FOREIGN MARKET ENTRY STRATEGIES USED BY BRITISH MULTINATIONAL CORPORATIONS IN KENYA

BY:

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DECLARATION

This Research Project is my original work and it has not been presented for examination in any other university.

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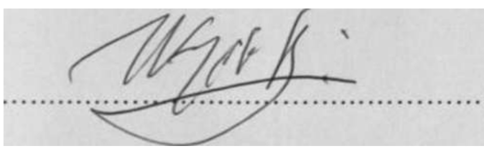
This Research project has been submitted for examination with my approval as university supervisor.

Signed  Date.

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DEDICATION

I would like to dedicate this project to my husband Dennis and daughter Nemayian for the support they have shown me during this period. Not forgetting dad, mom, and all my siblings. God bless you.

ABSTRACT

In view of the globalization of the world economy, one of the critical questions to examine in establishing an international development strategy is to select the entry mode in the target foreign country. Selection of the entry strategy comes with related costs and challenges and can ultimately lead to failure or eventual success of the multinational corporation. This paper sought to assess the foreign market entry strategies used by the MNC's with a focus on British MNC's in Kenya.

The descriptive survey design was applied targeting a population of all the current and past British MNC's in Kenya. The study used Non probability sampling technique to select British MNC's operating in Kenya. Further, the study purposively selected the sample using the following criteria: The MNC's should be registered or member of the British Council, the MNC should have operated in Kenya for more than 5 years and should not be publicly listed at the Nairobi Securities Exchange. A sample size of 15 (fifteen) companies was randomly drawn from the companies that had fulfilled the criteria. A questionnaire was distributed to the selected MNC's.

Findings regarding the pre-entry market environment indicated that the Kenyan market was sufficient for market entry and growth, the inflation rate was adequate at the time of market entry, the income distribution in Kenya was adequate to sustain market entry, the political and legal environment was stable and conducive for entry and they could adequately deal with the competition. On the other hand, the foreign currency exchange conditions in Kenya were not conducive for market entry and growth, the taxation and business regulations conditions were complex and hard to understand, and the monitory and fiscal policies were not conducive for the market entry

Findings on the Pre market Entry Strategies indicate the MNC's focused on technical innovation strategies, ensured that the products/services to be offered were superior to what was available, performed extensive research and testing to ensure that the products/services to be offered would be easily adopted by the market and ensured that the products/services to be offered were in conformity to the standards and requirements of the country.

The largest number of the MNC's used the wholly owned subsidiary as their market entry strategy followed by strategic alliances, joint venture and finally indirect exporting. The management expressed confidence in the entry strategies by their respective MNC's and were of the opinion that if given the opportunity, they would choose the same strategy.

ABBREVIATIONS

MNC - Multinational Corporations

UKTI - UK trade and Investment

Sig. - Significance

Df - Degrees of Freedom

Asymp. - Asymptotic

$P<.000$ - Probability values

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The saturation of affluent companies in developed markets has greatly reduced their profit margins. This has led to the need for multinational companies to expand their operations beyond geographical borders and increase interest in emerging markets. According to Nakata et al, (1997), the movement to emerging economies appears reasonable, as the sum of emerging populations, are estimated on to be average 80% of the population worldwide, which brings more opportunities to the multinationals in increasing their wealth.

Emerging markets are defined as nations with social or business activity in the process of rapid growth and industrialization; they have high potential as well as high risk. These markets are generally characterized by a history of recession or stagnant economy, domestic unrest and turbulent politics, led by low growth in many market sectors. In addition, according to Prahalad and Hart (2002), their consumers are not restricted to basic needs provided by sectors such as housing, textiles or food. More so, according to Michael, Ilkka and M. Moffet (2005), emerging markets comprise of economies that are gradually being integrated into the global economy. Despite such characteristics, these markets show some of the highest economic growth indicators of the past years. (Nakata, Cheryl and Sivakumar, K, 1997).

Multinationals have solely been competing for the top tier of the market pyramid which is small and has been shrinking. Challenges faced by multinationals in entering emerging markets include: rise in corporate interest in these emerging markets, according to Michael, Ilkka and M. Moffet (2005), frequent unavailability of convertible currency resulting in barter and counter trade hence placing a burden on international managers to market products received in return to other consumers; Lack of protection some of the countries afford to intellectual property rights resulting in illegal copying of films, books, and software; Problems when attempting to source products from emerging market economies where the few available descriptive materials are often poorly written on devoid of useful information; Lack of good quality products as many producers place emphasis on product performance neglecting style and product presentation.

1.1.1 Foreign Market Entry Strategies

Foreign market entry strategy is the institutional arrangement that enables a firm to enter a market with its products, technology, human skills and other resources (Root, 1994). According to Werner, (2002), International entry strategies are third most researched field in international management, behind foreign direct investment and internationalization.

Many companies successfully operate in a niche market without ever expanding into new markets. However, some businesses achieve increased sales, brand awareness and business stability by entering a new market. Common market entry strategies employed by Multinational Corporations can be classified into the following categories according to Terpstra & Sarathy, (1997); Exporting, which can be defined as the marketing of goods produced in one country into another. Exporting can be further segmented to Indirect and Direct Exporting.

Licensing involves offering a foreign company the rights to use the firm's proprietary technology and other know-how, usually in return for a fee plus a royalty on revenues, Johansson (1997); Franchising is a means by which a company can market its goods and services by granting the franchisee the legal rights to use their business format Doole & Lowe (2001); Joint ventures is an arrangement between two or more independent companies which leads to the establishment of a third entity organization separate from the '"parent" companies.

Strategic Alliances is a business relationship established by two or more companies to cooperate out of mutual need and to share risk in achieving a common objective; Establishing Wholly Owned Subsidiaries is another market entry strategy which is the most extensive form of participation is 100% ownership and this involves the greatest commitment in capital and managerial effort; Foreign Direct Investment is the establishment of production facilities in overseas countries and therefore represents a more direct involvement in the local economy, Worthington & Britton, (2006).

1.1.2 British Multinational Corporations in Kenya

Kenya is strategically situated on the Eastern coast of Africa along the Indian Ocean and has a strong history with Britain; which is an added advantage with British businesses. According to Wikipedia, East Africa Protectorate (also known as British East Africa) was an area of East Africa controlled by Britain in the late 19th century; it grew out of British commercial interests in the area in the 1880s and remained a protectorate until 1920 when it became the colony of Kenya.

There continues to be strong performance from existing British companies and a number of new entrants have identified this as an important market. Kenya also serves as a regional entry point for British Companies interested in the East African region of Uganda, Tanzania. Burundi, Rwanda, Ethiopia, DR Congo and Southern Sudan.

Britain is one of Kenya's largest foreign investors with over 60 companies and investment worth about £1.5 billion. In 2009, according to the official UK Trade and Investment website, the export of goods to Britain was at £262m, while export of services was £177m. Import of goods from Kenya was £362m while that of services was £200m. British companies in Kenya include: GlaxoSmithKline, Unilever, Delarue, Finlays and Diageo which have invested in manufacturing / production plants, while Barclays Bank, Standard chartered bank are in the banking sector, and Vodafone, G4S, KPMG, Deloitte and Ernst and Young maintain substantial offices and operations in Kenya.

Some of the strengths of the Kenyan market that attract the British foreign investment include: Free market economy, Nairobi serves as a regional economic hub, Port of Mombasa is entry point for goods also serving landlocked countries, English is the official language, educated work-force, daily flights to UK and several other destinations worldwide, only developing country hosting UN Headquarters namely; UNEP and UN HABITAT, emerging technology like expansion of the Jomo Kenyatta airport, construction of broadband fiber optic cable among others.

