ENTRY STRATEGIES ADOPTED BY AFB GROUP'S EXPANSION INTO THE KENYAN MARKET

BY

IMMACULATE OCHIENO

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

NOVEMBER, 2015

DECLARATION

This is my original work and it has not been presented for any award in this or any other University.

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

IMMACULATE OCHIENO

D61/60041/2010

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

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

DR. JOHN YABS

SENIOR LECTURER

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENT

I wish to acknowledge my Supervising Lecturer for the guidance support I received during the research and compilation of this Research Project.

Special thanks to University of Nairobi, School of Business for granting permission and the opportunity to carry out the project.

Lastly, I wish to acknowledge Afb Kenya Ltd, especially all the members of staff who were directly involved and greatly contributed to the study.

DEDICATION

This research study is dedicated to my parents Peter and Antonina Ochieno who have been a constant source of encouragement and inspiration, and have instilled in me principles of hardwork and discipline.

ABSTRACT

Foreign entry strategy is an expansion for growth strategy that firms employ to access foreign markets outside home market jurisdiction. Foreign entry strategy is employed by many firms to expand sales and profits, grow market share and expand into new markets. Saturation of the local market and declining domestic demand may force firms to look for new markets outside home country borders (Partners 2010). This study undertook a research on the entry strategy AFB a microfinance financial credit services provider has used to enter the Kenyan market. AFB is a foreign company with parent headquarters in South Africa. Organizations initiate strategies to survive and achieve competitive advantage over competitors. Foreign entry strategy is used to achieve economies of scale and sustainable competitive advantage through learning experiences in foreign markets. When firms plan to enter a new market, the decision of entry mode is an important one since it can be of considerable significance to the firm's success in the market (Woodcock 1994, Yigang 1999). The study had two objectives, the first objective was to determine the entry strategies adopted by AFB in expanding into the Kenyan Market, and the second objective was to establish the factors that influence the choice of strategy. The research design was a case study on AFB group and the data collection technique used was an interview guide administered on respondents drawn from senior management cadre of the AFB group. Data analysis was conducted by content analysis method of various themes extracted from the interview responses. The study findings revealed AFB group has used two entry strategies to enter the Kenyan market namely strategic alliance partnerships which were non-equity and acquisitions with an equity ownership form. Factors influencing the choice of strategy were country specific and firm specific. The study findings revealed that influential country specific factors were type of regulations, industry competitiveness and the country levels of technology and economic development, while firm specific factors were firm's financial resources, technology capability versus competitors, human resource competencies and firm embedded knowledge and competencies from expansion experiences in other countries. The study found out that entry strategy is a dynamic process and is dependent on evolving external and internal environment forces that firm is exposed to in its internationalization process in foreign markets.

TABLE OF CONTENTS

DECLARATION .... **ii**

ACKNOWLEDGEMENT .... **iii**

DEDICATION .... **iv**

ABSTRACT .... **v**

TABLE OF CONTENTS .... **vi**

CHAPTER ONE: INTRODUCTION **1**

1.1 Background of the Study 1

1.1.1 International Business 2

1.1.2 Foreign Entry Strategy 4

1.1.3 Kenyan Market and Financial Service Industry 5

1.1.4 AFB Group International 7

1.2 Research Problem 9

1.3 Research Objectives 12

1.4 Value of the Study 12

CHAPTER TWO:LITERATURE REVIEW **14**

2.1 Introduction 14

2.2 Theoretical Underpinnings 14

2.2.1 The OLI (Ownership, Location and Internalization) Framework 14

2.2.2 Resource Based View Theory (RBV) 16

2.2.3 Transaction Cost Analysis Theory 17

2.2.4 Born Globals / International New Ventures 18

2.3 Foreign Entry Modes 20

2.4 Factors Influencing Choice of Entry Strategy ... 22

CHAPTER THREE: RESEARCH METHODOLOGY ... 24

3.1 Introduction ... 24

3.2 Research Design ... 24

3.3 Data Collection ... 24

3.4 Data Analysis ... 26

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION ... 27

4.1 Introduction ... 27

4.2 Background Information ... 27

4.3 Entry Strategies Adopted by AFB Group to the Kenyan Market ... 28

4.4 Factors Influencing Choice of Strategy ... 30

4.5 Discussion of Findings ... 32

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ... 37

5.1 Introduction ... 37

5.2 Summary of Findings ... 37

5.3 Conclusion ... 40

5.4 Recommendations of the Study ... 41

5.4.1 Implications of the Study on Theory ... 41

5.4.2 Implications on Policy and Practice ... 42

5.5 Study Limitations ... 42

5.6 Suggestions for Further Research ... 43

REFERENCES ... 44

APPENDICES **49**

Appendix I: Interview guide 49

Appendix II: List of Credit Providers and Microfinance Institutions in Kenya 51

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Firms are in pursuit of international markets in response to turbulent and dynamic operating environments that they have to strategically realign themselves to. According to Peinardo and Barber, (2006) the choice of an entry mode by a firm defines an important strategic entry decision that has long-term implications on the firm's future business success. The strategic considerations that influence entry choice will be determined by the overall strategic intent of the firm's management with regard to the level of control, country specific factors and firm specific factors. International entry mode determines whether a company has full control of the foreign unit or whether it has to share with a partner.

According to Ovcina (2010), the entire entry strategy process is dynamic and not static. A firm undergoes a number of phases in its internationalization process and at each stage it evaluates the respective entry strategy mode to re-position and establish itself further in the market or alternatively withdraw from the market. The study will be guided by the following theories namely, the ownership, location and Internalize model (OLI), transaction cost analysis theory and the born global/international new ventures. Firms' expansion is based on anticipated risks and costs, unique core competencies they possess, country specific factors that make some countries have a competitive advantage over others and knowledge gained or transferred in international markets.

The Kenya capital city Nairobi's reputation as an African commerce, trade and development hub has made it a strategically sound investment location for AFB a consumer financial services company. Apart from being a high growth-market and an important hub, Kenya is part of a region that is experiencing rapid improvements in income levels and infrastructure, has an abundance of well-educated and quality staff and offers a huge promise of continued growth for many organizations as a consumer market (AFB, 2013).

1.1.1 International Business

International business may be defined as business transactions that take place across national borders involving individuals, private firms, public corporations and government entities. Usually, private companies undertake such transactions for profit; governments undertake them for profit and for political reasons (Daniels, Radebaugh and Sullivan, 2007).

International business scholarship arose in response to the observation that foreign direct investment (FDI), as opposed to trade, was the leading international economic phenomenon (Buckley and Lessard, 2005). In an increasingly globalizing economy, many firms are driven by the need to expand business to international markets, e.g. to seek market share, critical resources, cost efficiency or strategic assets (Alon, 2004).

More than four decades ago, very few companies ventured into international market arena because country borders were relatively more closed with much business and trade being domestic rather than international. Progressively with the passage of time up to the present twenty-first century, borders have increasingly opened up. Countries have formed regional trading blocs, inter-country tariffs have been lowered, the occurrence of capital and human resource movements is more than ever before, multilateral bodies like World trade organization, IMF, World Bank and UN organization have made their global mandate more felt and the increase of globalization activities have driven international business on a greater scale than before (Kelly, 2009).

As more companies engage in international business activities, there is more competition experienced in both domestic and international markets. The scope of international business which covers operations, marketing ,sales, human resource and financial management is reflected on how companies best utilize their resources to become competitive in the mentioned dimensions of international business. With heightened competition companies that develop superior competencies and strategies in configurations of their bundle of resources acquire more market share, profits and utilize economies of scale better than others in international markets to gain competitiveness (Sullivan, 2007).

There are companies that perform better in domestic markets than international markets while others perform better in international markets than domestic markets. Globalization trends shape the patterns of international business, culture and business practices which may inform decisions between adopting multi-domestic or global strategies by multinational companies in their internationalization process (Kelly, 2009).

1.1.2 Foreign Entry Strategy

Foreign entry strategy involves choice of an entry mode dependent on the firm's strategic expansion intent (Osoro, 2013). Foreign entry strategy is employed by many firms to expand sales and profits, grow market share and expand into new markets. Saturation of the local market and declining domestic demand may force firms to look for new markets outside home country borders (Partners 2010).

