# FACTORS INFLUENCING INTERNATIONALIZATION OF OPERATIONS OF KENOLKOBIL KENYA COMPANY LIMITED

BY

WILLIAM WILLIS OTIENO ODHIAMBO



A RESEARCH PROJECT PRESENTED IN PARTIAL FULFILMENT FOR THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

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## DECLARATION

### STUDENT'S DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature:

..........................................................Date: 7/11/2012..........................................

**WILLIAM WILLIS OTIENO ODHIAMBO**

**REG. NO: D61/72794/2009**

### SUPERVISOR'S DECLARATION

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

Signature........................................................Date.....7-11-12...........................................

**MR. E. MUDUDA**

**LECTURER,**

**SCHOOL OF BUSINESS,**

**UNIVERSITY OF NAIROBI.**

## DEDICATION

To my beloved wife and the children for their love, understanding and support during my studies. To my parents and siblings for being there for me during my formation stages, friends and all those who supported me in the completion of this project writing.

Thank you and may God bless you abundantly.

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## ABSTRACT

The global market is increasingly becoming popular and gaining importance as a market and a base for internationally active organizations as well as those intending to go international. There was no known study that had been done on factors influencing internationalization of operations in organizations in Kenya, a knowledge gap. This study was a case study. The study also integrated qualitative methods. An interview guide was used to collect the primary data, through talking to respondents or interviewees and recording their responses.

The author noted that interviews are of two types namely: face to face and telephone interviews. The data was collected from the top management of KenolKobil. The data was collected from the holders of the following positions at KenolKobil, namely; Chairman & Group Managing Director, Group Exports & Regional Support Manager, Group Mergers and Acquisitions & Regional Support Manager, Group Trading & Supply Optimization Manager.

Use of Content Analysis was applied. The collected data was organized, categorised on their themes and relationships between the categories established for easy and accurate analysis. The Company has internationalized its operations in various countries as a result of strategic storage facilities and import economies of scale to cater for increasing demand. To defend or maintain its position in a particular business network, the firm had to become internationalized in its operations. This has been influenced further by government legislation, local market dynamics and international prices as well as competition, globalization, opening up of international markets, firm size and corporate culture of the firm.

The firm has realized its competitive advantage by developing mutually supportive interactions with other service firms and their customers. Policy-makers and practitioners could consider introducing initiatives that target resources and assistance to the firms that have the inclination as well as the ability to be exporters. The targets of the support should be the firms that have solid and long term business plan. The firms should pay attention to the domestic market and help them cultivate their customers and market since the brand market potential in domestic markets is much higher than foreign markets. Increased management involvement at all levels as a key driver in helping ramify quality management further across the firm.

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## LIST OF ABBREVIATIONS

| | |
|---|---|
| CEO | Chief Executive Officer |
| FDI | Foreign Direct Investment |
| HR | Human Resources |
| HRM | Human Resources Management |
| IET | International Entrepreneurship Theory |
| INV | International New Venture |
| MBOs | Management Buy-Outs |
| MNC | Multi-National Corporation |
| USA | United States of America |

# CHAPTER ONE : INTRODUCTION

## 1.1 Background of the Study

Internationalization of organization is a strategic concept that increasingly concerns the modern world, with many organizations in developed and developing world taking the opportunity to go international. The international supply chain has witnessed increase in exports and imports activities with great importance to the economy and it is important for companies to invest. There has been increased networking of suppliers, consumers, technology developers and researchers creating a higher degree of interdependence. These networks have been made possible due to costs reduction, competitive advantages, politics and changing markets among others.

According to Masum, & Fernandez (2008), internationalization is the process of availing goods and services to markets that are outside the country of origin or the country where the good are manufactured or the location of the company. Companies go international with an aim to compete for resources that are limited while depending on the global economy to provide them with the necessary market for their products. Internationalizing organizations must be in a position to deal with the rules and regulations that have been put in place in foreign countries that they operate, in addition to showing the ability to deal with the fluctuation of the currency and the conflicting policies.

Organizations, while going international, also need to consider their own internal structure. The role of governments of other countries that the organization needs to operate in and the mode of operation in the new foreign market also needs to be considered before internationalization undertaking. Similarly, political situations of the country and the labor availability should also be considered (Wells, 2001). It is worth noting that successful internationalization of organizations requires that an organization does several things that include and are not limited to; making a thorough analysis of the location, acquisition of the site for internationalization where possible, building of the brand and position of the firm in the local market, Managing the alliances or partnerships, having a clear and consistent focus on investment, and having a continuous management team to drive international growth.

### 1.1.1 Internationalization of Business Operations

Internationalization of business organization can be motivated by an organizations' environment forces, which could be either external factors or internal factors. The external factors which are influential in internationalization process are described by the factors outside the control of the firms. In other words, they represent the opportunities and threats of the firm. Ellis and Williams (1995) classify external factors into three level; Meta level, industry level and firm-specific level. Meta level factors are concerned with the changes in the broad environment including political, economic, ecological, social, and technological factors. Industry-level factor is competitive forces within the industry. Firm-specific factors could involve either a merger and or take-over resulting in change in ownership or shareholder pressure. The organization may not have much control over these factors despite their influence on the competitive strength of the organization.

### 1.1.2 Drivers of Internationalization

Why does a firm's management decide to go international? The first, maybe obvious, factor in going international is the same as it is for any business decision: determination and commitment to succeed. Management must want to go international and make a serious, determined commitment to identifying potential and to making the commitments and preparation necessary to succeed. In addition to wanting to do it, the firm must have the ability, the skill sets and other support necessary to succeed. At the outset of a program the majority of those resources might not be in-house, but they must be available to the firm in some form. The motives are often mixed and usually multiple. These motivational factors can categorized as proactive (aggressive) and reactive ( defensive) motives to go international.

The defensive or reactive reasons are considered the push factors that drive firms to engage in crossing national borders when firms perceive some difficulties in their business performances and try to maintain their profitability and competitive position in the markets. These difficulties include decreasing profits, market saturation in home or existing market, increasing costs of production and government regulations, and fierce competition (Wells, 2001). Conversely, the aggressive or proactive reasons are regarded as the pull factors that entice firms to move into foreign boundaries. They arise out of realized attractiveness and profitability of cross-border operations. These include the attractiveness in potential new-open markets, cheaper operating costs, and favorable incentive offered by host government.

The internal factors deal with the change within the organization and vision of the firms' executives i.e. risks aversion of the decision makers of the companies. These are strengths and weaknesses of the firm. According to Ellis and Williams (1995), they embrace organizational crisis, management succession, business performance and internal dissent. The international expansion of firms' activities should be largely seen within the context of the firms' attempts to maintain or increase their profit in an increasingly competitive, complex and uncertain or turbulent global environment (Doole and Lowe, 2008). To this extent, the reasons of cross-border expansion may be regarded as either defensive or aggressive or a combination of both.

### 1.1.3 Management Orientation/ Commitment to Internationalization

Management commitment has received great attention in the inter-organizational relationship literature but there is widespread debate and contention on what constitutes its key determinants, specifically in an import supplier context. Top management support is essential to the effective internalization of a company's operation. Top management provides a role model for other managers to use in assessing the salient environmental variables, their relationship to the organization, and the appropriateness of the organization's response to these variables. Top management also shapes the perceived relationships among organization components (Andersson, 2004).

