INTERNATIONALIZATION PROCESS AT MELVIN’S MARSH INTERNATIONAL LIMITED IN KENYA

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DECLARATION

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

Signature .................................................... Date ......................................

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

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ACKNOWLEDGEMENT

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I appreciate the School of Business, University of Nairobi for providing me with the relevant study materials and equipping me with the skills I found valuable during this research.
DEDICATION

To my daughter, Myra, for your patience, inspiration and support;

The Gachagua family, for your encouragement and support;

Thank you all and God bless you mightily.
ABSTRACT

International new ventures are described by Oviatt and McDougall (2005) as business organizations that seek to obtain a significant competitive advantage from the use of resources and the sale of outputs in multiple countries. These start-ups often demonstrate significant and observable commitment of resources such as material, people, financing and time, in more than one nation. Newly internationalized firms face difficulties and most fail or achieve low levels of success. This means that internationalization is even more problematic for SMEs in the case of extensive international investment and commitment (Yip, Biscarri, & Monti, 2000). The motives for internationalization are many. Perhaps the home market is saturated, presence in a certain country grants access to strategic resources or there are cluster effects to be explored in a specific region. Most companies start operations domestically with value adding activities conducted within the borders of the home country only. Despite scarce resources, young firms therefore use a mix of strategies that allow success in diverse international markets (Knight and Cavusgil, 2004). One way of overcoming financial constraints is to engage in alliances with other firms internationally, for example involving collaborations with suppliers, distributors and joint-venture partners. This study sought to determine the internationalization process that agricultural firms in Kenya may borrow from in a bid to increase their operations beyond the local markets by studying the internationalization process at Melvin’s Marsh International Limited. Melvin's Marsh International, hereafter referred to as Melvin’s, is a limited liability company that was incorporated in 1994 and is situated at the busy Industrial Area just outside Nairobi’s Central Business District. In what was originally a flat market offering the customer no alternatives to how they could take their tea, Melvin’s prides itself in being the first company in Kenya to offer ready flavored teas. This study adopted a case study, where the population of interest is the management of Melvin’s Marsh International. The researcher made use of an interview guide to conduct face to face interviews with managers in various departments, namely, Marketing, Sales, Research and Design, Finance and IT. Content analysis was used to analyse the respondents’ views with the data being coded to enable the responses to be grouped into various categories. The study found that Melvin’s Marsh International Limited, Kenya has undergone the internationalization process to enter into the East Africa Market through joint venture, licensing manufacturers and use of various distribution channels. The study found that the success of foreign market is influenced by export knowledge, commitment, technological superiorities of the exported products and external support programmes such as government assistance. The study found that the entry strategies challenges faced by Melvin’s Marsh International Limited were hostile competitive environment, regulation by the government and product introduction in the market. From the findings, the study recommends that to ensure competitive advantage in the foreign market, the company should ensure that they have the export knowledge, they are committed and should obtain technological superiorities of the exported products which in earlier studies was found to have a positive relationship with success. The study recommends that an in-depth study should be carried to determine challenges faced in the adoption of competitive strategies in the East African Market by Melvin’s Marsh International Limited.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Internationalization has often been viewed as a process of increasing involvement of enterprises in international markets, although there is no agreed definition of internationalization or international entrepreneurship according to Gerald I (2007). The term international business denotes all international dealings of a country that pertain to the exchange of goods, services and information for commercial purposes, and money. This has been enhanced by globalization of economies and there are several internationalization theories that have been fronted and they try to explain why there are international activities.

Existing internationalization theories are applied through varied models. One such model is the Innovation-Related Internationalization Model (IM) which views internationalization process as an innovation. Bilkey & Tesar (1977), Cavusgil (1980), Reid (1981), Czinkota (1982) and McKiernan (1992) have described the process as existing in stages, “The models focus on the learning sequence in connection with adopting an innovation.” The authors assume that there exists push and pull mechanisms in initiative to export and for movements to subsequent stages. The IM sees the internationalization process as an evolutionary and learning process like the Uppsala Model.

The Uppsala Model (UM) of 1975, 1977, 1990 and 2003 is a stage model which describes four stages of internationalization. It stresses market knowledge, commitment
and change aspects with psychic distance also playing an important role in the internationalization process. The Uppsala Model consists of two parts, the Stage Model stressing on psychic distance and the Internationalization Process Model which includes commitment and knowledge.

Michael Porter’s Diamond model has also been fronted and it consists of six factors namely the factor conditions, demand conditions, related and supporting industries, firm strategy, structure and rivalry, government and chance. Porter’s argument is that these factors interact with each other to create conditions where innovation and improved competitiveness occurs. The decision makers of the companies that are becoming international have different experiences, are in different situations and consider different motives before taking the step into the international market.

Melvin’s Marsh International is a Kenyan small and medium enterprise (SME) whose specialty is in the production and packing of flavoured teas, an area within the Kenya’s tea industry that was largely unexplored before the company started its operations in the country.

1.1.1 Concept of Internationalization

International new ventures are described by Oviatt and McDougall (2005) as business organizations that seek to obtain a significant competitive advantage from the use of resources and the sale of outputs in multiple countries. These start-ups often demonstrate significant and observable commitment of resources such as material, people, financing and time, in more than one nation. Newly internationalized firms face difficulties and
most fail or achieve low levels of success. Hollenstein (2005) as well as Karagozoglu and Lindell (1998) noted that small firms usually have less financial resources and international experience compared to larger firms.

This means that internationalization is even more problematic for SMEs in the case of extensive international investment and commitment (Yip, Biscarri, & Monti, 2000). Despite scarce resources, young firms therefore use a mix of strategies that allow success in diverse international markets (Knight and Cavusgil, 2004). One way of overcoming financial constraints is to engage in alliances with other firms internationally, for example involving collaborations with suppliers, distributors and joint-venture partners.

