

FACTORS CONSIDERED IN ADOPTING EXPANSION STRATEGIES BY
TECHNOBRAIN LIMITED KENYA

BY:

TITUS GACHUHI

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DECLARATION

This project is my original work and has not been presented for the award of a degree in this University or any other Institution of higher learning for examination.

Signature Date

Titus Gachuhi

D61/60163/2011

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

Signature Date

Prof. Peter O. K' Obonyo

University of Nairobi

DEDICATION

This project is dedicated to my lovely wife Gladys, and my whole family for their love, care, prayers, support and encouragement.

ACKNOWLEDGEMENT

I am grateful to God for His amazing Grace through this journey. He has provided and given grace when I so desperately needed it.

I sincerely thank the lecturers and the academic staff in the School of Business, University of Nairobi and especially my supervisor Prof. KÓbonyo for his valued advice, constant guidance and most of all for his patience and understanding.

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Although it has not been possible to mention by name all those people that helped me in one way or another to make my work a success, to you all I say thank you and God Bless you abundantly.

ABSTRACT

A major issue in international business is the appropriate choice of entry mode into foreign markets. There are many ways of expanding a business. Expansion strategies fall in the corporate level strategy as they relate to choices of product and markets for an organisation to enter or exit. A firm will not select all of the possible expansion strategies but will choose one or a combination of a few strategies based on various factors that are either internal or external. The objective of this study was to establish the factors that have been considered in adopting expansion strategies by Technobrain Kenya. The study was a case study as it focused on one firm, Technobrain Kenya, where data was collected through interviewing the Chief Executive and the Regional Director. Interviews allow people to convey to others a situation from their own perspective and in their own words. The analysis of the data was done through content analysis. Based on the findings it was clear that there were various factors that affected the choice of the expansion strategies adopted by Technobrain. Technobrain had expanded through market development, mergers and acquisitions, licensing, partnering and product development. These expansion strategies were selected based on both internal and external factors as noted by the respondents. The internal factors considered were either company factors or product factors while the external factors were either market factors or marketing factors. Company factors included market knowledge, overall goals of the firm, internal barriers and motives of the company to expand. The only product factor that affected the choice of expansion strategy based on this study was the nature of the product or offering. Market factors that were considered included similarity of the markets, market life cycle, market growth rate, and level of competition within the target markets. The marketing factor that was of influence in the choice of expansion strategy was communication strategy that was to be adopted in the markets. The study concluded that the careful consideration of these factors in selection of expansion strategies had played a great role in the growth of the firm over the last 17 years that has seen Technobrain Kenya grow to serve 22 countries and provide end to end IT solutions. Due to the fact the study focused on one firm, there is a risk of generalization. However the study also noted that a lot can be learnt from a particular case. The study recommended that organisations should carefully consider internal and external factors when making a decision on which expansion strategies to adopt as this will provide them with clear direction as they expand based on their internal capacity and the industry that they operate in. The study suggested that further research can be done on other companies especially in the IT industry in Africa as well as studies on the expansion strategies adopted by other African companies into Africa and beyond irrespective of the industry and making comparison to the IT industry.

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List of Abbreviations

BPO	Business Process Outsourcing
CEO	Chief Executive Officer
ERP	Enterprise Resource Planning
GIS	Geographical Information system
ICT	Information Communication Technology
IT	Information Technology
MNC	Multinational Corporation
R&D	Research and Development
UAE	United Arabs Emirates
UK	United Kingdom
USA	United States of America

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The high rate of globalization, the complexity of operating environment, technology advances, liberalization of government policies, development of institutions facilitating global trade and global competition have forced organisations to constantly evaluate their strategies (Daniels and Radebaugh, 2001). According to Johnson et al(2006), strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder expectations. Several strategic options are available and they fall into either corporate strategy which is concerned with the whole organization and how value is created for the other parts of the organization (Du Plessis et al, 2011), business level strategy which is concerned with how business units should compete within their markets and operational strategies which focuses on how the component parts of an organization deliver effectively the corporate and business level strategies in terms of resources, people and processes (Johnson et al, 2006). Among the corporate strategies available to the organization are expansion strategies as they relate to choices of products and markets for an organization to enter or exit.

Studies have been done that have examined expansion strategies. According to these studies, there are two main schools of thought that influence the adoption of various strategies, the resource based theory and the industrial organization perspective (Penrose, 1959; Porter, 1990). Penrose (1959) argues that the organization derives its competitive advantage from the resources and capabilities a firm controls. This emphasizes the fact that internal factors influence the choice of strategy (Barney, 1991). According to Porter (1980), industry structure is the primary determinant of competitive

strategy. This is the industrial organization perspective. The industrial organization view assumes that industry is stable and suggests using different analysis tools such as competitor analysis and strategic groups (Choi and Mogyoro, 2011).Pehrsson (2008c) describes strategy building as an instrument influenced by industrial factors and he pointed out the importance of creating a competitive advantage to outperform competitors in the industry

Information and technology (IT) has become the backbone of business in the 21st century (The Global Information Technology Report 2001–2002: Readiness for the Networked World). Although many new, technology-based firms remain relatively small over time, and only a small fraction of them grow into larger firms, several researchers have presented empirical evidence suggesting that this minority of fast growing companies generates a significant proportion of economic growth and new jobs (Rickne and Jacobsson, 1996). For many of these firms, international expansion is necessary to realize growth ambitions, while others are pushed into international markets due to significant R&D start-up costs and limited home market potential In Kenya, the software industry has grown tremendously in the last few years both as a result of local firms being established and foreign firms setting up their offices in Kenya. The software companies have adopted various expansion strategies to Kenya and the Kenyan companies out of Kenya. Software companies entering new markets are often limited in the time and resources such as capabilities, time and capital. As a consequence, these companies adopt expansion strategies that are low in resource commitment (Moen, 2010).

1.1.1 Expansion Strategies

Walker Jr. et al. (2006) define market expansion strategy as stimulating primary demand to help speed up overall market growth. Bang and Joshi (2008) concludes that market expansion strategy is a strategy of increasing primary demand for a product category by converting noncustomers into customers of an industry and/ or by increasing the usage rate of industry's existing customers. Glueck and Jauch (1984) in their study outlines concentration, integration, diversification, cooperation, and internationalization as different routes to expansion. Concentration is growth strategy where the firm focuses on its primary line of business and looks for ways to meet its growth objectives through increasing its level of operation. There are four options for concentration, product market exploration, product development, market development and product/market diversification (Acquaah, 2000). Integration on the other hand is as an organization's attempt to gain control of its inputs (backward integration) and outputs (forward integration) or both inputs and output in an effort to reduce resource acquisition costs and deal with inefficient operations (Acquaah, 2000). Diversification is a corporate growth strategy in which a firm expands its operation by moving into a different market, products or services (Glueck and Jauch, 1984). Cooperation is a strategy in which a number of firms work together to attain a common goal. The firms share their resources and the capabilities they have to create some competitive advantage in the form of new products or services (Nguyen, 2013). Root (1994) defines an internationalization as an "institutional arrangement that makes possible the entry of a company's products, technology, human skills, management, or other resources into a foreign country.

