

✓  
KNOWLEDGE MANAGEMENT BY EAST AFRICAN BREWERIES  
LTD IN IT'S INTERNATIONALISATION PROCESS ✓

BY

AMOS MBURU

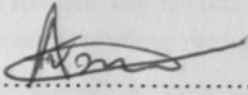


RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION.  
SCHOOL OF BUSINESS,  
UNIVERSITY OF NAIROBI.

NOVEMBER, 2011.

## DECLARATION


This research project is my original work and has not been presented for examination in any other college, institution or university.

Signed.......... Date 4/11/2011.....

**AMOS MWANIKI MBURU.**

**D61/72831/2009**

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

Signed.......... Date.....07-11-2011.....

**DR. JOHN YABS**

**SCHOOL OF BUSINESS,**

**UNIVERSITY OF NAIROBI.**

## ACKNOWLEDGEMENT

I wish to thank the lecturers of the school of Business, University of Nairobi from whom I received valuable knowledge throughout the entire MBA course.

Secondly I wish to thank my friends and course mates for their support and valuable interactions that made the course an interesting venture.

I also wish to thank my wife Alice for the patience, moral support and encouragement throughout the programme.

I wish also to thank the management of East African breweries Ltd for granting me the opportunity to pursue this course and also for the senior managers who availed themselves for the interviews despite their busy schedule.

Special thanks go to my supervisor Dr. J.Yabs for the guidance and assistance he accorded me while doing the project and Dr. J. Maalu for kindly agreeing to critique my work.

Finally, to Jehovah God without whose blessings, none of this would have been possible.

To all of you, may Almighty God continue to bless you.

## DEDICATION

This work is dedicated to my wife Alice and sons Austin and Westin for their support and patience during the course of this study.



## ABSTRACT

The background of this study highlights the process through which a firm enters and starts operations in a foreign country i.e. internationalization. While this is a complicated process owing to uncertainties in foreign markets, Knowledge plays a critical role in shaping the entry strategies and commercial operations in those foreign markets as highlighted by the Uppsala model on the role of knowledge in internationalization. This model is the main theory driving this study. The aim of this study was to stress the importance of a more critical discussion about knowledge in theories about internationalization process and develop a clear understanding on the link between knowledge management and internationalization process and its effect on operating performance based upon previous literature about knowledge sharing and the internationalization process (Johanson & Vahlne, 1977, 1990). The theoretical approach is used to discuss and analyse the case of East African Breweries Ltd entry strategies in the regional markets. The purpose of the research should be regarded as explorative to increase our understanding on how general internationalization theories can be applied in firms and the role of knowledge management on operating efficiency.

From the literature review, knowledge has been assigned a meaning as defined in the oxford English dictionary and also from the philosophical debates perspective. The concept of knowledge management is also discussed further as a concept in which organizations deliberately put effort to gather, organize, analyze and share its knowledge as a way of improving performance. This concept of knowledge management is further linked to the idea of a learning organization where great scholars like Senge (1990) defines learning organizations as organizations where people continuously learn and expand their capacity with a view to achieve the desired results. Various empirical findings from previous studies have been highlighted. A key findings which forms the basis for the conceptual framework for this study was from a study by Calson (1975) which showed the sequence of entry strategies where the companies started with exports, then establish a local sales organization and finally putting up a manufacturing unit in the foreign country. Other studies covered like Argote (1999), Nelson & Winter and Cohen & Levinthal (1990) emphasizes experiential learning as the enabler as the firms pursues internationalization.

This being a case study, the data was collected through interviews targeting senior managers charged with the responsibility of managing the international business. Additional data was also captured from the annual reports of the company and all the data collected has been analysed using content analysis method.

The findings were consistent with the previous empirical studies that knowledge plays a critical role in shaping the entry strategies at EABL. Knowledge acquired helps in minimizing uncertainties and therefore more resource commitment. The knowledge acquired is market specific and helps in shaping the commercial activities in a market and mode of operation. In addition to that, knowledge management was found to be instrumental in enhancing information sharing and organization learning which boosts operational efficiency and also guides the right decisions. A notable shortcoming found during the study was lack of a clear framework to ensure organization learning instead of concentrating knowledge on individuals and teams. As a result the study recommends formulation of a policy on documents retention and operation of knowledge management system with a view to entrench organization learning. Another key recommendation goes to the government in facilitating information and opportunities in the regional markets and also giving incentives in form of enhancing management capability for the firms seeking regional expansion as a way of growth which in turn promotes economic development.

There were limitations of the study particularly due to tight schedules of the respondents. Some gave short answers owing to the limitation of time. Confidentiality was another challenge especially on any information that is not publicly available especially discussions around shareholder influence. The study did not test the significance of the factors identified as important in the link between knowledge management and internationalization. As a result of the limitations, the study recommends a further across industry study with a big sample and analyse the degree of significance for each of the factors identified as critical to have knowledge about in order to achieve effective internationalization.

## TABLE OF CONTENTS

Page

Declaration.....	i
Acknowledgement .....	ii
Dedication.....	iii
Abstract .....	iv
List of tables .....	ix
List of figures.....	x
List of abbreviations .....	xi

### CHAPTER ONE: INTRODUCTION

1.1..Background of the Study.....	1
1.1.1. Uppsala model and learning concept.....	2
1.1.2. Knowledge management and internationalization process.....	4
1.1.3. East African Breweries Ltd.....	6
1.2. Statement of the problem .....	7
1.3. Research objectives .....	8
1.4. Importance of the Study .....	9

### CHAPTER TWO: LITERATURE REVIEW

2.1. Overview of theories of knowledge and a learning organization.....	10
2.1.1. Knowledge management.....	10
2.2 learning Organization.....	11
2.3 Role of knowledge in internationalization process.....	12
2.3.1. Studies on role of knowledge in internationalization process.....	14
2.3.2. Empirical findings.....	13
2.4 Transaction cost theory.....	16

## CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design.....	19
3.2 Data collection methods.....	19
3.3 Data analysis .....	20

## CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Organization structure.....	21
4.2 Awareness of the role of knowledge.....	22
4.3 Entry strategies and internationalization process.....	22
4.4 Knowledge Management and Internationalization process.....	27
4.4.1 Management of marketing information.....	27
4.4.2 Gathering or creating knowledge about the foreign markets.....	28
4.4.3 Other knowledge management issues and internationalization.....	34
4.5 Knowledge management and operational efficiency.....	37

## CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion.....	41
5.2 Recommendation .....	42
5.3 Limitation of the study.....	44
5.4 Areas of further research .....	44

REFERENCES.....	45
-----------------	----

### APPENDICES:

APPENDIX I: Cover Letter .....	50
APPENDIX II: Interview Guide.....	51

## List of tables

- Table 1: Summary profile of the foreign markets.
- Table 2: Internationalization process for the countries using export model.
- Table 3: Political conditions and entry strategies.
- Table 4: Social factors Vs business response.
- Table 5: Physical factors and Internationalization
- Table 6: Knowledge management issues and internationalization process



## List of Figures

Figure 1 Organization structure.

Figure 2 The internationalization process of a firm.

1 - Legal Counsel

2 - Human Resources Director

3 - East African Breweries - Kenya Business unit

4 - East African Breweries - Uganda Business unit

5 - East African Breweries - Tanzania Business unit



## List of abbreviations

EABL\_ – East African Breweries Ltd

GFD – Group Finance Director

GLC- Group Legal Counsel

GHD- Group Human Resources Director.

EABL KEN – East African Breweries –Kenyan Business unit

EABL UG - East African Breweries- Ugandan Business unit.

EABL TZ- East African Breweries – Tanzanian Business unit.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the study.

The process through which a firm enters and begins operating within a foreign country market is known as internationalization. Internationalization has been defined as a process of increasing involvement in international operations which requires adapting the firm's strategy, resources, structure and organization to international environment (Welch & Luostarinen, 1988).

Internationalization of a firm is a complicated process that draws on a wide range of decisions over a wide range of functions. Questions concerning the selection of markets segments, adaptation of products and the choice of organization must find answers. The questions vary widely between industries and between firms operating in the same industry. About three decades ago, business theorists at the University of Uppsala in Sweden assigned knowledge a key role in their explanation of firms' internationalization. Firms learning or acquisition of knowledge about foreign markets was pointed out as being determining not only the speed by which firms expand internationally, but also which regions of the world firms enter and what operations methods they employ in the foreign markets (Wiedersheim , 1980).

