ENTRY STRATEGIES USED BY MULTINATIONAL AUDITING FIRMS IN KENYA

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DECLARATION

I hereby declare that this project is my original work and has not been presented for a degree award in any other institution or university.

Signature__________________________ Date_____________________________

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D61/61671/2010

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

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DEDICATION

I would like to dedicate this study to four important women in my life, my wife Zipporah Nungari, my two lovely daughters Jessica and Abby and my loving mum Grace Ngendo for their moral support, counsel and above all love. For that I say thank you very much and I am passionate about you four.

ABSTRACT

The main objective of study was to identify entry strategies used by multinational auditing firms in Kenya Despite abundant research on entry strategies in International Business (IB) studies, scholars have paid scant attention to the social context within which entry strategies into foreign markets are embedded. Few studies have contrasted economic and social explanations for choices on entry mode strategy. It is unclear, for example, how different entry mode strategies reflect internal, inter-firm and external environment pressures. It is accepted, however, that the models of interaction between firms and their institutional environments determine the firms' adjustment to external constraints and may promote the firms' survival, even if the external environments are unknown and cannot be accurately predicted. The research adopted cross sectional and descriptive survey method aimed at establishing entry strategies used by multinational auditing firms in Kenya. The target population of this study consisted of all the 15 multinational auditing firms in Kenya. The response was from 35 respondents who returned questionnaires fully answered giving us a response rate of 77.7% which was adequate for the study. The study found that different firms use different entry modes and this informs the marketing strategies used. It is very crucial to identify cultural differences as this may impose a major risk between cultures. One of the fundamental steps that need to be taken prior to beginning international audit is the environmental analysis. It is good to assess all factors that lead to choosing an entry mode. Negative assessment of any market factors may affect entry mode.

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ABBREVIATION AND ACRONYMS

ICPAK:	Institute of Certified Public Accountants
IAS:	International Accounting Standards
ISAs:	International Standards on Auditing
KASNEB:	Kenya Accountants & Secretaries Examination Board
MNE:	Multinational Corporation Enterprise
RAB:	Registration of Accountants Board

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The environment in which organizations operate is constantly changing with different factors influencing the organizations. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce and Robinson, 2005). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves (Kotler, 2000).

Organizations exist as open systems and hence they are in continuous interaction with the environment in which they operate. The environment in which the organizations operate is never static. Firms depend on the environment for the required resource and a profitable market for their goods and services. All organizations lend themselves to this environment which is highly dynamic, chaotic and turbulent that it is not possible to predict what will happen and or when it will happen. Consequently, the ever changing environment continually presents opportunities and challenges (Mintzberg and Quinn, 1988).

The dynamic environment in which a business operates provides opportunities for it to grow, develop and create value and wealth. It also poses some threats to the business. The primary concern is how the business affects people and natural environment as it produces and sells products necessary to satisfy customers, stakeholders and other constituents (Rainey, 2008). The auditing profession has in the recent undergone some phases of changes ranging from economic turmoil, new operational standard on quality and assurance and new developments on International Financial Reporting Standards.

The clients of this profession have increased their demand for high level of quality of output; value added services and not just the tradition audit reports. In addition accelerated structural shifts in industries have created urgency for firms to be more nimble, efficient, and responsive. Bombarded by threats and change, clients focus on a back-to-basics strategy involving simplifying, streamlining, rescaling, and restructuring their operations**.** These market challenges represent opportunities for audit professional services firms to innovate and create differentiation in the market and also tap in into the international markets like the neighbouring countries. The firms that can improve the way they manage clients, deliver services, access and manage talent, and provide operational excellence will meet the challenges with significant competitive advantages.

1.1.1 Entry Strategies

The impulse behind a company's initial entry into a foreign market is usually the prospect of profit on immediate sales, for example in response to an accidental order. Only later do most companies start to think about an entry strategy approach; what they need to create positions in foreign markets that can be sustained over the long run. A few mistakes about entry strategies are very common; an entry strategy is needed for each product in each foreign market. Every situation is different, thus requires a unique approach. Furthermore, entry strategies are not only interesting for large companies. Every company should understand the idea of planning entry strategies (Root, 1994).

The choice of entry strategy depends on the risk a company is prepared to take and the desired degree of control (Farhang, 1990). The choice of entry strategy normally changes over time, in a rather predictable way; a company becomes more experienced over time, so it is likely to take more risk. The ‘stages approach’, also known as the development approach (Morris, 1986), describes internationalization as a learning and incremental process, in which risk avoiding companies can reach different stages. In the first stage a company has no, or not regular, export. In the next stages the exporting activities increase, until they reaches a maximum in the last stage; a company has become a multinational.

Most companies start their internationalization according to Root’s ‘pragmatic entry selection approach’. This approach focuses at an entry mode that works, but may not be the most suitable entry mode. For that reason other kinds of entry strategy are only assessed if the chosen entry is not suitable. It is often a cheap and easy low risk export entry mode. Root’s ‘strategic entry selection approach’ is likely to find the most suitable entry mode; it demands systematic comparisons of alternative modes. Nevertheless many, often conflicting, external and internal factors influence the choice of the entry mode. Furthermore, a company has often multiple objectives in the target market; hence it is often difficult to assess all relevant factors. Different entry mode options, bounded rationality and lack of time and money, make it unlikely for managers to look at all possibilities. Trade-offs has to be made and expected benefits and costs of alternative entry modes should be compared and adjusted for risks. One of the main problems regarding market entry decisions is the fact that it is ill-defined, complex and dynamic (Young & Okoroafo, 1989). Scholars often have different opinions about the criteria influencing the choice of entry mode. Different samples, different time period.

1.1.2 Auditing Firms in Kenya

The Accountancy profession in Kenya is regulated through the Accountants Act, Chapter 531 of the Laws of Kenya. The Act was enacted in 1977 and brought into being three bodies; ICPAK (Institute of Certified Public Accountants), RAB(Registration of Accountants Board and KASNEB (Kenya Accountants & Secretaries Examination Board). ICPAK serves as the umbrella body that oversees the activities of qualified and registered Certified Public Accountants (CPAKs). The mandate of ICPAK are; Setting and enforcing standards of professional practice including accounting, auditing and ethical standards. Enforcing a programme of quality assurance for the audit profession. Monitoring ethical behavior and adjudicating over cases involving indiscipline through the Statutory Disciplinary Committee. Providing for the maintenance of competence by updating members' knowledge through publications and the conduct of continuing professional education. Providing solutions through which training of accountants can be improved. For this purpose, ICPAK established the Kenya College of Accountancy (KCA), which is now one of the leading trainers in accountancy in Kenya.

Kenya has recently made progress in closing the gap between national accounting and auditing practices and international standards, notably by adopting the IASs and ISAs as national requirements. However, compliance with the requirements of IASs and ISAs is partial, due to enforcement mechanisms that continue to evolve and inadequate resources. In spite of these difficulties, institutional investors in Kenya perceive that the quality of financial reporting has significantly improved over the past decade.

