

**ENTRY STRATEGIES USED BY CHINA WU YI COMPANY
LIMITED IN ITS PENETRATION OF THE KENYAN MARKET**

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DECLARATION

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

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This research project was submitted for examination with my approval as the university supervisor.

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DEDICATION

I dedicate this project to my family, for the invaluable support, love and encouragement.

ABSTRACT

This research was carried out to investigate the entry strategies used by China Wu Yi Company Limited in its penetration of the Kenyan Market. The objective of this research was to determine the entry strategies used by China Wu Yi Company to determine the extent to which the company seems to be capturing all the opportunities that come up at their disposal. Consequently affecting the home based and grown civil engineers, architects etc. The research found out the factors that lead China Wu Yi to enter to this foreign market in its quest to conduct business in the Kenyan market, was both environmental specific and firm specific. This research was also able to determine what influences the firms' decisions to enter the Kenyan market and succeeding at it as well. A number of Strategies were researched on to determine the main entry strategy such as exporting, licensing, franchising, wholly owned subsidiary etc. Entry Strategies make it possible for the entry of a company's services, management, technology, human skills and other resources for the foreign market. The decision criteria for the mode of entry was studied upon to see what the particular entry depends on what factors for example political legal, socio economic characteristics, consumer variables or financial conditions. The study was conducted at China Wu Yi Company Limited. Data was collected through the conducting of interviews. The results were analysed and the findings from the study indicate that China Wu Yi has been able to secure a lot of deals in the Kenyan market and as a result the local construction companies are being adversely affected by the growth and speed China Wu Yi is taking over the industry. To remain competitive in this cut throat industry the local contractors definitely need to up their game in this business, they need to invest in research and development so as to measure customer needs and wants and quality improvement in their products and services. The findings of this study are of great importance because they will assist in developing of policies and strategies that will ensure local companies are able to compete on the same battle field. These findings will also assist foreign companies in selecting the right entry strategies into the Kenyan market which is full of opportunities and great potential for growth. Past studies have shown that firms' foreign market entry strategy is directly related to the firms' performance.

ABBREVIATIONS AND ACRONYMS

GDP- Gross Domestic Product

UoN- University of Nairobi

FDI- Foreign Direct Investment

CSR- Corporate Social Responsibility

JIT- Just In Time

CWYC- China Wu Yi Company

MNCs- Multi-National Companies

AfDB- African Development Bank

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

This is a case study of China Wu Yi Company Limited entry strategies into the Kenyan market. Research states there are a variety of ways in which a company can enter a foreign market. Therefore no one market entry strategy is suited to work well for all markets. Giving a classical example, some firms may prefer to enter foreign markets through entry strategies such as exporting, joint ventures, branch offices. The Chinese companies are seen to have entered the Kenyan market through political relations this is seen through them gaining a number of contracts from government tenders. A number of entry strategies have been used by Chinese companies to enter the Kenyan market however my contribution into this wealth of knowledge is that political relations is also an entry strategy used by Chinese companies in particular China Wu Yi to enter the Kenyan market. Root (1987) states an entry strategy is an institutional arrangement which makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country.

Resource based view suggests that firm's resources and capabilities influence the growth, and performance of the firm. The resource based view states that all assets, capabilities, organizational processes, firm attributes, information, knowledge etc. are all controlled by a firm enable the firm to implement strategies that improve its efficiency and effectiveness (Barney and Clark, 2007). A firm's resources are called strategic resources if they become the source of sustained competitive advantage. Barney (1991) argues that to ensure sustained competitive advantage, four attributes of the firms' resources are inevitable, that is, valuable, rare, imperfectly imitable and substitutability. Therefore, for a resource to be a likely source of competitive advantage

it must be valuable but also rare enough so that either firms do not have access to it or it should be difficult to obtain therefore non profitable to even attempt entering the field.

This research focuses on the case study of China Wu Yi Company Limited which is a construction, and engineering company that carries out international projects as the overseas arm of the Fujian Construction Engineering Group Company. China Wu Yi is a state owned enterprise where its headquarters are based in Fuzhou China. In 2012 it reported \$334 million in international project work, which placed the company among the 250 largest international contractors as ranked by the Engineering News-Record (Wikipedia). Kenyan contractors are losing out to China Wu Yi Company Limited that are grabbing lucrative construction tenders for private projects as they diversify from public infrastructure deals. China Wu Yi Company Limited is securing multibillion shilling private projects causing jitters among their local rivals. Lu and Beamish (2001) found that a number of the largest corporations operate in foreign markets, with an advantageous hand due to their high capacity technology, and other challenges such as competition accompanying the business environment have resulted into an influx of international involvement.

1.1.1 Concept of strategy

Hiriyappa (2009) noted that strategy is a long-term plan of action designed to achieve a particular goal. Strategy applies to many disparate fields such as: military, economic, commerce industry, business, environmental and many others. Strategy can also be defined as interpretative planning. It also includes the determination, and evaluation of paths to an already established mission or objective and eventually making the decision of choosing the best alternative. Strategy is also defined as an action that a firm takes to achieve one or more of its goals, for most firms their key goal is to achieve competitive

advantage, and superior performance (Thompson and Strickland, 1998). All firms want to have an upper hand in the industry they operate in; they are all striving for dominance, and to be the market leaders. Strategy is differentiated from tactics with resources at hand by its nature of being extensively premeditated, and often practically rehearsed. According to Prahalad and Hamel (1990), strategy is the management's game plan for business. A good strategy can contribute to growth, cost reduction, competitive advantage, profits and market penetration.

