to Hill globalization has been driven by two macro factors that underlie the trend towards greater globalization. They include barriers to the free flow of goods, services and capital that has occurred since the end of World War II and the technological change factor particularly the dramatic developments in recent years in communication, information processing, and transportation technologies. With competition in the local markets becoming more and more concentrated, either through direct and/or indirect competition, companies have been forced to venture in new markets externally either for market of their goods or materials and resources. The rise of international trade and globalization has brought about competitiveness on the global front and the rise of Multinational Corporations (MNCs). Multinational Corporations is any business that has productive activities in more two or more countries (Hill, 2011). MNCs are faced with the obvious question of which markets to enter, when to enter and of course the best way to enter these markets (Peng, 2009).

Due to the dynamics and challenges offered by different markets, the entry method that best suits a particular company is usually based on a number of factors including strategic and organizational structures. These factors also influence the success of the chosen method of entry. Therefore the decision made by the executive on the best entry method by different companies has to be based on the strength of that company based on the challenges offered by the chosen market. International firms may choose to do business in a variety of ways. Some of the most common include exports, licenses, contracts and turnkey operations, franchises, joint ventures, wholly owned subsidiaries, and strategic alliances. The overall attractiveness of a country as a market or investment site depends on balancing the likely long term benefits of doing business in that country against the likely costs and risks. Managerial perceptions are also relevant for the assessment of the location of a specific country. The backbone of East African economies is majorly Agriculture and Tourism. However, the trend is changing Mining, Industrial and Construction, geothermal and oil and exploration Industries in East Africa have heavily contributed to the GDP of the countries in the last eight years. These industries rely on heavy equipment and machinery for their raw materials, production and transportation. The equipment are usually highly specialized, require specialized knowledge and experience as well as they are capital intensive. This has seen the supply of these equipment and machinery in the region dominated by MNCs, supplying world known brands like Caterpillar, Atlas Copco etc. The success of the operations can be attributed to several factors with the chosen entry method playing a big role.

1.1.1 Entry Strategies

Multinationals Companies major entry mode includes exporting, licensing/franchising, joint ventures, and full ownership. Exporting involves a company selling its physical products which are manufactured outside the target country to the target country (Hambrick, 1982). Licensing and franchising arrangements are non equity associations between an international company and a party in the host country in which technology or management systems are transferred to the host party (Hoffman and Schniederjans, 1990). Full ownership can involve either acquiring an existing business or investing in new facilities in the host country (Root, 1994). In weighing foreign market entry alternatives, a central consideration is the level of control the firm will have over the operation. Control has been defined as, "the ability to influence systems, methods, and decisions.

The supply of heavy industrial equipment have been influenced by the burgeoning construction sector in many African countries which has brought good times for companies manufacturing construction machineries and equipment as well as those selling used and refurbished heavy equipment and machinery. The appreciable increase in real estate and construction activities in African countries has resulted in a substantial surge of demand for concrete mixers, bar-bending and cutting machines, excavators and backhoes and earth rammers. The construction machinery industry in Africa is undergoing a steady transformation by moving from a low volume, intensive use of equipment structure to high volume, and specific use. In the coming years, the major segments of construction machinery that are expected to grow are excavators, loaders,

dozers, dumpers and cranes, the companies intending to have a competitive edge in the market must come up with proper decisions to enter in the market.

1.1.2 East African Community Market

East African Community (EAC) was established on 30th November 1999, by countries of Kenya, Uganda and Tanzania to widen and deepen cooperation in all areas of common interest and mutual benefit. Cooperation to be done through establishing among themselves a Customs Union (CU), a Common Market (CM), a Monetary Union (MU) and finally a Political Federation(PF).

Consequently CU was established 1st January 2005; Burundi and Rwanda later acceded on it when they joined the EAC 1st July 2007. A CU provides for free movement of goods in the market.

Another threshold in the EAC integration agenda took place when a common market (CM) was established 1st July 2010. A common market is a stage in multilateral integration process which aims to remove all the barriers to intra-community trade with the view to the merger of national markets into a single market. An area without internal frontiers in which free movement of goods, persons, services and capital is ensured. In essence countries come together in the Common Market to exploit economies of scale by creating bigger units to harness all the opportunities in harmonious political, economic, social, technical, security and legal environment. This creates moments for countries to register economic growth and for businesses to develop strategies to compete and survive to make profits and grow or expand.

1.1.3 Atlas Copco Eastern Africa

Atlas Copco Eastern Africa Ltd (ACEA) is part of the Atlas Copco Group, which is an industrial group with world-leading positions in compressors, expanders and air treatment systems construction and mining equipment, power tools and assembly systems. With innovative products and services, Atlas Copco delivers solutions for sustainable productivity, ensuring reliable, lasting results with responsible use of resources: human, natural and capital. The business activities are conducted through separate operating divisions that work globally. The Atlas Copco Group is united and aligned through a shared vision, mission and strategy and common core values. The Atlas Copco Group has as a vision to become and remain First in Mind First in Choice of its Customers, potential customers, and of other key stakeholder. The Mission of the Group is "To achieve sustainable, profitable development".

Atlas Copco Eastern Africa incorporated in Kenya in 1936 and is structured as the Atlas Copco Group and is responsible for the Eastern Africa Market in 13 countries which include Kenya, Uganda, South Sudan, Sudan, Ethiopia, Mauritius, Rwanda, Burundi, Madagascar, Eritrea, Djibouti, and Northern DRC. The company has four divisions focusing on different areas of business. The divisions are Construction Technique (CR); Compressor Technique (CT); Industrial Technique (IT) and Mining and Rock Excavation Technique (MR). The company offers both capital equipment as well as aftermarket services to support the equipment in the market. Since its incorporation in Kenya, the company has undergone several transformations to what it is known today as Atlas

Copco Eastern Africa. With the divisions each mandated to carry different products, each division is responsible for its products with the company adopting more focused market segmentation. The company invests highly in research and development, product development, marketing and human resource development. The company trades in Atlas Copco brand although there are other products in the company for example, Dynapac road construction equipment. The customer contact is through direct contact as well as a comprehensive distributor network.

1.2 Research Problem

Multinational corporations like local firms in recent years have been faced with increasing competition arising from various sources including other multinationals. They also have the challenge of unfamiliar business environment and unfriendly laws. While local firms often find it difficult to compete with these firms, MNCs appear to be doing very well in spite of the competitive challenges faced. The share of service corporations' foreign investment in the global investment has increased over the years. In this context, the activities of service corporations have become an important topic of discussion for managers, governments, researchers, and academics. Thus, in today's competitive global marketplace, the importance of formulating an effective entry strategy has been receiving increased attention.

