FOREIGN MARKET ENTRY STRATEGIES ADOPTED BY PAINT MANUFACTURERS IN KENYA

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DECLARATION

This Research project is my original work and has not been presented in any other University.

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This Research project has been submitted for presentation with my approval as University Supervisor.

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DEDICATION

I dedicate this research project to my family. I wish to thank my parents Joseph and Lucy Ochola for believing in me and pushing me to greatness. My siblings Maureen, Mercy, Loice Chris and Robin for being my backbone and walking in this journey together. A special thanks to my friends Millicent, Daisy and Betty for encouraging me, and most of all patience throughout the entire process. To my CEO and mentor Mr. Rakesh Rao for the constant support, inspiration and leadership that he has instilled in me to achieve excellence. Always expecting the best from me and pushing me to greatness.

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

FDI Foreign Direct Investment

FKE Federation of Kenya Employers

KAM Kenya Association of Manufacturers

KBS Kenya Bureau of Standards

ABSTRACT

Through foreign markets, companies can achieve opportunities for growth that may be unavailable in their domestic market, and capitalize on expertise and experience gained from long involvement in a type of business or some sophisticated technology. Foreign market entry strategies are numerous and imply a varying degree of risk and of commitment from the international firm. The study sought to establish the market entry strategies adopted by paint manufacturers in Kenya entering the Foreign Market. The study employed a descriptive study design. The population of the study was the four main players in the paint manufacturing business in Kenya: Crown Paints, Basco Paints, Sadolin and Solai Paints. The respondents comprised of marketing managers and sales managers of the leading paint manufacturing companies in Kenya who are based at the respective headquarters in Nairobi. The study employed both primary and secondary data. Primary data was collected using questionnaires, which were administered to the marketing managers or in their absence marketing staff with the help from research assistants. Secondary data was obtained from annual reports and journals of the target companies and the Kenya association of Manufacturers (KAM) website. Data collected from questionnaires was checked for completeness and accuracy, then it was coded. Statistical Package for Social Sciences (SPSS) was used to analyze the data. Descriptive statistics was used to analyze quantitative data. Descriptive statistics include; frequencies, percentages, measures of central tendency (mean), measure of dispersion (standard deviation). The data was presented using tables and graphs while explanation will be done in prose. The study concludes that foreign direct investment, influenced by host country environment is a key determinant of investment is the most widely used foreign market entry strategy by the paint manufacturers. This is followed by mergers and acquisitions, licensing and franchising, greenfield investments, turnkey contracting and joint ventures. The study has achieved its objective by identifying the attributes that answer the research question. This study also finds that Environmental Dependency theory offers the best explanation of the market entry strategies adopted by paint manufacturers in Kenya entering the Foreign Market.

CHAPTER ONE: INTRODUCTION

1.1 Background

In a world of intense competition, innovative firms have an opportunity to redefine competitive rules to their own advantage. One of the ways through which this can happen is by entering new markets. Entering a new market can be risky since firms cannot be certain on the outcome, but it may also be dangerous for a firm to stay away from a new market (Valerie and Bertrand, 2005). For a company to penetrate into new markets it needs to arm itself with specific marketing strategies that will ensure it grows in the area. This becomes even more important if the target market is a foreign one with companies that are offering the same services (Kay, 2003). A foreign market is termed as one that is in a different international geographical region from the country of the parent company. Foreign markets can be classified depending on countries, regions and continents. When a firm establishes operations outside its home country, the new market can be termed as a foreign market (Rugman and Verbeke, 2004).

The key assumption underlying most of existing theories on international entry mode selection is that the best entry mode is the one that aligns the entrant's strengths and weaknesses with the environment as well as with the firm's organizational and strategic characteristics (Brown et al., 2003). This view treats entry modes as strategic alternatives and change entry mode selection into a strategic planning process. Essentially, to meet opportunities and threats, entrants' direct requirements upon entry modes are about what effects (control, return, resource commitment, risk exposure, and flexibility) each mode possesses, rather than the modes themselves. These theories are applied to develop different contingency relationships between firm characteristics, business environment, and modes' effects. This study was based on the network approach to internationalization. The network approach to internationalization sees the internationalization process as being one, which "takes" the network connections abroad through buying and/or selling activities or through other resource constellations (Johanson and Mattson, 1988).

Consumers are increasingly following special interests and an upsurge in the number of paint production needs poses greater challenges for the players in the industry in Kenya. The paint manufacturing companies have a daunting task of making sure that they receive a large number of customers who will also use word of mouth to market them to other customers. These changing market growth rates and shifting market shares are key determinants of the competitive business environment. This industry has resorted to seeking new markets outside their countries of residence (Mittra, 2001).

1.1.1 Concept of Strategy

The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations and improving the company's financial and market performance (Johnson & Scholes, 2008). A Firm's strategy is managements' action plan for running the business and conducting operations (Thompson, 2007). Strategy can be defined as the balance of actions and choices between internal capabilities and external environment of an organization. Accordingly, strategy can be seen as a plan, play, pattern, position and perspective (Mintzberg et al., 2009).

According to Bateman and Zeithman (1993), a strategy is a pattern of actions and resource allocations designed to achieve the goals of the organization. The strategy an organization implements should be directed toward building strengths in areas that satisfy the wants and needs of consumers and other key actors in the organizations' external environment. It therefore forms a comprehensive modern plan that states how the organization will achieve its mission and objectives, maximizes competitive advantage and minimizes competitive disadvantage. There are different forms of strategy (Johnson et al., 2008). Corporate level strategy is concerned with the overall scope of an organization and how value will be added to the different parts (business units) of the organization. This could include issues of geographical coverage, diversity of products/services of business units, and how resources are to be allocated between different parts of the organizations. The second level is the business level strategy, which is about how to compete successfully in particular markets or how to provide best value services in the public services. This concerns which products or services should be developed in which markets how advantage over competitors can be achieved in order to realize the objectives of the organization. The third level of strategy is at the operating end of the organization. These strategies are called operational strategies, which are concerned with how the component parts of an organization deliver effectively the corporate and business level strategies in terms of resources, processes and people. Finally, the political strategy is designed to accommodate new balance of power among the external forces and limit pressure for organizational change.

1.1.2 Foreign Market Entry Strategies for Paint Manufacturers in Kenya

Foreign market entry mode choice is a strategic decision (Brouthers and Hennart, 2007). Cui et al. (2011) developed a framework that extends the current understanding of how Chinese firms choose FDI entry mode by Strategy Tripod Model (Peng et al., 2008; Peng, 2009). The Strategy Tripod model summarizes factors in three major dimensions or perspectives to explain the strategy of an organization: (i) the resources and capabilities of the organization, (ii) the industry's competition environment in which the company is inserted, (iii) the variables related to the institutional environment. According to Peng (2009), these three factors that influence strategy are directly linked to the performance of the firm.

Herrmann and Datta (2002), citing prior studies, point out that: "with any foreign market entry there are significant learning challenges in developing strategies that create and sustain competitive advantages." Meanwhile, scholars such as Chen and Chen (1998) recognize benefits to overcoming entry barriers to foreign markets, and describe that firms can "tap into strategic resources in a foreign market, such as market intelligence, technological know-how, management expertise, or simply reputation for being established in a prestigious market".

In general, the implementation of an international development strategy is a process achieved in several steps. Indirect exporting is often used as the starting point; if the results are satisfactory, more committing agreements are made by associating local firms. The other strategy is direct exporting where the firm becomes directly involved in marketing its products in foreign markets, because the firm itself performs the export task. Licensing can also be used as a strategy. The international licensing firm gives the licensee patent rights, trademark rights, copyrights or know-how on products and processes. A partnership between host- and home-country firms may also be formed; usually resulting in the creation of a third firm called a joint venture (Lambin, 2007).

