

**THE ROLE OF NETWORKS IN
INTERNATIONALIZATION OF OPERATIONS AT
AFRICA HERITAGE DESIGN COMPANY IN KENYA**

BY

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DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

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

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DEDICATION

This research project is dedicated to my parents and the rest of my family for their support while undertaking my studies. Thank you and God bless.

ABSTRACT

The level of awareness in this information age that we are living in has made people acquire preferences and tastes for products from across the world. This has motivated more and more SMEs to venture into the world trade arena. This project looks at an important but often overlooked aspect of the international process; the business networks established by those capable of exacting influence on a given firm. Extensive studies have been carried out in the past to document this process. However, most of these have been carried out in developed economies and in tech savvy industries. This project is therefore aimed at carrying out similar research in a developing economy set-up and in an industry dealing with preferably indigenous African products. The research centered on African Heritage Design Company a Kenyan firm dealing with products that are viewed as indigenously Kenyan. The research paper aimed at answering two questions; the influence of networks on the choice of a particular foreign based market and the influence of networks in the mode of entry into the foreign market. The theory of internationalization is broad; however, for this project, the behavioral process theories of internationalization were used as the conceptual framework, key among them being the Uppsala theory of internationalization and the network approach to internationalization. This project was aimed at corroborating or contradicting existing literature. The research design was a case study and data was collected through the interview method and analyzed through content analysis. Empirical evidence showed that management having a previous history on international experience, were likely to set their firms on an internationalization path. It was also observed that networks had a significant influence on the choice of foreign market. Business networks showed a weak influence on the choice of entry mode utilized in the various foreign markets. However, personal and family relationships did seem to influence more investment than typical business networks. The study should be extended in the future to involve more firms in a longitudinal case study type of research.

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LIST OF ABBREVIATIONS

AHDC: African Heritage Design Company

USAID: United States Agency for International Development

JICA: Japan International Cooperation Agency

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Management practice in the recent past has been focused on the premise of growing a firm's profits from one year to the next (Keegan & Green, 2008, p. 15). The view of stagnating or declining profits is highly shunned (Sim, 2012, p.56-58). This is in line with the needs of the major stakeholders in any given firm; shareholders want a growing return on their investment, employees want an increment of their remuneration and job security, suppliers want increased turnover and so on and so forth. These needs from various stakeholders are best satisfied with management's ability to increase the firm's revenues through adopting various business expansion strategies (Ball, McCulloch Jr., Geringer, Minor, & McNett, 2009). It then follows that management need to constantly grow their niche markets. With time the home market is found not to be sufficient to meet the set growth targets that increase albeit incrementally on an annual basis (Johanson, & Vahlne, 1977). As a consequence most managers seek to venture out of the local market to feed this need for constant growth (Zain, & Ng, 2006).

The international integration arising from the exchange of world views, products, ideas, and other aspects of culture has led to congruence of needs and wants and at the same time led to a global awareness on various appealing products available from numerous markets around the world (Deresky 2008, p. 4). With global awareness comes global demand for the related products (Gillespie, & Hennessey, 2008). This global awareness has been greatly aided by the internet which has also enabled real-time global transactions through Ecommerce (Keegan, & Green, 2008). This concept

of globalism or globalization has in return acted as an incentive for various firms to venture into the international arena with an aim of satisfying the resulting global demand and ultimately grow their profits while at the same time gaining a competitive advantage (Keegan & Green, 2008, p. 10-16). International business theorists have been interested in the internationalization of various organisations in different industries and have conducted several empirical studies to document the various strategies that firms use to venture out into the international market. Some firms have been found to be very successful in the process of venturing out to foreign markets than others while others have been found to fail altogether (Cavusgil, Knight, & Riessenberger, 2008). These studies resulted in the synthesis of the successful internationalization strategies used by firms and ultimately resulted in several theories of internationalization of a firm. Two of these theories form the underlying basis of this research project, these are; the Uppsala International process model by Johanson and Vahlne 1977 & 2009., and the network theory by Johansson and Mattson 1988.,

1.1.1 The Concept of Business Networks

The focus of this study was not why firms internationalize but rather looked at the internationalization process after a firm has decided to go international. It sought to look at how the human aspect of networking influenced the internationalization strategy of a given firm (Johanson & Vahlne, 2009). This means that the contacts firm managers make in the foreign market determine the form of internationalization that firms take up in these foreign markets. Based on the Uppsala stage process model, internationalization is a steady process that occurs in augmented stages over a long period of time. It held that firms begin by exporting which is the most simple form of international activity and progress towards foreign direct investment (FDI) which is

the most complex form of international activity. This progress of internationalization is determined by the amount of knowledge accumulated that is sufficient for management to make decisions of investing in international trade (Axelsson, & Johanson, 1992). This knowledge is gained through networks (Welch, & Welch., 1996).

Business networks are primarily social networks comprising interlinked business relationships where by every exchange relationship is between business firms that are collective participants in the market (Chetty & Blankenburg, 2000, p 336). The participants include suppliers, customers, families, competitors, bankers, government, friends, distributors, or any other unit that empowers a firm to go international (Zain & Ng, 2006, p.184).

1.1.2 The Curios Industry

Kenyan firms have not been left out of this trend of venturing outside the borders of East Africa and indeed Africa. More so Small and Medium Sized firms (SMEs) are also seeking opportunities globally. The nature of the product is not an issue so long as there is demand for it. The products could range from sophisticated ones like software and mobile phone applications that have seen Kenyan firms tap into major global markets in Europe and Americas (Gatehouse, 2012) to exotic products like traditional stone and wood sculptures, kiondos, and textiles (Mahoney, 2012).

Of particular interest for this study was the curios industry selling exotic products symbolising Kenyan culture. This is an industry that has been in existence for many years but little research has gone into it to bring out how they form linkages to enable sale of the product (Amenya, 2007). It is surprising to learn that most players in this industry have been conducting forms of international trade for many years preceding

some more formal Kenyan industries like banks. The industry's output is mainly traditional fabrics and textiles, wood and stone carvings, traditional African leather products, sisal products especially the world famous *kiondo* and *akala* sandles symbolizing the world renowned Maasai culture.

1.1.3 African Heritage Design Company (AHDC)

The African heritage design company (AHDC) can trace its roots to the African Heritage Ltd which had the first Pan African art gallery in Africa that was incorporated 42 years ago in 1976. It was the brain child of an American by the name of Alan Donovan and Joseph Murumbi Kenya's second vice president together with Murumbi's wife, Sheila. The two men shared a deep passion for African art and sort to preserve it for future generations and more so popularize it globally.

Alan Donovan first arrived in Africa with the US state department in 1967 during the Nigerian Biafra war. Thereafter in 1969 he resigned from the US state department and drove from Paris through the Sahara Desert to Nigeria as he familiarized himself with the rich and diverse African culture. He later on drove from Nigeria through the Congo arriving in Kenya in 1970 and stayed amongst the Turkana people of the Northern Kenya. He held his first exhibition of art and culture of the Turkana people in October 1970 upon which he met the acquaintance of Joseph Murumbi.