The most challenging thing when implementing internalization is the top management's commitment to this strategic direction. In some cases top managers may demonstrate unwillingness to give energy and loyalty to the internalization process.Llack of commitment may become, at the same time, a negative signal for all the affected organizational members. Overall though, it is increasingly acknowledged that the traditionally recognized problems of inappropriate organisational structure and lack of top management backing are the main inhibiting factors to effective internalization strategy implementation (Dana and Wright, 2004).

To successfully improve the overall probability that the internalization strategy is implemented as intended, senior executives must abandon the notion that lower-level managers have the same perceptions of the internalization strategy and its implementation, of its underlying rationale, and its urgency. Instead, they must believe the exact opposite. They must not spare any effort to persuade the employees of their ideas (Bonaccorsi, 1992).

### 1.1.4 Proactive Motivation to Internationalization

The aggressive or proactive reasons are considered the pull factors that drive firms to engage in crossing national borders. They arise out of realized attractiveness and profitability of cross-border operations. These include the attractiveness in potential new-open markets, cheaper operating costs, and favorable incentive offered by host government.

Profitability is the strongest motivator. Management may perceive international sales as a potential source of higher profit margins or of more added-on profits. The second major motivator results from distinctiveness of the firm's products or from a unique technological advantage. The firm's offerings might face little competition in international markets or its proprietary technology may be one of a kind in a specialized field. Exclusive market information is another proactive stimulus. This includes knowledge about foreign customers, marketplaces, or market situations that are not widely known by other firms. Such special knowledge may be based on a firm's international research, special contacts, or simply being in the right place at the right time. Tax benefits are yet other factor that have historically also played a major motivating role. Many countries offer tax concessions to their firms in order to encourage export activities.

Another major proactive motivation is economies of scale. Becoming a participant in exporting activities may enable the firm to increase its output and therefore slide down more rapidly on the learning curve. Ever since the Boston Consulting Group showed that a doubling of output could reduce production costs up to 30 percent, firms have sought this growth. Increased production for the international market can therefore also help in reducing the cost of production for domestic sales and make the firm more competitive domestically as well.

### 1.1.5 Reactive Factors Motivating Internationalization

Firms act reactively as well as proactively, especially in the face of changes and pressures in the business environment. The defensive or reactive reasons are considered the push factors that drive firms to engage in crossing national borders when firms perceive some difficulties in their business performances and try to maintain their profitability and competitive position in the markets. These difficulties include decreasing profits, market saturation in home or existing market, increasing costs of production and government regulations, and fierce competition (Wells, 2001).

A prime form of such motivation is the reaction to competitive pressures. A firm may fear losing domestic market share to competing firms that have benefited from the effect of the economies of scale gained by exporting activities. Further, it may fear losing foreign markets permanently to domestic competitors that decide to focus on these markets. Similarly, overproduction can serve as a major motivation. In certain cases, during downturns in the domestic business cycle, foreign markets provided an ideal outlet for bloated inventories. Another major reactive motivation is proximity to customers and ports. Physical closeness to the international market can often play a major role in the export activities of a firm

### 1.1.6 Petroleum Sector in Kenya

Petroleum is the most important source of commercial energy. Petroleum fuels are imported in form of crude oil for domestic processing and also as refined products, and mainly used in the transport, commercial and industrial sectors. Fluctuations in international prices directly affect domestic prices. The petroleum sector in Kenya has been dodges with allot of challenges. The introduction stringent tax regimes by the Kenya Revenue Authority requiring upfront prepayment of 50% taxes on oil imports has worsened the situation in Kenya and its environment for the oil industry. 70% of the fuel that is sold locally are refined by the Kenya Petroleum Refineries Limited (KPRL) while the rest is imported as fully refined. The government has introduced the Open Tender System OTS, where all the crude oil imported is supplied by the same supplier so as to minimize costs and level the retail prices. Tenders are then invited from the oil companies to bid for the delivery and the company with the lowest bid automatically wins the tender. The winner imports the crude and has it discharged into KPRL tanks. The oil storage across the country has been a challenge to Kenya Pipeline Company as they do not have enough storage capacity to cater for the regional towns. However, the Kenya Pipeline Company is putting up mechanisms to deal with the challenge.

### 1.1.7 KenolKobil Kenya

The Kenol Kobil Group is Africa's fastest growing indigenous oil marketing conglomerate with an expansive investment portfolio spanning the entire Eastern, Central and Southern parts of the African continent. The Group consists of subsidiaries in seven

African countries including Kenya (Head Office), Uganda, Tanzania, Rwanda, Zambia, Ethiopia, Burundi and Zimbabwe/Mozambique.

The vision of the Kenol Kobil Group is to become the leading brand in Kenya and a major player in Africa. The objective of the Kenol/Kobil Group is to engage efficiently, responsibly and safely in the downstream oil marketing business in Africa. The Group seeks a high standard of performance with the aim to further the long-term benefits of its Shareholders, its Employees, its customers and the society it does business with. As a growing pan African oil marketing company, it has perfected business in the downstream sourcing and marketing of petroleum. It trades in both crude and refined petroleum products which include motor fuels, industrial oils, LPG, aviation fuels, lubricants and various other specialist oils.

Kenol previously operated in Kenya under a joint management arrangement with Kobil Petroleum Limited, where the two shared profits and expenses in certain areas of business. Kenya Oil acquired 100% of the shares in Kobil Petroleum ('Kobil') on 19 December 2007, after Kenol's 2007 financial year. The combined stronger balance sheet has given the group improved borrowing terms with financiers as well as enables a better negotiating platform with oil suppliers, thus resulting in improved earnings going forward. The acquisition of Kobil has given synergies to reduce administrative and overhead costs currently being shared by both companies.

## 1.2 Research Problem

The global market is increasingly becoming popular and gaining importance as a market and a base for internationally active organizations as well as those intending to go international. The international market is also composed of organizations that support the global economy because of their economical and technological importance. A look at the strategic management of international active firms reveal that investments being made in the world market are shaped by the current trends in internationalization of companies and the increased global competition as well as advancement in information technology (Wells, 2001). The internationalization process of organizations is recognized in various ways and it has received considerable attention from many scholars, academicians and business people in recent years. Companies have played a great role in the global economy in the recent years with many of them going international or at least having the idea of internationalizing their operations. Organizations that have expanded their operations to international markets use their diversification in the international market as an important tool for competitive advantage to achieve the much anticipated growth and profit maximization.

Companies internationalize because of many factors that include profit motives, costs minimization, diversification of the markets, search for new opportunities, saturated domestic market etc. The internationalization process of a firm involves many processes that are interlinked and the firm that wants to internationalize should always take these factors into considerations (Andersson, 2004). The factors include the knowledge on the market. the availability of resources, the strategies to be used and the market environment. It is important for a company to plan first before taking on an international assignment. Planning will help the organization not to make mistakes in its initiative. Despite the many motives of companies to internationalize and the advantages involved, there are obstacles that the company must overcome for successful internationalization.