Improvements are needed in the legal framework governing accounting and financial reporting, the professional education and training arrangements, the professional body, and the enforcement mechanism. Stakeholders in the country believe that successful completion of appropriate capacity-building initiatives, through implementation of an action plan, would help develop accounting and auditing practices and bring about improvements in compliance with the international standards.

1.2 Research Problem

Entry strategy selection is the perceived institutional difference between home and host countries (Kostova, 1999) or between prior entries and prospective host countries (Johanson and Wiedershiem-Paul, 1975). Institutional distance hinders the flow of information between the MNE and the market (Xu and Shenkar, 2002) and may promote the adoption of strategies that are not more efficient but rather more legitimate. For example, if the prospective host country's environment is perceived to be substantially institutionally different from MNEs' home institutional environments or prior entry experience in other foreign countries, MNEs may prefer to commit fewer resources to its operations in the foreign country.

Despite abundant research on entry strategies in International Business (IB) studies, scholars have paid scant attention to the social context within which entry strategies into foreign markets are embedded (Granovetter, 1985). In fact, few studies have contrasted economic and social explanations for choices on entry mode strategy. It is unclear, for example, how different entry mode strategies reflect internal, inter-firm and external environment pressures. It is accepted, however, that the models of interaction between firms and their institutional environments determine the firms' adjustment to external constraints and may promote the firms' survival, even if the external environments are unknown and cannot be accurately predicted. In the case of multinational enterprises (MNEs), the difficulties are heightened because MNEs are exposed to multiple and distinctly complex foreign business environments (Guisinger, 2001). The question is, what entry strategy have multinational auditing firms adopted to enter the Kenyan market?

1.3 Research Objective

The objective of the study is to identify entry strategies used by multinational auditing firms in Kenya

1.4 Value of the Study

The study will be a source of reference material for future researchers on other related topics; it will also help other academicians who undertake the same topic in their studies. The study will also highlight important relationships that require further research on use entry strategies used by multinational auditing firms in Kenya.

The findings of this study will be beneficial to auditing firms seeking affiliation with Kenyan auditing firms. These finding will give a guide on the requirements by the regulating bodies and the set up cost.

The study will help the policy makers within the auditing firms on what licensing requirements and staff requirements that would be required to operate in Kenya as an auditing firm and the demands by both staff and clients. The levels of expectation will also be within their knowledge.

The study will be a source of reference materials for those Kenyan Auditing firms seeking to establish branch offices or fully fledged offices outside Kenya as the outline of requirements will be also most the same in terms of what other regulatory frameworks for other countries would be.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter shall review the literature available on entry strategies used by multinational auditing firms in Kenya. The first section focuses on entry mode strategies, factors influencing the entry strategy decision and the last sections covers problems facing companies entering transition countries

2.2 Entry Strategies

Once a company has decided upon a suitable target country for its operations, it needs to choose an appropriate market entry strategy (Root, 1994). The foreign market entry strategies for both manufacturing and service companies can be divided into exporting, contractual and investment entry modes (Bradley, 1995). Grönroos (1999), however, mentions a fourth strategy of entry for services; the electronic strategy.

To begin with, most manufacturing companies perform their initial internationalization through exporting modes (Bradley, 1995). Exporting is a low resource commitment entry mode and when the firm later on has gained knowledge and experience it may shift to a high resource commitment entry mode, such as foreign investment (Kwon and Konopa, 1992). Exports for manufactured goods can further be divided into direct and indirect export, where indirect export is performed through selling to intermediaries, and direct export through selling directly to the foreign buyers (Brassington and Pettitt, 2000).

Contractual entry modes, on the other hand, are long term relationships between companies in different countries that involve transfer or technology or human skills, and include licensing, franchising, and other types of contracts. Contractual entry modes are used when the firm wants to avoid starting up completely new operations in the new market. For this reason, this is the least risky of the entry strategies for service firms. (Grönroos, 1999).

Licensing is avoiding the risk of product and/or market development by using already established firms in the process. The licensee is, via the licenser, allowed to manufacture the product, use patents, and particular processes and/or use existing trademarks in a specific market in exchange for a fee or royalty. (Brassington and Pettitt, 2000) The main advantage of licensing is the circumvention of import barriers. In addition, licensing helps the firm to overcome the problem of high transportation costs that might occur in exporting. Licensing also implies lower political risk than the investment entry modes. The risk of creating a new competitor is also high, since the licensee can use the licensor's technology after the contract is finished. (Root, 1994)

Franchising is when an individual or an organisation in a country is granted the right to use the company name, trademark and technology. However, the franchisor also assists the franchisee in organisation, marketing, and general management under an arrangement that is intended to be permanent. The advantages of franchising are rapid expansion to new markets with low investment, standardised method of marketing with a distinctive image, highly motivated franchisees, and low political risk. The disadvantages of franchising are mainly the same as for licensing. Further, licensing and franchising are suitable modes of entry when the company sells a service that cannot be exported. (Root, 1994)

Finally, the investment entry modes include international company ownership of manufacturing plants or other production units in the foreign country in the form of new establishments (which, according to Williams (1997), are also called greenfield sites), acquisitions, joint ventures, (Root, 1994) or mergers (Floyd, 2002). These modes have a considerable capability of impacting on the host economy (Williams, 1997). Williams (1997) also claims that arguments that are mounted in favour of foreign direct investments revolve around the notion that it will improve competitiveness, and through this increase employment and the welfare of the host nation. Through foreign investments, the foreign company can gain relatively more control of the market than through exporting, and it implies an expectation of a relatively higher rate of return (Kwon and Konopa, 1992).

New establishments are when companies start up completely new operations in a new country (Root, 1994). It is preferred when the company has a technology incompatible with already existing firms on the foreign market or if the acquisition price of another company is too high (Grahn and Khoshnam, 1999). The largest problems with new establishments are the start-up costs and the associated risks (Andersson and Arvidsson, 1992). The advantages of acquisitions differ depending on how successful the selection of the acquired company is, and a poor selection can turn any advantage into a disadvantage. (Root, 1994).

The first possible advantage with acquisitions is a faster start in exploiting the target market than if the investor would start up as a new establishment. The second is that acquisitions prove a shorter payback period by creating immediate income for the investor. Continually, other possible advantages are that the acquisition might provide a resource (usually managerial, or of a technical nature) that is scarce in the target country and not available on the open market, and that the firm might take over new product lines (Root, 1994).

Lastly, a joint venture is when two companies share the ownership of a firm in order to complement assets and/or skills (Brassington and Pettitt, 2000). A joint venture occurs either when a foreign and a domestic firm together start up a completely new company within the new market, or through an acquisition or a partial ownership of an existing local company by the foreign firm (Root, 1994).