Ownership control is one among the many factors that influence entry mode the others being country specific factors and firm specific factors. According to Pla- Barber et al (2010) analysis of decisions that lead to an entry mode choice can be broken into two levels. The first level is the macro level where degree of commitment is influenced by country specific factors and the second level is the micro level where choice of the degree of control is influenced by firm specific factors.

Entry strategy is the method used by a company to start doing business in a foreign country (Shama, 2000). Entry strategy is an institutional arrangement that makes possible the entry of firm's products, technology, human skills, management, or other resources into a foreign country (Karkkainen, 2005). Many forms of market entry strategy are available to firms to enter international markets. One classification first distinguishes between equity and non-equity modes. Equity modes involve firms taking some degree of ownership of the market organizations involved, including wholly owned subsidiaries and joint ventures. Non-equity modes do not involve ownership and include exporting or some form contractual agreements such as licensing or franchising (Wilkinson and Nguyen, 2003).

Cateora and Graham (2002) stated there are six basic strategies for entering a new market, these include: export/import, licensing and franchising, joint venturing, consortia, partially-owned subsidiaries, and wholly-owned subsidiaries. Generally, these represent a continuum from lowest to highest investment and concomitant risk-return potential. In choosing a particular strategy, a company constructs a fit between its internal corporate risk "comfort level" and the externally-perceived risk level of the target entry market. Thus undertaking an international entry mode research before choosing an entry mode is paramount since once an entry mode is established, it is difficult to change because of the long term consequences for the company (Arregle et al, 2006; Brouthers and Hennart, 2007; as cited in Sadaghiani et al, 2011).

1.1.3 Kenyan Market and Financial Service Industry

Kenya one of the East African Countries with an estimated population of 45 million people reported a GDP of USD 60.8 billion in the year 2014 (KNBS, 2015).

The ICT sector expanded by 13.3% in 2013 from 12.9% in 2012 and the mobile money subscriptions reached 26 million representing a penetration rate of 60% to the total population. The total cash transfers made by mobile money agents reached 1.269 trillion against total cash transfers of 2.372 trillion in 2014 which approximates 50% underscoring the importance of the mobile money transfer market in the Kenyan economy (KNBS, 2015).

The Kenyan market has experienced rapid technological advances in mobile phone usage which have added value to services enjoyed by consumers virtually in many sectors of the economy. Kenya is endowed with a skilled labor force, well developed infrastructure, relatively advanced financial sector in the region, a growing middle class and political-legal gains accruing from the 2010 constitution, making it a favored hub of entry into East and Central Africa by foreign firms.

The financial service industry in Kenya as at end of 2014 had 43 banks, 1 mortgage finance company, 11 micro-finance deposit taking institutions, 14 money transmission institutions and a number of micro-finance institutions that lend but do not take deposits. The Banking industry in Kenya is governed by the companies Act, the Banking Act, the micro-finance act of 2006, micro-finance act of 2008 and the Central Bank of Kenya Act. Since 1995 Kenya's banking industry operates in a liberalized environment without the restrictions of exchange controls. CBK formulates, controls, supervises and implements monetary policy in the financial sector.

The financial services sector has grown over the years to be among the most profitable sectors and has expanded to neighboring countries. Despite the growth numbers, a large population of Kenyans still remains unbanked. Rapidly changing technology, customer demands and entry of well-established global players have made banks to frequently examine their competitive strategies. Banks and micro-finance institutions are evolving from traditional banking hall transactions, savings and loans institutions to untapped areas, partnerships with large retail stores, international card providers such as master card, Visa, telecom companies and providers of agency banking.

AFB (K) Ltd. is a credit lending but non-deposit taking micro-finance organization. Micro financing is the provision of financial services to low-income people. It refers to a movement that envisions a world where low-income households have permanent access to high-quality and affordable financial services to finance income-producing activities, build assets, stabilize consumption, and protect against risks (Fransen, 2005).

In Kenya after the enactment of Banking and Financial Institution Act in 1991, many organizations came up and run Micro-finance programs (PWC, 2012). The micro-finance sector in Kenya has witnessed a number of deposit taking institutions collapse with members contributions due to mismanagement. Governance has been improved progressively with the microfinance Acts of 2006 and 2008 which were enacted to govern MFIs better by legalizing minimum MFI registration requirements, strictly enforcing and monitoring MFIs capital requirements among other statutory requirements for deposit taking MFIs.

1.1.4 AFB Group International

AFB (Kenya) Limited forms part of the AFB Group with its Holding Company, AFB (Mauritius) Limited, being incorporated in the Republic of Mauritius. AFB (Mauritius) Limited is licensed by the Financial Services Commission in Mauritius. AFB was established in 2009 in Mauritius. AFB Kenya was incorporated on 21st September 2012 and currently employs 450 staff in Nairobi.

AFB (Kenya) limited is a micro-finance lending but non-deposit taking institution. AFB mission is to offer microloans both to individuals working in the formal sector and entrepreneurs who may not qualify for loans from the bank due to lack of collateral. The firm's target focus is on individuals, SMEs and entrepreneurs majority who are found in the informal sector. AFB's aim is to increase financial inclusivity in Africa by unlocking Africa's digital potential and also empower the majority of people in Africa not served by banks but own mobile phones. Using data to understand behavior, the firm gives people appropriate credit advice and the power to achieve financial self-reliance.

AFB was among the first companies that pioneered mass market unsecured Retail Credit Products and Mobile Loans, with no prior savings needed. The product offerings in Kenya include Retail Credit Cards, Mobile Loans, Business Cash Advance, SME Working Capital credit and SME stock credit services. AFB currently has an estimated 150,000 customers in Kenya alone. As part of its entry strategy it has leveraged on utilizing mobile platform technology in loans and repayments. The number of SME Businesses in Kenya under AFB Advance product currently totals 369 currently while the number of Mobile Money customers through Airtel (KOPA cash product) is estimated at 60,000. The number of active customers with Retail Cards (AFB Cards) is currently more than 100,000 and the Retail Card outlets number 520 in total.

AFB Competition is in the credit card business where it faces competition from banks. The Kopa cash mobile money product faces competition from MSHWARI, MKOPO RAHISI, KCB- MPESA, Equity mobile money among others, while the AFB Advance product which it lends to SMEs exclusively through the Mobile and Online platforms, does not have serious competitors, especially not in Kenya. The limitations are on the stability of the Lending platform, and the number of subscribers.

1.2 Research Problem

Many managers of firms contemplating foreign entry have to make viable entry mode decisions that translate to a competitive entry strategy in unfamiliar competitive foreign market environment. Porter(1998) outlined three approaches to competitive strategy namely being a low cost provider than rivals, seeking to differentiate one's products from rivals and thirdly focusing on a niche market that might underserved by rivals. The current competitive global market is making more companies to increasingly internationalize so as to compete, gain access to new customers, achieve low costs, look for foreign markets due to saturated home markets and leverage on core competencies among other factors (Odhiambo, 2013).

According to Osoro (2013), the biggest challenge facing firms in the internationalization process is finding the right strategy mix in face of varying entry challenges and turbulent post-entry environment. The process of finding new markets therefore has prompted an increasing number of firms to develop strategies to enter and expand into markets outside their home countries. Selection of foreign markets and entry modes therefore lies at the heart of any business or any organization that aspires to operate internationally (Njui, 2013). The entry mode chosen has a major impact on the level of control the Multinational enterprise has over the venture (Varmah, 2012). Huge amounts of funds are involved in international business and the choice of a particular entry mode is very significant on the business across borders (Munyiri ,2014). Entry strategy mode has a large and lasting impact on the success of a firm's international operations Anderson & Coughlan (1987).AFB has an estimated 150,000 customers in Kenya registered in the past two years and compared to the other African markets, Kenya market has done much better in terms of market share gain (AFB, 2013). The market niche of the unbanked served through mobile phones has been unexploited by many financial institutions even though from 2014, Kenyan banks have increasingly adopted unsecured mobile phone credit services and product credit through credit cards to their existing and new customers.

