ENTRY STRATEGY IN A FOREIGN MARKET AND PERFORMANCE OF ASEA BROWN BOVERI IN KENYA

BY

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DECLARATION

This research project is my original work and has not been submitted for the award of a degree in any other university.

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

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DEDICATION

This study is dedicated to my family for their love, support, encouragement and prayer which saw me through the entire course.

ABBREVIATIONS AND ACRONYMS

ABB – Asea Brown Boveri

BMS – Building Management Systems

BSC – Balanced Score Card

DHL – Dalsey Hillblom Lynn Logistics Company

FDI – Foreign Direct Investment

IA – Industrial Automation

INV – International New Ventures Model

KAM – Kenya Association of Manufacturers

Ltd – Limited Liability Company

MNC – Multinational Corporation

PIMS – Production Information Management Systems

PLC – Programmable Logic Controller

ROCE – Return On Capital Employed

TCE – Transaction Cost Economics

TCT – Transaction Cost Theory

USA – United States of America

USD – United States Dollars

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ABSTRACT

The choice of entry mode has become a crucial strategy decision for firms wishing to enter foreign markets. On their part, these strategies have an effect on performance and its duration. This study aimed to establish the entry strategy adopted by Asea Brown Boveri (ABB) in the industrial automation industry in Kenya and to determine the effect of that entry strategy on performance. The research design was a case study; considered appropriate because the focus of the study was to answer "how" and "why" questions. The study relied on both primary and secondary data. Primary data was collected using an interview guide focusing on entry strategies and performance. Secondary data was collected on performance for the duration of the study from the corporate plans of the company and published financial information as obtained from company journals, bulletins and financial statements. Data was analysed using content analysis as the study collected data that was qualitative in nature. The study established that ABB has adopted exporting, franchising and foreign direct investment (FDI) strategies. The study further found that the entry strategies adopted by the company led to growth in customer numbers. They also led to an increased number of new products and services with new products being released in the market to stay ahead of competition and in response to the ever evolving demand for energy efficiency. The study also found that the strategies have improved return on investment for the company, economic value add, perceived value of products, and reliability of the company's products and services. The study recommends that multinational corporations (MNC's) continue investing in various foreign marketing strategies in order to meet company objectives. Further, the MNC should study the foreign market before adopting any strategy to ensure take up of market-centric strategies. On policy, the study recommends that the government put emphasis on fiscal and monetary policies that will encourage more FDI by MNC's. The study further recommends the need to create a suitable mechanism to encourage automation MNC's to enter the Kenya market, in order for them to channel resources toward investment projects. This study has two major implications: First, foreign MNC's entering new markets on the continent will consider a region-based approach and chose hub countries as start points as is the case of Kenya for ABB. Secondly, Industrial Automation MNC's entering new markets will opt to begin with exporting to test the market, then proceed to franchising as a means of establishing customer engagement and then conclude with FDI on the back of sustained growth and strong market prospects, and to cement engagement with long standing customers.

CHAPTER ONE
INTRODUCTION

1.1 Background

Entry strategy selection is the perceived institutional difference between home and host countries (Kostova, 1999) or between prior entries and prospective host countries (Johanson and Wiedershiem-Paul, 1975). Entry strategies are based on three approaches: First, the stages model is rooted in the idea that firms internationalise first to countries with which the psychic distance is shorter, and using low involvement entry modes, gradually expand their operations to more distant countries and utilize higher involvement entry modes (Root, 1994). A second approach sees entry into foreign markets as the result of market imperfections. According to Neupert (2000), the higher the market imperfection, the more likely organisations will opt for entry modes of high involvement. The third approach is based on a quasi-social networks perspective (Ellis, 2000). This approach suggests that organisations' ties to other firms will be primary determinants of location and entry mode selection. An entry mode through cooperation such as joint ventures with other firms facilitates market entry, reduces risks and costs, and attenuates political and cultural constraints (Henisz, 2000).

Internationalisation theory, institutional theory, transactional cost theory and agency theory as widely applied in international business, are relevant to this study. Internationalisation theory is often referred to as the theory of the Multinational Corporation (MNC). It maps out several models by which MNC's may opt to enter foreign markets. Institutional theory suggests that MNC's need to conform to the prevailing rules, norms and procedures of the locations where they operate in order to survive and grow. This means that MNC's need to develop the best possible configuration of strategy-structure for their worldwide operations. Transactional cost theory on the other hand suggests that foreign direct investment offers the best alternative for exercising effective control over foreign operations. By externalizing company specific advantages, firms will be unable to efficiently constrain the behaviour of other parties, and will therefore incur high transaction costs. Mudambi and Pedersen (2007) assert that agency theory applies when the subsidiary's decision rights are loaned by headquarters. It is more applicable where subsidiaries differ in the extent to which they exploit home-base advantages and create benefits like profits or cash flow.

Global markets and economies continue to witness a growth in internationalisation of firms. The process often follows either one or a series of entry strategies depending on the particular firm's objectives. In Kenya, numerous firms continue to enter the market. Of keen interest is the industrialisation sector which has been identified as a key pillar in Kenya's vision for growth. To a great extent, the growth of this industrialisation sector is driven by growth in its supporting technology – automation. A look at the nature, size, strategies and performance of global automation firms entering the Kenyan market would certainly provide greater insight into the country's industrialisation, and hence, economic growth process.

Maheshwari (1997) asserts that a MNC is an enterprise which allocates company resources without regard to national frontiers, but is nationally based in terms of ownership and top management. The focus of the operations of MNC's is on the coordination of the allocation of resources in its international operations in order to minimize production cost and maximize revenue. Asea Brown Boveri (ABB) is a global leader in power and automation technologies. Based in Zurich, Switzerland, ABB employs 145,000 people and operates in approximately 100 countries. The firm's shares are traded on the stock exchanges of Zurich, Stockholm and New York. ABB's operations are organized into five global divisions, which in turn are made up of specific business units focused on particular industries and countries.

1.1.1 The Concept of Global Strategy

Business theorists and practitioners having understood the business strategic process as operating in a highly competitive environment have come up with various definitions of what a strategy is. Porter (1996) defines strategy as being different by deliberately choosing to do a different set of activities in order to deliver a unique mix of value. It involves doing activities differently than the competitors in order to gain competitive advantage. He emphasizes that it means deliberately choosing a different set of activities to deliver a unique mix of value. He further argues that strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. In his book, Andrews (1980) argues that corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals. It defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities. On the other hand, Johnson et al (2008) defines strategy as the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations.

A strategy might be formulated for broad, long-term, corporate goals and objectives, for more specific business unit goals and objectives, or for a functional unit, even one as small as a cost center. Such goals might or might not address the nature of the organization, its culture, the kind of company its leadership wants it to be, the markets it will or won't enter, the basis on which it will compete, or any other attribute, quality or characteristic of the organization. (Nickols, 2011). Together, strategy and tactics bridge the gap between ends and means.

Resources are allocated or deployed and then employed in the course of executing a given strategy so as to realize the end in view. The establishment of the ends to be attained does indeed call for strategic thinking, but it is separate from settling on the strategy that will realize them. Three levels of strategy are usually in existence enterprise level, business level and functional level. Porter (1996) posits that by using a good strategy, a company can outperform rivals if it can establish a difference that it can preserve. It must deliver greater value to customers or create comparable value at a lower cost, or do both. The arithmetic of superior profitability then follows. This includes delivering greater value that allows a company to charge higher average unit prices while greater efficiency results in lower average unit costs.

According to Aaker (2001), the essence of global strategy is an expansive world vision that considers the possibilities of every location as a market and as a source of competitive advantage, both alone and when integrated with the rest of the firm. Global enterprises must craft strategies for international expansion, diversification, and integration to develop, protect, and exploit their resources and capabilities. Concerns for both strategy processes and strategic goals and objectives are deepened in the transnational setting. In order to pursue their strategic objectives, global enterprises must access a wide range of resources, capabilities, brands, markets, and technologies from world-wide locations. This process of building a resource base for the enterprise may involve cross-border mergers and acquisitions, international alliances and joint ventures, formal and informal networking, internal development, and offshored/outsourced value-adding activities. Determinations of the breadth of international dispersion and the degree of global integration of resources and activities are increasingly essential to competitive success, but standard models of transactional governance seem to have limits in an interactive, integrated environment.

Global strategy leads to a wide variety of business strategies, and a high level of adaptation to the local business environment. The challenge here is to develop one single strategy that can be applied throughout the world while at the same time maintaining the flexibility to adapt that strategy to the local business environment when necessary (Yip G. 2002). A global strategy involves a carefully crafted single strategy for the entire network of subsidiaries and partners, encompassing many countries simultaneously and leveraging synergies across many countries. Diaconu (2012) asserts that adopting the global strategy, the firm approaches the world as a single market, the main scope being the development of standardized goods and services that answer the needs of the worldwide consumers. The company tries to achieve scale economies in marketing and production by concentrating its production activities in its most efficient subsidiaries and then, by developing some global marketing campaigns in order to sell them.

The international business offers the possibility of exploiting three sources of the competitive advantage, unavailable for the national companies: global efficiencies, the multinational flexibility and worldwide learning process (Lovas and Ghoshal, 2000). The multinational firm can improve its efficiency either through its location advantages, or through the scope or scale economies. The first ones appear when locating the production subsidiaries in any place of the world, in order to have the lowest cost of production or distribution, or the highest quality of goods and services. In a similar way, the multinationals may reduce their costs achieving scale economies. Moreover, by expanding the production lines in every country they enter, the companies may also enjoy scope economies. In this situation, not only do they cut the production and marketing costs, but also they intensify the lowest line-levels.

1.1.2 Entry Strategies in Foreign Markets

Entry strategy is the method used by a company to start doing business in a foreign country (Shama, 2000). It is an institutional arrangement that makes possible the entry of a firm's products, technology, human skills, management, or other resources into a foreign country (Karkkainen, 2005). Foreign market entry strategies differ in the degree of risk they present, the control and commitment of resources they require and the return on investment they promise. There are two major types of entry modes; non-equity mode, which includes exporting, licencing, franchizing and contractual agreements; and equity mode, which includes joint venture and wholly owned subsidiaries. The market-entry technique that offers the lowest level of risk and the least market control is export and import. The highest risk, but also the highest market control and expected return on investment are connected with direct investments that can be made as an acquisition (Terpstra and Sarathy, 1997). MNC's must make a choice, out of the number of available strategies, regarding the appropriate mode for organizing its foreign business activities. These alternatives are not mutually exclusive and large companies may employ them simultaneously in different contexts.