Buckley (1989) argues that smaller companies are also in a different situation because of limited managerial experience. However, Karagozoglu & Lindell (1998) tell us that small firms do have some advantages when it comes to speed and flexibility on the market compared with larger firms. Buckley (1989) also identified several key areas in which small firms are different and these differences could be both constraints as well as advantages.

The focus on minimizing capital outlay sometimes leads to less than optimal consequences. In raising capital, the small firm faces problems of how to search for and raise capital without disclosing its competitive advantage secrets. The shortage of skilled management in smaller firms is also a serious liability. Small firms do not often have specialist executives to manage their international operations, nor do they possess a hierarchy of managers through which complex decisions can be passed.
Freeman, Edwards, & Schroeder (2006) identified lack of economies of scale, lack of resources, financial and knowledge and aversion to risk taking as the key constraints for smaller newly internationalized firms. Buckley (1989) however argued that owner-managers of such companies may very well be greater risk takers than other types of decision makers.

1.1.2 Internationalization of Firms

The motives for internationalization are many. Perhaps the home market is saturated, presence in a certain country grants access to strategic resources or there are cluster effects to be explored in a specific region. Most companies start operations domestically with value adding activities conducted within the borders of the home country only.

Becoming a multinational company requires a change of view and mind set (Björkman, 1990). As small and medium sized enterprises (SMEs) are developing their role on the global market, researchers are increasingly interested in the knowledge transfer and management skills of these companies (Zahra, 2005). Oviatt and McDougall (2005) explain how new ventures with unique value adding resources can enter the global markets even with constrained finances.

Today there is limited information available about how prior conditions affect internationalization decisions. Such information would be useful for developing future theories about new international ventures and their success on the global arena (Zahra, 2005).

Newly internationalized firms face difficulties and most fail or achieve low levels of
success. Hollenstein (2005) as well as Karagozoglu and Lindell (1998) claim that, small firms usually have less financial resources and international experience compared to larger firms. This means that internationalization is even more problematic for SMEs in the case of extensive international investment and commitment (Yip, Biscarri, & Monti, 2000). Despite scarce resources, young firms therefore use a mix of strategies that allow success in diverse international markets (Knight and Cavusgil, 2004).

1.1.3 The Tea Industry in Kenya

The Tea industry is one of the greatest success stories in Kenyan agriculture. Tea production and planted area has expanded rapidly since independence in 1963 from 18,000 metric tonnes and 21,448 hectares to 293,670 metric tonnes and 131,418 ha in 2003. Tea exports have been consistent for several decades.

Kenya gives a fairly stable feature of Tea export earnings leading the other commodities except in 2003 where Tea was overtaken by horticulture ranking second and earning Ksh 33 billion. This was about 20% of Kenya’s total export earnings. The remarkable growth in the Tea industry is attributed to the conducive investment policy for the estates sub-sector particularly, the non-interference policy from the Tea Board on production, processing and marketing activities as well as the KTDA’s management of smallholder Tea production (www.ktdateas.com).

The world Tea production is dominated by five countries namely, India, China, Sri Lanka, Indonesia and Kenya which produce about 75% of the world production. India is the largest producer and consumer of Tea. In Africa Tea producing countries include
Kenya, Malawi, Tanzania, Zimbabwe and South Africa producing about 25% of world exports (www.ktdateas.com). The major import markets are in the developed countries but with the increase in consumption in developing countries, there is a gradual shift to developing countries becoming big import markets.

Tea was introduced into Kenya from India by a European settler Mr. G. W. L. Caine in 1903. Since then Kenya has grown into an important world Tea producer, with an annual production of about 300 Million KGs, Kenya is the fourth largest Tea producer and the second biggest exporter in the world. The country contributes 10% of total global Tea production and commands 21% of all global Tea exports. Kenya produces high quality Tea with a good bright color that is used for blending other Teas in the world market (www.ktdateas.com).

Kenya prides itself as the producer of the best quality black Tea in the world. Tea is produced from processed top young leaves and a bud. The type of Tea that is produced is determined by the mode of processing that is employed. About 97% of Kenya’s Tea is black CTC (Cut, Tear and Curl), which is more popular. Up to 1970 Kenya was producing more black orthodox Tea but shifted to CTC which has a competitive advantage.

To date only a little of the black orthodox Tea is produced and some limited amount of green Tea on order. Green Teas are not oxidized. They are withered and immediately steamed to prevent oxidation and then rolled and dried. The quality of black Tea is highly dependent on the regularity of harvesting, the number of top young leaves harvested and the mode of harvesting/plucking and the care with which the green leaves are picked.
Harvesting only the upper two leaves and a bud produces the best quality Tea.

About 60% of the total crop in the country is produced by smallholder growers who process and market their crop through their own management agency, the Kenya Tea Development Agency Ltd (KTDA). The balance of 40% is produced by large scale estates which are managed by major multinational firms associated with Tea in the world. About 10% of Kenya’s population is directly or indirectly employed by the Tea industry which is the largest single commodity sub-sector in the agricultural sector (www.ktdateas.com).

1.1.4. Melvin’s Marsh International

Melvin’s Marsh International, hereafter referred to as Melvin’s, is a limited liability company that was incorporated in 1994 and is situated at the busy Industrial Area just outside Nairobi’s Central Business District. In what was originally a flat market offering the customer no alternatives to how they could take their tea, Melvin’s prides itself in being the first company in Kenya to offer ready flavored teas. (www.melvinstea.com).