However, there are some drawbacks to investing in Kenya. The cost of power is too high and has caused a shift by many traditional multinational manufacturers to using Nairobi as the base for importing goods and circulating them behind well financed advertising campaigns (John A. et al, 2009). Still, some older multinationals have managed to hold on to their factory bases in Kenya, while also restructuring their operations to draw on the regional market. British American Tobacco (BAT) base factory in Nairobi is one of four strategic source factories for its Africa and Middle East region, the others being Nigeria, South Africa and Turkey. John A. et al, 2009). Safaricom, Unilever, East African Breweries Limited, have been in Kenya for a while and continue to expand their operations. This study will focus on the British multinationals in Kenya.

1.2 Research Problem:

In view of the globalization of the world economy, one of the critical questions to examine in establishing an international development strategy is to select the entry mode in the target foreign country and the distribution channel. Several alternative entry strategies can be considered, which include exporting, licensing, franchising, joint ventures, strategic Alliances, establishing wholly owned subsidiaries and foreign direct investment. Selection of the entry strategy comes with related costs and challenges and can ultimately lead to failure or eventual success of the multinational corporation.

Despite these challenges and factors to consider, there are numerous opportunities available and untapped markets in emerging economies that multinationals seek to capitalize on. A number of corporations have been successful and have considerably increased their wealth through expansion to foreign markets in emerging markets. Some multinational corporations have not been as lucky and have had to either change strategy or close shop all together. For example, G4S which was established in 1969 as Securicor by the acquisition of three companies: K9 guarding company, Night Security Thika and a Mombasa based Guarding Services Company has proved to be successful as the company has since grow n to be a leading multinational employing thousands of employees. On the other hand, the Intercontinental hotel operates under the franchising strategy, while Knight Frank and Daly & Figgs law firms operate use partnership as their strategy all of which are successful. Other companies have operated under the licensing strategy for instance, Crown-Berger Kenya limited and Cadbury Kenya Limited and are successful. However, company like Virgin Atlantic that came in as a wholly owned subsidiary is closing office in Kenya giving various reasons like increased fuel prices, higher taxes imposed by the Government and a poorly timed slot not providing connections from London.

Past studies of entry strategy choice often adopted either a transaction cost approach or has used Dunning's (1988) eclectic framework as a basis for investigation. However, a substantial body of research has also sought to specifically identify the extent to which psychic or cultural distance affects entry strategy (Brouthers and Brouthers, 2001); This research is limited somewhat in its applicability because of the use of aggregated measures of cultural distance and, as such, it has been suggested that future research should investigate the relationship between psychic distance and entry strategy (Brouthers and Brouthers, 2001). Other internal determinants of entry strategy have also been identified in literature where Centralization of decision making (Jaworski and Kohli, 1993) and organizational culture (Dosoglu-Guner, 1999) have been identified as critical factors in determining a Firm's corporate strategy, and as such it is expcctcd that they will have a significant influence on entry strategy selection. In addition, export literature has established that international experience (Caves and Mehra, 1986) and firm size (Kogut and Singh, 1988) influence entry strategy. Despite these numerous studies and research regarding entry strategies there is not much that has been said by researchers on British Multinationals entry strategies in Kenya, therefore creating a knowledge gap that this study would like to fill. This paper will therefore look at assessing how British multinationals corporations enter Kenyan market.

1.3 Research Objective

The primary objective of this study was to assess the foreign market entry strategies used by British Multinational Corporations in Kenya.

1.4 Value of the Study

This study hopes to evaluate the market entry strategies employed by British Multinational corporations in Kenya with an aim of gaining a deeper understanding on which strategies offer greater success. The study will seek to fill the important knowledge gap existing in Kenya. Academicians will therefore benefit from this study as it will form a basis for further exploratory and comparison research on market entry strategies.

The study is also of great significance to strategic managers of British multinational corporations in Kenya. The recommendations will act as a basis for their planning, evaluation and implementations. It will therefore, be of value to strategic managers who will have a clearer insight on the advantages and drawbacks of the entry strategies that will be studied.

This study will be of great importance to foreign multinationals since the study will bring out entry strategies that have ensured success and those that have not. Existing multinationals may use the study as a basis of changing strategy to increase their presence while new corporations may use the study as a starting point in determining what entry strategy to employ.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will focus on the theoretical aspect of; Foreign Market Entry strategies; Multinational corporations; concepts related to the market entry strategies of foreign companies; examine factors that foreign companies consider before deciding on the markets suitable for entry; look at pre-market-entry activities done by the foreign companies before entry into markets, which will lead to an assessment of specific market entry strategies used to enter new markets and outlining some of their advantages and disadvantages. Finally, the literature review will look at current practices as well as present international situations and related studies regarding channels of entry of multinationals to markets in emerging economies.

2.2 International Business Environment

Environment is the sum of all forces surrounding and influencing the life and development of a firm, therefore. International Business Environment refers to the factors or forces that a business is likely to encounter in foreign markets. These environmental factors can either hinder or facilitate international business operations. They can be internal or external. Internal forces are also known as controllable forces because management has some command over them e.g. the factors of production and the activities of the organization.

External forces are forces over which management has no control over. They are also known as uncontrollable forces because they originate outside the business enterprise. They consist of: Financial forces like foreign currency exchange risk, National balance of payment, Taxation, National monetary and physical policy, Inflation, National business accounting rules.

Economic forces include: Gross National Product, income distribution, personal consumption, private investment among others. Socio economic forces provide data on the number of people and include; age distribution, total population among others.

Political forces include ideological, nationalism, political stability, international relations, and government investment forces among others. Legal forces include laws of the home and host country, and Socio-cultural forces like language, material culture.

International business environment is therefore the interaction between all these forces originating in the home country and outside the home country that surround and influence the firms' life and development.

2.3 Multinational Corporations

Multinational Corporation has its facilities and other assets in at least one country other than its home country. Such companies have offices and/or factories in different countries and usually have a centralized head office where they co-ordinate global management. Very large multinationals have budgets that exceed those of many small countries. They are sometimes referred to as a "transnational corporation".

On the other hand, critics say multinationals can have undue political influence over governments, can exploit developing nations as well as create job losses in their own home countries. In addition, the jobs are often low-skilled and poorly paid. Much of the profit will go out of the country, and the company may pull out to relocate in a country where it can make a greater profit. Multinational companies are primarily interested in making profits for their shareholders. Paying wages is an expense that the company will try to reduce to as low a level as possible.

2.4 Factors Affecting Market Entry

When an organization has made a decision to enter an overseas market, there are a variety of options open to it. These options vary with cost, risk and the degree of control which can be exercised over them. According to Malhotra, Agarwal & Ulgado, (2003) the choice of foreign market entry strategies is a crucial part of the internationalization process for firms. The entry mode a firm chooses for a foreign market has major influences on the extent to which the firm capitalizes on market potential and on the strategic control it has over market development.

Before critically looking at the entry strategies firms should consider all of the following factors: Market Related Characteristics that relate to market size and its potential, market growth, product-fit to market demands, buying power of customers, market seasons and fluctuations, and the level and quality of competition (Hollensen, 1998).