Much of the initial research on firms ignored the important issue of strategy. However, the subject received some attention when the term “subsidiary strategy” was introduced into the global strategy literature. Scholars since then have paid attention to areas such as

firm response to foreign market conditions and advantages of early and late market entrants. Other studies have focused on the motives of venturing into the foreign market including market expansion exploitation of competitive advantage and following the client's international involvement further explains how to integrate the various market entry and development strategies into a series of decisions that reflect interplay of the international marketing environment, technological forces and strength and weaknesses of the firm.

Several research studies have been done in relation to entry strategy. Mugambi (2011) carried out a study on foreign market entry strategies adopted by firms in the export processing zones, Murage (2011) undertook research on factors influencing entry into regional markets by Kenya Commercial Bank; Beatrice (2011) researched on Factors Influencing Internationalization Process At Kenya Commercial Bank Limited. However to the best knowledge of the researcher, no single study has ever been conducted locally on Atlas Copco Eastern Africa Ltd entry strategies into the East African market. It is in this light that the researcher aims at filling the existing research gap by carrying out a research on entry strategies used by the company to enter into the East African Market. The study sought to answer the question, which are the entry strategies used by Atlas Copco Eastern Africa Ltd to enter into East African market?

1.3 Research Objective

The objective of this study was to establish the entry strategies used by Atlas Copco Eastern Africa Ltd to enter into the East African Market.

1.4 Value of the Study

The study will be invaluable to Atlas Copco Eastern Africa management in that it will provide an analysis into the various entry strategies and therefore will assist in policy making. Through the findings of the study, the company will be well equipped with the various market entry strategies which they could adopt in the future. Also the company would seek to reevaluate certain strategies used for different products

The government and other policy makers will be equipped with knowledge on the approaches towards foreign companies to ensure a competitive advantage by local companies. The survival and competitiveness of the local companies is paramount for the advancement of the local people and hence a policy towards market entry is very beneficial. With the rejuvenated East African Community integration, the government would use entry strategies used by multinationals such as ACEA to formulate police and also offer information to aspiring Kenyan investors in the region.

The study will provide useful information on supply of heavy machine equipment in different countries since it will act as a guide on the entry strategies to be made by a given supplier. Specialized markets are usually capital intensive and requires sound entry strategies due to the fact that the return on investments takes several years and poor judgement will lead to huge losses. The study will provide invaluable information on successes of using certain strategies in the East African region.

The study will provide a useful basis upon which further studies on Multinational entry strategies can be conducted in future. The academicians will be furnished with relevant information regarding entry strategies in East African Market, information on heavy equipment market in the region; information on various strategies used by multinationals who supply similar equipment and this will form the basis for their further research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of the related literature on the subject under study presented by various researchers, scholars, analysts and authors. The materials are drawn from several sources which are closely related to the theme and the objectives of the study.

2.1 Entry Strategies

Multinational companies use different strategies in expansion to foreign markets which depend on the choice of strategy. The *firms with low levels of international experience* are likely to prefer low commitment entry strategies in a host country (Johansson and Vahlne, 1977; Da Rocha and Christensen, 1994), but they may also engage in high-commitment strategies, such as acquisition or Greenfield startup investments. Interestingly, these three very dissimilar choices entail reducing the risks involved in foreign entry and exploiting the firms' existing capabilities. First, export entries require lower commitment of resources and less assumption of risks in business and country. Second, entries through acquisition involve the acquisition of an incumbent and already legitimized firm. Third, MNCS entries rely on exploitation of already existing resources and capabilities as well as what they presumably know how to do best. Acquisitions, despite the well-known potential post-integration hazards (Harzing, 2002), are likely to reduce some forms of risk, even in the absence of international experience. At low levels of international experience, the acquirer will seek those local firms that seem better

embedded in the market. For high levels of international experience, the acquirer is better able to evaluate target firms (Ellis, 2000).

2.1.1 Choice of Entry Strategy

Choosing the right entry mode for international expansion is a critical managerial decision and can have significant and far-reaching consequences for a firm's performance and survival (Lu and Beamish, 2001; Bradley and Gannon, 2000). It is one of the important parts of a firm's foreign investment strategy. Methods of international market entry are understood to vary in three major aspects: (a) cost as resource commitment; (b) control as level of ownership; and (c) risk related to the level of resources committed and the complexity of the environment entered (Chen and Mujtaba, 2007). According to Root (1998), an entry method can be defined as 'the institutional arrangement for organizing and conducting international business transactions'. It has been argued that the selection of foreign entry modes depends on various types of factors, including the firm's resources (Bai et al, 2004) and industry- and country-specific factors.

According to Grant (2000), there are three primary aspects influencing a firm in its entry mode strategy: first, dimensions of mode choice, i.e. levels of control, dissemination risk, resource commitment, and flexibility that each mode possesses; second, situational factors such as country risk, socio-cultural distance, government regulations and policies; and third, rapid globalization, economic liberalization, accelerating rates of technological change, and the transition of centrally planned economies into more market- based systems have focused attention on international markets. Firms that want to

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internationalize must decide on a fitting mode of entry into a foreign market in order to make the best use of their resources. According to Wood and Robertson (2004) the age of globalization has both facilitated and necessitated businesses to move towards the internationalization of organizations of all sizes. It is necessary to understand the context within which a country's political, economic, and social institutions have emerged, its history, geography, culture, and demography while thinking of emerging in foreign markets. It is difficult to understand the business environment in a country without studying the current political system and institutions, government policies, and a variety of data and other information on the country's economy.

There are many different modes of entering into foreign markets. Each mode has its strengths and weaknesses in general terms. However each single organization will be more attracted to a type mode depending on their backgrounds, nature of the company, strategic objectives as well as the resources. In many cases, there are many obstacles that companies have to meet while deciding to enter other markets, for example; safety, environmental, packaging, labeling, patents, trademarks and copyrights, are factors that businesses depend on being successful. Once an entry mode has been chosen, the company has to decide the degree of its marketing involvement and commitment. Therefore, the decision should reflect a considerable study and analysis of market potential and company capabilities (Cateora & Graham, 1999). It is very crucial when operating in global arena to try not to make any differences that are culture related, which may impose a major risk between cultures. Thus, business people and global marketers

need to be prepared to deal with different languages, food, dress, and communication styles.