1.1.3 Manufacturing Industry in Kenya.

The Kenya Association of Manufacturers is the representative organization for manufacturing value-add industries in Kenya. KAM is owned and managed by its members. The Federation of Kenya Employers (FKE) is the premier employer's organization in Kenya to represent the collective interest of employers in Kenya. The manufacturing industry in Kenya is dominated by subsidiaries of multinationals. The players fall in the following categories as represented in the Kenya association of manufacture's listings; food and beverages processing, Paper and paper board, Wood products Pharmaceutical and medical equipment, Leather products, Chemical and allied, Textiles, Tobacco, Plastics and rubber (Association of Manufacturers, 2013). Manufacturing is a significant contributor to the economy as it contributes 10% of GDP, 12.5% of exports and 13% of formal employment (CBK, 2013).

1.1.4 Paint manufacturers in Kenya.

Buildings can be identified by their shapes, height, location or colour. However, colour is, arguably, one of the easiest ways of distinguishing one building from another. Decorative paints and coatings are the options used by builders to give a building colour while protecting and maintaining the surfaces from external elements such as the weather. However, there is more to paint and coatings than just the colours and the advertisements on TV and billboards. There is a market: producers and consumers. Currently, there are 4 main players in the paint manufacturing business in Kenya; Crown Paints, Basco Paints, Sadolin and Solai Paints. Crown Paints, formerly Crown Berger, is the only paint company listed at the Nairobi Securities Exchange. Formed in 1958 it is the market leader in the paint market in Kenya, controlling approximately

65% of the market. Regionally, Crown Paints operates Regal Paints in Uganda, it has set up a US$ 3 million paint manufacturing plant in Tanzania, opening a factory in Rwanda and Ethiopia, and exports to Burundi and Congo. Basco Paints manufacturer has a capacity of producing at least 22 million litres of paint per year. It is the second largest paint company in Kenya in terms of market share. Basco Paints exports its products to Uganda, Tanzania and Rwanda. Sadolin Paints (East African) Ltd which has been operating in Kenya since 1959(Kenya Association of Manufacturers, 2015).

The Kenyan paint and coatings market is also driven by aggressive marketing and branding campaigns by the manufacturing companies. In order to succeed, these two areas of investment help the paint manufacturers in reducing costs and have enabled them to respond to customer needs. A wide range of opportunities for direct and joint venture investments exist in the manufacturing sector including processing, manufacture of garments, assembly of automotive components, electronics, plastics, chemicals, pharmaceuticals, metal engineering products for both domestic and export markets (Republic of Kenya 2003). The manufacturing sector was initially developed under the import substitution policy. There has been a shift, however to export oriented manufacturing as the thrust of Kenya's industrial policy (Kenya Association of Manufacturers, 2010).

1.2 Research Problem

Through foreign markets, companies can achieve opportunities for growth that may be unavailable in their domestic market, and capitalize on expertise and experience gained from long involvement in a type of business or some sophisticated technology. Foreign market entry strategies are numerous and imply a varying degree of risk and of commitment from the international firm. In general, the implementation of an international development strategy is a process achieved in several steps. Cavusgil and Riesenberger (2008) found that the type of entry mode depends on the nature of business, its products and goals. This is common among banks, advertising agents and market research firms. Tan (2009) examined foreign market entry strategies and post-entry growth. The study focused on acquisitions and Greenfield investments.

Kieti (2006) study on the choice of foreign entry mode indicated that the choice of foreign entry mode greatly impacts on the entrant's future decisions and performance in foreign markets. He further notes that Kenyan firms venturing into foreign markets need to devise entry strategies that will preposition them to take advantage of the opportunities in the economy in a manner that is sustainable. Mugambi (2011) studied foreign market entry strategies adopted by firms in the export processing zones, while Wachari (2010) studied the determinants of foreign market entry strategies adopted by Kenyan firms in selecting and entering international markets.

Other studies have focused on the motives of venturing into the foreign market including market expansion (Forsgren 2002); exploitation of competitive advantage(Fenwick et al., 2003); and following the client's international involvement (Randy and Dibrell, 2002). Roth (1992) further explains how to integrate the various market entry and development strategies into a series of decisions that reflect interplay of the international marketing environment, technological forces and strength and weaknesses of the firm. For an company to enter to the foreign market is a function of various parameters some of which are firm specific others are influenced by the foreign business environment, while others are influenced by the very context in which the decision is being made (Ngendo, 2012). Entry mode are very challenging to company managers, wrong decision on entry mode choice can be very costly to the organizations in terms of time and resources (Ndwiga, 2012). An appropriate strategy can be an important source of competitive advantage in a new market and on the other hand can be competitive liability leading to a competitive disadvantage (Mutio, 2013; Ndwiga, 2012).

Some of these factors are; higher profit opportunities in international market, 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 (Cheptegei, 2012; Kagethe, 2012; Kavata, 2013; Kiandiko, 2010). Organizations require massive resources of time, energy and personnel on the national level. Adding an international component greatly intensifies the amounts of resources needed; this commitment is staggering and is generally avoided by many domestic businesses (Avulyte, 2014). Organizations must consider many factors before going international; among other things, it must evaluate its personnel, assets, international experience and the suitability of its products. These factors should be reviewed in terms of the overall short-term and long-term strategic goals and objectives of the firm (Ishimwe, 2013). Cheptegei (2012) undertook a study on foreign market entry strategies used by Multinational Corporations in Kenya: A case of Coca Cola Kenya Ltd. The study found out that 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. The findings of the studies were specific to the organisations under study and the entry strategies used were determined by the organisations strategic goals and objectives. None seems to be on the foreign market entry strategies adopted by paint manufacturers in Kenya. This study bridged this gap by answering the following question: What foreign market entry strategies have been adopted by paint manufacturers in Kenya?

1.3 Research Objectives

The objective of this study was to establish the market entry strategies adopted by paint manufacturers in Kenya entering the Foreign Market.

1.4 Value of the Study

The findings of the study may be of benefit to management teams in Kenyan Paint Manufacturing Companies as it highlights and emphasize the various methods of expansion and operations employed in foreign markets, their challenges and remedies put in place during implementation. It therefore acts as a reference point with regard to market entry strategies into the foreign market.

Academics and business researchers may be able to borrow from the findings of this research to support literary citations as well as develop themes for further research. Specifically, the study hopes to make theoretical, practical and methodological contributions. The findings may contribute to professional extension of existing knowledge in foreign entry strategies by helping to understand the current foreign strategy of Kenyan Paint Manufacturing Companies. The findings may also act as a benchmark to Foreign Paint Manufacturing Companies that may be interested in expanding their services into the region. They may learn from the strategies adopted by Kenyan Paint Manufacturing Companies in order to come up with appropriate ones to assist in the expansion strategies.

To the government: the study would be useful to the government in policymaking regarding taxation and other regulatory requirements of the Kenyan Companies. The government and other policy makers would be equipped with knowledge on the approaches towards foreign market strategies and how local companies could use foreign market strategies to ensure a competitive advantage.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews past studies that have been conducted on foreign market entry strategies. It includes a detailed view of the concept of strategy and foreign market entry strategies upon which the study will be based.

2.2 Theoretical perspective

This study is anchored on both the environmental dependency and product life-cycle theory.

2.2.1 Environmental Dependency theory

The organization's environment is the set of forces surrounding an organization that have the potential to affect the way it operates and its access to scarce resources. All organisations need to properly understand the environment for effective management (Davis and Powell, 1992). Organisations are environment serving, such that they cannot completely control their own behavior and are influenced in part by external forces (Ansoff and McDonnell, 1990). The open system theory recognizes that organisations exist in the context of a larger environment that affects how the organization performs and in turn is affected by how the organization interacts with it.