According to Bartlett and Ghoshal (2002), there are four types of international strategies including; global Strategy, transnational strategy, international strategy and multidomestic strategy. Firms adopt an international strategy when they create value by

transferring to foreign markets that do not have such products or services. A multidomestic strategy is achieved when the firm matches the products to the national demands in the countries where they are operating. Firms adopt a global strategy when they leverage on low costs achieved due to economies of scale and offering standardized products and services across several countries. Firms adopt a transnational strategy when they adopt a combined approach of low cost and high local responsiveness simultaneously.

Yesilyurt(2012) in his study of international expansion strategies groups the expansion methods into export entry, investment and contractual modes. Export entry mode is whereby a product or service is produced in the market and transferred to a foreign market (Root, 1994). Investment mode involves a form of ownership of another entity in the target market. This can either be a sole or joint venture and depends on the degree of ownership and control (Yesilyurt, 2012). This can also be done through strategic alliances or wholly owned subsidiaries. (Root, 1994). Root (1994) defines contractual mode of entry as "long-term non equity associations between an international company and an entity in a foreign target country that involve the transfer of technology or human skills from the former to the latter". Contractual entry mode focuses on the transfer of knowledge and skills from the parent company to the contracted company rather than physical products. The most known contractual entry mode is licensing (Yesilyurt, 2012). Other forms of contractual arrangements include technical agreements, service contracts, contract manufacturing, product sharing, turnkey operations, build operate transfer (Root, 1994).

1.1.2 Factors Considered in adopting expansion strategies

The choice of expansion strategies for companies can be varied and broad. This choice will be determined by a number of factors either singly or collectively. Choi and Mogyoro (2011) in their study of Swedish firms broadly classified these factors as internal and external factors. Internal factors are based on the resource based view such as international experience and business relatedness. Choi and Mogyoro (2011) noted that if the parent company has good international experience it will strengthen the competence of the subsidiaries. Business relatedness focuses on the similarities among business units along central dimensions. (Pehrsson, 2006; Rumelt, 1982; St John & Harrison, 1999). When a subsidiary company has high business relatedness with the parent company it can acquire related knowledge on strategy regarding products, services and markets (Choi and Mogyoro, 2011). On the other hand, external factors are based on industrial organization view which includes external barriers and competition. Pehrsson (2009) studied the impact of barriers and found that companies that faces extensive barriers chose broad product/market scope and differentiate their products to a great extent. Firms monitor their competitors so as to determine how to establish a superior position compared to the competitors by manipulating strategy attributes (inputs, outputs, size, administrative, structure, technologies, skills) (Choi and Mogyoro, 2011).

Hollensen (1998) grouped the factors affecting the choice of expansion strategies into company, product, market and marketing factors. Company factors include the knowledge of the market, the risk appetite of management, firm goals, internal barriers and the motive of the firm to expand. Product factors include the product lifecycle, and the nature of the product. Market factors that determine the choice of expansion strategies include; size of the markets, similarity of the markets, market life cycle, level

of competition and customer loyalty. Closely related to the market factors are marketing factors that include standardized communication and handling costs.

1.1.3 Technobrain Limited Kenya

Techno Brain Limited was first founded in 1997 in Dar es Salaam Tanzania by the Chairman of Export Trading Group, Mahesh Patel, who saw a developing need for IT skills in Africa. Manoj Shanker joined and took the reins of the company in 1998 as the CEO. For the first five years the focus was on re-focusing, stabilizing and growing the training organization. During these five years new training centers were opened in Uganda and Kenya through a partnership with New Horizon, an American training company.

According to the Technobrain Company Profile (2014), a strategic move between the years 2003 to 2008 saw Technobrain introduce IT solutions aimed at capturing the African market. At the time, most of the IT solutions were supplied by companies outside Africa who had a difficult time providing required post implementation support due to the geographical distance involved as well as the inability of these companies to customize their solutions to fit the unique needs in the African region. As a result a research and development center was established in Kenya that saw the hiring of software engineers to develop and support the IT solutions developed. At the time Technobrain only offered Enterprise Resources Planning solutions and Human Resource Information Management solutions. In addition, new offices were opened in Malawi and Ethiopia and new training centers were set up.

Beginning 2009 to 2011 the company began global expansion that saw new offices established in the USA, UAE and UK. A Software Development Center was established in India that would support the development of Technobrain's own solutions. As of

today, two major solutions that are in use in some African countries are Technobrain's intellectual property. The goal was to initially develop the center in Kenya in 2008 but this was made impossible by the post-election chaos. However in 2012, a Kenya Development Center was opened that now supports projects in Africa. Another business segment was introduced in 2008, the Business Process Outsourcing division. The Techno Brain BPO is the Business Process Outsourcing and IT Enabled Services division of Techno Brain with three delivery centers located in Nairobi, Kenya; Kampala, Uganda and Lilongwe, Malawi. The division offers specifically tailored, affordable and high-end capacity services utilizing latest technology and infrastructure to clients across the globe. Some of the services offered include; customer care, technical support, inbound helpdesk and appointment setting, surveys & market research among others (Milestones, 2014)

Today, Techno Brain operates in 22 countries and employs 1,300 staff. The training division trains 10,000 delegates a year through seven training centers in Africa. The BPO division is providing services for global companies such as Google and critical national services such as Childline in Kenya, Uganda and Zambia. The solutions business provides identity management solutions, tax, revenue and customs solutions, financial management solutions, IT infrastructure services, GIS & land management and strategic consultancy among others. The growth of the company has been guided by various expansion strategies as detailed in the next section.

The expansion of Technobrain has been one that is three fold. Technobrain has expanded into new markets since its inception in 1997. It has also expanded its business units and offerings from a training center to a solutions provider and a BPO center and finally it has expanded from dependency on the sale of one solution to several solutions that it has developed. Technobrain has grown from Tanzania in 1997 to over 22 countries in

Africa, Asia, Europe and America. Techno Brain started operations by setting up a training institution at Dar-es-Salaam. The success of this center was replicated in Kampala and Nairobi in 2000. In addition to this it expanded the training offerings from Microsoft certification to Oracle and Linux certifications in 2002. In 2003, training centers were opened in Zambia and Malawi. In 2005, the company began offering enterprise resource planning solutions in Africa beginning with East Africa. In 2009 a development center was opened in India to support the development of solutions. In addition, new solutions were introduced to the portfolio that included the Human Resource Management Solution and the Monitoring and Evaluation solution. The company acquired Ken Tech Data, a company that provided BPO solutions and it was rebranded to Technobrain BPO in 2011. From the foregoing, the expansion of Technobrain has been rapid and one that must have been guided by some strategies. The expansion strategies adopted by Technobrain include use of alliances/partnerships, joint ventures, mergers and acquisitions, licensing, market development and product development (Milestones, 2014).

Partnerships and alliances provides for complementarity that allows companies to share competencies that they do not already have (Nielson, 2003). Mahoney et al. (2001), defined partnerships and alliances as business arrangement where two or more companies choose to cooperate for their mutual benefits. Technobrain entered into partnership with Microsoft in 1998 and then Oracle in 1999. This enabled them to offer their courses thereby enabling Technobrain establish the training division and also give it credibility as an accredited institution. The same partnerships enabled Technobrain to offer solutions offered by these organizations enabling Technobrain expand their business to solutions. Technobrain can utilize the resources of these partners in the countries that they do not yet have presence and can use their support especially in sales

and marketing. Today the company boasts of partnerships with additional companies such as IBM, New Horizon, SAP, HP, Cisco that has enabled them to expand the solutions offering to the customers.