Several research studies have been done on internationalization of organization: Kiilu (2007) did a study on perception regarding internationalization capability: a case of Architectural Consultancy firms in Kenya; Bidu (2008) did a study on the influence of political risk factors on the internationalization decisions of horticultural exporting firms in Nairobi while Ogot (2009) studied the factors influencing business internationalization in motor vehicle sector. There was no known study that had been done on factors influencing internationalization of operations in organizations in Kenya, a knowledge gap. What is the extent of internationalization of operations by Kenol Kobil Kenya Company Limited?

**1.3 Research Objectives**

The objectives of this research study were:

i. To determine the extent of internationalization of operations by KenolKobil Kenya Company

ii. To determine the factors influencing internationalization of operations of KenolKobil Kenya Company

### 1.4 Value of the Study

This study would be of great importance to the management of KenolKobil Company since it examines the factors influencing internationalization of operations at KenolKobil Company. The study would also important to Kenolkobil Company since it examines the extent to which the company's internationalization process has been undertaken. Many companies always start to venture into foreign markets without prior knowledge on the market and the climate in the new market. Also, many companies that fail on attempts to internationalize their operations do not know the right strategies to use nor the exact benefits the company is to get upon going international. This study would also be important to all those companies that would like to internationalize their operations because the companies would be equipped with the necessary knowledge for the exercise.

The government of Kenya would be enlightened in a bid to make policies relating to internationalization of operations. Through knowledge of the factors influencing internalization of operations in firms, the government can formulate policies to regulate and govern internationalization of firms.

To academicians and researchers, this study calls for continuous research to ascertain the actual situations rather than living on assumptions. The findings of this study therefore would prove useful to scholars and academicians who may wish to use them as a basis for further research on the subject of internalization of organizations.

# CHAPTER TWO : LITERATURE REVIEW

## 2.1 Introduction

Early literature on internationalisation behaviour concludes that the process involves a series of incremental "stages" where firms gradually become involved in exporting and other forms of international business. As they do so, they commit greater resources to the foreign markets and target countries that are increasingly "physically" distant. Although the number of stages differs, a common underlying assumption of the extent "stage" model is that firms are well established in the domestic market prior to developing international strategies. Despite the continued support for this model, there is no congruence between theory and practice (Andersen, 1993).

Recognition by scholars that internationalisation is affected by multiple influences has led to growing interest in contingency approaches. This view was articulated by Reid (1983), but did not attract much attention until recently. However, in the last decade Yeoh and Jeong (1995), Kumar and Subramaniam (1997) - among others - have developed contingency frameworks in the international business and exporting fields. In justifying this perspective, Kumar and Subramaniam (1997) argue that the existing literature has not devoted much attention to evaluating market selection and mode of entry decisions as interdependent decisions. Luostarinen (1979) also suggest that the range of the firms' internationalisation decisions, which include product decisions, market choice and entry modes, are made in a holistic way.

### 2.1.1 The Concept of Internationalization

Internationalization is the process of increasing involvement in international markets. The decision to go international is dynamic, and it is not susceptible to a one size fits all approach. Nevertheless, companies tend to follow certain patterns as they move beyond their own borders. During the past decades, with the dramatic development of economy and technology. international trade and internationalization continue to be a trend more and more popular to many enterprises. This phenomenon has many reasons, such as the reduced barriers that make it easy for firms to access new markets, the firm's continuous pursuit of cheaper resource, the increasing consumer requirements in the oversea market is also a pull factor for firms to launch their products or service to the foreign market (Doole and Lowe, 2008).

### 2.1.2 International New Ventures

Research in the last decade by many scholars has supported the recently emerged concept of "born global firms". The global firms are also known as "international new ventures". According to Bonaccorsi, (1992) these born global firms are called "committed internationalists". These "born global firms" tend to be smaller firms formed by active entrepreneurs and typically their offerings involve substantial value added products. The characteristic of these firms is that management adopts a global focus from the outset and embarks on rapid and dedicated internationalization. According to Knight and Cavusgil (1996), the emergence of such firms can be explained by recent trends such as advances in information and communication technologies, the increasing role of niche markets, and the growth of global networks, which are facilitating the development of mutually beneficial relationships with international partners.

These trends are increasingly exerting strong influence on small firm internationalization. What is also emerging from these authors' discussion of the 'born global' phenomenon, is that firms with 'an international vision from inception', or soon thereafter, (Oviatt and McDougall, 1994), present a substantive challenge to internationalization 'stage' theories and the notion of incremental internationalisation (Madsen and Servais, 1997). Indeed, divergent empirical results have led many authors to seek alternative frameworks to the internationalisation process models.

### 2.1.3 Transaction Cost Paradigm of Internalization

The internalization/transaction cost paradigm represents a generally accepted model in the international business field, with substantial empirical support especially in respect of the foreign direct investment (FDI) decisions of multinational enterprises. The paradigm has been applied to the early internationalization stages by Anderson and Coughlan (1987) who argued that integration of marketing and distribution functions may be preferred when the firm possesses specialized knowledge and when agents are difficult to find. However, McDougall et al. (1994) found that in some international new ventures, entrepreneurs did not make internationalisation decisions on the basis of lowest cost locations; and neither did they attempt to internalize activities to the point where the benefits of further internalization were outweighed by the costs. Furthermore, strategic alliances were found to be common for international new ventures even though the firms ran the risk of losing proprietary know-how through opportunistic partner behaviour.

Increasing interest has also been shown in network theory and internationalization. Coviello and Munro (1997) concluded that the internationalization process for small firms, especially the small software firms, could be enhanced by integrating the models of incremental internationalization with the network perspective. They suggested that this externally driven view of internationalization (the external web of formal and informal relationships) provides additional insights to the internally driven perspective of Johanson and Vahlne (1990). In the latter, the evolution of internationalization is based on managers' cognitive learning and competency development, which gradually increases through experience.

In a similar vein, Coviello and McAuley (1999) have argued that excessive attention has been paid to the merits of competing theories and models rather than to their potential complementarities. The latter authors conclude that firms internationalisation is best understood by integrating major theoretical frameworks. Bell and Young (1998) contend that the nature and pace of internationalisation is conditioned by product, industry and other external environmental variables, as well as by firm-specific factors.

There is need to further investigate firm- and industry-specific influences as particular 'critical incidents' may impact on firms' overall business strategies and market focus. Firms may also experience 'epochs' of internationalisation, followed by periods of consolidation or retrenchment, or they may be involved in particular 'episodes' that lead to rapid international expansion or de-internationalisation (Crick, 2002). These 'episodes' or 'epochs' may be triggered by environmental forces that impact on the strategies of domestic or overseas customers and other network partners, as well as those that directly influence the focal firm.

**2.2 Internationalization Process Models**

Very little has been done to relate business strategies being pursued by firms to their internationalisation process. Melin (1992) has highlighted the limited attention that has been paid to the link between 'internationalisation theory' and strategy issues at both conceptual and practical levels. The absence of linkages is perhaps most evident in relation to small firm strategies and internationalisation. In some respects this situation is surprising, given that Ansoff (1965) identifies new market development (i.e. internationalisation) as a viable strategy for rapid small firm growth in his product-market expansion matrix, as an alternative to developing new product/service offerings for the domestic market.