From the tea farms, the tea is taken to a tea factory where it is withered, rolled, fermented, dried and cut, and packed in paper sacks ready for the auction in Mombasa. At the auction, their qualified tea taster purchases tea that has their pre-determined blend. The tea is then blended and sent to Nairobi ready for flavoring.

To flavor teas, Melvin’s uses freshly ground spices, which are fully dried then ground to their specifications and they pride themselves in not using any artificial colors or preservatives. The teas are then mixed them in their mixing unit with different timings for
the different flavors and they are then ready for packing. They package their tea immediately to conserve maximum flavor and freshness and the packaging is done into an attractive 300 grams carton. The package is then put into a flute carton and it is ready for sale in the market. This process ensures that the tea reaches the customer fresh, brisk and aromatic.

When one is not caught up in the hustle and bustle of the daily activities, it is better to brew a cup of loose leaf tea which gives a wonderful cup of reddish coppery tint and a pleasant brisk flavor that distinguishes it from other teas in the world. But due to the high pressures of demands on your day, Melvin’s prides in providing its customers with a convenient offer of tea bags which are packed in attractive envelopes and allow one to have a cup of tea ready within minutes. (www.melvinstea.com).

Due to the high-elevated grounds that the tea is grown and the favorable weather, Kenyan tea has the added advantage of a good shelf life. This is what makes Kenyan tea one of the most sought out teas in the world. The company’s first tea in the market was Melvin’s Tangawizi Chai which translates to ginger tea in Swahili.

This innovation was as a result of the knowledge that customers that were jaded by the conventional tea used to love a hot cup of tea, with lots of fresh ginger boiled together and sweetened to taste. It took time to get proprietors to give the new beverage a chance despite it being different. Persistence however outweighed the owner’s resistance and customers begun seeking out the product and in no time the new product was enthusiastically received by the market and has grown steadily ever since.
Following the popularity of Melvin’s Tangawizi Chai, the company broadened its range of flavored teas. Locally and internationally Melvin’s Marsh International has grown from the ground up and is now the largest blender, packer and distributor of quality flavoured teas of Kenyan origin. Their philosophy is founded on total quality and they aim to offer the finest value added teas to their esteemed customers that are tailored to meet their needs at the best possible price with the assurance of the highest quality.

Melvin’s products range is mainly composed of flavored teas namely Melvin’s Kenya Tangawizi (Ginger), Melvin’s Vanilla tea, Melvin’s Masala Tea, Melvin’s Cinnamon Tea and Melvin’s Lemon Twist; herbal teas namely Green Tea, Nettle Tea, Neem Tea and Chamomile Tea and Melvin’s Pure Kenya Tea. Melvin’s Pure Kenya Tea is an extraordinary blend of the finest Kenya Tea, carefully handpicked and perfectly blended to bring out a strong, full bodied, well balanced cup of tea that is both pleasing and thoroughly refreshing. (www.melvinstea.com)

1.2 Research Problem

Domestic firms as with multinational firms have in recent years been faced with increasing competition arising from various sources including multinationals and competing domestic firms. As they internationalize their operations, they also have the challenge of unfamiliar business environment and unfriendly laws. The internationalization of multinational firms into emerging markets is a development that involves a great deal of risk due to volatile markets in the sense of both political and economic instability of countries.
Through internationalization, a firm that grows from micro to small, small to medium and then medium to large means employment creation, increase in revenue and capital base. The economic impact of agricultural firms can be measured by their contribution to output, employment, income, investment, exports and other economic indicators (Prasad and Rumbaugh, 2003). Internationalization of products or services differs from domestic services in that they cross borders and embrace a foreign culture (Clark and Rajaratnam, 1999).

The tea industry in Kenya, just like the rest of the world, has and is going through profound changes. In the past decade, technological advancement, ever changing customer tastes and preferences as well as globalization has slowly but steadily transformed the industry. Although the tea industry has witnessed rapid innovations, Melvin’s Marsh International Limited has dominated the flavoured teas market with a significant contribution in herbal and pure teas market. As a result, the firm made it to Kenya’s Top 100 mid-sized companies Survey in 2012, coming in at a respectable position 53 considering that only about 5 agricultural and/or agricultural based firms made it to the Top 100.

The Survey seeks to identify Kenya’s fastest growing medium sized companies in order to showcase business excellence and highlight some of the country’s most successful entrepreneurship stories. Essentially, a Top 100 Company is one which ranks ahead of its peers in terms of revenue growth, profit growth, returns to shareholders and cash generation or liquidity. A Top 100 company has succeeded in progressively growing its market position in the industries in which it operates and over time with this growth
translating into both returns for its shareholders and a fairly sound financial position. (www.businessdailyafrica.com)

Several research studies that have been done on internationalization and/or Small and Medium sized firms have not focused on the internationalization process of agricultural-based firms in Kenya. Guracha (2008) studied the influence of political risk factors on the internationalization decisions of horticultural exporting firms in Nairobi with Mwangi (2012) researching on the application of Porter’s model of competitive advantage of nations to the internationalization of Kenyan banks.


This study sought to fill the existing research gap by conducting a study to determine the internationalization process that agricultural firms in Kenya may borrow from in a bid to increase their operations beyond the local markets by investigating the internationalization process at Melvin’s Marsh International Limited. What process then has Melvin’s Marsh International Limited, an SME within the tea industry in Kenya, undergone in internationalization?
1.3 Research Objective

The research objective of this study was to determine the internationalization process that Melvin’s Marsh International Limited, Kenya has undergone.

1.4 Value of the Study

This study is expected to benefit participants and stakeholders within Kenya’s tea industry as they would be in a position to study and apply various models in their own internationalization process. It is also expected that the study will aid policy makers in their effort to re-energize the agricultural sector and result in increased contribution to the Gross Domestic Income.