Organisations are ecological entities that have mutual relations with other entities in their environment where they operate as open systems and rely on their environment for their input and market for their end products. Indeed, organizations operate in an environment that is dynamic and turbulent with constant and fast-paced changes that make yester-years strategies irrelevant (Johnson and Scholes, 2002). The relationship between organisations and their environment is a central issue in organizational theory and many scholars have addressed this phenomenon (Xi, Zhang and Ge, 2012). Moreover, the contemporary organisational environment is characterized by four key salient components: complexity, change, ambiguity and uncertainty. Managers are, therefore, challenged by problems of determining causality, managing holistically and adaptation to rapid change (Xi et al., 2012). The environment holds opportunities and threats and skilful managers find market niches that are particularly well suited to the products, services and capabilities that the organization has to offer (Johnson and Scholes, 2002).

2.2.2 The Product Life-Cycle Theory.

The product life cycle theory is the most useful in explaining international trade patterns since the theories of economic advantage and factor endowments have evolved starting 1960s.This is mainly attributed to rapid technological progress and the development of multinational enterprises. According to Albaum et al (2005), this theory of international trade has been found to be a useful model for explaining not only trade patterns of manufacturers but also multinational expansions of sales and productions subsidiaries and for this reason has been useful in explaining certain types of foreign direct investment. The product lifecycle concept states that “many manufactured goods undergo a trade cycle whereby during the process the innovator country of a new product is initially an exporter and then loses its competitive advantage to its trading partners and may eventually become an importer of the product some years later “and for this theory international business is necessary.

Vernon (1966) attempting to explain patterns of international trade, observed a circular phenomenon in the composition of trade between countries in the world market. Advanced countries, which have the ability and competence to innovate as well as high-income levels and mass consumption become initial exporters of goods. However, they lose their exports initially to developing countries and subsequently to less developed countries and eventually become importers of these goods. Vernon's hypothesis was an attempt to advance the trade theory beyond the static framework of the comparative advantage of David Ricardo and other classical economists.

Unlike the product cycle with its macro orientation, the product life cycle concept in marketing theory is a micro level explanation of stages of the life cycle a product or service goes through in the context of its market life. Sales volume and profits become the critical micro variables in the product life cycle framework. In the introductory stage of a product's life, sales are typically slow and profits negative. In the growth stage, both sales and profits rise at a rapid rate. During maturity, sales volume may continue to rise at a declining rate and profit may stay high. In the decline state, both sales and profit decrease (Vernon, 1966). Sales and profits are the principal variables for marketing decisions. . A mature product typically may become standardized across international markets. The yardstick for maturity in the product life cycle approach is the rate of sales growth.

2.3 Globalization and Foreign Market Entry Strategies

Globalization involves the diffusion of ideas, practices and technologies. It is the liberalization of markets. Giddens (1990) has described globalization as ‘the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa'. This involves a change in the way we understand geography and experience localness. As well as offering opportunity it brings with considerable risks linked, for example, to technological change. More recently, Mann (2013) has commented that what is generally called globalization involved the extension of distinct relations of ideological, economic, military, and political power across the world. Concretely, in the period after 1945 this means the diffusion of ideologies like liberalism and socialism, the spread of the capitalist mode of production, the extension of military striking ranges, and the extension of nation-states across the world, at first with two empires and then with just one surviving (Mann, 2013).

Globalization, thus, has powerful economic, political, cultural and social dimensions. Castells (1996) has argued persuasively that in the last twenty years or so of the twentieth century, a new economy emerged around the world. He characterizes it as a new brand of capitalism that has three fundamental features: Productivity and competitiveness are, by and large, a function of knowledge generation and information processing; firms and territories are organized in networks of production, management and distribution; the core economic activities are global, that is, they have the capacity to work as a unit in real time, or chosen time, on a planetary scale (Castells, 2001).

To the paint manufacturing' country of origin (home country), the benefits from globalization can be grouped into six categories: expatriation of profits from foreign paint manufacturing; exports of equipment and materials as a direct result of foreign paint manufacturing work;

exports of services (such as insurance, transportation, and financing) as a direct result of foreign paint manufacturing work; repatriation of personal income in the foreign paint manufacturing; follow-up procurement of home country goods and services resulting from the continued operation and maintenance of foreign paint manufacturing and employment of home country nationals both in home and host countries (U.S. Department of Commerce, 1984). The host country can obtain technology transfer, benefit from increased competition in domestic markets for quality and efficiency improvement, and sometimes, obtain partial or entire financing for the project.In this same vein, Luo (2003) acknowledges that "according to the resource dependence theory, a foreign market environment is a source of scarce resources."

2.4 Inhibitors to Internationalization

From an industry organization researcher's viewpoint, Porter (1980) described inhibitors to internationalization as features of an industry that give incumbents inherent advantages over potential entrants. Inhibitors to internationalization result in fewer entries and therefore above average profitability on behalf of incumbents (Yip, 1982). Porter (1980) proposed six major inhibitors to internationalization, which are; cost advantages of incumbents; product differentiation of incumbents; capital requirements; customer switching costs; access to distribution channels; and government policy.

Similarly, but in a more broad sense, Shepherd (1979) defined inhibitors to internationalization as anything that decreases the likelihood, scope, or speed of the potential competitors coming into the market. Inhibitors include all manners of specific devices, such as patents, mineral rights and franchises, as well as more general economic barriers. Based on Shepherd's definition, Karakaya and Stahl (1991) identified 25 market inhibitors to internationalization, which are further grouped into two categories: competitor-activated or controllable inhibitors to internationalization; and environmental or uncontrollable inhibitors to internationalization. Karakaya and Stahl (1991) also identified the following inhibitors to internationalization in international markets that differ from those in domestic markets: Cultural differences (the social system); Language; Access to distribution channels; Customer switching costs; Government policy (taxes, licensing requirements); Product adaptation; Stability of the currency exchange rate; Expected local and global competition; Changes required in promotional activities; Nationalism; Political environment; Economic environment; Corruption and Cost advantages held by local companies.

2.5 Foreign market entry strategies

Firms entering new foreign markets must grow quickly to reach a size at which, their operations are cost-competitive with incumbent firms, if they are to survive (Porter, 1986). Thus, firm growth has attracted considerable interest, both theoretically and empirically, but the literature suffers from two major limitations (Gilbert et al., 2006). First, there is inadequate understanding of international growth. Research on domestic firms cannot be fully generalized to foreign firms (Li, 1998), in part because domestic investors are typically more financially constrained than their foreign counterparts. Moreover, the growth dynamics of domestic firms differ from those of foreign firms (Mata & Portugal, 2002). There are a number of strategies manufacturing organizations can employ in foreign markets: Foreign Direct Investment, Mergers and Acquisitions, Exporting, Greenfield investments, Joint ventures, Licensing, Franchising and Turnkey contractors.

2.5.1 Foreign Direct Investment (FDI)

FDI is an internationalization strategy in which the firm establishes a physical presence abroad through acquisition of productive assets such as capital, technology, labour, land, plant and equipment (Cavusgil and Riesenberger, 2008). In the beer industry for example, South African Breweries (SAB) established a major presence in the United States of America (USA) beer market through its 2002 purchase of Miller Brewing changing the name to SABMiller plc. In 2005, the firm acquired 97% of Bavaria SA, the then second largest brewer in South Africa. In 2006, SABMiller acquired Foster's India for $ 120 million gaining control of nearly 50% of the Indian beer market.

Grosse (1992) observes that FDI's involve ownership and control of a company in a foreign country. In exchange for the ownership, the investing company usually transfers some of its managerial, financial, technical, trademark and other resources to the foreign country. The foreign company may be created as a new venture by the investor or it may be acquired from an existing owner. Kioi (2003) study on FDIs found out that benefits derived from FDI's by host countries can be quite diverse and that the actual effect of FDI on the economic growth of the host countries may vary greatly from one country to the other. The case of host country conditions affecting the contribution of FDI on economic growth of a country is therefore strong. MNE's seeking to invest in another country should always be ready to accept a case per case analysis of the mutual benefits to both the firm and host country. Such analysis should be based on the unique characteristics of the host country environment.