Investment through joint venture brings advantages such as risk diversification, capital requirements reductions and lower start-up-costs (Williams, 1997). It will also create growth opportunities for the local firm simultaneously as the international firm will gain much local know-how (Grönroos, 1999). Joint ventures normally facilitate a rapid market entry and fast return of the initial investment (Bradley, 1995). A joint venture also allows a company with limited human and financial resources to enter a new market, instead of creating expensive foreign subsidiaries. This, together with the fact that the managers in the local establishment have the knowledge of the host country environments facing the company, minimises the risk.

Finally, the electronic entry mode means that a service firm extends its accessibility through the use of advanced electronic technology. The Internet presents ways to communicate offerings and to put them up for sale, and the ability to collect data on buying habits and patterns of its customer, and the possibility to use network partners to arrange delivery and payment. However, the company still has to rely on, for example, postal and other delivery services for the strategy to work. This strategy might in some instances also work for manufactured goods as well (Grönroos, 1999).

2.3 Factors Influencing the Entry Strategy Decision

The selection between the entry modes described in the previous section depends on the risk the company is prepared to take and its desired degree of control (Farhang, 1990). According to Root (1994), it depends on whether the managers of the international firm follow the naive, the pragmatic or the strategy rule when deciding which mode of entry should be used when entering foreign markets. Root (1994) further states that the naive rule implies that the firm only considers one way to enter foreign markets, no matter of which country the firm is entering. To follow the pragmatic rule means that the company does not set aside time to investigate other modes when a mode of entry that is working has been found. Finally, companies following the strategic rule systematically compare other modes of entry in order to eventually find the most suitable one.

Albaum and Strandskov (1994), on the other hand, argue that the decision can be based on either, or both, of two broad approaches, which are experience or analysis. That is, the company can decide what mode of entry is desirable for its products from its own experience, or from other firms' experiences. In contrast, the choice can also be made after making an analysis of the marketing task, needs, and buying habits of potential customers, and the competence of marketing organisations to perform various activities. No matter which of these theories is used, the final result is based on needs and capabilities, which implies that the decision of entry mode revolves around both external and internal factors (Albaum and Strandskov, 1994).

2.3.1 External Factors

The external factors that affect the entry mode decision include market, production and environmental factors in both the target and home countries. As these are external to the company, they can seldom be affected by management decisions. The external factors can further be divided into target country market factors, target country production factors, target country environmental factors and home country factors. (Root, 1994)

Target country market factors are the size of the market, the competitive structure and the marketing infrastructure of the target country. In small markets it is favourable to use entry modes that require low breakeven sales volumes (indirect and agent/distributor exporting, licensing, and some contractual arrangements). On the other hand, entry modes that require high breakeven sales volumes (branch/subsidiary exporting and equity investment in local Production) can be used in markets with high sales potential. (Root, 1994) Large markets present a great foreign market opportunity, which can strongly determine the choice of Foreign market entry mode. Companies usually select a high resource commitment mode of entry when the foreign market opportunity is extensive in order to facilitate a higher rate of return (Kwon and Konopa, 1992).

The competitive structure of a market can range from atomistic (many non-dominant competitors), to oligopoly (a few dominant competitors), and to monopolistic (a single firm). The atomistic market is usually more favourable for export entry than the others, since these often require entry through equity investment modes. If the competition is estimated to be too strong, licensing or other contractual modes of entry might be considered in order to reduce risk. Lastly, when the marketing infrastructure is non-existing or of poor quality, an exporting company may, for example, decide to use a branch/subsidiary entry mode. (Root, 1994)

Target country production factors include the quality, quantity and cost of raw materials, labour, energy and other productive variables. It also includes the quality and cost of the economic infrastructure. Low production costs in the target country support some form of local production. High costs, on the other hand, discourage local manufacturing (Root, 1994). To begin with, target country environmental factors that affect the choice of entry mode include the political, economic and socio-cultural character of the target country. Of these, government policies and regulations concerning international business are the factors of greatest importance. They relate to, for example, restrictive import policies such as tariffs, quotas and other barriers that discourage export entry and favour other modes of entry that do not involve these costs.

Geographic distance concerns whether the transportation costs of the company's products are high due to vast distances. If this is the case, non-export entry modes will be in favour, as these do not incur the same costs as exports. (Kwon and Konopa, 1992). Further, whether the economy is a centrally planned socialist economy or a market economy also plays a significant role in the choice of market entry strategy. The reason for this is because equity investment entry modes most of the times only are possible in the latter. (Root, 1994) Other attributes influencing the choice of strategy are the country's economic development and performance (GDP and GDP/capita) (Kwon and Konopa, 1992). These two are closely intertwined with the market size the company has for its product in the target country (Root, 1994).

Finally, the cultural distance between the home country and the target country societies affects a company's choice of entry mode. Significant cultural differences might create a fear for foreign firms to be able to handle operations in the foreign country and high costs of information acquisition. (Root, 1994) This implies that a substantial cultural distance favours export entry modes as these limits the company's commitment in the target country (Kwon and Konopa, 1992).

2.3.2 Internal Factors

The way a firm respond to the external factors discussed above depends on a number of internal factors. These can be divided into product factors and resource/commitment factors. (Root, 1994) For the reason that highly differentiated products allow for high pricing and therefore can absorb high transport costs and import duties, they favour exporting entry strategies. Further, a product that require pre- and post purchase services is more difficult to market at a distance, and is therefore more suitable to use together with a branch/subsidiary exporting and local production mode of entry. Technologically intensive products give companies an option to license technology in the foreign target country rather than to use alternative entry modes.

Continually, products that require considerable adaptation before marketing abroad are most appropriate together with an entry mode that brings the company close to the foreign market, such as branch/subsidiary exporting and a local production mode of entry. Finally, services, such as engineering, advertising, and telecommunication, require that the company finds a way to produce the service in the foreign target country, as these cannot be traditionally exported physically. (Root 1994)

A company with limited resources in management, technology, production skills and marketing skills, is constrained to use entry modes that require only a minor amount of resource commitment. Once again, this implies that the company size has a large impact on the choice of entry mode. As an example, establishing fully owned subsidiary often involves very substantial investment and corresponding high risk levels. Also, the entry specific mode depends on industry specific resources and their relevant preferences depend on industry specific resource demands for individual market entry modes. (Koch, 2001).

2.4 Problems Facing Companies Entering Transition Countries

As previously mentioned, the internationalisation process will not always run without any complications. Companies might lack international experience and competence to exploit the international business opportunities, which often creates problems. (Karagozoglu and Lindell, 2001) Most importantly, however, when a company is entering international markets there are dissimilarities in the economic, political, legal and cultural environments that pose incentives for, as well as obstacles to, successful expansion (Ghauri and Holstius, 1996). These dissimilarities are especially large in transition economies, where it, in addition, might be difficult to gather reliable information about the global markets, technologies, and competitors.

First of all, in several transition economies there are problems with economic, political and legal factors such as high interest rates, the rate of exchange, high inflation, an unstable government, and poor banking and court systems (Bartley and Minor, 1994). There might be contradictory laws, and several laws are not functioning at all in practice (Bond and Tykkyläinen, 1996). Further, duties and fees within the country may vary or be introduced suddenly. Heavy bureaucracy is also often a problem for the international company.