These factors help establish the attractiveness of the market and the extent to which the company's products or services are suited to that market; Cost-Related Aspects - Jeannet & Hennessey (2004), states that transportation costs, freight, and logistics are some cost-related aspects that should be considered when assessing suitable markets and vary country to country. Each market must therefore be evaluated individually in order to weigh up the costs that may be incurred upon entry and during its operations; Political/Legal Factors - Johansson, (1997) argues that political risk is one of the first considerations firms take in to account when deciding on what foreign markets to enter. Political risk may result from anything from limitations on the number of foreign company officials and on the amount of profits paid to the parent company, to refusal to issue a business license.

The possibility of changes in government policy is another factor that may have an impact on profitability; and Tariff and Non-Tariff Barriers which are significant factors of the regulatory environment of foreign countries and should be evaluated by companies when assessing potential foreign markets. Non-tariff barriers include licensing regulations, packaging and labeling requirements, weight requirements, quotas, and trade control (Keegan & Schlegelmilch, 2001).

2.5 Pre-Market-Entry Strategies

Once markets have been identified, companies spend large amounts of time analyzing market opportunities and attempt to gain a deep understanding of how customers and markets work in the target markets they are considering. Market feasibility studies and marketing research are considered as pre-entry market activities undertaken.

Cunningham (1986) identified five pre-market-entry strategies used by firms into new foreign markets: Technical innovation strategy, which ensures their products and services are perceived superior than those already in the market. Product adaptation strategy, which ensures the existing products/services are modified to suit characteristics of the target market. Availability and security strategy, which helps overcome transport and security risks by countering perceived risks. Low price strategy, which ensures introduction of penetration price of products and services, and finally Total adaptation and conformity strategy, where foreign producer gives a straight copy.

2.6 Market Entry Strategies

A market entry strategy is the planned method of delivering goods or services to a target market and distributing them there. In import and export of services it refers to establishing and managing contracts in a foreign country. Many companies successfully operate in a niche market without ever expanding into new markets. However, some businesses achieve increased sales, brand awareness and business stability by entering a new market. The following are a compilation of foreign market entry strategies.

2.6.1 Exporting

Exporting is the most traditional and well established form of operating in foreign markets. It can be defined as the marketing of goods produced in one country into another. (Terpstra & Sarathy, 1997).

A passive exporter awaits orders or comes across them by chance while an aggressive exporter develops marketing strategies which provide a broad and clear picture of what the firm intends to do in the foreign market (Pavord and Bogart, 1975). Those firms that are aggressive have clearly defined plans and strategy, including product, price, promotion, and distribution and research elements. Exporting methods include direct or indirect export.

2.6.1.1 Indirect Exporting

Terpstra & Sarathy, (1997), state that this method of foreign market entry involves the exporting manufacturer hiring an independent organisation, which becomes, in effect, the export department for the producer. This market entry mode is more likely to be exercised by a firm who primarily view international markets as a means of disposing excess production, or a firm with limited resources available for international expansion (Hollensen, 1998). Indirect exporting often becomes the natural first step for newcomers to the international scene, as it requires minimal financial and management commitment, when compared to direct exporting.

The main advantage of indirect exporting is that it offers access to foreign markets without the complexities and risks of direct exporting. Some disadvantages include: it offers least control over how, when, where and by whom the products are sold (Doole & Lowe, 2001); the skills and know-how developed through direct exporting experiences are accumulated outside the firm and not in it (Johansson, 1997).

2.6.1.2 **Direct Exporting**

Direct exporting occurs when a manufacturer or exporter sells directly to an importer or buyer located in a foreign market. The difference between indirect and direct exporting is that in the latter, the manufacturer performs the export task rather than delegating it to others. The exporting firm handles every aspect of the exporting process from market research and handling documentation to foreign distribution and collections of payments. A company may engage in direct exporting if they wish to establish a more permanent role in international markets (Doole & Lowe, 2001).

Advantages of direct exporting include: greater potential profit, it is a more proactive approach, the exporting firm has greater control over the selection of markets, improved feedback about the performance of individual products, and the opportunity to build up expertise in international marketing (Doole & Lowe, 2001). Drawbacks include: the company needs to devote more time, personnel, and corporate resources than indirect exporting requires, (Doole & Lowe, 2001).

2.6.2 Licensing

According to Johansson (1997), licensing involves offering a foreign company the rights to use the firm's proprietary technology and other know-how, usually in return for a fee plus a royalty on revenues. The licensor may give the licensee the right to use the firm's patent on a particular product or a process, manufacturing know-how, technical advice and assistance, marketing advice, or the use of a trademark or the company's name (Hollensen, 1998). Virgin Atlantic has been licensed to operate in Kenya; Tullow Oil has an oil exploration license in Kenya but is also in partnership with Africa Oil, a Canadian firm.

Licensing involves little expense and involvement. The only cost is signing the agreement and policing its implementation. According to Jeannet & Hennessey, (2004), advantages include: Good way to start in foreign operations and open the door to low risk manufacturing relationships, linkage of parent and receiving partner interests means both get most out of marketing effort, Capital not tied up in foreign operation and, options to buy into partner exist or provision to take royalties in stock.

The disadvantages are: Limited form of participation - to length of agreement, specific product, process or trademark, Potential returns from marketing and manufacturing may be lost, licensees become competitors which can be overcome by having cross technology transfer deals and, requires considerable fact finding, planning, investigation and interpretation (Hollensen, 1998).

2.6.3 Franchising

Doole & Lowe (2001) state franchising is a means by which a company can market its goods and services by granting the franchisee the legal rights to use their business format, fhere are two major types of franchising. Firstly there is product and trade name franchising. This type of franchising involves a distribution system where suppliers agree contracts with dealers to buy or sell products or product lines. The dealer uses the trade name and trademark of the company. The second type is the business format 'package' franchising. International business format franchising which is a market entry mode that involves a relationship between the entrant (the franchisor) and a host country entity, in which the former transfers, under contract, a business package (or format), which it has developed and owns, to the latter (Hollensen 1998).

The main advantage of franchising is it represents a quick way for a company to enter a foreign market, and similar to the case of licensing, this option represents a relatively inexpensive mode of entry (Keegan & Schlegelmilch, 2000). However, franchising involves a greater element of control. In franchising, there are contractual agreements in place that provides the franchisor with a great degree of control over the franchisee's operations, thus enabling the brand image to be upheld and protected internationally.

2.6.4 Joint ventures

A joint venture is any kind of cooperative arrangement between two or more independent companies which leads to the establishment of a third entity organization separate from the "parent" companies (Buchel et al., 1998). According to Buchel et al., (1998) the reasons to form a joint venture include: to spread the cost and risk of going global, safeguarding resources which cannot be obtained via the market, improving access to financial resources, benefits of economies of scale and advantage of size, access to new technology, managerial practices.

A joint venture may be the only way to enter a country or region if government contract negotiation practices routinely favor local companies or if laws prohibit foreign control but permit joint ventures.

Disadvantages include: Partners do not have full control of management, it may be impossible to recover capital if need be, disagreement on third party markets to serve and, partners may have different views on expected benefits (Keegan & Schlegelmilch, 2000).

2.6.5 Strategic Alliances

A strategic alliance can be defined as a business relationship established by two or more companies to cooperate out of mutual need and to share risk in achieving a common objective (Cateora & Graham, 2002). The use of strategic alliances as an international market entry mode has increased as firms increasingly recognise the necessity to for foreign help. Jeannet & Hennessey (2004) outline three different types of strategic alliances: (1) Technology-Based Alliances: where firms share technology capabilities in these alliances. (2) Production-Based Alliances: where production facilities and capabilities are shared between companies with component linkages to reduce costs, and finally (3) Distribution-Based Alliances: where firms form alliances with an emphasis on distribution.