2.2 Foreign Direct Investment

Foreign direct investment (FDI) is the direct ownership of facilities in the target country. It involves the transfer of resources including capital, technology, and personnel. Direct foreign investment may be made through the acquisition of an existing entity or the establishment of a new enterprise (Grant, 2000). Direct ownership provides a high degree of control in the operations and the ability to better know the consumers and competitive environment. However, it requires a high level of resources and a high degree of commitment. Foreign direct investment (FDI) or foreign investment refers to long term participation by country A into country B. It usually involves participation in management, joint-venture, transfer of technology and expertise. There are two types of FDI: inward foreign direct investment and outward foreign direct investment, resulting in a net FDI inflow (positive or negative) and "stock of foreign direct investment", which is the cumulative number for a given period. FDIs enable growth the international business and multinational businesses (Hill and Jones, 2001). Different economic factors encourage inward FDIs. These include interest loans, tax breaks, grants, subsidies, and the removal of restrictions and limitations. Factors detrimental to the growth of FDIs include necessities of differential performance and limitations related with ownership patterns.

Foreign direct investment (FDI) plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, cheaper production facilities, access to new technology, products, skills and financing. For a host country or the foreign firm which receives the investment, it can provide a source of new technologies, capital, processes, products, organizational technologies and management skills, and as such can provide a strong impetus to economic development (Daniels, Radebaugh and Sullivan, 2007). Foreign direct investment, in its classic definition, is defined as a company from one country making a physical investment into building a factory in another country. In the past decade, FDI has come to play a major role in the internationalization of business. Reacting to changes in technology, growing liberalization of the national regulatory framework governing investment in enterprises, and changes in capital markets profound changes have occurred in the size, scope and methods of FDI. New information technology systems, decline in global communication costs have made management of foreign investments far easier than in the past. The sea change in trade and investment policies and the regulatory environment globally in the past decade, including trade policy and tariff liberalization, easing of restrictions on foreign investment and acquisition in many nations, and the deregulation and privatization of many industries, has probably been the most significant catalyst for FDI's expanded role (Buckley, 2005). A company wishing to sell their products abroad can either engage in FDI or choose to license the right to sell the products to a third party when they do not find it advantageous to export. The first question then becomes whether the company should produce and sell the product itself on the foreign market or if it should sell a license. Then, if the company estimates that FDI would be the best solution,

then which form of FDI should be used? Some of the theoretical attempts to answer these questions will be covered in the following sections.

2.3 Mergers and Acquisitions

Hax and Majluf (1996) defined mergers and acquisitions as a means of establishing the organizational purpose in terms of its long-term objectives, action programs and resource allocation. A major obstacle faced by organizations seeking to merge or acquire others has been that of identifying the business area in which a firm should participate in order to maximize its long-term profitability (Hill and Jones, 2001). David (1997) explained a merger as a process that occurs when two organizations of about equal size unite to form one enterprise. Thus, mergers involve friendly restructuring of the assets and resources for the companies involved in the combination (David, 1997). Majority of mergers are friendly and are recommended by the directors and shareholders of both companies (Hill and Jones, 2001). Many directors and senior managers would today recommend to their board that merging or acquiring another company would assist the organization access to new or penetrate further into existing markets, acquire new products, technology, resources or management of talent (Jemison and Sitkin, 1986). The important factors that influence corporate strategy is the environment in which a company is operating. It is, in the search of suitable responses to that environment, that an organization realizes that it neither has the strengths needed, nor the time required to develop such strengths as the opportunity might get lost, that it seeks and identifies another firm with which to merge or to acquire, that has appropriate capabilities and competences (Hubert and Edward, 2006).

According to Pike and Neale (2002), merger strategies are associated with the pooling of the interests of two companies into a new enterprise requiring the agreement by both sets of shareholders. Firms will thus seek that strategic position that will provide them with the maximum impact on the external environment, internal resources and competencies, and the expectations and influence of stakeholders (Johnson and Scholes, 2002). Mergers and acquisitions strategies are used by firms in strategic positioning. A takeover or an acquisition, on the other hand, is defined as an acquisition by one company of the share capital of another in exchange for cash, ordinary shares, loan stock, or some mixture of the two: this directly results in the identity of the acquired being absorbed into that of the acquirer (Pike and Neale, 2002). Hill and Jones (2001) posit that a takeover is when the acquiring company gains control of another without the co-operation of its existing management. The acquirer gets control of majority of the stock and ousts the existing management. The acquiring company usually joins forces with the key shareholders, or purchase stock on open market or by soliciting proxies. Consequently, as highlighted by Pike and Neale (2002) many takeovers are hotly resisted by shareholders and the management of the entities.

2.3.1 The Resource Based View and Mergers and Acquisitions

While not referring directly to market entries, (Wernerfelt, 1984) offer some interesting thoughts on the subject of mergers and acquisitions, which are highly relevant to market entry decisions. One of his points is for instance, that when a firm acquires another firm, it can be likened to buying a bundle of resources. The market for these bundles of

resources is highly imperfect as there are few buyers and targets and a low degree of transparency due to the heterogeneity of firms. It can be extremely difficult to assess the value of a possible acquisition, especially since such an assessment must often be done discretely so as not to alert competitors or the organization of interest. At the same time, the value of an acquisition is dependent on the acquiring firm and whether synergies can be achieved or not (Wernerfelt, 1984). Additionally, when a MNE plans to expand in current markets or enter new ones, the resource-based acquisition strategies are either to get more of the resources the firm already has or alternatively to get access to resources which complements the ones it already has (Wernerfelt, 1984). These reasons for acquisitions corresponds well with the resource seeking, technology seeking and production-efficiency seeking reasons to conduct FDI stated by Robock and Simmonds (1989).

2.4 Technology Transfer

The process of technology acquisition by developing countries is one of learning and improving their technological capability. This is a complex, long-term, process with various levels of technological competence such as the ability to use the technology, adapt it, stretch it, and eventually to become more independent by developing, designing and selling it (Barbosa and Vaidya, 1997). It very much relies on the effort of technology acquirers. China No. 1 Automotive Works is a good example. It created a joint venture company with Germany to produce Audi cars. At first the Chinese partner organized a team of experts who were from universities and institutes as well as from its own organization to translate and read all the technical documents provided by the foreign

partner. Then, the members of the team "learned by doing" how to use the technology. They used, adapted, and changed existing technologies, and finally they combined the newly acquired technology with their own experience to develop new products under the "Red Flag" brand. On the other hand, in Shanghai Volkswagen, people have complained that the German partner has not provided the technology for localization of its new model and almost all the locally produced parts had to be developed by the Chinese partner rather than through technology transfer to the company. This assessment may be wrong because the capability for localization has been acquired through actual experience of operating the technology that was previously supplied by the partner.