Joseph Murumbi was an ardent collector of African Art, having travelled extensively. A Kenyan of both Goan and Maasai heritage born in 1911, he was educated in India from 1918 to 1931 after which he came back to Kenya. By the year 1941 he had a collection of 600 books. However, it was not until he went to the UK on exile from Kenya due to his agitation for an end to colonial rule that he begun collection of

firstly African art but eventually he included artefacts from various other cultures from around the world. At the end of it all Joseph Murumbi had a collection of around 12000 books and 50,000 historical documents and artefacts.

From 1972 onwards the African heritage design company continued to prosper until the 1990's when the fortunes took a downward trend. By the year 2003 however, the company had a total of 500 fulltime employees and over 50 outlets around the world. It was in the same year of 2003 that Makena Mwiraria a formerly US based pharmacist bought into the company and has striven together with the other directors to ensure that the legacy of the African Heritage Design Company leaves on. Currently it operates shops in Kenya, Zanzibar Tanzania, Cape Town South Africa, Paris France, as well as in major hotels in Eastern Africa.

1.2 Research Problem

Previous research studies on the role of networks in the process of internationalization have mainly focused on firms from other markets other than the Kenyan market. Both the Uppsala internationalization model and the Network model focus on firms based in Sweden and the greater Scandinavian region of Europe. Earlier research has also revolved around industries that are not indigenously Kenyan. Martin, Swaminathan, & Mitchell, (1998) focused on the Japanese motor industry, Chetty, & Blankenburg, (2000) focused on electrical industrial machinery manufactures in New Zealand; Arvid, & Helander, (2009) looked at firms operating within the clean-tech industry located in South Western Sweden; Seppo, M. (2007) looked at the internationalisation of firms within the Estonian chemical industry; Battaglia, L., Corsaro, D., Tzannis, A. (2007) looked at an Italian based fashion accessories small sized company, etc. Research on internationalization in the context of the Kenyan market have focused on

the wholesome factors affecting internationalization and not specifically the role of networks in influencing internationalization of a firm. I therefore found the above reasons to be sufficient for the purpose of this study. It is a study that looked at a product primarily from the Kenyan market and produced by the African Heritage Design Company which itself is in an industry that is indigenously Kenyan (the curios industry) and looked specifically at how the networks created by the human players in this industry affected their firms' internationalization process.

The research work leading to the Uppsala model and the network model discovered that network bonds influence the selection of both the foreign market and entry mode. Therefore, this study sought to answer two questions; how do network relationships affect the Africa Heritage Design Company on its choice of a given foreign market? And how do network relationships affect the Africa Heritage Design Company on its selection of entry mode when venturing into foreign based markets?

1.3 Research Objective

This research sought to establish how networks created by management at Africa Heritage Design Company affected the selection of a new foreign market and established how these networks created by management of Africa Heritage Design Company in turn affected the selection of an entry mode when venturing into a foreign market.

It also looked at how the findings of this study compared to other similar studies done in other markets in the world.

1.4 Value of the Study

The significance of studying the role of networks in the context of an internationalizing firm took several dimensions as listed below.

- (i). Managers of an internationalizing firm would be more conscious to the networks they may need to create in-order to have a desired impact in a focus foreign market.
- (ii). The study sought to put existing theory into test and hence it can be viewed as a tool of providing insight of previous research work.
- (iii). The study aimed at adding into the theory of internationalization specifically on the part played by networks in the internationalization of Kenyan SMEs.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The purpose of this research paper was to discuss the internationalization of the firm albeit with a bias to the influence networks have to this process. More specifically the research paper sought to compare results of empirical studies done in other markets to a scenario of Kenyan curios firm that conducts business beyond the country and continental borders.

2.2 Theoretical Background

The concept of internationalization with a bias to the firm can be viewed to have started with the work of Hymer (1960, published 1976), where in his theory of the firm Hymer suggests that there are two main determinants of direct investment abroad (Letto-Gillies, 2007). The first is specific advantages the firm has in the domestic market fueled by imperfections in this market that predispose the firm to venture out into the foreign market (Cantwel, 2000). The second determinant is the removal of conflicts in the foreign market through collusion to share the market with other key players and through mergers and acquisitions (Dunning, 1988). This leads to more imperfections in the market. The main theme of this theory is that for direct investments to thrive both domestically and in the foreign market there must be market imperfections that lead to advantages and conflicts (Johanson, & Mattson, 1987).

In the process of internationalization theory development two main approaches have arose; economic approaches and the behavioral perspective (Welch & Welch, 1996).

2.2.1 Economic Approaches

This body of research on the internationalization process focuses on market imperfections that give rise to advantages to a given firm which then influences it to venture into the foreign market (Ietto-Gillies, 2007).

i. Eclectic Decision Making Models

The eclectic model of international production was first put forward by John H. Dunning in 1976. The aim of this model was to offer an all-inclusive descriptive structure for identifying and evaluating the importance of the elements influencing both the initialization of foreign production and the growth of this production (Dunning, 1988). The model concentrates on the advantages that a multinational-enterprises enjoys in its international progression revolving around; ownership, location and internationalization (Cavusgil, Knight, & Riessenberger, 2008).

ii. Transaction Cost Theory

Transactions performed in a perfect market are done so at no cost. Information is available at no cost, decision making is lucid as alternatives are non-exhaustive, and the transactions between a given set of parties are never carried forward to the future periods since the future is determinable as no uncertainty exists (Dunning, 1988). However the reality is that markets are imperfect and therefore transaction costs exist. Multinationals exist in a quest to reduce these transaction costs through large scale production (Hood, & Young, 1979). Some scholars label this model as the theory of internalization since its main focus is efficient and effective use of its internal resources (Kogut, 1985). The concept can be used to explicate vertical and horizontal integration, as it uses hierarchies as opposed to markets for coordination of interdependent tasks may economize on transactions (Lawler, & Seddighi, 2001).

However the theory has been criticized as being vague and loosely backed by sensory experience holding that economizing on transaction costs is a worthy or domineering motive for vertical integration (Perrow, 1986, Kogut, 1985).

2.2.2 Behavioral and Process Perspective

Much of early research on internationalization was biased towards the economic approach to internationalization of the firm where existent market conditions and imperfections provide the impetus for a given firm to internationalize (Liesch, Welch, Welch, McGaughey, Petersen, & Lamb, 2002). Little attention was provided to research focusing on the internationalization process itself (Chetty, & Blankenburg, 2000). However in the recent past there has been a renewal of interest on the behavioral and process perspective approaches to internationalization (Liesch, Welch, Welch, McGaughey, Petersen, & Lamb, 2002). The theoretical interest of this research paper is towards this body of approaches and therefore more emphasis will be placed on it.

i. The Uppsala Internationalization Process Model

The model was developed by Jan Johanson and Jan-Erik Vahlne in 1977. Empirical studies conducted in the 1970s by scholars in the business studies unit of Uppsala University controverted the dominant economic and international business concepts of the time (Coviello, & Munro, H. (1995). This existing literature held that firms select, or should select, the ideal approach for venturing into a new foreign market by evaluating their costs and risks centered on market conditions and considering their own resources (Dunning, 1988). They instead empirically discovered that firms in Sweden began venturing into the international arena with *ad hoc* exporting (Chen, &

Tain-Jay, 1998). These firms would then later on make official their ventures via contracts with representative agents in the foreign markets. Commonly as sales increased, they switched the agents with internally organic sales firms and as growth further progressed they began producing in the foreign market (Loane, & Bell, 2006). This series of events culminating to internationalization of the firm was labeled the *establishment chain*. Another observation they made was that initial steps into internationalization commenced in foreign markets that were close to the domestic market (Birkinshaw, & Hood, 1997). This they labeled *psychic distance* which they defined as conditions that make it difficult to comprehend the foreign environments (Johanson, and Vahlne, 1977). The firms would then progressively venture into other foreign markets that were further away in terms of psychic distance (Chetty, & Blankenburg, 2000). This concept was introduced by Hymer (1976) and was labeled as the *liability of foreignness* and it elaborates why an investor into a foreign market needed to have a firm specific advantage to more than offset this liability (Luo, & Peng, 1999).