The drawbacks of strategic alliances include: the parties involved must be able to work together successfully despite any cultural differences that may occur between them. Differences of managerial styles may cause a problem, and also could disagreements may occur on the perceived level of importance of each party involved.

2.6.6 Establishing Wholly Owned Subsidiaries

The most extensive form of participation is 100% ownership and this involves the greatest commitment in capital and managerial effort. This is used by companies wanting to enter foreign markets while retaining ultimate control and avoiding the related costs of other entry strategies. There are two basic approaches used to wholly own subsidiaries: Greenfield Operations- where a firm attempts to establish operations in a foreign country from scratch. Acquisitions - which offer swift entry into a market and often provide access to distribution channels, an existing customer base, and, sometimes an established brand name (Hollensen, 1998).

2.6.7 Foreign Direct Investment

According to (LTNCTA, 2007) as quoted by (Muchina, 2006), Foreign Direct Investment is defined as investment involving long term relationship. Foreign direct investment (FDI) is that investment which is made to serve the business interests of the investor in a company, which is in a different nation distinct from the investor's country of origin. Foreign direct investment may be classified as Inward or Outward. The factors propelling the growth of Inward FDI comprises of tax breaks, relaxation of existent regulations, loans on low rates of interest and specific grants. While outward FDI invests local capital in foreign resource.

2.7 Post-entry Activities

Once in a market, companies have to decide on a strategy for expansion by identifying three basic business strategies: stage one - international where the basic philosophy behind is extension of programs and products; Stage two - multinational where there is decentralization as far as possible to local operators and finally stage three -global strategy - which is an integration which seeks to synthesize inputs from world and regional headquarters and the country organization.

2.8 Conclusion

The selection of a market entry strategy is critical to the success of a firm's foreign operations. Selection of a strategy depends on internal or external circumstances of the firm. Internal circumstances include availability of resources, experience of staff and spirit of entrepreneurship. External circumstances include size of home market, attractiveness of foreign markets, and political conditions in foreign markets to name but a few. Due to advances in telecommunications and increases in trade agreements, the world is becoming a global village. This has led to fierce competition where new market entry success is no longer an option but a necessity in many industries.

CHAPTERTHREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the methodology that was adopted in an attempt to meet the objectives of this study.

3.2 Research Design

Research design involves the planning, organization, collection and analysis of data so as to provide answers to questions such as: what techniques will be used to gather data? What sampling strategies and tools will be used? And how will time and cost constraints be dealt with? Research design provides the conceptual framework within which research is conducted; it constituted the blueprint or roadmap for the collection, measurement and analysis of data (Kothari. 2007; Krishnaswami, 2006).

According to Saunders, Lewis and Thornhill, (2003) descriptive survey has a broad appeal for planning, monitoring and evaluating policies. A descriptive study was considered as the appropriate research design since it is a more appropriate strategy for answering research questions which ask 'how and 'why' and which do not require control over the events (Yin, 1994). It aims to collect and summarize data in a more clear and understandable way i.e. by use of graphical representations such as frequency tables. This seeks to give us a deeper understanding of the area of study.

The descriptive survey design was used to gather data relating to the market entry strategies of multinationals in Kenya.

3.3 Population Procedure

The target population refers to the specific group relevant to a particular study. Mugendi and Mugendi (2003) explain that a population is a group of individuals or objects that have the same form of characteristics of study interest. The target population for this study included all the current and past British multinational companies that have operated and are currently operating in Kenya. According to the British High Commission's data base, there are over sixty (60) multinational companies operating in Kenya.

3.4 Sampling Design

A sample is a smaller number or the population that is used to make conclusions regarding the whole population. Its purpose is to estimate unknown characteristics of the population. Sampling therefore is the systematic process of selecting a number of individuals for a study to represent the larger group from which they were selected. The process of sampling takes in to account various issues and will depend on the population type, purpose, complexity, time constraints and previous research in the area.

Due to time and cost constraints, the study used Non probability sampling technique by selecting British multinational companies operating in Kenya with their head offices situated in Nairobi. Further, the study will purposively select the sample using the following criteria: The Company should be registered or member of the British Council, it should have operated in Kenya for more than 5 years and should not be publicly listed at the Nairobi Securities Exchange. A minimum sample size of 15 (fifteen) companies was randomly drawn from the companies that will have fulfilled the criteria. This number would give a true representation of the population.

3.5 Data collection

The proposed primary data collection tool is the self-administered questionnaires. The questionnaires comprised of both open ended and closed ended questions and four sections: section one on general information about the multinational company; section two collected information on the characteristics that led the company to consider Kenya a potential market; Section three gathered information on the market entry strategy used, and finally Section four will elicit information about the advantages and challenges faced due to the selection of the particular entry mode used.

Research assistants will be used to administer the questionnaires by visiting the companies' offices where the respondents will fill them as the assistants wait. This will encourage a higher response rate. However, wherever unavoidable, the assistants will drop the questionnaires and collect them later.

3.6 Data Analysis and presentation

The expected output or findings of this study will be presented in the form of tables, charts, percentages, frequency tables, mean scores.

Data collected from questionnaires will be keyed into SPSS for ease of analysis. Data will be edited to remove inconsistencies and analyzed using descriptive statistics i.e. frequency distributions, percentages, means etc. Inferential statistics was also used e.g. factor analysis (data reduction).

Section 1 of the questionnaire based on general characteristics of the respondents, data was presented and analyzed through descriptive statistics using frequency tables.

The Likert scale was used to test values with ratings from "Strongly disagree to "Strongly agree"; "very little extent" to "very large extent" with a rating of 1 to 5. Frequency tables were used to present the data. Factor analysis (data reduction) was also used to investigate the management's perceptions on the market entry strategies used and its effects. Chi-square test was also done on the same.

CHAPTER FOUR

RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the data findings, discussions and their interpretation. The findings are presented in tables of frequency and means. The purpose of the study was to assess the foreign market entry strategies used by British Multinationals in Kenya. A total of 15 senior managers at sampled British Multinational companies were selected and questionnaires distributed by research assistants. Due to the nature of the study, the 15 respondents will not be identified by name. However, their profiles was studied and presented. A majority (10) of the selected managers were very cooperative which indicated a 67% response rate. This was considered a good representation of the total British MNC's population in Kenya.

4.2 Profile of Respondents

The first part of the questionnaires was focused on finding out the general profile of the British MNC's to better understand their backgrounds. The profile of British MNC's in the study is provided below.

4.2.1 Length of Operation

Out of the ten British MNC's that responded, 40% had operated in Kenya for 10 - 15 years, 20% for 5 - 10 years, another 20% for 15 - 20 years, 10% for less than 5 years and the final 10% for more than 20 years. This response indicated that a majority (70%) of the

MNC's have operated in Kenya for more than 10 years. This period is considered long enough to assess the success of the market entry strategy employed.

Table 1: Length of Operation

Length (yrs)	Value	Percentage
0 to 5	1	10
5-10	2	20
10-15	4	40
15-20	2	20
Over 20	1	10
Total	10	100

4.2.2 Industry of Operation

In response to the industry of operation, 30% of the MNC's were from the Financial sector, another 30% from the service and consulting sector, 20% from the manufacturing sector, 10% from pharmaceutical and the final 10% from telecommunication sector. The surveyed MNC's are from diverse sectors and therefore would be a source of information relating to the market entry strategies employed in the different industries.