AFB has been a pioneer that has registered success in this service and being a foreign based firm forms the interesting question of understanding the entry strategies it has used to penetrate the Kenyan market. The AFB mission is to unlock the potential in Africa's digital footprint. Using data to understand behavior, the company aims to give people the power to change their lives through innovative financial products. As a micro-finance firm starting off with a capitalization of Ksh. 250m three years ago which was relatively a small capital base compared to its well established bank competitors, it would have wound up operations in the last three years if the entry strategies were not effective. AFB is the first to offer mass market, unsecured Retail Credit Products and Mobile Loans, with no prior savings needed. The product offering product in Kenya includes Retail Credit Cards, Mobile Loans, Business Cash Advance, SME Working Capital credit and SME stock credit services. In addition to Kenya, the AFB Group has operations in Ghana and Tanzania and is licensed to commence operations in Zambia. AFB has over 1,500 employees in total.

Many studies by different scholars have been done on foreign companies' entry strategies such as Cheptegei (2012) studied foreign market strategies used by multinationals in Kenya: A case study of Coca-Cola (K) Ltd. Gichui (2011), studied foreign market entry strategies used by Eco Bank limited to enter the Kenya market, Musili (2013) studied "Entry strategies adopted by National Credit bank in Kenya to enter into the East Africa Markets",Asubwa (2011) examined "Strategies used by Equity Bank Ltd in International Expansion" which focused on Equity bank alone. On an international level, Thompson (2008) studied the impact that the private sector can have on emerging markets: Business and Development, A case study of SABMiller plc. (Morawczynski 2009) studied the expansion strategies of Mobile Network Operators in emerging but progressively competitive markets through diversification of their services, with a focus on Mobile Money in Uganda. Study findings from these studies were limited to the companies under study. None of these studies has focused on entry strategies used by financial consumer company AFB group into the Kenyan market.

This forms a knowledge gap that provides the basis for the study on entry strategies adopted by AFB group in expanding into the Kenyan market.

The study seeks to answer the research question, how does AFB group manage its entry strategy process into the Kenyan market?

1.3 Research Objectives

The study had two objectives:

i. To determine the entry strategies adopted by AFB in expanding to the Kenyan Market.

ii. To establish the factors that influence the choice of strategy.

1.4 Value of the Study

The study findings will be of value to AFB management group in improving their entry strategy management process further and gaining insight in other areas of entry strategy management where their focus has been absent that will be uncovered by the study. The study will be important to microfinance institutions that may be planning to enter regional or international markets outside Kenya. The use of digital platforms which is facilitated by telecommunication service providers in foreign entry strategy, would form interest to Telekom companies that would understand grey areas to improve on and enhance service delivery better.

The study findings would be of value to policy makers, the finance regulatory bodies and Government agencies in creating a better environment with better policies to govern the sector better and improve access for the millions who are excluded from mainstream banking for the overall improvement of the economy.

Scholars will better understand the internalization process of smaller players especially in Africa and the study will contribute to the existing scholarly body of knowledge. New insights uncovered from existing internationalization theories will be interrogated in relation to experiential findings of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examines, the various literature on the research topic to deepen and broaden understanding of concepts that form the main components of the study. A review of theoretical underpinnings of the study, empirical review from other similar studies and further explanations of the study concepts provides the scope and anchor for the study.

2.2 Theoretical Underpinnings

Theories included the OLI theory that summarizes the internationalization process, the resource based view theory (RBV), the transaction cost theory and the 'born Globals' /international new ventures phenomenon. This chapter's review was to the mentioned theories relevant to the study objectives.

2.2.1 The OLI (Ownership, Location and Internalization) Framework

The OLI framework, or eclectic paradigm, has been developed by John H. Dunning and dates back to 1958 but it has been revised continuously through the years (Dunning, 2000). According to Dunning's eclectic model, the firm's decision to enter a foreign market and the choice of a market entry mode (direct investment, contractual resources transfers or exports) depends upon the possession of (1) ownership-specific, (2) location-specific, and (3) internalization advantages (Sadaghiani et al, 2011).

The OLI framework combines a number of theories such as transactions cost theory and the resource based view of the firm and in this way serves “as an envelope for complementary theories of MNE activity” (Dunning 2000 as cited in Sorgenfrey & Munch, 2009). The ownership sub-paradigm is about the ownership of unique resources, skills or capabilities which can lead to a sustainable competitive advantage (Tallman in Hitt et al 2001 as cited in Sorgenfrey, 2009). An entry by a firm into a foreign market to achieve success must entail a unique ownership sustainable advantage such as superior technical efficiencies, competent skilled managers, economies of scale that lead to monopoly of power, superior technology and scarce unique resources.

The location attractiveness sub-paradigm states that the foreign market must in some way favor local production to export from the company's' home market or other markets where the company is present with production facilities (Sorgenfrey, 2009). A firm's management decision is faced with choices about investing in local production in foreign country or exporting from home market. Factors to be considered include lower labor costs, more favorable legislation, high transportation costs, governmental trade barriers, superior production processes or consumers preferring products with a local image (Hitt et al 2005).

The third sub-paradigm under the OLI theory framework is Internalization. The internalization sub-paradigm concerns whether entry into foreign markets is preferable through some sort of inter-firm non-equity agreement such as licensing, or by engaging in FDI through investing in green field production facilities, or by purchasing a company in the target market (Dunning, 2000). The decision can be based on a somewhat simple assessment of whether an arm's length market transaction incurs the lowest cost when performed with a partner in the market or whether conducting the activity internally is the less costly alternative. (Sorgenfrey, 2009).

One input that MNEs may want to exploit or obtain abroad is firm-embedded technological knowledge, which is often tacit and hence costly to exchange through the market (Hennart, 1982 as cited in Hennart & Slangen, 2007). A firm endowed with internalization advantages would incur reduced transaction costs and possess the ability to protect management know-how and intellectual property (Harrison, 2011). According to Mtigwe (2006) Internalization advantages accrue to firm from the internal use of its Ownership advantages rather than renting them out to external parties in the form of licensing agreements or franchising.

2.2.2 Resource Based View Theory (RBV)

Resource based view theory which is the same as the internalization sub-paradigm under Dunning's OLI framework, is concerned with the firm's internal factors and the more intangible subject of resources, also called firm-specific factors (Sorgenfrey & Munch, 2009). The core theme posited by RBV theory is possessing competitive advantage that arises from control of superior resources and importance of building competitive advantage by looking for new superior resources to acquire. In a world of imperfect competition, firms gain competitive advantage in the international environment by exploiting their firm-specific assets and capabilities. Hence according to the RBV theory full-ownership FDI may be preferred to other modes of entry, allowing the firm to retain full control of its firm-specific assets. (Harrison, 2011).

According to Peteraf (1993) as cited in Munch (2009), a resource can be termed superior if it has competitive advantage in an environment based on the following four requirements, (1) there has to be heterogeneity in the resource bundles implying superior resources exist that have the potential to earn rents, (2) existence of imperfect markets for the resource and substitute resources so that the resource cannot be easily acquired by other firms, (3) before the resource is acquired by the firm there has to be limited competition to acquire the resource to the extent that acquisition costs do not offset rents gained and (4) finally, there has to be imperfect mobility in the market for the resource, meaning that the resource has to be more valuable in the firm where it is currently in use than it would be elsewhere. A wide range of things that can be considered as a resource include customer loyalty, managerial skills, technological leads, access to raw materials, production capacity and experience (Wernerfelt 1984).

2.2.3 Transaction Cost Analysis Theory

The transaction cost theory which originated from Ronald Coase'e work in 1937 assumes that competitive and imperfect markets contribute to cost decisions and implications in a firm's internationalization process. In a perfect market, transactions are carried out free of transaction costs because; (1) information is freely available, (2) decision-making is rational, (3) there are always alternative suppliers and buyers, and (4) specific transactions have no carry-over effects between two parties from one period to the next.