The underlying assumptions of this model are uncertainty and bounded rationality. The model has two change mechanisms. First firms change by learning from their experiences and information they gather through their networks in the foreign markets. Secondly, they change through the commitment decisions they make to strengthen their positions in the foreign market.

In conclusion the model holds that a firm internationalizes incrementally in stages starting from a point where the liability of foreignness is less. As the firm gains more information from its established networks and learns from its operation in the foreign

market it makes decisions on whether to invest more or reduce investment and may or may not venture to more and further foreign markets (Zain, & Ng, 2006).

The model has been challenged as being deterministic, and that firms today seldom follow the route of gradual internationalization in the prescribed stages (Welch, & Welch, 1996). At the same time and through empirical studies, it has been found that the process of going internationalization as explained by the Uppsala model has a positive impact on performance and therefore be used for prescriptive purposes (Luo, & Peng, 1999).

ii. The Network Approach

The Uppsala process model has as underlying assumptions uncertainty and bounded rationality where by information limits the decisions management of a given firm can make (Johanson, & Vahlne, 2009). It also mentions one of the change mechanisms to be learning from information and experiences from the foreign market which seeks to reduce uncertainty and thereby helping increase the boundaries of management's rationality (Liesch, Welch, Welch, McGaughey, Petersen, & Lamb, 2002). This created a research gap in terms of looking at the networks and relationships responsible in bringing this information back to the firm's management (Chen, & Chen, 1998).

Jan Johanson and Lars-Gunnar Mattson researched on these business networks with a bias to the domestic market and published their first findings; *interorganisational relations in industrial systems: A network approach compared with the transaction cost approach* in 1987. They conducted further research with a focus to an internationalizing firm and published their findings as a network approach focusing

on industrial systems internationalization process in 1988. The focus for this paper is business networks influence on an internationalizing firm and therefore the 1988 model wields more influence however the 1987 model has concepts that are very much relevant to this paper and the body of network theory as a whole.

The network approach defines industrial systems as linkages (or networks) of relationships between firms where they are involved in manufacture, circulation and consumption of goods and services (Johanson, & Mattson, 1987). All firms forming the linkages have objectives regarding their future position. The objective may be to change or defend/maintain positions within the network and this influences these firms' policies. These policies of organizations maybe symbiotic to each other, competitive/ clashing or a combination of both (Chetty, & Blankenburg, 2000). The firms can therefore be seen to be entrenched in an empowering, and at the same time constraining business linkage (Johanson, & Mattson, 1988). The networks between firms can be described as both stable and changing, meaning that majority of business transactions takes place with firms within the network but evidently some new relationships are formed while old ones disrupted (Zain, & Ng, 2006). A peculiar aspect of these inter-firm relationships is that bonds of different types are developed (Welch, & Welch, 1996). These are technical, social economic, knowledge and legal bonds (Luo, & Peng, 1999).

Firms freely select partners/ counterparts forming an industrial system; however for the firms to achieve this, development of exchange relationships has to be achieved through an exchange process. These relationships are mutual orientations between member firms (Chen, & Chen, 1998). This mutuality means that the firms are ready to cooperate with each other and expect the other parties in the relationship to

reciprocate. The relationships are gradually established and developed with a lot of effort (Chetty, & Blankenburg, 2000). A lasting association may evolve if the parties perceive a heterogeneity in the exchange (Zain, & Ng, 2006). Eventually a situation emerges which has been characterized as a social exchange (Johanson, & Mattson, 1988). Social exchange relations develop in a gradual process, beginning with inconsequential transactions in which slight trust is needed since petite risk is involved and in which both parties can prove their trustworthiness, enabling them to extend the relationship and mutually get involved in key and important dealings (Blau, 1968). The social exchange process suggests that the relationships have a significant social element whereby involved parties evaluate their degree of fitness to each other (Zain, & Ng, 2006). This process is both a learning process and an adaptation process (Welch, & Welch, 1996). At the start of the relationship a couple of problems may arise, the parties may not compare well to each other and a number of strategies can be adopted to eliminate the misfits (Chetty & Blankenburg, 2000). The firms adapt to each other and inspire each other to adapt.

The positions of a given firm in the business network greatly influences its internationalization (Johanson & Mattson, 1988). At a given point in time a firm has a precise placement in the network which determines its relationships with other firms in the network (Chetty & Blankenburg, 2000, p 338). These placements in the network are a result of past activities of the firm and other firms within this network. The situation a firm has in the network dictates the opportunities and constraints it experiences within the network. The level of formal structures of the network depends on the interdependence of the network positions of the firm. Firms in robustly

structured networks have great interdependence, strong bonds and clearly defined positions (Chetty & Blankenburg, 2000, p 338).

A supposition in the network model is that a firm has a need of resources owned and controlled by other firms which can be gained via its network placement (Johanson & Mattson, 1988). Basically the activities within the network enable the firm to forge linkages which assist it acquire the right to resources and markets.

The network approach identifies four types of firms; the early starter, the late starter, the lonely international, and the international among others.

The early starter is a firm whose networks in the local home market have little international associations. The firm has minute information about foreign markets and is unable to rely on its domestic linkages to bridge this knowledge gap. In this situation the firm uses agent to enter the foreign market as a way of reducing the need for knowledge development (Roolaht, 2009).

The lonely international is a firm that is highly internationalized. It has the ability and know-how to stimulate the internationalization of the market it is in (Chetty & Blankenburg, 2000). The firm has familiarity and experience with foreign markets acquired overtime thereby developing firm business network position which in return gives them an upper hand over their competition particularly in highly structured business networks.

The late starter is a firm whose suppliers, customers, and competitors are internationalized. Therefore it is deemed to have indirect relations with foreign business networks. These relationships might be the influential forces necessary to propel the firm into foreign markets.

The international-among-others is a firm that is highly internationalized as is its environment. Foreign sales divisions are established fast as they have the international knowledge and there is need to coordinate business activities in different markets (Johanson, & Mattson, 1988).

2.2.3 Foreign Market Selection and Market Entry Mode

An internationalizing firm's market entry strategy constitutes the choice of the focus market, the market entry mode, goals of the target market, objectives of the target market, the strategy for marketing and the budgetary control structure to gauge performance in the foreign market (Arvid, & Helander, 2009). The internationalization of a firm involves numerous choices, however of them all, none is ever paramount than the choice to venture into a new foreign market (Coviello, & Munro, 1997).