Raiszadeh and Helms, (1995) claim that, in general, there are problems with the quality of job applicants. Furthermore, it is argued that most personnel are ignorant of the basic economic principles and western business practices. In many countries, the problem also lies in the fact that even though there is a desire to learn new ways to conduct business, there are not enough schools and instructors available.

Bartley and Minor (1994) further claim that in some transition economies, "no profits can be generated without a change in the way local management behaved under the statist production system.

Furthermore, many transition economy countries have never placed any emphasis on environmental issues or the health of their inhabitants. It can be complicated to apply western environmental standards in locations where there are no such formal requirements, and this presents foreign investors with an ethical and economic dilemma. Living conditions are further a major concern of people being transferred to foreign locations. These can be problematic for firms, as the living conditions in transition economies cannot be compared to western standards. Naturally, local cultural norms and values are also something that can cause problems for foreign companies if they do not realise and accept the differences (Raiszadeh and Helms, 1995).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methods that were adopted by the study in obtaining information on entry strategies used by multinational auditing firms in Kenya. The chapter also describes and explains the research instrument that were used in the study. The chapter is thus structured into research design, target population, sample and sampling techniques, data collection and data analysis techniques.

3.2 Research Design

The research design that was used in this study was both cross sectional and descriptive survey method aimed at establishing entry strategies used by multinational auditing firms in Kenya. These methods were preferred because they allow for prudent comparison of the research findings. A cross sectional and descriptive survey attempts to describe or define a subject often by creating a profile of a group of problems, people or events through the collection of data and tabulation of the frequencies on research variables or their interaction as indicated.

3.3 Population

The target population of this study consisted of all the 15 multinational auditing firms in Kenya with an average 3 to 5 partners in each firm giving a total population of 45 partners. The study targeted 3 partners in each firm. The staffs of the firm were not interviewed since management decision on strategy resides with the owners or partners within each firm.

3.4 Data Collection

The target informants of this study consisted of all the owner managers of the 15 multinational auditing firms in Kenya with approximate 3 to 5 partners in each firm. The study heavily relied on primary data which was collected through administering structured questionnaire comprising of closed and open-ended questions; developed in line with the objectives of the study. The study sought responses from Owner Managers, owing to their role in multinational auditing firms in Kenya.

3.6 Data Analysis

The process of data analysis involved several stages; the completed questionnaires was be edited for completeness and consistency, check for errors and omissions and then coded. A content analysis and descriptive analysis was employed. Descriptive statistics involving percentages, mean scores and standard deviations was while content analysis was used to correlate the respondents' views on entry strategies used by multinational auditing firms in Kenya.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter provides an analysis of data collected from the field. The results have been presented in tables, figures and content delivery to highlight the major findings. They are also presented sequentially according to the research questions of the study. Mean scores and standard deviations analyses have been used to analyse the data collected. The raw data was coded, evaluated and tabulated to depict clearly the entry strategies used by multinational auditing firms in Kenya.

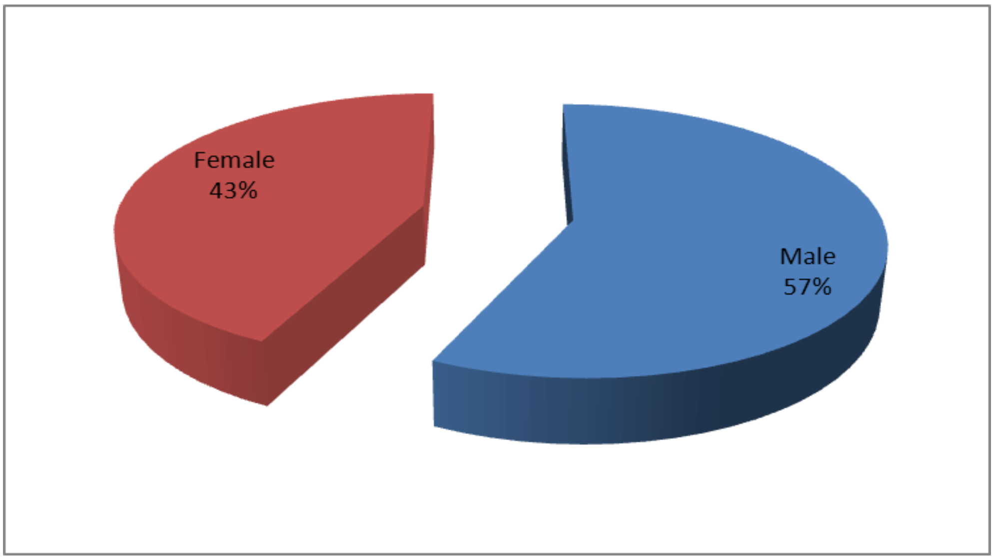
4.2 Demographic Characteristics

The study sought to establish the information on the respondents employed in the study with regards to the gender, age, department worked, the level of education and duration of service. These bio data points at the respondents' appropriateness in answering the study questions

4.2.1 Gender

The respondents were asked to show their gender, this was expected to guide the researcher on the conclusions regarding the degree of congruence of responses with the gender characteristics. Figure 4.1 below shows the study finding.

Figure 4.1: Gender

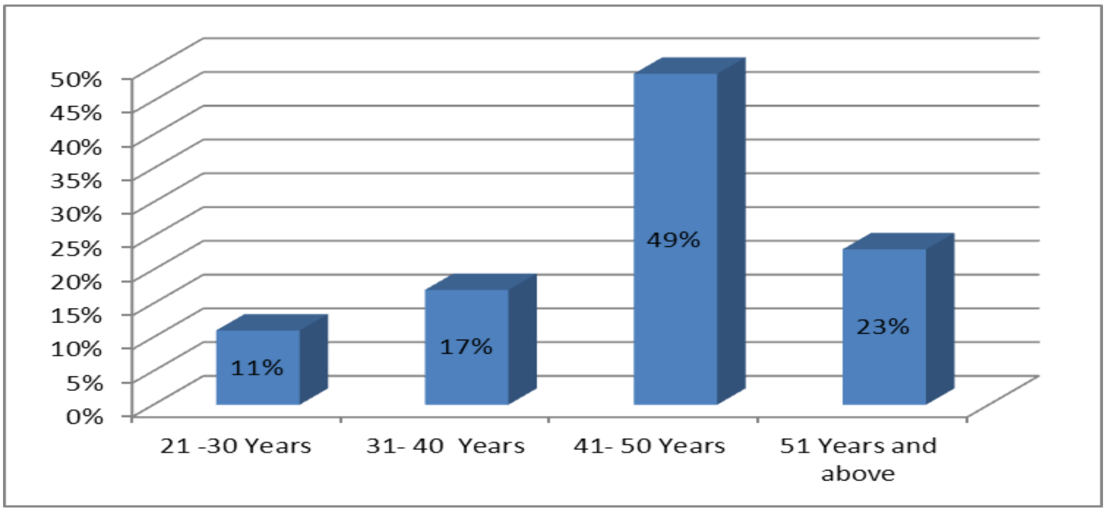


The results as in the figure 4.1 show that majority of the respondent were male at 57% while female was 43% implying that most of the workers were male.