Although challenged by other alleged determinants of firm's internationalization, knowledge is still the centerpiece in theories of firm's internationalization process. The internationalization pattern is composed of the resource commitment to foreign

markets (including operation methods), the spatial expansion and the pace by which the firms internationalise. Johanson & Vahlne (1977) held that the knowledge that is particularly important in the internationalization process takes on the following characteristics. First, the knowledge that is crucial to firms is market specific, i.e. the knowledge is about how to do business in the targeted foreign country.

Having their individual uniqueness all foreign markets differ from each other and only to a limited extent can knowledge acquired in one foreign market be used in another. Secondly, the crucial knowledge is experience based. It originates from the current foreign business activities and as such the knowledge acquisition is a learning by doing process. Thirdly, the crucial knowledge is embedded in individuals i.e. the market specific knowledge is acquired through personal experience. A fourth suggestion made by Johanson & Vahlne (1977) is that international involvement, including commitment of irrevocable resources to foreign markets, increases proportionately with knowledge acquisition.

### **1.1.1 The Uppsala model and the concept of learning**

A basic assumption of the Uppsala model is that lack of knowledge of foreign markets is a major obstacle to international operations, but that such knowledge can be acquired (Johanson & Vahlne, 1977). However because of the tacit character of markets knowledge, the main source is inevitably the firm's own operations (Johanson & Vahlne, 1990). Acquiring knowledge is first of all a question of being active in the new environment rather than of collecting and analysing information. By operating in the market, the firm does not only acquire information about the market, but also

becomes closely connected to the marketing such a way that it is difficult to use its resources for other purposes (Hadjikhani, 1977).

A second important assumption is that the decisions concerning foreign investments are made incrementally due to the market uncertainty. Knowledge about foreign markets is acquired gradually by learning through conducting business in the market. The more the firm knows about the market, the lower the perceived market risk will be, and the higher the level of foreign investment in the market. The firm postpones each successive step into a certain market until the perceived risk associated with the new investment is lower than the maximum tolerable risk (Johanson & Vahle, 1977). The perceived risk is primarily a function of the level of market knowledge acquired through own operations.

A third assumption is that knowledge is highly dependent upon individuals and other contexts or as the model builders maintain referring to Penrose (1959), experience itself can never be transmitted, it produces a change frequently a significant change in individuals and cannot be separated from them (Johanson & Vahnle, 1977). Consequently, the problems and opportunities intrinsic to a certain market will primarily be discovered by those who are working in the market. For them, the adaptation and extension of present operations will be the natural solution to a problem or the reaction to an opportunity (Johanson & Vahnle, 1977). Experience at the individual level generates business opportunities and is supposed to work as the driving force in the internationalization process (Johanson & Vahnle, 1990).

The model is founded on four core concepts: Market knowledge , market commitment, commitment decisions and current activities. Market knowledge and commitment are the most critical out of these four concepts, and by making the assumption of incrementalism , the model predicts that the basic pattern of firms internationalization is 1) to start and continue to invest in just one or in a few neighbouring countries , rather than to invest in several countries simultaneously and (2)that the investments in a specific country are carried out cautiously , sequentially and concurrently with the learning of the firms people operating in that marke.

### **1.1.2 Knowledge management and Internationalization process.**

One implication of lacking foreign market knowledge suggested in internationalization theory according to (Johanson & Vahlne,1990) is that the foreign market penetration in a single market follows a path of increasing commitment from irregular export activities through exort by agents and licensing agreements to the more commitment intensive establishment of sales subsidiaries, joint ventures and overseas production units. As experimental knowledge about particular markets accumulates, internationalization theory suggests that risk exposure is minimized and the firms do increase their resource commitment from low to high investment intensive foreign entry modes.

Overtime , the organisation learns to carry out its operations with an increasing degree of efficiency. This processs is often thought of in the context of a learning curve and of an accumulation of knowledge and skills (Fiole & Lyles, 1985. Levinthal,



1991). By doing more of the same the number of alternatives are reduced over time, as the organisation becomes more and more proficient at its current activities, procedures and technology.

The Uppsala Model deals more or less exclusively with experimental learning. This is stated explicitly by the model builders in relation to their discussion of market knowledge which emanates from personal experience and arises from their current activity (Johanson & Vahlne, 1977). Consequently, learning from other organisations, or searching and scanning for new information have no direct impact on how the firms internationalization behaviour is modelled. In the model, learning has very much in common with the learning curve thinking. The more the organization does the same thing the more the knowledge it accumulates about the necessary technology and the better it will perform. Therefore, it will prefer to stick to a certain market / activity and learn more about that market rather than try new alternatives. The learning curve perspective is also reflected in the way the concept of market commitment is used in the model. Investment in current activities will increase the commitment to other actors in the market and reduce the alternative uses of the committed resources . Important aspects of knowledge management include issues such as knowledge creation, acquisition and codification, design and development of knowledge management, measurement of knowledge management, techniques and methods of managing knowledge and technological tools of knowledge management.



### 1.1.3 East African Breweries Ltd.

Kenya has a flourishing beer industry producing high quality beer recognized internationally. This has been made possible due to factors such as good climate for agro-production, availability of barley, affordable labour, local market and access to the regional markets like COMESA and East African Community. Kenya's food and beverage processing industry comprises more than 1,200 businesses. Agro – processing is the largest manufacturing sub-sector. The businesses range from small family owned businesses listed on the Nairobi stock exchange and subsidiaries of foreign or multinational businesses. Major Multinationals have established operations in Kenya as foreign companies or as joint ventures with Kenyan shareholding to supply the domestic and neighboring markets.

Beer industry in Kenya dates back to 1922 when two brothers from England, George and Charles Hurst, Started brewing beer in Kenya. The two formerly incorporated their business as a private company under the name of Kenya Breweries Ltd. In 1929, the first malted barley beer was brewed and first batch delivered to New Stanley Hotel where it was opened with mixed reaction. In 1930, the first lager beer was brewed and released into the market. By 1938 the company was recognized for its beer after it won the first brewing award in an international competition. Kenya Breweries Ltd became a public Ltd company in 1934 after which it incorporated Tanzania Breweries and changed its name to East African Breweries Ltd making the first move into East African Market.

EABL has extensive operations within the East African Community member states having several independent entities manufacturing beer, spirits, bottles and processing of barley namely; Kenya Breweries Ltd (80% ownership), Uganda breweries Ltd (98% ownership), recently acquired Serengeti Breweries Ltd (51% ownership), UDV (K) Ltd (54% ownership) – the business unit which handles spirits. Other subsidiaries include, Kenya Malting Ltd solely for barley farming and malt processing and Central Glass which dominates local glass packaging market. The company also sells its products to other regional countries such as Sudan, DR Congo, Rwanda, Burundi and Ethiopia.

## **1.2 Statement of the problem**

In relation to internationalization, a number of studies have been undertaken on the macro economic and legal issues affecting international trade. At a regional level, according to Oderbom(2003), there is a shortage of micro data on what drives manufacturing exports in Africa and only recently has some data become available through World Banks regional Programme of Enterprise development. These studies have drawn heavily on two theories: The trade theory and firm level theory.

In Kenya, some of the studies conducted in the field of internationalization include a critical analysis of Kenyas exports to neighbouring countries (Otim, 1974), a case study of Kenya in export marketing research for Africa (Musoke, 1981), research on the prospects of export marketing in the Middle East for Kenyan exporters (Rajir, 1982), a study on factors considered important by multinational firms when deciding

on the host country to invest in , using Kenya as a case study (Sharma, 1988), a study on the constraints that face Kenyan firms exporting to the P.T.A. (Keire , 1993) a study on export marketing using internet taking the floriculture industry in Kenya as a case (Muthuri, 2001), and a study on factors influencing the internationalization process of Kenyan firms in the plastic industry , a case study of firms in Nairobi (Waudu , 2005).

It is clear from the above studies that there is no particular study that looks at the link between knowledge management and internationalisation particularly in the context of E.A.B.L. Additionally, complete analysis of knowlege impact on foreign expansion at it's different stages from the perspective of transaction cost theory has not been explored. Therefore, there exists a knowledge gap in this area , which the study seeks to address i.e specifically to find out the link between knowledge management and internationalization process.E.A.B.L has undertaken internationalization in different ways across the region. Countries selected for direct investment are varied while others are selected for export business. The degree of international involvement is also varied as is the time frame between one stage to another. It was therefore useful to identify the role of knowledge management in the internationalisation process.

### **1.3 Research objectives**

The objectives of the study were.

- i. To determine the link between the knowledge management and Internationalization process.
- ii. To establish how the link boost the operational efficiency.