However, in other respects the lack of attention is less remarkable and may be partially explained by a number of factors. First, much of the early literature characterizes small firms' export behaviour as essentially unplanned and reactive, with firms responding to unsolicited orders or enquiries rather than pursuing proactive strategies (Bilkey and Tesar, 1977). Second, many of these contributions tend to regard international involvement as of secondary importance to domestic market activities and something that firms only consider once they have established a secure foothold in the home market. Thus, domestic and international developments are often viewed as diverse strategic solitudes, rather than complementary strategies for firm growth. Third, the financial and human resource constraints of smaller firms are well documented, as is an absence of formal planning (Carson et al., 1995). This "resource poverty." requires some very different management approaches' (Welsh and White, 1981), which often reflect the implicit, rather than explicit, nature of the process in small firms. In these circumstances, small firm internationalization is often considered to be ad hoc and export activity regarded as 'at best unplanned, reactive and opportunistic'.

Mintzberg (1973) observe that a major factor in the continued success and expansion of small firms is the strategic planning activity undertaken by CEOs and that strategy formulation is essentially a 'top-down' process. In this context, it should be recognized that the absence of an explicit and formal strategy does not equate to the lack of a strategic vision, whether or not this involves a global focus. It is suggested that strategic planning activity will become more formal and sophisticated over the life cycle of the business.

More recently, Welch and Welch (1996) have attempted to develop a longitudinal conceptual model to identify the interrelationships between the two streams of international business inquiry, that is, internationalization and strategic management. The authors stress the significance of the 'strategic foundations' (knowledge, skills and experience, networks, etc.) of the enterprise and its external environment, and identify planned and unplanned routes to internationalisation, with networking important in both. They conclude by calling for 'empirical studies that specifically focus on strategy and internationalisation process interconnections'.

Andersen and Kheam (1998) used a resource-based framework to explore the international growth strategies of small- to medium-sized Norwegian exporting firms. Product-market expansion matrix is used to classify alternative growth strategies vis-a-vis market penetration, market development, product development, and diversification growth. Julien et al. (1997) also proposed a typology of the strategic export behaviour of firms based on their case study research. In addition, the importance of the wider business strategy context in internationalization is implicit in a number of other studies. For example, Coviello and Munro (1997) identify issues such as product diversification and acquisition as influences in international development. Additionally, Bell's (1995) study showed examples of software companies that followed clients into international markets or sought to be acquired in order to sustain domestic and principally international growth.

The increasing interest in 'born global' firms is important in this context too, since for such companies the key business strategy of the firm is rapid and dedicated internationalisation. This phenomenon suggests that many firms no longer regard international markets as 'simple adjuncts to the domestic market', but that business strategies are developed from the outset with global markets in mind. Boter and Holmquist (1996) compared cases of traditional manufacturing (engineering) firms with innovation-oriented small firms. The former were integrated into the manufacturing systems of large companies, subcontractors and customers; operated with a production-oriented culture; had a local rather than global focus; pursued a stepwise international expansion; and were often family-owned. The latter were much more dynamic, independent, globally focused firms that internationalized rapidly, with a lower orientation towards the domestic market.

Thus, extant research suggests that a greater understanding of both the domestic and international behaviour of smaller firms is still required. Moreover, critical interrelationships between domestic and export activities also need to be explored within the context of the firms' overall business strategies. The present study seeks to address this and provide additional research and public policy support perspectives on these linkages. The specific objective of the enquiry is to explore the interrelationships between overall business strategy and internationalization. A number of key issues to be empirically investigated in depth and include: Firms' initial business strategies, growth objectives and international orientation; The stimuli which influenced the choice of strategies and subsequent operational decisions; The role of internationalisation in the overall business strategy of the firms.

There have been very many theories addressing internationalization of firms in different ways. Adam Smith talked of absolute advantage basing on the classical economics thought, while David Ricardo came up with his argument that Adam Smith was not right and came up with competitive advantage. However, not all theories are applicable to the case of internationalization of organization but they compliment each other in enabling one understand internationalization of firms (Masum, & Fernandez, 2008).

### 2.2.1 The Uppsala Internationalization Process Model (U-Model)

The Nordic incremental school put forward the U-model. The theory was first developed by Wagner, (2009) as they were studying Swedish firms. In their model, they observed that firms internationalized by following a series of incremental steps (establishment chain). This theory was refined later and it puts its focus on four aspects that a firm should encounter as it internationalizes. These include the knowledge of the market and commitment, commitment to making decisions, current activities that are divided into stages and change aspects (Wagner, 2009, p. 318).

This theory assumes that the knowledge of the market and the commitment to the market affects the decisions to commitment and the way decisions on current activities are formed. This will in turn change the knowledge on the market and the commitment to be accorded to the market. The commitment of resources in foreign markets affects the knowledge of the company about foreign market (De Wit, 2002). Step by step growth means that organizations begin their internationalization process in the markets that are near and have less psychic distance. Psychic distance refers to the factors like cultural differences, language differences, and political systems etc. Firms that do not have export links with the market will begin exporting products to the market through an agent or they can also enter the market through joint ventures and other modes (De Wit, 2002).

### 2.2.2 Network Theory

The first theory of U-model has received challenges from network theories in recent years. Network theory argues that today's modern organizations do not exhibit incremental (step-by-step) process of internationalization but rather, they internationalize faster through the help of the resources of networks partners (Mitgwe, 2006). As defined by Masum, & Fernandez, (2008), a network is a set of two or more interconnected business relationships in which business organizations relate to each other by exchanging things like information, ideas and goods.

According to Andexer, (2008), networking is a source of information about the market and knowledge which are acquired in the long term when there is no relationship with the host country. Thus networks act as bridging mechanisms for internationalization. The network theory put its emphasis in the ability of parties involved coming closer using information acquired by the firm through an establishment of a close relationship with customers, suppliers, distributors etc. the relationship created is based on mutual trust, commitment in the market and knowledge on the market (Mitgwe, 2006).

According to (Andexer, 2008), in foreign markets, firms usually establish and develop their position in the market in relation to their competitors. Before internationalization, firms involve themselves in domestic networking to establish relationship in a foreign country. The position of the company in a local network is important since it shows the ability of the company to mobilize resources in the network. Thus all firms are related to other firms whether local or international. The company coordinates its operations with the other actors in the market in a manner as to make profit from the activities and relations. Coordination in the market comes from the interaction of the firms in the network with price being one of the major factors influencing decisions. It is hard to imitate the ties that result from the network of a firm. The ties affect the organization in three ways which are referrals, timing and making available the information to the company (Masum, & Fernandez, 2008).

There is no doubt that network relationships with partners (both direct and indirect) offer helpful new insights and require to be incorporated into models or frameworks of small firm internationalisation. However, the cause and effect relationships are not yet totally clear. Indeed, it might be argued that networks provide mechanisms to overcome resource deficiencies, rather than being drivers of internationalisation per se.

### 2.2.3 International Entrepreneurship theory (IET)

This theory is about the trend and behavior observed internationally concerning entrepreneurship with a major focus on how companies discover, enact, analyze and exploit opportunities in the production of goods and services. According to Masum, & Fernandez (2008), entrepreneurship is one of the most common forms of internationalization as the entrepreneur has the knowledge on how to measure the opportunities in the market with the ability to create relationships that are stable with other organizations, consumers, suppliers and contractors in the market. The entrepreneur should be objective and a risk taker and should be able to commit resources in a more efficient manner in order to attain competitive advantage for the company. In this theory, the entrepreneur needs to seek opportunity in other countries and exploit any new opportunities that may arise in the market (Sauvant, Mendoza, & Irmak, 2008).