4.2.2 Distribution of Age Group

The respondents were asked to disclose their age. The figure below shows the study finding.

Figure 4.2: Distribution of Age Group

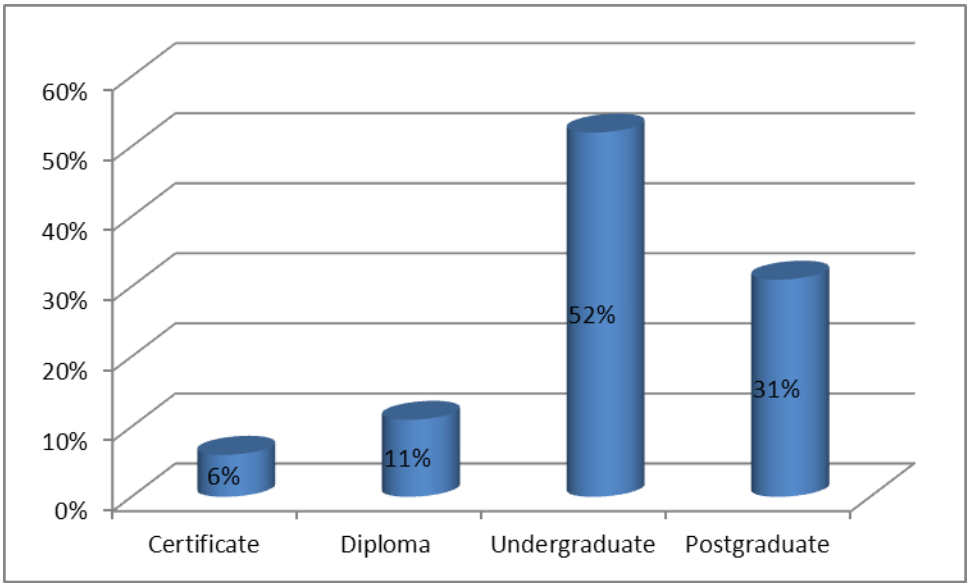


The results presented in figure 4.2 show that a large proportion of 49% the respondents were aged from the ages of 41 to 50 years; this was followed by a significant percentage 23% that had also attained ages from 51years and above, while 17% and 11 % are for ages 31-40 years and 21-30 years respectively. The age composition shows that most of the respondents were of the 41 to 50 years and therefore had rich experiences, could also appreciate the importance of the study.

4.2.3 Academic background

The respondents were asked to indicate their academic background. Figure 4.3 shows the study findings.

Figure 4.3: Academic background

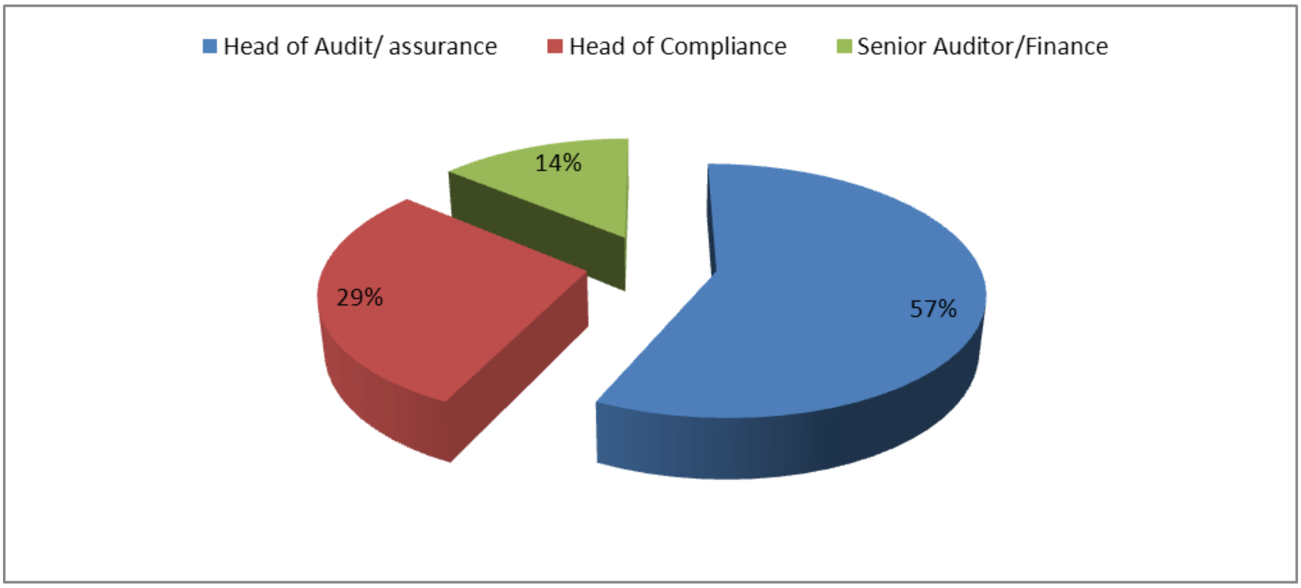


From the table, 52% of the respondents said they had undergraduate degree. 31% had postgraduate degree, 11% said that they had they were diploma holders while 6% said that they were certificate holders. These findings indicate that majority of the managers in multinational auditing firms in Kenya, have undergraduate degree.

4.2.4 Department worked

The respondent where asked to show the department they work. Figure 4.4 below shows the study findings.

Figure 4.4: Department worked



The results show that majority 57% of the respondents were heading audit and assurance department, 29% were head of compliance while 14% were senior auditors and in charge of finance.

4.2.5 Length of service

The respondents were asked to indicate the number of years worked in the firms. Figure 4.5 below show the results of the study.