#### 1.4 Importance of the Study

The findings of this study will offer valuable insights not only to the management of EABL but also to other stakeholders. The research findings will contribute to better understanding of the knowledge's role in the internationalization process. The research will indicate what types of information are of greatest importance at subsequent stages of internationalization process helping firms to operate on foreign markets .In particular, the following stakeholders stand to benefit from this study.

Management of EABL will be able to develop a body of knowledge that is useful in evaluating future decisions about foreign markets. The findings will also contribute to better understanding the role of knowledge at different stages of internationalization.

The finding of the study will assist the Government in formulating regulations and policy guidelines to promote regional expansion

Practitioners will benefit from the findings in developing benchmarks / guidelines on how to approach internationalization process.

Scholars, researchers and general academia shall use the findings to validate the relevance of the existing theory about the relationship between knowledge and the entry strategies and also the effect of knowledge management on operating performance.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Overview of theories of Knowledge and a learning organization

Knowledge is defined by Oxford English Dictionary as (i) expertise and skills acquired by a person through experience or education; the theoretical or practical understanding of a subject; (ii) what is known in a particular field or in total ; facts and information; or (iii) To be absolutely certain or sure about something. Philosophical debates in general start with Plato's formulation of knowledge as "justified true belief". There is however no single agreed definition of knowledge presently, nor any prospect of one, and there remain numerous competing theories. Knowledge acquisition involves complex cognitive processes: perception, learning, communication, association and reasoning. The term knowledge is also used to mean the confident understanding of a subject with the ability to use it for a specific purpose if appropriate.

#### 2.1.1 Knowledge management

Knowledge management is the name of a concept in which an enterprise consciously and comprehensively gathers, organizes, shares, and analyzes its knowledge in terms of resources, documents, and people skills. According to Reinhardt, Bornemann, Pawlowsky & Schneider (2003), With knowledge as one of the most important resources today management obviously should attempt to identify, generate, deploy, and develop knowledge. The concept of knowledge management and the degree to which its value is outpacing the tangible assets of companies has become an issue of



concern for many organizations and managers. Human capital is seen as a company's total workforce and its knowledge about the business. It is seen as crucial for marshaling the company's assets, both tangible and intangible (Reinhardt, et al., 2003).

## 2.2 Learning organization

The Learning Organization is seen as a response to an increasingly unpredictable and dynamic business environment. Here are some definitions by key writers:

According to Senge(1990), learning organizations are; Organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together. 'We learn best from our experience, but we never directly experience the consequences of many of our most important decisions', Senge (1990: 23).

The essence of organisational learning is the organization's ability to use the amazing mental capacity of all its members to create the kind of processes that will improve its own ( Dixon,1994). A learning company is an organisation that facilitates the learning of all its members and continually transforms itself ( Pedler, Burgoyne & Boydell, 1991). For Senge(1990), real learning gets to the heart of what it is to be human. We become able to re-create ourselves. This applies to both individuals and organizations. Thus, for a 'learning organization it is not enough to survive. "Survival learning" or what is more often termed "adaptive learning" is important – indeed it is necessary. But for a learning organization, "adaptive learning" must be joined by "generative



learning”, learning that enhances our capacity to create’ (Senge 1990:14).The dimension that distinguishes learning from more traditional organizations is the mastery of certain basic disciplines or ‘component technologies’. The five that Senge identifies are said to be converging to innovate learning organizations are: Systems thinking, Personal mastery, Mental models, Building shared vision and Team learning.He adds to this recognition that people are agents, able to act upon the structures and systems of which they are a part. All the disciplines are, in this way, ‘concerned with a shift of mind from seeing parts to seeing wholes, from seeing people as helpless reactors to seeing them as active participants in shaping their reality, from reacting to the present to creating the future’ (Senge 1990: 69).

### **2.3 Role of knowledge in internationalisation process.**

Access to information and gathering knowledge can diminish uncertainty and the transaction costs of coordination,offer seeking, negotiation, regulation studying, price fixing, establishing protection.The more increases in international commitment, the greater is the uncertainty.Even if acquiring information about physically distant markets or specific information involved for example in foreign investment is costly, it remains potentially uncertainty reducing. The more accessible the information about the foreign market is, the lower the transaction cost of operating on it can be. Growing knowledge can also decrease the information asymmetry which may cause disadvantages for enterprises operating on foreign markets.

### **2.3.1 Studies on the role of knowledge in internationalisation process .**

The role of knowledge in internationalisation process has been investigated in the literature from different perspectives. Most of the studies however focused on some aspects of acquiring information and knowledge, for example they examined; Pre-export activities comprising information gathering (Wiedersheim ,1978),The role of the different types of knowledge, for instance influence of experiential knowledge on the perceived cost of internationalization (Erickson,1997).The impact of organization learning on the probability of a subsidiary survival (Jiatao,1995).The role of knowledge generated from operation on similar markets (Mitra &Golder, 2002).Features of entrepreneurs influencing perception of foreign markets and willingness to internationalise (Bilkey & Tesa 1977).

### **2.3.2. Empirical findings**

In their study on the role of information in the internationalization process, (Liesch & Knight,1999) found that the internationalization process starts while the enterprise acquires information about internationalization opportunity, which triggers further information gathering, knowledge creation and reaching the stage of being informed about internationalization. Along with ongoing information search its efficiency rises, the enterprise's cost of knowledge creation falls. Increasing international commitment becomes easier and firm reaches the stage of " embedded internationalization culture".

Empirical observations from a database of Swedish-owned subsidiaries abroad, and also from a number of industry studies of Swedish companies in international markets,

indicated that Swedish companies frequently began internationalizing with adhoc exporting (Calson,1975). They would subsequently formalize their entries through deals with intermediaries,often agents who represented the focal companies in the foreign market. Usually, as sales grew, they replaced their agents with their own sales organization, and as growth continued they began manufacturing in the foreign market to overcome the trade barriers that were still in place in the post World War II era. Another feature of the pattern was that internationalization frequently started in foreign markets that were close to the domestic market in terms of psychic distance, defined as factors that make it difficult to understand foreign environments. The companies would then gradually enter other markets that were further away in psychic distance terms (Johanson & Wiendersheim ,1975). Coviello & Munro (1997) conducted empirical studies of the internationalization of small software firms. They found that network relationships have an impact on foreign market selection as well as on the mode of entry in the context of ongoing network processes.

A firm may create new knowledge through exchanges in its network of interconnected relationships. Knowledge creation is an outcome of the confrontation between producer knowledge and user knowledge. The process of creating knowledge is not separate from the other activities in business relationships; rather it is embedded in them. Knowledge does not accrue only from the firm's own activities, but also from the activities of its partners, and since those partners also have other relationship partners with whom their activities are coordinated, the focal firm is indirectly engaged in a knowledge creation process that extends far beyond its own horizon. Thus a network of business relationships provides a firm with an extended knowledge

base (Kogut, 2000). In their study of experimental learning in the internationalization process, Erickson, Johanson, Majkgard & Sharma (1997) found that lack of institutional market knowledge and lack of business knowledge require different amounts of time to overcome, and have dissimilar effects on the perceived cost of internationalization. A lack of institutional market knowledge that is, lack of knowledge about language, laws, and rules has to do with factors related to psychic distance, and to the liability of foreignness. Lack of business market knowledge is related to a firm's business environment that, according to the business network view, consists of the firms with which it is doing business, or trying to do business, and the relationships between firms in this environment. The lack of such market-specific business knowledge constitutes the liability of outsidership.

It is clear from the views raised above, that empirical studies of the internationalization process demonstrate the central role of experimental learning in the process of internationalization. In addition, other important research streams have stressed learning mechanisms that are consistent with the Uppsala model. For example, research on learning curves highlights learning based on experience, and is one of the fundamental sub-areas within the field of learning studies (Argote, 1999). Nelson & Winter's (1982) evolutionary theory emphasizes routines developed through experience that result in behavioral continuity. The concept of absorptive capacity developed by Cohen & Levinthal (1990) is another example. Like experiential learning, absorptive capacity means that knowledge development tends to be a cumulative process.

Given all the points made above, we can conclude that there is good reason to retain experiential learning as a basic mechanism in the business network view of the internationalization process.