1.1.2 Entry strategies

A market entry strategy is the planned method of delivering of goods and services to a target market and distributing them (Hollensen, 2001). Developing a market entry strategy is important, and involves an in depth analysis of potential competitors and possible customers. A number of factors are of importance when settling for the entry strategy which include; competition, trade barriers that exist, price localization and subsidies. Entry strategies mainly focus on two aspects; mode of entry and timing of entry (Narasimhan and Zhang, 2000). Douglas and Craig (1995) stated that entry strategy is a "comprehensive plan that will guide a company's business operations over a future period long enough to achieve sustainable growth in world markets."

Douglas and Craig (1995) divided a firm's gradual involvement in international markets into three phases: initial foreign market entry; local or national market expansion and global rationalization. Prior to the firm's entry into international markets, the domestic market is the focal point of strategy development, and defines the boundaries of operations. A variety of triggers may drive a company to enter international market. The key decisions at initial entry include: the choice of countries to enter, the timing of entry and lastly, how operations are to be conducted in these countries (entry mode). These

decisions are crucial, because they entail commitments to locations and to other companies that are difficult to change and set the pattern for future market development. Once the firm establishes the operations in the foreign market, attention shifts to developing local market potential triggered by some factors.

1.1.3 Construction industry

The Kenyan construction industry is expected to have exponential growth as the government and private developers increase investments in infrastructure and housing. The huge deficit in infrastructure including rail, roads, and ports presents a significant case for building and construction sector, which generally accounts 4% of Kenya's Gross Domestic Product (GDP), and employs at least one million people. The rapid growth in population has soared demand for housing in most parts of the country presents a major opportunity for growth of infrastructure such as roads as population and housing demands increase. Despite the recent slowdown in the world economy, the Kenyan construction sector has remained buoyant. According to data from the Kenyan National Bureau of Statistics the construction sector has been boosted by massive road construction projects and increased activity in the real estate sector. Growth in the construction industry was also mirrored in cement consumption being a positive impact in the industry because the local indigenous companies were able to benefit from this opportunity where by cement is sought locally.

The Kenyan Construction Industry is expected to grow further by huge projects such as Lamu port construction, Multi-storey buildings, Nairobi modern transport system as well as rehabilitation of airports, roads across the country and mega railway line construction connecting Kenya, Rwanda, Uganda, South Sudan. Opportunities also exist in constructions of high, middle and low income housing, manufacturing and supply of

construction materials and upgrading informal settlements. The industry is facing enormous challenges in quality assurance, legal tendering, competition from rivals, erection of public utility spaces, land grabbing, road reserves and many more. Therefore the government and stakeholders must work together to address these challenges, failure to which the anticipated growth will be stifled.

1.1.4 China Wu Yi Company Limited

China Wu Yi Co Ltd is principally engaged in the real estate development, and the undertaking of engineering projects. The company involves itself in the construction of bridges, roads, airports, villas, apartments, office buildings and others. The company was established in 1996, and its headquarters is in Fuzhou China. It operates its businesses primarily in Fujian province, Jiangsu Province, Beijing, Jilin province, Chongqing, Hong Kong, China as well as Philippines, and Africa in particular Kenya, Equatorial Guinea, Tanzania, South Sudan, Ghana. China Wu Yi is a huge industrial organization having a wide network of branches over a number of countries. China Wu Yi is an example of a multinational corporation based in one country and having operations in two or more countries. Its business scope includes project contracting, survey designing and construction decoration of civil engineering; domestic and foreign investment; international trading; import, and export of construction materials and equipment. (<http://www.chinawuyi.com>).

China Wu Yi also offers international economic and technical cooperation, and services. It also provides engineering consulting, supervision, and contract management; real estate development as well as property management. Its core values are hardworking, strict management, prudent operation, and benefit oriented. China Wu Yi was in May 2013 unveiled as the contractor for the University of Nairobi's 22 storey complex

valued at Ksh 2.3 billion. The firm is also building the Ksh 2.1 billion KCB plaza, a 21 storey office block in Upper Hill, which will host the bank's headquarters. China Wu Yi has also taken part in the construction of the Thika Super Highway as well as the Isiolo - Moyale road which is the Kenyan section of the Trans-Africa Highway Corridor being upgraded to bitumen standards by the government with support of the African Development Bank (AfDB) and China Exim Bank (<http://www.constructionkenya.com>).

1.2 Research problem

The construction industry in Kenya has been concerned as to why Chinese companies get preference over others. This is increasingly becoming a major concern in the industry; Chinese presence in Kenya for investment and trade purposes has drawn a lot of controversy among the local indigenous companies especially in the construction and manufacturing sectors. These companies are infants in the industry and have either been forced to shut down due to the intense competition with the Chinese firms or are on the verge of divesting (Gichuki, 2012). Chinese manufacturers are also setting up local production plants for example China Wu Yi, Huawei etc. thus signalling a change of tactic in the battle of Kenyan market since prior to that they were serving through direct importation. As a result this is expected to create thousands of jobs for Kenyans but at the same time its taking away opportunities for local contractors.