Table 2: Industry of Operation

Industry	Value	Percentage
Commercial	**0**	**0**

Manufacturing	2	20
Service & Consulting	3	30
Agricultural	0	0
Financial	3	30
Pharmaceutical	1	10
Telecommunication	1	10
Total	10	100

4.2.3 Number of Employees

A Majority of the MNC's (70%) had more than 100 employees where 30% had between 200 and 500 employees, 20% over 500employees and another 20% between 100 and 200 employees. The remaining 30% of the MNC's had less than 100 employees.

Table 3: Number of employees

No. Of employees	Value	Percentage
Less than 50	1	10
50 - 100	2	20
100 - 200	2	20
200 -500	3	30
Over 500	2	20
Total	10	100

4.2.4 Average profits

In response to the average profits earned by the MNC's, a majority (60%) were non responsive. The remaining 40% were evenly distributed between the below 100 million, 100 million to 500million, 500 million to 1 billion and over 1 billion. This response indicated that the MNC's were not comfortable providing financial information as it was deemed sensitive.

Table 4: Average profits

Department	Value	Percentage
Below 100m	**1**	**10**
100m - 500m	**1**	**10**
500m-1b	**1**	**10**
1b-5b	**0**	**0**
Over 5b	**1**	**10**
Non responsive	**6**	**60**
Total	**10**	**100**

4.2.5 Branch Distribution

In response to branch distribution across the country, half of the MNC (50%) had more than 5 but less than 10 branches, 30% had more than 10 butt less than 20 branches, 10% had less than 5 branches and the remaining 10% had more than 20 branches.

Table 5: Branch Distribution

Length of service (vrs)	Value	Percentage

Less than 5	**1**	**10**
5-10	**5**	**50**
10-20	**3**	**30**
Cher 20	**1**	**10**
Total	**10**	**100**

4.3 Pre-entry Market Environment

The second part of the questionnaire focused on the pre-entry market environment. The response is provided below. Half of the MNC's surveyed agreed that that the Kenyan market was sufficient and had great growth potential for market entry and growth. A further 30% were neutral while the remaining 20% strongly agreed. This was an indication that the MNC's were confident in the growth potential of the Kenyan economy which they could capitalize on. In response to the foreign currency conditions in the country, a majority 60% disagreed that the foreign currency exchange conditions in Kenya were conducive for market entry and growth. Another 30% were neutral while the remaining 10% agreed. This was an indication of the British MNC's lack of confidence in the foreign currency conditions.

Regarding the taxation and business regulations conditions, 40% of the MNC's were neutral about their understandability while the remaining MNC's were evenly distributed between agreeing and disagreeing. When asked whether the current monitory and fiscal policies used by the government were adequate and conducive for the market entry, half of the respondents were neutral, 30% disagreed while the remaining 20% agreed. This was an indication that the government needs apply better monitory and fiscal policies that would be more conducive for foreign investment in the country. In response to whether the inflation rate experienced in Kenya was suitable enough for market entry, half (50%) of the respondents were neutral, 40% agreed the rate was suitable while the remaining 10% disagreed.

In response to the income distributions in Kenya, 50% of the MNC's surveyed agreed that they were adequate to sustain entry and growth requirements, 40% were neutral while the remaining 10% strongly agreed. This was an indication that according to the MNC's, the income distribution of the country was good for market penetration and growth.

When asked about the political situation in the country prior to market entry, 60% of the respondents agreed that it was stable and conducive for market entry, another 20% strongly agreed while the remaining 20% were neutral. This shows that the MNC's were confident in the political stability of the country prior to entry. Responding to whether the legal environment in Kenya was conducive for market entry, 40% agreed that it was conducive, 40% were neutral, 10% strongly agreed while the remaining 10% disagreed.

When asked whether the MNC could adequately deal with the competition in the country prior to market entry, 60% of the respondents agreed that they could deal with the competition, another 20% strongly agreed while the remaining 20% were neutral. This shows that the MNC's were confident that they could adequately deal with competition prior to entry.

Table 6: Pre-entry Market Environment

Key: Strongly Agree - **SA,** *Agree -A, Neutral - N, Disagree - D, Strongly Disagree- SD*

	SA	A	N	D	SD
The Kenyan Market size was sufficient and had great growth potential for market entry and growth	**2** **20%**	**5** **50%**	**3** **30%**		
The foreign currency exchange conditions in Kenya were conducive for the corporations market entry and growth		**1** **10%**	**3** **30%**	**6** **60%**	
The Taxation and business regulations were adequate and well understood by the corporation		**3** **30%**	**4** **40%**	**3** **30%**	
The current monitory and fiscal policies used by the government were adequate and conducive for the market entry.		**2** **20%**	**5** **50%**	**3** **30%**	
The inflation rate experienced in Kenya was suitable enough for market entry		**4** **40%**	**5** **50%**	**1** **10%**	
Income distributions in Kenya was assessed to be adequate to sustain entry and growth requirements	**1** **10%**	**5** **50%**	**4** **40%**		
The political situation was stable and conducive for market entry	**2** **20%**	**6** **60%**	**2** **20%**		
The legal environment in Kenya was conducive for market entry	**1** **10%**	**4** **40%**	**4** **40%**	**1** **10%**	
The corporation could adequately deal with the	**2**	**6**	**2**		

competition in the country.	20%	60%	20%		

4.4 Pre Market Entry Strategies

The third part of the questionnaire focused on the Pre market Entry Strategies. The response is provided below. The MNC's were asked about their products/service innovation and superiority to competitors. In the response, 40% agreed, another 40% strongly agreed and the remaining 20% were neutral that the corporation focused on technical innovation strategies and ensured that the products/services to be offered were superior to what was available.

In response to the extent of pre market research, 50% agreed, 30% strongly agreed and the remaining 20% were neutral that the corporation performed extensive research and testing to ensure that the products/services to be offered would be easily adopted by the market. When asked about their ability to provide security and protection of their products/services, 40% agreed, 30% were neutral, 20% disagreed and the remaining 10% strongly agreed that the corporation was able to provide security and protection of the product/service rights to ensure longevity.

The MNC's were further asked about their entry pricing strategy. In their response, 40% were neutral, 30% agreed, 20% disagreed while another 20% strongly agreed that the pricing strategy of the products / services to be offered was customer friendly at the same time adequate to meet the corporations expenses. In response to the conformity of their products to local standards, 40% agreed, 30% strongly agreed and 30% were neutral that the corporation ensured that the products /services to be offered were in conformity to the standards and requirements of the country.

Table 7: Pre Market Entry Strategies

Key: Strongly Agree - SA, Agree - A, Neutral - N, Disagree - D, Strongly Disagree- SD

	SA	A	N	D	SD
The corporation focused on technical innovation strategies and ensured that the products/services to be offered were superior than what was available	**4** **40%**	**4** **40%**	**2** **20%**		
The corporation performed extensive research and testing to ensure that the products/services to be offered would be easily adopted by the market	**3** **30%**	**5** **50%**	**2** **20%**		
The corporation was able to provide security and protection of the product/service rights to ensure longevity	**1** **10%**	**4** **40%**	**3** **30%**	**2** **20%**	
The pricing strategy of the products / services to be offered was customer friendly at the same time adequate to meet the corporations expenses	**2** **20%**	**3** **30%**	**4** **40%**	**1** **10%**	
The corporation ensured that the products /services to be offered were in conformity to the standards and requirements of the country	**3** **30%**	**4** **40%**	**3** **30%**		

4.5 Market Entry Strategy

The fourth part of the questionnaire focused on the Market entry strategy used by the

British MNC's. The response is provided below. The largest number of the MNC's, 40%, used the wholly owned subsidiary as their market entry strategy. A further 30% used strategic alliances, 20% joint venture and the remaining 10% indirect exporting.