In addition, Technobrain has opened an opportunity for channel partners who will now start selling solutions developed in-house through a licensing arrangement. Root (1994) defines licensing as a contractual arrangement whereby one company (the licensor) makes a legally protected asset available to another company (the licensee) in exchange for royalties, license fees, or some other form of compensation. This strategy has seen Technobrain enter new markets such as Namibia and Botswana by partnering with local solution providers Prinsan in Botswana and Syntex in Namibia.

Technobrain has also entered into Joint Ventures. Root (1994) has defined a joint venture as an entry strategy for a single target country in which the partners share ownership of a newly created business entity. Technobrain entered the Nigeria and Ghana market as Technobrain-Westblue after a joint venture between the two companies was finalized in 2013. Westblue was a UK based business and IT-consulting and technology firm based in Nigeria and Ghana. The new company now carries all business that was done by both companies.

Technobrain has also acquired businesses in a bid to expand the solution offerings. In 2011, Technobrain acquired Ken-Tech Data that was providing BPO services in Kenya. The company used this to form the Technobrain BPO that now provides BPO solutions. The division has now grown to include Malawi and Uganda after the model was proven to work in Kenya. In 2012, the company also acquired Micronix Systems Limited a company based in Tanzania that offered IT infrastructure solutions. This then led to a

new division being created to offer infrastructure solutions not only in Tanzania but also across the countries where Technobrain has presence.

Ansoff (1987) developed a growth matrix that suggests that companies can grow the business via existing and/or new products, in existing and/or new markets. In recent years, Technobrain has adopted a product development strategy supported by the development centers in India and Kenya. Product development involves creating new products for the existing markets (Ansoff, 1987). Market development on the other hand relates to the introduction of existing solutions to new markets. The India Development Center that was established in 2009 saw the introduction of a new Human Resource Information System and a Monitoring and Evaluation solution that was initially sold in the existing markets. It has however led to the development of new markets where such solutions were not available. In Namibia the provision of the Monitoring and Evaluation solution to the Government of Namibia opened new opportunities that led to the establishment of Technobrain's presence. The offices in USA were opened after the realization that most NGOs, which formed a good part of Technobrain's market, were headquartered in US and UK. As a result it was necessary then to pursue the business from those countries in order to win contracts in Africa. In 2013, Technobrain moved its headquarters to Kenya from Tanzania as it occurred to the company that Nairobi is more central and will be easy to access the other countries (Technobrain Company Profile, 2014).

1.2 Research Problem

Empirical evidence suggests that small technology-based firms remain relatively small over time, and only a small fraction of them grow into larger firms. Researchers have presented empirical evidence suggesting that this minority of fast growing companies

generates a significant proportion of economic growth and new jobs (Rickne and Jacobsson, 1996). For many of these firms, international expansion is necessary to realize growth ambitions, while others are pushed into international markets due to significant R&D start-up costs and limited home market potential. Software companies entering new markets are often limited in the time and resources such as capabilities, time and capital. As a consequence, these companies adopt expansion strategies that are low in resource commitment (Moen, 2010). Expansion strategies are designed to allow enterprises to maintain their competitive position in rapidly growing national and international markets. Johnson et al(2006) notes that strategy development must take into account various factors due to the futuristic nature of strategies.

The software industry has seen many companies set up office in Kenya in a bid to tap the potential inherent in the software industry in Kenya according to the Julisha Report (Kenya ICT Board, 2011). Technobrain Limited is one of the companies that has taken advantage of this growth. Started in 1997 in Tanzania, the company has grown from serving Tanzania to 22 other countries Africa, grown its solution portfolio from training in computers to provision of solutions and eventually to a BPO center. The company has adopted various strategies including alliances/partnerships, joint ventures, mergers and acquisitions, licensing, market development and product development (Milestones, 2014)

Moen (2010) evaluated the international market expansion strategies for UK high tech firms with a focus on strategic partnerships and concluded that; in order to rapidly enter a new foreign market while at the same time engaging in product development, managers should thus consider using partners for marketing and sales activities instead of the firm developing these skills itself. Heeks (2009) in his study on “Software Strategies in Developing Countries”, identifies five strategic positioning for software firms in

developing countries and the factors underlying software production in developing countries. Shama (2000) conducted a study where he sought to evaluate the considerations made when selecting the entry strategies of U.S. companies into Eastern Europe. He concluded that the choice of entry strategy depended on the variables of business activity, year of entry, level of competition and market potential. Taylor, Zou, and Osland (2000) surveyed 1,189 Japanese firms in a bid to understand the determinants of entry modes of Japanese firms into foreign countries. They identified eight of the most influential factors in the determination of the foreign market entry strategy decision. Pan and Tse (2000) evaluated market entry modes. They concluded that the choice of entry is either equity based or non-equity based.

These studies have focused on US, UK, Japanese, Chinese and other developed countries companies that have entered new markets notably the emerging markets (Luostarinen 1994; Johanson and Vahlne, 1977; Melin, 1992, Heeks, 2009, Moen, 2010). There is little research that has been done on African companies that have grown to other African markets as well as other continents. Further, little focus has been given to the Sub Saharan companies that are experiencing tremendous growth. The question then becomes what factors the African technology firms like Technobrain Limited Kenya take into consideration before they arrive at the decision on the various expansion strategies to enter new markets in African countries and beyond?

1.3 Research Objective

The objective of the study is to establish the factors that have been considered in adopting expansion strategies adopted by Technobrain Kenya.

1.4 Value of the Study

Software companies will find this study helpful in providing insights on successful expansion strategies adopted by other software companies and the critical factors they must evaluate before they adopt those strategies. In addition, policy makers in Government will be able to use the findings of this research to formulate effective policies which are industry sensitive and can adapt to the volatility of the industry. The ICT Authority in Kenya has a mission to adopt and exploit ICT through promotion of partnerships, investments and infrastructure growth, by understanding the factors software companies consider when expanding, the ICT board will be able to identify areas they can support through policy formulation.

Technobrain will find the study useful in providing them with an opportunity to query past decisions made and the process that has brought them to the point where they are at with a view of improving as they go to the future. Finally, the ICT professional bodies will find the study useful in providing additional insight into the ICT industry and specifically software industry in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In Literature review this paper will discuss studies conducted by other scholars on expansion strategies adopted by software companies and the factors influencing those strategies as well as highlight the broad subject of strategy.

2.2 Theoretical Foundation Underpinning the Study

Strategic management has seen the proliferation of many theories of the firm over the last few decades. Of these, the resource based theory and the industrial organization perspective have emerged distinctly as some of the most influential paradigms. (Choi and Mogyoro, 2011). Penrose (1959) offers durable principles governing the growth of firms and the rate at which firms can grow efficiently. Penrose (1959) emphasizes the value of internal resources of a firm on its growth and provides an explanatory logic to unravel causal links among resources, capabilities, and competitive advantage, which contributes to the resource-based theory of competitive advantage. Spring (1991) concludes that the case for making resources and capabilities the foundation of long term strategy rests on two premises, that internal resources and capabilities provide the basic direction for a firm's strategy and that resources are the primary source of profit for the firm.