The results of this study would also be valuable to researchers and scholars, as it would form a basis for further research. The students and academics would use this study as a basis for discussions on the internationalization process of agricultural firms.

This study will make several contributions to both knowledge building and practice improvement in internationalization process of small and medium sized agricultural firms.

From a theoretical standpoint, this study suggests a comprehensive framework of studying the internationalization process on agricultural firms.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from the available literature in the same field of study. The specific areas covered in this chapter are the concepts of internationalization on firms.

2.2 Theoretical Background

There are many theories that explain internationalization of firms. These include internationalization and entry strategy theory.

2.2.1 Internationalization Theory

According to the internationalization theory, the reason why production is done by only one company instead of many in various locations is that it is more profitable to produce with one company. In the explanation of the advantage of internationalization, the first approach of the internationalization of Multinational Companies (MNCs) emphasizes the importance of technology transfer. Technology transfer may come across with some difficulties. It is difficult for a potential buyer to appraise the actual value of knowledge. Besides knowledge cannot be packed and sold. The intellectual property rights are also difficult to secure. Therefore for a MNC, the establishment of a new enterprise in a foreign country is more profitable than the sale of technology to another company.

The second approach intensifies on vertical integration. For example, under the assumption that both companies are monopolies, the price of input used by first company
and produced by second company is tried to be lowered and increased by the first and second companies respectively. Therefore a dispute between these two companies will exist. Moreover some coordination problems may occur because of the demand and supply imbalances between two companies. Volatile prices constitute high risks for both companies. In case of a vertical integration of these two companies the problems will disappear or be relieved.

2.2.2 Entry Strategy Theory

Ansoff and McDonnell (1990) noted that strategies involve changes in the firm’s strategic behaviors to assure success in transforming future environment. Pearce and Robinson (1997) defined strategies as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm’s objectives.

Traditional FDI theory predicts that firms will invest in foreign markets in order to generate economic gains by exploiting firm specific capabilities such as products and knowledge, and to strengthen the firm's strategic position by gaining better access to scarce resources like labor, knowledge etc. (Hitt et al., 2006; Chen & Chen, 1998). Firms that consider entering foreign markets have to cope with uncertainty, due to a lack of information, uncertainty about the reliability of information, and a general liability of foreignness (Johanson & Vahlne, 1977).

As a result of increased competition from both domestic and global competitors, shrinking market size, and declining market growth rates, companies seek opportunities in global markets. However, the success of entry into new markets often depends on the
reaction of incumbent firms already in the markets. The strategic management and marketing literature show that incumbent firms employ defensive strategies to discourage market entry of new competition or defend their markets once a new competitor enters their markets (Yeung et al., 2003).

Incumbent firms attempt to deter entry of new competition into their markets long before new competition even considers market entry. Similarly, incumbent firms defend their markets by retaliating once new competition enters their markets (Chen and Miller, 1994). In competitive situations where multiple incumbents exist, some incumbents wait for others to act first, and then follow or do nothing. Some incumbents who are unable to compete against the new market entrants choose to exit the market (Nargundkar et al., 1996). Firms engaged in competition find that their actions are mutually dependent, that is, the outcome of marketing actions of one firm depends to some degree on the response of its rivals. Failing to consider competitor reaction may cause a firm to draw the wrong conclusions about the outcome of such actions (Putsis and Dhar, 1998).

2.3 Concept of Internationalization

Today, labor and capital flow among countries and corporations with an unprecedented pace and volume. Therefore capital flows, production and service activities, commercial and technological developments attain international character. In this framework the dimensions and the domain of the competition that enterprises face change inevitably, enterprises become international, production and service activities, and international horizontal integrations increase. Multi-National Companies (MNC) and foreign direct investment (FDI) become more effective on individual economies. National frontiers then
disappear or at least lose their former rigidity and the world heads for an economic, political and cultural integrity.

On the other hand, a common belief that globalization has accelerated after some specific developments, prevails and the globalization process can be divided into stages according to these developments. As the result of these developments and stages, trade increases in the world and this increase yields economic, social, political and cultural effects. While trade furnishes the spanning of goods and services all over the world, it also generates the spanning of cultures, their interactions and competitions.

While economic activities affect cultures, sometimes cultures may shape economic activities. Furthermore MNCs and FDI flows arise when trade is insufficient or inefficient. This alternation first affects the global economy and then the whole human values and causes different structures to arise as a result of new formations.

The emergence of firms from developing countries as important players in global markets has been a distinctive phenomenon of globalization in the twenty first century. Not only have the emerging market economies been among the top destinations for foreign direct investment (FDI), but the outward FDI flows from these economies have also been growing steadily.

FDI from emerging economies accounted for 17% of world outward flows at US $133 billion in 2005 (UNCTAD 2006). The value of the stock of FDI from emerging economies was about $1.4 trillion in 2005 constituting around 13% of the world total. All these have resulted in a resurgence of interest in internationalizing firms from emerging
economies, a number of which have been transforming themselves into 'third world multinationals or TMNCs' (Wells 1983).

The international expansionary activities of TMNCs from emerging economies are fraught with many challenges. To begin with, they have to overcome the 'late mover' disadvantage. In addition, they hail from less bountiful resource environments and have to acquire resources and capabilities to successfully compete with established players from the developed economies (Guillen 2000). Most of the theories offered as explanations for international expansion behaviour of TMNCs were modifications of the prevailing theories of internationalization developed primarily in the developed economy context (Dunning 1981, Dunning et al. 1998, Mathews 2006).

2.4 Challenges of Internationalization of Agricultural Firms

Several developments and long-standing issues have combined to endanger the ability of firms in Africa to survive in today's global economic system. Some of the key challenges include globalization of markets and production, lack of financial support, poor infrastructure, international expansion issues, and government assistance and support.