2.2.4 Types of Networks Relationships

A review of the network approach literature reveals that relationships can have three distinct characteristics that can then be used to categories relationship types that can exist in business networks (Arvid, & Helander, 2009).

i. Strength of a Relationship

According to Blau, (1968), business network relationships which can also be referred to as social exchange relations develop in a gradual process, initially involving unimportant transactions in which slight trust is needed given that petite risk is involved and where by both parties can prove their trustworthiness, enabling them to extend their relation and engage in more important dealings. This implies that a strong relationship is based on a high level of trust among the parties involved and that parties involved commit substantial resources to relationship.

ii. Position of the Firm in a Given Network

In the network model of industrial systems by Johanson and Mattson, (1987), it is implied that a firm's undertakings in the industrial markets are an aggregation of processes in the sense that relationships all the time are established, maintained, developed, and broken in order to provide satisfactory, short term economic return and to create positions in the network. Through the undertakings within the linkages, the firm establishes the relationships which lock access to vital resources and the sale of its products and services. The aggregative nature of the firm's undertakings implies that at a given point in time the firm has different placements in the linkages (networks).

iii. Formality of the Relationship

Business relationships can be both formal and informal. Formal relationships are related to business activities between two or more actors in the network while informal relationships are related to personal relationship involving family and friends (Arvid, & Helander, 2009).

2.3 A Review of Previous Empirical Findings

Chetty, & Blankenburg, (2000) looked at the role of business networks in the internalization of manufacturing firms in New Zealand. They conducted a longitudinal study focusing on six firms involved in the manufacture of electrical industrial equipment. They found that five of the firms had their first international sale in the neighboring Australia which confirmed the influence of psychic distance. The proximity and familiarity of Australia to New Zealand made it look like an extension of the domestic market. However as competition grew, the firms set their eyes on markets further away in psychic distance. They found that business network relationships greatly influenced these decisions in terms of selection of target market and the entry mode used. To achieve success in the international market, the firms developed and worked to maintain relationships with their customers, competitors, suppliers, government organizations, and distributors. Existing relations with clients/customers were used to form new relations in order to expand and penetrate foreign markets.

Arvid, & Helander, (2009) looked at firms operating within the clean-tech industry located in South Western Sweden. Clean-tech can be defined as any technology that is less harmful to the environment in comparison to any other applicable alternatives. Examples include: renewable energies such as solar energy, wave energy or wind power; clean transport making use of hybrid engines, fuel cells, or biofuels. The study involved four firms that managed to expand to the greater European market, North America, South America and Far East Asia. In this study it was observed that firms had a strategic plan to expand internationally and that as part of decision markers there was at least one person with international experience.

Most of the firms expanded through establishing relationships with distributors within Sweden and in the foreign markets. Relationships with these distributors would lead to the expanding firm's products being introduced into potential markets that were part of their strategic plan. A firm within this study benefited greatly when they established a business network with a distributor in Germany where by the distributor influenced them to be part of trade fairs that eventually led the firm into expanding into more markets. In some instances expansion into a new market was through new informal contacts with experience within a target market. A firm within the study would not have expanded into the Chinese market and eventually have a subsidiary there were it not for one of the decision makers within the firm meeting and making acquaintance with a contact who had extensive experience in the Chinese market.

In some instances expansion to new markets was observed to be as a result of establishing a relationship with competitors whereby a joint venture was eventually established that lead to the focal firms entering newer markets. It was also observed that the erosion or ending of these relationships did not end the participation of any of the firms within the target markets, rather they evolved to either wholly owned subsidiaries or partnerships with others. Arvid, & Helander, (2009) concluded that firms in the study set had international expansion as part of their strategic plan mostly influenced by one or more decision markers having some international experience. It was also noted that business networks influenced the market selected and the market entry chosen and in cases where there were strategic plan to enter a certain market this had to be shelved until a business network was established. The duration of the relationship before the decision for market entry was made varied from a long term with lower risk to short term with higher risk.

These relationships were both formal and informal. It was also established that the evolution of the relationship also influenced the evolution of the market entry mode where in some instances the ending of a relationship resulted in the firm setting up a wholly owned subsidiary. One of the firm's management decided to use business networks over market research to gather information about a possible foreign market thereby making a saving since market research is usually very costly.

Seppo, M. (2007) looked at the internationalisation of firms within the Estonian chemical industry. The case study was based on seven firms that had established operations and networks within Scandinavia and Russia. She noted that the chemical firms enter foreign markets both, through business networks that are already existing and by developing new relationships. She also noted that firms seek and cultivate business networks with the purpose of entering foreign markets rather than just gathering information about them. Another observation was that business networks are a significant avenue for information about foreign markets with more information coming from customers within a specific foreign market.

Other players within the business network give somewhat general information about foreign market. The main players in the business networks may constrain the internationalization of the enterprise than promote through restrictions in the form of policies and rules. This may lead to the market entry mode of the internationalizing firm to evolve through severing ties with the restrictive partner and establishing new partnerships or going at it alone. Battaglia, L., Corsaro, D., Tzannis, A. (2007) looked at the internationalization process of a small-sized family owned company. This company is located in the eastern province of Bergamo, in Northern Italy where it operates in a district focused in the production of fashion accessories, better known as

Button Valley. The firm in particular produces. In conclusion from the case analysed emerges that business networks are of crucial importance for the internationalisation process of smaller firms, because they allow a free flow of information between partners, provide access to complementary assets, reinforce the internal learning processes and provide access to new customers and suppliers located abroad.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter begins by looking at the research design, approach and strategy chosen. The chapter then looks at the data collection technique employed in order to gather the relevant data for the research proposal. Finally the chapter will look at how the primary data so gathered will then be analyzed to help in making inferences relevant to the body of business research. In principal the method to be applied for this research project will be qualitative by nature of the use of a case study involving a single firm.

3.2 Research Design

The research design of this project was partially descriptive since a complete understanding of the internationalization process of the case firm was required. The research design was also deemed to be exploratory in nature since the curios industry though cannot be viewed as an emerging industry but nonetheless to the researcher's knowledge it had never been included in a research of this type by the time this project was written.

The research approach for this study was a combination of both deductive and inductive approach. The argument for a deductive approach arose from the fact that in the past, extensive research had been conducted within the body of business networks' effects on the internationalization process of the firm. This research was influenced by and built on previous studies mainly Coviello, N. & Munro, H. (1997), Martin, Swaminathan, & Mitchell, (1998), Chetty, & Blankenburg, (2000), Zain, M. & Ng, S.I. (2006), Arvid, & Helander, (2009), Seppo, M. (2007), and lastly Battaglia,

L., Corsaro, D., Tzannis, A. (2007). The inductive approach came about due to the need of gaining an intricate comprehension of the problem that was explored.

A qualitative approach was preferred for this study since a clear and deep understanding of the case firm was needed. At the same time the concepts associated with this study were comprehensive and thus could only be associated with qualitative data.