Table 8: Market Entry Strategy

Market Entry Strategy'	**Value**	**Percentage**
Direct Exporting		
Indirect Exporting	1	10%
Licensing	0	0
Franchising	0	0
Joint Venture	2	20%
Strategic Alliance	3	30%
Wholly owned subsidiary	4	40%
Total	10	100

In response to the reasons for selecting the respective market entry strategy, the MNC's that used wholly owned subsidiaries indicated that the parent company had the required market resources, knowledge and expertise to come without local partnerships. The MNC's that used strategic alliances as their entry strategy indicated that they had identified existing partners who already had substantial infrastructure and market knowledge and therefore the strategic alliance was the best option to ensure quick market entry with fewer complications. This was the same reason given by the MNC's who selected the joint venture as their market entry choice.

4.6 Opinion on Market Entry Strategy

The fifth part of the questionnaire focused on the MNC's management opinion on the success of the Market entry strategy used by the British MNC's. The response is provided below. Half of the respondents strongly agreed that the entry strategies used by their corporations was adequate for its growth and development. A further 20 % agreed while the remaining 30% were neutral.

In relation to consultations on market entry strategies with local officers, half (50%) of the respondents were neutral, 30% agreed and the remaining 20% disagreed that consultations were done with the local officers stationed in Kenya. When asked whether they could pick the same market entry strategy given another chance, 40% of the MNC's agreed they, another 40% were neutral while the remaining 20% strongly agreed they could use the same strategy.

When asked whether they could pick a different strategy, 40% disagreed they would, 30% were neutral and the remaining 30% agreed.

Table 9: Opinion on Market Entry Strategy

Key: Strongly Agree - SA, Agree - A, Neutral - N, Disagree - D, Strongly Disagree- SD

	SA	A	N	D	SD
I believe the entry strategy selected and used by the corporation was adequate	5 50%	2 20%	3 30%		
The selection of market entry strategy was done in consultation with officers stationed in Kenya		3 30%	5 50%	2 20%	

If given another opportunity, the management of the corporation would pick the same market entry strategy	2 20%	4 40%	4 40%		
If given another opportunity, the management would pick a different market entry strategy		3 30%	3 30%	4 40%	

4.7 Effects of Market Entry Strategy

The final part of the questionnaire focused on the effects of the Market entry strategy used by the British MNC's on the organization. The response is provided below.

In response to whether the market entry strategy selected provided a quick entry to the market with very limited complications, half of the respondents were neutral, 20% strongly agreed, 20% agreed and the remaining 10% disagreed. When the MNC's were asked if the market entry strategy selected by the corporation ensured control and participation over operations and management by the parent company, 40% disagreed, 30% agrees, 20% strongly agreed and the remaining 10% were neutral.

In response to the ability of the market entry strategy to make it easier to keep technological and other know how within the corporation, 40% disagreed, 40% were neutral and the remaining 20% agreed. When asked about the relationship between the market entry strategy employed and the MNC's profit potential, half of the respondents agreed, 30% strongly agreed, 10% were neutral and the remaining 10% disagreed that there is greater profit potential through the market entry strategy selected. In relation to the relationship between the market entry strategy and feedback, 40% strongly agreed, another 40% agreed, 10% were neutral while the remaining 10% disagreed that the market entry strategy encourages regular and useful feedback.

In response to the extent of resources employed due to the selected market entry strategy, 30% agreed, another 30% were neutral, 20% disagreed, 10% strongly agreed and the remaining 10% strongly disagreed that the market entry strategy required that the parent company invest more time, personnel and resources than other strategies. Finally the MNC's were asked to respond on relationship between the selected strategy and disagreements in the organization. Their response was that 30% strongly agreed, 20% agreed, another 20% were neutral, 20% disagreed and the remaining 10% strongly agreed that the market entry strategy selected could be a source of disagreements between partners and other third parties

Table 10: Effects of Market Entry Strategy

Key: Strongly Agree - SA, Agree-A, Neutral - N, Disagree - D, Strongly Disagree- SD

	SA	A	N	D	SD
The market entry strategy selected provided a quick entry to the market with very limited complications	2 20%	2 20%	5 50%	1 10%	
The market entry strategy selected by the corporation ensures control and participation over operations and management by the parent company	2 20%	3 30%	1 10%	4 40%	
The market entry strategy make it easier to keep the technological and other know how within the corporation		2 20%	4 40%	4 40%	

There is greater profit potential through the market entry strategy selected	3 30%	5 50%	1 10%	1 10%	
The market entry strategy encourages regular and useful feedback	4 40%	4 40%	1 10%	1 10%	
The market entry strategy required that the parent company invest more time personnel and resources than other strategies	1 10%	3 30%	3 30%	2 20%	1 10%
The market entry strategy selected could be a source of disagreements between partners and other third parties	3 30%	2 20%	2 20%	2 20%	1 10%

4.8 Chi-square analysis

4.8.1 Chi square test on level of Pre market entry environment

Table 11 illustrates the test on the pre market entry environment. A small significance level, indicate that the five selected predictor variables (market size, foreign currency, inflation, political situation and legal environment) are not equal to each other and can be used to predict the pre market entry environment. The chi square indicates the level of the environmental conditions on each of the predictor variables.

The market size sufficiency (71.37%), Inflation rate (71.402%), and political situation (71.402%) have the higher score on pre market entry environment. A percentage of above 70% show that the pre market entry conditions were adequate. This means that the MNC's are able to make informed market entry decisions based on the relatively favourable market conditions.

On the other side, the MNC's were not confident of the legal market conditions (41.29%), and the foreign currency condition (49.08%). This means that there is need for improvement of the legal conditions and stabilization of the foreign currency market.

Table 11: Chi square test on level of Pre market entry environment

Selected Results

	The Kenyan Market size was sufficient and had great growth potential for market entry and growth	The foreign currency exchange conditions in Kenya were conducive for the corporations market entry and growth	The inflation rate experienced in Kenya was suitable enough for market entry	The political situation was stable and conducive for market entry	The legal environment in Kenya was conducive for market entry
Chi-Square	71.371	49.082	71.402	71.402	41.299
Df	3	1	2	2	4
Asymp. Sig.	.000	.000	.000	.000	.000

4.8.2 Chi square test on Premarket entry strategies

Table 12 illustrates the test on the pre market entry strategies. A small significance level sig, (P<.000) two tailed, indicate that the five predictor variables (innovation, research, security, pricing and conformity) are not equal to each other and can be used to predict the pre market entry environment. The chi square indicates the level of the premarket entry strategies on each of the predictor variables.

The innovation (76.56%), Research (76.28%), and conformity (69.91%) have the higher score on pre market strategies. This indicated that the pre market entry strategies were adequate. The MNC's were neutral of the security (55.21%), and pricing (52.67%) strategies. This means that there is need for improvement of the security conditions and pricing strategies.