2.4.1 Globalization of Markets and Production

Globalization refers to a fundamental shift in world economy in which nations are moving toward an interdependent global economic system (Hill, 2009). Globalization has resulted in markets in which previously historically separate markets have become one huge global marketplace as a result of reductions in trade barriers and advances in information and transportation technologies. As a result, small firms can now participate
in international trade right from inception.

Another facet of globalization is the globalization of production. Companies can locate production facilities in countries where labor and other production inputs are cheaper. The end result is that globalization presents new threats for small companies in Africa in the form of increased competition from foreign entrants. Locally manufactured goods now compete with cheaper good quality products from emerging economies, such as China, India, and Brazil. These inexpensive imports are rapidly replacing locally made goods and shutting down small-scale manufacturers.

2.4.2 Lack of Financial Support

Despite existing policies on financial support for small businesses, very few entrepreneurs receive financial help when they need it. For example, Mambula (2002) found that 72 percent of entrepreneurs he studied in Nigeria considered lack of financial support as the number one constraint in developing their business. According to Mambula, small businesses consider procedures for securing business loans from banks cumbersome, and the collateral demanded for such loans excessive.

Banks, on the other hand, defend their behavior by noting that most small firms that apply for loan do not present acceptable feasibility study or good business plan. Furthermore, many entrepreneurs do not even have a deposit account in a bank, a condition for advancing a loan to an applicant. To complicate the problem, there is no law to protect a bank against loan default. Banks also point out that entrepreneurs are unwilling to acquire formal training in how to run a business (Mambula 2002).
2.4.3 Poor Infrastructure

Basic physical infrastructure required for economic development, such as good roads, ample power supply, and good rail and river transportation facilities, are in very poor shape in most African countries. As a result, deplorable roads, deteriorating rail lines, where rail transportation still exists, inadequate power supply, and unusable waterways have combined to make small business operations difficult. For example, damage to equipment because of power surges and down time due to unavailability of electric power during production hours are major problems for small manufacturers in some African countries (Akwani, 2007).

To overcome this problem, entrepreneurs who can afford it own private generators to power their manufacturing operations, thus increasing production costs and making their products less competitive. In addition to the problems noted above, the information and communication infrastructure in most African countries are weak. Access to information infrastructure is considered an indispensable condition for widespread socio-economic development in this age of globalization and information economy (Cogburn and Adeya, 2000). The result of poor communication networks in most African countries is the low level of Internet usage. Also, Africa has low telephone penetration, and inadequate broadcasting facilities, computing infrastructure, and other consumer electronics.

Although these are the general shortcomings for African countries, it should be noted that African countries exhibit differing levels of information infrastructure, with North African countries and South Africa at a higher level of information technology preparedness than most African countries (Eifert and Ramachandran, 2004).
2.4.4 International Expansion

Unlike their counterparts in other parts of the world, small African firms have mostly sold their products in their home market or in adjacent countries that belong to the same regional economic block as their home country. It also appears that most small businesses in Africa follow the incremental stages of international expansion model. The reasons given for the favoring of gradual internationalization by small firms in Africa include: unsaturated domestic markets, reputation for low quality products, technological requirement for success in markets in developed economies, and difficulties in joining international supply-chain networks (Rankin, Soderbom and Teal, 2006).

According to this model, firms typically begin with domestic focus and progress to experimental involvement, active involvement in foreign markets, and finally committed involvement (Johanson and Valhne, 1977). The problem with this approach is that gradual internationalization is no longer realistic in today's fast-paced global economy. Foreign companies now enter many formerly protected markets in developing countries in large numbers, increasing competition and driving down prices.

As a result, young entrepreneurial firms have become born global companies that take on international expansion early in their inception (Knight and Cavusgil, 1996). Small firms in Africa must do the same to survive in today's competitive market environment.

2.4.5 Government-Sponsored Assistance

Business assistance from governments of African countries is weak and inadequate. Take Nigeria for example. The Nigerian government established a Small and Medium Scale
Industries Development Agency (SMEDAN), but this agency has limited scope and reach. The agency is no way near providing the kind of support the United States Small Business Administration (SBA) gives to small businesses. The SBA provides financial aid, counseling, and other forms of assistance and protection to entrepreneurs and small business startups, and is a good model for African countries to adopt.

Small firms in Africa need central government assistance in the form of loan guarantees, direct loans, as well as training and counseling in how to effectively manage a small business. In addition, local governments should increase their support for small scale enterprises located in their area.

Most research studies on African entrepreneurship have concluded that training programs for entrepreneurs have been few and far between and different in content than what is needed (Wallace, 1999). The training has been mostly urban-centered, and given by people unfamiliar with the actual needs of African entrepreneurs. The technology involved in the training tended to be beyond what trainees can afford to buy and use. In most cases there was no after-training follow up services and there was no effort made to ascertain the effectiveness of the training.

2.5 The Benefits of Internationalization of Agricultural firms

Economic growth rates across much of Africa are rising, and there are successful entrepreneurial ventures across the continent (BBC News, 2006). This observation suggests that opportunities exist for African entrepreneurs, and some of these opportunities have already resulted in some international and local business successes.
2.5.1 Promoting Entrepreneurship through Privatization

Privatization of government controlled business activities offer tremendous opportunities to local entrepreneurs. Privatization has been employed in promoting entrepreneurship in Africa since the late 1980s. Privatization was pushed by the international finance community and organizations, such as the international monetary fund (IMF) and the World Bank, under the structural adjustment programs (SAP). The approach attacks one of the major reasons behind low levels of entrepreneurship in most African countries: the direct participation of African governments in too many economic activities in their respective countries (Elkan, 1988).