Chinese firms are coming into Kenya with the aim of penetrating the larger East African market where demand for goods and services is growing. The movement of consumer goods and settlement of expatriates in the region is attracting more foreign direct investments and Multinational companies in the Kenyan market. As a result Kenya seems to be on the benefiting end with high class infrastructure that is roads, bridges,

and buildings. The Kenyan market is currently flooded with Chinese constructions, as earlier stated China Wu Yi Company Limited is undertaking a number of constructions within Nairobi. These include setting up structures of buildings such as The University of Nairobi (UoN) School of Business Towers and KCB plaza in Upper Hill which are currently underway. Chinese firms in receive financial aid from their home country by their government. The local firms in Kenya are very uneasy with the rate of which China Wu Yi is penetrating the Kenyan market. Which entry strategies is the company using so as to have an upper hand in the construction sector?

There are past studies on entry strategies used by Chinese firms in Kenya (Ntonjira, 2010), entry strategies used by Kenya Commercial bank to enter the Kenyan market Kungu (2012), entry strategies used by Equity bank to expand into the East African Common Market (Gitonga, 2011). Mulongo (2008) did a study on the change of foreign entry strategies for global firms in Ericsson Kenya. He found out that Ericsson continuously changed its entry strategies to enter new markets and remain competitive. Mutambah (2012) conducted a study on entry strategies adopted by MNCs in Kenya. She found out that a number of the 56 firms selected each sought a different strategy. Kieti (2006) in his study the determinants of foreign entry strategies among Kenyan firms venturing into Southern Sudan found out that the firms used, exporting, investment, licensing and other contractual agreements to venture into the different area.

A few of the previous studies have dealt with entry strategies used by China Wu Yi to enter the Kenyan market thus; a gap exists to warrant this study. Given the role China Wu Yi plays in Kenya, it is important to evaluate the entry strategies used by China Wu Yi Company Limited. The study will therefore seek to answer the question: which entry

strategies has China Wu Yi Company Limited used to enter the Kenyan market or penetrate the Kenyan market that is to their advantage?

1.3 Research objectives

The objectives of the study are:

- i. To determine the entry strategies used by China Wu Yi Company Limited to enter the Kenyan market.
- ii. To determine the extent to which strategies affect performance of China Wu Yi Company Limited.

1.4 Value of the study

Study will be of value to Chinese and other companies trying to enter the Kenyan market. As well as local construction companies as they will both have wealth of information on entry strategies being used by China Wu Yi to enter the Kenyan market. The other industry players will also benefit from this information and create harmony instead of rivalry in the construction industry in the event they would like to expand into foreign markets, they will access information on the factors that affect their entry strategies that China Wu Yi has experienced. Various companies will be in a better position to make better choices having understood the Kenyan market.

This research will also be of value to the government since it will provide guidelines for designing policies to enhance trade and policy for decision making that could affect the construction sector. The study will also give valuable information on what China Wu Yi will have experienced in entering the Kenyan market.

Scholars and Academicians will use the outcome of this research to fill the gap as no studies have been undertaken on entry strategies used by China Wu Yi to enter the Kenya. This research will also benefit the existing knowledge in the field of Strategic Management in precision the study of entry strategies will also act as a catalyst for further research on entry strategies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter is structured on the research objectives. It reviews the relevant literature available that focuses on theoretical foundations of the study, concept of strategy and the entry strategies used to enter a foreign market.

2.2 Theoretical foundation

This study is anchored on three key theories which go hand in hand. Resource based view theory focuses on firm's resources, knowledge based theory focuses on existence of the firm and resource dependence theory focuses on the resources an organisation needs.

2.2.1 Resource based view theory

Resource based view theory emphasizes on the firm's assets tangible and intangible that are accumulated over time. It suggests that competitive advantage and performance results are a consequence of firm specific resources and capabilities that are costly to imitate to competitors. The different resources include types of assets, capacities, processes, attributes, information or knowledge susceptible of being controlled and exploited to improve a firm's efficiency. Two essential characteristics account for potential of a resource to be turned into a competitive advantage that is resources value and rareness. If resources are available to multiple firms they cease to offer any advantage as a potential competitor may use to implement strategies. Therefore for a resource to be likely source of competitive advantage it must be valuable but also rare enough so that other firms do not have access to it. A further two characteristics are

needed for a resource to effectively generate and maintain competitive advantage over-time that is it is difficult to imitate and it's unlikely to be substituted by other resources (Barney, 1991).

2.2.2 Knowledge based view

Knowledge based view focuses upon knowledge as the most strategically important of the firms resources (Grant, 2002; McErlily&Chakravarthy, 2002) Knowledge based view theory seeks to explain the existence of the firm as an institution for the organization of production. It concerns itself with theory of the firm, in particular the nature of coordination within the firm, organizational structure and role of management. Researches adopting Knowledge based view theory highlight that the firm's future growth is dependent on the productive integration of knowledge resources and derivative decision making capabilities (Spender, 1996). Strategic potential of knowledge, however, depends on certain characteristics of that knowledge. It must be simultaneously valuable, difficult to imitate and limited in prevalence among the competitors in order to earn the organization above normal returns (Barney, 1991; Barney & Clark, 2007).

2.2.3 Resource dependence theory

Resource dependence theory determines how external resources of an organization affect its behaviour. Procuring external resources is essential for strategic and tactical management of an organization. The theory assumes that an organization depends on resources that come from its environment. The environment has other organization hence the resources an organization needs are found in other organization. Resources are a source of power. Independent organizations can rely on each other. Power and

resources dependence are connected. The core insight of resource dependence theory is that organizations are dependent upon actors outside the organization for critical resources. The dependence of the organization on these external stakeholders is due to an imbalance of power between the organization and these groups (Pfeffer&Salancik, 1978). Relying on such stakeholders gives rise to uncertainty in the operating environment because these stakeholders will use various strategies to withhold resources or change the relative price and availability of necessary inputs. The organizations will seek to reduce the uncertainty associated with acquisition of important resources by attempting to control the external environment. Resource dependence theory determines how external resources of an organization affect its behaviour. The theory assumes that an organization depends on resources that come from its environment.