Penrose (1959) provides at least three key arguments concerning the link between firms resources, productive opportunities and profitable firm growth. To begin with, Penrose (1959), maintains that firms can create economic value not because of mere possession of resources but due to effective and innovative management of resources.(Mahoney, 1994, 1995). Secondly, Penrose (1995) provides the causal link between resources and

how they can be used to generate productive opportunities for growth and innovation.(Mahoney,1995). The experience of managers with each other and other resources in the firm affects their image of the unique productive opportunities available for their firms. (Mahoney, 1995). Lastly, Penrose (1995) explains the drivers of the rate and direction of firm growth. The availability of top managerial and technical talent serves as the bottleneck for a firm's growth rate in a particular period of time. The current knowledge bases and underutilized resources of the firm determine the direction of firm growth (Mahoney, 1995). Rugman and Verbeke(2002) note that the building block in most of the post-1980 academic work on the resource based approach share the following conclusions. The first is that the firm's ultimate objective is to achieve sustained, above normal returns, as compared to rivals. Secondly a set of resources, not equally available to all firms, and their combination into competences and capabilities, are critical for sustained superior returns. Thirdly, competences and capabilities lead to sustained superior returns, to the extent that they are firm specific, valuable to customers, no substitutable and difficult to imitate (Barney, 1991). Finally, Rugman and Verbeke(2002) conclude that innovations, especially in terms of new resource combinations, can substantially contribute to sustainable superior returns.

The industrial organization view dominated strategic management studies in the 70s and 80s. Porter (1980) researched industry structure as the determinant of competitiveness and profitability. He described strategy as influenced by industrial factors and he pointed out the importance of creating a competitive advantage to outperform competitors (Porter, 1980). Competitive advantages are potential rent-generating abilities of an asset or know how (Madhok, 1997).The thoughts of the competitive environment are based upon the perception of barriers to entry or expansion of a particular market by managers (Choi and Mogyro, 2011). Managers assess the competitive environment based on the

competitor's scope of product range, customer types, the number of customers and the geographical location of the customers (Pehrsson, 2008a). Porter (1980) also argues that competitor analysis is also conducted to better understand the competitor's resources, capabilities and strategies. Porac & Thomas (1990) suggests that for the firm to gain competitive advantage, it needs to manipulate the strategy attributes (inputs, outputs, size, administrative, structure, technologies, skills). Firms monitor and balance similarities and differences to those of its main competitors in order to achieve competitive advantage (Choi and Mogyoro, 2011).

Bain(1968) discussed the concept of barriers to new competition and defined it as an advantage held by established sellers over potential entrants. Porter (1980) notes that barriers are obstacles that prevent other firms enter or expand in a particular market. Porter(1980) identified seven major sources of barriers namely economies of scales, product differentiation, capital requirements, customer switching costs, access to distribution channels, cost disadvantages independent of scale and government policy. Pehrsson (2009) studied the impact of barriers and found that companies that face extensive barriers seems to choose broad product/market scope and differentiate their products to a great extent.

2.3 Expansion Strategies

A major issue in international business is the appropriate choice of entry mode into foreign markets (Anderson, Gatignon, 1986). There are many ways of expanding a business. In some instances the aim of the business is to expand within the local market while at other times the business wants to move to international markets. In market literature, the term market refers to actual and potential buyers of a product. (Kotler 2001). The size of the market is measured in terms of demand. Demand for a product

category as a whole is termed as primary demand while demand for a particular brand of a product is called selective demand. (Bang and Joshi, 2008). Walker Jr. et al. (2006) define market expansion strategy as stimulating primary demand to help speed up overall market growth. Bang and Joshi (2008) concludes that market expansion strategy is a strategy of increasing primary demand for a product category by converting noncustomers into customers of an industry and/ or by increasing the usage rate of industry's existing customers. Expansion strategies fall in the corporate level strategy as they relate to choices of product and markets for an organisation to enter or exit. It answers the questions, should the organisation be very focused on just a few products and markets? Or should it be much broader in scope, perhaps very diversified in terms of either products (or services) and markets? (Johnson et al, 2006).

Glueck and Jauch (1984) in their study outlines concentration, integration, diversification, cooperation, and internationalization as different routes to expansion. According to Glueck and Jauch(1984) concentration involves converging resources in one or more of a firm's businesses in terms of their respective customer needs, customer functions or alternative technologies, either singly or jointly, in such a manner as it results in expansion. Integration involves a company widening the scope of its business definition in such a manner that it results in serving the same set of customers. It involves combining activities related to the present activity of the firm. Such a combination may be done on the basis of the value chain. Integration can either be horizontal where an organization takes the same type of products at the same level of production or marketing process or vertical where an organization takes on new products that serve its own needs such as provision of raw materials. Horizontal integration may be frequently adopted with a view to expand geographically by buying a competitor's business, to increase market share or to benefit from economies of scale.

Diversification involves all dimensions of strategic alternatives. It may involve internal or external, related or unrelated, horizontal or vertical and active or passive either singly or collectively. Diversification might be chosen to create efficiency where existing capabilities are utilized in new markets, it is also done to stretch the parent's capabilities and increasing market power as a result of having diverse range of businesses (Johnson et al., 2006). Related diversification is development beyond current markets and products but within the current capabilities of the firm. Related diversification can either be vertical or horizontal. Vertical diversification refers to development into activities concerned with the inputs into the company's current business (backward integration) and development into activities which are concerned with a company's outputs (forward integration) (Johnson et al., 2006). Horizontal diversification is development into activities which are complementary or adjacent to present activities. Unrelated diversification is the development of products or services beyond the current capabilities or value network (Johnson et al., 2006).

Cooperation takes into account the possibility of mutual cooperation with competitors while competing with them at the same time so that market potential can expand. The central point is of complementarity among the interests of the rival firms. Such cooperation can take place through Mergers or takeovers which involves two or more firms becoming one entity (Copeland and Weston, 1988), joint ventures where an independent firm is created by at least two other firms and strategic alliances which are partnerships between firms whereby their resources, capabilities, and core competencies are combined to pursue mutual interests to develop, manufacture or distribute goods or services (Mahoney et al., 2001; Child et al., 2005). Johnson et al. (2006) define an acquisition as "where an organisation takes ownership of another organisation, whereas a merger implies a mutually agreed decision for joint ownership between organisations".

According to Johnson et al (2006) the motives of pursuing a merger or acquisition include increasing the speed of entry into new markets, consolidation of opportunities, exploitation of strategic capabilities, cost efficiency and managerial ambitions. Strategic alliances is where two or more organisations share resources and activities to pursue a strategy and can vary from simple two-partner alliances coproducing a product to one with multiple partners providing complex products and solutions. A major motivation for strategic alliances is to obtain resources that an organisation needs but does not itself possess. These resources do not, however, confer competitive advantage on members of the alliance; nor are they intended to so (Johnson et al, 2006).