2.5.2 The Easing of the Debt Burden

The easing of the debt burden in many African countries through the Multilateral Debt Relief (MDR) initiative in 2006 opened a window of opportunity for African countries to once again capitalize on trade opportunities made possible by increasing globalization of markets and reduction of trade barriers. Although current economic aids from donor countries focus on the social sectors and social infrastructure, such as education, health and good governance (UN Office of the Special Adviser on Africa, 2008), local entrepreneurs can take advantage of this investment opportunities because of current government ability to engage in infrastructure building instead of debt servicing that had no end in sight.

Besides providing business opportunities for small firms, investing in economic infrastructure such as water supply, electricity, roads and information technology (IT)
services will ensure that local enterprises are not at a competitive disadvantage in today's global economy (UN Office of the Special Adviser on Africa, 2008).

2.5.3 Inter-firm Linkages

Inter-firm linkages between firms or domestic and international enterprises in value chains contribute to firms' growth and success. This type of cooperation allows small firms to reap the benefits of scale and scope economies. The skills small firms develop and knowledge they acquire in inter-firm linkage can lead to competitive advantage in the global marketplace (McCormic, 1999). Evidence suggests that linkages between small firms and large firms are generally weak at this time, especially between small manufacturing firms and agricultural suppliers (Lawrence, 2005).

Large foreign companies are reluctant to establish local linkages with small enterprises because of product quality concerns (Yumkella and Vinanchiarachi, 2003). This weak linkage between large and small firms is a problem for future small business development. However, there is evidence that this situation is beginning to change.

Inter-firm linkage is a potential opportunity for small firms if African governments are willing to step in and make such linkages attractive to large transnational firms. Building inter-firm linkages in African countries will require government policies that create an enabling investment environment through tax incentives, red tape reduction, property protection, and other measures that have a positive impact on the overall economy (UN Conference on Trade and Development, 2007). To enhance growth opportunities for small firms, the linkages between small firms and transnational corporations should be
well structured and well defined in scope.

2.5.4 Regional Trading Blocks

As noted before, firms in Africa are likely to first focus on their home market and later expand into neighboring countries. It has been observed that entrepreneurial firms in Tanzania export to Kenya, Malawi and Zambia. These are neighboring countries with similar levels of consumer sophistication and product standards.

A similar situation exists among countries in West Africa, such as Nigeria, Ghana, Sierra Leone, and Liberia. These neighbors often belong to a trading block which allows goods and services to move freely across their national borders. Thus, small firms have the opportunity to engage in cross-border trade at a young age and use this experience to expand their activities to distant countries, and not follow the gradual internationalization model (UN Conference on Trade and Development, 2007).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the overall approach that was used to collect data for the study, that is, the Research Design, Data collection methods and Data Analysis.

3.2 Research Design

This study adopted a case study, which is the detailed investigation of an individual or a group. The design was deemed appropriate because the main aim was to explore the viable relationship and describe how the factors support matters under investigation in one organisation. A case study method provides qualitative data from cross section of the chosen population considering the fact that firms are unique in terms of structure.

3.3 Data Collection

The researcher used an interview guide during a face to face interview with managers in various departments, namely, Marketing, Sales, Research and Design, Finance and IT. The interview guide included open ended questions which captured the views, opinion and attitude from the respondents that were insightful to the study as the responses were in-depth with minimal constraints.

3.4 Data Analysis

Data analysis was done through content analysis to summarize the essential features and relationships of data in order to generalize and determine patterns of behaviour and
particular outcomes. Mugenda and Mugenda (2003) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. Content analysis was used to analyse the respondents’ views with the data being encoded to enable the responses to be grouped into various categories.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and interpretations of the data from the field. It presents analysis and findings of the study as set out in the research methodology on the internationalization process at Melvin’s Marsh International Limited. The data was gathered exclusively from an interview guide as the research instrument. The interview guide was designed in line with the objectives of the study. To enhance data quality of data obtained, unstructured questions were used whereby respondents gave their insights on the internationalization process at Melvin’s Marsh International Limited.

4.2 Results and Data Analysis

In order to determine the designation of the interviewees and for how long they have been working in that capacity, the study requested the interviewees to indicate their designation and for how long they have been working in that capacity. It was established that interviewees held various job titles which included head of Technical, Policy, Research and Development, Finance, Human Capital Development and Administration, Operations and Production, ICT and Corporate Communication. The study also revealed that the interviewees had been working in their designation for between 4 years to 13 years and this demonstrates that the interviewees had served long enough in their capacity to give credible information for this study.

The interviewees were requested to indicate for how long has the company been operational in East African Market and the study found that the company had been in
operation within the East African market for the last 11 years, an indication that there exists a clear internationalization process which the researcher sought to study.

In order to determine the target market for Melvin’s Marsh International Limited in Kenya, the interviewees were requested to indicate their target market in Kenya and from the findings they indicated that the target market was concentrated in the urban and semi urban areas of Kenya. The interviewees were requested to indicate the initial strategies the company adopted in entering the East Africa market and from the findings, the interviewees indicated that the initial strategies adopted by the company were collaboration with other companies in the industry, foreign direct investments, use of local expertise, local human resources, strategic alliances, downsizing, self-management, outsourcing of non-core operations, exporting of products, licensing of various manufacturers within the region and having outlet of their products in different countries within the East Africa market.

The interviewees were requested to indicate some of the challenges that their company faced when entering the international market and it was realized that challenges encountered were company stiff competition from other companies within the tea industry, high cost of doing business in other countries, legal restrictions in the host country, low market share, hostile environment, lack of government support, low product uptake by customers and lack of strategic partners in the industry.