Table 12: Chi square test on Premarket entry strategies

	The corporation focused on technical innovation strategies and ensured that the products/services to be offered were superior than what was available	The corporation performed extensive research and testing to ensure that the products/services to be offered would be easily adopted by the market	The corporation was able to provide security and protection of the product/service rights to ensure longevity	The pricing strategy of the products / services to be offered was customer friendly at the same time	The corporation ensured that the products /services to be offered were in conformity to the standards and

				adequate to meet the corporations expenses	requirements of the country
Chi-Square	76.561	76.282	55.212	52.665	69.119
Df	2	1	3	3	3
Asymp • Sig.	.000	.000	.000	.000	.000

4.8.3 Chi square test on managers opinions on market entry strategies

Table 13 illustrates the test on managers' opinion on selected market entry strategy. A small significance level sig, **(P<.000)** two tailed, indicate that the four predictor variables are not equal to each other and can be used to predict the consumer perception on existing CRBs.

There is a high degree of adequacy of the market entry strategy selected **(79.76%).** This perception is true given that the selected MNC's have been in operation in the country for long periods and have survived where many others have failed. The managers also believe that if given another chance they will pick the same strategy **(76.76%).** Though the selection was largely done without consultation of local officers **(47.69%),** this perception goes a long way in enforcing the notion that the market entry strategy selected was adequate for the MNC's.

Tabic 13: Chi square test on managers' opinion on market entry strategies

Test Statistics

	I believe the entry strategy selected and used by the corporation was adequate	The selection of market entry strategy was done in consultation with officers stationed in Kenya	If given another opportunity, the management of the corporation would pick the same market entry strategy	If given another opportunity, the management would pick a different market entry strategy
Chi-Square(a,b)	79.691	47.691	76.763	44.753
Df	2	2	2	1
Asymp. Sig.	.000	.000	.000	.000

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter will seek to summarize the major findings of the study and offer discussions with comparisons between the literature provided and the results. The chapter will present conclusions of the major findings and offer recommendations.

5.2 Summary of Findings

The primary objective of this study will be to assess the foreign market entry strategies used by British Multinational Corporations in Kenya.

The research design used was a descriptive survey design. The target population for this study included all the current and past British multinational companies that have operated and are currently operating in Kenya. The study used Non probability sampling technique by selecting British multinational companies operating in Kenya. Further, the study purposively selected the sample using the following criteria: The MNC should be registered or member of the British Council, the MNC should have operated in Kenya for more than 5 years and should not be publicly listed at the Nairobi Securities Exchange. A sample size of 15 (fifteen) companies was randomly drawn from the companies that had fulfilled the criteria. A questionnaire was distributed to each of the 15 selected MNC's.

The general findings indicated that most of the MNC's had operated in Kenya for more than 10 years, were in the Financial, Services and consulting sector of the economy and had branch distribution of between 5 to 20. The majority of the MNC's were not comfortable divulging information regarding their profitability.

5.2.1 Premarket entry environment

Regarding the pre-entry market environment, most of the MNC's agreed that that the Kenyan market was sufficient and had great growth potential for market entry and growth which was an indication that the MNC's were confident in the growth potential of the Kenyan economy which they could capitalize on. However, the MNC's were not confident that the foreign currency exchange conditions in Kenya were conducive for market entry and growth. Regarding the taxation and business regulations conditions, most of the MNC's were non committal about their understandability which was an indication that the country has a complex tax system that makes it hard to understand, thereby making compliance difficult.

The current monitory and fiscal policies used by the government was rated not adequate and conducive for the market entry which was an indication that the government needs apply better monitory and fiscal policies that would be more conducive for foreign investment in the country. On the other hand, the MNC's were more or less comfortable with the inflation rate of the Kenyan economy. Further, they were in agreement that the income distribution in Kenya was adequate to sustain entry and growth requirements. The political and legal environment in the country prior to market entry was seen to be stable and conducive for market entry. The MNC also indicated that they could adequately deal with the competition in the country prior to market entry which showed that the MNC's were confident that they could adequately deal with existing competition.

5.2.2 MNC's pre market entry strategies

In response to the Pre market Entry Strategies, most of the MNC's focused on technical innovation strategies and ensured that the products/services to be offered were superior to what was available. The MNC's also performed extensive research and testing to ensure that the products/services to be offered would be easily adopted by the market. Only half of them though, were able to provide security and protection of the product/service rights to ensure longevity. Regarding their pricing strategy, half of the MNC's were of the opinion that the products / services to be offered was customer friendly at the same time adequate to meet the corporations expenses. Finally, nearly all the MNC's responded that the corporation ensured that the products/services to be offered were in conformity to the standards and requirements of the country.

5.2.3 MNC's Market Entry Strategies

The largest number of the MNC's used the wholly owned subsidiary as their market entry strategy followed by strategic alliances, joint venture and finally indirect exporting. In response to the reasons for selecting the respective market entry strategy, the MNC's that used wholly owned subsidiaries indicated that the parent company had the required market resources, knowledge and expertise to come without local partnerships. The MNC's that used strategic alliances as their entry strategy indicated that they had identified existing partners who already had substantial infrastructure and market knowledge and therefore the strategic alliance was the best option to ensure quick market entry with fewer complications. This was the same reason given by the MNC's who selected the joint venture as their market entry choice.

Regarding the MNC's management opinion on the success of the Market entry strategy used by the British MNC's, a majority expressed confidence in the entry strategy. However, they felt that they were not consulted in the decision making process. They however, were of the opinion that if given the opportunity, they would choose the same strategy.

5.3 Conclusions

The British MNC's that agreed to take part in the study had been in the Kenyan Market for more than 5 years and therefore the information regarding the success or failure of their market entry strategy can be concluded to be reliable and useful for making inferences and conclusions.

5.4 Recommendations

Based on the conclusions, the following strategies can be recommended:

5.4.1 Recommendations on Pre market entry environment

With regard to recommendations on pre market entry environment, the government needs to put emphasis on fiscal and monetary policies that will encourage more foreign direct investments by the MNC's as this was a point of concern. Similarly, the taxation and legal environment is seen to be complex and difficult to understand. The relevant authorities could make an effort to make the systems simpler and straight forward which will encourage compliance. With regard to the inflation rate that is seen to be erratic, the government ought to employ strategies that will stabilize the inflation rate that can erode gains and profit made by the MNC's.

5.4.2 Recommendations on Pre market entry strategies

Based on the findings, the following premarket entry strategies are recommended to other MNC's that may want to enter the Kenyan; focusing on technical innovation strategies to ensure that the products/services to be offered are superior to what is available, performing extensive research and testing to ensure that the products/services to be offered would be easily adopted by the market, and to ensure that the products/services to be offered are in conformity to the standards and requirements of the country.

5.4.3 Recommendations on market entry strategies

According to the analysis, the following strategies have been proven by the existing British MNC's as most successful market entry strategy and therefore recommended; wholly owned subsidiary, followed by strategic alliances, joint venture and finally indirect exporting.

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Appendix I: Letter of Introduction to Respondents

Christine M. Ndwiga

School Of Business, University Of Nairobi

P.O. Box 30197-00100

NAIROBI

Dear Sir/Madam.

I am an MBA student in the School of Business, University of Nairobi.

In partial fulfillment of the requirements of the degree of Master of Business Administration, I am conducting a study entitled 'Foreign Market Entry Strategies used by British Multinational Corporations in Kenya'. You have been selected to provide your input into this study.

The information and data are needed for academic purposes only and will be treated in strict confidence. If you require any further information, please do not hesitate to contact me through by email Muthoni.ndwiga@gmail.com. Your co-operation in the research will be highly appreciated.