#### **2.4 Transaction cost theory.**

Transaction cost theory tries to explain why companies exist, and why companies expand or source out activities to the external environment. The transaction cost theory supposes that companies try to minimize the costs of exchanging resources with the environment, and that companies try to minimize the bureaucratic costs of exchanges within the company. According to Williamson (1981), a transaction cost occurs when a good or a service is transferred across a technologically separable interface. Therefore, transaction costs arise every time a product or service is being transferred from one stage to another, where new sets of technological capabilities are needed to make the product or service. The transaction costs related to the exchange of resources with the external environment could be reflected by the following factors. Environmental uncertainty, opportunism, risks, rationality and core company assets

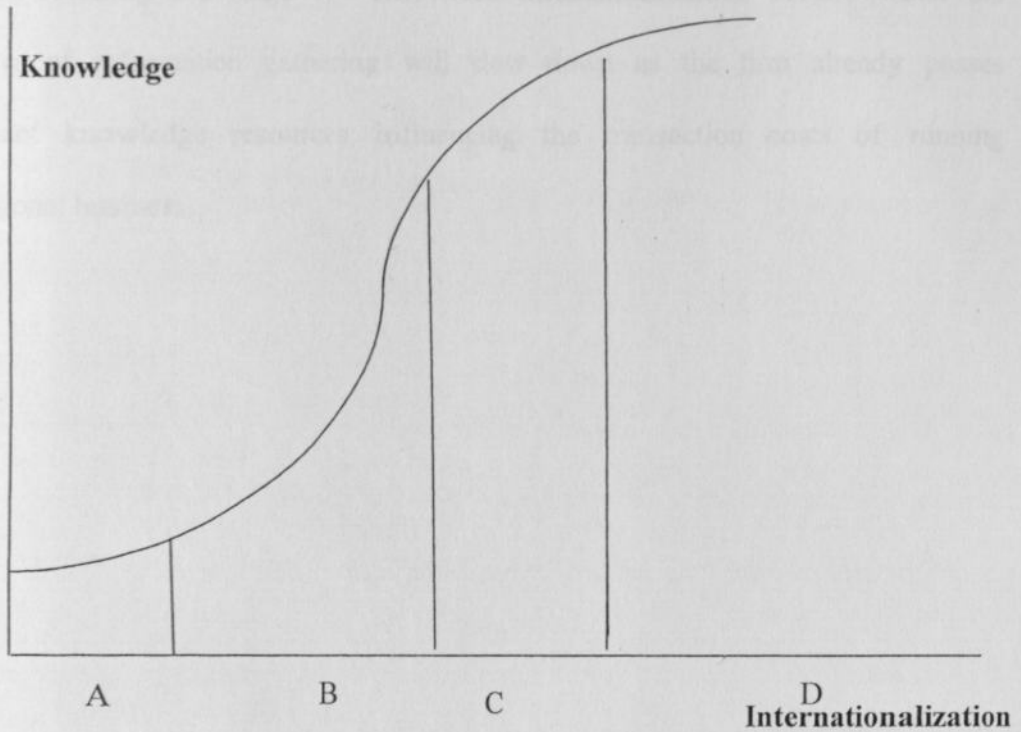
The factors above will all potentially increase the external transaction costs, where it may become rather expensive for a company to control these factors. Therefore, it may very well be more economic to maintain the activity in-house, so that the company will not use resources on e.g. contracts with suppliers, meetings, supervision etc.

Therefore, if companies see the environmental uncertainty as high, they might choose to not outsource or exchange resources with the environment but reverse is true when there is increased knowledge which reduces uncertainty. This forms the basis for the



link between knowledge management and operational efficiency.

## 2.5 Conceptual framework of the interaction between Knowledge and internationalization.



Source: (Calson,1975)

- A -Irregular exports
- B - Export via agent
- C- Establishment of Subsidiary to manage sales.
- D. Establishment of Production in the foreign country.

The pace of acquiring information is growing as the firm increases its international commitment. At the very beginning new information is obtained sporadically and the knowledge resources are growing slowly. As the enterprise gathers the "critical mass"



of knowledge it can start international expansion. The pace of information acquiring will grow significantly as the firm operates on new market, enriches its experience and gains access to new sources of knowledge. increasing international commitment will result in reaching the stage of "embedded internationalization culture",when the dynamics of information gathering will slow down as the firm already posses significant knowledge resources influencing the transaction costs of running international business.

### 3.2 Data collection

Data was collected from both primary and secondary sources. The secondary data was collected from the company's published annual reports and other reports detailing economic indicators for the countries under the scope. The primary data was collected through interviews. The interviews were based on an interview guide consisting of a series of open ended questions. This allowed the respondents to describe the facts and their experiences without guiding their answers in any way. Malhotra & Galletta (1996) held that personal interviews result in a higher response rate than mail questionnaires. Cooper & Baskay (1995) also noted that the greatest value of personal interviews lies in the depth and detail of information that they can provide. Malhotra & Galletta (1996) was of the view that personal interviews have the potential of yielding the highest quality of data compared to other modes. More expeditious information may be obtained in the course of interviews. The sample interviewed were as follows: Head of Strategy department, Strategy and

## CHAPTER THREE : RESEARCH METHODOLOGY

### 3.1 Research design

This was a case study research. This design is valuable for an indepth contextual analysis. Cooper & schindler(2003) asserts that case studies place more emphasis on a full contextual analysis of few events or conditions. An emphasis on detail provided valuable insight for getting the link between knowledge management and internationalization process

### 3.2 Data collection

Data was collected from both primary and secondary sources. The secondary data was collected from the company's published annual reports and other reports detailing economic indicators for the countries under the scope. The primary data was collected through interviews. The interviews were based on an interview guide consisting of a series of open ended questions. This allowed the respondents to describe the facts and their assessments without guiding their answers in any way. Nachmias & Nachmias (1996) held that personal interviews results in a higher response rate than mail questionnaires. Cooper & Emony (1995) also stated that the greatest value of personal interviews lies in the depth and detail of information that can be secured whereas Parasuraman (1986) was of the view that personal interviews have the potential of yielding the highest quality of data compared to other modes since supplementary information may be obtained in the course of interview. The people interviewed were as follows ; Head of Strategy department , Strategy and

planning manager, Country manager Sudan, Country manager in charge of Great Lakes region, Finance Director in charge of EABL International business unit, Marketing manager in charge of EABL international markets and Financial reporting & Planning manager for EABL international.

### 3.3 Data analysis

The data was summarised and analysed to the identified study themes namely the role of knowledge management in internationalization process and the effect of knowledge management on operational performance .Data was analysed using content analysis method. According to Saunders,Thornhill & Lewis (2003), content analysis is used to analyse qualitative data where pattern of outcome are predicted based on the theoretical propositions to explain expected findings. A conceptual framework had been developed and observed outcome of the study was matched against this framework. The tables were used to compare the stage of internationalization against knowledge acquired, summarised the influence on the entry strategies by prevailing factors per country and also tabulated the findings on the knowledge management system.

The results gathered during the research are by no means meant to be statistically representative. However, the findings will contribute to better understanding of the mechanism of knowledge management and using knowledge at different stages of the internationalization process.

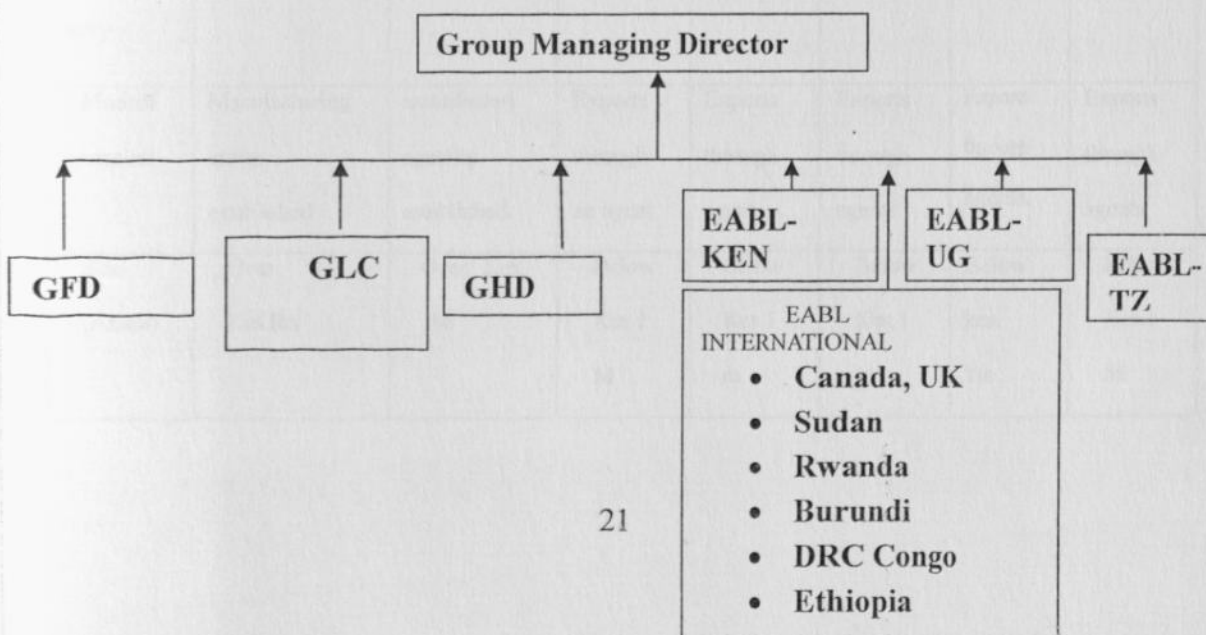
## CHAPTER 4: DATA ANALYSIS, RESULTS AND DISCUSSIONS

This chapter focuses on the research findings on the link between the knowledge management and the internationalization process and the effect of this link on operating performance. A total of nine Senior managers were targeted for interview. Two of them could not be reached since they were absent on leave at the time of data collection. The seven that were interviewed represented 80% of the target number.