In order to determine whether the company exported its products in the region, the interviewees were requested to indicate whether Melvin’s Marsh International Limited
had exported various products in the region the interviewees confirmed that Melvin’s Marsh International Limited exports various products in the region.

The interviewees were requested to indicate whether the company had invested in production facilities in East Africa and the study found that Melvin’s Marsh International Limited had indeed invested in various production facilities in East Africa Region with their headquarters based in Nairobi’s Industrial Area. In order to determine whether Melvin’s Marsh International Limited had licensed any manufacturers in the region, the response from the interviewees revealed that Melvin’s Marsh International Limited had licensed various manufacturers in the region since their core business is blending, packing and distribution of their various products.

On the adoption of different entry strategies in the same market segment, the interviewees were requested to indicate whether Melvin’s Marsh International Limited had adopted various adopted different entry strategies in the same market segment and they affirmed that this had been done. The strategies mainly revolve around the product, pricing, promotions and product placement or location. The study requested the interviewees to indicate what the major reasons behind the adopted strategies were and the study revealed that the reasons were stiff competition from other companies within the tea industry as well as similar products not within the industry, surmount challenges faced during the internalization process in the East African market, acquiring a profitable market share in the East Africa region, enhanced in product distribution and effectively marketing their products in the region.
The interviewees were requested to indicate the challenges they faced in adopting the chosen market entry strategy and the study revealed that these challenges were stiff competition from rival companies, lack of trained staff and lack of firms to outsource to some of the non-core business functions as well as the high costs involved in adoption of these strategies.

The interviewees were requested to indicate whether the transfer of technology influenced the company to enter into East Africa market and this was affirmed by all the interviewees. In order to determine whether operating environment influence the decisions to merge with their companies in East Africa, the study revealed that the operating environment does indeed influence the decisions to merge with their companies in East Africa. The study requested the interviewees to indicate whether Melvin’s Marsh International Limited had future prospects in entering other markets and the study revealed that Melvin’s Marsh International Limited has in place future prospects in entering other markets in a bid to continue and strengthen their internationalization process.

In order to determine the degree of control the company aspires in the foreign markets, the interviewees revealed that the company desired to have a high degree of control in the foreign markets, of at least 50% or more the entire market share. The interviewees were requested to indicate whether competition influenced the entry strategies used to penetrate the markets, and the study affirmed that competition was in fact the greatest determinant of the strategy used in almost all market entry strategies adopted by Melvin’s Marsh International Limited.
The interviewees were requested to indicate whether entry strategies change or were revised with passage of time and the study confirmed that this was the norm, with the changes in entry strategy being attributed to changes within the competitive environment. Rival firms in the industry also kept on revising entry strategies in order to gain competitive advantage over their competitors. The interviewees were requested to indicate the effectiveness of the of the new entry strategies, the interviewee indicated that the new entry strategies were effective as they were helping the company to gain market through various marketing and entry strategies.

From the findings on whether there is greater income growth potential from East Africa Market, the interviewee indicated that there was greater income growth potential from East Africa Market as the company was gaining market share and it was increasing it sales and introduction of new products. The interviewee also indicated that the reason for additional markets was to control risks as they need to diversify the business risk. From the findings of the study the interviewee indicated that they would improve performance of core capabilities and distribution channels, through strategic alliances with other firms and outsourcing non-core business function in order to help the firm concentrate on core business functions. From the findings on the need to acquire new technologies, the interviewee indicated that there was the need to acquire new technologies as this would help the firm in production efficiency.
4.3 Discussion

4.3.1 Comparison of the Findings to the Theory

The process of internationalization is inherently a rational decision-making activity triggered primarily by forces external to the organization (Ellis and Williams, 1995). From the research findings, there emerges a practice or adoption of Michael Porter’s Diamond model whose argument was that the six factors, namely, factor conditions, demand conditions, related and supporting industries, firm strategy, structure and rivalry, government and chance; interact with each other to create conditions where innovation and improved competitiveness occurs.

The decision makers of Melvin’s Marsh International Limited must have had different experiences, could have been in different situations and did actually consider different motives before taking the step into the international market, with the ‘push’ and ‘pull’ factors being largely similar to those outlined by Michael Porter’s Diamond model.

The firm was the first to come up with a distinct product offering not in the markets previously, flavoured teas, and also adopted a unique marketing strategy, e-marketing, that is suitable for penetrating the international market frontiers.

4.3.2 Comparison of Findings with other Empirical Studies

This study established that there is a well defined internationalization process at Melvin’s Marsh International Limited and this has contributed to its growth, profitability and
helped the firm retain its relative position within the tea industry. Internationalization has become a central issue of discussion and firms to an increasing degree are affected by circumstances and behavior outside their local domestic context. Once the firm realizes that the home market is saturated, growth can be generated by stepping into new international markets bearing in mind that the internationalization process can also bring unforeseen challenges to the firm. These findings concur with those of Prashad and Falvo (2005) whose study on the internationalization process of Volvo realized that firms are really eager to enter into world market in this present world of competition stimulated by globalization. Their research problem sought to know about the different forces for firms to participate in the internationalization process which they established were internal and external. Internal forces (proactive) of a firm can be market experience, perceptive management; specific internal event and external forces (reactive) of a firm can be market demand, competing firms, trade associations.

According to the results of the study, the firm has had an internationalization process which over the years has led to Melvin’s Marsh International Limited becoming the leading blender, packing and distributor of quality ready flavoured teas in the country. The internationalization process in Melvin’s took off by having incremental steps such as creating a unique product that has a niche market (reactive forces) and vigorous marketing strategies to create a demand for their new product. The result was immense popularity of their initial offerings of the Tangawizi tea and this led to the firm broadening its product range (proactive forces).
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and recommendations of the study based on the objective of the study. The objective of this study was to determine the internationalization process that Melvin’s Marsh International Limited, Kenya has undergone.