2.5.2 Mergers and Acquisitions

Mergers and acquisitions have become a popular mode of entering foreign markets mainly due to (Hitt, 2009). Acquisition strategy offers the fastest, and the largest, initial international expansion of any of the alternative. Acquisition has been increasing because it is a way to achieve greater market power. The market share usually is affected by market power. Therefore, many multinational corporations apply acquisitions to achieve their greater market power require buying a competitor, a supplier, a distributor, or a business in highly related industry to allow exercise of a core competency and capture competitive advantage in the market.

Acquisition is lower risk than Greenfield investment because of the outcomes of an acquisition can be estimated more easily and accurately. In overall, acquisition is attractive if there are well established firms already in operations or competitors want to enter the region. There are many disadvantages and problems in achieving acquisition success: Integrating two organizations can be quite difficult due to different organization cultures, control system, and relationships; by applying acquisitions, some companies significantly increase their levels of debt, which can have negative effects on the firms because high debt may cause bankruptcy, and too much diversification may cause problems. Even when a firm is not too over diversified, a high level of diversification can have a negative effect on the firm in the long term performance due to a lack of management of diversification.

2.5.3 Exporting products

This is the strategy of producing products or services in one country (often the producers) home country and selling and distributing them into customers located in other countries (Cavusgil et al, 2009). Kieti (2006) observes that this trade mode is the first natural step for foreign expansion in international business. According to Daniels et al., (2002), companies will usually export before engaging other modes of international business because exporting "requires the least commitment of and least risk to their resources. Sharan (2003) classifies exporting into two types: direct and indirect export. Direct export is "where a company takes full responsibility for making its goods available for the target market by selling to the end users normally through its own agents (Sharan, 2003). On the other hand he says describes indirect exporting as where the exporting company sells its products to intermediaries who in turn sell the same products to the end users in the target market. This is the buying of products and services from foreign sources and bringing them into the home market. Importing is also referred to as global sourcing, global procurement or global purchasing (Cavusgil et al., 2009). He also notes that the opposite is known as importing which is the buying of products and services from foreign sources and bringing them into the home market. Importing is also referred to as global sourcing, global procurement or global purchasing (Cavusgil et al., 2009).

2.5.4 Greenfield investments

This is a strategy where a firm establishes a new wholly owned subsidiary. It is often complex and potentially costly, but it is liable to full control to the firm and has the most potential to provide above average return. Wholly owned subsidiaries and expatriate staff are preferred in service industries where close contact with end customers and high levels of professional skills, specialized know how, and customizations are required. Greenfield investment is more likely preferred where physical capital intensive plants are planned (Hitt, 2009). According to Barret (2009) this strategy is attractive if there are no competitors to buy or to transfer a competitive advantage that consists of embedded competencies, skills, routines, and culture. Barret (2009) argues that Greenfield investment is high risk venture due to the costs of establishing a new business in a new country. Some of the costs include acquiring knowledge and expertise of the existing market by third parties such as consultants, competitors, or business partners. This entry strategy takes much time due to the need of establishing new operations, distribution networks, and the necessity to learn and implement appropriate marketing strategies to compete with rivals in a new market.

2.5.5 Joint ventures

According to Lambin (2007), under this arrangement, a partnership between host- and home-country firms is formed, usually resulting in the creation of a third firm. This type of agreement gives the international firm better control over operations and also access to local market knowledge. The international firm has access to the network of relationships of the franchisee and is less exposed to the risk expropriation thanks to the partnership with the local firm. This type of agreement is very popular in international management. Its popularity stems from the fact that it permits the avoidance of control problems of the other types of foreign market entry strategies. In addition, the presence of the local firm facilitates the integration of the international firm in a foreign environment. Joint ventures have five common objectives: market entry, risk/reward sharing, technology sharing and joint product development, and conforming to government regulations. There are also other benefits of joint ventures such as include political connections and distribution channel access that may depend on relationships (Foley, 1999). Joint ventures are favorable when: the partners' strategic goals converge while their competitive goals diverge; the partners' size, market power, and resources are small compared to the Industry leaders and when partners are able to learn from one another while limiting access to their own proprietary skills. There are some issues that are key to operationalization of a joint venture: ownership, control, length of agreement, pricing, technology transfer, local firm capabilities and resources, and government intentions. Some challenges must also be addressed in order to have a proper functioning joint venture: Conflict over asymmetric new investments; mistrust over proprietary knowledge; performance ambiguity; lack of parent firm support; cultural clashes and how and when to terminate the joint venture. The joint venture is controlled through negotiations and coordination processes, while each firm would like to have hierarchical control (Foley, 1999).

2.5.6 Licensing and Franchising

Licensing is another way to enter a foreign market with a limited degree of risk. It differs from contract manufacturing in that it is usually for a longer term and involves greater responsibilities for the local producer. Licensing is similar to franchising except that the franchising organization tends to be more directly involved in the development and control of the marketing programme. The international licensing firm gives the licensee patent rights, trademark rights, copyrights or know-how on products and processes. In return, the licensee will be able to produce the licensor's products, market these products in his assigned territory and pay the licensor royalties related to the sales volume of the products. This type of agreement is generally welcomed by foreign public authorities because it brings technology into the country. However, the major drawback of licensing is the problem of controlling the licensee due to the absence of direct commitment from the international firm granting the license. After few years, once the know-how is transferred, there is a risk that the foreign firm may begin to act on its own and the international firm may therefore lose that market (Lambin, 2007).

Franchising is defined as a system in which semi-independent business owners pay fees and royalties to a parent company 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 (Zimmerer and Scarborough, 2008). Franchising agreements tends to be longer and the franchisor offers a broader package of rights and resources which usually includes: equipment, managerial systems, operation manual, initial trainings, site approval and all the support necessary for the franchisee to run its business in the same way it is done by the franchisor. In addition to that, while a licensing agreement involves things such as intellectual property, trade secrets and others while in franchising it is limited to trademarks and operating know-how of the business (Hoy and Stanworth, 2003). According to Sherman (2004) Compared to other modes, franchising requires a greater financial investment to attract prospects and support and manage franchisees. The key success for franchising is to avoid sharing the strategic activity with any franchisee especially if that activity is considered importance to the company. Sharing those strategic activities may increase the potential of the franchisee to be our future competitor due to the knowledge and strategic spill over.

2.5.7 Turnkey contracting

Focal firms or a consortium of firms that plan, finance, organize, manage and implement all phases of a project and then hand it over to a foreign customer after training local personnel. Turnkey operations involve a contract for construction of operating facilities that are transferred for a fee to the owner when they are ready to commence operations (Daniel et al, 2002). In a turnkey project, the contractor agrees to handle every detail of the project for a foreign client, including the training of the personnel (Hill, 2005). This mode is mostly used by engineering and construction companies where the manufacturer or consulting firm decides not to make any investment on their own behalf in the foreign country. Sharan (2003) also argues that turnkey agreements take place where the initial construction aspect of the project is more complex than the operational part. He further notes that in both cases, the price is either fixed where the licensor bears the risk of cost overruns, or a cost-plus price.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter consists of the research methodology that was used in the study. This includes the research design, data collection method, and research instruments. The chapter also looks at the data analysis techniques that were used in analyzing the data.

3.2 Research design

The study employed a descriptive study design. According to Cooper, and Schindler (2006) a descriptive study design is a powerful research methodology that combines individual and (sometimes) group interviews with record analysis and observation. It is used to understand events and their ramifications and processes. Mugenda and Mugenda (1999) describe a descriptive study design as an in-depth investigation of an individual, group, institution or phenomenon. A descriptive study design approach was suitable to determine the foreign market entry strategies adopted by the organisations under study.

3.3 Population

According to Kombo and Tromp (2006), population is the larger group from which a sample is taken and it should capture variability to allow more reliability to the study. The population of the study was the four main players in the paint manufacturing business in Kenya. From the Kenya association of Manufacturers (KAM, 2013) report the four main players in the paint manufacturing business in Kenya are Crown Paints, Basco Paints, Sadolin and Solai Paints.