According to Terpstra and Sarathy (1997) exporting is the marketing of goods produced in one country into another. Exporting can be further segmented into Indirect and Direct Exporting. Licensing involves offering a foreign company the rights to use the firm's proprietary technology and other know-how, usually in return for a fee plus a royalty on revenues, Johanson and Vahlne (1977). Franchising is a means by which a company can market its goods and services by granting the franchisee the legal rights to use their business format Doole and Lowe (2001). Joint ventures are an arrangement between two or more independent companies which leads to the establishment of a third entity organization separate from the "parent" companies. Strategic Alliances is a business relationship established by two or more companies to cooperate out of mutual need and to share risk in achieving a common objective. Establishing wholly owned subsidiaries is the most extensive form of participation, it ensures 100% ownership and involves the greatest commitment in capital and managerial effort. Foreign Direct Investment often involves the establishment of production facilities in overseas countries and therefore represents a more direct involvement in the local economy (Worthington and Britton, 2006).

Often, firms make significant risk-control trade-offs when deciding on entry modes that will ensure the greatest success in the new foreign markets. Various studies having drawn a direct relation between a firm's entry strategy and its performance: A wrong strategy can lead to a firm's failure both abroad and at home. Broadly, activity of Kenyan MNC's can be categorised along the stated strategies. Their historical presence in the country can further be categorized into periods of entry as well as countries of origin. From 1963 to 1980 most MNC's originated from Great Britain, Western Europe and the USA. From 1980 onwards, many MNC's have come from Asia Pacific- Japan, South Korea, and China. Very few have come from other developing countries such as Brazil, India and South Africa. For all these MNC's the fundamentals of foreign market entry remains a key factor in their performance.

1.1.3 Performance of Organisations

Consistently relating the activities of the organization to its performance is essential from a strategic perspective. Performance is a broad concept with many manifestations, made even more complex by operations in multiple markets with varying degrees of global integration. Defining and measuring the many aspects of performance for global organizations, and establishing their limits, are constant and evolving challenges. Strategic performance must consider the risks and uncertainties involved in most actions, considerations that again are more complicated in the global environment.

In today's dynamic globalised economy, development of organisational performance is associated with the development of personal performance, skills, knowledge and experience (Covey, 2004). However, the ability to achieve and maintain high performance and productivity in organisations is a key challenge facing management today. The concept of organizational performance is based upon the idea that an organization is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose (Barney, 2001). Those providing the assets will only commit them to the organization so long as they are satisfied with the value they receive in exchange, relative to alternative uses of the assets. As a consequence, the essence of performance is the creation of value. So long as the value created by the use of the contributed assets is equal to or greater than the value expected by those contributing the assets, the assets will continue to be made available to the organization and the organization will continue to exist.

Cavenaghi (2001) states that for years financial performance measurement was seen as the only correct and legitimate way of assessing performance. Eccles (1998) however posits that treating financial indicators solely as a single aspect in a broader array of indicators is a requirement for this current competitive environment. Drucker (1998) further stresses that on performance, it is important to consider a strategic approach that goes beyond an organization's internal boundaries, overcoming the vision, contemplating cost centres and approaching issues like proprietary and third-party technologies, changes in economy, markets, clients, future targets and financial markets. Dornier et al (2000) view performance indicators as a guide for investing, defining goals, benchmarking and as an instrument for predicting and reducing uncertainties, identifying high priority actions, engaging and managing staff, and a dynamic tool reflecting the organization's behaviour.

In maintaining a competitive position, it is necessary for management to develop a set of performance measures. The balanced scorecard (BSC) provides a framework which can be utilized to develop a multi-dimensional set of performance measures for strategic control of the business encompassing financial, customer, innovation and growth perspectives. Johnsen (2001) states that the customer perspective measures include customer satisfaction, rating of service, levels of customer complaints and measure of loyalty in terms of repeat business and switching behaviour between other low cost competitors. The internal business perspective determines the key business processes that create and deliver the goods and services of the company to the customers whilst developing measures to ensure that these processes are working well. Scott, Jack and Hause (2012) posit that the innovation and learning perspective determines the ability of the company to continually improve and innovate in effect focusing on the human and intangible assets of the company. The financial perspective however will embrace the high-level performance measures such as return on capital employed (ROCE) and gearing, which reflect the financial strength of the company.

1.1.4 Multinational Corporations in the Industrial Automation Industry in Kenya

Parasuraman and Riley (1997) define automation as the independent accomplishment of a function by a device or system that was formerly carried out by a human. According to Billings (1997) an automated system should provide sufficient information to keep the user informed of its operating mode, intent, function, and output as well as inform the user of automation failure or degradation. Generally, automation in Kenya can be pictured across two broad categories: Building Management Systems (BMS) and Industrial Automation (IA). Building Management Systems relate to automation undertaken in non-industrial building spaces such as office blocks, malls, hotels, hospitals and homes. On the other hand, Industrial Automation refers to automation undertaken in industrial manufacturing and processing setups such as factories and plants. Since an industry is essentially a “systematic economic activity” and the fundamental objective of any industry is to make profit, automation finds itself uniquely placed to wholly contribute to this essence of every industrial undertaking.

Increasingly, over recent years, Kenyan Industries have continued to lend themselves to the concept and idea of industrial automation given its obvious contribution toward their own profitability. At the fore front of these Kenyan Industrial firms seeking automation have been foreign-owned subsidiaries operating in the Kenyan Industrial space including companies such as Bamburi Cement and British American Tobacco. Still, uniquely Kenyan grown firms such as Mumias Sugar Company have also aggressively automated in order to remain competitive and profitable in the dynamic market place. This industrial automation has been serviced by foreign MNC’s: Kenya, like most emerging economies in Africa, is a consumer of technology, with little, if any, technology production of its own. Therefore, as industrial firms realize their need for automation, they find themselves subject to products and solutions borne outside Kenya.

The scope of technology transfer and provision in Kenya’s Industrial Automation space spans all four layers of the traditional industrial automation spectrum: the sensing and actuation layer served by field instrumentation; the measurement and analysis layer served by test and measurement instruments, and analyzers; the control layer served by programmable logic controllers (PLC’s) and the final layer which is the Industrial Information layer served by production information management systems (PIMS). The automation industry in Kenya is dominated by foreign firms and how they enter and perform in the Kenyan market is worth understanding and hence the focus of this study.

1.1.5 Asea Brown Boveri

Formed in 1988 through a merger of Swedish Asea and Swiss BBC Brown Boveri, Asea Brown Boveri (ABB) is a leader in power and automation technologies. Headquartered in Zurich, Switzerland, ABB's market operations focus on the development, manufacturing, and assembly of electrical equipment, innovative drive and automation technology, and complete electro-technical plants for industrial and utility customers. ABB is organized into five divisions according to the customers and industries they serve. The Discrete Automation and Motion division provides products, solutions and related services that increase industrial productivity and energy efficiency. In 2013, the automation division contributed 22% of ABB's global revenue. In the same year, the same division was responsible for 28% of all earnings, emerging top, compared to the other divisions. In recent times, ABB has continued to make forays into emerging markets. In 2013, emerging markets contributed 46% of ABB's global orders.

ABB group is however particularly proud of its record of innovation which is widely recognized through countless awards and scientific accolades. Many of the technologies we take for granted today, from ultra-efficient high-voltage direct current power transmission to a revolutionary approach to ship propulsion, were developed or commercialised by ABB. Today ABB is the largest supplier of industrial motors and drives, and a key player in the global industrial automation industry with a presence in over 100 countries. Its focus on entry and success in emerging markets stands out as compared to its peers in the same industry. This growth and expansion strategy in emerging markets has led to ABB's presence in key African markets, including Kenya.

1.2 Research Problem

The choice of entry mode has become a crucial strategy decision for firms wishing to enter international markets, as it will have an important influence on their future business success (Peinado and Barber, 2006). These strategies have an effect on performance and its duration through determining the method, and allocating essential and sufficient resources (Ekeledo and Sivakumar, 1998). According to Karkkainen (2005), entry strategies can also affect performance by determining the control level, risk level and company share in foreign markets and end up with success or failure of the company. Entry mode performance is defined in terms of efficiency or profitability. Non-profit motives, such as resource and knowledge development or strategic moves against competitors, are assumed to be reflected in long term profit.

Multinational corporations have developed into competitive forces in the world economy. The focus of the operations of MNC's is in the coordination of the allocation of resources in their international operations in order to minimize production cost and maximize revenue. Most MNC's would prefer to remain domestic but several factors push them into entering foreign markets, including: Higher profit opportunities in international markets, need for a large customer base to achieve economies of scale, reduce dependency on any one market, counter attacking global competitors in their home markets and global customers who need international service.

A number of studies have been carried out on foreign market entry strategies employed by MNC's. Sadaghiani, Dehghan and Zand (2013) studied the impact of international market entry strategy on export performance. The outcome depicted that the entry strategies affect the export performance of the export companies. In another study, Acheampong and Kumah (2002) studied the impact of firm-level factors and market entry mode on performance: A study of service MNC’s in an emerging economy. The study found that firm specific factors affect the market entry strategy while the entry strategy also affects performance after it enters the market. Home country factors and the features of services were also seen to moderate on the effects mentioned. Rhee (2008) studied international expansion strategies of Korean venture firms. Using data on the internationalization of new Korean ventures, the study found evidence that social network and absorptive capacity theories have considerable explanatory power beyond that of transaction cost theory in predicting entry mode choice and the internationalization performance of new ventures. Li (1995) also conducted a study on foreign entry and survival: effects of strategic choices on performance in international markets. The results show that firms benefit from learning and experience in foreign operations, which improves the chances of success for subsequent foreign investments.