Internationalisation relates to firms moving beyond their national borders. The national market can only expand so far leaving firms with the only option of growing as expanding to new geographical markets. According to Bartlett and Ghoshal (2002), there are four types of international strategies as depicted in Figure 2.3 below;

Figure 2.3: Types of International Strategies



Source: Adapted from C W L Hill and G R Jones, Strategic Management theory (Boston M.A Houghton Mifflin, 1997) p 233

Firms adopt an international strategy when they create value by transferring to foreign markets that do not have such products or services. A multidomestic strategy is achieved when the firm matches the products to the national demands in the countries where they are operating. Firms adopt a global strategy when they leverage on low costs achieved due to economies of scale and offering standardized products and services across several countries. Firms adopt a transnational strategy when they adopt a combined approach of low cost and high local responsiveness simultaneously. After a firm adopts an internationalization strategy, it is faced with a decision on how to enter these foreign markets. Several methods of entry are available which include export mode where the firm produces in their own country and markets to the foreign markets. This can either be direct exports where the firm does not involve home intermediaries and indirect where the firm markets through intermediaries in the home market.

The other entry mode is contractual mode whereby a company can license a home company in which case the international company transfers knowledge and skills to the home company in return for some payment mostly some royalty (Dunning (1977), Buckley and Casson (2003). Yesilyurt(2012) notes that in a licensing arrangement, a company transfers to a foreign entity for a defined period of time the right to use its industrial property (patents, know-how, or trademarks) in return for a royalty or other compensation (Root, 1994). Licensing is usually selected as it is a good way to increase income without any major investment. The domestic company can utilize the foreign company's resources and capabilities without investing on its own (Yesilyurt, 2012) Contractual mode can also be through franchising whereby the international company allows a home company to use their brand name in return for some payment (Alexander and Doherty, 2009). Other forms of contractual arrangements include technical

agreements, service contracts, contract manufacturing, product sharing, turnkey operations, build operate transfer.

2.4 Factors Influencing Choice of Expansion Strategies

As discussed earlier, the choice of expansion strategies for companies can be varied and broad. A firm will not select all of the possible expansion strategies but will choose one or a combination of a few strategies. Choi and Mogyoro (2011) in their study of Swedish firms broadly classified these factors as internal and external factors. Internal factors are based on the resource based view such as international experience and business relatedness while the external factors are based on industrial organization view which includes external barriers and competition.

Business relatedness explains the core business of the corporation and its business units. Pehrsson (2010) states that business relatedness consists of dimensions of product, market, and intangible resources. When the business units have high relatedness to the parent company, it will be easy for the business unit to adopt the strategies on the product and market from the parent company. Consequently, when the parent company has international experience, the subsidiaries will benefit from such experience (Kogut, 1983). When the parent company's experience increases (the firm acquires knowledge of foreign markets), it perceives less uncertainty, and becomes more confident of its ability to estimate risks and returns and manage foreign operations. This would then trickle to the subsidiaries. (Choi and Mogyoro, 2011).

The strategies adopted by a company during expansion are also influenced by the competitive forces in whichever market the company seeks to move into. Managers will be keen to understand a competitor's scope of product range, customer types, location of customers, their resources, capabilities and strategies. Porac & Thomas (1990)

suggest that the choices of the firm, in seeking competitive advantage, needs to manipulate strategy attributes (inputs, outputs, size, administrative, structure, technologies, skills) to achieve a superior position relative to competitors. Porter (1980) has identified barriers to entry as one of the forces of competition. He classifies these barriers as those emanating from; economies of scale, product differentiation, capital requirements, customer switching costs, access to distribution channels, and cost disadvantages independent of scale and government policy.

Taylor, Zou, and Osland (2000) identified eight factors that affect the decision on entry mode decision of Japanese companies into foreign markets. These include; stake of the firm, stake of the host country, the need for local contribution to the venture, the risk rating of the venture, intensity of competition for the investment, level of commitment by the firm in the foreign market, host government restrictions and size of the firm.

Hollensen (1998) grouped the factors affecting the choice of expansion strategies into company, product, market and marketing factors.

Company factors include market knowledge, management risk consciousness, firm goals, internal barriers and export stimuli. Knowledge of a market is a critical success factor in the decision to expand to unknown markets and territories (Johanson and vahlne, 1977). The new culture, local preferences and business systems increase the chances of failure of entrance to new markets. The increased uncertainty makes it more difficult for the firm to enter into meaningful partnerships with the governments and other local partners thus delaying the operations of the firm in the new market (Frandsberg and Kjellman, 2004). An organization with good market knowledge is able to pick the best market segments and reduces the risks the firm is exposed to. Firms operating in new markets face political, financial, cultural and environmental risks

(Frandsberg and Kjellman, 2004). The way a firm perceives risks in its operations influences the choice of market expansion strategy (Frosdick, 1997). Firms pursue different expansion strategies depending on their overall goals (Lee and Yang, 2011). Kotler (1997) suggests that a company must carefully examine opportunities available for them before adopting expansion strategies. These opportunities would be in line with the goals of the organizations.

Internal barriers relate to the firm's capacity in terms of resources that would enable it to not only expand but also to serve the market that the firm expands to (Rundh, 2001). Ayal and Zif (1979) suggests that the choice of either concentration or diversification is dependent on the resources that a firm has, among other factors. Leonidou and Katsikeas (1996), suggest that the motivation to expand determines the expansion strategy that will eventually be adopted. The motives will broadly fall into two; proactive meaning those that are firm driven or reactive being those that are environment driven (Czinkota and Ronkainen, 1995).

Product factors include the product lifecycle, production process and nature of the product. The Product Life Cycle (PLC) depicts the sales of a product from introduction to decline (Kotler, 1997). It can serve as a planning framework in strategy development including the development of relevant expansion strategies for the various products (Frandsberg and Kjellman, 2004). The entry into new markets will at times require that a company modifies the products to fit the needs in that market. The investment required in the alteration of the production process to meet these needs will affect the expansion strategy adopted (Okazaki, 2004). The characteristics of a product determine the product performance and the market strategy for that product (Jiao and Tseng, 2000; Styles and Ambler, 1994). Niche products have limited use and low sales volume. The choice of expansion strategies for these products would be significantly different from those of a

generic product that is high sales volume and general use (Hollensen, 1998). Other studies have led to similar conclusions, such as Madsen (1989) and McGuinness and Little (1981).

Market factors include similarity of the markets, market life cycle, market growth rate, level of competition and customer loyalty. According to Hollensen (1998), organizations must identify similarities among the markets so as to be able to take advantage of international business. The advantages include economies of scale, reduced working capital requirement for inventories and administration, reduced marketing costs, cost savings in research and reduced unit costs for the product or service (Frandsberg and Kjellman, 2004). The market life cycle is similar to the product life cycle with the market having a beginning all through to the decline stage. It is important that organizations identify which stage a market is in order to develop the most appropriate market expansion strategy (Keegan, 1995). Ruiz, and Nicolau-González et al (2007) notes that a company in a declining market would adopt a diversification strategy while that in a mature market would pursue a concentration strategy.

Related to the market life cycle is the growth rate. If the growth rate in the current market is slow, a firm will most likely diversify to numerous markets. High growth forces most firms to concentrate on that market (Frandsberg and Kjellman, 2004). The attractiveness of a new market is often determined by the profitability of that market (Bradley, 1991). A company will expand to those markets where they have a competitive advantage (Porter, 1994). As such the choice of the strategy to adopt will be influenced by the profitability of the market a firm wishes to expand to. A good and loyal customer base in any market segment forces a firm to aim at capitalizing on it. In such cases, the firm might pursue a more concentrated strategy than a diversified one (Hollensen, 1998).