## 2.3 Drivers of Internationalization

Companies go international for reasons that vary from one organization to another. Some believe that the global economy offers better economic value than the local economy. Many organizations internationalize with the motive of increasing the profits of the company and reduce costs. This objective of an organization to internationalize can be realized if the company can access a large market and utilize the opportunities in the market so that it can benefit from economies of scale and large scale production. These economies will help the company reduce its costs and increase its revenue (Sauvant, Mendoza and Irmak, 2008). Firms would be attracted to growth economies geared by the fact that consumers in the country will have the ability to gain purchasing power with time and the products of the company will be bought at an increasing capacity. Sometime firms are pushed by a band wagon effect, a situation whereby the company decides to venture into the global market because its competitors in the industry or other industries are doing it. Such kind of internationalization might be good for the company if it uses the opportunity well and maximizes on the potentials available. Many organizations have become aware of the potential capability of gaining much revenue from the world market. Therefore, organizations attack their competitors using revenue earned from foreign markets in order to protect the local market that is more competitive.

The costs of manufacturing are driven by flexibility, quality of products, responsiveness of customers, required skills and the control processes (Sauvant, Mendoza, & Irmak, 2008). Labor costs are no longer given much consideration in the choice of locations of an organization. Therefore, companies internationalize because of low costs experienced in other international markets apart from local market.

### 2.4 Advantages of Internationalization in Emerging Markets

There are several advantages that can be realized by the organization internationalizing in emerging markets. The advantages will only be realized if the motive to internationalize and the strategies that were used were right. Otherwise, the company will not realize any advantages but rather it may be driven out of competition in the market. The following are some of the advantages that can be realized by companies due to internationalization:

Increased profit margins. Companies must make products that are of value to the customer for the company to make any meaningful profit. Accordingly, a firm can increase their profit by adding the value of the products that they produce and sell out to consumers and by lowering costs. Increased value of a product makes customers pay more for the product (also called product differentiation). The value of a product can be added by increased quality of the product.

Reduced costs of production. Firms minimize costs in order to increase their profit margins. Organizations can reduce their cost of productions by engaging in activities that can lower their costs of production like internationalization and operating in low costs markets. Effective production of goods and services reduces costs, while increasing value of a product of a firm through high quality that will facilitate premium pricing and increased revenue.

Enlarged market. Internationalization exposes the company to a large and diversified market. The large market enables the company to manufacture products in large scale. If the company produces high quality products, then it will be in a position to enjoy the large share of the market that will not only enable the firm to produce goods in large scale but also enjoy economies of large scale production.

These are economies that are realized when a company is carrying out its production activities on large scale. The large consumption of the company's products puts pressure on the company to produce in large scale and at a lower cost. Internationalization exposes a company to an enlarged and diversified market that enables it to produce in large scale and at a lower cost thus making more profit.

Internationalization also offers an organization other opportunities to venture into other types of businesses. The opportunities that are available to an organization will depend on the competitiveness of the market and the diversity of the market.

**2.5 Internationalization of Operations and Performance**

In recent years, studies on how international operations of enterprises affect their performance have received extensive attention. During the international initial period, with the incremental internationalization, enterprise performance declines and geographic diversification increases. There is a positive relationship between International operations and business performance, and then at a very high degree of internationalization, with the increasing degree of internationalization, business performance decreases. The study of Hoskisson and Ireland (1994) shows that: At the beginning of the internationalization, it has the positive impact on business performance. With the in-depth of the internationalization, multinational operating costs have continued to increase. Its impact gradually reduces, at last to a negative, namely, internationalization result in an inverted U-effect on business performance.

Globalization has increased the urgency to internationalize operations by firms. Globalisation has led to markets being increasingly integrated in terms of tastes and preferences, market liberalisation, and advances in information and transport technology. These have in turn opened up new business opportunities for firms. On the other hand, globalisation has brought new challenges to firms all over the world and Kenyan firms are no exception. It has brought about amongst other things, increased competition by opening up the local market to new entrants both from within the borders and outside. This has caused profit margins to decline. This has also caused the local firms to loose the benefit they derive from the economies of scale. “Internationalization” can be perceived as a prerequisite for survival or an opportunity to exploit existing competitive advantage in new markets. Thus to firms, being a global company guarantees survival, internationalisation is a means to growing faster (Dhanaraj and Beamisch, 2003).

This therefore has increased the desire by firms to diversify their markets by internationalizing their operations through exporting and other forms of foreign participation in order to survive the onslaught by competitors. Companies in the countries of the Asian sub-continent adopted this approach early; hence the emergence of the many firms from the region is being witnessed in the past few years. On the other hand, there has been no significant level of internationalisation witnessed among the Kenyan firms especially the petroleum companies. Again, while exporting is now one of the fastest growing economic activities essential for both nations and firms, there are few indigenous firms that have fully internationalized its operations. On the other hand, for those that have internationalized, the paths and the business strategies which they used in their quest for internationalisation are not clearly understood.

The strategy is the way by which a firm fulfills its mission and attains its objectives. According to Brandenburger & Stuart, the essence of strategy lies in creating favorable asymmetries between a firm and its rivals. According to Barney (1997), Strategy is a pattern of resource allocation that enables firms to maintain or improve their performances. A good strategy neutralizes threats, exploits opportunities, capitalizes on strengths and/or fixes weaknesses. According to Porter, a company can outperform rivals only if it can establish a difference that it can preserve.

Strategy can also be said to be a broad program and goals that help an organization to achieve success. As well it can be defined as the match between organization resource and skills, the environmental opportunities and risks it faces and the purposes it wishes to accomplish (Schendel and Hofers, 1979). The external environment of a firm which comprises the whole range of economic, social and ecological factors is changing rapidly and it is important for an organization to constantly adapt its activities to reflect its new requirements of the environment. The changes in the environment constantly influence what these organizations do, since they have to constantly adjust to them to remain successful. David (1999) articulates the view that an environment that constantly upsets a plan, demands for more planning and constant monitoring to keep the organizational performance ready to respond to environmental changes. Thus strategy becomes the mediating force between the organization and the environment.

### 2.6 External Factors Influencing Internationalization of Operations

There are advantages associated with viewing the firm as part of a network(s). From a resource-based perspective, being part of a network provides firm with external tangible and intangible resources that aid internationalization (Dana, 2001). The inter-firm relationships influence the choice of foreign market and also the mode of entry. Networks also link small and large firms in a mutually gainful relationship for venturing abroad (Dana and Wright, 2004). Few organizations find it difficult to sell their products overseas despite local support. Barriers to internationalization are overcome when a large firm links local to global with the smaller firm becoming a supplier to the large firm (Le Gale's et al., 2004). Similarly, ACS et al. (1997) suggest larger firm can become channel for international activity of organizations by providing them design, quality, technology support and possibly brand name. Organizations may also be pulled into overseas markets under condition when their domestic customer ventures abroad. Some firms internationalize when one of their partner organization enters into a contract to serve foreign buyers. Organizations can build upon their social capital by joining networks which cannot be done independently.