The respondents comprised of marketing managers and sales managers of the leading paint manufacturing companies in Kenya who are based at the respective headquarters in Nairobi.

3.4 Data collection

The study employed both primary and secondary data. Primary data was collected using questionnaires which were administered to the marketing managers or in their absence marketing staff with the help from research assistants. The collection process entailed researcher walking in with the interview guide for one on one interviews with the marketing managers and sales managers. Secondary data was obtained from annual reports and journals of the target companies and the Kenya association of Manufacturers (KAM) website.

3.5 Data Analysis

Data analysis is the whole process, which starts immediately after data collection and ends at the point of interpretation (Kothari, 2004). It involves examining what has been collected and making deductions and inferences Kombo and Tromp (2006). Data collected from questionnaires was checked for completeness and accuracy, then it was coded. The coding scheme was designed inductively on the basis of a representative sample of responses to questions. Statistical Package for Social Sciences (SPSS) was used to analyze the data. This package is known for its efficiency and ability to handle large amounts of data. Descriptive statistics was used to analyze quantitative data. Descriptive statistics include; frequencies, percentages, measures of central tendency (mean), measure of dispersion (standard deviation). The data was presented using tables and graphs while explanation will be done in prose.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents data analysis and discussions. The study sought to establish the market entry strategies adopted by paint manufacturers in Kenya entering the foreign market.

Primary data was collected through administration of questionnaires to marketing officers of the manufacturing companies, out of which fourty eight (48) respondents completed and returned the questionnaires duly filled. The data was thereafter analyzed based on the objectives of the study and the findings are as presented as per the different classes underlined below.

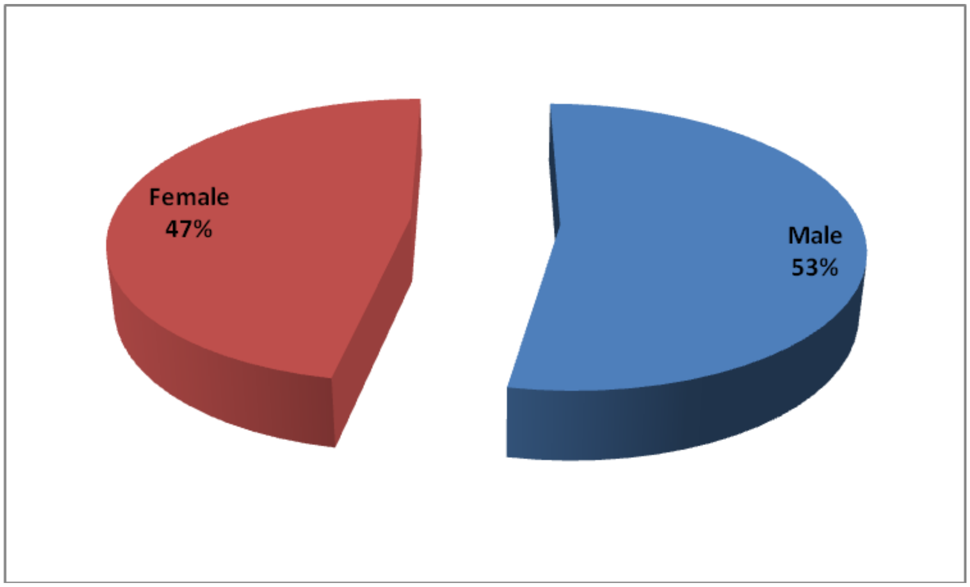
4.2 Demographic Information

The study sought to ascertain the background information of the respondents involved in the study which included; gender, age, highest level of education and period of time respondents have worked in the organization. The background information points at the respondents' suitability in answering the questions on market entry strategies adopted by paint manufacturers in Kenya entering the Foreign Market.

4.2.1 Respondents Gender

The respondents were requested to indicate their gender. The findings are as presented in figure 4.1.

Figure 4.1: Respondents Gender



Source: Author (2015)

The study established that 53% of the respondents were male while 47% were female. This implies that even though majority of the respondents were males, there was gender disparity.

4.2.2 Respondents Age

Respondents were requested to indicate their age bracket. The findings were indicated in Table 4.1.

Table 4.1: Respondents Age Group

	Frequency	**Percent (%)**
18-35	21	44
36-50	24	50
51-above	3	6
Total	**48**	**100**

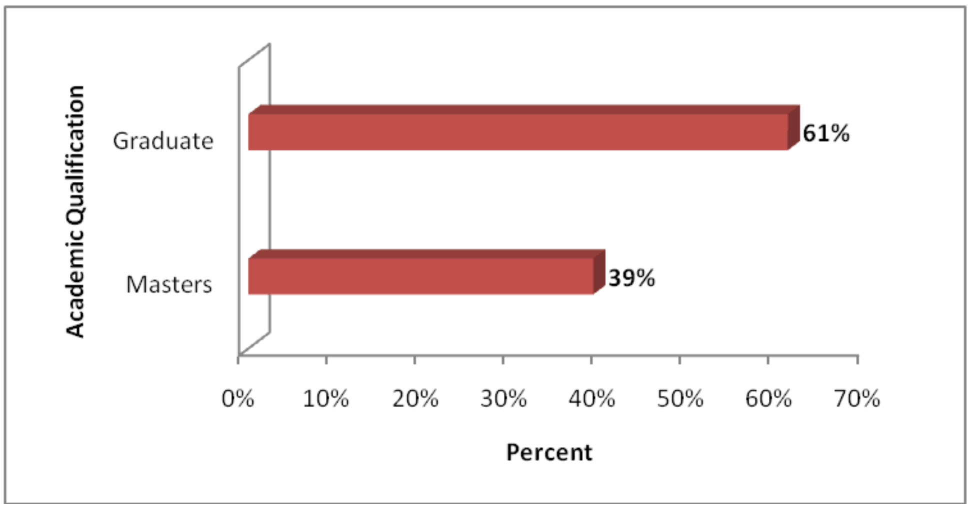
Source: Author (2015)

Based on the findings, majority (24) of the respondents were between ages 25-35 years, 21 were between 36-45 years and 3 were above 45 years. This depicts that the age bracket with the highest number of respondents was between 25-35 years.

4.2.3 Respondents Highest Academic Qualification

This question asked the respondents to indicate their highest academic qualification. Findings are as shown in Figure 4.2.

Figure 4.2 Respondents Highest Academic Qualification



Source: Author (2015)

The findings revealed that most (61%) of the respondents had undergraduate degrees while 39% had a master's degree. This implied that all the respondents had a high education background.

4.2.4 Period of Time Worked in the Organization

The question sought to determine how long respondents have worked in their organization. Accordingly, the findings are as presented in table 4.2.

Table 4.2: Period of Time Worked in the Organization

	Frequency	**Percentage (%)**
0 – 2 years	13	27
3 – 5 years	27	57
6– 10 years	4	9
Above 10 years	3	7
Total	**48**	**100**

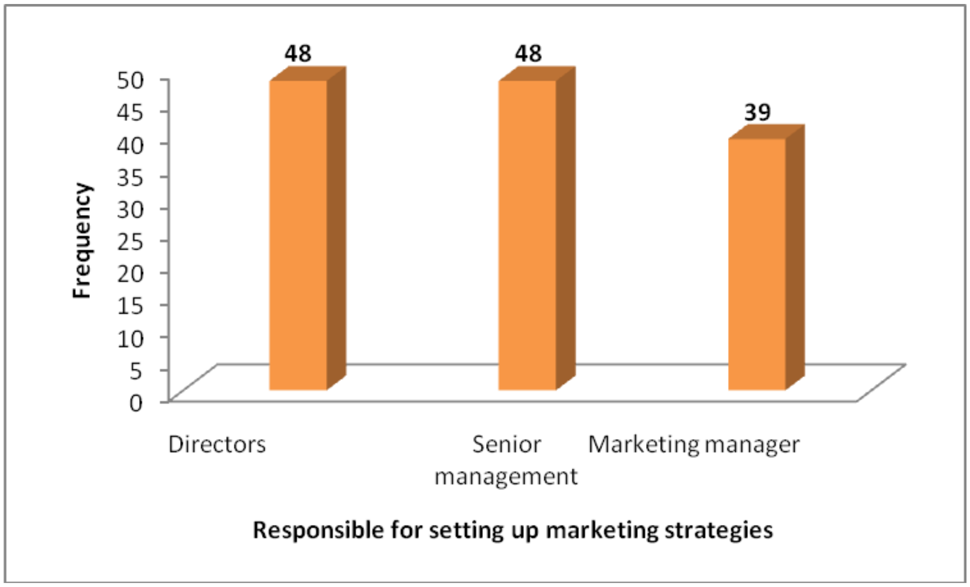
Source: Author (2015)

The findings show that, majority (27) of the respondents have worked in their organization for 3-5 years, 13 have worked in their organization for 0-2 years, 4 have worked in their organization for 6-10 and 3 have worked in their organization for over 10 years.