In reality, however, these conditions seldom exist (Hermannsdottir, 2008). Whenever a firm undertakes a transaction with a customer or supplier, it incurs transaction costs in addition to the price paid for goods or services. These include the legal costs of drawing up a contract, tender costs, searching for information on potential suppliers, or the cost of currency exchange or hedging (Harrison, 2011). It has been criticized as ignoring other dynamic interacting variables that a firm is exposed to in internationalization process.

This viewpoint forms the argument propounded by the behavioral approach to internationalization process which replaces the economic man with the behavioral man (Andersen, 1993; Andersson, 2000). The behavioral approach emphasizes on international experience impact on organizational learning with regard to individual and top managers perceptions, knowledge, attitudes shaped out a firm's internationalization process and this determines the pace and direction of subsequent internationalization process (Clercq, Sapienza and Crijns, 2005; Hermannsdottir, 2008).

2.2.4 Born Globals / International New Ventures

Born globals are highly entrepreneurial small firms that quickly internationalize without the time or need to develop firm-specific internalized advantages in their home nation (Contractor, 2007; Jones and Coviello, 2005; Mort and Weerawardena, 2006; Rialp, Urbano and Vaillant, 2005). The traditional view of the MNE as principally an exploiter of internalized advantages that it developed in its home nation, is being partially displaced by the new view of the firm as an international learner, coordinator, crossborder arbitrageur, multiple network alliance partner, and integrator across border (Contractor, 2007).

Increasing number of firms are active in international markets shortly after establishment and are in that way “born global” (Hermannsdottir, 2008). Various terms that have been used by academics describing these firms include “born globals” (Moen and Servais, 2002; Mort and Weerawardena, 2006) and “international new ventures” (Coviello, 2006; Oviatt and McDougall, 1994). These firms lack resources compared to large international firms, but their advantage rests on learning derived from abroad, ability to coordinate and arbitrage across national borders, and from alliance network relationships (Contractor, 2007; Mort and Weerawarden, 2006).

These rapidly internationalizing smaller entrepreneurial firms view the world as their arena of operations irrespective of the psychic or geographic distances involved (Loane and Bell, 2006). They usually offer highly innovative and cutting-edge products (Mort and Weerawarden, 2006).Owner and/or manager characteristics is a key factor distinguishing born globals from non-globals. These characteristics include global mindset, pro-activeness, innovativeness and risk taking (Mort and Weerawardena, 2006). Today’s empirical research seems to be far ahead of the theoretical developments in this field. Both further theory building efforts and new empirical support for this emerging born global phenomenon have to be provided (Rialp et al., 2005).

2.3 Foreign Entry Modes

The choice of foreign entry mode is one of the core topics in international management research (Werner, 2002 as cited in Hennart & Slangen, 2007). When firms plan to enter a new market, the decision of entry mode is an important one since it can be of considerable significance to the firm's success in the market (Woodcock 1994, Yigang 1999). There are two major types of foreign market entry strategies; these are the equity and non-equity modes. The equity mode includes strategies like wholly owned subsidiaries and joint ventures. The non-equity includes exports (direct and indirect) and contractual agreements like licensing, franchising and other contract arrangements involving intermediaries Peng (2006).

International trade, involving exporting and importing, is the oldest form of straightforward international business activity and is still of huge importance today, though it carries significant risks, especially if a firm is dependent on a small number of international customers or suppliers in high-risk countries (Harrison, 2011). Direct exporting and importing involve direct contact between the exporter or importer and the foreign customer or supplier. Large established MNEs often trade in this way. For smaller or less experienced businesses, indirect exporting and importing is often used; this involves the services of an agent or other intermediary, providing specialist knowledge and a safer and more convenient way for a business to engage in international trade, though there is inevitably some loss of control.

Licensing and franchising are non-equity associations between an international company and a party in the host country in which technology or management systems are transferred to the host party (Shane 1994). The host party business (franchisees) pay royalty payments to a franchisor in return for identity, trade mark rights and selling rights to use the franchisors business models. The main advantage of licensing is the circumvention of import barriers. Licensing also implies lower political risk than the investment entry modes. The disadvantage of licensing is the licensor's lack of control over reputation of the licensor/franchisor, the marketing activities in the target country and lack of long-term income since income is limited to licensing period (Barasa, 2013).

Investment entry modes include international company ownership of manufacturing plants or service firms in the host country by way of Greenfield operations, acquisitions and joint venture. Establishing a wholly owned subsidiary in a foreign market can be done in two ways namely, a Greenfield investment venture or acquire an established host firm referred to as an acquisition strategy (Osoro, 2013). Foreign firm acquisition with management control status is referred to as FDI (foreign direct Investment). FDI normally involves some degree of equity ownership on the part of the foreign investor and the IMF and UN regard a 10 per cent equity stake as the minimum requirement, though there is no universally agreed ownership requirement (Harrison, 2011).

Greenfield entry mode though costly and time consuming ensures organizational culture is built from scratch and provides above average returns in the long-term (Brouthers & Brouthers, 1993). Acquisitions are preferred over Greenfield in highly related industries with stiff competition since they are quick to execute, enhance early mover status into new markets and facilitate easy access to assets with known profit and revenue generation (Hill, 2011).

Joint venture is an equity strategy mode used with an objective of sharing risks, rewards, technology, joint product development and conforming to host government regulations (Osoro, 2013).This collaboration can for instance take place through a subsidiary owned equally by both parties (Sorgenfry & Munch, 2009). Investment through joint venture brings advantages such as risk diversification, capital requirements reductions, rapid market entry, quicker investment returns and lower start-up-costs (Williams, 1997). Strategic Alliance is a non-equity cooperation agreement between two or more independent firms. The purpose of such an alliance is to gain a mutual competitive advantage through cooperation in production, research and development, marketing, or purchasing (Harrison, 2011).

2.4 Factors Influencing Choice of Entry Strategy

The selection between the entry modes described in the previous section depend on the risk the company is prepared to take and its desired degree of control (Farhang, 1990). According to Hollensen (2004), factors affecting this decision are: internal factors, external factors, desired mode characteristics and transaction specific behavior. The external factors that affect the entry mode decision include market, production and environmental factors in both the target and home countries. According to Root (1994) large markets present a great foreign market opportunity which will depend on the competitive structure of a market that can range from atomistic (many non-dominant competitors), to oligopoly (a few dominant competitors), and to monopolistic (a single firm). When the marketing infrastructure is non-existing or of poor quality, an exporting company may, for example, decide to use a branch/subsidiary entry mode (Root, 1994). Target country production factors include the quality, quantity and cost of raw materials, labor, energy, economic infrastructure and other productive variables. Low production costs in the target country support some form of local production. High costs, on the other hand, discourage local manufacturing (Root, 1994). Target country environmental factors that affect the choice of entry mode include the political, economic development/performance and socio-cultural character of the target country, of these, government policies and regulations concerning international business are the factors of greatest importance. (Kwon & Konopa, 1992). The cultural distance between the home country and the target country societies affects a company's choice of entry mode. Significant cultural differences might create high costs of information acquisition (Root, 1994).

According to Roots (1994), internal factors that determine how a firm responds to externalities can be categorized into two namely product and resource/commitment factors. Products that are highly differentiated can allow for high pricing while technological intensive can allow licensing, high service back-up or adaptation may require branch/subsidiary entry mode. A company with limited resources in management, technology, production skills and marketing skills, is constrained to use entry modes that require only a minor amount of resource commitment (Barasa, 2013).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the particular type of methodology that were used in the study research process. Areas highlighted include research design, data collection and analysis..

3.2 Research Design

According to Davies and Elder (2006) successful completion of a research highly depends on its methodology. Research design is the plan and structure of investigation so conceived as to obtain answers to research questions, Cooper and Schindler (2007). The research design was a case study of AFB (K) Ltd. The design corresponded to case study method requirements that allow for in-depth study of the subject matter unlike the survey method. It was qualitative in nature and used primary data to a large extent facilitated by face to face interviews. Secondary data was sourced from publications, online sources and relevant literature. Case study approach was quite ideal since it involved careful holistic in-depth investigation.