Figure 4.5: Length of service

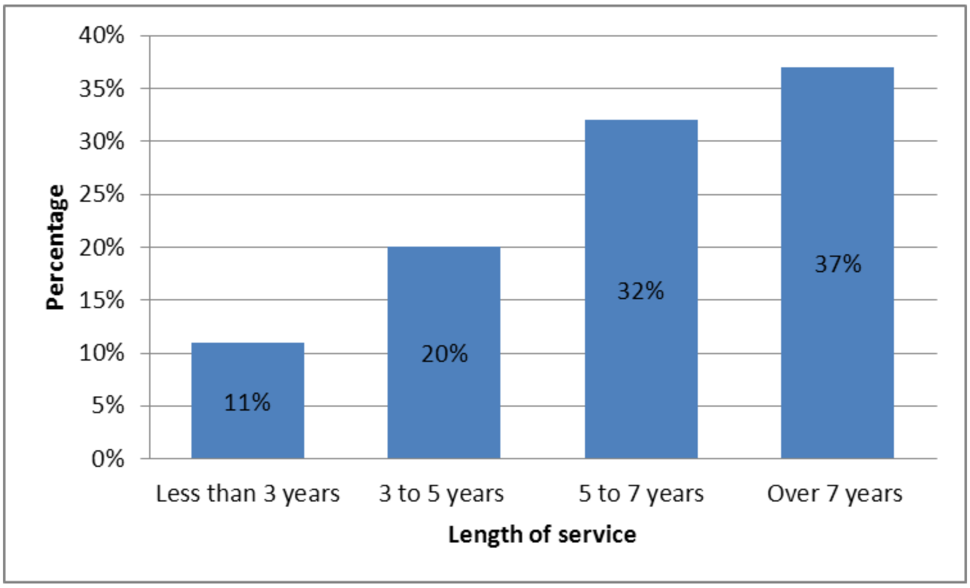


Figure 4.5 presents the findings on the duration of respondents work in the present capacity. From the figure, 37% indicated that they had been in the present firm for over 7 years. 32% indicated a period of 5 to 7 years, 20% indicated a period of 3-5 years while 11% indicated a period of less than 3 years. These findings indicated that majority of the senior people in the firms, have worked at their present company for a period of over 7 years.

4.3 Entry Strategies Used By Multinational Auditing Firms in Kenya

4.3.1 Factors influencing the entry strategy decision in multinational auditing firms in Kenya.

The respondents were also asked about the factors influencing the entry strategy decision in multinational auditing firms in Kenya. The results are shown in the table below

Table 4.1: Factors influencing the entry strategy decision in multinational auditing firms in Kenya

Description	N	Min	Max	Mean	Standard deviation
Market for services	35	1	5	4.8658	0.8688
Local Governmental Attitudes	35	1	5	4.0517	0.7541
Bureaucracy	35	1	5	3.2154	0.6857
Local Infrastructure	35	1	5	2.1357	0.6648
Desired Degree of Control	35	1	5	2.1544	0.7548
Level of Technology Needed	35	1	5	2.9651	0.3271
Capital Intensity of the Industry	35	1	5	4.6257	0.4567
Operation Costs	35	1	5	3.1779	0.8655
Legal Framework	35	1	5	2.1351	0.4517

From the descriptive statistics presented in table 4.1 shows that the mean are above 2.0 for all the factors influencing the entry strategy decision in multinational auditing firms in Kenya. (2.1351, 2.1357, 2.1544, 2.9651, 3.1779, 3.2154, 4.0517, 4.6257 and 4.8658) from the lowest to highest respectively in this order; Legal Framework, Local Infrastructure, Desired Degree of Control, Level of Technology Needed, Operation Costs, Bureaucracy, Local Governmental Attitudes, Capital Intensity of the Industry and Market for services. The standard deviation show the spread of ideas of respondent and from the table the standard deviation ranges from 0.8688 to 0.3271 indicating that it is a small value thus respondents were agreeing to the same idea of factors influencing the entry strategy decision in multinational auditing firms in Kenya.

4.3 Entry Strategies Used By Multinational Auditing Firms in Kenya

4.3.1 Corporate and expertise reasons that facilitated entry into new markets or to develop international management competencies:

Opportunities derived from state cooperation like EA community member states; The emergence of multinational enterprises; The increasing internalization of capital markets; The growth of international accounting firms, with common approaches to audit methodology, training and quality review; The convergence around international frameworks for accounting and audit t to position themselves into the Kenyan development community market; To gain access to new and larger markets in order to achieve growth; Firms needed to expand the market for their products by exporting or creating subsidiaries or joint ventures; To have access to know-how and technology in order to remain competitive; Interest in exploiting unique ideas and competences, as well as the opportunities that the foreign market offers.

4.3.2 Information source

The respondents were also asked to indicate the methods they used to gather information about the foreign target market before entering that market. The table below indicates the results of the study.

Table 4.2: Information source

Description	N	Min	Max	Mean	Standard deviation
Market research institutes	35	1	5	3.6524	0.8651
Trade partners, customers, suppliers	35	1	5	4.0625	0.3265
Information specialists	35	1	5	3.9741	0.5554
Foreign trade representatives in your country	35	1	5	4.3870	0.4124
International organizations	35	1	5	3.8651	0.8647
Publications	35	1	5	3.9781	0.6002

On the descriptive statistics on table above shows that 35 respondent were interviewed about methods they used to gather information about the foreign target market before entering that market, from the table the means ranges from 3.6524 to 4.3870 meaning that most of the respondents agreed to the methods used, while the standard deviation support since all the indicators have smaller values of 0.3265 to 0.8651.

4.3.3 Internationalization process of your firm

The respondents were also asked to show the process that best describes the internationalization process of their firm

Table 4.3: Internationalization process of your firm

Process description	Frequency	Percentage
Step-by-step, risk averse, slow, cautious process.	11	32
Entering into foreign market through networks/contacts/partners.	13	37
Through international entrepreneurial activities.	5	14
Management/ individual/firm rapid internationalization.	6	17
	35	**100**

The table above shows that majority 37% of the respondents indicated that it was a process of entering into foreign market through networks/contacts/partners. 32% indicated it was a Step-by-step, risk averse, slow, cautious process. 17% indicated management/ individual/firm rapid internationalization. While 14% indicated it was through international entrepreneurial activities.

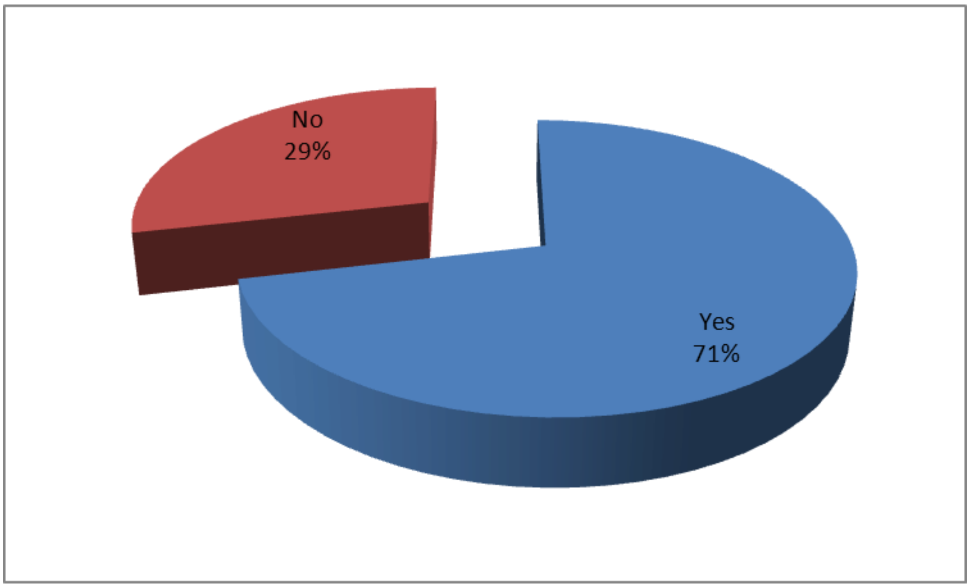
4.3.4 Mode of entry used by your firm

The respondents were asked to indicate the mode used by their firm when entering the market. Some of the modes listed were licensing, franchising**,** joint venture and foreign direct investment.