4.2.5 Setting up Marketing Strategies for the Organization

The respondents were asked to indicate who is responsible for setting up marketing strategies for the organization. Figure 4.3 illustrates the findings.

Figure 4.3: Setting up Marketing Strategies for the Organization



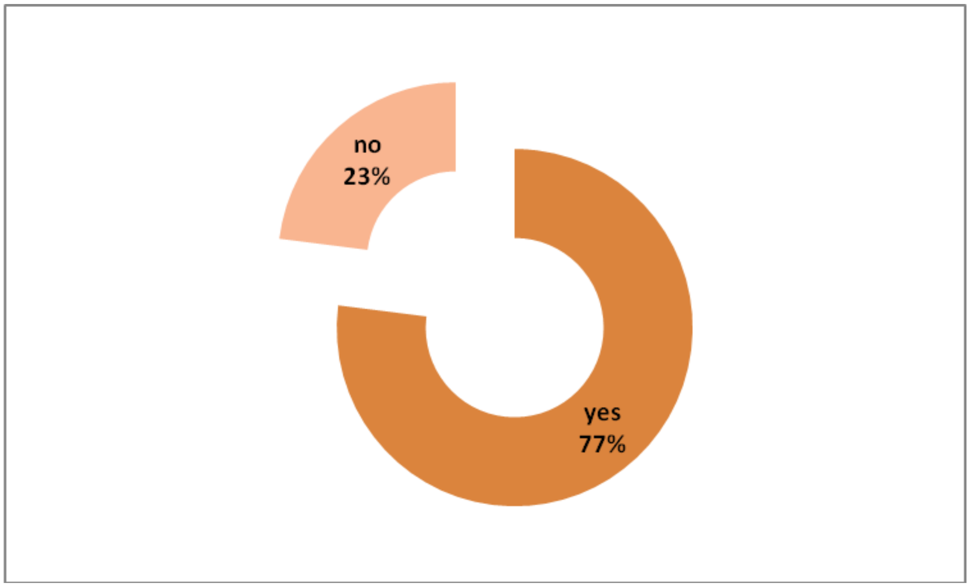
Source: Author (2015)

All (48) the respondents stated that the directors and senior management each were responsible for setting up marketing strategies for the organization, whereas 39 respondents stated that marketing manager were responsible for setting up marketing strategies for the organization.

4.2.6 Respondents involvement in Market Entry Decision Issues

The study sought to investigate whether the respondents have been involved in market entry decision issues in their organization. The respondents were asked if they had been involved in market entry decision issues in their organization. The findings are presented below.

Figure 4.4: Respondents involvement in Market Entry Decision Issues



Source: Author (2015)

The findings in figure 4.4 indicate that majority (77%) of the respondents have been involved in market entry decision issues in their organization with only 23% stating that they have not been involved in market entry decision issues in their organization.

The respondents who agreed that they have been involved in market entry decision issues in their organization were asked to explain the level of involvement. Accordingly, the study revealed that the respondents are involved in making decisions regarding; the main methods of entry, requirements for foreign investment; local Content Decisions as a key: tariffs, classification, reduction of vulnerability as well as advantages and disadvantages of each. Others were; skills to build what new market needs, capital to build what new market needs, adaptability of business to new market- e.g. longer planning horizons, competition, similar companies, venture partners and existence of cross-border strategic alliances.

4.3 Market Entry Strategies Adopted by Paint Manufacturers in Entering the Foreign Markets

In order to determine how organization specific factors influence respondents foreign market entry strategy.

4.3.1 Foreign Direct Investment (FDI) Strategies Adopted by Paint Manufacturers

The respondents were requested to indicate their level of agreement on relevant statements on foreign direct investment (FDI) strategies adopted by paint manufacturers. The responses were rated on a five point Likert scale where: 5 stands for Very Important and 1 stands for Not Important. The mean and standard deviations were generated from SPSS and are as illustrated in Table 4.3.

Table 4.3: Foreign Direct Investment (FDI) Strategies Adopted by Paint Manufacturers

	Mean	**Std Dev.**
Foreign Direct Investment (FDI)		
The company has transferred some of its managerial, financial, technical, trademark and other resources to the foreign country	3.99	0.014
The firm has established a physical presence abroad through acquisition of capital and technology assets	4.02	0.146
The firm has acquired plant and equipment assets,	4.29	0.336
The firm has acquired labour and land assets	4.33	0.145
Host country environment is a key determinant of investment	4.56	0.412
Average	**4.24**	**0.211**

Source: Author (2015)

The findings in Table 4.3 above indicate that the respondents strongly agreed that in relation to Foreign Direct Investment (FDI) market entry strategies; host country environment is a key determinant of investment (mean=4.56). This was followed by the firm has acquired labour and land assets (mean=4.33). The firm has acquired plant and equipment assets (mean=4. 29). The firm has established a physical presence abroad through acquisition of capital and technology assets (mean=4.02). Finally, the company has transferred some of its managerial, financial, technical, trademark and other resources to the foreign country (mean=3.99). Overall, Foreign Direct Investment (FDI) was found to have a very important influence on the respondents foreign market entry strategy (mean=4.24).

4.3.2 Mergers and Acquisitions Strategies Adopted by Paint Manufacturers

The respondents were requested to indicate their level of agreement on relevant statements on Mergers and Acquisitions strategies adopted by paint manufacturers. The responses were rated on a five point Likert scale where: 5 stands for Very Important and 1 stands for Not Important. The mean and standard deviations were generated from SPSS and are as illustrated in Table 4.4.

Table 4.4: Mergers and Acquisitions Strategies Adopted by Paint Manufacturers

Mergers and Acquisitions	**Mean**	Std Dev.
Acquisition has been increasing because it is a way to achieve greater market power.	3.86	0.289
The firm has partnered with suppliers/subcontractors	4.09	0.328
The market share usually is affected by market power.	4.16	0.114
The firm has formed an alliance/network with owners	4.22	0.196
There has been a partnership with a local paint manufacturers	4.31	0.352
Alliance/network with international paint manufacturers exists	4.35	0.241
Alliance/network with regional paint manufacturers has been formed	4.42	0.213
Average	**4.20**	**0.248**

Source: Author (2015)

In relation to mergers and acquisitions factors influencing foreign market entry strategy, the respondents strongly agreed that alliance/network with regional paint manufacturers has been formed (mean=4.42). Next was alliance/network with international paint manufacturers exists (mean=4.35). There has been a partnership with a local paint manufacturers (mean=4.31). The firm has formed an alliance/network with owners (mean=4.22). The market share usually is affected by market power (mean=4.16). The firm has partnered with suppliers/subcontractors (mean=4.09). Lastly, acquisition has been increasing because it is a way to achieve greater market power (mean=3.86). Generally, mergers and acquisitions was found to have a very important influence on the respondents foreign market entry strategy (mean=4.20).