In Kenya, Mugambi (2011) studied foreign market entry strategies adopted by firms in the export processing zones. Gichui (2011) studied foreign market entry strategies used by Eco Bank Kenya Limited to enter the Kenyan market. Cherop (2011) researched on the foreign market entry strategies used by Fina bank Kenya when entering the East African market. Njoroge (2011) looked at the factors influencing the choice of entry strategies used by the Kenya Commercial Bank to enter into the East African region, while Wachari (2010) studied the determinants of foreign market entry strategies adopted by Kenyan firms in selecting and entering international markets. Mutambah (2012) also studied entry strategies adopted by multinational manufacturing companies in Kenya. The findings of the studies were specific to the organizations and industries under study; with the entry strategies employed determined by the organizations’ strategic goals and objectives in those particular industries.

From the above discussion, it is evident that the automation industry remains a new area of study. With Kenya's vision 2030 in mind and with the clear role industrial technology shall play in achieving this middle income cum industrialised status, it becomes important to draw lessons from a critical aspect of any industrialisation vision and process: Industrial Automation. The Kenyan automation industry in general and the industrial automation industry in particular, is dominated by MNC's. The question therefore emanates: What are the entry strategies of MNC's in the industrial automation industry in Kenya and how do these strategies bear upon their performance?

1.3 Research Objectives

i. To establish the entry strategy adopted by ABB in the industrial automation industry in Kenya

ii. To determine the influence of the entry strategy on the performance of ABB in the industrial automation industry in Kenya.

1.4 Value of the study

This study will offer valuable contribution to theory, practice and policy. In regard to theory, the outcome of this study will contribute by adding valuable knowledge to the body of global strategic management. This study shall offer scholars insights into the extent of application of institutional theory. It will offer these insights by bringing out aspects of the requirement by multinational corporations to conform to the prevailing rules, norms and procedures of the locations where they operate in order to survive and grow. From a broader and more general perspective, this study will contribute further insights to the internationalisation theory, often referred to as the theory of the Multinational Corporation (MNC).

Further, the findings of this study shall be useful in developing policy guidelines for making changes in institutional frameworks and policy interventions. The study shall also be available for use as a basis of formulating policies and legislation governing entry by foreign MNC's. Understanding of entry strategies will help governments and other stakeholders design targeted policies and programs that will actively stimulate the growth and sustainability of the automation industry. Additionally, it will help those policy makers support, encourage, and promote the establishment of appropriate policies to guide industrial firms in adopting and using automation solutions in driving business.

In practice, the study findings will benefit management and staff of different corporations who will gain insight into how their companies can effectively enter new markets and manage competition in niche markets. The study shall also offer understanding of the importance of adopting good market entry strategies that realise competitive advantage for foreign MNC's. Both the theoretical and empirical findings shall be of great import to academicians and professionals working with Multinational Corporations.

1.5 Chapter Summary

From the definition of entry strategy selection as the perceived institutional difference between home and host countries to the discussion of the approaches to entry strategies, this chapter further went ahead to develop both the concept and context that formed the basis of the study. Global strategic management and international business encapsulated the concept of the study with Asea Brown Boveri selected as the case to be studied. With the concept and context of the study introduced, this chapter also highlighted the research problem, the research objectives and concluded with espousing the value of the study.

As is the case with any study, great insight is drawn from relevant theories. These theories help shape and anchor the study by acting as key references to practice. The theories relevant to this study were introduced and highlighted in brief in this chapter: Internationalisation Theory, Institutional Theory, Transaction Cost Theory and Agency Theory. The next chapter will focus on review of the literature. In this review of the literature, similar studies will be discussed with a view of juxtaposing this study in the body of knowledge that currently exists. Further, great emphasis will be laid on the above theories as the key and relevant theories to this study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter outlines the various theories and opinions advanced by various writers, authors and scholars of Strategic Management and International Business. It also outlines the various studies done in the area of entry strategies and international business by different scholars leading to the conceptual framework of the study.

2.2 Theoretical Foundation

This section focuses on theoretical review of international business with respect to entry strategies adopted by foreign firms. This study is anchored on four theories which are internationalisation theory, institutional theory, transactional cost theory and agency theory.

2.2.1 Internationalisation Theory

Internalisation theory is a general theory of the Multinational Corporation (MNC). It was conceptualized by Buckley and Casson (1976). The objective was to develop a general theory of the MNC that would explain how different patterns of international business activity would emerge at different times under different circumstances (Buckley and Casson, 2009). They demonstrated that MNC's organize bundles of activities internally such that it is able to develop and exploit firm-specific advantages in knowledge and other types of intermediate products. The proprietary ownership of such firm-specific advantages serves to overcome the externality of knowledge being a public good. Given the presence of market failures, performing activities inside the MNC's acts as a governance mechanism to develop and exploit firm-specific advantages.

Three most commonly cited internationalisation theories, are the Uppsala model, Network Approach and International New Ventures or also known as Born Global. Introduced by Jan-Johansson and Jan-Erik Ahlen (1977), the Uppsala model is a theory that explains how firms gradually intensify their activities in foreign markets. In essence, what this model did is emphasize the gradual and incremental character of international expansion. Organisations could best reduce their risk level by adopting this approach. Incremental growth also suggests that companies begin the internationalisation process in markets that have less psychic distance. Psychic distance can be defined as the individual's perceived differences between the home and the foreign country (Sousa and Lages, 2011). According to this theory, the firms with no exporting activity will start by exporting via an agent. Further, firms may also use other entry modes such as joint venture, licensing or franchising. The decision on entry mode taken depends on the nature of the firm. Over time, and as firms gain more market knowledge, they will then opt to use more intensive and demanding operation modes such as sales subsidiaries to be followed by wholly owned subsidiaries.

Johanson and Mattsson (1988) introduced 'The Network Approach to Internationalisation' that highlights the importance of relationships with suppliers, customers and market that can stimulate or help a firm to enter international markets. Networking is seen as a source of market information and knowledge that will bridge the gap between the involved parties' customers, suppliers, the industry, distributors, regulatory and public agencies as well as other market actors. Development in technology especially in information and communication sector help firms achieve a faster internationalization through the experience and resources of network partners (Mitgwe, 2006). Through the establishment of financial, technological and commercial relations with the other actors of the network firms get an opportunity to extend their connections and to gradually widen their activities. This growth in activities extends to beyond the firm’s own territory until it becomes international. These relations involve the firm in deliberated but not planned international relations (Johanson and Mattsson, 1988). For small and medium size firms, the network approach is often considered a feasible route towards internationalisation as their membership to the network will help firms position themselves in a foreign country.

Technological advancements and declining trade barriers continue to drive the world economy toward rapid integration and globalisation. As a result, some scholars question the validity of the Uppsala model and the network approach, arguing that more firms nowadays are international from inception. Oviat et al (1994) introduced the concept International New Ventures (INV’s) or also known as “Born Global” to explain this new trend of rapid internationalisation. The terms INV’s and Born Global have since been used interchangeably in many internationalisation studies. Oviat et al (1994) defined Born Global firms as business organisations that have sought resources and sell products in order to gain competitive advantage from multinational markets, and have done this from the very beginning of their inception. Later studies have however argued that Born Global firms are not necessarily international from their inception. However, there is no consensus on the period of time taken to internationalise within the literature to determine a Born Global firm. On one hand, Ronnie (1993) classified Born Global firms as those which begun exports on average, within two years of the firm’s establishment. On the other hand, in defining Born Global firms, Knight and Cavusgil (1996) said that firms must reach foreign sales of at least twenty five per cent within three years of establishment. However, Wickramasekera and Barberry (2003) have stated that INVs/Born Globals are firms that start their international operations within six years of establishment. Wickramasekera and Barberry’s perspective seems to be emerging as the most favoured definition.

The basic assumption behind the internalisation approach is the existence of market imperfections. Therefore the firm is the direct organizer of non-market transactions, and is concerned with the most effective position of the boundary between the internal and external environment. The firm might be defined as the controller and coordinator of a network of transactions (Cowling and Sudgen, 1987). In this sense, transactions are of an external market kind, but production may be controlled and coordinated by its own administrative centre. The internalisation ultimately depends upon the analysis of the costs, and benefits. When internalization across national boundaries happens, general costs associated with the unfamiliarity of foreign producers and host governments of the countries must be included. Coviello (2006) asserts that the rationale behind internalization lies with the firm's current state, the advantages it possesses as compared to other firms and its attempts to maximize returns from foreign markets.

In essence, internalisation theory is a comparative institutional approach to the analysis of MNC behavior. Internalization theory allows assessing the relative efficiency and effectiveness of alternative governance mechanisms to manage economic interdependencies. When the MNC is modeled as a network with a variety of strong and weak ties among subsidiaries and between parent and subsidiaries, it is possible to apply internalisation theory thinking in order to evaluate the relative costs and benefits of managing these economic interdependencies across national (and conceptually regional) borders. This is an efficiency based, positive explanation of MNC functioning and organisation. As such, internalisation theory can be readily extended and linked to network analysis. It is fully compatible with explaining the boundaries of the firm, and the organizational distinctions between markets, hierarchy, joint ventures, and other organizational forms.

2.2.2 Institutional Theory

Institutional theorists assert that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. Innovative structures that improve technical efficiency in early-adopting organizations are legitimized in the environment. Ultimately these innovations reach a level of legitimization where failure to adopt them is seen as "irrational and negligent" (or they become legal mandates). At this point new and existing organizations will adopt the structural form even if the form doesn't improve efficiency.

The theory first appeared formally in the works of Meyer and Rowan (1977). Institutions are emergent, higher-order factors above the individual level, constraining or constituting the interests and political participation of actors without requiring repeated collective mobilization or authoritative intervention to achieve these regularities (Jepperson, 1991). Meyer and Rowan (1977) argue that often these "institutional myths" are merely accepted ceremoniously in order for the organization to gain or maintain legitimacy in the institutional environment. The adoption and prominent display of these institutionally-acceptable "trappings of legitimacy" help preserve an aura of organizational action based on "good faith". Legitimacy in the institutional environment helps ensure organizational survival.

However, these formal structures of legitimacy can reduce efficiency and hinder the organization's competitive position in their technical environment. To reduce this negative effect, organizations often will decouple their technical core from these legitimizing structures. Organizations will minimize or ceremonialise evaluation and neglect program implementation to maintain external (and internal) confidence in formal structures while reducing their efficiency impact.

