INFLUENCE OF HOST COUNTRY'S NATIONAL CULTURE ON THE CHOICE OF FOREIGN ENTRY MODE BY AUTOMOTIVE FIRMS IN KENYA

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DECLARATION

STUDENT`S DECLARATION

This research project is my original work and has not been presented for an award of a degree at any other university.

Signature……………………………………… Date…………………….………………

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REG. NO. D61/60438/2011

SUPERVISOR`S DECLARATION

The research project has been submitted for examination with my approval as the student`s University Supervisor

Signature……………………………………… Date…….………………………

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DEDICATION

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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

ABBREVIATIONS AND ACRONYMS

AVA	**:**	Associated Vehicle Assemblers Ltd
BOT	**:**	Build, Operate, and Transfer
CKD	**:**	Complete Knocked Down
CMC	**:**	Cooper Motors Corporation
FDI	**:**	Foreign Direct Investment
GM	**:**	General Motors
GMEA	**:**	General Motors East Africa
JV	**:**	Joint Ventures
KMI	**:**	Kenya Motor Industry Association
KVM	**:**	Kenya Vehicle Manufacturers
MNC	**:**	Multi-National Corporation
MNE	**:**	Multinational Enterprise
OLI	**:**	Ownership, Location and Internalization
PwC	**:**	Pricewaterhouse Coopers
SPSS	**:**	Statistical Package for Social Sciences
VAT	**:**	Value Added Tax
WOS	**:**	Wholly Owned Foreign Subsidiary

ABSTRACT

Firms interested in servicing foreign markets face a difficult decision with regards to the choice of an entry mode. Studies have linked foreign market entry modes to a firm's future performance. Literature on cultural distance (differences between national cultures) and foreign entry modes conveys contradictory results. Gatignon and Anderson (1988) argue that, under conditions of high cultural distance, MNEs may require greater flexibility, resulting in preferences for modes of entry with lower control, such as licensing or a joint venture. On the other hand, Hennart and Reddy (1997) indicated that large differences in cultures prompt MNEs to exert greater control in their entry in order to minimize transaction costs). This study was based on MNEs in the Kenyan automotive sector. It sought to establish whether national cultural differences between Kenya and the firm's country of origin influence entry mode choices. The study was underpinned by two theories; factor proportions theory and comparative advantage of nations theory. A total of 24 firms were targeted as per KMI list of registered MNEs in the motor vehicle sector. Out of the 24 firms, only 15 provided information representing a response rate of 62.5%. The study used a cross-sectional survey research design and set out to conduct a census but faced a challenge from lack of cooperation from some firms. Data was collected through semi-structured questionnaires that were self-administered to the respective firms. The study findings indicated that majority of the firms originated from Japan and China and most of them entered the Kenyan market through exporting and franchising which are associated with low risk and less resource commitment. Majority of the firms studied have been in operation in Kenya for over 5 years represented by 53.3% of the firms. Study findings indicated that cultural differences affect foreign market entry decisions to a great extent, 13.3% and to a small extent 66.7%. The decision on which country to enter is also influenced by culture as indicated by 33.3%, somewhat, and 40%, to a little extent. The most considered dimension in cultural differences was collectivism (group achievement) with a mean of 1.93 and a standard deviation of .884 reflecting national cultures from where majority of the firms originated from. Culture was also linked to performance with business negotiations emerging as the most influenced (mean of 3.93 and standard deviation of .704). In addition to national culture other factors were notably considered important namely economic factors, legal political factors, and geographical distance with means of 1.53, 1.73, and 2.33 respectively. The study findings indicate that prior visits to a firm before entry would alleviate the conflicts arising from national cultural differences with a mean score of 1.80 and standard deviation of 0.775. This study concludes that host country's national culture influences the choice of foreign market entry mode by multinational firms in the automotive industry in Kenya. The study recommends that MNEs in Kenya should invest in R&D initiatives where host national culture should be given a priority research consideration. The implications of this study are that mechanisms should be put into place to entrench key national culture aspects into existing policies. Practitioners in the motor industry and other sectors should undertake cross-cultural training initiatives to have a deeper understanding of the diversities and identify the associated opportunities. Finally this study adds to the existing literature and will act as a basis for future studies on national culture and international business transactions.

CHAPTER ONE

INTRODUCTION

1.1 Background

International business transactions involve interacting with different societal value systems across national borders. Once a firm makes the decision to enter into a foreign market, the aspect of host county's culture comes into play. Studies on the principal differences in national cultures between the home country of MNE and their country of operation have gained a lot of interest in international business research (Ricks et al., 1990). It is often assumed that differences between foreign and home country cultures increase the cost of entry, decrease operational benefits, and hampers a firm's ability to transfer its core competencies to foreign markets (Bartlett and Ghoshal, 1989; Palich and Gomez-Mejia, 1999). Research has indicated that when conducting international business it is of great importance to consider the political, legal and economic environment. However, according to Mayrhofer (2004), the socio-cultural environment is an even more important aspect. Mayrhofer (2004) even said that companies, who want to be "a step ahead" of their competitors, need to be aware of the importance of the home-country factors.

This study will be underpinned on two theories namely; the theory of comparative advantage by David Ricardo and factor proportions (Heckscher–Ohlin) theory. The theory of comparative advantage was derived by David Ricardo in his 1817 book, Principles of Political Economy and Taxation. The theory states that if countries specialize in producing goods where they have a lower opportunity cost – then there will be an increase in economic welfare. This in part explains why Kenya engages in production of mainly agricultural goods as compared to engaging industrial based production. The second theory, factor proportions theory, states that a country should specialize in the production and export of those products that use intensively its relatively abundant factors. This theory is based on the premise that it takes some technology to produce a product and the technology depends on the proportions of labour and capital that are combined to produce the product. Thus, some products are labour intensive while others are capital intensive.

Culture is both a unifying factor and at the same time is the distinguishing factor between one community/country and another hence the paradox of culture. Different countries have different national cultures while at the same time a number of cultural elements exhibited in these cultures are similar yet exercised differently. Such elements like language, sports and music, education, food, family structures, rules, values and religion feature in all cultures (cultural universals) yet the same elements serve as the distinguishing factors across national cultures. This reality inspired the researcher to explore on whether differences in national cultures influence the decision by firms to enter foreign markets.

The research will be conducted on foreign firms operating in the Kenyan automotive industry within Nairobi County and its environs. Generally, firms in the Kenyan auto industry are involved in either retail or assembly of motor vehicles. The major retailers include; Toyota Kenya, Cooper Motor Corporation, General Motors East Africa, Simba Colt, DT Dobie and RMA motors (K) ltd. Major auto assemblers include Kenya Vehicle Manufacturers (KVM), General Motors East Africa, Honda Motor cycle (K) ltd, Associated Vehicle Assemblers ltd, and TVS motors, Kenya. This sector in Kenya and in the larger East African region has recently experienced a phenomenal growth and the need to understand the factors at play is necessary.

1.1.1 National Culture

Several definitions of the term *culture* have been fronted by anthropologists and sociologists alike, and it is difficult to establish a single definition. Culture has been defined as a set of shared values, assumptions and beliefs that are learnt through membership in a group, and that influence the attitudes and behaviors of group members (Ghemawat and Sebastian, 2011). From this definition, culture can be understood as a group phenomenon that distinguishes people of one group from another. From this perspective, cultures exist at many different levels, including organizational functions or business units, occupational groups, organizations, industries, geographical regions, and nations (Kwok Leung et al 2005). Secondly, the above definition implies that culture is not obtained by birth but rather acquired through a process of socialization.

The learning of shared values, assumptions and beliefs occurs through interactions with family, teachers, officials, experiences, and society-at-large. In this respect, Geert Hofstede speaks of culture as a process of “collective programming of the mind” (Geert Hofstede, 1980). This study will focus in particular on national culture and the role of cultural differences across countries rather than other cultural groups because this level of culture is particularly relevant for multinational business. National culture could be defined as “the collective programming of the mind which distinguishes the members in one human group from another” (Hofstede, 1991:21).
The national culture relies people upon common history, beliefs, values that are specific to their culture. The Hofstede model (Hofstede 2001; Hofstede & Hofstede 2005) distinguishes cultures according to five dimensions: Power distance, individualism versus collectivism, masculinity/femininity, uncertainty avoidance, and long-/short-term orientation. The power distance dimension can be defined as ‘the extent to which less powerful members of a society accept and expect that power is distributed unequally’. Individualism/collectivism can be defined as ‘people looking after themselves and their immediate family only, versus people belonging to in-groups that look after them in exchange for loyalty’. In individualistic cultures, one’s identity is in the person. People are ‘I’-conscious and self-actualization is important.

The masculinity/femininity dimension can be defined as follows: 'The dominant values in a masculine society are achievement and success; the dominant values in a feminine society are caring for others and quality of life.' Uncertainty avoidance can be defined as 'the extent to which people feel threatened by uncertainty and ambiguity and try to avoid these situations'. Finally, the fifth dimension is long- versus short-term orientation which is 'the extent to which a society exhibits a pragmatic future-orientated perspective rather than a conventional historic or short-term point of view'. These dimensions can play a very key role in gauging the extent to which one country's culture is similar or different from a targeted foreign market.

1.1.2 Foreign Entry Mode

A mode of entry into an international market is the channel which an organization employs to gain entry to a new international market. Various empirical studies have linked the choice of foreign entry mode to organizational performance and eventual operational survival. Root (1987, p. 5), refers to an entry mode as an 'arrangement that makes it possible the entry of a company's products, technology, human skills, management or other resources into a foreign country.' Firma may enter a foreign market through exporting (direct or indirect), contractual methods (licensing and franchising), and foreign direct investments (joint venture and wholly owned subsidiaries) to mention but a few. Terpstra (1987, p. 333) posits that the choice of an entry mode is one of the most critical decisions in international marketing, since it determines how firms market their products abroad, and how firms contribute to the country's balance of payments.

Firms venturing into international markets may follow a certain particular sequence of stages of internationalization that include indirect exporting or licensing; direct exporting via a local distributor; own foreign presences; home manufacture, and foreign assembly and eventually foreign manufacture. Entry mode choice refers to the initial preference of an MNE when it decides to enter a foreign market. Entry modes choices are typically classified according to the amount of equity invested. Joint ventures and wholly owned subsidiaries (acquisitions and Greenfield investments) tend to represent equity market entries. Non-equity entries include exporting, franchising and licensing. The latent constructs underlying choice of entry mode have generally been the degree of control embodied within each choice, and the desire to reduce risk (Anand and Delios 1997; Hennart and Reddy, 1997; and Brouthers and Brouthers, 2003).

1.1.3 Multinational Automotive Companies in Kenya

Dunning (1993, 3) defines a multinational corporation as "an enterprise that engages in foreign direct investment (FDI) and owns or controls value adding activities in more than one country". An MNC can also be understood as a corporation that has its facilities and other assets in at least one country other than its home country and usually have a centralized head office where they co-ordinate global management. Several MNCs are currently operating in Kenya both in the automotive and other sectors but for purposes of this study, the researcher will focus on the automotive sector MNCs.