Licensing agreements are not always the best channel for technology transfer. Many articles concerned with transferring technology to China mention that licensing agreements are the best channel for transfer and the percentage share of licensing agreements within FDI can be regarded as a criterion for measuring the extent of technology transfer. However, as was outlined above, developing countries mainly acquire standard technology and licensees may concentrate their efforts on approaching smaller firms, more diversified firms, and firms with relatively little foreign manufacturing experience. Licensees may find that an ability to offer technology in return is necessary to obtain access to state-of-art technology in industries that require heavy R & D investment. Moreover, while the host government finds licensing an attractive alternative, it needs to be realistic with regard to the types of technology it obtains because of the concern of the foreign licensor to retain control of the technology. This is especially the case in industries that require heavy R & D investment and in

developing countries that are likely to obtain little access to advanced technology (Dunning, 2000).

2.4.1 The Resource Based View and Internalization

While transaction cost theory mainly focuses on external circumstances and the quantifiable, the resources based view is concerned with the firm's internal factors and the more intangible subject of resources, also called firm-specific factors. In some of the more classical writings on the resource based view, focus is mostly on the competitive advantage of firms and thus not specifically with theory on market entry (Wernerfelt, 1984; Peteraf, 1993). However, the resource based view offers some interesting insights with regard to the latter. For this reason, scholars have applied the resource based view on subjects like the timing of market entry in recent years (Geng et al 2005; Frawley et al 2006). This thesis will use some of the resource based views insights on the choice between using the market and internalizing transactions; that is, as an alternative view to transaction cost theory which we have covered above. Moreover, transaction cost theory ignores the medium and long term strategic considerations with regard to sustaining and expanding the firm's competitive advantage. This is on the other hand central to the resource based view as it explains the possession of competitive advantage from the control of superior resources. Additionally, it highlights the importance of building competitive advantage and suggests possible routes to this by acquiring new superior resources (Wernerfelt 1984).

Transaction cost theory is on the other hand focused on short term considerations and profitability. According to Wernerfelt (1984), a firm can use the possession of one or a number of resources as a barrier, shielding its superior profits from entrants as well as from other incumbents as long as these behave rationally. This shield comes from the fact that new acquirers of a resource can be adversely affected, when it comes to costs and/or revenues, by the fact that another company is already in possession of a resource. Given this, the company already in possession of the resource thus has a competitive advantage and a potential for superior profits. Wernerfelt has termed this a resource position barrier as it is somewhat analogous to Porter's (1980) barriers to entry, although Porter's entry barriers in product markets only protects against possible entrants – not against other incumbents. Having satisfied and loyal customers could be an example of a resource position barrier against entrants and incumbents, as it is a lot easier to maintain such a position than it is to attract otherwise loyal customers from a competitor.

A resource position barrier can of course be based on a number of different resources besides having loyal customers. As mentioned above, the resource however needs to be able to offer a competitive advantage, which means that the following four requirements need to be met (Peteraf, 1993) wide range of things can be considered a resource. Many of these are also able to comply with the above mentioned requirements for a resource to offer a potential competitive advantage. Besides the example of customer loyalty stated above, such examples include managerial skills, technological leads, and access to raw materials as well as production capacity and experience (Wernerfelt, 1984). We will

expand on some of these examples in later chapters of this thesis, including a few with relation to our chosen cases.

All of this relates to market entry decisions because it is too short-sighted to only look at the short term optimization of transaction cost theory. When entering a new market and having to choose between the different modes of entry, it is important for the long term success and profitability of the firm to consider the impact on the firms future resource position. It may be that the alternative with the lowest cost is to license a firm in the target market to produce and distribute the product. This short-term optimization may however restrict the firm from developing new favorable resource positions thus decreasing the firm's competitive advantage later on. For instance, licensing instead of internalizing the activities in foreign markets could mean that the firm would not benefit from the organizational learning and innovation which can be achieved by being present in foreign markets as the organization is subjected to societal and managerial differences (Ghoshal, 1987). This duality between optimizing in the short and the long term is also what Tallman is talking about in Hitt et al (2001) when he discusses capability leverage and capability building strategies and the multinational firm.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods that were used in the collection of data pertinent in answering the research questions. It is divided into research design, study population, sample design, data collection and data analysis.

3.2 Research Design

This was a case study which aims at establishing entry strategies used by Atlas Copco Eastern Africa Ltd to enter East African market. According to Mugenda (2003) it is important and appropriate to use data where subjects are observed in either natural set ups without manipulating the environment. It can be used when collecting information about people's attitudes and opinions. It was an efficient way to obtain information needed to describe the attitudes, opinions and views of Atlas Copco Eastern Africa Ltd management on the entry strategies adopted to enter into the East African market.

3.3 Data Collection

The study used primary data which was collected using an interview guide that had open-ended and also guided questions, This enabled qualitative data collection as well as to get a better understanding and insightful interpretation of the results from the study. It enabled the researcher to obtain current information which could not be captured in the other data collection techniques.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter is concerned with analysis, presentation and interpretation of findings. The chapter seeks to address the general objective of this study which was to establish entry strategies used by Atlas Copco Eastern Africa Ltd to enter into the East African Market. The study also sought to answer the following question; which are the entry strategies used by Atlas Copco Eastern Africa Ltd to enter into East African market? The researcher obtained information from the Country Manager, Compressor Technique and the Regional Manager, Construction Technique and Mining and Rock Excavation Techniques, who are responsible for the running of ACEA.

4.2 General Information

The respondents indicated that Atlas Copco and ACEA's business is conducted in four divisions which include Construction Technique (CR); Compressor Technique (CT); Industrial Technique (IT) and Mining and Rock Excavation Technique (MR). The company offers both capital equipment as well as aftermarket services to support the equipment in the market. The divisions are to enable a closer focus for marketing the different products and each division is responsible for developing its own products in the chosen market in line with the Atlas Copco vision of First in Mind, First in Choice. The respondents had worked in the various departments at different capacities for several

years which mean they had enough working experience on their roles as well as an understanding of the company strategies and governance.

4.3 Analysis of Results

This section analyses the key findings of the research study.