3.3 Data Collection

The drive of this research project was to investigate how the selection of foreign market and the selection of an entry mode into a given market was influenced by different types of network relationships. To be able to achieve this purpose the key executives were selected as the respondents. These individuals were deemed to have key insight in the firm and would have the main responsibility for making decisions to enter a foreign market. The interview method of data collection was preferred for this study and it was shown in the past to be the best match for a case study (Seppo, M., 2007). A personal interview was the primary mode of collecting data however skype based interviews were eventually used due to the distance between the interviewer and the interviewee. The interview conducted was semi-structured, which implies that the interviewer had a list of questions of the actual topics to cover, and the possibility to ask additional questions and change the order of the questions when necessary (Arvid, A., & Helander, A., 2009)

3.4 Data Analysis

The data obtained from the interview exercise was analyzed using content analysis. Content analysis is a technique for methodically describing written, spoken or visual communication and provides a quantitative description. This method was deemed

more appropriate for this research as it brought out the deep salient issues that were being pursued. This approach was guided by the purpose and the conceptual framework developed at the literature review stage. The data was then organized in order to fulfill the purpose in a proper manner.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The essence of this chapter is to analyze the empirical data collected. Since a decision to venture into a foreign market is strategic then the respondents for the semi structured questionnaire were chosen accordingly in respect of their influence on AHDC's strategic direction. The results from the analysis are thereafter presented in a manner relevant to the research objectives and questions. The results are lastly discussed.

4.2 The Respondents

Due to the strategic nature of the decision to venture into the foreign market the respondents to the questionnaire for this research were directors of the AHDC. The reason for this is because the directors of a company bear the greatest influence on a company to either venture out or to stay put.

The first respondent was born 81 years ago in the state of California within the United States of America. When growing up he got influenced to African art by an uncle who had traveled to Africa as a diplomat. Indeed, by the age of 4 years old he had made a scrap book about African Wildlife. Later on in life he attended the University of California, Los Angeles where he studied Arts with a bias to African Art. He started out his career in the mid 1960's with the United States Agency for International Development (USAID) which is a US state department agency dealing with the provision of relief aid in developing countries and at the time was seen as a way of endearing the newly independent African countries towards capitalism. This is a time

that was characterized by the cold war that cropped up towards the end of world war two due to competition between the United States and an ally at the time, the Soviet Union. At the same time most African countries as mentioned earlier had recently gained independence from their colonial masters. Both conditions meant that most of the newly independent countries in Africa were unstable. In 1967, the respondent had an opportunity he had been waiting for all his life which was to visit Africa when he was sent out amongst other US government officials to mediate in a stand-off that eventually came to be known as the Biafra war. For him it was love at first site and he was very fascinated by the rich art he found in Nigeria. He eventually left Nigeria when the stand-off culminated into an all-out war but a fire had been ignited in him. He eventually resigned his civil servant position with the US government in 1969 and before this he had learnt a bit of French to complement his English which are the two widely used foreign lingua franca in Africa. He then set off for a grand tour of Africa by road starting from Paris, France and he would eventually end up in Nairobi, Kenya before he toured the Northern parts of Kenya settling with the Turkana people. All along his travels he had amassed a huge collection of African Art. He decided to settle in Nairobi, Kenya and co-founded a Pan African art gallery that eventually became the AHDC.

The second respondent is a Kenyan citizen who was born 54 years ago in Tanzania. Her father was an economist working for multilateral organizations like the World Bank and International Finance Corporation before eventually having an illustrious career as a civil servant in the Kenyan Government. This meant that they travelled a lot within Africa and beyond. The travels made her acquainted and be more appreciative of the wide African culture and art. Later on in her life she went to the

United States to study pharmacy. She then joined the medical profession and started dispensing medicine as a US based and registered pharmacist. But she was still very passionate about the African Art industry and in 1989 she had set up her own shop in the tourist hot spot of Virgin Islands, United States. This shop gave her the very first experience in entrepreneurship and gave her insight on the fact that a market existed for what African artists had to offer; a market that transcends continental and racial boundaries. This experience with her African art shop permanently cemented her passion for the curios industry. Unfortunately for her, the shop was destroyed in September of 1989 in what was known in the media outlets as hurricane Hugo. Her family was also very much against her following her passion of African Arts as opposed to medicine. These events though discouraging never made her resign from her resolve and passion for the African Art industry. Indeed, to this end the respondent decided to quit her lucrative job as a US based pharmacist so as to venture in to the curios industry fulltime. In the year 2003 she decided to invest into the African heritage Ltd. The company's name was changed to the African Heritage Design Company (AHDC).

The third respondent is also a Kenyan Citizen who was born 48 years ago in Kenya. He studied African Art and design and has had an illustrious career in Art and design whereby he has been involved with designing African wear which have been showcased in catwalks both in Africa and in Europe. He has also been involved with interior design with a bias towards African art and the Simba saloon in the carnivore is one of the various interior design projects he has been involved with. He is extensively traveled in both the African Continent, Europe, the Americas and Japan.

4.3 The Markets of Operation

The African Heritage Design Company operates and sells its products in several markets within Africa and beyond. With the extensive international travel and experience observed with the directors, it is almost as if African Heritage Design Company was poised to play in the international arena from the start. Indeed AHDC management has as part of their strategy, the need to venture internationally especially into Western Europe and North America since they feel that these markets have far much better prospects of a clientele who appreciate the value of African Art and Design.

Below are the Markets that where the African Heritage Design Company has a presence.

i. Kenya

The company has its never-center in Nairobi where it was established 42 years ago. Operations in Kenya involve having a workshop from where artefacts are designed by artist with vast experience in the trade to meet the artistic standards measuring up to the intended market and the price tag of the artefacts. Operations in Kenya also involve a purchasing department that deals with procuring raw materials used in the process of making artefacts. The purchasing operation also includes procuring finished artefacts from subcontracted artisans who have specialist expertise. The operations also include the sales department through which several shop outlets are operated with major hotels within Kenya such as the Hilton hotel and the Serena Group of hotels and at the National museum of Kenya. The company also holds exhibitions to show case African art and design in various cities within Africa, Europe and North America.

ii. Tanzania

The company has had operations within Tanzania for over 30 years beginning with an outlet in Dares salaam in the year 1985. The decision to venture into the Tanzanian market came about when one of the respondent had travel to Dares salaam on invitation by a Briton based in Zanzibar. The trip to Zanzibar was so that the respondent could observe wood carving art specifically the magnificent wooden door carvings culture that was abundant in the island. The networks established allowed for AHDC invest in an outlet selling African Art including the wood carved doors and furniture in Dares salaam. It has other sales outlets in Zanzibar, Arusha and the Serengeti. Almost all the outlets are now based within the Serena group of hotels and it is important to note on how AHDC has leveraged on this relationship.

iii. Uganda

In Uganda the firm has had operations close to 25 years operating an outlet within the capital city of Kampala. It has also operated an outlet within the Kampala Serena hotel from the year 2007.

iv. Rwanda

The company has had a presence in Rwanda for close to 10 years. Africa Heritage Design Company operates outlets within Serena hotel in Kampala and Lake Kivu.

v. Mozambique

The company has a presence in Maputo, Mozambique through the Serena Hotels. The outlet was established in 2015.

vi. South Africa

The company has conducted business with a South African firm based in Cape Town for some years. The South African firm deals in providing merchandise to African art retailers within Cape Town which is the ultimate tourist destination in South Africa.

vii. United Kingdom

The company exports to the United Kingdom specifically England through several acquaintances established during an art exhibitions in Nairobi, Kenya and Lagos, Nigeria several years back.