The Kenyan automotive industry is mostly dominated by multinational companies from Japan, USA, and Germany. the most established being Toyota (East Africa), Cooper Motor Corporation (CMC), General Motors (GM), Simba Colt and DT Dobie with Honda Motors. Most of these companies entered the Kenyan market in a number of ways raging from franchising, exporting, and joint ventures. Recently, Toyota Kenya has established assembly plants in Kenya and is even diversifying to assembly of large trucks an area that has been previously dominated by General Motors. Honda Motors establishing operations in Kenya in January 2013 as Division of Trans Africa Motors (TAM) which is a Dubai based company representing commercial vehicle franchises in Kenya. This has been prompted by high demand for motor bikes in the Kenyan market. There is a likelihood that more MNCs will venture into the Kenyan market with the latest wave of infrastructural expansion.

1.1.4 Automotive Industry in Kenya

The automotive industry in Kenya started development almost 40 years ago when the first assembly plants had been building up for General Motors. Generally, most motor vehicles sold in Kenya were imported either as new or second hand with the later constituting the bulk of the imports. Locally manufactured vehicles are assembled from Complete Knocked Down (CKD) with little input of the local content. Majority of automobile sellers in Kenya preferred the importing mode since the demand for cars could not sustain establishing an outlet. These vehicles were mainly public service vehicles with a few being privately owned especially for the affluent political class of the days. This saw the emergence of state owned commuter buses like Kenya Bus Service (KBS) since individual Kenyans could not afford to buy a bus.

This trend gradually changed with different political regimes and economic times. Various companies that were engaged in motor vehicle export business started engaging in retail and assembly. The major assemblers include Associated Vehicle Assemblers Ltd (AVA), Kenya Vehicle Manufacturers (KVM), General Motors East Africa (GMEA) and Honda Motorcycle Kenya Ltd. Kenya is currently attempting to completely build its own cars. Major retailers include Toyota Kenya, Cooper Motor Corporation, General Motors, Simba Colt, DT Dobie and recently RMA Motors (K) ltd. This regime has witnessed increasing volumes of car importation and local assembly both in privately owned cars as well as public commuter buses. Majority of the firms with presence in Kenya have at least established a local assembly plant or entered into partnership with an already existing firm. Now many car makers are locally assembling vehicles including Toyota and Hyundai and in 2012 for the first time more than the half of new vehicles sold had been locally assembled. New players are arriving also from China and the truck manufacturer: Foton Motor launched its first domestically produced light truck in 2012 after establishing a local subsidiary in the country in the late 2010. As part of growing focus on Africa by Chinese auto companies, Cherry automobile had announced plants investments, but the original plan for starting operations in early 2013 did not actualize.

However, there has been intense competition from second hand car imports especially from Japan which has gradually eaten into the new cars markets. Data by consulting company Pricewaterhouse Coopers (PwC) indicates that the automotive industry in Kenya and by extension the East Africa has for long been dominated by Toyota (East Africa) , Cooper Motors Corporation (CMC), General Motors (GM), Simba Colt and DT Dobie. But with the recent government's commitment to give key infrastructural development a priority consideration and the formation of East African community coupled with the independence of South Sudan this trend is likely to change (Kenyadetails.com, 2012-2015). The Kenyan automotive sector is highly likely to witness more foreign firms establishing local subsidiaries, formation of strategic alliances, joint ventures, licensing and acquisitions as well as mergers in an attempt to strategically position for the expansionary market. Locally assembled vehicles are also likely to gain more demand compared to importation of second hand vehicles which has posed a serious competition to new cars sale.

1.2 Research Problem

National culture according to Hofstede (1991:21) could be defined as "the collective programming of the mind which distinguishes the members in one human group from another". Hofstede has further used a five dimensional approach to define the concept of national culture which includes Power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance, and long-/short-term orientation. A mode of entry is the channel which a firm employs to gain entry to a new international market. Once a firm makes the decision to enter a foreign market, it has to put a number of factors into consideration. Among these factors the host country's national culture plays a pivotal role in the success or otherwise of a foreign firm. A firm may gain entry into a foreign market through exporting, licensing, franchising, strategic alliances, joint ventures, assembly, management contracts, contract manufacturing, turn-key projects and private equity investment. The mode of entry of a particular firm has been linked to the firm's operational performance in the foreign markets.

The Kenyan automotive industry has recently experienced an expansionary mode with the pioneer entrants majorly gaining entry through exporting mode. In the past few years, firms have established assembly plants with others even establishing local subsidiaries. In the current wave of infrastructural development, this trend of entry is highly likely to change and even new entrants are anticipated. Before gaining entry, these foreign firms consider a number of factors during their feasibility studies. Kenya comprises of forty two tribes which exhibit a rich cultural heritage and this forms part and parcel of the national culture. The national culture of any host country has been proved to play a key role in the success of multinationals.

Previous studies linking national cultural differences and entry mode selection presents contradictory empirical evidence. For instance, studies by Anand and Delios (1997) and Padmanabhan and Cho (1996) found that high levels of cultural differences were associated with high control (wholly owned) entry modes. Contrally to these findings, Kogut and Singh (1988) and Erramilli and Rao (1993) found cultural differences to be related to the use of shared-control (joint venture) modes of entry. Erramilli (1996) and Gatignon and

Anderson (1988) (for Latin America and Germanic cultures) found no significant relationship between national cultural differences and mode choice. Gatignon and Anderson (1988) did find that high levels of cultural distance were connected with wholly owned modes for U.S. firms entering into Latin European cultures, but they were also connected with shared ownership when entering other cultures.

Empirical literature on foreign market entry within developed countries is relatively abundant and covers a number of aspects from choice of location, entry mode and degree of control to post investment performance as well as internalization strategies Museisi (2013). A study was conducted in 2003 on South Africa and Egypt on determinants of MNC's entry into emerging markets but focused on OLI (Ownership–Location and Internalisation) model. A recent study in 2013 by Museisi focused on South African MNC's entry strategies in Africa. Similar analyses in the East African context and more specific to Kenya have rather been neglected. A study conducted in Kenya in May 2012 focused mainly on gender, culture and entrepreneurship in Kenya (Esther Mungai, 2012).

Other studies include entry strategies by MNCs in Kenya (Cheptegei, 2014), and international entry mode choices among foreign small and medium enterprises (Mwiti, 2013). While these studies have made substantial contribution to our understanding of entry mode behaviour of firms, an important gap in the empirical literature exists on the relationship between host country's national culture and the choice of entry mode. This study sought to answer the question; how does host country's national culture influence the choice of foreign entry mode by multinational firms in the automotive industry in Kenya?

1.3 Research Objective

The objective of this study was to establish the influence of host country's national culture on the choice of foreign entry mode by automotive firms in Kenya.

1.4 Value of the study

This study provides more contextual understanding of the factor proportions theory as well as the theory of comparative advantage of nations. This form of understanding gives more insights on why Kenya as a country engages in the production and export of some goods and services and imports others.

The result of this study provides invaluable input to policy makers. The study findings provide key ingredients for policy makers to engage in an integrated policy formulation in the full understanding of the interplay between influences of national culture and other factors on investment decisions by foreign firms in the automotive sector of Kenya. Such knowledge is replicable in other sectors of the economy to ensure market responsive policy formulation.

The practitioners in the automotive industry through this research are in a better position to identify the factors to take into considerations before selecting a market to enter to avoid cultural pitfalls. The same information is very useful to potential and already existing investors on the best approaches to pursue when entering the Kenyan or any other foreign market.

1.5 Chapter Summary

Multinational firms venture into foreign markets for various reasons including taking advantage of labour, resources, favorable business environment among other considerations. Once a firm has decided to enter a foreign market, the mode of entry to be utilized becomes an important consideration. Studied have linked the initial mode of entry to operational success of firms.

Different markets are associated with different national cultures and in most instances; firms have experienced business failures as a result of national cultural differences. This chapter has given an account of various modes of foreign market entry and some literature has been cited on how national culture has been viewed to influence choice of foreign market entry.

The chapter has also dealt in brief on the four national cultural dimensions as stipulated by Hofstede in his study of culture namely individualism/collectivism, uncertainty avoidance, masculinity/feminism, and power distance. A mention of firms in the Kenyan automotive sector has been done with an indication of investment trends and entry strategies. This has been followed by an outline of the research problem, study objective and finally a mention of the study's contribution to policy, practice, and the existing body of knowledge.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will concern itself with an overview of significant literature on the concepts of the study. This section will be organized in different parts. First, a review of relevant theories will be conducted followed by a highlight of what other scholars have said on the topic of study. A synthesis of the scholars' views will be done so as to provide the existing knowledge gaps on the topic of study.

2.2 Theoretical Foundation

This study is founded around two theories of international business namely the theory of comparative advantage of nations and the factor proportions theory also known as Heckscher-Ohlin theory. The two theories were preferred as they attempt to provide reasons why countries and firms trade and invest beyond their national borders as well as why some modes of entry are preferred over others.

2.2.1 Theory of Comparative Advantage of Nations

The theory of comparative advantage of nations by David Ricardo was a direct reaction to Adam Smith's theory of absolute advantage. According to Ricardo, a basis for trade exists whenever and wherever relative (comparative) costs differ between countries (Harrison and Elsey, 2000, p.220). He argued that a country with an absolute advantage in the production of two goods could still benefit from trade by specializing in the production of that commodity in which it had a comparative advantage; that is, in which its absolute advantage is greater or its absolute disadvantage is least. It could then export the surplus of this commodity in exchange for imports produced by other countries with respective comparative cost advantages (Harrison and Elsey, 2000). The argument in this theory is that it's the efficiencies that matter and that difference in these relative efficiencies could lead to mutually beneficial trade, an increase in world output, and greater prosperity to be enjoyed by all trading countries.

According to comparative advantage theory, even if a country possessed absolute advantage in the production of two products, the country must still be relatively more efficient in one product than the other. The theory therefore argues that a country has a comparative advantage in the commodity in which its degree of superiority is higher, and a comparative disadvantage in the commodity in which its degree of superiority is lower. Therefore, if each country was to specialize and trade in the commodity of its comparative advantage, both countries would benefit. Other scholars have argued out this theory in terms of opportunity cost. The opportunity cost of one extra unit of commodity X is the amount of alternative commodity Y that must be sacrificed or given up in order to obtain this extra unit of X. Thus, a country which can produce X with the least opportunity cost should specialize in its production and export it in exchange for Y in whose production its opportunity cost would be greater (Harrison and Elsey, 2000).

2.2.2 Factor Proportions (Heckscher-Ohlin) Theory

This theory is also known as factor intensities theory or the H-O theory and was developed by the Swedish economist Eli Heckscher and later expanded by his former graduate student Bertil Ohlin. This theory is based on the premise that it takes some technology to produce a product. The technology depends on the proportions of labour and capital that are combined to produce the product or good. Thus, some products are labour intensive, while others are capital intensive. The theory proposes that countries that possess relatively cheaper labour should specialize in the production and export of labour-intensive products, while those that possess relatively cheaper capital should specialize in the production and export of capital-intensive products. According to the theory, comparative advantage is derived not from the productivity of a country, but from the relative abundance of its factors of production. Therefore, a country should specialize in the production and export of those products that use intensively its relatively abundant factor. It follows then that a country that is relatively labour-abundant should specialize in the production of labour-intensive goods. It should then export those labour-intensive goods in exchange for capital-intensive goods. The converse is true for a country that is relatively capital-abundant.