4.3.5 Application of the same strategies and methods used

The respondents were asked to indicate whether they would use the same strategies and methods they used then to go international today.

Figure 4.6: Application of the same strategies and methods used



Majority 71% of the respondents indicate that they would use the same strategy while 29% indicated that they would not use the same strategy. Some of the reasons given as to why they would use the same method include; entry point with risk reduction, benefits to both parties, capital not tied up, opportunities to buy into partner or royalties on the stock, foreign exchange earnings and good reputation.

Those who indicated they would not use the same strategy indicated reasons to be; limited form or participation, potential returns from marketing and manufacturing would be lost, partner developed know-how and so license is shortened, partner become competitor, requires a lot of planning beforehand and partners did not have full control or management.

4.3.6 Suggestion to the audit firms that are planning to internationalize in the near future, regarding strategy and methods

Some of the suggestions that were given in regards to the entry mode include:

A firm must assess before entering a particular market the potential factors that play a significant role during the process of decision making for the potential market selection.

Identifications of risks especially those that could be related with could be related to the economy, currency valuations and political. While planning for the entry mode they should understand the history, geography, culture, and demography before deciding on the entry mode. They need to study studying the current political system and institutions, government policies, and a variety of data and other information on the country’s economy.

However each single organization will be more attracted to a type mode depending on their backgrounds, nature of the company, strategic objectives as well as the resources. In many cases, there are many obstacles that companies have to meet while deciding to enter other markets, for example; safety, environmental, patents, trademarks and copyrights, are factors that businesses depend on being successful.

4.3.7 Problems that have been or were experienced with entry strategy decision by your firm in Kenya

The respondents were also asked to indicate the extent to which problems were experienced with entry strategy decision by the firm. The table below shows the study results.

Table 4.4: Problems that have been or were experienced with entry strategy decision

Description	**N**	**Min**	**Max**	**Mean**	**Standard deviation**
Economic, Political and Legal Problems	35	1	5	3.6233	0.8101
Corruption	35	1	5	2.3215	0.3261
Bureaucracy	35	1	5	3.1570	0.9517
Bottlenecks in Production and Distribution	35	1	5	1.9658	0.5628
Barter Trade	35	1	5	1.0325	0.9654
Quality of Job Applicants	35	1	5	1.2653	0.4325
Infrastructure	35	1	5	3.5124	0.8700
No Products or Resources	35	1	5	2.4517	0.6251
Environmental Issues	35	1	5	2.0324	0.7112
Living Conditions	35	1	5	1.3265	0.7421
Cultural Norms and Values	35	1	5	4.6257	0.6215

From the descriptive statistics presented above, majority of the respondents were in agreement to a great extent m=4.6257 that Cultural Norms and Values was a Problem experienced during the entry strategy decision. Moderate challenges were Economic, Political and Legal Problems m= 3.6233 and Infrastructure m=.3.5124. Bureaucracy was rated neutral while the challenges rated to a low extent include; Corruption, No Products or Resources, Environmental Issues and Bottlenecks in Production and Distribution with means of 2.3215, 2.4517, 2.0324 and 1.9658 respectively. Challenges that affected to a least extent include; Living Conditions, Quality of Job Applicants and Barter Trade with means of 1.3265, 1.2653 and 1.0325 respectively.

4.3.8 Factor(s) could counter high organizational performance

The respondents were also asked to indicate the extent to which the following factors could counter high organizational performance. The table below shows the study results**.**

Table4.5: Factor(s) could counter high organizational performance

Description	**N**	**Min**	**Max**	**Mean**	**Standard deviation**
Lack of good equipment	35	1	5	4.0374	0.6251
Insufficient Staff and fund	35	1	5	4.6201	0.9641
Autocracy and bad leadership	35	1	5	3.8211	0.3251
Lack of attention to staff opinion and welfare	35	1	5	3.9657	0.8641

The results in table above show that Insufficient Staff and fund was a factor that that could counter high performance to a great extent m=4.6201. Other factors that affected to an extent include the following in their order of ranking; Lack of good equipment, Lack of attention to staff opinion and welfare and Autocracy and bad leadership with means of 4.0374, 3.9657 and 3.8211 respectively.

4.3.9 Factors that helped in internationalization process

The respondents were also asked to indicate the factors that helped your company's internationalization process. The table below shows the study results**.**

Table 4.6: Factors that helped in internationalization process

Description	**N**	**Min**	**Max**	**Mean**	**Standard deviation**
Similar market	35	1	5	3.2651	0.3265
Growth opportunity	35	1	5	4.8257	0.4154
Market Opportunity	35	1	5	4.7411	0.7470
Cultural awareness	35	1	5	3.1261	0.3007
Age of firm	35	1	5	3.5557	0.8754
Size of firm	35	1	5	3.6325	0.9213
Creativity/Innovation	35	1	5	4.0214	0.8412
Local Network/relationships	35	1	5	4.2577	0.3214
Technological advancement	35	1	5	2.8657	0.5412
Previous international experience	35	1	5	2.0325	0.8791

On the descriptive statistics on table shows that 35 respondent were interviewed on factors helped the company’s internationalization process. From the table Previous international experience was rated of little importance m= 2.0325, the factors rated of moderate importance were technological advancement, cultural awareness and similar market with means of 2.8657, 3.1261 and 3.2651 respectively. Factors rated important include; age of firm (3.5557), size of firm (3.6325), creativity/Innovation (4.0214), and local network/relationships (4.2577). Those rated Very important Include; Market Opportunity (4.7411) and Growth opportunity (4.8257). The standard deviation show the spread of ideas of respondent and from the table the standard deviation ranges from 0.9213to 0.3214 indicating that it is a small value thus respondents were agreeing to the same idea on factors that helped the company’s internationalization process.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings as discussed in chapter four and interpretations of the data analysis, conclusions and recommendations based on the findings.

5.2 Summary of findings

The main objective of the study was to identify entry strategies used by multinational auditing firms in Kenya. The emergence of multinational enterprise has to a large extent triggered the internationalization of auditing resulting to many audit firms entering into Kenya. This is because multinational enterprises demand services of the home auditors whom they are familiar with and usually make requests to their home auditors to identify for them affiliate auditors to look at their books. This in most cases leads to international auditing firms either opening offices where their clients move to or affiliate with a local firm to offer the services.

Firms that want to internationalize must decide on a fitting mode of entry into a foreign market in order to make the best use of their resources. According to Wood and Robertson (2004) the age of globalization has both facilitated and necessitated businesses to move towards the internationalization of organizations of all sizes.