3.3 Data Collection

Data collection was obtained by the interview guide method to obtain primary data as well as from secondary sources such as Government of Kenya publications, company publications, regulatory bodies and relevant websites as information sources. According to Cooper and Schindler (1998) personal interview is of great value when in-depth and detailed information is required. Qualitative is relevant to the nature of the study since the researcher will attempt to explore various themes that will emerge from discussions, a factor that the questionnaire method does not achieve easily. Bryman, (1992) asserts that interview guide focused on a case study to obtain data of qualitative nature, allows for a wider range of issue to be examined unlike the quantitative approach that covers several units of study.

The Researcher used a combination of open-ended unstructured questions with an objective of allowing respondents to reflect, evaluate and build well thought out responses in building a case around items under study in the data collection instrument. Brief semi-structured interview questions requiring short precise responses were used to obtain further relevant information. The interview guide method would facilitate high personal contact, flexibility and control of confidentiality. Saunders, et al. (2007) argues that one-on-one interviews tend to achieve high response rates according to research findings.

Data collection was done during respondents working time hence prior appointments were planned for and secured in line with the respondents' convenient schedules. The respondents were drawn from top and middle management levels. These included the Country Manager, the Risk & Compliance Manager, Operations Manager and the Finance Manager. These formed the senior cadre of management with access to a variety of relevant company information suitable to the study objectives and who are also involved in top corporate decision making thus more knowledgeable than junior staff on corporate expansion strategy.

3.4 Data Analysis

The analysis of collected qualitative data was analyzed using conceptual content analysis method. Content analysis as defined by (Nachmias and Nachmias, 1996) is a systematic and objective technique that identifies messages and trends with specific characteristics for making inferences that explain the study findings. The main purpose of content analysis is to study existing information that will help explain factors relating to a specific phenomenon (Mugenda, 2003).

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis findings gathered from interviews with respondents who are AFB employees. The face-to-face interview method was used for data collection using the interview guide attached in the appendix. The data was analyzed using the content analysis technique where the researcher presented various themes to respondents and summarized their responses. This chapter interprets and discusses the findings in relation to the study objectives.

Content analysis was used to identify and extract themes from data collected which entailed reading the responses multiple times, emerging themes were identified that provided an answer to the research question. They were subdivided and coded using excel worksheet and interview data revisited to uncover themes that were similar across all respondents as well as dissimilar due to unique profile characteristics of certain respondents. The emerging themes in the context of the overall transcript provided particular answers to the study objectives as subsequent sections in this chapter reveal.

4.2 Background Information

International entry strategy is a corporate strategy that is crafted by senior management since it requires a lot of investment and has high risk implications for the entire organization. The interview guide received responses from senior managers on their experience about AFB entry into the Kenyan market. The respondents interviewed included the country manager, finance manager, risk and compliance manager, administration manager and credit operations manager. Table 4.1 indicates the years worked with AFB group by interviewed respondents to be between two to three years which is sufficient time to have been adequately involved or experienced the entry strategy of the firm. The firm's entry to the Kenyan market was in 2012 when it started the Kenya subsidiary's operations.

Table 4.1 Respondents' Positions and Years of Service

Position	Years worked
Country Manager	3
Finance manager	3
Risk and compliance Manager	2
Administration Manager	2

Source: Survey data (2015)

4.3 Entry Strategies Adopted by AFB Group to the Kenyan Market

The study objectives were to determine the type of entry strategy used by AFB group to the Kenyan market and establish factors influencing entry strategies used. The respondents were interviewed using the interview guide on varying range of items. The responses from the study about factors that motivated AFB group to expand into Kenya were unanimous about the motivation pull of the high rate of mobile money adoption and the successful growth in mobile cash transactions especially among the low income segment which has a high proportion of the unbanked population. This factor motivated AFB to expand into the Kenya market which enjoys one of the highest mobile money usage rate compared to other African countries they could expand to.

The responses from the respondents indicate that acquisition and strategic alliances are the most favored entry strategies used by the AFB group. The respondents indicated that acquisitions and strategic alliances were preferred due to the competitive nature of the industry, dominant established players in the Kenya market, existence of mobile network providers with well-established infrastructure and available advanced technological third party service providers.

The respondents views on challenges encountered in the Kenyan market were varied though fraud, systematic breakdowns and competition from many players were common responses. Other responses gathered were the challenge of working with a less dominant mobile network operator Airtel whose subscribers are fewer than the dominant Safaricom implying less market reach. The challenges of unfamiliar product names to customers who are used to existing product names, different repayment schedules from traditional products, high interest rates in the market, strict regulatory environment and the different country's culture compared to the home country culture were part of the response data collected.

4.4 Factors Influencing Choice of Strategy

On the theme of major influencing factors that determined the success or failure of aspects of the entry strategy, the respondents opined that scalability that would translate to sufficient revenues, collection rates, customer service, quality of the product offerings compared to competitors, interest rates offered for credit services compared to prevailing rates in the market, quality partnerships, availability of distribution networks and investment funding capacity were paramount determinants of the entry strategy success. Some of these factors like scalability, interest rates, merchant network distribution and collection rates are a challenge to AFB while the others like customer services, first mover advantages of being the pioneer in the market and investment funding capability are in AFB group’s favor.

Respondents’ views were similar on the theme of existing core competencies of the firm compared to competitors which are normally referred to as firm specific factors. Some of the responses were the firm’s ability to deploy at speed, continuous training of employees, structure of the organization that affords quick decision making and support from head office, good product that is unsecured and easy to access and adequate initial funding from parent company were factors that give the firm a competitive edge.

Majority of the respondents had similar views on country specific factors that influenced AFB entry strategy. Factors such as political financial culture, technology and development and favorable regulatory regime were critical. All the respondents had concurred that tax policies, GDP and geographical proximity were not major determinants in AFB foreign entry strategy. The country specific factors for Kenya market consensually were the adequate technologically skilled employees, many mobile technology start-ups, robust financial sector, and mobile network service providers with adequate infrastructure that would facilitate deployment of mobile money credit services and plastic credit card services.

On the theme of the most preferred mode of foreign market entry by AFB, the respondents' views were in consensus that acquisitions and strategic alliances was the most preferred entry mode by AFB in other foreign markets just like in Kenya. The AFB group prefers quick market access by acquiring technological firms to build on capacity, acquire innovations vital in a fast dynamic technology driven mobile financial services market. Competitive nature of the market calls for strategic partnerships where AFB provides financing capacity and market network while mobile service network providers provide mobile platforms. The respondents were asked whether cost plays a decisive role in determining market entry and the responses were the same. The respondents argued that cost of entering the markets was not a major draw-back for the entry process since acquisition strategy is a costly transaction process but a preferred one by AFB group. The companies acquired have specific technology competencies and finance system advantages over AFB but limited financial resource capacity compared to AFB.

The respondents affirmed that the international experience of AFB group has not been more than five years since they began expanding from their home market in South Africa to Ghana and Tanzania in 2010. The firm has grown to Mauritius, Zambia, Kenya, Tanzania and Ghana. The respondents indicate that this expansion has been rapid within five years and the commitment of the founding directors is to expand to as many international countries as possible. The firm is a born global since it utilizes a high degree of information technology for automating its operations and expands via acquisitions and partnerships which are quicker compared to the green field strategy that requires starting from scratch and is time consuming.

The respondents stated that the Tanzania market has been characterized with much scalability; less regulatory environment and less competition with bigger mobile network operators as favorable partners unlike Kenya where one mobile network operator is very dominant and terms of partnership would not favor financial services smaller players. Ghana has been more profitable and favorable for AFB operations. The respondents views about Kenya's market characteristics revolved around the themes of a market endowed with faster mobile money services growth and a growing information technology sector. One of the firm's recent acquisitions, a Kenyan start-up named "Weza tele" has enabled AFB to roll out its mobile money services to other African countries with new acquired technology features they initially never had.

4.5 Discussion of Findings

The first objective of the study was to establish the foreign entry strategies adopted by AFB group in international expansion. The interview responses concurred that acquisitions and strategic alliances are commonly used. Acquisition is an equity entry mode that allows for ownership and degree of control in a firm's foreign entry strategy.