4.3.1 Target Markets

Atlas Copco Eastern Africa Ltd. seeks to serve the markets in Mining and Rock Excavation, Industrial processing, construction, mining, water well drilling as well as oil and gas industries for their equipment. The respondents agreed that Atlas Copco Eastern Africa are regional market leaders in their main business areas, holding above 50% market shares for portable and industrial air compressors, air dryers and air line filters. In the construction and mining sector, the Company has an aggregate market share of approximately 30% across the region. The Company has strong after-sales service and logistics organizations upon which market leadership position is built. Using the divisions, the company is able to focus on customer development, service provision, tailored solutions to the customers which in the end results to better service to the customers, customer loyalty and retention. The group's target market is the high end market segments who value the long term ownership of their equipment.

4.3.2 Joint Ventures

The respondents indicated that ACEA has joint ventures in the region which are usually project based as well as strategic partnerships. Profits and other responsibilities are assigned to each party according to a signed agreement or contract. The profits and or

commissions differ from partner to partner and also from project to project. The partners also have the option of forming a limited liability entity or partnership with legal person status, similar to that of a joint venture company, but this entity only exists for this specific project. Staffs from different partners are seconded to the joint venture and a single project team is created. The partners take joint responsibility for the profit or loss made on the project. The study also found that project, partners are responsible for planning and executing their own portion of work as well as the profit and loss made from their portion of the work.

One of the biggest benefits in a partnership and a joint venture is the ability to collaborate with other partners when making business decisions. Partners can share the work load so that the burden does not fall on one person. Also, partners can share the financial responsibility of capitalizing the business. Partnerships and joint ventures can adopt whatever management structure owners deem suitable because partnerships are not regulated in the same fashion as corporations.

The managers also indicated that they have appointed several distributors as strategic partners in some of the East African countries to offer, negotiate, sell and support Atlas Copco equipment. The distributors have signed agreements with ACEA stipulating the terms and conditions of their agreements. The countries with appointed distributors include Ethiopia, Uganda, South Sudan, Mauritius, Madagascar, Sudan and Eritrea. The managers informed that in these countries, they conduct all their businesses through these strategic partnerships.

4.3.3 Mergers and Acquisitions

The respondents agreed that the company has benefited from mergers and acquisitions in the region. The merger strategies are associated with the pooling of the interests of two companies into a new enterprise requiring the agreement by both sets of shareholders, the respondents indicated that the company assesses its strengths and weaknesses before entering into a merger but the main idea is to increase the market share and to place the company in East African region. Firms will thus seek that strategic position that will provide them with the maximum impact on the external environment, internal resources and competencies, and the expectations and influence of stakeholders.

Some of the products in the market due to mergers and acquisitions include Dynapac rollers, pavers and planers in the Construction Technique which was acquired by Atlas Copco in 2007, Automan Industrial compressors and also Chicago Pneumatic compressors. The mergers and acquisitions enabled the company to enter into new markets, adopt strong brands as well as the loyal customers of the brand. In the example of the Dynapac which commands approximately 40% of the market share in its market segment, it enabled the company to enter into a new market segment in road construction. The acquisition also enabled the company to adopt a fully matured product, technology and know how, experience, and in doing so save time and money required to develop a new product.

4.3.4 Exporting

Exporting offers the lowest risk and also the lowest level of control in a market entry strategy. The study found out that ACEA has adopted exporting strategy where their market interests and anticipate a low level of control. Also the managers informed that countries with poor governance and unstable political climates like Somalia, exporting is the best mode of business entry. Although the business in this country was reported to be low, it has still earned the company some revenue and market share. It was found that the company rarely offers back up services in these markets and usually only capital unitary units are sold. Also whereas the company intends to support all the equipment they have sold, exporting and only a low level of control is viable for these markets. It was noted also noted that some countries like Burundi and Djibouti who only offer very little opportunities for the company's business that do not warrant any other mode of entry at the moment, due to lack of suitable suitors for JV and FDI is very expensive, exporting is the best form of market entry strategy. Future growth and more vibrant entry methods however will be easier as the company will have made a foot print in these countries.

4.3.4 Foreign Direct Investment

The respondents informed that ACEA has adopted this mode of market entry in Kenya and Tanzania. The two countries offer the company location advantages to serve its customers better as the company see these two countries offering the company long term profitability and market growth. Noting that the company is not a manufacturing company but rather a customer center, market presence is paramount for the customers and the company's success. The market size was also a factor to evaluate when choosing

performance than a single entry mode. It can therefore be very valuable to identify and evaluate the principles for combining and or sequencing different entry modes. The respondents collectively agreed Licensing provides a method for profiting from a foreign market without committing sizable funds and taking excessive international construction risks. However, income from licensing can be lower than other modes of direct foreign market presence and quality control can be another major disadvantage where bad quality can result in damages to a licensor's trademark and reputation. Moreover, a foreign licensee can sometimes become a competitor of the licensor. The choice of one or different combinations of entry methods by ACEA have been adopted from time to time due to the varying degrees of challenges as discussed below. However, the company has deliberately adopted different entry strategies in different markets according to the level of control they aspire to hold on the operations in the chosen markets; the location advantages of those markets as well as the overall attractiveness of the markets considering the size and level of competition as well as conformance to the regulations. Tanzania is an example of a market where the company initial entry strategy was exporting unitary units. As the market grew and the level of influence was desired to be higher the company adopted FDI in form of a wholly owned subsidiary in that country. It is expected that Tanzania will have its own management in the near future. Choice of different entry strategies in the same market has also been influenced by different divisions. This is due to the fact that industrial products are stronger in some countries say Kenya than the mining division forcing the company to adopt different strategies for the different products.

4.5 Challenges in adopting the chosen market entry strategy

The respondents indicated that Atlas Copco was experiencing challenges in market entry strategies due to various factors. Some of the challenges include lack of trained and experienced professionals and experts in sufficient quantity in East Africa Countries. This leads to high salary for staff for example the Engineers, consultants and experts when carrying out projects. This has seen diminished profits for some projects especially in the mining industries. This challenge forces an Atlas Copco to spend lots of money on training recruits while trying to mitigate the labor costs. The knowledge gap has also forced the company to employ expatriates in the special application industries for example, mining and drilling applications. This has resulted to the company committing a lot of resources in human capital and the expenses are critical when the projects do not offer high economic returns. The study also found a challenge due to corruption some levels of Government due to bureaucracies that interfere with the operations in the new markets which have hindered faster implementation of chosen strategies. JVs and FDIs have been majorly affected. Also, procurement procedures have been compromised with public companies and government agencies championing their own equipment and specifications locking out potential suppliers such as Atlas Copco. Stringent measures, government bureaucracies and protectionism of the local suppliers have to acquiring operating licenses in some countries like Ethiopia have led to Atlas Copco to adopt different strategies including exporting and JV whereas an FDI would have suited the market better due to the large market size and potential for the company's products.