Firms' timing of entry in the overseas market distinguishes between traditional and new internationalization studies. As per the latter studies, international new venture (INV) theorists question the stage model theory, and suggest that many new firms internationalize since the inception of their business (Autio et al., 2000). INVs are firms that, from inception, derive superior competitive performance from the sale of product to many countries.

### 2.6.1 The Pull Forces

This theoretical construct consists of a set of forces (or drivers), usually in the environment and external to the firm, which enhance the firm's competitiveness or provide attractive incentives for it to internationalize. These, for example, attract the firm by providing incentives, or pull the firm by signifying the benefits of larger and richer international markets. This view is reinforced by the firm's perception that it may possess the capability of matching its supplies (or capabilities) to the market demands (or requirements) in light of its enhanced perception of abilities due to favourable contributions from both the push and pull factors.

Pull factors may also manifest in terms of providing incentives that entice, if not enable, the firm to internationalize. They may also make the process cheaper, easier and/or taster. Kirzner (1979) spoke of an entrepreneur observing the opportunity for "arbitrage" across the street and responding to the "opportunity" by buying cheaper on one side of the street and selling on the other side. International and domestic markets are analogous to the "two sides of the street". Practically, they alert the internationalizing firm to see through the mountain of ordinary data (e.g., a range of various market prices) and to extract valuable information about the opportunity (i.e., the higher price on one side of the street with little to no associated cost differential on the other) and to respond to the opportunity by a simple arbitrage across the street by simply buying on one side (e.g., domestic market) and then selling to the other side (e.g., international market). The extant theory provides numerous examples of such attractions impacting the firm's assessment directly or indirectly (Doole and Lowe, 2008).

### 2.6.2 Firm Size

Researchers indicate that the probability of international activity increases with firm size. It has been argued that international expansion requires a great deal of resource commitment by the expanding firm. It is indicate that the larger a firm becomes, the greater its ability to effectively engage in export activity, and that larger firms appear to be better suited to absorb the risks associated with internationalization. However, resources must be viewed not only in terms of financial capital. Bonaccorsi (1992), studying Italian exporting manufacturers, found a positive relationship between the number of employees of a firm and their propensity to export. Thus, human capital reduces a firm's risk of failure through the increased probability of employing those with skills necessary to internationalize.

### 2.6.3 Competitive Advantages

A firm's perceived competitive advantages directly influence management's attitudes toward global expansion. Their proposition that, when a manufacturer is aware of the unique assets it possesses, it is more likely to search for wider exploitation of its competitive advantage is supported by other researchers (Doole and Lowe, 2008). These advantages translate directly into superior marketplace performance and financial performance for the firm. Having advantages over competitors in terms of unique resources and distinctive skills allows firms to exploit these advantages in the open market and realize greater profits than would otherwise be attainable.

## 2.7 Internal Factors

Some researchers have studied the relationship between firm's internationalization process or performance and firm's internal factors as well as external environments.

Some of the internal factors can be relatively easy to grasp and control. The three internal factors influencing internationalization of operations are firm's entrepreneur, corporate culture and the way of human resource management.

### 2.7.1 Entrepreneur and Internationalization

Although issues of entrepreneur and internationalization of firms have been studied respectively for long, attentions paid to the relationship between entrepreneur and internationalization of firms are increasing in the recent years. Earlier studies regard entrepreneurs as the most important decision makers who have the ability and with international attitude to identify the business opportunities; meanwhile their experiences and personal network also play important role when carrying out the strategies of internationalization. Further more, in some of the studies, the important role of entrepreneurs is analyzed and a positive relationship between international development and the entrepreneur's international attitude, motivation, orientation, experience and network was found (Andersson, 2004).

Studies have identified three different types of entrepreneurs, which are the technical entrepreneur, the marketing entrepreneur and the structure entrepreneur. Respectively, firstly, the technical entrepreneurs mainly focus on technology. These international activities do not acquire fully owned subsidiaries and the industry structure for markets with new products is mainly emergent or growing. Secondly, the marketing entrepreneurs mainly focus on looking for a need in the market and have ideas of how to fill this demand. They considered the market channels and brands are more important than the products. This type of entrepreneur is proactive in internationalization process and willing to develop new international ventures and choose establishment model. Markets chosen are depending on the personal preference and network is important. Thirdly, the structure entrepreneur acts in mature industries and the strategy is implemented at the cooperate level. This type of entrepreneur is trying to restructure the company and industry by combining organizations. From this perspective, the internationalization is not separate but a consequence of the overall strategy (Andersson, 2004).

### 2.7.2 Corporate Culture and Internationalization

As corporate culture can influence the business performance of certain company, some researchers consider the corporate culture as a spiritual driving force which could promote enterprise to internationalization and development. In addition, corporate culture would be a kind of intangible asset of organization, and building a good corporate culture would be a way to attracting international talent for firm (Wells, 2001). Building a good corporate culture could result into the following four effects in an organization: it is a source of inspiration for attracting international talent; creates a harmonious environment for international talent; encourages international talents to achieve their personal values and shapes the corporate image which tends to attract international talents

### 2.7.3 Human Resources Management (HRM) and Internationalization

With the increase in internationalization in recent years, the growth of multinational companies has a great impact on HRM. Relating HRM to organizational internationalization process, Bratton and Gold (1999) made a distinction between international HRM and comparative HRM. They mentioned that the majority of international HRM research has focused on issues associated with the cross-national transfer of people, and in their view, international HRM is a comparative HRM with a growing interest in globalization of business. Consistent with international business, HRM could be made up of two forms: 1). Formulating and implementing HR policies and activities in the home-office headquarters of multinational companies. The responsibilities include selecting, training, and transferring parent-company personnel abroad, and formulating HR policies for its foreign operations; 2). Conducting HR activities in the foreign subsidiary of a multinational corporation (MNC), which means local HR practices are often based on the parent firm's HR policies (Andersson, 2004).

As many existing studies mentioned, the employee who has the right skills would be beneficial for organization to perform the missions effectively, so that the employee selection is important. Most researchers advocated HR managers to apply some tests to estimate the candidate who has the relevant and better abilities, such as intelligence tests, personality tests, interest tests and so on. HR managers should also be sensitive to local custom and expectations when organization enters the international selection and training area (Lee and Slater, 2007). In another aspect, when implementing the HR practices in

MNC, communication plays a major role. It is considered the glue to hold organization together. It is a held viewpoint that for avoidance the misunderstanding from differences in language, values, attitudes and beliefs, communication is significant and necessary, especially in cross-cultural issues.

# CHAPTER THREE : RESEARCH METHODOLOGY

## 3.1 Introduction

Research methodology is a general approach to studying a research topic. It is the framework underlying the strategy of a research. This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. Therefore in this section the researcher identified the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections were included; research design, target population, sample size sampling design, data collection, validity and reliability, data analysis and ethical considerations.

## 3.2 Research Design

Research design is the basic plan that indicates an overview of the activities that are necessary to execute the research project. Research design provides an operational frame within which the facts are placed, processed through analyzing procedures and the valuable research output is produced. A research design is the scheme, outline or plan that is used to generate answers to research problems. Further, a research design is the structure of the research, it is the "glue " that holds all the elements in a research project together.

This study was a case study. This design enabled the researcher to investigate the factors influencing internationalization of operations at KenolKobil Company. The study also integrated qualitative methods. Qualitative research method deals with non-numerical data and emphasizes words rather than quantification, and was applied when analyzing data from the interview guides (Mugenda and Mugenda, 2003).