It is necessary to understand the context within which a country's political, economic, and social institutions have emerged, its history, geography, culture, and demography while thinking of emerging in foreign markets. It is difficult to understand the business environment in a country without studying the current political system and institutions, government policies, and a variety of data and other information on the country’s economy.

There are many different modes of entering into foreign markets. Each mode has its strengths and weaknesses in general terms. However each single organization will be more attracted to a type mode depending on their backgrounds, nature of the company, strategic objectives as well as the resources. In many cases, there are many obstacles that companies have to meet while deciding to enter other markets, for example; safety, environmental, trademarks and copyrights, are factors that businesses depend on being successful. Once an entry mode has been chosen, the company has to decide the degree of its marketing involvement and commitment. Therefore, the decision should reflect a considerable study and analysis of market potential and company capabilities (Cateora & Graham, 1999). It is very crucial when operating in global arena to try not to make any differences that are culture related, which may impose a major risk between cultures. Thus, business people and global marketers need to be prepared to deal with different languages, food, dress, and communication styles.

5.3 Conclusions

The international business environment influences the entry mode a firm choses to enter in a country to do business. These forces that surround businesses influence their life and their development of the firm. Companies that want to expand their activities in global markets need to do some market research and analysis. One of the fundamental steps that need to be taken prior to beginning an audit firm is the environmental analysis. The process of globalization represents one of the most significant trends that accelerate rapid growth of global strategies. The selection of markets to enter should be a strategic orientation that treats market entry selection as part of the firm's overall strategy.

Selecting an international market can impact on the other activities of the firm since a firm needs to be aware of its internal capabilities, competencies and restrictions in order to select appropriate foreign target markets. International market entry barriers may include trade barriers such as tariffs, quotas, or local content requirements, exchange rate volatility or lack of currency convertibility, host country industrial policies that favor domestic firms, the existence of dominant competitors in the domestic market, or natural barriers such as geographical distance, transport accessibility, or language. It is very important for companies whether in domestic or international, large or small, which want to conduct business without taking in consideration the political environment of the country where they intend to operate. It is imperative for the international firm to understand the various types of legal systems as well as the various threats the company may encounter as it is open to global business. Marketers need to be very aware of the cultural sensitivity and issues that are very sensitive to one's culture, and to accept the differences between cultures by assessing in an objective, not creating stereotyping.

5.4 Recommendations

Companies that want to expand their activities in global markets need to do some market research and analysis. One of the fundamental steps that need to be taken prior to beginning international audit is the environmental analysis. Leading accounting firms will need to ensure they have the strategies to cope with future challenges and exploit the opportunities. This applies to both carrying out their audit function and managing the re-emergence of consulting and advisory services. In terms of the advisory and consulting functions, firms will need sustainable strategies in place to take advantage of the demand for professional advice, in order to help organizations navigate increasing financial innovation and efficiencies, whilst complying with regulation. They must also ensure they are ready to take advantage of continued strong growth and financial deregulation in emerging economies.

It is good to assess all factors that lead to choosing an entry mode. Negative assessment of any market factors may affect entry mode. If companies assess all the factors positively, they are likely to decide to make capital investments in that foreign market. If the company assesses some of the factors negatively, they are likely to choose non-equity modes of entry, or to exclude that market from doing business

5.5 Suggestion for Further Studies

Further studies need to focus on regulatory framework of COMESA member states and East Africa Community on Auditing, Banking and Insurance.

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QUESTIONNAIRE

Appendix i:

Section A: General information

1. What is your gender? (tick one)

   Male ( )

   Female ( )

2. Age(tick one)

   21 -30 ( )

   31- 40 ( )

   41- 50 ( )

   51 and above ( )

3. What is your academic background

   Certificate ( )

   Diploma ( )

   Undergraduate ( )

   Postgraduate ( )

4. Which department do you work? ………………………………..
5. How long have you worked for the audit firm?

   Less than 3 years ( ) 3 to 5 years ( ) 5 to 7 years ( ) Over 7 years ( )

Section B: Entry Strategies Used By Multinational Auditing Firms in Kenya

6. Factors influencing the entry strategy decision in multinational auditing firms in Kenya. Rank by placing a tick in the appropriate place. 1= Least extent**,** 2= Low extent, 3= Neutral, 4= Moderate extent and 5= Great extent

Description	**1**	**2**	**3**	**4**	**5**
Market for services					
Local Governmental Attitudes					
Bureaucracy					
Local Infrastructure					
Desired Degree of Control					
Level of Technology Needed					
Capital Intensity of the Industry					
Commitment to the Market					
Operation Costs					
Legal Framework					

7. What are the corporate and expertise reasons that facilitated entry into new markets or to develop international management competencies?

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8. How did you gather information about the foreign target market before entering that market? ....

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9. Which of the following best describes the internationalization process of your firm?

    a. Step-by-step, risk averse, slow, cautious process.
    b. Entering into foreign market through networks/contacts/partners.
    c. Through international entrepreneurial activities.
    d. Management/ individual/firm rapid internationalization.
    e. Any combination?

    Please describe and explain the mode used by your firm above or any other mode applied

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10. Would you still use the same strategies and methods today to go international that you did during the first time? Why or why not?

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11. What would be your suggestion to the audit firms that are planning to internationalize in the near future, regarding strategy and methods?

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12. What are the problems that have been or were experienced with entry strategy decision by your firm in Kenya. Rank by placing a tick in the appropriate

place. 1= Least extent, 2= Low extent, 3= Neutral, 4= Moderate extent and 5= Great extent

Description	**1**	**2**	**3**	**4**	**5**
Economic, Political and Legal Problems					
Corruption					
Bureaucracy					
Bottlenecks in Production and Distribution					
Barter Trade					
Quality of Job Applicants					
Social Legacy					
Infrastructure					
No Products or Resources					
Communications					
Environmental Issues					
Living Conditions					
Cultural Norms and Values					

13. What factor(s) could counter high organizational performance? Rank the following in order of importance (0 – 5)

Description	**1**	**2**	**3**	**4**	**5**
Lack of good equipment					
Insufficient Staff and fund					
Autocracy and bad leadership					

Lack of attention to staff opinion and welfare					

14. Which of the following factors helped your company's internationalization process? Please rate them according to importance.

    1 not important; 2 of little importance; 3 Moderately important; 4 Important; 5 Very important

Description	1	2	3	4	5
Similar market					
Growth opportunity					
Market Opportunity					
Cultural awareness					
Age of firm					
Size of firm					
Creativity/Innovation					
Local Network/relationships					
Technological advancement					
Previous international experience					

Appendix ii: List of Multinational Auditing Firms in Kenya

1. A M Porbunderwalla
2. PKF
3. BDO International
4. David White & Co
5. Deloitte & Touche
6. Ernst & Young
7. Gill & Johnson
8. KPMG Kenya
9. PricewaterhouseCoopers
10. PSJ & Associates
11. Satish R. Khimasia
12. Shah Patel & Company
13. Subhash C. Handa
14. Y.P.Sennik
15. RSM