2.3 Concept of strategy

According to Pearce and Robinson(2007) identify strategy as company's game plan providing a framework for managerial decisions. Strategy is seen as a crucial part in undertaking of business. Drucker (1969), stated that strategy is a pattern of major objectives,purposes or goals and the essential policies or plans for achieving these goals, stated in such a way as to define the business the company is in or is to be in. Johnson and Scholes (1999) define strategy as the direction and scope of an organization over the long term which achieves advantage for the organization through configuration of resources within a changing environment to meet the needs of markets and fulfil stakeholder expectations.

Hiriyappa (2009) recognises that strategy is a long term plan of action designed to achieve a particular goal. Strategy applies to many disparate fields such as Military,

economic, commerce industry, corporate etc. Ansoff (1965) notes that the environment is constantly changing and as such organizations have to constantly adapt their operations, and internal configurations to reflect the new external realities. Mintzberg (1979) views strategy as the mediation force between an organization and its environment. Mintzberg also viewed strategy as a plan, ploy, pattern, position and perspective.

2.4 Entry strategies

There are various modes that a firm can use to enter and operate in foreign markets. For a given foreign market a firm can use different modes for different products, depending on the various competitive advantages that may be gained. Similarly, for a given product a firm can use different modes in different countries depending on the competitive advantages to be gained. Day (1986) suggests that there are two major managerial decisions to make when considering market entry: the timing of market entry (e.g. being pioneer; being a fast follower or an early entrant; or being a late entrant), and the mode of the market entry (e.g., internal development, acquisition, or joint venture).

2.4.1 Exporting strategy

Exporting is the marketing, and distributing of products to a foreign market. This in particular involves a number of parties who include the exporter, importer, transport provider and the government of the host country. The products distributed are not produced within the foreign market or country. Exporting is more often the first automatic choice for firms and also a number of firms rely on exports since time memorial in particular barter trade era. Effective exporting requires attention to detail if

the process is to be successful (Hough and Neuland, 2000). Exporting may either be indirect or direct with different degrees of involvement. In indirect exporting the firm export operations are carried out by others such as export houses, export management companies without the knowledge of the firm. In direct exporting the firm performs the export task by itself rather than delegating it to others.

2.4.2 Licensing strategy

Licensing entails the sale of a patent, manufacturing know-how, technical advice and assistance, or the use of a trade mark or trade name on a contractual basis. Licensing is the process of permitting a local company to use the property of the licensor in exchange for a particular fee. The property refers to intangible things such as patents, trademarks as well as production techniques (Meyer and Tran, 2006). The licensing agreement grants access to foreign markets through foreign production without the necessity of investing in the foreign location. This is attractive for a company that does not have the financial or managerial capacity to invest and undertake foreign production (Thompson and Strickland, 2004).

2.4.3 Contracting Strategy

Contracts are used by companies that specialize in technology, manufacturing, assembling, information technology, education, engineering etc. in a foreign market for a specific time frame and with a certain amount of fee. A management contract is a long term agreement of up to 10 or more years to provide management service to a firm. Such kinds of contracts are more suitable in service businesses than in manufacturing businesses. Contracts are suitable for firms that have the capacity and are not fully being brought to book in their home country and most specifically in high demand in foreign

markets. The major drawback is their short-term nature, which means that contracting firm needs to develop new business constantly and negotiate new contracts which are time consuming and costly (Deloitte, 2006).

2.4.4 Franchising strategy

A successful franchise requires control over something that others are willing to pay for, such as a name, set of products, or a way of doing things, and the availability of willing and able franchisees. The search of finding franchisees and maintaining control over their assets in foreign countries can be difficult; to be successful at franchising firms needs to ensure they can accomplish both tasks (Meyer and Tran, 2006). Franchising involves the convergence of a parent company, and several small businesses. The parent company sells to the smaller businesses the right to distribute its products, use its trade name and processes. The agency relationship established between the parent company and the franchisee is governed by a contract (Dawar and Chattopadhyay, 2002).

2.4.5 Joint ventures

Geringer (1991) recognises that a joint venture occurs when two or more legally separate bodies form a jointly owned entry in which they invest and engage in various decision-making activities. Bing and Tiong (1991) observed that a joint venture agreement results in the formation of a new company in which the parties have shares. Many countries of East Asia, foreign construction companies are encouraged to enter the local market in the form of a joint venture with local entity. A joint venture is the partnership of a foreign company and a local company based on sharing of capital, technology and many other benefits. The foreign company benefits through gaining market entry and the existence of expertise from the local company while, the local

company benefits from sharing of capital costs and technological aid for running the operations (Meyer and Tran, 2006).

2.4.6 Strategic alliance

Strategic alliances are cooperative agreements between two or more companies to cooperate for strategic purposes. Badger and Mulligan (1995) defined an alliance as “a long-term association with a non-affiliated organization, used to further the common interests of the members.” Strategic alliances are where two or more companies collaborate by sharing resources and activities to pursue a common strategy. However strategic alliances seem to make some firms vulnerable to loss of competitive advantage, especially where small firms ally with larger firms. In spite of this, many smaller firms find that strategic alliances allow them to enter the international arena when they could not do so alone (Thompson and Strickland, 2004). The partners in the alliance seek to add their competencies by combining their resources with those of other firms with a commitment to reach an agreed goal. Partners tend to be of comparable strength and resource base but this is not always the case (Hill, 2003).