Marketing factors include communication and order handling costs and communications. Communication is critical in choice of expansion strategy since as the firm expands, it will need to communicate their brand in the new markets. It is worth noting, however, that total standardization is rarely possible as market differ in language, economy, culture, legal and regulatory conditions and competition (Czinkota and Ronkainen, 2001). According to Hollensen (1998), order handling cost and communication costs might also influence the choice of market expansion strategy.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The objective of this study is to identify the factors that influenced the decision to adopt various expansion strategies by Technobrain. Methodology seeks to describe data collection methods applied in this study. This chapter points out the, research design, data sources, data collection tools and procedures and data analysis.

3.2 Research Design

The type of research design for this study will be a case study since it focuses on one firm and intends to identify factors that influenced the decision for adoption of given expansion strategies for that firm, Technobrain Limited Kenya. According to Yin (2003) a case study design is considered when the focus of the study is to answer “how” and “why” questions, when one cannot manipulate the behavior of those involved in the study or when the boundaries are not clear between the phenomenon and context.

3.3 Data Collection

Primary data will be used in this study and will be collected through interviews. Interviews allow people to convey to others a situation from their own perspective and in their own words. Research interviews are based on the conversations of everyday life. They are conversations with structure and purpose that are defined and controlled by the researcher. Although the research interview may not lead to objective information, it captures many of the subject’s views on something of interest (Kvale, 1996).

The interview guide will consist of two sections. The first section will contain questions related to the motives of expansion by Technobrain. Section two will cover questions on the factors that determined the choice of the expansion strategies. The interviewees will be the Chief Executive officer of Technobrain who has been in the company for 17 years

and has continued to manage it. He has overseen the expansion of the company to the 22 countries. Given his vast experience in the company, he was found to be the most suited to give the information on the expansion strategies that he has adopted over this time and the factors that influenced his decision. The other interviewee will be the Regional Director for Southern Africa who has been in the firm for 15 years and has overseen the expansion in the Eastern and Southern Africa.

3.4 Data analysis

Data will be analyzed through content analysis. Gray (2004) identified two main approaches for analyzing qualitative data: content analysis and grounded theory. Patton (2002) defined content analysis as any qualitative data reduction and sense making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings. Meyer(2011) notes that content analysis refers to a general set of techniques useful for analysis and understanding collections of text.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The chapter comprises of analysis, presentation and interpretation of the findings of the study whose objective was to establish the factors that have been considered in adopting expansion strategies adopted by Technobrain Kenya. The Chief Executive Officer of Technobrain Kenya Limited and the Regional Director Sales were interviewed and this chapter details the presentation of the findings. The chapter is divided into three sections namely data analysis, findings of the study and discussion

4.2 Data Analysis

The interview guide consisted of two sections. The first section contained questions related to the motives of expansion by Technobrain while section two covered questions on the factors that determined the choice of the expansion strategies adopted by Technobrain Kenya Limited. All the questions were adequately answered by the respondents to inform a response rate of 100% to the interview questions.

4.3 Findings of the Study

4.3.1 Motives for Expansion

The respondents noted that the expansion of Technobrain in all respects including expansion to other countries and expansion into new offerings was motivated by some factors. To begin with was managerial ambitions. Technobrain was created out of a need to have an African IT company offering solutions in Africa. As such, management started the company with the goal of spreading across Africa and offering a one stop shop for IT solutions. Closely related to this was the identification of the IT skills gap that was in Africa. The respondents noted that in the 1990s there was a huge gap in IT

skills that prompted the inception of a training company. The company was to serve the whole of Africa and be a leader in providing these skills to the young generation.

The respondents also agreed that profit and growth were a major motive for expansion. They noted that the only way to make an impact in Africa would be to grow the company to a sustainable and profitable level. As such there was need to expand to new markets and new offering to tap into the new opportunities that were available allowing the company grow their profits. The respondents noted that the company has grown by an average of 60-70 percent and this would in future be supported by consolidating the company's presence in the countries already established, expanding into more countries in African and Asia Pacific and developing the solution portfolio further to complement the existing offerings.

It was noted that foreign market opportunities were also a huge motive for expansion. An example that was provided was the South African market that was big and untapped. This attracted Technobrain to start an office in South African in 2012 to tap into this huge market. The opportunities were largely driven by the economic growth in the South African countries.

The respondents admitted to the fact that tradition markets especially the East African market were declining thus forcing Technobrain to seek new markets. This was due to the rising competition in Tanzania, Kenya and Uganda. In addition, Technobrain was also introducing high end solutions such as the Enterprise Resource Planning that were not affordable in the traditional markets. Also, the major market for Technobrain was the public sector which could only be expanded by moving into new countries.

4.3.2 Factors that have determined Expansion Strategies

4.3.2.1 Expansion of Training Division to other countries

The respondent described the major factors that led to the expansion of the training division from Tanzania to Kenya, Uganda and Malawi was the market needs. There was a growing young population that lacked IT training skills. Additionally, the only companies that offered training courses were foreign colleges. As such, Technobrain saw an opportunity to tap into this market. The move to add Malawi training center was also due to the fact that it was an uncontested market space. There were very few IT companies that had set up in Malawi and the IT services provision was done by foreign firms. Additionally, the company had already had success in Kenya and Tanzania and utilizing the market knowledge and model in Malawi was an attractive option.

4.3.2.2 Expansion through Partnerships

It was noted that the factors that led to partnering being a choice for Technobrain's expansion included applicable skills required in the market, support from the partners, credibility of the partners in the markets, the strategy fit of Technobrain strategies and that of the partners, strengths of the partners and the solutions the partners were offering. Partners such as Microsoft, Oracle, IBM were already established in Africa and were recognized as IT giants. As such partnering with them would allow Technobrain exploit their existing expertise and existing networks. Also these partners including New Horizon already had certification programs that were recognized and provided the skills that were relevant but missing in Kenya, Tanzania and Malawi.

Another factor that was important in the decision to expand through partners was the support that the partners were offering. Since Technobrain did not have some of the skills that these partners had, Technobrain wanted partners that would provide support

in terms of training and development as well as help transfer those skills to the Technobrain staff. Technobrain started as an IT company and moved to become a solutions company. The selected partners were those that would fit into this strategy as well as a strategy aimed at expanding into the African market as a whole. Also it was noted that the strength of each partner was a key determinant of who was selected and when. A college such as New Horizon had already set office in Kenya and was already recognized as a training center. It therefore led to New Horizon being the first partners to Technobrain.

4.3.2.3 Expansion into provision of Solutions

The move to provide solutions was influenced by three major factors. The first one was to increase revenue streams. Revenue from training as the first division was already getting to a plateau and there was need to grow revenue streams that would support the training division. Using the existing partnership with Microsoft, Technobrain started offering solutions built on Microsoft technologies. Technobrain's goals included the provision of localized solutions. There was constant struggle with solutions provided by vendors from other continents who could not localize the solutions they provided due to limited local knowledge. Technobrain identified this as an opportunity for them to enter into. Finally the move to solutions was a step in the company's strategy. The idea was to first build IT skills among the young people and then use these skills to develop automated solutions for African organizations.