DiMaggio and Powell (1991) conclude that the net effect of institutional pressures is to increase the homogeneity of organizational structures in an institutional environment. Firms will adopt similar structures as a result of three types of pressures. Coercive pressures come from legal mandates or influence from organizations they are dependent upon. Mimetic pressures to copy successful forms arise during high uncertainty. Finally, normative pressures to homogeneity come from the similar attitudes and approaches of professional groups and associations brought into the firm through hiring practices. They add that rate of institutional isomorphism is increased when firms are highly dependent on the institutional environment, exist under high uncertainty or ambiguous goals, rely extensively on professionals.

Organizational institutionalism therefore examines the adaptations and conformations of the organizations to the pressures of the institutional environment to get legitimacy (Scott, 2001). Institutional theory has recently been used to identify factors at different analytical levels that influence organizations' responsiveness to pressures for family-friendly work policies (Ingram and Simons, 1995). The concept of institutional isomorphism therefore incorporates the idea that organizations conform to pressures such as those for family-friendly work policies, because in doing so, they augment their legitimacy and are able to enhance their resources and survival prospects (Townley, 1997).

The theory has been criticized in various ways. Goodstein (1994) posits that the broad emphasis on the processes of conformity has led to criticisms that institutional theory is overly deterministic, and under-emphasizes the role of agency, choice and interests. Phillips and Tracey (2009) further criticise that new developments in institutional theory have been ignored by the academics of international management, when these developments present important ideas that can provide better answers to institutional matters, in the research of MNC's.

2.2.3 Transaction Cost Theory

Transaction cost theory (TCT), or transaction cost economics (TCE), has become an increasingly important anchor for the analysis of a wide range of strategic and organizational issues of considerable importance to firms (Williamson, 1998). In particular, the TCT has been employed in studying firms' boundaries, vertical integration decisions, the rationale for conducting an acquisition, the networks and other hybrid governance forms. The TCT has expanded its breath to strategic management and international business in seeking to explain how firms internationalise and the structural arrangements required to improve the odds of success.

Transaction Costs Economics is part of the New Institutional Economics research tradition. According to Joskow (1988), the main focus of TCE is the definition of the determinants of coordination of the transactions through markets or hierarchies. In this sense, the boundaries of the firm should be a function of the governance structure, especially when we consider that this governance structure would assure the optimal adaptability of the firm to changes in the conditions of supply and demand. One important aspect of TCE is that it not only focuses on the two extremes of transaction governance (that is, hierarchy vs. market), but also on other hybrid forms and long term contracts. The main research question that transaction cost theory (TCT) seeks to address is: Why are some economic transactions internalised within the boundaries of firms while others are procured to external parties? Recently Madhok (2002) posed the same question in with a different perspective: Why don't firms do what they don't? The general conclusion is that activities are internalized inside the firm when there is some form of market failure, and most notably market failure of intermediate inputs.

TCT argues that there are costs to conduct transactions through the market; these transaction costs can be reduced through mechanisms other than markets (Coase, 1937). Specifically there are costs to "drafting, negotiating, and safeguarding any exchange or transaction" that are "friction" impeding smooth transactions (Williamson, 1985). TCT claims that these transaction costs driving economic organization are as important as production costs, or perhaps even more important. While production costs are easier to assess than transaction costs, transaction costs are an important part of the total costs of a firm. Transactions costs comprise the ex-ante costs of searching and information, drafting and negotiating an agreement, and costs of safeguarding the agreement. The ex-post costs entail the costs of evaluating the input, measuring the output and monitoring and enforcement (Williamson, 1985).

Transaction cost analysis is oriented specifically towards the minimization of the costs of the transactions among various assets (Tallman, 2005). Transaction costs include all expenses and fees incurred when preparing and implementing contracts and agreements, dealing with legal claims about terms and conditions, stabilizing working relationships and expanding investment channels (Kogut, 1988). The transaction cost approach suggests that firms will establish alliances when the cost incurred is perceived to be lower than that involved in full integration of the given activity within the existing corporate hierarchy (Hennart, 1991). The assumptions underlying transaction cost theory also emphasize the importance of cost minimization and efficiency rather than issues related to profit maximization and seek to identify and exploit competitive advantages for the organizations vis-à-vis its competitors (Albers, 2005).

Various researchers however point out that there are grave limitations and weaknesses in the transaction cost approach in explaining alliance learning behaviour (Alter and Hage). The theory has been criticized in that it emphasizes the importance of transaction behaviour only, while ignoring other relevant opportunities and advantages, such as the integrated competitive abilities and value creation brought about by this particular inter-organizational cooperative form (Yan, 2000). In another major criticism, Kogut (1988) argues that a transaction explanation of alliances learning is driven by consideration of cost-minimization, whereas the decision to engage in the alliance may represent a more costly, though ultimately more profitable, alternative. A more fundamental limitation of the transaction cost approach is that it makes assumptions about the nature of human beings and organizations that have been criticized as being restrictive and culturally bound (Alter and Hage, 1992).

2.2.4 Agency Theory

The agency theory by Jensen and Meckling (1976), predicts that higher levels of managerial ownership structure increase firm performance due to an incentive effect. Other authors have in turn suggested that large outside owners might have a role to play as monitors of the management and might thus enhance performance (Shlefer and Vishny 1986, and Zeckhauser and Pound 1990). On the other hand, the private benefits literature (Barclay and Holderness 1989 and Bebchuk 1999) suggests that high ownership concentration may lead to the extraction of the firm’s resources by the dominant owners at the expense of other shareholders. Demsetz and Lehn (1985) were the first to estimate the effect of ownership concentration on firm performance and they found no relationship. Important research has also been published by Himmelberg et al. (1999), who estimate a fixed effects model on firm performance and insider ownership and also fail to find a relationship.

In essence therefore, agency theory is concerned with the conflicting interests of principals and agents. Jensen's and Meckling's (1976) model on agency costs and ownership structure holds a central role in the corporate governance literature. In the literature preceding Jensen and Meckling (1976), the agency problems caused by outsider (dispersed) ownership were called the problem of the separation of ownership and control, which originated in Berle and Means (1932) work. Jensen and Meckling put their discussion in to a more formal context with explicit models on the behavior of the agents. The key insight of Jensen and Meckling (1976) was to model the relationship between owners and managers similar to one between a principal and an agent. The owners contract the managers to perform the controlling tasks of a firm, and as both seek to maximize their own utility and are self-interested a conflict of interest arises. As the managers have the effective control of the firm, they have the incentive and the ability to consume benefits at the expense of the owners.

Jensen and Meckling define the costs caused by the divergence of interests between owners and managers as agency costs consisting of the monitoring expenditures by the principal, bonding expenditures by the agent and the residual loss. Principals' monitoring costs arise from activities designed to limit the agents' (from the principals' point of view) harmful actions. Bonding expenditures result from the agents' actions to assure the principals that they will not take certain actions. Despite these (optimal) monitoring and bonding expenditures by the principals and the agents, there will still be a loss caused by the divergence of the decisions taken by the agents and the decisions that would maximize the principals' welfare. This cost created by the agency relationship is defined as the residual loss.

The adoption of the agency logic increased during the 1980‘s as companies started replacing the hitherto corporate logic of managerial capitalism with the perception of managers as agents of the shareholders. The agency theory suggests that there is a cost/benefit trade-off between company ownership and franchising, and that the weight of the benefits favours franchising. Brickley, Dark and Weisbach (1991) contend that whereas managers of units owned by the central franchisor do not bear the full costs and benefits of their decisions, owner-managers of franchised units are compensated by residual claims from their particular units. Thus, the vested financial interest of owner-managers in a franchised unit is a powerful tool for controlling the conduct and behaviour of agents. Since the agents bear most of the financial consequences of their behaviour, the franchisee has as much interest and commitment to maintain the quality and reputation of the product as the franchisor. Moreover, an investor is likely to be more motivated to perform to the best of his ability than a salaried manager. Heath (2009) further posits that the theory creates an obligation to the principal and therein a moral duty to serve their interests in the best possible way.

The theory has been criticized in different ways. Shapiro (2005) argues that the agency theory perspective is a peculiar way of understanding the social reality; that the assumptions therein are detached from reality and purely made in order for the model to be workable mathematically (Surendra 2010). This leads to an oversimplified way of characterizing and solving problems in the organizational setting that may be potentially dangerous (Kanter, 2005). The theory wholeheartedly disregards social life and views the social dynamic in a highly conservative top-down approach. Friedman (1970) however provides a sharp dismissal of this criticism by arguing that the only social responsibility of the firm is to maximize shareholder value whilst conforming to the rules of society, as this form of maximization will in turn lead to greater social welfare and prosperity.

2.3 Empirical Studies and Knowledge Gaps

In international business, international experience and the firm size are considered as control variables. The relationship between firm size and performance has been studied frequently in the international marketing literature. There is general consensus in the literature that firm size is positively related to the firm's propensity to export (Verwaal, and Donkers, 2002). Also, firm size affects entry strategy. Horst (1972) argued that, considering the inherent risks and fixed costs, the proneness to invest abroad must increase with the dimension of the firm. Besides, greater size implies greater availability of financial and managerial resources, which makes it easier to set up full-ownership subsidiaries (Tallman and Fladmoe-Lindquist, 2002). In relation to the firm's international experience, the more internationally competent a firm is the more likely it is that standardization alone will not lead to optimal results. A competent firm, because of its international experience knows the differences in environmental conditions and is more likely to select the most attractive market for the venture and adapt the marketing strategy to accommodate the specific needs of the market (Cavusgil and Zou, 1994).

A number of studies have been conducted in relation to entry strategies of foreign firms both locally and internationally. Li (1995) studied foreign entry and survival: effects of strategic choices on performance in international markets. This paper investigated effective strategies that can reduce the risk of failure in international expansion by examining the entry and survival of foreign subsidiaries in the U.S. computer and pharmaceutical industries over the 1974 - 1989 period. Using a hazard rate model, the paper examined the effects of diversification strategies, entry strategies, and organizational learning and experience on the survival probabilities of foreign subsidiaries. The results show a higher exit rate for foreign acquisitions and joint ventures than for subsidiaries established through green-field investments; a higher exit rate for subsidiaries that diversify than for those that stay in the parent firm's main product areas and that firms benefit from learning and experience in foreign operations, which improves the chances of success for subsequent foreign investments.