2.4.7 Foreign Direct investment

Nargundkar (2003) found that a Foreign Direct Investment (FDI) reflects the objective of a resident in one economy obtaining a lasting interest in an enterprise resident in another economy. FDI allows the direct investor and the direct investment enterprise to experience certain economic benefits from the relationship. The direct investor is able to engage in new ventures or expand into other economies by sharing capital, technology and management expertise to the direct investment enterprise. FDI implies the development of a lasting interest in the establishment of a continuing relationship of the

direct investor with the enterprise influencing the management of the firm to certain degree (Stopford, 1998). Some of the companies that have thrived through FDIs include Coca-Cola and General Motors.

2.4.8 Wholly owned subsidiary

Wholly owned subsidiary is the establishment of businesses in foreign markets which are ideally wholly owned to 100% ownership by the international firm. Lasserre (2003) noted that wholly owned subsidiary is the entry mode that gives most control over operations, but also involves the highest mobilisation of resources and competencies and bears the highest risks. Creating a subsidiary in a country calls for a number of requirements such as feasibility study, risk analysis, country attractiveness, norms and standards of construction, professionalism of local contractors, recruitment and training management of local workforce. On a financial front, wholly-owned investments demands that foreign investors bear full risk of equity and debt financing sometimes facilitated by export credit insurance granted by the home country government. On a positive side, wholly-owned investment gives investor full control over the operations and access to the full profitability of the investment.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter is concerned with the various steps that will facilitate the study to satisfy the objectives. It covers the research design, data collection and data analysis.

3.2 Research design

This study adopted a case study research design. A case study is a form of qualitative descriptive research, which refers to the collection and presentation of detailed information about a particular entity which is the case (Kohlscheen, 2003). A case study excels at bringing one into an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research (Yin, 1984). A case study emphasises on contextual analysis by limiting the research to a single firm allowing for an in depth probing on the subject matter.

A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. A case study is rich in details and it therefore leads to a better understanding of an aspect of an event or a situation. Other types of research strategies, experiments, surveys have limited possibilities to deal with context hence, case studies are suited to situations where context matters (Denscombe, 2003).

3.3 Data collection

The study collected data through primary data and secondary data. Primary data was collected through the use of an interview guide. The interview guide was administered through personal interviews. The researcher phrased the questions clearly in order to

make clear dimensions along which respondents were analysed. The respondents of the study were Deputy Manager, Administration Manager, Logistics Manager, Logistics Assistant, Real Estate Development Assistant Manager, Legal Officer and Procurement Division Assistant at China Wu Yi Company Limited. The named respondents were better placed in providing the necessary data because they play a leading role in the success of the company. The secondary data was obtained from documented and other relevant information.

I contacted China Wu Yi Company Limited and booked an appointment via telephone. The following day I went to the reception and introduced myself and was directed to the concerned staff and arranged for a meeting in order to conduct the interviews. After a week, I was given an appointment to conduct one on one interview. There were days I was able to interview two respondents per day, on other days I interviewed only one respondent per day. I was able to acquire a lot of information and the experience was rather great.

3.4 Data analysis

Both primary and secondary data was qualitative in nature. As a result Content analysis was used to analyse the qualitative data. Content analysis involves the interpretation of findings against the research objective. Thus it is useful in analysing and understanding collections of text. It helps researchers to sift through large volumes of data with relative ease. It can be useful technique for allowing researchers to discover and describe the focus of individual, group, institutional, or social attention (Weber, 1990).

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 General information

This study targeted senior management staff that held strategic portfolios that are well equipped with the knowledge of the company in its entry decisions. The study managed to secure 7 interviews with the managers and their heads of departments under each docket. They responded to 19 questions focusing on entry strategies used by China Wu Yi in its penetration of the Kenyan market. The respondents had all been in the company for less than five years.

4.2 Kenyan market environment

This section presents the respondents general views on how they view the Kenyan market. Most of the respondents stated that the Kenyan market was rather a competitive and a growing market that was full of endless opportunities in infrastructure, roads and buildings. However, the deputy manager reported that the government assistance in the development of the Kenyan market was an added bonus because with government support on a particular project or business venture is actually an added advantage as compared, to opposition from the government. China Wu Yi Company Limited actually got state approval from the Republic of China which is its financier; the company was mandated to explore various sources of opportunities and employment.

4.3 Entry strategies used in the Kenyan market

The researcher wanted to know the entry strategies used by China Wu Yi in its penetration of the Kenyan market. The Logistics manager noted that China Wu Yi Company initially entered into the Kenyan market through the Contracts whereby contracts were given to the company in a specific time frame before it became a fully-fledged wholly owned subsidiary. Most of the respondents reported that China Wu Yi Company Limited is a wholly owned subsidiary of the Fujian Construction Engineering Group Company where it carries out the projects in Kenya and the African block such as Tanzania, Equatorial Guinea, Angola, Togo, Guinea-Bissau etc. This entry strategy was catalysed by the help of the cordial political relations between Kenya and China. China Wu Yi Company Limited is still offered Contracts both by public and private entities. The research hypothesis was supported because I was to determine the entry strategies used by China Wu Yi Company Limited to enter the Kenyan market.