Other challenges include lack of proper knowledge of the market, uncertainties of political stability in some of the countries in the region. Companies opting to venture in new markets require an understanding of the environment of the market they choose to enter. Political stability is one of the key environmental factors that is considered. Some countries in the region including Sudan and South Sudan, Somalia, Burundi and Eritrea are usually volatile and unsure future in the long term hence affecting the way ACEA chooses to conduct its business in these countries.

Cultural differences and values although not in a big percentage was also identified as a challenge in implementing the chosen entry strategy. In the case where FDI has been adopted in Kenya and Tanzania, the company employs both expatriates and locals who have different cultural backgrounds and different contractual agreements with the company. Top management of ACEA are not local people and have different values and practices with the rest of the employees and the countries they are operating in. This is an obvious challenge to the establishment. Also in the cases of the JVs, again teams are drawn from different cultural backgrounds and sometimes offer both disadvantages and also challenges in the management of the teams for the common good.

4.5.1 Competition

On how the organization respond to competitor actions in the East African market, the study found that there are several environmental challenges that affect the operations of the business but the most significant factor is competition. The study found that Atlas Copco was experiencing competition like any other firm due to existing companies and new entrants in the same line of business. The company has reacted to competition and to

the environmental challenges in general using marketing and other strategies that have been very successful. The respondents indicated that Atlas Copco face stiff competition from the following companies in the respective sale of products Air compressors and dryers: Ingersoll Rand, Compair and Kaiser. Generators: Caterpillar, FG Wilson, SDMO. Mining Equipment: Sandvik Rock Drilling Tools: Sandvik, Halco Geotechnical Drilling: UDR, Boart Longyear Water Well Drilling: Dando, GEFCO, Kirloskar Construction Tools: Ingersoll Rand, Holman, Rammer Industrial Tools: Ingersoll Rand. The competition enables itself to come up with more strategic actions to ensure that the company a greater market niche. The respondents indicated that Atlas Copco products being high capital goods and used over a long time, the group has used its strong presence in the region, aftermarket support to its customers, high quality and continuous improvement of their products to lower the owning costs of their equipment as some of their strategies to win over in the market which has worked very well.

It was also noted that lately, competition is no longer only form local and multinational companies operating in the country, but also from other multinationals operating outside the region adopting export entry strategy. Due to globalization of markets, customers and suppliers are able to interact more freely as the flow of information is now easier to acquire equipment from overseas supplier and easier for the supplier to meet their customers. Information technology and internet has played a huge role in this. The respondents also noted that the East African countries partnerships with countries like China have seen most Chinese companies being awarded several contracts in the construction, exploration and mining contracts in the region. This has opened the doors

for Chinese equipment eating into the market share of traditionally strong brands such as Atlas Copco and Caterpillar. More so these new competition have cheaper products than Atlas Copco although they are not of the same quality as Atlas Copco. However it was strongly noted that they offer a formidable competition.

4.6 Future Prospects

The respondents indicated that ACEA operations has facilitated entry change with time and this culminated into the change modernized and rationalized under the strict supervision of the operations of the company, with emphasis placed on expanding the profitable side of the business. Profitability obtained from year 2000 indicates there is an improvement in the business in the tune of an average growth of 10% per annum. The study found that the company has higher chances of expanding in other countries in Africa. It was noted that Africa is becoming a very important market in the world considering the growth figures of several countries in the positive side despite the economic down turn in majorly the European countries. Also with the exploration and discovery of minerals in the East African countries including coal mining, oil and gas and gold, industries that are very attractive to companies such as ACEA for their equipment. However, the managers emphasized the entry strategies are becoming more and more critical to ensure that the companies serve the targeted market and do so profitably. The managers also noted that with a peaceful Somalia and reconstruction of Southern Sudan, Burundi and Rwanda offer good opportunities for future prospective markets although the company is only committed to exporting strategy in these markets.

4.7 Technology

The study found that ACEA desire to sell abroad was the overriding consideration to enter into the East Africa Market. As such, they accepted operating modes to maximize their sales, even at the risk that collaborative partner could more easily appropriate the technologies they transferred. However, the danger of technology loss was mitigated by a belief that their core competency was the ability to develop ever-newer technologies rather than the product and process technologies they transferred. The company has been able a transfer of technology to different countries in the region by training of the dealer staff especially the sales and technical staff of the dealers, through integrating the operations of the dealers with those of ACEA so that the same values are transferred to the customer. The respondents confirmed that ACEA staffs have scheduled visits to the dealer network for both training, customer visits together with the dealer staff as well as scheduled training programs for the dealer. This way ACEA are confident that the dealer can fully implement their core values.

4.8 Degree of control in Foreign Market

The study found that Atlas Copco aspire a high degree of control in foreign markets which plays an important role in the capacity of a firm to achieve its goals. Control over the market operations ensures that Atlas Copco improve competitive position and maximize the returns on its assets and skills. The company has the power to influence systems, methods, and operational and strategic decisions in a foreign market. Control refers to the process by which one entity influences, to varying degree, the behavior and output of another entity through the use of power, authority and a wide range of

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bureaucratic, cultural and informal mechanism. The level of control is lowest in the case of licensing and highest in the case of a wholly owned subsidiary. However, Atlas Copco has only managed to gain full control of the markets in Kenya and Tanzania.

4.9 Discussions of Key Findings

This section critically discusses the key findings of the study.

4.9.1 Joint Ventures

The study found that the ACEA had joint ventures in the region which are a project based; profits and other responsibilities are assigned to each party according to a contract. These do not necessarily accord with each partner and ACEA with a percentage of the total investment. The partners also have the option of forming a limited liability entity or partnership with legal person status, similar to that of a joint venture company, but this entity only exists for this specific project. Staffs from different partner are seconded to the joint venture and a single project team is created. The partners take joint responsibility for the profit or loss made on the project. The study also found that project; partners are responsible for planning and executing their own portion of work as well as the profit and loss made from their portion of the work.