### 3.3 Data Collection Procedure

Primary data was used in this study. According to Ochola (2007), primary data refers to what is collected directly by the researcher for the purpose of the study. An interview guide was used to collect the primary data, through talking to respondents or interviewees and recording their responses. The author noted that interviews are of two types namely: face to face and telephone interviews. Face to face interview is a method which the investigation follows a rigid procedure and seeks answers to a set of pre-conceived questions through personal interviews. The data was collected from the top management of KenolKobil. The data was collected from the holders of the following positions at KenolKobil, namely; Chairman & Group Managing Director, Group Exports & Regional Support Manager, Group Mergers and Acquisitions & Regional Support Manager, Group Trading & Supply Optimization Manager.

### 3.4 Data Analysis

Data analysis is the process of bringing order, structure and meaning to the mass of information collected. Qualitative data analysis seeks to make general statements on how categories or themes of data are related. In order to analyse the concept of internationalization of operations at KenolKobil, use of Content Analysis was applied. The collected data was organized, categorised on their themes and relationships between the categories established for easy and accurate analysis.

Content Analysis is "a research technique for the objective, systematic, and quantitative description of manifest content of communications". Content analysis is a research tool focused on the actual content and internal features of media. The researcher then used conceptual analysis method to evaluate and analyze the data to determine the adequacy of information, the credibility and usefulness of information in answering research questions and achieving the objectives of the study. Content analysis enables researchers to sift through large volumes of data with relative ease in a systematic fashion.

# CHAPTER FOUR : DATA ANALYSIS, RESULTS AND DISCUSSIONS

## 4.1 Introduction

The purpose of this study was to establish the factors influencing internationalization of operations of KenolKobil Kenya Company Limited. Having identified the problem of study in chapter one, reviewed existing literature and shown gaps of knowledge in chapter two, chapter three explained the methods that the study used to collect data. This chapter presents analysis and findings of the study as set out in the research methodology. The data was gathered exclusively from an interview guide as the research instrument. The interview guide was designed in line with the objectives of the study. To enhance data quality of data obtained, unstructured questions were used whereby interviewees indicated their views and opinions about the factors influencing internationalization of operations of KenolKobil Kenya Company Limited.

## 4.2 Demographic Information

The study sought to establish the factors influencing internationalization of operations of KenolKobil Kenya Company Limited. As such the study targeted the top management staffs working in the Company. On the designation of the interviewees in Kenol Kobil Limited, the study found that the interviewees were drawn from the Trading Manager (DSM), Chairman & Group Managing Director, Group Exports & Regional Support Manager, Group Mergers and Acquisitions & Regional Support Manager and Group Trading & Supply Optimization Manager.

The interviewees were required to indicate the length of time they had been working in the Organization. Majority of the interviewees had been working with the organization for a period of 5 to 10 years, while a few of them have been working at the KenolKobil for less than 5 years and others more than 10 years such as 12 years and 11 years.

### 4.3 Internationalization of Operations

The study sought to establish the interviewees' opinion on whether the organization has internationalized its operations. All the interviewees unanimously agreed that the Company has internationalized its operations. Upon indicating that their Company has internationalized its operations, they were required to indicate the extent to which the Company has internationalized its operations. The interviewees indicated that the Company has established 9 subsidiaries within Eastern, Southern and Central Africa in its efforts to internationalize its operations.

On the various countries that the organization has internalized its operations into, the interviewees reiterated that KenolKobil has internationalized its operations to Kenya (serving as the Head Office), Uganda, Tanzania, Zambia, Rwanda, Ethiopia, Burundi, Zimbabwe, Mozambique, and Democratic Republic of Congo. Further, the interviewees were requested to indicate the drivers of internationalization of operations at KenolKobil Limited. They recapped that strategic storage facilities and import economies of scale to cater for increasing demand are the drivers of internationalization of operations at KenolKobil Limited.

The interviewees were required to indicate the benefits that the organization has realized from internationalization of its operations. The interviewees recounted that the Company has realized higher sales volumes and margins, higher market reach and consequently higher profits.

## 4.4 Factors influencing Internationalization of Operations

On the external factors that influence internationalization of operations of KenolKobil Limited, the interviewees indicated that government legislation, local market dynamics and international prices are the main factors that influence internationalization of operations of KenolKobil Limited. Other factors cited include competition, globalization and opening up of international markets.

The study sought to establish the interviewees' opinion on whether firm size is a factor in influencing internationalization of operations of KenolKobil Limited. The interviewees overwhelmingly agreed that firm size is a factor in influencing internationalization of operations of KenolKobil Limited where they explained that firm size factor affects internationalization endeavors depending on the market segment targeted i.e. downstream v/s upstream.

On whether the company enjoys a competitive advantage on internalizing its operations, all the interviewees indicated that indeed the company enjoys a competitive advantage on internalizing its operations. The interviewees were further required to indicate the internal factors that influence internationalization of operations of KenolKobil Limited. They reiterated that company objective and vision/mission, other policies, organizational culture and structure influence the internationalization of operations of KenolKobil Limited.

On whether corporate culture influence internationalization of operations of KenolKobil Kenya Limited the interviewees unanimously agreed that corporate culture influences internationalization of operations of the firm. On whether internationalization of KenolKobil Kenya Limited influences its performance, the interviewees opined that it actually affects performance. They explained that the internationalization of KenolKobil Kenya has given the group access to more storage capacity, a wider market and subsequently better margins as well as the exposure to better financial services due to the sheer size of the cash outlay that the expanded business demands.

### 4.5 Discussion of the Findings

Internationalization is the process of designing and building an application to facilitate localization. The international strategy consists of core competencies, competitive advantages in home country and in host country, strategic decisions: what, when, where, how, international operations: pre-entry – entry-growth, repositioning and performance. Today's applications are marketed to a global audience. From the study, the organization has internationalized its operations. The choice of country for business development was proximity to the country chosen as market, proximity may have been a popular factor due to less transportation costs. The government legislation, competition, globalization and opening up of international markets, local market dynamics and international prices are the main factors that influence internationalization of operations of KenolKobil Limited.

The study further established that firm size is a factor in influencing internationalization of operations of KenolKobil Limited and it affects internationalization endeavors depending on the market segment targeted i.e. downstream v/s upstream. This phenomenon confirms the findings by Doole and Lowe (2008) that the reduced barriers that make it easy for firms to access new markets the firm's continuous pursuit of cheaper resource, the increasing consumer requirements in the oversea market is also a pull factor for firms to launch their products or service to the foreign market.

The Company has realized higher sales volumes and margins, higher market reach and consequently higher profits. Internationalization is the process of increasing involvement in international markets. Firms that internationalize enjoy a competitive advantage on internalizing its operations. According to Knight and Cavusgil (1996), the emergence of such firms can be explained by recent trends such as advances in information and communication technologies, the increasing role of niche markets, and the growth of global networks, which are facilitating the development of mutually beneficial relationships with international partners.

The company objectives and vision/mission, other policies, organizational culture and structure were found to influence the internationalization of operations of KenolKobil Limited. Some of the internal factors can be relatively easy to grasp and control. The three internal factors influencing internationalization of operations are firm's entrepreneur, corporate culture and the way of human resource management. Markets chosen are depending on the personal preference and network is important. International activities do not acquire fully owned subsidiaries and the industry structure for markets with new products is mainly emergent or growing.