Basic prediction of the H-O theory is that a country with a relative abundance of labour would be able to produce labour-intensive commodities at lower cost and export these commodities in exchange for capital-intensive commodities from capital-rich countries (Harrison and Elsey, 2000). Harrison and Esley (2000), in an attempt to explain how factor abundance is related to lower costs, argue that a capital abundant country will employ capital-intensive methods of production with a higher capital-to-labour ratio than the labour-abundant country. Assuming the same demand conditions in both countries, the prices of capital in the capital-abundant country and of labour in labour-abundant country will be relatively lower. Thus, countries will export commodities that make intensive use of those factors with which they are well endowed and import goods that make intensive use of those factors which are relatively scarce (Harrison and Elsey, 2000).

2.3 National Culture and the Choice of Foreign Market Entry Mode

The most widely used framework for categorizing national cultures is the one developed by Geert Hofstede, a Dutch social psychologist and management scholar. His research work revealed systematic cultural differences across four dimensions: power distance, individualism/collectivism, uncertainty avoidance, and masculinity/femininity (Hofstede, 1980).

Power distance concerns the degree to which a culture accepts and reinforces the fact that power is distributed unevenly in society. High *power distance* cultures accept status differences and are expected to show proper respect to their superiors. Status differences exist within the organizational hierarchy but they may also be based on age, social class, or family role. Low *power distance* cultures are less comfortable with differences in organizational rank or social class and are characterized by more participation in decision-making and a frequent disregard of hierarchical level. It is important to note that although these differences in rank will always be evident, a superior in a high power distance culture will treat those at lower levels with dignity (Ghemawat and Sebastian, 2011).

Individualist cultures show a relative preference for the individual in contrast to the group (Smith & Dugan, 1996). *Individualist* cultures maintain loose social structures that are characterized by independence, the importance of individuals' rights and the recognition of personal initiative and achievement. In contrast, *collectivist* cultures value the overall good of and loyalty to the group. Members of *collectivist* societies clearly distinguish between in-groups and out-groups and are expected to subordinate their individual interests for the benefit of their in-groups (family, organization).

Uncertainty avoidance concerns the degree to which cultural members are willing to accept and deal with ambiguous or risky situations. Cultures with high levels of *uncertainty avoidance* prefer structure and predictability, which results in explicit rules of behavior and strict laws. Members of these cultures tend to be risk averse towards changing employers, embracing new approaches, or engaging in entrepreneurial activities. In societies with low *uncertainty avoidance*, there is a preference for unstructured situations and ambiguity, which favors risk taking (for example, starting a new business), innovation and the acceptance of different views

(Smith & Dugan, 1996). Finally, *Masculine* cultures are thought to reflect a dominance of tough values such as achievement, assertiveness, competition and material success, which are almost universally associated with male roles. In contrast, *feminine* cultures focus on tender values such as personal relationships, care for others, and quality of life. In addition, *feminine* cultures are also characterized by less distinct gender roles. Compared to *masculine* cultures, firms in feminine cultures place a relatively stronger emphasis on overall employee well-being rather than bottom-line performance.

Cultural differences, while difficult to observe, are obviously very important. Failure to appreciate and account for them can lead to embarrassing blunders, strain relationships, and drag down business performance (Pankaj and Sebastian Reiche 2011). Doing business in different cultures requires adaptation to conform to the value systems and norms of that culture (Charles Hill and Arun Jain, 2005). Adaptation can embrace all aspects of an international firm's operations in a foreign country. The authors further argue that the way in which deals are negotiated, the appropriate pay systems for salespeople, the structure of the organization, the name of a product, the tenor of relationship between management and labour, the manner in which the product is promoted, and so on, are all sensitive to cultural differences.

Cultural distance may not only make it difficult to find an appropriate local partner, but also generate costs when transferring know-how to that partner. This is why firms will probably prefer high-ownership entry modes (Contractor and Kundu, 1998). On the other hand, the little familiarity with the target country's culture and with local managers gives investors incentives to internalize so that subsidiaries can be more efficiently controlled (Chen and Hu, 2002). Therefore, as some research works have shown (Chang and Rosenzweig, 2001; Chen and Hu, 2002; Randoy and Dibrell, 2002), a positive relationship between cultural distance and degree of commitment could be expected. In such instances equity modes of foreign market entry are likely to be considered by MNEs. These include wholly owned foreign subsidiary (either acquisition of Greenfield investments), Joint ventures or even Foreign Direct Investments (FDI).

Ellis (2000) stated that a company's market entry decisions are one of the most important issues before entering a new market. Questions like which country to enter, how to enter it, are essential to answer before making further decisions. Kogut (1988) states another issue by mentions that the type of the entry mode a company chooses can also be an essential matter. Studies show that if there is a large cultural difference between the new market and the company´s home market, joint ventures are to prefer. This is due to the fact that if the company goes together with a local company, the cost and efforts to learn the new market and culture will be lower.

According to Czinkota (2007), cultural factors have an important impact on the flow of business. Each society has its own elements of culture. These elements of culture are manifested through; language (verbal and nonverbal), religion, values and attitudes, manners and customs, material elements, aesthetics, education, and social institutions. Adaptation of these elements for an international company depends on its level in the market participation –for example, licensing versus direct investment and the product or service marketed (Czinkota, 2007). Jemison and Sitkin (1986) argue that due to the difficulty of integrating an already existing foreign management, cultural differences are likely to be especially important in the case of an acquisition.

According to Anand and Delios (2001), the ability of a MNC to understand and adapt to the business and institutional environments in a host country would depend not only on the extent of the MNC's exposure to these environments, but also on the extent of "cultural" similarities between the host country and the country of the MNC’s origin. Based on the same argument, a large “cultural” distance favours the formation of JVs. At the same time, however, a large “cultural” distance may prove a hurdle for the development of the kind of trust that is necessary to form local partnerships. Hence, the impact of “cultural” distance on the choice of the mode of entry may vary from one context to another (Anand and Delios 2001).

Past studies on national culture and its influence on choice of entry mode have elicited conflicting views, and especially on cultural distance (cultural variation between and among countries). Some have supported the view that greater cultural distance is associated with the adoption of an entry mode that implies lower resources commitment (transaction cost economics). On this note, Pak and Park (2004) argued that cultural distance may generate additional costs related to information collection and disturb communication processes, which require a common ground in order to code and decode the information. Consequently, being less familiar with the target country makes integration more difficult and increases internalization costs, which is why firms would prefer a lower resources commitment level (Randoy and Dibrell, 2002).

On the other hand, using the contingency approach, it can be considered that unlike full-ownership schemes, licenses or joint ventures are entry modes which improve a firm’s flexibility to move away from the target market if it does not succeed in becoming acclimatized to an unfamiliar location (Kim and Hwang, 1992). Additionally, taking up the resource dependency perspective, greater cultural distance may force a firm to look for local support with the aim of facilitating product adaptation, sharing risks and avoiding mistakes (Azofra and Martinez, 1999; Chen and Hu, 2002) and also to acquire management skills on a local level and even to delegate culturally sensitive tasks (Contractor and Kundu, 1998; Hennart and Larimo, 1998; Pak and

Park, 2004).Hennart and Reddy (1997) argued that the higher the cultural differences/distance between the home and the foreign market, the higher the level of equity ownership in entry mode choice. According to this stream of literature, large differences in cultures prompt multinational firms to exert greater control in their entry in order to minimize transaction costs.

Thus, entry modes associated with greater control may be necessary in culturally distant markets because transactions in such markets generate higher information costs and are associated with greater difficulties in transferring competencies (Li and Guisinger, 1992). The various studies revisited in this section attest to the fact that host national culture forms an integral part in decision making when a firm intends to venture into foreign markets.

2.4 Foreign Market Entry Modes

Firms can use six different modes to enter foreign markets: exporting, turnkey projects, licensing, franchising, establishing joint ventures with a host-country firm, or setting up a new wholly owned subsidiary in the host country (Charles Hill and Arun Jain, 2005). Each entry mode has its advantages and disadvantages and firms need to be careful when deciding on which one to use (Hill et al, 1990). Often firms fail in foreign markets because of inappropriate entry and operation strategies. A wrong strategy can lead to a firm's failure abroad and at home as well. Isobe, et al (2000) considers three basic decisions that a firm contemplating foreign expansion must make which include which markets to enter, when to enter those markets, and scale of entry.

Dunning (1980, 1988) suggests that the following factors will influence a firm's choice of entry mode: Ownership Advantages, Location Advantages, and Internalization Advantages. He further explains that Ownership advantages are firm-specific assets and skills. According to the study, assets are reflected by the firm's size and multinational experience, and skills by the firm's ability to develop differentiated products (Dunning 1993). Ownership advantages need to be both unique and sustainable in order to provide the firm with a competitive advantage in the entry mode selection (Brouthers et al.1996). Location (L) advantages reflect how attractive the specific country is, and the attractiveness of a country can be in terms of its market potential and investment risk (Root 1987). Measures of location advantages include similarity in culture, market infrastructure and the availability of lower production costs (Dunning 1993). Finally, the internalization (I) advantages are concerned with the costs of choosing a hierarchical mode of operation over an external mode (Dunning 1988, 1993). The following section gives a brief mention of some of the foreign market entry modes.

Exporting is generally recognised as the least-risk method of internalisation and, as such, normally represents the 'toe in the water' in international business. Exporting entails the marketing and direct sale of domestically-produced goods in another country. Exporting can take several forms and can either be direct or indirect. A second mode is licensing. Licensing is a form of market entry involving two firms, the licenser and the licensee, in which the licenser agrees to sell to the licensee the right to use the licenser's intellectual property for a specified period of time in return or an agreed fee or royalty (Andrew Harrison et al. 2000).

The third mode is called franchising. Franchising is a form of licensing arrangement whereby the franchiser (owner of the intellectual property) agrees to allow the franchisee (the firm being allowed) to use the franchiser's intellectual property, such as trademark, brand name, marketing technique, or particular business system, to undertake a business activity in a manner specified by the franchiser in return for a fee (Andrew Harrison et al. 2000).

Another mode is turnkey project. A turnkey project is an agreement under which a firm, either on its own or in a consortium with other firms, undertakes to design, build, equip, and train personnel to operate an entire production or service facility before turning it over (that is, handing over the 'key') to the owner, which may be a private company or the government of the host country (Andrew Harrison et al. 2000). This mode is most prevalent in developing countries with one of the most successful forms of this type of arrangement being the 'build, operate, and transfer' (BOT) model. This mode often involve highly specialized exports of industry-specific services and the transfer of technology, the sort of specific input which the host country may lack (Andrew Harrison et al. 2000).

Another entry mode is a joint venture, which entails establishing a firm that is jointly owned by two or more otherwise independent firms (Charles Hill and Arun Kumar Jain 2005). This mode has for long been popular for firms entering into new markets the most typical joint venture being a 50/50 venture, in which there are two parties each of which holds a 50 percent ownership stake and contributes a team of managers to share operating control (Charles and Kumar Jain 2005). A firm may enter a foreign market through management contracts. This is a type of licensing agreement between a firm two firms whereby the contracting firm makes available its managerial expertise and a part of its management personnel in training local managers for the efficient operation of a project in return for an agreed fee (Harrison et al. 2000, p.18-19).