Sadaghiani, Dehghan and Zand (2013) studied the impact of international market entry strategy on export performance. The aim was to examine the impact of entry strategy on export performance of Iranian export companies. The study results depicted that the entry strategy affects the export performance of the export companies. In another study, Acheampong and Kumah (2012) studied the impact of firm-level factors and market entry mode on performance: A study of service Multinational Corporations in an emerging economy. The study examined the market entry strategies of multinational services companies into Ghana's service sector and the linkages to firm level performance after entry. The study adopted a quantitative research approach to enable empirical testing. It found that firm specific factors affect the market entry strategy while the entry strategy also affects performance after entry.

A number of local studies have also been conducted. Barasa (2013) studied foreign market entry strategies used by multinational pharmaceutical firms in Kenya. The research adopted cross sectional and descriptive survey method aimed at establishing entry strategies used by Multinational Corporations in Kenya. The study relied on primary data which was collected through administering structured questionnaire comprising of closed and open-ended questions. The findings showed that firms that want to internationalize must decide on a fitting mode of entry into a foreign market in order to make the best use of their resources.

Mutambah (2012) studied entry strategies adopted by multinational manufacturing companies in Kenya. The study adopted a census approach and all the 45 companies which were involved in large scale manufacturing in Kenya were selected from the Kenya Association of Manufacturers (KAM) directory as at 31st July 2010. The study used both primary and secondary data. The study revealed that the factors that lead a company to enter international business can be divided into either external (environment specific) or internal (firm specific) factors. Wholly owned subsidiaries were used as the main entry strategy to a very great extent. The study concluded that the decision criteria for the mode of entry depended on socioeconomic characteristics, political and legal characteristics, financial conditions and consumer variables.

In another study, Cheptegei (2012) assessed foreign market entry strategies used by MNC's in Kenya: A case of Coca Cola Kenya Limited. The study employed a case study as its research design. Primary data was used in the research. The data was collected using an interview guide and analyzed using content analysis as the study aimed to collect data that was qualitative in nature. The study concluded that the Coca Cola Company has ventured into various foreign markets in order to increase its customer base and its profits. These market entry strategies include foreign direct investment, joint ventures, franchising and exporting. It also concluded that there are various factors influencing the choice of market entry strategy, the factors are legal framework, risk of macroeconomic instability, loss of assets due to non-enforceability of contracts and physical destruction caused by armed conflicts. The study further concluded that all market entry strategies faced various challenges but the management was successful in overcoming the challenges. The study recommended that multinational firms should continue investing in various foreign market entry strategies so as to meet the company objectives and mission.

2.4 Chapter Summary

The foregoing discussion focused on a review of existing literature in International Business and Global Strategic Management. This literature was reviewed from the perspective of entry strategies adopted by foreign firms. Therefore, the review of the literature began by discussing the key theories that anchor this study. These theories are Internationalisation Theory, Institutional Theory, Transactional Cost Theory and Agency Theory. Discussion on each theory began from how it was developed. Thereafter the discussion moved to how applicable each theory was: Not just in terms of how it may directly relate to the subject matter under study, but how it has been applied in the past.

A review of past studies on entry strategies revealed the theories that those studies employed. Further review indicated that our current study is equally poised to draw reference and relevance from the same theories. From the foregoing discussion on previous studies as well as the detailed look at the theories relevant to this study, this chapter encapsulates a firm review of the literature. Additionally, this review of literature positions this study firmly in as far as contribution to this existing body of knowledge is concerned. Having anchored itself in theory and having drawn from review of the literature, the next chapter moves to highlight the method employed in gathering and analysing data for use in the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research design, the population, the sample, the type of data needed and the source of the data. This chapter also explains how the data was analysed.

3.2 Research Design

The research design was a case study. Young (1999) asserts that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. The case study is considered appropriate because the focus of the study is to answer “how” and “why” questions and the study covered contextual conditions that are relevant to the phenomenon under study (Yin, 2003).

Young (1960) as cited in Kothari (2004) describes case study as a comprehensive study of a social unit be that unit a person, a group, a social institution, a district or a community. It is a form of qualitative analysis where in careful and complete observation of an individual or a situation or an institution is done; efforts are made to study each and every aspect of the concerning unit in minute details and then from the case, data generalizations and inferences are drawn. ABB Limited therefore meets the criterion for the case study.

3.3 Data Collection

Primary data was collected using an interview guide focusing on entry strategies and performance of ABB limited. This gave an original and authentic view of the issues being sought after that will enable valid generalization about the company. An interview guide is a justified tool as it helps to collect in-depth data using probing questions on entry strategies and performance of ABB limited. Mugenda and Mugenda (1999) describe an interview guide as a set of questions that the interviewer asks when interviewing the respondents. The respondents interviewed were senior managers and senior engineers of ABB limited in the operations and finance departments. Five senior ABB personnel were interviewed; the finance manager, two senior sales engineers from the Nairobi head office, the chief sales executive – Mombasa region, the manager and head of the discrete motion (automation) division.

Secondary data regarding performance for the duration of study was collected. This data was collected from the corporate plans of the company and published financial information as obtained from company journals and bulletins as well as financial statements.

3.4 Data Analysis

Data was analysed using content analysis as the study collected data that was qualitative in nature. Mugenda and Mugenda (1999) describe content analysis as the systematic qualitative description of the objects or materials of the study. In other words content analysis involves observation and detailed description of objects, items, or things that comprise the sample. The main purpose of content analysis is to study existing documents in order to determine factors that explain a specific phenomenon. Secondary data on performance was then used and compared with the views of the interviewees as collected using the interview guide.

The process of data analysis involved several stages: The interview responses were edited for completeness and consistency, checked for errors and omissions and then compiled. The data collected was meant to establish the entry strategies adopted by ABB in the industrial automation industry in Kenya and to determine the performance of ABB in the industrial automation industry in Kenya.

3.4 Chapter Summary

With a clear research methodology defined, this chapter clearly indicated the type of design most suitable for this study. The case study was the most appropriate design with inclusion of both primary and secondary data collection methods: The interview guide for primary data and relevant company publications including annual financial statements, company journals and bulletins for secondary data. In conclusion, content analysis was indicated as the most suitable method for analysis of the collected data, owing to the data's qualitative nature.

This chapter discussed the research design, type of data and source of data. It also explained how the data was to be analysed. With the key aspects of the research methodology defined, the next chapter delves into the depths of results and data obtained from the study. The next chapter will also discuss the analysis of this collected data and consequently provide a complete perspective on the outcome of the study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents research results and findings and then concludes by presenting detailed analysis and discussion of the research objectives. The objectives of the study were to establish the entry strategy adopted by ABB in the industrial automation industry in Kenya and to determine the effect of the entry strategy on the performance of ABB in the industrial automation industry in Kenya.

4.2 Background of the Respondents

ABB group is particularly proud of its record of innovation which is widely recognised through countless awards and scientific accolades. Many of the technologies we take for granted today, from ultra-efficient high-voltage direct current power transmission to a revolutionary approach to ship propulsion, were developed or commercialised by ABB. Today ABB is the largest supplier of industrial motors and drives, and a key player in the global industrial automation industry with a presence in over one hundred countries. ABB is currently the largest supplier of industrial motors and drives, the largest provider of generators to the wind industry and the largest supplier of power grids in the world. Its focus on entry and success in emerging markets stands out as compared to its peers in the same industry.

ABB enjoys a significant market share in the automation industry in Kenya. ABB Kenya has three key departments: The first of these key departments is the Operations department which comprises of the Sales & Marketing and Service Engineering sub-departments. The other two departments are Finance and Human Resources. In essence, and in terms of the scope of activity, the ABB Kenya office is a sales and service engineering office with a strong project execution mandate. Most of ABB's staff in senior positions are of Engineering background, including those in the sales and marketing sub-department. For purposes of this study, the interview guide was administered to a Senior Sales Engineer, Chief Sales Executive - Mombasa Region, Manager - Discrete Motion Division, Sales and Service Engineer and the Finance Manager of the company. These are personnel in critical departments in the understanding of strategic processes and decisions. All the respondents had worked for the organization for more than three years making the data collected reliable. This is justified because the company was established in Kenya in 1993. The company targets manufacturing, food processing, petroleum, hospitality, building and construction and water and irrigation sectors.

4.3 Entry Strategies

Once a firm has decided to enter the international arena it must make a choice regarding the appropriate mode for organising its foreign business activities. There are a number of entry strategies available. These alternatives are not mutually exclusive; indeed, large companies may employ them simultaneously in different contexts or may undertake them sequentially with the growing depth of market penetration.

ABB had these different market entry strategies at their disposal in their mapping and entry in the Kenyan Market. With a wide product portfolio, their entry strategy would have not only been pegged on the general market profile of the Kenyan economy, but also on the readiness of the market to imbibe the product and solution selection at hand. This product-market reconciliation is often the case for MNC's entering new markets.

4.3.1 Introduction

With the first section having inquired on the respondent's background and association with ABB, the second part of the interview guide sought responses on the major factors that led ABB to enter the Kenyan Market. This section looked at the entry strategies employed by the company, the factors that motivated ABB to use the said strategies, the factors that management considered when choosing the entry strategy used, the factors that challenged ABB in entering the Kenyan market and how the company successfully resolved these challenges. The respondents gave their feedback regarding the above as follows:

4.3.2 Factors that Led ABB to Enter the Kenyan Market

The respondents were asked to give the major factors that led ABB to enter the Kenyan market. In response to this question, the respondents were of the view that Kenya is one of the emerging markets that is fast developing, enjoying a relatively stable political environment, hence creating a favourable environment for foreign investors. Further, they were of the view that Kenya has a strategic geographical location, presenting it with the ability to serve a wider market in the East Africa region. This response alluded to the 'hub' status that Kenya has in the East Africa region.