Firms believe that the global economy offers better economic value than the local economy. The study findings show that corporate culture influences internationalization of operations of the firm. Internationalization of KenolKobil Kenya Limited influences its performance. It has given the group access to more storage capacity, a wider market and subsequently better margins as well as the exposure to better financial services due to the sheer size of the cash outlay that the expanded business demands. According to Sauvant, Mendoza and Irmak (2008) firms would be attracted to growth economies geared by the fact that consumers in the country will have the ability to gain purchasing power with time and the products of the company will be bought at an increasing capacity.

Firms that internationalize their operations customize their products to suit foreign market, this is the most popular product strategy used by the businesses, and the businesses also used new products as a product strategy. Good quality practices resulting in the improvement of internal performance will lead to the improvement of external performance, such as competitive market position, profitability, and customer satisfaction. The interaction between employees and other employees as well as with customers was felt to be important. These combine in the need to be valued by the employer and customer alike as well as technical factors relating to pay, conditions and systems of promotion and career development, the need for high quality training was recognized as essential in sustaining motivation and morale. These, along with adequate technological, resource and staffing support to allow service innovation and development, were identified as important motivating influences.

A firm's perceived competitive advantages directly influence management's attitudes toward global expansion The Company has realized competitive advantages as a result of the internationalization endeavors. According to the literature reviewed, there are several advantages that can be realized by the organization internationalizing in emerging markets. The advantages that can be realized by companies due to internationalization increased profit margins, reduced costs of production, enlarged market and being a global company guarantees survival, internationalisation is a means to growing faster (Dhanaraj and Beamisch, 2003).

# CHAPTER FIVE : SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to determine the extent of internationalization of operations by KenolKobil Kenya Company and to determine the factors influencing internationalization of operations of KenolKobil Kenya Company.

## 5.2 Summary of the Findings

The study found that the Company has internationalized its operations in 9 subsidiaries within Eastern, Southern and Central Africa in its efforts to internationalize its operations. The strategic storage facilities and import economies of scale to cater for increasing demand are the drivers of internationalization of operations at KenolKobil Limited.

The study further found that among the factors that influence internationalization of operations of KenolKobil Limited are government legislation, local market dynamics and international prices as well as competition, globalization and opening up of international markets. Firm size is also a factor that influences internationalization of operations of KenolKobil Limited as it affects the market segment targeted.

From the study, the company enjoys a competitive advantage on internalizing its operations. Further, internal factors such as company objective and vision/mission, other policies, organizational culture and structure influence the internationalization of operations of KenolKobil Limited.

The study further established that corporate culture influences internationalization of operations of the firm. The internationalization of KenolKobil Limited influence its performance. This has given the group access to more storage capacity, a wider market and subsequently better margins as well as the exposure to better financial services due to the sheer size of the cash outlay that the expanded business demands.

## 5.3 Conclusions

The study concludes that the Company has internationalized its operations through various countries as a result of strategic storage facilities and import economies of scale to cater for increasing demand. To defend or maintain its position in a particular business network, the firm had to become internationalized in its operations. This has been influenced further by government legislation, local market dynamics and international prices as well as competition, globalization, opening up of international markets, firm size and corporate culture of the firm. As such its clear that domestic environmental context on internationalization as well as external environment, such as the governmental policies, are influential for the internationalization.

The study deduces that the firm has realized its competitive advantage by developing mutually supportive interactions with other service firms and their customers. This has led to group gaining access to more storage capacity, a wider market and subsequently better margins as well as the exposure to better financial services due to the sheer size of the cash outlay that the expanded business demands.

## 5.4 Recommendations

The study recommends that policy-makers and practitioners could consider introducing initiatives that target resources and assistance to the firms that have the inclination as well as the ability to be exporters. The targets of the support should be the firms that have solid and long term business plan. Moreover, rather than encouraging all of the firms to internationalize, policy-makers wanting to maximize returns on investments could, therefore, consider targeting their scarce resources to existing exporters.

Further, the firms should pay attention to the domestic market and help them cultivate their customers and market since the brand market potential in domestic markets is much higher than foreign markets. It is also necessary to focus efforts on the improvement of the infrastructure in the Country, specifically in the coordination and harmonization of institutional infrastructure, enhancement of facility infrastructure and standardization of technological infrastructure.

The operating procedures/processes influence performance of the Company. This involves process redesign practices, teamwork, training and education, encouraging customer feedback, meeting customers' requirements, reducing rework, pre-emptive problem prevention, management involvement, continuous improvement, and employee empowerment, instituting quality systems, awareness & circles, competitive benchmarking, closer relationship with suppliers, constant measurement of results as well as long-range thinking. The study recommends above all aspects, increased management involvement at all levels as a key driver in helping ramify quality management further across the firm. Management involvement has not emerged as a top practice in the findings despite its crucial role in engendering acceptance across the firm. Other management approaches, such as participative management could also be used in complementary roles in the organization.

## 5.5 Recommendations for Further Studies

In relation to the findings of the study, the study recommends that a deeper insight into the activities of internationalisation of operations by firms should be undertaken adequately. Specific areas of research should revolve around the challenges experienced in international market and the strategies employed in dealing with the challenges. Particular attention needs to be focussed on the ability of the firms to endure these challenges and make a difference in their activities.

## 5.6 Limitations of the Study

The researcher was likely to encounter various limitations that might have hindered access to information sought by the study. The main limitation of study was its inability to include more organizations in the country. This was a study focusing on Kenolkobil as the selected organization. The study could have covered more organization across country so as to provide a more broad based analysis. The study countered this problem by carrying a study across the departments and the branches of KenolKobil in Nairobi which has the Head Office and is the hub of majority of the branches in Kenya and serve as a representative.

The respondents approached were likely to be reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about them or the organization. The researcher handled the problem by carrying an introduction letter from the University and assured them that the information they give would be treated confidentially and it would be used purely for academic purposes.

There were likely to be cases of acquiescence bias, where some staff would answer questions with an incline that does not represent the absolute truth. The answers could therefore be misinterpreted or falsified. The data collected was therefore likely to be inaccurate. The researcher therefore found it necessary to insist to the respondents to only give the real scenario in the organization. The researcher overcame this problem by urging the respondents to be truthful by writing the right information.

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# APPENDIX

## Interview guide

1. What is your designation in Kenol Kobil Limited?

2. How long have you been in the organization?

3. Has your organization internationalized its operations?

4. If yes, to what extent?

5. Which are the countries that your organization has internalized its operations into?

6. What are the drivers of internationalization of operations at KenolKobil Limited?

7. What benefits have your organization realized from internationalization of its operations?

8. Which external factors influence internationalization of operations of KenolKobil Limited?

9. Is firm size a factor in influencing internationalization of operations of KenolKobil Limited?

10. Did your company enjoy a competitive advantage on internalizing its operations?

11. Which internal factors influence internationalization of operations of KenolKobil Limited?

12. Does corporate culture influence internationalization of operations of KenolKobil Limited?

13. Does internationalization of KenolKobil Limited influence its performance? If yes how?

14. What challenges are there in the internationalization of operations of KenolKobil?