4.3.2.4 Expansion into the BPO sector

The respondents noted that the move to enter into the BPO sector was driven by opportunities in the public sector. Technobrain wanted to use BPO as a service center to take up government initiatives plagued by lack of adequate technology and skilled

manpower. They also noted that there was a need to become a one stop shop for IT and BPO being an area that was quickly evolving was attractive to the company and could also address market needs that were emerging. It is through the BPO division that the national child helpline in Kenya and Uganda managed to increase number of cases resolved as well as an intelligent voice response system that was aimed at reducing number of maternal deaths in Africa through passing messages to expectant mothers registered in the system.

4.3.2.5 Expansion through Acquisition

This method was selected due to the nature of the services that Technobrain wanted to expand into. The expansion was into infrastructure business which includes networking, provision of servers and cloud computing. Technobrain realized that the infrastructure business had a steep learning curve and would take time to develop internally. As such it was easier to acquire an existing business that already had the capacity to deliver infrastructure solutions as well as had customer references.

4.3.2.6 Expansion through introduction of Internally Developed Products

The respondents noted that the success of an IT firm is in its ability to develop its own intellectual property that they can leverage on to get a market edge. This drove Technobrain to introduce the Human Resource Management System and the Electronic Monitoring and evaluation system. Further, it was noted that for sustainability, it was important to reduce the reliance on partner solutions and develop internal solutions. Additionally, there was little investment in Research and development in Africa IT firms and this led to existence of solutions in the market that did not meet the demands. To curb this, Technobrain introduced the research and development center that would

develop the internal products to meet the demands in the market especially in the public sector.

4.3.2.7 Expansion through Merger with Westblue

A merger was deemed necessary when expanding to Ghana and Nigeria. The respondents commented that this was driven by several factors. To begin with Technobrain realized there was a major difference between the business environment in East Africa and West Africa. As such the traditional method of opening an office was not going to work. This led to the merger with WestBlue Consulting which was a consulting firm which offered services that enable private and public sector organizations from concept to strategy development and detailed implementation in Ghana and Nigeria. This would allow Technobrain to leverage on their experience in these two countries and also drive Technobrain's strategy. Secondly, Technobrain was having a challenge getting the necessary skills in Nigeria and Ghana fast. While Technobrain had been able to get the skills readily in the Southern Africa Market, it was difficult to replicate the same in West Africa forcing them to merge with a company that could provide those skills fast. Finally, Westblue were seeking to get a technology partner to provide solutions for their existing clientele. Technobrain's goal of providing African solutions attracted Westblue to the merger.

4.3.2.8 Expansion through Licensing other companies

The respondents noted that this was a strategy adopted specifically to expand to countries where Technobrain did not have physical presence and could not establish one easily due to financial constraints. The strategy was adopted to expand to Botswana and Namibia where Technobrain licensed Prinsan in Botswana and Syntex in Namibia to sell solutions on their behalf. The other consideration was the need to have local partners

to technically support the clients who had already been won. Technobrain would train these partners who would then provide the required support to the clients.

4.3.2.9 Expansion to other Countries

The respondents admitted that there were plans to expand to other countries but beginning with Africa. Technobrain has already expanded to East Africa, Southern Africa, and Central African and now is expanding to the francophone countries. Technobrain also aims at expanding to Asia-Pacific and will be opening new offices in Myanmar, Cambodia and Saudi Arabia. The main factors driving this is the similarity with the already existing markets to those that the company is expanding to. The demand for technological products is also driving this expansion as Africa is seen to be a big market driven by the adoption of technology such as mobile telephony. Another factor driving expansion to African countries is the fact that increasing number of African countries are operating devolved governments requiring integrated financial systems to track revenue and expenditure. This being one of the main strengths of Technobrain places the company at a competitive position to take up these opportunities.

4.4 Discussion

The objective of the study was to establish the factors that have been considered in adopting expansion strategies adopted by Technobrain Kenya. As suggested by Penrose (1959) and Pehrsson, (2008a), the resources and capabilities as well as industry structure have a causal link to the productive opportunities and growth of the firm. Penrose (1995) provides the causal link between resources and how they can be used to generate productive opportunities for growth and innovation. (Mahoney,1995). Rugman and Verbeke(2002) conclude that innovations, especially in terms of new resource combinations, can substantially contribute to sustainable superior returns. Choi and

Mogyoro (2011) in their study of Swedish firms broadly classified factors affecting expansion strategies as internal and external factors. Internal factors are based on the resource based view such as international experience and business relatedness while the external factors are based on industrial organization view which includes external barriers and competition. The study revealed that Technobrain's choice of expansion strategies has been affected by both internal and external factors. Hollensen (1998) also grouped these factors affecting the choice of expansion strategies into company, product, market and marketing factors.

Company factors include market knowledge, firm goals and internal barriers Hollensen (1998). The study revealed that Technobrain's choice of expansion strategies such as the mergers and acquisitions and expansion to certain countries was influenced by the lack of market knowledge. Pedersen (2004) notes that when firms enter into foreign markets they have a disadvantage compared to local firms in relation to the knowledge of the local market. He adds that this unfamiliarity poses a risk to the firm. The choice to merge with WestBlue in the West Africa market was due to a lack of the local market knowledge on the part of Technobrain while Westblue had the knowledge. The knowledge was in relation to new culture, local preferences and the business systems in West Africa. Lee and Yang(2001) states that firms may follow different expansion strategies depending on the business goals of the firm. The study revealed that the goal of Technobrain Kenya limited was to be an African company that delivers solutions in Africa. Technobrain chose expansion through market development. Lee and Yang(2001) describes a market development strategy as one characterized by global sales across several foreign markets. Technobrain Kenya has expanded into various regions across Africa. In addition, the goal to increase ICT skills in Africa led to the spreading of the training division to new countries such as Malawi, Kenya and Zambia. Leonidou and

Katsikeas (1996), suggest that the motivation to expand determines the expansion strategy that will eventually be adopted. It was noted that the motives of Technobrain to expand included profit and growth, foreign market opportunities and the overall organization goals. Rundh(2001) notes that limited capacity, lack of resources and deficiencies in internal structure can prevent a firm from entering new foreign markets. The study highlighted the main barriers that Technobrain faced as they expanded as lack of experience and capital. This led to selection of partnerships and licensing as an expansion strategy. The partnerships allowed Technobrain expand in areas where it lacked experience and also where it would be too costly to start own operations. Licensing was adopted in Namibia and Botswana since it was capital intensive to set up new offices from scratch.

Product factors include nature of product and the product life cycle. The study revealed that the nature of some of the products and offering determined the choice of the expansion strategy adopted. The infrastructure offering had a steep learning curve for the company forcing the company to acquire a company that was already in the infrastructure business to reduce the amount of time needed to learn the solutions. It was noted that by nature, the solutions that were applicable in certain regions could not work in other regions. As such, there was a delay to move to those regions until such a time that the solutions can be customized to those needs. The ability to translate solutions to French has led to the decision to expand to French speaking countries.