Firms may also decide to enter a foreign market via a wholly owned foreign subsidiary (WOS). In this form of foreign market entry, the firm owns 100 percent of the stock. Establishing a wholly owned subsidiary in a foreign country can be in two ways - the firm can set up a new operation in that country, known as green-field venture, or it can acquire an established firm in the host country and use that firm to promote its products (Brouthers & Brouthers, 2000 and

Hennart and Park, 1993). Finally, firms may enter through foreign direct investment (FDI). This is a form of equity investment which gives the investing firm control over its assets, property, and subsidiaries in the host country (Harrison and Elsey, 2000, p.14). It involves transfer of resources, mostly in the form of capital, to enable the firm to undertake its business activities. FDI is the most preferred option in cases where trade barriers prevent a firm from exploiting its comparative advantage through direct exporting.

2.5 Empirical Studies and Knowledge Gaps

The concept of national culture has been considered by a number of scholars in relation to how it influences international business patterns. Most of the scholarly work on this concept has been based on either one or several cultural dimensions as stipulated by Geert Hofstede. These dimensions include individualism/collectivism, uncertainty avoidance, power distance, masculinity/femininity, and an additional fifth dimension long-term/short-term orientation According to Barkema et al. (1996), cultural distance has been used to explain a wide range of multinational firm's strategies and organizational characteristics, such as entry mode choice, international diversification (Grosse and Trevino, 1996), subsidiary management (Roth and O'Donnel, 1996), and MNE performance (Gomez-Mejia and Palich 1997; Morosini et al, 1998).

Dunning (1977, 1980,1988) developed a framework for explaining choice among exporting, licensing, joint venture, and sole venture modes by including firm-specific and market-specific factors that influence these criteria (control, return, risk, and resources). Dunning developed a framework that he believed was the main basis of foreign market entry decisions that is popularly known as OLI (Ownership, Location and Internalization). He argues that when a firm possesses ownership, location and internalization advantages, higher control modes may be more efficient.

Review of literature has clearly indicated that uncertainty over the foreign market influences managers' decisions on how to invest overseas, that there are clear but unexplained country patterns in the selection of entry modes, and that both firm- and industry-level variables are related to the choice of entry mode. The previous literature has however not clearly extrapolated from the research on cultural traits to implications for country patterns in the relative use of different entry modes, nor has it tested the relationship between cultural factors and entry mode choice while controlling for other factors. In addition, most studies have been conducted on western and European countries with insignificant number of studies concentrating on the sub-Saharan Africa and more specific in Kenya. This study will explicitly assess the influence of host and home country cultural differences (cultural distance) on the choice of the mode of entry into Kenya by multinational firms in the automotive sector.

2.6 Chapter Summary

This chapter has given a brief mention of the study concepts which are national culture and foreign modes of entry. This has been followed by a theoretical foundation of the study where two theories were outlined namely; the theory of comparative advantage of nations by David Ricardo as well as factor proportions theory by Heckscher Ohlin. The review of literature has dealt on how past studies have viewed national culture as influencing decisions by multinational firms to venture into foreign markets and particularly their choice of entry modes.

A number of foreign entry modes have been explored including exporting, franchising, licensing, Joint Ventures, FDI and wholly owned subsidiary which represent different levels of firms' commitments in foreign markets in terms of resources and control. The chapter has concluded with a review of empirical studies and an indication of the existing knowledge gap which gave rise to this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the methods and procedures that were used in this research. It covers the research design to be used, the target population, the sampling design and procedure, data collection instruments, and the data analysis methods used.

3.1 Research Design

The research design is the plan, aimed at fulfilling the objectives (Cooper and Schindler, 2001). This study employed a cross-sectional survey research design. The purpose of a cross-sectional study is to find the prevalence of the outcome of interest, for the population or subgroups within the population at a given point in time.

Cross sectional studies are conducted when there are time constraints or limited resources. The data are collected once, over a short period of time, before they are analyzed and reported. Thus, a cross-sectional study provides a snapshot of research phenomena (Collis & Hussey 2013). This design was preferred mainly because it is relatively inexpensive and takes up little time to conduct. In addition, it provided the researcher with a diversity of information on the study topic.

3.2 Population of the Study

According to Cooper and Schindler (2001) a population is the total collection of elements about which we wish to make some inferences. A study population refers to the entire group of people or objects to which the researcher wishes to generalize the study findings. The population of interest for this study was the multinational motor vehicle companies in Kenya. Kenya association of motor industry (KMI) has 24 registered multinational motor vehicle companies by the year 2014. This list comprised the population of the study (see appendix II). The key target respondents comprised of senior management members that are involved in key decision making and especially on foreign market entry and operation mode decisions. For every firm, one target respondent was considered.

Since the number of targeted firms was not large a census was conducted. A census involves collecting information about every member of the population. The researcher however experienced a challenge due to the geographical dispersion of the firms and reluctance by some firm employees to cooperate. A census ensured that as much information as possible was collected on the attribute of interest.

3.3 Data Collection

This study used both primary and secondary data. Primary data was collected using semi-structured questionnaires. The questionnaires were administered by the researcher to marketing managers, general managers and middle level managers to provide a wide range of information.

The questionnaires were seeking several categories of information – general company information, demographic information and, information on the management problem issue (study topic). In this regard the questionnaire comprised of dichotomous questions, multiple choice, rating and ranking as well as free response questions.

Use of questionnaires was most preferred by the researcher since they are less costly, free from the interviewer's bias, respondents who are not easily approachable can be reached conveniently and that the respondent has adequate time to give well thought answers (Kothari, 2004). Secondary data was obtained through desk search techniques from published reports which include the journals, periodicals, motor industry publications and the newspapers.

3.4 Data Analysis

Once the data was collected, the researcher checked for its accuracy, uniformity, consistency and completeness. This was followed by coding and entering of the checked data into the Statistical Package for Social Sciences for analysis (SPSS) which helped in organizing, summarizing and analysis. Where applicable and especially for the free response questions, excel was used to summarize such information.

The data was analyzed majorly using descriptive statistics such as measures of central tendency (mean, mode and median) and measures of dispersion. The analyzed information is presented using frequency tables, cross-tabulation, bar graphs and pie charts. These are most preferred as they are very elaborate, easy to present and interpret.

3.5 Chapter Summary

This chapter has commenced with introduction followed by an outline of the research design that was utilized and a mention of the study population. The target population was multinational firms in the Kenyan automotive industry. The list of firms targeted was obtained from Kenya motor industry association that provided a list of 24 registered firms. The method of data collection has been introduced as well. A Census was considered owing to the population size.

The data collection instrument has been briefly introduced where the data collection tools are semi-structured questionnaires. These were administered through drop and pick method. The chapter has also highlighted the data analysis softwares that were used. Finally, the chapter has given an indication of the data analysis methods that the researcher used where majorly, measures of central tendency (mean, median and standard deviation) frequency tables and graphs were considered.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSION

4.1Introduction

This chapter presents an analysis of data, presentation and its interpretation in line with the study objective. The purpose of the study was to establish the influence of host country's national culture on the choice of foreign entry mode by multinational companies in the automotive industry in Kenya.

4.1.1 General Overview

Data was collected using questionnaires that were self-administered by the researcher through walk-ins and others through e-mail. The target respondents were mainly general managers that are involved in key decision making. The data collected was analyzed and presented in form of bar graphs, line graphs, measures of central tendency, and frequency tables. This study adopted Hofstede's four dimensions of culture in seeking to establish the influence of host-home country cultural differences on foreign market entry decisions.

4.1.2 Response Rate

The study targeted a population of 24 multinational companies operating in the automotive sector as per a list (*see appendix II*) obtained from Kenya Motor Industry Association (KMI). For every firm, only one questionnaire was issued, targeting the operations manager, as this was considered sufficient considering the nature of information sought. Out of the 24 questionnaires distributed, only 15 were filled in and returned representing a response rate of 62.5%. This response rate was found to be good for analysis as it conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.2 Country of Origin

The study sought to establish the respective countries from where the multinational firms originated from. An analysis of the results gave the graphical illustration as shown in Figure 4.1.

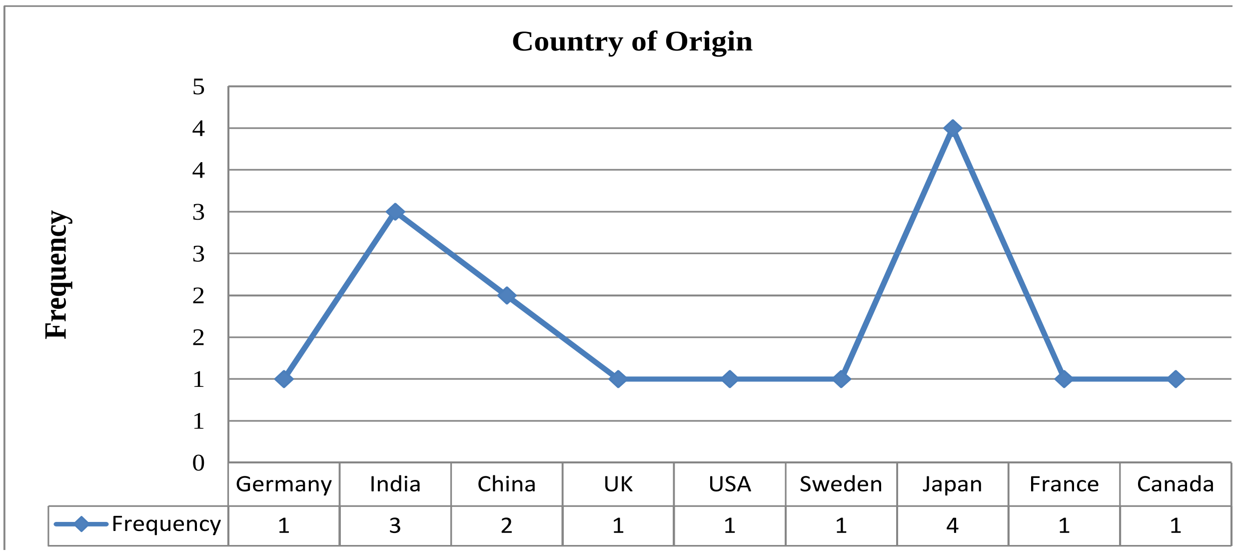

Figure 4.1 Country of Origin Source: Research Primary Data, 2015

Majority of the firms studied were found to have originated from Japan, followed closely by India and China as per the line graph above. This can in part be attributed to the fact that investors from countries like UK and USA are risk averse and would prefer investments in countries where security status is assured.

4.3 Years in operation in Kenya

The study sought to establish the length of time that the firms had been in operation in Kenya. Findings indicated that majority of the companies that were studied have been operating in Kenya for over 5 years as denoted by 53%, while 40% have been in operation for a period between 3-5 years with only a few being in operation for a period spanning between 2-3 years. The outcome of this analysis in form of percentages is illustrated in Figure 4.2.