viii. France

The company's presence in Paris, France was established in 2005. The nature of operations in a foreign based associate where Africa Heritage Design Company has an influence in the operations of a French firm which is majority owned and operated by a former classmate of one of the respondents. The operation consists of a shop outlet within the large city of Paris. It is important to note that initially the entry mode was through exports before deciding to set up an entity to handle sales and distribution in France.

ix. Germany

The company actively exports to Germany through suppliers whose contacts were established through African Art exhibition. One supplier is based in Berlin while the other is based in Cologne.

x. United States of America

The company has had operations within United States for well over 30 years. It opened its first wholly owned outlet in 1987 located in Stanford shopping mall, Palo Alto, California. This is the home state of one of the co-founders of AHDC with which the family resides and therefore this background had an influence on the first location that the first shop in the USA was set up. The interactions experienced within the California market eventually led to the company being involved on one of the most iconic Hollywood films; Out Of Africa and kitchen toto. With time and upon gathering information from operations in California, the Firm eventually changed the operations from a subsidiary to using an agent supplying AHDC merchandise to the greater California state. The firm has had a presence in the New York area through supplying several establishments with merchandise some of whom operate on the ecommerce platforms like amazon and eBay.

xi. Canada

The company has a presence in both Toronto and Vancouver cities of Canada through an agent. The agency relationship began when one of the respondents made an acquaintance during an African art exhibition held by AHDC in Nairobi. The nature of transaction was initially that of an exporter/importer before finally evolving to an agency relationship upon establishing enough clientele within Canada.

xii. Japan

The company actively exports to Japan through an importer who previously worked in the field of Arts and Design for JICA before he ventured into the curios business. The importer used to attend exhibitions carried out by African Heritage Design Company

and developed a working relationship with the directors of the firm. He distributes most of his merchandise in Tokyo and Yokohama.

4.4 The Types of Investments in Foreign Markets

The Africa heritage Design Company like any other internationalizing firm uses various modes of entering a foreign market. These various modes represent different levels of investments and at the same time different risk levels.

Table 1: Investment per country

Foreign Market	Investment type
Canada	import
France	Sales outlet
Germany	import
Japan	import
Mozambique	Sales outlet
Rwanda	Sales outlet
South Africa	import
Tanzania	Sales outlet
Uganda	Sales outlet
United Kingdom	import
USA	Sales outlet → import

4.4.1 Foreign Based Subsidiary

A majority stake subsidiary is where a parent company owns more than 50% of the shares in another company and can therefore be seen to wield control (Bennett, R., 1999). Africa Heritage Design Company was observed to have a subsidiary in Uganda, Tanzania, Rwanda, and Mozambique. Operations in the United States had initially begun as a subsidiary but this eventually transitioned into an agency relationship.

4.4.2 Foreign Based Associate

This is an arrangement whereby a firm has a minority stake in an organization but nonetheless is able to influence the decisions of the entity (Bennett, R., 1999). Africa Heritage Design Company was observed to have an associate arrangement in France where it has a minority stake in the French based entity.

4.4.3 Export relationships

This is the simplest mode of venturing into the foreign market in terms of investment and by extension levels of risk (Chetty, & Blankenburg, 2000). Africa Heritage Design Company was observed to have a presence via exports to various retailers of African art in South Africa, England, Germany, United States, Canada and Japan.

4.5 The Types of Networks relationship

The network relationships that Africa Heritage Design Company has with its foreign based business contacts were analyzed in terms of their strength, position of AHDC in the network and the Formality of the relationship.

Table 2: Network relationships per foreign market

*B.N stands for Business Network

Foreign Market	Relationship Type	Strength	Position	Formality
Canada	B.N	Strong	supplier	Formal
France	Social	Strong	supplier	Formal
Germany	B.N	weak	supplier	Formal
Japan	B.N	Strong	supplier	Formal
Mozambique	B.N	Strong	supplier	Formal
Rwanda	B.N	Strong	supplier	Formal
South Africa	B.N	weak	supplier	Formal
Tanzania	B.N	Strong	supplier	Formal
Uganda	B.N	Strong	supplier	Formal
United Kingdom	B.N	Strong	supplier	Formal
USA	Social → B.N	Strong	supplier	Formal

From the above it was observed that the network types could either be a business network meaning that the relationship began with both parties seeking to enter into a business relationship where one party is the seller and other the buyer; or a social network where the relationship began from a social standpoint before eventually buyer seller interactions began. From table 2 it is seen that AHDC has more foreign based business networks than social networks amongst its relationship with clients. The network relationship in the USA had initially begun through a family connection of one of the cofounders but eventually this changed with the transition of the type of investment within the country with the closing of their main shop 'tribal eye' located in Palo Alto California and limiting to their investment in the trade with US to only exports form orders with US based clients and distributors. Therefore the Social network transitioned into a business type network.

The strength or weakness of a network is determined on how frequent the buyer seller interaction occurs in terms of sales and how often the both parties communicate. The more the amount of transactions and communication, the stronger the relationship. For this categorization, I assigned a strong network relationship if there have been more than five shipments to a client/ distributor over the last two years and weak for interactions lower than that.

In all the network relationships that AHDC had with contacts in the foreign market it assumed the position of a supplier and at no time did any of the contacts turn into a competitor nor did any of the contacts turn into selling to AHDC.

For all the relationships that AHDC had in the foreign markets they were all formal. I took the formality to mean that there were legal documentation to describe the

existence of the relationship. This could be a certificate of incorporation and share certificates for where the investment was a subsidiary or and associate, sale agreements or invoices with foreign based clients, distribution agreements where the relationship was that of a principal and an agent. An informal arrangement would have been where there are no legal documents to support exchange relations rather there would have been word of mouth agreements or what is known colloquially as gentlemen agreements.

Table 3: The Network & Investment Matrix

*B.N stands for Business Network

Foreign Market	Relationship Type	Strength	Position	Formality	Investment type
Canada	B.N	weak	supplier	Formal	import
France	Social	Strong	supplier	Formal	Sales outlet
Germany	B.N	weak	supplier	Formal	import
Japan	B.N	Strong	supplier	Formal	import
Mozambique	B.N	Strong	supplier	Formal	Sales outlet
Rwanda	B.N	Strong	supplier	Formal	Sales outlet
South Africa	B.N	weak	supplier	Formal	import
Tanzania	B.N	Strong	supplier	Formal	Sales outlet
Uganda	B.N	Strong	supplier	Formal	Sales outlet
United Kingdom	B.N	Strong	supplier	Formal	import
USA	Social → B.N	Strong	supplier	Formal	Sales outlet → import

4.6 The Influence of Networks on the Choice of Foreign Market

African Heritage Design Company’s entry into the Canadian market was as a result of an acquaintance from an art exhibition who expressed interest in having AHDC’s merchandise as part of her stores in Toronto and Vancouver selling exotic artefacts from different cultures of the world including African art and design. Although AHDC had as part of their strategy the need to venture out into Northern America they were not very specific which particular country in North America and more so a

timeline by which they would have done so. Therefore this acquaintance with a Canadian client provided a unique opportunity for AHDC to venture into this particular market.