4.3.3 Greenfield Investments Strategies Adopted by Paint Manufacturers

The respondents were requested to indicate their level of agreement on relevant statements on Greenfield Investments strategies adopted by paint manufacturers. The responses were rated on a five point Likert scale where: 5 stands for Very Important and 1 stands for Not Important. The mean and standard deviations were generated from SPSS and are as illustrated in Table 4.5.

Table 4.5: Greenfield Investments Strategies Adopted by Paint Manufacturers

Greenfield investments	**Mean**	**Std Dev.**
They are implemented through planned physical capital intensive plants	3.89	0.223
It needs establishing new operations, distribution networks	4.01	0.247
They are applied if there are no competitors to buy or to transfer a competitive advantage that consists of embedded competencies, skills, routines, and culture	4.05	0.116
Average	**3.98**	**0.195**

Source: Author (2015)

With regard to Greenfield investments factors influencing foreign market entry strategy, the respondents strongly agreed that they are applied if there are no competitors to buy or to transfer a competitive advantage that consists of embedded competencies, skills, routines, and culture (mean=4.05). In addition, it needs establishing new operations, distribution networks (mean=4.01) and they are implemented through planned physical capital-intensive plants (mean=3.89). Taken as a whole, Greenfield investments was found to have an important influence on the respondents foreign market entry strategy (mean=3.98).

4.3.4 Joint Ventures Strategies Adopted by Paint Manufacturers

The respondents were requested to indicate their level of agreement on relevant statements on Joint Ventures strategies adopted by paint manufacturers. The responses were rated on a five point Likert scale where: 5 stands for Very Important and 1 stands for Not Important. The mean and standard deviations were generated from SPSS and are as illustrated in Table 4.6.

Table 4.6: Joint Ventures Strategies Adopted by Paint Manufacturers

Joint ventures		
A policy for minority (<50%) equity Joint venture newly established is adopted	2.41	0.142
A minority (<50%) equity Joint venture policy for established by acquisition is adopted	2.59	0.142
Equal (50%) equity Joint venture established by acquisition policy implementation	3.56	0.214
Equal (50%) equity Joint venture newly established policy implementation	3.61	0.185
Majority (>50%) equity Joint venture newly established policy implementation	4.29	0.247
Majority (>50%) equity Joint venture established by acquisition policy implementation	4.35	0.366
Average	**3.46**	**0.216**

Source: Author (2015)

For the Joint ventures factors influencing foreign market entry strategy, the respondents strongly agreed that; majority (>50%) equity Joint venture established by acquisition policy implementation (mean=4.35). Majority (>50%) equity Joint venture newly established policy implementation (mean=4.29). They also agreed that equal (50%) equity Joint venture newly established policy implementation (mean=3.61), Equal (50%) equity Joint venture established by acquisition policy implementation (mean=3.56). However, they disagreed that a minority (<50%) equity Joint venture policy for established by acquisition is adopted (mean=2.59), and a policy for minority (<50%) equity Joint venture newly established is adopted (mean=2.41). Joint ventures was found to have a moderately important influence on the respondents foreign market entry strategy (mean=3.46).

4.3.5 Licensing and Franchising Strategies Adopted by Paint Manufacturers

The respondents were requested to indicate their level of agreement on relevant statements on Licensing and Franchising strategies adopted by paint manufacturers. The responses were rated on a five point Likert scale where: 5 stands for Very Important and 1 stands for Not Important. The mean and standard deviations were generated from SPSS and are as illustrated in Table 4.7.

Table 4.7: Licensing and Franchising Strategies Adopted by Paint Manufacturers

Licensing and Franchising	**Mean**	**Std Dev.**
Sole venture established by acquisition policy implementation	3.69	0.322
Sole venture newly established policy implementation	3.78	0.289
Licensing (of technology or company title to other companies)	4.11	0.325
The firm becomes Representative/liaison office	4.20	0.358
The firm forms Branch office/company	4.38	0.142
Average	**4.03**	**0.287**

Source: Author (2015)

Concerning Licensing and Franchising factors influencing foreign market entry strategy, the respondents strongly agreed that the firm forms Branch office/company (mean=4.38). Next was the firm becomes Representative/liaison office (mean=4.20). Licensing (of technology or company title to other companies) (mean=4.11), Sole venture newly established policy implementation (mean=3.78). Sole venture established by acquisition policy implementation (mean=3.69). Licensing and Franchising was found to have a very important influence on the respondents foreign market entry strategy (mean=4.03).

4.3.6 Turnkey-Contracting Strategies Adopted by Paint Manufacturers

The respondents were requested to indicate their level of agreement on relevant statements on Turnkey-Contracting strategies adopted by paint manufacturers. The responses were rated on a five point Likert scale where: 5 stands for Very Important and 1 stands for Not Important. The mean and standard deviations were generated from SPSS and are as illustrated in Table 4.8.

Table 4.8: Turnkey-Contracting Strategies Adopted by Paint Manufacturers

	Mean	**Std Dev.**
Turnkey contracting		
The manufacturer decides not to make any investment on their own behalf in the foreign country	3.66	0.213
Involve a contract for construction of facilities that are transferred for a fee to the owner when they are ready to commence operations	3.71	0.247
The firm agrees to handle every detail of the project for a foreign client, including the training of the personnel	4.09	0.223
Project alliance/partnering	4.15	0.116
Average	**3.90**	**0.200**

Source: Author (2015)

Finally, for the Turnkey contracting factors influencing foreign market entry strategy, the respondents strongly agreed that the Project alliance/partnering (mean=4.15). This was followed by the firm agrees to handle every detail of the project for a foreign client, including the training of the personnel (mean=3.71). The manufacturer decides not to make any investment on their own behalf in the foreign country (mean=3.66). Turnkey contracting was found to have an important influence the respondents foreign market entry strategy to a moderate extent (mean=3.90).

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides relevant discussion on the research objective from data processed in the previous chapter. This study sought to establish the market entry strategies adopted by paint manufacturers in Kenya entering the Foreign Market. From the discussions, conclusions and recommendations on the subject matter are made.

5.2 Summary

The directors, senior management, and marketing managers were found to be responsible for setting up marketing strategies for the paint manufacturer's organizations. The respondents are involved in making decisions regarding; the main methods of entry, requirements for foreign investment; local Content Decisions as a key: tariffs, classification, reduction of vulnerability as well as advantages and disadvantages of each. Others were; skills to build what new market needs, capital to build what new market needs, adaptability of business to new market- e.g. longer planning horizons, competition, similar companies, venture partners and existence of cross-border strategic alliances.

The host country environment is a key determinant of investment in relation to Foreign Direct Investment (FDI) market entry strategies. This was followed by the firm has acquired labour and land assets. The firm has acquired plant and equipment assets. The firm has established a physical presence abroad through acquisition of capital and technology assets. Finally, the company has transferred some of its managerial, financial, technical, trademark and other resources to the foreign country. Overall, Foreign Direct Investment (FDI) was found to have a very important influence on the respondents foreign market entry strategy. This concurs with Kioi (2003) study on FDIs found out that benefits derived from FDI's by host countries can be quite diverse and that the actual effect of FDI on the economic growth of the host countries may vary greatly from one country to the other.

In relation to mergers and acquisitions foreign market entry strategy, alliance/network with regional paint manufacturers has been formed was found to be the most important factor. Next was alliance/network with international paint manufacturers exists. There has been a partnership with local paint manufacturers. The firm has formed an alliance/network with owners. The market share usually is affected by market power. The firm has partnered with suppliers/subcontractors. Lastly, acquisition has been increasing because it is a way to achieve greater market power. Generally, mergers and acquisitions was found to have a very important influence on the respondents foreign market entry strategy after FDI.

With regard to Greenfield investments foreign market entry strategy, they study found out that they are applied if there are no competitors to buy or to transfer a competitive advantage that consists of embedded competencies, skills, routines, and culture. In addition, it needs establishing new operations, distribution networks (and they are implemented through planned physical capital-intensive plants. Taken as a whole, Greenfield investments was found to have an important influence on the respondents foreign market entry strategy. Similarly, Barret (2009) this strategy is attractive if there are no competitors to buy or to transfer a competitive advantage that consists of embedded competencies, skills, routines, and culture.