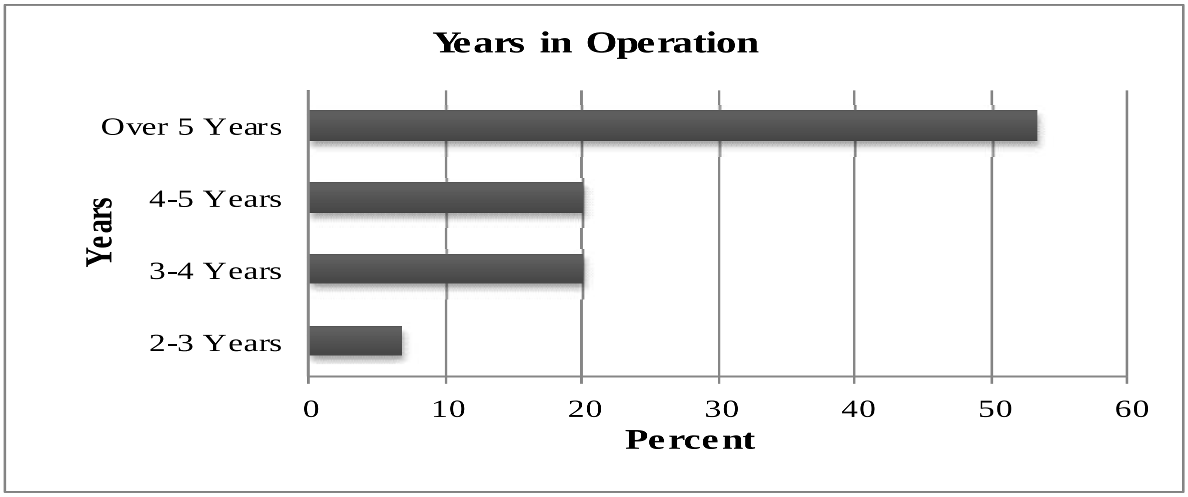

Figure 4.2: Years in Operation in Kenya Source: Research Primary Data, 2015

This indicates that over the past five years, there has been a gradual increase in investment appetite by foreign firms in the Kenyan automotive sector. This trend has still continued and even in the past 2 years as per the outcome.

4.4 Initial mode of entry

This study sought to establish the mode of entry that the various firms utilized in their initial entry into the Kenyan market. An analysis of data on initial mode of entry is presented in Figure 4.3.

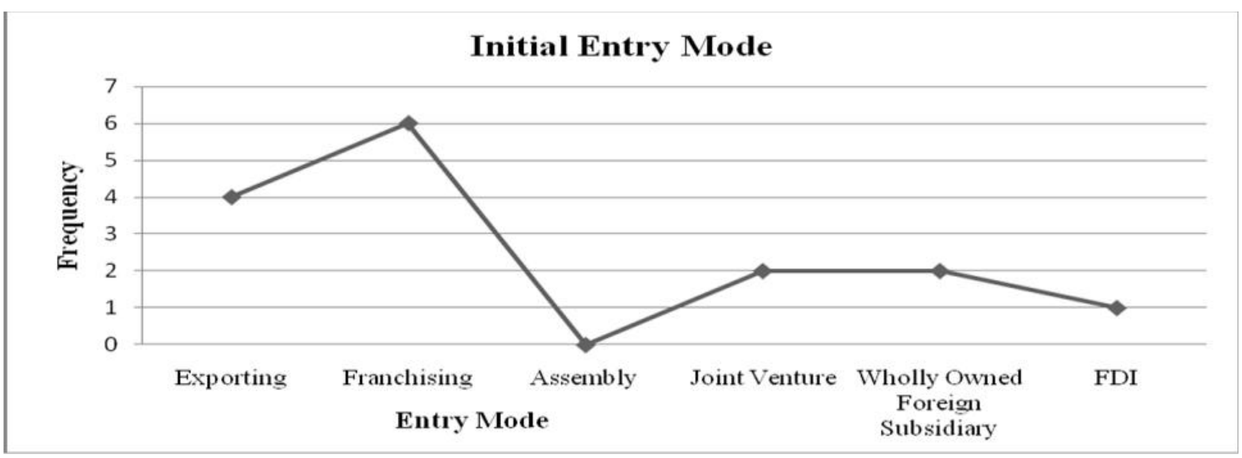

Figure 4.3: Initial Mode of Entry Source: Research Primary Data, 2015

As illustrated in the line graph above, majority of the firms preferred less commitment modes in their initial entry into the Kenyan market. Six of the multinationals preferred franchising, followed by four that made initial entry through exporting, with two utilizing Joint Venture (JV) as well as wholly owned subsidiary and only one coming in through Foreign Direct Investment (FDI). However, none of the firms studied made their initial entry into Kenya through assembly which to the researcher is a high commitment mode of entry. This could be attributed to the fact that less commitment modes are associated with fewer risks (political, financial,), less control levels, and fewer resource commitments. This preference of less commitment modes during initial market entry is in agreement with studies by Johansson and Wiedersheim (1975) in their study of four Swedish firms, in which they observed that when firms internationalize, they move along in a series of incremental steps which they termed as "establishment chain" or "step by step".

4.5 Extent of Cultural Influence on Entry Mode Choice

The study's main objective was seeking to establish the influence of national culture on mode choice. In this regard the study sought to know the extent to which culture is perceived to influence this decision. The results are as tabulated in Table 4.1.

Table 4.1: Cultural Influence on entry Mode Choice

Influence of Culture on Choice of Entry Mode				
Extent	Frequency	Percent	Valid Percent	Cumulative Percent
No extent at all	3	20.0	20.0	20.0
To a Small extent	10	66.7	66.7	86.7
To a great extent	2	13.3	13.3	100.0
Total	15	100.0	100.0	

Source: Research Primary Data, 2015

Generally, majority of the respondents, representing 66.7% of total responses, indicated that national culture influences choice of entry mode to a small extent, 20% were of the view that national culture does not influence the choice at all, while 13.3% indicated that national culture affects entry mode choice to a great extent. This is illustrated in the table above. This would be in part due to the fact that most of the firms studied were found to have entered through franchise with partners that had local market presence with majority of employees being local nationals.

A similar analysis was conducted to establish the extent of cultural influence on mode choice on the basis of country of origin. A graphical illustration of the analysis is in Figure 4.4.

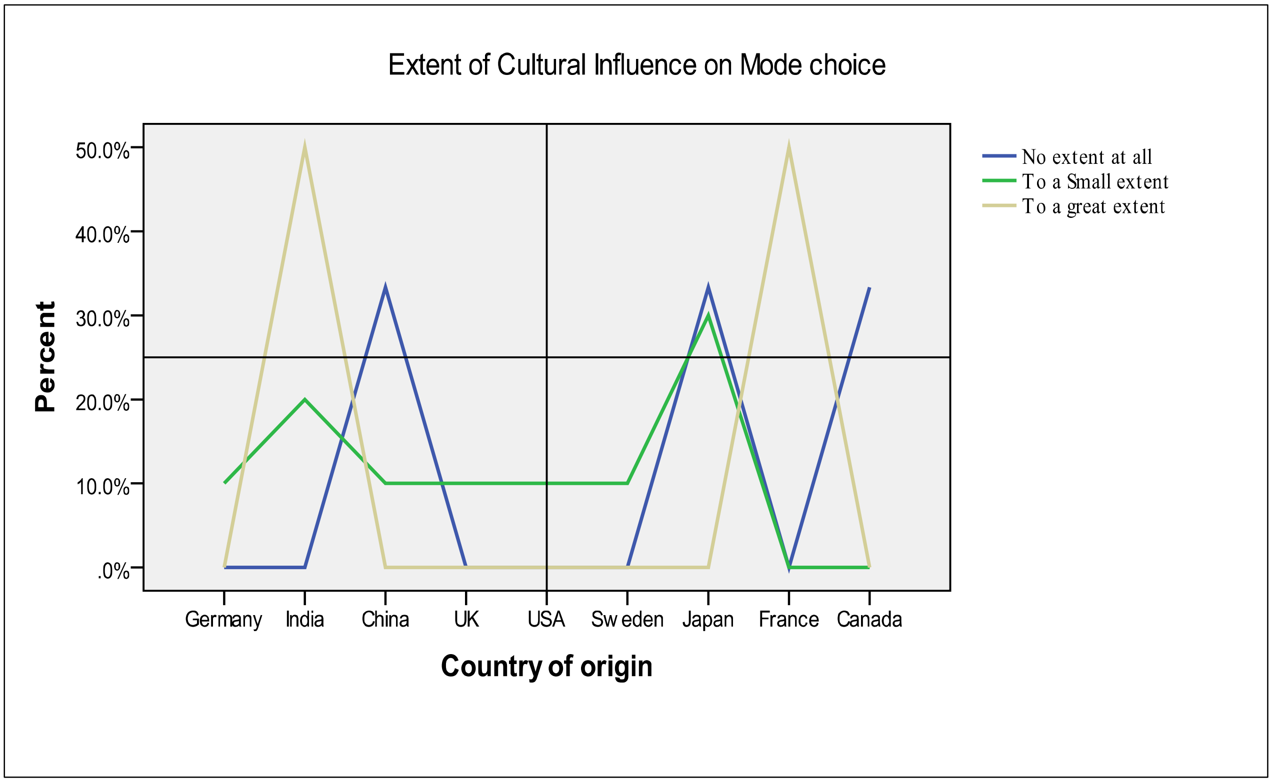

Figure 4.4: Extent of Cultural Influence on Mode Choice Source: Research Primary Data, 2015

From the graphical illustration, most firms with origin from India and those from France indicated that host country's national culture influence choice of entry mode to a great extent. Firms from Germany, a few from India, China, United Kingdom (UK), United States of America

(USA), Sweden, and Japan felt that host country national culture influence the choice of entry mode to a small extent. However a number of Chinese firms, Japanese firms and firms from Canada held the view that culture does not influence the decision at all. Generally, majority of the firms alluded to the fact that host country national culture does influence the entry mode choice at least to some measure.

4.6 Current Mode of Operation

The study sought to establish whether firms were still operating under the initial entry mode or had shifted to alternative modes in a bid to establish whether this was influenced by national culture of the host country. The findings on this aspect are given in Table 4.2.

Table 4.2 Current mode of Operation

Current Mode of Operation				
Entry Mode	Frequency	Percent	Valid Percent	Cumulative Percent
Assembly	3	20.0	20.0	20.0
Exporting	1	6.7	6.7	26.7
Franchising	8	53.3	53.3	80.0
Wholly owned foreign subsidiary	3	20.0	20.0	100.0
Total	15	100.0	100.0	

Source: Research Primary Data, 2015

Most of the firms studied are currently operating as franchise as indicated by 53.3%, while 20% are operating a wholly owned subsidiary, 20% is operating assembly plants while some 6.7% is engaged in exporting activities. However, it was observed that in most cases, these companies operate a number of modes and have established collaborations when it comes to assembly with Associated Vehicle Assemblers offering the assembly services. From the table above and in comparison to the initial entry modes by the firms, it is evident that there is a shift from the initial mode of entry to the current mode of operation. This concurs with Uppsala Model of internationalization where internationalization is seen as a process in which the enterprise gradually increases its international involvement. According to the model, the process evolves as interplay between the development of knowledge about foreign markets and operations on one hand and an increasing commitment to resources on the other hand (Johanson & Vahlne, 1990).

4.7 Host Country National Culture and Decision Making

The researcher sought to establish whether multinational firms in the automotive sector in Kenya considered host country's national culture before the decision on the country to enter, initial mode of entry, mode of operation, and scale of operation. Presentations of the findings on this aspect are in the next sections.

4.7.1 National Culture and Choice of Country

The research study sought to establish whether host country national culture influence MNE's decision on which market to enter. A presentation of results is summarized in Table 4.3 below.