5.2 Summary

The study revealed that the target market for Melvin’s Marsh International Limited in Kenya, was mainly in urban and semi urban areas in Kenya, where their consumers of their product were. The study found that that the initial strategies adopted by the company were collaboration with other companies in the industry, foreign direct investments, use of local expertise in the host country, strategic alliances, downsizing, self-management, outsourcing of non-core operations, exporting of products, licensing of various manufacturers in the region and having outlets of their products in different countries within the East African market.

The study recognized that the challenges that their company faced when entering the international market were stiff competition from other companies in the industry in the region, high cost of doing business in other countries, legal restrictions in the host country, low market share, hostile environment, lack of government support and low product uptake by customers.
The study established that Melvin’s Marsh International Limited had exported various products in the region, invested in various production facilities in East Africa Region and employs the use of strategic partners within the industry, especially where the raw tea needs to be first processed.

It was also realized that the company had adopted different entry strategies in the same market segment, with the major reasons behind the adopted strategies being stiff competition in the region, a bid to overcome the challenges faced during the internalization process in the East African market, to acquire market share in the East Africa region, to enhance in product distribution and to effectively market their product in the region. The study found that the challenges faced in the adoption of chosen market entry strategy were stiff competition from rival companies, lack of trained staff, lack of firms to outsource some of the non core business functions and high costs involved in adoption of these strategies.

The study found that the transfer of technology influenced the company to enter into the East Africa market and it further revealed that the operating environment influenced the decisions to merge with their companies in East Africa. The study also established that Melvin’s Marsh International Limited had future prospects in entering other markets.

The study found out that the company desired to attain a high degree of control in the foreign markets where it would control at least 50% of the market share. The study revealed that competition was the greatest determinant of the strategy employed in the foreign market entry strategies by Melvin’s Marsh International Limited and that the strategies were revised from time to time with the changes in entry strategy being
attributed to changes in competitive environment, in order to keep abreast with other firms in the industry as well remain competitive.

The study also established that the new entry strategies were effective as they helped the company to gain market share through various marketing and entry strategies adopted. It was also realized that there was greater income growth potential from East Africa market as the company was gaining market share and thus increasing its sales and introduction of new products. The study found that the reason for additional markets was to control risks which would be possible through diversification of business. The study revealed that the company would improve performance of core capabilities and distribution channels, through strategic alliances with other firms and through the outsourcing non-core business functions in order to help the firm channel their resources on their core business functions.

The study noted that there was a need to acquire new technologies as this would help the firm in production efficiency.

5.3 Conclusion

The study found that Melvin’s Marsh International Limited, Kenya has undergone the internationalization process to enter into the East Africa Market through joint ventures, strategic partnerships and use of various distribution channels.

From the findings, the study concluded that the success of foreign market is influenced by export knowledge, commitment, technological superiorities of the exported products and external support programmes such as government assistance. The study found that
the entry strategies challenges faced by Melvin’s Marsh International Limited were an extremely competitive environment, regulation by the government and slow product penetration within the market.

The study also concludes that the foreign market strategies employed by Melvin’s Marsh International Limited are use of global marketing strategies, sourcing strategies, research and development, sales and customers’ service, high level of market orientation, marketing research, promotion and advertising, new products development practices and manufacturing operations. The study revealed that the challenges faced by Melvin’s Marsh International Limited in entering the East African Market were marketing strategies, on how to appropriately and effectively carry out product placement to have their products reach their tailored market.

5.4 Recommendations

From the findings and conclusion the study recommends that in order to ensure competitive advantage in the foreign market, Melvin’s Marsh International Limited should ensure that they have the export knowledge, they are committed and should obtain technological superiorities of the exported products which in earlier studies was found to have a positive relationship with success.

5.5 Areas For Further Research

From the above findings, conclusion and recommendation the study recommends that an in-depth study should be carried to determine challenges faced in the adoption of competitive strategies in the East African Market by Melvin’s Marsh International
Limited.

This study focused on the internationalization process that Melvin’s Marsh International Limited, Kenya has undergone. Further research should therefore be conducted to establish the effects of the foreign market strategies adopted. Further studies should also be conducted to establish the foreign market strategies adopted by other companies in the East African Market within the same industry as the firm under study.

5.6 Limitation of the Study

The research design adopted was a case study where the descriptive information provided by the respondents leaves room for important details to be left out and also locks out other companies within the same industry and thus there was no room for comparisons across the industry. The study used an interview guide as the instrument for collecting data from the managers of the company. By virtue of their job descriptions and requirements, they were not readily available and this resulted into the data collection to be much longer than anticipated and planned.
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DATE 12<sup>th</sup> September 2013

TO WHOM IT MAY CONCERN

The bearer of this letter Faith Hargui Gachapa

Registration No. 061/61610/2010

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

12 SEP 2013

MBA ADMINISTRATOR
SCHOOL OF BUSINESS
APPENDIX 1: INTERVIEW GUIDE

1. What is your designation and how long have you been working in that capacity?

2. How long has your company been operational in East Africa Market?

3. Which is your target market in Kenya and in the East Africa region?

4. What strategies did the company adopt in entering the East Africa Market and what influenced your company’s decision to enter into this market?

5. What are some of the challenges that your company faced when entering the international market?

6. Have you adopted different entry strategies in the same market segment and what are the major reasons behind the adopted strategies?

7. What were the challenges faced while adopting the chosen market entry strategy?

8. What prospects does the company have in entering to other markets and what degree of control does your company aspire in the foreign market?

9. Comment on the effectiveness of the chosen entry strategy.

10. How would you improve performance of core capabilities and distribution channels?

Thank you