Market factors include similarity of the markets, market life cycle, market growth rate, level of competition and customer loyalty. The study revealed that the expansion to additional countries starting with East African countries was guided by the similarity of the markets within this region. The same factor was influential when expanding to the Southern Africa which was a mature market and was ready for IT solutions uptake. In

addition, the growth rates in the market in the various countries was a major factor that led to the expansion to BPO and solutions business. For example Kenya at the time was becoming a major hub for BPO services and this prompted Technobrain to get into BPO solution offerings. Frandberg and Kjellman (2004) noted that high growth forces most firms to concentrate on that market where the growth is being experienced. The level of competition in Malawi was also a factor in expanding to the country. The competition in Malawi was low and Technobrain saw an opportunity to be a pioneer in the country. Low competition has also played a role in expanding to Burundi, Rwanda and South Sudan where there are few competitors in the IT industry.

The market life cycle is similar to the product life cycle with the market having a beginning all through to the decline stage. Keegan (1995) notes that it is important that organizations identify which stage a market is in order to develop the most appropriate market expansion strategy. This is the factor that led Technobrain to expand to West and Southern Africa after there was a decline in the East and Central African market. This also led to Technobrain adopting new solutions such as infrastructure and BPO services. This was in line with what Ruiz, and Nicolau-González et al (2007) had noted that a company in a declining market would adopt a diversification strategy.

Marketing factors include communication and order handling costs. The study revealed that the communication strategy influenced the choice of expansion strategy. Cateora (1996) noted that a standardized communication strategy in the international market would yield cost savings when a company is expanding. As such Technobrain chose similar markets to expand into to ensure that they did not deviate from the communication strategy. This led to start with the East African market, moved to Central East Africa, then to Southern Africa and finally to West Africa. Technobrain is now

pursuing expansion into the French speaking countries beginning with Mauritius which have different communication strategies.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the data findings on the study whose objective was to establish the factors that have been considered in adopting expansion strategies by Technobrain Kenya as well conclusions and recommendations. The chapter is therefore structured into summary of findings, conclusions, limitations and recommendations for further research.

5.2 Summary

The objective of the study was to establish the factors that have been considered in adopting expansion strategies adopted by Technobrain Kenya. The research found that that Technobrain Kenya considered both internal and external factors while expanding grouped into company factors, product factors, market factors and marketing factors. Company factors that were considered include the market knowledge that Technobrain Kenya had of the markets that Technobrain wanted to expand, the overall goals of the firm to be a Global IT company from Africa, barriers that were in the way of the growth of the firm and the motives of Technobrain which included profit and growth, foreign market opportunities and the overall organization goals. The product factor that influence the expansion strategy was the nature of the product and offering that Technobrain was introducing to their portfolio. The market factors that were considered included similarity of the markets, market life cycle, market growth rate, and level of competition within the target markets. The marketing factor that was of influence in the choice of expansion strategy was communication strategy that was to be adopted in the markets.

5.3 Conclusion

The study sought to establish the factors that have been considered in adopting expansion strategies adopted by Technobrain Kenya. The study concluded that Technobrain has considered both internal and external factors in determining the expansion strategies adopted. The internal factors were company and product factors while the external factors were market and marketing factors. The careful consideration of these factors has enabled Technobrain expand from one country to 22 countries in 17 years and from offering training to providing IT solutions, BPO services and Infrastructure solutions.

5.4 Limitations of the Study

Due to the fact that a case study focuses a single unit, a single instance, in this case Technobrain Kenya Ltd, the issue of generalizability and lack of representativeness looms larger than with other types of qualitative research. However there is still a lot that can be learnt from a single case from the researcher's description of the findings.

5.5 Recommendations for Policy and Practice

Considering the findings of this study, it is recommended that organisations should carefully consider internal and external factors when making a decision on which expansion strategies to adopt. This would provide direction on the best options given the firm's resources and capabilities as well as the industry in which the company is operating in. It is also worth noting that while the IT industry is growing fast, it could still benefit from careful strategy planning and execution.

5.6 Suggestion for Further Studies

The results of the study point to a number of opportunities for further research. This study focused on one company and there is opportunity to study other companies especially in the IT industry in Africa where little research has been done and the expansion strategies that these companies have adopted. The studies could also include the factors that have been considered by these other companies and how they compare to each other. Additionally, there is an opportunity to study the expansion strategies adopted by other African companies into Africa and beyond irrespective of the industry and making comparison with the IT industry.

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APPENDICES

Appendix i: Letter of Introduction



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 23/9/2014

TO WHOM IT MAY CONCERN

The bearer of this letter TITUS GACHUHI MBUGUK

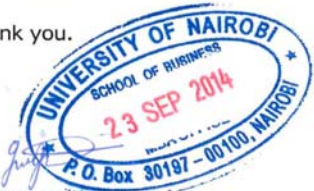
Registration No. DEI/60163/2011

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.



PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix ii: Interview Guide

SECTION 1: Motives for the expansion

1. What has motivated the expansion to the countries that you are operation in or have operations in?

2. Have any of the following motives driven the decision for you to expand? If yes, please explain how.
 - a. Profit and growth
 - b. Managerial ambitions
 - c. Foreign market opportunities
 - d. Economies of scale
 - e. Tax benefits
 - f. Competitive pressure
 - g. Domestic market decline
 - h. Excess capacity
 - i. Unsolicited foreign orders

SECTION 2: Factors that determined the expansion strategies

1. After inception in 1997, Technobrain Limited Kenya started as a training center in Tanzania. Later this was replicated in Kenya and Malawi. What were the factors considered in making this strategic move into Kenya and Malawi?

2. In addition to moving to Kenya and Malawi, Technobrain Limited also partnered with New Horizon and later Microsoft, Oracle, IBM among others. What were the main considerations that were made before making this decision?

3. Technobrain main business was training during the early years. What factors led to introduction of IT solutions in the company portfolio?
4. Technobrain got into the BPO industry by acquiring Kentech. What led to this choice of expanding into BPO and IT enabled services by acquisition as compared from starting from scratch?
5. What considerations were made when acquiring Micronix in Tanzania when Technobrain was starting the infrastructure business?
6. A development center was opened in India to develop solutions for the African market. As a result, Technobrain Limited was able to build its own Intellectual Property. What factors led to the choice of introducing its own products.
7. Technobrain Limited has merged with WestBlue in Nigeria and Ghana to form Technobrain Westblue. What considerations were made in making this decision compared to the choice opening a new office there?
8. In Botswana and Namibia, Technobrain has licensed Prinsan and Syntex to sell solutions on their behalf. What factors led to this decision?
9. The expansion of Technobrain to new markets has been well planned such that it started in East Africa, then Central EastAfrica countries, to Southern Africa and then to Western Africa. What factors were considered in making these plans?
10. There is still a lot of countries to conquer in Africa. What are the future plans to move to these other African companies and what will determine which countries Technobrain expands to? Which are the priority countries that Technobrain is considering?
11. Has any of these factors affected the choice of expansion strategies that Technobrain has adopted? If so, how?
 - a. International experience/market knowledge

- b. Competitive forces
- c. Management risk consciousness
- d. Firm goals
- e. Internal barriers/restrictions
- f. Nature of product
- g. Similarity of markets
- h. Market growth rate
- i. Product life cycle

Thank you for your time.