### 4.1 Organization structure:

East African Breweries operates on a very flat structure that has a distinct division for International markets headed by a managing director who reports to the Group managing director. From the discussions during the interviews, it was clear that the role of the international division is to manage foreign markets that are operated through exports until an onshore operation is set, which is left to run independently headed by a managing director.

Figure 1: Organization structure.



#### 4.2 Awareness of role of knowledge

It was very clear from the study that all the managers are aware of the role played by knowledge in the internationalization process. In particular, the Strategy team and the staff in the International division appreciate that knowledge plays a critical role in shaping the operations in the International markets. As found out in the literature review, the most practical knowledge is obtained through presence in the foreign markets. Knowledge obtained is specific to a particular market and therefore may not necessarily be replicated in another market.

#### 4.3 Entry strategies and Internationalization process

This section will detail the modes of operation for each country existing at the time of the study and the internationalization process followed since entry for each of the markets.

**Table 1: Summary profile of the foreign markets.**

Country	Uganda	Tanzania	Sudan	DRC	Burundi	UK/ Canada	Ethiopia
Duration since entry	15yrs and above	15 yrs and above	0-5 years	0-5yrs	0-5 yrs	0-5 yrs	0-5yrs
Mode of operation	Manufacturing entity established	manufacturing entity established.	Exports through an agent	Exports through agent	Exports through agents	Exports through agents.	Exports through agents.
Size (Assets)	Over Kes.1bn	Over Kes. 1bn	Below Kes.1 M	Below Kes.1 m	Below Kes.1 m	Below kes. 1m	Below Kes.1 M



There appears to be a relationship between the duration since entry, the mode of operation and the size in terms of Assets. The longer the duration, the enhanced is the stage of internationalization and the more the assets. Uganda and Tanzania which have been in operation for more than fifteen years appears already have manufacturing entities already established while countries such as Sudan, DRC, Burundi, UK/Canada, and Ethiopia, which have been in existence for less than five years operates through agents. This is consistent with the study by Carson (1975) which is covered in the literature review which found that Swedish companies frequently began internationalizing with adhoc exporting. They would subsequently formalize their entries through deals with intermediaries, often agents who represented the focal companies in the foreign market. Usually, as sales grew, they replaced their agents with their own sales organization, and as growth continued they began manufacturing in the foreign market.

Another observation from the study which is highlighted in the table above is the fact that the longer the duration since entry into a foreign market, the bigger the size of the operation in terms of assets. This observation appears to agree with study by (Johanson & Vahlne, 1990) which found that the foreign market penetration in a single market follows a path of increasing commitment from irregular export activities through export by agents and licensing agreements to the more commitment intensive establishment of sales subsidiaries, and overseas production units. As experimental knowledge about particular markets accumulates, internationalization theory suggests that risk exposure is minimized and the firms increases their resource commitment

from low to high investment.

**Table 2: Internationalization process for the countries using export model.**

Position	Activity	Countries following similar process.	Theory/Study backing the process.
Stage 1. Domestic marketing.	The firm only sells to the local market.	For stage 1 to stage 5 the countries this process is	Cavusgil (1980)
Stage 2. Pre-export activity	The firm undertakes feasibility and evaluates possibility of exporting.	include; Uganda, Tanzania,	
Stage 3. Experimental involvement.	The firm start exporting on a limited basis to some psychologically close countries.	Ethiopia, Sudan, DRC, Rwanda and Burundi.	
Stage 4: Active involvement.	The firm exports in more close countries. Direct exports with sales revenue growing. Management constantly makes choices in	The countries that fit in stage 6 includes Canada and UK markets.	

<p>Stage6: Management explores the feasibility of exporting to more psychologically distant companies.</p>	<p>Management constantly makes choices in allocating limited resources between domestic market and foreign market.</p>		
--	--	--	--

Source: Research data.

The study further observed that there is more resource commitment in Tanzania and Uganda as compared to the rest of the countries. This was attributed to the following factors;

**Political stability:** Uganda and Tanzania has experienced more stability in the region as compared to the rest of the countries and therefore making the business environment conducive which boosts the management confidence while committing resources.

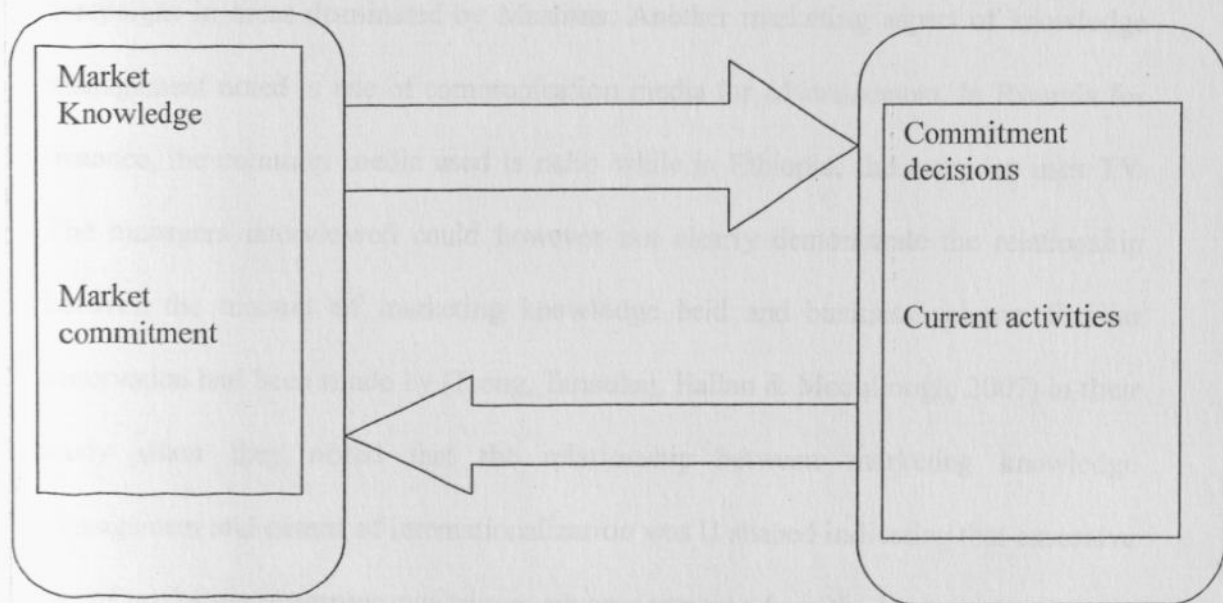
**Competition landscape:** Unlike Great lake region where the alcohol industry is largely dominated by other beer multinational companies like Heinken, East African region has witnessed low competition and therefore making the markets more attractive to commit more resources.

Size of the market: In terms of GDP Tanzania and Uganda are much bigger economies compared to other countries which therefore means disposable incomes are higher and therefore justifying more resource commitment. The decisions to increase the resources commitment in some countries as opposed to others is one clear way of the link between knowledge management and internationalisation process. The more the knowledge about a market the more the confidence and therefore the higher the resources committed. This observation is consistent to the following model on the connection between knowledge management and resource commitment in a foreign market.

**Figure 2. The internationalisation process of a firm**

**State Aspects**

**Change Aspects**



Source (Johanson & Vahlne, 1977)

#### **4.4 Knowledge management and Internationalization process.**

The study noted that the capabilities to manage knowledge are crucial both in complying with certain regulations and laws in a country and also determining the extent of internationalization. Some of the aspects of knowledge management that were found to impact on the internationalization process were as follows.