The research findings confirm the premise that acquisitions are preferred over Greenfield in highly related industries with stiff competition since they are quick to execute, enhance early mover status into new markets and facilitate easy access to assets with known profit and revenue generation (Hill, 2011). The entry strategy is not confined to one particular strategy but dynamic to the changing operating environment in the host country.

The research findings concur with the assertion by Ovcina (2010), that the entire entry strategy process is dynamic and not static. A firm undergoes a number of phases in its internationalization process and at each stage it evaluates the respective entry strategy mode to re-position and establish itself further in the market or alternatively withdraw from the market. AFB has combined both equity and non-equity entry modes preferring control where possible for the equity based acquisition strategy and also pursuing strategic alliances or partnerships which are non-equity. Acquisitions target smaller players with value capacity enhancing competitive advantages while strategic alliances and partnerships have been used with mobile network providers who have already built existing network structure and mobile platforms which AFB doesn't have. AFB has also partnered with a number of host country financial credit service providers with vital distribution networks and much longer operating experience.

The responses from research concur that if possible AFB prefers to control the entry process with ownership advantages that allow sustainable competitive advantage as well as affording quick decision making process as a competitive response strategy. The research findings agree with Sogenfry (2009) who argued that, entry by a firm into a foreign market to achieve success must entail a unique ownership sustainable advantage such as superior technical efficiencies, competent skilled managers, economies of scale that lead to monopoly of power, superior technology and scarce unique resources. The research findings are also in tandem with the internalization sub paradigm of OLI framework whereby MNEs may want to exploit or obtain abroad firm-embedded technological knowledge, which is often tacit and hence costly to exchange through the market (Hennart, 1982 as cited in Hennart & Slangen, 2007). AFB exploits its economies of scale advantage abroad but obtains through acquisitions host country firm-embedded technological knowledge for sustaining its competitive advantage.

The research findings also confirm the premise by the resource based view theory. The core theme posited by RBV theory is a firm should possess competitive advantage that arises from control of superior resources and importance of building competitive advantage by looking for new superior resources to acquire. According to the RBV theory full-ownership FDI may be preferred to other modes of entry, allowing the firm to retain full control of its firm-specific assets. (Harrison, 2011).

The findings also reveal that AFB has an international experience of 5 years but has managed to expand its services to five countries. The mode of expansion is based on strategic alliance partnerships complementing acquisitions. In the Kenya market it has strategic partnerships with Airtel as a mobile network operator and scalability is higher in growth expansion depending on the quality of partners. The research findings concur with the born global/ international new venture proponents who argue that some firms expand rapidly internationally due to the global mindset of the owners who blend strategic partnerships, alliances with the propelling push of technology and innovation for faster scalability which is not restricted by country's borders. Due to innovation that enhances customer convenience the products are in demand globally. The research findings concur with the view that Born globals are highly entrepreneurial small firms that quickly internationalize without the time or need to develop firm-specific internalized advantages in their home nation These firms lack resources compared to large international firms, but their advantage rests on learning derived from abroad, ability to coordinate and arbitrage across national borders, and from alliance network relationships (Contractor, 2007; Mort and Weerawarden, 2006).

The selection between the entry modes depend on the risk the company is prepared to take and its desired degree of control (Farhang, 1990). According to Hollensen (2004), factors affecting this decision are: internal factors, external factors, desired mode characteristics and transaction specific behavior. According to the study findings factors influencing entry strategy mode reveal two major categories, namely the firm specific factors and the country specific factors. The research findings indicate that the firm had prior international experience in Tanzania and Ghana before entering the Kenyan market. Thus the experience and learnings from those markets coupled with the economies of scale built from the expansion and adequate finance resource capacity from home country in South Africa provide it a competitive edge against local Kenyan companies. The respondents findings reveal that the ability of to make decisions with speed, continuous training schemes and rapid acquisitions of technological firms to build competitive edge in the Kenyan market are key firm competitive competences AFB has.

The research findings also reveal that that AFB considered country specific factors that motivated it to venture into the Kenyan market. The outstandingly common responses include high growth of mobile money services uptake, existence of a growing middle class, mobile network operators with mobile money platforms, a market with consumer experience on card credit systems and presence of skilled mobile application software developers compared to many African countries provided the entry pull factor. The findings also reveal that regulatory factors, industry competition, communication infrastructure development and financial culture were high on the list of country consideration. According to Peinardo and Barber, (2006) the choice of an entry mode by a firm defines an important strategic entry decision that has long-term implications on the firm's future business success. The strategic considerations that influence entry choice will be determined by the overall strategic intent of the firm's management with regard to the level of control, country specific factors and firm specific factors.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter will present the summary of findings, conclusions and recommendations from the analysis of data in the previous chapter. This chapter will interpret conclusively the study findings relevance to the research study objectives which were to determine the entry strategies adopted by AFB in expanding to the Kenyan Market and to establish the factors that influence the choice of strategy.

5.2 Summary of Findings

The research study was a case study on AFB group international's entry strategies to the Kenyan market. The research's main objective was to investigate how AFB group manages its entry strategy process in the Kenyan market. The study used the interview guide method for data collection from senior managers who are the firm's top corporate decision makers with the responsibility of guiding the entry process. The research findings revealed that more than one strategy has been used and that the entry process is a dynamic continuous process that is influenced by environmental and competitive forces the firm encounters.

The study revealed that two strategies have been used namely the strategic alliance partnership non equity mode and the equity based acquisition strategy. The initial entry strategy used was the strategic partnerships with mobile network providers and existing local viable partners. According to the study findings, the aim of strategic alliance partnerships was to penetrate the highly competitive Kenyan market. This could be better achieved by partnership strategy with local players who already possessed built in local capacity, relevant technology, local market terrain knowledge, systems and financial culture as opposed to using the Greenfield strategy that would be time consuming, costly and uncompetitive.

The study findings also revealed that the second strategy that was subsequently used even though not exclusively is the acquisitions. The respondents claimed that AFB needed some proprietary technology possessed by some Kenyan startups to be innovative and competitive in the market. Comparatively AFB had financial resources that could acquire these startups and retain full ownership in entry strategy process. This was to build capacity reliant on knowledge resource and innovation that are key ingredients in modern day technology applications. The study also showed the firm was unwilling to lose sight of ownership and control of its Kenyan operations to the extent of its ability thus pursuing a costly acquisition strategy.

The study revealed a number of factors influence choice of strategy generally grouped in two broad groups namely country specific factors and company specific factors. The study findings indicate that country specific factors play a big role on the type of entry strategy to pursue and the common factors cited by a majority of respondents revolve around the industry characteristics, regulatory environment, country's technological and economic development and capacity of complementing industries or sectors. The Kenyan market according to the study has existence of good information technological skills and high growth of mobile money uptake compared to other African countries that provided the foreign entry pull, well developed startups that provided an opportunity for acquisitions, an industry that is competitive and innovative requiring continuous product development to sustain competitiveness, tight regulations that improve financial governance though a deterrent to innovation and an entry barrier to small players.

The research findings revealed that complementing industries in Kenya have well developed operational capacity and market experience that provides a good fit for strategic alliances. The major drawback and big challenge AFB encounters in the complementing mobile network operator sector with regard to strategic partnerships is the dominance of one operator with over 60% of the market with unfavorable terms of partnering while the other operators with favorable terms have a smaller market share. This development has hindered the desired scalability vital for viable growth.

According to the study findings, company specific factors that have influenced choice of entry strategy are support from parent company, favorable financial resources and speed in decision making that have enhanced quick acquisition strategy in buy outs. The existence of skilled managers with international experience in other African markets has been vital in negotiations and evaluation of viable strategic partners that can provide the corporate working fit vital in Strategic alliances as well as crafting and redesigning changes vital for success in the entry strategy process.