Table 4.3 National Culture and Country Choice

National Culture and Country Choice				
Extent	Frequency	Percent	Valid Percent	Cumulative Percent
Somewhat	5	33.3	33.3	33.3
Very little extent	6	40.0	40.0	73.3
Neutral	1	6.7	6.7	80.0
No extent at all	3	20.0	20.0	100.0
Total	15	100.0	100.0	

Source: Research Primary Data, 2015

33.3% of the firms indicted that host country national culture influenced choice of country to enter to a significant extent, 40% indicated that culture influenced the decision to a very little extent with 6.7% being indifferent on the issue and 20% indicating that host country national culture did not influence the decision at all. According to these findings, host country national culture influences the choice of market/country of entry. This implies that national culture even though not visible should be given consideration in foreign market entry decisions.

4.7.2 National Culture and Mode of Entry

The study was interested in establishing whether national culture of the host country influenced the selection of foreign market entry mode. The findings are presented in Table 4.4.

Table 4.4: National Culture and Mode of Entry

National culture and mode of entry				
Extent	Frequency	Percent	Valid Percent	Cumulative Percent
Somewhat	6	40.0	40.0	40.0
Very little extent	8	53.3	53.3	93.3
No extent at all	1	6.7	6.7	100.0
Total	15	100.0	100.0	

Source: Research Primary Data, 2015

Out of the total 15 firms that were studied six, representing 40%, indicated that national culture somewhat influenced the entry mode choice, 8 firms, representing 53.3%, indicated that national culture of the host country influenced entry mode choice to a very little extent while an insignificant number felt that culture does not influence the decision to any extent at all.

4.7.3 National Culture and Mode of Operation

The study sought to establish whether the current mode of operation was as a result of influence from the host country's national culture. A five point scale was used to indicate the extent to which national culture was perceived to influence mode of operation decisions. The results obtained were analyzed using frequencies and percentages and are presented in Table 4.5 below.

Table 4.5: National Culture and Mode of Operation

National Culture and Mode of Operation				
Extent	Frequency	Percent	Valid Percent	Cumulative Percent
To a great extent	2	13.3	13.3	13.3
Somewhat	5	33.3	33.3	46.7
Very little extent	5	33.3	33.3	80.0
Neutral	2	13.3	13.3	93.3
No extent at all	1	6.7	6.7	100.0

Source: Research Primary Data, 2015

33.3% of the firms indicated that culture somewhat influence mode of operation with an equal percentage of firms indicating that national culture influence mode of operation to a very little extent. The rest 13.3%, 6.7% and 13.3% of the firms indicated that host country national culture influence the operation mode to a great extent, to no extent at all and to a neutral extent respectively.

4.7.4 National Culture and Scale of Operation

The study was interested in establishing the extent to which host country national culture was perceived to influence the MNEs' scale of operation. The results were analyzed and are presented in Table 4.6.

Table 4.6: National Culture and Scale of Operation

National culture and scale of operation				
Extent	Frequency	Percent	Valid Percent	Cumulative Percent
To a great extent	3	20.0	20.0	20.0
Somewhat	1	6.7	6.7	26.7
Very little extent	6	40.0	40.0	66.7
Neutral	1	6.7	6.7	73.3
No extent at all	4	26.7	26.7	100.0
Total	15	100.0	100.0	

Source: Research Primary Data, 2015

From the table above, national culture of the host country is viewed to influence the scale of operation to a very little extent as indicated by 40% of the firms. 26.7% of the firms indicated that host country's culture does not influence the scale of operation, 13.4% were torn between whether culture somewhat influenced the scale or withheld their opinion with 20% indicating that culture did influence the scale of operation to a great extent.

4.8 Significant National Cultural Dimensions between Host and Home Country

The study sought to establish, based on Geert Hofstede's four dimensions of national culture, whether the multinational firms experienced significant cultural difference between their home country and Kenya. These dimensions include power distance, individualism versus collectivism, uncertainty avoidance and masculinity versus femininity (Hofstede, G., Hofstede, G. J., & Minkov, M. 2010). These dimensions were rated on a 3 point scale where 1 denoted no significance at all while 3 denoted very significant. A paired sample comparison of mean responses gave results as presented in Table 4.7.

Table 4.7: Significant National Cultural Dimensions

Significant National Cultural Dimensions Between Home and Host Country					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Cultural difference based on individual achievement	2.20	15	.941	.243
	Cultural differences based on group achievement	1.93	15	.884	.228
Pair 2	Cultural differences based on preference to uncertain business environment	2.00	15	.845	.218
	Cultural differences based on preference to familiar business environment	2.40	15	.737	.190
Pair 3	Close knit society	2.00	15	.926	.239
	Loose ties within Society	1.87	15	.834	.215

Source: Research Primary Data, 2015

Generally, given a test value of 2 most aspects of cultural difference ranked above the mean. This indicates that firms that were interviewed are from different countries of origin that ascribe to different cultural orientations. However, most of the firms do not originate from countries where individual achievement and loose ties within the society are highly considered as indicated by means of 1.93 and 1.87 respectively. The three pairs of dimensions were found to be negatively correlated to each other with the aspect of preference to either familiar or unfamiliar business environments emerging strongly with a significance of 0.005 and a coefficient of -0.688 (see table 4.8). This was a clear distinction between those firms from countries that are high in uncertainty avoidance against those that are low in uncertainty avoidance. The Uncertainty Avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity (Geert Hofstede, 2010). Such cultures will only prefer business environments that exhibit much similarity to their own culture.

Table 4.8: Paired Sample Correlation on Cultural Dimensions

Paired Samples Correlations on Cultural Dimensions				
		N	Correlation	Sig.
Pair 1	Cultural difference based on individual achievement & Cultural differences based on group achievement	15	-.928	.000
Pair 2	Cultural differences based on preference to uncertain business environment & Cultural differences based on preference to familiar business environment	15	-.688	.005
Pair 3	Close knit society & Loose ties within Society	15	-.833	.000

Source: Research Primary Data, 2015

4.8.1 Allocation of Duties along Gender Considerations

The researcher based on the dimension of masculinity/feminism dimension sought to establish whether firms across different countries of origin considered gender in duty allocation. A summary of the responses is summarized in Table 4.9.

Table 4.9: Allocation of Duties on Gender Considerations

Allocation of Duties on Gender Considerations										
	Country of origin									
	Germany	India	China	UK	USA	Sweden	Japan	France	Canada	Total
No significance at all	0	1	0	1	1	0	1	0	0	4
A little bit significant	1	2	0	0	0	0	1	0	1	5
Very significant	0	0	2	0	0	1	2	1	0	6
	1	3	2	1	1	1	4	1	1	15

Source: Research Primary Data, 2015

On gender consideration in duty allocation, the study findings indicate that Japan, Sweden and China highly consider gender aspects in duty allocation. China also considers gender in duty allocation though to a lesser extent than the first three countries. On the other hand, USA and UK did not indicate gender as a major consideration in duty allocation. These two countries are known to implement equality policies where there is no distinction of roles along gender lines.

4.9 National Culture Aspects and Market Entry Decisions

The study was also interested in establishing the most significant cultural aspects in making market entry decisions. Based on four dimensions, an analysis of responses gave the results in Table 4.10.

Table 4.10: National Culture Aspects and Market Entry Decisions

Most significant National Cultural Aspects in Market Entry Decisions				
Aspect	Frequency	Percent	Valid Percent	Cumulative Percent
Social Stratification	5	33.3	33.3	33.3
Power Structures	4	26.7	26.7	60.0
Risk Propensity	4	26.7	26.7	86.7
Gender Considerations	2	13.3	13.3	100.0
Total	15	100.0	100.0	

Source: Research Primary Data, 2015

The study sought to establish the most significant cultural aspect out of the four in the table above in making market entry decisions. It emerged that 33.3% would consider the social stratification aspect more than any other aspect, 26.7% considered power structures, 26.7% considered risk propensity with 13.3% indicating that gender considerations were the most important aspects in market entry decisions. The power and social structures seem to rank higher on the considerations since most of the firms that were interviewed originate from both India and Japan. Indians are known for their cast systems and that could partially explain why the social stratification aspect came out strongly. On the other hand, Japanese are also known to be hierarchical and cautious especially when it comes to decision making and this reflects in the first two aspects in the table above. However USA and UK are known to be risk averse and would want to avoid any uncertain business environments. Though their representation was small among the firms interviewed, 26.7% represents their case.

4.10 Importance of Factors Considered in Foreign Market Entry Decisions

The study was interested in finding out whether other factors in the host country were given equal or more consideration in addition to the national culture in making foreign market entry decisions. A number of factors namely host-home country national culture, economic factors, legal-political factors, social factors, geographical factors, firm size and firm marketing experience. These factors were ranked on a scale of 1-5 where 1 denoted extremely important while 5 denoted not important at all. Therefore, mean values closer to 1 would indicate a high level of importance with those closer to 5 indicating lower level of importance. A comparison of responses gave means and standard deviation results as illustrated in Table 4.11.

Table 4.11: Factors Influencing Foreign Market Entry Decisions

Importance of Factors Influencing Foreign Market Entry Decisions				
Factors	N	Mean	Std. Deviation	Std. Error Mean
Host-home national culture and foreign entry decision	15	2.80	1.265	.327
Economic factors and foreign entry decisions	15	1.53	.640	.165
Legal-political factors and foreign entry decisions	15	1.73	.594	.153
Social factors and foreign entry decisions	15	3.27	.884	.228
Geographical location and foreign entry decisions	15	2.33	.976	.252
Firm size and foreign entry decisions	15	3.00	1.309	.338
Firm marketing experience and foreign entry decisions	15	2.00	.655	.169

Source: Research Primary Data, 2015

Economic factors were indicated to be the most important factors considered in making foreign market entry decision with a mean of 1.53, followed by legal-political factors with a mean of 1.73 and following closely were firm marketing experience with a mean of 2.00 and geographical location with a mean of 2.33. However social factors ranked the least in the factors considered with a mean of 3.27 followed by firm size with a mean of 3.00 and host-home national culture that had a mean of 2.80. Firm size as well as host-home national culture recorded high scores of standard deviation which were 1.309 and 1.265 respectively, indicating that the respondents were varied in their responses on these two aspects. In addition, the respondents raised a host of other factors that they considered in making the decision to enter new markets. These included competition, demographic characteristics (income per capita, population, lifestyle, education, religion, economic activities and buying patterns), and availability of cheap labor.

4.11 Relationship between Host Country National Culture and Firm Performance

The researcher sought to establish whether the culture of the host country (Kenya) influenced in any way the performance of multinational firms in the motor vehicle sector. This was based on five aspects of business performance that the study deemed key in indicating a firm's performance. The factors considered were employee performance, business negotiations, overall business performance, operational success, and product and/or service preference. The study utilized a 5 score scale to determine the extent to which the respondents agreed that culture of the host country influenced performance where 1 denoted Strongly disagree and 5 denoted strongly agree. The mean of responses on this question is as illustrated in Table 4.12.

Table 4.12: Host Country National Culture and Firm Performance

Host Country National Culture and Firm Performance				
Performance Aspects	N	Mean	Std. Deviation	Std. Error Mean
Host country national culture influence employee performance	15	2.80	1.207	.312
Host country national culture influence business negotiations	15	3.93	.704	.182
Host country national culture influence overall business performance	15	3.27	1.100	.284
Host country national culture influence on operational success	15	3.07	1.163	.300
Host country national culture influence on product/service preference	15	3.40	1.352	.349

Source: Research Primary Data, 2015

Out of the five factors, host country's national culture was found to influence business negotiations more than the rest of the factors with the highest mean of 3.93 and the lowest standard deviation of 0.704. Following closely was product or service preference with a mean of 3.40 though with the highest standard deviation of 1.352. Generally, the responses indicated that host country's national culture did influence firm's performance to a significant level since the means for operational success, overall business performance, product/service preference, and business negotiations have recorded means of 3.07, 3.27, 3.40, and 3.93 respectively. This is in agreement with Pankaj and Sebastian (2011) where they argued that cultural differences, while difficult to observe and measure, are obviously very important. Failure to appreciate and account for them can lead to embarrassing blunders, strain relationships, and drag down business performance.