##### **4.4.1 Management of Market information**

The study noted that the fit between marketing knowledge management and the commercial strategies adapted greatly influence the extent of internationalization. The selection of promotional messages and marketing campaigns is selected so carefully to resonate well with the local population. For instance in Sudan where we have both Muslim and Christian religion, the company is careful not to run promotional campaigns in areas dominated by Muslims. Another marketing aspect of knowledge management noted is use of communication media for advertisement. In Rwanda for instance, the common media used is radio while in Ethiopia, the company uses TV. The managers interviewed could however not clearly demonstrate the relationship between the amount of marketing knowledge held and business volume. Similar observation had been made by (Tseng, Tansuhaj, Hallan & Mccullough, 2007) in their study when they noted that the relationship between marketing knowledge management and extent of internationalization was U shaped indicating that excessive use of marketing resources may trigger adverse response from the host country.



#### **4.4.2 Gathering or creation of Knowledge about the foreign markets**

The study noted that the company gathers a lot of knowledge about a foreign which is used in determining the mode of entry into a market. The methods in use for creation of knowledge markets use project management concepts with Group Managing director being the main sponsor to ensure top level support. All information gathered is analyzed and evaluated for use in guiding the decisions. From the interviews held the notable knowledge gaps that the company seeks to fill before entry include the following;

##### **Economic conditions of a country**

The company will seek to establish factors such as level of disposable income, propensity of people to spend, interest rates, exchange rates, inflation rates, trends in growth of GDP and availability of credit. These factors are considered critical for a business and especially considering alcoholic products are considered luxurious, availability of income and propensity to spend greatly determines the pace of internationalization. The study noted that knowledge about economic status of a country informs different business plans adapted for instance in the case for Ethiopia which is considered to have higher economic status, the firm exports higher premium spirits products, while in all other regional markets, the company exports beer products which matches low economic status.

##### **Political conditions in a country**

Of critical consideration before entry into a market is political stability since no

investor would be willing to invest in an unstable atmosphere. The study observed that key political factors that are considered include ;existence of political ideologies that may affect business, strong nationalism as emotional force, adequate government protection and its personnel and government ownership of businesses. The table below summarizes how the knowledge about different political situations in the region has led to different levels of internationalization.

**Table 3. Political conditions and entry strategies**

Political situations	Country	Company response
Political stability over the last 15 years.	Tanzania and Uganda	Continuous increase in resource commitment to a point of having onshore production entities.
Strong state led economy	Ethiopia	Despite the political stability over the years, the entry strategy remain exports through an agent.
Strong nationalism	Sudan	The company is considering changing packaging of some of the products in a manner that Sudan people will identify with. There are

		some segments of the market that are uncomfortable with products simply because they bear Kenyan name.
--	--	--

**Social / cultural factors**

The study noted that social / cultural factors are considered as significant in establishing the market potential and also while formulating communication plans. Some of the factors which fall under this include; religion affiliations, lifestyle, education or literacy levels, common languages in use and family set ups. Management of knowledge about social – cultural factors manifests itself in business strategies as tabulated below.

**Table 4. Social factors and business response**

Social factors	Country	Business response
Religion affiliation	Sudan	The company has concentrated its business in south Sudan which is dominated by Christians. It has no presence in North Sudan where the dominant religion is

		Islamic. Islamic teachings prohibit consumption of alcohol.
Language	Rwanda	The company uses local language in its marketing communications in some part of Rwanda where literacy levels is low.
lifestyle	Ethiopia	The country is considered to have a sizeable affluent population and as a result, good market for premium products.

### **Legal factors**

From the interviews conducted, it was very clear that the company plays emphasis on the existing legal framework of a country with a view to evaluate ease of compliance or otherwise. The study noted that legal issues which are considered important include; legal complexity of a country due to many sources of law such as customary law, constitution, national laws and treaties, lack of industry regulations and price/currency controls. The study noted that there are no exceptional legal factors inhibiting trade in the regional countries. However in the Canada market, there are more

restrictions on sale and advertisement of alcohol and therefore to manage the compliance costs the company is selling only one brand in that market.

### Physical factors

The study noted that knowledge about physical factors in a country greatly determine the internationalization strategy. Key consideration in this bracket include, climatic conditions, location of a country, trade relationships of a country with its neighbours and infrastructural development considering the manufacturing business is capital intensive. Management of Knowledge about physical factors was clearly demonstrated by entry strategies in Ethiopia and Sudan as summarized in the table below.

**Table 5. Physical factors and internationalization**

Country	Physical factor	Internationalization process
Ethiopia	The long route from Kenya	To save on transport costs, the company has made arrangement such that imported brands are shipped directly to Ethiopia from Europe where they are sourced.
Sudan	Poor infrastructure	Despite the huge market potential although largely dependent on political



		<p>stability, the company has phased its entry process into Sudan in 3 tiers hinged on infrastructural development. The tiers are as follows;</p> <p>Tier 1: Export model</p> <p>Tier 2: Green field operation.</p> <p>Tier 3: Expansion.</p> <p>The present status is export model.</p>
--	--	--

It was notable that the knowledge gaps discussed above as having influence on the internationalization process is in agreement with the existing theory. Pearce & Robinson (1991) referred to external factors as environmental factors and defined them as factors originating and usually beyond any firm's operating situation. Accordingly, Pearce & Robinson (1991), Garland & Farmer (1986), Ball & McCulloch (1993) held that external factors to be considered as having influence on business strategy whether local or international include; economic, physical, political, legal, social-cultural and labour forces.

#### 4.4.3 Other knowledge management issues and the Internationalization process

This section looks at other aspects of knowledge management and their effects on internationalization process as observed during the study. This is summarized in the table below.

**Table 6. Other knowledge management issues and internationalization**

Knowledge management issue	Findings
Knowledge exposure	The study noted the company puts efforts in availing the knowledge gathered to all relevant stakeholders. For instance monthly reports generated by an outsourced agent on economic and political development is circulated to all staff in the international business division through e-mails. Relevant newspaper articles are also scanned and circulated through e-mails and posted to notice boards.
Knowledge storing	The study observed that any knowledge gathered about foreign markets is stored in both physical files and computer files.

	<p>However, there is no structured way of storing this knowledge in a manner that is distinct from storage of other information.</p>
<p>Knowledge transfer</p>	<p>The study observed that knowledge is embedded on teams and individuals as well. This has been made possible through regular operation meetings where country managers are tasked to brief the meetings on happenings in their respective markets.</p>
<p>Knowledge exchange/ dissemination</p>	<p>The study noted that with use of e-mails and teleconferencing facilities, there is a lot of knowledge exchange taking place between the teams based in Nairobi and the teams in the respective countries. Regular team meetings are held to discuss operational activities.</p>
<p>Utilizing knowledge</p>	<p>It was evident from the study that the company puts to use the knowledge gathered in its decisions making process. For instance during the annual planning</p>

	<p>cycle, the process begins by analyzing the strategic conditions prevailing in each country using PESTEL analysis. The findings inform the company on its choices and resource allocation in its planning process.</p>
	<p>The study observed that the company has not developed proper ways of integrating the knowledge possessed about the different markets. Knowledge is handled in silos manner i.e. too market specific.</p>
<p>Organization memory.</p>	<p>This relates to everything in the organization that is retrievable for instance what people know about customers, products, processes, past mistakes and successes. The study noted that the company stores such knowledge in physical records such as reports, operating manuals and computer files. The company regularly refers to this stored information when evaluating</p>

performance in specific markets. Such knowledge is perceived as strategic asset which is key as the company drives its internationalization agenda in a highly competitive region. During the study, the majority of respondents (90%) noted that although there is effort to document learning, not everything is stored and much of the knowledge is retained by individuals.

#### 4.4 knowledge management and operational efficiency

There are many ways used to evaluate the operating performance of an enterprise, for instance Van de Ven & Ferry (1980) argued that the traditional financial measures of performance are most frequently used to indicate the effectiveness of an organization. In this regard the effect of knowledge management on operational efficiency was considered in terms of effect on saving costs, increasing revenues and improving customer experience. The study found that among the advantages of knowledge management were; (1) shortened delivery times for both the finished products and raw materials, (2) reduced time spent on information searching as a result of proper knowledge storing processes, (3) More flexible production based on



rate of sales in the market and products preference, information which is shared by the sales team on the ground and (4) smoother coordination and integration of tasks across the value chain ranging from order processing, production, loading, delivery, storage and distribution to the final consumers. Other aspects found to gain from knowledge management included the following;

#### **4.4.1 Growth in customer satisfaction**

The study noted that the firm conducts regular customer interviews to assess their level of satisfaction. It was noted that through knowledge sharing, the customers are able to appreciate the products which boosts their satisfaction. Decisions such as price changes, discounts, introduction of new products are communicated to customers promptly and therefore improving the relationship.