On whether the entry strategies have been effective, respondents had mixed reactions but largely agreed that they have been effective to a large extent. One of the interviewees stated that they were making enormous profits as a company and there existed a number of opportunities for growth in the same proportion as the company's revenue. However, the respondents expressed that the entire market has not responded the same way. It was noted that there existed lots of business rivalry. As new entrants into the Kenyan market, there was hostility that existed between Chinese companies and the local contractors in the construction industry and the threat of substitutes within the industry. Lastly because it is a Chinese company and not a Kenyan company also plagued the effectiveness of the entry strategy.

4.4 Factors affecting the use of entry strategies

The respondents were required to state the specific factors that affected the use of entry strategies used by China Wu Yi. They cited the environment as a whole which mainly is political, economic, social-cultural, legal, technological, shareholders views or opinions. Other important factors included market growth, size, intensity of competition and market infrastructure. On the most applicable factor in the Kenyan market the respondents had different opinions most indicated that culture was not restrictive rather, it was open and friendly to new businesses, ideas and development. The Deputy Manager pointed out political factors such as insecurity and legal factors such as ease of doing business such as registration, certification and other respondents stated culture was quite dynamic and continues to evolve with time. In specific under culture the attitudes and values of the Kenyan people specifically the market were rather positive. The market research the company had conducted prior to its entry into the market showed that Kenyans were open to change that brought about development. Values reflect on what people think is right, appropriate or desirable. The market research results exhibited it was a friendly market since it would create working opportunities to the public.

Asked what opportunities had enhanced the use of market entry strategies for CWYC the respondents had different opinions. However, a large number stated political relations between China and Kenya. China Wu Yi Company Limited has support from its government in its investments as a result of state approval. Government policies and regulations of the Kenyan market have enhanced business opportunities such as entry of China Wu Yi Company into the market and as a result of low development within the

country and transferability of resources have opened up work opportunities and a growing economy.

The respondents acknowledged that challenges have been encountered in the use of market entry strategies. These include competition, bureaucratic government, delay in payments, anti-Chinese sentiments and land laws were not properly developed. The Legal Officer pointed out the situation down in the Coastal County where individuals invested in Lamu property and purchased land that happened to be community land. The land was apparently not for sale and their title deeds ended up being revoked by the Head of State through a directive to the Ministry of Lands. Therefore, proper land laws need to be developed such that when constructions come up investors are not apprehensive about their establishments being brought down.

According to the respondents, China Wu Yi has been able to overcome some challenges through delivery of quality assured products and services, reliable support and persistence from the board of directors and shareholders. One of the interviewees stated that China Wu Yi Company Limited has also recruited locals to enhance goodwill and deal with cultural issues. China Wu Yi has also been engaged in Corporate Social Responsibility (CSR) activities. The projects undertaken should promote the economic growth, bring benefit to the local people, CWYC has helped the local people through tens of thousands of jobs, training to enhance the working skills and ability of the locals, repaired schools, roads, churches and given financial aid to needy schools and projects.

4.5 Competition in the Kenyan market

The respondents described the competition in the Kenyan construction industry as two faced, hyper and cut throat. Two faced meaning that competition existed amongst

Chinese construction companies and local construction companies. China Wu Yi Company Limited has to compete against its own people back from their home land in addition to construction companies in its target market. One of the interviewees stated it is a very volatile industry whereby, not all companies can compete in this battle field. For example for a company to be selected to construct roads it must have an annual turnover of Ksh 500 Million. Therefore, a company should have sufficient financial muscle to be relevant in the construction industry.

Respondents were asked why they thought the company was getting preference in securing of tenders they stated their products and services offer quality assurance, that their work speaks for itself and work generally comes to the company since they do not advertise. Furthermore, one of the respondents reported that the company practices the Just in Time (JIT) principle in work delivery. An example given by one of the respondents pointed out that if a company had a 34 month contract they would always deliver prior the 34 month timeline. Other reasons stated by some respondents were outstanding experience, state of the art equipment, effective manpower and having an advantage with government policy whereby the government seeks for opportunities such as services and products from the east since they are high in labourage and in resources.

4.6 Performance of the Company

The respondents were asked to rate the performance of the company since its entry into the Kenyan market here the research objective was supported all respondents agreed that the companys' performance has been spectacular since 2006 having that the company was less than 10 years old. They have been able to achieve a lot since 2013 the company had secured 18 projects in that one year. The extent to which the entry

strategies had affected performance one of the respondents reported that it was to a large extent performance had greatly improved.

Some of the suggestions the respondents offered to companies wanting to enter the Kenyan market was that they should select an entry strategy that will work best with the company's objectives, goals and choose an entry strategy that will work best to the company's advantage. The Administration Manager reported they should offer outstanding work and companies should go big with the standards offered by the National Construction Authority. Companies should strive to secure big lucrative deals. The Legal Officer offered another suggestion that having qualified staff, marketers and researchers who would assist in strategizing and conducting market research and a feasibility study to see the viability of a market. A company should incorporate flexibility because the Kenyan market is tricky and hardly stable.

The advice offered by the legal officer to the local Kenyan contractors was that local contractors should differentiate their products or services making them unique and attractive. They should also develop impressive profiles giving an example; China Wu Yi Company Limited does not advertise but have already made their mark in the market through their high quality work. Other advices given was work should be delivered in time; quality should be an important priority to any contractor having no room for mediocrity or shoddy work and timeliness of service.