Yours sincerely,

Christine Ndwiga	Dr. John Yabs
MBA student	Lecturer, Department of Business Administration

Appendix II: Letter of Introduction from University

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

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TO WHOM IT MAY rr>MrFRN

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MBA ADMINISTRATOR

MBA OFFICE, AMBANK HOUSE

Appendix III: List of British Multinational Companies Operating

Kenya

COMPANY	SECTOR
Actis	Financial Services
AON Minet Insurance Brokers Ltd	Insurance
Avery East Africa Ltd	Service
Barclays Bank (K) Ltd	Banking
Begbies-Traynor (East Africa) Ltd	Business Services - Consultancy
BOC Kenya Ltd	Manufacturers
British Airways	Air Service
British American Tobacco Kenya	Manufacturers
Cadbury Kenya Ltd	Manufacturers
Cameo	Environmental Services
Cameron Measurement Systems	Advanced Engineering
CfBT Education Trust	Training
Chancery Wright Insurance Brokers Ltd	Service
Charles Kendall & Partners Ltd	Procurement & Project Consultants
Church Orr & Associates Ltd	PR company
City & Guilds International Ltd	Training
Co2 Balance	Environmental Services
Coates Bros (EA) Ltd	Manufacturers of printing inks
Crown Agents	Consultants
Crown-Berger Kenya Ltd	Manufacturers
Daly & Figgis	Advocates
De La Rue	Service
Deloitte & Touche	Service
East African Breweries	Manufacturers
Eastern Produce Kenya Ltd	Tea

Enchange	Management Consultants
Ernst & Young	Service
Exel Contract Logistics Kenya Ltd	Service
George Williamson Kenya Ltd	Tea
GlaxoSmithkline	Pharmaceuticals
Hilton Hotel Nairobi	Service
IMA Cooling Systems	Service
INCA	Service
Inchcape Shipping Services Ltd	Service
Intercontinental Hotel	Service
Intertek International Ltd	Testing
IT Power	Environmental Services
James Finlay Kenya Ltd	Tea
JP Morgan Climate Care	Environmental Services
Kenya Shell Ltd	Petroleum
Knight Frank	Consultants
KPMG Peat Marwick	Service
Linton Park Regional Office	Agriculture
Magadi Soda	Manufacturers
Olympia Capital Holdings	Manufacturers
P Z Cussons & Co.	Soap manufacturers
PricewaterhouseCoopers	Consultants
Rea Vipingo Plantations Ltd	Wholesalers
Reckitt Benckiser EA Ltd	Manufacturers
Rentokil Initial Ltd	Manufacturers
Safaricom Kenya Ltd	Telecommunications
Securicor Security Services Ltd (G4S)	Service - security
SGS Consumer Testing	Testing & Environmental Services
Standard Chartered Bank (K) Ltd	Banking

Telea (K) Ltd	Distributors / telecoms
Unilever Kenya Ltd	Manufacturers
Unilever Tea Kenya Ltd	Manufacturers
Virgin Atlantic	Air Service
Wilken Telecommuniations Ltd	Service / telecoms

Appendix IV: Questionnaire

Introduction

1 am an MBA (Master of Business Administration) student at the University of Nairobi, seeking to assess foreign market entry strategies used by British Multinationals in Kenya. Please assist by answering this questionnaire. Your responses will be treated in the strictest confidence and will be used for research purposes only.

Part A: General Information

1) How long has the Corporation been operating in Kenya (*Tick one)*

0 to 5 years I____I 5 - 1 0 years I____I 10 - 15 years

15 - 20 years 1____I over 20 years |____|

2) What industry is the company operating in? (*Tick one)*

Commercial I____I Manufacturing I____I Service &Consulting I____I

Agricultural I____I Financial I____I Pharmaceutical I

Other_

3) How many employees (approx.) has the company employed in Kenya? *{Tickone)*

Less than 50 I____I 50 - 100 employees I____I

100 - 200 employees I____I 200 - 500 employees I____I

Over 500 employees |____|

4) What is the corporations average Profits (Approx.) in the last 3 years?

Below Kshs. 100 million |____1 Kshs. 100 million - 500 million

Kshs. 500 million - 1 billion ' ' Kshs. 1 billion - 5 billion

Above Kshs. 5 billion |____|

5) How many Branches/Plants/Service centers does the corporation have in Kenya?

{Tick one)

Less than 5 5-10

10-20 Over 20

Part B. Pre-entry Market Environment

Please tick the response that best describe your position

Key: SA- Strongly Agree, A-Agree, N - Neutral, D - Disagree, SD - Strongly Disagree.

	SA	A	N	D	SD
The Kenyan Market size was sufficient and had great growth potential for market entry and growth					
The foreign currency exchange conditions in Kenya were conducive for the corporations market entry and growth					
The Taxation and business regulations were adequate and well understood by the corporation					
The current monitory and fiscal policies used by the government were adequate and conducive for the market entry.					
The inflation rate experienced in Kenya was suitable enough for market entry					
Income distributions in Kenya was assessed to be					

adequate to sustain entry and growth requirements					
The political situation was stable and conducive for market entry					
The legal environment in Kenya was conducive for market entry					
The corporation could adequately deal with the competition in the country.					

Part C: Pre Market Entry Strategies

Please tick the response that best describe your position

Key: SA - Strongly Agree, A - Agree, N - Neutral, D - Disagree, SD - Strongly Disagree.

	SA	**A**	N	**D**	**SD**
The corporation focused on technical innovation strategies and ensured that the products/services to be offered were superior than what was available					
The corporation performed extensive research and testing to ensure that the products/services to be offered would be easily adopted by the market					
The corporation was able to provide security and protection of the product/service rights to ensure					

longevity					
The pricing strategy of the products / services to be offered was customer friendly at the same time adequate to meet the corporations expenses					
The corporation ensured that the products /services to be offered were in conformity to the standards and requirements of the country					

Part D: Market Entry Strategy

1) What market entry strategy did the corporation use to enter the Kenyan Market?

Direct Exporting |____| Indirect Exporting |____| Licencing

Franchising I____1 Joint Venture I____1 Strategic Alliance IZ

Wholly Owned Subsidiary Foreign Direct Investment |____| Other

2) Why was this strategy selected? (Exhaustively explain)

3) Please tick the response that best describe your opinion on the market entry strategy

Key: SA - Strongly Agree, A - Agree, N - Neutral, D - Disagree, SD - Strongly Disagree.

	SA	A	N	D	SD
I believe the entry strategy selected and used by the corporation was adequate					
The selection of market entry strategy was done in consultation with officers stationed in Kenya					
If given another opportunity, the management of the corporation would pick the same market entry strategy					
If given another opportunity, the management would pick a different market entry strategy					

Part E: Effects of Market Entry Strategy Selection

1) Please tick the response that best describe your opinion on the effect of the market entry strategy selected

Key: SA - Strongly Agree, A - Agree, N - Neutral, D — Disagree, SD - Strongly Disagree.

	SA	A	N	D	SD
The market entry strategy selected provided a quick entry to the market with very limited complications					
The market entry strategy selected by the corporation ensures control and participation over operations and management by the parent company					
The market entry strategy make it easier to keep the					

technological and other know how within the corporation					
There is greater profit potential through the market entry strategy selected					
The market entry strategy encourages regular and useful feedback					
The market entry strategy required that the parent company invest more time personnel and resources than other strategies					
The market entry strategy selected could be a source of disagreements between partners and other third parties					

Appendix V: List of Tables