AHDC entry into the French market was greatly due to one of the directors having a trust worthy social network where they have been friends from the University days. Even though AHDC had hoped to enter the Western Europe market as part of their strategy to venture into internationalization, they had not specifically settled into France. Nonetheless AHDC rose to the occasion when the social network suggested on the idea of having operations in France. This venture saw AHDC partly invest in a shop out let in France which has been very lucrative according to management of AHDC.

AHDC ventured into the Japanese market almost by accident. A Japanese cultural attaché with Japan International Cooperation Agency (JICA) who by virtue of his work had become acquainted with AHDC, eventually ventured into distribution of exotic artefacts in Tokyo and Yokohama. He quickly approached AHDC as one of his suppliers and the business relationship as remained strong. This network relationship lead to AHDC venturing into the Far East market of the world.

AHDC has ventured to the German market out of the acquaintance of two German dealers in exotic arts and designs. The acquaintances were acquired during African Art Exhibitions where AHDC had actively participated in. This lead to export relations where by AHDC supplied artefacts on separate occasions to Berlin and Cologne. However the relationship is not strong as there has been little business from the two German contacts in the last two years or so.

The decision to venture into the Tanzanian market came after one of the co-founders and director of AHDC got invited to sample the engraved wooden doors of the Swahili in Zanzibar. The wood doors are carved out with symbolic engravings and the origin of this practice was in Persia as per the respondent and came to the East African through Arabic traders who settled there. When there the respondent saw the opportunity and the need to set up an outlets selling high quality curios to tourists in Dares salaam.

For the Ugandan market the decision to venture by AHDC was done without any known acquaintance but rather the decision makers felt confident enough stemming from the high degree of familiarity in Ugandan economic conditions vis-à-vis the Kenyan economic decisions. Therefore AHDC set up a shop in Kampala.

AHDC has had a strong network relationship with the Serena group of hotels that has been in existence for over 30 years. AHDC has had shops within the Serena hotels in the Kenyan market and when the Serena hotels begun expanding regionally AHDC got an opportunity to expand to these markets. Through this network relationship, AHDC has curios shops outlets in Uganda, Tanzania, Rwanda and Mozambique where the shops are within the hotels in these locations. However it is important to note that for Tanzania and Uganda, AHDC already had a presence separate from and before Serena Hotels ventured into these Markets as had been mentioned above. According to the respondents, over 90% of the curios sold in Tanzania, Uganda, Rwanda and Mozambique are sourced locally from artisans who are indigenous to the cultures they represent.

For the South African venture, AHDC was approached by a Cape Town based acquaintance who was familiar with their work from Art Exhibitions that they had participated in. The acquaintance had been approached by a large South African hotel chain to supply contemporary African art and design pieces. Knowing the quality of AHDC merchandise and attention to detail, he approached them to provide art pieces that blended well with the South Africa's theme including several other African countries within the South African region. AHDC continued to supply this contact on an intermittent basis with just two interactions in the past two years or so.

Interactions with the UK market initially begun with shipping artifacts bought by visiting tourists that were too large to be considered hand luggage. Eventually AHDC made an acquaintance was familiar with their work from exhibitions done in collaboration with the British council. AHDC maintains a strong network relationship with regular shipment of artefacts to the UK.

The venture into the United States market was greatly influenced by familiarity connected to one of the co-founders and director of AHDC. He was born and brought up in the state of California and he knew that exotic and contemporary African art and designs would be appreciated by Californians. His uncle persuaded him to have a shop outlet and AHDC opened a shop by the name Tribal eye that was located within Stanford shopping mall in Palo Alto, California. Amongst its clients was the famous Steve Jobs of Apple computers. With time the investment type changed and AHDC transitioned out of a subsidiary arrangement and settled to several business contacts who procure AHDC merchandise for retail.

4.7 The Influence of Networks on the Choice of Entry Mode

In the Canadian venture, AHDC's investment was limited to exporting merchandise via an agent who has local networks. According to the respondents the choice for this path of investment was arrived at from an economic standpoint where management was looking at the mode that would be less risky in term of capital injection and associated risk levels in the even the venture fails to work out. They felt that exporting had benefits that far outweigh having an outlet based within Canada, since it would take considerable time and effort in order to build enough trust between AHDC and the local agent that would be sufficient for AHDC to have a more significant investment.

In the French investment, the AHDC business partner had a long outstanding friendship with one of the respondent director that spanned many years. There were high levels of trust between the partners. Based on this AHDC felt confident that an investment amounting to a stake in a French outlet was justified. And according to the respondent the investment has not been disappointing.

For the German market, the investment decision took the export route since it made the most economic sense given the levels of trust involved which meant the risk levels for a higher investment were higher than AHDC would accept.

The Japanese venture has been conducted as an export business only despite the network relationship being strong between the AHDC and their business partner in Japan. According to the respondent the degree of foreignness heightened by the language barrier has by and large made management have less focus on Japan in terms of increasing their investment within this market.

The Mozambique and Rwanda markets investments in shop outlets which translate to a subsidiary have been greatly influenced by the existing symbiotic business network relationship between Serena hotels and AHDC. The relationship almost exclusively call out for AHDC to invest in an outlet in any or all of the existing hotel outlets owned by Serena and AHDC has done so in some markets where the hotel chain exists.

According to the respondents, AHDC entry mode for both Uganda and Tanzania were greatly influenced by the little degree of foreignness and psychic distance. The similarity in the social, legal and political environment lowers uncertainty of the market thereby allowing for AHDC management to have the confidence of investing in shops within these markets.

The South African investment is limited to an export arrangement as the network relationship is not strong enough in terms of transactions and the level of trust does not allow for AHDC to enter into a more demanding investment within this market at the moment.

The venture into the United Kingdom is via export only and the respondents mentioned that the reason for this despite the strong relationship and amount of business that comes from the UK is the lack of a contact that AHDC would have enough trust to venture in a larger form of investment like having a subsidiary though having an own shop outlet.

The venture in the United States had begun with a more demanding investment of having a shop ran by a subsidiary of AHDC in the state of California. This was in large part due to a familiarity network relationship of one of the founding directors.

However with time and upon the death of the main contact in the US market, the investment type transitioned with AHDC mainly trading through an agent distributor.

4.8 Discussion

From the empirical evidence gathered the respondents who were persons of influence within African Heritage Design Company had prior and extensive international experience either by having a foreign origin like one of the respondent/ Director or having studied, resided and extensively traveled internationally. This international experience influenced management to have as part of their strategy the need to venture into foreign markets. This finding corresponds very well with one of the empirical studies that form the conceptual framework of this research. Arvid, & Helander, (2009) who conducted an almost similar research with firms in the clean tech industry from Sweden had observed that for all the firms they looked at there was at least one person of influence who had international experience and that these individuals had made it deliberate for their firms to have a strategy of going international.

Network relationships were observed to have a very significant influence in the choice of market selected. Indeed for all markets that AHDC ventured into, begun through a network acquaintance apart from Uganda. Even though AHDC has a strategic plan to venture into the European and North American markets, they had to wait until they had a reliable network in a particular market; in other words they were only venturing into markets that were far away in terms of psychic distance when a network existed. This corresponds to empirical studies done in more developed markets and high-tech industries that formed part of the conceptual framework of this research. Chetty, &

Blankenburg, (2000) looked at firms in New Zealand that were into manufacture of industrial electrical equipment, Arvid, & Helander, (2009) looked at firms operating within the clean-tech industry located in South Western Sweden, Seppo, M. (2007) looked at firms within the Estonian chemical industry, and lastly Battaglia, L., Corsaro, D., Tzannis, A. (2007) looked at a small-sized family owned apparel company located in the eastern province of Bergamo, in Northern Italy.