4.7 Discussion of the findings

The Kenyan market was seen to be hyper, cut throat and volatile environment. It is seen to be competitive but a growing and a very promising market that is full of endless opportunities. Entry strategies used in the Kenyan market by China Wu Yi Company

initially was through contracting strategy prior to CWYC becoming a fully-fledged wholly owned subsidiary of the Fujian Construction Engineering Company through cordial political relations between Kenya and China. Some of the factors affecting the use of entry strategies include political, economic, social-cultural, legal, technological, shareholders opinions and other factors reported were market size, growth, intensity of competition and market infrastructure. The market research that was earlier conducted before the company's penetration showed that Kenyans were open to change that brought along development.

Competition in the Kenyan market was described as two faced meaning competition was amongst Chinese construction companies and local construction companies, hyper and cut throat. The Chinese companies were getting preference in securing of tenders because they offer quality assurance in their products and services and practice Just in Time principle on work delivery. Performance of the company since its inception was agreed by most of the respondents that it had been spectacular since their entry into the Kenyan market in 2006. The entry strategies had greatly improved the performance of the Company. Therefore companies seeking to enter the Kenyan market should select an entry that will work best for the goals, objectives, mission, and choose an entry strategy that will work best to the company's advantage. Some of the advices offered to the local contractors is that they should endeavour to differentiate their products and services such that they are unique and attractive to the market. Work should be delivered in time; quality should be a priority to any contractor.

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter discusses the results gathered from the analysis of the data, as well as the conclusions reached. The chapter incorporates the various suggestions given by the respondents in the interview. Findings have been summarized alongside the objectives of the study, conclusions have been drawn from the study and the recommendations for action are also given.

5.2 Summary of the study

The study sought to identify the entry strategies used by China Wu Yi Company Limited in its penetration of the Kenyan market. It used a case study research design to achieve this objective. Qualitative data was collected through interviews with 7 senior management staffs at China Wu Yi Company Limited.

China Wu Yi Company undertakes other business ventures apart from construction of roads and buildings such as construction of electric power, petro-chemical industry, machinery, light and textile industry, water works etc. CWYC is also involved in designing, installation, decoration and fittings. China Wu Yi operates in a number of countries such as United States, the Philippines, Canada, Guinea, Kenya, Tanzania and others.

The Kenyan market is fairly highly competitive and a growing market altogether. China Wu Yi Company Limited ventured into Kenya because it was full of opportunities that needed to be tapped into. The company was able to detect the available opportunities

through market analysis. China Wu Yi Company limited is a wholly owned subsidiary of the Fujian construction engineering Group Company the main entry strategy used was through political relations between China and Kenya. The entry strategy has been effective to a large extent where a number of opportunities have cropped up as a result. Every company has its own strengths and weaknesses and each market will have its own opportunities and threats. Since this worked for CWYC it should not be mistaken that it will work for all companies. Different strategies will work for different markets.

Economic, political, business environment, socio-cultural and legal factors have affected the use of entry strategies by China Wu Yi Company Limited. Other factors include market growth, market size, competition and infrastructure. Political, legal and cultural factors were the most applicable in the Kenyan market. The opportunities that arose from use of entry strategies are political relations between China and Kenya, construction of housing complex, manufacturing and supply of construction materials. Challenges encountered were competition from rivals, bureaucratic government, anti-Chinese sentiments, land laws not properly developed, China Wu Yi Company Limited have been able to overcome these challenges through reliable support and persistence from the board of directors and shareholders, recruiting of locals and engaging in CSR activities to enhance good will.

Competition in the Kenyan market was described as two-faced, cut throat and hyper. China Wu Yi Company Limited is securing tenders both in public and private arenas because they offer quality assurance in their products and services. They practice JIT principle when delivering the work during the stipulated timelines given by their clients. China Wu Yi Company Limited performance has been spectacular since its inception in 2006 the company is less than 10 years old. Last year they had already secured 18

projects in one year. Entry strategies used had improved the company's performance to a large extent.

Suggestions offered to other companies was that they should select entry strategies that will work hand in hand with the existence of the company and that will work to the company's advantage hence enhancing its competitive advantage in the market. They should always offer outstanding work, have qualified, marketers, conduct a feasibility study and the companies should be flexible because the Kenyan market keeps changing, products and services should be unique and attractive, they should source for piece meal contracts, quality standard and timely delivery should be a priority

5.3 Conclusion

China Wu Yi Company Limited is a wholly owned subsidiary and it entered the Kenyan market through political relations that exist between Kenya and China. Although the choice of entry strategy deployed is expensive. CWYC used it because it has a strong financial base support from the Republic of China. Kenyan construction companies do not have this kind of financial base as China Wu Yi Company Limited it is therefore not applicable to all firms. Kenyan contractors should evaluate their firm's capabilities before selecting the entry strategy.

CWYC selected the Kenyan market as one of the markets they should penetrate into due to the political relations that exist between China and Kenya and as a result of the market research and feasibility study undertaken which showed how viable the Kenyan market was prior to the company's entry. Companies seeking to expand into foreign markets need to have adequate information on the respective markets of their choice. The study revealed that local contractors perceived the Kenyan market to have a lot of

unfair competition even though Chinese construction companies in specific China Wu Yi Company Limited have better competitive strategies. Quality improvement was found to be a way in which local construction companies could respond to competition posed by CWYC.

The study revealed that although entry strategies could be successful, they will always be challenges encountered within the choice of market. Most of the challenges are more inclined to the fact that China Wu Yi Company Limited is not a company of Kenyan decent and as a result anti-Chinese sentiments exist. Companies should therefore be prepared and flexible to learn lessons and adjust accordingly to the market environment so as to ensure the entry strategies thrive in the markets of choice. Lastly, each company has its own strengths, weaknesses and each market has its opportunities and threat.