For the Joint ventures foreign market entry strategy, (>50%) equity Joint venture established by acquisition policy implementation was found to be the most important factor. Others were, (>50%) equity Joint venture newly established policy implementation, equal (50%) equity Joint venture newly established policy implementation and equal (50%) equity Joint venture established by acquisition policy implementation. Joint ventures was found to have a moderately important influence on the respondents foreign market entry strategy. Likewise Lambin (2007) observes that under this arrangement, a partnership between host- and home-country firms is formed, usually resulting in the creation of a third firm. This type of agreement gives the international firm better control over operations and also access to local market knowledge.

Concerning licensing and franchising foreign market entry strategy, the firm forms Branch office/company was found to be the most important factor. This was followed by the firm becomes Representative/liaison office, llicensing (of technology or company title to other companies), Sole venture newly established policy implementation and sole venture established by acquisition policy implementation respectively. Licensing and Franchising was found to have a very important influence on the respondent's foreign market entry strategy.

Finally, for the Turnkey contracting foreign market entry strategy, the Project alliance/collaborating was found to be the most important factor. The firm agrees to handle every detail of the project for a foreign client, including the training of the personnel and the manufacturer decides not to make any investment on their own behalf in the foreign country followed respectively. Turnkey contracting was found to have an important influence the respondents foreign market entry strategy to a moderate extent. Accordingly, Hill (2005) observes that in a turnkey project, the contractor agrees to handle every detail of the project for a foreign client, including the training of the personnel.

5.3 Conclusion

Based on the above findings the study drew various conclusions;

To begin with, the host country environment is a key determinant of investment in relation to Foreign Direct Investment (FDI) market entry strategies by the paint manufacturers. Secondly, forming alliance/network with regional paint manufacturers is important in the mergers and acquisitions foreign market entry strategy. Thirdly, greenfield investments foreign market entry strategy, are applied if there are no competitors to buy or to transfer a competitive advantage that consists of embedded competencies, skills, routines, and culture. Fourthly (>50%) equity Joint venture established by acquisition policy implementation is the most important factor in the Joint ventures foreign market entry strategy. Fifth forming firm branch office/company is the most important licensing and franchising foreign market entry strategy factor. Lastly, project alliance/collaborating is the most important for the turnkey contracting foreign market entry factor.

In general the study concludes that foreign direct investments is the most common foreign market entry strategy adopted by paint manufacturers. This is followed by mergers and acquisitions, licensing and franchising, greenfield investments, turnkey contracting and joint ventures.

The study has therefore achieved its objective by identifying the attributes that answer the research question. This study also concludes that environmental dependency theory offers the best explanation of the market entry strategies adopted by paint manufacturers in Kenya entering the Foreign Market.

5.4 Recommendations

Based on the findings, this study recommends that; the study recommend that paint manufacturers should continue investing in various foreign marketing strategies so as to meet the company objectives and mission.

It is also recommended that the company should study the marketing environment before adopting any strategy so as venture into the strategies, which best their company. Researching the market has a special vital significance because market research will suggest the enterprise to realize the need of the market.

After having results of market research, the enterprises could have exact decision to the manufacture planning. Moreover, the process of researching the target market will have to improve the operation of the next process. One of the most important objectives of the market research is to know the need and consume capacity of the products and the services of each enterprise.

Finally, the study recommends that in order to ensure competitive advantage in the foreign market, paint manufacturers should ensure that they have full knowledge of local operations in the industry, understand consumer behavior and preferences, generate proper and aggressive marketing strategies to attract and educate customers on their products and manage costs properly to ensure profitability that is sustainable in the long run.

5.5 Suggestion for Further Research

The researcher recommends that a replicate study be done on other manufacturing firms so as to find out what other manufacturing companies adopt as market entry strategies.

The researcher further recommends that a similar study be done on non-manufacturing firms for the purposes of benchmarking. In addition, a statistical regression model should be established to estimate the relationship between choices of market entry strategies.

5.6 Limitations

The limited nature of the sample used, which was drawn from the four main players in the paint manufacturing business, may not completely represent all the paint manufacturing companies in Kenya. Thus the findings of this study may not be entirely representative of the paint manufacturing in the entire county.

This descriptive research method used may limit the accuracy of the results that this study has shown. This is because market entry is not only useful at the time of entering the market but more so afterwards. There may be an effect on the results had the study used a longitudinal approach.

Most of the studies previously carried out about the same were in developed countries from which research instruments and measurements were adopted with modification. Thus the results of this study should be cautiously used.

The researcher used a sample of fourty-eight marketing managers and sales managers of the leading paint manufacturing companies in Kenya to obtain data from and generalize the findings as representing the whole population. This sample may not be fully representative of the population since more sales managers than marketing managers were selected.

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APPENDIX A: Questionnaire

1. Gender

Male [ ] Female [ ]

2. What is your age?

Below 25 [ ] 25-35 [ ]

36-45 [ ] Above 45 [ ]

3. What is your highest academic qualification?

A’ Level [ ] Graduate [ ]

Masters [ ] O’ Level [ ]

Primary level [ ]

4. How long have you been worked in this organization?

0 – 2 years [ ] 3 – 5 years [ ]

6 – 10 years [ ] Above 10 years [ ]

5. Who is responsible for setting up marketing strategies for the organization?

Directors [ ] Senior management [ ]

Marketing manager [ ] Other Employees [ ]

Others (specify) [ ]

6. Have you been involved in market entry decision issues?

Yes [ ] No [ ]

Please explain

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………

SECTION B: MARKET ENTRY STRATEGIES ADOPTED BY PAINT MANUFACTURERS IN ENTERING THE FOREIGN MARKETS

Which of the following organization specific factors influence your foreign market entry strategy with a five point scale (5 stands for Very Important and 1 stands for Not Important).

	5	4	3	2	1
Foreign Direct Investment (FDI)					
The firm has established a physical presence abroad through acquisition of capital and technology assets					
The firm has acquired labour and land assets					
The firm has acquired plant and equipment assets,					
The company has transferred some of its managerial, financial, technical, trademark and other resources to the foreign country					
Host country environment is a key determinant of investment					
Mergers and Acquisitions					
Acquisition has been increasing because it is a way to achieve greater market power.					
The market share usually is affected by market power.					
The firm has formed an alliance/network with owners					
The firm has partnered with suppliers/subcontractors					
There has been a partnership with a local paint manufacturers					
Alliance/network with regional paint manufacturers has been formed					
Alliance/network with international paint manufacturers exists					
Greenfield investments					
They are implemented through planned physical capital intensive plants					
They are applied if there are no competitors to buy or to transfer a competitive advantage that consists of embedded competencies, skills, routines, and culture					
It needs establishing new operations, distribution networks					
Joint ventures					

A policy for minority (<50%) equity Joint venture newly established is adopted					
A minority (<50%) equity Joint venture policy for established by acquisition is adopted					
Equal (50%) equity Joint venture newly established policy implementation					
Equal (50%) equity Joint venture established by acquisition policy implementation					
Majority (>50%) equity Joint venture newly established policy implementation					
Majority (>50%) equity Joint venture established by acquisition policy implementation					
Licensing and Franchising					
Licensing (of technology or company title to other companies)					
Sole venture newly established policy implementation					
Sole venture established by acquisition policy implementation					
The firm forms Branch office/company					
The firm becomes Representative/liaison office					
Turnkey contracting					
Involve a contract for construction of facilities that are transferred for a fee to the owner when they are ready to commence operations					
Project alliance/partnering					
The manufacturer decides not to make any investment on their own behalf in the foreign country					
The firm agrees to handle every detail of the project for a foreign client, including the training of the personnel					

Thank you for your input and cooperation!!