One of the biggest benefits in a partnership and a joint venture is the ability to collaborate with other partners when making business decisions. Partners can share the work load so that the burden does not fall on one person. Also, partners can share the financial responsibility of capitalizing the business. Partnerships and joint ventures can adopt whatever management structure owners deem suitable because partnerships are not regulated in the same fashion as corporations. Taxation is also an advantage for partners

of a joint venture and a partnership. A joint venture and a partnership are not required to file taxes as a business entity. Partners are allowed to pass their portion of company profits and losses directly to their personal income tax return. This means that partners pay taxes on company profits according to their personal income tax rate. Also, business losses reported on a partner's tax return can be used to offset income gained from other sources. The potential for conflicts and disputes is one of the biggest disadvantages present in a partnership and a joint venture. Partners may disagree on how to manage the company's business affairs. There may be disagreements regarding the direction or future of the business, as well as disputes regarding how to capitalize the business. A written partnership agreement may help eliminate partner disputes, but a conflict can arise at any time when more than one person has an ownership interest in a business. Operating without a written partnership agreement leaves the door open for a multitude of conflicts to arise between partners.

4.9.2 Mergers and Acquisitions

The study found that the Atlas Copco have benefited from mergers and acquisitions with other companies in East Africa. The merger strategies are associated with the pooling of the interests of two companies into a new enterprise requiring the agreement by both sets of shareholders. The respondents indicated that the company assesses its strengths and weaknesses before entering into a merger but the main idea is to enter, increase the market share and to place the company in leading position in the East African region. Firms will thus seek that strategic position that will provide them with the maximum

impact on the external environment, internal resources and competencies, and the expectations and influence of stakeholders.

A major obstacle faced by organizations seeking to merge or acquire others has been that of identifying the business area in which a firm should participate in order to maximize its long-term profitability explained a merger as a process that occurs when two organizations of about equal size unite to form one enterprise.

4.9.3 Entry Strategy Choice

The study found that Atlas Copco uses a combination of different entry modes to avoid the shortcomings of an individual entry mode and integrate merits of multiple entry modes to optimize entry performance. Sequencing of different entry modes can meet the changing internal and external environments to achieve better performance than a single entry mode. It can therefore be very valuable to identify and evaluate the principles for combining and or sequencing different entry modes. The study also found that Atlas Copco uses enter East Africa market through exporting of its goods through an export department and through other companies. That is the firm has the performance of an export department without establishing one in the firm. The economic advantage arises because the export company performs the export function for several firms at the same time. The producer can establish closer relationships and gains instant foreign market contacts and knowledge. The firm is spared the burden of developing in-house expertise in exporting. The method of payment is the commission and the costs are variable and minimal. Export management companies handle different but complementary product

lines which can often get better foreign representation than the products of just one manufacturer. Indirect export can open up new markets without requiring special expertise or investment. Both the international know-how and the sales achieved by these indirect approaches are generally limited. In this approach, the commitment to international markets is very minimal.

Once an entry mode has been chosen, the company has to decide the degree of its marketing involvement and commitment. Therefore, the decision should reflect a considerable study and analysis of market potential and company capabilities. It is very crucial when operating in global arena to try not to make any differences that are culture related, which may impose a major risk between cultures.

4.9.4 Technology Transfer

The study found that ACEA's desire to sell abroad was the overriding consideration to enter East Africa Market. As such, they accepted operating modes to maximize their sales, even at the risk that collaborative partner could more easily appropriate the technologies they transferred. However, the danger of technology loss was mitigated by a belief that their core competency was the ability to develop and supply new technologies rather than the product and process technologies they transferred. Technology transfer is an important means by which developing countries gain access to technologies that are new to them. For example, the acquisition of foreign technologies by East Asian newly industrialized countries, coupled with domestic 'technological learning' – efforts to accumulate the capability to change technologies have been key factors in their rapid

technological and economic development. However the ability of developing countries to use technology transfers to develop their domestic capabilities, allowing such countries to reap the social and economic benefits of existing technologies, has been mixed. There are wide variations between countries and between sectors within individual countries.

The disparities between and within developing countries in benefiting from technology transfer suggest that the relationship between technology transfer and the accumulation of domestic technological capability is far from straightforward. In other words, more technology transfer does not necessarily lead to more technological and economic development. However it is now widely accepted that this is not the case. The acquisition and absorption of foreign technologies, and their further development, are each complex processes that demand significant efforts from the acquirers. Several factors contribute to this complexity. First, the acquisition and mastery of technology are both costly and time-consuming. Second, acquired technologies often need to be adapted to local conditions. Thirdly, technologies are not commodities that can be transferred as a complete ready-to-use set; they also contain tacit components that are not easily codified and transmitted in written documents, and require extensive learning efforts to be properly understood.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the general objective of this study which was to establish the entry strategies used by Atlas Copco Eastern Africa Ltd to enter East African Market. The study sought to answer the question; which are the entry strategies used by Atlas Copco Eastern Africa Ltd to enter into the East African market?

5.2 Summary of findings

The study found that the ACEA had has a multifaceted market entry strategies in the region. The company has joint ventures in the region which are usually project based and also strategic partners in form of distributors. Profits and other responsibilities are assigned to each party according to a signed contract or agreement. Strategic partners are found in different countries including Ethiopia, Uganda, Madagascar, Mauritius, Sudan, South Sudan and Eritrea.

The study also found that the company has benefited from mergers and acquisitions with other companies and brands in the East Africa region. The merger strategies are associated with the pooling of the interests of two companies into a new enterprise requiring the agreement by both sets of shareholders, the respondents indicated that the

company assess its strengths and weakness before entering into a merger but the main idea is to increase the market share and to place the company in East African region.

The study found that Atlas Copco uses a combination of different entry modes to avoid the shortcomings of an individual entry mode and integrate merits of multiple entry modes to optimize entry performance. The strategies adopted have been based on the size of the markets, division as well as the aspired control and presence by the company.

The study found that ACEA was experiencing challenges in implanting their strategies due to a number of factors. Some of the factors include; Lack of trained and experienced professionals in sufficient quantity in East Africa Countries which has led the company to use high capital on training and hiring of experts, consultants and expatriates. Other challenges include stringent, protectionism and corruption in Governments and public procurement for licensing of companies and awarding of contracts. The study also found a challenge due to corruption some levels of Government due to bureaucracies that interfere with the operations in the new markets. The study found that Atlas Copco was experiencing competition from other locally based MNCs, local companies, new entrants and overseas companies in the same line of business. The firm has reacted to competition and to the environmental challenges in general using marketing and other strategies like niche market segmentation that have been very successful.