The critical factors that companies seeking to expand into new markets should consider are surveying the business environment, political-legal, economic, socio-cultural, technological factors. Other factors companies should look into are market growth, market size and market infrastructure within the market prior to expansion into the Kenyan market. It can be concluded that China Wu Yi Company Limited has high business potential and Kenya provides an attractive investment zone for many companies. Many entry strategies exist and each method has its peculiar advantages and disadvantages which a company must carefully consider before making a choice.

5.4 Significance of the study

Study will be of value to Chinese and other companies trying to enter the Kenyan market. As well as local construction companies as they will both have an ocean of wealth of information on entry strategies being used by China Wu Yi to enter the

Kenyan market. Other industry players will benefit from the knowledge and create harmony instead of rivalry in the construction industry in the event they would like to expand into foreign markets, they will get information on the factors that will affect their entry strategies that China Wu Yi would have experienced. Companies will be in a better position to make better choices understanding the Kenyan market.

This research has been of value to the government, it has provided guidelines for designing policies to enhance trade and policy for decision making that could affect the construction sector. The study has provided valuable information on what China Wu Yi has experienced in entering the Kenyan market.

Scholars and Academicians will use the outcome of this research to fill the gap as no studies have been undertaken on entry strategies used by China Wu Yi to enter the Kenya. This research has also benefited the existing knowledge in the field of Strategic Management in precision the study of entry strategies has also acted as a catalyst for further research on entry strategies.

5.5 Recommendations of the study

The study recommends that companies seeking to expand in the Kenyan market assess various entry strategies and settle on the most appropriate based on the companies capabilities, objectives as well as business environment, political-legal, economical, socio-cultural and technological aspects. Performance of a company is affected by its choice of entry strategy. It is vital for companies entering the Kenyan market or any new market research on the entry strategy that is best suited for the company and the target market it plans on penetrating and venturing into. Political, economic, legal, socio-cultural factors affect the use of entry strategies. Companies need to be aware of

these factors before embarking on any new markets. Local contractors should not claim that there exists unfair competition in the Kenyan market and that foreign companies have a better chance at securing tenders but rather local contractors should produce high quality products and services and incorporate timeliness in service delivery. The local contractors should invest more in research and development in order to develop new products which are able to meet customers' needs as well as compete with the products and services from the China Wu Yi Company Limited.

There exist unexplored opportunities for growth in the Kenyan market more companies should come up to exploit the various opportunities. The policy makers in Kenya should consider pushing for policies that will encourage more businesses to come into Kenya. The policy makers should focus on reviewing and developing proper land laws that will create a suitable mechanism that will encourage many more construction companies in Kenya which in turn will bring about development.

5.6 Suggestions for future research

The study focussed on the entry strategies used by China Wu Yi Company Limited in its penetration of the Kenyan market. There are other construction companies who have businesses in Kenya. The researcher suggests that future research should be conducted in other Chinese construction companies in Kenya on the strategies they used to enter Kenya, the challenges they faced and their solutions. Studying the past individual and shared experiences of managers can be fundamental in understanding a firms' current entry choice. Further studies should focus on entry strategies used by firms in other sectors in the Kenyan market.

5.7 Limitations of the study

One of the main limitations is a methodological limitation where by this study used a case study approach and could therefore not be generalized. Further research is therefore needed to include other firms to make a generalization. The study was also limited by time, language barrier existed as well. The respondents were cooperative but had a busy schedule and they also sought for privacy during the conduction of the interviews. There was no sufficient time to interview a larger number of respondents given that the study conducted interviews.

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APPENDICES

Appendix I: Introduction Letter

Sheila Gakuo
School of Business

C/O MBA Office

University of Nairobi
P O Box 30197
NAIROBI

July, 2014

Dear Sir/ Madam,

RE: DATA COLLECTION

I am a postgraduate student at the University of Nairobi, School of Business. In order to fulfil the degree requirement, I am undertaking a management research project to determine the **Entry strategies used by China Wu Yi to enter the Kenyan market.**

This is to kindly request you to respond to the interview guide to enable me collect the data. The information you provide will be used exclusively for academic purposes. Your assistance will be highly appreciated.

Yours sincerely,

Sheila Gakuo

APPENDIX II: INTERVIEW GUIDE

1. What is your position in the company?
2. How long have you been with the company?
3. Is the company involved in other business ventures apart from construction?
4. Which countries is the company involved in business operations?
5. How would you describe the Kenyan market?
6. What made the company decide to venture into the Kenyan market?
7. Which entry strategies have been best suited in the Kenyan market?
8. Have these entry strategies been effective in the Kenyan market?
9. What specific factors have affected the use of these entry strategies?
10. Of the above mentioned factors which have been the most applicable in the Kenyan market?
11. What opportunities have enhanced use of market entry strategies for China Wu Yi?
12. What challenges has the company encountered in the use of these strategies?
13. How did the company overcome these challenges?
14. How would you describe competition in the Kenyan construction industry?
15. Why do you think the company is getting preference in securing of both public and private tenders?
16. How would you rate the performance of the company since its entry into the Kenyan market?
17. The extent to which entry strategies affect performance of the company?
18. What suggestions do you have on entry strategies companies can use to effectively enter the Kenyan market?
19. What advice can you offer to the local Kenyan contractors concerning entry strategies employed?