#### **4.4.2 Improvement in product quality**

The study observed that the firm gets regular feedback on how the products are perceived in the markets as compared with the competitor products. This information is relayed by the country managers to the head office which helps in maintaining and enhancing product quality.

#### **4.4.3 Better production technology**

The study noted that the company has been changing the production methods from time to time with a view to enhance efficiency and also boost production capacity. The interviewees held that knowledge transfer has made it possible to improve on the production efficiencies which save costs. Company engineers have visited other large breweries in the world to learn the best practices. The effect of reduced cost of

production assists in internationalization since the company is able to set competitive penetrative prices for its products.

#### **4.4.4 Customer knowledge**

The study noted that the company captures customer profile in terms of volume of business, brand mix, frequency of orders which in overall determines customer profitability. The company exploits this knowledge while setting the criteria for incentive activities and trade spend. Such a criteria guarantees the best returns out of such investments.

#### **4.4.5 Knowledge in people**

The study noted that there is a people focused programme that aims to continually increase the workforce skills through personal and team development. There are training programmes targeted to different groups based on the training needs identified at the time of performance evaluation. In addition to that, the company reimburses fees incurred by members of staff pursuing both professional courses and post graduate courses. Such initiatives help in maintaining highly motivated work force that improve productivity and hence better performance for the company. This finding agrees with other previous empirical finding by (Lipshitz, Popper, & Oz, 1996) who held that organization's knowledge management system can act as an organizational learning mechanism to support employee action to close performance gaps and allow the organization to reach its desired performance outcomes.

#### **4.4.6. Knowledge in relationships**

Apart from customers mentioned above, the study found that the company creates forums and her mechanisms to have closer relationships with suppliers, service providers and other partners for instance the company runs an annual supplier conference whereby all the suppliers come together to deliberate on matters of mutual interests.

#### **4.4.7. Continuous improvement**

The study found that the company embraces continuous improvement in its operations. For instance the study noted that the company has two selling points for Rwanda and Sudan Markets i.e. Nairobi and Kampala. This gives flexibility to customers to pick the products at the point of their convenience. Some of the merchants also engage in other non alcoholic items sourced from other places and therefore different purchase points assist in ensuring uninterrupted supply. The study also noted that the company continues to introduce more brand categories to widen selection list. For instance the company ventured into wine products, non alcoholic brands e.g. Alvaro with a view to give the customers flexibility in their choice. These changes are made possible through the consumer preference studies commissioned from time to time. This concept of knowledge management and continuous improvement is consistent with findings of (Foil & lyles, 1985) who held that learning develops insights, knowledge and associations between past actions, the effectiveness of those actions and future actions.

## **CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter presents the conclusions and recommendations in line with the objectives of the study. From the literature review, it was observed that knowledge plays a critical role in breaking uncertainties about foreign markets which in turn helps the firms in decision making on increasing resource commitments in those markets.

### **5.1 Conclusion**

This study was motivated by the desire to learn more about the role of knowledge in internationalization process and also to assess the effect of knowledge management on the operating efficiency. Knowledge is a strategic asset of the firm and its key to its competitive viability and success of the internationalization process. Employees acquire knowledge to make decisions and influence others in the firm in order to improve on performance.

The knowledge management system enables the transfer and storing of knowledge to assist employees in their work activities. The sharing of information supports learning and acquiring experiences which help in making the right choices for the foreign markets and also enables continuous improvement efforts. As suggested by Popper & Lipshitz (1998), learning is more likely when all members of the organization are continually engaged in learning, helping others to learn and sharing their learning with

others. The presence of this atmosphere at East Africa Breweries Ltd has helped shape its internationalization process. Knowledge about various factors and their influence on the business determines the entry strategies or the operating model in the foreign markets as summarized below.

Political conditions in a country influence the level of resource commitment, economic status influence the business strategy adopted for instance a high performing economy will be good for premium products, social factors such as religion, lifestyle, language, help in determining the decisions such as areas of distribution, products mix and price decisions and marketing communications choices while Physical factors in country for instance infrastructural development influences the entry strategy in a country. Based on the various discussions above, the findings suggest that employees in the firm have learnt more and grown themselves through knowledge management. The findings further suggest that knowledge management in the firm has a positive effect on the operating performance.

## **5.2 Recommendations**

The study makes recommendations aimed at management of EABL, Government and other firms with intentions of expanding to international markets.

i. Individual learning should be transferred to organizational learning to become embedded in the organization's memory and it's structure. The reliance on employees' memories to retain, retrieve and apply organizational experiences is vulnerable to staff turnover and downsizing. As noted by (Leavy, 1998), organizations have the



capacity to store and mobilize knowledge and preserve certain behaviors in the face of leadership changes and personnel turnover.

- ii. The company should formulate documents /information retention policy to spell out the duration of keeping vital documents and also to standardize methods of maintenance and retrieval of information for ease of access, for instance the firm should consider implementing database systems to manage information e.g. electronic filling, document archive systems and knowledge sharing systems. This will give rise active memory which is more relevant to organization learning as suggested by (Kim, 1993) as opposed to static memory (physical records such the reports, operating manuals, and computer files).
- iii. It is important for any firm expanding to international markets to carry out thorough studies before commencing operations. Businesses operate in different models and therefore different factors will affect businesses differently. It is not enough to commit resources in a foreign market simply because other players have excelled.
- iv. Considering the critical role that the knowledge plays in internationalization, the government should consider setting up a central bureau where information on status of key factors that impact on businesses is posted particularly for the emerging markets. This will help in subsidizing the rather expensive information gathering activities and let the entrepreneurs concentrate on the core commercial activities of internationalization.

- v. The government also through the export promotion council should play a more active role in providing information about the foreign market opportunities. The government should also provide incentives to firms wishing to engage in internationalization. The incentives should be targeted towards developing management capabilities, research and development activities and participation in trade exhibitions.

### **5.3 Limitations of the study**

The study had a few limitations which included the amount of time managers of the firm had for the study. Given interviews were targeted at senior management, some of the managers interviewed did not have much time to respond to the questions and gave short answers. Confidentiality was another challenge which made it difficult to study the influence of shareholders on the internationalization process.

The study did not measure the degree of significance of each of the factors influencing the internationalization process. The study only looked at the role of knowledge about those factors but did not look at how significant the factors were in influencing internationalization.

### **5.4 Areas of further research**

Following the limitations highlighted above, one area can be looked at, that is a cross industry study of the firms with a wide sample size that will analyse the degree of

significance for each of the factors identified whose knowledge will influence the internationalization process.

## REFERENCES

- Argote, L. (1999). *Organizational learning: Creating, retaining and transferring knowledge*. London: Kluwer Academic Publishers.
- Bilkey, W.J., & Tesar, G. (1977). The export behavior of smaller-sized Wisconsin manufacturing firms. *Journal of International Business Studies*, 8(1): 93-98
- Carlson, S. (1975). How foreign is foreign trade? A problem in international business research. Uppsala: Acta Universitatis Upsaliensis. *Studia Oeconomiae Negotiorum* 11.
- Cavusgil, S.T (1980), 'On the internationalization process of firms; *Marketing and Research Today*, 8(6): 273-281.
- Coviello, N.E., & Munro, H. (1997). Network relationships and the internationalisation process of small software firms. *International Business Review*, 6(4): 361-386
- Cohen, W.M., & Levinthal, D.A. (1990). Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly*, 35(2): 128-152
- Cooper, D.R., & Schindler, P.S. (2003), *Business Research Methods*, (8<sup>th</sup> edition): Columbus, McGraw-Hill,
- Cooper, D.R., & Emony, C.W., (1995), *Business Research methods*, (5th edition): Toronto Canada. Irwin .
- Eriksson, K., Johanson, J., Majkgård, A., & Sharma, D. D., (1997). Experiential

- knowledge and cost in the internationalization process. *Journal of International Business Studies*, 28(2): 337-360.
- Fiore, C.M., Lyles, M., (1985), Organisational Learning. *Academy of management Review*, 10 (4) 803-813.
- Garland, J., Farmer, R.N (1986), *International Dimension of Business Policy and Strategy*. Boston, Massachusetts. Kent publishing company.
- Hadjikhani, A., (1997), a Note on the Criticisms against the Internationalization process model. *Management international review*, 37 (special issue), 1-23.
- Johanson, J., & Wiedersheim, P.F., (1975). The internationalization of the firm: Four Swedish cases. *Journal of Management Studies*, 12(3): 305-322
- Johanson, J., Vahlne, J.E, (1977) The internationalization process of a firm- A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8, 23-32.
- Johanson, J. Vahlne, J.E, (1990), The mechanisms of Internationalization. *International Marketing review*, 7(4) 1-24.
- Kim, D (1993) The link between individual and organization learning, *Sloan management review*, Fall, 37-50.
- Kogut, B. (2000). The network as knowledge: Generative rules and the emergence of structure. *Strategic Management Journal*, 21(3): 405-425
- Leavey, B., (1998), The concept of learning in the strategy field: review and outlook, *Management learning*, 29(4), 447-466.