However it is important to note that for all the previous empirical studies forming the conceptual framework of this research and indeed this research itself the firms studied are small and medium enterprises (SMEs) and therefore the findings may be different for multinational corporations that are able to actualize their strategic international expansion without necessarily having networks in a particular market. This is due to by and large the MNCs have vast resources that can be used to minimize uncertainty and levels of risk unlike SMEs.

It was observed in the case of the Uganda market, that AHDC had ventured into it without any network having been established initially. The management of AHDC felt that the Ugandan market is almost an extension of the Kenyan market and the levels of familiarity were high enough to eliminate uncertainty and risks associated with such a decision. This corresponds well with the findings by Chetty, & Blankenburg, (2000) who observed that New Zealand SMEs had ventured into the Australian market without a network due to the very low psychic distance. It was almost as if they felt that Australia was an extension of New Zealand.

From the empirical evidence of this research paper, the influence of networks on the entry mode was not as clear cut as with the choice of market. This was because of the

variables that were being considered by management. Some of the non-social variables that management placed into consideration were market viability to sustain a shop as opposed to exporting through an agent, the cost implications of the entry mode and the psychic distance whereby a strong network would exist but the effort and cost of gathering information and acquiring adaptations to bridge the psychic distance are tremendous. This is particularly what was observed in Japan where there was strong network but the entry mode opted was export relations since the Japanese market is very different from an Anglo-African perspective of the AHDC management. This evidence contradicted with observations from empirical evidence forming the conceptual framework of this research.

However, in some observations the evidence correlated with previous empirical evidence in terms of a network relationship that has high level of trust attract larger levels of investments/ risk. The US venture had initially started out as a subsidiary of AHDC largely due to a social network relationship revolving around one of the respondent/ director. A similar observation was viewed in the venture in France where a strong network having high levels of trust attracted a larger amount of investment. Another correlation was on the influence of the network that AHDC had with the Serena Hotels. In this view, Serena could be taken as the lonely international as described in the network approach that has extensive international experience and it could therefore lead to the internationalization of firms it deals with from the home market.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter will summarize the empirical findings of this research paper to come up with conclusions. It will also make recommendations for an SME planning to venture internationally. The limitations of this study will also be highlighted and lastly the chapter will mention suggestions for further studies.

5.2 Summary Of The Findings

From this study it can be seen that internationalization is not only limited to the more advanced forms of industry like financial services, supermarkets, manufacturing concerns, learning institutions etc. Firms dealing in industries indigenous to Africa culture can also actively and viably participate in the international market and African Heritage Design Company is a perfect example.

Having decision makers in a given organization with prior international experience and exposure predisposes an organization to have a focus of venturing to the markets outside those of the home market. This collaborative evidence showed that the respondents who had extensive international experience had deliberately set out in AHDCs strategy the focus of going international.

From this study the empirical findings showed that network relationships can have a very strong influence on an SME like AHDC when making a choice on the foreign market to venture into. For almost all markets ventured into by AHDC outside Kenya there was clear evidence of influence from a network relationship. For most of the

markets ventured into by AHDC, a network relationship was a prerequisite such that if there was a desire to venture into a particular market, AHDC had to wait until they make a viable contact in this market of interest.

There was also evidence that suggested psychic distance can also influence the decision to venture in a particular market. The less the psychic distance the more the familiarity of the market and ease of venturing into it. In the case of AHDC, the Uganda market almost felt like an extension of the Kenya market due to congruence on most of the environmental factors between the two markets.

The influence of network relationships on the mode of entry into a foreign market even though present, the strength of this influence was shown not to be as strong as in the case of Market choice since SMEs will be focused/ limited on their resources. Therefore, a SME would opt for the option that requires the least amount initial investment to venture into a new foreign market even in cases where the network relationship is strong.

5.3 Conclusion of the Study

This study looked at the role of networks in the internationalization of the operations at Africa Heritage Design Company. From the empirical findings of this study it has been ascertained that networks played a very vital role in the internationalization process in terms of choice of the market and to a lesser extent the choice of entry mode. This was the case because AHDC took a reactive approach to internationalization where its ventures to new markets had to wait until a network was established. On the same token it was observed that where AHDC had a more proactive approach then the influence of networks was almost none existent as was

the case with the Uganda venture. Due to the size of AHDC then the choice of entry mode was limited by the available resources and in most cases opted to just export merchandise rather than having more demanding investments in the foreign market.

5.4 Recommendation of the Study

This study recommends that having a good product or service can be complemented by having equally good networks that would greatly aid in the expansion of any given business. AHDC benefited from the symbiotic network relationship it had with Serena hotels that allowed for AHDC to easily venture into foreign markets that it was participating in.

5.5 Limitation of the Study

The study focused on a single firm in the curios industry and therefore the results could be greatly influenced by the culture of AHDC management. This also meant that the sample size of respondents was few and could therefore decrease the representative accuracy of the results.

5.6 Suggestion for Further Studies

The study focused on one firm within the curios industry and would be better if a similar research would be carried out as a longitudinal study to include other curios firms so as to correlate or contradict the findings of this research.

A similar study would be carried out on another industry in the Kenyan market that attracts SMEs like the light industries involved in the manufacture of simple consumer products basically formalized juakali firms that have trade activities going beyond the Kenyan borders.

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APPENDIX I: LETTER OF INTRODUCTION



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12 September 2018

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

**INTRODUCTORY LETTER FOR RESEARCH
STEPHEN KARUTHIRU NDUNG'U – REGISTRATION NO. D61/73248/2009**

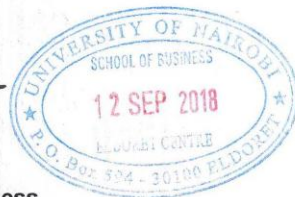
This is to confirm that the above named is a bona fide student in the Master of Business Administration (MBA. Strategic Management) option degree program in this University. He is conducting research on *"The Role of Networks in Internationalization of Operations Africa Heritage Design Company in Kenya"*.

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the research project. The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your co-operation will be highly appreciated.

Thank you.

Dr. John Yabs
Co-ordinator,
School of Business
Eldoret Campus



APPENDIX II: INTERVIEW GUIDE

A. About the decision-maker:

1. For how long have you been active within this industry?
2. Educational background and age?
3. Personal international experience? (For example through work, studies, significant travels)

B. About the internationalization process of the company:

4. In short, state in chronological order; year, country/market, entry mode (list)?
5. In general, have you as a company been driving this process or has demand led you to new foreign markets?

C. About the decision to enter the foreign markets:

6. What made you enter the foreign markets? Events, persons, firms, and/or organizations that played a role in this decision?
7. If so describe your relationship to this contact.
8. Is this a contact that also in general has/had an influence in decisions in your organization? If yes, why/ how so?
9. How often are you in contact?
10. How far back in time does your relationship go? How has it been during these years? Stable/changing?

D. About how the different types of network relationships influenced the choice to enter the foreign markets selected.