Other reasons by the respondents were based on the level of development and the current drive for industrialisation by the country. The respondents were of the view that development of industries in the manufacturing, processing, hospitality and irrigation sectors that give rise to the demand of motors, switchgear and automation products is equally a major factor. They further stated that there is increased demand for energy that has led to the building of more sub-stations hence higher demand for ABB switchgear. Other respondents were of the view that the Kenyan market provided opportunities for ABB's range of solutions. This view is based on the fact that Kenya is an emerging economy.

Further responses to this question indicated that there was a need to establish an engineering service centre and thereby avail local support for ABB's installed base in Kenya. With respect to project execution, ABB was further motivated to have a local presence so as to take advantage of tax and operational incentives availed to MNC's that are locally established. This was especially necessary in executing projects whereby a Kenyan entity would for example, face a reduced withholding tax rate on project materials, as compared to an international entity; the net effect being a reduction in operational costs. This way, conformity to regulatory requirements regarding big tender bids would be greatly eased.

4.3.3 Entry Strategy Employed by ABB in Entering the Kenyan Market.

The respondents were asked about the entry strategies or a combination of entry strategies that ABB applied in entering Kenya. The respondents indicated that the company employed exporting, franchising and foreign direct investment. Exporting is the sale of products and services in foreign countries that are sourced or made in the home country. It is an effective entry strategy for companies that are just beginning to enter a new foreign market. It's a low-cost, low-risk option compared to the other strategies (Carpenter & Dunung, 2011). In the use of exporting strategy, the respondents stated that ABB has appointed DHL limited as its main exporting agent. According to the respondents, the company also has a fully trained logistics department that helps in export of goods.

The respondents further indicated that the company employed franchising strategy. In franchising, semi-independent business owners (franchisees) pay fees and royalties to a parent company (franchisor) in return for the right to become identified with its trademark, to sell its products or services, and often to use its business format and system (Scarborough, 2012). The respondents stated that ABB has distributorship agreements with what they term 'channel partners'. Through distributorship agreements, ABB has been able to gain a good market share on the back of the relationships their channel partners have with their existing customers. They further indicated that ABB is in agreement with its partners to use its brand for marketing, selling ABB products. In return, ABB benefits from revenues generated via partners through sales whilst supporting them through the local office.

Finally, the respondents also stated that ABB employed foreign direct investment (FDI) strategy. Foreign direct investment refers to an investment in or the acquisition of foreign assets with the intent to control and manage them. Companies can make an FDI in several ways, including purchasing the assets of a foreign company; investing in the company or in new property, plants, or equipment; or participating in a joint venture with a foreign company, which typically involves an investment of capital or know-how. FDI is primarily a long-term strategy. Companies usually expect to benefit through access to local markets and resources, often in exchange for expertise, technical know-how, and capital (Carpenter & Dunung 2011). The respondents indicated that ABB Kenya is a wholly owned subsidiary of ABB Ltd of Zurich, Switzerland. Initially the Kenya office took care of East Africa but the company now have offices in Tanzania and Uganda which report directly to the regional administrative office in South Africa. There was an attempt to set up in Ethiopia but this did not succeed due to challenges in the Ethiopia government requirement for local shareholding of ABB's subsidiary in Addis Ababa which is against ABB global's policy.

4.3.4 Factors that Motivated the Use of the Entry Strategies Adopted

The respondents were further asked to indicate what motivated ABB to use any of the above strategies or a set of strategies. In the use of exporting as a strategy, the respondents stated that there was ease of exporting and importing goods and services since most ABB factories are in Europe. The implication was that choosing the right freight company would ensure timely delivery. The respondents further indicated that exporting strategy was considered because the channel partners helped maintain consumable stock without ABB injecting capital and bearing costs of maintenance of stock. The channel partners sell goods on behalf of ABB. The implication is that ABB gains a lot from the existing relationships these channel partners have with their existing customers. These relationships are then exploited to sell ABB products and solutions. This led to increased market presence of ABB products and services. Some respondents in support of exporting strategy stated that selling goods and services to a market the company never had before boosts sales and increases revenues. They indicated that additional foreign sales over the long term, once export development costs have been covered, increase overall profitability. This motivated the company to adopt the strategy.

Regarding the choice of franchising as a strategy, the respondents were of the view that the company gained substantial market share within a short period of time due to partnering with the local channel partners. They further indicated that the franchisees having the ability to stock products were very necessary. This enabled ABB to easily stock and cut expenses of hiring a warehouse and at the same time availing products to customers on time. They further stated that franchise arrangement involved having credit facilities with the partners that encouraged them to buy more products for stocks and projects. This in return increased sales and revenue for ABB. Another set of motivation to use franchising strategy was the benefits. The respondents were of the view that the company would enjoy financial, operational, strategic and administrative benefits. This strategy meant another source of income was obtained through franchising while operational benefits were such that ABB maintained a smaller central organization and the strategic benefits whereby ABB spreads the risks and manages competition. Administratively, ABB saves on administration costs by adopting the franchising option.

According to the respondents, the choice of foreign direct investment was because the ABB Kenya office does the Mega Projects including the 11M USD project won in 2012 for Kenya Power & Lighting Company. The ABB office also undertakes after sales service and support of new technology introduced to Kenya. Further, FDI is primarily a long-term strategy. ABB expects to benefit through access to local markets and resources, expertise, technical know-how and capital. The respondents further stated that ABB motives for deciding to choose FDI was safeguarding proprietary knowledge such as patents. Another response regarding what motivated the choice of FDI was that ABB has a secret formula that gives it comparative advantage over other firms. In order to protect the formula from being stolen by competitors, FDI seems to be the best option as a far as project executions is concerned.

4.3.5 Factors Influencing the Choice Market Entry Strategies by ABB

The respondents were requested to indicate the factors that management considered when choosing the particular market entry strategies. When asked on the choice of exporting strategy, the respondents indicated that it was beneficial to the company. They stated that selling goods and services to a market the company never had before boosts sales and increases revenues. This was based on the company's view that additional foreign sales over the long term, once export development costs have been covered, increase overall profitability. Another response was that Africa is a fast growing region, particularly in the construction, manufacturing, infrastructure and energy areas. This creates demand for ABB electrical products. By exporting to this African market, ABB participates in the global market and gains a piece of their share from the huge international marketplace. Another response was that through exporting, ABB gains the advantage of diversification. Selling to multiple markets allows the company to diversify its business and spread their risk. This implies that ABB would not be tied to the changes of the business cycle of domestic market or of one specific country. Respondents were also of the view that exporting provides the benefit of lower per unit costs. Capturing an additional foreign market will usually expand production to meet foreign demand. Increased production can often lower per unit costs and lead to greater use of existing capacities.

When their opinion was sought regarding the choice of franchising, the response was based on the company's view that Kenya is geographically located in a very strategic manner, hence the ability to serve a wider market in the East Africa region. The respondents indicated franchising creates another source of income for ABB, through payment of franchise fees, royalty and levies in addition to the possibility of sourcing private label products to franchisees. This capital injection provides an improved cash flow, a higher return on investment and higher profits. Other financial benefits that the ABB enjoys are reduced operating, distribution and advertising costs. Of course that also means more allocated funds for research and development. Additionally, there will always be economies of scale with regard to purchasing power.

Another response was that ABB can now have a smaller central organization when compared to developing and owning locations themselves. Franchising also means uniformity of procedures, which reflects on consistency, enhanced productivity levels and better quality. Effective quality control is another advantage of the franchisee system. The franchisee is usually self-motivated since he has invested much time and money in the business, which means working hard to bring in better organizational and monetary results. This also reflects on more satisfied customers and improved sales effectiveness. The respondents were also of the view that franchising helps in the spreading of risks by multiplying the number of locations through other people's investment. That means faster network expansion and a better opportunity to focus on changing market needs, which in its turn means reduced effect from competitors.

Regarding the use of FDI strategy, the respondents indicated that a number of factors were considered. These factors were based on the view that Kenya is one of the emerging markets that is fast developing, enjoying a stable political environment, hence creating a favourable environment for foreign investors. The respondents indicated that ABB motives for deciding to choose FDI as an entry strategy was so as to benefit through access to local markets and resources, and also to safeguarding proprietary knowledge such as the patented processes. The respondents further stated that ABB was interested in the growing market for industrial automation. Specifically, the growing industrialization activities in Kenya provided a market that needed to be exploited.

4.3.6 Factors that Challenged ABB in Entering the Kenyan Market

The respondents were asked to indicate how political-legal, economic, social and technological factors challenged ABB in entering the Kenyan market. The respondents indicated that only until recently that Kenya experienced post elections violence that affected ABB operations in the country. This has also led to foreign investors holding their money before presidential elections and immediately after to monitor the situation at hand. This leads to loss of business during that particular time. They also indicated questions of judicial transparency have posed a challenge since on occasion, it becomes very difficult for a foreign investor to recover their money in case of bad debts. Regarding economic factors, the respondents stated that the unstable Kenya shilling continues to be a challenge when trading due to the exchange rate loss to the Euro and the Dollar.

On social factors, the response was that Kenya is a very price sensitive market, and customers are always going for the affordable products and quality is most times ignored when making such a decision. This has led to an influx of Chinese and counterfeit products in the market. This in turn, according to respondents, has had negative impact on revenue and sales for

ABB. Regarding technological factors, the respondents indicated ABB's biggest strength is superior technology as compared to competitors. This has given it an advantage in entry and performance in Kenya. Because few competitors can match this superiority, ABB ends up getting lucrative contracts and jobs especially with utilities. Technologically, the respondents noted that Kenya is fast growing in infrastructure and the market is always ready to receive and implement new technology. This however is deemed as a positive challenge to ABB to always be innovative and keep ahead of its competitors in the country.

The respondents were further asked about how successful ABB was in resolving these challenges. Their view was that ABB is always adapting to the ever changing market in Kenya. They further indicated that ABB continues to come up with better strategies that help in resolving the above challenges. On issues of technology, quality remains the key driver for ABB's growing market share as per the views of the respondents.

4.4 Performance Assessment Tools Used by ABB

The final section of the questionnaire focused on the performance of ABB. The respondents were asked to indicate the performance assessment tools used by ABB, the rating of ABB performance since its entry in the Kenyan market, the effect of entry strategy on performance, the level of growth in the branches of ABB, the size of the market share in the Kenyan automation industry and the extent to which ABB's market development can be forecasted. The responses were meant to help determine the effect of the entry strategy on the performance of ABB.