Majority of the means are observed to be above 3.00 which was the test value/mean. However, employee performance recorded the lowest mean of 2.80 which is also somewhere close to the test value. This could in part be explained by the fact that most employees in the institutions interviewed are local nationals.

4.12 Measures to Mitigate Against National Cultural Differences

The study sought to establish what the firms would consider as measures to moderate the conflicts occasioned by national cultural differences. Based on a scale of 1-5 where 1 indicated a high degree of importance while 5 indicated the lowest level of importance, employees were required to rate the measures according to their perceived level of importance. Considering 3.00, which denotes moderately important, as the mean, a summary of the responses is in Table 4.13.

Table 4.13: Measures to Mitigate against National Cultural Differences

Measures to Mitigate against National Cultural Differences				
Measures	N	Mean	Std. Deviation	Std. Error Mean
Cross cultural training mitigates against national cultural difference conflicts	15	2.07	1.223	.316
Less commitment entry mode mitigates against national cultural difference conflicts	15	2.07	1.033	.267
Prior visits to a country mitigates against national cultural difference conflicts	15	1.80	.775	.200
No measures should be taken to mitigate against cultural difference conflicts	15	5.00	.000[a]	.000
a. t cannot be computed because the standard deviation is 0.				

Source: Research Primary Data, 2015

Majority of the respondents indicated that prior visits to a country are very key in mitigating against national cultural differences with a mean of 1.80. The other two measures that were indicated as important in equal measures are cross-cultural training on employees as well as making use of less commitment entry modes at the initial entry into a new market with each recording a mean of 2.07. However, none of the respondents indicated that considering no measures at all would help in mitigating against cultural differences in any way.

4.13 Discussions in Comparison with Empirical Studies

Firms seeking to enter a foreign market must make an important strategic decision on which entry mode to use for a given market. There exists several modes of foreign market entry and each requires resource commitment albeit at varying levels. Studies indicate that firms' initial choices of a particular mode are difficult to change without considerable loss of time and money (Root 1987). Entry mode selection is therefore, a very important, if not a critical, strategic decision. Studies in the area of international business, industrial organizations, and market imperfections have identified a number of factors that influence the choice of an entry mode for a given market. Some of these factors include national cultural differences (cultural distance), legal-political environment, economic factors, firm size, technology, firm's marketing experience and geographical distance among others. This study concerned itself with the national cultural and its influence on choice of entry modes among multinational firms in the motor vehicle industry in Kenya.

The Kenyan market has recently experienced a gradual demand for foreign investors in various sectors but of key concern to this study was the motor vehicle sector. The researcher targeted 24 firms based on Kenya Motor Industry Association (KMI) list of registered firms in the year 2014. Out of the 24 firms targeted, 15 of them filled in and gave back questionnaires which represents 62.5% response rate. From the research findings, it emerged that majority of the firms interviewed are from Japan, India and China. This could be attributed to Kenya's shift of business ties from the West to Middle East and Asian countries which has seen various bilateral agreements entered especially between Kenya and China. Majority of the firms interviewed have operated in Kenya for at least 2 years while those with over five years constituted 53%. This is indicative of how Kenya and East African community is an emerging investment hub.

The findings indicated that majority of the firms entered into the Kenyan market through franchising and exporting which represent low commitment modes. According to Pehresson (2008), a market entry mode is a significant method for the delivering of a company's product, technology, and human and financial resources into a foreign market. Studies have indicated that entry mode choice is key to a firm's future performance and operation. Cateora and Graham (2002 cited in Sadaghiani et al 2011) stated that those companies which think to enter international markets must decide about the type of entry strategy and its effect on foreign operation of the company. Exporting has been traditionally regarded as the first step to entering international markets, serving as a platform for future international expansions (Kogut & Chang, 1996). Other firms indicated either to have entered through Joint ventures, wholly owned subsidiary but none indicated assembly as their initial entry mode.

The study was also seeking to establish whether the choice of initial entry mode was influenced by national culture. On this note, there was a general indication that culture does influence this decision to a small extent as shown by 66.7% of the responses, with 13.3% indicating that culture influences the decision to a great extent. Root (1994) alluded that the choice of target countries is influenced by cultural distance because firms prefer to enter those countries that have cultural similarity with home country. Majority of the firms are still operating in their initial mode of entry or have at least combined with other operation modes. 53.3% are operating through franchising, 20% made arrangements for assembly or are establishing assembly plants, 6.7% are still exporting alongside other modes while 20% have established a wholly owned subsidiary. These findings indicate that firms enter new markets through less commitment modes and gradually increase their levels through engaging in more commitment modes. Kennedy (2005) stated that a linear pattern is followed by manufacturing firms in their entry behavior, favoring low control modes of operation in early stages of internationalization and higher control modes as they gain more experience. Johansson and Wiedersheim-Paul (1975) in their study of four Swedish firms, observed that when firms internationalize, they move along in a series of incremental steps which they termed as "establishment chain" or "step by step". This is also in agreement with Uppsala internationalization process model (U-Model).

National culture can be understood through Hofstede's framework of national culture dimensions; *power distance*, *individualism/collectivism*, *uncertainty avoidance,* and *masculinity/femininity*. The research findings indicated that national culture influence a number of foreign market entry decisions albeit to different extents. 40% indicated that culture influenced the choice of country to enter to a very little extent while 33.3% indicated that culture somewhat influences this decision. 13.3% of the respondents. The mode of operation was also found to be influenced by culture with 13.3% indicating to a great extent, 33.3% somewhat, and 33.3% to a very small extent. In addition, the choice of entry mode was influenced somewhat by host country national culture as indicated by 40% of the responses but to a very little extent as indicated by 53.3% of responses. Therefore, host country national culture, according to the findings, influences decision on country to enter, entry mode, mode of operation and scale of operation.

The study found that the cultural aspect of collectivism/individualism, uncertainty avoidance, power distance, and masculinity/feminism had mean responses ranging from 1.87 to 2.40, which presents a small deviation from the test value of 2. This indicates the differences in cultural dimensions as represented by different countries from where the firms originate. However, the aspect of social stratification emerged strongly as the most considered aspect of cultural differences between host and home country. Cultures from India and Japan are known to have systematic governing structures and their number in the respondents list is attributable to these findings. This agrees with Hofstede’s cultural scores (*See appendix VI*) that indicated India as having a power distance score of 77 and 54 for Japan (Hofstede, 1980). In addition, the aspect of power structure and risk propensity which were testing the power distance and uncertainty avoidance dimensions of culture emerged to be of equal consideration with 26.7% of responses each. The study found that in addition to cultural differences across countries, other factors are also given consideration in market entry decisions.

According to the findings, economic factors are considered more important with a mean score of 1.52, followed by legal-political factors with a score of 1.73, firm marketing experience with a mean score of 2.00 and then the host and home country national culture that had a mean score of 2.80. This indicates that even though the firms acknowledge that culture influence the market entry decisions among foreign firms, a host of other factors are also given consideration to different extents. Agarwal et al. (1992) argued that a firm's level of multinational experience has also been shown to influence entry choices.

Study findings showed that host country national culture affects firm performance based on a number of aspects but at different levels. Brouthers (2002) mentioned that international entry mode research is important because the chosen entry mode has significant implications for performance. Business negotiations were found to be most influenced by host country national culture with a mean score of 3.93, followed by product/service preference at 3.40 and also operational success. Employee performance was found to be the list influenced by the host country national culture. This would be attributed to the fact that majority of employees in the various firms are local nationals and hence are not influenced adversely by their country's culture. The study findings indicated prior visits to a country before entry as very important in alleviating the national cultural differences with a mean of 1.80 where 1 denotes very important. The other measures that were considered of equal impact were use of less commitment modes of entry at the initial stages and cross-cultural training for employees with each obtaining a mean response of 2.07.

4.14 Chapter Summary

This chapter has presented the findings of the study based on primary data collected through self-administered questionnaires from 15 multinational firms in the automotive sector in Kenya. The analyzed data was presented in form of graphs (line and bar), frequency tables, mean and standard deviation. To establish the strength of cultural influence on the various decisions like foreign entry, mode of operation, firm performance and country of entry, means were been used to indicate the extent of influence.

The findings indicated that host country national culture influences the choice of entry mode by foreign firms even though other factors cannot be overlooked. The national cultural dimensions highly considered by the firms were mainly power distance and collectivism. However, the aspect of uncertainty avoidance was cross-cutting indicating that majority of cultures from which the firms ascribe are high on this dimension. The results have also shown that most firms would consider prior visits before market entry as key to alleviating national cultural differences.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions, recommendations, implications of the study, and finally suggests areas for further research. It incorporates the various suggestions and comments given by the respondents based on the information sought through questionnaires related to the objective of the study. It concludes with a chapter summary.

5.2 Summary

The study sought to establish the influence of host country national culture on the choice of entry mode by multinational firms in automotive sector in Kenya. The aspect of national culture was viewed to influence the choice of entry mode as indicated by a significant percentage of the responses (40% somewhat, and 53.3% very little extent). It also emerged that national culture influence the choice of country to enter (33.3% somewhat, and 40% to a little extent), mode of operation (13.3% great extent, 33.3% somewhat, and 33.3 to a little extent), and finally the scale of operation (20% to a great extent, 6.7% somewhat, and 40% to a little extent). The study found that most firms utilized less commitment modes during their initial entry into Kenya which include exporting and franchising.

Based on the four dimensions of national culture as muted by Geert Hofstede namely power distance, masculinity/feminism, uncertainty avoidance, and individualism/collectivism, the study observed significant differences between the host and home country national cultures. Of key to note was the aspect of social structures (33.3%) power distance (26.7%), and uncertainty avoidance (26.7%). The study also noted that other than influencing the entry mode, national cultures also affect the firm's performance. It indicated that business negotiations were most influenced by host national culture (μ=3.93, σ =.704), followed by product/service preference (μ=3.40, σ =1.352) and operational success (μ=3.07, σ =1.163). The overall business performance was influenced resultant to other factors and recorded a mean of 3.27 and a standard deviation of 1.100. The study findings indicated a number of measures to alleviate the national cultural difference conflicts and prior visits to a country before entry was most preferred (μ=1.80, σ =.775), followed by use of less commitment initial entry modes (μ=2.07, σ =1.033), and cross-cultural training on employees (μ=2.07, σ =1.223).

5.3 Conclusion

National cultural differences remain persistent and present an array of challenges and opportunities alike for multinational firms. Firms that take note of national cultural differences are able to make the most appropriate strategies concerning foreign market entry and operation and adapt to foreign cultures. While it is important to consider economic, legal, political, and geographical location factors in new market entry, failure to consider national cultural differences can lead to cultural blunders, culture shock and eventual loss of business by a firm.