5.3 Conclusion

From the research findings the foreign entry strategy is a dynamic process that is subject to external environmental influences in the host country Kenya as well as internal firm factors resident in AFB group. The study indicates the entry strategies AFB has found viable have been a mix of equity and non equity balancing between desired ownership control of the entry process for full internalization advantages of acquired resources through acquisition strategy as well as pursuing strategic alliances or partnerships that don't require equity but necessary for building up capacity vital for scalability to build economies of scale and also important in sustaining competitiveness in face of dynamic innovative competitors.

The entry strategy is dynamic and fluid due to the ever changing country specific factors with regard to innovations and shifting alliances by competitors, entry of new players, country's cultural behavioral aspects, state of complementing sectors and the dynamic regulatory environment in the Kenyan market. According to the study findings the other factors namely the firm specific factors also influence the entry strategy. The firm's financial capacity, parent company headquarters ambition and motivation, adequacy of internal skills and technology to sustain competitiveness and the success levels of the firm's growth in the Kenyan market will give a determination on type of post entry strategy to pursue.

5.4 Recommendations of the Study

The study findings are useful in the financial industry in Kenya especially for the micro finance institutions in foreign market entry. The findings will also be useful for policy makers, Government finance regulatory bodies.

5.4.1 Implications of the Study on Theory

Various studies have been done on foreign entry strategies and factors influencing foreign entry strategy. The research findings in AFB entry strategy in expanding to the Kenyan market concur with the ownership, location and internalization sub paradigms of the OLI framework and the resource based theory on the firm's desire to gain control of ownership advantages in foreign country operations for preservation of proprietary technological competencies, corporate culture and competitive edge hard to imitate skills control and acquiring more to build resource capacity and transfer them elsewhere, secondly the firm desires the privilege of sole decision making in the entry process where necessary.

Location is important to the extent of countries regulatory environments, consumer market characteristics, economic and technological advancements. It also concurs with the transaction cost analysis theory that states foreign entry strategy is an evaluation of trade off where a firm can incur least costs between hiring and sharing its internal resources and proprietary advantages by partnering with other players or pursuing ownership advantage through acquisitions or FDI. AFB group has undertaken both approaches.

The study findings also concur and strengthen the born global premise which lends credence to the argument that firms leaning heavily on technological innovations may not consider the traditional nearer markets sequenced expansion approach and costs may not be highly considered as a deterrent but prefer to build up technological innovations and build economies of scale quickly even if it means going for costly acquisitions. This is due to highly dynamic competitive industry and short life span of innovations that are continuously generated within the industry.

5.4.2 Implications on Policy and Practice

The AFB Group can apply the study findings in strengthening foreign entry strategy planning, implementation and evaluation weaknesses present. The study findings can strengthen the policy framework guiding the process as well can be applied in other foreign country markets. The local players with foreign expansion ambitions as well as foreign players in micro finance and credit industry can gain valuable insights from the study. The banking sector players can utilize the findings to implement effective strategy implementation practices by creating an enabling environment. Policy makers, government agencies and Central Bank of Kenya can come up with policies that favorably guide foreign investment as well as financial technology use in Kenya to enhance high financial inclusivity vital for opening up other sectors of the economy.

5.5 Study Limitations

The study findings are limited to one financial services provider out of the 76 micro finance and credit service providers registered in the Kenya's. A survey could have uncovered a variety of foreign entry strategies by various foreign micro finance and credit providers licensed in Kenya.

There was limitation of time to interview some top managers due to their hectic schedules and some of the respondents' responses were cautious in revealing or disclosing more information due to the fear of firm's information confidentiality clause. The limitation of finances and time limited the researcher from travelling and interviewing parent company headquarters senior management in South Africa.

5.6 Suggestions for Further Research

Further research can be carried out in themes such as examining post entry evaluation of foreign financial services providers in the Kenyan market, the evaluation of success in entry strategies by foreign firms in the micro credit financial services in the Kenyan market as well as AFB's foreign entry strategies in its most successful market in Africa. Foreign entry has been fraught by unsuccessful partnership ventures between local and foreign companies or Kenyan companies in foreign markets this would be another area for further research.

REFERENCES

Alon, I. (2004). International market selection for small enterprises: A case study in International entrepreneurship. *S.A.M. Advanced Management Journal, 69*, 25-33.

Anderson, E. and Coughlan, A.T. (1987) International market entry & expansion via Independent or integrated channels of distribution. *Journal of Marketing*, 51, Jan.71-82

Asubwa. (2011). *Strategies used by Equity Bank in International Expansion. Unpublished* MBA project, School of Business, University of Nairobi.

Barasa, A., N. (2013). *Foreign Market Entry Strategies Used By Multinational Pharmaceutical Firms in Kenya.* Unpublished MBA Research Project, University of Nairobi.

Buckley, P. J. and Lessard, D. R. (2005). Regaining the edge for international business research. *Journal of International Business Studies, 36*, 595-599.

Bryman, A. 1992. Quantitative and Qualitative Research: Further reflections on their integration. In Brannen, J. (ed) *Mixing Methods Qualitative Research*. Aldershot: Avebury Press, 57-58.

Cateora & Graham (2002). *International Marketing*, 11 Edition, McGraw-Hill

Cheptegei, D., K. (2012). *Foreign market strategies used by multinationals in Kenya: A Case study of Coca-Cola (K) Ltd.* An unpublished Master of Business Project, School Of Business, University Of Nairobi.

Clercq, D. D., Sapienza, H. J. and Crijns, H. (2005). The internationalization of small and medium-sized firms. *Small Business Economics*, 24, 409-419.

Coase, R. H. (1937). The nature of the firm, *Economica,* 5, 386-405.

Cooper, D.R., and Schindler P.S. (1998). *Business research Methods.* McGraw-Hills, New York.

Cooper, D. R.,& Schindler, P. S. (2006). Business Research Methods (9th ed.). New York: McGraw- Hill.

David, F.R. (1997). *Concept of Strategic Management. (*6th Ed.). NJ. Prentice Hall.

Davies, A & Elder, C. (2006). *The handbook of applied linguistics, Great Britain*: Wiley-Blackwell.

Dunning, J. H. (2000). The eclectic paradigm as an envelope for economic and business theories of MNE activity. *International Business Review* 9 (2000) 163-190.

Farhang, M. (1990), Foreign Market Entry Strategy: *Behaviour of Swedish Companies in the Middle East*. Lulea University of Technology, Lulea.

Fillis, I. (2001). Small firm internationalization: An investigative survey and future research directions. *Management Decisions*, 39, 767-783.

Grönroos, C. (1999). Internationalization Strategies for Services. *Journal of Services Marketing*. Vol. 13, No. 4/5, pp. 290-297.

Hermannsdottir, A. (2008). Theoretical Underpinnings of the Internationalization Process. W08:02 *Institute of Business Research Working Paper Series.* ISSN 1670-7168

Jones, M. V. & Coviello, N. E. (2005). Internationalisation: Conceptualising an entrepreneurial process of behaviour in time. *Journal of International Business Studies*, 36, 284-303.

Kärkkäinen, A. (2005). Selection of International Market Entry Mode, *Seminar in Business Strategy and International Business.*

Kelly, P. (2009). *International Business and Management*. Lib volume 8. Study Guide.

Kylaheiko, K. (1998), Making sense of Technology: Towards synthesis between Neo-classical and evolutionary approaches. *International journal of production Economics*, 56-57.

McCauley, A. (1999). Entrepreneurial instant exporters in Scottish arts and crafts sector. *Journal of International Marketing*, 7(4), 67-82.

Mtigwe, B. (2006). Theoretical milestones in international business: The journey to international Entrepreneurship theory. *Journal of International Entrepreneurship*, 4, 5-25.

Mort, G. S. & Weerawardena, J. (2006). Networking capability and international Entrepreneurship. How networks function in Australian born global firms. *International Marketing Review*, 23, 549-572.

Mugenda, O.M., & Mugenda, A.G. (2003). *Research Methods, Quantitative &Qualitative Approaches*. Act Press, Nairobi.

Munyiri, M.,M. (2014). *Market Entry Strategies used by Multinational Corporations to enter into Kenyan Market,* unpublished Master of Business Project, School Of Business, University Of Nairob

Musili, L., M. (2013). *Entry strategies adopted by National Credit bank in Kenya to enter into theEast Africa Markets*, unpublished Master of Business Project, School Of Business, University Of Nairobi.