The study found that ACEA operations has facilitated entry strategies change with time and this culminated into the change modernized and rationalized under the strict

supervision of the operations of the company, with emphasis placed on expanding the profitable and market consolidation side of the business with the company seeking to venture in other countries in the future.

The study found that Atlas Copco's desire to sell abroad was the overriding consideration to enter into the East Africa Market. As such, they accepted operating modes to maximize their sales, even at the risk that collaborative partner could more easily appropriate the technologies they transferred. However, the danger of technology loss was mitigated by a belief that their core competency was the ability to develop newer technologies rather than the product and process technologies they transferred.

The study found that Atlas Copco has considerable degree of control in the East African markets which plays an important role in the capacity of a firm to achieve its goals. Control is desirable to improve a firm's competitive position and maximize the returns on its assets and skills. Control refers to a firm's need to influence systems, methods, and operational and strategic decisions in a foreign market. Control can also refer to the process by which one entity influences, to varying degree, the behavior and output of another entity through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanism. In the case of ACEA, the company has achieved full control in Kenya and Tanzania.

5.3 Conclusion

The study concludes that the company has used multifaceted market entry strategies in the region. The entry strategies are chosen depending on the product, division, targeted degree of control, knowledge of the market dimensions, availability of man power, and political stability of the countries, location attractiveness as well as the size of the market share the company aspires. The entry strategies have been used as a combination as well as on an evolving manner.

The study concludes that ACEA has adopted joint ventures in the region which are a project based and strategic partnerships using distributors. These joint ventures will aid the company to penetrate in other markets even outside the East African countries. The JVs have been seen to offer lower risk on the investments although the returns are considerably low if compared to other entry modes such as FDI.

The study also concludes that ACEA has adopted mergers and acquisitions with other companies in East Africa. The merger strategies are associated with the pooling of the interests of two companies into a new enterprise requiring the agreement by both sets of shareholders, the respondents indicated that the company assess its strengths and weakness before entering into a merger but the main idea is to enter, increase the market share and to place the company in a leading position in the East African region.

The study also concludes that ACEA has fully adopted FDI in Tanzania and Kenya. Market size in mining, industrial manufacturing and construction industries; the

company's goals of market presence to serve their largest customer base and location advantages of these countries influenced the company's decision to invest in offices, warehouses, workshops and repair shops in this country's. The returns on investments promised by these countries enhanced the decision for the company to take the risks involved in such a venture.

The research also concludes that exporting as an entry method has been adopted by ACEA in mainly the non-attractive markets within the company's jurisdiction. This includes the non-politically stable countries like Somalia, countries where the market is not big enough and countries dominated by the competitors.

The study concludes that Atlas Copco has only a considerable degree of control in the region. Control plays an important role in the capacity of a firm to achieve its goals. Control is desirable to improve a firm's competitive position and maximize the returns on its assets and skills. With most of the business being carried out through JVs and distributors, the actions of these partners are majorly controlled by the partners and the signed contracts and agreements. Full control of the company has only achieved in Kenya and Tanzania.

5.4 Recommendations

The study revealed that Atlas Copco was experiencing challenges to implement some of the adopted strategies. The success of their strategies is solely dependent on the company overcoming these challenges and to align the entry modes to their overall company goals.

The company can adapt internship programs for recent and inexperienced graduates to overcome the lack of trained and experienced professionals in sufficient quantity in East Africa Countries which has leads to high investments on consultants, expatriates.

The study also recommends that Atlas Copco should understand better the national and regional markets to gain access and consolidate their position in the East African markets. The study also recommends a thorough understanding of Somalia and Southern Sudan, who would offer great markets for their products.

The company should work with Governments in East Africa in the bid to formulate policies that will create a level-playing field for the whole private sector, not just for the big players but also for the new entrants in the industry. This will promote competitiveness in the industry which will lead in improved service provision and supply of high quality and standardized products across board.

The kind of assistance expected from the government is to eliminate corruption at all levels of government bureaucracies that interfere with companies operations the governments should also step up spending on academic education and continuing education and create an environment that produces a bigger supply of trained professionals.

From the study and related conclusions, the researcher recommends further research in the area of the influence of market strategies on the growth of Industrial firms.

5.5 Limitations of the Study

There were some limitations in carrying out the research project. As a part time student who needs to balance with studies with full time employment which involve a lot of travelling out of the station, the researcher was no able to undertake an extensive and exhaustive research due to the limited research. There was a limitation on the financial resources as the researcher is a self-sponsored student relying on savings to progress his studies.

There were challenges during data collection as the respondents of the research were top level management who were very busy in the daily running of the company. Some statistics were also not available due to their sensitivity to the company to support arguments and views of the management. The researcher however worked at winning the confidence of those involved in this research by giving them the reasons for the research and assuring them of confidentiality.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Dear Sir/Madam,

REQUEST FOR AN INTERVIEW TO CARRY OUT A RESEARCH ON "ENTRY STRATEGIES USED BY ATLAS COPCO EASTERN AFRICA (ACEA) TO ENTER INTO THE EAST AFRICAN MARKET"

I am a student of the University of Nairobi pursuing a Master of Business Degree course in International Business. As part of the academic requirements I am carrying out a research project on "Entry Strategies used by Atlas Copco Eastern Africa Ltd to enter into the East African Market". The project will involve carrying out an interview with the top management of the company. Being a top manager at the company, I hereby request for your time for an interview with you on the topic. The interview will be conducted at a convenient time and will last not more than 30 minutes. This study is purely for academic purposes and its findings which will be made available to you on request; will be confidential and will not be used in way detrimental to your company.

Thank you in advance.

Yours sincerely,

Mwangi, Bernard Waweru

APPENDIX II: INTERVIEW GUIDE

1. Name and name of your Division/Department?
2. What is your designation?
3. Who are your target customers?
4. Which is your target market?
5. Has your company exported equipment in the region?
6. Has your company invested in production facilities in East Africa?
7. Has your company/division licensed any manufacturers?
8. Is your company/division in any joint ventures in the region?
9. Has the company capitalized on mergers as an entry strategy to East African market?
10. Have you adopted different entry strategies in the same market segment?
11. What are the major reasons behind the adopted strategies?
12. What are the challenges in adopting the chosen market entry strategy?
13. Does the transfer of technology influence the company to enter into East Africa market?
14. Does the operating environment influence the decisions to merge with their companies in East Africa?
15. Which future prospects does the company have in entering to other markets?
16. What degree of control in operations does your company aspire in the foreign market?
17. Does the competition influence the entry strategy used to enter the EAC market?
18. Does the entry strategies change or revised in time? Why and How?