The respondents indicated that the company uses order analysis, net promoter score, cash flow analysis and revenues growth analysis. In using order analysis the company assesses the number of orders won per industry, from Electrical Procurement and Construction firms

(EPC's) and from channel partners. It also involves the analysis of the number of orders lost and to which competitor they were lost. By analysing orders, ABB gets to obtain a clear view of the existing market with respect to the percentage of the market the company holds and what the company needs to do to win new markets/ customers. The respondents indicated that through order analysis, ABB easily formulates the strategies to win new customers that usually involve aggressively pursuing customer inquiries and developing a solution-based approach to meeting customer demands.

The net promoter score is based on the fundamental perspective that every company's customers can be divided into three categories namely promoters, passives and detractors. Customers respond on a 0-to-10 point rating scale and are categorized as Promoters (score 9-10) who are loyal enthusiasts who will keep buying and refer others, fuelling growth; Passives (score 7-8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings and detractors (score 0-6) who are unhappy customers who can damage your brand and impede growth through negative word-of-mouth. The net promoter score is sent directly from Zurich to the customer. Usually, as a means of adhering to a strict audit process, the lead site engineer and/or project owner is by-passed in this direct communication with the customer. This way, the customer has leeway and freedom to give candid feedback.

In using the cash flow analysis, the respondents indicated that earnings before interest and tax (EBIT) must be positive. This is also related to the use of revenues analysis. According to the respondents, once a sale is made, money must be collected and targets are issued to the sales department. The respondents further stated that for 2014, revenues of USD 9 million was collected against a budget of USD 10 million. The company also uses several software tools in reporting and keeping track of key performer's indicators (KPI's).

The respondents were further asked to rate the performance of ABB since its entry in Kenya. In their response, they stated that the company has experienced improved growth in revenue, improved asset base and expanded operations hence market leadership. They further indicated that ABB is one of the most recognised electrical/automation brands in the Kenyan market and they have done a great job to achieve this. ABB can be said to occupy at least 40% of the Electrical / Automation market across all sub-segments of that market and occupy up to 90% of the Substation Automation Market.

4.5 Influence of the Entry Strategies on Organisational Performance

To assess the effects of entry strategies adopted by ABB on its performance, the respondents were asked to indicate the extent to which they feel the company's entry strategy has had an effect on the growth of customer numbers, improved number of new products and services, improved Return on Investment, improved Economic Value Added, improved perceived value of the company's products and improved reliability of services and products.

4.5.1 Influence on the Growth of the Number of Customers

Competition imposes great challenges to organizations especially to Multinational companies operating locally. It is therefore important for firms to adopt entry strategies that enable them to cope with the challenge of competition in order to survive and prosper. This would help such companies grow a significant number of customers to support their objectives in the local market.

The study established that the number of customers for ABB has grown significantly in Kenya. The respondents indicated that this trend was because the company have won the confidence of customers not only in terms of supply but also support and warranty. This is consistent with the study by Cheptegei (2012). This study concluded that Coca Cola

Company has ventured into various foreign market entry strategies in order to increase its customer base and its profits. These market entry strategies include foreign direct investment, joint ventures, franchising and exporting.

4.5.2 Influence on Financial Performance

Financial performance can be regarded in a transaction cost perspective as it indicates that companies select the entry mode that provides the lowest cost solution. In dealing with agents, firms are often exposed to opportunistic behaviour from their export partners and need to put costly safeguards in place, including complicated contracts and monitoring systems. In order to protect specific assets from information asymmetry and potential opportunistic behaviour, companies may choose higher control entry modes through some kind of ownership. In addition to safeguard issues, ownership provides better coordination and more efficient implementation of standardized strategies across borders. Thus, companies that are able to exploit ownership advantages through high control entry modes are expected to earn above average returns (Berbel-Pineda and Ramirez-Hurtado, 2011).

The entry strategies adopted have seen ABB reap positive return on investment through the increase in sales. At the same time, ABB has had opportunity to align its growth in sales with a cost-reduction strategy thereby, compounding their gains. It was established that ABB has distributors whom they refer to as channel partners. By selling through distributors/channel partners, ABB has been able to increase its revenue on the back of those distributors existing business and customer contacts. This has led to an increase in the economic value added. ABB products are also perceived by the customers to be of a superior value owing to the fact that they have longer life and are backed by the availability of local support.

4.5.3 Influence on Reliability of the Company's Services

The interdependence between headquarters and its subsidiary is likely to be codifiable, if the subsidiary mainly produces standardized rather than customized products. Researchers have found that firms producing standardized products operate under relatively predictable conditions, and have a more stable set of suppliers, compared with firms producing products to order (Saeed, Malhotra, & Grover, 2005). Much of the information exchange is routine in firms producing standardized products and they can also use formalized managerial processes such as information systems and Internet technologies to manage their relationships effectively with suppliers and customers.

Integrating subsidiaries producing customized products is likely to require socialization mechanisms. Headquarters cannot rely on input and process standardization to ensure consistent product quality worldwide; instead it must invest heavily in employee training and in building a corporate culture that emphasizes product quality. For ABB, its partnerships contribute to the local support, hence improving reliability in services and products. The study also observed the ever-growing demand for energy efficiency. The study established that ABB global is always releasing new products in the market to stay ahead of competition and also in response to the ever changing requirement to save energy.

4.5.4 Influence on Growth of the Company

Firms entering new markets must grow quickly to reach a size at which their operations are cost-competitive with incumbent firms if they are to survive. Growth through foreign market expansion has therefore become an increasingly popular strategy, as previously closed foreign markets open, and economies around the world globalize. Spurred by technological advances in transportation and communications, smaller firms are now finding it easier to expand internationally (Oviatt and McDougall, 1994).

With respect to ABB, the respondents indicated that ABB has grown very well with indicators including the fact that a new branch in Mombasa continues to grow at a moderate but steady rate. Yet another indicator is the fact that of Kenya's 65 tea factories, all use ABB automation solutions in one way or the other; be it variable frequency drives, motors etc. ABB controls at least 40% of the market share in the Automation industry. Another response stated that ABB holds 90% of the Substation Automation Market in Kenya. While the company's biggest competitors in the market include Siemens and Schneider, ABB remains very optimistic of its growth prospects with plans well underway that include setting up a transformer factory in Kenya.

4.6 Discussion

The factors that led ABB to enter the Kenyan market were numerous. The study indicated that Kenya is enjoying a relatively stable political environment, hence creating a favourable environment for foreign investment. The country also has a strategic geographical location, presenting it with the ability to serve a wider market in the East Africa region. The study also found out that the level of development and the current drive for industrialisation by the country is high enough. This was based on the believe that there is the development of industries in the manufacturing, processing, hospitality and irrigation sectors that give rise to the demand of ABB's products. Results of the study also indicate that there is increased demand for energy that has led to the building of more sub-stations hence higher demand for ABB switchgear. In other findings, there was a need for ABB to establish an engineering service centre and thereby avail local support for ABB's installed base in Kenya. These study findings are consistent with the study by Mutambah (2012). The study established that decision criteria for the mode of entry depended on socioeconomic characteristics, political and legal characteristics, financial conditions and consumer variables.

On the entry strategies that ABB applied in entering Kenya, the study established that the company employed exporting, franchising and foreign direct investment. This finding is consistent with the study by Cheptegei (2012) on the foreign entry strategies applied by MNC's. The study further established that the need to use the above entry strategies was motivated by a number of factors. In the use of exporting, there was ease of exporting and importing goods and services since most ABB factories are in Europe. Franchising strategy was used to enable the company gain substantial market share within a short period of time through partnering with the local companies referred to as channel partners. The franchisees with ability to stock fast-moving products were very necessary. This enabled ABB to easily stock and ensure product availability, whilst cutting warehousing expenses.

By franchising, the company would enjoy financial, operational, strategic and administrative benefits. This strategy meant an additional source of income was obtained through franchising fees, while operational benefits were such that ABB maintained a smaller central organization. Strategically, ABB spread its risks and managed its competition through its engagement with its channel partners. The choice of foreign direct investment came after exporting and franchising had already been implemented. It represented a gradual growth into the Kenyan market and was greatly motivated by the need to directly and locally drive Mega Projects including the 11M USD project won in 2012 for Kenya Power & Lighting Company. The ABB office also undertakes after sales service and support of new technology introduced to Kenya. Further, FDI is primarily a long-term strategy. This gradual and incremental character of ABB's engagement in Kenya is consistent with the Uppsala model by Jan-Johansson and Jan-Erik Ahlen (1977) that explains how firms gradually intensify their activities in foreign markets.

The study also established that political-legal, economic, social and technological factors challenged ABB in entering the Kenyan market. According to Guibert and Perez-Quiros (2012) the 2007/2008 post-election violence had a significant impact on the Kenyan economy. This has led to foreign investors holding their money before presidential elections and immediately after to monitor the situation at hand. It was also established that questions of judicial transparency have posed a challenge since on occasion; it becomes very difficult for a foreign investor to recover their money in case of bad debts. Regarding economic factors, the study found that the unstable Kenya shilling continues to be a challenge when trading due to the exchange rate loss to the Euro and the Dollar. On social factors, the study found that Kenya is a very price sensitive market, and customers are always going for the affordable products and quality is often ignored. Technologically, the respondents noted Kenya, like many developing economies, continues to harbour a growing demand for industrial technology. Often, this technology requirement comes with a caveat for need for customisation and/or adaptation to the local environment. This however, is deemed as a positive challenge for ABB who then in turn respond with innovative solutions and with a clear intent to stay ahead of its competitors.

The study further sought to establish performance tools used by ABB. The study indicated that the company uses order analysis, net promoter score, cash flow analysis and revenues growth analysis. On performance, respondents stated that the company has experienced improved growth in revenue, improved asset base and expanded operations hence market leadership. They further indicated that ABB is one of the most recognised electrical/automation brands in the Kenyan market. ABB can be said to occupy at least 40% of the Electrical / Automation market across all sub-segments of that market and occupy up to 90% of the Substation Automation Market. To assess the effects of entry strategies adopted by ABB on its performance, the study indicated that the entry strategies chosen had a positive effect on growth on the number of customers, financial performance, reliability of the company's services and growth of the company. This finding is consistent with the study by Acheampong and Kumah (2012) and Sadaghiani, Dehghan and Zand (2013).