Nachmias, V.F., & Nachmias, D. (1996). *Research Methods in the Social Sciences*. Pitman publishing, Nairobi.

Odhiambo, A., A. (2013). *Competitive Strategies adopted by pharmaceutical companies in Kenya* Unpublished MBA Research project, University of Nairobi.

Osoro, R., O. (2013). *Entry Strategies Adopted by Kenyan Insurance Companies in Expanding to Comesa Region.* Unpublished MBA Research project, University of Nairobi.

Partners, Int. (2010). Foreign market entry retrieved from retrieved from www.partnersinternational.com/articles/foreign-market-entry.

Peinado Esther Sanchez & Barber Jose Pla (2006). Multi-dimensional concept of uncertainty and its influence on the entry mode choice: An empirical analysis in the service sector. *International Business Review.* Vol. 15. pp. 215–232

Peng, M.W (2006) *Global Strategy.* Thomson South-Western.

Pla-Barber. J, Sanchez-Peinado. E, Madhok. A. (2010) Investment and Control Decisions in Foreign Markets: Evidence from Service Industries. *British Journal of Management* - vol. 21, no. 3, pp. 736-753, 2010

Porter, M., E. (1996). What is Strategy? *Harvard Business Review* vol.46

Rialp, A., Rialp, J., Urbano, D. and Vaillant, Y. (2005). The born-global phenomenon: A comparative case study research. *Journal of International Entrepreneurship*, 3, 133-171.

Root, F.R. (1994), *Entry Strategies for International Markets. Revised and Expanded Edition*. San Francisco: Jossey-Bass, Inc., Publishers.

Saunders, M., Lewis, P. & Thornhill, A. 2007. *Research Methods for Business Students.* United Kingdom: Prentice Hall.

Shane, S. (1994). The Effect of National Culture on the Choice between Licensing and Direct Foreign Investment, *Strategic Management Journal*, Vol. 32 No. 2, pp. 15986.

Shama Avraham (2000). Determinants of Entry Strategies of U.S. Companies into Russia, the Czech Republic, Hungary, Poland, and Romania. *Thunderbird International Business Review,* Vol. 42. No.6. pp. 651–676

Slangen, A.L. and Hennart, J. (2007). Greenfield or Acquisition Entry: *A Review of the Empirical Foreign Establishment Mode Literature* Erasmus Research Institute of Management (ERIM) RSM Erasmus University / Erasmus School of Economics Erasmus Universiteit Rotterdam

Wernerfelt, B. (1984). A Resource-based View of the Firm. *Strategic Management Journal*,Vol. 5, 171-180.

Wilkinson, F. & Nguyen, V. (2003). A Contingency Model of Export Entry Mode Performance: The Role of Production and Transaction costs, *Australasian Marketing Journal*. vol.11 No.3

Williams, D. (1997), Strategies of Multi National Enterprises and the Development of the Central and Eastern European Economies. *European Business Review*. Vol. 97, No. 3, pp. 134-138

APPENDICES

Appendix I: Interview guide

SECTION A: General Information

1. Which department do you currently work in?
2. Which is your current position/ designation?
3. How long have you worked at AFB Group (K) Ltd?
4. What prior position/positions have you held before your current posting?
5. How long is your work experience outside your home country?

SECTION B: AFB Foreign Entry Strategies to the Kenyan Market

6a) Were you involved in the Kenyan entry strategy process or program with AFB?

6b) If yes, please explain at which capacity; - planning, execution, research or evaluation?

7. What factor/factors motivated AFB group to expand into Kenya?
8. What strategies has AFB group used in its international expansion process in the Kenyan market and what influenced the choice of strategy/strategies?
9. What challenges was AFB exposed to in their entry to Kenyan market?
10. Which major influencers determined the success or failure of Kenya's foreign entry process?
11. In terms of significance how would you rank them? (from the best that determines success and the worst that determines failure)

SECTION C: Factors Influencing Choice of Strategy

12. Does your firm always conduct market research before/after expanding to foreign country markets?
13. a) What are the core competencies/strengths in your firm that provide a competitive edge over your competitors in the Kenyan market?

    b) Are they the same in other operational locations?
14. As a firm, do you always leverage on these strengths in your expansion strategy?
15. To what extent does your firm consider the importance of country specific factors such as GDP, tax policies, geographical proximity, political stability, culture etc. in its expansion strategy?
16. Out of the following entry strategies namely, direct exports, Greenfield strategy, acquisitions, joint ventures, licensing/franchising and strategic alliances which one does your firm frequently use and why?
17. Is cost an important consideration in the choice of an entry strategy? If yes, to what extent?
18. Who can you credit for playing a big role in AFB's international expansion drive since inception among management or founding directors in terms of strategy, direction and expansion pace?
19. How long has been AFB group's overall international expansion experience?
20. Which has been AFB's best foreign market and why?

Thank you

Appendix II: List of Credit Providers and Microfinance Institutions in Kenya

A. BANKS

1. K-rep Bank Ltd
2. Equity Bank
3. Co-operative Bank
4. Kenya Post Office Savings Bank
5. Jamii Bora Bank
6. UNI Microfinance Bank
7. Kenya Women Finance Trust-DTM
8. Rafiki Microfinance Bank
9. Faulu Kenya Microfinance Bank
10. SMEP Microfinance Bank
11. Remu Microfinance Bank
12. Uwezo Microfinance Bank
13. Century Microfinance Bank
14. Sumac Credit Microfinance Bank

B. SAVINGS AND CREDIT COOPERATIVE SOCIETIES (SACCO)

1. Unaitas Sacco Society ltd. (Formerly Muramati Sacco Society Ltd)

C. INSURANCE COMPANIES

1. CIC Insurance
2. Chartis insurance
3. Micro-ensure Advisory Services

D. DEVELOPMENT INSTITUTIONS

1. Swiss Contact
2. Women Enterprise Fund

E. DEPOSIT TAKING MICROFINANCE INSTITUTIONS

1. Kenya Women Finance Trust-DTM
2. Rafiki Deposit Taking Microfinance Ltd
3. Faulu Kenya DTM
4. SMEP DTM
5. Remu DTM Ltd
6. Uwezo DTM Ltd
7. Century DTM Ltd

F. WHOLESALE MICROFINANCE INSTUTIONS

1. Jitegemee Trust
2. OIKOCREDIT
3. MESPT
4. Women Enterprise Fund

G. RETAIL MICROFINANCE INSTITUTIONS

1. AFB (K) Ltd.
2. Blue Limited
3. K-rep Development Agency
4. Eclof Kenya
5. KADET
6. BIMAS

7. SISDO
8. Micro Africa Ltd
9. Opportunity Kenya
10. Yehu Microfinance Trust
11. Fusion Capital Ltd
12. Canyon Rural Credit Ltd
13. One Africa Capital Ltd
14. Jitegemea Credit Scheme
15. AAR Credit Services
16. Agakhan Foundation Microcredit HR programme
17. ADOK TIMO
18. Pamoja Women Development HR programme
19. Juhudi Kilimo Co. Ltd
20. Musoni Kenya Ltd
21. Molyn Credit Ltd
22. Renewable Energy Innovation Assistance HR programme (RETAP)
23. Rupia Ltd
24. Taifa Options Microfinance
25. U&I Microfinance Ltd
26. Select Management Services Ltd
27. Greenland Fedha Ltd
28. Youth Initiatives – Kenya (YIKE)
29. Biashara Factors

30. Platinum Credit Limited
31. Sumac Credit Ltd
32. Ngao Credit Ltd
33. Indo Africa Finance
34. Springboard Capital
35. Mini Savings & Loans Ltd
36. Milango Financial Services
37. Samchi Credit Limited
38. Focus Capital Limited
39. Women Enterprise Solutions
40. Habitat for Humanity Kenya
41. KEEF-Kenya Entrepreneurship Empowerment Foundation

Source: AMFI-Kenya (2015).