- Levinthal, D.A. (1991) Organisational adaptation and Enviromental selection  
 Interrelated process of change. *Organisational science*. Vol 2. No 1.
- Liesch P.W, & Knight, G.A.,(1999), Information internationalisation and hurdle rates  
 in SME Internationalisation, *Journal of Business Studies*, 39. 350.
- Lipshitz,R., Popper,M., & Oz,S., (1996) , Building learning organizations: the design and  
 implementation of organizational learning mechanisms, *Journal of Applied  
 Behavioural science*, 32(3), 304-324
- Miltra, D.,& Golder, P.N., (2002).Whose Culture Matters? Near-Market Knowledge and  
 Its Impact on Foreign Market Entry Timing. *Journal of marketing research*,  
 39(3):350-365
- Nachmias, C.F, & Nachmias,D.,(1996), *Research methods in the social sciences* (5<sup>th</sup>  
 edition}, New York. st Martins Press
- Nancy,D., (1994), *The Organizational Learning Cycle*, USA,.McGraw-Hill,
- Nelson,R.R., & Winter,S.G.,(1982). An evolutionary theory of economic change.  
 Cambridge MA: Belknap Press.
- Parasuraman,A.,(1986), *Marketing research in Canada*.. Canada. Wesley publishing  
 company
- Pearce, A.J and Robinson,R.B (1991). *Strategic management formulation,  
 implementation and control*. 4<sup>th</sup> edition, Boston MA: Richard D. Irwin.
- Pedler,M., Burgoyne,J., & Boydell,T.,(1991), *The Learning Company: a Strategy for  
 Sustainable Development*. Columbus, McGraw-Hill,
- Penrose,E.T., (1959). *The Theory of the growth of the firm*. Oxford, UK: Basil



Blackwell.

- Popper, M & Lipshitz., (1998), *Journal of Applied behavioral science*, 34(2), 161-179
- Reinhardt, A.M., Bornemann, P.N., Pawlowsky, G.M., & Schneider, F.T., (2003), *Organization learning practice ; Learning theories, Knowledge management process.*
- Saunders, M., Thornhill, A., & Lewis, P., (2003), *Research methods for Business students*, (4th edition): New Jersey. Finance times/Prentice Hall
- Senge, P., (1990). *The fifth Discipline, The Art and Practice of The Learning Organization*, United states of America, Currency,
- Soderbom, M., & Teal, F., (2003), "Are manufacturing exports the key to economic success in Africa", *Journal of African Economies*, 12 (1), 1-29.
- Tseng, C.H., Tansuhaj, P., Hallan, W., and McCullough, J., (2007) Effects of firms resources on growth in Multinationality. *Journal of international business studies*, 38:961-974.
- Van de Ven, Andrew H. AND Diane L. Ferry, (1980). " *Measuring and Assessing organization*", New York. John willy & sons
- Welch, L.S., & Luostarinen, R., (1988). Internationalization: Evolution of a concept. *Journal of General Management*, 17(3): 333-334.
- Wiedersheim, P.F., Olson, H.C., & Welch, L.S., (1978). Pre-export activity: The first step in internationalization. *Journal of International Business Studies*, 8(1):47-58
- Wiedersheim, P.F., & Welch, L.S., (1980), Initial exports, a market failure? *Journal of management studies*, 17 (3): 333-344

Williamson, O.E., (1981). The Economics of Organization: The Transaction Cost Approach." *American Journal of Sociology* 87: 548-577.

Wuodo, M.A., (2005) *Factors influencing the Internationalisation process of the Kenyan firms in the Plastic industry, a case study of firms in Nairobi*. Unpublished

MBA research project, School of Business, University of Nairobi.

Dear Respondent,

I am carrying out a case study on the role of knowledge in internationalization process at East African Breweries Ltd. Data collection will mainly be done through interviews. This is in partial fulfillment of the requirement for the Degree of Masters in Business Administration at the University of Nairobi.

The results of this study will be useful to the management since it will avail valuable insights on the connection between Knowledge management and the Internationalization process, and also the relationship between this link and the operational efficiency.

This is an academic research and confidentiality is strictly adhered to, your name will not appear anywhere in the report. I'd be glad for your gesture to grant me an appointment for a few minutes interview.

Thanking you,

Yours truly,

Amos Mburu

Supervisor

Dr. J. Yabini

## APPENDIX 1: COVER LETTER

AMOS M.MBURU  
UNIVERSITY OF NAIROBI,  
SCHOOL OF BUSINESS.  
P.O. BOX 30197 GPO  
NAIROBI, KENYA.

Dear Respondent,

I am carrying out a case study on the role of knowledge in internationalization process at East African Breweries Ltd. Data collection will mainly be done through interviews. This is in partial fulfillment of the requirement for the Degree of Masters in Business Administration at the University of Nairobi.

The results of this study will be useful to the management since it will avail valuable insights on the connection between Knowledge management and the Internationalization process and also the relationship between this link and the operational efficiency.

This is an academic research and confidentiality is strictly adhered to, your name will not appear anywhere in the report. I'll be glad for your gesture to grant me an appointment for a few minutes interview.

Thanking you,

Yours truly,

AmosMburu

Supervisor:

Dr. J. Yabbs.

## Appendix II: INTERVIEW GUIDE

This study is a requirement for partial fulfillment of the Degree of Masters in Business Administration at the University of Nairobi. The purpose of this research is to investigate the knowledge management by EABL in its internationalization process. This is an academic research and all the information collected will be treated with utmost confidentiality.

### SECTION A: DEMOGRAPHIC QUESTIONS

1. Position held in the organization: .....
2. Department: .....
3. What is your highest level of education .....
4. How long have you worked for the organization (Years).....

### SECTION B: KEY ISSUES:

1. Does knowledge about a foreign market play any part in Internationalization determining entry strategies? Please explain.

.....

.....

.....

.....

.....  
.....

2. What knowledge gaps are important to close before considering venturing into foreign markets?

.....  
.....  
.....  
.....  
.....  
.....

3. How does EABL gather this knowledge?

.....  
.....  
.....  
.....  
.....

4. Generally, there exist five entry modes for a firm to operate in a foreign market; Make irregular exports, Make regular exports through an agent, Establish a subsidiary that imports and sells in the foreign country, partnership with local entities either through joint ventures or under license, establish a manufacturing entity. What mode of entry is in place for each of the six countries that EABL is currently operating?

- Tanzania.....



- Uganda .....
- Sudan .....
- Rwanda.....
- Burundi.....
- Democratic Republic of Congo.....

5. For each of the six countries, what is the duration (years) since entry into the market.

- Tanzania.....
- Uganda .....
- Sudan .....
- Rwanda.....
- Burundi.....
- Democratic Republic of Congo .....

6. In your opinion, what factors have contributed to the different levels of internationalization as identified in question 4 above?

.....

.....

.....

.....

.....

.....

.....

7. Is there any pattern followed in changing the status of the operating modes in the foreign markets and how does knowledge impact on this?

.....

.....

.....

.....

.....

8. How is the knowledge acquired managed to ensure it adds value in internationalization process?

.....

.....

.....

.....

.....

.....

.....

9. In your view, what are the challenges of optimizing knowledge management in the internationalization process at EABL?

.....

.....

.....

.....

.....

10. How does the link between Knowledge management and Internationalization process affect the operational efficiency/transaction costs?

.....  
.....  
.....  
.....  
.....

11. In your view, which cost types stand a chance of being optimized with better knowledge management? Please least at-least two and explain.

.....  
.....  
.....  
.....  
.....  
.....  
.....

12. Is there a structured design for knowledge development and management for internationalization process in place?

.....  
.....  
.....  
.....

13. With regard to sharing knowledge about the different markets, kindly explain how the

following aspects are handled.

- **Knowledge storing**

.....  
.....  
.....

- **Knowledge distribution**

.....  
.....  
.....  
.....  
.....

- **Knowledge exposure**

.....  
.....  
.....

- **Knowledge transfer**

.....  
.....  
.....

.....

- **Knowledge exchange**

.....

.....

.....

- **Management of Marketing information**

.....

.....

.....

.....

**Thank you for your time and cooperation.**