The objective of this study was to establish the choice of foreign entry modes by foreign firms in automotive sector in Kenya in view of national cultural differences. The study found that national culture indeed influences the choice of entry mode, mode of operation, choice of market, and overall firm's performance albeit to varied degrees. Majority of firms were found to use less commitment modes in their initial entry and thereafter shifted to more commitment modes. The study identified other issues of perceived national cultural differences as language, food, religion and work ethics. It was also found that national cultural differences are perceived to influence business negotiations and product preference more than other aspects of performance. In view of the above national cultural differences influence a number of foreign firms' decisions even though indirectly. These range from country/market selection, market entry, operation mode, and its subsequent performance. While these differences are not visible but majorly perceived, they are inevitable ingredients in decision making by firms that are planning to venture into foreign markets.

This study concludes that foreign market entry modes by multinational firms in the automotive sector in Kenya are influenced by the host country's national culture. Firms in this sector and other sectors as well should consider the national cultural differences or even similarities before they make a decision on their mode of foreign market entry. Suffice is to say that foreign firms need to give consideration to national cultural differences as they make foreign market entry decisions to enable them take advantage of the cultural diversities and avoid related business failures.

5.4 Recommendations and Implications of the Study

In view of the study findings and conclusion, the researcher recommends that the multinational firms should consider the national cultural differences between the host and home country as a major R&D issue. This study provides a rich understanding of the cultural environment and how to adapt to the cultural differences. The study indicated that not much effort has been put on cross-cultural training activities but instead local nationals have been employed in the host country to take care of the national cultural differences. The study recommends that every multinational firm in the motor vehicle industry considers cross-cultural training on a regular basis to instill a sense of mutual understanding and respect between employees and their foreign national colleagues.

The researcher had a challenge convincing the respondents on why it was important to provide the information sought. The study recommends that a research liaison section be created in every firm to facilitate future academic studies as well as other forms of research. This study established that the aspect of national culture is not elaborate enough and subsequent to this factoring it in decision making is a challenge. The study recommends a documentation of the basic tenets of our national culture key decision making among Multinational firms.

The study findings will give pointers onto the existing policy gray areas to enable a comprehensive review in order to accommodate cultural elements that will enable foreign firms to identify opportunities out of national cultural difference. During review of existing literature, the researcher established that few studies have been conducted within the Kenyan context on the study topic. This study will act as a basis for related studies to be conducted within the Kenyan context and act as a repository for future references.

The study finding provides gaps in knowledge that future researchers could explore. This study is focusing on multinational firms' decisions in foreign market entry. The findings therefore give insights to the practitioners in the automotive sector on how to have a holistic approach in decision making not only on foreign entry but also on operation modes as well as how to seize opportunities presented by the national cultural differences.

5.6 Limitations of the study

The study was faced with a number of limitations. First, the researcher would have preferred to obtain responses from foreign nationals who have a deeper understanding of their own culture and how it's influenced by the host national culture. But in most of the cases, the respondents comprised of local nationals with their foreign bosses based in the country of origin.

There was an element of suspicion that made some of the respondents shy off from giving information and therefore, the researcher was apparently turned away. This denied the opportunity to collect as much information as was desired. In addition, it was difficult to authenticate the accuracy of information indicated against the questions in the questionnaires and therefore the study cannot be without bias.

5.7 Suggestions for Further Research

This study was conducted on multinational firms in the automotive industry in Kenya across different countries of origin. The study did not control for the influence of other factors on the study variable (choice of foreign market entry mode). This necessitates a further study to be conducted on influence of host country national culture on entry mode choice while controlling for other factors.

The study focused on the motor vehicle multinational firms in Kenya. A comparative study could be conducted across sectors to establish whether the national cultural differences affect firm's entry decisions across other sectors.

The study was based on Hofstede's four dimensions of culture (power distance, masculinity/feminism, uncertainty avoidance and individualism/collectivism). Further studies can be conducted based on other cultural frameworks like Cultural Iceberg Model by Edward T. Hall's to establish the replicability of the findings.

This study was focused on inbound foreign investments in the Kenyan market. A further study can be conducted on foreign market entry by Kenyan firms and how this relates to national cultural differences. This can focus on the banking sector or institutions of higher learning that have ventured in foreign markets from Kenya.

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APPENDICES

APPENDIX I: Questionnaire

I am an MBA student at the University of Nairobi and as part of the academic requirements currently conducting a research on influence of host country's national culture on the choice of foreign entry modes by multinationals in automotive sector. Your kind response on this questionnaire will be very helpful to the success of this undertaking. The information obtained will be used strictly for academic purposes and will be treated with utmost confidentiality.

Please indicate with a tick (√) your choice in the spaces provided for questions with options and kindly give a brief explanation where necessary.

1. Company's country of Origin …………………………………………………

2. How long has your firm been in operation in Kenya?

Less than 1 year [ ] 1-2 years [ ] 2-3years [ ] 3-4years [ ] 4-5years [ ] Over 5 years [ ]

<u>Section A: Mode of Entry</u>

1. Which mode of entry did you use to enter the Kenyan market?

- a) Exporting [ ]
- b) Licensing [ ]
- c) Franchising [ ]
- d) Assembly [ ]
- e) Contract manufacturing [ ]
- f) Management Contract [ ]
- g) Joint Venture [ ]
- h) Wholly Owned foreign subsidiary [ ]
- **i)** Foreign Direct Investment (FDI) [ ]

2. To what extent do you think culture influenced the choice of foreign market entry mode?

No extent at all [ ] to a small extent [ ] to a great extent [ ]

3. What is your current mode of operation?

Contract manufacturing [ ]
Assembly [ ]
Exporting [ ]
Franchising [ ]
Joint Venture (JV) [ ]
Foreign Direct Investment (FDI) [ ]

Licensing [ ]
Wholly owned foreign subsidiary [ ]

Section B: National Culture and Decision Making

1. To what extent do you think culture influences the decisions indicated in the table below?

(Where, 1= to a great extent, 2= somewhat, 3= Very little extent, 4= Neutral and 5= No extent at all)

Decision	(1)	(2)	(3)	(4)	(5)
Choice of country to enter					
Mode of entry					
Mode of operation					
Scale of Operation					

2. In your own opinion, are there significant national cultural differences between your home country and Kenya (host) based on the dimensions in the table below? On a scale of 1 -3, where 1 = No significance at all, 2 = A little bit significant, and 3 = Very significant, please indicate the level of significance in differences.

	(1)	(2)	(3)
Individual achievement			
Group Achievement			
Preference to uncertain business environments			
Preference to familiar business environments			
Close knit society			
Loose ties within societies			
Allocation of duties along gender considerations			

3. Please indicate other cultural aspects that you find different between your home country and the host (Kenyan) country.

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,--, ---,
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4. What aspects of the host-home country national culture are most significant in foreign market entry decision?

Social stratification [ ]
Power structures [ ]
Risk propensity [ ]
Gender Considerations [ ]
Others, please specify --

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5. Please indicate the importance you attach to the following factors in making foreign market entry decisions (where 1=extremely important, 2= Very important, 3= moderately important, 4=slightly important and, 5=not important at all).

Decision	(1)	(2)	(3)	(4)	(5)
Host and Home country national culture					
Economic factors					
Legal-Political factors					
Social factors					
Geographical location					
Firm Size					
Firm's marketing experience					

6. What other factors in addition to the above do you consider in new market entry decisions?

----

7. In your own opinion, is there any relationship between the host country national culture and your firm's performance? On a scale of 1-5 where, 1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and = strongly Agree, Please indicate the extent to which you agree or disagree with the statements below:

	(1)	(2)	(3)	(4)	(5)
Host country's national culture affect employee performance					
Host country's national culture influence business negotiations					
Host country's national culture influence overall business performance					
Host country's national culture influence operational success					
Host country's national culture influence product/service preference					

8. What measures would you recommend to mitigate against conflicts arising from national cultural differences? Kindly rate the measures below in order of their importance. (1= very important, 2= important, 3= moderately important, 4= slightly important and 5 = Not important)

	1	2	3	4	5
Cross-cultural training on employees					
Make use of less commitment modes at the initial entry (e.g. licensing, exporting, and franchising mode).					
Prior visits to a country before entry					
No measures at all					

APPENDIX II: List of Registered Motor Vehicle MNC's in Kenya

1	Associated Vehicle Assemblers,
2	Auto Sueco Kenya Ltd
3	Bavaria Auto
4	Car & General (K) Ltd,
5	CMC Motors Group Ltd
6	DT Dobie & Co (Kenya) Ltd (CFAO),
7	Foton East Africa Ltd,
8	General Motors East Africa
9	Hyundai (E.A) Holdings,
10	Kenya Coach Industries,
11	Kenya Grange Vehicle Industries Limited,
12	KIA Motors –Marshalls,
13	Porsche Centre Nairobi Limited,
14	RT (East Africa) Limited,
15	Ryce Motors,
16	Sameer Africa,
17	Simba Corporation Ltd,
18	Stantech Motors Limited,
19	Subaru Kenya / ECTA Group,
20	TATA Africa Holdings,
21	Toyota East Africa Limited / Toyota Motor Corporation,
22	TransAfrica Motors,
23	Xylon Motors
24	Zonda E.A. Ltd

Source: Kenya Motor Industry Association, 2014

APPENDIX III : Time Schedule

Month **Task**	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015	October 2015
Problem identification							
Chapter One							
Literature Review							
Methodology							
Questionnaire development							
Proposal Defense							
Pre-testing of questionnaire							
Data collection							
Analysis & compilation							
Final report & submission							

Source: Author, 2015

APPENDIX IV: Research Budget

ACTIVITY	ESTIMATED COSTS
Stationery and materials	13,000
Transport and communication	10,000
Data collection and analysis	15,000
Report writing	5,000
Binding	2,100
Miscellaneous	2,000
Total Cost	**47,100**

Source: Author, 2015

APPENDIX V: Introduction Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE 01/09/2015

TO WHOM IT MAY CONCERN

The bearer of this letter SAMUEL MWANGI GICHUHI

Registration No. D61/60438/2011

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

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

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
01 SEP 2015
P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX VI :Hofstede's Cultural Value Scores

Hofstede's Cultural Value Scores for 30 Selected Cultures

Country	Power Distance	Individualism/ Collectivism	Uncertainty Avoidance	Masculinity/ Femininity
Argentina	49	46	86	56
Australia	36	90	51	61
Brazil	69	38	76	49
Canada*	39	80	48	52
Chile	63	23	86	28
China	80	20	30	66
Colombia	67	13	80	64
Denmark	18	74	23	16
France	68	71	86	43
Germany	35	67	65	66
Greece	60	35	112	57
Indonesia	78	14	48	46
India	77	48	40	56
Iran	58	41	59	43
Israel	13	54	81	47
Italy	50	76	75	70
Japan	54	46	92	95
Korea (South)	60	18	85	39
Malaysia	104	26	36	50
Mexico	81	30	82	69
Netherlands	38	80	53	14
Philippines	94	32	44	64
Poland	68	60	93	64
Portugal	63	27	104	31
Russia	93	39	95	36
Singapore	74	20	8	48
Spain	57	51	86	42
Sweden	31	71	29	5
United Kingdom	35	89	35	66
United States	40	91	46	62
Mean	58.4	49.0	64.5	50.2
Median	60	46	70	51

Source: Geert Hofstede, *Culture's Consequences: International Differences in Work-Related Values*, 1980, Beverly Hills, CA: Sage