4.7 Chapter Summary

Data on the entry strategies employed by Asea Brown Boveri was collected using the interview guide. This data was analysed to bring out the effect that these choice strategies had on the performance of Asea Brown Boveri. The results and analysis also captured the essence of the study from the additional perspective of the challenges encountered by ABB in its entry in the automation market in Kenya. Further analysis revealed the influences on the key performance indicators of customer growth, financial performance and reliability of services. The foregoing results and analysis of the data collected over the course of the study was captured in the discussion.

This chapter comprised a detailed discussion on the data collected. There was also discussion on analysis of the data and results. This therefore set the stage for the next chapter. The next chapter will therefore focus on summarising the findings, making recommendations to policy and practice and indicating limitations of the study. The next chapter will also focus on making suggestions for further research.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings, conclusions and recommendations of the study. The study sought to establish the entry strategy adopted by ABB in the industrial automation industry in Kenya and to determine the effect of the entry strategy on the performance of ABB in the industrial automation industry in Kenya.

5.2 Summary of Findings

The study established that ABB has adopted exporting, franchising and foreign direct investment strategy. The study established that ABB has appointed DHL limited as its main exporting agent. The company also has a fully trained logistics department that helps in the export of goods. The study established that exporting strategy was an effective entry strategy for the company because it’s a low-cost, low-risk option compared to the other strategies. The study also found out that ABB used franchising as a strategy. This strategy was adopted on the basis of a distributorship agreement with partners of the company. Through the distributorship agreements, ABB was able to gain a good market share.

The study also established that ABB adopted foreign direct investment. The study found that ABB Kenya is a wholly owned subsidiary of ABB Ltd of Zurich, Switzerland. The study established that initially, the Kenyan office took care of East Africa but the company now has offices in Tanzania and Uganda which report directly to the regional administrative office in South Africa. This strategy, the study established, helped ABB to access the local markets and resources, often in exchange for expertise, technical know-how, and capital.

Regarding the effect of the entry strategy on the performance of ABB in the industrial automation industry in Kenya, the study found that the entry strategies adopted by the company have a positive effect on the growth of the number of customers. It was established that the number of customers has grown significantly, because ABB has won the confidence of customers not only in terms of supply but also quality, support and warranty. The strategies have also led to improved number of new products and services. It was established that ABB continues to release new products in the market to stay ahead of competition and also in response to the ever growing need for energy efficiency. The study also found that the strategies have improved return on investment of the company, economic value added of the company, perceived value of the company's products, reliability of the company's services and products as well as growth of the company. The study also established that the franchising partnership with ABB's partners is responsible for the local support network, hence improving reliability of ABB's services and products.

5.3 Conclusion

In light of the study's findings, it can be concluded that ABB has adopted different foreign market entry strategies in order to grow customer numbers, increase market share and increase profitability. These market entry strategies include exporting, franchising and foreign direct investment. This study's findings are consistent with the findings by Cheptegei (2012). He studied foreign market entry strategies used by multinational corporations in Kenya: A case of Coca Cola Kenya Limited. The study concluded that the Coca Cola company adopted different foreign market entry strategies in order to increase its customer base and its profits. These market entry strategies included exporting, franchising, joint ventures and foreign direct investment.

From the study findings, it can also be concluded that the choice of entry strategies had a positive effect on the performance of ABB in the industrial automation industry in Kenya. The number of customers grew significantly, because the company won customer confidence not only in terms of supply but also through locally available support and warranty. To firm up gains, the global arm of ABB has continued to release new products in the market to stay ahead of competition and in response to energy efficiency demands. The entry strategies above have also seen ABB reap a positive return on investment through ever growing sales revenue. It can also be concluded that ABB franchising partnerships with its channel partners has greatly improved local support networks. The result has been an increase in the reliability of its services and products, as well as customer confidence and assurance in the ABB brand, a key determiner of success for industrial automation firms.

5.4 Recommendations and Implication of the Study

Selection of entry strategy comes with related costs and challenges and can ultimately lead to either failure or success of the multinational corporation (MNC). The study recommends that multinational firms should continue investing in different foreign marketing strategies so as to meet company objectives and realise successful missions. It is also recommended that the MNC should study the marketing environment before adopting any strategy to ensure only strategies best suited for the organisation are adopted. Given the niche nature of the automation industry, it is recommended that automation companies chose hub countries in strategic regional locations when entering new markets and then expand their operations from these strategic positions.

Regarding policy, the study recommends that the government put emphasis on fiscal and monetary policies that will encourage more foreign direct investments by MNC's. Similarly, the taxation and legal environment is seen to be complex and difficult to understand. The relevant authorities ought to make systems simpler and more straight forward thereby encouraging compliance. With regard to the inflation rate that is seen to be erratic, the government ought to employ strategies that will stabilize the inflation rate that can erode gains and profit made by the MNC's. Often, initial heavy capital investment by MNC's is a delayer or dissuader for FDI. The government can hasten this comprehensive and greater-impact investment strategy by addressing these key issues.

The study further recommends the need to create a suitable mechanism to encourage automation MNC's to enter the Kenyan market. This should involve among other initiatives, formulation of incentives to attract entry. There is also need for the Kenyan market to diversify financial products to attract more multinationals. Intra-Kenyan tariffs should also be completely liberalized as this will enhance the competitiveness of firms, by triggering reallocation of resources which will in turn lower operation costs and result in economies of scale. This will also strengthen the Kenyan industrial automation industry.

This study has two major implications: First, foreign MNC's entering new markets on the continent will consider a region-based approach and chose hub countries as start points as is the case of Kenya for ABB. Secondly, Industrial Automation MNC's entering new markets will opt to begin with exporting to test the market, then proceed to franchising as a means of establishing customer engagement and then conclude with FDI on the back of sustained growth and strong market prospects, and to cement engagement with long standing customers.

5.5 Limitations of the Study

The accuracy of the study findings was limited to the extent to which the respondents were honest in responding to questions. Given the sensitive nature of data collected, there may have been likelihood of answering questions in a certain way so as to avoid giving away crucial and confidential strategic secrets. This was despite the assurance that the study information would be used in a confidential manner. In addition, the findings may not be wholly and in their entirety generalized to other firms because the environments of other firms may be different from the ABB operating environment.

From a contextual standpoint, the current study does not demonstrate whether other automation firms use the same market entry strategies. The conceptual gaps in the current study are attributed to the fact that the issues under study are critical to the company's competitive advantage. The company did not reveal detailed financial information mapping each strategy to financial growth. This made it difficult to establish an exact and precise correlation between each of the entry strategies of exporting, franchising and FDI, and financial performance of ABB at each stage of application of said strategy.

5.6 Suggestion for Further Research

Future research studies can examine how capital of MNC's influences the entry strategy of the MNC. Studying entry choices in regard to firms' sizes and capital outlays would offer significant insights. There also remains a lot of room for research on entry of MNC's in the automation sector in Kenya. While this study has tackled entry in the industrial automation sector, research in other automation technology areas such as Home Automation would provide great contribution to industry and academia. Further, replicate studies of other automation MNC's would provide insight on the industry's growth path as well as provide further revelation of the industrialisation and technological status of the Kenyan economy.

Yet another area of study would be to determine the competitive strategies that ABB uses. Such a study would employ the Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis model. A SWOT analysis would be conducted to determine the strengths, weaknesses, opportunities and threats that ABB is faced with. The researcher further recommends that a replicate study be done on other industries so as to find out what other multinational corporations adopt as market entry strategies. It would be of great interest to find out if there is a relationship between industry type, and choice of market entry strategy.

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APPENDIX I

INTERVIEW GUIDE

PART A: BACKGROUND INFORMATION

1. What is your designation?

2. How long have you worked in that capacity?

3. How long has your company been operational in Kenya?

4. Which is your target market in Kenya?

PART B: ENTRY STRATEGIES

5. What are the major factors that led ABB to enter the Kenyan Market?

6. What entry strategy or a combination of the following strategies did ABB employ in entering the Kenyan Market?

   a. Exporting

   b. Franchising

   c. Joint Ventures or Strategic Alliances

   d. Foreign Direct Investment

   ----

7. What motivated ABB to use any of the above strategies (or set of strategies)?

   ----

8. What factors did management consider when choosing this particular market entry strategy (ies)?

   ----

9. How have the following factors challenged ABB in entering the Kenyan market?

   a. Political - Legal Factors.

   b. Economic Factors.

   c. Social Factors.

   d. Technological factors.

----

10. How successful was the company in resolving these challenges?

PART C: PERFORMANCE

11. Since entering the Kenyan Industrial Automation market, what tool does ABB use to assess Performance?

----

12. How would you rate the performance of ABB since its entry in the Kenyan market?

----

13. To what extent do you feel your entry strategy has had an effect on the following:

a. The growth of customer numbers in the market?

----

b. Improved number of new products and services

----

c. Improved Return on Investment of the company

----

d. Improved Economic Value Added of the company

----

e. Improved perceived value of the company’s products

----

f. Improved reliability of the company’s’ services and products

----

----

14. How have the following factors enhanced the performance of ABB geared by the entry strategy adopted?

    a. Recruitment of well-educated / experienced Managers and leaders

       ----

       ----

    b. Acquisition of State of the art technology

       ----

    c. Participative Leadership and proper Motivation of staff

       ----

       ----

    d. Research and development

       ----

    e. Free Flow of information and recognition of personnel

       ----

15. What is the level of growth in the branches of ABB within Kenya?

    ----

16. What is the size of the market share of ABB in the Kenyan Automation Industry?

----

17. To what extent could your market's future developments be forecast?

APPENDIX II

LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE 15.05.2015

TO WHOM IT MAY CONCERN

The bearer of this letter JOSIAH ELVIS HABWE

Registration No. D61/76492/2012

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 15 MAY 2015 MBA OFFICE P.O. Box 30197 – 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

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